

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

**REPORT OF THE DIRECTORS
AND CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2025
[ROC No: RC00003275]

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

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

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BAIDURI BANK SENDIRIAN BERHAD AND ITS SUBSIDIARIES

(Incorporated in Brunei Darussalam)

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited consolidated financial statements of Baiduri Bank Sendirian Berhad (the "Bank") and its subsidiaries (the "Group") for the financial year ended December 31, 2025.

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.

RETAINED EARNINGS

	Note	Bank B\$'000	Group B\$'000
Balance as at January 1, 2025		281,227	351,725
Profit for the year		97,165	95,782
Transferred to Statutory Reserve from Retained Earnings		(4,858)	(6,116)
Dividend paid	33	(33,500)	(33,500)
Balance as at December 31, 2025		340,034	407,891

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, 2025 are set out in the Statements of Financial Position. These consolidated financial statements were approved by the Board of Directors on March 12, 2026.

DIVIDEND

	2025 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, 2024	33,500

Subsequent to the financial year ended at the forthcoming Annual General Meeting, a final dividend of approximately 19.44 cents per ordinary share or a total of B\$35,000,000 in respect of the financial year ended December 31, 2025 will be proposed for shareholders' approval.

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

REPORT OF THE DIRECTORS (cont'd)

DIRECTORS

The directors of the Bank in office during the year and 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
YM Mohammad Harris bin Brigadier Jeneral (b) DP Hj Ibrahim

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



DIRECTOR



DIRECTOR



DIRECTOR

Brunei Darussalam
Date: March 12, 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BAIDURI BANK SENDIRIAN 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 Sendirian Berhad (the "Bank") and its subsidiaries (the "Group"), which comprise the statements of financial position as at December 31, 2025, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information, as set out on pages 7 to 108.

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 Brunei Darussalam Banking Act, Chapter 95 (the "Acts") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), so as to give a true and fair view of the financial position of the Bank and the Group, as at December 31, 2025, and of its financial performance and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *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.

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 Acts 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 or 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 intend 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Acts 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 Acts and the Order. We have obtained all the information and explanations that we required.

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants

Lim Cheng Wei

LIM CHENG WEI
Public Accountant

Brunei Darussalam
Date: March 12, 2026

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

STATEMENTS OF PROFIT OR LOSS
For the year ended December 31, 2025

	Note	Bank		Group	
		2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Income					
Interest Income		143,615	152,309	197,316	208,417
Interest Expense		(32,174)	(37,898)	(31,747)	(38,098)
Net Interest Income	5	111,441	114,411	165,569	170,319
Fee Income		13,584	13,117	19,455	18,429
Fee Expense		(1,150)	(1,061)	(1,391)	(1,388)
Net Fee Income	6	12,434	12,056	18,064	17,041
Other Operating Income, Net	7	37,441	39,034	6,949	15,487
Net Gain from Other Financial Instruments at Fair Value through Profit or Loss	8	6,244	6,798	6,244	6,798
Net Other Operating Income		43,685	45,832	13,193	22,285
Total Operating Income before Impairment Charges and Allowances		167,560	172,299	196,826	209,645
Less:					
Personnel Expenses	9	(43,980)	(40,198)	(51,097)	(47,369)
Provision for End of Service Benefits		(2,425)	(5,064)	(2,730)	(5,518)
Other Overhead Expenses	10	(25,250)	(22,047)	(45,777)	(42,638)
Total Operating Expenses		(71,655)	(67,309)	(99,604)	(95,525)
Less:					
Impairment Losses for Loans	4.4	(5,510)	(6,972)	(15,161)	(9,860)
Impairment of Investments / Placements		82	67	82	67
Loans / Financing Written-off		(47)	(10)	(47)	(10)
Recoveries of Loans / Financing Written-off		8,527	11,879	16,051	20,775
Net Impairment Charges and Allowances		3,052	4,964	925	10,972
Profit before Taxation		98,957	109,954	98,147	125,092
Less: Income Tax Expense	11	(1,792)	(14,899)	(2,365)	(21,353)
Profit after Taxation / Profit for the year		97,165	95,055	95,782	103,739

The material accounting policy information and the notes from pages 12 to 108 form an integral part of the consolidated financial statements.

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2025

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Profit after Taxation / Profit for the year	97,165	95,055	95,782	103,739
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	97,165	95,055	95,782	103,739

The material accounting policy information and the notes from pages 12 to 108 form an integral part of the consolidated financial statements.

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

STATEMENTS OF FINANCIAL POSITION
As at December 31, 2025

	Note	Bank		Group	
		2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
ASSETS					
Cash and Balances with Banks and Other Financial Institutions					
	12	796,478	1,179,291	596,962	1,024,941
Balances with BDCB					
	13	168,520	190,944	217,307	238,625
Derivative Assets					
	14	2,032	1,519	2,032	1,519
Government Sukuk					
	15	9,909	53,885	9,909	53,885
Investment Securities					
	16	1,173,386	1,065,195	1,173,386	1,065,195
Loans and Advances					
	17	1,994,021	1,498,949	2,896,490	2,398,763
Group Balances Receivable					
	18	960	-	-	-
Investments in Subsidiaries					
	19	47,949	47,949	-	-
Other Assets					
	20	11,091	8,236	44,609	41,900
Right-of-use Assets					
	21	3,253	3,160	7,208	7,705
Property, Plant and Equipment					
	22	61,778	57,825	63,028	59,547
Total Assets		4,269,377	4,106,953	5,010,931	4,891,981
LIABILITIES					
Deposits from Customers					
	23	3,210,716	3,072,943	3,971,032	3,832,709
Deposits from Banks and Other Financial Institutions					
	24	213,363	140,043	42,957	6,209
Derivative Liabilities					
	14	1,004	866	1,004	866
Borrowings					
	25	-	102,863	-	102,863
Lease Liabilities					
	26	3,230	3,132	7,436	7,819
Group Balances Payable					
	18	-	1,979	-	-
Other Liabilities					
	27	87,242	80,966	96,349	91,881
Deferred Taxation					
	28	2,974	7,939	3,021	7,986
Provision for Taxation					
	11	18,432	27,451	37,274	52,072
Total Liabilities		3,536,941	3,438,182	4,159,073	4,102,405
SHAREHOLDERS' EQUITY					
Share Capital					
	29	180,000	180,000	180,000	180,000
Statutory Reserve					
	30	207,248	202,390	258,813	252,697
Other Reserves					
	31	345,188	286,381	413,045	356,879
Total Shareholders' Funds / Total Equity		732,436	668,771	851,858	789,576
Total Liabilities and Equity		4,269,377	4,106,953	5,010,931	4,891,981
<i>Off-Balance Sheet items:</i>					
CONTINGENCIES AND COMMITMENTS	32	1,773,193	1,493,233	1,773,193	1,493,233

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

Director

Director

Director

The material accounting policy information and the notes from pages 12 to 108 form an integral part of the consolidated financial statements.

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended December 31, 2025

	Note	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	
Bank							
Balance as at January 1, 2024		180,000	197,637	5,154	221,553	72	604,416
Net profit for the year, representing total comprehensive income for the year		-	-	-	95,055	-	95,055
Transfer to:							
- Statutory reserve	30	-	4,753	-	(4,753)	-	-
- Prudential reserve for credit losses		-	-	-	11	(11)	-
Dividend paid	33	-	-	-	(30,700)	-	(30,700)
Balance as at December 31, 2024		180,000	202,390	5,154	281,166	61	668,771
Net profit for the year, representing total comprehensive income for the year		-	-	-	97,165	-	97,165
Transfer to:							
- Statutory reserve	30	-	4,838	-	(4,838)	-	-
- Prudential reserve for credit losses		-	-	-	(27)	27	-
Dividend paid	33	-	-	-	(33,500)	-	(33,500)
Balance as at December 31, 2025		180,000	207,248	5,154	339,946	88	732,436

	Note	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	
Group							
Balance as at January 1, 2024		180,000	246,481	5,154	283,810	1,092	716,537
Net profit for the year, representing total comprehensive income for the year		-	-	-	103,739	-	103,739
Transfer to:							
- Statutory reserve	30	-	6,216	-	(6,216)	-	-
- Prudential reserve for credit losses		-	-	-	(177)	177	-
Dividend paid	33	-	-	-	(30,700)	-	(30,700)
Balance as at December 31, 2024		180,000	252,697	5,154	350,456	1,269	789,576
Net profit for the year, representing total comprehensive income for the year		-	-	-	95,782	-	95,782
Transfer to:							
- Statutory reserve	30	-	6,116	-	(6,116)	-	-
- Prudential reserve for credit losses		-	-	-	(248)	248	-
Dividend paid	33	-	-	-	(33,500)	-	(33,500)
Balance as at December 31, 2025		180,000	258,813	5,154	406,374	1,517	851,858

The material accounting policy information and the notes from pages 12 to 108 form an integral part of the consolidated financial statements.

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

STATEMENTS OF CASH FLOWS
For the year ended December 31, 2025

	Note	Bank		Group	
		2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Operating activities					
Profit before taxation:		98,957	109,954	98,147	125,092
<i>Adjustments for non-cash items:</i>					
Depreciation of Property, Plant and Equipment	22	5,294	5,455	5,798	5,748
Depreciation of Right-of-use Assets	21	1,607	1,331	2,197	1,928
Gain on Modification of Right-of-use Assets	7	-	(7)	-	(232)
Loss on Modification of Right-of-use Assets	10	-	205	-	419
Gain on Disposal of Property, Plant and Equipment	7	(324)	(34)	(324)	(34)
Loss on Disposal of Property, Plant and Equipment	10	5	32	5	32
Net Gain from Other Financial Instruments at Fair Value through Profit or Loss	8	(6,244)	(6,798)	(6,244)	(6,798)
Interest Expense on Lease Liabilities	10	194	191	422	444
Impairment of Investments / Placements		(82)	(67)	(82)	(67)
Impairment Losses for Loans	4.4	5,510	6,972	15,161	9,860
Increase / (decrease) in Provisions		2,391	(4,738)	2,794	(4,919)
Operating profit before changes in operating assets and liabilities		107,308	112,496	117,874	131,473
<i>Changes in operating assets and liabilities:</i>					
Placements with Banks		149,523	63,643	187,095	84,318
Balances with BDCB		22,424	689	21,318	(310)
Derivative Assets		(513)	1,596	(513)	1,596
Loans and Advances		(500,582)	(32,065)	(512,888)	(62,568)
Other Assets		(3,815)	(2,159)	(2,809)	(2,163)
Deposits from Customers		137,773	(31,320)	138,323	(52,879)
Deposits from Banks and Other Financial Institutions		73,300	(30,089)	36,748	(2,149)
Derivative Liabilities		138	706	138	706
Other Liabilities		1,906	9,790	1,674	7,046
Cash (used in) / from operating activities		(12,538)	93,267	(13,040)	105,070
Income Tax Paid		(15,776)	(15,001)	(22,128)	(21,138)
Net cash (used in) / from operating activities		(28,314)	78,266	(35,168)	83,932
Investing activities					
Purchase of Property, Plant and Equipment	22	(9,796)	(8,801)	(9,828)	(10,079)
Proceeds from Disposal of Property, Plant and Equipment		868	146	868	145
Net Investments		(57,889)	(155,492)	(57,889)	(155,492)
Net cash used in investing activities		(66,817)	(164,147)	(66,849)	(165,426)
Financing activities					
(Decrease) / Increase in Borrowings	34	(102,863)	65,153	(102,863)	65,153
Repayment of Lease Liabilities	34	(1,796)	(1,850)	(2,505)	(2,584)
Dividend paid		(33,500)	(30,700)	(33,500)	(30,700)
Net cash (used in) / from financing activities		(138,159)	32,603	(138,868)	31,869
Net decrease in cash and cash equivalents		(233,290)	(53,278)	(240,885)	(49,625)
Cash and cash equivalents as at January 1		801,437	854,715	818,044	867,669
Cash and cash equivalents as at December 31	34	568,147	801,437	577,159	818,044

The material accounting policy information and the notes from pages 12 to 108 form an integral part of the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

1 GENERAL

Baiduri Bank Sendirian 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 19 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 12, 2026.

2 MATERIAL ACCOUNTING POLICY INFORMATION

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 Act, Chapter 95, and the International Financial Reporting Standards ("IFRSs"). 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 of the Group incorporate the financial statements of the Bank and its subsidiaries made up to December 31st 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 SENDIRIAN BERHAD AND ITS SUBSIDIARIES
(Incorporated in Brunei Darussalam)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025

2 MATERIAL ACCOUNTING POLICY INFORMATION (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 MATERIAL ACCOUNTING POLICY INFORMATION (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 (BND) 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 MATERIAL ACCOUNTING POLICY INFORMATION (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 MATERIAL ACCOUNTING POLICY INFORMATION (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 income

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

The Group recognises revenue when it transfers control of service to a customer. Other fee income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Loan commitment fees are recognised based on the expected outcome of the commitment. If the commitment is expected to result in a draw-down, the fees are deferred and recognised as part of the effective interest rate of the financial asset. If a loan draw-down is not expected, the fees are recognised on a straight-line basis over the commitment period.

Fee expenses relate mainly to transaction and service fees, which are recognised as expense when services are received.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.4 REVENUE RECOGNITION (cont'd)

2.4.3 Other operating income, net

Other operating income comprises dividend income from a subsidiary, fees, charges and others (net), 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") includes gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL that relates to non-derivatives (non-trading) held for risk management purposes that do not form part of qualifying hedge relationships. The Group has elected to present the full fair value movement of assets and liabilities at FVTPL in this line, including the related interest, dividends and foreign exchange differences.

2.5 LEASES

The Group as lessee

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

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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 mainly of:

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

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

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

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

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

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

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.7 TAXATION

The income tax expense represents the sum of current and deferred income tax expense.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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.

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.

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

In the statement of financial position, cash and cash equivalents are comprised of cash (i.e. cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2.9 PROPERTY, PLANT AND EQUIPMENT

2.9.1 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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.9.1 Property, plant and equipment (cont'd)

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	3 -5 years

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.

Capital work-in-progress is stated at cost. Expenditure relating to capital work-in-progress is capitalized when incurred. The cost of capital work-in-progress includes the cost of material, labour and an appropriate proportion of production overheads. No depreciation is provided on capital work-in-progress until the asset is completed and ready for use.

2.9.2 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.9.2 Impairment of non-financial assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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.

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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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)

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.

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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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)

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.

(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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(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.

(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.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(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.

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

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

- 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.

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:

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

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

- 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.

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:

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(viii) Definition of default (cont'd)

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

(ix) Significant increase in credit risk

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

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

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3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

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

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

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

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

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.11 FINANCIAL INSTRUMENTS (cont'd)

2.11.1 Financial assets (cont'd)

(x) Modification and derecognition of financial assets

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

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

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

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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 forbore 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 forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

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

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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 or loss.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (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 MATERIAL ACCOUNTING POLICY INFORMATION (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 acquired 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 a financial liability contract.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition either 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 MATERIAL ACCOUNTING POLICY INFORMATION (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 MATERIAL ACCOUNTING POLICY INFORMATION (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.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both a legally enforceable right and intention to offset. The impact of the master netting agreements on the group's financial position is disclosed in Note 4.3.

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 National Retirement Scheme / Skim Persaraan Kebangsaan ("SPK"). 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 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.13 STANDARDS ISSUED BUT NOT YET EFFECTIVE

As at January 1, 2025, 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 standard	Summary of the requirements	Possible impact on financial statements
IFRS 18 <i>Presentation and Disclosures in Financial Statements</i>	<p>IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.</p> <p>IFRS 18 introduces new requirements to:</p> <ul style="list-style-type: none"> • present specified categories and defined subtotals in the statement of profit or loss • provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements • improve aggregation and disaggregation. <p>An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.</p>	The Company does not expect that the adoption of IFRS 18 will have a material impact on the financial statements in future periods.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

Accounting standard	Summary of the requirements	Possible impact on financial statements
Annual Improvements to IFRS Volume 11	<p>The IASB issued amendments to five IFRS Accounting Standards as part of its annual improvements process.</p> <p><u>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards—Hedge accounting by a first-time adopter</i></u> For consistency with the requirements in IFRS 9, IFRS 1:B5-B6 were amended to refer to the 'qualifying criteria' for hedge accounting (instead of the 'conditions') and to add cross-references to IFRS 9:6.4.1 to improve the understandability of IFRS 1.</p> <p><u>IFRS 7 <i>Financial Instruments: Disclosures—Gain or loss on derecognition</i></u> The amendments remove an obsolete cross-reference in IFRS 7:B38 to a paragraph that had been deleted when IFRS 13 was issued and align the wording of this paragraph with the terms used in IFRS 13.</p> <p><u>Guidance on implementing IFRS 7—Disclosure of deferred difference between fair value and transaction price</u> The amendments update IFRS 7:IG14 to make the wording of that paragraph consistent with IFRS 7:28 and improve the internal consistency of the wording in the example in IFRS 7:IG14.</p> <p><u>Guidance on implementing IFRS 7—Introduction and credit risk disclosures</u> The amendments add a statement to IFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in IFRS 7:IG20B.</p> <p><u>IFRS 9 <i>Financial Instruments—Derecognition of lease liabilities</i></u> The amendments add a cross-reference to IFRS 9:3.3.3 in IFRS 9.2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9.3.3.3 and therefore recognise any resulting gain or loss in profit or loss.</p>	<p>The Company does not expect that the amendments to IFRS Volume 11 will have any material impact on the financial statements in future periods.</p>

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

Accounting standard	Summary of the requirements	Possible impact on financial statements
Annual Improvements to IFRS Volume 11	<p><u>IFRS 9 Financial Instruments – Transaction price</u> The amendments replace 'their transaction price (as defined in IFRS 15)' in IFRS 9.5.1.3 with 'the amount determined by applying IFRS 15' to address inconsistency between IFRS 9.5.1.3 and the requirements of IFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognised as revenue. Additionally, the reference to 'transaction price' (as defined in IFRS 15) is deleted from Appendix A of IFRS 9.</p> <p><u>IFRS 10 Consolidated Financial Statements – Determination of a 'de facto agent'</u> The amendments address concerns that the requirements in IFRS 10:B73-B74 might, in some situations, be contradictory. IFRS 10:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of IFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update IFRS 10:B74 to use less conclusive language and to clarify that the relationship described in IFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.</p> <p><u>IAS 7 Statement of Cash Flows – Cost method</u> The amendment replaces the term 'cost method' with 'at cost' in IAS 7:37 in line with the removal of the definition of 'cost method' from the IFRS Accounting Standards.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. An entity is required to apply the amendments to IFRS 9:2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. No specific transition provisions are provided in respect of the other amendments.</p>	The Company does not expect that the amendments to IFRS Volume 11 will have any material impact on the financial statements in future periods.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

Accounting standard	Summary of the requirements	Possible impact on financial statements
Amendments to IFRS 9 and IFRS 7 <i>Classification and Measurement of Financial Instruments</i>		

The amendments were issued to address the following topics:

Derecognition of a financial liability settled through electronic transfer:

- The amendments permit an entity to make an election to deem a financial liability (or part of it) that is settled using an electronic payment system to be discharged (and derecognised) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

Classification of financial assets:

- Contractual terms that are consistent with a basic lending arrangement - The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the

requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

- Assets with non-recourse features - The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

- Contractually linked instruments - The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritisation of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the

holders of different tranches.

The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements. The Company does not expect that the amendments to IFRS 9 and IFRS 7 will have a material impact on the financial statements in future periods.

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2 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

Accounting standard	Summary of the requirements	Possible impact on financial statements
<p>Amendments to IFRS 9 and IFRS 7 <i>Classification and Measurement of Financial Instruments</i></p>	<p>Disclosures</p> <ul style="list-style-type: none"> • Investments in equity instruments designated at FVTOCI. <p>The requirements in IFRS 7 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.</p> <ul style="list-style-type: none"> • Contractual terms that could change the timing or amount of contractual cash flows. The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or FVTOCI and each class of financial liability measured at amortised cost. <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2026 with earlier application permitted. If an entity elects to apply these amendments for an earlier period, it is required to either:</p> <ul style="list-style-type: none"> • apply all the amendments at the same time and disclose that fact or • apply only the amendments to the classification of financial assets for that earlier period and disclose that fact. The amendments are required to be applied retrospectively, in accordance with IAS 8, with specific exceptions. The directors of the entity anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods. 	<p>The Company does not expect that the amendments to IFRS 9 and IFRS 7 will have a material impact on the financial statements in future periods.</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 17.

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, 2024 and 2025. Management monitors capital based on "capital funds" as defined under the Brunei Darussalam Banking Act, Chapter 95.

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Capital				
Core Capital (Tier I Capital)	697,436	635,271	816,859	756,077
Supplementary Capital (Tier II Capital)	11,511	12,174	14,743	17,050
Less: Investment in Subsidiaries	(47,949)	(47,949)	-	-
Total Capital base	660,998	599,496	831,602	773,127
Risk-weighted amount				
Risk-weighted amount for Credit Risk	2,492,499	2,107,699	3,127,893	2,767,981
Risk-weighted amount for Operational Risk	359,116	330,181	421,707	395,494
Risk-weighted amount for Market Risk	2,035	39,457	1,779	39,346
Total Risk-weighted amount	2,853,650	2,477,337	3,551,379	3,202,821
Capital Ratios				
Core Capital (Tier I) Ratio, %	24.44%	25.64%	23.00%	23.61%
Total Capital Ratio, %	23.16%	24.20%	23.42%	24.14%

In accordance to Notice No. BU/N-3/2017/38 by Brunei Darussalam Central Bank, the Group and Bank shall not, at any time, have a Tier 1 capital ratio of less than 5 per cent and total capital ratio of less than 10 per cent or such percentage as may be determined by the Authority.

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

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2025			2024		
	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
Bank						
Financial Assets						
Cash and Balances with Banks and Other Financial Institutions	-	796,478	796,478	-	1,179,291	1,179,291
Balance with BDCB	-	168,520	168,520	-	190,944	190,944
Derivative Assets	2,032	-	2,032	1,519	-	1,519
Government Sukuk	-	9,909	9,909	-	53,885	53,885
Investment Securities	205,907	967,479	1,173,386	149,452	915,743	1,065,195
Loans and Advances	-	1,994,021	1,994,021	-	1,498,949	1,498,949
Group Balances Receivable	-	960	960	-	-	-
Other Assets	-	4,317	4,317	-	4,851	4,851
Total Financial Assets	207,939	3,941,684	4,149,623	150,971	3,843,663	3,994,634
Financial Liabilities						
Deposits from Customers	-	3,210,716	3,210,716	-	3,072,943	3,072,943
Deposits from Banks and Other Financial Institutions	-	213,343	213,343	-	140,043	140,043
Derivative Liabilities	1,004	-	1,004	866	-	866
Borrowings	-	-	-	-	102,863	102,863
Lease Liabilities	-	3,230	3,230	-	3,132	3,132
Group Balances Payable	-	-	-	-	1,979	1,979
Other Liabilities	-	87,242	87,242	-	80,966	80,966
Total Financial Liabilities	1,004	3,514,531	3,515,535	866	3,401,926	3,402,792

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

4.2 CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

Group	2025			2024		
	Mandatory At Fair Value Through Profit or Loss B\$'000	At Amortised Cost B\$'000	Total Carrying Amount B\$'000	Mandatory At Fair Value Through Profit or Loss B\$'000	At Amortised Cost B\$'000	Total Carrying Amount B\$'000
Financial Assets						
Cash and Balances with Banks and Other Financial Institutions	-	596,962	596,962	-	1,024,942	1,024,942
Balances with BDCB	-	217,307	217,307	-	238,625	238,625
Derivative Assets	2,032	-	2,032	1,519	-	1,519
Government Sukuk	-	9,909	9,909	-	53,885	53,885
Investment Securities	205,907	967,479	1,173,386	149,452	915,743	1,065,195
Loans and Advances	-	2,896,490	2,896,490	-	2,398,763	2,398,763
Other Assets	-	37,650	37,650	-	38,249	38,249
Total Financial Assets	207,939	4,725,797	4,933,736	150,971	4,670,207	4,821,178
Financial Liabilities						
Deposits from Customers	-	3,971,032	3,971,032	-	3,832,709	3,832,709
Deposits from Banks and Other Financial Institutions	-	42,957	42,957	-	6,209	6,209
Derivative Liabilities	1,004	-	1,004	866	-	866
Borrowings	-	-	-	-	102,863	102,863
Lease Liabilities	-	7,436	7,436	-	7,819	7,819
Other Liabilities	-	96,349	96,349	-	91,881	91,881
Total Financial Liabilities	1,004	4,117,774	4,118,778	866	4,041,481	4,042,347

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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	Gross amounts of recognised Financial Liabilities / Assets set off in the Statements of Financial Position	Net amounts of Financial Assets presented in the Statements of Financial Position	Related Amounts not set off in the Statements of Financial Position		
				Financial Instruments	Cash Collateral received	Net amount
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2025						
Type of Financial Asset						
Other Assets:						
Rental income receivable	9	-	9	-	9	-
	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
Type of Financial Liability						
Other Liabilities:						
Refundable deposits from Tenants	15	-	15	-	9	6
	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>9</u>	<u>6</u>
2024						
Type of Financial Asset						
Other Assets:						
Rental income receivable	9	-	9	-	9	-
	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
Type of Financial Liability						
Other Liabilities:						
Refundable deposits from Tenants	16	-	16	-	9	7
	<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>9</u>	<u>7</u>

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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 Group Risk Management Committee ("GRMC") 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, evaluate, monitor, report or mitigate all material risks which could affect the achievement of the Group's strategic objectives..

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 Group 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 GRMC 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 and Group Compliance Department. The Risk function oversees the effectiveness and integrity of the Group's risk management framework and assists the GRMC in its risk oversight responsibilities. The Compliance function ensures adherence to applicable laws, regulations, and internal policies. Both functions operate independently from business line management providing objective oversight, monitoring, and reporting to Senior Management and the Board.

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

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.

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 GRMC to oversee the management of credit risk, while the Group EXCO approves major prudential policies and limits that govern large customer exposures and industry concentration.

The Group 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 in accordance with 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 provide credit facilities in support of high compliance or reputational risks which include 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\$ 593,000 (2024: B\$ 298,000) 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.

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

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

Loans and Advances Classification	Definition
Pass	Borrowers in this category are those do not have greater than normal credit risk.
Special Mention	Borrowers in this category are those have an early sign of financial difficulty.
Substandard Under-Performing	Borrowers in this category are those 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, 2025				
	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	1,925,466	-	-	-	1,925,466
Special Mention	-	42,567	-	-	42,567
Substandard-Under-Performing	-	5,208	-	-	5,208
Substandard-Non-Performing	-	-	25,675	2,539	28,214
Doubtful	-	-	3,482	-	3,482
Loss	-	-	39,528	-	39,528
Total gross carrying amount	1,925,466	47,775	68,685	2,539	2,044,465
Loss allowances	(10,821)	(6,051)	(31,325)	(2,247)	(50,444)
Net carrying amount	1,914,645	41,724	37,360	292	1,994,021

Bank	December 31, 2024				
	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	1,434,099	-	-	-	1,434,099
Special Mention	-	40,572	-	-	40,572
Substandard-Under-Performing	-	1,603	-	-	1,603
Substandard-Non-Performing	-	-	48,199	490	48,689
Doubtful	-	-	7,672	-	7,672
Loss	-	-	9,837	68	9,905
Total gross carrying amount	1,434,099	42,175	65,708	558	1,542,540
Loss allowances	(11,154)	(9,150)	(23,266)	(21)	(43,591)
Net carrying amount	1,422,945	33,025	42,442	537	1,498,949

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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, 2025				
	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	2,757,262	-	-	-	2,757,262
Special Mention	-	53,993	-	-	53,993
Substandard-Under-Performing	-	63,630	-	-	63,630
Substandard-Non-Performing	-	-	39,691	2,539	42,230
Doubtful	-	-	6,076	-	6,076
Loss	-	-	40,523	-	40,523
Total gross carrying amount	2,757,262	117,623	86,290	2,539	2,963,714
Loss allowances	(14,053)	(12,568)	(38,356)	(2,247)	(67,224)
Net carrying amount	2,743,209	105,055	47,934	292	2,896,490

Group	December 31, 2024				
	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	2,277,976	-	-	-	2,277,976
Special Mention	-	54,058	-	-	54,058
Substandard-Under-Performing	-	51,715	-	-	51,715
Substandard-Non-Performing	-	-	54,489	490	54,979
Doubtful	-	-	8,585	-	8,585
Loss	-	-	9,872	68	9,940
Total gross carrying amount	2,277,976	105,773	72,946	558	2,457,253
Loss allowances	(16,030)	(16,244)	(26,195)	(21)	(58,490)
Net carrying amount	2,261,946	89,529	46,751	537	2,398,763

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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

Bank and Group	December 31, 2025				
	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	
Pass	876,065	-	-	-	876,065
Special Mention	-	2,326	-	-	2,326
Substandard-Under-Performing	-	193	-	-	193
Substandard-Non-Performing	-	-	12,863	-	12,863
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total amount committed	876,065	2,519	12,863	-	891,447
Loss allowances	(639)	(13)	(141)	-	(793)

Bank and Group	December 31, 2024				
	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	
Pass	862,986	-	-	-	862,986
Special Mention	-	866	-	-	866
Substandard-Under-Performing	-	24	-	-	24
Substandard-Non-Performing	-	-	5,655	66	5,721
Doubtful	-	-	1	-	1
Loss	-	-	-	3	3
Total amount committed	862,986	890	5,656	69	869,601
Loss allowances	(969)	(3)	(904)	(1)	(1,877)

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Credit Quality Analysis (cont'd)

Financial Guarantees

	December 31, 2025				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
Bank and Group	ECL	ECL	ECL	BS'000	BS'000
	BS'000	BS'000	BS'000	BS'000	BS'000
Pass	22,026	-	-	-	22,026
Special Mention	-	16	-	-	16
Substandard-Under-Performing	-	-	-	-	-
Substandard-Non-Performing	-	-	134	-	134
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total amount guaranteed	22,026	16	134	-	22,176
Loss allowances	(51)	-	(16)	-	(67)

	December 31, 2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month	Lifetime	Lifetime		
Bank and Group	ECL	ECL	ECL	BS'000	BS'000
	BS'000	BS'000	BS'000	BS'000	BS'000
Pass	21,751	-	-	-	21,751
Special Mention	-	-	-	-	-
Substandard-Under-Performing	-	-	-	-	-
Substandard-Non-Performing	-	-	14	-	14
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total amount guaranteed	21,751	-	14	-	21,765
Loss allowances	(51)	-	(14)	-	(65)

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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.

Bank	Loans and Advances		Contingencies and Other Commitments		Total	
	2025	2024	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Agriculture	4,047	4,308	5,051	5,165	9,098	9,473
Constructions and Property Financing	754,604	662,072	152,163	155,697	906,767	817,769
Financial	164,711	115	239,731	196,037	404,442	196,152
Infrastructure	103,946	47,402	50,337	34,251	154,283	81,653
Manufacturing	286,328	139,459	108,082	144,197	394,410	283,656
Personal and Consumption Loans	203,166	180,732	5,501	4,386	208,667	185,118
Services	285,856	352,401	280,871	260,882	566,727	613,283
Telecommunication and Information Technology	69,498	19,759	125,650	122,259	195,148	142,018
Tourism	10,067	11,111	14,912	8,593	24,979	19,704
Traders	130,650	121,070	167,326	171,948	297,976	293,018
Transportation	31,592	4,111	199,155	222,748	230,747	226,859
Total	2,044,465	1,542,540	1,348,779	1,326,163	3,393,244	2,868,703

Group	Loans and Advances		Contingencies and Other Commitments		Total	
	2025	2024	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Agriculture	4,047	4,308	5,051	5,165	9,098	9,473
Constructions and Property Financing	754,604	662,072	152,163	155,697	906,767	817,769
Financial	164,711	115	239,731	196,037	404,442	196,152
Infrastructure	103,946	47,402	50,337	34,251	154,283	81,653
Manufacturing	286,328	139,459	108,082	144,197	394,410	283,656
Personal and Consumption Loans	203,166	180,732	5,501	4,386	208,667	185,118
Services	285,856	352,401	280,871	260,882	566,727	613,283
Telecommunication and Information Technology	69,498	19,759	125,650	122,259	195,148	142,018
Tourism	10,067	11,111	14,912	8,593	24,979	19,704
Traders	130,650	121,070	167,326	171,948	297,976	293,018
Transportation	950,841	918,824	199,155	222,748	1,149,996	1,141,572
Total	2,963,714	2,457,253	1,348,779	1,326,163	4,312,493	3,783,416

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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	
	2025	2024	2025	2024
Bank	B\$'000	B\$'000	B\$'000	B\$'000
Agriculture	9,098	9,473	-	-
Constructions and Property Financing	906,767	817,769	33,289	34,945
Financial	404,442	196,152	-	-
Infrastructure	154,283	81,653	-	-
Manufacturing	394,410	283,656	7,629	8,552
Personal and Consumption Loans	208,667	185,118	1,653	1,331
Services	566,727	613,283	22,139	15,872
Telecommunication and Information Technology	195,148	142,018	341	313
Tourism	24,979	19,704	5,664	5,174
Traders	297,976	293,018	508	79
Transportation	230,747	226,859	-	-
Total	3,393,244	2,868,703	71,223	66,266

	Total Credit Exposure		Non-Performing Loans	
	2025	2024	2025	2024
Group	B\$'000	B\$'000	B\$'000	B\$'000
Agriculture	9,098	9,473	-	-
Constructions and Property Financing	906,767	817,769	33,289	34,945
Financial	404,442	196,152	-	-
Infrastructure	154,283	81,653	-	-
Manufacturing	394,410	283,656	7,629	8,552
Personal and Consumption Loans	208,667	185,118	1,653	1,331
Services	566,727	613,283	22,139	15,872
Telecommunication and Information Technology	195,148	142,018	341	313
Tourism	24,979	19,704	5,664	5,174
Traders	297,976	293,018	508	79
Transportation	1,149,996	1,141,572	17,605	7,238
Total	4,312,493	3,783,416	88,828	73,504

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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

Bank	December 31, 2025				
	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	B\$'000
Non past due (0-30 days)	1,925,466	42,465	20,941	2,178	1,991,050
Month-in-arrear 1 (31-60 days)	-	2,689	1,626	223	4,538
Month- in- arrear 2 (61-90 days)	-	2,621	29	-	2,650
Month- in-arrear 3 and above (91 days and above)	-	-	46,089	138	46,227
Total gross carrying amount	1,925,466	47,775	68,685	2,539	2,044,465
Loss allowances	(10,821)	(6,051)	(31,325)	(2,247)	(50,444)
Net carrying amount	1,914,645	41,724	37,360	292	1,994,021

Bank	December 31, 2024				
	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	B\$'000
Non past due (0-30 days)	1,434,099	39,099	16,148	490	1,489,836
Month-in-arrear 1 (31-60 days)	-	2,594	1,189	-	3,783
Month- in- arrear 2 (61-90 days)	-	482	-	-	482
Month- in-arrear 3 and above (91 days and above)	-	-	48,371	68	48,439
Total gross carrying amount	1,434,099	42,175	65,708	558	1,542,540
Loss allowances	(11,154)	(9,150)	(23,266)	(21)	(43,591)
Net carrying amount	1,422,945	33,025	42,442	537	1,498,949

Group	December 31, 2025				
	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	B\$'000
Non past due (0-30 days)	2,757,262	52,516	24,319	2,178	2,836,275
Month-in-arrear 1 (31-60 days)	-	50,917	3,884	223	55,024
Month- in- arrear 2 (61-90 days)	-	14,190	2,650	-	16,840
Month- in-arrear 3 and above (91 days and above)	-	-	55,437	138	55,575
Total gross carrying amount	2,757,262	117,623	86,290	2,539	2,963,714
Loss allowances	(14,053)	(12,568)	(38,356)	(2,247)	(67,224)
Net carrying amount	2,743,209	105,055	47,934	292	2,896,490

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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, 2024				
	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)	2,277,976	50,716	18,380	490	2,347,562
Month-in-arrear 1 (31-60 days)	-	48,014	2,246	-	50,260
Month-in-arrear 2 (61-90 days)	-	7,043	1,195	-	8,238
Month-in-arrear 3 and above (91 days and above)	-	-	51,125	68	51,193
Total gross carrying amount	2,277,976	105,773	72,946	558	2,457,253
Loss allowances	(16,030)	(16,244)	(26,195)	(21)	(58,490)
Net carrying amount	2,261,946	89,529	46,751	537	2,398,763

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

	Bank		Group	
	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000
Loans and Advances	50,444	43,591	67,224	58,490
Loan Commitments	793	1,877	793	1,877
Financial Guarantee Contracts	67	65	67	65
Total	51,304	45,533	68,084	60,432

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	
	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000
Loans and Advances	6,591	5,910	16,242	8,798
Loan Commitments	(1,083)	1,037	(1,083)	1,037
Financial Guarantee Contracts	2	25	2	25
Total	5,510	6,972	15,161	9,860

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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.

Loans and Advances

Bank	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Gross carrying amount as at January 1, 2025	1,434,099	42,175	65,708	558	1,542,540
Changes in the gross carrying amount					
- Transfer to stage 1	3,511	(2,548)	(963)	-	-
- Transfer to stage 2	(11,489)	12,030	(541)	-	-
- Transfer to stage 3	(2,535)	(221)	2,756	-	-
- Decrease during the year	(48,646)	(5,005)	(2,657)	(344)	(56,652)
- Change due to modifications that did not result in derecognition	-	-	698	-	698
New financial assets originated or purchased	903,511	6,376	9,195	-	919,082
Financial assets that have been derecognised	(352,559)	(4,983)	(3,922)	-	(361,464)
Write-offs	(426)	(49)	(1,589)	(143)	(2,207)
POCI discount reclassification	-	-	-	2,468	2,468
Gross carrying amount as at December 31, 2025	1,925,466	47,775	68,685	2,539	2,044,465
Loss allowances as at December 31, 2025	(10,821)	(6,051)	(31,325)	(2,247)	(50,444)
Bank	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Gross carrying amount as at January 1, 2024	1,424,030	10,253	80,113	1,407	1,515,803
Changes in the gross carrying amount					
- Transfer to stage 1	1,570	(1,491)	(79)	-	-
- Transfer to stage 2	(13,123)	30,723	(17,600)	-	-
- Transfer to stage 3	(12,702)	(1,015)	13,717	-	-
- Increase/(Decrease) during the year	(79,073)	(4,282)	463	(187)	(83,079)
- Change due to modifications that did not result in derecognition	-	-	(8,471)	-	(8,471)
New financial assets originated or purchased	601,082	11,880	9,334	-	622,296
Financial assets that have been derecognised	(487,567)	(3,841)	(8,211)	(104)	(499,723)
Write-offs	(118)	(52)	(3,558)	(558)	(4,286)
Gross carrying amount as at December 31, 2024	1,434,099	42,175	65,708	558	1,542,540
Loss allowances as at December 31, 2024	(11,154)	(9,150)	(23,266)	(21)	(43,591)

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4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

Non-performing loans and advances (cont'd)

Loans and Advances (cont'd)					
Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Gross carrying amount as at January 1, 2025	2,277,976	105,773	72,946	558	2,457,253
Changes in the gross carrying amount					
- Transfer to stage 1	22,844	(20,902)	(1,942)	-	-
- Transfer to stage 2	(54,632)	56,039	(1,407)	-	-
- Transfer to stage 3	(10,847)	(8,600)	19,447	-	-
- Decrease during the year	(199,812)	(23,637)	(963)	(344)	(224,756)
- Change due to modifications that did not result in derecognition	-	-	678	-	678
- New financial assets originated or purchased	1,142,187	19,114	11,273	-	1,172,574
Financial assets that have been derecognised	(420,028)	(10,115)	(4,383)	-	(434,526)
Write-offs	(426)	(49)	(9,359)	(143)	(9,977)
POCI discount reclassification	-	-	-	2,468	2,468
Gross carrying amount as at December 31, 2025	2,757,262	117,623	86,290	2,539	2,963,714
Loss allowances as at December 31, 2025	(14,053)	(12,568)	(38,356)	(2,247)	(67,224)
Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Gross carrying amount as at January 1, 2024	2,235,502	82,381	86,918	1,407	2,406,208
Changes in the gross carrying amount					
- Transfer to stage 1	30,059	(28,132)	(1,927)	-	-
- Transfer to stage 2	(46,899)	65,381	(18,482)	-	-
- Transfer to stage 3	(15,776)	(5,690)	21,466	-	-
- Decrease during the year	(230,826)	(22,087)	2,440	(187)	(250,660)
- Change due to modifications that did not result in derecognition	-	-	(8,534)	-	(8,534)
- New financial assets originated or purchased	856,761	23,219	9,759	-	889,739
Financial assets that have been derecognised	(550,727)	(9,247)	(8,960)	(104)	(569,038)
Write-offs	(118)	(52)	(9,734)	(558)	(10,462)
Gross carrying amount as at December 31, 2024	2,277,976	105,773	72,946	558	2,457,253
Loss allowances as at December 31, 2024	(16,030)	(16,244)	(26,195)	(21)	(58,490)

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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.

Loan commitments					
Bank and Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Total amount committed as at January 1, 2025	862,986	890	5,656	69	869,601
Changes in amount committed					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	(558)	558	-	-	-
- Transfer to stage 3	(24)	-	24	-	-
- Increase/(Decrease) during the year	(39,681)	349	2,811	(13)	(36,534)
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	300,727	938	6,632	-	308,297
Loan commitments that have been derecognised	(247,385)	(216)	(2,313)	(3)	(249,917)
Total amount committed as at December 31, 2025	876,065	2,519	12,810	53	891,447
Loss allowances as at December 31, 2025	(639)	(13)	(139)	(2)	(793)
Bank and Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Total amount committed as at January 1, 2024	697,744	629	6,718	46	705,137
Changes in amount committed					
- Transfer to stage 1	90	(90)	-	-	-
- Transfer to stage 2	(115)	144	(29)	-	-
- Transfer to stage 3	(1)	-	1	-	-
- Increase/(Decrease) during the year	(10,450)	52	(135)	23	(10,510)
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	268,531	208	3,668	-	272,407
Loan commitments that have been derecognised	(92,813)	(53)	(4,567)	-	(97,433)
Total amount committed as at December 31, 2024	862,986	890	5,656	69	869,601
Loss allowances as at December 31, 2024	(969)	(3)	(904)	(1)	(1,877)

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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
Total amount guaranteed as at January 1, 2025	21,751	-	14	-	21,765
Changes in amount guaranteed					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	(16)	16	-	-	-
- Transfer to stage 3	(120)	-	120	-	-
- (Decrease) during the year	(82)	-	-	-	(82)
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New financial guarantees originated or purchased	8,597	-	-	-	8,597
Financial guarantees that have been derecognised	(8,104)	-	-	-	(8,104)
Write-offs	-	-	-	-	-
Total amount guaranteed as at December 31, 2025	22,026	16	134	-	22,176
Loss allowances as at December 31, 2025	(51)	-	(16)	-	(67)

Bank and Group	Stage 1 B\$'000	Stage 2 B\$'000	Stage 3 B\$'000	POCI B\$'000	Total B\$'000
Total amount guaranteed as at January 1, 2024	16,151	-	14	-	16,165
Changes in amount guaranteed					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase during the year	104	-	-	-	104
- Change due to modifications that did not result in derecognition	-	-	-	-	-
New financial guarantees originated or purchased	10,789	-	-	-	10,789
Financial guarantees that have been derecognised	(5,293)	-	-	-	(5,293)
Write-offs	-	-	-	-	-
Total amount guaranteed as at December 31, 2024	21,751	-	14	-	21,765
Loss allowances as at December 31, 2024	(51)	-	(14)	-	(65)

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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, 2025	11,154	9,150	23,266	21	43,591
POCI discount reclassification	-	-	-	2,468	2,468
Write-offs	(426)	(49)	(1,589)	(143)	(2,207)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in Loss allowances					
- Transfer to stage 1	665	(155)	(510)	-	-
- Transfer to stage 2	(115)	273	(158)	-	-
- Transfer to stage 3	(44)	(10)	54	-	-
- Increase/(Decrease) due to change in credit risk	(2,613)	(3,432)	4,489	(99)	(1,655)
- Changes to modifications that did not result in derecognition	-	-	1,285	-	1,285
New financial assets originated or purchased	5,235	673	6,354	-	12,262
Financial assets that have been derecognised	(3,035)	(399)	(1,866)	-	(5,300)
Loss allowances as at December 31, 2025	10,821	6,051	31,325	2,247	50,444

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, 2024	11,485	1,620	28,576	286	41,967
Write-offs	(118)	(52)	(3,557)	(558)	(4,285)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in Loss allowances					
- Transfer to stage 1	176	(108)	(68)	-	-
- Transfer to stage 2	(70)	6,712	(6,642)	-	-
- Transfer to stage 3	(753)	(123)	876	-	-
- Increase/(Decrease) due to change in credit risk	(979)	(1,490)	4,599	296	2,426
- Changes due to modifications that did not result in derecognition	-	-	(2,175)	-	(2,175)
New financial assets originated or purchased	4,770	3,399	4,269	-	12,438
Financial assets that have been derecognised	(3,357)	(808)	(2,612)	(3)	(6,780)
Loss allowances as at December 31, 2024	11,154	9,150	23,266	21	43,591

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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	Stage 2	Stage 3	POCI	Total
	12-month ECL B\$'000	Lifetime ECL B\$'000	Lifetime ECL B\$'000		
Loss allowances as at January 1, 2025	16,030	16,244	26,195	21	58,490
POCI discount reclassification	-	-	-	2,468	2,468
Write-offs	(426)	(49)	(9,359)	(143)	(9,977)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in Loss allowances					
- Transfer to stage 1	2,792	(1,941)	(851)	-	-
- Transfer to stage 2	(541)	1,008	(467)	-	-
- Transfer to stage 3	(121)	(1,098)	1,219	-	-
- Increase/(Decrease) due to change in credit risk	(6,290)	(2,621)	15,241	(99)	6,231
- Changes due to modifications that did not result in derecognition	-	-	1,277	-	1,277
New financial assets originated or purchased	6,033	1,899	7,129	-	15,061
Financial assets that have been derecognised	(3,424)	(874)	(2,028)	-	(6,326)
Loss allowances as at December 31, 2025	14,053	12,568	38,356	2,247	67,224

Group	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL B\$'000	Lifetime ECL B\$'000	Lifetime ECL B\$'000		
Loss allowances as at January 1, 2024	17,331	11,153	31,383	286	60,153
Write-offs	(118)	(52)	(9,733)	(558)	(10,461)
<u>Increase/(Decrease) in allowance recognised in Profit or Loss</u>					
Changes in Loss allowances					
- Transfer to stage 1	4,265	(3,566)	(702)	-	-
- Transfer to stage 2	(449)	7,393	(6,944)	-	-
- Transfer to stage 3	(786)	(913)	1,699	-	-
- Increase/(Decrease) due to change in credit risk	(6,413)	(928)	11,098	296	4,053
- Changes due to modifications that did not result in derecognition	-	-	(2,195)	-	(2,195)
New financial assets originated or purchased	6,013	4,514	4,467	-	14,994
Financial assets that have been derecognised	(3,816)	(1,357)	(2,878)	(3)	(8,054)
Loss allowances as at December 31, 2024	16,030	16,244	26,195	21	58,490

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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, 2025	969	3	904	1	1,877
<i>Increase/(Decrease) in allowance recognised in Profit or Loss</i>					
Changes in Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- (Decrease)/increase during the year	(31)	5	(55)	1	(80)
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	246	5	68	-	319
Loan commitments that have been derecognised	(545)	-	(778)	-	(1,323)
Loss allowances as at December 31, 2025	639	13	139	2	793

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, 2024	547	15	277	1	840
<i>Increase/(Decrease) in allowance recognised in Profit or Loss</i>					
Changes in Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	1	(1)	-	-
- Transfer to stage 3	-	-	-	-	-
- (Decrease) during the year	(10)	(1)	(1)	-	(12)
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New loan commitments originated or purchased	590	-	876	-	1,466
Loan commitments that have been derecognised	(158)	(12)	(247)	-	(417)
Loss allowances as at December 31, 2024	969	3	904	1	1,877

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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	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
Loss allowances as at January 1, 2025	51	-	14	-	65
Write-offs	-	-	-	-	-
<i>Increase/(Decrease) in allowance recognised in Profit or Loss</i>					
Changes in the Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase/(Decrease) during the year	(1)	-	2	-	1
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New financial guarantees originated or purchased	20	-	-	-	20
Financial guarantees that have been derecognised	(19)	-	-	-	(19)
Loss allowances as at December 31, 2025	51	-	16	-	67

Bank and Group	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
Loss allowances as at January 1, 2024	33	-	7	-	40
Write-offs	-	-	-	-	-
<i>Increase/(Decrease) in allowance recognised in Profit or Loss</i>					
Changes in the Loss allowances					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
- Increase during the year	4	-	7	-	11
- Changes due to modifications that did not result in derecognition	-	-	-	-	-
New financial guarantees originated or purchased	24	-	-	-	24
Financial guarantees that have been derecognised	(10)	-	-	-	(10)
Loss allowances as at December 31, 2024	51	-	14	-	65

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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	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Renegotiated loans and advances	30,788	30,762	30,827	30,851

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		Net Exposure from Loans and Advances B\$'000	
		Loans and Advances B\$'000	Financial Effect of Collateral Held B\$'000	Loans and Advances B\$'000	Financial Effect of Collateral Held B\$'000		
2025							
Agriculture	Mortgage / Cash	4,047	3,274	773	4,047	3,274	773
Constructions and Property Financing	Mortgage / Property	754,604	522,768	231,836	754,604	522,768	231,836
Financial	Cash	164,711	9	164,702	164,711	9	164,702
Infrastructure	Cash / Mortgage	103,946	2,892	101,054	103,946	2,892	101,054
Manufacturing	Cash / Debenture	286,328	48,870	237,458	286,328	48,870	237,458
Personal and Consumption Loans	Mortgage / Cash	203,166	42,469	160,697	203,166	42,469	160,697
Services	Cash / Mortgage	285,856	91,574	194,282	285,856	91,574	194,282
Telecommunication and Information Technology	Cash / Debenture	69,498	4,664	64,834	69,498	4,664	64,834
Tourism	Cash / Property	10,067	9,637	430	10,067	9,637	430
Traders	Cash / Property	130,650	85,746	44,904	130,650	85,746	44,904
Transportation	Cash / Debenture	31,592	4,839	26,753	950,841	816,410	134,431
Total		2,044,465	816,742	1,227,723	2,963,714	1,628,313	1,335,401

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

4.4 FINANCIAL RISK MANAGEMENT OBJECTIVES (cont'd)

Credit risk (cont'd)

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

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
2024							
Agriculture	Debenture / Cash	4,308	3,384	924	4,308	3,384	924
Constructions and Property Financing	Mortgage / Property	662,072	508,646	153,426	662,072	508,646	153,426
Financial	Cash	115	72	43	115	72	43
Infrastructure	Cash / Mortgage	47,402	2,362	45,040	47,402	2,362	45,040
Manufacturing	Cash / Debenture	139,459	49,319	90,140	139,459	49,319	90,140
Personal and Consumption Loans	Mortgage / Cash	180,732	32,405	148,327	180,732	32,405	148,327
Services	Cash / Mortgage	352,401	97,454	254,947	352,401	97,454	254,947
Telecommunication and Information Technology	Cash / Debenture	19,759	1,205	18,554	19,759	1,205	18,554
Tourism	Cash / Property	11,111	10,488	623	11,111	10,488	623
Traders	Cash / Property	121,070	74,509	46,561	121,070	74,509	46,561
Transportation	Cash / Debenture	4,111	2,167	1,944	918,824	817,326	101,498
Total		1,542,540	782,011	760,529	2,457,253	1,597,170	860,083

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\$596,962,000 (2024: B\$1,024,942,000) and balances with BDCB of B\$217,307,000 as at December 31, 2025 (2024: B\$238,625,000) 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\$1,173,386,000 as at December 31, 2025 (2024: B\$1,065,695,000). 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 15 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 material 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 GRMC 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. Group 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.

Group 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. Group 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 Group Treasury Department to cover any short-term fluctuations and longer-term funding requirements.

Group 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.

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Less than 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years
Bank	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000	B\$'000
2025								
Non-Derivative Assets								
Cash	29,249	29,249	29,249	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	936,789	936,252	607,502	186,478	94,800	49,472	-	-
Government Sukuk	9,509	10,000	-	-	10,000	-	-	-
Investment Securities	1,173,386	1,213,442	406,149	148,784	367,508	134,261	106,621	50,119
Loans and Advances	1,994,821	2,359,376	421,629	139,745	155,761	674,764	616,432	331,045
Group Balances Receivable	960	960	960	-	-	-	-	-
Other On Balance Sheet Assets	4,317	5,277	963	-	3,816	498	-	-
Total	4,147,591	4,536,556	1,466,452	475,007	631,885	858,995	723,053	381,164
Non-Derivative Liabilities								
Deposits	3,424,459	3,435,971	1,218,060	462,961	740,623	1,013,727	-	-
Lease Liabilities	3,230	3,230	391	395	736	1,418	220	70
Other On Balance Sheet Liabilities	87,242	87,242	17,526	-	-	69,716	-	-
Other Off Balance Sheet Liabilities	422,042	422,042	31,697	56,042	120,560	127,025	72,342	14,376
Undrawn Credit Lines	926,737	926,737	-	-	926,737	-	-	-
Total	4,863,310	4,875,222	1,268,274	519,398	1,788,656	1,211,886	72,562	14,446
Net liquidity gap	(715,719)	(338,666)	198,178	(44,391)	(1,156,771)	(352,891)	650,491	366,718
Derivative Financial								
- Inflow	-	429,180	409,917	18,484	779	-	-	-
- Outflow	-	(424,415)	(405,314)	(18,331)	(770)	-	-	-
- Total	-	4,765	4,603	153	9	-	-	-

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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	1-5 years B\$'000	3-5 years B\$'000	Over 5 years B\$'000
2025								
Non-Derivative Assets								
Cash	31,744	31,744	31,744	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	782,525	785,030	522,862	123,684	66,788	71,676	-	-
Government Sukuk	9,909	10,000	-	-	10,000	-	-	-
Investment Securities	1,173,386	1,213,442	406,149	148,784	367,508	134,261	106,621	50,119
Loans and Advances	2,896,490	3,348,280	467,751	203,130	277,136	1,098,572	877,143	404,548
Other On Balance Sheet Assets	37,650	38,609	34,295	-	3,816	498	-	-
Total	4,931,794	5,427,105	1,462,821	475,598	725,248	1,303,007	983,764	454,667
Non-Derivative Liabilities								
Deposits	4,013,989	4,028,357	1,273,130	329,217	611,033	1,614,977	-	-
Lease Liabilities	7,436	7,436	515	514	972	2,306	1,220	1,900
Other On Balance Sheet Liabilities	96,349	96,349	23,175	-	-	73,174	-	-
Other Off Balance Sheet Liabilities	422,042	422,042	31,697	56,042	120,560	127,025	72,342	14,376
Undrawn Credit Lines	926,737	926,737	-	-	926,737	-	-	-
Total	5,466,553	5,480,921	1,328,512	585,773	1,859,302	1,617,482	73,562	16,285
Net liquidity gap	(534,859)	(53,816)	154,304	(110,175)	(1,134,054)	(312,475)	910,202	438,382
Derivative Financial Instruments								
- Inflow	-	629,180	409,917	18,484	779	-	-	-
- Outflow	-	(464,435)	(405,314)	(18,331)	(770)	-	-	-
Total	-	4,765	4,603	153	9	-	-	-

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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
2024								
Non-Derivative Assets								
Cash	36,204	36,204	36,204	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	1,304,031	1,342,244	837,897	162,050	215,789	126,508	-	-
Government Sukuk	53,885	54,000	49,500	-	4,500	-	-	-
Investment Securities	1,065,195	1,104,299	332,724	60,664	204,053	404,176	51,672	51,010
Loans and Advances	1,498,949	1,759,681	216,542	145,866	90,399	606,124	390,780	309,970
Other On Balance Sheet Assets	4,851	4,851	3	-	4,513	335	-	-
Total	3,993,115	4,301,279	1,472,870	368,580	519,254	1,137,143	442,452	360,980
Non-Derivative Liabilities								
Deposits	3,212,986	3,227,902	1,042,840	471,513	761,467	952,082	-	-
Borrowings	102,863	103,001	103,001	-	-	-	-	-
Lease Liabilities	3,132	3,132	306	301	536	1,651	338	-
Group Balances Payable	1,979	1,979	1,979	-	-	-	-	-
Other On Balance Sheet Liabilities	80,966	80,966	10,130	4,287	-	66,549	-	-
Other Off Balance Sheet Liabilities	421,175	421,175	77,728	30,026	62,150	168,142	45,025	38,104
Undrawn Credit Lines	904,988	904,988	-	-	904,988	-	-	-
Total	4,728,089	4,743,143	1,235,984	506,127	1,729,141	1,188,424	45,363	38,104
Net liquidity gap	(734,974)	(441,864)	236,886	(137,547)	(1,209,887)	(51,281)	397,089	322,876
Derivative Financial Instruments								
- Inflow	-	166,529	81,011	5,137	80,381	-	-	-
- Outflow	-	(167,070)	(80,168)	(5,122)	(81,760)	-	-	-
Total	-	(341)	843	15	(1,379)	-	-	-

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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
2024								
Non-Derivative Assets								
Cash	39,168	39,168	39,168	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	1,224,399	1,232,378	760,842	98,331	223,543	149,662	-	-
Government Sukuk	53,885	54,000	49,500	-	4,500	-	-	-
Investment Securities	1,065,195	1,104,299	332,724	60,664	204,053	404,176	51,672	51,010
Loans and Advances	2,398,767	2,786,393	283,339	209,990	213,403	1,031,751	657,083	390,627
Other On Balance Sheet Assets	38,249	38,250	33,402	-	4,513	335	-	-
Total	4,819,659	5,254,488	1,498,975	368,985	650,012	1,585,924	708,755	441,637
Non-Derivative Liabilities								
Deposits	3,838,918	3,856,114	1,085,730	517,258	896,747	1,355,879	-	-
Borrowings	102,863	103,001	103,001	-	-	-	-	-
Lease Liabilities	7,819	7,819	425	420	779	2,610	1,251	2,534
Other On Balance Sheet Liabilities	91,861	91,861	17,894	4,287	-	69,700	-	-
Other Off Balance Sheet Liabilities	421,175	421,175	77,738	30,026	62,130	168,142	45,025	38,104
Undrawn Credit Lines	904,988	904,988	-	-	904,988	-	-	-
Total	5,367,644	5,384,978	1,284,778	552,491	1,864,664	1,596,331	46,276	40,438
Net liquidity gap	(547,985)	(130,490)	214,197	(183,506)	(1,214,652)	(10,407)	662,479	401,399
Derivative Financial Instruments								
- Inflow	-	166,529	81,011	5,137	80,381	-	-	-
- Outflow	-	(167,070)	(80,168)	(5,122)	(81,780)	-	-	-
Total	-	(541)	843	15	(1,399)	-	-	-

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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 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 Group EXCO. The Group 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.

There has been no change in the Group's exposure to market risk or the manner in which these risks are managed and measured. Market risk exposures are measured using sensitivity analysis indicated below.

The Group 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 Group 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)

Market risk (cont'd)

Bank	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
2025								
Financial Assets								
Cash in hand	20,249	20,249	-	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	935,749	190,164	517,254	165,815	62,513	-	-	-
Derivative Assets	2,032	2,032	-	-	-	-	-	-
Government Sukuk	9,909	-	-	-	9,909	-	-	-
Investment Securities	1,173,386	-	405,340	144,689	356,534	128,676	90,809	45,338
Loans and Advances	1,994,021	-	369,293	125,392	132,033	583,949	512,608	270,746
Group Balances Receivable	960	960	-	-	-	-	-	-
Other Assets	4,317	4,317	-	-	-	-	-	-
Total	4,145,623	226,722	1,291,887	436,899	562,589	712,625	603,417	316,084
Financial Liabilities								
Deposits from Customers, Banks and other Financial Institutions	3,424,059	1,227,103	899,445	360,000	434,065	503,446	-	-
Derivative Liabilities	1,004	1,004	-	-	-	-	-	-
Lease Liabilities	3,230	-	391	390	736	1,418	220	70
Other Liabilities	67,242	67,242	-	-	-	-	-	-
Total	3,515,535	1,315,349	899,836	360,390	434,801	504,864	220	70
2024								
Financial Assets								
Cash in hand	36,204	36,204	-	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	1,334,031	219,157	737,020	132,871	172,123	72,860	-	-
Derivative Assets	1,519	1,519	-	-	-	-	-	-
Government Sukuk	53,885	-	49,439	-	4,426	-	-	-
Investment Securities	1,065,195	-	331,500	59,997	201,328	383,410	43,607	45,353
Loans and Advances	1,495,949	-	198,822	131,411	69,572	516,485	333,092	249,567
Other Assets	4,801	4,801	-	-	-	-	-	-
Total	3,994,634	261,731	1,316,801	324,279	447,489	972,755	376,699	294,920
Financial Liabilities								
Deposits from Customers, Banks and other Financial Institutions	3,212,986	1,179,626	763,873	368,866	455,039	445,382	-	-
Derivative Liabilities	866	866	-	-	-	-	-	-
Borrowings	102,863	-	102,863	-	-	-	-	-
Lease Liabilities	3,132	-	306	301	536	1,651	338	-
Group Balances Payable	1,979	1,979	-	-	-	-	-	-
Other Liabilities	80,966	80,966	-	-	-	-	-	-
Total	3,402,792	1,263,437	867,042	369,167	455,575	447,233	338	-

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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)

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
2025								
Financial Assets								
Cash in hand	31,744	31,744	-	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	782,525	245,467	414,575	95,103	27,380	-	-	-
Derivative Assets	2,032	2,032	-	-	-	-	-	-
Government Sukuk	9,909	-	-	-	9,909	-	-	-
Investment Securities	1,173,386	-	495,340	144,689	359,534	128,676	90,809	45,338
Loans and Advances	2,896,490	-	432,944	174,113	249,234	964,402	737,683	338,114
Other Assets	37,650	37,650	-	-	-	-	-	-
Total	4,933,736	316,893	1,252,859	413,905	645,057	1,093,078	828,492	383,452
Financial Liabilities								
Deposits from Customers, Banks and other Financial Institutions	4,013,989	1,168,420	1,012,265	425,993	504,004	903,307	-	-
Derivative Liabilities	1,004	1,004	-	-	-	-	-	-
Lease Liabilities	7,436	-	515	514	972	2,306	1,220	1,909
Other Liabilities	96,349	96,349	-	-	-	-	-	-
Total	4,118,778	1,265,773	1,012,780	426,507	504,976	905,613	1,220	1,909
2024								
Financial Assets								
Cash in hand	39,168	39,168	-	-	-	-	-	-
Balances with Banks, Other Financial Institutions and BDCB	1,234,309	232,799	646,340	69,369	129,877	96,014	-	-
Derivative Assets	1,519	1,519	-	-	-	-	-	-
Government Sukuk	53,885	-	45,439	-	4,426	-	-	-
Investment Securities	1,065,195	-	331,500	59,997	201,328	383,410	45,607	45,353
Loans and Advances	2,398,763	-	266,016	180,928	185,492	894,089	537,358	320,880
Other Assets	38,249	38,249	-	-	-	-	-	-
Total	4,821,178	311,735	1,287,315	310,294	571,123	1,373,513	600,965	366,233
Financial Liabilities								
Deposits from Customers, Banks and Other Financial Institutions	3,838,918	1,145,068	840,525	414,848	590,399	848,078	-	-
Derivative Liabilities	866	866	-	-	-	-	-	-
Borrowings	102,863	-	102,863	-	-	-	-	-
Lease Liabilities	7,819	-	425	420	779	2,610	1,251	2,334
Other Liabilities	91,881	91,881	-	-	-	-	-	-
Total	4,042,347	1,237,815	943,813	415,268	591,178	850,688	1,251	2,334

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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 interest rate shock scenario with a 50-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 50 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, 2025 and 2024 respectively, would increase/(decrease) by:

	Bank		Group	
	+0.50% B\$'000	-0.50% B\$'000	+0.50% B\$'000	-0.50% B\$'000
As at December 31, 2025	3,145	(3,145)	3,808	(3,808)
As at December 31, 2024	3,097	(3,097)	3,554	(3,554)

Overall non-trading interest rate risk positions are managed by the Group Treasury and Group 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, EUR, 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	EUR B\$'000	AUD B\$'000	Others B\$'000
2025					
Financial Assets					
Cash in hand	8,388	748	1,623	581	3,802
Balances with Banks, Other Financial Institutions and BDCB	56,660	8,037	2,650	1,999	6,686
Derivative Assets	1,956	-	53	-	23
Investment Securities	39,764	-	-	50,229	-
Loans and Advances	374,950	76,962	72,019	31,333	-
Other Assets	2	-	-	-	-
Total	481,710	85,767	76,345	84,142	10,511
Financial Liabilities					
Deposits from Customers, Banks and Other Financial Institutions	248,667	10,776	19,184	19,711	7,844
Derivative Liabilities	3	163	1	817	-
Other Liabilities	1,727	30	52	71	60
Total	250,397	10,969	19,237	20,599	7,904
Off Balance Sheet Derivative Financial Instruments	(229,107)	(71,139)	(56,621)	(62,945)	(1,614)
2024					
Financial Assets					
Cash in hand	1,227	320	364	216	-
Balances with Banks, Other Financial Institutions and BDCB	198,432	11,718	2,145	7,026	10,924
Derivative Assets	42	261	538	789	69
Investment Securities	306	-	4,064	14,678	-
Loans and Advances	96,472	68,694	82,394	17,044	-
Other Assets	1	-	-	-	-
Total	296,480	81,013	89,305	39,753	10,993
Financial Liabilities					
Deposits from Customers, Banks and Other Financial Institutions	235,107	12,203	20,174	21,755	8,106
Borrowings	54,321	-	18,512	-	-
Derivative Liabilities	819	-	47	-	-
Other Liabilities	16,386	19	190	70	62
Total	306,633	12,222	38,923	21,825	8,168
Off Balance Sheet Derivative Financial Instruments	(26,165)	(67,707)	(52,650)	(17,917)	(2,631)

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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	EUR B\$'000	AUD B\$'000	Others B\$'000
2025					
Financial Assets					
Cash in hand	8,388	748	1,623	581	3,802
Balances with Bank, Other Financial Institutions and BCD8	61,472	8,062	2,656	2,045	7,809
Derivative Assets	1,956	-	53	-	23
Investment Securities	39,764	-	-	50,229	-
Loans and Advances	374,950	76,982	72,019	31,333	-
Other Assets	2	-	-	-	15
Total	486,532	85,792	76,351	84,188	11,649
Financial Liabilities					
Deposits from Customers, Banks and Other Financial Institutions	252,736	10,776	19,184	19,712	8,903
Derivative Liabilities	3	183	1	817	-
Other Liabilities	1,727	30	52	71	60
Total	254,466	10,989	19,237	20,600	8,963
Off Balance Sheet Derivative Financial Instruments	(229,107)	(74,129)	(56,631)	(62,945)	(1,614)
2024					
Financial Assets					
Cash in hand	1,227	320	364	216	-
Balances with Bank, Other Financial Institutions and BCD8	198,442	11,736	2,150	7,051	10,947
Derivative Assets	42	381	338	789	69
Investment Securities	306	-	4,064	14,678	-
Loans and Advances	96,472	68,694	82,394	17,044	-
Other Assets	1,983	-	-	24	191
Total	298,472	81,031	89,310	39,802	11,207
Financial Liabilities					
Deposits from Customers, Banks and Other Financial Institutions	235,107	12,203	20,174	21,755	8,106
Borrowings	54,321	-	18,512	-	-
Derivative Liabilities	819	-	47	-	-
Other Liabilities	18,271	19	190	155	232
Total	308,518	12,222	38,923	21,910	8,338
Off Balance Sheet Derivative Financial Instruments	(26,165)	(67,707)	(52,680)	(17,917)	(2,631)

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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, EUR, AUD and others) against BND is shown below:

	USD +/- 10% B\$'000	GBP +/- 10% B\$'000	EUR +/- 10% B\$'000	AUD +/- 10% B\$'000	Others +/- 10% B\$'000
Bank					
As at December 31, 2025	222	65	49	60	99
As at December 31, 2024	(3,632)	108	(227)	1	19
	USD +/- 10% B\$'000	GBP +/- 10% B\$'000	EUR +/- 10% B\$'000	AUD +/- 10% B\$'000	Others +/- 10% B\$'000
Group					
As at December 31, 2025	294	67	49	64	107
As at December 31, 2024	(3,621)	110	(226)	(3)	24

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 GRMC 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, which are described in Note 4.4 under Risk Management Framework.

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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 through FVTPL are determined (in particular, the valuation technique(s) and inputs used).

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

4.5 FAIR VALUE MEASUREMENTS (cont'd)

	Fair Value as at		Level of the Fair Value Hierarchy	Valuation Technique(s) & Key input(s)
	2025	2024		
Bank and Group	B\$'000	B\$'000		Bank and Group
Assets				
Investment Securities:				
- Structured Deposits	205,881	149,100	2	Reuters Quote (Issuer quoted prices of the structured notes are sourced from Bloomberg on a monthly basis.)
- Equity	290	306	3	Reuters Quote (The unquoted security is reallocated at least every three years. The present allocation is based on the financial contribution to network-based services in 2023.)
- Derivative Assets	2,032	1,519	2	Reuters Quote (Quoted prices: Market prices are sourced from Bloomberg on a weekly basis.)
Total	208,203	150,925		
Liabilities				
- Derivative liabilities	1,004	866	2	Reuters Quote (Quoted prices: Market prices are sourced from Bloomberg on a weekly basis.)
Total	1,004	866		

Reconciliation of Level 3 fair value measurements

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

	Bank and Group	
	2025	2024
	B\$'000	B\$'000
Investment Securities		
Opening balance as at January 1	306	298
Total Gains or Losses included in Statements of Profit or Loss for the year:		
Revaluation during the year	(16)	8
Balance as at December 31	290	306

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

4.5 FAIR VALUE MEASUREMENTS (cont'd)

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 under other assets and other liabilities accounts. 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.

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.

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4.5 FAIR VALUE MEASUREMENTS (cont'd)

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.

Summary

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

	Bank and Group			
	2025		2024	
	Carrying Amount B\$'000	Fair Value B\$'000	Carrying Amount B\$'000	Fair Value B\$'000
Financial Assets				
Investments at amortised cost				
- Government Sukuk	9,909	9,909	53,885	53,885
- Investment Securities	967,479	974,454	915,743	914,205
Total	977,388	984,363	969,628	968,090

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	B\$'000	B\$'000	B\$'000	B\$'000
2025				
Financial Assets				
Investments at amortised cost				
- Government Sukuk	-	9,909	-	9,909
- Investment Securities	974,454	-	290	974,744
Total	974,454	9,909	290	984,653
2024				
Financial Assets				
Investments at amortised cost				
- Government Sukuk	-	53,885	-	53,885
- Investment Securities	914,205	-	306	914,511
Total	914,205	53,885	306	968,396

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	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Interest Income				
Loans and Advances	92,867	84,548	150,549	141,728
Placements with Banks and Other Financial Institutions	25,492	38,292	21,486	37,220
Investment Securities	23,042	26,381	23,042	26,381
Others	2,035	1,653	2,060	1,653
Government Sukuk	179	1,435	179	1,435
Total Interest Income	143,615	152,309	197,316	208,417
Interest Expense				
Deposits	32,174	37,898	31,747	38,098
Net Interest Income	111,441	114,411	165,569	170,319

Total interest income and expense calculated using the effective interest method for financial assets measured at amortised cost are reported above, including the effective interest income relating to financial assets carried at fair value through profit or loss for the Bank and the Group of B\$541,479 (2024: B\$541,479).

6 NET FEE INCOME

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Fee Income				
Commitment and Other Financing Related Fees	6,652	5,923	10,143	9,237
Transaction and Processing Fees	4,460	4,710	5,831	5,485
Other Service Fees	2,472	2,484	3,481	3,707
Total Fee Income	13,584	13,117	19,455	18,429
Fee Expense				
Fees and Charges	1,150	1,061	1,391	1,388
Net Fee Income	12,434	12,056	18,064	17,041

7 OTHER OPERATING INCOME, NET

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Dividend income from a subsidiary	27,700	20,900	-	-
Realised and Unrealised gains from Foreign Exchange Transactions	6,891	10,196	7,010	10,220
Management fee from a subsidiary	1,800	1,800	-	-
Fees, Charges and Others - Net	726	5,987	(385)	4,891
Gain on Disposal of Property, Plant and Equipment	324	34	324	34
Gain on Disposal of Investment	-	110	-	110
Gain on Modification of Right-of-use Assets	-	7	-	232
Total	37,441	39,034	6,949	15,487

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8 NET GAIN FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Bank and Group	
	2025	2024
	B\$'000	B\$'000
Investment Securities at Fair Value Through Profit or Loss:		
- Investment Securities	6,244	6,798
Total	6,244	6,798

9 PERSONNEL EXPENSES

	Bank		Group	
	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000
Salaries and Wages	25,709	24,294	30,027	28,727
Allowances and Bonuses	8,834	7,427	10,599	9,266
Directors' Fees	5,509	5,569	5,799	5,859
Others	3,928	2,908	4,672	3,517
Total	43,980	40,198	51,097	47,369

10 OTHER OVERHEAD EXPENSES

	Bank		Group	
	2025	2024	2025	2024
	B\$'000	B\$'000	B\$'000	B\$'000
Operational				
Repair and Maintenance	10,755	10,224	11,762	11,232
Depreciation of Property, Plant and Equipment	5,294	5,455	5,798	5,748
Depreciation of Right-of-use Assets	1,607	1,331	2,197	1,928
Interest Expense on Lease Liabilities	194	191	422	444
Expenses relating to Leases of Low Value Assets	137	73	138	75
Expenses relating to Short-Term Leases	39	213	40	213
Promotion				
Advertisement and Publicity	3,425	2,565	3,871	2,765
General Expenses				
Others	2,602	1,040	9,535	8,135
Professional Fees				
Non-audit	984	510	1,096	623
Audit	208	208	294	291
Others				
Loss on Disposal of Property, Plant and Equipment	5	32	5	32
Platform Transition Fees	-	-	-	341
Loss on Modification of Right-of-use	-	205	-	419
Dealer's Commission and Incentives	-	-	10,619	10,392
Total	25,250	22,047	45,777	42,638

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11 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% (2024: 18.5%) with the applicable threshold to profit before income tax as a result of the following items:

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Recognised in the Statements of Profit or Loss				
Current Tax Expense				
Current year	13,530	16,842	18,202	23,296
Adjustment in respect of prior years	(6,773)	(2,436)	(10,872)	(2,436)
Deferred tax provision (net)	(4,965)	493	(4,965)	493
	1,792	14,899	2,365	21,353
Movements in Provision for Taxation				
Opening balance as at January 1	27,451	28,046	52,072	52,350
Current year provision	13,530	16,842	18,202	23,296
Adjustment in respect of prior years	(6,773)	(2,436)	(10,872)	(2,436)
Income tax paid	(15,776)	(15,001)	(22,128)	(21,138)
Closing balance as at December 31	18,432	27,451	37,274	52,072
Movement in Deferred Tax Provision				
Opening balance as at January 1	7,939	7,446	7,986	7,493
Adjustment in respect of prior years	(4,965)	493	(4,965)	493
Closing balance as at December 31	2,974	7,939	3,021	7,986
Reconciliation of Effective Tax Rate at 18.5%				
Profit before taxation	98,957	109,954	98,147	125,092
Income tax using the domestic corporation tax rate	18,307	20,341	18,157	23,142
Tax effect of non-expenditure and others	(4,586)	(3,308)	349	458
Tax effect of credit and others	(163)	(163)	(220)	(220)
Threshold deductions	(28)	(28)	(84)	(84)
Total	13,530	16,842	18,202	23,296

12 CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Money at call and short notice and Interbank	292,716	228,671	292,716	228,671
Placements with remaining maturity not exceeding one year	244,342	617,385	244,342	617,385
Balances with Banks and Other Financial Institutions	230,171	224,171	28,160	66,858
Cash in hand	29,249	36,204	31,744	39,168
Placements with remaining maturity more than one year	-	72,860	-	72,860
Total	796,478	1,179,291	596,962	1,024,942

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13 BALANCES WITH BDCB

At present, the minimum cash reserve requirement is 5% (2024: 6%) of the total average eligible liabilities defined under BDCB's Notice on Minimum Cash Balance Requirements (Notice No. BU/N-14/2017/49 – Amendment No. 2). This is maintained as required by the provisions of Section 45 of the Brunei Darussalam Banking Act, Chapter 95 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 Minimum Cash Balance ("MCB") held by the Bank is maintained under the RTGS (Real-Time Gross Settlement) account with BDCB.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives held are either for trading or risk management purposes

	Bank and Group		
	Notional B\$'000	Assets B\$'000	Liabilities B\$'000
2025			
Foreign Exchange Contracts	424,415	2,032	1,004
2024			
Foreign Exchange Contracts	167,070	1,519	866

15 GOVERNMENT SUKUK

	Bank and Group			
	B\$'000	2025 Maturity date (ranging from)	B\$'000	2024 Maturity date (ranging from)
Government Sukuk measured at amortised cost	9,909	04/09/2025 – 03/09/2026	53,885	02/01/2025 – 05/09/2025

16 INVESTMENT SECURITIES

	Bank and Group			
	B\$'000	2025 Maturity date (ranging from)	B\$'000	2024 Maturity date (ranging from)
Investment Securities measured at amortised cost	967,479	29/01/2026 – 15/09/2031	915,743	02/01/2025 – 15/09/2031
Investment Securities mandatorily measured at FVTPL	205,907	03/10/2026 – 21/07/2028	149,452	29/07/2025 – 10/03/2026
Total	1,173,386		1,065,195	

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17 **LOANS AND ADVANCES**

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
By Type:				
Term Loans				
- Other Term Loans	798,590	683,984	798,590	683,984
- Property Loans	314,614	296,886	314,614	296,886
- Hire Purchase Receivables	-	-	919,249	914,713
Syndicated Loan	670,801	326,996	670,801	326,996
Cash line / Overdrafts	144,797	130,151	144,797	130,151
Credit / Charge cards	51,949	47,249	51,949	47,249
Revolving credit	43,878	39,236	43,878	39,236
Staff Loans	19,244	17,708	19,244	17,708
Others	592	330	592	330
Gross Loans and Advances	2,044,465	1,542,540	2,963,714	2,457,253
Less: Loss allowances	(50,444)	(43,591)	(67,224)	(58,490)
Net Loans and Advances	1,994,021	1,498,949	2,896,490	2,398,763

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

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Loans and Advances	50,444	43,591	67,224	58,490
Loan Commitments	793	1,877	793	1,877
Financial Guarantee Contracts	67	65	67	65
Total	51,304	45,533	68,084	60,432

Movement on loss allowances during the financial year can be referred to Note 4.4.

Subsequent recoveries of amounts previously written off are recognised under line item "Recoveries of Loans / Financing Written-off" in Statement of Profit or Loss and amounted to B\$8,527,000 (2024: B\$11,879,000) for the Bank and B\$16,051,000 (2024: B\$20,775,000) for the Group during the financial year.

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18 GROUP BALANCES RECEIVABLE / (PAYABLE)

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Due from/(to) Subsidiaries	960	(1,979)	-	-

19 INVESTMENTS IN SUBSIDIARIES

Name of Company	Principal Activity	Country of Incorporation	Cost		% Holding	
			2025 B\$'000	2024 B\$'000	2025	2024
Baiduri Finance Berhad	Finance Company	Brunei Darussalam	45,249	45,249	100%	100%
Baiduri Capital Sdn Bhd	Sharebrokers & Dealers in Securities & Investments of all kinds	Brunei Darussalam	2,700	2,700	99.99%	99.99%
Total			47,949	47,949		

20 OTHER ASSETS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Prepayments and Consumables	6,774	3,385	6,960	3,551
Sundry, Debtors and Others	3,379	4,494	4,784	5,243
Accounts Receivables	938	357	1,080	504
Dealer's Commission and Incentives	-	-	31,785	32,502
Total	11,091	8,236	44,609	41,800

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21 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.

Leases for buildings and equipment expired in the current financial year amounted to \$454,674 (2024: \$1,029,618) for the Bank and \$454,674 (2024: \$1,250,371) for the Group. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of \$1,548,384 (2024: \$1,799,516) for the Bank and \$1,548,384 (2024: \$1,888,739) for the Group in 2025.

	Bank	Group
	B\$'000	B\$'000
Cost		
As at January 1, 2024	4,936	10,362
Additions	1,800	1,888
Expiration/Termination of lease	(1,029)	(1,250)
Modification of lease	(210)	(246)
As at December 31, 2024	5,497	10,754
Additions	1,548	1,548
Expiration/Termination of lease	(455)	(455)
As at December 31, 2025	6,590	11,847
Accumulated Depreciation		
As at January 1, 2024	1,808	1,970
Depreciation	1,331	1,928
Expiration/Termination of lease	(798)	(805)
Modification of lease	(4)	(44)
As at December 31, 2024	2,337	3,049
Depreciation	1,607	2,197
Expiration/Termination of lease	(607)	(607)
As at December 31, 2025	3,337	4,639
Carrying Amounts		
As at December 31, 2025	3,253	7,208
As at December 31, 2024	3,160	7,705

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22 PROPERTY, PLANT AND EQUIPMENT

Bank	Freehold Land and Buildings B\$'000	Leasehold Land and Buildings B\$'000	Leasehold Improvements B\$'000	Computers B\$'000	Equipment / Furniture B\$'000	Motor Vehicles B\$'000	Work in Progress B\$'000	Total B\$'000
Cost								
As at January 1, 2024	2,522	42,240	4,431	16,015	3,707	1,002	2,594	72,811
Additions	604	-	4,341	1,845	458	349	1,204	8,801
Transfer	-	-	-	(1,040)	-	-	1,040	-
Disposals	(146)	-	(142)	(3,938)	(167)	(237)	-	(4,630)
As at December 31, 2024	2,980	42,240	8,630	12,882	3,998	1,114	5,138	76,982
Additions	1,280	-	727	2,271	175	224	5,119	9,796
Transfer	-	-	-	(632)	-	-	632	-
Disposals	(569)	-	(365)	(3,406)	(1,874)	(430)	(143)	(6,787)
As at December 31, 2025	3,691	42,240	8,992	11,115	2,299	908	10,746	79,991
Accumulated Depreciation								
As at January 1, 2024	418	5,248	894	8,912	2,143	573	-	18,188
Depreciation	33	852	1,037	2,575	733	225	-	5,455
Disposals	(45)	-	(142)	(3,938)	(167)	(194)	-	(4,486)
As at December 31, 2024	406	6,100	1,789	7,549	2,709	604	-	19,157
Depreciation	28	864	1,668	1,945	592	197	-	5,294
Disposals	(167)	-	(366)	(3,406)	(1,869)	(430)	-	(6,238)
As at December 31, 2025	267	6,964	3,091	6,088	1,432	371	-	18,213
Carrying Amounts								
As at December 31, 2025	3,424	35,276	5,901	5,027	867	537	10,746	61,778
As at December 31, 2024	2,574	36,140	6,841	5,333	1,289	510	5,138	57,825

Leasehold Land and Buildings comprise a building situated on land held under a 99-year lease commencing in November 2015.

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22 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
Cost								
As at January 1, 2024	2,522	42,241	4,544	17,282	3,748	1,077	2,894	74,308
Additions	604	-	5,495	1,919	508	349	1,204	10,079
Transfer	-	-	-	(1,040)	-	-	1,040	-
Disposals	(146)	-	(142)	(3,939)	(179)	(237)	-	(4,643)
As at December 31, 2024	2,980	42,241	9,897	14,222	4,077	1,189	5,138	79,744
Additions	1,280	-	727	2,271	175	256	5,119	9,828
Transfer	-	-	-	(632)	-	-	632	-
Disposals	(569)	-	(408)	(3,584)	(1,874)	(505)	(143)	(7,083)
As at December 31, 2025	3,691	42,241	10,216	12,277	2,378	940	10,746	82,489
Accumulated Depreciation								
As at January 1, 2024	419	5,247	943	9,540	2,174	626	-	18,949
Depreciation	34	852	1,058	2,817	746	241	-	5,748
Disposals	(46)	-	(142)	(3,938)	(179)	(195)	-	(4,500)
As at December 31, 2024	407	6,099	1,859	8,419	2,741	672	-	20,197
Depreciation	28	864	1,913	2,176	607	210	-	5,798
Disposals	(167)	-	(408)	(3,584)	(1,869)	(506)	-	(6,534)
As at December 31, 2025	268	6,963	3,364	7,011	1,479	376	-	19,461
Carrying Amounts								
As at December 31, 2025	3,423	35,278	6,852	5,266	899	564	10,746	63,028
As at December 31, 2024	2,573	36,142	8,038	5,803	1,336	517	5,138	59,547

Leasehold Land and Buildings comprise a building situated on land held under a 99-year lease commencing in November 2015.

23 DEPOSITS FROM CUSTOMERS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
By Type of Deposits				
Fixed Deposits	1,384,885	1,259,491	1,390,188	1,260,686
Demand Deposits	1,110,878	1,125,561	1,125,378	1,138,768
Savings Deposits	714,983	687,891	1,455,466	1,433,255
Total	3,210,746	3,072,943	3,971,032	3,832,709

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24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Licensed Financial Institutions in Brunei Darussalam	170,712	134,063	326	229
Banks and Financial Institutions Abroad	42,631	5,980	42,631	5,980
Total	213,343	140,043	42,957	6,209

25 BORROWINGS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
By Product				
Cross Currency Swap	-	18,512	-	18,512
Call Money Borrowing	-	84,351	-	84,351
Total	-	102,863	-	102,863
By Maturity				
Due within One Year	-	102,863	-	102,863

26 LEASE LIABILITIES

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Amounts due for settlement within 12 months	1,522	1,142	2,001	1,624
Amounts due for settlement after 12 months	1,708	1,900	5,435	6,195
Total	3,230	3,132	7,436	7,819
Maturity Analysis:				
Not later than 1 year	1,657	1,281	2,338	1,991
Later than 1 year and not later than 5 years	1,813	2,117	6,229	7,213
	3,470	3,398	8,567	9,204
Less: Unearned Interest	(240)	(266)	(1,131)	(1,385)
Total	3,230	3,132	7,436	7,819

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% (2024: 5.5%).

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27 OTHER LIABILITIES

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Others	42,275	38,368	43,339	39,178
Provision for Bonuses and End of Service Benefits	24,822	23,096	28,279	27,061
Accrued Expenditure and Provisions	18,409	17,744	20,790	19,214
Other Payables	1,736	1,758	3,941	6,428
Total	87,242	80,966	96,349	91,881

Other liabilities comprise sundry payables, merchant settlement accounts, unclaimed balances and other short-term obligations arising in the ordinary course of business.

28 DEFERRED TAXATION

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Balances as at December 31	2,974	7,939	3,021	7,986

Deferred tax liabilities comprise the estimated expense at current income tax rates on the following items:

Bank	Accelerated tax depreciation B\$'000	Right-of-use (ROU) and Lease Liability, net B\$'000	Loss allowances on Loans and Advances B\$'000	Total B\$'000
As at January 1, 2024	9,578	(19)	(2,113)	7,446
Charge / (Credit) to Profit and Loss	608	24	(139)	493
As at December 31, 2024	10,186	5	(2,252)	7,939
Charge / (Credit) to Profit and Loss	(7,049)	1,961	123	(4,965)
As at December 31, 2025	3,137	1,966	(2,129)	2,974

Group	Accelerated tax depreciation B\$'000	Right-of-use (ROU) and Lease Liability, net B\$'000	Loss allowances on Loans and Advances B\$'000	Total B\$'000
As at January 1, 2024	9,790	(19)	(2,278)	7,493
Charge / (Credit) to Profit and Loss	608	24	(139)	493
As at December 31, 2024	10,398	5	(2,417)	7,986
Charge / (Credit) to Profit and Loss	(7,049)	1,961	123	(4,965)
As at December 31, 2025	3,349	1,966	(2,294)	3,021

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29 SHARE CAPITAL

	Bank and Group	
	2025 B\$'000	2024 B\$'000
Authorised		
200,000,000 Ordinary shares of B\$1 each	200,000	200,000
Issued and Paid Up		
180,000,000 Ordinary shares of B\$1 each	180,000	180,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time. At any General Meeting, every member present in person, shall have on a show of hands have one vote. All ordinary shares rank equally with regard to the Bank's and the Group's residual assets.

30 STATUTORY RESERVE

	Note	Bank		Group	
		2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Balances as at January 1		202,390	197,637	252,697	246,481
Add: Transfer during the year	31	4,858	4,753	6,116	6,216
Balances as at December 31		207,248	202,390	258,813	252,697

31 OTHER RESERVES

	Note	Bank		Group	
		2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Retained Earnings					
Balances as at January 1		281,227	221,625	351,725	284,902
Profit for the financial year		97,165	95,055	95,782	103,739
Less: Transfer during the year					
- Statutory Reserve	30	(4,858)	(4,753)	(6,116)	(6,216)
- Prudential Reserve for Credit Losses		(27)	11	248	(177)
Prudential Reserve for Credit Losses*		27	(11)	(248)	177
Dividend paid		(33,500)	(30,700)	(33,500)	(30,700)
Balances as at December 31		340,034	281,227	407,891	351,725
General Reserve					
Opening and closing balance		5,154	5,154	5,154	5,154
Total Other Reserves		345,188	286,381	413,045	356,879

* 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.

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32 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	
	2025 B\$'000	2024 B\$'000
Contingencies		
Guarantees, Bonds	390,122	336,416
Letters of Credit	29,935	32,340
Acceptances	1,686	52,295
Shipping Guarantees	298	124
Sub-Total	422,041	421,175
Commitments		
Unutilised Commitments and Undrawn Credit lines	926,737	904,988
Derivative Financial Instruments		
Forward Purchase	424,415	167,070
Total Contingencies and Commitments	1,773,193	1,493,233

Commitments in this note refers to non-capital commitments relating to loan commitments on undrawn facilities, that are not capitalized in the financial statements.

33 DIVIDENDS

	Bank and Group	
	2025 B\$'000	2024 B\$'000
Final dividend for the year December 31, 2024	33,500	-
Final dividend for the year December 31, 2023	-	30,700
Total dividend declared and paid	33,500	30,700

Subsequent to the financial year ended at the forthcoming Annual General Meeting, a final dividend of approximately 19.44 cents per ordinary share or a total of B\$35,000,000 in respect of the financial year ended December 31, 2025 will be proposed for shareholders' approval.

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34 CASH AND CASH EQUIVALENTS

	Bank		Group	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
Balances and Placements with Banks and Other Financial Institutions with Contractual Maturity of less than 3 months	538,898	765,233	545,415	778,876
Cash in hand (note 12)	29,249	36,204	31,744	39,168
Total	568,147	801,437	577,159	818,044

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, 2024	3,230	37,710	8,531	37,710
Non-cash changes				
Interest Expense on Lease Liabilities	191	-	444	-
New Leases, Termination and Modification of Leases - net	1,561	-	1,428	-
Financing cash flows				
Repayment of Lease Liabilities	(1,850)	-	(2,584)	-
Drawdown of Borrowings	-	65,153	-	65,153
As at December 31, 2024	3,132	102,863	7,819	102,863
Non-cash changes				
Interest Expense on Lease Liabilities	194	-	422	-
New Leases, Termination and Modification of Leases - net	1,700	-	1,700	-
Financing cash flows				
Repayment of Lease Liabilities	(1,796)	-	(2,505)	-
Repayment of Borrowings	-	(102,863)	-	(102,863)
As at December 31, 2025	3,230	-	7,436	-

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35 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	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
STATEMENTS OF FINANCIAL POSITION				
Assets				
Loans and Advances (exclude Credit Cards)	610	926	936	1,187
Credit Cards	328	270	328	270
Total	938	1,196	1,264	1,457
Liabilities				
Deposits	8,009	7,937	9,092	8,755
Off Balance Sheet items				
Undrawn Facilities	565	742	565	742
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Income				
Interest Income	23	47	42	68
Other Income	-	-	8	12
Total	23	47	50	80
Expenses				
Directors' Expenses	5,799	5,905	6,089	6,543
Interest Expenses	110	156	111	157
Total	5,909	6,061	6,200	6,700

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35 **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		Parent and Other Related Companies	
	2025 B\$'000	2024 B\$'000	2025 B\$'000	2024 B\$'000
STATEMENTS OF FINANCIAL POSITION				
Assets				
Placements	208,527	170,955	-	-
Loans and Advances (exclude Credit Cards)	-	-	34,231	33,448
Credit Cards	-	-	79	58
Other Assets	2,301	739	-	-
Total	210,828	171,694	34,310	33,506
Liabilities				
Deposits	170,385	133,835	317,841	299,248
Other Liabilities	-	1,979	-	-
Total	170,385	135,814	317,841	299,248
Off-Balance sheet items				
Undrawn Facilities	-	-	173,696	184,703
Guarantees	-	-	6,548	5,879
Contingencies and Other Commitments	-	-	15,359	17,568
Total	-	-	195,603	208,150
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Income				
Interest Income	3,963	1,056	1,199	1,823
Other Operating Income	8,383	8,347	-	-
Total	12,346	9,403	1,199	1,823
Expenses				
Interest Expense	1,780	1,026	3,411	4,837
Other Expenses	-	-	1,638	4,312
Total	1,780	1,026	5,049	9,149

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36 CAPITAL COMMITMENTS

	Bank and Group	
	2025 B\$'000	2024 B\$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	5,649	6,123

37 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain reclassifications have been made to prior year's consolidated financial statements to enhance comparability with the current year consolidated financial statements.

The Group reclassified B\$3,379,000 from Other Operating Income to Fee Income in the Statements of Profit or Loss and the accompanying notes as at December 31, 2024 to be consistent with the current year's presentation. The reclassifications did not affect the Statement of Financial Position or Statement of Cash Flows.

	Group	
	2024 Previously reported B\$'000	2024 After reclassification B\$'000
Statements of Profit or Loss		
Fee Income	15,050	18,429
Other Operating Income	18,866	15,487