BAIDURI BANK

# 2022 Annual Report

# Inside the Report

# Who We Are

Baiduri Bank is a home-grown full-service bank serving individuals, business, corporate and institutional clients, while its wholly owned subsidiaries Baiduri Finance and Baiduri Capital specialise in consumer financing and investment solutions respectively.

Baiduri Bank's vision is to be the leading and preferred financial partner, empowering individuals and businesses to achieve financial success in a changing world.

We seek to enrich, empower and engage the communities we serve in a responsible and sustainable way.

Following the Standard & Poor's rating upgrade to A-/A-2 with stable outlook that we received in June 2022, Baiduri Bank is recognised as the leading conventional bank in Brunei and one of the strongest in the region.

In 2022, we recorded exceptional growth in operating profit and net profit, more than 11% above the previous high in 2021. ROE remains at a consistently high level of 12.77% despite challenging domestic and global economic climate.

## Major highlights

| Total assets (B$) | Net profit (B$) | Return on equity |
|---|---|---|
| 3.6 billion | 65.6 million | 12.77% |


# The beginning

Established in 1994, Baiduri Bank is a member of the Baiduri Bank Group, one of the largest providers of financial products and services in Brunei Darussalam.

## Shareholders

The Bank's shareholders are Baiduri Holdings and Darussalam Assets.

## Global outlook with deep local insights

With a strong combination of local expertise and global reach, the Group is acknowledged as one of the leading financial institutions in the country, with a track record of innovation and pioneering activities.

## Subsidiaries

Baiduri Finance, a wholly-owned subsidiary of Baiduri Bank, was established in 1996 and has become the country's leading automobile finance company, capturing over 60% market share in 2021. Baiduri Finance is also ISO 9001:2015 certified, signifying a commitment to quality management systems. To date, Baiduri Finance remains the sole organisation among finance companies in Brunei to have achieved this internationally recognised certification.

Baiduri Capital, another wholly-owned subsidiary, commenced operations in 2015, offering securities trading services through its online trading platform. It provides access to international stock markets, including SGX, HKEx, BURSA Malaysia, China A-shares, NASDAQ, NYSE, and NYSE MKT LLC (AMEX). In addition to securities trading, Baiduri Capital also offers unit trusts, ETFs, Bonds, and Investment-Linked Life Insurance plans.

## Widest choice of financial products

Baiduri Bank Group's core businesses encompass institutional and corporate banking, business banking, retail banking, consumer financing, and investment services. The Bank's Corporate Banking Division tailors financing solutions for businesses, while the Business Banking unit provides financial services for Micro, Small, and Medium Enterprises (MSMEs), including card terminal services, the Baiduri Payment Gateway System (BPGS), and MerchantSuite for eCommerce support, along with digital banking solutions and SME financing.

Baiduri Bank boasts a branch network of 11 branches, complemented by a finance arm with two branches and 33 ATM locations, ensuring convenient access to customers. The Bank also offers an award-winning mobile banking app, Baiduri b.Digital Personal, available in both desktop and app versions, as well as Baiduri b.Digital Business.

# Purpose & Values

## Vision

To be the leading and preferred financial partner, empowering individuals and businesses to achieve financial success in a changing world.

## Mission

Enriching, empowering & engaging the communities we serve in a responsible and sustainable way.

- We enrich our customers' financial well-being through our global outlook, local touch and win-win collaborations
- We empower diverse segments of society across life stages, including the underserved
- We engage through meaningful experiences and long-term value creation for our stakeholders

## Core values

### Trustworthy

We value the trust placed in us by our customers, partners and colleagues, standing full-heartedly on the promises we make.


### Enterprising

We are courageous and innovative, always seeking better ways to add value and adapt quickly to changes in the market.

### Inclusivity

We work as a team. Together we are at our best when we embrace diversity and work towards the greater good of the organisation and society.

### Empathy

We prioritise our customers' interests and seek to understand their needs better through active listening.

## Our Achievements

# Storied legacy of honours scales new heights in 2022

Industry awards and accolades serve as a testament to a bank's commitment to excellence, innovation, and customer service. It also helps boost employee morale, as it validates their hard work and dedication. Baiduri Bank has a long history of winning major local and international accolades, and this year is no different with prestigious honours that consolidate our position as an industry leader and trusted institution.

## Best Banking Group for Brunei 2022

World Finance, a leading international financial publication based in the UK, named Baiduri Bank named as the 'Best Banking Group for Brunei 2022' by UK-based leading international financial publication World Finance. The award is in recognition of the resilience of our robust business model and continuous efforts to provide a seamless banking experience. This marks our fourteenth year of achieving this accolade.

## Bank of the Year 2022

Baiduri Bank won the acclaimed 'Bank of The Year 2022' award from The Banker, one of the world's leading publications by Financial Times, UK. This is the 15th time that the we've received this prestigious accolade. The Banker awarded Baiduri Bank in recognition of our stellar performance in 2021 when we recorded net profits of BND58.5m, while improving cost-to-income ratio which now sits below 50%.

## Best Bank in Brunei

Baiduri Bank was honoured as the Best Bank in Brunei at the Euromoney Awards for Excellence 2022 by leading UK-based financial publication Euromoney. This award was in recognition of our strong financial growth in 2021 despite the challenging global economic environment, as well as the digitalisation of services to offer the best in-store and online customer experience.

## Domestic Retail Bank of the Year for Brunei

Baiduri Bank received the Domestic Retail Bank of the Year for Brunei award for the tenth consecutive year at the Asian Banking & Finance Retail Banking Awards 2022. This award acknowledges our groundbreaking retail banking products and services that proved to be industry game changers, and effective use of digitisation to strengthen our servicing capabilities and enhance customer experience.

## Finance Company of the Year for Brunei

For the first time ever, Baiduri Finance was awarded as the Finance Company of Year for Brunei at the Asian Banking & Finance Retail Banking Awards 2022. This award was in recognition of our resilience and proactive approach to supporting affected companies and individuals through innovative solutions. It also underscored our market leadership and commitment towards continuous improvement.


## Baiduri Bank's credit rating upgraded by S&P

Baiduri Bank achieved a major milestone in June 2022 when Standard & Poor's (S&P) Global Ratings upgraded our long-term credit rating from BBB+ to A-. This marks the first time the Bank has achieved an A- rating since the first rating in 2014.

According to S&P, our credit rating was upgraded to reflect their expectation that we will maintain good capital buffers as a result of prudent capital management. Strong profitability and profit retention were also cited as key reasons.

The A-credit rating is a significant achievement for Baiduri Bank and a testament to the Bank's financial strength and stability. It will also allow Baiduri Bank to access international financial markets more easily and at more favourable terms.

## Successful PCI-DSS recertification

Baiduri Bank's commitment to the highest data security standards resulted in successful recertification of our Payment Card Industry Data Security Standard (PCI-DSS), for the ninth consecutive year. This is an important milestone for us and a testament to our commitment to meet and exceed PCI-DSS standards.

ControlCase, a Qualified Security Assessor (QSA) and global provider of Compliance, Information Security, and Risk Management Solutions, assessed and certified Baiduri Bank as PCI-DSS V3.2.1 compliant in October 2022.

As technology advances, providing a secure environment for customer data takes high levels of importance. Our focus remains firm on continuously improving our systems and operations to address evolving threats and challenges.

# Board of Directors

## Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah

*Chairman*

Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah is a director of a number of leading Brunei companies engaged in property development, hospitality, business services and facilities management. He was educated in Brunei and in Britain, where he graduated from the Royal Military Academy Sandhurst and Brunel University London, from which he earned a Ph.D. in international Business. Pengiran Muda Dr. Abdul Fattaah is the Chairman of the Board of Directors of Baiduri Bank Group.

## Dato Paduka Timothy Ong Teck Mong

*Board Member*

Dato Paduka Timothy Ong Teck Mong is a Bruneian entrepreneur and a board member of a number of leading companies in Brunei and beyond. He is the founder and chairman of Asia Inc Forum, a platform for public policy and business dialogue in Brunei, ASEAN and the Asia Pacific region. He was also a chairman of APEC Business Advisory Council (ABAC) in 2000 when Brunei hosted the APEC Leaders' Summit and served as chairman of Brunei Economic Development Board (BEDB) from 2003 to 2010.

## Hjh Rahayu Binti Dato Paduka Hj Abdul Razak

*Board Member*

Hjh Rahayu Binti Dato Paduka Hj Abdul Razak currently serves as Chief Corporate Affairs Officer, Darussalam Assets Sdn Bhd. She is also a board member of several leading organisations in Brunei Darussalam. She was previously Principal Counsel, Head of Civil Division, Attorney General's Chambers, and was appointed to major Brunei Government National/ Ministerial Committees including the Authority for Info-communications Technology Industry. She earned her Bachelor of Law degree at Manchester University, UK, was admitted as an Advocate and Barrister to the Honourable Society of Lincoln's Inn and in 1997 was admitted as an Advocate and Solicitor to the Supreme High Court, Brunei Darussalam.

## Pierre Imhof

*Board Member*

Pierre Imhof is currently a director of both Baiduri Bank and Baiduri Finance, having served for 16 years as the Chief Executive Officer of Baiduri Bank Group. Previously,
Mr Imhof held several general management positions in the BNP Paribas organisation in the Middle East, Africa and Asia. He is a former member of several professional trade and banking organisations in Brunei Darussalam, serving the interests of French trade and culture as well as the Brunei banking industry. He holds the ranks of Chevalier de la Legion d'Honneur and Chevalier de l'Ordre National du Mérite (France).

## Mohammad Harris bin Brigadier General (Retired) Dato Paduka Haji Ibrahim

*Board Member*

Mohammad Harris bin Brigadier General (Retired) Dato Paduka Haji Ibrahim was appointed as Deputy Permanent Secretary (Trade and Industry) Ministry of Finance and Economy on 18th July 2022. Prior to his appointment, he held the positions of Assistant CEO and Head of Foreign Direct Investment Action and Support Centre (FAST) at the Brunei Economic Development Board (BEDB). In 2002, with a Bachelor's Degree (Hons) in Accounting and Finance from Curtin University, Australia, Mohammad Harris embarked on a career which has also seen him hold various positions within the Brunei Investment Agency (BIA) and continue to serve on a number of Boards of Government Linked Companies (GLC) within the Banking, Food, Hospitality and Telecommunications sectors

## Prof David Grayson, CBE

*Board Member*

Prof David Grayson, CBE joined Cranfield School of Management as director of the Doughty Centre for Corporate Responsibility and Professor of Corporate Responsibility in April 2007. He became Emeritus Professor in 2017 and has chaired a number of public and charitable bodies such as Housing 21, National Disability Council; Business Links Accreditation Board; Carers UK; Leonard Cheshire Disability and the Institute for Business Ethics. David has an Honorary Doctorate of Law from London South Bank University and was a visiting Senior Fellow at the CSR Initiative of the Kennedy School of Government, Harvard (2005-10).

# Management Committee

## Ti Eng Hui
Chief Executive Officer

Since joining the Bank in 1996, Ti Eng Hui has held key management positions including Deputy General Manager, Retail Banking & Branch Network as well as Deputy CEO of Baiduri Bank. He was appointed as the Chief Executive Officer of Baiduri Bank in 2019.

Eng Hui has been a Board Member of Baiduri Capital since 2014, Director of Baiduri Finance since 2019 and member of the Board of Governors of Politeknik Brunei since 2021. He is also a Council Member of UnionPay International, South East Asia and South Pacific Regional Council. Prior to joining Baiduri Bank, he held key positions in Citibank and Standard Chartered Bank Brunei.

## Pg Azaleen Pg Dato Hj Mustapha
Deputy Chief Executive Officer, Business Development

Pg Azaleen Pg Dato Hj Mustapha has over 28 years of working experience in the Finance industry. He joined Baiduri Bank in 2005 as the Head of Treasury. In 2014, he was appointed as the Head of Retail Banking & Branch Network Pg, and became the Deputy Chief Executive Officer, Business Development in 2019 where he now overlooks Retail Banking, Group Customer Experience, Group Treasury and Institutional Banking as well as Business Banking. Pg Azaleen has also been a Board Member at Baiduri Capital since 2014. Prior to joining Baiduri Bank, he held key positions at HSBC Brunei in Treasury & Capital Markets, Private Banking as well as Corporate & Institutional Banking.

## Manuel Bulens
Deputy Chief Executive Officer, Compliance, Corporate Governance and Legal Support

Manuel Bulens joined Baiduri Bank in 2020. He has over 16 years of experience working in multiple countries, with a vast experience in Consumer Banking. He has lead multiple transformation projects with the objective of creating more efficient consumer businesses focusing on technology deployment and customer service. Manuel is a Certified Internal Auditor, Certified Information System Auditor and a Chartered Banker. Prior to his role in Baiduri Bank, he held key positions in compliance, controls, risk and governance with Citibank in Belgium, Spain, Russia and Korea and was also the Head of Retail Banking at Alliance Bank, Malaysia.

## Hj Haliluddin DSP Talib
Managing Director of Baiduru Finance

Hj Haliluddin DSP Talib has been the Managing Director of Baiduri Finance since its inception in 1996 and has played an instrumental role in driving the finance company's growth and innovation. Under his leadership, Baiduri Finance has grown to become a successful and profitable company. Hj Haliluddin is also a Board Member at Baiduri Finance. Prior to joining the Baiduri Bank Group, he held key managerial positions at Standard Chartered Bank Brunei.

## Yvonne Chan
Head of Group Asset Recovery Management

Yvonne Chan has been with Baiduri Bank since its inception in 1994. Before her current appointment, she was the Head of Corporate Banking, a position she held from 1998 until 2021. Her experience involves the acquisition of the Retail and Corporate Portfolio of HSBC Brunei, which led to a significant increase of revenue for Baiduri Bank. Yvonne is an Associate Chartered Accountant, awarded by the Institute of Chartered Accountants in England and Wales. Prior to joining the Bank, she worked with KPMG London and Brunei as a Chartered Accountant and has over six years of audit experience.

## Ak Nor Muhammad Nizam Pg Hj Tengah

Head of Group Treasury and Institutional Banking

Ak Nor Muhammad Nizam Pg Hj Tengah joined Baiduri Bank in 2014. He has over 27 years in the Finance industry with international exposure through several working attachments at the Kuwait Finance House (M) Berhad, Mizuho Corporate Bank (Singapore), Standard Chartered Bank (Singapore), JP Morgan Chase (Singapore), Dai Ichi Kangyo Bank (Singapore), Noriba Bank (Bahrain) and the Brunei Investment Agency. Prior to joining the bank, he held key positions with Development Bank Brunei (DBB), Islamic Development Bank of Brunei (IDBB), where he was involved in the conversion from DBB as a conventional bank into an Islamic bank. He also held lead positions in CIMB Brunei and TAIB.

## Sim Kiem Lee

Head of Group Operations Division

Sim Kiem Lee has held the position of Head of Group Operations Division since 1 October 2019. He joined the Bank in 1997 under various branch operation roles and moved to IT in 1999 looking at IT development and operations. He currently oversees Departments handling payments and settlements, credit administration and Business Continuity Management. Prior to his role as Head of Group Operations Division, he was the Chief Technology Officer for Baiduri Bank since 2006. Kiem Lee is also a Liaison Officer at the Brunei Association of Banks.

## Simon Hansman

Head of Group Information and Technology Division

Simon Hansman joined Baiduri Bank in 2007 and held various roles within the Group Information & Technology Division. He was appointed the Chief Technology Officer in 2019. Under his leadership, Simon aligns business goals with IT goals and ensures effective oversight and governance of technology. He manages all IT functions within Baiduri Bank, including projects, system specialists, change and transformation as well as FinTech. He was appointed the Chief Technology Officer in 2019. Simon holds a PRINCE2 qualification and graduated with a BSc Hons Computer Science from University of Canterbury in New Zealand. Prior to joining the Bank, he was a financial services software developer.

## Veronica Chong

Head of Group Human Resources and Administration

Veronica Chong is responsible for driving the people strategies for the Group. She has been with Baiduri Bank since its inception in 1994 as the Head of Human Resources & Finance, a position she held until 2019. In her time at Baiduri Bank, she has led key projects such as the digitalization of HR processes, implemented performance management to drive high performance in the work- place, and has also spearheaded the construction of the new Headquarters. Veronica possesses a Bachelor Degree in Business & Management from the United Kingdom (UK) and holds a Level 5 Diploma in Human Resource Management, Chartered Institute of Personnel Development (CIPD), UK. She is also a Society for Human Resource Management (SHRM) Senior Certified Professional (SHRM-SCP). Prior to joining the Bank, she worked as an audit senior with KPMG Brunei.

## Chris Ang

Head of Group Finance Division

Chris Ang joined Baiduri Bank in 2004 as the Head of Finance under the Human Resources & Finance Division. He took on the role of Head of Group Finance Division in July 2019. Under his leadership, Chris has implemented the migration of Baiduri Bank to comply with IAS and IFRS Standards with ECL Modelling. Chris holds an ACCA qualification and is a Fellow Member of Association of the Chartered Certified Accountants. Prior to joining the Bank, he worked at both local and international audit firms.

### Leonard Lee
Head of Corporate Banking and Trade Finance

Leonard Lee joined Baiduri Bank in 2018 as the Head of Group Risk where he led the establishment of the Group Risk Department in Baiduri Bank. In June 2021, he was appointed as the Head of Corporate Banking and Trade Finance. Prior to joining the Bank, he held key risk management positions at the Bank of China, which he helped to set up for in Brunei, and HSBC Brunei.

### Lim Kian Chiong
Head of Retail Banking

Lim Kian Chiong has over 25 years of Banking and Finance experience. He joined Baiduri Bank in 2018 as the Head of Card Business and was appointed as the Head of Retail Banking in 2020. He oversees retail Wealth Management, Consumer Lending and Card Business, Credit Operations and Channel Management, which includes branch operations and digital banking. Kian Chiong is also a Board Member at Baiduri Capital. Prior to joining the Bank, he was the Senior Marketing & Communications Manager at HSBC Brunei.

### Jonathan Lim
Head of Group Risk

Jonathan Lim joined Baiduri Bank in 2021 with over 16 years of experience in the Banking industry and was appointed as Head of Group Risk in October 2021. Prior to joining the Bank, he held key roles in risk management, operations and various business divisions at BIBD, Standard Chartered Brunei and HSBC Brunei.

### Stephen Nelson
Head of Internal Audit

Stephen Nelson joined Baiduri Bank in 2020 heading the Internal Audit Department. Prior to this, he was the Assistant Director, General Audit at Kuwait Finance House (Malaysia) Bhd, headquartered in Kuwait for 12 years. Stephen has also worked in large banking institutions in Malaysia. He carries with him a total of 29 years experience in internal audit for banks and has attained several certificates in auditing including AML/CFT.

### Wan Ahadiatul Wan Silmy
Head of Group Compliance

Wan Ahadiatul Wan Silmy joined Baiduri Bank in 2022 as Head of Group Compliance. Prior to her current role, she was the Head of Regulatory Advisory, Group Compliance at Affinbank Malaysia and has held key positions in this field in other banking institutions such as CIMB and MUFG. Her regulatory compliance work covers all banking businesses from retail to corporate and investment banking. Wan has attained several compliance related certificates focusing on Regulatory, Capital Markets and AML/CFT. She is also a member of the International Compliance Association (ICA).

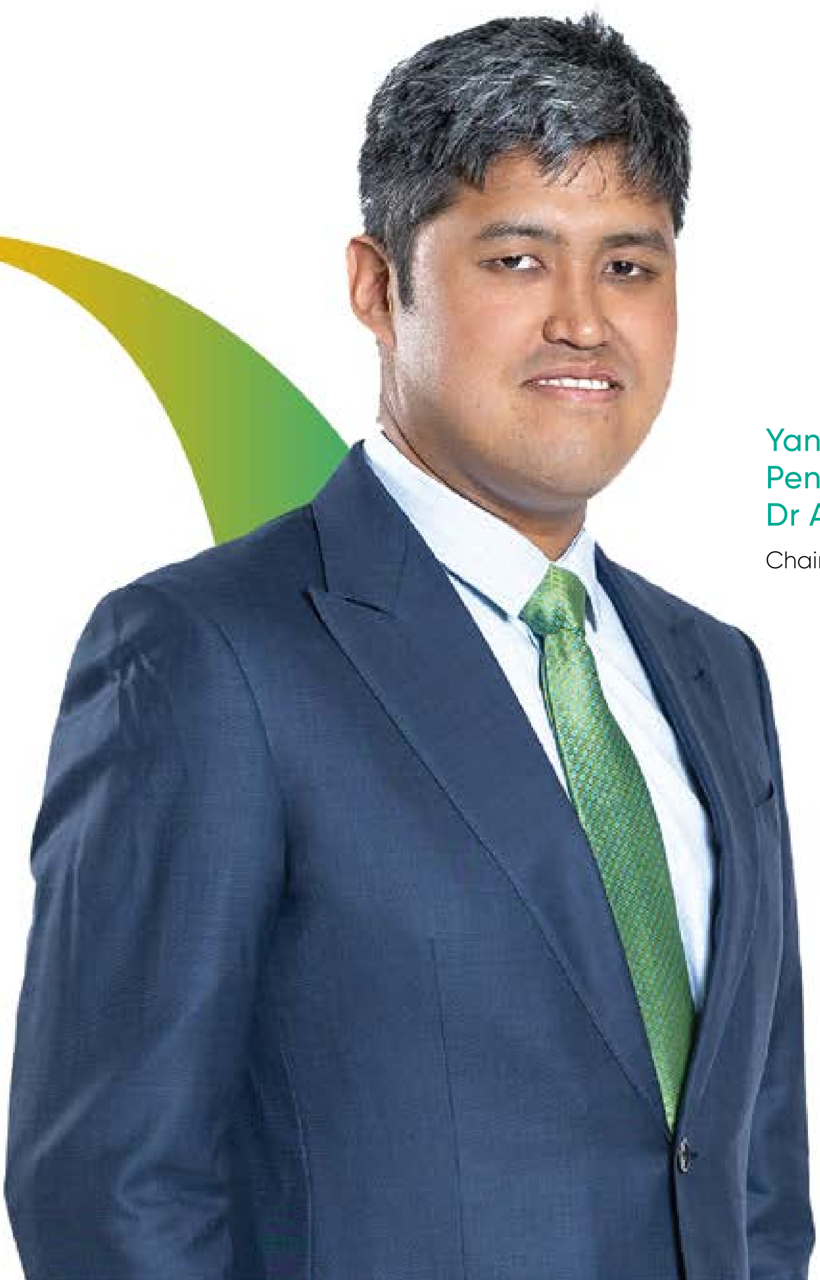
# Chairman's Statement

**Dear Shareholders,**

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Baiduri Bank Sendirian Berhad for the financial year ended 31st December 2022.

In 2022, the Baiduri Bank Group continued to build on the resilience and momentum gained in the previous year, underlining our commitment to being a dynamic and innovative financial institution. After a challenging 2021, the Group had a stellar year with robust financial results, achieving many of our strategic goals, and making notable progress on multiple fronts.

"We achieved exceptional growth in operating profit and net profit in 2022, surpassing our previous high achieved in 2021 by more than 11%. Our Return on Equity (ROE) remained strong at 12.77%, despite the challenging domestic and global economic conditions."



Yang Amat Mulia
Pengiran Muda
Dr Abdul Fattaah

Chairman

## Financial milestones

We achieved exceptional growth in operating profit and net profit in 2022, surpassing our previous high achieved in 2021 by more than 11%. Our Return on Equity (ROE) remained strong at 12.77%, despite the challenging domestic and global economic conditions.

Despite the fact that many of our business customers – particularly those in the travel and hospitality industry – were still recovering from the impact of the pandemic, our asset quality remained stable and our business lines continued to perform well and we had continued numerous initiatives to diversify income streams.

More Than 11%

**Operating Profit and Net Profit**
growth for 2022, compared to 2021

## Upgraded credit rating

One of the most significant milestones we achieved in 2022 is the upgrade of our long-term credit rating from BBB+ to A- by Standard & Poor's (S&P) Global Rating. The resulting A-/A-2 rating with a stable outlook positioned us among S&P's list of top-rated banks in Asia with ratings of A- and above.

This milestone was achieved due to our ability to meet S&P's expectations in several key areas; which include prudent capital management allowing for good capital buffers and ensuring the bank's financial stability and security, as well as our consistently strong profitability and profit retention. This highlights the group's commitment to safeguarding our financial strength, to generating earnings and to building the Group's resiliency.

12.77%

**Return on Equity**
The Bank's Return on equity (ROE) held firm in 2022

## Digital transformation and innovation

Our commitment to digital transformation has been unwavering. We have continued to digitalise our services, leveraging on technologies such as artificial intelligence and machine learning to enhance customer experiences and boost operational efficiency.

A significant milestone in our digital journey is our partnership with Temenos, the world's leading platform for composable banking, to run our core banking services in the cloud based on a Software-as-a-Service (SaaS) model, making us the first Brunei bank to do so.

BBB+ to A-

**Credit Rating**
upgrade by Standard & Poor's

## Capacity building: Investing in our people

We believe our people are our greatest asset and therefore, investing in our people remains a top priority. Our focus is to develop their skills and knowledge to provide the best customer experience which in turn, builds a strong brand reputation.

In 2022, we organised several important employee development and well-being programmes, such as the Leadership Academy and the Emerging Leaders Mentoring Programme. These promote leadership capabilities and cultivates a positive, value-based workplace culture. Nurturing the next generation of leaders ensures that we have the talent and expertise to thrive in the years ahead.

With this in mind, we introduced our Employee Wellness Initiative (EWI), a flagship programme designed to promote our employees' physical, mental and spiritual health and wellbeing.

## A strong community partner

One of the most important traits that underscores our brand purpose is our unwavering commitment to community development and social upliftment, which is reflected in our corporate social responsibility (CSR) efforts. Guided by our three CSR pillars; Social, Economic and Environmental; we support causes ranging from local arts and culture to empowering vulnerable groups.

Our economic initiatives include MSME empowerment, championing financial literacy and providing support for finance, data, and technology skills development.

On the social front, we introduced 'Baiduri Cares,' our employee volunteer program, encouraging our team to participate in various community service activities. We have contributed almost 600 hours at various partner events including charities such as YASKA, Thalassaemia Awareness Roadshow and the National Theatre Festival Brunei 2022.

We also held our annual 'Let's Give Back This Ramadan' event, where we brought festive cheer to underprivileged families, bringing them grocery shopping and breaking fast with them. It was a profound experience for all involved.

In supporting waste reduction and encouraging green practices, we collaborated with Big BWN Project to conduct 'Zero to Hero' workshops at 10 schools across all four districts to educate and empower students on low-impact living, so they can be the catalyst for change towards a greener future.

**Baiduri Cares**

**Volunteer Programme**

Employee volunteer program contributing nearly 600 hours to community service

## Co-creating a sustainable future

In 2022, we made notable progress on the sustainability front. To highlight the importance of sustainability to the bank, a step taken was to appoint renowned sustainability expert and author Professor David Grayson CBE to our board as an Independent Director. We understand that sustainability is essential for our future, and we look forward to sharing our long-term sustainability strategies and successes in the years ahead.

## Looking ahead

Looking ahead, the banking sector in Brunei will be presented with new challenges and opportunities, with many disruptions to the traditional banking landscape as well as increasing competition. These changes include the rise of challenger banks, FinTech/TechFin companies, cloud services, SaaS, and digital integration and interoperability. To respond to these trends and challenges, we need to be agile, adaptable, and customer focussed.

We are committed to continuous improvement and innovation by investing in new technologies and developing new products and services to meet the needs of our customers in the digital world. We look forward to working with our stakeholders to shape and co-create the bank's digital future through technology and reinventing our banking experience to keep pace with the evolving landscape and ecosystems.

On behalf of the Board of Directors, I would like to extend our heartfelt gratitude to the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam and the Brunei Darussalam Central Bank (BDCB) for their unwavering support. With confidence and optimism, we look forward to building on our achievements in 2022 and scaling to greater heights in 2023.

**Yang Amat Mulia Pengiran Muda Dr Abdul Fattaah**

Chairmain

## Digital Transformation

# Accelerated digital transformation journey

Innovation remains the cornerstone of progress for Baiduri Bank in the ever-evolving banking landscape. Committed to delivering exceptional banking experience for customers, we further accelerated our digital transformation journey in 2022, embracing cutting-edge technologies to enhance our operational efficiency, analytical capabilities and, ultimately, elevate the overall customer experience to greater heights.


## On a strategic digital transformation journey

In the ever-evolving landscape of banking, embracing digital transformation is key to enhancing customer engagement and streamlining operations. While the core essence of banking remains unchanged, the methods through which banks engage with and serve their customers have undergone a remarkable evolution.

## Pioneering cloud banking in Brunei

In response to the growing demand for personalised banking experiences, swift responses, and robust security measures, we have embarked on an accelerated digital transformation journey. In a landmark collaboration, Baiduri Bank joined forces with Temenos, a global leader in composable banking solutions, to transition core banking services to a Software as a Service (SaaS) platform in the cloud. This strategic move positions

With a focus on in-house digital capabilities, strategic partnerships, and a customer-first approach, Baiduri Bank is redefining the future of banking in Brunei.

Baiduri Bank as the trailblazer in Brunei, embracing the cloud for heightened operational efficiency and agility.

Temenos, with its composable architecture and extensive suite of banking services, has helped build new banking services and state-of-the-art customer experiences for over 3,000 banks in more than 150 countries. By replacing legacy systems with Temenos' modern SaaS platform, we have ushered in a new era of IT modernisation. Employing a composable banking approach, we can deploy new services swiftly, cost-effectively, and at scale. The results are profound - greater customer insights, increased efficiency, enhanced agility, and a reduced risk of security breaches or business continuity disruptions.

## Developing in-house digital capabilities

As part of our digital transformation strategy, Baiduri Bank has established two crucial units within its IT division: the Fintech Unit and the DevOps Unit. These units play a pivotal role in supporting digital transformation projects and ensuring the bank stays at the forefront of technological advancements.

**Fintech Unit:** Baiduri Bank's dedicated Fintech Unit actively deploys cutting-edge technologies such as artificial intelligence, machine learning, RPA, and new microservices. These innovations aim to automate existing workflows, enhance operational efficiency, and ultimately deliver a superior customer experience.


## Empowering businesses with digital banking

Since 2020, our commitment to digital transformation has propelled us to the forefront of delivering digital-first banking experiences. This includes our award-winning Baiduri b.Digital Personal and Baiduri b.Digital Business mobile banking apps, enriching both personal and business internet banking services. In September 2022, Baiduri Bank introduced "Baiduri b.Digital Business," an innovative digital banking service tailored for businesses.

This revamped platform boasts an enhanced user interface and user experience, featuring 2FA authentication with digital tokens, improved security with transaction alerts, mobile banking accessibility, and a consolidated dashboard for comprehensive account management. This commitment to digital banking has yielded impressive results, with a 26.7% increase in online transaction volume in 2022 and a 22% growth in the active user base.

## Propelling e-commerce and innovation

Baiduri Bank has leveraged accelerated digital adoption during the pandemic to drive growth through its digital payment solutions and facilitating e-commerce. On the B2B front, the bank actively promotes its pay-way gateway and "MerchantSuite" by Linkly, an affordable subscription-based digital payment service designed for Micro, Small, and Medium Enterprises (MSMEs). Notably, e-commerce transactions have surged by an astounding 104.23% from 2019 to November 2022.

> Our commitment to digital banking has yielded impressive results, with a 26.7% increase in online transaction volume and a 22% growth in the active user base.

In Q4 2022, Baiduri Bank embarked on a groundbreaking eMarketplace project. This initiative offers a versatile platform for merchants targeting both B2B and B2C customers. It complements the existing ecosystem and serves as a value differentiator from both the issuing and acquiring perspectives.

## Enhancing customer engagement with "Emmi"

Baiduri Bank is committed to improving digital engagement for its customers through its industry-first AI chatbot, affectionately named "Emmi." This demonstrates the bank's dedication to enhance customer experience using data and technology. Impressively, this effort has led to a 105% increase in the total number of chats from August to September 2022, coupled with a 12% rise in engagement rate from 2021 to 2022.

In conclusion, Baiduri Bank's digital transformation journey, catalysed by its partnership with Temenos, is a testament to its commitment to innovation, customer-centricity, and staying ahead in the digital age. With a focus on in-house digital capabilities, strategic partnerships, and a customer-first approach, Baiduri Bank is redefining the future of banking in Brunei.

## People Development

# Organisational success through people strategy

Engaged and empowered employees passionately contribute to the success of their workplace, propelling it to new heights. At Baiduri Bank, people development is a foundational pillar towards delivering outstanding business outcomes. We aim to have a robust and high-quality pipeline of talented professionals and seek to build a competitive advantage through our people.


## Investing in our people

Our vision is to be the leading and preferred partner that empowers individuals and businesses to achieve financial success.

Reflecting on this, Baiduri Bank has been taking a more systematic approach by focussing on our people – identifying, developing, and nurturing talents to be potential leaders in an ever-changing environment.

## Nurturing future-ready skills

In order to drive the bank forward, our talent management efforts have been focussed on building future-ready, resilient leaders and establishing an ecosystem that is conducive to upskilling and reskilling the bank's workforce. As we embark on our digital transformation journey, we have been concurrently aligning our people development strategy to support digital aspirations. This includes building in-house digital capabilities.

The establishment of the Fintech Unit and the DevOps Unit within our IT division are testament to our commitment in building in-house digital capabilities, to support all digital transformation projects. These teams are empowered to lead the automation of existing workflows and share their expertise of the core software and technologies.


A Robotic Process Automation (RPA) introductory and awareness session was held for over 30 employees from different business lines and key support functions across Baiduri Bank Group. More RPA training programmes are in the pipeline, including a Process Discovery workshop-in-depth training with hands-on practical sessions.

In order to drive the bank forward, our talent management efforts have been focussed on building future-ready, resilient leaders and establishing an ecosystem that is conducive to upskilling and reskilling the bank's workforce.

These learning initiatives are designed to help employees understand the RPA process and assessment, qualification and prioritisation of use cases for automation. A handful of selected employees were also trained as RPA Citizen Developers, capable of creating new business applications with limited support from the central IT team. They will act as RPA Champions to help further such skill development within the Group.


## Building resilient leaders

Baiduri Bank understands the significance of leaders in shaping and promoting organisational culture, as well as the importance of developing the capabilities of our professionals to take on key positions and responsibilities. Therefore, we have implemented various initiatives to ensure they have the necessary skills to champion strategies and lead the business.

Baiduri Bank Group led the way in promoting a positive workplace culture through our inaugural Leadership Forum in July 2022. The one-day event brought together senior management and people managers to bolster leadership, reinforce corporate culture, and highlight the importance of core values in cultivating a productive workforce. The forum featured panel discussions on the Bank's core values like Trustworthy, Inclusivity, Empathy, and Enterprising, exploring how leaders can instil these values in their teams. The Leadership Forum aims to become an annual event, recognising the vital role of workplace culture in productivity, retention, and customer service.

Following the success of the Leadership Forum, Baiduri Bank introduced the Emerging Leaders Mentoring Programme, launched in November 2022. The program aims to foster the growth of the bank's employees by facilitating personal guidance and knowledge sharing between mentors and mentees. Over the next three to five years, a total of 24 employees from various bank departments will participate in mentorship, provided by leaders across business divisions and support functions.

As we continue to innovate and evolve, Baiduri Bank remains committed to building a dynamic organisation that empowers individuals and businesses in the community and look forward to co-creating a brighter future together. sire from our employees to learn and upskill.

The Emerging Leaders Mentoring Programme offers high-performing employees the opportunity to learn from experienced leaders within the bank, empowering them to become effective future leaders. The initiative seeks to enhance individual leadership skills, foster a culture of innovation, and broaden perspectives, benefiting both mentors and mentees through mutual learning. This program aligns with the bank's strategic objectives in People Development, complementing other initiatives, including a new performance management and competency framework as well as the Leadership Academy.

Through these initiatives, we hope to continue to foster leadership capabilities, promote lifelong learning, and cultivate a positive, value-based workplace culture. As we continue to innovate and evolve, Baiduri Bank remains committed to building a dynamic organisation that empowers individuals and businesses in the community and look forward to co-creating a brighter future together.

## Preparing for the future of work

Baiduri Bank hosted a seminar 'Preparing for the Future of Work' in December 2022, demonstrating our commitment to supporting the local business community. Attended by over 70 guests from government institutions, government-linked companies (GLCs), and local business partners, the seminar addressed how companies can thrive in a changing work environment.

The highlight of the seminar was a panel discussion featuring leaders in digitalisation and human resources. They discussed how the pandemic


and digitalisation have transformed the way employees work and how leaders can engage their teams effectively. The seminar also featured insights on leadership and talent trends, emphasising the significance of a value-based culture in talent management. Baiduri Bank aims to leverage global expertise through forums like these to help the business community navigate challenges and capitalise on opportunities in the evolving work environment.

## Securing a strong talent pipeline to pupport WAWASAN Brunei 2035

In April 2022, Baiduri Bank welcomed the second cohort of apprentices in our Graduate Apprenticeship Programme (GAP), marking a significant milestone in our commitment to fostering local talent. Out of a pool of over 300 applicants, 15 apprentices with diverse academic backgrounds, ranging from Public Relations and IT to Geology were chosen, emphasising the importance of bringing fresh perspectives to the group.

Notably, the bank took a digital-first approach to the recruitment process, conducting the entire selection virtually, including assessing applicants through video presentations to gauge their creativity and readiness to step out of their comfort zones.

The Bank introduced the Graduate Apprenticeship Programme (GAP) in


2021 – a 6-month holistic learning and development programme aimed at enriching the knowledge, skills and experience of recent graduates to improve their employability locally.

The programme consists of two main components: classroom learning and job rotations within Baiduri Bank. During the period of six months, the apprentices will engage in classroom activities to gain in-depth knowledge of banking, financial products, and soft skills such as effective communication and teamwork. They will also participate in hands-on training across various bank departments and contribute to CSR initiatives.

Upon completion of the program, apprentices have the option to apply for suitable positions within Baiduri Bank Group or pursue careers elsewhere.

This initiative aligns with Baiduri Bank's commitment to developing a skilled and adaptable workforce, in line with the national aspiration of Wawasan Brunei 2035.

## Employee wellness initiative

Throughout the year, we actively supported employee well-being by adopting a holistic and comprehensive approach. Our flagship programme, the Employee Wellness Initiative (EWI), offers year-round activities to promote financial, physical, mental and spiritual wellness amongst our employees.

**"Be Kind to Your Mind" - A Spiritual Health Talk**

In April 2022, our headquarters' Community Space bore witness to a special gathering of over 30 employees


in person, with an additional 50 joining online for the spiritual health talk themed “Be kind to your mind”. Renowned motivational speaker Ustazah Hanisah Othman led an insightful discussion on the importance of cultivating a healthy mindset based on Islamic philosophies. The talk empowered attendees with valuable tools to navigate challenges and pursue their goals, both personally and professionally.

**A Heartfelt Donation Drive with SCOT**
Baiduri Bank joined hands with the Society for Community Outreach and Training (SCOT) in a heartwarming social kitchen initiative in April 2022. The objective was to support SCOT, an organisation committed to charitable endeavours, in providing meals for frontline healthcare workers and patients at RIPAS hospital and the Psychiatric Ward in Brunei. This collaboration simultaneously opened doors for single mothers, offering them employment opportunities to prepare the meals.

Thanks to the generosity and willingness to contribute to such a wonderful cause, the employees of Baiduri Bank, along with our EWI Ambassadors and subsidiaries, collectively donated more than 800 meals to the broader community. Organisations such as

SCOT are truly our unsung heroes as they are instrumental in organising meaningful charitable activities and providing platforms for us to give back to our community.

**‘Train-the-Trainer’ Certification in Medical and Mental Health First Aid**
A demonstration of our commitment to support employee well-being, Baiduri Bank signed a Memorandum of Understanding (MOU) with the Brunei Darussalam Red Crescent Society (BDRCS) in September 2022. Through this partnership, BDRCS undertook the training of two Baiduri Bank employees with ‘Train-the-Trainer’ certification in both medical
These selected employees were then empowered to train their colleagues in both medical and mental first aid, thereby expanding the bank’s pool of medical first aiders and enhancing mental health support capabilities.

The MOU represented a significant step in supporting the Ministry of Health’s efforts to reduce non-communicable diseases and premature deaths in the country. The partnership aimed to equip more employees with knowledge in CPR, first aid, and raise awareness about mental health issues. The signing ceremony coincided with World First Aid Day and included a one-day seminar on ‘Lifelong First Aid Learning,’ reinforcing the importance of ongoing first aid education and workplace health and safety.

Financial Empowerment

# Nurturing a bright financial future

The bank's commitment to being a strong community partner in co-creating a sustainable future is rooted in its mission to enrich, empower and engage communities. By opening our doors to young people to expand their financial knowledge, the bank hopes to instil the importance of good financial habits from a young age and contribute towards building a financially literate society, in line with Wawasan Brunei 2035.


## Investment literacy to create a financially-savvy society

One of our primary goals is to foster a culture of financial and investment awareness across all segments of our society, with a particular emphasis on our younger generations. As we progress towards our national goals, a transformation in mindset is imperative. This is why we aspire to empower our people to become more financially-savvy, proactive in financial planning, and capable of securing their own future through informed investment decisions.

In essence, our commitment aligns perfectly with the broader vision of Wawasan Brunei 2035, paving the way for a prosperous and self-reliant society that contributes to the sustainable growth of our nation. Additionally, our strive for increased financial literacy in the country mirrors the important agenda of Brunei Darussalam Central Bank (BDCB). Our shared goal is to ensure that financial consumers are well-informed about licensed financial and investment products and services available in Brunei Darussalam, thus contributing to the stability and growth of our economy.

In essence, our commitment aligns perfectly with the broader vision of Wawasan Brunei 2035, paving the way for a prosperous and self-reliant society that contributes to the sustainable growth of our nation.

**Seminar on 'Navigating the World of Responsible Investment'**

In September 2022, Baiduri Capital hosted a seminar titled 'Navigating the World of Responsible Investment.' The event was aimed at updating clients on the latest developments in global markets, with a focus on Environmental, Social, and Governance (ESG) factors. Experts from Baiduri Capital's fund partners, UOB Asset Management and Allianz Global Investors, discussed how ESG factors influence investment decisions. The seminar highlighted the growing significance of sustainability in investments and encouraged responsible investing practices. As part of their commitment to promoting awareness on responsible investing, Baiduri Capital offered promotions on ESG funds during the month of September 2022, enabling investors to make informed and sustainable investment choices.

**Baiduri Capital Investment Challenge (BCIC)**

The fourth edition of the Baiduri Capital Investment Challenge (BCIC) concluded in August 2022. The challenge aimed to cultivate awareness and generate interest in financial investment, capital markets services, and securities trading, enhancing investment literacy among participants. The BCIC involved nine teams, each allocated BND 5,000 as initial capital to invest in securities across seven stock exchanges worldwide. The edition comprised alumni from local and international higher learning institutions, offering diverse perspectives on investment strategies.

**Webinar on Global Inflation and Investment**

In January 2022, Baiduri Capital organised a webinar titled 'Inflation - Who Is Well-Placed for the New World Economic Order?' in collaboration with SGX Academy. The session delved into the global inflation pressures resulting from economic responses to challenges such as the COVID-19 pandemic. The webinar provided insights into sectors affected by inflation and key indicators for investors to monitor. The


webinar showcased Baiduri Capital's commitment to educating investors on current regional and international market trends, even during challenging times.

## Financial inclusion for women and children

Promoting financial awareness among women and children is crucial for building stronger communities. Women who are financially literate can make informed decisions about savings, investments, and budgeting, benefiting not only themselves but also their families and communities. Teaching children about money management from a young age equips them with essential life skills. By including women and children in financial education initiatives, we pave the way for a more financially secure future, promoting economic stability and sustainable growth within our society.

**Empowering young minds**
Baiduri Bank welcomed 47 students from two local schools as part of our efforts to promote financial literacy among young learners. During the school visits, students received an introduction to our history, key products, and corporate social responsibility initiatives. The highlight of the visit was an interactive financial talk by the Bank's Wealth Management team, emphasizing the importance of financial planning from an early age and introducing basic financial tools. The students also had insights into investment planning at subsidiary Baiduri Capital. The visit concluded with a tour of Baiduri Bank Headquarters.

By including women and children in financial education initiatives, we pave the way for a more financially secure future, promoting economic stability and sustainable growth within our society.

**Celebrating women financial literacy and wellbeing**
In celebration of International Women's Day, Baiduri Bank hosted a virtual event titled "Glow Up Friday: Women Empowerment Event 2022". The event not only promoted financial education among women but also empowered them to support and uplift other women. Highlight of the event include a financial planning segment, followed by segments on strength training for women and supporting new mothers in the workplace. With over 90 participants, the event provided the ideal platform for discussions around financial literacy and women's empowerment, aligning with Baiduri Bank's commitment to diversity and inclusion.

## Sustainability

# Co-creating a sustainable future

As Baiduri Bank embarks on its sustainability journey, we wholeheartedly commit to making a positive impact on the environment, society, and all our stakeholders. While we are in the early stages of this journey, we are actively establishing sustainability goals and integrating them into our overarching business strategy. We extend an open invitation to our stakeholders to join us in co-creating a sustainable and responsible future together.

Professor David Grayson, CBE
Board Member

## Appointment of Professor David Grayson, CBE

Sustainability and environmental protection have gained paramount importance globally. Recognising the pressing need for positive action, we are dedicated to exploring how sustainability, encompassing Environmental, Social, and Corporate Governance (ESG) principles, as well as alignment with the United Nations' Sustainable Development Goals (SDGs), can be seamlessly integrated into our strategic vision and daily operations.

In September 2022, Baiduri Bank achieved a significant milestone by appointing Professor David Grayson CBE to our Board as an Independent Director. Professor Grayson is widely recognised as a leading authority on sustainability and corporate responsibility, serving as Chairman of the Institute of Business Ethics in the UK and authoring numerous books, including "The Sustainability Business Handbook." His tenure as Professor of Corporate Responsibility at Cranfield University, UK, from 2007 to 2017, and his current role as Emeritus Professor, highlight his deep expertise in the field.

Professor Grayson has also chaired prominent public bodies such as the UK's National Disability Council and currently serves as the Chair of the Leonard Cheshire Charity, UK. His exceptional contributions earned him the Reuters Responsible Business Honouree 2021 lifetime achievement award. With his wealth of knowledge and experience, Professor Grayson is poised to make a significant contribution to our strategic thinking and actions, particularly as we navigate the evolving landscape of sustainability challenges in the financial sector.

We recognise that financial institutions, such as Baiduri Bank, play a crucial role in prioritising sustainability issues, and Professor Grayson's appointment reinforces our commitment to this critical aspect of our strategic agenda.

## Corporate Social Responsibility

# Our commitment to corporate social responsibility

Under our brand promise, 'co-creating your future,' we aim to be active and caring community members, showcasing leadership and unwavering commitment through our CSR initiatives. These initiatives are guided by three key pillars: Social, Economic, and Environmental.

## Social Pillar

Aligned with the United Nations' sustainable development pillars, our CSR framework reflects local needs and priorities, guiding the nation towards a sustainable future. The Social pillar of our CSR framework focuses on community engagement and partnerships that benefit everyone.

Under the Social pillar, Baiduri Bank Group concentrates on community welfare, empowering various segments, including those with special needs, differently-abled individuals, and the underprivileged. Community volunteerism is a crucial component of our efforts.

## Economic Pillar

The Economic pillar's objective is to foster an entrepreneurial culture and create a competitive marketplace through skills training and knowledge sharing. Baiduri Bank is committed to enhancing the overall financial literacy of the general public, promoting a business-friendly environment, and nurturing local micro, small, and medium-sized enterprises (MSMEs) and the startup ecosystem.

Under the Economic pillar, the focus is on developing skills and resources vital to the economic and financial well-being of the general public, particularly entrepreneurs and the business community. We aim to enhance the competitiveness and capacity of MSMEs through activities such as our MSME Empowerment Series and Angel Investing workshops in partnership with Darussalam Enterprise (DARe).

## Environmental Pillar

It's crucial for future generations to enjoy the natural resources we currently have, necessitating a holistic approach to preserving the environment and addressing environmental challenges.

**Let's Give Back This Ramadhan**
In April 2022, Baiduri Bank continued its commitment to the community through our annual 'Let's Give Back This Ramadhan' initiative, which was in its 6th edition. The initiative aimed to provide support to underprivileged families in preparation for Hari Raya celebrations. In previous years, we organised shopping outings and iftar gatherings for these families. However, due to safety considerations and prevailing restrictions brought about by the COVID-19 pandemic, our volunteers took on the role of 'personal shoppers,' procuring essential household items and necessities on behalf of the underprivileged families.


The families selected for this initiative were identified in collaboration with The Impian Project, a non-profit organisation committed to addressing social issues in Brunei. The initiative was coordinated through 'Baiduri Cares,' our internal program that encouraged employees of the Baiduri Bank Group to actively engage in volunteer activities and make a positive impact on the community. Collaborations with The Impian Project and Dart Logistics played a significant role in the success of this initiative, with Dart Logistics assisting in delivering groceries and packed meals to these families.

**School Fee Donations**

For the past two decades, Baiduri Bank has been supporting underprivileged students from various private schools in Brunei with school fee sponsorships. In April 2022, the bank hosted a virtual ceremony to provide donations for twenty-one underprivileged students who had been nominated by participating schools from various districts in Brunei. These schools included St Andrew's School, St George's School, Chung Hwa Middle School, and several others.

The initiative began 20 years ago during Chinese New Year celebrations and has been an ongoing effort. Over the years, it has supported hundreds of students to continue their studies with the aim of motivating them to achieve academic excellence and contribute back to society with their knowledge and skills. In the spirit of giving back to education, Baiduri Bank had also contributed 100 brand new laptops to the Ministry of Education for the purpose of home learning during the pandemic. These initiatives were seen as an inspiration for others to come forward and help those in need.

**Contribution to TRANSFORM**

For the last 15 years, we have been a presenting sponsor of the TRANSFORM series, a programme for Brunei business owners, entrepreneurs and managers developed by Asia Inc Forum in partnership with Baiduri Bank. The programme provides a strategic platform for business and entrepreneurship development, learning and networking through a series of dialogues, forum discussions and workshops bringing together international speakers and the local business community.

**Collaboration with YEAB**

We also collaborate with the Young Entrepreneur Association of Brunei (YEAB) to host sector-specific power lunches, bringing seasoned mentors, industry players, and young entrepreneurs together in an informal setting. These events serve as a platform for knowledge-sharing and networking, fostering collaboration and innovation within our business community.

**Zero to Hero Workshops**

Under the Environmental pillar, the focus includes promoting zero-waste and low-impact living and supporting green businesses and activities. Collaborating with the Big BWN Project, Baiduri Bank conducted 'Zero to Hero' workshops at 10 schools across all four districts to educate and empower students on low-impact living, aiming to inspire them to drive change toward a greener future.


**Launch of Baiduri Lokal Market**
In October 2022, the bank launched the first edition of the Baiduri Lokal Market, an eco-market that brought together small, local eco-conscious businesses to raise awareness of how to lead a more sustainable life. The market's launch coincided with the introduction of the Bank's first ATM in the Temburong district.

The Baiduri Lokal Market provided a platform for local MSMEs to showcase their products and services to the Temburong residents. Participating vendors included those who focused on local produce, sustainable products, and eco-friendly alternatives for packaging items.

Looking forward, our plans include continuing to partner with strategic allies on educational campaigns to further promote environmental awareness and preservation.

## For the community and country

Baiduri Bank will continue exploring areas of collaboration and focusing on CSR activities that maximise long-term value and positive difference for the community. Our commitment to being a strong community partner, in co-creating a sustainable future, is rooted in our mission to enrich, empower, and engage the communities we serve. In alignment with Wawasan 2035, we will persist in our efforts to accelerate business transformation, enhance capacity building, and cultivate a more sustainable society.

# Corporate governance

AS AT 31 DECEMBER 2022

# Corporate Governance

AS AT 31 DECEMBER 2022

Baiduri Bank Group ("the Group") in its management and governance of Baiduri Bank Berhad ("the Bank") is committed to upholding good corporate governance standards and is guided by principles of good corporate governance enumerated in the Corporate Governance Guidelines issued by Brunei Darussalam Central Bank ("BDCB") BU/G-1/2017/5 on 2 March 2017 with the date of implementation from 1 January 2018.

## INFORMATION ON THE BOARD

**Board composition**

The Board of Directors ("the Board") of the Bank is comprised of six directors, including the Chairman. The members are:

| | Name of Members | |
|---|---|---|
| **1** | YAM Pengiran Muda Dr Abdul Fattaah (Chairman) | Non-Executive and Non-Independent |
| **2** | YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin* | Non-Executive and Independent |
| **3** | YM Dato Paduka Timothy Ong Teck Mong | Non-Executive and Independent |
| **4** | Mr Pierre Imhof | Non-Executive and Independent |
| **5** | Hjh Rahayu binti Dato Paduka Haji Abdul Razak | Non-Executive and Independent |
| **6** | Prof David Grayson CBE | Non-Executive and Independent |
| **7** | Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim** | Non-Executive and Independent |

*The directorship of YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin has ceased on 1 October 2022.
**Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim was appointed on 15 December 2022.

**Roles of the Board**

The main roles of the Board for the Group are to –

- provide leadership, and to establish a group corporate structure and corporate governance framework;
- exercise all powers, not exclusively reserved for shareholders, and to manage its business;
- ensure its financial soundness and long-term growth;
- set the "tone-from-the-top" to promote good corporate governance;
- know and understand the Group's organisation structure, objectives and risks;
- respect each subsidiary's independent legal and governance responsibilities;
- be guided by the Guidelines and ensure compliance with applicable laws.

### Responsibilities of the Board

The responsibilities of the Board for the Group include:

**Finance**

- to approve, monitor and review, annual business plans, financial budgets, capital management, including capital adequacy, and allocation, liquidity plans, major capital expenditure, investments and divestments in meeting its objectives;
- to maintain a robust finance function responsible for accounting and financial data:
- to approve annual financial statements and require independent review of critical areas;
- to set dividend policies and observe the Authority's notices on statutory reserve fund and distribution of profits;
- to make material disclosures in Annual Reports as guided by the Guidelines and in compliance with applicable laws.

**Risk Management**

- to approve, review and oversee the implementation and effectiveness of:
  - the risk governance framework and its related policies;
  - internal controls functions and system to enable risks to be identified, assessed, reported and managed.

**Strategy**

- to have oversight of the Group's business strategies, keep up-to-date with strategic changes and external environment;
- to consider sustainability issues, including the environment, social and governance factors, in formulating strategies;
- to ensure obligations owed to shareholders and stakeholders are understood and met;
- to delegate clear authorities and responsibilities to Senior Management in day-to-day management;
- to establish, set terms of reference and oversee the effectiveness of Board Committees;
- to understand it remains accountable and responsible for any authority it delegates to Board Committees and Senior Management;
- to maintain an effective relationship with regulatory supervisors.

**Human Resources**

- to approve, monitor and review the formulation and implementation of human resources strategies, including selection of Key Responsible Persons, promotion and training, and remuneration strategies for directors and employees;
- to oversee the integrity and effectiveness of policies and procedures for whistleblowing.

**Reserved matters**

- The following matters are reserved for the Board's review and approval unless the Board has expressly delegated them.
  - Board Structure
    - Appointment and recommendation for removal of Directors.
    - Appointment and removal of the Company Secretary.
    - Establishment of Board Committees including, their members and the specific Terms of Reference.
    - Appointment and extension of contracts of the CEO.
  - Remuneration matters
    - Approval of remuneration packages, including service contracts, for the CEO, the Key Senior Management, other material risk takers, and any other person the Board determines.
    - Determination of the corporate goals and objectives relevant to the remuneration of the CEO and evaluating the performance of the CEO in light of these objectives.
    - Determination of the size of bonus/incentive pools as part of the annual plan based on consideration of pre-determined business performance indicators and the financial soundness of the Group.
  - Strategy
    - Review and approval of the strategic plans.
    - Approval of the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Group's risk profile.
    - Approval of investment or divestment of a capital project which represents a significant diversification from the Group's existing business activities.
    - Approval of major changes in the activities of the Group.
    - Approval of key policies of the Bank and the Group.
  - Financial
    - Approval of annual budget of the Bank and the Group.
    - Approval of capital expenditure and/or disposal of capital items sanctioned over and above delegated levels, i.e. where the amount involved exceeds a pre-determined threshold given to Management.
    - Approval of financial statements and their release
    - To determine Dividend Policy and the amount, nature, and timing of dividends to be paid.
    - Approval of the review on adequacy and effectiveness of the Group's system or risk management and internal controls
  - Others
    - Granting of power of attorney.
    - Recommendation for the changes in the Company's Constitution.
    - Recommendation for issue of debt instruments

### Board Delegation

The Board has delegated certain functions to five board committees namely the Group Executive Committee, Group Nomination Committee, Group Remuneration Committee, Group Audit Committee and Group Risk Management Committee.

The Board meets four times a year and may also meet whenever there is urgent business to deal with.

All the directors of the Board and Board committee meetings are required to attend at least 75% of the meetings, and if unable to, have been subsequently provided with the relevant information of the meetings.

| Number of meetings attended in 2022 | Board of Directors | Group Executive Committee | Group Nomination Committee | Group Remuneration Committee | Group Audit Committee | Group Risk Management Committee |
|---|---|---|---|---|---|---|
| **Frequency of meetings** | **4** | **4** | **4** | **2** | **4** | **4** |

The Group Nomination Committee will assess the independence and the composition of the directors on a yearly basis under Section 2.11 of the Guidelines for Corporate Governance for Banks issued 2 March 2017 from BDCB.

### BOARD COMMITTEES

#### Group Executive Committee ("Group EXCO")

The Group EXCO is comprised of three members, including the Chairman and the Chief Executive Officer of the Bank. The members are:

| | Name of Members |
|---|---|
| **1** | YAM Pengiran Muda Dr Abdul Fattaah (Chairman) |
| **2** | Mr Pierre Imhof |
| **3** | Mr Ti Eng Hui |

The Group EXCO is established to assist the Board of the Group in the carrying out of the Board's responsibilities, including among others, investments, and divestments and oversees management of risks of the Bank and the Group, within the parameters set by the Board.

The roles and responsibilities of the Group EXCO are:

- To assist the Board to oversee the Group's performance and review business lines, functions, objectives and achievements
- To monitor the Group's activities globally and more precisely to review reports on the performances and credit quality of the business lines including the prompt escalation of any material event which may result in significant financial, or reputational impact to the Group.
- To review and recommend the annual budget and business plans
- To approve credit limits on corporate and retail portfolio, treasury and investment activities including exposure on counterparties, market risks and liquidity risks as well as capital expenditure in line with the budget To sub-delegate, as appropriate, approval authority for credit limits on corporate and retail portfolio, treasury and investment activities as well as capital expenditure to the Group Credit Committee and management
- To review and recommend policies relating to credit, treasury and investment activities to the Board for approval
- To oversee the activities of the Assets and Liabilities Committee and approve, when necessary, the strategies and guidelines to businesses given the Assets and Liabilities Committee
- To review the role and performance of functions (finance, operations, IT)
- Perform all other functions delegated by the Board

### Group Nomination Committee ("GNC")

The GNC is comprised of at least three Board members. The members are:

| | Name of Members |
|---|---|
| 1 | YAM Pengiran Muda Dr Abdul Fattaah |
| 2 | YM Dato Paduka Timothy Ong Teck Mong (Chairman) |
| 3 | Prof David Grayson CBE |

The GNC is established to assist the Board in carrying out its responsibilities in ensuring its effectiveness as a Board including in relation to the appointment of Board members and senior management, succession planning and training programs for Board members.

The roles and responsibilities of the GNC are:

- To have oversight and where appropriate to make recommendations to the Board on matters relevant to:
  - The composition and independence of the Group boards;
  - Succession planning for board and committee members, CEO and where appropriate senior management;
  - Appointment and performance evaluation of the CEO;
  - Appointment and effectiveness assessment of Board members with due consideration given to skills, experience, reputation, contribution, independence and potential conflicts of interest;
  - Appointment and independence assessment of staff in key functions over which the GNC has oversight including the Head of Group Risk, Head of Internal Audit, Head of Group Compliance and Company Secretary;
  - Training programs for Board members.

### Group Audit Committee ("GAC")

The GAC is comprised of at least three Board members, made up of entirely Independent or Non-Executive directors. The members are:

| | Name of Members |
|---|---|
| 1 | YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin (Chairman)* |
| 2 | Hjh Rahayu binti Dato Paduka Haji Abdul Razak (Chairperson) |
| 3 | Mr Pierre Imhof |
| 4 | Haji Shazali bin Dato Haji Sulaiman** |
| 5 | Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim |

*YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin is the Chairman of the GAC for the period from 1 January 2022 to 30 September 2022. He ceased to be a director from 1 October 2022.
**Haji Shazali bin Dato Haji Sulaiman is the Chairman of the Baiduri Finance Audit Committee and hence he sits on the GAC as a member from 27th September 2022.

The purpose of the GAC is to provide a structured, systematic oversight of the Group's governance, risk management and internal controls system including financial, operational and information technology controls. The GAC assists the Board and Senior Management by providing advice and guidance on the adequacy of the organisation's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of internal audit activity, external auditors, and other providers of assurance
- Financial statement and public accountability reporting

The roles and responsibilities of the GAC are:

- To provide the Board with independent, objective advice on the adequacy of the Group's management with respect to the following:
  - Recommendations on appointment, remuneration and dismissal of the external auditors, the scope of external audits and other services;
  - Providing the opportunity for the internal and external auditors to meet and discuss findings;
  - Reviewing with the external auditors the end of year financial statements;
  - Framing policy on internal audit and financial reporting, among other things;
  - Overseeing the financial reporting process;
  - Providing oversight of and interacting with the Bank's internal and external auditors;
  - Reviewing and approving the audit scope and frequency; Receiving key audit reports and ensuring the Senior Management is taking necessary corrective actions in timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors and other control functions;
  - Overseeing the establishment of accounting policies and practices by the Bank;
  - Reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system; and
  - Review, at least annually, the adequacy and effectiveness of the internal audit function;
  - Review all Related Party Transactions and to keep the Board informed of these transactions, if any;
  - Prepare the work of, and reports to the Board in specific areas for which it has designated responsibility as defined and in accordance to the BDCB Guidelines for Internal Audit Function in Banks; and
  - Perform other activities related to this charter as requested by the Board.

- Perform other responsibilities including the following:
  - Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
  - Institute and oversee special investigation as needed;
  - Oversee the implementation of the Compliance policy, including ensuring that issues relating to compliance matters are resolved effectively and in a timely manner by Senior Management with the assistance of the Group Compliance Department;
  - Assess the effectiveness of the Group's management of compliance risk through annual meetings with the Head of Group Compliance; and
  - Confirm annually that all responsibilities outlined have been carried out.

**Group Remuneration Committee ("GRC")**

The GRC is comprised exclusively or in majority of non-executive directors with at least three Board members. The members are:

| | Name of Members |
|---|---|
| **1** | YAM Pengiran Muda Dr Abdul Fattaah |
| **2** | YM Dato Paduka Timothy Ong Teck Mong (Chairman) |
| **3** | Mr Pierre Imhof |

The GRC is established to assist the Board in carrying out its responsibilities including in relation to group policies and guidelines on remuneration, bonuses and benefits for Board members, CEO and senior management.

The roles and responsibilities of the GRC are:

- To have oversight, review and where appropriate to make recommendations to the Board on the remuneration policy of the Group including in relation to Board members and senior management with due consideration given to:
  - The Group's mission and objectives, culture and strategy;
  - Employment terms and conditions within the Group, the industry as well as international best practices;
  - Relative performance of the Group against historical performance, budget and the performance of the Group's competitor set;
  - Incentivizing high performance with due regard for managing risk; Time committed, contribution and responsibility of non-executive board members.

**Group Remuneration Policy**

The Group Remuneration Policy sets out the Group's policy towards attracting, motivating and retaining people with the skills and talents to contribute significantly to the Group's strategic objectives, business plans and corporate values.

The GRC shall have oversight of the Group's Remuneration Policy including regarding the remuneration and benefits of non-executive board members and CEO. The GRC shall comprise at least three Bank board members with a majority of independent directors and be chaired by an independent director. The Group Remuneration Policy will be reviewed at least once annually to ensure its alignment with the Group's strategic objectives, business plans and corporate values.

The Group adopts a performance-based approach to compensation based on individual performance and the overall performance of the Group. Typically, the compensation of each employee comprises two components:

- A fixed component consisting basic salary and a 13th month fixed bonus taking into account salaries for employees with comparable skills and attributes in comparable companies;
- A variable component based on the employee's performance and contribution as measured through the Group Annual Appraisal process, the Group's financial results and strategic objectives.

Board members shall be paid board and committee attendance fees as determined by the GRC. In consideration of their contribution and responsibility, non-executive board members of Baiduri Bank and the chairperson emeritus will receive a combined annual director's fee amounting to 5% of audited Bank net profit after tax in accordance to guidelines determined by the GRC.

**Group Risk Management Committee ("GRMC")**

The GRMC is comprised of at least three Board members. The members are:

| | Name of Members |
|---|---|
| 1 | YAM Pengiran Muda Dr Abdul Fattaah |
| 2 | YM Dato Paduka Timothy Ong Teck Mong |
| 3 | Mr Pierre Imhof |
| 4 | Prof David Grayson CBE (Chairman) |

The GRMC is established to assist the Board of the Group in fulfilling its oversight responsibilities for the Group's risk management framework and the Group's corporate risk structure including the strategies, policies, processes, procedures, and systems established by Senior Management to identify, assess, measure, manage and monitor the Group's significant financial, operational, and other risk exposures.

The roles and responsibilities of the GRMC are:

- To review and advise the Board in determining the Group's levels of risk tolerance and risk policies in a Risk Appetite Statement ("RAS"), and oversee Senior Management in the design, implementation and monitoring of risk management and internal control systems.
- To assist the Board in reviewing and recommending to the Board risk management strategies and controls formulated by Senior Management and the Heads of Risk Management and Compliance functions to identify assess, measure, manage, and monitor the Group's financial, operational, compliance and other risk exposures.
- To oversee the Group's risk governance framework which should include well-defined organizational responsibilities for risk management, referred to as the "three lines of defence": (a) the business line including support functions; (b) independent risk management and compliance functions; (c) an internal audit function independent from the first and second lines of defence.
- To ensure that the risk management and compliance functions are properly positioned, staffed, and resourced and carry out their responsibilities independently, objectively and effectively.
- To advise the Board on the Group's overall current and future risk appetite, overseeing Senior Management's implementation of the RAS, reporting on the state of risk culture in the Group, and interacting with and overseeing the Heads of Risk Management and Compliance functions.
- To maintain oversight of the strategies for capital and liquidity management as well as for all relevant risks of the Bank, including credit, market, operational, compliance and reputational risks, to ensure they are consistent with the stated risk appetite.
- To review significant risk exposures facing the Group and the steps Senior Management has taken to mitigate, manage, and monitor such exposures.
- To review and advise the Board on the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and Group Recovery Plan, which should include the results of stress tests covering a range of scenarios and recovery measures
- To receive regular reporting and communication from the Head of Risk Management, Head of Compliance as well as any other relevant functions about the Bank's current risk profile, current state of the risk culture, utilisation against the established risk appetite, and limits, limit breaches and mitigation plans.
- To approve the appointment and removal of the Head of Risk Management and Head of Compliance, as well as annually review the performance and independence of the Head of Risk Management and Head of Compliance.
- To review and assess the adequacy of the GRMC Charter and review its own performance annually.
- To review and recommend Group risk-related policies to the Board for approval.
- Perform such other duties and responsibilities as may be directed by the Board or required by applicable laws, rules, or regulations.

## INTERNAL CONTROLS

The Bank's Board of Directors is responsible for the governance of risk. The Board ensures that the Senior Management maintains a sound system of risk management and internal controls to safeguard shareholder's interest and the Group's assets.

The Board oversees the performance of such internal control systems through the various board committees and through various control functions within the Bank.

The Bank is also further governed by the Guidelines on Internal Controls Systems (BU/G-7/2018/15) issued by BDCB on 2 January 2018.

**Group Audit**

The role of the Group Audit function is to provide an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps an Organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission of Group Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The department's main objectives are to assist the Board and Senior Management in the effective discharge of their responsibilities by furnishing them with internal audit reports setting forth independent and objective analyses, appraisals, recommendations, and pertinent comments concerning the systems, processes or activities audited.
In carrying out the above objectives, the internal auditor's work shall govern itself by adhering to the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework including the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing ["Standards"] and the Definition of Internal Auditing.

The Internal Audit function is also governed by the Guidelines on Internal Audit function (BU/G-3/2018/11) issued by BDCB on 2 January 2018 and the Charter of the Internal Audit Department dated 29 June 2022.

**Group Compliance**

The Board is responsible for overseeing the management of the Group's compliance risk. The Board and the Senior Management are assisted by the Group Compliance Department, an independent function that is a key component of the Group's second line of defence. This function is responsible for, among other things, ensuring that the Group operates in compliance with applicable laws, regulations and internal policies.

While the Board and Senior Management are accountable for the Group's compliance, the Group Compliance function plays an important role in helping ensure that the Group acts responsibly and fulfils applicable obligations. The Group Compliance function advises the Board and the Senior Management on the Group's compliance with applicable laws, rules and standards and keep them informed of new developments. It also helps educate staff about compliance issues, acts as a contact point within the Group for compliance queries from staff members and provides guidance to staff on the appropriate implementation of applicable laws, rules and standards.

The Group Compliance function is led by a member of the Management Committee with no direct business line responsibilities to avoid undue influence or obstacles as that function performs its duties. The Group compliance function directly reports to the Board or Board Committee, as appropriate, on how the Group is managing its compliance risk.

On 22 June 2021, on behalf of the Board, the Group Risk Management Committee approved the Group Compliance Policy. This Policy replaced the existing Compliance Charter and describes in more details the basic principles to be followed by the Group and the main processes by which compliance risks are to be identified and managed through all levels of the Group. The Group Risk Management Committee also approved revisions to the Group's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy to provide better clarity on compliance to AML/CFT regulatory requirements.

The Group Compliance function is governed by the Guidelines on Compliance and Compliance function (BU/G-5/2018/13) issued by BDCB on 2 January 2018.11

**Group Risk**

The Group Risk function is responsible for overseeing risk-taking activities across the Group. The responsibilities of the Group Risk include ensuring that all relevant risks of the Group are properly identified and well-understood, measured and assessed; avoided, mitigated and/or controlled, as appropriate; monitored, and reported via a Monitoring and Assessment of Main Risks framework, covering 11 main risk areas including Credit, Liquidity, Market, Technology and Operational Risk, as well as Strategic, Compliance and Reputational Risks.

**Group Risk Management Framework**

The responsibility for risk management within the Group resides at all levels and adopts the principle of three lines of defense.

- The first line of defense is provided by the business units where risks are taken in pursuit of revenue generation and all supporting functions. First-line management is responsible for identifying and managing the risks inherent in the products, activities, processes, and systems for which it is accountable. When conducting business activities, staff in the business units hold first-line responsibility in the proper identification, measurement, assessment, mitigation and controlling, monitoring, and reporting of risk exposures on an ongoing basis, having regard to the Group's risk appetite, and policies, procedures, and controls. Ownership of risks and corresponding controls is held by the first line of defense.

- The second line of defense is provided by independent risk management function. The risk management function is primarily responsible for overseeing the Group's risk-taking activities, undertaking risk assessments, and reporting independently from the business line.

- The third line of defense is provided by an independent and effective internal audit function, which is responsible for providing assurance on the effectiveness of the Group's Risk Management Framework, including the risk governance arrangements. It provides independent review and objective assurance on the quality and effectiveness of the Group's internal control system, the first and second lines of defense as well as strategic and business planning, compensation, and decision-making processes.

The Group has established policies, processes, and systems to provide assurance that the material risks which could adversely affect the achievement of the Group's strategic objectives are being recognized and continually assessed. This assessment covers all types of material risks facing the consolidated group, which include, but not limited to:

- Capital Adequacy
- Earnings
- Funding and Liquidity
- Market and Interest Rate
- Asset Quality
- Diversification
- Operational and Technology Risk
- Compliance
- Reputation

The identification and assessment of risk considers both internal and external factors that could adversely impact the Group's financial performance, operations, compliance with regulations and reputation among stakeholders.

The Group Risk Appetite Statement identifies the key risks and expresses the maximum tolerance of such risks that the Group is prepared to take in order to achieve its strategic objectives. The Group's performance against Risk Appetite limits is closely monitored and Senior Management is expected to have a strong regard to the Risk Appetite Statement in its decision-making process.

The Group Risk function is also governed by Regulatory Guidelines on Risk Management Framework (BU/G-9/2018/17), Guidelines on Credit Risk Management (BU/G-1/2018/9), Guidelines on Market Risk Management (BU/G-1/2020/20) and Guidelines on Operational Risk Management (BU/G-1/2022/22).

**Senior Management Committees**

The following Senior Management Committees assist the CEO in the day-to-day running of the Group:

| | |
|---|---|
| **Management Committee:** | This committee oversees the management of the Group. |
| **Asset and Liability Committee:** | This committee oversees the Asset and Liability Management, Interest rate and its hedging activities, funding, net interest margin and profit performance, liquidity management and product pricing. |
| **Procurement Committee:** | This committee reviews and approves all group expenditure exceeding the CEO's delegation for all fixed asset investments or purchases for the Group. |
| **Group Credit Committee:** | This committee is responsible for the day-to-day management oversight over credit risk arising from the Group's lending activities. |
| **IT Steering Committee:** | This committee oversees the IT and related infrastructure strategies, IT related projects, initiatives, and its progress. |
| **Risk Management Committee:** | The meeting is held monthly for Senior Management to review the Group's risk profile, address any material risk management issues, and provides a forum to discuss the Group's top and emerging risks. |
| **Operational and Compliance Risk Committee:** | This committee is responsible for design, formulation, and implementation of the Group's operational and compliance risk management framework, including related policies and processes to identify, evaluate, measure, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required. |
| **Treasury and Investment Committee:** | This committee oversees strategies and recommendations involving Treasury and Investments activities and operations. |
| **Business Continuity Management Committee:** | This committee provides the oversight, direction, and guidance to the Bank's BCM programme to ensure the exercise of best BCM practices and continuation of critical business functions at all times. |
| **Governance Committee:** | This committee oversees the necessary steps taken by the Group to ensure activities that could impact regulatory risks are being appropriately tracked and followed-up until closure. |

## ACCESS TO INFORMATION

The directors will receive sufficient information from the Senior Management to monitor the performance of the Group. The directors also have access to the company secretary who will attend all Board and board committee meetings and facilitate communications between the directors and the Senior Management.

## ETHICAL STANDARDS

- The Group Code of Conduct & Ethical Standards guides directors and employees on their conduct at the workplace, and with stakeholders in order to maintain the highest ethical standards and culture of integrity and responsibility in their dealings.

- The Group Code of Conduct & Ethical Standards provides a guide on the expected standards, expected behavior and expected actions to live up to our promises.

- The Group Code of Conduct & Ethical Standards applies to all employees (whether permanent, daily-paid or temporary) and directors (referred as "member(s)").

**Professionalism, Integrity, Trust and Compliance**

- Banking is a business based on integrity, confidentiality and mutual trust. All members have a responsibility towards building up its reputation by applying the highest ethical standards in all of their dealings.

- The Group has developed an Anti-Bribery and Corruption Policy. The Group takes a zero-tolerance approach against any form of bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The policy defines the principles for identifying and preventing bribery and corruption to protect the integrity and reputation of the Group. It applies to the Group, its directors, employees and third parties.

- Members and employees must always be on their guard against circumstances that are susceptible to fraud, forgery or corruption. In order to maintain and safeguard the trust and confidence of customers and the public, it is essential that the Group be protected from involvement not only in any form of malpractice but also in any situations or activities which, though innocent, might be perceived by others to constitute malpractice.

- In keeping with the policy of maintaining the highest standards of conduct and ethics, the Group will investigate complaints of suspected fraudulent or dishonest use or misuse of its resources or property or misuse of authority by staff, board members, consultants or clients. To maintain the highest standards of service, the Group will also investigate complaints concerning its programs and service.

- In 2020, the Group introduced Core Values to align its beliefs, philosophies and principles that reflects the business when engaging with stakeholders and customers. These values of being Trustworthy, Inclusivity, Empathy and Enterprising form part of the core competencies of employees and will be embedded into the work culture.

- **Our Core Values:**

| | |
|---|---|
| **Trustworthy** | We value the trust placed in us by our customers, partners and colleagues, standing full-heartedly on the promises we make. |
| **Inclusivity** | We work as a team. Together, we are at our best when we embrace diversity and work towards the greater good of the organisation and society. |
| **Empathy** | We prioritize our customers' interests and seek to understand their needs better through active listening. |
| **Enterprising** | We are courageous and innovative, always seeking better ways to add value and adapt quickly to changes in the market. |

**Compliance**

- Members should at all times, comply with the laws of Brunei Darussalam.
- Members should scrupulously comply with the laws, rules, and regulations of the markets in which they operate, without impeding or distorting market operations in any way.
- When members fail to meet the established Rules and Regulations, it is the management's responsibility to take corrective action.
- The Rules and Regulations and Disciplinary Procedures set out in the Group Code of Conduct apply to all employees (whether permanent, daily paid, temporary or contract), and where relevant, to directors, within Baiduri Bank and its subsidiaries.

**Whistle-Blowing Policy**

In keeping with the policy of maintaining the highest standards of conduct and ethics, the Group has a whistle-blowing policy covering complaints of suspected fraudulent or dishonest use or misuse of its resources or property by staff, board members, consultants, or clients. To maintain the highest standards of service, the Group will also investigate complaints concerning its programs and services.

Staff, board members, consultants, business associates and customers are encouraged to report suspected fraudulent or dishonest conduct or problems with services provided, pursuant to the procedures set forth by the Group. This policy supplements, and does not replace, any procedures required by law, regulation, or funding source requirements.

## CAPITAL MANAGEMENT

The Group's regulator, Brunei Darussalam Central Bank ("BDCB") sets and monitors capital requirements for the Group.

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

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

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2022 and 2021. Management monitors capital based on "capital funds" as defined under the Brunei Darussalam Banking Order, 2006.

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Capital** | | | | |
| Core Capital (Tier I Capital) | **514,831** | 471,193 | **622,664** | 571,373 |
| Supplementary Capital (Tier II Capital) | **10,666** | 11,422 | **16,732** | 18,015 |
| Less: Investment in Subsidiaries | **(47,949)** | (47,949) | **-** | - |
| **Total Capital base** | **477,548** | 434,666 | **639,396** | 589,388 |
| **Risk-weighted amount** | | | | |
| Risk-weighted amount for Credit Risk | **1,829,347** | 1,708,157 | **2,513,953** | 2,352,358 |
| Risk-weighted amount for Operational Risk | **252,478** | 250,733 | **319,290** | 316,747 |
| Risk-weighted amount for Market Risk | **3,619** | 6,800 | **3,567** | 6,599 |
| **Total Risk-weighted amount** | **2,085,444** | 1,965,690 | **2,836,810** | 2,675,704 |
| **Capital Ratios** | | | | |
| Core Capital (Tier I) Ratio, % | **24.69%** | 23.97% | **21.95%** | 21.35% |
| **Total Capital Ratio, %** | **22.90%** | 22.11% | **22.54%** | 22.03% |

**Regulations**

The Group's regulator, Brunei Darussalam Central Bank (BDCB) sets and monitors capital requirements of the Group. The minimum capital adequacy ratio is 12% in line with international standards, and recommendations by the Regulators is to be comfortably higher.

To meet the regulatory requirements, the current capital policy requires the Group to have a minimum Capital Adequacy Ratio of 15%. The current Capital Adequacy Ratio is well above this minimum requirement.

**Dividends Policy**

Dividends for the year are generally paid and accounted for in the following year. The standard practice is for the Bank to propose the distribution of dividends in line with conservative principles.

From time to time, interim dividends on the current year and/or exceptional dividends from the accumulated retained earnings may be distributed.

In all cases, this policy strictly complies with all present and future regulations. Any change to this policy would require the approval of the Board of Directors.

BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)


# Report of the directors and consolidated financial statements

YEAR ENDED DECEMBER 31, 2022
[ROC No: AGO/RC/3275]

**BAIDURI BANK BERHAD AND ITS SUBSIDIARIES**
(Incorporated in Brunei Darussalam)

# Report of the directors

The directors have the pleasure in presenting their report and audited consolidated financial statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group") for the financial year ended December 31, 2022.

## Principal Activities

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

## Results

| | Note | Bank B$'000 | Group B$'000 |
|---|---|---|---|
| **Balance as at January 1, 2022** | | 147,383 | 204,279 |
| Profit for the year | | 65,638 | 73,291 |
| Transferred to Statutory Reserve from Retained Earnings | | (16,410) | (20,596) |
| Dividend paid | | (20,000) | (20,000) |
| **Balance as at December 31, 2022** | **29** | **176,611** | **236,974** |

## Reserves and Provisions

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

## Consolidated Financial Statements

The state of affairs of the Bank and the Group as at December 31, 2022 are set out in the Statements of Financial Position. These consolidated financial statements were approved by the Board of Directors on March 15, 2023.

## Dividend

| | 2022 B$'000 |
|---|---|
| **Dividend declared and paid during the financial year are as follows:** | |
| **Final dividend paid in respect of the financial year ended December 31, 2021** | 20,000 |

At the forthcoming Annual General Meeting, a final dividend of B$ 22,700,000 in respect of the financial year ended December 31, 2022 will be proposed for shareholders' approval.

# BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## Directors

The directors in office of the Bank at the date of this report are:

YAM Pengiran Muda Dr Abdul Fattaah
YM Dato Paduka Timothy Ong Teck Mong
YM Hajah Rahayu Binti Dato Paduka Haji Abdul Razak
Pierre Imhof
David Roger Grayson (Appointed on September 15, 2022)
YM Mohammad Harris bin Brigadier Jeneral (b) DP Hj Ibrahim (Appointed on December 15, 2022)
YM Dato Seri Paduka Dr Awg Haji Abdul Manaf bin Haji Metussin (Resigned on October 1, 2022)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND/OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Bank or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES AND/OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital or debentures of the Bank and related corporations as recorded in the register of directors' shareholdings kept by the Bank under Section 145A of the Brunei Darussalam Companies Act, Chapter 39, except as follows:

| | Holdings registered under the name of director or nominee | |
|---|---|---|
| **Name of directors and companies in which interests are held** | **At end of the year** | **At beginning of the year or date of appointment, if later** |
| **Subsidiary company Baiduri Finance Berhad (Ordinary shares)** | | |
| YAM Pengiran Muda Dr Abdul Fattaah | 1 | 1 |
| YM Dato Paduka Timothy Ong Teck Mong | 1 | 1 |
| Pierre Imhof | 1 | 1 |

## DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed, by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the consolidated financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

### AUDITORS
**The auditors, Deloitte & Touche, have indicated their willingness to accept re-appointment.**

ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

DIRECTOR

Brunei Darussalam
Date: March 15, 2023

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

**BAIDURI BANK BERHAD**
(Incorporated in Brunei Darussalam)

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Baiduri Bank Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Bank and the Group as at December 31, 2022 and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Bank and the Group for the financial year that ended and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 56 to 153.

In our opinion, the accompanying consolidated financial statements of the Bank and the Group are properly drawn up in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act"), the Brunei Darussalam Banking Order, 2006 (the "Order") and International Financial Reporting Standards ("IFRSs"), so as to give a true and fair view of the financial position of the Bank and the Group as at December 31, 2022 and of the financial performance, changes in equity and cash flows of the Bank and the Group for the financial 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The directors are responsible for the other information. The other information comprises the Report of the Directors included in pages 50 to 52 and the Pillar 3 Public Disclosure report appended to the consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Corporate Information, Corporate Highlights and List of Offices, Branches and ATM Network (the "Reports") which are expected to be made available to us after that date.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 auditor's 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.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

### Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the provisions of the Act, the Order and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use of disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair consolidated financial statements and to maintain accountability of assets.

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 control.

- Obtain an understanding of internal control 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 Bank's and the Group's internal control.

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

- Conclude on the appropriateness of the 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 Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Bank and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

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

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act and the Order to be kept by the Bank and by those subsidiary corporations incorporated in Brunei Darussalam have been properly kept in accordance with the provisions of the Act and the Order. We have obtained all the information and explanations that we required.

Deloitte . Touche

**DELOITTE & TOUCHE**
Certified Public Accountants

**HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN**
Public Accountant

Brunei Darussalam
Date: March 15, 2023

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## STATEMENTS OF PROFIT OR LOSS
**For the year ended December 31, 2022**

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | **Note** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Income** | | | | | |
| Interest Income | | **102,334** | 76,892 | **155,798** | 132,036 |
| Interest Expense | | **(13,835)** | (8,191) | **(14,527)** | (9,891) |
| **Net Interest Income** | 5 | **88,499** | 68,701 | **141,271** | 122,145 |
| Fee Income | | **11,640** | 11,190 | **13,655** | 14,122 |
| Fee Expense | | **(983)** | (875) | **(1,432)** | (1,608) |
| **Net Fee Income** | | **10,657** | 10,315 | **12,223** | 12,514 |
| Other Operating Income | 6 | **52,296** | 51,250 | **31,237** | 31,361 |
| Net Loss from Other Financial Instruments at Fair Value through Profit or Loss | 7 | **(6,332)** | (171) | **(6,332)** | (171) |
| **Net Other Operating Income** | | **45,964** | 51,079 | **24,905** | 31,190 |
| **Total Operating Income before Impairment Charges and Allowances** | | **145,120** | 130,095 | **178,399** | 165,849 |
| **Less:** | | | | | |
| Personnel Expenses | 8 | **(34,620)** | (33,964) | **(40,927)** | (40,296) |
| Provision for End of Service Benefits | | **(550)** | (250) | **(838)** | (538) |
| Other Overhead Expenses | 9 | **(37,272)** | (29,841) | **(56,414)** | (48,979) |
| **Total Operating Expenses** | | **(72,442)** | (64,055) | **(98,179)** | (89,813 |
| **Less:** | | | | | |
| Impairment Losses for Loans | 4.4 | **(8,521)** | (8,120) | **(13,163)** | (16,618) |
| Impairment of Investments/Placements | | **(18)** | (14) | **(18)** | (14) |
| Loans/Financing Written-off | | **(22)** | (141) | **(22)** | (141) |
| Recoveries of Loans/Financing Written-off | | **11,803** | 9,934 | **22,921** | 19,669 |
| **Net Impairment Charges and Allowances** | | **3,242** | 1,659 | **9,718** | 2,896 |
| **Profit before Taxation** | | **75,920** | 67,699 | **89,938** | 78,932 |
| Less: Income Tax Expense | 10 | **(10,282)** | (9,161) | **(16,647)** | (14,926) |
| **Profit after Taxation / Profit for the year** | | **65,638** | 58,538 | **73,291** | 64,006 |

*The significant accounting policies and the notes from pages 61 to 153 form an integral part of the consolidated financial statements.*

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## STATEMENTS OF OTHER COMPREHENSIVE INCOME
**For the year ended December 31, 2022**

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Profit after Taxation / Profit for the year** | **65,638** | 58,538 | **73,291** | 64,006 |
| Other Comprehensive Income | **-** | - | **-** | - |
| **Total Comprehensive Income for the year** | **65,638** | 58,538 | **73,291** | 64,006 |

*The significant accounting policies and the notes from pages 61 to 153 form an integral part of the consolidated financial statements.*

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## STATEMENTS OF FINANCIAL POSITION
**As at December 31, 2022**

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | **Note** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **ASSETS** | | | | | |
| Cash and Balances with Banks and Other Financial Institutions | 11 | **896,769** | 982,395 | **910,309** | 994,570 |
| Balances with BDCB | 12 | **181,520** | 152,426 | **242,256** | 218,676 |
| Derivative Assets | 13 | **1,054** | 374 | **1,054** | 374 |
| Government Sukuk | 14 | **7,988** | 18,350 | **7,988** | 18,350 |
| Investment Securities | 15 | **1,052,334** | 955,531 | **1,052,334** | 955,531 |
| Loans and Advances | 16 | **1,365,528** | 1,253,961 | **2,196,922** | 2,072,195 |
| Investments in Subsidiaries | 18 | **47,949** | 47,949 | **-** | - |
| Other Assets | 19 | **6,560** | 3,615 | **38,745** | 37,109 |
| Right-of-use Assets | 20 | **2,510** | 1,421 | **3,279** | 2,519 |
| Property, Plant and Equipment | 21 | **54,347** | 56,368 | **55,175** | 57,452 |
| **Total Assets** | | **3,616,559** | 3,472,390 | **4,508,062** | 4,356,776 |
| **LIABILITIES AND EQUITY** | | | | | |
| Deposits from Customers | 22 | **2,748,838** | 2,507,945 | **3,718,189** | 3,612,655 |
| Deposits from Banks and Other Financial Institutions | 23 | **223,533** | 360,852 | **2,409** | 3,072 |
| Derivative Liabilities | 13 | **237** | 5 | **237** | 5 |
| Lease Liabilities | 24 | **2,569** | 1,512 | **3,439** | 2,717 |
| Group Balances Payable | 17 | **1,585** | 2,579 | **-** | - |
| Other Liabilities | 25 | **73,525** | 80,915 | **85,242** | 95,433 |
| Deferred Taxation | 26 | **7,446** | 7,446 | **7,493** | 7,493 |
| Provision for Taxation | 10 | **21,995** | 19,943 | **46,389** | 44,028 |
| **Total Liabilities** | | **3,079,728** | 2,981,197 | **3,863,398** | 3,765,403 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share Capital | 27 | **180,000** | 180,000 | **180,000** | 180,000 |
| Statutory Reserve | 28 | **175,066** | 158,656 | **222,536** | 201,940 |
| Other Reserves | 29 | **181,765** | 152,537 | **242,128** | 209,433 |
| **Total Shareholders' Funds/ Total Equity** | | **536,831** | 491,193 | **644,664** | 591,373 |
| **Total Liabilities and Equity** | | **3,616,559** | 3,472,390 | **4,508,062** | 4,356,776 |
| *Off-Balance Sheet items:* | | | | | |
| **CONTINGENCIES AND COMMITMENTS** | 30 | **1,225,345** | 1,215,879 | **1,225,345** | 1,215,879 |

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

Director Director Director

*The significant accounting policies and the notes from pages 61 to 153 form an integral part of the consolidated financial statements.*

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## STATEMENTS OF CHANGES IN EQUITY
**For the year ended December 31, 2022**

| | | | | Retained Earnings | | |
|---|---|---|---|---|---|---|
| **Bank** | **Share Capital B$'000** | **Statutory Reserve B$'000** | **General Reserve B$'000** | **Retained Earnings B$'000** | **Prudential Reserve for Credit Losses B$'000** | **Total Equity B$'000** |
| **Balance as at January 1, 2021** | **180,000** | 144,022 | **5,154** | 122,097 | **382** | 451,655 |
| Net profit for the year, representing total comprehensive income for the year | **-** | - | **-** | 58,538 | **-** | 58,538 |
| Transfer to: | | | | | | |
| - Statutory reserve | **-** | 14,634 | **-** | (14,634) | **-** | - |
| - Prudential reserve for credit losses | **-** | - | **-** | 321 | **(321)** | - |
| Dividend paid | **-** | - | **-** | (19,000) | **-** | (19,000) |
| **Balance as at December 31, 2021** | **180,000** | 158,656 | **5,154** | 147,322 | **61** | 491,193 |
| Net profit for the year, representing total comprehensive income for the year | **-** | - | **-** | 65,638 | **-** | 65,638 |
| Transfer to: | | | | | | |
| - Statutory reserve | **-** | 16,410 | **-** | (16,410) | **-** | - |
| - Prudential reserve for credit losses | **-** | - | **-** | (12) | **12** | - |
| Dividend paid | **-** | - | **-** | (20,000) | **-** | (20,000) |
| **Balance as at December 31, 2022** | **180,000** | 175,066 | **5,154** | 176,538 | **73** | 536,831 |

| | | | | Retained Earnings | | |
|---|---|---|---|---|---|---|
| **Group** | **Share Capital B$'000** | **Statutory Reserve B$'000** | **General Reserve B$'000** | **Retained Earnings B$'000** | **Prudential Reserve for Credit Losses B$'000** | **Total Equity B$'000** |
| **Balance as at January 1, 2021** | **180,000** | 183,639 | **5,154** | 176,426 | **1,148** | 546,367 |
| Net profit for the year, representing total comprehensive income for the year | **-** | - | **-** | 64,006 | **-** | 64,006 |
| Transfer to: | | | | | | |
| - Statutory reserve | **-** | 18,301 | **-** | (18,301) | **-** | - |
| - Prudential reserve for credit losses | **-** | - | **-** | 181 | **(181)** | - |
| Dividend paid | **-** | - | **-** | (19,000) | **-** | (19,000) |
| **Balance as at December 31, 2021** | **180,000** | 201,940 | **5,154** | 203,312 | **967** | 591,373 |
| Net profit for the year, representing total comprehensive income for the year | **-** | - | **-** | 73,291 | **-** | 73,291 |
| Transfer to: | | | | | | |
| - Statutory reserve | **-** | 20,596 | **-** | (20,596) | **-** | - |
| - Prudential reserve for credit losses | **-** | - | **-** | (16) | **16** | - |
| Dividend paid | **-** | - | **-** | (20,000) | **-** | (20,000) |
| **Balance as at December 31, 2022** | **180,000** | 222,536 | **5,154** | 235,991 | **983** | 644,664 |

*The significant accounting policies and the notes from pages 61 to 153 form an integral part of the consolidated financial statements.*

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## STATEMENTS OF CASH FLOWS
**For the year ended December 31, 2022**

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | **Note** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Cash flows generated from/(used in) operating activities** | | | | | |
| Profit before taxation: | | **75,920** | 67,699 | **89,938** | 78,932 |
| *Adjustments for non-cash items:* | | | | | |
| Depreciation of Property, Plant and Equipment | 21 | **6,323** | 6,167 | **6,692** | 6,443 |
| Depreciation of Right-of-use Assets | 20 | **1,185** | 698 | **1,748** | 1,281 |
| Gain on Disposal of Right-of-use Assets | | **(9)** | - | **(9)** | - |
| Gain on Disposal of Property, Plant and Equipment | 6 | **(41)** | (108) | **(41)** | (107) |
| Loss on Disposal of Property, Plant and Equipment | 9 | **197** | 1 | **197** | 1 |
| Net Loss from Other Financial Instruments at Fair Value through Profit or Loss | 7 | **6,332** | 171 | **6,332** | 171 |
| Interest Expense on Lease Liabilities | 9 | **109** | 86 | **158** | 165 |
| Impairment of Investments/Placements | | **18** | 14 | **18** | 14 |
| Impairment Losses for Loans | 4.4 | **8,521** | 8,120 | **13,163** | 16,618 |
| Decrease in Accrued Expenditure and Provisions | | **(930)** | (2,516) | **(1,094)** | (1,982) |
| **Operating profit before change in operating assets and liabilities** | | **97,625** | 80,332 | **117,102** | 101,536 |
| *Change in operating assets and liabilities:* | | | | | |
| Placements with Banks | | **20,531** | (174,038) | **20,531** | 101,196 |
| Balances with BDCB | | **(29,094)** | (7,692) | **(23,580)** | (11,691) |
| Derivative Assets | | **(680)** | 103 | **(680)** | 103 |
| Loans and Advances | | **(120,088)** | (46,113) | **(137,890)** | (71,326) |
| Other Assets | | **(2,945)** | 5,760 | **(1,636)** | 3,082 |
| Deposits from Customers | | **240,893** | 88,941 | **105,535** | 136,109 |
| Deposits from Banks and Other Financial Institutions | | **(137,319)** | 22,856 | **(663)** | (8,984) |
| Derivative Liabilities | | **232** | (71) | **232** | (71) |
| Other Liabilities | | **(7,454)** | 9,565 | **(9,097)** | 12,174 |
| **Cash from/(used in) operating activities** | | **61,701** | (20,357) | **69,854** | 262,128 |
| Income Tax Paid | | **(8,230)** | (4,802) | **(14,286)** | (10,119) |
| **Net cash from/(used in) operating activities** | | **53,471** | (25,159) | **55,568** | 252,009 |
| **Cash flows (used in)/from investing activities** | | | | | |
| Purchase of Property, Plant and Equipment | 21 | **(5,701)** | (5,161) | **(5,814)** | (5,280) |
| Proceeds from Disposal of Property, Plant and Equipment | | **1,243** | 931 | **1,243** | 931 |
| Net Investments | | **(92,791)** | (316,799) | **(92,791)** | (316,799) |
| **Net cash used in investing activities** | | **(97,249)** | (321,029) | **(97,362)** | (321,148) |
| **Cash flows (used in) financing activities** | | | | | |
| Repayment of Borrowings | 31 | **-** | (26,521) | **-** | (26,521) |
| Repayment of Lease Liabilities | 31 | **(1,317)** | (812) | **(1,935)** | (1,441) |
| Dividend paid | | **(20,000)** | (19,000) | **(20,000)** | (19,000) |
| **Net cash used in financing activities** | | **(21,317)** | (46,333) | **(21,935)** | (46,962) |
| Net change in cash and cash equivalents | | **(65,095)** | (392,521) | **(63,729)** | (116,101) |
| Cash and cash equivalents as at January 1 | | **697,630** | 1,090,151 | **709,805** | 825,906 |
| **Cash and cash equivalents as at December 31** | 31 | **632,535** | 697,630 | **646,076** | 709,805 |

*The significant accounting policies and the notes from pages 61 to 153 form an integral part of the consolidated financial statements.*

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2022**

## 1 GENERAL

Baiduri Bank Berhad (the "Bank") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Baiduri Bank Headquarters, 1 Jalan Gadong, Bandar Seri Begawan BA1511, Negara Brunei Darussalam. The Bank carries on the business of banking and related financial services including dealing in investment securities and e-financial services. The principal activities of the subsidiaries are disclosed in Note 18 to the consolidated financial statements. There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements were authorised for issue by the Board of Directors on March 15, 2023.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements of the Bank and the Group have been prepared in accordance with the Brunei Darussalam Companies Act, Chapter 39, the Brunei Darussalam Banking Order, 2006 and the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Details of the Bank's and the Group's accounting policies, including changes during the year, are included within Note 2.

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries made up to December 31 each year. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2022**

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 BASIS OF CONSOLIDATION (cont'd)

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statements of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 BASIS OF CONSOLIDATION (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Bank's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.3 BASIS OF MEASUREMENT

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

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 BASIS OF MEASUREMENT (cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use for assessing impairment of non-financial assets in IAS 36 Impairment of Assets.

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

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

The principal accounting policies adopted are set out below.

2.4 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

2.4.1 Interest

Interest income and expense for all financial instruments, except for those measured at fair value through profit and loss are recognised in profit or loss using the effective interest method except for short term receivables/payables when the effect of discounting is not significant. The effective interest rate ("EIR") is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the EIR, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 REVENUE RECOGNITION (cont'd)

2.4.1 Interest (cont'd)

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

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ("ECLs"). For financial assets originated or purchased credit-impaired, the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest on financial instruments measured as at fair value through profit or loss is included within the fair value movement during the period, see 'Net (Loss)/Gain from Other Financial Instruments at Fair Value through Profit or Loss'.

2.4.2 Fees and commission

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

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

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

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 REVENUE RECOGNITION (cont'd)

2.4.3 Other operating income

Other operating income comprises dividend income from a subsidiary, fees, charges and others, realised and unrealised gains from foreign exchange transactions, management fees from a subsidiary, gain on disposal of investment, and gain on disposal of property, plant and equipment.

Management fee
Management fee from the subsidiaries is recognised on accrual basis in which the services are rendered.

Dividend income
Dividend income from subsidiaries is recognised when the shareholders' rights to receive payment have been established.

2.4.4 Net (Loss)/ Gain from other financial instruments at fair value through profit or loss

Net (Loss)/ Gain from other financial instruments at fair value through profit or loss ("FVTPL") relates to non- derivatives (non-trading) held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. The Group has elected to present the full fair value movement of assets and liabilities at FVTPL in this line, including the related interest, dividends and foreign exchange differences.

2.5 LEASES

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, which is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 LEASES (cont'd)

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstance resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 LEASES (cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other overhead expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

2.6 FOREIGN CURRENCIES

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the Group and the Bank are presented in Brunei dollars, which is the functional currency of the Bank and the presentation currency for the consolidated financial statements.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.7 TAXATION

The income tax expense represents the sum of the tax currently payable and deferred tax.

#### 2.7.1 Current Tax

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

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### 2.7.2 Deferred tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 TAXATION (cont'd)

2.7.2 Deferred tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.7.3 Current and deferred tax for the year

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

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

| | |
|---|---|
| Freehold Land and Buildings | 50 years (buildings) |
| Leasehold Land and Buildings | Over period of the lease |
| Leasehold Improvements | 5 – 20 years |
| Computers | 2 - 15 years |
| Equipment / Furniture | 5 – 10 years |
| Motor Vehicles | 5 years |

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

2.10 PROVISIONS

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

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

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

2.10.1 Onerous contracts

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

2.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

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

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'fair value through other comprehensive income' ("FVTOCI") and 'amortised cost'. The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(i) Financial assets at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding ("SPPI").

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. The principal amount may change over the life of the financial assets (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodities prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(i) Financial assets at amortised cost or at FVTOCI (cont'd)

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worse case' or 'stress case' scenarios. The Group takes into consideration all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a financial asset that is not an equity investment measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit and loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit and loss but transferred within equity.

Financial assets that are subsequently measured at amortised cost or FVTOCI are subject to impairment.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(ii) Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Net (Loss)/Gain from Other Financial Instruments at FVTPL line item. Fair value is determined in the manner described in Note 4.

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

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

(iii) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(iv) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other Operating Income' line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Other Operating Income' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve, if applicable;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss either in 'Other Operating Income', if the asset is held for trading, or in 'Net (Loss)/Gain from Other Financial Instruments at FVTPL' if otherwise held at FVTPL; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve, if applicable.

(v) Impairment of financial assets

The Group recognised loss allowances for Expected Credit Losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- Loans and Advances;
- Government Sukuk;
- Placements;
- Investment Securities;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(v) Impairment of financial assets (cont'd)

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage 1); or
- Full lifetime ECL i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risks on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 2.11.1 (ix).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loans and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financial instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR regardless of whether it is measured on an individual basis or a collective basis.

For other financial assets that are carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(v) Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of an allowance account. When loans and advances are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(vi) Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets which are past due more than 90 days. Evidence of credit-impairment includes observable data about the following events:

- a non-payment of any principal or interest of loans, bonds or sukuks when due;
- the Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider; and
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired or significant increase in credit risk, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding etc.

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(vi) Credit-impaired financial assets (cont'd)

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for more than 90 days.

(vii) Purchased or originated credit-impaired ("POCI") financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For those assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets results in an impairment gain.

(viii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see below).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators as highlighted in Note 2.11.1 (vi) above. The definition is applied consistently period to period, and reviewed to ensure accurate reflection of what constitutes a default in the current economic environment.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(viii) Definition of default (cont'd)

The Group has refreshed its list of Unlikely to Pay ("UTP") criteria to reflect the current UTP indicators that are evident from borrowers' non-payment behaviour in the current economic environment. Additionally, where an increasing amount of balances may be subject to longer 'days past due' ("dpd"), the Group exercises care in applying the 90 dpd rebuttable presumption, especially where principal payment holidays are introduced, during which borrowers are permitted to defer certain payments, where such payments are no longer past due.

(ix) Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with "low" credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated when the financial instrument was first recognised. In making this assessment, the Group considers both qualitative and quantitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports on future outlook, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

As a back-stop when an asset is more than 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. However, there may be cases where the Group expects a low correlation of lifetime default risks with the 30 days past due rebuttable presumption indicator.

(ix) Significant increase in credit risk (cont'd)

For example, where a principal payment holiday is granted to an entire class of financial instruments, either by the Group or the government, the 'blanket' nature of the principal holiday does not discriminate between borrowers and therefore does not provide relevant information to staging at the individual exposure level.

In determining indicators of 'significant increase in credit risk' ("SICR"), the Group assesses affected exposures for other indicators of significant increases in lifetime default risks at the end of the reporting period. In the absence of detailed information from borrowers during the payment holiday and their broader financial circumstances, alternative assessments are made from a combination of the following factors:

- distinguishing whether a borrower or borrower group is only experiencing short-term liquidity difficulties and those difficulties will be mitigated by the principal payment holiday, perhaps in conjunction with other government reliefs that reduce the risk of default, from others whom the Group does not believe that are experiencing only short-term liquidity difficulties, for example where they are in a sector likely to suffer longer-term difficulties, they will not benefit from government reliefs or reliefs will not reduce their risk of default;
- identifying additional data, or more granularity on existing data, to facilitate the determination of riskier customers. Examples of sources to such data include adverse news available on the public domain, and recent experiences applicable to borrowers of the same demographic profile.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(x) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction of adjustment of existing covenants or an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified term is substantially different from the original contractual term, the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. If the difference in present value is greater than 10%, the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to write-off, the Group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(x) Modification and derecognition of financial assets (cont'd)

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised paramount because there remains a high risk of default which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual term; with
- the remaining lifetime PD at the reporting date based on the modified terms.

The financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of credit impairment, the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(x) Modification and derecognition of financial assets (cont'd)

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

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

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

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(xi) Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may continue to apply enforcement activities to financial assets written-off. Recoveries resulting from the Group's enforcement activities will result in impairment gains, which will be presented in 'Recoveries of Loan/Financing Written-Off' in the statements of profit of loss.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(xii) Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

2.11.2 Financial liabilities and equity instruments classifications

(i) Classification as debt or equity

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

(ii) Equity instruments

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

2.11.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or/as other financial liabilities. For all financial liabilities, the amounts presented on the statements of financial position represent all amounts payable including interest accruals.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.3 Financial liabilities (cont'd)

(i) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Net (Loss)/Gain from Other Financial Instruments at FVTPL' line item. Fair value is determined in the manner described in Note 4.5.

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.3 Financial liabilities (cont'd)

(ii) Other financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies.

The Group has not designated any financial guarantee contracts as at FVTPL.

(iv) Derecognition of financial liabilities

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

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.4 Derivative financial instruments

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

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

2.12 EMPLOYEE BENEFITS

2.12.1 Defined contribution plans

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

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

2.12.2 Short- and long-term employee benefits

Short-term employees benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under salary and wages or accumulated paid absence if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.13 STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at January 1, 2022, the Group adopted all new and revised IFRS Standards, and interpretation of IFRS Standards that are effective from the date and are relevant to its operations. The adoption of these new/revised IFRS Standards does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

The following accounting standards have been issued by the IASB but are not yet effective for the Group and earlier application is permitted; however, the Group has not early applied the following accounting standards in preparing these consolidated financial statements.

| Accounting standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.<br><br>The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. | The Group is still assessing the impact of the application of amendments to IFRS 10 and IAS 28, however, does not anticipate that such application will have material impact on its consolidated financial statements. |

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

| Accounting standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IAS 1 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* | The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.<br><br>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.<br><br>The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. | The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements. |

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

| Accounting standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies* | The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.<br><br>The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.<br><br>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.<br><br>The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. | The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements. |

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## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

| Accounting standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates* | The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".<br><br>The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:<br><br>• A change in accounting estimate that results from new information or new developments is not the correction of an error<br>• The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors<br><br>The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.<br><br>The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. | The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements. |

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# 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

| Accounting standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.<br><br>Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.<br><br>Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.<br><br>The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.<br><br>The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:<br><br>• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:<br>- Right-of-use assets and lease liabilities<br>- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset<br><br>• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.<br><br>The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. | The Group is still assessing the impact of the application of amendments to IAS 12, however, does not anticipate that such application will have material impact on its consolidated financial statements. |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### 3.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect to the amounts recognised in the consolidated financial statements:

- Significant increase of credit risk: As explained in Note 2, ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or at lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk on an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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

3.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 2.11 Financial Instruments and Note 4.4 Financial Risk Management Objectives for more details on ECL.

- Determination of life of revolving credit facilities: The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Further information on financial risk management objectives for credit risk are provided in Note 4.4.

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

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key estimations that the management have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

**Calculation of loss allowance**

(i) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward-looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4.4 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

(ii) Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(iii) Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from accepted collateral by the Group. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

Further information on the carrying amounts of loans and advances and loss allowances are provided in Note 16.

**Fair value measurement and valuation process**

In estimating the fair value of a financial asset or a liability, the Group uses market observable data to the extend it is available. Where such level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 4.5 for more details on fair value measurement.

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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

4.1 CAPITAL MANAGEMENT

The Group's regulator, Brunei Darussalam Central Bank ("BDCB") sets and monitors capital requirements for the Group.

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

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

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2021 and 2022. Management monitors capital based on "capital funds" as defined under the Brunei Darussalam Banking Order, 2006.

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Capital** | | | | |
| Core Capital (Tier I Capital) | **514,831** | 471,193 | **622,664** | 571,373 |
| Supplementary Capital (Tier II Capital) | **10,666** | 11,422 | **16,732** | 18,015 |
| Less: Investment in Subsidiaries | **(47,949)** | (47,949) | **-** | - |
| **Total Capital base** | **477,548** | 434,666 | **639,396** | 589,388 |
| **Risk-weighted amount** | | | | |
| Risk-weighted amount for Credit Risk | **1,829,347** | 1,708,157 | **2,513,953** | 2,352,358 |
| Risk-weighted amount for Operational Risk | **252,478** | 250,733 | **319,290** | 316,747 |
| Risk-weighted amount for Market Risk | **3,619** | 6,800 | **3,567** | 6,599 |
| **Total Risk-weighted amount** | **2,085,444** | 1,965,690 | **2,836,810** | 2,675,704 |
| **Capital Ratios** | | | | |
| Core Capital (Tier I) Ratio, % | **24.69%** | 23.97% | **21.95%** | 21.35% |
| **Total Capital Ratio, %** | **22.90%** | 22.11% | **22.54%** | 22.03% |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Bank** | **Mandatory At Fair Value Through Profit or Loss B$'000** | **At Amortised Cost B$'000** | **Total Carrying Amount B$'000** | **Mandatory At Fair Value Through Profit or Loss B$'000** | **At Amortised Cost B$'000** | **Total Carrying Amount B$'000** |
| **Financial Assets** | | | | | | |
| Cash and Balances with Banks and Other Financial Institutions | **-** | 896,769 | **896,769** | – | **982,395** | 982,395 |
| Balance with BDCB | **-** | 181,520 | **181,520** | – | **152,426** | 152,426 |
| Derivative Assets | **1,054** | – | **1,054** | 374 | **-** | 374 |
| Government Sukuk | **-** | 7,988 | **7,988** | – | **18,350** | 18,350 |
| Investment Securities | **154,309** | 898,025 | **1,052,334** | 140,601 | **814,930** | 955,531 |
| Loans and Advances | **-** | 1,365,528 | **1,365,528** | – | **1,253,961** | 1,253,961 |
| Other Assets | **-** | 4,348 | **4,348** | – | **1,853** | 1,853 |
| **Total Financial Assets** | **155,363** | 3,354,178 | **3,509,541** | 140,975 | **3,223,915** | 3,364,890 |
| **Financial Liabilities** | | | | | | |
| Deposits from Customers | **-** | 2,748,838 | **2,748,838** | – | **2,507,945** | 2,507,945 |
| Deposits from Banks and Other Financial Institutions | **-** | 223,533 | **223,533** | – | **360,852** | 360,852 |
| Derivative Liabilities | **237** | – | **237** | 5 | **-** | 5 |
| Lease Liabilities | **-** | 2,569 | **2,569** | – | **1,512** | 1,512 |
| Group Balances Payable | **-** | 1,585 | **1,585** | – | **2,579** | 2,579 |
| Other Liabilities | **-** | 64,508 | **64,508** | – | **71,644** | 71,644 |
| **Total Financial Liabilities** | **237** | 3,041,033 | **3,041,270** | 5 | **2,944,532** | 2,944,537 |

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

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Group** | **Mandatory At Fair Value Through Profit or Loss B$'000** | **At Amortised Cost B$'000** | **Total Carrying Amount B$'000** | **Mandatory At Fair Value Through Profit or Loss B$'000** | **At Amortised Cost B$'000** | **Total Carrying Amount B$'000** |
| **Financial Assets** | | | | | | |
| Cash and Balances with Banks and Other Financial Institutions | - | 910,309 | **910,309** | – | **994,570** | 994,570 |
| Balance with BDCB | - | 242,257 | **242,257** | – | **218,676** | 218,676 |
| Derivative Assets | **1,054** | – | **1,054** | 374 | **-** | 374 |
| Government Sukuk | - | 7,988 | **7,988** | – | **18,350** | 18,350 |
| Investment Securities | **154,309** | 898,025 | **1,052,334** | 140,601 | **814,930** | 955,531 |
| Loans and Advances | - | 2,196,922 | **2,196,922** | – | **2,072,195** | 2,072,195 |
| Other Assets | - | 36,476 | **36,476** | – | **35,268** | 35,268 |
| **Total Financial Assets** | **155,363** | 4,291,977 | **4,447,340** | 140,975 | **4,153,989** | 4,294,964 |
| **Financial Liabilities** | | | | | | |
| Deposits from Customers | - | 3,718,189 | **3,718,189** | – | **3,612,655** | 3,612,655 |
| Deposits from Banks and Other Financial Institutions | - | 2,409 | **2,409** | – | **3,072** | 3,072 |
| Derivative Liabilities | **237** | – | **237** | 5 | **-** | 5 |
| Lease Liabilities | - | 3,439 | **3,439** | – | **2,717** | 2,717 |
| Other Liabilities | - | 73,682 | **73,682** | – | **83,728** | 83,728 |
| **Total Financial Liabilities** | **237** | 3,797,719 | **3,797,956** | 5 | **3,702,172** | 3,702,177 |

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

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

| | | | | Related Amounts not set off in the Statements of Financial Position | | |
|---|---|---|---|---|---|---|
| **Bank and Group** | **Gross amounts of Recognised Financial Assets/ Liabilities B$'000** | **Gross amounts of recognised Financial Liabilities / Assets set off in the Statements of Financial Position B$'000** | **Net amounts of Financial Assets presented in the Statements of Financial Position B$'000** | **Financial Instruments B$'000** | **Cash Collateral received B$'000** | **Net amount B$'000** |
| **2022** | | | | | | |
| **Type of Financial Asset** | | | | | | |
| Other Assets: | | | | | | |
| Rental income receivable | 1 | – | 1 | – | 1 | – |
| | 1 | – | 1 | – | 1 | – |
| **Type of Financial Liability** | | | | | | |
| Other Liabilities: | | | | | | |
| Refundable deposits from Tenants | 9 | – | 9 | – | 1 | 8 |
| | 9 | – | 9 | – | 1 | 8 |
| **2021** | | | | | | |
| **Type of Financial Asset** | | | | | | |
| Other Assets: | | | | | | |
| Rental income receivable | 2 | – | 2 | – | 2 | – |
| | 2 | – | 2 | – | 2 | – |
| **Type of Financial Liability** | | | | | | |
| Other Liabilities: | | | | | | |
| Refundable deposits from Tenants | 8 | – | 8 | – | 2 | 6 |
| | 8 | – | 8 | – | 2 | 6 |

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

### 4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk management framework

The Group's Board of Directors has appointed the Risk Management Committee ("RMC") to fulfil its oversight responsibilities of the Group's risk management framework. The Group's risk management framework seeks to ensure that strategies, policies, processes and procedures are in place to identify, assess, measure, manage and monitor its material financial, operational and other risk exposures.

A separate Group Audit Committee ("GAC") provides the Board of Directors independent assurance over the Group's governance, risk management and internal control practices.

The Board delegates to the Executive Committee ("EXCO") authority to approve limits related to credit and treasury activities, including policies to govern the management of credit, liquidity and market risks.

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

The GAC and RMC oversee senior management's compliance with the Group's risk management policies and procedures, as well as review the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's risk management framework adopts the principle of "Three Lines of Defence".

The first line of defence – business line management including support functions – is directly responsible for identifying and managing day-to-day risks inherent in its activities. The second line of defence is provided by the Group Risk Department which oversees the effectiveness and integrity of the Group's risk management framework and assists the RMC in its risk oversight responsibilities. The third line of defence involves the Internal Audit function to provide independent assurance to the GAC on the effectiveness and quality of governance, risk management and internal control processes.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk

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

The Board delegates responsibility to the RMC to oversee the management of credit risk, while the EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration.

The EXCO appoints the Group's Credit Committee who would work with the business lines to ensure that approved policies are applied appropriately and optimal returns on the Group's risk exposure are being achieved.

The Group takes a prudent view when granting credits. All credit exposures in the group are individually assessed and approved within the internal credit and lending policies, and in compliance with the local regulatory guidelines. In respect of its lending-related activities, management regularly reviews the amount of risk accepted in relation to one borrower or groups of borrowers, the industry segments, the risks of non-performing loans and the adequacy of provisioning. The Group does not endorse providing credit facilities in support of illegal activities, prohibited or unlicensed businesses, or any other activities deemed to pose unacceptable environment, ethical, social or reputational risk to the Group and the wider community.

The Group recognises credit risk mitigation by obtaining collateral however such collateral does not act as a substitute in the credit granting process. Some of the assets typically included as collateral are properties, assignment of leases and rental income, assignment of contract payments, salaries and deposit placements.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external and internal information to generate a "base-case", "upside" and "downside" scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

The Group applies probabilities to the forecast scenarios identified. The Group performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumption to the downside weight to the weighted ECL increased by 10%. The total weighted ECL should then be increased by B$ 426,000 (2021: B$ 323,000) based on the above assumption.

Measurement of ECL

The key inputs used for measurement ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD")

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability weighted forward looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. For investment securities at amortised cost, the calculation is based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available and applicable), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact the PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from accepted collateral by the Group. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date including repayments of principal and interest and expected drawdowns on committed facilities.

The Group measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk. The measurement of ECL is based on probabilities weighted average credit loss.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include instruments type, collateral type and industry. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

*Credit Quality*

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item.

| Class of Financial Instrument | Financial Statement line |
|---|---|
| Loans and Advances at amortised cost | Loans and Advances |
| Government Sukuk at amortised cost | Government Sukuk |
| Investment Securities at amortised cost | Investment Securities |
| Loan commitments and financial guarantee contracts | Other Liabilities – Provisions |

The Group classified their Loan and Advances by the following internal risk category as described below:

| Loans and Advances Classification | Definition |
|---|---|
| Pass | Borrowers in this category are those do not have greater than normal credit risk. |
| Special Mention | Borrowers in this category are those have an early sign of financial difficulty. |
| Substandard Under-Performing | Borrowers in this category are those that have well defined weakness in profitability, cashflow and/or operations that may jeopardise repayment in full but are not more than 90 days past due. |
| Substandard Non-Performing | Borrowers in this category are those that have well defined weakness in profitability, cashflow and/or operations that may jeopardise repayment in full but are more than 90 days past due. |
| Doubtful | Borrowers in this category are those that exhibit more severe weakness that those classified under substandard and are more than 180 days past due but less than 1 year. |
| Loss | Borrowers in this category are those with past due status exceed the above categories. |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

The tables below set out the credit quality of the Bank and the Group's loan and advances, loan commitments and financial guarantees according to the above classification:

*Credit Quality Analysis*

**Loans and Advances**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Bank** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **1,296,252** | - | **-** | - | **1,296,252** |
| Special Mention | **-** | 54,469 | **-** | - | **54,469** |
| Substandard-Under-Performing | **-** | 1,748 | **-** | - | **1,748** |
| Substandard-Non-Performing | **-** | - | **45,430** | 1,062 | **46,492** |
| Doubtful | **-** | - | **820** | - | **820** |
| Loss | **-** | - | **14,489** | 869 | **15,358** |
| **Total gross carrying amount** | **1,296,252** | **56,217** | **60,739** | **1,931** | **1,415,139** |
| **Loss allowances** | **(10,074)** | **(14,783)** | **(23,935)** | **(156)** | **(48,948)** |
| **Net carrying amount** | **1,286,178** | **41,434** | **36,804** | **1,775** | **1,366,191** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Bank** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **1,187,635** | - | **-** | - | **1,187,635** |
| Special Mention | **-** | 75,382 | **-** | - | **75,382** |
| Substandard-Under-Performing | **-** | 1,416 | **-** | - | **1,416** |
| Substandard-Non-Performing | **-** | - | **14,259** | 1,442 | **15,701** |
| Doubtful | **-** | - | **4,622** | - | **4,622** |
| Loss | **-** | - | **16,803** | 2,237 | **19,040** |
| **Total gross carrying amount** | **1,187,635** | **76,798** | **35,684** | **3,679** | **1,303,796** |
| **Loss allowances** | **(10,473)** | **(17,475)** | **(19,536)** | **(1,350)** | **(48,834)** |
| **Net carrying amount** | **1,177,162** | **59,323** | **16,148** | **2,329** | **1,254,962** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Credit Quality Analysis (cont'd)*

**Loans and Advances (cont'd)**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **2,069,484** | – | **-** | – | **2,069,484** |
| Special Mention | **-** | 70,265 | **-** | – | **70,265** |
| Substandard-Under-Performing | **-** | 57,864 | **-** | – | **57,864** |
| Substandard-Non-Performing | **-** | – | **49,136** | 1,071 | **50,207** |
| Doubtful | **-** | – | **1,062** | – | **1,062** |
| Loss | **-** | – | **14,659** | 869 | **15,528** |
| **Total gross carrying amount** | **2,069,484** | **128,129** | **64,857** | **1,940** | **2,264,410** |
| **Loss allowances** | **(16,140)** | **(24,889)** | **(25,638)** | **(158)** | **(66,825)** |
| **Net carrying amount** | **2,053,344** | **103,240** | **39,219** | **1,782** | **2,197,585** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **1,957,841** | – | **-** | – | **1,957,841** |
| Special Mention | **-** | 87,164 | **-** | – | **87,164** |
| Substandard-Under-Performing | **-** | 48,487 | **-** | – | **48,487** |
| Substandard-Non-Performing | **-** | – | **20,279** | 1,463 | **21,742** |
| Doubtful | **-** | – | **6,131** | – | **6,131** |
| Loss | **-** | – | **18,212** | 2,237 | **20,449** |
| **Total gross carrying amount** | **1,957,841** | **135,651** | **44,622** | **3,700** | **2,141,814** |
| **Loss allowances** | **(17,066)** | **(26,876)** | **(23,320)** | **(1,356)** | **(68,618)** |
| **Net carrying amount** | **1,940,775** | **108,775** | **21,302** | **2,344** | **2,073,196** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Credit Quality Analysis (cont'd)*

**Loan Commitments**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Bank and Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **722,205** | - | **-** | - | **722,205** |
| Special Mention | **-** | 7,109 | **-** | - | **7,109** |
| Substandard-Under-Performing | **-** | 26 | **-** | - | **26** |
| Substandard-Non-Performing | **-** | - | **2,174** | 63 | **2,237** |
| Doubtful | **-** | - | **-** | - | **-** |
| Loss | **-** | - | **1** | 3 | **4** |
| **Total amount committed** | **722,205** | **7,135** | **2,175** | **66** | **731,581** |
| **Loss allowances** | **(565)** | **(26)** | **(31)** | **(1)** | **(623)** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Bank and Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **682,458** | - | **-** | - | **682,458** |
| Special Mention | **-** | 2109 | **-** | - | **2,109** |
| Substandard-Under-Performing | **-** | 56 | **-** | - | **56** |
| Substandard-Non-Performing | **-** | - | **430** | 76 | **506** |
| Doubtful | **-** | - | **-** | - | **-** |
| Loss | **-** | - | **25** | 3 | **28** |
| **Total amount committed** | **682,458** | **2,165** | **455** | **79** | **685,157** |
| **Loss allowances** | **(917)** | **(34)** | **(6)** | **(2)** | **(959)** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Credit Quality Analysis (cont'd)*

**Financial Guarantees**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Bank and Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **16,574** | – | **-** | – | **16,574** |
| Special Mention | **-** | 172 | **-** | – | **172** |
| Substandard-Under-Performing | **-** | – | **-** | – | **-** |
| Substandard-Non-Performing | **-** | – | **14** | – | **14** |
| Doubtful | **-** | – | **-** | – | **-** |
| Loss | **-** | – | **-** | – | **-** |
| **Total amount guaranteed** | **16,574** | **172** | **14** | **-** | **16,760** |
| **Loss allowances** | **(27)** | **(6)** | **(7)** | **-** | **(40)** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Bank and Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Pass | **18,290** | – | **-** | – | **18,290** |
| Special Mention | **-** | 173 | **-** | – | **173** |
| Substandard-Under-Performing | **-** | – | **-** | – | **-** |
| Substandard-Non-Performing | **-** | – | **10** | – | **10** |
| Doubtful | **-** | – | **-** | – | **-** |
| Loss | **-** | – | **-** | – | **-** |
| **Total amount guaranteed** | **18,290** | **173** | **10** | **-** | **18,473** |
| **Loss allowances** | **(32)** | **(7)** | **(3)** | **-** | **(42)** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Concentration of credit risk*

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

| | Loans and Advances | | Contingencies and Other Commitments | | Total | |
|---|---|---|---|---|---|---|
| **Bank** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Agriculture | **6,512** | 7,712 | **5,141** | 4,123 | **11,653** | **11,835** |
| Constructions and Property Financing | **519,624** | 518,815 | **113,641** | 110,533 | **633,265** | **629,348** |
| Financial | **45** | 62 | **117,486** | 52,335 | **117,531** | **52,397** |
| Infrastructure | **52,787** | 2,480 | **28,982** | 22,597 | **81,769** | **25,077** |
| Manufacturing | **194,529** | 102,033 | **104,652** | 168,849 | **299,181** | **270,882** |
| Personal and Consumption Loans | **168,418** | 166,347 | **6,579** | 5,902 | **174,997** | **172,249** |
| Services | **230,325** | 232,818 | **240,638** | 364,606 | **470,963** | **597,424** |
| Telecommunication and Information Technology | **24,755** | 27,111 | **92,026** | 96,073 | **116,781** | **123,184** |
| Tourism | **20,802** | 21,219 | **7,994** | 6,641 | **28,796** | **27,860** |
| Traders | **152,002** | 153,853 | **208,112** | 186,800 | **360,114** | **340,653** |
| Transportation | **45,340** | 71,346 | **202,800** | 162,208 | **248,140** | **233,554** |
| **Total** | **1,415,139** | **1,303,796** | **1,128,051** | **1,180,667** | **2,543,190** | **2,484,463** |

| | Loans and Advances | | Contingencies and Other Commitments | | Total | |
|---|---|---|---|---|---|---|
| **Group** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Agriculture | **6,512** | 7,712 | **5,141** | 4,123 | **11,653** | **11,835** |
| Constructions and Property Financing | **519,624** | 518,815 | **113,641** | 110,533 | **633,265** | **629,348** |
| Financial | **45** | 62 | **117,486** | 52,335 | **117,531** | **52,397** |
| Infrastructure | **52,787** | 2,480 | **28,982** | 22,597 | **81,769** | **25,077** |
| Manufacturing | **194,529** | 102,033 | **104,652** | 168,849 | **299,181** | **270,882** |
| Personal and Consumption Loans | **168,418** | 166,347 | **6,579** | 5,902 | **174,997** | **172,249** |
| Services | **230,325** | 232,818 | **240,638** | 364,606 | **470,963** | **597,424** |
| Telecommunication and Information Technology | **24,755** | 27,111 | **92,026** | 96,073 | **116,781** | **123,184** |
| Tourism | **20,802** | 21,219 | **7,994** | 6,641 | **28,796** | **27,860** |
| Traders | **152,002** | 153,853 | **208,112** | 186,800 | **360,114** | **340,653** |
| Transportation | **894,611** | 909,364 | **202,800** | 162,208 | **1,097,411** | **1,071,572** |
| **Total** | **2,264,410** | **2,141,814** | **1,128,051** | **1,180,667** | **3,392,461** | **3,322,481** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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# 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances*

The Bank and the Group regards a loan and advance as non-performing if it is in arrears for more than 3 months or if there is objective evidence of impairment.

| Bank | Total Credit Exposure 2022 B$'000 | Total Credit Exposure 2021 B$'000 | Non-Performing Loans 2022 B$'000 | Non-Performing Loans 2021 B$'000 |
|---|---|---|---|---|
| Agriculture | **11,653** | 11,835 | **-** | - |
| Constructions and Property Financing | **633,265** | 629,348 | **37,666** | 13,926 |
| Financial | **117,531** | 52,397 | **-** | - |
| Infrastructure | **81,769** | 25,077 | **-** | - |
| Manufacturing | **299,181** | 270,882 | **-** | 155 |
| Personal and Consumption Loans | **174,997** | 172,249 | **3,593** | 4,996 |
| Services | **470,963** | 597,424 | **9,900** | 1,271 |
| Telecommunication and Information Technology | **116,781** | 123,184 | **255** | 659 |
| Tourism | **28,796** | 27,860 | **2,040** | 5,414 |
| Traders | **360,114** | 340,653 | **9,216** | 12,942 |
| Transportation | **248,140** | 233,554 | **-** | - |
| **Total** | **2,543,190** | **2,484,463** | **62,670** | **39,363** |

| Group | Total Credit Exposure 2022 B$'000 | Total Credit Exposure 2021 B$'000 | Non-Performing Loans 2022 B$'000 | Non-Performing Loans 2021 B$'000 |
|---|---|---|---|---|
| Agriculture | **11,653** | 11,835 | **-** | - |
| Constructions and Property Financing | **633,265** | 629,348 | **37,666** | 13,926 |
| Financial | **117,531** | 52,397 | **-** | - |
| Infrastructure | **81,769** | 25,077 | **-** | - |
| Manufacturing | **299,181** | 270,882 | **-** | 155 |
| Personal and Consumption Loans | **174,997** | 172,249 | **3,593** | 4,996 |
| Services | **470,963** | 597,424 | **9,900** | 1,271 |
| Telecommunication and Information Technology | **116,781** | 123,184 | **255** | 659 |
| Tourism | **28,796** | 27,860 | **2,040** | 5,414 |
| Traders | **360,114** | 340,653 | **9,216** | 12,942 |
| Transportation | **1,097,411** | 1,071,572 | **4,127** | 8,959 |
| **Total** | **3,392,461** | **3,322,481** | **66,797** | **48,322** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loans and advances**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Bank** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Non past due (0-30 days) | **1,294,573** | 44,050 | **36,194** | 1,062 | **1,375,879** |
| Month-in-arrear 1 (30-60 days) | **1,510** | 10,943 | **563** | - | **13,016** |
| Month- in- arrear 2 (60-90 days) | **169** | 1,224 | **484** | - | **1,877** |
| Month- in-arrear 3 and above (90 days and above) | **-** | - | **23,498** | 869 | **24,367** |
| **Total gross carrying amount** | **1,296,252** | **56,217** | **60,739** | **1,931** | **1,415,139** |
| **Loss allowances** | **(10,074)** | **(14,783)** | **(23,935)** | **(156)** | **(48,948)** |
| **Net carrying amount** | **1,286,178** | **41,434** | **36,804** | **1,775** | **1,366,191** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **Bank** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Non past due (0-30 days) | **1,187,635** | 74,451 | **10,447** | 1,439 | **1,273,972** |
| Month-in-arrear 1 (30-60 days) | **-** | 2,041 | **1,076** | - | **3,117** |
| Month- in- arrear 2 (60-90 days) | **-** | 306 | **104** | 3 | **413** |
| Month- in-arrear 3 and above (90 days and above) | **-** | - | **24,057** | 2,237 | **26,294** |
| **Total gross carrying amount** | **1,187,635** | **76,798** | **35,684** | **3,679** | **1,303,796** |
| **Loss allowances** | **(10,473)** | **(17,475)** | **(19,536)** | **(1,350)** | **(48,834)** |
| **Net carrying amount** | **1,177,162** | **59,323** | **16,148** | **2,329** | **1,254,962** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| **Group** | **Stage 1 12-month ECL B$'000** | **Stage 2 Lifetime ECL B$'000** | **Stage 3 Lifetime ECL B$'000** | **POCI B$'000** | **Total B$'000** |
| Non past due (0-30 days) | **2,067,805** | 56,918 | **38,272** | 1,062 | **2,164,057** |
| Month-in-arrear 1 (30-60 days) | **1,510** | 65,277 | **1,446** | 9 | **68,242** |
| Month- in- arrear 2 (60-90 days) | **169** | 5,934 | **604** | - | **6,707** |
| Month- in-arrear 3 and above (90 days and above) | **-** | - | **24,535** | 869 | **25,404** |
| **Total gross carrying amount** | **2,069,484** | **128,129** | **64,857** | **1,940** | **2,264,410** |
| **Loss allowances** | **(16,140)** | **(24,889)** | **(25,638)** | **(158)** | **(66,825)** |
| **Net carrying amount** | **2,053,344** | **103,240** | **39,219** | **1,782** | **2,197,585** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loans and advances (cont'd)**

| Group | December 31, 2021<br>Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| Non past due (0-30 days) | **1,957,841** | 84,671 | **12,974** | 1,447 | **2,056,933** |
| Month-in-arrear 1 (30-60 days) | **-** | 45,305 | **2,420** | 13 | **47,738** |
| Month- in- arrear 2 (60-90 days) | **-** | 5,675 | **1,082** | 3 | **6,760** |
| Month- in-arrear 3 and above (90 days and above) | **-** | - | **28,146** | 2,237 | **30,383** |
| **Total gross carrying amount** | **1,957,841** | **135,651** | **44,622** | **3,700** | **2,141,814** |
| **Loss allowances** | **(17,066)** | **(26,876)** | **(23,320)** | **(1,356)** | **(68,618)** |
| **Net carrying amount** | **1,940,775** | **108,775** | **21,302** | **2,344** | **2,073,196** |

This table summarises the loss allowance as of the year end by class of exposure/asset.

| | Bank<br>2022 B$'000 | 2021 B$'000 | Group<br>2022 B$'000 | 2021 B$'000 |
|---|---|---|---|---|
| Loans and Advances | **48,948** | 48,834 | **66,825** | 68,618 |
| Loan Commitments | **623** | 959 | **623** | 959 |
| Financial Guarantee Contracts | **40** | 42 | **40** | 42 |
| **Total** | **49,611** | **49,835** | **67,488** | **69,619** |

This table summarises the movements in loss allowances that are recognised in profit or loss during the year by class of exposure/asset.

| | Bank<br>2022 B$'000 | 2021 B$'000 | Group<br>2022 B$'000 | 2021 B$'000 |
|---|---|---|---|---|
| Loans and Advances | **8,859** | 8,034 | **13,501** | 16,532 |
| Loan Commitments | **(336)** | 55 | **(336)** | 55 |
| Financial Guarantee Contracts | **(2)** | 31 | **(2)** | 31 |
| **Total** | **8,521** | **8,120** | **13,163** | **16,618** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

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

**Loans and advances**

| Bank | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Gross carrying amount as at January 1, 2022** | 1,187,635 | 76,798 | 35,684 | 3,679 | 1,303,796 |
| Changes in the gross carrying amount | | | | | |
| - Transfer to stage 1 | 6,601 | (6,165) | (436) | - | - |
| - Transfer to stage 2 | (19,656) | 24,953 | (5,297) | - | - |
| - Transfer to stage 3 | (2,287) | (14,193) | 16,480 | - | - |
| - Decrease during the year | (119,421) | (3,500) | (2,839) | (549) | (126,309) |
| - Change due to modifications that did not result in derecognition | - | (23,656) | 23,729 | (5) | 68 |
| New financial assets originated or purchased | 514,275 | 12,374 | 2,542 | - | 529,191 |
| Financial assets that have been derecognised | (270,856) | (10,368) | (1,583) | (52) | (282,859) |
| Write-offs | (39) | (26) | (7,541) | (1,142) | (8,748) |
| **Gross carrying amount as at December 31, 2022** | 1,296,252 | 56,217 | 60,739 | 1,931 | 1,415,139 |
| **Loss allowances as at December 31, 2022** | (10,074) | (14,783) | (23,935) | (156) | (48,948) |

| Bank | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Gross carrying amount as at January 1, 2021** | 1,159,496 | 61,498 | 62,941 | 5,683 | 1,289,618 |
| Changes in the gross carrying amount | | | | | |
| - Transfer to stage 1 | 3,342 | (2,342) | (1,000) | - | - |
| - Transfer to stage 2 | (14,592) | 19,235 | (4,643) | - | - |
| - Transfer to stage 3 | (5,282) | (1,320) | 6,602 | - | - |
| - Decrease during the year | (95,569) | (5,361) | 353 | (831) | (101,408) |
| - Change due to modifications that did not result in derecognition | (139) | (5,041) | 4,502 | (29) | (707) |
| New financial assets originated or purchased | 405,139 | 13,990 | 54 | (1) | 419,182 |
| Financial assets that have been derecognised | (264,742) | (3,841) | (2,139) | (285) | (271,007) |
| Write-offs | (18) | (20) | (30,986) | (858) | (31,882) |
| **Gross carrying amount as at December 31, 2021** | 1,187,635 | 76,798 | 35,684 | 3,679 | 1,303,796 |
| **Loss allowances as at December 31, 2021** | (10,473) | (17,475) | (19,536) | (1,350) | (48,834) |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loans and advances (cont'd)**

| Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Gross carrying amount as at January 1, 2022** | 1,957,841 | 135,651 | 44,622 | 3,700 | 2,141,814 |
| Changes in the gross carrying amount | | | | | |
| - Transfer to stage 1 | 28,954 | (26,869) | (2,085) | - | - |
| - Transfer to stage 2 | (66,760) | 74,177 | (7,417) | - | - |
| - Transfer to stage 3 | (4,247) | (16,168) | 20,415 | - | - |
| - Decrease during the year | (260,517) | (18,960) | (4,038) | (554) | (284,069) |
| - Change due to modifications that did not result in derecognition | - | (23,656) | 23,729 | (5) | 68 |
| New financial assets originated or purchased | 748,851 | 23,537 | 3,130 | - | 775,518 |
| Financial assets that have been derecognised | (331,519) | (15,285) | (1,902) | (59) | (348,765) |
| Write-offs | (3,119) | (4,298) | (11,597) | (1,142) | (20,156) |
| **Gross carrying amount as at December 31, 2022** | 2,069,484 | 128,129 | 64,857 | 1,940 | 2,264,410 |
| **Loss allowances as at December 31, 2022** | (16,140) | (24,889) | (25,638) | (158) | (66,825) |

| Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Gross carrying amount as at January 1, 2021** | 1,882,229 | 142,738 | 79,730 | 5,749 | 2,110,446 |
| Changes in the gross carrying amount | | | | | |
| - Transfer to stage 1 | 46,744 | (42,026) | (4,718) | - | - |
| - Transfer to stage 2 | (42,557) | 51,459 | (8,902) | - | - |
| - Transfer to stage 3 | (8,172) | (5,488) | 13,660 | - | - |
| - Decrease during the year | (235,991) | (17,755) | (1,698) | (840) | (256,284) |
| - Change due to modifications that did not result in derecognition | (139) | (5,041) | 4,502 | (29) | (707) |
| New financial assets originated or purchased | 642,273 | 25,800 | 1,303 | (1) | 669,375 |
| Financial assets that have been derecognised | (322,239) | (9,458) | (2,820) | (286) | (334,803) |
| Write-offs | (4,307) | (4,578) | (36,435) | (893) | (46,213) |
| **Gross carrying amount as at December 31, 2021** | 1,957,841 | 135,651 | 44,622 | 3,700 | 2,141,814 |
| **Loss allowances as at December 31, 2021** | (17,066) | (26,876) | (23,320) | (1,356) | (68,618) |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

The table below sets out a reconciliation of changes in the carrying amount of loan commitments.

**Loan commitments**

| Bank and Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Total amount committed as at January 1, 2022** | **682,458** | **2,165** | **455** | **79** | **685,157** |
| Changes in amount committed | | | | | |
| - Transfer to stage 1 | 79 | (79) | - | - | - |
| - Transfer to stage 2 | (77) | 77 | - | - | - |
| - Transfer to stage 3 | - | (72) | 72 | - | - |
| - Increase /(Decrease) during the year | (6,555) | (139) | 1,672 | (13) | (5,035) |
| - Change due to modifications that did not result in derecognition | - | - | - | - | - |
| New loan commitments originated or purchased | 222,199 | 6,442 | - | - | 228,641 |
| Loan commitments that have been derecognised | (175,899) | (1,259) | (24) | - | (177,182) |
| **Total amount committed as at December 31, 2022** | **722,205** | **7,135** | **2,175** | **66** | **731,581** |
| **Loss allowances as at December 31, 2022** | **(565)** | **(26)** | **(31)** | **(1)** | **(623)** |

| Bank and Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Total amount committed as at January 1, 2021** | **524,999** | **22,632** | **564** | **516** | **548,711** |
| Changes in amount committed | | | | | |
| - Transfer to stage 1 | 79 | (79) | - | - | - |
| - Transfer to stage 2 | (98) | 98 | - | - | - |
| - Transfer to stage 3 | - | (8) | 8 | - | - |
| - Increase /(Decrease) during the year | 17,367 | (916) | 99 | (28) | 16,522 |
| - Change due to modifications that did not result in derecognition | - | - | - | - | - |
| New loan commitments originated or purchased | 310,413 | 1,231 | - | - | 311,644 |
| Loan commitments that have been derecognised | (170,302) | (20,793) | (216) | (409) | (191,720) |
| **Total amount committed as at December 31, 2021** | **682,458** | **2,165** | **455** | **79** | **685,157** |
| **Loss allowances as at December 31, 2021** | **(917)** | **(34)** | **(6)** | **(2)** | **(959)** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

The table below sets out a reconciliation of changes in the carrying amount of financial guarantees.

**Financial guarantees**

| Bank and Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Total amount guaranteed as at January 1, 2022** | **18,290** | 173 | **10** | **-** | **18,473** |
| Changes in amount guaranteed | | | | | |
| - Transfer to stage 1 | **-** | - | **-** | - | **-** |
| - Transfer to stage 2 | **-** | - | **-** | - | **-** |
| - Transfer to stage 3 | **(14)** | - | **14** | - | **-** |
| - Increase/(Decrease) during the year | **261** | (1) | **-** | - | **260** |
| - Change due to modifications that did not result in derecognition | **-** | - | **-** | - | **-** |
| New financial guarantees originated or purchased | **6,648** | - | **-** | - | **6,648** |
| Financial guarantees that have been derecognised | **(8,611)** | - | **(10)** | - | **(8,621)** |
| Write-offs | **-** | - | **-** | - | **-** |
| **Total amount guaranteed as at December 31, 2022** | **16,574** | **172** | **14** | **-** | **16,760** |
| **Loss allowances as at December 31, 2022** | **(27)** | **(6)** | **(7)** | **-** | **(40)** |

| Bank and Group | Stage 1 B$'000 | Stage 2 B$'000 | Stage 3 B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Total amount guaranteed as at January 1, 2021** | **15,736** | **5** | **64** | **-** | **15,805** |
| Changes in amount guaranteed | | | | | |
| - Transfer to stage 1 | **-** | - | **-** | - | **-** |
| - Transfer to stage 2 | **(20)** | 20 | **-** | - | **-** |
| - Transfer to stage 3 | **-** | - | **-** | - | **-** |
| - Decrease during the year | **(10)** | - | **-** | - | **(10)** |
| - Change due to modifications that did not result in derecognition | **-** | - | **-** | - | **-** |
| New financial guarantees originated or purchased | **6,605** | 154 | **-** | - | **6,759** |
| Financial guarantees that have been derecognised | **(4,021)** | (6) | **(1)** | - | **(4,028)** |
| Write-offs | **-** | - | **(53)** | - | **(53)** |
| **Total amount guaranteed as at December 31, 2021** | **18,290** | **173** | **10** | **-** | **18,473** |
| **Loss allowances as at December 31, 2021** | **(32)** | **(7)** | **(3)** | **-** | **(42)** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

The table below sets out a reconciliation of changes in the loss allowances of Loans and Advances.

**Loss allowances – Loans and Advances**

| Bank | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2022** | **10,473** | **17,475** | **19,536** | **1,350** | **48,834** |
| Write-offs | **(39)** | (26) | **(7,541)** | (1,142) | **(8,748)** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **823** | (582) | **(241)** | - | **-** |
| - Transfer to stage 2 | **(155)** | 2,324 | **(2,169)** | - | **-** |
| - Transfer to stage 3 | **(51)** | (2,728) | **2,779** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(2,385)** | 4,803 | **4,278** | (49) | **6,647** |
| - Changes due to modifications that did not result in derecognition | **-** | (7,195) | **7,263** | - | **68** |
| New financial assets originated or purchased | **3,683** | 1,194 | **267** | - | **5,144** |
| Financial assets that have been derecognised | **(2,275)** | (482) | **(237)** | (3) | **(2,997)** |
| **Loss allowances as at December 31, 2022** | **10,074** | **14,783** | **23,935** | **156** | **48,948** |

| Bank | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2021** | **10,591** | **15,599** | **45,460** | **1,032** | **72,682** |
| Write-offs | **(18)** | (20) | **(30,986)** | (858) | **(31,882)** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **480** | (215) | **(265)** | - | **-** |
| - Transfer to stage 2 | **(295)** | 1,263 | **(968)** | - | **-** |
| - Transfer to stage 3 | **(46)** | (180) | **226** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(694)** | 3,567 | **5,167** | 1,090 | **9,130** |
| - Changes due to modifications that did not result in derecognition | **-** | (1,701) | **1,540** | 86 | **(75)** |
| New financial assets originated or purchased | **3,512** | 453 | **25** | - | **3,990** |
| Financial assets that have been derecognised | **(3,057)** | (1,291) | **(663)** | - | **(5,011)** |
| **Loss allowances as at December 31, 2021** | **10,473** | **17,475** | **19,536** | **1,350** | **48,834** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loss allowances – Loans and Advances (cont'd)**

| Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2022** | **17,066** | **26,876** | **23,320** | **1,356** | **68,618** |
| Write-offs | **(39)** | (26) | **(14,090)** | (1,142) | **(15,297)** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **4,547** | (3,715) | **(832)** | - | **-** |
| - Transfer to stage 2 | **(1,053)** | 3,973 | **(2,920)** | - | **-** |
| - Transfer to stage 3 | **(101)** | (3,150) | **3,251** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(6,775)** | 6,375 | **9,502** | (51) | **9,051** |
| - Changes due to modifications that did not result in derecognition | **-** | (7,195) | **7,263** | - | **68** |
| New financial assets originated or purchased | **5,239** | 2,925 | **492** | - | **8,656** |
| Financial assets that have been derecognised | **(2,744)** | (1,174) | **(348)** | (5) | **(4,271)** |
| **Loss allowances as at December 31, 2022** | **16,140** | **24,889** | **25,638** | **158** | **66,825** |

| Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2021** | **14,922** | **24,257** | **51,757** | **1,055** | **91,991** |
| Write-offs | **(89)** | (19) | **(38,905)** | (892) | **(39,905)** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **5,953** | (4,365) | **(1,588)** | - | **-** |
| - Transfer to stage 2 | **(573)** | 3,057 | **(2,484)** | - | **-** |
| - Transfer to stage 3 | **(73)** | (676) | **749** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(5,010)** | 5,686 | **12,566** | 1,107 | **14,349** |
| - Changes due to modifications that did not result in derecognition | **-** | (1,702) | **1,540** | 86 | **(76)** |
| New financial assets originated or purchased | **5,314** | 2,390 | **572** | - | **8,276** |
| Financial assets that have been derecognised | **(3,378)** | (1,752) | **(887)** | - | **(6,017)** |
| **Loss allowances as at December 31, 2021** | **17,066** | **26,876** | **23,320** | **1,356** | **68,618** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The table below sets out a reconciliation of changes in the loss allowances of loan commitments.

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loss allowances – Loan commitments**

| Bank and Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2022** | **917** | **34** | **6** | **2** | **959** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **-** | – | **-** | – | **-** |
| - Transfer to stage 2 | **-** | – | **-** | – | **-** |
| - Transfer to stage 3 | **-** | (3) | **3** | – | **-** |
| - Increase during the year | **(59)** | (1) | **22** | (1) | **(39)** |
| - Changes due to modifications that did not result in derecognition | **-** | – | **-** | – | **-** |
| New loan commitments originated or purchased | **294** | 12 | **-** | – | **306** |
| Loan commitments that have been derecognised | **(587)** | (16) | **-** | – | **(603)** |
| **Loss allowances as at December 31, 2022** | **565** | **26** | **31** | **1** | **623** |

| Bank and Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2021** | **425** | **465** | **5** | **9** | **904** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **-** | – | **-** | – | **-** |
| - Transfer to stage 2 | **-** | – | **-** | – | **-** |
| - Transfer to stage 3 | **-** | – | **-** | – | **-** |
| - Increase during the year | **16** | (26) | **1** | (1) | **(10)** |
| - Changes due to modifications that did not result in derecognition | **-** | – | **-** | – | **-** |
| New loan commitments originated or purchased | **687** | 16 | **-** | – | **703** |
| Loan commitments that have been derecognised | **(211)** | (421) | **-** | (6) | **(638)** |
| **Loss allowances as at December 31, 2021** | **917** | **34** | **6** | **2** | **959** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

The table below sets out a reconciliation of changes in the loss allowances of financial guarantees.

**Credit risk (cont'd)**

*Non-performing loans and advances (cont'd)*

**Loss allowances – Financial guarantees**

| Bank and Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2022** | **32** | 7 | **3** | - | **42** |
| Write-offs | **-** | - | **-** | - | **-** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **-** | - | **-** | - | **-** |
| - Transfer to stage 2 | **-** | - | **-** | - | **-** |
| - Transfer to stage 3 | **-** | - | **-** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(2)** | (1) | **6** | - | **3** |
| - Changes due to modifications that did not result in derecognition | **-** | - | **-** | - | **-** |
| New financial guarantees originated or purchased | **11** | - | **-** | - | **11** |
| Financial guarantees that have been derecognised | **(14)** | - | **(2)** | - | **(16)** |
| **Loss allowances as at December 31, 2022** | **27** | **6** | **7** | **-** | **40** |

| Bank and Group | Stage 1 12-month ECL B$'000 | Stage 2 Lifetime ECL B$'000 | Stage 3 Lifetime ECL B$'000 | POCI B$'000 | Total B$'000 |
|---|---|---|---|---|---|
| **Loss allowances as at January 1, 2021** | **34** | **1** | **29** | - | **64** |
| Write-offs | **-** | - | **(53)** | - | **(53)** |
| *Increase/(Decrease) in allowance recognised in Profit or Loss* | | | | | |
| Changes in Loss allowances | | | | | |
| - Transfer to stage 1 | **-** | - | **-** | - | **-** |
| - Transfer to stage 2 | **-** | - | **-** | - | **-** |
| - Transfer to stage 3 | **-** | - | **-** | - | **-** |
| - Increase/(Decrease) due to change in credit risk | **(5)** | 5 | **27** | - | **27** |
| - Changes due to modifications that did not result in derecognition | **-** | - | **-** | - | **-** |
| New financial guarantees originated or purchased | **12** | 2 | **-** | - | **14** |
| Financial guarantees that have been derecognised | **(9)** | (1) | **-** | - | **(10)** |
| **Loss allowances as at December 31, 2021** | **32** | **7** | **3** | **-** | **42** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Loans with renegotiated terms and the Group's forbearance practice*

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

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

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

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Renegotiated loans and advances** | **25,475** | 10,047 | **28,316** | **12,625** |

*Write-off policy*

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

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Collateral held as security and of other credit enhancements, and their financial effect*

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

| | | Bank | | | Group | | |
|---|---|---|---|---|---|---|---|
| **Type of Credit Exposure** | **Principal Type of Collateral Held for Secured Lending** | **Loans and Advances B$'000** | **Financial Effect of Collateral Held B$'000** | **Net Exposure from Loans and Advances B$'000** | **Loans and Advances B$'000** | **Financial Effect of Collateral Held B$'000** | **Net Exposure from Loans and Advances B$'000** |
| **2022** | | | | | | | |
| Agriculture | Mortgage/Cash | 6,512 | **5,834** | 678 | **6,512** | 5,834 | **678** |
| Constructions and Property Financing | Mortgage/ Property | 519,623 | **459,309** | 60,314 | **519,624** | 459,309 | **60,314** |
| Financial | Cash | 45 | **36** | 9 | **45** | 36 | **9** |
| Infrastructure | Cash/ Debenture | 52,787 | **2,173** | 50,614 | **52,787** | 2,173 | **50,614** |
| Manufacturing | Cash/ Debenture | 194,530 | **49,337** | 145,193 | **194,529** | 49,337 | **145,193** |
| Personal and Consumption Loans | Mortgage/Cash | 168,418 | **36,126** | 132,292 | **168,418** | 36,126 | **132,292** |
| Services | Cash/ Debenture | 230,325 | **80,385** | 149,940 | **230,325** | 80,385 | **149,940** |
| Telecommunication and Information Technology | Cash/ Debenture | 24,755 | **1,823** | 22,932 | **24,755** | 1,823 | **22,932** |
| Tourism | Cash/Property | 20,802 | **20,367** | 435 | **20,802** | 20,367 | **435** |
| Traders | Cash/Property | 152,002 | **94,349** | 57,653 | **152,002** | 94,349 | **57,653** |
| Transportation | Cash / Debenture | 45,340 | **12,414** | 32,926 | **894,611** | 772,191 | **122,420** |
| **Total** | | **1,415,139** | **762,153** | **652,986** | **2,264,410** | **1,521,930** | **742,480** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Collateral held as security and of other credit enhancements, and their financial effect (cont'd)*

| | | Bank | | | Group | | |
|---|---|---|---|---|---|---|---|
| **Type of Credit Exposure** | **Principal Type of Collateral Held for Secured Lending** | **Loans and Advances B$'000** | **Financial Effect of Collateral Held B$'000** | **Net Exposure from Loans and Advances B$'000** | **Loans and Advances B$'000** | **Financial Effect of Collateral Held B$'000** | **Net Exposure from Loans and Advances B$'000** |
| **2021** | | | | | | | |
| Agriculture | Mortgage/Cash | 7,712 | **7,482** | 230 | **7,712** | 7,482 | **230** |
| Constructions and Property Financing | Mortgage/ Property | 518,815 | **474,007** | 44,808 | **518,815** | 474,007 | **44,808** |
| Financial | Cash | 62 | **32** | 30 | **62** | 32 | **30** |
| Infrastructure | Cash/ Debenture | 2,480 | **2,083** | 397 | **2,480** | 2,083 | **397** |
| Manufacturing | Cash/ Debenture | 102,033 | **43,542** | 58,491 | **102,033** | 43,542 | **58,491** |
| Personal and Consumption Loans | Mortgage/Cash | 166,347 | **32,940** | 133,407 | **166,347** | 32,940 | **133,407** |
| Services | Cash/ Debenture | 232,818 | **72,742** | 160,076 | **232,818** | 72,742 | **160,076** |
| Telecommunication and Information Technology | Cash/ Debenture | 27,111 | **2,427** | 24,684 | **27,111** | 2,427 | **24,684** |
| Tourism | Cash/Property | 21,219 | **14,832** | 6,387 | **21,219** | 14,832 | **6,387** |
| Traders | Cash/Property | 153,853 | **93,416** | 60,437 | **153,853** | 93,416 | **60,437** |
| Transportation | Cash / Debenture | 71,346 | **16,705** | 54,641 | **909,364** | 767,353 | **142,011** |
| **Total** | | **1,303,796** | **760,208** | **543,588** | **2,141,814** | **1,510,856** | **630,958** |

*Cash and balances with banks and other financial institutions and Balances with BDCB*

The Group held cash and balances with banks and other financial institutions of B$910,309,000 (2021: B$994,570,000) and balances with BDCB of B$242,256,000 as at December 31, 2022 (2021: B$218,676,000) which banks, financial institutions and BDCB are high credit ratings assigned by international credit-rating agencies and consider to have low credit risk. The balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Credit risk (cont'd)**

*Investment securities*

The carrying amount of the Bank and the Group's financial assets at FVTPL and amortised cost as disclosed in Note 4.2 under categories of financial instruments best represents their respective maximum exposure to credit risk. The Bank and the Group holds no collateral over any of these balances.

The Bank and the Group held investment securities of B$1,052,334 as at December 31, 2022 (2021: B$955,531,000). Majority of the investment securities are held with counterparties with credit ratings of at least an investment grade.

The Bank and the Group considers that investments with credit ratings of at least an investment grade have low credit risk based on the external credit ratings of these counterparties. The amount of the estimated credit losses on these investment securities is negligible. For the investment securities held with counterparties with credit ratings of non-investment grade, impairment on these balances has been measured on the 12-month expected loss basis based on the Bank and the Group's internal grading assessment. Management assessed that the amount of estimated credit losses on these balances is insignificant.

*Government Sukuk*

Government sukuks held by the Group disclosed in Note 14 are issued by BDCB are generally above the rating of A-. The Bank and the Group considers that its investments have low credit risk based on the external credit ratings of the counterparty (Sovereign), the management assessed that no amount of estimated credit losses on government sukuk is required.

*Settlement risk*

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

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

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk**

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

*Management of liquidity risk*

The Group's RMC sets the Group's strategy for managing liquidity risk and has the responsibility for the oversight of the implementation of this policy. The Group has also established an Asset and Liability Committee ("ALCO") to manage the Bank's overall balance sheet including monitoring its liquidity position. Treasury manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

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

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

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

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

*Exposure to liquidity risk*

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

A similar, but not identical, calculation is used to measure the Bank's compliance with the Assets Management Ratio ("AMR") under the Deposit Protection Order, 2010.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk (cont'd)**

*Maturity analysis for financial assets and liabilities*

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

| Bank | Carrying Amount B$'000 | Gross Nominal Inflow/ (Outflow) B$'000 | Less than 3 months B$'000 | 3-6 months B$'000 | 6-12 months B$'000 | 1-3 years B$'000 | 3-5 years B$'000 | Over 5 years B$'000 |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Non-Derivative Assets** | | | | | | | | |
| Cash | **32,180** | 32,180 | **32,180** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,046,109** | 1,058,309 | **669,609** | 43,722 | **138,657** | 131,568 | **74,753** | - |
| Government Sukuk | **7,988** | 8,000 | **8,000** | - | **-** | - | **-** | - |
| Investment Securities | **1,052,334** | 1,083,077 | **495,775** | 75,353 | **131,650** | 145,147 | **175,457** | 59,695 |
| Loans and Advances | **1,365,528** | 1,544,022 | **259,349** | 122,450 | **143,028** | 504,186 | **226,418** | 288,591 |
| Other On Balance Sheet Assets | **4,348** | 4,348 | **-** | - | **4,012** | 336 | **-** | - |
| **Total** | **3,508,487** | **3,729,936** | **1,464,913** | **241,525** | **417,347** | **781,237** | **476,628** | **348,286** |
| **Non-Derivative Liabilities** | | | | | | | | |
| Deposits | **2,972,371** | 2,981,910 | **1,108,084** | 395,082 | **610,524** | 853,641 | **14,579** | - |
| Lease Liabilities | **2,569** | 2,569 | **281** | 231 | **352** | 1,018 | **687** | - |
| Group Balances Payable | **1,585** | 1,585 | **1,585** | - | **-** | - | **-** | - |
| Other On Balance Sheet Liabilities | **64,508** | 64,508 | **10,598** | - | **-** | 53,910 | **-** | - |
| Other Off Balance Sheet Liabilities | **312,312** | 312,312 | **69,698** | 34,206 | **78,253** | 26,748 | **66,911** | 36,496 |
| Undrawn Credit Lines | **815,738** | 815,738 | **-** | - | **815,738** | - | **-** | - |
| **Total** | **4,169,083** | **4,178,622** | **1,190,246** | **429,519** | **1,504,867** | **935,317** | **82,177** | **36,496** |
| **Net liquidity gap** | **(660,596)** | (448,685) | 274,667 | (187,994) | (1,087,520) | (154,080) | 394,451 | 311,790 |
| **Derivative Financial Instruments** | | | | | | | | |
| - Inflow | **-** | 98,093 | **64,161** | 32,716 | **912** | 304 | **-** | - |
| - Outflow | **-** | (97,294) | **(63,803)** | (32,274) | **(914)** | (303) | **-** | - |
| **Total** | **-** | **799** | **358** | **442** | **(2)** | **1** | **-** | **-** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk (cont'd)**

*Maturity analysis for financial assets and liabilities (cont'd)*

| Group | Carrying Amount B$'000 | Gross Nominal Inflow/ (Outflow) B$'000 | Less than 3 months B$'000 | 3-6 months B$'000 | 6-12 months B$'000 | 1-3 years B$'000 | 3-5 years B$'000 | Over 5 years B$'000 |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Non-Derivative Assets** | | | | | | | | |
| Cash | **34,467** | 34,467 | **34,467** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,118,098** | 1,130,299 | **692,177** | 49,081 | **150,563** | 163,725 | **74,753** | - |
| Government Sukuk | **7,988** | 8,000 | **8,000** | - | **-** | - | **-** | - |
| Investment Securities | **1,052,334** | 1,083,077 | **495,775** | 75,353 | **131,650** | 145,147 | **175,457** | 59,695 |
| Loans and Advances | **2,196,922** | 2,516,056 | **322,544** | 183,812 | **260,107** | 909,036 | **478,278** | 362,279 |
| Other On Balance Sheet Assets | **36,476** | 36,476 | **32,128** | - | **4,012** | 336 | **-** | - |
| **Total** | **4,446,285** | **4,808,375** | **1,585,091** | **308,246** | **546,332** | **1,218,244** | **728,488** | **421,974** |
| **Non-Derivative Liabilities** | | | | | | | | |
| Deposits | **3,720,599** | 3,733,137 | **1,128,151** | 480,414 | **744,572** | 1,365,421 | **14,579** | - |
| Lease Liabilities | **3,439** | 3,439 | **426** | 378 | **611** | 1,260 | **764** | - |
| Other On Balance Sheet Liabilities | **73,682** | 73,682 | **19,772** | - | **-** | 53,910 | **-** | - |
| Other Off Balance Sheet Liabilities | **312,312** | 312,312 | **69,698** | 34,206 | **78,253** | 26,748 | **66,911** | 36,496 |
| Undrawn Credit Lines | **815,738** | 815,738 | **-** | - | **815,738** | - | **-** | - |
| **Total** | **4,925,770** | **4,938,308** | **1,218,047** | **514,998** | **1,639,174** | **1,447,339** | **82,254** | **36,496** |
| **Net liquidity gap** | **(479,485)** | (129,933) | 367,043 | (206,752) | (1,092,842) | (229,095) | 646,234 | 385,478 |
| **Derivative Financial Instruments** | | | | | | | | |
| - Inflow | **-** | 98,093 | **64,161** | 32,716 | **912** | 304 | **-** | - |
| - Outflow | **-** | (97,294) | **(63,803)** | (32,274) | **(914)** | (303) | **-** | - |
| **Total** | **-** | **799** | **358** | **442** | **(2)** | **1** | **-** | **-** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk (cont'd)**

*Maturity analysis for financial assets and liabilities (cont'd)*

| Bank | Carrying Amount B$'000 | Gross Nominal Inflow/ (Outflow) B$'000 | Less than 3 months B$'000 | 3-6 months B$'000 | 6-12 months B$'000 | 1-3 years B$'000 | 3-5 years B$'000 | Over 5 years B$'000 |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| **Non-Derivative Assets** | | | | | | | | |
| Cash | **29,931** | 29,931 | **29,931** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,104,890** | 1,110,357 | **714,933** | 67,442 | **171,918** | 81,264 | **74,800** | - |
| Government Sukuk | **18,350** | 18,350 | **18,350** | - | **-** | - | **-** | - |
| Investment Securities | **955,531** | 981,581 | **434,975** | 136,267 | **2,013** | 167,388 | **172,344** | 68,594 |
| Loans and Advances | **1,253,961** | 1,457,119 | **237,790** | 107,285 | **114,525** | 495,200 | **195,428** | 306,891 |
| Other On Balance Sheet Assets | **1,853** | 1,853 | **-** | - | **1,530** | 323 | **-** | - |
| **Total** | **3,364,516** | **3,599,191** | **1,435,979** | **310,994** | **289,986** | **744,175** | **442,572** | **375,485** |
| **Non-Derivative Liabilities** | | | | | | | | |
| Deposits | **2,868,797** | 2,873,421 | **921,474** | 447,074 | **648,676** | 841,471 | **14,726** | - |
| Lease Liabilities | **1,512** | 1,512 | **291** | 257 | **429** | 497 | **38** | - |
| Group Balances Payable | **2,579** | 2,579 | **2,579** | - | **-** | - | **-** | - |
| Other On Balance Sheet Liabilities | **71,644** | 71,644 | **15,064** | 1 | **-** | 56,579 | **-** | - |
| Other Off Balance Sheet Liabilities | **321,757** | 321,757 | **130,201** | 52,731 | **55,250** | 29,174 | **8,640** | 45,761 |
| Undrawn Credit Lines | **858,910** | 858,910 | **-** | - | **858,910** | - | **-** | - |
| **Total** | **4,125,199** | **4,129,823** | **1,069,609** | **500,063** | **1,563,265** | **927,721** | **23,404** | **45,761** |
| **Net liquidity gap** | **(760,683)** | (530,632) | 366,370 | (189,069) | (1,273,279) | (183,546) | 419,168 | 329,724 |
| **Derivative Financial Instruments** | | | | | | | | |
| - Inflow | **-** | 35,625 | **14,494** | 16,742 | **3,669** | 720 | **-** | - |
| - Outflow | **-** | (35,214) | **(14,337)** | (16,529) | **(3,634)** | (714) | **-** | - |
| **Total** | **-** | **411** | **157** | **213** | **35** | **6** | **-** | **-** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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# 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk (cont'd)**

*Maturity analysis for financial assets and liabilities (cont'd)*

| Group | Carrying Amount B$'000 | Gross Nominal Inflow/ (Outflow) B$'000 | Less than 3 months B$'000 | 3-6 months B$'000 | 6-12 months B$'000 | 1-3 years B$'000 | 3-5 years B$'000 | Over 5 years B$'000 |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| **Non-Derivative Assets** | | | | | | | | |
| Cash | **31,405** | 31,405 | **31,405** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,181,841** | 1,187,308 | **791,884** | 67,442 | **171,918** | 81,264 | **74,800** | - |
| Government Sukuk | **18,350** | 18,350 | **18,350** | - | **-** | - | **-** | - |
| Investment Securities | **955,531** | 981,581 | **434,975** | 136,267 | **2,013** | 167,388 | **172,344** | 68,594 |
| Loans and Advances | **2,072,195** | 2,432,562 | **300,504** | 168,181 | **231,148** | 899,035 | **452,307** | 381,387 |
| Other On Balance Sheet Assets | **35,268** | 35,268 | **33,415** | - | **1,530** | 323 | **-** | - |
| **Total** | **4,294,590** | **4,686,474** | **1,610,533** | **371,890** | **406,609** | **1,148,010** | **699,451** | **449,981** |
| **Non-Derivative Liabilities** | | | | | | | | |
| Deposits | **3,615,727** | 3,624,014 | **930,493** | 503,343 | **755,423** | 1,420,029 | **14,726** | - |
| Lease Liabilities | **2,717** | 2,717 | **431** | 399 | **708** | 1,127 | **52** | - |
| Other On Balance Sheet Liabilities | **83,728** | 83,728 | **27,148** | 1 | **-** | 56,579 | **-** | - |
| Other Off Balance Sheet Liabilities | **321,757** | 321,757 | **130,201** | 52,731 | **55,250** | 29,174 | **8,640** | 45,761 |
| Undrawn Credit Lines | **858,910** | 858,910 | **-** | - | **858,910** | - | **-** | - |
| **Total** | **4,882,839** | **4,891,126** | **1,088,273** | **556,474** | **1,670,291** | **1,506,909** | **23,418** | **45,761** |
| **Net liquidity gap** | **(588,249)** | (204,652) | 522,260 | (184,584) | (1,263,682) | (358,899) | 676,033 | 404,220 |
| **Derivative Financial Instruments** | | | | | | | | |
| - Inflow | **-** | 35,625 | **14,494** | 16,742 | **3,669** | 720 | **-** | - |
| - Outflow | **-** | (35,214) | **(14,337)** | (16,529) | **(3,634)** | (714) | **-** | - |
| **Total** | **-** | **411** | **157** | **213** | **35** | **6** | **-** | **-** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Liquidity risk (cont'd)**

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

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

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

**Market risk**

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

*Management of market risk*

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

The EXCO has appointed the ALCO to monitor and control market risk exposures.

*Exposure to interest rate risk*

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

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

| | | | Interest Bearing | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Bank** | **Carrying Amount B$'000** | **Non-Interest Bearing B$'000** | **Less than 3 months B$'000** | **3-6 months B$'000** | **6-12 months B$'000** | **1-3 years B$'000** | **3-5 years B$'000** | **Over 5 years B$'000** |
| **2022** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash | **32,180** | 32,180 | **-** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,046,109** | 219,918 | **561,957** | 15,716 | **102,562** | 74,686 | **71,270** | - |
| Derivative Assets | **1,054** | 1,054 | **-** | - | **-** | - | **-** | - |
| Government Sukuk | **7,988** | - | **7,988** | - | **-** | - | **-** | - |
| Investment Securities | **1,052,334** | – | **494,240** | 74,128 | **130,276** | 139,382 | **163,934** | 50,374 |
| Loans and Advances | **1,365,528** | – | **276,346** | 105,294 | **123,333** | 431,147 | **214,464** | 214,944 |
| Other Assets | **4,348** | 4,348 | **-** | - | **-** | - | **-** | - |
| **Total** | **3,509,541** | **257,500** | **1,340,531** | **195,138** | **356,171** | **645,215** | **449,668** | **265,318** |
| **Financial Liabilities** | | | | | | | | |
| Deposits | **2,972,371** | 1,130,213 | **841,286** | 297,624 | **319,575** | 369,734 | **13,939** | - |
| Derivative Liabilities | **237** | 237 | **-** | - | **-** | - | **-** | - |
| Lease Liabilities | **2,569** | - | **281** | 231 | **352** | 1,018 | **687** | - |
| Group Balances Payable | **1,585** | 1,585 | **-** | - | **-** | - | **-** | - |
| Other Liabilities | **64,508** | 64,508 | **-** | - | **-** | - | **-** | - |
| **Total** | **3,041,270** | **1,196,543** | **841,567** | **297,855** | **319,927** | **370,752** | **14,626** | **-** |
| **2021** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash | **29,931** | 29,931 | **-** | - | **-** | - | **-** | - |
| Balances with Banks, Other Financial Institutions and BDCB | **1,104,890** | 215,502 | **604,623** | 44,926 | **138,077** | 31,286 | **70,476** | - |
| Derivative Assets | **374** | 374 | **-** | - | **-** | - | **-** | - |
| Government Sukuk | **18,350** | - | **18,350** | - | **-** | - | **-** | - |
| Investment Securities | **955,531** | - | **434,174** | 135,309 | **-** | 153,501 | **169,094** | 63,453 |
| Loans and Advances | **1,253,961** | - | **243,664** | 89,565 | **84,675** | 437,590 | **168,185** | 230,282 |
| Other Assets | **1,853** | 1,853 | **-** | - | **-** | - | **-** | - |
| **Total** | **3,364,890** | **247,660** | **1,300,811** | **269,800** | **222,752** | **622,377** | **407,755** | **293,735** |
| **Financial Liabilities** | | | | | | | | |
| Deposits | **2,868,797** | 1,175,319 | **644,913** | **346,015** | **348,124** | **340,347** | **14,079** | **-** |
| Derivative Liabilities | **5** | 5 | **-** | **-** | **-** | **-** | **-** | **-** |
| Lease Liabilities | **1,512** | - | **291** | **257** | **429** | **497** | **38** | **-** |
| Group Balances Payable | **2,579** | 2,579 | **-** | **-** | **-** | **-** | **-** | **-** |
| Other Liabilities | **71,644** | 71,644 | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **2,944,537** | **1,249,547** | **645,204** | **346,272** | **348,553** | **340,844** | **14,117** | **-** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

| | | | Interest Bearing | | | | | |
|---|---|---|---|---|---|---|---|---|
| Group | Carrying Amount B$'000 | Non-Interest Bearing B$'000 | Less than 3 months B$'000 | 3-6 months B$'000 | 6-12 months B$'000 | 1-3 years B$'000 | 3-5 years B$'000 | Over 5 years B$'000 |
| **2022** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash | 34,467 | 34,467 | - | - | - | - | - | - |
| Balances with Banks, Other Financial Institutions and BDCB | 1,118,098 | 291,907 | 561,957 | 15,716 | 102,562 | 74,686 | 71,270 | - |
| Derivative Assets | 1,054 | 1,054 | - | - | - | - | - | - |
| Government Sukuk | 7,988 | - | 7,988 | - | - | - | - | - |
| Investment Securities | 1,052,334 | – | 494,240 | 74,128 | 130,276 | 139,382 | 163,934 | 50,374 |
| Loans and Advances | 2,196,922 | – | 330,530 | 148,603 | 230,519 | 783,787 | 424,348 | 279,135 |
| Other Assets | 36,477 | 36,477 | - | - | - | - | - | - |
| **Total** | **4,447,340** | **363,905** | **1,394,715** | **238,447** | **463,357** | **997,855** | **659,552** | **329,509** |
| **Financial Liabilities** | | | | | | | | |
| Deposits | 3,720,599 | 1,103,246 | 887,924 | 382,635 | 453,052 | 879,803 | 13,939 | - |
| Derivative Liabilities | 237 | 237 | - | - | - | - | - | - |
| Borrowings | - | - | - | - | - | - | - | - |
| Lease Liabilities | 3,439 | - | 426 | 378 | 611 | 1,260 | 764 | - |
| Other Liabilities | 73,682 | 73,682 | - | - | - | - | - | - |
| **Total** | **3,797,957** | **1,177,165** | **888,350** | **383,013** | **453,663** | **881,063** | **14,703** | **-** |
| **2021** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash | 31,405 | 31,405 | - | - | - | - | - | - |
| Balances with Banks, Other Financial Institutions and BDCB | 1,181,841 | 292,453 | 604,623 | 44,926 | 138,077 | 31,286 | 70,476 | - |
| Derivative Assets | 374 | 374 | - | - | - | - | - | - |
| Government Sukuk | 18,350 | - | 18,350 | - | - | - | - | - |
| Investment Securities | 955,531 | - | 434,174 | 135,309 | - | 153,501 | 169,094 | 63,453 |
| Loans and Advances | 2,072,195 | - | 296,049 | 130,562 | 190,144 | 783,601 | 378,170 | 293,669 |
| Other Assets | 35,268 | 35,268 | - | - | - | - | - | - |
| **Total** | **4,294,964** | **359,500** | **1,353,196** | **310,797** | **328,221** | **968,388** | **617,740** | **357,122** |
| **Financial Liabilities** | | | | | | | | |
| Deposits | 3,615,727 | 1,129,860 | 699,230 | 401,859 | 453,884 | 916,815 | 14,079 | - |
| Derivative Liabilities | 5 | 5 | - | - | - | - | - | - |
| Lease Liabilities | 2,717 | - | 431 | 399 | 708 | 1,127 | 52 | - |
| Other Liabilities | 83,729 | 83,729 | - | - | - | - | - | - |
| **Total** | **3,702,178** | **1,213,594** | **699,661** | **402,258** | **454,592** | **917,942** | **14,131** | **-** |

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Market risk (cont'd)**

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

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

If interest rates had been 10 basis points higher or lower and all other variables were held constant, the Bank's and the Group's projected net interest income for the financial year ended December 31, 2022 would increase/(decrease) by:

| | Bank | | Group | |
|---|---|---|---|---|
| | +0.10% B$'000 | -0.10% B$'000 | +0.10% B$'000 | -0.10% B$'000 |
| **As at December 31, 2022** | **397** | (397) | **154** | (154) |
| **As at December 31, 2021** | **324** | (324) | **93** | (93) |

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

**Foreign exchange risk**

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

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

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Foreign exchange risk (cont'd)**

| Bank | USD B$'000 | GBP B$'000 | AUD B$'000 | Others B$'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Financial Assets** | | | | |
| Cash | **4,618** | 1,881 | **1,337** | 11,144 |
| Balances with Banks, Other Financial Institutions and BDCB | **12,105** | 13,047 | **18,373** | 25,574 |
| Derivative Assets | **1,048** | 3 | **3** | – |
| Investment Securities | **303** | – | **16,126** | 4,114 |
| Loans and Advances | **235,595** | – | **-** | (48) |
| Others | **930** | – | **-** | – |
| **Total** | **254,599** | **14,931** | **35,839** | **40,784** |
| **Financial Liabilities** | | | | |
| Deposits | **170,692** | 14,667 | **35,782** | 30,005 |
| Derivative Liabilities | **-** | – | **-** | 237 |
| Others | **337** | - | **(3)** | (10) |
| **Total** | **171,029** | **14,667** | **35,779** | **30,232** |
| **Off Balance Sheet Derivative Financial Instruments** | **(86,815)** | **(320)** | **-** | **(10,024)** |
| **2021** | | | | |
| **Financial Assets** | | | | |
| Cash | **3,838** | 2,616 | **1,096** | 23,646 |
| Balances with Banks, Other Financial Institutions and BDCB | **33,546** | 11,672 | **17,681** | 6,138 |
| Derivative Assets | **215** | – | **3** | 156 |
| Investment Securities | **305** | – | **17,520** | – |
| Loans and Advances | **164,201** | – | **-** | (102) |
| Others | **55** | – | **-** | – |
| **Total** | **202,160** | **14,288** | **36,300** | **29,838** |
| **Financial Liabilities** | | | | |
| Deposits | **180,941** | 14,381 | **36,788** | 20,518 |
| Derivative Liabilities | **2** | – | **1** | 2 |
| Others | **813** | – | **(3)** | (11) |
| **Total** | **181,756** | **14,381** | **36,786** | **20,509** |
| **Off Balance Sheet Derivative Financial Instruments** | **(25,622)** | **(2)** | **(310)** | **(9,279)** |

# BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Foreign exchange risk (cont'd)**

| Group | USD B$'000 | GBP B$'000 | AUD B$'000 | Others B$'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Financial Assets** | | | | |
| Cash | **4,618** | 1,881 | **1,337** | 11,144 |
| Balances with Banks, Other Financial Institutions and BDCB | **12,105** | 13,047 | **18,373** | 25,574 |
| Derivative Assets | **1,048** | 3 | **3** | – |
| Investment Securities | **303** | – | **16,126** | 4,114 |
| Loans and Advances | **235,595** | – | **-** | (48) |
| Others | **2,181** | – | **116** | 141 |
| **Total** | **255,850** | **14,931** | **35,955** | **40,925** |
| **Financial Liabilities** | | | | |
| Deposits | **171,894** | 14,667 | **35,895** | 30,136 |
| Derivative Liabilities | **-** | – | **-** | 237 |
| Others | **337** | - | **(3)** | (10) |
| **Total** | **172,231** | **14,667** | **35,892** | **30,363** |
| **Off Balance Sheet Derivative Financial Instruments** | **(86,815)** | **(320)** | **-** | **(10,024)** |

| Group | USD B$'000 | GBP B$'000 | AUD B$'000 | Others B$'000 |
|---|---|---|---|---|
| **2021** | | | | |
| **Financial Assets** | | | | |
| Cash | **3,838** | 2,616 | **1,096** | 23,646 |
| Balances with Banks, Other Financial Institutions and BDCB | **33,546** | 11,672 | **17,681** | 6,138 |
| Derivative Assets | **215** | – | **3** | 156 |
| Investment Securities | **305** | – | **17,520** | – |
| Loans and Advances | **164,201** | – | **-** | (102) |
| Others | **1,178** | – | **70** | 102 |
| **Total** | **203,283** | **14,288** | **36,370** | **29,940** |
| **Financial Liabilities** | | | | |
| Deposits | **181,867** | 14,381 | **36,854** | 20,597 |
| Derivative Liabilities | **2** | – | **1** | 2 |
| Others | **813** | – | **(3)** | (11) |
| **Total** | **182,682** | **14,381** | **36,852** | **20,588** |
| **Off Balance Sheet Derivative Financial Instruments** | **(25,622)** | **(2)** | **(310)** | **(9,279)** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Foreign exchange risk (cont'd)**

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

| Bank | USD +/- 10% B$'000 | GBP +/- 10% B$'000 | AUD +/- 10% B$'000 | Others +/- 10% B$'000 |
|---|---|---|---|---|
| **As at December 31, 2022** | **(325)** | (6) | **(8)** | 53 |
| As at December 31, 2021 | **(522)** | (10) | **(80)** | 5 |

| Group | USD +/- 10% B$'000 | GBP +/- 10% B$'000 | AUD +/- 10% B$'000 | Others +/- 10% B$'000 |
|---|---|---|---|---|
| **As at December 31, 2022** | **(320)** | (6) | **(7)** | 54 |
| As at December 31, 2021 | **(502)** | (10) | **(78)** | 8 |

**Operational risk**

Operational risk is the risk to achieving the Group's strategic objectives as a result of inadequate or failed internal processes, people and systems, or from external events. Operational risk is inherent to every aspect of our business. The Group's objective is to manage its operational risk at appropriate levels, considering the markets we operate in, capital and liquidity adequacy, as well as economic conditions and the regulatory environment.

The Board is ultimately responsible for all aspects of operational risk management. The Board delegates these responsibilities to the RMC to oversee the management of operational risk.

The Group's operational risk management framework sets out to identify, assess, control, mitigate, report and monitor operational risk.

Senior management is overall responsible for implementing the operational risk management framework, its associated policies and procedures, to anticipate and mitigate operational risk for the Group.

The Three Lines of Defence approach is applied to operational risk management.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

**Operational risk (cont'd)**

The first line of defence – business line management including support functions – is directly responsible for identifying and managing day-to-day operational risk. The second line of defence is provided by the Group Risk Department where it coordinates, facilitates and oversees the effectiveness and integrity of the Group's operational risk management framework. The third line of defence involves the Internal Audit function to provide independent assurance to the Board and senior management on the effectiveness and quality of governance, risk management and internal control processes.

The Group employs the Basic Indicator Approach to compute operational risk capital.

4.5 FAIR VALUE MEASUREMENTS

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

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

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

| | Fair Value as at | | | |
|---|---|---|---|---|
| **Bank and Group** | **2022 B$'000** | **2021 B$'000** | **Level of the Fair Value Hierarchy** | **Valuation Technique(s) & Key input(s)** |
| **Assets** | | | | |
| Investment Securities: | | | | |
| – Structured Deposits | **154,331** | 140,296 | **2** | Reuters Quote |
| – Equity | **303** | 305 | **3** | Net Asset Value |
| Derivative Assets | **1,054** | 374 | **2** | Reuters Quote |
| **Total** | **155,688** | **140,975** | | |
| **Liabilities** | | | | |
| Derivative liabilities | **237** | 5 | **2** | Reuters Quote |
| **Total** | **237** | 5 | | |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

4.5 FAIR VALUE MEASUREMENTS (cont'd)

*Reconciliation of Level 3 fair value measurements*

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

| | Bank and Group | |
|---|---|---|
| | **2022 B$'000** | **2021 B$'000** |
| **Investment Securities** | | |
| Opening balance as at January 1 | **305** | 300 |
| Total Gains or Losses included in Statements of Profit or Loss for the year: | | |
| Revaluation during the year | **(2)** | 5 |
| **Balance as at December 31** | **303** | **305** |

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

**Fair value of financial instruments**

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

**Methodologies**

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

**Financial instruments for which carrying value approximates fair value**

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

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

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

4.5 FAIR VALUE MEASUREMENTS (cont'd)

**Loans and Advances**

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

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

**Deposits from customers**

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

**Derivative financial instruments**

The fair values of derivative financial instruments such as foreign exchange contracts are based on quoted market prices at the end of the reporting period.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4.5 FAIR VALUE MEASUREMENTS (cont'd)

**Summary**

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values. Accordingly, the Bank and the Group has not disclosed the fair value and their levels in the fair value hierarchy for financial assets and liabilities carried at amortised cost.

| | Bank and Group | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Carrying Amount B$'000 | Fair Value B$'000 | Carrying Amount B$'000 | Fair Value B$'000 |
| **Financial Assets** | | | | |
| Investments at amortised cost | | | | |
| - Government Sukuk | **7,988** | 7,988 | **18,350** | 18,350 |
| - Investment Securities | **898,025** | 875,241 | **814,930** | 815,728 |
| **Total** | **906,013** | **883,229** | **833,280** | **834,078** |

| | Fair Value Hierarchy | | | |
|---|---|---|---|---|
| | Level 1 B$'000 | Level 2 B$'000 | Level 3 B$'000 | Total B$'000 |
| **2022** | | | | |
| **Financial Assets** | | | | |
| Investments at amortised cost | | | | |
| - Government Sukuk | **-** | 7,988 | **-** | 7,988 |
| - Investment Securities | **875,241** | - | **-** | 875,241 |
| **Total** | **875,241** | **7,988** | **-** | **883,229** |
| **2021** | | | | |
| **Financial Assets** | | | | |
| Investments at amortised cost | | | | |
| - Government Sukuk | **-** | 18,350 | **-** | 18,350 |
| - Investment Securities | **815,728** | - | **-** | 815,728 |
| **Total** | **815,728** | **18,350** | **-** | **834,078** |

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

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 5 NET INTEREST INCOME

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Interest Income** | | | | |
| Loans and Advances | **69,712** | 64,459 | **123,176** | 119,603 |
| Placements with Other Banks | **14,721** | 4,832 | **14,721** | 4,832 |
| Investment Securities | **16,643** | 6,390 | **16,643** | 6,390 |
| Others | **1,172** | 1,113 | **1,172** | 1,113 |
| Government Sukuk | **86** | 98 | **86** | 98 |
| **Total Interest Income** | **102,334** | **76,892** | **155,798** | **132,036** |
| **Interest Expense** | | | | |
| Deposits | **13,835** | 8,191 | **14,527** | 9,891 |
| **Net Interest Income** | **88,499** | 68,701 | **141,271** | 122,145 |

Total interest income and expense calculated using the effective interest method are reported above. The effective interest relating to financial assets or liabilities carried at fair value through profit or loss for the Bank's and the Group's included above is an interest income of B$804,428 (2021: B$310,596) and an interest expense of B$153,731 (2021: B$56,626) respectively.

## 6 OTHER OPERATING INCOME

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Dividend income from a subsidiary | **20,914** | 20,000 | **-** | - |
| Fees, Charges and Others | **19,801** | 17,830 | **21,460** | 19,743 |
| Realised and Unrealised gains from Foreign Exchange Transactions | **9,694** | 9,049 | **9,690** | 9,048 |
| Management fee from a subsidiary | **1,800** | 1,800 | **-** | - |
| Gain on Disposal of Investment | **46** | 2,463 | **46** | 2,463 |
| Gain on Disposal of Property, Plant and Equipment | **41** | 108 | **41** | 107 |
| **Total** | **52,296** | 51,250 | **31,237** | 31,361 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 7 NET LOSS FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Bank and Group | |
|---|---|---|
| | **2022 B$'000** | **2021 B$'000** |
| **Investment Securities at Fair Value Through Profit or Loss:** | | |
| - Investment Securities | **(6,332)** | (171) |
| **Total** | **(6,332)** | **(171)** |

## 8 PERSONNEL EXPENSES

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Salaries and Wages | **22,414** | 21,705 | **26,714** | 25,907 |
| Allowances and Bonuses | **5,641** | 5,737 | **6,932** | 7,020 |
| Directors' Fees | **3,813** | 3,925 | **4,056** | 4,131 |
| Others | **2,752** | 2,597 | **3,225** | 3,238 |
| **Total** | **34,620** | **33,964** | **40,927** | **40,296** |

## 9 OTHER OVERHEAD EXPENSES

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Promotion** | | | | |
| Advertisement and Publicity | **2,363** | 2,074 | **2,505** | 2,411 |
| **Operational** | | | | |
| Depreciation of Property, Plant and Equipment | **6,323** | 6,167 | **6,692** | 6,443 |
| Repair and Maintenance | **5,971** | 2,774 | **6,844** | 3,672 |
| Depreciation of Right-of-use Assets | **1,185** | 698 | **1,748** | 1,281 |
| Expenses relating to Short-Term Leases | **193** | 210 | **256** | 274 |
| Expenses relating to Leases of Low Value Assets | **131** | 256 | **132** | 258 |
| Interest Expense on Lease Liabilities | **109** | 86 | **158** | 165 |
| **General Expenses** | | | | |
| Others | **18,972** | 16,772 | **26,049** | 23,953 |
| Professional Fees including Auditor's Fees | **1,828** | 803 | **1,949** | 868 |
| Loss on Disposal of Property, Plant and Equipment | **197** | 1 | **197** | 1 |
| Dealer's Commission and Incentives | **-** | - | **9,884** | 9,653 |
| **Total** | **37,272** | **29,841** | **56,414** | **48,979** |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 10 INCOME TAX EXPENSE

The income tax varied from the amount of income tax determined by applying the Brunei Darussalam income tax rate of 18.5% (2021: 18.5%) with the applicable threshold to profit before income tax as a result of the following items:

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **Recognised in the Statements of Profit or Loss** | | | | |
| **Current Tax Expense** | | | | |
| Current year | **10,282** | 9,161 | **16,647** | 14,926 |
| **Movements in Provision for Taxation** | | | | |
| Opening balance as at January 1 | **19,943** | 15,584 | **44,028** | 39,221 |
| Current year provision | **10,282** | 9,161 | **16,647** | 14,926 |
| Income tax paid | **(8,230)** | (4,802) | **(14,286)** | (10,119) |
| **Closing balance as at December 31** | **21,995** | 19,943 | **46,389** | 44,028 |
| **Reconciliation of Effective Tax Rate at 18.50%** | | | | |
| Profit before taxation | **75,920** | 67,699 | **89,938** | 78,932 |
| Income tax using the domestic corporation tax rate | **14,045** | 12,524 | **16,639** | 14,602 |
| Tax effect of non-taxable revenue and others | **(3,763)** | (3,363) | **8** | 324 |
| **Total** | **10,282** | **9,161** | **16,647** | **14,926** |

## 11 CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Placements with remaining maturity not exceeding one year | **464,884** | 621,931 | **464,884** | 621,931 |
| Placements with remaining maturity more than one year | **145,956** | 101,762 | **145,956** | 101,762 |
| Balances with Banks and Other Financial Institutions | **38,397** | 63,076* | **49,650** | 73,777* |
| Money at call and short notice and Interbank | **215,352** | 165,695 | **215,352** | 165,695 |
| Cash in hand | **32,180** | 29,931 | **34,467** | 31,405 |
| **Total** | **896,769** | **982,395** | **910,309** | **994,570** |

*Excludes B$152,426,000 previously classified under Balances with Banks and Other Financial Institution which represents the Bank's Minimum Cash Balance (MCB) in the Real Time Gross Settlement (RTGS) account and now reclassified as Balances with BDCB (Note 12) to enhance comparability with the current year presentation.

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## 12 BALANCES WITH BDCB

At present, the minimum cash reserve requirement is 6% (2021: 6%) of the total average deposit liabilities. This is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Order, 2006 and a directive issued by BDCB in accordance with Section 25(2) of the Finance Companies Act, Chapter 89. This is not available for use in the Bank's and its subsidiaries' day to day operations. The MCB held by the Bank is maintained under the RTGS (Real-Time Gross Settlement) account with BDCB. Prior year comparatives of $152,426,000 (Bank) and $218,676,000 (Group) include an amount of $152,426,000 which was reclassified from Balances with Banks and Other Financial Institutions (Note 11) to enhance comparability with current year presentation.

## 13 DERIVATIVE FINANCIAL INSTRUMENTS

| | Bank and Group | | |
|---|---|---|---|
| | **Notional B$'000** | **Assets B$'000** | **Liabilities B$'000** |
| **2022** | | | |
| Foreign Exchange Contracts | **97,294** | 1,054 | **237** |
| **2021** | | | |
| Foreign Exchange Contracts | **35,212** | 374 | **5** |

## 14 GOVERNMENT SUKUK

| | Bank and Group | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| | **B$'000** | **Maturity date** | **B$'000** | **Maturity date** |
| Government Sukuk measured at amortised cost | **7,988** | 19/01/2023 | **18,350** | 22/01/2022 |

## 15 INVESTMENT SECURITIES

| | Bank and Group | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| | **B$'000** | **Maturity date (ranging from)** | **B$'000** | **Maturity date (ranging from)** |
| Investment Securities measured at amortised cost | **898,025** | 06/01/2023– 15/09/2031 | **814,930** | 07/01/2022 – 15/09/2031 |
| Investment Securities mandatorily measured at FVTPL | **154,309** | 16/09/2023 – 10/03/2026 | **140,601** | 16/09/2023 – 10/03/2026 |
| **Total** | **1,052,334** | | **955,531** | |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 16 LOANS AND ADVANCES

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **By Type:** | | | | |
| Term Loans | | | | |
| - Other Term Loans | **718,323** | 765,850 | **718,323** | 765,850 |
| - Property Loans | **288,433** | 291,565 | **288,433** | 291,565 |
| - Hire Purchase Receivables | **-** | - | **849,271** | 838,018 |
| Cash line / Overdrafts | **120,035** | 135,353 | **120,035** | 135,353 |
| Credit / Charge cards | **41,936** | 33,415 | **41,936** | 33,415 |
| Revolving credit | **28,007** | 20,550 | **28,007** | 20,550 |
| Staff Loans | **8,541** | 3,910 | **8,541** | 3,910 |
| Others | **526** | 614 | **526** | 614 |
| Syndicated Loan | **209,338** | 52,539 | **209,338** | 52,539 |
| **Gross Loans and Advances** | **1,415,139** | 1,303,796 | **2,264,410** | 2,141,814 |
| **Less: Loss allowances** | **(49,611)** | (49,835) | **(67,488)** | (69,619) |
| **Net Loans and Advances** | **1,365,528** | 1,253,961 | **2,196,922** | 2,072,195 |

This table summarises the loss allowances as of the year end:

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Loans and Advances | **48,948** | 48,834 | **66,825** | 68,618 |
| Loan Commitments | **623** | 959 | **623** | 959 |
| Financial Guarantee Contracts | **40** | 42 | **40** | 42 |
| **Total** | **49,611** | 49,835 | **67,488** | 69,619 |

## 17 GROUP BALANCES PAYABLE

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Due to Subsidiaries | **1,585** | 2,579 | **-** | - |

## 18 INVESTMENTS IN SUBSIDIARIES

| | | | Cost | | % Holding | |
|---|---|---|---|---|---|---|
| **Name of Company** | **Principal Activity** | **Country of Incorporation** | **2022 B$'000** | **2021 B$'000** | **2022** | **2021** |
| Baiduri Finance Berhad | **Finance Company** | Brunei Darussalam | **45,249** | 45,249 | **100%** | 100% |
| Baiduri Capital Sdn Bhd | **Sharebrokers & Dealers in Securities & Investments of all kinds** | Brunei Darussalam | **2,700** | 2,700 | **99.99%** | 99.99% |
| **Total** | | | **47,949** | 47,949 | | |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 19 OTHER ASSETS

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Sundry, Debtors and Others | **4,015** | 1,487 | **5,353** | 2,994 |
| Prepayments and Consumables | **2,212** | 1,762 | **2,267** | 1,841 |
| Accounts Receivables | **333** | 366 | **480** | 2,009 |
| Dealer's Commission and Incentives | **-** | - | **30,645** | 30,265 |
| **Total** | **6,560** | **3,615** | **38,745** | **37,109** |

## 20 RIGHT-OF-USE ASSETS

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

| | Bank | Group |
|---|---|---|
| | **B$'000** | **B$'000** |
| **Cost** | | |
| As at January 1, 2021 | **4,380** | 6,883 |
| Additions | **445** | 630 |
| Expiration/Termination of lease | **(638)** | (638) |
| Modification of lease | **(14)** | (14) |
| As at December 31, 2021 | **4,173** | 6,861 |
| Additions | **2,392** | 2,626 |
| Expiration/Termination of lease | **(1,784)** | (1,935) |
| Modification of lease | **(53)** | (53) |
| As at December 31, 2022 | **4,728** | 7,499 |
| **Accumulated Depreciation** | | |
| As at January 1, 2021 | **2,054** | 3,061 |
| Depreciation | **1,222** | 1,805 |
| Expiration/Termination of lease | **(354)** | (354) |
| Modification of lease | **(170)** | (170) |
| As at December 31, 2021 | **2,752** | 4,342 |
| Depreciation | **1,185** | 1,748 |
| Expiration/Termination of lease | **(1,682)** | (1,833) |
| Modification of lease | **(37)** | (37) |
| As at December 31, 2022 | **2,218** | 4,220 |
| **Carrying Amounts** | | |
| **As at December 31, 2022** | **2,510** | 3,279 |
| As at December 31, 2021 | **1,421** | 2,519 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 21 PROPERTY, PLANT AND EQUIPMENT

| Bank | Freehold Land and Buildings B$'000 | Leasehold Land and Buildings B$'000 | Leasehold Improvements B$'000 | Computers B$'000 | Equipment/ Furniture B$'000 | Motor Vehicles B$'000 | Work in Progress B$'000 | Total B$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at January 1, 2021 | **3,702** | 40,079 | **3,078** | 20,850 | **3,535** | 902 | **466** | 72,612 |
| Additions | **-** | 1,686 | **121** | 2,265 | **514** | 153 | **422** | 5,161 |
| Disposals | **(91)** | – | **(391)** | (3,432) | **(186)** | (136) | **-** | (4,236) |
| As at December 31, 2021 | **3,611** | 41,765 | **2,808** | 19,683 | **3,863** | 919 | **888** | 73,537 |
| Additions | **454** | 529 | **2,413** | 952 | **208** | 73 | **1,072** | 5,701 |
| Disposals | **(1,336)** | – | **(1,167)** | (6,228) | **(576)** | (81) | **-** | (9,388) |
| As at December 31, 2022 | **2,729** | 42,294 | **4,054** | 14,407 | **3,495** | 911 | **1,960** | 69,850 |
| **Accumulated Depreciation** | | | | | | | | |
| As at January 1, 2021 | **547** | 2,941 | **1,745** | 8,219 | **709** | 253 | **-** | 14,414 |
| Depreciation | **59** | 836 | **591** | 3,797 | **713** | 171 | **-** | 6,167 |
| Disposals | **-** | – | **(391)** | (2,699) | **(185)** | (137) | **-** | (3,412) |
| As at December 31, 2021 | **606** | 3,777 | **1,945** | 9,317 | **1,237** | 287 | **-** | 17,169 |
| Depreciation | **43** | 860 | **465** | 3,891 | **882** | 182 | **-** | 6,323 |
| Disposals | **(122)** | – | **(1,064)** | (6,175) | **(558)** | (70) | **-** | (7,989) |
| As at December 31, 2022 | **527** | 4,637 | **1,346** | 7,033 | **1,561** | 399 | **-** | 15,503 |
| **Carrying Amounts** | | | | | | | | |
| **As at December 31, 2022** | **2,202** | 37,657 | **2,708** | 7,374 | **1,934** | 512 | **1,960** | 54,347 |
| As at December 31, 2021 | **3,005** | 37,988 | **863** | 10,366 | **2,626** | 632 | **888** | 56,368 |

Included in the Leasehold Land and Buildings is a building on a 99 years leasehold land commencing from November 2015.

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 21 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Bank | Freehold Land and Buildings B$'000 | Leasehold Land and Buildings B$'000 | Leasehold Improvements B$'000 | Computers B$'000 | Equipment/ Furniture B$'000 | Motor Vehicles B$'000 | Work in Progress B$'000 | Total B$'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at January 1, 2021 | **3,702** | 40,079 | **3,296** | 22,143 | **3,670** | 1,016 | **466** | 74,372 |
| Additions | **-** | 1,687 | **121** | 2,364 | **533** | 153 | **422** | 5,280 |
| Disposals | **(91)** | – | **(419)** | (3,519) | **(205)** | (175) | **-** | (4,409) |
| As at December 31, 2021 | **3,611** | 41,766 | **2,998** | 20,988 | **3,998** | 994 | **888** | 75,243 |
| Additions | **454** | 529 | **2,485** | 993 | **208** | 73 | **1,072** | 5,814 |
| Disposals | **(1,336)** | – | **(1,261)** | (6,444) | **(638)** | (81) | **-** | (9,760) |
| As at December 31, 2022 | **2,729** | 42,295 | **4,222** | 15,537 | **3,568** | 986 | **1,960** | 71,297 |
| **Accumulated Depreciation** | | | | | | | | |
| As at January 1, 2021 | **546** | 2,941 | **1,871** | 8,492 | **785** | 297 | **-** | 14,932 |
| Depreciation | **60** | 836 | **630** | 3,991 | **739** | 187 | **-** | 6,443 |
| Disposals | **-** | – | **(419)** | (2,785) | **(205)** | (175) | **-** | (3,584) |
| As at December 31, 2021 | **606** | 3,777 | **2,082** | 9,698 | **1,319** | 309 | **-** | 17,791 |
| Depreciation | **43** | 860 | **504** | 4,180 | **907** | 198 | **-** | 6,692 |
| Disposals | **(122)** | – | **(1,158)** | (6,392) | **(619)** | (70) | **-** | (8,361) |
| As at December 31, 2022 | **527** | 4,637 | **1,428** | 7,486 | **1,607** | 437 | **-** | 16,122 |
| **Carrying Amounts** | | | | | | | | |
| **As at December 31, 2022** | **2,202** | 37,658 | **2,794** | 8,051 | **1,961** | 549 | **1,960** | 55,175 |
| As at December 31, 2021 | **3,005** | 37,989 | **916** | 11,290 | **2,679** | 685 | **888** | 57,452 |

Included in the Leasehold Land and Buildings is a building on a 99 years leasehold land commencing from November 2015.

## 22 DEPOSITS FROM CUSTOMERS

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **By Type of Deposits** | | | | |
| Demand Deposits | **1,089,699** | 1,117,631 | **1,100,782** | 1,126,788 |
| Fixed Deposits | **1,107,516** | 831,562 | **1,121,214** | 877,695 |
| Savings Deposits | **551,623** | 558,752 | **1,496,193** | 1,608,172 |
| **Total** | **2,748,838** | 2,507,945 | **3,718,189** | 3,612,655 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 23 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Licensed Financial Institutions in Brunei Darussalam | **221,658** | 357,919 | **534** | 139 |
| Banks and Financial Institutions Abroad | **1,875** | 2,933 | **1,875** | 2,933 |
| **Total** | **223,533** | 360,852 | **2,409** | 3,072 |

## 24 LEASE LIABILITIES

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Amounts due for settlement within 12 months | **863** | 977 | **1,414** | 1,538 |
| Amounts due for settlement after 12 months | **1,706** | 535 | **2,025** | 1,179 |
| **Total** | **2,569** | 1,512 | **3,439** | 2,717 |

| | | | | |
|---|---|---|---|---|
| **Maturity Analysis:** | | | | |
| Not later than 1 year | **863** | 977 | **1,414** | 1,538 |
| Later than 1 year and not later than 5 years | **1,706** | 535 | **2,025** | 1,179 |
| **Total** | **2,569** | 1,512 | **3,439** | 2,717 |

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statements of financial position is 5.5%.

## 25 OTHER LIABILITIES

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Accrued Expenditure and Provisions | **25,530** | 26,038 | **28,051** | 28,832 |
| Others | **30,331** | 35,906 | **33,302** | 40,443 |
| Provision for Bonuses and End of Service Benefits | **16,478** | 16,900 | **19,021** | 19,334 |
| Other Payables | **1,186** | 2,071 | **4,868** | 6,824 |
| **Total** | **73,525** | 80,915 | **85,242** | 95,433 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 26 DEFERRED TAXATION

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Balances as at December 31 | **7,446** | 7,446 | **7,493** | 7,493 |

Deferred tax liabilities comprise the estimated expense at current income tax rates on the following items:

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Others | **2,341** | 2,341 | **2,525** | 2,525 |
| Property, Plant and Equipment | **7,218** | 7,218 | **7,499** | 7,499 |
| Loss allowances on Loans and Advances | **(2,113)** | (2,113) | **(2,531)** | (2,531) |
| **Balance as at December 31** | **7,446** | 7,446 | **7,493** | 7,493 |

## 27 SHARE CAPITAL

| | Bank and Group | |
|---|---|---|
| | **2022 B$'000** | **2021 B$'000** |
| **Authorised** | | |
| 200,000,000 Ordinary shares of B$1 each | **200,000** | 200,000 |
| **Issued and Paid Up** | | |
| 180,000,000 Ordinary shares of B$1 each | **180,000** | 180,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time. At any General Meeting, every member present in person, shall have on a show of hands have one vote. All ordinary shares rank equally with regard to the Bank's and the Group's residual assets.

## 28 STATUTORY RESERVE

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Balances as at January 1 | **158,656** | 144,022 | **201,940** | 183,639 |
| Add: Transfer during the year | **16,410** | 14,634 | **20,596** | 18,301 |
| **Balance as at December 31** | **175,066** | 158,656 | **222,536** | 201,940 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 29 OTHER RESERVES

| | | Bank | | Group | |
|---|---|---|---|---|---|
| | Note | 2022 B$'000 | 2021 B$'000 | 2022 B$'000 | 2021 B$'000 |
| **Retained Earnings** | | | | | |
| Balances as at January 1 | | 147,383 | **122,479** | 204,279 | **177,574** |
| Profit for the financial year | | 65,638 | **58,538** | 73,291 | **64,006** |
| Less: Transfer during the year | | | | | |
| - Statutory Reserve | 28 | (16,410) | **(14,634)** | (20,596) | **(18,301)** |
| - Prudential Reserve for Credit Losses | | (12) | **321** | (16) | **181** |
| Prudential Reserve for Credit Losses * | | 12 | **(321)** | 16 | **(181)** |
| Dividend paid | | (20,000) | **(19,000)** | (20,000) | **(19,000)** |
| **Balances as at December 31** | | 176,611 | **147,383** | 236,974 | **204,279** |
| **General Reserve** | | | | | |
| Opening and closing balance | | 5,154 | **5,154** | 5,154 | **5,154** |
| **Total Other Reserves** | | 181,765 | **152,537** | 242,128 | **209,433** |

* The Prudential Reserve for Credit Losses is a non-distributable reserve account that is used to reflect an amount equal to the outstanding accrued interest/profit income on non-performing financial assets via a transfer from retained earnings as mandated by BDCB Notice no: BU/N-7/2018/57 Prudential Treatment of Problem assets and accounting for Expected Credit Losses.

## 30 CONTINGENCIES AND COMMITMENTS

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

| | Bank and Group | |
|---|---|---|
| | 2022 B$'000 | 2021 B$'000 |
| **Contingencies** | | |
| Guarantees, Bonds | **240,479** | 179,120 |
| Letters of Credit | **64,339** | 140,527 |
| Acceptances | **6,488** | 1,347 |
| Shipping Guarantees | **1,007** | 763 |
| **Sub-Total** | **312,313** | 321,757 |
| **Commitments** | | |
| Unutilised Commitments and Undrawn Credit lines | **815,738** | 858,910 |
| **Derivative Financial Instruments** | | |
| Forward Purchase | **97,294** | 35,212 |
| **Total Contingencies and Commitments** | **1,225,345** | 1,215,879 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 31 CASH AND CASH EQUIVALENTS

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| Balances and Placements with Banks and Other Financial Institutions with Contractual Maturity of less than 3 months | **600,355** | 667,699 | **611,609** | 678,400 |
| Cash in hand | **32,180** | 29,931 | **34,467** | 31,405 |
| **Total** | **632,535** | 697,630 | **646,076** | 709,805 |

**Changes in liabilities arising from financing activities**

The table below details changes in the Bank and the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank and the Group's consolidated statements of cash flows as cash flows from financing activities.

| | Bank | | Group | |
|---|---|---|---|---|
| | **Lease liabilities B$'000** | **Borrowings B$'000** | **Lease liabilities B$'000** | **Borrowings B$'000** |
| As at January 1, 2021 | **2,445** | 26,521 | **4,015** | 26,521 |
| Non-cash changes | | | | |
| Interest Expense on Lease Liabilities | **86** | - | **165** | - |
| New Leases, Termination and Modification of Leases - net | **(207)** | - | **(22)** | - |
| Financing cash flows | | | | |
| Repayment of Lease Liabilities | **(812)** | - | **(1,441)** | - |
| Repayment of Borrowings | **-** | (26,521) | **-** | (26,521) |
| As at December 31, 2021 | **1,512** | - | **2,717** | - |
| Non-cash changes | | | | |
| Interest Expense on Lease Liabilities | **109** | - | **158** | - |
| New Leases, Termination and Modification of Leases - net | **2,265** | - | **2,499** | - |
| Financing cash flows | | | | |
| Repayment of Lease Liabilities | **(1,317)** | - | **(1,935)** | - |
| Drawdown of Borrowings | **-** | - | **-** | - |
| **As at December 31, 2022** | **2,569** | - | **3,439** | - |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**December 31, 2022**

## 32 RELATED PARTIES' TRANSACTIONS

The Bank and the Group considers members of the Board of Directors and the members of the Bank's management committee as key management personnel of the Bank and the Group.

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

(i) Transactions with key management personnel for the Bank and the Group:

| | Bank | | Group | |
|---|---|---|---|---|
| | **2022 B$'000** | **2021 B$'000** | **2022 B$'000** | **2021 B$'000** |
| **STATEMENTS OF FINANCIAL POSITION** | | | | |
| **Assets** | | | | |
| Loans and Advances (exclude Credit Cards) | **779** | 1,172 | **1,244** | 1,701 |
| Credit Cards | **253** | 146 | **253** | 146 |
| **Total** | **1,032** | 1,318 | **1,497** | 1,847 |
| **Liabilities** | | | | |
| Deposits | **6,089** | 7,434 | **7,512** | 9,317 |
| **Off Balance Sheet items** | | | | |
| Undrawn Facilities | **865** | 577 | **865** | 577 |

| | Bank 2022 B$'000 | Bank 2021 B$'000 | Group 2022 B$'000 | Group 2021 B$'000 |
|---|---|---|---|---|
| **STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | | | |
| **Income** | | | | |
| Interest Income | **50** | 49 | **97** | 97 |
| **Expenses** | | | | |
| Other Expenses | **3,738** | 3,919 | **3,738** | 3,919 |
| Interest Expenses | **65** | 67 | **68** | 71 |
| **Total** | **3,803** | 3,986 | **3,806** | 3,990 |

## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2022**

## 32 RELATED PARTIES' TRANSACTIONS (cont'd)

(ii) The Bank's and the Group's related parties shall include parent, subsidiaries and other related companies.

| | Bank and Group | | | |
|---|---|---|---|---|
| | Subsidiaries | | Other Related Companies | |
| | 2022 B$'000 | 2021 B$'000 | 2022 B$'000 | 2021 B$'000 |
| **STATEMENTS OF FINANCIAL POSITION** | | | | |
| **Assets** | | | | |
| Loans and Advances (exclude Credit cards) | **-** | - | **75,680** | 128,830 |
| Credit Cards | **-** | - | **43** | 28 |
| Other Assets | **1,336** | 1,503 | **-** | - |
| **Total** | **1,336** | 1,503 | **75,723** | 128,858 |
| **Liabilities** | | | | |
| Deposits | **221,124** | 357,780 | **157,409** | 271,063 |
| Other Liabilities | **1,584** | 2,587 | **-** | - |
| **Total** | **222,708** | 360,367 | **157,409** | 271,063 |
| **Off-Balance sheet items** | | | | |
| Undrawn Facilities | **-** | - | **175,815** | 290,877 |
| Guarantees | **-** | - | **5,636** | 19,028 |
| Contingencies and Other Commitments | **-** | - | **7,172** | 10,076 |
| Letter of Credit | **-** | - | **-** | 3,736 |
| **Total** | **-** | - | **188,623** | 323,717 |
| **STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | | | |
| **Income** | | | | |
| Interest Income | **-** | - | **3,306** | 4,769 |
| Other Operating Income | **1,086** | 947 | **-** | - |
| **Total** | **1,086** | 947 | **3,306** | 4,769 |
| **Expenses** | | | | |
| Interest Expenses | **1,108** | 973 | **650** | 458 |

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