

**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 AND CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

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## BAIDURI BANK BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

### REPORT OF THE DIRECTORS

The directors have 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
<b>Balance as at January 1, 2022</b>		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)
<b>Balance as at December 31, 2022</b>	<b>29</b>	<b>176,611</b>	<b>236,974</b>

### 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:

Name of directors and companies in which interests are held	Holdings registered under the name of director or nominee	
	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.

AUDITORS

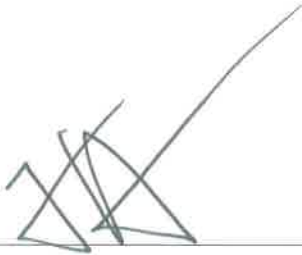
The auditors, Deloitte & Touche, have indicated their willingness to accept re-appointment.

ON BEHALF OF THE BOARD



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DIRECTOR



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DIRECTOR



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DIRECTOR

Brunei Darussalam  
Date: March 15, 2023

## 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 then ended and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 7 to 104.

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 1 to 3 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.

### **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.

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**  
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

	Note	Bank		Group	
		2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
<b>Income</b>					
Interest Income		102,334	76,892	155,798	132,036
Interest Expense		(13,835)	(8,191)	(14,527)	(9,891)
<b>Net Interest Income</b>	5	<b>88,499</b>	<b>68,701</b>	<b>141,271</b>	<b>122,145</b>
Fee Income		11,640	11,190	13,655	14,122
Fee Expense		(983)	(875)	(1,432)	(1,608)
<b>Net Fee Income</b>		<b>10,657</b>	<b>10,315</b>	<b>12,223</b>	<b>12,514</b>
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)
<b>Net Other Operating Income</b>		<b>45,964</b>	<b>51,079</b>	<b>24,905</b>	<b>31,190</b>
<b>Total Operating Income before Impairment Charges and Allowances</b>		<b>145,120</b>	<b>130,095</b>	<b>178,399</b>	<b>165,849</b>
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)
<b>Total Operating Expenses</b>		<b>(72,442)</b>	<b>(64,055)</b>	<b>(98,179)</b>	<b>(89,813)</b>
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
<b>Net Impairment Charges and Allowances</b>		<b>3,242</b>	<b>1,659</b>	<b>9,718</b>	<b>2,896</b>
<b>Profit before Taxation</b>		<b>75,920</b>	<b>67,699</b>	<b>89,938</b>	<b>78,932</b>
Less: Income Tax Expense	10	(10,282)	(9,161)	(16,647)	(14,926)
<b>Profit after Taxation / Profit for the year</b>		<b>65,638</b>	<b>58,538</b>	<b>73,291</b>	<b>64,006</b>

The significant accounting policies and the notes from pages 12 to 104 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	-	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>65,638</b>	<b>58,538</b>	<b>73,291</b>	<b>64,006</b>

*The significant accounting policies and the notes from pages 12 to 104 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
<b>ASSETS</b>					
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
<b>Total Assets</b>		<b>3,616,559</b>	<b>3,472,390</b>	<b>4,508,062</b>	<b>4,356,776</b>
<b>LIABILITIES AND EQUITY</b>					
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
<b>Total Liabilities</b>		<b>3,079,728</b>	<b>2,981,197</b>	<b>3,863,398</b>	<b>3,765,403</b>
<b>SHAREHOLDERS' EQUITY</b>					
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
<b>Total Shareholders' Funds/ Total Equity</b>		<b>536,831</b>	<b>491,193</b>	<b>644,664</b>	<b>591,373</b>
<b>Total Liabilities and Equity</b>		<b>3,616,559</b>	<b>3,472,390</b>	<b>4,508,062</b>	<b>4,356,776</b>
<i>Off-Balance Sheet items:</i>					
<b>CONTINGENCIES AND COMMITMENTS</b>	30	<b>1,225,345</b>	<b>1,215,879</b>	<b>1,225,345</b>	<b>1,215,879</b>

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 12 to 104 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

Bank	Share Capital B\$'000	Statutory Reserve B\$'000	General Reserve B\$'000	Retained Earnings		Total Equity B\$'000
				Retained Earnings B\$'000	Prudential Reserve for Credit Losses B\$'000	
<b>Balance as at January 1, 2021</b>	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)
<b>Balance as at December 31, 2021</b>	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)
<b>Balance as at December 31, 2022</b>	180,000	175,066	5,154	176,538	73	536,831

Group	Share Capital B\$'000	Statutory Reserve B\$'000	General Reserve B\$'000	Retained Earnings		Total Equity B\$'000
				Retained Earnings B\$'000	Prudential Reserve for Credit Losses B\$'000	
<b>Balance as at January 1, 2021</b>	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)
<b>Balance as at December 31, 2021</b>	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)
<b>Balance as at December 31, 2022</b>	180,000	222,536	5,154	235,991	983	644,664

*The significant accounting policies and the notes from pages 12 to 104 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

	Note	Bank		Group	
		2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
<b>Cash flows generated from/(used in) operating activities</b>					
Profit before taxation:		75,920	67,699	89,938	78,932
<i>Adjustments for non-cash items:</i>					
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)
<b>Operating profit before change in operating assets and liabilities</b>		<b>97,625</b>	<b>80,332</b>	<b>117,102</b>	<b>101,536</b>
<i>Change in operating assets and liabilities:</i>					
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
<b>Cash from/(used in) operating activities</b>		<b>61,701</b>	<b>(20,357)</b>	<b>69,854</b>	<b>262,128</b>
Income Tax Paid		(8,230)	(4,802)	(14,286)	(10,119)
<b>Net cash from/(used in) operating activities</b>		<b>53,471</b>	<b>(25,159)</b>	<b>55,568</b>	<b>252,009</b>
<b>Cash flows (used in)/from investing activities</b>					
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)
<b>Net cash used in investing activities</b>		<b>(97,249)</b>	<b>(321,029)</b>	<b>(97,362)</b>	<b>(321,148)</b>
<b>Cash flows (used in)/from financing activities</b>					
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)
<b>Net cash used in financing activities</b>		<b>(21,317)</b>	<b>(46,333)</b>	<b>(21,935)</b>	<b>(46,962)</b>
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
<b>Cash and cash equivalents as at December 31</b>	<b>31</b>	<b>632,535</b>	<b>697,630</b>	<b>646,076</b>	<b>709,805</b>

The significant accounting policies and the notes from pages 12 to 104 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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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.

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**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.



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**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.

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**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.

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#### 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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 sukuk 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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 unlikelihood 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<p>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.</p> <p>The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.</p>	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
<p>Amendments to IAS 1 <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</i></p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p>

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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
<p>Amendments to IAS 1 <i>Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies</i></p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p>

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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
<p>Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates</i></p>	<p>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”.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• A change in accounting estimate that results from new information or new developments is not the correction of an error</li> <li>• 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</li> </ul> <p>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.</p> <p>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.</p>	<p>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.</p>

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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
<p>Amendments to IAS 12 <i>Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i></p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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: <ul style="list-style-type: none"> <li>- Right-of-use assets and lease liabilities</li> <li>- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset</li> </ul> </li> <li>• 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.</li> </ul> <p>The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.</p>	<p>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.</p>

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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 extent 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
<b>Capital</b>				
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)	-	-
<b>Total Capital base</b>	<b>477,548</b>	<b>434,666</b>	<b>639,396</b>	<b>589,388</b>
<b>Risk-weighted amount</b>				
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
<b>Total Risk-weighted amount</b>	<b>2,085,444</b>	<b>1,965,690</b>	<b>2,836,810</b>	<b>2,675,704</b>
<b>Capital Ratios</b>				
Core Capital (Tier I) Ratio, %	24.69%	23.97%	21.95%	21.35%
<b>Total Capital Ratio, %</b>	<b>22.90%</b>	<b>22.11%</b>	<b>22.54%</b>	<b>22.03%</b>

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

**4.2 CATEGORIES OF FINANCIAL INSTRUMENTS**

	2022			2021		
	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
<b>Bank</b>						
<b>Financial Assets</b>						
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
<b>Total Financial Assets</b>	<b>155,363</b>	<b>3,354,178</b>	<b>3,509,541</b>	<b>140,975</b>	<b>3,223,915</b>	<b>3,364,890</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>237</b>	<b>3,041,033</b>	<b>3,041,270</b>	<b>5</b>	<b>2,944,532</b>	<b>2,944,537</b>

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

**4.2 CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)**

Group	2022			2021		
	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
<b>Financial Assets</b>						
Cash and Balances with Banks and Other						
Financial Institutions	-	910,309	910,309	-	994,570	994,570
Balances 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
<b>Total Financial Assets</b>	<b>155,363</b>	<b>4,291,977</b>	<b>4,447,340</b>	<b>140,975</b>	<b>4,153,989</b>	<b>4,294,964</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>237</b>	<b>3,797,719</b>	<b>3,797,956</b>	<b>5</b>	<b>3,702,172</b>	<b>3,702,177</b>

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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**

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	Related Amounts not set off in the Statements of Financial Position		
				Financial Instruments B\$'000	Cash Collateral received B\$'000	Net amount B\$'000
<b>2022</b>						
<b>Type of Financial Asset</b>						
Other Assets:						
Rental income receivable	1	-	1	-	1	-
	1	-	1	-	1	-
<b>Type of Financial Liability</b>						
Other Liabilities:						
Refundable deposits from Tenants	9	-	9	-	1	8
	9	-	9	-	1	8
<b>2021</b>						
<b>Type of Financial Asset</b>						
Other Assets:						
Rental income receivable	2	-	2	-	2	-
	2	-	2	-	2	-
<b>Type of Financial Liability</b>						
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.

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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.

<b>Class of Financial Instrument</b>	<b>Financial Statement line</b>
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:

<b>Loans and Advances Classification</b>	<b>Definition</b>
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 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 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 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

Bank	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	B\$'000	B\$'000
	B\$'000	B\$'000	B\$'000		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
<b>Total gross carrying amount</b>	<b>1,296,252</b>	<b>56,217</b>	<b>60,739</b>	<b>1,931</b>	<b>1,415,139</b>
<b>Loss allowances</b>	<b>(10,074)</b>	<b>(14,783)</b>	<b>(23,935)</b>	<b>(156)</b>	<b>(48,948)</b>
<b>Net carrying amount</b>	<b>1,286,178</b>	<b>41,434</b>	<b>36,804</b>	<b>1,775</b>	<b>1,366,191</b>

Bank	December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	B\$'000	B\$'000
	B\$'000	B\$'000	B\$'000		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
<b>Total gross carrying amount</b>	<b>1,187,635</b>	<b>76,798</b>	<b>35,684</b>	<b>3,679</b>	<b>1,303,796</b>
<b>Loss allowances</b>	<b>(10,473)</b>	<b>(17,475)</b>	<b>(19,536)</b>	<b>(1,350)</b>	<b>(48,834)</b>
<b>Net carrying amount</b>	<b>1,177,162</b>	<b>59,323</b>	<b>16,148</b>	<b>2,329</b>	<b>1,254,962</b>

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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)

Group	December 31, 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	B\$'000	B\$'000
	B\$'000	B\$'000	B\$'000	B\$'000	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
<b>Total gross carrying amount</b>	<b>2,069,484</b>	<b>128,129</b>	<b>64,857</b>	<b>1,940</b>	<b>2,264,410</b>
<b>Loss allowances</b>	<b>(16,140)</b>	<b>(24,889)</b>	<b>(25,638)</b>	<b>(158)</b>	<b>(66,825)</b>
<b>Net carrying amount</b>	<b>2,053,344</b>	<b>103,240</b>	<b>39,219</b>	<b>1,782</b>	<b>2,197,585</b>

Group	December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	B\$'000	B\$'000
	B\$'000	B\$'000	B\$'000	B\$'000	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
<b>Total gross carrying amount</b>	<b>1,957,841</b>	<b>135,651</b>	<b>44,622</b>	<b>3,700</b>	<b>2,141,814</b>
<b>Loss allowances</b>	<b>(17,066)</b>	<b>(26,876)</b>	<b>(23,320)</b>	<b>(1,356)</b>	<b>(68,618)</b>
<b>Net carrying amount</b>	<b>1,940,775</b>	<b>108,775</b>	<b>21,302</b>	<b>2,344</b>	<b>2,073,196</b>

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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				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
Bank and Group	ECL B\$'000	ECL B\$'000	ECL B\$'000	B\$'000	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
<b>Total amount committed</b>	<b>722,205</b>	<b>7,135</b>	<b>2,175</b>	<b>66</b>	<b>731,581</b>
<b>Loss allowances</b>	<b>(565)</b>	<b>(26)</b>	<b>(31)</b>	<b>(1)</b>	<b>(623)</b>

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

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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

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

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

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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)

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	
	2022	2021	2022	2021	2022	2021
Bank	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	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
<b>Total</b>	<b>1,415,139</b>	<b>1,303,796</b>	<b>1,128,051</b>	<b>1,180,667</b>	<b>2,543,190</b>	<b>2,484,463</b>

	Loans and Advances		Contingencies and Other Commitments		Total	
	2022	2021	2022	2021	2022	2021
Group	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	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
<b>Total</b>	<b>2,264,410</b>	<b>2,141,814</b>	<b>1,128,051</b>	<b>1,180,667</b>	<b>3,392,461</b>	<b>3,322,481</b>

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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.

	Total Credit Exposure		Non-Performing Loans	
	2022	2021	2022	2021
<b>Bank</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
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	-	-
<b>Total</b>	<b>2,543,190</b>	<b>2,484,463</b>	<b>62,670</b>	<b>39,363</b>

	Total Credit Exposure		Non-Performing Loans	
	2022	2021	2022	2021
<b>Group</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
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
<b>Total</b>	<b>3,392,461</b>	<b>3,322,481</b>	<b>66,797</b>	<b>48,322</b>

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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)*

Loans and advances

	December 31, 2022				
	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
<b>Bank</b>					
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
<b>Total gross carrying amount</b>	<b>1,296,252</b>	<b>56,217</b>	<b>60,739</b>	<b>1,931</b>	<b>1,415,139</b>
<b>Loss allowances</b>	<b>(10,074)</b>	<b>(14,783)</b>	<b>(23,935)</b>	<b>(156)</b>	<b>(48,948)</b>
<b>Net carrying amount</b>	<b>1,286,178</b>	<b>41,434</b>	<b>36,804</b>	<b>1,775</b>	<b>1,366,191</b>
	December 31, 2021				
	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
<b>Bank</b>					
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
<b>Total gross carrying amount</b>	<b>1,187,635</b>	<b>76,798</b>	<b>35,684</b>	<b>3,679</b>	<b>1,303,796</b>
<b>Loss allowances</b>	<b>(10,473)</b>	<b>(17,475)</b>	<b>(19,536)</b>	<b>(1,350)</b>	<b>(48,834)</b>
<b>Net carrying amount</b>	<b>1,177,162</b>	<b>59,323</b>	<b>16,148</b>	<b>2,329</b>	<b>1,254,962</b>
	December 31, 2022				
	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
<b>Group</b>					
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
<b>Total gross carrying amount</b>	<b>2,069,484</b>	<b>128,129</b>	<b>64,857</b>	<b>1,940</b>	<b>2,264,410</b>
<b>Loss allowances</b>	<b>(16,140)</b>	<b>(24,889)</b>	<b>(25,638)</b>	<b>(158)</b>	<b>(66,825)</b>
<b>Net carrying amount</b>	<b>2,053,344</b>	<b>103,240</b>	<b>39,219</b>	<b>1,782</b>	<b>2,197,585</b>

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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)

Loans and advances (cont'd)

Group	December 31, 2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
B\$'000	B\$'000	B\$'000	B\$'000	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
<b>Total gross carrying amount</b>	<b>1,957,841</b>	<b>135,651</b>	<b>44,622</b>	<b>3,700</b>	<b>2,141,814</b>
<b>Loss allowances</b>	<b>(17,066)</b>	<b>(26,876)</b>	<b>(23,320)</b>	<b>(1,356)</b>	<b>(68,618)</b>
<b>Net carrying amount</b>	<b>1,940,775</b>	<b>108,775</b>	<b>21,302</b>	<b>2,344</b>	<b>2,073,196</b>

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

	Bank		Group	
	2022	2021	2022	2021
	B\$'000	B\$'000	B\$'000	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
<b>Total</b>	<b>49,611</b>	<b>49,835</b>	<b>67,488</b>	<b>69,619</b>

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

	Bank		Group	
	2022	2021	2022	2021
	B\$'000	B\$'000	B\$'000	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
<b>Total</b>	<b>8,521</b>	<b>8,120</b>	<b>13,163</b>	<b>16,618</b>



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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 carrying amount of loans and advances.

<b>Loans and Advances</b>					
<b>Bank</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
<b>Gross carrying amount as at January 1, 2022</b>	<b>1,187,635</b>	<b>76,798</b>	<b>35,684</b>	<b>3,679</b>	<b>1,303,796</b>
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)
<b>Gross carrying amount as at December 31, 2022</b>	<b>1,296,252</b>	<b>56,217</b>	<b>60,739</b>	<b>1,931</b>	<b>1,415,139</b>
<b>Loss allowances as at December 31, 2022</b>	<b>(10,074)</b>	<b>(14,783)</b>	<b>(23,935)</b>	<b>(156)</b>	<b>(48,948)</b>
<b>Bank</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>	<b>B\$'000</b>
<b>Gross carrying amount as at January 1, 2021</b>	<b>1,159,496</b>	<b>61,498</b>	<b>62,941</b>	<b>5,683</b>	<b>1,289,618</b>
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)
<b>Gross carrying amount as at December 31, 2021</b>	<b>1,187,635</b>	<b>76,798</b>	<b>35,684</b>	<b>3,679</b>	<b>1,303,796</b>
<b>Loss allowances as at December 31, 2021</b>	<b>(10,473)</b>	<b>(17,475)</b>	<b>(19,536)</b>	<b>(1,350)</b>	<b>(48,834)</b>

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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)**

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

<b>Group</b>	<b>Stage 1 B\$'000</b>	<b>Stage 2 B\$'000</b>	<b>Stage 3 B\$'000</b>	<b>POCI B\$'000</b>	<b>Total B\$'000</b>
<b>Gross carrying amount as at January 1, 2022</b>	<b>1,957,841</b>	<b>135,651</b>	<b>44,622</b>	<b>3,700</b>	<b>2,141,814</b>
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)
<b>Gross carrying amount as at December 31, 2022</b>	<b>2,069,484</b>	<b>128,129</b>	<b>64,857</b>	<b>1,940</b>	<b>2,264,410</b>
<b>Loss allowances as at December 31, 2022</b>	<b>(16,140)</b>	<b>(24,889)</b>	<b>(25,638)</b>	<b>(158)</b>	<b>(66,825)</b>
<b>Group</b>	<b>Stage 1 B\$'000</b>	<b>Stage 2 B\$'000</b>	<b>Stage 3 B\$'000</b>	<b>POCI B\$'000</b>	<b>Total B\$'000</b>
<b>Gross carrying amount as at January 1, 2021</b>	<b>1,882,229</b>	<b>142,738</b>	<b>79,730</b>	<b>5,749</b>	<b>2,110,446</b>
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)
<b>Gross carrying amount as at December 31, 2021</b>	<b>1,957,841</b>	<b>135,651</b>	<b>44,622</b>	<b>3,700</b>	<b>2,141,814</b>
<b>Loss allowances as at December 31, 2021</b>	<b>(17,066)</b>	<b>(26,876)</b>	<b>(23,320)</b>	<b>(1,356)</b>	<b>(68,618)</b>

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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 carrying amount of loan commitments.

<b>Loan commitments</b>					
<b>Bank and Group</b>	<b>Stage 1 B\$'000</b>	<b>Stage 2 B\$'000</b>	<b>Stage 3 B\$'000</b>	<b>POCI B\$'000</b>	<b>Total B\$'000</b>
<b>Total amount committed as at January 1, 2022</b>	<b>682,458</b>	<b>2,165</b>	<b>455</b>	<b>79</b>	<b>685,157</b>
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)
<b>Total amount committed as at December 31, 2022</b>	<b>722,205</b>	<b>7,135</b>	<b>2,175</b>	<b>66</b>	<b>731,581</b>
<b>Loss allowances as at December 31, 2022</b>	<b>(565)</b>	<b>(26)</b>	<b>(31)</b>	<b>(1)</b>	<b>(623)</b>

<b>Bank and Group</b>	<b>Stage 1 B\$'000</b>	<b>Stage 2 B\$'000</b>	<b>Stage 3 B\$'000</b>	<b>POCI B\$'000</b>	<b>Total B\$'000</b>
<b>Total amount committed as at January 1, 2021</b>	<b>524,999</b>	<b>22,632</b>	<b>564</b>	<b>516</b>	<b>548,711</b>
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)
<b>Total amount committed as at December 31, 2021</b>	<b>682,458</b>	<b>2,165</b>	<b>455</b>	<b>79</b>	<b>685,157</b>
<b>Loss allowances as at December 31, 2021</b>	<b>(917)</b>	<b>(34)</b>	<b>(6)</b>	<b>(2)</b>	<b>(959)</b>

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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 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
<b>Total amount guaranteed as at January 1, 2022</b>	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	-	-	-	-	-
<b>Total amount guaranteed as at December 31, 2022</b>	<b>16,574</b>	<b>172</b>	<b>14</b>	<b>-</b>	<b>16,760</b>
<b>Loss allowances as at December 31, 2022</b>	<b>(27)</b>	<b>(6)</b>	<b>(7)</b>	<b>-</b>	<b>(40)</b>

Bank and Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
<b>Total amount guaranteed as at January 1, 2021</b>	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)
<b>Total amount guaranteed as at December 31, 2021</b>	<b>18,290</b>	<b>173</b>	<b>10</b>	<b>-</b>	<b>18,473</b>
<b>Loss allowances as at December 31, 2021</b>	<b>(32)</b>	<b>(7)</b>	<b>(3)</b>	<b>-</b>	<b>(42)</b>

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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)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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 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)
<b>Loss allowances as at December 31, 2022</b>	<b>10,074</b>	<b>14,783</b>	<b>23,935</b>	<b>156</b>	<b>48,948</b>

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)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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)
<b>Loss allowances as at December 31, 2021</b>	<b>10,473</b>	<b>17,475</b>	<b>19,536</b>	<b>1,350</b>	<b>48,834</b>

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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)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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)
<b>Loss allowances as at December 31, 2022</b>	<b>16,140</b>	<b>24,889</b>	<b>25,638</b>	<b>158</b>	<b>66,825</b>
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)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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)
<b>Loss allowances as at December 31, 2021</b>	<b>17,066</b>	<b>26,876</b>	<b>23,320</b>	<b>1,356</b>	<b>68,618</b>

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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
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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)
<b>Loss allowances as at December 31, 2022</b>	<b>565</b>	<b>26</b>	<b>31</b>	<b>1</b>	<b>623</b>

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
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
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)
<b>Loss allowances as at December 31, 2021</b>	<b>917</b>	<b>34</b>	<b>6</b>	<b>2</b>	<b>959</b>

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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	-	-	-	-	-
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in the Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase/(Decrease) during the year	(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)
<b>Loss allowances as at December 31, 2022</b>	<b>27</b>	<b>6</b>	<b>7</b>	<b>-</b>	<b>40</b>

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)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in the Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase/(Decrease) during the year	(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)
<b>Loss allowances as at December 31, 2021</b>	<b>32</b>	<b>7</b>	<b>3</b>	<b>-</b>	<b>42</b>



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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.

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Bank			Group		
		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
<b><u>2022</u></b>							
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
<b>Total</b>		<b>1,415,139</b>	<b>762,153</b>	<b>652,986</b>	<b>2,264,410</b>	<b>1,521,930</b>	<b>742,480</b>

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**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)**

Type of Credit Exposure	Principal Type of Collateral Held for Secured Lending	Bank			Group		
		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
<b>2021</b>							
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	Debenture / Cash	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	Debenture / Cash	71,346	16,705	54,641	909,364	767,353	142,011
<b>Total</b>		<b>1,303,796</b>	<b>760,208</b>	<b>543,588</b>	<b>2,141,814</b>	<b>1,510,856</b>	<b>630,958</b>

**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 sukuk 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
<b>2022</b>								
<b>Non-Derivative Assets</b>								
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	-	-
<b>Total</b>	<b>3,508,487</b>	<b>3,729,936</b>	<b>1,464,913</b>	<b>241,525</b>	<b>417,347</b>	<b>781,237</b>	<b>476,628</b>	<b>348,286</b>
<b>Non-Derivative Liabilities</b>								
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	-	-	-
<b>Total</b>	<b>4,169,083</b>	<b>4,178,622</b>	<b>1,190,246</b>	<b>429,519</b>	<b>1,504,867</b>	<b>935,317</b>	<b>82,177</b>	<b>36,496</b>
<b>Net liquidity gap</b>	<b>(660,596)</b>	<b>(448,685)</b>	<b>274,667</b>	<b>(187,994)</b>	<b>(1,087,520)</b>	<b>(154,080)</b>	<b>394,451</b>	<b>311,790</b>
<b>Derivative Financial Instruments</b>								
- Inflow	-	98,093	64,161	32,716	912	304	-	-
- Outflow	-	(97,294)	(63,803)	(32,274)	(914)	(303)	-	-
<b>Total</b>	<b>-</b>	<b>799</b>	<b>358</b>	<b>442</b>	<b>(2)</b>	<b>1</b>	<b>-</b>	<b>-</b>

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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	Gross Nominal							
	Carrying Amount B\$'000	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
<b>2022</b>								
<b>Non-Derivative Assets</b>								
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	-	-
<b>Total</b>	<b>4,446,285</b>	<b>4,808,375</b>	<b>1,585,091</b>	<b>308,246</b>	<b>546,332</b>	<b>1,218,244</b>	<b>728,488</b>	<b>421,974</b>
<b>Non-Derivative Liabilities</b>								
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	-	-	-
<b>Total</b>	<b>4,925,770</b>	<b>4,938,308</b>	<b>1,218,047</b>	<b>514,998</b>	<b>1,639,174</b>	<b>1,447,339</b>	<b>82,254</b>	<b>36,496</b>
<b>Net liquidity gap</b>	<b>(479,485)</b>	<b>(129,933)</b>	<b>367,043</b>	<b>(206,752)</b>	<b>(1,092,842)</b>	<b>(229,095)</b>	<b>(646,234)</b>	<b>385,478</b>
<b>Derivative Financial Instruments</b>								
- Inflow	-	98,093	64,161	32,716	912	304	-	-
- Outflow	-	(97,294)	(63,803)	(32,274)	(914)	(303)	-	-
<b>Total</b>	<b>-</b>	<b>799</b>	<b>358</b>	<b>442</b>	<b>(2)</b>	<b>1</b>	<b>-</b>	<b>-</b>

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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
<b>2021</b>								
<b><u>Non-Derivative Assets</u></b>								
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	-	-
<b>Total</b>	<b>3,364,516</b>	<b>3,599,191</b>	<b>1,435,979</b>	<b>310,994</b>	<b>289,986</b>	<b>744,175</b>	<b>442,572</b>	<b>375,485</b>
<b><u>Non-Derivative Liabilities</u></b>								
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	-	-	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	-	-	-
<b>Total</b>	<b>4,125,199</b>	<b>4,129,823</b>	<b>1,069,609</b>	<b>500,063</b>	<b>1,563,265</b>	<b>927,721</b>	<b>23,404</b>	<b>45,761</b>
<b>Net liquidity gap</b>	<b>(760,683)</b>	<b>(530,632)</b>	<b>366,370</b>	<b>(189,069)</b>	<b>(1,273,279)</b>	<b>(183,546)</b>	<b>419,168</b>	<b>329,724</b>
<b><u>Derivative Financial Instruments</u></b>								
- Inflow	-	35,625	14,494	16,742	3,669	720	-	-
- Outflow	-	(35,214)	(14,337)	(16,529)	(3,634)	(714)	-	-
<b>Total</b>	<b>-</b>	<b>411</b>	<b>157</b>	<b>213</b>	<b>35</b>	<b>6</b>	<b>-</b>	<b>-</b>



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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
<b>2021</b>								
<b>Non-Derivative Assets</b>								
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	-	-
<b>Total</b>	<b>4,294,590</b>	<b>4,686,474</b>	<b>1,610,533</b>	<b>371,890</b>	<b>406,609</b>	<b>1,148,010</b>	<b>699,451</b>	<b>449,981</b>
<b>Non-Derivative Liabilities</b>								
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	-	-	-
<b>Total</b>	<b>4,882,839</b>	<b>4,891,126</b>	<b>1,088,273</b>	<b>556,474</b>	<b>1,670,291</b>	<b>1,506,909</b>	<b>23,418</b>	<b>45,761</b>
<b>Net liquidity gap</b>	<b>(588,249)</b>	<b>(204,652)</b>	<b>522,260</b>	<b>(184,584)</b>	<b>(1,263,682)</b>	<b>(358,899)</b>	<b>676,033</b>	<b>404,220</b>
<b>Derivative Financial Instruments</b>								
- Inflow	-	35,625	14,494	16,742	3,669	720	-	-
- Outflow	-	(35,214)	(14,337)	(16,529)	(3,634)	(714)	-	-
<b>Total</b>	<b>-</b>	<b>411</b>	<b>157</b>	<b>213</b>	<b>35</b>	<b>6</b>	<b>-</b>	<b>-</b>

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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)**

Bank	Carrying Amount B\$'000	Non-Interest Bearing B\$'000	Interest Bearing					
			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
<b>2022</b>								
<b>Financial Assets</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>3,509,541</b>	<b>257,500</b>	<b>1,340,531</b>	<b>195,138</b>	<b>356,171</b>	<b>645,215</b>	<b>449,668</b>	<b>265,318</b>
<b>Financial Liabilities</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>3,041,270</b>	<b>1,196,543</b>	<b>841,567</b>	<b>297,855</b>	<b>319,927</b>	<b>370,752</b>	<b>14,626</b>	<b>-</b>
<b>2021</b>								
<b>Financial Assets</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>3,364,890</b>	<b>247,660</b>	<b>1,300,811</b>	<b>269,800</b>	<b>222,752</b>	<b>622,377</b>	<b>407,755</b>	<b>293,735</b>
<b>Financial Liabilities</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>2,944,537</b>	<b>1,249,547</b>	<b>645,204</b>	<b>346,272</b>	<b>348,553</b>	<b>340,844</b>	<b>14,117</b>	<b>-</b>

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Group	Carrying Amount	Non-Interest Bearing	Interest Bearing					
			Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
<b>2022</b>								
<b>Financial Assets</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>4,447,340</b>	<b>363,905</b>	<b>1,394,715</b>	<b>238,447</b>	<b>463,357</b>	<b>997,855</b>	<b>659,552</b>	<b>329,509</b>
<b>Financial Liabilities</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>3,797,957</b>	<b>1,177,165</b>	<b>888,350</b>	<b>383,013</b>	<b>453,663</b>	<b>881,063</b>	<b>14,703</b>	<b>-</b>
<b>2021</b>								
<b>Financial Assets</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>4,294,964</b>	<b>359,500</b>	<b>1,353,196</b>	<b>310,797</b>	<b>328,221</b>	<b>968,388</b>	<b>617,740</b>	<b>357,122</b>
<b>Financial Liabilities</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>3,702,178</b>	<b>1,213,594</b>	<b>699,661</b>	<b>402,258</b>	<b>454,592</b>	<b>917,942</b>	<b>14,131</b>	<b>-</b>

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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.

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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)

Bank	USD B\$'000	GBP B\$'000	AUD B\$'000	Others B\$'000
<b>2022</b>				
<b><u>Financial Assets</u></b>				
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	-	-	-
<b>Total</b>	<b>254,599</b>	<b>14,931</b>	<b>35,839</b>	<b>40,784</b>
<b><u>Financial Liabilities</u></b>				
Deposits	170,692	14,667	35,782	30,005
Derivative Liabilities	-	-	-	237
Others	337	-	(3)	(10)
<b>Total</b>	<b>171,029</b>	<b>14,667</b>	<b>35,779</b>	<b>30,232</b>
<b>Off Balance Sheet Derivative Financial Instruments</b>	<b>(86,815)</b>	<b>(320)</b>	<b>-</b>	<b>(10,024)</b>
<b>2021</b>				
<b><u>Financial Assets</u></b>				
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	-	-	-
<b>Total</b>	<b>202,160</b>	<b>14,288</b>	<b>36,300</b>	<b>29,838</b>
<b><u>Financial Liabilities</u></b>				
Deposits	180,941	14,381	36,788	20,518
Derivative Liabilities	2	-	1	2
Others	813	-	(3)	(11)
<b>Total</b>	<b>181,756</b>	<b>14,381</b>	<b>36,786</b>	<b>20,509</b>
<b>Off Balance Sheet Derivative Financial Instruments</b>	<b>(25,622)</b>	<b>(2)</b>	<b>(310)</b>	<b>(9,279)</b>

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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
<b>2022</b>				
<b><u>Financial Assets</u></b>				
Cash	4,618	1,881	1,337	11,144
Balances with Bank, Other Financial Institutions and BCDB	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
<b>Total</b>	<b>255,850</b>	<b>14,931</b>	<b>35,955</b>	<b>40,925</b>
<b><u>Financial Liabilities</u></b>				
Deposits	171,894	14,667	35,895	30,136
Derivative Liabilities	-	-	-	237
Others	337	-	(3)	(10)
<b>Total</b>	<b>172,231</b>	<b>14,667</b>	<b>35,892</b>	<b>30,363</b>
<b>Off Balance Sheet Derivative Financial Instruments</b>	<b>(86,815)</b>	<b>(320)</b>	<b>-</b>	<b>(10,024)</b>
<b>2021</b>				
<b><u>Financial Assets</u></b>				
Cash	3,838	2,616	1,096	23,646
Balances with Bank, Other Financial Institutions and BCDB	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
<b>Total</b>	<b>203,283</b>	<b>14,288</b>	<b>36,370</b>	<b>29,940</b>
<b><u>Financial Liabilities</u></b>				
Deposits	181,867	14,381	36,854	20,597
Derivative Liabilities	2	-	1	2
Others	813	-	(3)	(11)
<b>Total</b>	<b>182,682</b>	<b>14,381</b>	<b>36,852</b>	<b>20,588</b>
<b>Off Balance Sheet Derivative Financial Instruments</b>	<b>(25,622)</b>	<b>(2)</b>	<b>(310)</b>	<b>(9,279)</b>

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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)

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:

	USD +/- 10% B\$'000	GBP +/- 10% B\$'000	AUD +/- 10% B\$'000	Others +/- 10% B\$'000
<b>Bank</b>				
As at December 31, 2022	(325)	(6)	(8)	53
As at December 31, 2021	(522)	(10)	(80)	5
	USD +/- 10% B\$'000	GBP +/- 10% B\$'000	AUD +/- 10% B\$'000	Others +/- 10% B\$'000
<b>Group</b>				
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.



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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		Level of the Fair Value Hierarchy	Valuation Technique(s) & Key input(s)
	2022	2021		
Bank and Group	B\$'000	B\$'000		
<b><u>Assets</u></b>				
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
<b>Total</b>	<b>155,688</b>	<b>140,975</b>		
<b><u>Liabilities</u></b>				
Derivative liabilities	237	5	2	Reuters Quote
<b>Total</b>	<b>237</b>	<b>5</b>		

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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:

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

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.

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#### 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.

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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.

	<b>Bank and Group</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Carrying Amount B\$'000</b>	<b>Fair Value B\$'000</b>	<b>Carrying Amount B\$'000</b>	<b>Fair Value B\$'000</b>
<b>Financial Assets</b>				
Investments at amortised cost				
- Government Sukuk	7,988	7,988	18,350	18,350
- Investment Securities	898,025	875,241	814,930	815,728
<b>Total</b>	<b>906,013</b>	<b>883,229</b>	<b>833,280</b>	<b>834,078</b>
<b>Fair Value Hierarchy</b>				
	<b>Level 1 B\$'000</b>	<b>Level 2 B\$'000</b>	<b>Level 3 B\$'000</b>	<b>Total B\$'000</b>
<b>2022</b>				
<b>Financial Assets</b>				
Investments at amortised cost				
- Government Sukuk	-	7,988	-	7,988
- Investment Securities	875,241	-	-	875,241
<b>Total</b>	<b>875,241</b>	<b>7,988</b>	<b>-</b>	<b>883,229</b>
<b>2021</b>				
<b>Financial Assets</b>				
Investments at amortised cost				
- Government Sukuk	-	18,350	-	18,350
- Investment Securities	815,728	-	-	815,728
<b>Total</b>	<b>815,728</b>	<b>18,350</b>	<b>-</b>	<b>834,078</b>

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.

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**5 NET INTEREST INCOME**

	Bank		Group	
	2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
<b>Interest Income</b>				
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
<b>Total Interest Income</b>	<b>102,334</b>	<b>76,892</b>	<b>155,798</b>	<b>132,036</b>
<b>Interest Expense</b>				
Deposits	13,835	8,191	14,527	9,891
<b>Net Interest Income</b>	<b>88,499</b>	<b>68,701</b>	<b>141,271</b>	<b>122,145</b>

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
<b>Total</b>	<b>52,296</b>	<b>51,250</b>	<b>31,237</b>	<b>31,361</b>

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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
<b>Investment Securities at Fair Value Through Profit or Loss:</b>		
- Investment Securities	(6,332)	(171)
<b>Total</b>	<b>(6,332)</b>	<b>(171)</b>

**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
<b>Total</b>	<b>34,620</b>	<b>33,964</b>	<b>40,927</b>	<b>40,296</b>

**9 OTHER OVERHEAD EXPENSES**

	Bank		Group	
	2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
<b>Promotion</b>				
Advertisement and Publicity	2,363	2,074	2,505	2,411
<b>Operational</b>				
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
<b>General Expenses</b>				
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
<b>Total</b>	<b>37,272</b>	<b>29,841</b>	<b>56,414</b>	<b>48,979</b>

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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
<b>Recognised in the Statements of Profit or Loss</b>				
<b>Current Tax Expense</b>				
Current year	10,282	9,161	16,647	14,926
<b>Movements in Provision for Taxation</b>				
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)
<b>Closing balance as at December 31</b>	<b>21,995</b>	<b>19,943</b>	<b>46,389</b>	<b>44,028</b>
<b>Reconciliation of Effective Tax Rate at 18.50%</b>				
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
<b>Total</b>	<b>10,282</b>	<b>9,161</b>	<b>16,647</b>	<b>14,926</b>

**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
<b>Total</b>	<b>896,769</b>	<b>982,395</b>	<b>910,309</b>	<b>994,570</b>

\*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 in 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
<u>2022</u>			
Foreign Exchange Contracts	97,294	1,054	237
<u>2021</u>			
Foreign Exchange Contracts	35,212	374	5

**14 GOVERNMENT SUKUK**

	Bank and Group			
	2022 B\$'000	Maturity date	2021 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 B\$'000	Maturity date (ranging from)	2021 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
<b>Total</b>	<b>1,052,334</b>		<b>955,531</b>	



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**16 LOANS AND ADVANCES**

	Bank		Group	
	2022 B\$'000	2021 B\$'000	2021 B\$'000	2021 B\$'000
<b>By Type:</b>				
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
<b>Gross Loans and Advances</b>	<b>1,415,139</b>	<b>1,303,796</b>	<b>2,264,410</b>	<b>2,141,814</b>
<b>Less: Loss allowances</b>	<b>(49,611)</b>	<b>(49,835)</b>	<b>(67,488)</b>	<b>(69,619)</b>
<b>Net Loans and Advances</b>	<b>1,365,528</b>	<b>1,253,961</b>	<b>2,196,922</b>	<b>2,072,195</b>

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
<b>Total</b>	<b>49,611</b>	<b>49,835</b>	<b>67,488</b>	<b>69,619</b>

**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**

Name of Company	Principal Activity	Country of Incorporation	Cost		% Holding	
			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%
<b>Total</b>			<b>47,949</b>	<b>47,949</b>		

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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
<b>Total</b>	<b>6,560</b>	<b>3,615</b>	<b>38,745</b>	<b>37,109</b>

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 B\$'000	Group B\$'000
<b>Cost</b>		
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
<b>Accumulated Depreciation</b>		
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
<b>Carrying Amounts</b>		
As at December 31, 2022	2,510	3,279
As at December 31, 2021	1,421	2,519

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**21 PROPERTY, PLANT AND EQUIPMENT**

<b>Bank</b>	<b>Freehold Land and Buildings B\$'000</b>	<b>Leasehold Land and Buildings B\$'000</b>	<b>Leasehold Improvements B\$'000</b>	<b>Computers B\$'000</b>	<b>Equipment / Furniture B\$'000</b>	<b>Motor Vehicles B\$'000</b>	<b>Work in Progress B\$'000</b>	<b>Total B\$'000</b>
<b>Cost</b>								
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
<b>Accumulated Depreciation</b>								
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
<b>Carrying Amounts</b>								
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.

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**21 PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Group	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
<b>Cost</b>								
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
<b>Accumulated Depreciation</b>								
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
<b>Carrying Amounts</b>								
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
<b>By Type of Deposits</b>				
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
<b>Total</b>	<b>2,748,838</b>	<b>2,507,945</b>	<b>3,718,189</b>	<b>3,612,655</b>

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**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
<b>Total</b>	<b>223,533</b>	<b>360,852</b>	<b>2,409</b>	<b>3,072</b>

**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
<b>Total</b>	<b>2,569</b>	<b>1,512</b>	<b>3,439</b>	<b>2,717</b>
<b>Maturity Analysis:</b>				
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
<b>Total</b>	<b>2,569</b>	<b>1,512</b>	<b>3,439</b>	<b>2,717</b>

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
<b>Total</b>	<b>73,525</b>	<b>80,915</b>	<b>85,242</b>	<b>95,433</b>

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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	
	2021 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)
<b>Balance as at December 31</b>	<b>7,446</b>	<b>7,446</b>	<b>7,493</b>	<b>7,493</b>

27 SHARE CAPITAL

	Bank and Group	
	2022 B\$'000	2021 B\$'000
<b>Authorised</b>		
200,000,000 Ordinary shares of B\$1 each	200,000	200,000
<b>Issued and Paid Up</b>		
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
<b>Balances as at December 31</b>	<b>175,066</b>	<b>158,656</b>	<b>222,536</b>	<b>201,940</b>

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**29 OTHER RESERVES**

	Note	Bank		Group	
		2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
<b>Retained Earnings</b>					
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)
<b>Balances as at December 31</b>		<b>176,611</b>	<b>147,383</b>	<b>236,974</b>	<b>204,279</b>
<b>General Reserve</b>					
Opening and closing balance		5,154	5,154	5,154	5,154
<b>Total Other Reserves</b>		<b>181,765</b>	<b>152,537</b>	<b>242,128</b>	<b>209,433</b>

\* 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
<b>Contingencies</b>		
Guarantees, Bonds	240,479	179,120
Letters of Credit	64,339	140,527
Acceptances	6,488	1,347
Shipping Guarantees	1,007	763
<b>Sub-Total</b>	<b>312,313</b>	<b>321,757</b>
<b>Commitments</b>		
Unutilised Commitments and Undrawn Credit lines	815,738	858,910
<b>Derivative Financial Instruments</b>		
Forward Purchase	97,294	35,212
<b>Total Contingencies and Commitments</b>	<b>1,225,345</b>	<b>1,215,879</b>

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**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
<b>Total</b>	<b>632,535</b>	<b>697,630</b>	<b>646,076</b>	<b>709,805</b>

**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
<u>Non-cash changes</u>				
Interest Expense on Lease Liabilities	86	-	165	-
New Leases, Termination and Modification of Leases - net	(207)	-	(22)	-
<u>Financing cash flows</u>				
Repayment of Lease Liabilities	(812)	-	(1,441)	-
Repayment of Borrowings	-	(26,521)	-	(26,521)
As at December 31, 2021	1,512	-	2,717	-
<u>Non-cash changes</u>				
Interest Expense on Lease Liabilities	109	-	158	-
New Leases, Termination and Modification of Leases - net	2,265	-	2,499	-
<u>Financing cash flows</u>				
Repayment of Lease Liabilities	(1,317)	-	(1,935)	-
Drawdown of Borrowings	-	-	-	-
As at December 31, 2022	2,569	-	3,439	-



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**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
<b>STATEMENTS OF FINANCIAL POSITION</b>				
<b>Assets</b>				
Loans and Advances (exclude Credit cards)	779	1,172	1,244	1,701
Credit Cards	253	146	253	146
<b>Total</b>	<b>1,032</b>	<b>1,318</b>	<b>1,497</b>	<b>1,847</b>
<b>Liabilities</b>				
Deposits	6,089	7,434	7,512	9,317
<b>Off Balance Sheet items</b>				
Undrawn Facilities	865	577	865	577
<b>STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>				
<b>Income</b>				
Interest Income	50	49	97	97
<b>Expenses</b>				
Other Expenses	3,738	3,919	3,738	3,919
Interest Expenses	65	67	68	71
<b>Total</b>	<b>3,803</b>	<b>3,986</b>	<b>3,806</b>	<b>3,990</b>

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(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
<b>STATEMENTS OF FINANCIAL POSITION</b>				
<b>Assets</b>				
Loans and Advances (exclude Credit cards)	-	-	75,680	128,830
Credit Cards	-	-	43	28
Other Assets	1,336	1,503	-	-
<b>Total</b>	<b>1,336</b>	<b>1,503</b>	<b>75,723</b>	<b>128,858</b>
<b>Liabilities</b>				
Deposits	221,124	357,780	157,409	271,063
Other Liabilities	1,584	2,587	-	-
<b>Total</b>	<b>222,708</b>	<b>360,367</b>	<b>157,409</b>	<b>271,063</b>
<b>Off-Balance sheet items</b>				
Undrawn Facilities	-	-	175,815	290,877
Guarantees	-	-	5,636	19,028
Contingencies and Other Commitments	-	-	7,172	10,076
Letter of Credit	-	-	-	3,736
<b>Total</b>	<b>-</b>	<b>-</b>	<b>188,623</b>	<b>323,717</b>
<b>STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>				
<b>Income</b>				
Interest Income	-	-	3,306	4,769
Other Operating Income	1,086	947	-	-
<b>Total</b>	<b>1,086</b>	<b>947</b>	<b>3,306</b>	<b>4,769</b>
<b>Expenses</b>				
Interest Expense	1,108	973	650	458