



بروني دارالسلام سنترال بڤعا
BRUNEI DARUSSALAM CENTRAL BANK

2022

ANNUAL REPORT

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah
Ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien
Sa'adul Khairi Waddien
Sultan and Yang Di-Pertuan of Brunei Darussalam

Abbreviations

AANZFTA	The ASEAN-Australia-New Zealand Free Trade Agreement
ABS	The Association of Banks in Singapore
AC	Audit Committee
ACH	Automated Clearing House
ACMF	ASEAN Capital Market Forum
AFMGM	ASEAN Finance Ministers' and Central Bank Governors' Meeting
AIRM	ASEAN Insurance Regulators' Meeting
AITRI	ASEAN Insurance Training and Research Institute
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APEC	Asia-Pacific Economic Cooperation
APG	Asia/Pacific Group on Money Laundering
APRG	Regional Representative for the Asia-Pacific Regional Grouping
ASEAN	Association of Southeast Asian Nations
ATB	ASEAN Taxonomy for Sustainable Finance Board
ATO, 2011	Anti-Terrorism Order, 2011
AUM	Assets Under Management
BDCB	Brunei Darussalam Central Bank
BDCB I-Bills	BDCB Islamic Bills
BFA	Brunei FinTech Association
BILIF	Brunei Institute of Leadership and Islamic Finance
BNCCP	Brunei Darussalam National Climate Change Policy
BND	Brunei Dollar
bps	basis points
BSI	Business Sentiment Index
CAR	Capital Adequacy Ratio
CARO, 2012	Criminal Asset Recovery Order, 2012
CBA	Currency Board Arrangement
CBNI	Currency and Bearer Negotiable Instruments
CDM	Coins Deposit Machine
CIA	Currency Interchangeability Agreement
CIR	Credit Information Reports
CIS	Collective Investment Schemes
CMIM	Chiang Mai Initiative Multilateralisation
CMSL	Capital Markets Services Licence
CMSRL	Capital Markets Services Representative's Licence
COMCEC	Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation
COVID-19	Coronavirus Disease 2019
CRM	Credit Risk Management
CRS	Collateral Registry System
CSD	Central Securities Depository
CTR	Cash Transaction Reports
DFSA	Dubai Financial Services Authority
DPH	Digital Payment Hub
DSIBs	Domestic Systematically Important Banks
DT	Deloitte & Touche
E-KYC	Electronic Know Your Customer
ESG	Environmental, Social and Governance
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
Fed	US Federal Reserve

FICG	Financial Intelligence Consultative Group
FIU	Financial Intelligence Unit
FMSC	Financial and Monetary Stability Committee
FSB RCG {Asia}	Financial Stability Board – Regional Consultative Group (Asia)
FSBP	Brunei Darussalam Financial Sector Blueprint 2016-2025
GDP	Gross Domestic Product
GFIN	Global Finance Innovation Network
HDD	Housing Development Department
HLA	High Loss Absorbency
HRC	Human Resource Committee
IAC	Investment Advisory Committee
IAIS	International Association of Insurance Supervisors
IEWG	Information Exchange Working Group
IFDI	Islamic Finance Development Indicator
IFIS	Integrated Financial Intelligence System
IFSB	Islamic Financial Services Board
IIA IPPF	Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing
IIFM	International Islamic Financial Market
ILIB	investment-linked insurance business
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISPWG	Information Sharing Platform Working Group
LNG	liquefied natural gas
MAS	Monetary Authority of Singapore
ML/TF	Money Laundering and Terrorist Financing
MOU	Memorandum of Understanding
NAMLC	National Anti-Money Laundering and Combating the Financing of Terrorism Committee
OECD/INFE	OECD International Network on Financial Education
OPEC	Organization of the Petroleum Exporting Countries
OSF	Overnight Standing Facilities
q-o-q	quarter-on-quarter
RMC	Risk Management Committee
ROA	Return on Assets
ROE	Return on Equity
RPPI	Residential Property Price Index
RTGS	Real-Time Gross Settlement
S\$NEER	Singapore Dollar nominal effective exchange rate
SEACEN	Southeast Asian Central Banks
SFSB	Syariah Financial Supervisory Board
SLC	ASEAN Senior Level Committee on Financial Integration
SMO, 2013	Securities Markets Order, 2013
SMR, 2015	Securities Markets Regulations, 2015
SP	BDCB Strategic Plan 2021-2025
STO, 2016	Secured Transactions Order, 2016
STR	Suspicious Transaction Report
TEMAN	Technical Meeting of Mints in ASEAN
WC-CAL	ASEAN Working Committee on Capital Account Liberalisation
WC-CMD	ASEAN Working Committee on Capital Market Development
y-o-y	year-on-year

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Chairman's Remarks



Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Deputy Minister of Finance and Economy (Economy)
as the Chairman of Board of Directors
Brunei Darussalam Central Bank

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ
الحمد لله رب العالمين، والصلاة والسلام على أشرف المرسلين، سيدنا محمد وعلى آله وصحبه أجمعين، وبعد

Before I present the BDCB Annual Report 2022, I would like to take this opportunity to express my deepest gratitude to Yang Berhormat Dato Seri Setia Awang Haji Ahmaddin bin Haji Abdul Rahman, Minister of Home Affairs for his leadership and guidance during his chairmanship of the Central Bank. I am truly humbled and honoured to be appointed by His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah Ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan of Brunei Darussalam to serve as the Chairman of Brunei Darussalam Central Bank. Along with the other Board of Directors and the support of the Executive Management, officers, and staff, together we will continue to perform our duties and responsibilities to deliver the Central Bank's mandates, In Shaa Allah.

The tail end of 2021 showed promise as Brunei Darussalam persevered through the second wave of the COVID-19 pandemic. However, in 2022, there was no respite as the Omicron variant entered Bruneian shores and caused the third wave of infections. Nevertheless, by the grace and mercy of Allah Subhanahu Wa Ta'ala, along with the lessons learned from the first and second waves, Brunei Darussalam remained resilient and was able to weather the storm and continue our path to recovery. This serves as a constant reminder that we must never be complacent. Although the critical phase of the pandemic appears to have passed, its impact still reverberates. Hence, the Central Bank, together with the financial sector, continued to support the Government of Brunei Darussalam in economic recovery efforts by extending several interim measures for individuals and businesses affected by the pandemic throughout 2022 as well.

The global economic growth lost its momentum in 2022, stunted by unexpectedly high inflation following the Russian-Ukraine conflict which broke out in the first quarter of 2022. According to the Bank for International Settlements (BIS), three quarters of the world's economies experienced inflation above 5% by April 2022. Domestically, with the Currency Interchangeability Agreement (CIA) with Singapore in place, we have managed to alleviate some of the direct impact from global inflation in 2022. This by no means suggests that we are out of the woods. Although the International Monetary Fund (IMF) has forecasted global inflation to decline from 8.8% in 2022 to 6.6% in 2023, prices are expected to remain elevated for the short-term at least, including in Brunei Darussalam. With key central banks tightening their monetary stance to tackle high inflation leading to high interest rates, the spillover effects are to be monitored, particularly its impact on the resilience of our financial system.

In 2022, the adoption of digitalisation continued to be embraced by the financial sector and the trend of digital payments has shown a significant growth in Brunei Darussalam. This highlights the importance of the role of technology in facilitating transactions to serve the public as well as its galvanising role in shaping the future of the financial sector. That said, the Central Bank will continue its efforts to ensure our payment systems are efficient, robust, safe, and reliable. Additionally, thorough assessment of new financial technology is also a prerequisite before its introduction to the financial sector. In doing so, public confidence and interest are preserved, which is crucial to promote adoption and financial inclusion. By the same token, the Central Bank has also enhanced its governance framework to ensure our operations and processes are in line with international best practices.

To further support the development of the financial sector as espoused in the Brunei Darussalam Financial Sector Blueprint [FSBP] 2016-2025, and also in line with Brunei Darussalam's aspirations for Wawasan 2035, particularly in the areas of economy, technology and sustainability, the Central Bank continued to implement and support relevant initiatives throughout 2022. This includes the issuance of Syariah standards for Islamic financial institutions to provide reference on the ruling associated with respective Syariah concepts and best practices in accordance with Hukum Syara', as well as the issuance of Notice on Measures for Non-Face-To-Face Customer Onboarding and Ongoing Customer Due Diligence to provide standards and requirements for financial institutions to observe and adhere to in implementing digital on-boarding as well as maintaining business relationships. The Central Bank also supported the ASEAN Low Carbon Energy Programme by conducting a series of workshops on sustainable finance in 2022.

Looking ahead, as we navigate into the future, it is incumbent for the Central Bank to be proactive and implement strategies that anticipate emerging trends and future developments of the financial sector. In the ever-changing financial landscape, In Shaa Allah, we will remain committed and resilient in achieving our mission to ensure a well-functioning financial system, while promoting the development of a sound and progressive financial sector.

To end, I would like to express my sincere appreciation to the Board of Directors, Executive Management, officers, and staff of the Central Bank for their dedication and commitment throughout 2022.

Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid

Deputy Minister of Finance and Economy (Economy)

As the Chairman of Board of Directors

Brunei Darussalam Central Bank

Managing Director's Foreword



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

I would like to begin by conveying my deepest appreciation to the Central Bank's former Chairman, Yang Berhormat Dato Seri Setia Awang Haji Ahmaddin bin Haji Abdul Rahman, Minister of Home Affairs for his counsel and support throughout his tenure in the Central Bank. We are forever grateful for Yang Berhormat Dato's contributions. As we continue our journey, I am confident that under the leadership of the new Chairman and Board of Directors, along with the support of our Executive Management, officers, and staff, In Shaa Allah, we will remain steadfast in our commitments towards our roles and responsibilities.

2022 was yet another year that tested the resilience of our financial system. Despite the third wave of the COVID-19 pandemic disrupting economic recovery, the Central Bank managed to endure challenges and uncertainties through concerted efforts within the organisation, and with other relevant stakeholders, combined with the lessons learnt during the first and second waves of the pandemic.

The Central Bank's priority is to safeguard price stability and also financial stability. Our experience of the COVID-19 pandemic highlighted the important lesson that we need to be in a continued state of crisis-preparedness to ensure our agility and readiness to protect the financial system. Globally, it has been well-documented that rising inflation was one of the main economic concerns in 2022 of which, according to the IMF, global inflation rose from 4.7% in 2021 to 8.8% in 2022, contributing to the cost of living crisis in many economies. As many central banks have started to tighten their monetary policies to tame inflation, the IMF forecasted that global inflation will ease in 2023 to 6.6%. However, we must remain vigilant by ensuring identification of potential risks to our domestic financial system as early as possible as the situation progresses.

Throughout 2022, the Central Bank continued to work closely with the financial sector to assist in economic recovery and growth whilst ensuring both monetary and financial stability are maintained, and supporting financial sector development. In ensuring stability, the Central Bank undertook continuous assessments of the financial sector landscape to identify emerging threats and opportunities through macroprudential surveillance and supervisory activities. By doing so, appropriate measures can be implemented to mitigate possible adverse impacts to the financial sector. At the same time, efforts are also made to take advantage of identified opportunities ahead. Thus, the Central Bank continued to enhance its supervisory and regulatory framework in line with international standards and best practices, albeit making sure they are appropriate given the needs and the size of the domestic financial sector.

Such initiatives that have been implemented include the enhancement of the Central Bank's Governance Framework, in which a comprehensive and tailored framework has been developed to ensure our policies and operations are in line with international best practices; issuance of Notice on Maintenance of Capital Adequacy Ratio [CAR] for Finance Companies where finance companies are required to maintain a minimum CAR of 10% to ensure they have sufficient capital to sustain themselves during normal operations and also in times of economic downturn; and issuance of Notice on Reporting of Fraud Incidents for Banks, Finance Companies and Insurance Companies/Takaful Operators which require the aforementioned institutions to establish an internal fraud policy that is approved by their respective board of directors, as well as report any fraud incidents to the Central Bank.

The Central Bank also completed onsite and offsite supervision work to Domestic Systematically Important Banks (DSIBs) which covered the assessment of their Credit Risk Management [CRM] allowing the Central Bank to continually monitor their progress and performance.

In terms of safeguarding the integrity of our financial sector, 2022 also saw the culmination of the mutual evaluation process by the Asia/Pacific Group on Money Laundering [APG] on Brunei Darussalam. The mutual evaluation process was conducted to assess the country's compliance to international standards on Anti-Money Laundering/Combating the Financing of Terrorism [AML/CFT] set by the Financial Action Task Force [FATF]. The Financial Intelligence Unit [FIU] of the Central Bank, being the Secretariat to the National Anti-Money Laundering and Combating the Financing of Terrorism Committee [NAMLC], was the main coordinator of the evaluation process. I would like to take this opportunity to extend my appreciation to all stakeholders involved in ensuring the success of the evaluation process.

With financial scams on the rise, the Central Bank also continued its effort to empower the public through raising financial literacy by organising numerous awareness and knowledge sharing campaigns including roadshows and talks, as well as via our digital platforms. This is an ongoing initiative to educate the public to avoid financial scams, and to aid them in making informed financial decisions. At the same time, it is also an avenue to promote greater awareness and better understanding on our roles and functions.

In closing, I would like to express my heartfelt gratitude and thanks to our Chairman and Board of Directors for their insights and continuous guidance. I would also like to give recognition to the Executive Management, officers, and staff for their tireless effort, dedication and commitment in pursuing the mandates of the Central Bank throughout the year.

Hajah Rokiah binti Haji Badar

Managing Director
Brunei Darussalam Central Bank

BDCB in Brief

Objectives, Mission and Vision

In accordance with Section 4 of BDCB Order, 2010, Brunei Darussalam Central Bank (BDCB) carries the following core objectives:

Our Objectives



Achieve and maintain domestic price stability

The Central Bank operates a Currency Board Arrangement (CBA) that is facilitated by the Currency Interchangeability Agreement (CIA) between Brunei Darussalam and Singapore. The CBA ensures that currency in circulation in Brunei Darussalam's economy is fully backed up by foreign exchange reserves. Meanwhile, the CIA ensures that the Brunei Dollar is interchangeable with the Singapore Dollar at par.



Ensure the stability of the financial system, in particular by formulating financial regulations and prudential standards

The Central Bank has always been entrusted to maintain the stability of the financial system in Brunei Darussalam whilst ensuring the financial intermediation process between depositors and investors continue to support economic activity. It has a role to mitigate or prevent financial instability that may have systemic impact to the economy by introducing effective regulations, and conducting continuous monitoring and supervision.



Assist in the establishment and functioning of efficient payment systems, and to oversee them

The Central Bank conducts oversight of the country's payment and settlement systems to ensure that consumers' interests are safeguarded. The national payment and settlement systems were established by the Central Bank to provide a digital platform for more efficient and secure interbank payment systems.



Foster and develop a sound and progressive financial services sector

The Central Bank also plays a key role in facilitating and promoting the development of the financial services sector, through active collaborations and consultations with the industry and other relevant stakeholders to support the broader goals of sustainable and inclusive economic development.

Our Mission

To ensure a well-functioning monetary and financial system, and promote the development of a sound and progressive financial services sector.

Our Vision

With the blessings of Allah Subhanahu Wa Ta'ala, to be a **dynamic central bank** that supports a progressive and sustainable economy.

BDCB in Brief

Board of Directors

Chairman

Yang Berhormat
Dato Seri Setia Awang Haji Ahmaddin bin Haji Abdul Rahman
Minister of Home Affairs
[26 June 2021-16 July 2022]

Yang Mulia
Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Deputy Minister of Finance and Economy (Economy)
Ministry of Finance and Economy
[Effective 17 July 2022]

Deputy Chairman

Yang Mulia
Pengiran Datin Seri Paduka Hajah Zety Sufina binti Pengiran Dato Paduka Haji Sani
Deputy Minister of Finance and Economy (Fiscal)
Ministry of Finance and Economy
[Effective 8 August 2022]

Members

Yang Mulia
Dato Seri Setia Dr. Awang Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti
State Mufti's Office

Yang Mulia
Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General, Attorney General's Chambers
Prime Minister's Office

Yang Mulia
Pengiran Hajah Siti Nirmala binti Pengiran Haji Mohammad
Permanent Secretary (Wawasan)
Prime Minister's Office

Yang Mulia
Dayang Hajah Rokiah binti Haji Badar
Managing Director
Brunei Darussalam Central Bank

Yang Mulia
Dr. Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin
Permanent Secretary (Economy, Trade and Industry)
Ministry of Finance and Economy

BDCB in Brief

Executive Management



Yang Mulia
Dayang Hajah Rokiah binti Haji Badar
Managing Director



Yang Mulia
Dayang Hajah Rashidah binti Haji Sabtu
Deputy Managing Director
Regulatory and Supervision



Yang Mulia
Dayang Hajah Noorrafidah binti Sulaiman
Deputy Managing Director
Monetary Operations/Development and International



Yang Mulia
Awang Mardini bin Haji Eddie
Assistant Managing Director
Monetary Operations
Monetary Operations/Development and International



Yang Mulia
Dayang Hajah Sufinah binti Haji Sahat
Assistant Managing Director
Corporate Development
*[seconded to Brunei Institute of Leadership and Islamic Finance
from 25 January 2022 for 2 years]*



Yang Mulia
Dayang Hajah Mahani binti Haji Mohsin
Assistant Managing Director
Supervision
Regulatory and Supervision

BDCB in Brief

Governance

Financial and Monetary Stability Committee (FMSC)

The FMSC monitors the risks present in the global and domestic financial and economic environments. It also provides policy recommendations to the Board of Directors; maintains the CBA according to the Currency Order, 2004 as amended by the Currency and Monetary [Amendment] Order, 2010 for monetary stability of Brunei Darussalam; as well as promotes the understanding of the CBA in Brunei Darussalam. The members of the FMSC as of 31 December 2022 are:

Chairperson

**Yang Mulia Dayang Hajah Rokiah
binti Haji Badar**
Managing Director
Brunei Darussalam Central Bank

Members

**Yang Mulia Dayang Hajah Chairani
binti Haji Sulaiman**
Accountant General
Treasury Department
Ministry of Finance and Economy
[January 2022-July 2022]

**Yang Mulia Awang Haji Asrul Adrain bin
Pehin Orang Kaya Setia Pahlawan Dato Seri Setia
Dr. Hj Ahmad**
Acting Accountant General, Treasury Department
Ministry of Finance and Economy
[Effective July 2022]

**Yang Mulia Dayang Hajah Rashidah
binti Haji Sabtu**
Deputy Managing Director
Regulatory and Supervision
Brunei Darussalam Central Bank

**Yang Mulia Dayang Hajah Noorrafidah
binti Sulaiman**
Deputy Managing Director
Monetary Operations/Development and
International
Brunei Darussalam Central Bank

**Yang Mulia Dayang Hajah Latifah binti Haji
Mahmud**
Acting Director General
Department of Economic Planning and Statistics
Ministry of Finance and Economy
[January 2022-July 2022]

Awang Hairol Nizam bin Haji Abd Hamid
Acting Director General
Department of Economic Planning and Statistics
Ministry of Finance and Economy
[Effective July 2022]

Yang Mulia Awang Mardini bin Haji Eddie
Assistant Managing Director (Monetary
Operations)
Monetary Operations/Development and
International
Brunei Darussalam Central Bank

Yang Mulia Awang Mozart bin Haji Brahim
Deputy Chief Executive Officer
Bursa Brunei Darussalam Sdn Bhd

Yang Mulia Dr. Dayang Irene Yap Tsue Ing
Executive Director (Economics, Research and
Statistics)
Monetary Operations/Development and
International
Brunei Darussalam Central Bank

BDCB in Brief

Governance

Investment Advisory Committee (IAC)

The IAC is responsible for advising the Board of Directors on investment selection and other related matters including providing advice on investment policies and any revision thereto; oversee the process for the selection and appointment of external fund managers; and assisting in the evaluation of performance of appointed managers. The IAC is also responsible for reviewing and evaluating investment proposals by the Executive Management; and to review any other related matters as may be directed by the Board of Directors from time to time. The members of the IAC as of 31 December 2022 are:

Chairperson

**Yang Mulia Dato Seri Paduka Awang Haji Khairuddin
bin Haji Abdul Hamid**

Deputy Minister of Finance and Economy (Economy)
Ministry of Finance and Economy
[11 February 2016-31 August 2022]

Yang Mulia Awang Haji Sofian bin Mohammad Jani

Acting Managing Director
Brunei Investment Agency
[Effective 1 September 2022]

Deputy Chairperson

Yang Mulia Dayang Hajah Rokiah binti Haji Badar

Managing Director
Brunei Darussalam Central Bank

Members

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman

Deputy Managing Director
Monetary Operations/Development and International
Brunei Darussalam Central Bank

Yang Mulia Awang Mardini bin Haji Eddie

Assistant Managing Director (Monetary Operations)
Monetary Operations/Development and International
Brunei Darussalam Central Bank
[Effective 1 September 2022]

**Yang Mulia Awang Haji Mokhzani Izhar bin
Pehin Orang Kaya Seri Kerna Dato Seri Setia Dr Haji
Abu Bakar**

Senior Manager
Brunei Investment Agency

BDCB in Brief

Governance

Human Resource Committee (HRC)

The HRC is responsible for reviewing, amending and approving the Central Bank's Employee Services Terms and Conditions, the Central Bank's human resources policies, rewards and recognition policies; endorsing recommendations for State Decorations and Honorary State Medal recipients; as well as approving and/or endorsing the appointment of senior officers, as directed by the Board of Directors. The members of the HRC as of 31 December 2022 are:

Chairperson

Yang Mulia Dr. Awang Haji Azman bin Ahmad

Permanent Secretary, Higher Education
Ministry of Education

Members

Yang Mulia Awang Ajman bin Haji Meludin

Permanent Secretary, Civil Service Governance
Prime Minister's Office

Yang Mulia Dayang Hajah Rokiah binti Haji Badar

Managing Director
Brunei Darussalam Central Bank

Yang Mulia Awang Shamsul Baharin bin Abdul Rahman

Senior Manager, Human Resource
DST Communications Sdn Bhd

BDCB in Brief

Governance

Audit Committee (AC)

The responsibilities of the AC, as stipulated under Section 21 [4] of the BDCB Order, 2010, includes oversight of the Internal Audit division; review and recommend the appointment of the external auditors, the scope of external audits and other inter-related services; provide opportunity for the auditors to meet and discuss findings and recommendations; and review the end of year financial statements with external auditors. In discharging its role, the AC is supported by the Internal Audit Division who provides an objective and independent assurance on the Central Bank's risk exposure; level of compliance with internal policies and procedures; as well as efficiency and effectiveness of existing internal control systems and procedures, where appropriate. The members of the AC as of 31 December 2022 are:

Chairperson

Yang Mulia Dayang Hajah Zuraini binti Haji Sharbawi

Solicitor General at Attorney General's Chambers
Prime Minister's Office

Members

Yang Mulia Awang Haji Hairul Mohd Daud bin Haji Abd Karim

Deputy Permanent Secretary (Infocommunications)
Ministry of Transport and Infocommunications

Yang Mulia Dayang Hajah Chairani binti Haji Sulaiman

Accountant General, Treasury Department
Ministry of Finance and Economy
[1 January 2020-17 July 2022]

Yang Mulia Awang Haji Asrul Adrain bin

Pehin Orang Kaya Setia Pahlawan Dato Seri Setia Dr. Haji Ahmad

Acting Accountant General, Treasury Department
Ministry of Finance and Economy

Yang Mulia Dayang Mazriyani binti Haji Abdul Ghani

Director, E-Government National Centre
Ministry of Transport and Infocommunications

Yang Mulia Awang Muhammad Yusri bin Dato Abdul Majid

Head (Risk and Compliance)
Brunei Darussalam Central Bank
As Observer

BDCB in Brief

Governance

Risk Management Committee (RMC)

The RMC is responsible for reporting and advising the Board on the Central Banks's overall risk tolerance; risk management framework (principles, policies, systems, processes, and procedures); and provide oversight of the development of the overall risk management frameworks. The members of the RMC as of 31 December 2022 are:

Chairperson

Yang Mulia Awang Haji Maswadi bin Haji Mohsin

Permanent Secretary
Ministry of Health

Members

Yang Mulia Dayang Hajah Rokiah binti Haji Badar

Managing Director
Brunei Darussalam Central Bank

Yang Mulia Awang Haji Hairul Mohd. Daud bin Haji Abd. Karim

Deputy Permanent Secretary (Infocommunications)
Ministry of Transport and Infocommunications

Yang Mulia Dayang Hajah Latifah binti Haji Mahmud

Deputy Accountant General, Treasury Department
Ministry of Finance and Economy

Yang Mulia Dayang Mazriyani Binti Haji Abd Ghani

Director
E-Government National Centre (EGNC)
Ministry of Transport and Infocommunications

BDCB in Brief

Organisational Structure

In the face of an ever-changing financial landscape, combined with emerging trends in the financial sector in recent years, the Central Bank reorganised and realigned its portfolios to enhance synergy and further improve its management of resources. With this, a new organisational structure was introduced in 2022.

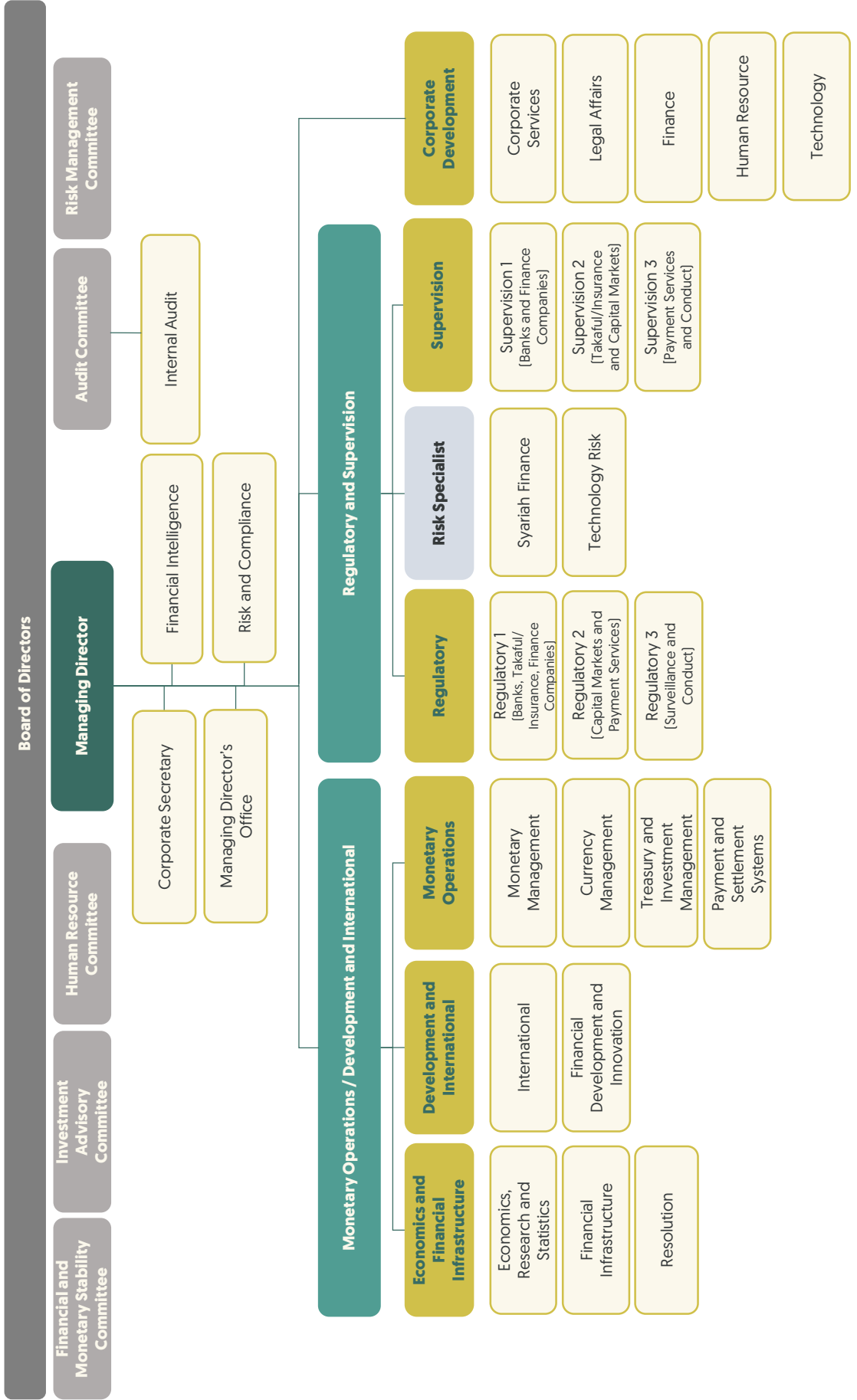
The key changes include:

- The Regulatory and Supervision Group was realigned into three main groupings: Regulatory, Supervision, and Risk Specialist, whereby sub-portfolios within each group integrate areas seen as having close synergies. The restructuring aims to strengthen coordination in policymaking and supervision, which will contribute towards the aim of implementing a more integrated risk-based supervisory approach.
- The Monetary Operations/Development and International Group was also realigned into three groupings: Economics and Financial Infrastructure, Development and International, and Monetary Operations, with the main change in the integration of Financial Infrastructure with Economics, Research and Statistics to further harness the Central Bank's data analytics capabilities.
- The renaming of Corporate Services to Corporate Development Group which includes divisions providing internal support and services to other divisions and functions within the Central Bank.

The Central Bank's organisational chart, as of 31 December 2022 can be found in the following page.

BDCB in Brief

Organisational Structure



BDCB in Brief

People

Executive Management

6 

1 Managing Director
2 Deputy Managing Directors
3 Assistant Managing Directors

Management

24 

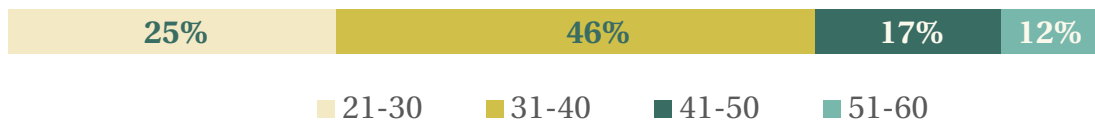
12 Executive Directors
12 Assistant Executive Directors

Officers & Staff

202 

26 Senior Managers
33 Managers
60 Associates
26 Assistant Officers
57 Support Staff

Age Breakdown



Gender Breakdown

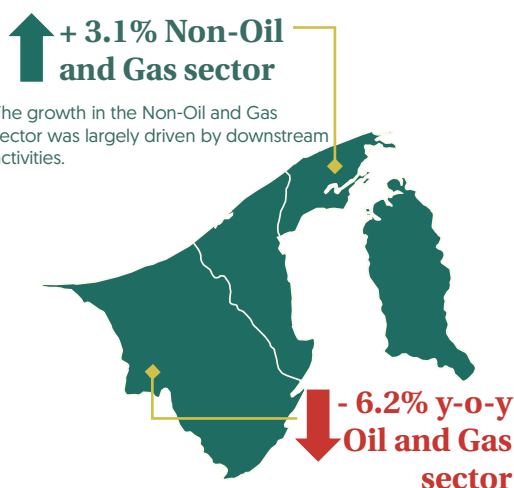


The Year in Review

Economic Review

The pick-up in global economic activity that was seen in 2021 as the world began to recover from the COVID-19 pandemic was short-lived. The global economy in 2022 is, by and large, facing a bigger-than-anticipated slowdown particularly with inflation reaching its highest level in decades. Looking ahead, significant downside risks are expected to remain over the near- to medium-term. These include higher costs of living, continued tight financial conditions in most regions, as well as the possibility of further disruptions linked to Russia's invasion of Ukraine, and China's slow recovery.

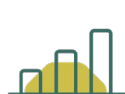
The geopolitical crisis between Russia and Ukraine that started in the beginning of 2022 has shifted the financial markets' focus away from the pandemic-related economic recovery to inflationary concerns, resulting from rising energy prices. As of 31 December 2022, Brent oil price rose by 10.45% y-o-y primarily due to the sanctions on Russian oil exports and further production cuts by the Organization of the Petroleum Exporting Countries Plus [OPEC+]. To mitigate rising inflation rates, global central banks such as the U.S. Federal Reserve began tightening their monetary policies. As a result, global bonds underperformed with the U.S. 10-year treasury yields reaching 3.87% end of 2022, reflecting an annual yield increase of 236 basis points [bps]. These inflationary concerns also pointed to risks of economic recessions, which weighed heavily on the equity market, whereby the MSCI All Country World Index declined by 19.8%. Gold also declined by 0.28% to USD1,824 toz as the U.S. Dollar continued its strength against other major currencies due to Federal Reserve's hawkish stance.



The decline in the sector was due to a fall in oil and gas mining activities as well as manufacture of LNG.

Source: Department of Economic Planning and Statistics (DEPS), Ministry of Finance and Economy

GDP Growth by Expenditure for 2022



- 1.6%

GDP

[2021: -1.6% y-o-y]



+ 6.9%

Government Expenditure

[2021: 2.6% y-o-y]



+ 9.9%

Household Consumption

[2021: 5.6% y-o-y]



- 1.8%

Gross Capital Formation

[2021: -13.8% y-o-y]



+ 6.9%

Exports

[2021: 8.8% y-o-y]



+ 9.5%

Imports

[2021: 29.5% y-o-y]

Source: DEPS

Overall in 2022, Brunei Darussalam's economy posted negative real GDP growth of 1.6% y-o-y. Looking at GDP by Production, the fall in GDP was mainly contributed by the 6.2% contraction in the Oil and Gas sector, due to a fall in oil and gas mining activities as well as manufacture of LNG. The Non-Oil and Gas sector improved by 3.1% in 2022, driven by growth in the Services and non-oil and gas Industrial sectors, which grew by 3.8% and 1.5%, respectively. Meanwhile, the Agriculture, Forestry and Fishery sector contracted by 3.3% in 2022.

Looking at GDP by Expenditure, the negative growth in 2022 was driven by net exports, which fell by 4.9% y-o-y with growth in imports by 9.5% y-o-y outpacing the 6.9% y-o-y increase in exports. The increase in exports was contributed by a 6.3% increase in exports of goods, mainly in mineral fuels and chemical products, as well as a 38.8% y-o-y rise in exports of services, as tourism and travel-related sectors began to recover following the further re-opening of the country's borders during the period. Meanwhile, the solid rise in imports was largely attributed to the importation of mineral fuels in order to support oil refining activities linked to major Foreign Direct Investment [FDI] projects in the country. At the same time government expenditure increased by 6.9% and household consumption increased by 9.9% y-o-y in 2022, while gross capital formation decreased by 1.8% y-o-y.

The Consumer Price Index (CPI) rose by 3.7% y-o-y in 2022. The increase was mainly driven by higher prices of insurance, motor cars, passenger transport by air as well as food items such as meats, oil and fats, and fish and seafood. Nonetheless, although global inflation has continued to rise on the back of ongoing supply chain disruptions, its pass-through into domestic inflation in Brunei Darussalam is expected to remain manageable in the near-term given the Brunei Dollar's peg to the Singapore Dollar as well as the strength of the Singapore Dollar nominal effective exchange rate (S\$NEER).

Chart 1: Nominal GDP by Sector (BND million)

Source: DEPS

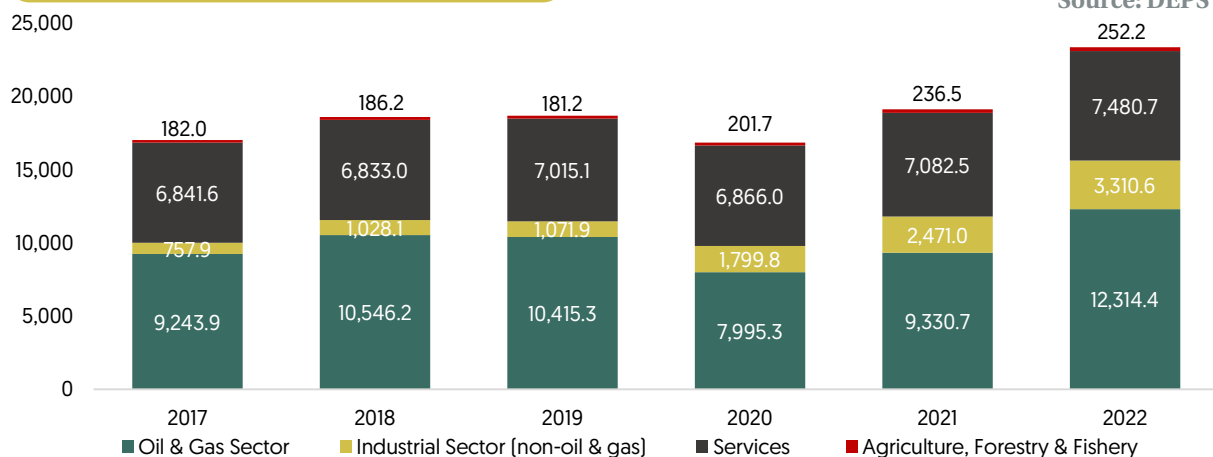


Chart 2: GDP Growth Rate (% year-on-year)

Source: DEPS

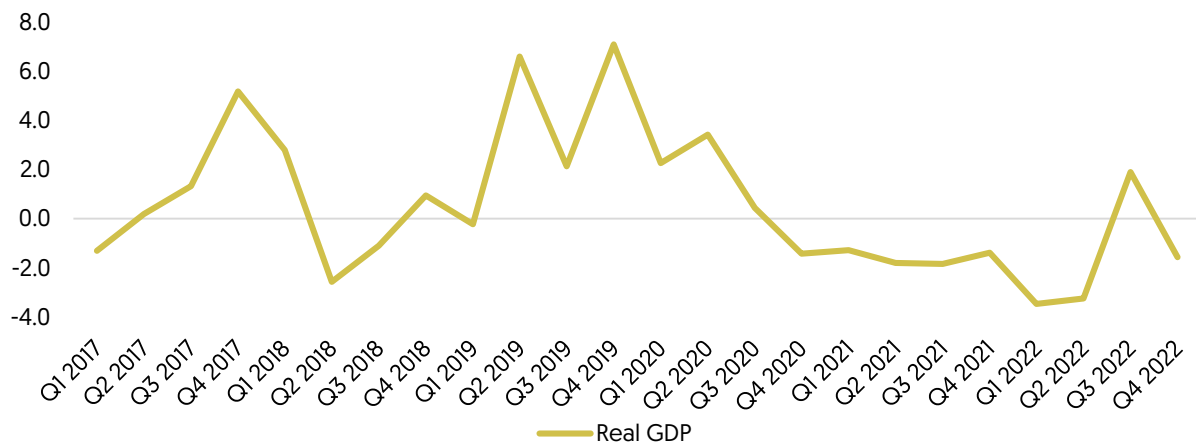
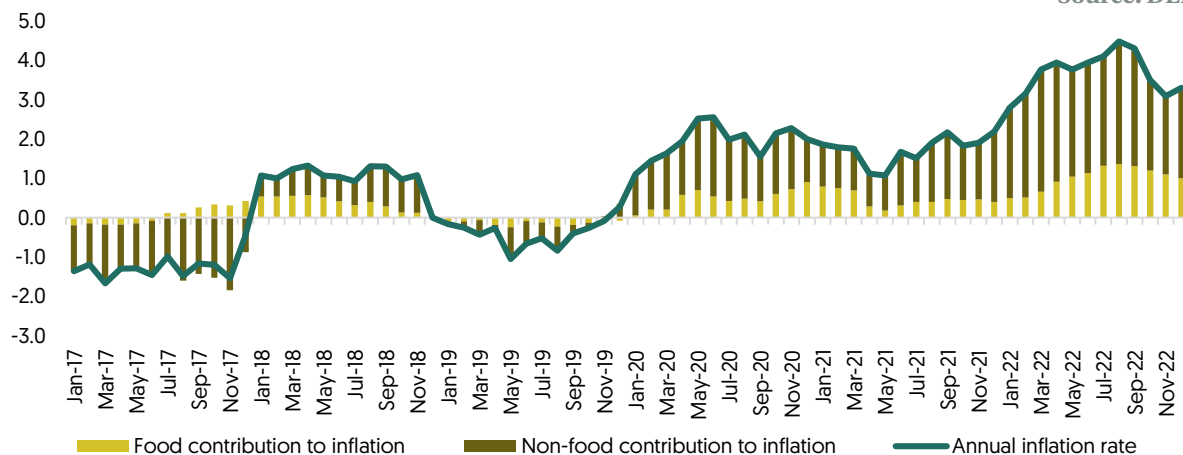


Chart 3: Inflation Rate (% year-on-year)

Source: DEPS



Business Sentiment Index

In December 2021, the Central Bank published its inaugural Business Sentiment Index [BSI]. The BSI project, which commenced in August 2020, is designed to measure the level of sentiment/confidence of businesses in Brunei Darussalam, through surveys asking general questions on current and future outlook on business conditions, investments, employment of workers, as well as costs of running the businesses. The index's forward-looking approach makes it a useful leading macroeconomic indicator. Full details on the sectoral performance of the eleven economic sectors and by business size [micro, small, medium and large] can be viewed on BDCB's website.

The Current Business Conditions sub-index (which is the headline index for BSI) was on or above the healthy threshold of 50 for most of 2022 as businesses remained steadily-optimistic following further relaxation of COVID-19 restrictions since November 2021. Nonetheless, throughout this period, businesses also cited some concerns including persistently high domestic inflation, and shortage of manpower.

Real GDP by Sector

Above
50

Expansion/ Optimism compared to the previous month

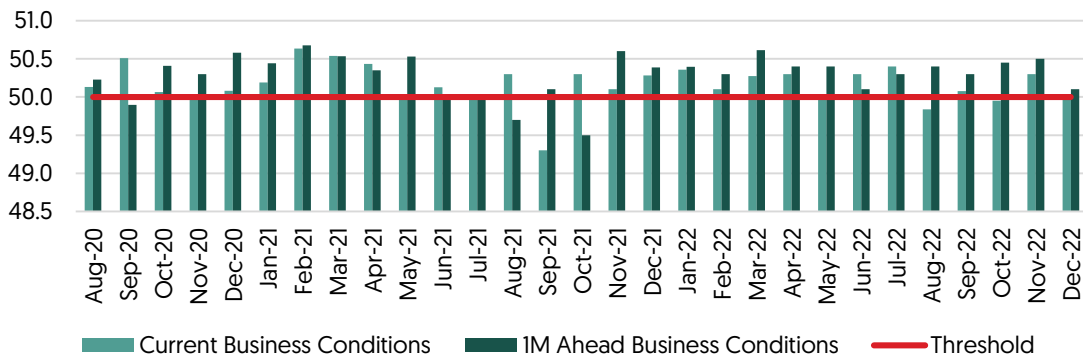
50

Similar/ No change compared to the previous month

Below
50

Contraction/ Less optimism compared to the previous month

Chart 4: Business Conditions



Residential Property Market

The Residential Property Price Index (RPPI) measures the rate at which the prices of private residential properties purchased by households change over time. RPPI serves as a useful indicator to assess the state of the real estate market and to gauge homeownership affordability. RPPI may serve as one of the macroeconomic indicators of economic growth and a financial stability/soundness indicator for measuring risk exposure. For the whole year of 2022, the RPPI fell by

As RPPI indicated a downward-sloping trend, the number of transactions showed a slight increasing trend over the same period since 2015. In terms of transaction value by property type, detached houses continued to dominate the purchases of residential properties. Meanwhile, the median purchase price for residential properties was BND250,000 on average over the period. Further details on RPPI data are published in BDCB website.



1.6%
y-o-y in 2022

Chart 5: RPPI (Q1 2015 = 100)



Chart 6: RPPI (Number of Transactions)



Chart 7: RPPI (% year-on-year)

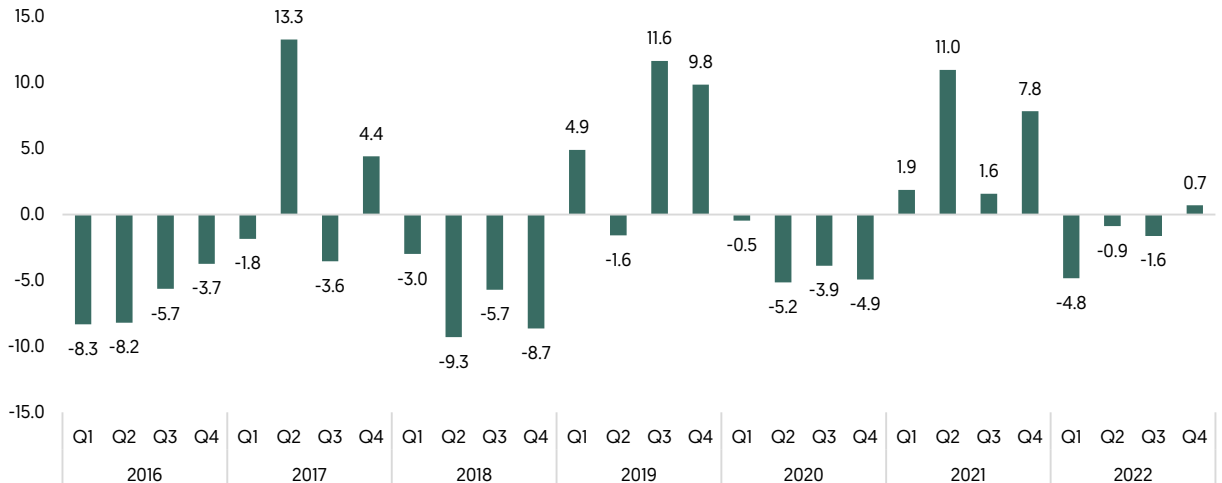


Chart 8: Nationality of Buyers from 2015-2022

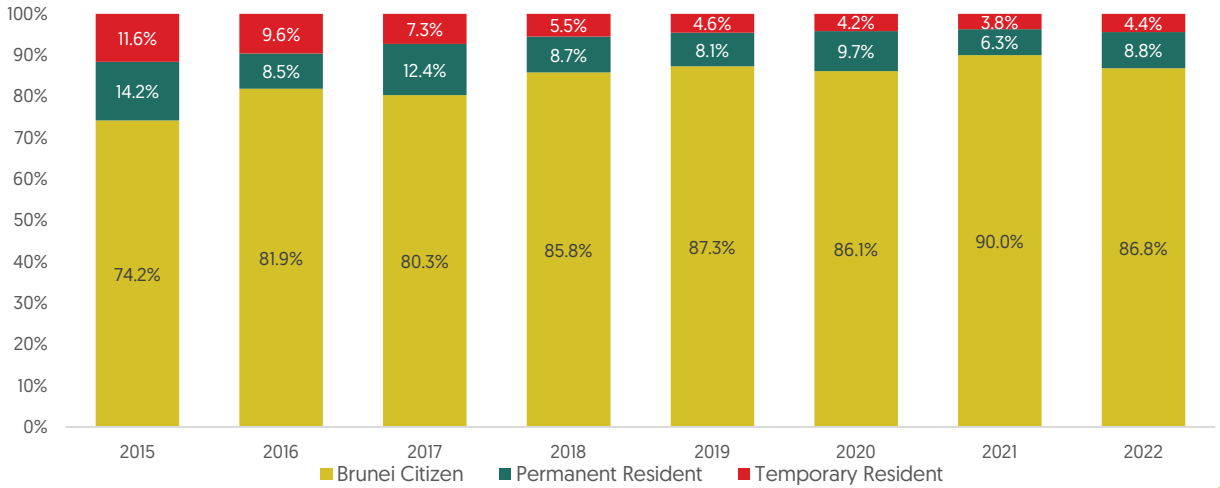


Chart 9: Median Age of Buyers from 2015-2022

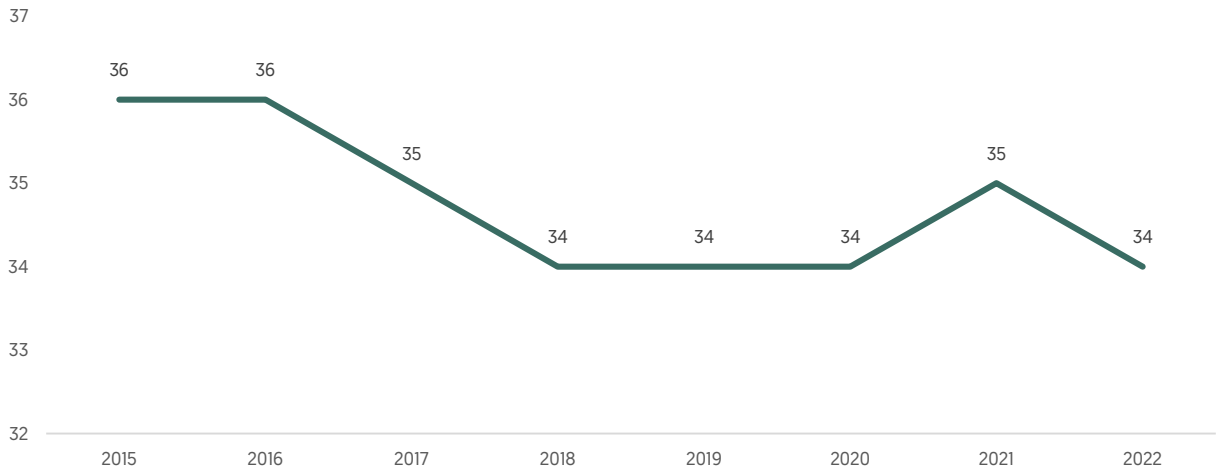


Chart 10: Age Profile of Buyers from 2015-2022

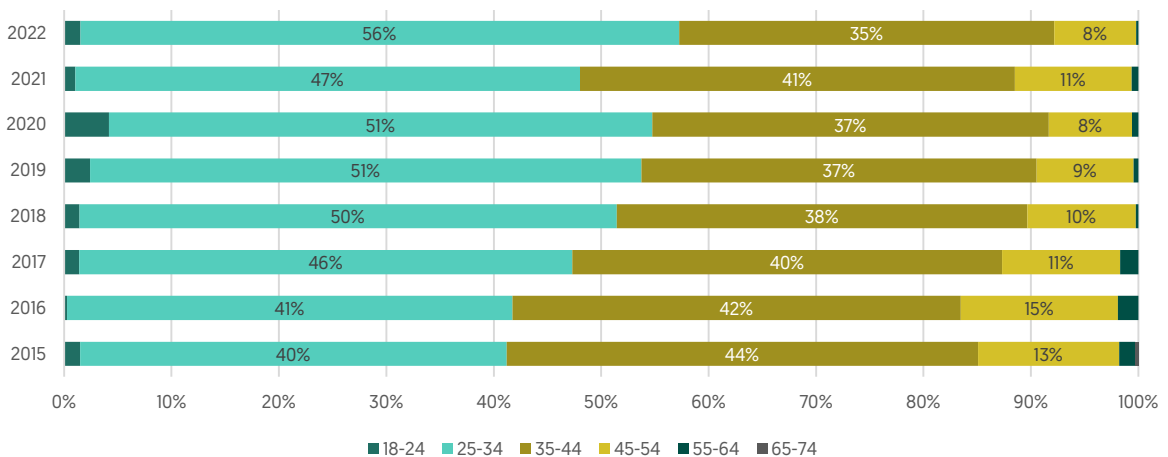
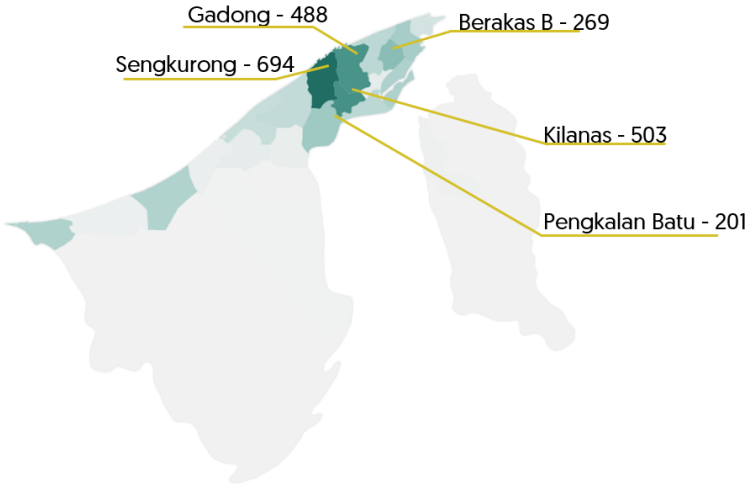


Chart 11: Top 5 Mukims by Number of Transactions from 2015-2022

Total number of transactions is 3,512 from 2015-2022



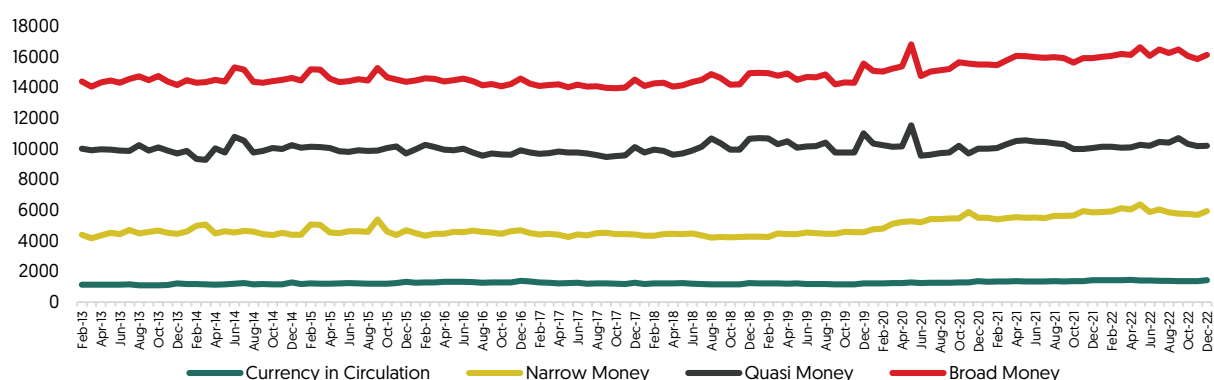
The Year in Review

Monetary Sector Statistics

The longer-term trend of monetary aggregates has generally been on a gentle upward trajectory since 2013. While Currency in Circulation declined by 0.6% y-o-y in 2022 to BND1.4 billion, indicating a slight decrease in demand for cash for domestic transactions, other Monetary Aggregates have increased.

Narrow Money rose by 1.2% y-o-y in 2022 to BND5.9 billion, mainly due to increases in transferable deposits in foreign currency for Other Nonfinancial Corporations and for Other Resident Sectors. On the other hand, Quasi Money rose by 1.3% y-o-y in 2022 to BND10.2 billion, largely driven by an increase in other deposits in foreign currency for Other Nonfinancial Corporations. Overall, Broad Money in 2022 increased by 1.3% y-o-y to BND16.1 billion due to increases in both Narrow and Quasi Money. Meanwhile, Currency in Circulation decreased by 0.6% y-o-y in 2022 to BND1.4 billion.

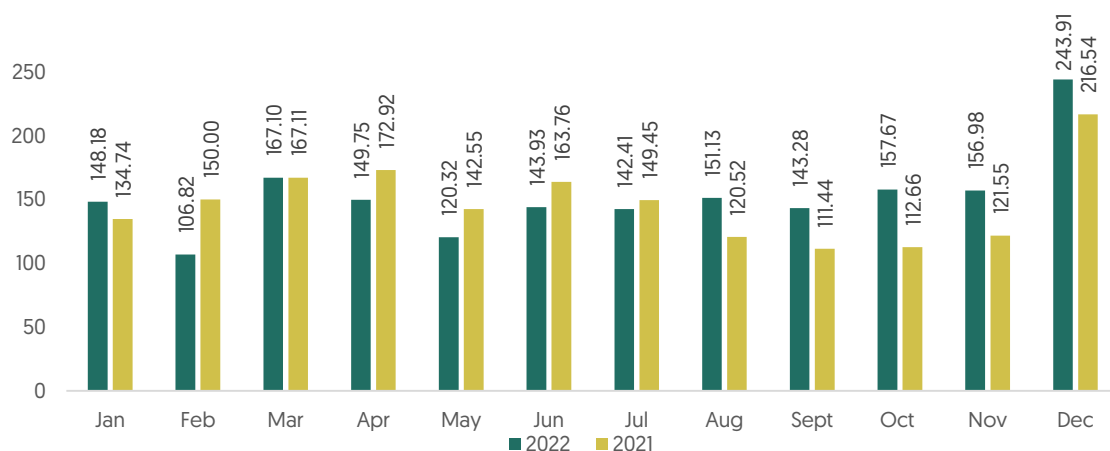
Chart 12: Monetary Aggregates (BND million)



Currency Issuance

The total currency issuance of new notes and processed notes in 2022 was BND1,831.48 million, an increase from 2021, whereby total currency issued was BND1,763.21 million.

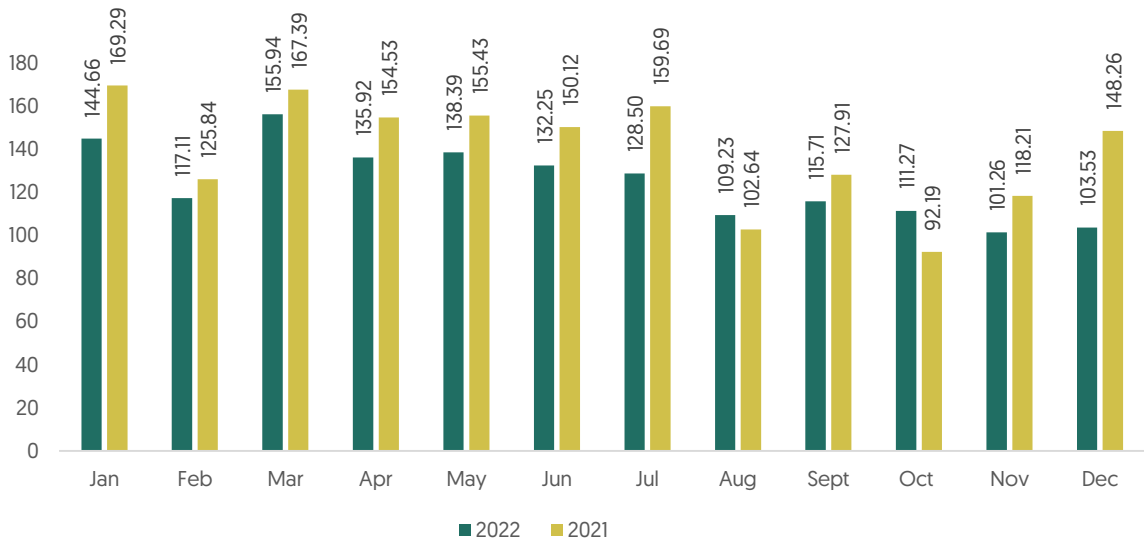
Chart 13: Total Issued Notes (New and Used) to Banks (BND million) in 2022



Currency Redemption

The total amount for currency redeemed from banks in 2022 was BND1,493.76 million. Meanwhile in 2021, the total currency redeemed was BND1,671.49 million.

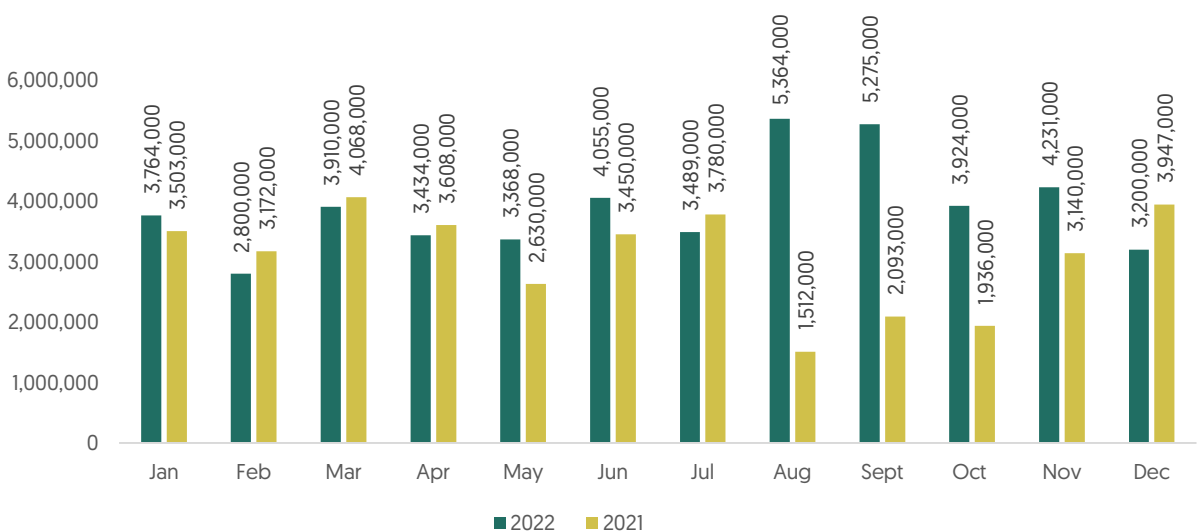
Chart 14: Total Redemption Notes from Banks in 2022 (BND million)



Currency Processing

The total number of notes processed in 2022 increased to 46,814,000 pieces in comparison to 36,839,000 pieces processed in 2021.

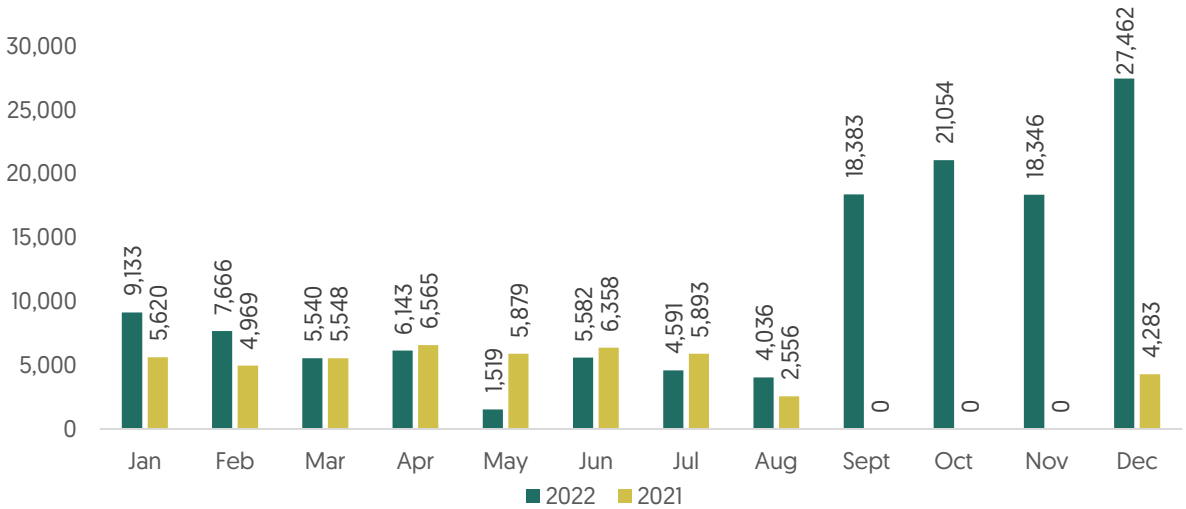
Chart 15: Total Processed Notes in 2022 (Number of Pieces)



Coins Deposit Machine (CDM)

A total value of BND129,456.22 coins was deposited in 2022, compared to BND47,671.05 in 2021, during which the CDM service was suspended for some time due to second and third wave of COVID-19 infections.

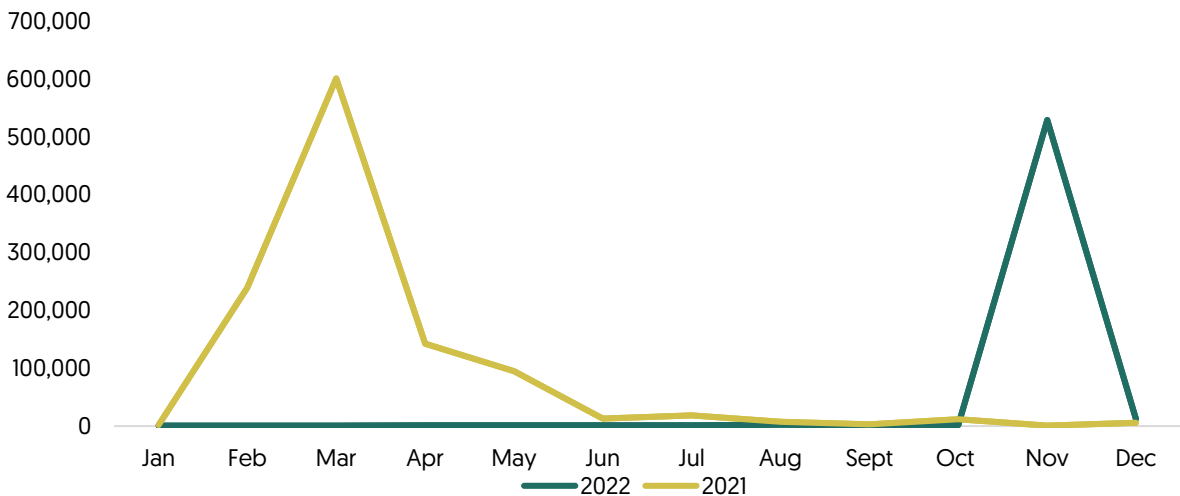
Chart 16: Total Coins Received from CDM in 2022 (BND)



Commemorative Sales

Total sales in 2022 was BND551,553.27, compared to BND1,137,683.40 in 2021. The decrease in sales was mainly due to the strict control measures related to the COVID-19 pandemic. However, sales increased significantly in November 2022 following the launch of new commemorative products in conjunction with the naming of the Sultan Haji Omar 'Ali Saifuddien Bridge (JSHOAS).

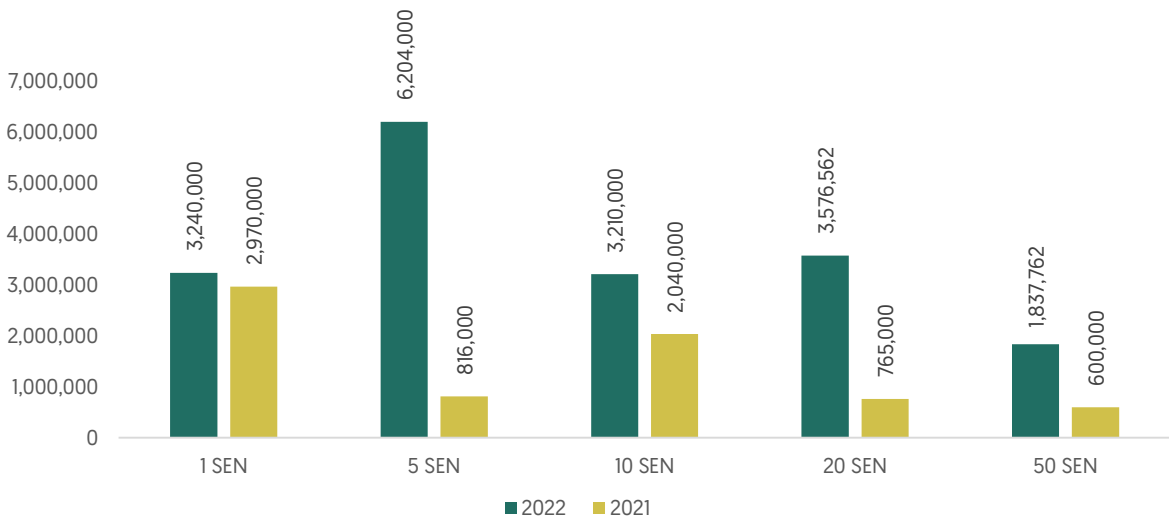
Chart 17: Total Commemorative Sales in 2022 (BND)



Production of Coins in Circulation

Total coins minted in 2022 was 18,068,324 pieces compared to 7,191,000 pieces in 2021.

Chart 18: Coins Minted by Denomination in 2022 (Number of Pieces)



The Year in Review

Financial Sector Statistics

Structure of the Financial System in Brunei Darussalam

Brunei Darussalam's financial system consists of a dual financial system comprising Islamic and conventional financial institutions including seven full-fledged banks, one trust fund, two finance companies, one custodian banking licence, Bank Usahawan, seven insurance companies and four takaful operators. In 2022, Brunei Darussalam's financial sector assets rose by 4.36% y-o-y to BND24.56 billion. The banking sector remained dominant holding 84.21% of total assets, followed by finance companies with 8.13% and Insurance/Takaful sector with 7.66%.

In terms of asset growth, the banking sector experienced a positive growth of 6.82% y-o-y from BND19.36 billion in Q4 2021 to BND20.68 billion in Q4 2022 due to increase in investments. However, in the same period, finance companies declined by 9.22% y-o-y from BND2.20 billion to BND2.00 billion. The Insurance/Takaful sector also recorded a decrease of 4.66% y-o-y from BND1.97 billion to BND1.88 billion, as both life and general sectors showed a decline in investments, recoverable from reinsurers, as well as in other assets.

Chart 19: Financial sector assets in 2022

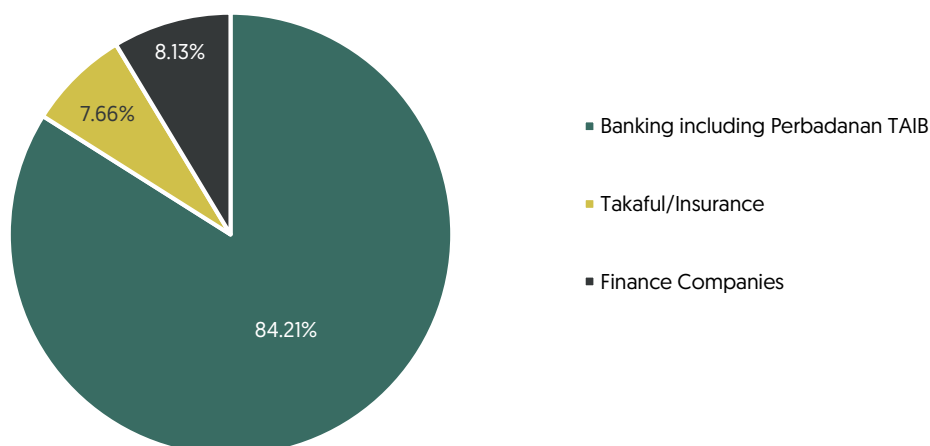


Table 1: Total Assets of Financial Institutions in Brunei Darussalam

Sector	Total Assets (BND billion)		Growth (% y-o-y)
	Q4 2021	Q4 2022	
Banking	19.36	20.68	+6.82
Finance Companies	2.20	2.00	-9.22
Insurance and Takaful	1.97	1.88	-4.66
Total	23.54	24.56	+4.36

Banking Industry

In 2022, the banking industry continued its growth momentum with an increase in assets, deposits and loans/financing by 6.80%, 6.99% and 4.75% y-o-y respectively. Concurrently, the asset quality of the banks' loans/financing portfolios also showed improvement with NPL ratio of 3.34%, a reduction from 3.60% in the previous year. There were ample capital and liquidity buffers with a ratio of 20.24% and 43.77%, respectively. Simultaneously, profitability of the banking industry remains stable with Return on Assets (ROA) and Return on Equity (ROE) at 1.31% and 9.51%, respectively.

Chart 20: Banking Industry - Assets, Deposits and Loans/Financing (BND billion)

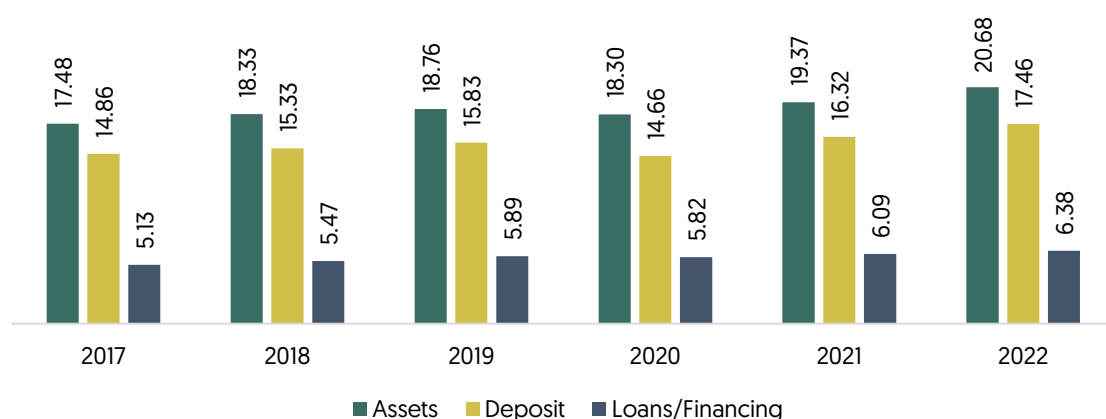


Table 2: Financial Soundness Indicators for Banks

Financial Soundness Indicators (%)	2021	2022
Capital Adequacy		
Regulatory Capital to Risk Weighted Assets	22.13	20.24
Tier 1 Capital to Risk Weighted Assets	21.79	19.98
Non-Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	4.89	5.52
Assets Quality		
Non-Performing Loans/Financing to Gross Loans/Financing	3.60	3.34
Net Non-Performing Loans/Financing (Net of provisions) to Gross Loans/Financing	1.90	2.08
Provision Coverage (Specific Provisions to Total NPLFs)	47.09	37.83
Profitability		
Return on Assets (Before Tax)	1.27	1.31
Return on Equity (After Tax)	8.87	9.51
Efficiency Ratio	57.12	56.68
Liquidity		
Liquid Assets to Total Assets	45.55	43.77
Liquid Assets to Total Deposits	54.04	51.84
Liquid Assets to Demand and Savings Deposits (Non-bank customers)	84.00	95.07
Loans/Financing to Deposits Ratio	37.32	36.53

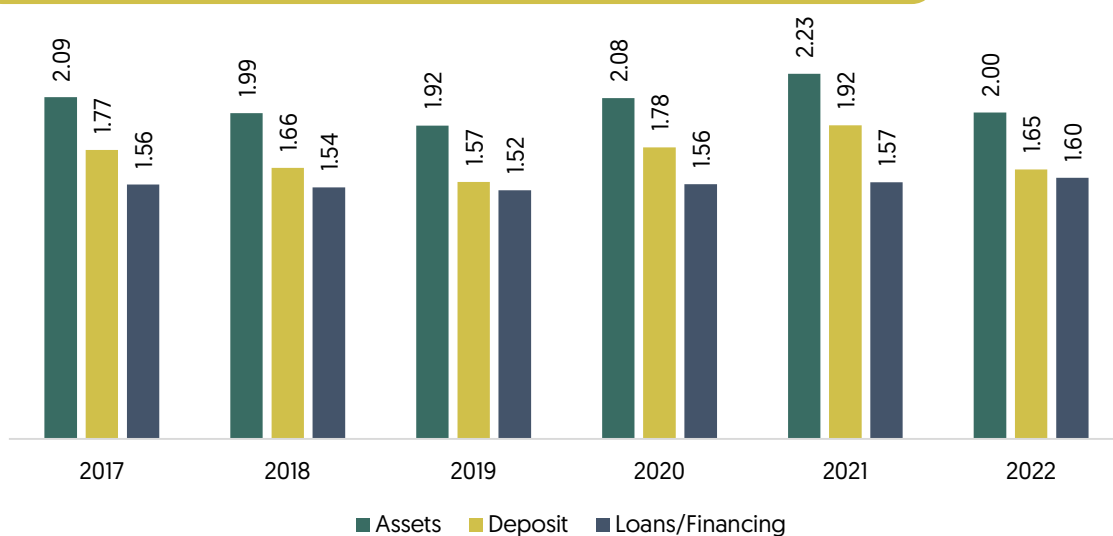
The overall loans/financing portfolio grew by 4.75% y-o-y, driven by growth in the corporate sector of 7.62% y-o-y, particularly in the manufacturing sector which increased by 42.53%. The household sector recorded a slight increase of 1.32% mainly contributed by the residential housing loans which had shown a slight increase of 1.45%. The corporate sector remained the major sector for banks' lending/financing, registering at 55.93% of total loans/financing.

Table 3: Banking - Distribution of Loans/Financing

Sector	2021		2022		% change
	Amount (BND million)	% of total financing	Amount (BND million)	% of total financing	
Household Sector	2,774.86	45.56	2,811.50	44.07	1.32
Personal Loan (including Credit Card)	1,328.57	21.81	1,344.17	21.07	1.17
Residential Housing	1,446.29	23.75	1,467.33	23.00	1.45
Corporate Sector	3,315.56	54.44	3,568.19	55.93	7.62
Agricultural	40.02	0.66	34.36	0.54	-14.14
Financial	277.95	4.56	298.38	4.68	7.35
Manufacturing	720.51	11.83	1,026.97	16.10	42.53
Transportation	252.58	4.15	199.77	3.13	-20.91
Infrastructure	30.74	0.50	115.95	1.82	277.22
Traders	353.36	5.80	358.89	5.63	1.57
Services	738.73	12.13	671.93	10.53	-9.04
Commercial Property	818.83	13.44	781.90	12.26	-4.51
Tourism	37.78	0.62	35.79	0.56	-5.27
Telecom & IT	45.07	0.74	44.24	0.69	-1.84
Total Loans/ Financing	6,090.43	100.00	6,379.69	100.00	4.75

Finance Companies

The performance of the finance companies declined in terms of assets and deposits by 10.56% and 14.03% y-o-y, respectively. However, there was a slight increase in loans/financing by 1.63% y-o-y. The asset quality had improved slightly with NPL ratio of 0.42%, compared to 0.85% in the previous year. The profitability of the finance companies declined slightly compared to the previous year, with ROA and ROE standing at 3.09% and 23.39% respectively.

Chart 21: Finance Companies - Assets, Deposits and Loans/Financing (BND billion)

Access to Finance

The geographical segmentation of banks' (including Perbadanan TAIB) facilities remained concentrated in the Brunei-Muara district, the most populated district and the center of economic and financial activities. Nevertheless, other districts also have good access to finance.

Table 4: Banking - Distribution of Branches and ATMs by District

District	Branches (including Head Office)	Single Function Machines (ATM, CDM & CQM)		Multi-Function Machines	
		Onsite	Offsite	Onsite	Offsite
Brunei-Muara	33	84	61	31	13
Temburong	2	4	0	0	0
Tutong	3	4	6	3	0
Belait	9	19	10	6	6
Total	47	111	77	40	19

Collateral Registry

Since the implementation of the Collateral Registry System (CRS) in 2016, the Central Bank has successfully onboarded 12 financial institutions (nine banks and three finance companies), 19 law firms and three businesses as registered users.

Chart 22 shows the breakdown on the type of collaterals that are registered in the CRS. The main type of collaterals registered are motor vehicles [83.8%], followed by general collateral [11.5%] and other types of movables assets [4.7%].

Chart 22: Number of Collaterals by Type as of 2022

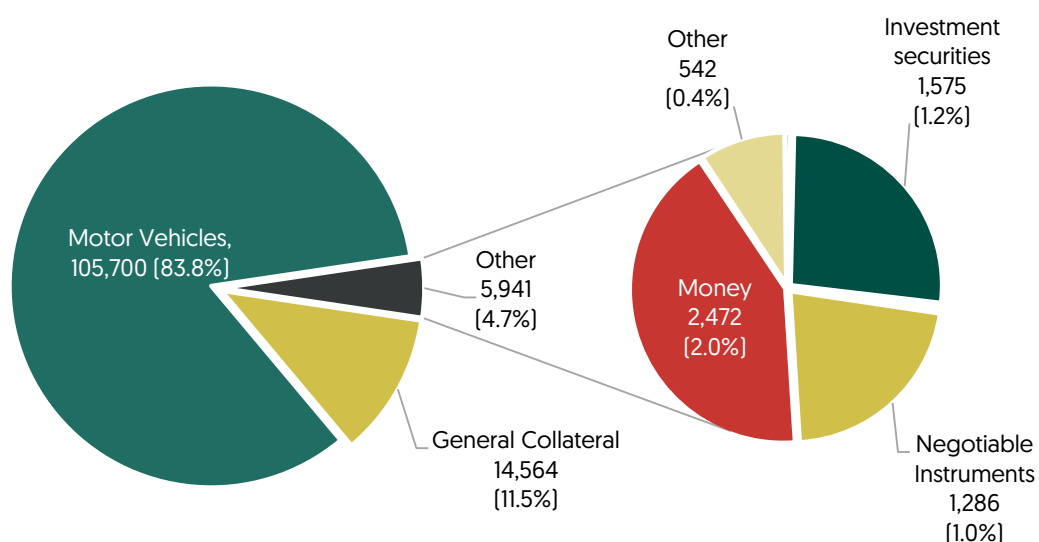
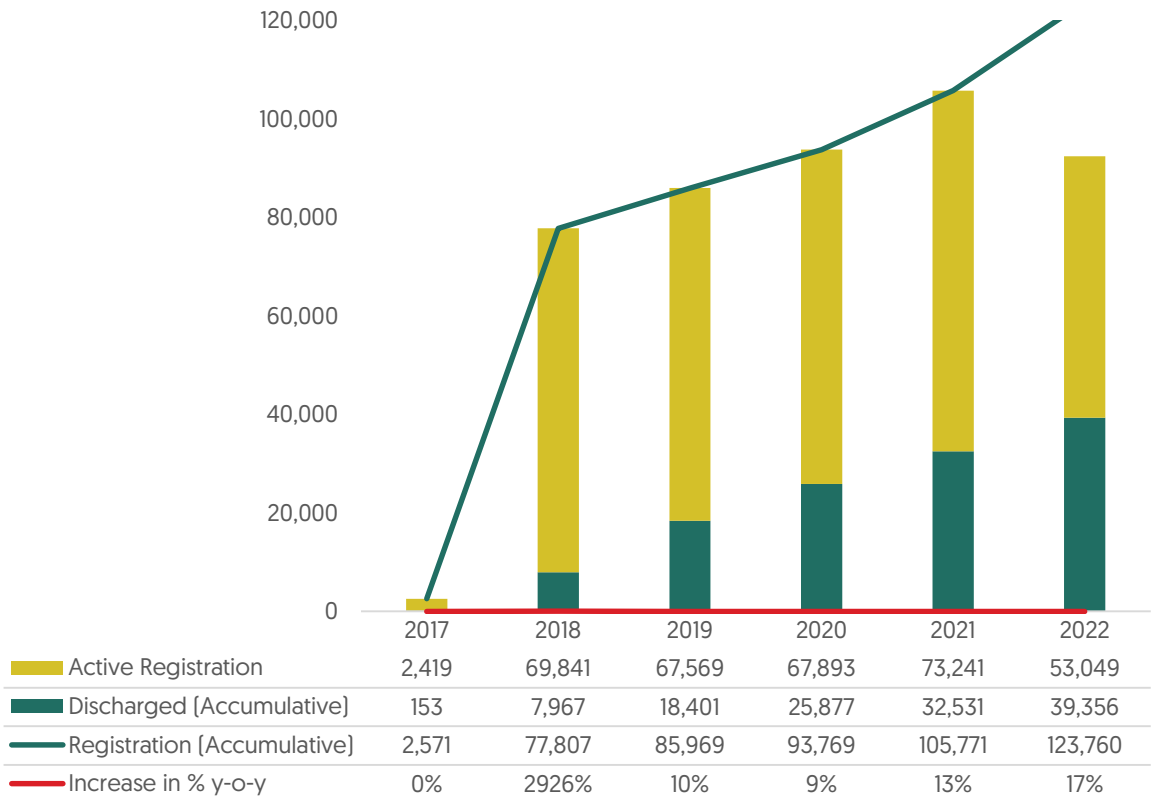


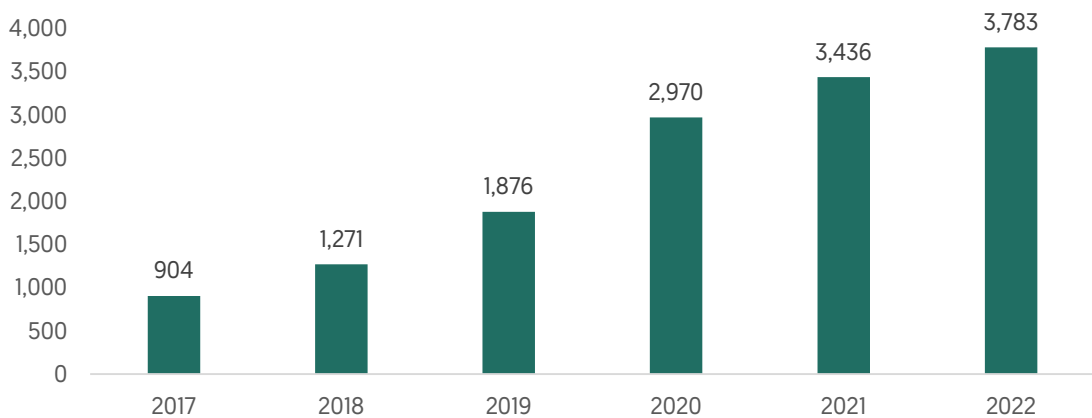
Chart 23 shows the number of financing statements registered in the CRS. As of 2022, 123,760 financing statements were registered since the CRS operationalised in December 2016. CRS year-to-date registration totaled 17,989 statements. CRS observed an average annual growth of 4.96% per year in the number of registrations. The period between 2017 and 2018 was the data onboarding period where users re-registered collaterals that were pledged prior to the implementation of the Collateral Registry.

Chart 23: Number of Financing Statements



Since 2017, a total of 14,240 searches were performed by users in the CRS. As denoted in Chart 24 below, a total of 3,783 searches were performed in 2022.

Chart 24: Number of Searches

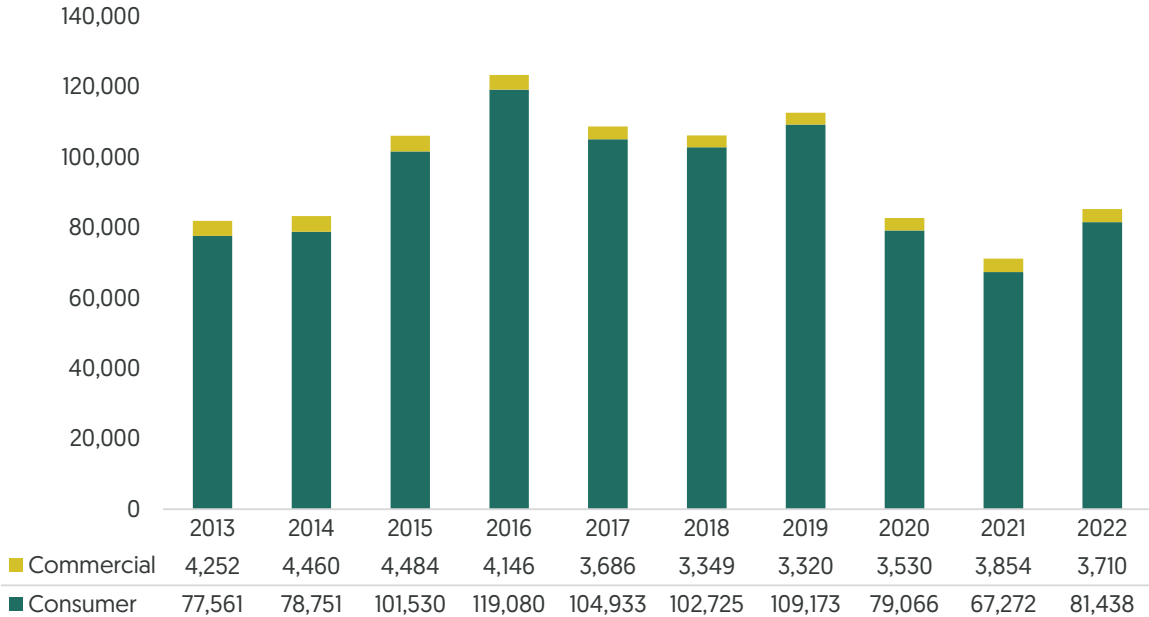


Credit Bureau

Credit Information Reports (CIR) Usage

As of 31 December 2022, a total of 960,320 credit reports has been requested by the members of the Credit Bureau since the availability of the CIR service in 2013. There was an increase of 19.7% on the total number of reports requested from 71,126 credit reports in 2021 to 85,148 credit reports in 2022. 95.6% of the total credit reports generated during the year was requested for consumers, while 4.4% was for commercial entities

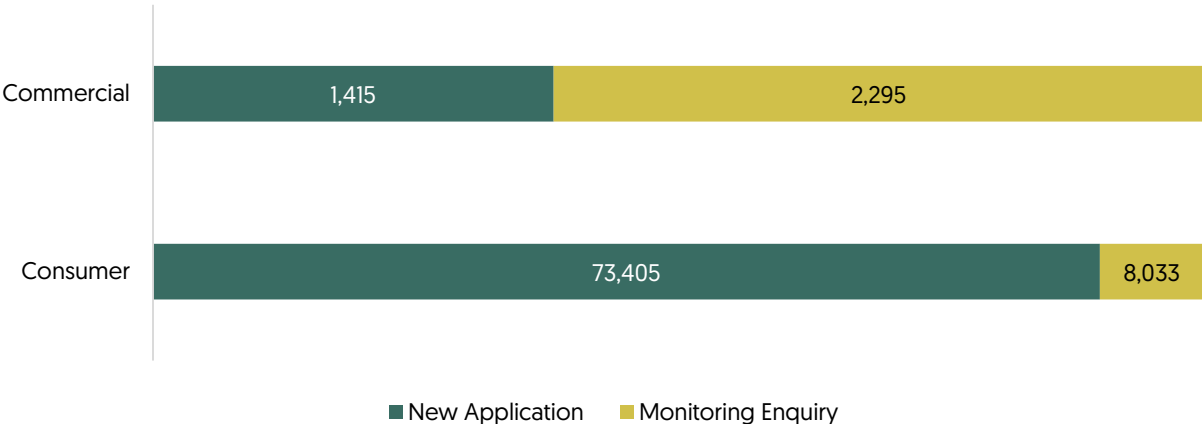
Chart 25: Number of Credit Reports Generated for Members of the Credit Bureau



Credit Information Reports (CIR) Usage by Purpose

Chart 26 denotes the credit report usage by purpose in 2022 where 87.9% of the total credit report generated by members of the Credit Bureau were for the purpose of New Application Enquiry, and 12.1% for Monitoring Enquiry, i.e. reviewing of existing customer or guarantor.

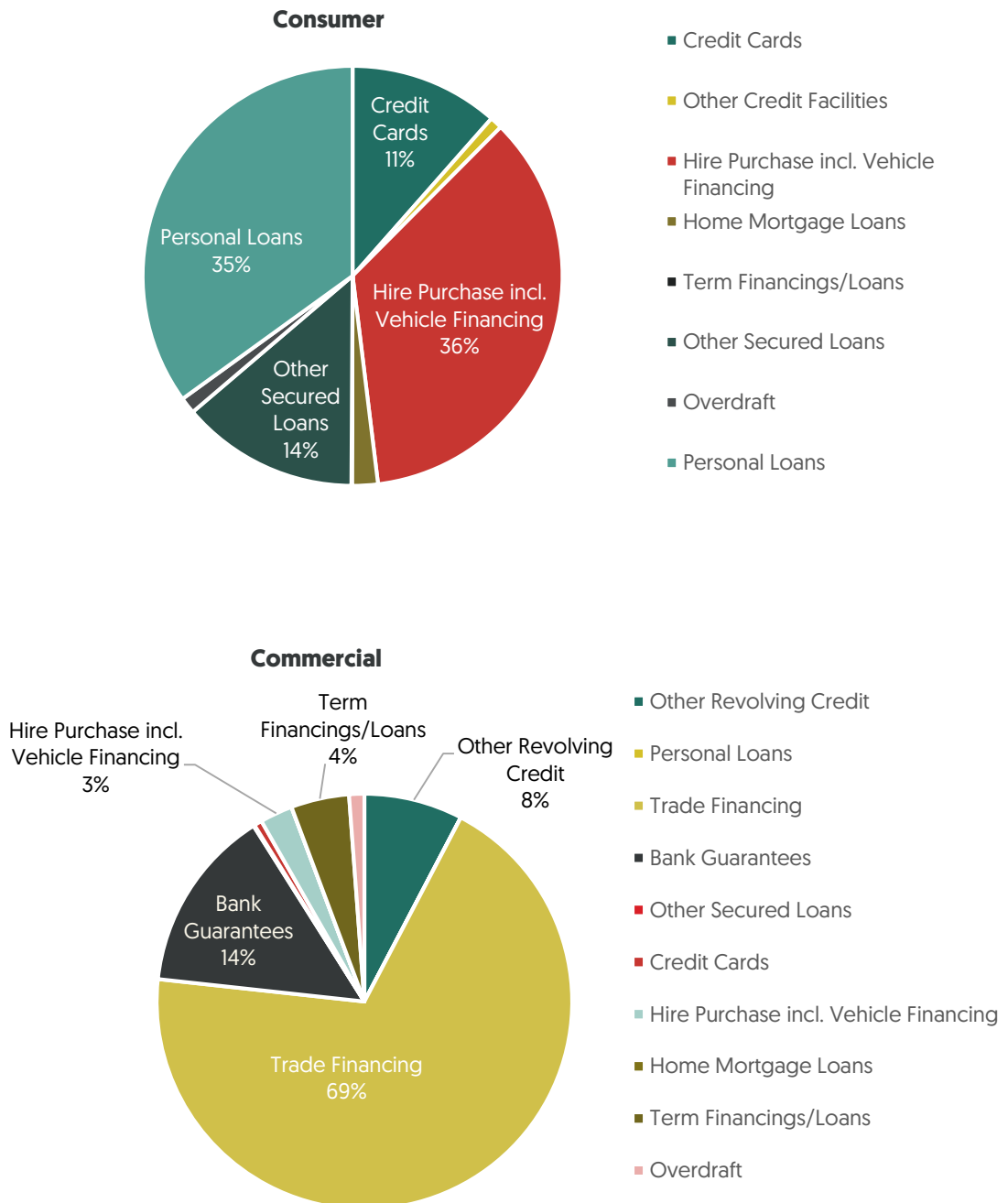
Chart 26: Credit Reports by Purpose



Credit Information Reports (CIR) Usage by Purpose

The top consumer credit facilities requested were Hire Purchase (including Vehicle Financing), Personal Loan, and Credit Cards. Whereas top commercial credit facilities requested were Hire Purchase (including Vehicle Financing), Term Financings/Loans, and Other Revolving Credits.

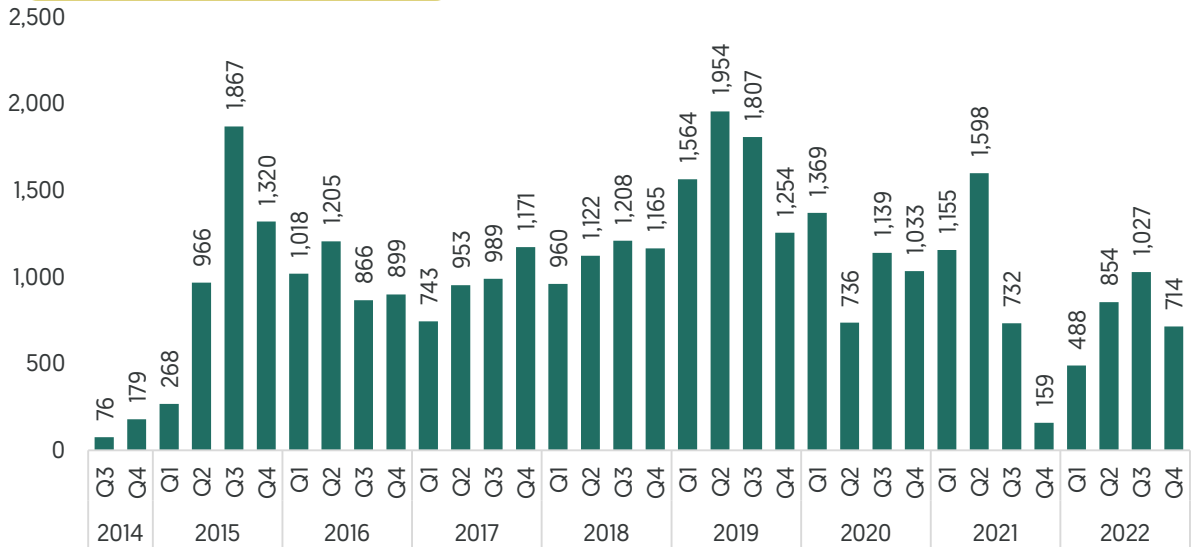
Chart 27: Credit Facilities Requested by Type



Self-Inquiry Report (SIR)

Since 2014, a total of 34,558 self-inquiry reports (SIR) were generated. 2022 saw a total of 3,083 SIRs being generated in which 88.3% were from online applications.

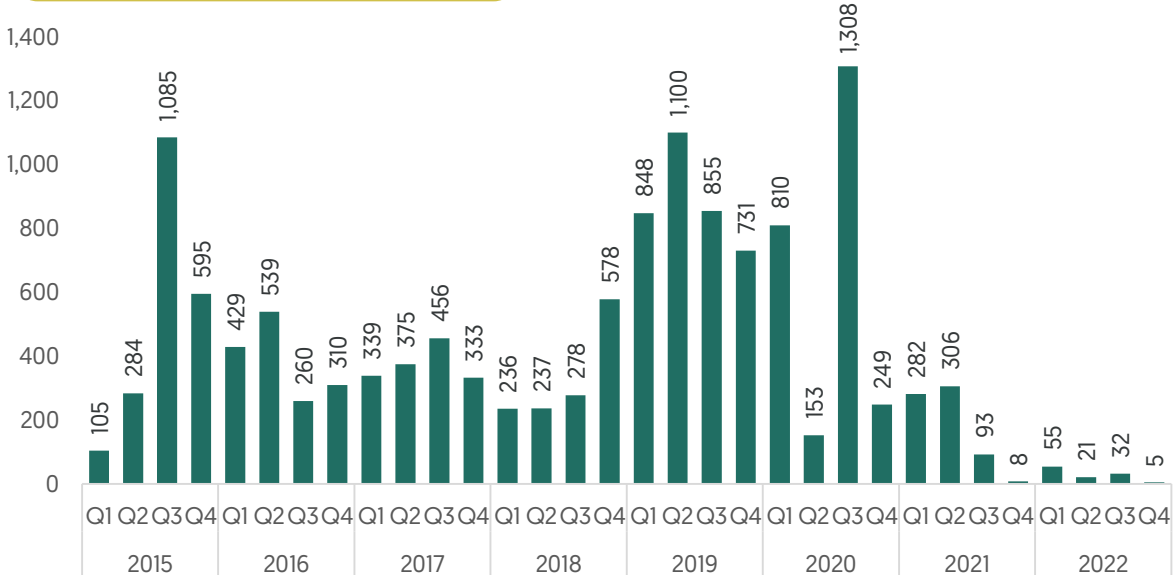
Chart 28: Number of SIR Generated



Dispute Resolution

A total of 13,359 registered disputes were lodged by subjects at the Credit Bureau since 2014. A total of 113 disputes were registered in 2022 whereby all disputes have been resolved.

Chart 29: Number of Registered Disputes



Credit Bureau Repository

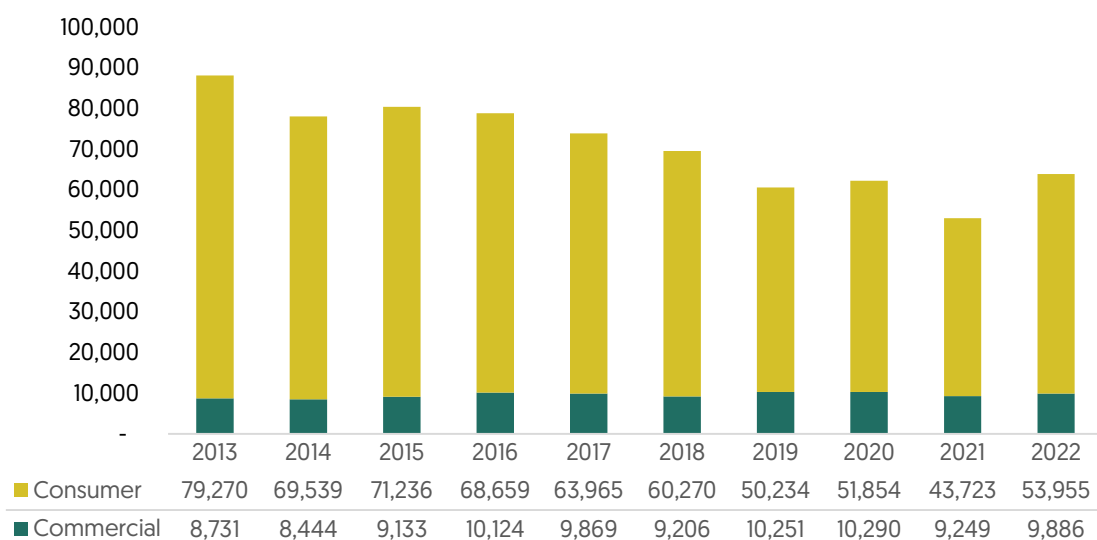
Table 5 shows the statistics on the Credit Bureau's repository as of 31 December 2022. There were a total of 17 reporting data providers consisting of financial institutions and non-financial institutions including telecommunication companies and government agencies. The reduction in the number of non-financial institution data providers was due to the restructuring of the nation's telecommunication networks, i.e. exclusion of subsidiaries companies under Datastream Technology Sendirian Berhad and Telbru Berhad from the statistics below.

Table 5: Credit Bureau Repository

	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of reporting financial institution	11	11	12	12	11	11	11	11	11
No. of reporting non-financial institution	-	2	3	5	9	9	11	11	6
No. of accounts	85	999,919	1,094,029	1,217,988	1,287,968	1,244,748	1,323,300	1,449,176	1,642,614
No. of individuals	85	182,480	188,119	215,289	220,858	224,023	224,032	238,231	246,709
No. of individuals accounts	715	883,589	963,943	1,072,325	1,124,216	1,110,334	1,227,656	1,362,344	1,542,012
No. of active individual accounts	350	358,845	342,935	374,886	469,470	383,420	347,311	403,310	382,388
No. of commercial entities	9,5	10,071	11,062	12,062	15,186	13,298	9,404	10,156	10,647
No. of commercial accounts	1020	116,330	130,086	145,663	163,752	161,258	54,093	86,832	100,602
No. of active commercial accounts	176	18,110	21,834	20,489	26,125	27,018	13,106	13,019	15,114
Historical Records Duration (Months)	60	72	84	96	108	120	132	144	156

Credit Facilities

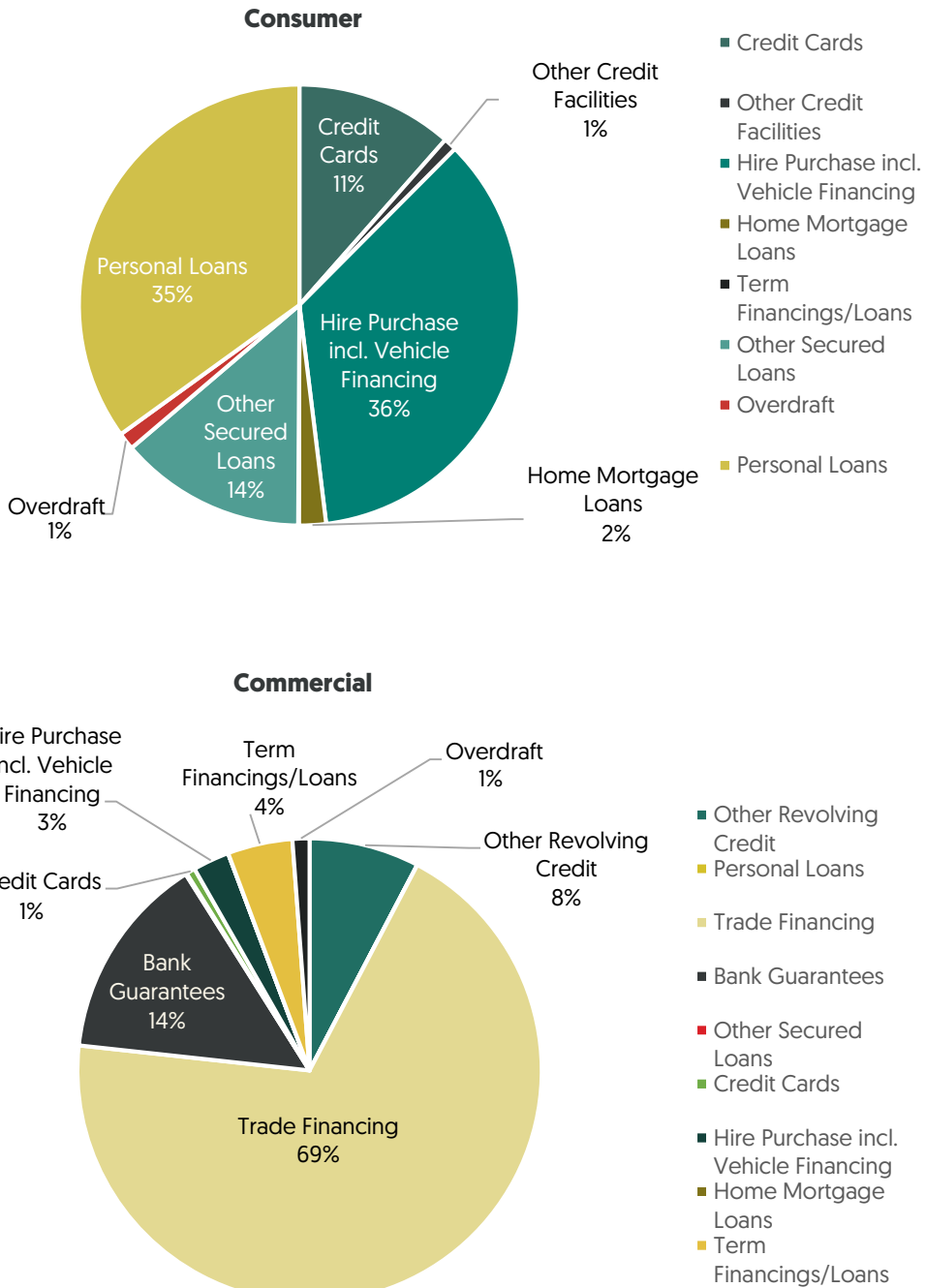
As of 31 December 2022, a total of 63,841 credit facilities were granted of which 84.5% was for consumer [Retail], and 15.5% for commercial [Corporate]. Chart 30 below shows an increase of 20.5% in the number of granted credit facilities in 2022 from the previous year.

Chart 30: Number of Credit Facilities Granted

Credit Facilities Granted by Type

In 2022, 36% of the total granted consumer credit facilities was for Hire Purchase (including Vehicle Financing), followed by Personal Loans with 35%, and 11% granted for Credit Cards. On the other hand, 69% of the total granted commercial credit facilities were for trade financing, 14% were for bank guarantees, and 8% of the facilities granted were for term loans.

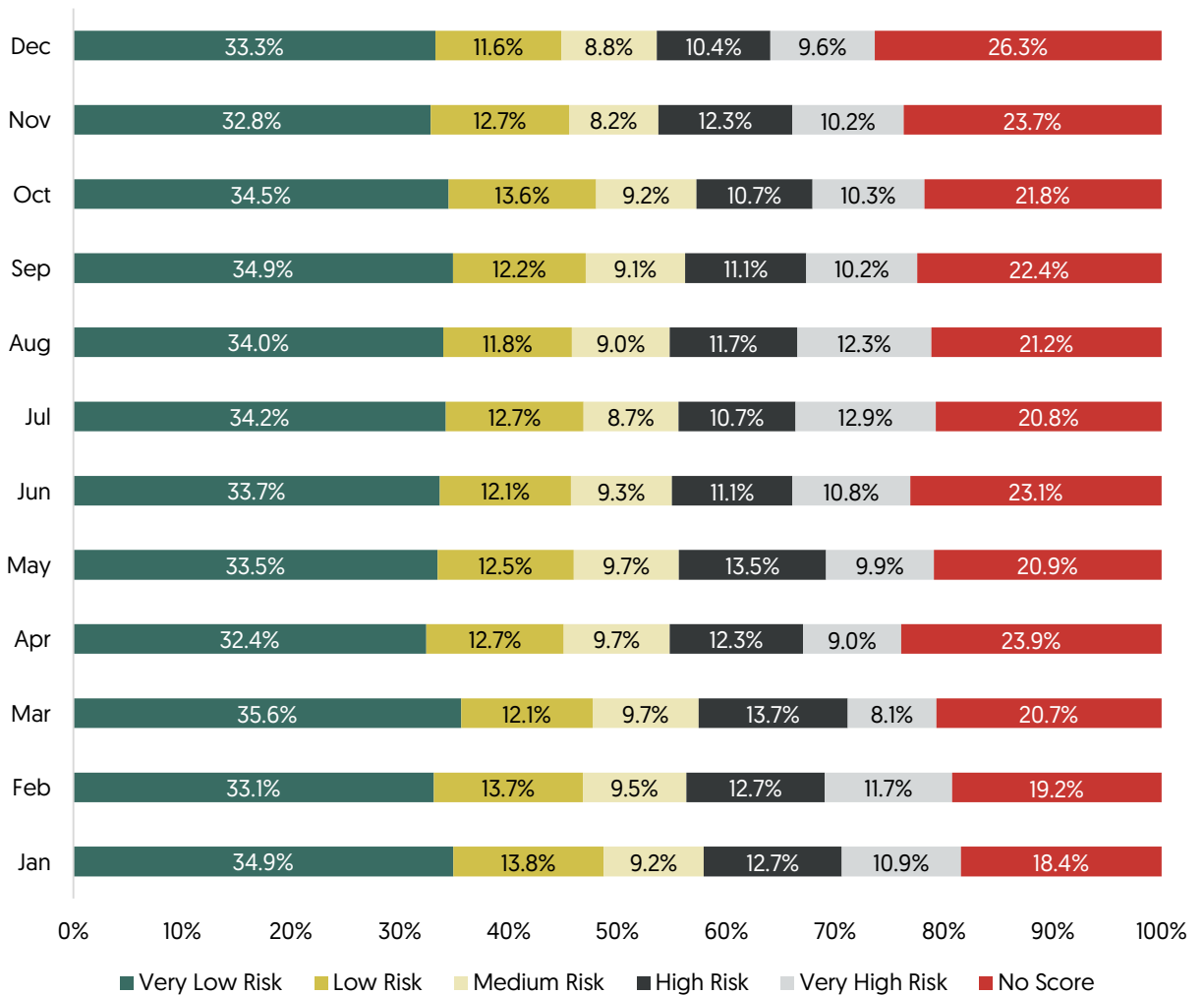
Chart 31: Credit Facilities Granted by Type



Credit Score Distribution

Chart 32 shows the distribution of applicant's credit score in 2022 that was based on the number of subjects, and not the amount of financing applied by the subjects. On average, 46.5% of applicants had very low risk or low risk credit scores. Applicants who have no credit score may either be due to subject being new with no existing financing; subject has all contracts closed before 12 months; or the subject has been inactive for the last 12 months.

Chart 32: Loan/Financing Applicants Credit Score Distribution



Insurance/Takaful Industry

In 2022, there were 11 licensed companies in the insurance and takaful industry – seven conventional insurers and four takaful operators. Of these, six were general insurance/takaful operators and the remaining five were life insurance/family takaful operators.

Table 6: Insurance and Takaful - Number of Insurance Companies/Takaful Operators

	2021	2022
General conventional insurers	4	4
General Takaful	2	2
Life conventional insurers	3	3
Family Takaful	2	2
Total	11	11

Insurance/Takaful Intermediaries

Table 7: Insurance and Takaful - Number of Intermediaries

	2021	2022
Insurance Broker	1	1
Loss Adjuster	0	0
General Insurance / Takaful Agents:	240	236
Individual	219	216
Corporate	21	20
Life Insurance / Family Takaful Agents:	273	226
Individual	272	225
Corporate	1	1

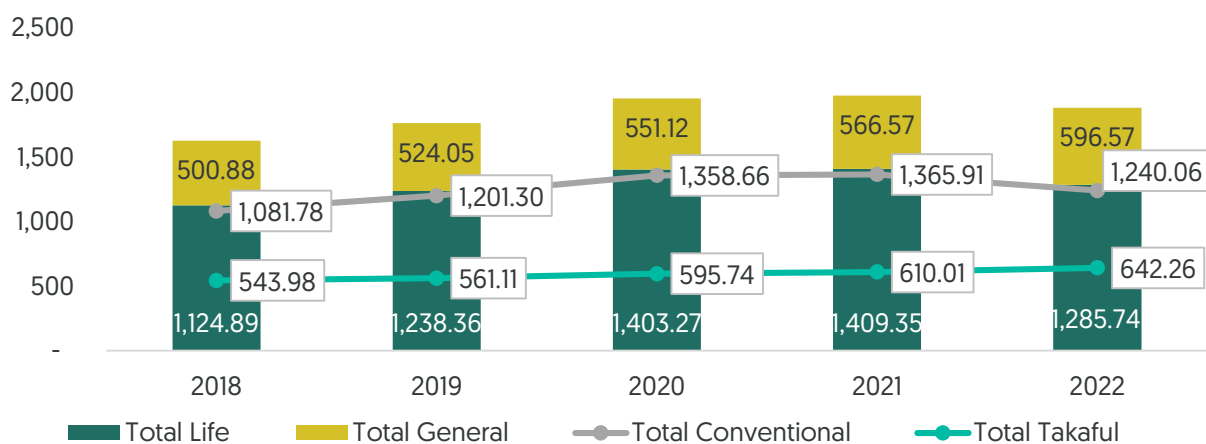
Insurance/Takaful Industry Market Updates

Table 8: Insurance and Takaful Highlights (in BND million) (Unaudited figures)

	2018	2019	2020	2021	2022
Assets	1,625.76	1,762.41	1,954.40	1,975.92	1,882.32
Gross Premiums	294.74	291.20	300.21	309.65	329.66
Gross Claims/ Benefits	126.55	146.42	162.43	106.34	101.63

Total assets of the insurance and takaful industry decreased by 4.74% in 2022 to BND1.84 billion. This was due to a decrease in investments by 11.32%, recoverable from reinsurers by 12.71%, and other assets by 16.07% in both life and general sectors.

Chart 33: Insurance and Takaful - Total Industry Assets (BND million) (Unaudited figures)



Gross Premiums/Contributions

The total industry gross premiums increased by 5.28% from BND313.13 million in 2021 to BND329.66 million in 2022. This was mainly contributed by premium growth in both life sector, specifically investment-linked insurance, and general business driven by Energy and Personal Accident. In terms of market share in 2022, conventional premiums still dominated with a share of 53.48% compared to takaful contributions at 46.52%.



53.48%

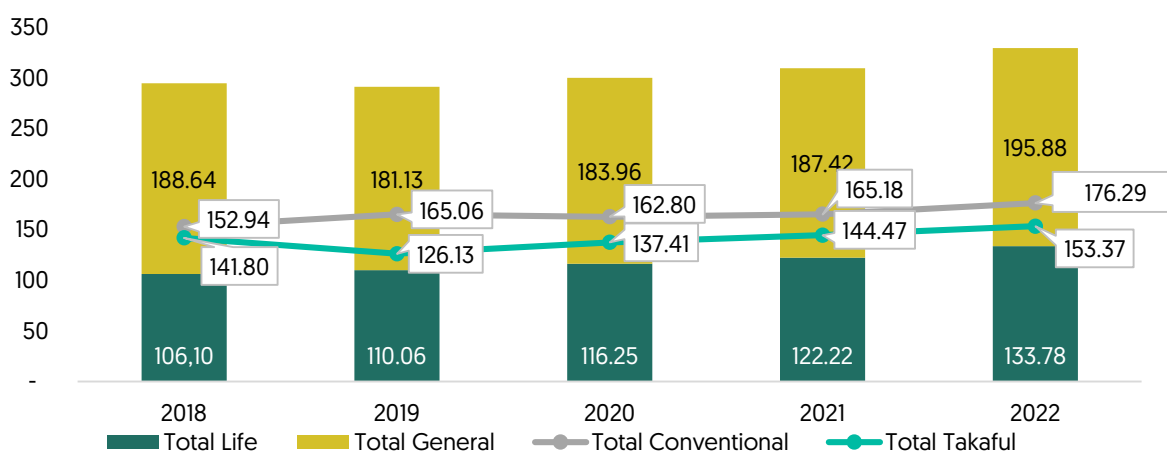
Conventional premiums



46.52%

Takaful contributions

Chart 34: Insurance and Takaful - Total Industry Gross Premiums/Contributions (Unaudited figures)



General insurance/takaful sector recorded an increase of 2.60% in 2022, with total gross premiums/contributions of BND195.88 million. Notable increases were recorded in Marine, Aviation and Transit (MAT) by 8.97%; Energy by 14.89%; Personal Accident by 163.14%; and Workmen Compensation Business by 15.42%.

Table 9: Insurance and Takaful - Gross Premiums/Contributions for General Business (BND million)
(Unaudited figures)

Classes of General Business	2021	2022	Percentage Change (%)
Property	19.77	19.52	-1.30
Motor	85.66	85.68	+0.03
Marine, Aviation and Transit (MAT)	12.06	13.14	+8.97
Energy	19.18	22.04	+14.89
Engineering	9.41	3.15	-66.49
Liability	10.16	8.11	-20.12
Personal Accident	5.91	15.55	+163.14
Workmen Compensation	15.93	18.39	+15.42
Others	12.83	10.29	-19.78
Total Gross Premiums/Contributions	190.91	195.88	+2.60

Chart 35: Insurance and Takaful - General Gross Premiums/Contributions by Classes of Business
(Unaudited figures)

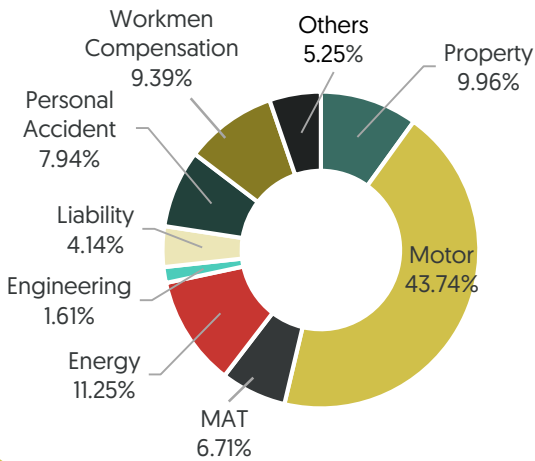
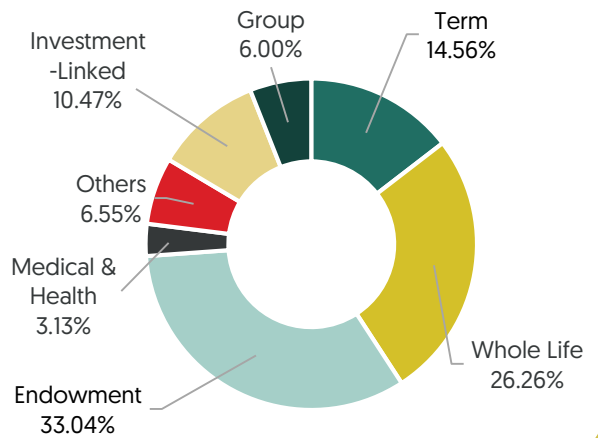


Chart 36: Insurance and Takaful - Life Premiums /Family Contributions by Classes of Business
(Unaudited figures)

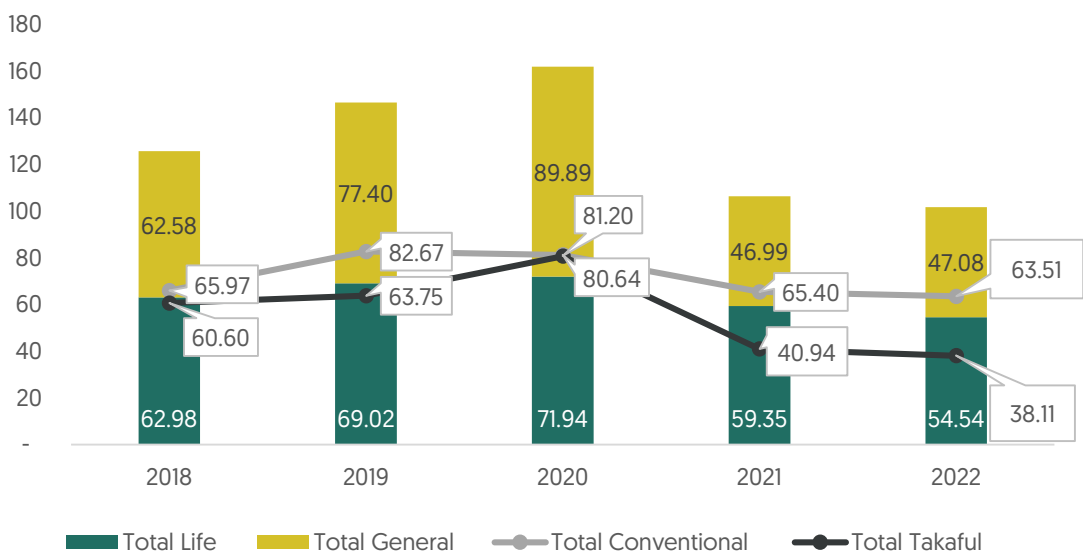


For life insurance/family takaful sector, business in-force premiums/contributions were at BND133.78 million in 2022 - an increase of 9.45% from the previous year. This was due to a significant increase in conventional life business by 11.68%, as Investment-Linked policies increased by 26.55% from BND11.07 million to BND14.01 million y-o-y. Endowment life insurance was the biggest segment in the life/family space which accounted for 33.04% of total life/family premiums/contributions, followed by Whole Life at 26.26%; Term at 14.56%; and Investment-Linked insurance at 10.47%. As of 2022, a total of 32,830 new policies/certificates were issued, totaling to 246,566 policies/certificates in-force.

Gross Claims and Benefits

In 2022, the industry recorded an increase in total gross claims and benefits by 4.44% to BND101.63 million, as well as a slight increase in general sector claims by 0.20% mainly contributed by Property at 146.43%; Motor at 12.45%; Personal Accident at 182.08%; and Miscellaneous businesses at 50.71%. Meanwhile, gross claims from the life insurance/family takaful sector decreased by 8.11% y-o-y.

Chart 37: Insurance and Takaful - Total Industry Gross Claims/Benefits (BND Million) (Unaudited figures)



Specialised Markets

Money-Changing

With border restrictions lifted after the COVID-19 pandemic, both the selling and buying of foreign currencies increased significantly in 2022. In comparison to the previous year, the selling of foreign currencies increased from BND8.18 million to BND89.95 million, while the buying of foreign currencies increased from BND4.30 million to BND15.18 million.

Malaysian Ringgit made up the highest value of foreign currencies sold and bought at 55% (BND49.04 million with 90,573 transactions), and 36% (BND5.43 million with 16,220 transactions), respectively.

Money Remittance

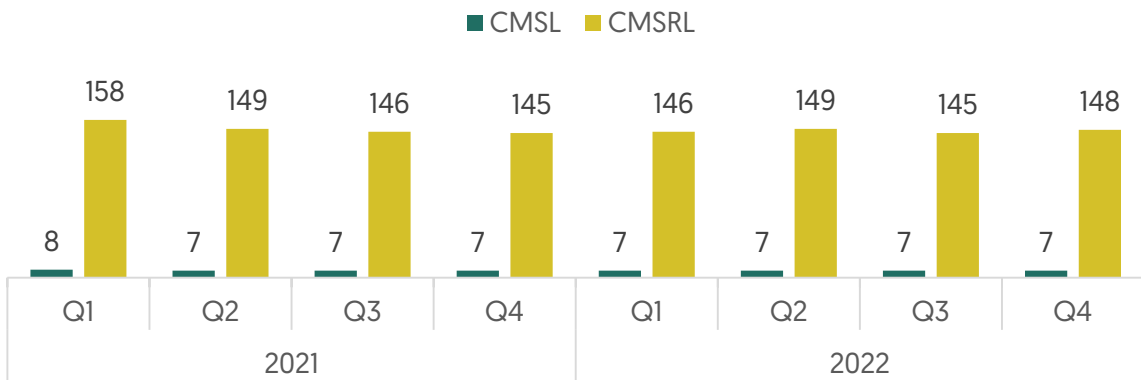
Compared to 2021, outward remittance decreased slightly by 1% from BND1.28 billion to BND1.27 billion. The number of transactions also declined by 6% from 1.21 million to 1.14 million. Majority of the money were remitted to Malaysia (35%) and Indonesia (22%). Remittances to Malaysia amounted to BND444.72 million with 166,941 transactions, while remittances to Indonesia amounted to BND279.2 million with 362,756 transactions. 78% of the outward remittances were for personal purpose.

Capital Market

Regulated Persons under Securities Markets Order, 2013 (SMO)

The total number of regulated persons under the SMO, 2013 increased by three to 155 in Q4 2022 compared to a total of 152 in Q4 2021, with new applications for Capital Markets Services Representative's Licence (CMSRL).

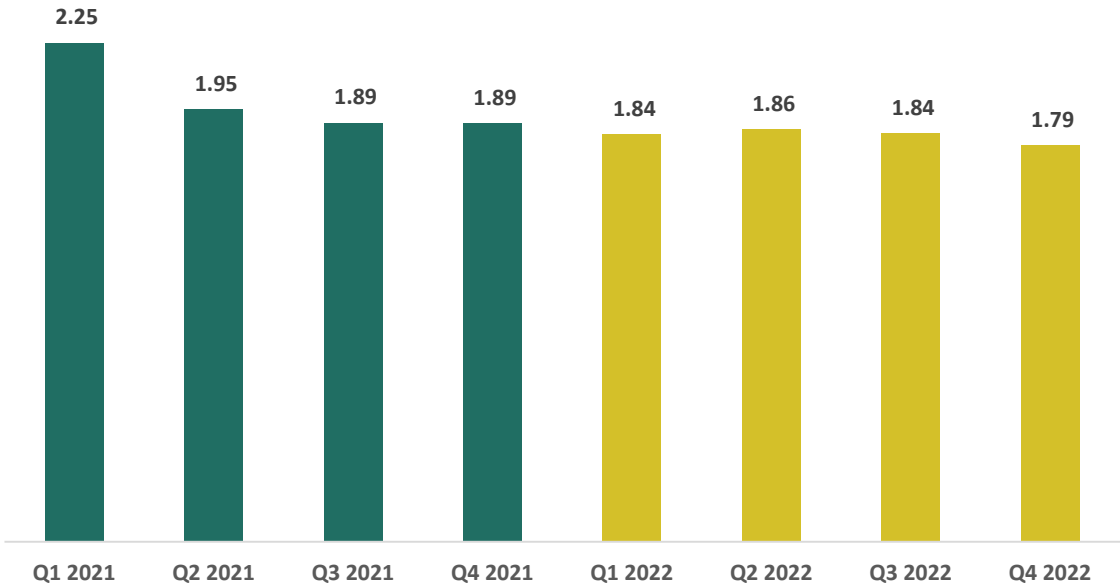
Chart 38: No. of License Holders



Total Assets Under Management

The total assets under management (AUM) managed via the Capital Markets Services Licence (CMSL) holders in Brunei Darussalam stood at BND1.79 billion in Q4 2022, representing a decline of 5.3% y-o-y in comparison to BND1.89 billion in Q4 2021. The decline was due to clients' strategic directions and sentiment towards the markets.

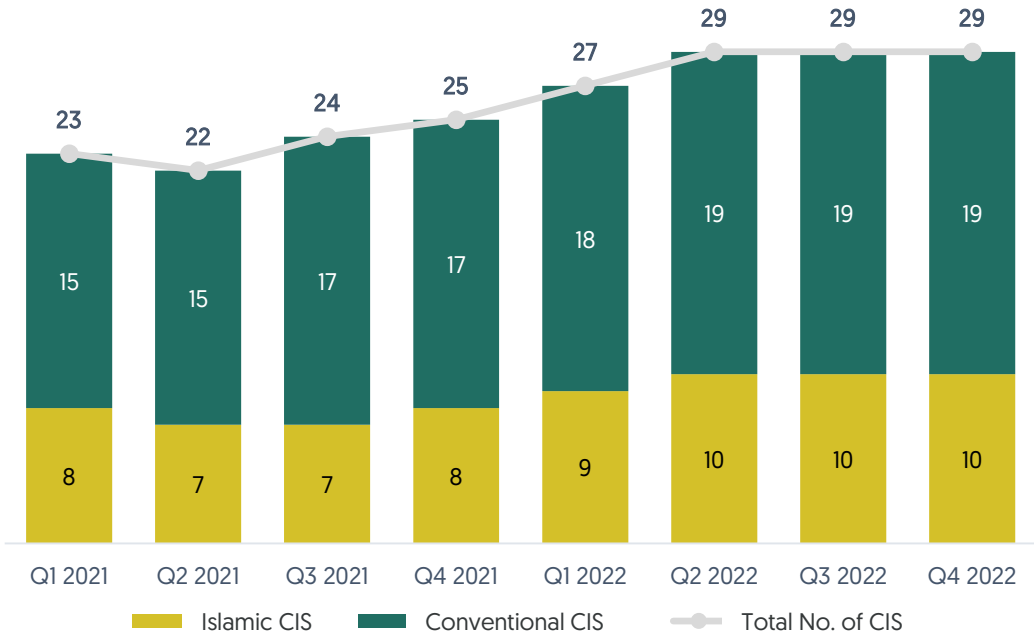
Chart 39: Total Assets Under Management (BND billion)



Collective Investment Schemes (CIS)

The total number of CIS being distributed in Brunei Darussalam had increased from a total of 25 CIS in Q4 2021 to 29 CIS in Q4 2022. Out of the 29 CIS, six are Environmental, Social and Governance (ESG) funds.

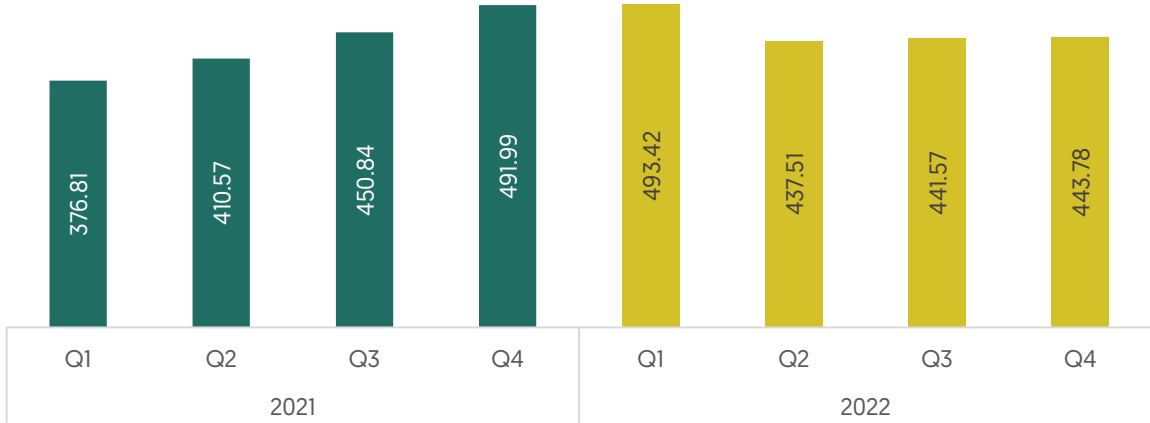
Chart 40: Total Number of CIS



Total Assets Under Distribution for Public CIS

Total Assets under Distribution (AUD) being invested into public CIS stood at BND444 million in Q4 2022, of which 18.5% are in Islamic CIS and 81.3% are conventional. This represents a 9.8% decrease from a total of BND492 million in Q4 2021.

Chart 41: Total Assets Under Distribution of Public CIS (BND million)



Financial Inclusion

The number of account ownership for those aged 15 and above stood at 85.90% as of the first half of 2022, an increase from 81.19% in the previous year. There was a further increase in the number of account ownership for adults aged 65 years old and above by 9.79%, reflecting the continuous efforts made by relevant government agencies in encouraging bank accounts ownership among the elderly and welfare recipients since the first wave of COVID-19 pandemic.

Additionally, 40.55% of the total population aged 18 years and above were recorded to have credit financing accounts, which was an increase from 36.17% in June 2021. Total credit financing account holders rose by 6.29% y-o-y, generally due to significant increases in credit financing accounts for motor vehicle loan/financing and home mortgage/financing. In the insurance/takaful sector, 28.99% of the population aged 15 and above were found to have life insurance policies/family takaful plans, reflecting a decline in ownership by 5.79% y-o-y, which may be attributed to the decrease in subscriptions to endowment policies.

Chart 42: Percentage of Population with Access to Licensed Financial Products and Services



85.90%

Have an account at a financial institution



40.55%

Have a credit financing



28.99%

Have an insurance policy/ a family takaful plan

Financial Sector Blueprint (2016-2025)

2022 Progress

Pillar I

MONETARY AND FINANCIAL STABILITY

Issuances of:

- Notice Maintenance of Capital Adequacy Ratio (CAR) for Finance Companies
- Notice on Reporting of Fraud Incidents for Banks, Finance Companies and Insurance Companies/Takaful Operators
- Syariah Standards for Islamic Financial Institutions: *Tawarruq*, *Murabahah*, *Wakalah* and *Mudharabah*
- Notice on Takaful Operational Framework
- Guidelines on Product Development and Pricing for Takaful Operators
- Notice on Selling or Offering of Complex Securities
- Guidelines on Technology Risk Management

Pillar II

COMPETITIVE AND INNOVATIVE FINANCIAL INSTITUTIONS AND SERVICES

- Industry-led initiative to introduce the use of digital distribution channel of takaful products
- Introduced Guidelines on Issuance of Debentures
- Continuous preparation for the establishment of the National Securities Exchange

Pillar III

ROBUST AND MODERN INFRASTRUCTURE

- Issuance of Notice and Guidelines on Measures for Non -Face-to-Face Customer Onboarding and Ongoing Customer Due Diligence

Pillar IV

ENHANCED INTERNATIONAL INTEGRATION

- Memorandum of Understanding with Bank of Thailand (BOT)
- ASEAN Chair for the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Sub-Committee on Financial Services (SC-FS)
- Co-Chair of the ASEAN Senior Level Committee on Financial Integration (SLC) alongside the Bank of Thailand (BOT)
- Co-Chair of the ASEAN Working Committee on Capital Account Liberalisation (WC-CAL) with the Monetary Authority of Singapore (MAS)

Pillar V

HUMAN CAPITAL DEVELOPMENT

- Continuous Professional Development (CPD) Pilot Project for the Takaful and insurance market
- Commencement of Leaders in Islamic Finance and Economics (LIFE) Programme
- Conducted High Impact Executive Leadership (HIEL) Programme

Objective I:

Domestic Price Stability

Currency Board Arrangement (CBA)

Brunei Darussalam's Monetary Policy

Brunei Darussalam's monetary policy is based on the CBA, which is underpinned by the CIA between Brunei Darussalam and Singapore.

Among the important features of a currency board are that it involves having a pegged exchange rate system and requires the backing up of the total amount of currency issued in an economy with an equivalent amount held in foreign reserves. In the case of Brunei Darussalam, the Brunei Dollar is pegged to the Singapore Dollar at par. The back-up rule is reflected in the Currency Order, 2004, which stipulates that only BDCB is allowed to issue Brunei Darussalam notes and coins and that every note and coin issued are to be backed up 100% by foreign reserves.

Meanwhile, the CIA stipulates that BDCB, Monetary Authority of Singapore (MAS) and licensed banks in both Brunei Darussalam and Singapore are obliged to accept and exchange each other's currencies, at par and without charge, into their own currency. This means that the Brunei Dollar is customary tender in Singapore and the Singapore Dollar is customary tender in Brunei Darussalam.



Monetary Stability

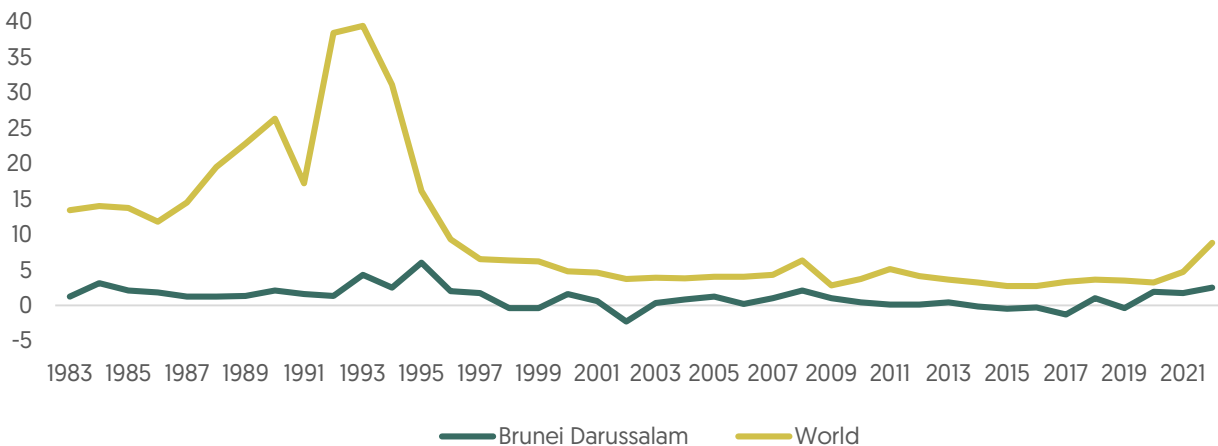
Confidence in currency
Price stability/ Stable inflation

Price stability (or low and stable inflation) is often one of the main goals of a country's monetary policy. Some key benefits of price or monetary stability include:

- It preserves the purchasing power of the Brunei currency and avoids volatile fluctuations in the value of money.
- More certainty for the Brunei currency as a store of value as well as a measure of value when making economic decisions, financial transactions and contractual agreements.

Average inflation rate in Brunei Darussalam for the period 1983-2021 is around 1.1% as shown in the chart below:

Chart 43: Average Inflation Rate in Brunei Darussalam Against World's Average (% y-o-y)



Source: International Monetary Fund

Monetary Operations

The Central Bank, as the agent to the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, is responsible for the management and administration of the Brunei Darussalam Government Sukuk Al-Ijarah issuances. The objective of this programme is to provide a safe and liquid investment instrument for domestic financial institutions and develop the Brunei Darussalam Government securities yield curve as a benchmark for corporate sukuk.

Towards achieving monetary stability, the Central Bank also conducts monetary operations through the issuance of BDCB Islamic Bills (I-Bills) and Overnight Standing Facilities (OSF) to ensure sufficient liquidity for the smooth functioning of the domestic banking system. The design of these instruments and operations, in relation to the framework, are strictly consistent with the Currency Board principles.

The OSF are fundamental tools for effective and efficient liquidity management for the banks. The OSF consist of Syariah-Compliant Funding and Acceptance Facilities, as well as Conventional Lending and Deposit Facilities. The Funding and Lending Facilities allow banks to obtain Brunei Dollar liquidity from the Central Bank, against sufficient eligible collateral on an overnight basis. Meanwhile, the Acceptance and Deposit Facilities allow banks to place excess deposits in Brunei Dollar with the Central Bank, on an overnight basis. The Lending and Deposit Rates, which also aim to facilitate money market development and reduce arbitrage, are determined by the FMSC.

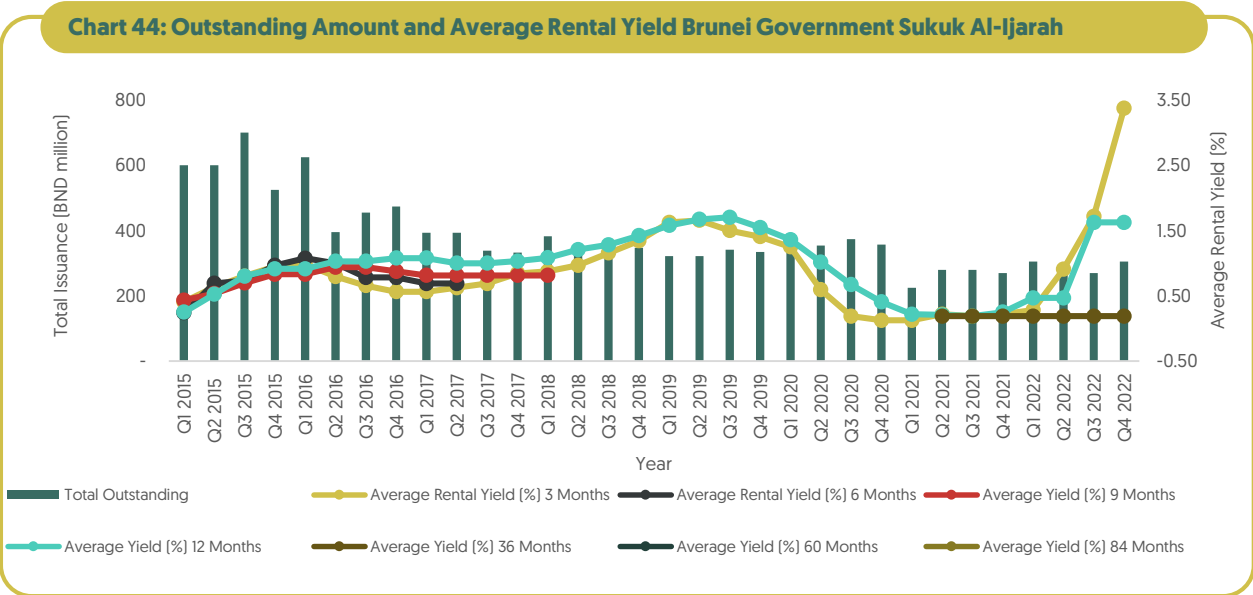
Brunei Government Sukuk Al-Ijarah

The first Brunei Government Sukuk Al-Ijarah was issued on 6 April 2006. Since the inception of this programme, the Brunei Darussalam Government has made a total of 213 issuances of Sukuk Al-Ijarah securities, with maturities ranging from three months, one year, three years, five years, seven years and ten years with a total issuance value of BND15.84 billion as of 31 December 2022.

In 2022, there were 12 issuances comprising eight issuances of three months maturities; two issuances of one year maturities; one issuance of seven year maturity; and one issuance of ten year maturity. The total outstanding as at 31 December 2022 stood at BND305.0 million.

Brunei Government Sukuk Al-Ijarah is an eligible collateral for BDCB Lending/Funding Facility under the Overnight Standing Facilities which allows banks to obtain Brunei Dollar liquidity from the Central Bank.

Chart 44: Outstanding Amount and Average Rental Yield Brunei Government Sukuk Al-Ijarah

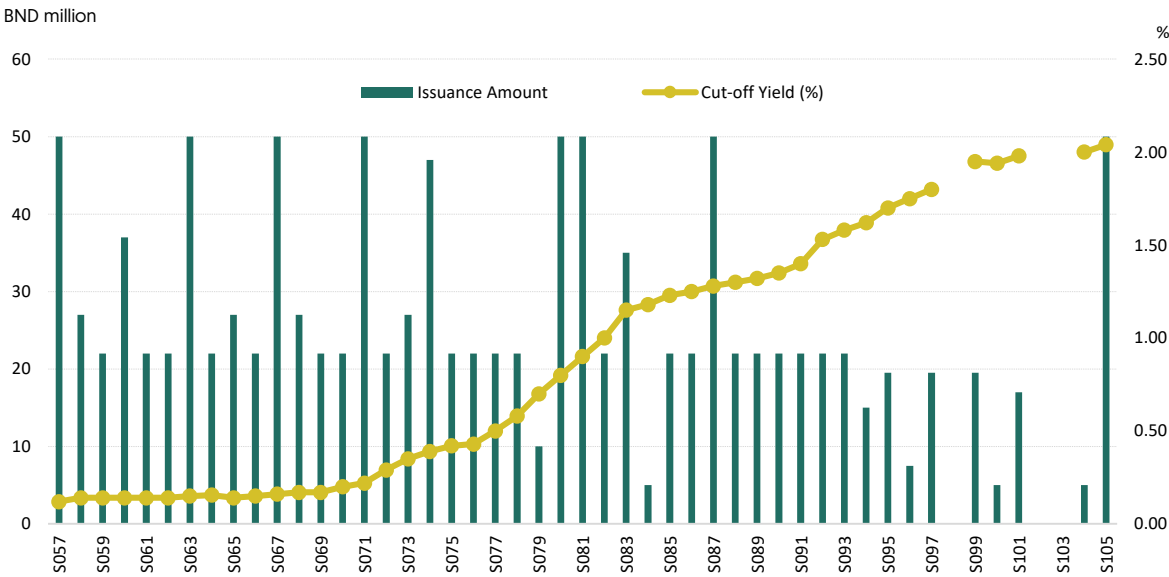


BDCB Islamic Bills (BDCB I-Bills)

As part of the Central Bank’s commitment to Pillars I and II of the Brunei Darussalam Financial Sector Blueprint 2016-2025 and its continued efforts to develop a more efficient money market for Brunei Darussalam, the 2-week BDCB I-Bills, based on the Syariah concept of Wakalah bil Ujah, was successfully launched with the maiden issuance on 22 October 2020. The BDCB I-Bills aims to support liquidity management for the banks and Perbadanan TAIB as primary market participants (PMP) in Brunei Darussalam. BDCB I-Bills is also an eligible collateral for BDCB Lending/Funding Facility under OSF which allows banks to obtain Brunei Dollar liquidity from the Central Bank.

Since the inception, the Central Bank has issued BND2.73 billion worth of BDCB I-Bills through a total of 105 issuances. As at 31 December 2022, the total outstanding amount of BDCB I-Bills stood at BND55.0 million.

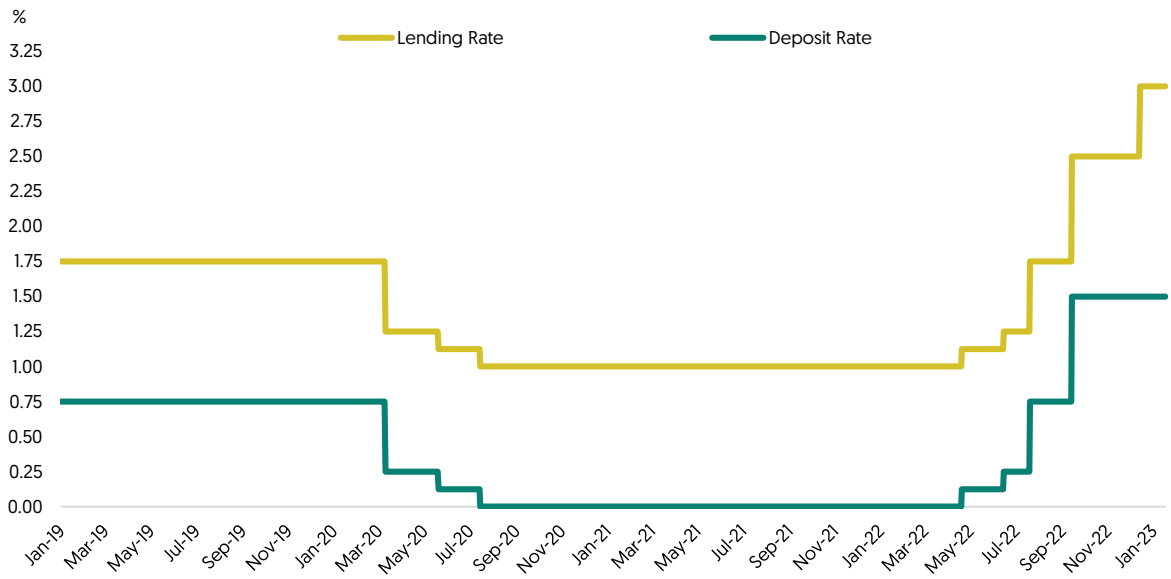
Chart 45: Rental Yield and Issuance Amount of BDCB I-Bills



Overnight Standing Facility (OSF) Rates

The Financial and Monetary Stability Committee (FMSC) raised the BDCB Overnight Standing Facility rates five times in 2022, bringing the Lending Rate to 3.00% and Deposit Rate to 1.50%. The increase in the OSF rates are also consistent with the rising rates globally as major central banks continue to raise rates over concerns on elevated inflation.

Chart 46: OSF Rates



Objective II:

Stability of the Financial System

Regulatory Developments

In safeguarding the financial system, the Central Bank remained committed to strengthening the regulatory and legal framework for the financial sector, in line with international standards and best practices. In achieving this, the Central Bank formulates, enhances and streamlines financial regulations and prudential standards for financial institutions in Brunei Darussalam.

Regulatory Requirements

Throughout 2022, several notices were issued and enhanced to maintain the resiliency of the financial system.

- **Notice on Non-Face-to-Face Measures for Customer Onboarding and Ongoing Customer Due Diligence**

The Notice will allow the use of Electronic Know Your Customer [E-KYC] for non-face-to-face customer onboarding and conducting of ongoing due diligence in adhering to AML/CFT requirements. This Notice also requires for any system and technology in place is secure and robust against any form of cyber-attack or threats.

- **Notice on Takaful Operational Framework**

The Notice outlines the parameters that govern the operational requirements relating to the management of takaful funds and shareholders' funds.

Moreover, the Notice aims to achieve operational efficiency of takaful businesses and sustainability of takaful funds, in order to safeguard the best interest of takaful participants, as well as promote uniformity in takaful business practices. With the issuance of the Notice, two of the Central Bank's existing Notices on Establishment and Maintenance of Takaful Funds for Takaful Operators, and Surplus Distribution for Takaful Operators were repealed.

- **Notice on Application Process and Requirements of Investment-Linked Insurance Business for Insurance Companies**

This Notice sets the application process and requirements of investment-linked insurance business [ILIB]. Insurance companies are required to provide fair treatment to their policyholders in preserving the value of their investment-linked policies, including management of funds, disclosure, payments, marketing and reporting.

- **Notice on Maintenance of Capital Adequacy Ratio for Finance Companies**

In enabling BDCB to effectively assess the resiliency of finance companies, the Capital Adequacy Framework was introduced to finance companies. The Notice also aims to ensure that the capital of a finance company remains adequate against the identified risks.

- **Notice on Academic Qualification and Work Experience for Capital Markets Services Representative's Licence**

The Notice sets out the minimum academic and qualification requirements to be fulfilled by CMSRL applicants in order to be deemed fit and proper under SMO, 2013 and SMR, 2015.

- **Notice on Selling or Offering of Complex Securities**

The Notice aims to introduce new requirements on CMSL holders conducting the regulated activity of dealing in investments and exempt persons who wish to sell or offer complex securities.

- **Second Amendment to Notice on Requirements for Payment Systems**

The objective of the amendment is to enhance and notify the rules and regulations for all operators in relation to providing payment systems, as required under the Payment and Settlement Systems [Oversight] Order, 2015.

- **Notices relating to fraud incident reporting framework**

The objective is to strengthen the monitoring and mitigation of fraud incidents within the banking and insurance/takaful sector. The Notice outlines the requirement to ensure that the financial institutions' internal policies incorporate fraud detection procedures and relevant measures.

As industry consultations are important due process towards developing a robust regulatory framework, the Central Bank also issued and held briefings for two Exposure Draft Notices to seek views and feedback from industry players and relevant stakeholders in 2022:

- **Exposure Draft Notice on Commencement of Continuous Professional Development Framework**

This will apply to holders of CMSL, CMSRL and exempt persons licensed or exempted under the SMO, 2013.

- **Exposure Draft Notice on Temporary Licence**

This will apply to foreign intermediaries and representatives that wish to conduct specific regulated activities under the SMO, 2013 on a temporary basis in Brunei Darussalam.

Standards and Best Practices

Towards encouraging financial institutions to continuously strengthen their risk management and governance, the Central Bank issued the following guidelines in 2022:

- **Guidelines on Measures for Non-Face-to-Face Customer Onboarding and Ongoing Customer Due Diligence**

Complementing the Notice on Measures for Non-Face-to-Face Customer Onboarding and Ongoing Customer Due Diligence, these Guidelines are meant to assist the financial sector in aligning to the minimum standards required when utilising E-KYC for use in the provision of its services, and ensuring compliance to AML/CFT and technological requirements.

- **Updates to Guidelines on the Obligation to Submit a Suspicious Transaction Report (STR)**

These Guidelines provide guidance to all financial institutions and designated non-financial businesses and professions on the obligation to report suspicious transactions as required under section 15 [6] of the CARO, 2012 and section 47 [5] of the ATO, 2011.

- **Guidelines on Operational Risk Management**

These Guidelines were issued to banks and outlines sound principles and practices in managing operational risks relating to banking operations.

- **Guidelines on Underwriting and Claims Management for Insurance Companies and Takaful Operators**

The Guidelines aim for the industry to have effective systems of risk management and internal controls in place for their core activities. The Guidelines also set out the Central Bank's expectations on areas such as underwriting policy, and underwriting and claims management.

- **Amendment to Guidelines on Insurance Fraud Risk Management in Insurance and Takaful**

Complementing the Notice on Reporting of Takaful/Insurance Fraud, the revised Guidelines aim to provide guidance on sound risk management practices in order to identify and mitigate insurance companies' and takaful operators' exposures to the risk of insurance fraud.

To continuously enhance financial institutions' core activities including product development in a sound and orderly manner, the Central Bank also issued several guidelines in 2022 to achieve this objective:

- **Guidelines on Product Development and Pricing for Takaful Operators**

These Guidelines supplement the product approval application process for takaful operators, as stipulated in the Central Bank's Notice on Application Process of Islamic Product. The Guidelines identify sound practices that takaful operators should undertake when carrying out activities relating to product development and pricing.

- **Guidelines on Issuance of Debentures**

These Guidelines provide guidance to any person who wish to issue debentures (such as corporate bonds) and set out the necessary standards for any issuance of debentures in Brunei Darussalam.

- **Guidelines on Selling or Offering of Complex Securities to Accredited and Expert Investors**

These Guidelines provide guidance to:

(a) CMSL holders who are licensed to conduct the regulated activity of dealing in investments and any exempt persons that sell or offer, or intend to sell or offer, complex securities; and

(b) CMSL holders that provide market access to foreign markets which offer complex securities to accredited or expert investors.

- **Guidelines on Offering and Trading of Security Tokens**

These Guidelines provide guidance and clarity to applicants who wish to offer or issue security tokens in Brunei Darussalam.

Matters Related to the COVID-19 Pandemic

The third amendment to the Notice on Temporary Regulatory Measures ended on 30 June 2022. As such, the temporary regulatory flexibility to banks and finance companies on loan/financing facilities, which was introduced since April 2020 to encourage the offering of appropriate assistance to their affected customers, will no longer apply. Nevertheless, the banks and finance companies may offer suitable restructuring and rescheduling facilities to their remaining affected customers.

The Notice on Publication and Exhibition of Audited Financial Statements for the Financial Year Ending 31 December 2021 was issued on 8 February 2022 to provide banks a one-month extension up to 30 April 2022 for the mandatory publication and exhibition of Audited Financial Statements, as well as the disclosure obligations under Notice on Pillar 3 - Public Disclosure Requirements. The extension was requested by the Brunei Association of Banks in view of the operational challenges faced during the pandemic.

For the banking sector and finance companies, the Central Bank had designed stress test scenarios to examine the potential impact of a hypothetical adverse set of circumstances on the health of the banking industry as a whole and upon individual institutions. This allows the Central Bank to assess the banks' adequacy of capital and liquidity to an adverse economic situation including the impact of COVID-19 outbreak and gauge the bank's ability to deal with stresses.

Under the Supervisory Review and Evaluation Process, banks are required to submit the Internal Capital Adequacy Assessment Process every year to facilitate the supervisors' role of monitoring the capital adequacy of banks to support the risks in their business activities. This process will also encourage banks to improve their risk management strategies. Besides this, supervisors also have to assess the recovery plans submitted by the banks to enable supervisors to understand recovery options outlined by the banks to restore their financial stability and viability in the midst of extreme stress.

Going forward, supervisors are expected to adjust their own supervisory approaches and practices to ensure that they are forward-looking, risk-based and able to keep pace with the changing market environment. The use of SupTech would certainly enhance the performance of routine supervision activities effectively such as dealing with applications in a timely manner, the conduct of the risk assessment, offsite monitoring and data-driven analytical capabilities to assist supervisors with the early identification of issues.

Undoubtedly, the uncertainties during the pandemic still continue to exist. The pandemic has redefined the supervision of the financial institutions in a conceptual and operational sense. The above experience signifies that collaborative efforts and communication with relevant stakeholders is key in times of crisis. Hence, the Central Bank will continue to adapt and progress in the supervision area according to the evolvement of supervisory standards and passage of time.

Macroprudential Policy and Financial Surveillance

Identification of Domestic Systemically Important Bank(s) (D-SIB(s)) in Brunei Darussalam

As part of the Central Bank’s annual exercise, D-SIB(s) for the year 2023 were identified based on the quantitative and qualitative criteria specified in the Framework for Domestic Systemically Important Banks. Based on the assessment, the High Loss Absorbency (HLA) capital requirement was imposed to the designated D-SIB(s).

The identification of D-SIB(s) aims to strengthen the resilience of the banking sector and overall stability of the financial sector through better management of the risks posed by systemically important financial institutions. The list of D-SIB(s) will be reviewed on an annual basis taking into account the changes of the banks’ systemic importance over the past year. The framework, on the other hand, will be reviewed once in every three years.

Expansion of the Central Bank’s Macroprudential Toolkit

In 2022, the Central Bank expanded its macroprudential toolkit to manage and address systemic risks. Among others, a study was conducted to assess the level of offshore assets interconnectedness to the banking system. This analysis is crucial considering that the banks in Brunei Darussalam have maintained a large exposure of assets outside the country.

The Central Bank continues to conduct surveillance of the financial sector through its quarterly Risk Dashboard analysis and bi-annual Risk Perception Survey. The Macroprudential Policy Working Group within the Central Bank met to discuss financial stability risks and cross-cutting concerns across different industries as part of the overall financial surveillance conducted for reporting to the FMSC.

Market Conduct And Consumer Protection

Public Awareness on Unlicensed Financial Activities

The BDCB Alert List is a list of persons (companies and individuals) and websites which are neither authorised nor approved under the relevant laws and regulations administered by the Central Bank or whose activities raise a suspicion of illegal activity. As of 31 December 2022, a total of 183 unauthorised persons were listed in the alert list since 2016, of which 44 were added in 2022.

Chart 47: Entities Listed on the BDCB Alert List in 2022 Based on Types of Activities



Promoting Financial Literacy in Brunei Darussalam

The Central Bank remained active in promoting financial literacy in Brunei Darussalam through online and offline channels.

A number of key areas of financial literacy were focused on, considering the post-pandemic environment, including recovery in personal finance, enhancement of financial consumer protection, and strengthening of overall financial wellbeing.

Throughout the year, the Central Bank continuously leveraged the broad outreach of digital platforms and social media for the promotion of both central banking objectives and responsibilities, as well as financial education. A number of educational infographics, social media posts, comic strips, videos, TV tickers and a booklet on smart money management were published on the Central Bank's social media platforms, including its official Instagram account @centralbank.brunei, LinkedIn page and website. Topics ranged from savings and Islamic finance to financial consumer protection and rights, cybersecurity and financial scams.

Financial Literacy Programs

The Central Bank also delivered a number of financial literacy modules and courses to interested public and private agencies, such as the Civil Services Institute for Young Executive Programme (Cohort 6); Ministry of Finance and Economy; Royal Brunei Armed Forces; Brunei Investment Agency; Royal Brunei Police Force; District Office, Temburong; Jerudong Park Medical Centre and Pantai Jerudong Specialist Centre; as well as on-boarding BDCB officers and staff. These financial literacy modules and courses have become a regularly-scheduled initiative for the Central Bank's employees.

The financial literacy modules and course aim to equip participants with the necessary financial management knowledge and skills to make well-informed financial decisions, particularly on financial planning, budgeting, inflation, debt management, takaful/insurance, investments, financial scams and the Brunei currency.

Financial Literacy Events

The Central Bank organised several activities in conjunction with major events, including National Savings Day which is celebrated annually on 28 May; World Investor Week celebrated every first week of October; and ASEAN Savings Day celebrated every 31 October. These events were mostly celebrated on the Central Bank's official platforms in the form of social media posts, videos, and competitions. These events were celebrated through collaborative efforts with the Central Bank's key stakeholders including relevant government agencies, financial institutions and associations.

Safeguarding Against Money Laundering and Terrorism Financing Risks

Risk Assessment

The FIU, BDCB conducted a reassessment of the sectoral money laundering risks following enhanced AML/CFT supervision and awareness of the various sectors since the last assessment in 2016. This risk assessment also considered terrorism financing risks which were not included in the 2016 risk assessment.

The risk assessment of financial institutions and designated non-financial businesses and professions considered the inherent vulnerability of the sectors, the Money Laundering and Terrorist Financing (ML/TF) controls that are in place and ML/TF threats to the respective sectors. The sectoral risk assessment was endorsed by the NAMLC in August 2022.

In November 2022, the FIU updated its ML/TF Risk Matrix for financial institutions to identify and categorise the risk levels of financial institutions. This institutional-level risk assessment matrix allows supervisors to place more focus on institutions identified to pose a higher risk for ML/TF, with major deficiencies in their AML/CFT controls.

Onsite and Offsite Examinations

An onsite examination is an in-depth examination into an institution's AML/CFT policies and procedures and its implementation throughout the institution. This involves examining documents, and interviewing relevant officers from different departments. The FIU conducted onsite examinations to seven high-risk remittance companies, and issued onsite examination reports that highlighted the following matters:

1. AML/CFT risk assessment;
2. Sanctions screening;
3. Transaction monitoring system;
4. Enhanced due diligence;
5. Policies and procedures; and
6. Compliance function.

Offsite examinations are actively carried out to monitor the adequacy of internal controls and processes of financial institutions and designated non-financial businesses and professions, based on desktop analysis and review of policies, procedures, audit reports, responses provided to AML/CFT questionnaires and other documents published or provided by the respective institutions.

In June 2022, the FIU issued AML/CFT questionnaires to the insurance, remittance, money changer and securities sectors. The questionnaire collected updated quantitative data, as well as other relevant information to better understand the processes financial institutions have in place, and identify the deficiencies in complying to AML/CFT requirements. A total of 22 supervisory letters highlighting concerns with identified deficiencies were issued in 2022.

Table 10: Highlights for 2022

Suspicious Transaction Reports (STR)	
No. of STRs Received	1,853
Intelligence Reports	
No. of Intelligence Reports Disseminated	6 (2 non-STR-based 4 STR-based)
Cash Transaction Reports (CTR)	
No. of CTRs Received	5,932
Amount Reported in CTRs	BND3.93 million
Requests for Information (RFI)	
Received from Domestic Agencies and Stakeholders	139
No. of Persons	308
No. of Entities	16
Sent to Reporting Entities	95
Received from International Counterparts	0
No. of Persons	0
No. of Entities	0
Sent to International Counterparts	1
No. of Persons	1
No. of Entities	0
Physical Currency or Bearer Negotiable Instruments (CBNI) Reports	
No. of CBNI Reports Received	169
Total Amount Reported in CBNI	BND85.12 million
Reported Entering Brunei Darussalam	104
Total Amount Reported in CBNI	BND45.42 million
Reported Exiting Brunei Darussalam	55
Total Amount Reported in CBNI	BND36.81 million
Reported Transiting Through Brunei Darussalam	10
Total Amount Reported in CBNI	BND2.90 million

Suspicious Transaction Report (STR)

A STR is filed whenever a transaction or attempted transaction is suspected of involvement in a serious offence. A serious offence is any offence that is committed for which the maximum penalty is death, imprisonment for a term not less than 6 months, fine of not less than BND1,000.00 or a more severe penalty. This includes offences of ML/TF and other serious offences.

In 2022, the FIU received a total of 2,244 STRs, a decrease of 13.80% in total reporting compared to 2,603 received in 2021. Essential operations such as the submission of STRs continued despite the ongoing nationwide implementation of restrictions and business continuity plans as a result of the surge of COVID-19 cases in Brunei Darussalam in February and April 2022.

The FIU analyses these reports and assesses the likelihood of any criminal activity occurring. If the suspicion raised is substantiated, the FIU then disseminates the information to the respective law enforcement agency for investigation.

Cash Transaction Report (CTR)

A CTR is filed on any cash transaction(s) amounting to BND15,000.00 or more, or the equivalent in a foreign currency transacted within a day. The CTR requirement was first implemented in June 2014. CTRs are submitted by financial institutions, designated non-financial businesses and professions, and motor vehicle dealers who are registered as reporting entities. CTRs are submitted directly to the FIU through the Integrated Financial Intelligence System (IFIS).

In 2022, the FIU received 7,007 CTRs from reporting entities, where 91.07% of the reports came from the banking and remittance sector. Following previously observed patterns, these sectors continue to report the majority of CTRs received over the years.

The total monetary value of CTRs received slightly increased from BND4.51 billion reported in 2021 to BND4.59 billion in 2022. This change may be attributed to the effects of COVID-19 as well as the country's development towards a cashless society through the use of new technologies.

Physical Currency and Bearer Negotiable Instruments (CBNI) Report

The CBNI Reporting requirement was first introduced in August 2011. This report requires any persons carrying BND15,000.00 or more, or the equivalent in foreign currency across Brunei Darussalam borders to submit a CBNI Report to either a Customs or Immigration officer at the border control post. These reports are then forwarded for digitisation, storage and analysis by the FIU.

As of May 2018, the CBNI reporting requirement has been expanded to include any persons moving CBNI across Brunei Darussalam borders amounting to BND15,000.00 or above by cargo, courier, postal service or any other means.

The CARO, 2012 imposes measures for the disclosure of information regarding movements of CBNI into and out of Brunei Darussalam for the purposes of detecting, investigating, and prosecuting any offences involved under ML/TF and related offences. Failure to submit a CBNI declaration as per the requirements of section 37 of the CARO is an offence and liable on conviction to a fine not exceeding BND50,000.00 or imprisonment for a term not exceeding 3 years, or both.

Due to the relaxation of travel movement restrictions following Brunei Darussalam's entry to the Endemic Phase in December 2022, the FIU received 184 CBNI reports, more than triple the number of reports received in 2021. The majority of CBNI reports received were for the purpose of conducting business and were submitted by money changers and banks.

Intelligence Report

Where there are substantiated suspicions of activity relating to ML/TF, or other serious offences, the FIU disseminates the results of its analysis to relevant authorities and stakeholders in the form of intelligence reports based on analysis of STRs or other non-STR reports received by the FIU such as CTRs and CBNI reports as well as research/analysis of other sources of information available to the FIU. Intelligence reports aim to assist law enforcement agencies, and other relevant stakeholders in the investigation of criminal activities.

In addition to the provision of intelligence reports, the FIU also undertook a more direct collaborative approach alongside its stakeholders in 2022 through increased engagement in the provision of intelligence and information during ongoing financial investigations and prosecutions. The feedback received from law enforcement agencies, who are the primary stakeholders of the FIU, indicate that the assistance provided in the form of intelligence reports or direct engagements between an analyst and a law enforcement officer has been useful in developing financial investigations.

Objective III:

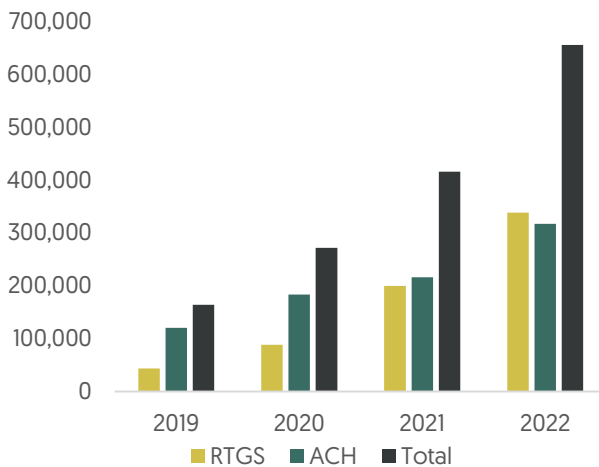
Efficient Payment Systems

National Payment and Settlement Systems

The payment and settlement systems operated by the Central Bank facilitates local interbank fund transfers and securities settlement via three systems: Real-Time Gross Settlement (RTGS), Automated Clearing House (ACH) and Central Securities Depository (CSD).

In 2022, the total number of customer fund transfers in the RTGS system increased by 69.3% y-o-y to 338,093 transactions, while the total number of direct credit transfer in the ACH system grew by 47.1% y-o-y to 316,900 transactions. This was mainly driven by the extension of the waiver of fees and charges [excluding third-party charges] for interbank fund transfers.

Chart 48: Volume of Interbank Fund Transfers by Customers (Number of Transactions)



Digital Payment Hub (DPH) Project

Throughout the year, the Central Bank continued to provide support and guidance to the DPH project. The Hub Consortium (HubCo) Shareholding Agreement was signed and National Digital Payment Network Sdn Bhd was incorporated on 17 November 2022. The Central Bank was also invited to join members of HubCo for meetings in Singapore that took place in November 2022. During those meetings, the delegation engaged with and learnt from

representatives from the Bank for International Settlements (BIS) Innovation Hub, Visa, the NETS Group, the Association of Banks in Singapore (ABS) and CMA Small Systems.

Regulatory Updates

The Notice on Requirements for Payment Systems was amended to include Digital Payment Token Services under the types of payment systems covered by this notice. With this inclusion, payment system operators intending to provide such services will be required to obtain the Central Bank's authorisation.

Payment System Operators

In accordance with Notice on Requirements for Payment Systems, the Central Bank granted conditional approval for Three G Media Sdn Bhd and Beep Digital Solutions Sdn Bhd in May 2022 to operate their respective payment systems. Three G Media Sdn Bhd offers a payment app 'Pocket' that allows users to keep multiple debit and credit cards from different banks in the mobile app to make payment, either by scanning QR codes at selected merchants or remotely through the Biller function. Beep Digital Solutions Sdn Bhd, on the other hand, runs a merchant solution app called 'Beep Plus+' that accepts Alipay payments in Brunei Darussalam.

Objective IV:

■ Sound and Progressive Financial Services Sector ■

Development of the Financial Services Sector

The Central Bank is also mandated under the BDCB Order, 2010 to foster and develop a sound and progressive financial services sector. Pillar II of the FSBP outlines key focus areas to create a financial system consisting of competitive and innovative financial institutions and services.

In 2022, the Central Bank, in collaboration with the financial industry, and relevant stakeholders worked hand-in-hand to develop the country's financial services sector, focusing on the following areas:



Islamic Finance

Islamic Finance Assets

Brunei Darussalam's Islamic Financial Ecosystem



1 Islamic bank



2 Islamic investment dealers



1 Islamic trust fund



1 Islamic window in the capital market



4 Takaful operators



Other ancillary services

Islamic deposit-taking institutions, which make up 95.64% of total Islamic finance assets, rose by 7.03% y-o-y from BND13.17 billion in Q4 2021, to BND14.09 billion in Q4 2022. Islamic non-deposit-taking institutions also recorded an increase of 5.25% y-o-y from BND610 million to BND640 million.

Since the launch of one Islamic window in 2021, the capital market industry noted an increase in Islamic investment offerings in Brunei Darussalam from seven to ten Islamic collective investment schemes (CIS) to cater to the market demand.

Islamic Finance Development Ranking

Brunei Darussalam maintained its Islamic Finance Development Indicator (IFDI) ranking in the **12th place out of 136 countries** for the overall development in Islamic finance, according to the ICD-Refinitiv Islamic Finance Development Report 2022: Embracing Change.

The IFDI score measures the state of the development of Islamic finance industries, using five main indicators: Financial Performance (formerly known as Quantitative Development); Governance; Sustainability; Knowledge; and Awareness. The latest IFDI was measured using a revised model that incorporates other metrics such as FinTech and ESG factors.

The report, which is based on 2021 data, revealed that Brunei Darussalam scored 31 points. The nation's performance for the year is as follows:



The report also highlighted Brunei Darussalam's strength in the following areas:



8th place

in Other Islamic Financial Institutions (OIFI) Assets with a value of USD2 billion (BND2.7 billion)



1st place

for Regulations, a sub-indicator of Governance.



4th place

for Events, a sub-indicator of Awareness



5th place

for Research, a sub-indicator of Knowledge

Note: OIFI refers to FinTech companies, investment firms, financing companies, leasing and microfinance firms.

Syariah Regulations

The Central Bank issued the Notice on Application Process of Islamic Product (NAPIP), which in turn repealed the previous Guidelines on the Islamic Product Approval Process under section 14 of the Syariah Financial Supervisory Board Order, 2006. The Notice, which is applicable to all Islamic financial institutions, sets out the application process to obtain approval from the Central Bank and Syariah Financial Supervisory Board (SFSB).

Four Syariah standards were also issued in 2022, namely Tawarruq, Murabahah, Wakalah and Mudharabah, to act as reference for the Islamic financial institutions in structuring any Islamic financial products and services, in accordance with Hukum Syara'.

Financial Technology (FinTech)

BDCB FinTech Regulatory Sandbox (Sandbox)

New Reporting Template

In the first quarter of 2022, a new reporting template was introduced to the Sandbox participants to report the general developments of their product testing and business operations. Sandbox participants are also required to report any IT issues, incidents, near-miss incidents, and major system maintenance that affect or could potentially affect the company's business operations.

Awareness and Promotions

Sharing Sessions

In 2022, a series of sharing sessions about the FinTech Regulatory Sandbox were conducted for Universiti Brunei Darussalam (UBD), Singapore Management University (SMU), and Shell LiveWIRE Brunei.

Mid-Year Conference and Exhibition (MYCE) 2022

The Central Bank also participated in the 2022 MYCE's Economy Week in a panel discussion on "The Future of Brunei Industries". During the session, the development of FinTech and the initiatives undertaken as outlined in the White Paper on the State of FinTech in Brunei Darussalam were deliberated.

Forum on FinTech and Green Finance in Brunei Darussalam

In 2022, the Central Bank participated in a forum hosted by the ASEAN and APEC Business Advisory Council in Brunei Darussalam in collaboration with the Ministry of Finance and Economy and the British High Commission in Brunei Darussalam, in partnership with Baiduri Bank, on FinTech and Green Finance in the country. BDCB's Managing Director, as a panelist for the forum, shared about the journey of developing the FinTech ecosystem, including future initiatives.



Sustainable Finance

In supporting Brunei Darussalam’s commitment to pave low carbon and climate resilient pathways for a sustainable nation, as outlined in the Brunei Darussalam National Climate Change Policy (BNCCP), the Central Bank continued to play its crucial role in managing the emergent risks stemming from climate change to the country’s financial stability. This includes issuing relevant financial regulations and prudential standards, and facilitating financial institutions in offering green/sustainable financial solutions.

As part of the Central Bank’s commitment to the national agenda on sustainability, several actions have been undertaken in recent years:

Industry Consultation

Conducted a survey to understand financial institutions’ response to climate- and environment-related risks, and adoption of sustainable finance:

- 2019: Banking industry
- 2021: Insurance/Takaful industry
- 2022: Banking, Insurance/Takaful, Capital Market and Remittance industries

Regulatory Instruments

Issued the Guideline on the Issuance of Debentures in March 2022 which included recommendations for all issuances and labelling bonds as an ASEAN Green Bond, ASEAN Social Bond or ASEAN Sustainability Bond in Brunei Darussalam to comply with ASEAN Capital Market Forum (ACMF) standards, where applicable.

Capacity Building

Supported the British High Commission in Brunei Darussalam and Ernst & Young in organising two sustainable finance workshops in 2021 and 2022.

2021 - The workshop introduced the topic of sustainable finance to the financial sector and government agencies.

2022 - The workshop consisted of a six-part series ranging from understanding climate-related financial risks, climate-related disclosures and management, and the issuance of sustainable bonds.

The workshop also saw the overall attendance of over 300 participants from government agencies, financial institutions, and the general public.

ASEAN Taxonomy for Sustainable Finance Board (ATB)

Under the Brunei Darussalam ASEAN Chairmanship 2021, the Central Bank was appointed as the Chair to the ATB for the period of April 2021 to April 2023. Amongst the key achievements under this Chairmanship was the publication of Volume 1 of the ASEAN Taxonomy.

Workshop 1: Understanding Climate-Related Financial Risk and Managing Disclosure

Workshop 2: Climate-Related Disclosures

Workshop 3: Climate Risk Management

Workshop 4: Climate Scenario Analysis

Workshop 5: Sustainable Bond Issuance

Workshop 6: Introduction to Environmental and Social Risk Management (ESRM)



Development of Financial Infrastructure

The development of a progressive financial services sector is complemented with the implementation of a robust financial infrastructure to maintain the sector's soundness. The financial infrastructure maintained by the Central Bank composes of the national payment systems, the credit bureau and the national collateral registry.

Credit Bureau

10th Anniversary

The Central Bank's Credit Bureau is the sole credit bureau in the country. In September 2022, it celebrated its 10th year of establishment. The Credit Bureau plays an essential role in bridging information gaps between lenders and borrowers, enabling quicker credit risks assessments and informed loan decisions to be made. As an important part of the country's financial infrastructure, the Credit Bureau constantly and progressively innovates to meet the increasing needs of member institutions.

<p>2011</p> <ul style="list-style-type: none"> ● Establishment of Credit Bureau Establishment of Credit Bureau Unit under the Regulatory and Supervision Department, BDCB, pursuant to Section 42A, BDCB Order, 2010 	<p>2015</p> <ul style="list-style-type: none"> ● Commencement of the Credit Bureau Members Onsite Audit BDCB began onsite audits to assess the compliance of data integrity, usage of credit report and adherence to information security guidelines 	<p>covers credit reporting, information content, platforms, workflow software, decision systems, compliance and risk assessment tools</p>
<p>2012</p> <ul style="list-style-type: none"> ● Credit Bureau System 'Go-Live' Credit Bureau System went live for financial institutions to assess the credit-worthiness of their customers 	<p>2016</p> <ul style="list-style-type: none"> ● Inclusion of Utility Data Credit Bureau System upgraded to include Utility Data as alternative data to help fill in credit information gaps 	<p>2018</p> <ul style="list-style-type: none"> ● Ranked First Place in World Bank Doing Business Report under Getting Credit Brunei Darussalam ranked No. 1 in Doing Business Report under the Getting Credit Indicator
<p>2014</p> <ul style="list-style-type: none"> ● Customer Service Office Establishment of a dedicated customer service office ● Self-Inquiry & Dispute Resolution (SIDR) Service Establishment of a dedicated customer service office ● Live and Bulk Delivery Mode Credit Bureau System upgraded to allow users to obtain credit information directly through the system 	<p>2017</p> <ul style="list-style-type: none"> ● New Credit Bureau System Project Implementation of new Credit Bureau System with Credit Bureau solutions including Credit Scoring module and value-added functionalities ● Business Information Industry Association (BIIA) Credit Bureau became member of BIIA – one of the largest global networks of business information providers for a wide range of business and consumer information services that 	<ul style="list-style-type: none"> ● Brunei Getting Credit Conference (BDGC) 2018 <i>Leveraging Reputational, Traditional & Alternative Collateral to Raise Capital</i> BDCB organised the BDGC to provide a learning and networking platform by bringing in international experts in the field of credit infrastructure to share knowledge in implementing reforms ● Launch of Bureau Credit Score To promote a more objective credit assessment using the probability of default model based on the set criteria

2020

- **Launch of Telco Credit Report**

BDCB signed the Participant Service Agreement with telecommunications service providers (telcos) to extend the Credit Bureau System to the telcos

- **Issuance of Supplementary Guidelines on the Submission of Credit Information to Credit Bureau**

Supplementary guidelines were issued to provide guidance on the submission of credit information to Credit Bureau in relation to the temporary measures and regulatory reliefs to banks, Islamic Banks and finance companies

2021

- **Online Self-Inquiry & Dispute Resolution (SIDR) Service**

SIDR was updated to allow the public to obtain their Credit Reports during the COVID-19 pandemic as counter service was suspended

2022

- **Collaborations and Partnerships**

BDCB signed an MOU with BILIF for data sharing for the purpose of research and development of the financial industry and economy of Brunei Darussalam

- **Value-Added Products**

Credit Bureau introduced a feature called Web-Data Management that enables data providers to perform correction of credit information through the Credit Bureau system website

To commemorate this major milestone, a sharing session conducted by the Credit Bureau's Customer Service Executives (CSE) was held in October 2022 to share their experience. The event also showcased an original film made in-house consisting of a compilation of various true stories retold based on the CSE's recollection of the events during their journey. The short film aimed to raise awareness on the importance of checking one's credit report.

Memorandum of Understanding (MOU) with Brunei Institute of Leadership and Islamic Finance

In July 2022, the Central Bank signed a MOU with the Brunei Institute of Leadership and Islamic Finance (BILIF) for the exchange of credit bureau data relating to the purpose of research and development of the domestic financial sector and economy.

Credit Bureau Members Engagements and Trainings

Throughout 2022, the Credit Bureau actively held trainings for its members, with the objective of providing technical discussions and assistance to respective institutions involved in data preparation, verification and submission to the Credit Bureau, as well as understanding and reading the credit reports.

An engagement session was also held for one of its non-financial members, the Housing Development Department (HDD), Ministry of Development. The session revisited the operational duties stipulated in the Participant Service Agreement; gathered feedback on how the credit report could further add value to HDD's current operations; and discussed on any other



Credit Bureau's 10th Anniversary

possible collaboration initiatives between both parties to promote and raise awareness of the importance of credit reports.

Collateral Registry

Socialisation activities

In its efforts to promote greater awareness and better understanding of secured transactions and collateral registry, the following socialisation initiatives were conducted:

Young Farmers

In 2022, BDCB's Collateral Registry initiated a discussion with the Department of Agriculture and Agrifood, Darussalam Enterprise and all banks in Brunei Darussalam on how to further improve young farmers' access to credit. During the deliberations, the general consensus among the stakeholders was that there is a need to develop short-term plans to enhance awareness and develop capacity building programmes in the area of commercial finance, with the aim of eventually developing financing products that are more suitable for the agriculture sector.

Refresher Training

In the third quarter of 2022, Collateral Registry conducted training for CRS users to further familiarise themselves with the general functionalities of the CRS. A separate session was also held specifically for the enforcement module where a system walk-through was presented to demonstrate how the CRS enables a secured creditor to enforce a security interest electronically in the event of debtor default, as stipulated in paragraph 63[3] of the Secured Transactions Order, 2016.

The Year Ahead

Despite the third wave of COVID-19 hitting Brunei Darussalam in 2022, the Central Bank remains resilient and committed in fulfilling its mission to ensure a well-functioning financial system and to promote the development of a sound and progressive financial services sector. In line with the Brunei Darussalam FSBP 2016-2025 and the BDCB Strategic Plan [SP] 2021-2025, the Central Bank intends to implement and support the following initiatives in 2023:

Monetary and Financial Stability

The Central Bank will continue to ensure a well-functioning financial system by maintaining monetary and financial stability. Moving forward, the Central Bank is looking to introduce other monetary tools to further safeguard and maintain the country's monetary stability.

With regard to financial stability, the Central Bank continues to strive and enhance its regulatory framework on par with international standards and best practices, whilst ensuring its feasibility with Brunei Darussalam's financial sector. Planned initiatives include proposed amendments to legislations under the Central Bank's purview including the Banking Order, 2006; Islamic Banking Order, 2008; Insurance Order, 2006; Takaful Order, 2008; and SMO, 2013; as well as the development of a legal framework for a Resolution Authority which aims to ensure the Central Bank is prepared to manage any potential failure of systemic financial institutions and minimise its impact to financial stability, the economy and general public. Supplementary to the aforementioned, the Central Bank will also continue to issue notices and guidelines to financial institutions.

Another important component to maintain financial stability is through onsite inspection and offsite surveillance of financial institutions including AML/CFT. By leveraging the Central Bank's risk-based supervision framework, continuous onsite inspection and offsite surveillance will be conducted based on respective financial sector's risk profiles to assess their level of compliance against the Central Bank's regulatory and supervisory framework, as well the FATF recommendations.

Furthermore, to safeguard the integrity of our financial system, an initiative planned moving forward is the enhancement of security features of Brunei Darussalam's currency notes based on latest international standards and technology. The enhancement aims to maintain trust and confidence in Brunei Darussalam's currency.



Financial Sector Development

In supporting the FSBP 2016-2025's goal of developing a diversified and dynamic financial sector, and the SP 2021-2025's vision of becoming a dynamic central bank that supports a progressive and sustainable economy, the Central Bank intends to implement several key initiatives to further spur the development of Islamic finance, sustainable finance and FinTech in 2023.

The Central Bank will support the growth of Islamic finance by promoting and working together with financial institutions to have more Syariah-compliant financial products and services available to the public, as well as provide a conducive ecosystem for Islamic finance in terms of regulations and human capital development.

As for sustainable finance, the development of a Sustainable Finance Roadmap by the Central Bank is currently being prepared. The roadmap is intended to provide guidance for the financial sector and the Central Bank to embed and incorporate environmental, social and governance (ESG) practices in their respective operations.

In terms of FinTech, the Central Bank has been working hand-in-hand with FinTech players and relevant stakeholders to establish Brunei Darussalam's very own FinTech Association. The establishment of the FinTech Association will facilitate collaboration and partnerships between FinTech stakeholders and spur FinTech-related activities in the country. In tandem with this initiative, the Central Bank is also laying out the groundwork for the establishment of a FinTech Innovation Centre. The objective of the Centre is to foster a culture of innovation and drive FinTech growth through a centralised platform for FinTech-related matters by providing a co-working space; capacity and community building initiatives; and a one-stop centre to facilitate seamless business services pertaining to FinTech.

International Cooperation

Forging strategic alliances through MOUs with other central banks and memberships in relevant international organisations or groups have always been a mutually beneficial tool to enhance cooperation, exchange of information, supervision and capacity building. In 2023, the Central Bank is scheduled to ink MOUs with the MAS, and the Dubai Financial Services Authority (DFSA). Both MOUs will formally allow the

exchange of information and enhancement of cooperation in the area of financial supervision. Additionally, in an effort to develop closer ties on information-sharing and expertise with international counterparts in the FinTech space, the Central Bank is looking to formally become a member of the Global Finance Innovation Network (GFIN).

As a member of the Islamic Financial Services Board (IFSB), the Central Bank will be hosting the 16th IFSB Summit in Brunei Darussalam. The IFSB Summit, held every two years, convenes IFSB members consisting of ministers of finance, central bank governors and financial sector regulators to exchange views and knowledge on global Islamic financial sector developments.

Human Capital Development

To further support and enhance human capital development in the financial sector, the Central Bank, in collaboration with BILIF, is introducing a Continuous Professional Development (CPD) Framework for the Capital Market and the Insurance/Takaful sectors. Through this framework, the respective sectors are expected to continuously upskill and reskill their workforce to effectively deliver financial services to their customers.

The enhancement of knowledge, skills and talent is necessary to ensure human capital development is achieved. Equally important is identifying the current and future skills gap as well as additional skills that are needed in creating a strong pool of local talent for the development of the financial sector. In doing so, the Central Bank has conducted a Manpower Study on the Capital Market sector in 2021. Looking ahead, the Manpower Study will be extended to other financial sectors including the Banking and Insurance/Takaful sectors. The results of the study will aid in addressing identified gaps and subsequently, laying out strategic initiatives to improve human capital development in the financial sector.

Internally, to improve the skillset of the Central Bank's workforce, the Central Bank plans to implement a tailored learning and development framework to further develop expertise in core and relevant disciplines, particularly financial supervision, policy formulation, economics, macroprudential and data analytics. An employee engagement framework is also jointly planned to create a positive working culture and conducive environment to support employee wellbeing.

International Relations



Memberships and International Relations

The Central Bank is a member to various international standard-setting bodies and actively contributes to the development of international standards by working closely with the following organisations:

- Islamic Financial Services Board (IFSB)
- International Islamic Financial Market (IIFM)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commissions (IOSCO)
- Financial Stability Board (FSB) – [Regional Consultative Group (Asia)]



Additionally, the Central Bank is also member to the following international organisations:

- Southeast Asian Central Banks (SEACEN) Research and Training Centre
- ASEAN Insurance Training and Research Institute (AITRI)
- Financial Intelligence Consultative Group (FICG)
- Egmont Group of Financial Intelligence Units
- OECD International Network on Financial Education (OECD/INFE)



Other Engagements with Counterparts

The Central Bank actively contributes to various regional and international collaboration platforms, including:

- ASEAN Finance and Central Bank Track Meetings
- Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC)
- Technical Meeting of Mints in ASEAN (TEMAN)
- ASEAN Central Banks Heads of Internal Audit Network Meeting
- Financial Intelligence Consultative Group
- Egmont Working Group and Plenary Meetings
- APG Annual Meetings and Technical Assistance Forum

ASEAN Taxonomy Board

Established under the auspices of the ASEAN Finance Ministers and Central Bank Governors' Meeting (AFMGM), the ATB aims to develop, maintain and promote a multi-tiered ASEAN Taxonomy for Sustainable Finance that will identify economic activities that are sustainable and help direct investment and funding towards a sustainable ASEAN. With the announcement of Version 1 of the ASEAN Taxonomy on 10 November 2021, the ATB continues to build on the Taxonomy's guiding principles, setting relevant metrics and thresholds, while Version 2 is currently under development.

The ATB is currently comprised of ten members, with representation across the ACMF, ASEAN Insurance Regulators' Meeting (AIRM), ASEAN Senior Level Committee on Financial Integration (SLC) and ASEAN Working Committee on Capital Market Development (WC-CMD). The Central Bank was appointed as chair in 2021, and will continue to assume this role until March 2024.

ASEAN Senior Level Committee on Financial Integration (SLC)

The SLC is a high-level committee comprised of ASEAN Central Bank Deputies and Officials, providing guidance on ASEAN financial integration to achieve the goals set forth in the 2025 Vision for Financial Integration.

The Central Bank concluded its two-year tenure as co-chair of the SLC alongside the Bank of Thailand (BOT) in 2022. Under the stewardship of BDCB and BOT, the ASEAN Central Bank Track continued to make good progress towards attaining the ASEAN Finance Integration targets laid out in the ASEAN Economic Community (AEC) Blueprint 2025.

ASEAN Working Committee on Capital Account Liberalisation (WC-CAL)

The ASEAN Working Committee on Capital Account Liberalisation (WC-CAL) was established to achieve substantial liberalisation in ASEAN member states' capital account, strengthen policy dialogue, and serve as an information exchange mechanism on capital flows.

The Central Bank completed its two-year co-chairmanship of the WC-CAL with the MAS in 2022. During BDCB and MAS' tenure, the WC-CAL saw the introduction of sustainable finance elements in its discussions, in line with the guidance of the 6th AFMGM.

OECD International Network on Financial Education (OECD/INFE) Meetings

The Central Bank, as a full member of the OECD/INFE attended the 16th and 17th Meetings of the Technical Committee of the OECD/INFE as well as its working group meetings, on 25-28 April 2022 and 11-14 October 2022, respectively.

The OECD/INFE serves as a platform to collect cross-comparable data and evidence; develop methodologies to measure impact; share experience and good practices; develop research and comparative analysis; design policy instruments; and promote effective implementation and monitoring.

ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) – Financial Services

The AANZFTA entered into force in 2010. The AANZFTA is currently being upgraded to modernise the agreement in response to changing global business and trade practices. This will ensure that the Free Trade Agreement remains relevant and is effectively facilitating trade in the region.

The Central Bank is the ASEAN Chair for the AANZFTA Sub-Committee on Financial Services [SC-FS]. As ASEAN Chair, the Central Bank facilitates the negotiations of the SC-FS ASEAN Caucus and Plenary Meetings. The Central Bank also provides updates on the status of negotiations to other relevant ASEAN sectoral bodies involved in the upgrade of the AANZFTA. The ASEAN Caucus and AANZFTA Plenary Meetings were hosted virtually by the Central Bank throughout 2022.

Chiang Mai Initiative Multilateralisation (CMIM)

Established in 2010, the CMIM is a multilateral arrangement among finance ministries and central banks of the ASEAN+3 member countries, which acts as a financial safety net for its members. The Central Bank, representing Brunei Darussalam, participated in the 13th CMIM Test Run in 2022 as the Arrangement Escape Party.

ASEAN Central Banks Heads of Internal Audit Network Meeting

The ASEAN Central Banks Heads of Internal Audit Network Meeting was initiated by the Office of the Auditor General of the Asian Development Bank in July 2016 as an initiative to strengthen internal auditing practices as well as to collaborate, discuss and share topics of common interest to the internal audit profession amongst the regional central banks.

The meeting is held annually under the rotating chairmanship of the ASEAN members Central Banks' Internal Audit divisions.

The Central Bank hosted the 7th meeting virtually on 8 September 2022 with the theme 'Embracing Versatility in the Next Normal' where five distinguished speakers were invited to share their insights on versatility, namely: reskilling and upskilling, technology, agility, resilience and transformation.

Financial Intelligence Consultative Group (FICG)

The FICG is an information exchange platform for financial intelligence units of ASEAN countries including Australia and New Zealand. The group was formed with the intention to further improve understanding on key regional terrorism financing risks, and to strengthen collaboration on mutually agreed transnational crime priorities.

As a member of the FICG, FIU attended FICG meetings on 15 March 2022, 28 June 2022, and 26 September 2022 to discuss updates on current work streams including the Southeast Asia Counter Terrorism Financing Working Group [SEA CTFWG]; Anti-Money Laundering Work Stream; Private Sector Work Stream; and the Information Sharing Platform Working Group [ISPWG].

The FIU attended a meeting on 26 May 2022 as project members to a new project under the SEA CTFWG on Cryptocurrencies and Terrorism Financing. This project aims to analyse how cryptocurrencies and virtual assets are being exploited to finance terrorism activities in the SEA region, including Australia and New Zealand. The SEA CTFWG seeks to develop appropriate work projects to identify ways to disrupt terrorist group's sources, movements and usage of funds and their overall financial networks in the Southeast Asian region.

In 2022, FIU became a member of the expanded ISPWG which aims to develop a joint financial intelligence collaboration platform to ensure secure sharing of information between FICG members. The first meeting was held on 10 June 2022 to discuss project scopes and preliminary assessments. The ISPWG assesses the individual needs and requirements of each FIU in order to deliver the best IT solution for FICG members.

Egmont Working Group Meeting and Plenary Meeting

FIU became a member of the Egmont Group of Financial Intelligence Units in 2014. The Egmont Working Group Meeting was held from 28 January-9 February 2022 and the Egmont Group Plenary from 10-15 July 2022. Both events, hosted by the Egmont Secretariat, were attended by more than 500 participants, representing Egmont Group members, international partners, and observers, who gathered for this event. These annual meetings discuss the challenges faced by FIUs in combating money laundering associated predicate offences and terrorist financing, especially in the areas of international cooperation, information sharing and development of financial intelligence.

The Head of FIU currently fulfils the roles of Vice-Chair to the Information Exchange Working Group (IEWG), and Regional Representative for the Asia-Pacific Regional Grouping (APRG). These roles provide an opportunity for Brunei Darussalam to increase its contribution towards the global and regional efforts to fight money laundering and combat terrorist financing.

APG Annual Meetings and Technical Assistance Forum

Brunei Darussalam became a member of the APG in 2002. The APG Annual Meetings and Technical Assistance Forum was held from 24-28 July 2022 in Kuala Lumpur, Malaysia. The event was attended by 400 participants from APG member countries, observer countries and 11 international organisations. These annual meetings discuss country mutual evaluations, strategic issues, and capacity building initiatives for the region. In addition, regional meetings as well as workshops were held alongside, and in parallel with, the annual meetings.

During this meeting, Brunei Darussalam, through FIU attended the APG Plenary meetings as well as the Pre-Mutual Evaluation workshop organised by the APG Secretariat as Brunei Darussalam was one of the countries undergoing its Mutual Evaluation process in 2022.

Additionally, the FIU also attended two workshops on illegal, unreported and unregulated fishing; and laundering the proceeds of tax crime typologies, where APG members shared experiences and best practices on these issues to enhance awareness and knowledge.



APG Mutual Evaluation of Brunei Darussalam

The APG Mutual Evaluation is an assessment on the country's compliance to the international standards on AML/CFT, namely the FATF 40 Recommendations. FIU, in its capacity as the Secretariat of the NAMLC, is the main coordinator for Brunei Darussalam's Mutual Evaluation.

Mock Assessment

In preparation for the Mutual Evaluation, the NAMLC engaged a group of AML/CFT expert consultants to assist key government and private sector stakeholders on strategic advice, practical guidance and technical expertise. From 10-14 October 2022, a Mutual Evaluation Mock Assessment was conducted to prepare relevant authorities and institutions for the APG Mutual Evaluation onsite visit interviews. Aside from the assistance provided, the Central Bank actively engaged with the relevant stakeholders through bilateral meetings.

APG Mutual Evaluation Onsite Visit

The APG Mutual Evaluation onsite visit to Brunei Darussalam took place from 7-17 November 2022. During the visit, the APG and the assessor

team assessed the effectiveness of Brunei Darussalam's AML/CFT framework through a series of interviews with representatives from the Central Bank, government agencies and the private sector.

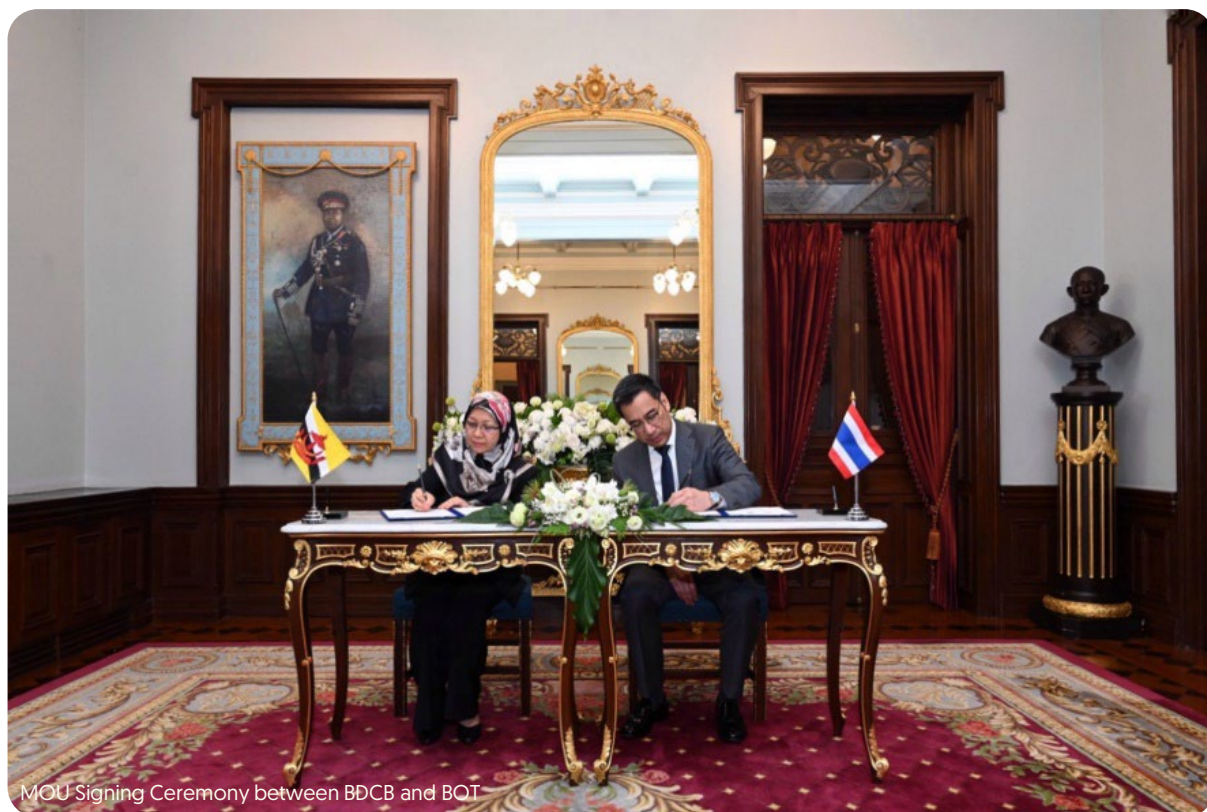
The onsite visit began with an opening session officiated by the Chairperson of NAMLC, Yang Mulia Pengiran Datin Seri Paduka Hajah Zety Sufina binti Pengiran Dato Haji Sani, Deputy Minister of Finance and Economy (Fiscal), Ministry of Finance and Economy. This session included a presentation on Brunei Darussalam's AML/CFT regime and introductions from the APG Secretariat and assessor team, led by Mr David Shannon. The session, held on 7 November 2022 at the Theatre Hall, Ministry of Finance and Economy Building, was attended by NAMLC members, other key government stakeholders and selected institutions from the private sector.

The Mutual Evaluation process will continue into 2023 and will discuss the Mutual Evaluation Report which is being prepared by the assessment team. The draft report will undergo several rounds of discussion and will be circulated to Brunei Darussalam for any comments before the final Mutual Evaluation Report is discussed and adopted during the APG Annual Plenary Meeting in July 2023.



Memorandum of Understanding

In December 2022, BDCB and the BOT signed a MOU to establish a formal basis for dialogues and cooperation, to discuss and promote monetary and financial developments in Brunei Darussalam and Kingdom of Thailand.



MOU Signing Ceremony between BDCB and BOT

Organisational Development

Our People

Despite a challenging year, the Central Bank sustained its efforts in strengthening its people. As a new wave of younger employees entered its workforce, a change in behaviours and expectations was seen. As such, an emphasis on developing and engaging its people through various incentives, learning and development initiatives, as well as wellbeing support activities continued to be prioritised in 2022.

In 2022, the Central Bank also emphasised on recruiting talents from diverse backgrounds with eight new employees and one expert entering the workforce.

Developing Our People

In 2022, BDCB's investment in the development of human capital amounted to an equivalent of 2.59% of total gross salaries of its employees. Employees were given the opportunity to attend various programmes, conducted both in-house and externally. This included access to various international learning and development programmes. 11 employees were also supported to pursue professional credentials and certifications in their respective areas of expertise.

In recognising the value of developing leadership skills amongst its employees, officers and staff also attended programmes conducted by BDCB's training arm, BILIF.

2 Executive Directors participated in HIEL

5 Senior officers completed SEAL programme

6 Officers completed YELP programme

Key Highlights in 2022

2.59% of total gross salaries spent on human capital development

11 pursued professional certification

This includes the High Impact Executive Leadership (HIEL) Programme for executive directors; Senior Executive Advanced Leadership (SEAL) Programme for senior officers; and the Young Executive Leadership Programmes (YELP) for managerial officers. Employees were also provided with the opportunity to attend leadership courses conducted by the SEACEN Centre, of which the Central Bank is a member of. Through these programmes, the Central Bank envisions its current and future leaders to be equipped with skills and knowledge in the areas of strategic thinking, innovation and emotional intelligence.

Embracing the Malay Islamic Monarchy (MIB)

Embodying the nation's philosophy of Malay Islamic Monarchy (MIB), the Central Bank also focused its organisational in-house training programmes surrounding areas of Islamic education and official Malay correspondences. Training programmes conducted on *Tatacara Persuratan Rasmi* and Training on Writing Reports and Working Papers aimed to enhance employees' writing skills as well as their knowledge on appropriate formatting and layout techniques. Meanwhile, focusing on spiritual enhancement and growth, Fardhu Ain (Haiya 'Alash Shalah), Aqidah Ahli Sunnah Waljama'ah and Zakat courses and talks were conducted to enhance employees' awareness on the foundations of Islamic history, beliefs, pillars and practices.

Continuous Learning and Development

A total of 100 officers and staff enrolled onto various face-to-face learning programmes while 105 officers and staff enrolled onto virtual learning programmes and courses covering a diverse range of knowledge areas and expertise.

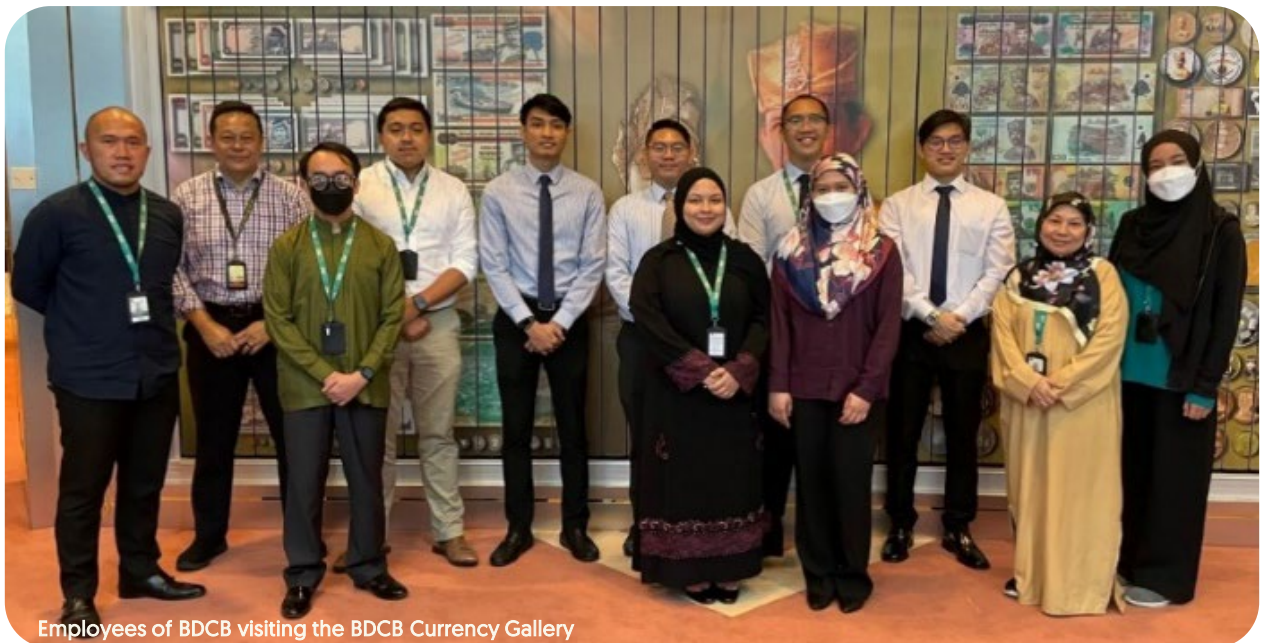
A few key in-house learning programmes were carried out in 2022. Under the Central Bank's onboarding programme, new officers and staff underwent sharing sessions and courses to cultivate sound understanding on the Central Bank's mandates and operations. It is a two-fold programme comprising of a Financial Planning Course to equip new recruits with fundamentals of financial literacy covering comprehensive financial management topics such as financial planning, budgeting, financial statements, financial ratio analysis, insurance/takaful, investment, and characteristics of financial scams as well as our role in currency management operations.

In 2022, employees also had the opportunity to gain a better understanding on digital assets through sharing sessions on the fundamentals of blockchain technology, cryptocurrencies, decentralised finance (DeFi), and non-fungible tokens (NFT) with the Central Bank's FinTech expert. Amongst others, an interactive masterclass on Blockchain and Digital Assets 101 was also held which gave employees a hands-on experience on creating crypto wallets, as well as sending and receiving cryptocurrencies.

100 officers and staff enrolled onto face-to-face learning programmes

105 officers and staff enrolled onto virtual learning programmes and courses

Under the ASEAN Low Carbon Energy Programme (ASEAN LCEP), the Central Bank also supported the British High Commission in Brunei Darussalam and Ernst & Young, in organising a series of workshops on sustainable finance throughout the second half of 2022. The workshops were aimed to support capacity-building and learning, for both the Central Bank and the financial sector; enhance risk management frameworks to address sustainability risks; and encourage the adoption of sustainable finance.



Employees of BDCB visiting the BDCB Currency Gallery

Engaging Our People

Employee Engagement and Satisfaction Survey

In its effort to understand and respond to the changing workforce landscape, the Central Bank undertook its annual employee engagement survey in August 2022. This survey collected valuable insights on employees' sentiments and expectations and subsequently, identified relevant key areas of improvement particularly on human resource services and efficiency.

Advocating a Knowledge Sharing Culture

The Central Bank believes that cultivating a culture of knowledge sharing amongst employees is key to building a community of learning in the workplace, allowing its employees to collaborate better, and connect with one another through the power of knowledge, insight and experience.

In 2022, a total of 49 economic and market outlook sessions were conducted which drove conversations on macroeconomic indicators such as gross domestic product, inflation, employment and financial market trends. This allowed employees to discuss their insights and predictions on the current and future state of the economy and financial markets which could impact various sectors and investments.

Beyond the economy and market conditions, a total of 37 knowledge sharing sessions were also conducted in 2022 whereby employees can present other topics of interest and stimulate healthy dialogues within the organisation. An array of topics were discussed including the core

mandates of the central banks such as regulation, supervision and currency management; emerging technologies and innovations in the financial industry such as digital payments and assets; governance practices and the new normal in the workplace; and researches conducted such as factors driving retail investments in Brunei Darussalam.

Encouraging Teamwork and Innovation

The Central Bank continued to prioritise its efforts in enriching the workplace experience by striving towards an environment which values diverse ideas and experimentation. In 2022, two organisation-wide activities to support this objective including the BDCB Elevate and the BDCB Investment Challenge were conducted.

In September 2022, the 2nd BDCB Elevate event was held. BDCB Elevate is an internal competition opened to all employees to showcase creative solutions to improve internal processes. This year's theme, 'Culture', saw participation from six teams who were tasked to deliver impactful solutions to enhance organisational culture. Judges comprised of external experts from the Ministry of Education and Brunei Shell Petroleum. The winning team showcased solutions for a people-centric culture focusing on a safe platform to voice and express grievances.

The 4th BDCB Investment Challenge, which promoted investment literacy, was held in November 2022. Eight teams comprising of the Central Bank's employees competed in obstacle challenges in order to explore economic, sector and company news, and learn to interpret such data in their investment decisions.



Prioritising Wellbeing

In line with the strategic priority of supporting employee wellbeing under its Strategic Plan 2021-2025, the Central Bank continued to commit its efforts and initiatives in maintaining and improving the safety, health and wellbeing of its people.

In acknowledging an ongoing emphasis on psychological health and wellbeing in the context of the Central Bank's approach to managing impacts of the COVID-19 pandemic, resources were made available for employees to obtain support such as independent counselling services which the Central Bank had engaged since 2021.

Following the outbreak of the third wave of the pandemic in the first half of 2022, an internal donation drive was also ran to provide basic necessities to lessen burdens faced by vulnerable employees.

Beyond the workplace, initiatives to support the general wellbeing of its employees were implemented via the BDCB Interhouse competitions and activities including:

- Lose to Win Challenge whereby employees were educated on the importance of a balanced diet and proper nutrition;
- A talk on the Introduction to the National Physical Activity Guidelines by Sports and Exercise Medicine Unit, Ministry of Health; and
- The BDCB Interhouse Badminton Tournament which was highly anticipated by budding badminton enthusiasts in the organisation.

Fostering a Cyber and Risk Aware Culture

Embedding a cyber and risk aware culture within the organisation has always been at the top of the Central Bank's agenda. In 2022, joint collaborations between the first, second and third lines of defense were carried out throughout the year including awareness sessions and engaging activities on key risk areas, physical and digital information security, and the assurance roles of risk management and internal audit.

In strengthening employees' cybersecurity readiness, emphasis on the importance of awareness at end-user level was the main focus of this year's initiative. This was done through various cybersecurity activities, trainings and quizzes. A security awareness training was also conducted by BruCERT for all employees. Following this, employees also had the opportunity to attend BruCERT's public webinars throughout the year commencing February 2022. Amongst the topics covered included "Recognising Online Scams", "Instagram Safety 101", and "Train your eye to spot fake news".

The annual Cybersecurity Readiness Mandatory Assessment also continued this year with a successful 100% passing rate. This assessment aims to ensure employees are well-informed of their cybersecurity role and responsibilities and build a better cyber-aware culture at work.

Cybersecurity Awareness Month 2022

October

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	31					1	2
Week 1 Password	3	4	5	6	7	8	9
Week 2 Social Engineering	10	11	12	13	14	15	16
Week 3 Malware	17	18	19	20	21	22	23
Week 4 Public Wi-Fi	24	25	26	27	28	29	30

Powered by: Cybersecurity Awareness Month 2022. #InfoSec #InfoSecMatters

Accessibility: Available for: [Accessibility](#)

Snapshot of Cybersecurity Awareness Month 2022

SECURITY FOR YOUR PERSONAL DEVICES

Why is Physical Security important?

Network systems aren't the only way that sensitive information can be stolen or used against an organization. With the threat of hacking, malware, phishing and other digital threats constantly looming, physical security must be implemented correctly to prevent attackers from gaining physical access and taking what they want.

Risks associated to your Personal Devices

- Information or data can be extracted, stolen, breached or leaked especially when the personal devices are not properly disposed of, stolen, shared with others or transferred of ownership.
- Personal devices can infect BDCB desktops, laptops, and the whole network if the devices are vulnerable to malware and can become an entry to cyber-attack if the devices are not properly configured.
- When connected to public WiFi, it can leave the devices vulnerable to hackers who are known to create unencrypted hotspots to see the user's passwords, login details and activity.

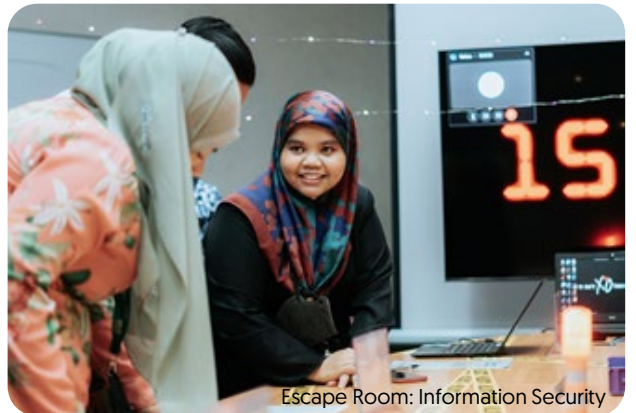
How to secure your Personal Devices

- Be prepared with your devices and help the device influence of the user.
- Lock your important files.
- Remember that malware can be spread via your phone or tablet even if you're offline.
- Be sure that during P2P, only be prepared device out of unencrypted hotspots.
- Remember that devices must be locked and updated device that have not used the latest.
- The a screen cover lock can be using password or biometric identification.

"Building a computer system has traditionally been a matter of bits, the programmer often find the bugs, and the developer often to clear them."

Malwarebytes (2019) Computer (2019)

Security for Personal Devices infographic



Code of Conduct, Ethics and Confidentiality

In 2022, in line with the enhanced governance framework, an updated code of conduct, ethics and confidentiality document was drafted. This is to ensure consistent conduct which reflects high standards of integrity and professionalism, in order to enhance mutual duty of trust and confidence, and promote a collaborative working environment aligned with the organisation's core values and cultural beliefs.

Our Community and Outreach

In fulfilling its priority to encourage sustainability and ESG aspects within the Central Bank's operations, efforts were underpinned through continual participation in corporate social responsibility in supporting the community at large.

BDCB Gives Back

In April 2022, together with a local non-governmental organisation, the Society for Community Outreach & Training [SCOT], the Central Bank was able to lend a helping hand in preparing and distributing iftar meals to socioeconomically-challenged families and foreign workers in the Brunei-Muara District during the month of Ramadhan, via SCOT's Social Kitchen Community initiative. Through this initiative, the Central Bank also supported two local farms, the Tree Lane Farm and Mori Farm, whereby surplus of fresh produce from both farms were purchased and donated to the Social Kitchen Community to supplement the preparation of iftar meals, with the aim to reduce food waste.

In October 2022, the Central Bank also collaborated with MOFE and the Blood Donation Centre [BDC] of the Ministry of Health, to organise the BDCB Blood Donation Drive for agencies and departments residing in the MOFE Building. This initiative aims to assist in replenishing the blood bank supply and raise awareness on the positive social impact of donating blood.



Green Initiatives

In 2022, the Central Bank extended its social responsibility to greener initiatives. In collaboration with a local non-governmental organisation, Green Brunei, a tree planting event was held at the Biodiversity Park, Berakas Forest Reserve. This initiative aims to support the country's commitment towards a low carbon and resilient nation, in particular Strategy 2 of BNCCP through creating and restoring new forests [afforestation] and planting trees or allowing trees to regrow [reforestation]. A total of 230 tree samplings of the Dipterocarpaceae species, which is a carbon dioxide absorber, were planted.

In line with embedding sustainability in the organisation, the early phases of establishing an organisation-wide sustainability programme is currently being developed.



Internship Programme

In line with Goal 1 of the Wawasan Brunei 2035 Framework, the Central Bank places emphasis in contributing to the enhancement of Brunei Darussalam's talent pool by providing meaningful work internship experiences to youths from local higher education institutions.

In 2022, 28 interns from Universiti Brunei Darussalam (UBD), Universiti Teknologi Brunei (UTB), Universiti Islam Sultan Sharif Ali (UNISSA) and other local technical institutions underwent the Central Bank's Internship Programme for a period of three to six months.

Students came from a wide range of educational disciplines including applied mathematics and economics, business administration and accounting and finance, amongst others.

Our Resilience

Managing Risks

Throughout 2022, the Central Bank continued to place importance in overseeing the organisation's risk horizon and the conduct of periodic risk assessments in order to continuously identify and assess key and emerging risk areas as well as threats to the central bank. The Central Bank also values the protection of information security through the establishment of a comprehensive information security policy document to ensure the protection of the organisation's information in the areas of data privacy and effective information security management.

Moving forward, the Central Bank will continue to devote its efforts towards enhancing the management of operational risks within the organisation. In July 2022, a Compliance function was established within the Risk and Compliance division following the Central Bank's organisational restructuring. This function is responsible to identify, assess, monitor and report to the Management and Risk Management Committee on the Central Bank's compliance risks with the aim of upholding strong governance, ethics and integrity. To further enhance risk management, a project to automate the operational risk management procedures began in June 2022 and is aimed to be fully functional by 2023.

Business Resilience

Managing the COVID-19 Pandemic

In the beginning of 2022, under the guidance of its Crisis Management Team, the Central Bank remained operationally-resilient and committed in ensuring key deliverables and services were functional by utilising its internal crisis and business continuity planning arrangements.

With a large number of its workforce working from home, various digital tools and platforms were utilised for communications to ensure the continuity of our statutory obligations, operations and employee engagement.

To meet customer demands, the Central Bank's public and counter services also continued to offer appointments and pre-orders for commemorative notes and coins, while ensuring appropriate health and safety measures were undertaken.

Commencing May 2022, as the community spread subsided, de-escalation measures were introduced gradually in line with the initiatives by the Government of His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam. This included the lifting of movement restrictions, safe return of employees back to office premises, and the revocation of contact tracing measures internally by September 2022.

Enhancing Crisis Preparedness

In an unprecedented risk environment, coupled with accelerating innovation, crisis-preparedness is an essential element to prepare the central bank from internal and external threats. Following the experience from the surge of the COVID-19 pandemic in 2021, the Central Bank is committed to further strengthen its Resilience Programme to better enhance our readiness for future crises.

In doing so, an internal study of the current Resilience Programme was conducted including an evaluation on the performance of our crisis management efforts during the activation of business continuity plans following the outbreak of the second wave of the pandemic. Key learning points were identified and this enabled us to prioritise areas with opportunities for improvement including an enhanced crisis governance and planning; key trainings and resources; as well as communications and technology readiness.

To ensure continued assurance of our business continuity arrangements, business continuity testings were executed in 2022, which focused on ascertaining our level of preparedness with regards to the demand and supply of currencies, as well as the robustness of our critical IT systems.

The Central Bank also created the Resilience Management Strategic Roadmap 2023-2025 with the aim of strategically planning and defining expected goals and milestones under the overall resilience programme.

A working level Crisis Response Taskforce was established to support the Crisis Management Team in planning and implementing the overall resilience programme.

Cybersecurity Readiness

The Central Bank remained committed to protect its employees, assets, information, reputation and public's personal information from potential cyber threats by adopting international standards and framework including the ISO 27000 family of standards, National Institute of Standards and Technology (NIST), and Open Web Application Security Project (OWASP).

The Central Bank is also committed to comply with the Society for Worldwide Interbank Financial Telecommunication (SWIFT) Customer Security Programme.

As an on-going effort to comply with the standards and frameworks, several enhancements to the Central Bank's existing cybersecurity processes were made, including security event monitoring, vulnerability management and incident response.

Our Governance

Upholding Independence and Objectivity

External Audit

In accordance with section 61 of the BDCB Order, 2010, the BDCB Group and Al-Munawarrah Sdn Bhd Financial and Statutory Audit for the financial year 2022 was performed by Deloitte & Touche (DT). As stipulated in section 21 (4) of the BDCB Order, 2010, the Audit Committee is responsible for the appointment of the external auditors, scope of external audits and the effectiveness of internal control framework and financial reporting systems, including performance of the internal and external auditors.

Internal Audit

To maintain its independence, the Internal Audit division reports functionally to the Audit Committee and administratively to the Managing Director. The Internal Audit division is also Secretariat to the Audit Committee.

The Central Bank's internal audit activities are conducted in conformance to the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA IPPF) to provide independent, objective assurance and consulting activities designed to add value via a systematic, disciplined approach to the evaluation and improvement of the effectiveness of governance, risk management and control processes.

A range of internal audit activities were conducted throughout the year including a review on Data Security in Remote Working Environment, as well as completion of several assurance reviews that were conducted in collaboration with the second line of defense, encompassing a study on the Central Bank's crisis management during the second wave of the pandemic, demand and supply of currencies, and on talent retention.

Enhancing the Governance Framework

Acknowledging the importance in strengthening and implementing a robust governance structure and practice, the Central Bank placed a high priority in enhancing its Governance Framework. The objective of this project is to formalise and enhance the Central Bank's governance and relevant policies according to international best practices, in line with BDCB's Strategic Plan Theme 3 Enhance Organisational Capabilities and Priority 3: Strengthening Governance and Controls. The framework aims to define a comprehensive process across the organisation to enhance and manage governance, ensure transparency of policies and regulations, and increase public confidence in the Central Bank's credibility. The project concluded in November 2022, with the development of the Central Bank's own governance model and framework, as well as eight new internal policies.

Information Security Management System (ISMS)

5 PILLARS OF BDCB GOVERNANCE MODEL

1 The Board of Directors and Executive Management

The highest level of the organisation that guides the organisation toward achievement of objectives



2 Strategic Management

Development and implementation of a plan by the board of directors and management to help the organisation achieve its long-term objectives



3 Governance

The system, principles and processes by which organisations are directed and controlled.



4 Compliance and Assurance

Meeting compliance and reporting obligations that shows the organisation to be ethical and transparent



Accountability and Transparency 5

Being accountable for fulfilling obligations and for this to be transparent – open, communicated and accountable





CONSOLIDATED FINANCIAL STATEMENTS

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Report of the Board

for the financial year ended 31 December 2022

The Members of the Board hereby submit their report and the audited consolidated financial statements of Brunei Darussalam Central Bank (the “Authority”, “BDCB”) and its subsidiary (the “Group”) for the financial year ended 31 December 2022.

Principal Activities

Brunei Darussalam Central Bank (the Authority), formerly known as Autoriti Monetari Brunei Darussalam, was established on 1 January 2011 pursuant to Section 3(1) of the Brunei Darussalam Central Bank Order, 2010 (the Order).

Under Section 4 of the Order, the principal objects of the Authority are;

- (a) to achieve and maintain domestic price stability;
- (b) to ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;
- (c) to assist in the establishment and functioning of efficient payment systems and to oversee them; and
- (d) to foster and develop a sound and progressive financial services sector.

Without prejudice to the above-mentioned principal objects, the Authority shall support the general economic policies of the Government of Brunei Darussalam to the extent that it considers appropriate.

Al-Munawwarah Sdn Bhd (the subsidiary) (AMSB) is a special purpose vehicle (SPV), which facilitates the Authority’s liquidity management activities and other investment activities through the issuance of Sukuk under a variety of Syariah principles. AMSB is controlled by the Authority as it has existing rights that give the Authority the current ability to direct the relevant activities of AMSB.

Financial Statements Highlights

	The Group	The Authority
	BND’000	BND’000
Net loss for the year	(24,982)	(25,180)
Other comprehensive loss	(45,495)	(45,495)
Total comprehensive loss	(70,477)	(70,675)
Less: Profit for the year of AMSB (non-distributable)	(198)	-
Charged to reserves	(70,675)	(70,675)

Report of the Board

for the financial year ended 31 December 2022

Board of Directors

Chairman

Yang Mulia

Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Deputy Minister (Economy), Ministry of Finance and Economy
[17 July 2022 – Present]

Members

Yang Mulia

Pengiran Datin Seri Paduka Hajah Zety Sufina binti Pengiran Dato Paduka Haji Sani
Deputy Minister (Fiscal), Ministry of Finance and Economy
[26 June 2021 – Present]

Yang Mulia

Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti, State Mufti's Office
[1 January 2020 – Present]

Yang Mulia

Pengiran Hajah Siti Nirmala binti Pengiran Haji Mohammad
Permanent Secretary (Vision, Finance and Cabinet), Prime Minister's Office
[26 June 2021 – Present]

Yang Mulia

Dr. Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin
Permanent Secretary (Economy), Ministry of Finance and Economy
[21 August 2019 – Present]

Yang Mulia

Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers, Prime Minister's Office
[10 August 2018 – Present]

Yang Mulia

Dayang Hajah Rokiah binti Haji Badar
Managing Director, Brunei Darussalam Central Bank
[5 October 2019 – Present]

Yang Berhormat

Dato Seri Paduka Awang Haji Ahmaddin bin Haji Abdul Rahman
Minister of Home Affairs,
As Chairman, Brunei Darussalam Central Bank
[26 June 2021 – 16 July 2022]

Report of the Board

for the financial year ended 31 December 2022

Audit Committee

Yang Mulia

Dayang Hajah Zuraini binti Haji Sharbawi

Solicitor General at Attorney General's Chambers, Prime Minister's Office

As Chairperson

[1 January 2020 - Present]

Yang Mulia

Haji Hairul Mohd Daud bin Haji Abd Karim

Deputy Permanent Secretary (Infocommunications), Ministry of Transport and Infocommunications

[1 January 2020 – Present]

Yang Mulia

Pengiran Hajah Noorasiah binti Pengiran Hassan

Acting Deputy Accountant General, Treasury Department, Ministry of Finance and Economy

[1 January 2023 – Present]

Yang Mulia

Pengiran Hajah Normaswati binti Pengiran Anak Haji Mashor

Director, Revenue Division, Ministry of Finance and Economy

[1 January 2023 – Present]

Yang Mulia

Pengiran Haji Johari bin Pengiran Haji Abd Ghani

Head of Business and Operations Compliance, Brunei Investment Agency

[1 January 2023 – Present]

Yang Mulia

Awang Shamsul Bahri bin Haji Kamis

Chief Executive Officer, I.T. Protective Security Services Sdn Bhd

[1 January 2023 – Present]

Yang Mulia

Awang Muhammad Yusri bin Dato Abdul Majid

Head of Risk Management, Brunei Darussalam Central Bank

As Observer

[1 January 2020 – Present]

Yang Mulia

Dayang Hajah Chairani binti Haji Sulaiman

Accountant General, Ministry of Finance and Economy

[1 January 2020 – 18 July 2022]

Yang Mulia

Awang Haji Asrul Adrain bin Pehin Orang Kaya Setia Pahlawan Dato Seri Setia Dr. Haji Ahmad

Deputy Accountant General, Ministry of Finance and Economy

[1 January 2020 – 31 December 2022]

Yang Mulia

Dayang Mazriyani binti Haji Abdul Ghani

Director E-Government National Center (EGNC), Ministry of Transport and Infocommunications

[1 January 2020 – 31 December 2022]

Report of the Board

for the financial year ended 31 December 2022

The Audit Committee has held several meetings in 2022. In performing its functions, the Audit Committee met with the Group's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

For and on behalf of the Board



**Yang Mulia Dato Seri Paduka Awang Haji
Khairuddin bin Haji Abdul Hamid**
Chairman



**Yang Mulia Dayang Hajah Rokiah binti
Haji Badar**
Managing Director

Date: 11 September 2023

Independent Auditor's Report

As at 31 December 2022

BRUNEI DARUSSALAM CENTRAL BANK AND ITS SUBSIDIARY

(Established in Brunei Darussalam)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Brunei Darussalam Central Bank (the "Authority") and its subsidiary (the "Group") which comprise the statements of financial position of the Group and the Authority as at December 31, 2022 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Authority for the year ended 31 December 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages FS 8 to FS 60.

In our opinion, the accompanying consolidated financial statements of the Group and the Authority are properly drawn up in accordance with the provisions of the Brunei Darussalam Central Bank Order, 2010 (the "Order"), the Brunei Darussalam Companies Act, Chapter 39 (the "Act"), the Currency Order, 2004 (the "CO"), and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the financial position of the Group and the Authority as at December 31, 2022 and of the financial performance, changes in equity and cash flows of the Group and the Authority 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 Consolidated Financial Statements* section of our report. We are independent of the Group and the Authority in accordance with the International Ethics Standards Boards for Accountants Code of Ethics for Professional Accountants ("IESBA") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Boards for Accountants (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 Members of the Board are responsible for the other information. The other information comprises the Report of the Board include in pages FS 1 to FS 4.

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 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.

Independent Auditor's Report

As at 31 December 2022

Responsibilities of Members for the Consolidated Financial Statements

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

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

The members' responsibilities include overseeing the financial reporting process of the Group and the Authority.

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 skepticism 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 Group and the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

As at 31 December 2022

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Group and the Authority have been properly kept in accordance with the provisions of the Act. We have obtained all the information and explanations that we required.



DELOITTE & TOUCHE

Certified Public Accountants



HAIJ ZULFARIQ ZARA BIN HAJI ZAINUDDIN

Public Accountant

Brunei Darussalam

Date: 11 September 2023

Statements of Financial Position

As at 31 December 2022

	Note	The Group		The Authority	
		2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
ASSETS					
Cash and cash equivalents	4	3,685,544	3,661,224	3,630,586	3,611,226
Deposits with financial institutions		264,074	19,631	264,074	19,631
Investment securities	5	1,242,804	1,400,748	1,242,804	1,400,748
Derivative financial assets	6	8,542	4,285	8,542	4,285
Inventories		10,772	10,618	10,772	10,618
Assets held with International Monetary Fund (IMF)	7	1,005,398	1,047,111	1,005,398	1,047,111
Other assets	8	13,153	76,456	13,140	76,453
Investment in AMSB	1	-	-	-	-
Gold	9	355,196	355,481	355,196	355,481
Property and equipment, net	10	16,677	16,540	16,677	16,540
TOTAL ASSETS		6,602,160	6,592,094	6,547,189	6,542,093
LIABILITIES AND EQUITY					
Liabilities					
Currency in circulation	11	1,422,275	1,431,438	1,422,275	1,431,438
Deposits and balances of local banks and other local financial institutions	13	2,708,835	2,626,864	2,709,459	2,653,945
Deposits and balances of international financial institutions	14	19,650	19,650	19,650	19,650
Derivative financial liabilities	6	99	97	99	97
Payables to the Government of Brunei Darussalam		115,501	109,524	115,501	109,524
Liabilities held with IMF	7	890,340	938,547	890,340	938,547
Other liabilities	15	87,962	16,574	87,525	16,485
Provisions	16	10,564	9,956	10,564	9,956
Sukuk issuance	17	54,965	76,998	-	-
TOTAL LIABILITIES		5,310,191	5,229,648	5,255,413	5,179,642

See accompanying notes to the consolidated financial statements.

Statements of Financial Position

As at 31 December 2022

	Note	The Group		The Authority	
		2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Equity					
Share capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Reserve fund	18	137,355	147,324	137,355	147,324
Currency valuation reserve fund	18	-	3,960	-	3,960
Market valuation reserve fund	18	154,421	211,167	154,421	211,167
Retained earnings		193	(5)	-	-
TOTAL EQUITY		1,291,969	1,362,446	1,291,776	1,362,451
TOTAL LIABILITIES AND EQUITY		6,602,160	6,592,094	6,547,189	6,542,093

For and on behalf of the Board



Yang Mulia Dato Seri Paduka Awang Haji
Khairuddin bin Haji Abdul Hamid
Chairman



Yang Mulia Dayang Hajah Rokiah binti
Haji Badar
Managing Director

Date: 11 September 2023

See accompanying notes to the consolidated financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	The Group		The Authority	
		2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
INCOME					
Interest income	19	45,411	34,524	44,859	34,454
Dividend income		7,530	3,926	7,530	3,926
Net (loss) / gain on investment securities measured at fair value through profit or loss (FVTPL)	20	(50,272)	36,050	(50,272)	36,050
Net gain from derecognition of investment securities measured at fair value through other comprehensive income (FVOCI)	21	4,995	2,449	4,995	2,449
Operating income	22	3,681	9,819	3,681	9,819
TOTAL INCOME		11,345	86,768	10,793	86,698
EXPENSES					
Staff costs	23	(19,111)	(18,443)	(19,111)	(18,443)
Other operating expenses	24	(14,777)	(14,923)	(14,741)	(14,902)
Sukuk coupon cost		(318)	(48)	-	-
Fee and commission expense		(2,121)	(2,076)	(2,121)	(2,077)
TOTAL EXPENSES		(36,327)	(35,490)	(35,973)	(35,422)
Net (loss) profit for the year		(24,982)	51,278	(25,180)	51,276
OTHER COMPREHENSIVE LOSS					
Net loss on investment securities measured at FVOCI	21	(45,210)	(32,602)	(45,210)	(32,602)
Net loss on gold revaluation	9	(285)	(8,789)	(285)	(8,789)
TOTAL OTHER COMPREHENSIVE LOSS		(45,495)	(41,391)	(45,495)	(41,391)
Total comprehensive (loss) / income for the year		(70,477)	9,887	(70,675)	9,885

See accompanying notes to the consolidated financial statements.

Statements of Changes in Equity

For the year ended 31 December 2022

The Group	Share capital BND'000	Distributable earnings BND'000	Retained earnings** BND'000	Reserve fund BND'000	Currency valuation reserve fund BND'000	Market valuation reserve fund BND'000	Total BND'000
Balance as at 1 January 2020	1,000,000	-	(2)	131,106	-	117,922	1,249,026
<i>Total Comprehensive income:</i>							
Net profit / (loss) for the year	-	26,709	(5)	-	-	-	26,704
Other comprehensive income	-	82,354	-	-	-	-	82,354
<i>Transfers during the year:</i>							
Fair value movement of gold at FVOCI	-	(66,866)	-	-	-	66,866	-
Fair value movement of investment securities at FVOCI	-	(15,488)	-	-	-	15,488	-
Fair value movement of investment securities at FVTPL	-	(18,816)	-	-	-	18,816	-
Transfer to reserve fund	-	(2,368)	-	2,368	-	-	-
Transfer to the Government of Brunei Darussalam*	-	(5,525)	-	-	-	-	(5,525)
Balance as at 31 December 2020	1,000,000	-	(7)	133,474	-	219,092	1,352,559
Balance as at 1 January 2021	1,000,000	-	(7)	133,474	-	219,092	1,352,559
<i>Total Comprehensive income:</i>							
Net profit for the year	-	51,276	2	-	-	-	51,278
Other comprehensive loss	-	(41,391)	-	-	-	-	(41,391)
<i>Transfers during the year:</i>							
Foreign exchange valuation	-	(3,960)	-	-	3,960	-	-
Fair value movement of gold at FVOCI	-	8,789	-	-	-	(8,789)	-
Fair value movement of investment securities at FVOCI	-	32,602	-	-	-	(32,602)	-
Fair value movement of investment securities at FVTPL	-	(33,466)	-	-	-	33,466	-
Transfer to reserve fund	-	(13,850)	-	13,850	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-	-
Balance as at 31 December 2021	1,000,000	-	(5)	147,324	3,960	211,167	1,362,446

Statements of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital BND'000	Distributable earnings BND'000	Retained earnings** BND'000	Reserve fund BND'000	Currency valuation reserve BND'000	Market valuation reserve BND'000	Total BND'000
Balance as at 1 January 2022		1,000,000	-	(5)	147,324	3,960	211,167	1,362,446
<i>Total Comprehensive loss:</i>								
Net (loss)/ profit for the year		-	(25,180)	198	-	-	-	(24,982)
Other comprehensive loss		-	(45,495)	-	-	-	-	(45,495)
<i>Transfers during the year:</i>								
Foreign exchange valuation	18	-	3,960	-	-	(3,960)	-	-
Fair value movement of gold at FVOCI	18	-	285	-	-	-	(285)	-
Fair value movement of investment securities at FVOCI	18	-	7,335	-	-	-	(7,335)	-
Fair value movement of investment securities at FVTPL	18	-	49,126	-	-	-	(49,126)	-
Transfer to reserve fund		-	9,969	-	(9,969)	-	-	-
Transfer to the Government of Brunei Darussalam*		-	-	-	-	-	-	-
Balance as at 31 December 2022		1,000,000	-	193	137,355	-	154,421	1,291,969

* Transfer to the Government of Brunei Darussalam in accordance to Section 9 of the Order.

** Retained earnings of AMSB.

See accompanying notes to the consolidated financial statements.

Statements of Changes in Equity

For the year ended 31 December 2022

The Authority	Share capital BND'000	Distributable earnings BND'000	Reserve fund BND'000	Currency valuation reserve BND'000	Market valuation reserve BND'000	Total BND'000
Balance as at 1 January 2020	1,000,000	-	131,106	-	117,922	1,249,028
<i>Total Comprehensive income:</i>						
Net profit for the year	-	26,709	-	-	-	26,709
Other comprehensive income	-	82,354	-	-	-	82,354
<i>Transfers during the year:</i>						
Fair value movement of gold at FVOCI	-	(66,866)	-	-	66,866	-
Fair value movement of investment securities at FVOCI	-	(15,488)	-	-	15,488	-
Fair value movement of investment securities at FVTPL	-	(18,816)	-	-	18,816	-
Transfer to reserve fund	-	(2,368)	2,368	-	-	-
Transfer to the Government of Brunei Darussalam*	-	(5,525)	-	-	-	(5,525)
Balance as at 31 December 2020	1,000,000	-	133,474	-	219,092	1,352,566
Balance as at 1 January 2021	1,000,000	-	133,474	-	219,092	1,352,566
<i>Total Comprehensive income:</i>						
Net profit for the year	-	51,276	-	-	-	51,276
Other comprehensive loss	-	(41,391)	-	-	-	(41,391)
<i>Transfers during the year:</i>						
Foreign exchange valuation	-	(3,960)	-	3,960	-	-
Fair value movement of gold at FVOCI	-	8,789	-	-	(8,789)	-
Fair value movement of investment securities at FVOCI	-	32,602	-	-	(32,602)	-
Fair value movement of investment securities at FVTPL	-	(33,466)	-	-	33,466	-
Transfer to reserve fund	-	(13,850)	13,850	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-
Balance as at 31 December 2021	1,000,000	-	147,324	3,960	211,167	1,362,451

Statements of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital BND'000	Distributable earnings BND'000	Reserve fund BND'000	Currency valuation reserve BND'000	Market valuation reserve BND'000	Total BND'000
Balance as at 1 January 2022		1,000,000	-	147,324	3,960	211,167	1,362,451
<i>Total Comprehensive loss:</i>							
Net loss for the year		-	(25,180)	-	-	-	(25,180)
Other comprehensive loss		-	(45,495)	-	-	-	(45,495)
<i>Transfers during the year:</i>							
Foreign exchange valuation	18	-	3,960	-	(3,960)	-	-
Fair value movement of gold at FVOCI	18	-	285	-	-	(285)	-
Fair value movement of investment securities at FVOCI	18	-	7,335	-	-	(7,335)	-
Fair value movement of investment securities at FVTPL	18	-	49,126	-	-	(49,126)	-
Transfer to reserve fund		-	9,969	(9,969)	-	-	-
Transfer to the Government of Brunei Darussalam*		-	-	-	-	-	-
Balance as at 31 December 2022		1,000,000	-	137,355	-	154,421	1,291,776

* Transfer to the Government of Brunei Darussalam in accordance to Section 9 of the Order.

See accompanying notes to the consolidated financial statements.

Statements of Cash Flows

For the year ended 31 December 2022

	Note	The Group		The Authority	
		2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Cash flows from operating activities:					
Net (loss) profit for the year		(24,982)	51,278	(25,180)	51,276
<i>Adjustments for:</i>					
Depreciation on property and equipment		2,675	5,354	2,675	5,354
Unrealised loss (gain) on currency and market		57,681	(46,406)	57,681	(46,406)
Sukuk coupon cost		318	48	-	-
		35,692	10,274	35,176	10,224
Changes in operating assets and liabilities					
(Increase)/decrease in operating assets:					
Deposits with financial institutions		(244,443)	97,507	(244,443)	97,507
Investment securities		55,053	(46,017)	55,053	(46,017)
Derivative financial assets		(4,257)	3,193	(4,257)	3,193
Inventories		(154)	(869)	(154)	(869)
Other assets		63,303	(34,251)	63,313	(34,248)
(Decrease)/increase in operating liabilities:					
Decrease in currency in circulation		(9,163)	73,637	(9,163)	73,637
Deposits and balances of local banks and other local financial institutions		81,971	1,025,657	55,514	892,724
Payables to the Government of Brunei Darussalam		(517)	-	(517)	-
Derivative financial liabilities		2	(2,511)	2	(2,511)
Other liabilities		71,388	(47,022)	71,040	(47,501)
Provisions		608	600	608	600
Net cash generated from operating activities		49,483	1,080,198	22,172	946,739
Cash flows used in investing activity:					
Additions to property and equipment, representing net cash used in investing activity		(2,812)	(3,955)	(2,812)	(3,955)
Cash flows used in financing activities:					
Sukuk redemption		(22,033)	(83,413)	-	-
Sukuk coupon cost		(318)	(48)	-	-
Net cash flows used in financing activities		(22,351)	(83,461)	-	-
Net increase in cash & cash equivalents		24,320	992,782	19,360	942,784
Cash and cash equivalents at beginning of the year		3,661,224	2,668,442	3,611,226	2,668,442
Cash and cash equivalents at the end of the year	4	3,685,544	3,661,224	3,630,586	3,611,226

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue by the Members of the Board on 10 April 2023.

1. Domicile and activities

The Brunei Darussalam Central Bank (“BDCB”) [“the Authority”] as the central bank of Brunei Darussalam was established and domiciled in Brunei Darussalam and is committed to its objectives mandated under the Brunei Darussalam Central Bank Order, 2010.

Under Section 4 of the Order, the principal objects of the Authority are:

- (a) to achieve and maintain domestic price stability;
- (b) to ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;
- (c) to assist in the establishment and functioning of efficient payment systems and to oversee them; and
- (d) to foster and develop a sound and progressive financial services sector.

Without prejudice to the above-mentioned principal objects, the Authority shall support the general economic policies of the Government of Brunei Darussalam to the extent that it considers appropriate.

The address of the Group’s registered office is Level 14, Ministry of Finance and Economy Complex, Commonwealth Drive, Bandar Seri Begawan, BB3910, Negara Brunei Darussalam.

The issued and paid-up capital is wholly owned by the Government of Brunei Darussalam.

Al-Munawwarah Sdn Bhd [“the subsidiary”] [“AMSB”] is a special purpose vehicle [“SPV”], which facilitates the Authority’s liquidity management activities and other investment activities through the issuance of sukuk under a variety of Syariah principles. AMSB is controlled by the Authority as it has existing rights that give the Authority the current ability to direct the relevant activities of AMSB. AMSB has \$2.00 paid up capital which is held by nominees who are key officers of the Authority.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1. Basis of preparation

2.1.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Brunei Darussalam Central Bank Order, 2010 [the “Order”], the Brunei Darussalam Companies Act, Chapter 39 [the “Act”], the Currency Order, 2004 [the “CO”], and the International Financial Reporting Standards [“IFRSs”] including any relevant interpretations issued by the IFRS Interpretations Committee [“IFRIC”] applicable to entities reporting under IFRS.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

The consolidated financial statements comply with the Order, the Act, the CO issued by the Government of Brunei Darussalam and IFRS issued by the International Accounting Standards Board (“IASB”).

2.1.2 Functional currency

The consolidated financial statements of the Group are presented in Brunei Darussalam Dollars (“BND”), rounded to the nearest thousands, except as otherwise stated. BND is also the functional currency of the Group.

2.1.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair values as disclosed in the accounting policies set out below:

- Financial assets (Note 2.3);
- Financial liabilities (Note 2.4);
- Derivatives financial instruments (Note 2.5); and
- Gold (Note 2.8)

2.1.4 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Authority and the subsidiary (AMSB) made up to 31 December 2022. The Group controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. For the Group to have power over an entity, it must have the practical ability to exercise those rights. In situations where potential voting rights exist, these are taken into account if the Group has the practical ability to exercise those rights.

Entities that are controlled by the Group are consolidated from the date the group gains control and ceases to be consolidated from the date the Group loses control of the entities.

All intra-group transactions are eliminated on consolidation.

2.2. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial 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 (except for financial assets and financial liabilities measured at Fair Value through Profit and Loss (“FVTPL”) and Fair Value through Other Comprehensive Income (“FVOCI”)) 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 measured at FVTPL and FVOCI are recognised immediately in profit or loss.

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2.3. Financial assets

Financial assets consist of cash balances with banks and other financial institutions, investments in equity and debt securities, assets held with IMF, and other assets, excluding prepayments.

2.3.1 Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Investment securities at FVTPL;
- Investment securities at FVOCI;
- Investment securities at amortised cost; or
- Other assets at amortised cost.

An assessment of business models 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 does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (a) the Group's business model for managing the asset; and
- (b) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) and/or effective profit rate (EPR) method.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FTVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain from derecognition of investment securities measured at FVOCI". Interest income from these financial assets is included in 'Interest income' using the EIR and/or EPR method.

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- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented within “Net gain/loss on investment securities measured at FVTPL” in the period in which it arises. Interest income from these financial assets is included in ‘Interest income’ using the EIR and/or EPR method.

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 ‘worst case’ or ‘stress case’ scenarios.

The Group takes into account 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;
- 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; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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 reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments’ cash flows represent SPPI (the ‘SPPI test’). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as government and corporate bonds, loans, and other receivables.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

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The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2.3.2 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Group recognises a loss allowance for such loss at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 instruments 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 instruments, [referred to as Stage 2 and Stage 3]; or
- a loss allowance for full lifetime ECL is required for a financial instrument if the credit risk 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 ("SICR") are provided in Note 27.2.1(c).

ECLs are 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 and/or EPR.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of securities 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 and/or EPR, regardless of whether it is measured on an individual basis or a collective basis.

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. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

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- the lender or the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- 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 assesses whether debt instruments that are measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

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 SICR.

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

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

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in debt securities a qualitative indicator used is the breach of covenants. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

Significant increase in credit risk (SICR)

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a SICR since initial recognition. If there has been a SICR, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an external credit rating of 'investment grade', which is above Baa2 for Moody's and above BBB for S&P and Fitch. Accordingly, the Group assumes the application of the low credit risk expedient on the debt securities portfolio that broadly represents bonds issued with strong credit ratings of at least A3 for Moody's and A- for S&P and Fitch.

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For cash and cash equivalents, assets held with IMF, deposits with financial institutions and other receivables, these are either repayable on demand, mature within a year or placed with reputable financial institutions with high external credit rating. Accordingly, determination of staging triggers for identifying significant increase in credit risk is not consequential taking into account the rating of the counterparties are consistent.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has significantly increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group incorporates forward-looking information in its determination whether credit risks have increased significantly since initial recognition through its rating mechanism using external rating or based on criteria involving qualitative forward-looking elements.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a SICR before the amount becomes past due.

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; and
- for debt instruments measured at FVOCI: the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a part of net income in the statements of comprehensive income. 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 by adjusting the allowance account. The amount of the reversal is recognised as a part of net income in the statements of comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of accounts previously written off are recognised directly in the statements of comprehensive income as a part of net income.

2.3.3 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 or adjustment of existing covenants of an existing debt security 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 derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, 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 Group 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 proceeds received.

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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/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

2.3.4 Write-off

Debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in 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 apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in other income.

2.4. Financial liabilities

Classification and subsequent measurement

Financial liabilities are any liabilities that are contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or a contract that will or may be settled in the Group's own equity instrument. Financial liabilities are classified as either financial liabilities at FVTPL (including financial liabilities held for trading and those designated at FVTPL) or financial liabilities at amortised cost.

(a) Financial liabilities at FVTPL

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or if so designated by management. Financial liabilities designated as at FVTPL at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be extinguished in response to needs for liquidity or changes in interest rates or exchange rates. Information about these financial liabilities is provided internally on a fair value basis to the Treasury Investment Management. Financial liabilities classified as FVTPL consist of derivative financial liabilities.

Financial liabilities at FVTPL are initially recognised and subsequently measured at fair value with any gains or losses recognised in profit or loss. Fair value is computed using quoted market prices.

(b) Other financial liabilities at amortised cost

Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the EIR and/or EPR method, where applicable.

Derecognition of financial liabilities

The Group derecognises financial liabilities 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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2.5. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques (for example for structured notes), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the statements of comprehensive income under "Net gain/loss on investment securities measured at FVTPL".

2.6. Fair value of financial instruments

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.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter ("OTC") derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg; and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The Group has no assets or liabilities classified under Level 3 as at 31 December 2022 and 2021.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from Bloomberg.

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A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting date. The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity such as forward contracts. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the OTC market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The fair value of OTC derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates, with the resulting value discounted back to present value.

2.7. Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. The periods used for this purpose are:-

Buildings	–	3 to 50 years
Furniture, fixtures & fittings	–	5 to 10 years
Motor vehicles	–	7 years
Office equipment, machinery & computers	–	3 to 10 years

Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statements of comprehensive income.

2.8. Gold

Gold is recognised initially at cost and subsequently measured at fair value at reporting date. The Group's intention is to hold the asset as part of its long-term reserves.

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Changes in carrying amount of gold relating to the price of gold bullion are recognised in OCI as “Net gain/loss on gold revaluation”. This in turn forms part of market valuation reserve in accordance with Section 7 of the Order. When gold is derecognised, the cumulative gain or loss previously recognised in market valuation reserve is retained in equity and will be reclassified to reserve fund.

2.9. Impairment on non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. If this is not possible to do so, the recoverable amount for the cash-generating unit to which the asset belongs to shall be determined. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash generating unit is the greater of the value in use and the fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s or cash generating unit’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10. Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments using the EIR and/or EPR method.

The EIR and/or EPR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR and/or EPR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the EIR and/or EPR, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR and/or EPR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

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2.11. Dividend income

Dividends are recognised in profit or loss when the Group's right to receive payment is established.

2.12. Operating income

Operating income is recognised in the accounting period in which it is earned, except where it is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the income is recognised as revenue as the services are provided, or when the significant act has been completed, or as an adjustment to the EIR and/or EPR.

2.13. Fee and commission expense

Fee and commission expense is recognised in the period in which related revenue is recognised. This includes management fee, custody fee and other charges arising from other operations.

2.14. Foreign currency transactions and translation

2.14.1 Functional and presentation currency

Items in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in BND, which is the Group's functional currency.

2.14.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss recognised under "Net gain/loss on investment securities measured at FVTPL" in the statements of comprehensive income.

2.15. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. The right to offset must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

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As at 31 December 2022 and 2021, there are no financial assets and liabilities that have been offset.

2.16. Cash and cash equivalents

Cash and cash equivalents consist of cash and other cash items, deposit placements with local and international financial institutions with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value. Restricted cash is disclosed separately from cash and cash equivalents in Note 4 and in the statements of cash flows.

2.17. Advances to suppliers and other assets

Advances to suppliers are expenses paid in advance and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Advances to suppliers expire and are recognised as expense either with the passage of time or through use or consumption.

Other assets include assets that are realised as part of the normal operating cycle and are expected to be realised within twelve months after the reporting period.

2.18. Inventories

Inventories consist of bank notes and coins and are recorded at cost upon receipt of stock. They are subsequently expensed when issued into circulation.

Inventories also consist of numismatic notes and coins, which are specially minted or packaged as collectors' items which are not issued for monetary purposes and are not included as part of currency in circulation. Any profit or loss arising from the sale of these coins is included in the statements of comprehensive income.

The cost of inventories is based on the first-in first-out principle, and is defined as the sum of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2.19. Currency in circulation

Currency issued is a claim on the Authority for notes and coins issued for circulation, fully guaranteed by the Government of Brunei Darussalam, in favour of the holder. Currency in circulation is recorded at face value as a liability in the statements of financial position.

2.20. 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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).

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

2.21. Sukuk issuance, accrued expenses and other liabilities

Sukuk are financial certificates that provide an investor with proportionate beneficial ownership of an asset, and returns based on this ownership. They are commonly referred to as Islamic bonds.

Accrued expenses and other liabilities represent liabilities for goods and services provided to the Group prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid subsequent to year-end.

They are recognised initially at their fair value and subsequently measured at amortised cost using the EPR method, unless the discounting effect is immaterial.

2.22. Employee benefits

2.22.1 Defined contribution plans and other employment benefits

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions. 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.

(a) Employees Trust Fund ["TAP"] and Supplemental Contributory Pension ["SCP"]

Under Section 26 of the Order, the laws of Brunei Darussalam which relate to retirement benefits schemes shall apply to the employees of the Group. The Group participates in TAP and SCP.

(b) Incentive scheme

The incentive scheme is a bonus scheme of which the calculation is referenced to monthly salary of the employee. Employees are eligible to participate in the incentive scheme after completing the six-month trial period. The main objective of this incentive is to provide incentives to employees to improve the level and quality of their services according to their capabilities. The Group contributes 5 or 10 percent of employee's monthly salary depending on the employee's annual performance. This incentive scheme is recognised as an employee benefits expense under "Staff costs" in the statements of comprehensive income.

2.22.2 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.23. Distributable earnings

The earnings available for distribution shall be determined under Section 8 of the Order, 2010 as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

- (a) where profits include realised and unrealised foreign currency valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the currency valuation reserve fund;
- (b) where profits include realised and unrealised foreign currency valuation losses, by adding back such losses to the net profits and deducting the amount from the currency valuation reserve fund to the extent that there are credit funds available in the currency valuation reserve fund to cover such losses;
- (c) where profits include market unrealised valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the market valuation reserve fund; and
- (d) where profits include market unrealised valuation losses, by adding back such losses to the net profit and deducting such losses from the market valuation reserve fund to the extent that there are credit funds available in the market valuation reserve fund to cover such losses.

2.24. Allocation of distributable earnings

The allocation of distributable earnings shall be determined under Section 9 of the Order, 2010 as follows:

- a) Within 3 months after the end of every financial year of the Group, the Group shall allocate the distributable earnings as follows:
 - where the total balance of the paid-up capital and the Reserve Fund is less than 20 percent of the total assets at the end of the financial year, 100 percent of the distributable profit is to be transferred to the Reserve Fund until the 20 percent level is met.
 - where the total balance of the paid-up capital and the Reserve Fund is greater than 20 percent of the total assets at the end of the financial year, 30 percent of the distributable profit is to be transferred to the Reserve Fund and the balance of 70 percent is to be transferred to the Government of Brunei Darussalam;
- b) No distribution shall be made out of the current income of the Group except as permitted by subsection (a) above; and
- c) If in any financial year the Group incurs negative distributable earnings, these earnings shall first be charged to the Reserve Fund and subsequently be covered by capital.

2.25. Other operating expenses

Other operating expenses are recognised in the consolidated financial statements as incurred.

2.26. Standards issued but not yet effective

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

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

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Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
<p>Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</p>	<p>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	<p>The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements.</p>
<p>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies</p>	<p>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.</p> <p>The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.</p>	<p>The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements.</p>

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Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
	The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.	
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	<p>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:</p> <p>A change in accounting estimate that results from new information or new developments is not the correction of an error The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors</p> <p>The Board added two examples [Examples 4-5] to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example [Example 3] as it could cause confusion in light of the amendments.</p> <p>The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.</p>	The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in the below notes to the consolidated financial statements, management is required to make judgements, 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.

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.

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3.1 Critical judgements in applying the accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the accounting policies and with the most significant effect on the consolidated financial statements.

- (a) Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.
- (b) Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or 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 SICR. In assessing whether the credit risk of an asset has significantly increased the Group applied the 'low credit risk' expedient. Refer to Note 27.2.1 for more details.

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. Refer to Note 27.2.1 for details of the characteristics considered in this judgement. 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.

- (c) Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement 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. Refer to Note 27.2.1 for more details on the ECL.
- (d) Impairment of property and equipment: Assets that have definite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, management considers evidence of obsolescence or physical damage of an asset, assets becoming idle, or the economic performance of the asset is, or will be, worse than expected. If any such evidence exists for any item of property and equipment, changes in those estimates and judgments could result in adjustments to the net carrying amount of property and equipment.

There is no recorded provision for impairment loss pertaining to property and equipment during the reporting period considering the absence of impairment indicators such as evidence of obsolescence or physical damage to any item of property and equipment or significant changes in the Group's industry to which it operates.

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For the year ended 31 December 2022

3.2 Key sources of estimation uncertainty

The following are key estimations that the management has 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:

- (a) 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.
- (b) 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.
- (c) 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 collateral and integral credit enhancements.
- (d) Useful lives of property and equipment: Management estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these circumstances. A change in the estimated useful lives of property and equipment would impact recorded costs and expenses, and assets.

The carrying amounts of property and equipment are presented in Note 10. Based on management's assessment as at 31 December 2022 and 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

4. Cash and cash equivalents

Cash and cash equivalents per statements of cash flows comprise the following:

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Cash	2,489,095	2,411,779	2,489,095	2,411,779
Short-term deposits	62,065	189,607	7,107	139,609
Short-term government treasury bills	1,134,384	1,059,838	1,134,384	1,059,838
Total cash and cash equivalents	3,685,544	3,661,224	3,630,586	3,611,226

Notes to the Consolidated Financial Statements

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Short-term deposits with banks have average maturities of less than or equal to 90 days and carry effective interest and/or profit rates ranging from 1.75% to 3.5% [2021: 0.18% to 0.45%]. Interest earned from cash and deposits with banks and financial institutions is disclosed in Note 19.

Short-term government treasury bills have maturities of less than or equal to 90 days from the date of acquisition. Income from the treasury bills recognised by the Group and the Authority for the financial year amounts to BND 15,878,901 [2021: BND 3,175,757].

5. Investment securities

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Investment securities at FVOCI:		
Government debt securities	479,415	544,654
Corporate debt securities	480,871	529,716
	960,286	1,074,370
Investment securities at FVTPL:		
Corporate debt securities	105,993	93,386
Listed equity instruments	176,525	232,992
	282,518	326,378
Total investment securities	1,242,804	1,400,748

Debt securities classified as FVOCI that are expected to mature within 12 months after reporting date amounts to BND 290,665,144 [2021: BND 246,825,164]. The remaining balance of FVOCI has a maturity of more than 12 months after reporting date.

The dividend income from listed equity instruments recognised by the Group and the Authority for the financial year amounts to BND 7,529,671 [2021: BND 3,925,653].

6. Derivative financial assets and liabilities

Derivatives held by the Authority for non-hedging purposes mainly consist of foreign exchange forwards representing commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate on maturity.

As at 31 December, the Authority had contractual commitments under open forward currency contracts as follows:

	2022 Contract/Notional Amount in BND'000	2021 Contract/Notional Amount in BND'000
Commitments to purchase currencies under forward contracts	486,355	464,563
Commitments to sell currencies under forward contracts	(477,912)	(460,374)

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For the year ended 31 December 2022

As at 31 December 2022, the derivative financial assets amount to BND 8,542,184 [2021: BND 4,285,223], while the derivative financial liabilities amount to BND 99,347 [2021: BND 96,745]. The contract amounts of these instruments reflect the extent of the Authority's involvement in forward currency contracts and do not represent the risk of loss due to counterparties non-performance. The fair values of these derivatives are presented on the statements of financial position.

7. Assets held and liabilities with IMF

Brunei Darussalam became a member country of the International Monetary Fund ("IMF") in October 1995. The Ministry of Finance and Economy ("MOFE") is the fiscal agent and the Authority was appointed to be a depository for the IMF deposits. These deposits which were paid by the Government of Brunei Darussalam to IMF through MOFE were maintained by the Authority (as a depository) under IMF Account No. 1, IMF Account No. 2 and IMF Securities Account. The deposits represented the Domestic Currency Portion amounting to SDR201,730,037 of Brunei Darussalam's Quota Subscription payment to IMF.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights ("SDRs"). The SDR balances in IMF accounts are translated into Brunei Darussalam currency at the prevailing exchange rates and any unrealised gains or losses are accounted for in accordance with accounting policy on foreign currencies.

The IMF account is as detailed below:

	The Group and the Authority	
	2022 BND'000	2021 BND'000
<u>ASSETS</u>		
Foreign currency investment and claims:		
IMF quota subscription	542,210	574,141
<i>Less:</i>		
IMF No.1 currency account	(82,289)	(84,232)
IMF securities account	(401,982)	(411,472)
Currency valuation adjustment account	5,403	(11,366)
Reserve Tranche Position	63,342	67,071
<i>Add:</i>		
SDR holdings	911,827	964,945
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	222	5
Accrued interest on SDR holdings	4,191	89
IMF expenses on SDR allocation	25,816	15,001
	1,005,398	1,047,111
<u>LIABILITIES</u>		
IMF No.2 currency account	370	378
Currency valuation adjustment account No.2	(4)	9
IMF SDR allocation	885,902	938,074
IMF accrued expenses on SDR allocation	4,072	86
	890,340	938,547

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8. Other assets

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Interest and dividend receivables	10,042	8,905	10,029	8,902
Advances to suppliers	2,303	2,692	2,303	2,692
Receivable from the Government of Brunei Darussalam	-	64,081	-	64,081
Sundry assets	808	778	808	778
	13,153	76,456	13,140	76,453

Receivable from the Government of Brunei Darussalam is an amount due to BDCB as a result of the transfer of the building project to the Government of Brunei Darussalam payable as claimed with no interest levied. The amount was fully settled subsequently.

9. Gold

	The Group and the Authority	
	2022 BND'000	2021 BND'000
At 1 January	355,481	364,270
Revaluation – loss	(285)	(8,789)
At 31 December	355,196	355,481

Gold is measured at fair value at the end of each reporting period. The fair value of gold is calculated using unadjusted quoted prices in active markets for identical assets. The fair value measurement of gold is under Level 1 of the fair value hierarchy.

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10. Property and equipment, net

The Group and the Authority	Buildings BND'000	Construction-in- progress BND'000	Furniture, fixtures & fittings BND'000	Motor vehicles BND'000	Office equipment, machinery & computers BND'000	Total BND'000
Cost						
Balance as at 1 January 2020	41,645	11,521	1,130	325	22,593	77,214
Additions	72	15,338	8	-	132	15,550
Balance as at 31 December 2020	41,717	26,859	1,138	325	22,725	92,764
Accumulated depreciation						
Balance as at 1 January 2020	27,850	-	885	290	15,745	44,770
Depreciation charge for the year	668	-	69	25	2,434	3,196
Balance as at 31 December 2020	28,518	-	954	315	18,179	47,966
Net book value as at 31 December 2020	13,199	26,859	184	10	4,546	44,798
Cost						
Balance as at 1 January 2021	41,717	26,859	1,138	325	22,725	92,764
Additions	111	-	24	63	3,757	3,955
Transfer/Disposal	-	(26,859)	-	-	-	(26,859)
Balance as at 31 December 2021	41,828	-	1,162	388	26,482	69,860
Accumulated depreciation						
Balance as at 1 January 2021	28,518	-	954	315	18,179	47,966
Depreciation charge for the year	669	-	60	10	4,615	5,354
Balance as at 31 December 2021	29,187	-	1,014	325	22,794	53,320
Net book value as at 31 December 2021	12,641	-	148	63	3,688	16,540

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	Buildings BND'000	Construction-in- progress BND'000	Furniture, fixtures & fittings BND'000	Motor vehicles BND'000	Office equipment, machinery & computers BND'000	Total BND'000
Cost						
Balance as at 1 January 2022	41,828	-	1,162	388	26,482	69,860
Additions	315	-	16	-	2,481	2,812
Balance as at 31 December 2022	42,143	-	1,178	388	28,963	72,672
Accumulated depreciation						
Balance as at 1 January 2022	29,187	-	1,014	325	22,794	53,320
Depreciation charge for the year	652	-	60	10	1,953	2,675
Balance as at 31 December 2022	29,839	-	1,074	335	24,747	55,995
Net book value as at 31 December 2022	12,304	-	104	53	4,216	16,677

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11. Currency in circulation

In accordance with Section 13 of the CO, the Authority has the sole authority to issue banknotes and coins for circulation in Brunei Darussalam. A breakdown, by denomination, is presented below.

Denomination	The Group and the Authority	
	2022 BND'000	2021 BND'000
\$1	44,703	44,397
\$5	34,065	34,009
\$10	152,867	152,457
\$20	11,437	10,952
\$25	8,328	8,334
\$50	117,937	122,771
\$100	729,540	716,591
\$500	210,517	206,007
\$1,000	10,885	26,820
\$10,000	51,330	59,290
Other notes and coins	50,666	49,810
	1,422,275	1,431,438

Currency in circulation represents the face value of banknotes and coins in circulation. Notes and coins held by the Authority as cash in vault and cashier/teller at the end of the financial year have been excluded from the liability of banknotes and coins in circulation because they do not represent currency in circulation.

12. External assets

Under Section 24 of the CO, the external assets of the Currency Fund shall at all times be not less than 100 per cent of the face value of the currency in circulation.

The assets and liabilities of the Currency Fund as at 31 December are as follows:

External Assets:	The Group and the Authority	
	2022 BND'000	2021 BND'000
Cash & cash equivalents	47,546	82,476
Fixed deposits	49,106	34,548
Investment securities	1,331,668	1,382,445
Other assets	11,482	10,074
	1,439,802	1,509,543

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	The Group and the Authority	
	2022	2021
	BND'000	BND'000
External Assets: (cont'd)		
Less:		
Active currency in circulation	1,422,275	1,431,438
	17,527	78,105

13. Deposits and balances of local banks and other local financial institutions

	The Group		The Authority	
	2022	2021	2022	2021
	BND'000	BND'000	BND'000	BND'000
Minimum cash balance:				
Finance companies	98,800	105,949	98,800	105,949
Current account:				
Commercial banks	1,240,354	2,508,488	1,240,354	2,508,488
Insurance company	8,000	8,000	8,000	8,000
AMSB	-	-	624	27,081
Other institutions	6,458	4,427	6,458	4,427
Deposits:				
Commercial banks	1,355,223	-	1,355,223	-
	2,708,835	2,626,864	2,709,459	2,653,945

Deposits from local banks and other local financial institutions include:

- (a) The minimum cash balance maintained by banks and finance companies with the Authority as required under Section 45 of the Banking Order, 2006, the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act, Chapter 89 respectively. Deposits from companies holding licences under the Securities Order (SO), 2001 represents statutory deposits as required under Section 27 of the SO 2001.

With effect from 21 December 2017, the current account maintained by each bank and other institution with the Authority shall be used to satisfy the minimum cash balance and as a settlement account for each bank and other institution within the Real-Time Gross Settlement ("RTGS"). This means that the balances on the current account can be maintained, up to the minimum cash balance utilisation rate of 30%, and may be used for intraday settlement within the RTGS.

- (b) The current account maintained by the banks and other institutions with the Authority shall be used as a settlement account for each bank within the RTGS. RTGS is a process and computer installations providing continuous (real-time) settlement of fund transfers individually on an order basis (without netting).

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14. Deposits balances of international financial institutions

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Deposit from World Bank	19,631	19,631
Other institutions	19	19
	19,650	19,650

15. Other liabilities

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Accrued expenses	86,214	14,846	85,777	14,757
Fees received in advance	1,748	1,728	1,748	1,728
	87,962	16,574	87,525	16,485

Fees received in advance relates to cash received in advance for licensing and regulatory operations.

16. Provisions

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Provision for incentive scheme	4,889	4,280
Provision for leave expenses	150	151
Provision for distributable earnings to the Government of Brunei Darussalam	5,525	5,525
	10,564	9,956

The provision for distributable earnings to the Government of Brunei Darussalam is as follows [Note 2.24]:

	The Group and the Authority	
	2022 BND'000	2021 BND'000
As at 1 January and 31 December	5,525	5,525

Subsequent to year end, the distributable earnings owing to the Government of Brunei Darussalam was fully settled.

Notes to the Consolidated Financial Statements

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17. Sukuk issuance

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Issuance of BDCB I-Bills	54,957	76,997	-	-
Coupon payable (within 12 months)	8	1	-	-
	54,965	76,998	-	-

As part of the Authority's continued efforts to develop a more efficient money market for Brunei Darussalam, the Authority successfully launched the BDCB Islamic Bills Programme (BDCB I-Bills) with the maiden issuance, through AMSB, on 22 October 2020. The BDCB I-Bills Programme aims to support the effective and efficient liquidity management for the banks in Brunei Darussalam and at the same time, widen the list of available money market instruments for BDCB and the domestic financial sector. The BDCB I-Bills is based on the Syariah concept of Wakalah bil Ujah with a tenor of two weeks and is issued weekly. The maximum issuance size of the BDCB I-Bills is BND 50,000,000 and is one of the eligible collaterals for the BDCB Funding/Lending Facilities in addition to the Brunei Government Sukuk.

18. Equity including reserves

The authorised capital of the Authority is 2,000,000,000 ordinary shares of BND1 each and the paid-up capital is 1,000,000,000 ordinary shares of BND1 each. The entire capital is held by the Government of Brunei Darussalam.

18.1 Capital management

The Authority's objectives when managing capital are as follows:

- to comply with the capital requirements outlined in Sections 6 of the Order;
- to safeguard the Authority's ability to continue as a going concern in its provision of Central Banking facilities for the Government of Brunei Darussalam as outlined in Sections 49 to 51 of the Order; and
- to maintain a strong capital base to support the development of the Brunei economy.

Capital adequacy is monitored by the Authority's management, and in accordance with the guidelines established by the Order.

18.2 Reserve fund and reserve accounts

The reserve fund was established in accordance with the provisions of Section 7 of the Order as follows:

- a Reserve Fund which shall not be used except for the purpose of covering losses sustained by the Authority;
- a Currency Valuation Reserve Fund which shall be used to account for realised and unrealised gains and losses arising from its positions with foreign currencies;
- a Market Valuation Reserve Fund which shall be used to account for unrealised gains and losses arising from its positions with gold, financial instruments and other assets; and
- such other funds as the Authority may determine. Effective from 1 January 2019 market valuation reserve consists of the following:
 - Market valuation reserve for investment securities measured at FVTPL;
 - Market valuation reserve for investment securities measured at FVOCI; and

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(iii) Market valuation reserve for revaluation of gold.

The distribution of earnings is in accordance with Section 8 of the Order is as follows:

- (a) The net profits or losses determined by the Authority shall be in conformity with the accounting standards adopted by the Authority.
- (b) The earnings available for distribution under section 9 shall be determined:
- (i) where profits include realised and unrealised foreign currency valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the Currency Valuation Reserve Fund;
 - (ii) where profits include realised and unrealised foreign currency valuation losses, by adding back such losses to the net profits and deducting the amount from the Currency Valuation Reserve Fund to the extent that there are credit funds available in the Currency Valuation Reserve Fund to cover such losses;
 - (iii) where profits include market unrealised valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the Market Valuation Reserve Fund; and
 - (iv) where profits include market unrealised valuation losses, by adding back such losses to the net profit and deducting such losses from the Market Valuation Reserve Fund to the extent that there are credit funds available in the Market Valuation Reserve Fund to cover such losses.

The table below shows the distribution of available earnings for the financial years ended 31 December:

	The Authority	
	2022 BND'000	2021 BND'000
Total comprehensive (loss) / income	(70,675)	9,885
Transfer from / (to) currency valuation reserve fund	3,960	(3,960)
Transfer from market valuation reserve fund for investment securities measured at FVOCI	7,335	32,602
Transfer from / (to) to market valuation reserve fund for investment securities measure at FVTPL	49,126	(33,466)
Transfer from market valuation reserve fund for gold revaluation	285	8,789
Earnings available for distribution	(9,969)	13,850
<i>Distributed as follows:</i>		
Transfer to reserve fund	9,969	(13,850)
Transfer to the Government of Brunei Darussalam	-	-
	-	-

19. Interest income

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
On debt securities	33,826	31,590	33,826	31,590
On deposits with banks and financial institutions	11,585	2,934	11,033	2,864
	45,411	34,524	44,859	34,454

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20. Net (loss)/ gain on investment securities measured at FVTPL

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Investment in debt securities		
- Realised loss	(602)	(2,150)
- Unrealised loss	(4,965)	(1,291)
Investment in equity securities		
- Realised gain	5,264	774
- Unrealised (loss)/ gain	(44,161)	34,757
(Loss) / gain on foreign exchange	(5,808)	3,960
	(50,272)	36,050

21. Net (loss) / gain on investment securities measured at FVOCI

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Net gain from derecognition of investment securities :		
- Realised gain from derecognition	4,995	2,449
Net loss on investment securities :		
- Unrealised loss	(45,210)	(32,602)

22. Operating income

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Registration and licensing of banks and financial institutions	1,509	1,503
Credit Bureau	579	532
Other income	570	6,557
Commemorative coins	504	672
Payment Settlements	430	457
Collateral Registry	89	98
	3,681	9,819

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23. Staff costs

	The Group and the Authority	
	2022 BND'000	2021 BND'000
Salaries and wages	11,504	11,088
Allowances	3,628	3,260
Bonuses	2,574	2,709
Other staff costs	796	799
Long-term incentive scheme	609	587
	19,111	18,443

24. Other operating expenses

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
General and administrative expenditure	4,831	2,892	4,795	2,872
Maintenance of building, office equipment & computer	3,305	3,135	3,305	3,135
Depreciation	2,675	5,354	2,675	5,354
Currency operation expenses	2,034	1,774	2,034	1,774
Consultancy and developmental expenditure	1,932	1,768	1,932	1,767
	14,777	14,923	14,741	14,902

25. Related parties

In the normal course of its operation, the Authority can enter into transactions with related parties. Related parties includes the Government of Brunei Darussalam and the subsidiary company (AMSB).

The Authority may serve as banker to and act as the financial agent to the Government of Brunei Darussalam. Other than the transfer to the Government of Brunei Darussalam in accordance with Section 9 of the Order, there were no other significant related party transaction during the current financial year.

26. Events after the reporting date

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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27. Financial instruments and financial risks

27.1. Fair value of financial instruments

The Group ranks its investment securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

The table below presents the hierarchy levels of the Group's assets and liabilities measured at fair value. There were no transfers between Level 1 and Level 2 during the current or prior year.

31 December 2022	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
Financial assets				
Investment securities	1,242,804	-	-	1,242,804
Derivative financial assets	-	8,542	-	8,542
	1,242,804	8,542	-	1,251,346
Financial Liabilities				
Derivative financial liabilities	-	99	-	99
	-	99	-	99

31 December 2021	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
Financial assets				
Investment securities	1,400,748	-	-	1,400,748
Derivative financial assets	-	4,285	-	4,285
	1,400,748	4,285	-	1,405,033

31 December 2021	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
Derivative financial liabilities	-	97	-	97
	-	97	-	97

27.2. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The most important types of financial risks are credit risk, liquidity risk and market risk. Market risk includes currency risk, price risk and interest rate risk.

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The Group's investment policy statements are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

27.2.1. Credit risk

Credit risk is the risk of financial loss resulting from the failure of counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Credit exposures arise principally in debt securities and other treasury bills in the Group's asset portfolio. The Group Risk Committee manages and controls credit risk by monitoring the investment guidelines and directives issued to the fund managers of the Group.

The Members of the Board do not consider that the Group is exposed to any significant credit risk because its financial assets consist primarily of cash and securities issued or guaranteed by Government of sovereign countries (i.e. Singapore, Hong-Kong, and China). The Group does not have any significant credit risk exposure to any single non-investment grade counterparty or any group of counterparties having similar characteristics.

(a) Credit risk management

For debt securities and other treasury bills, external ratings such as Standard & Poor's ratings or their equivalents are used by the Group for managing credit risk exposures. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

(b) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

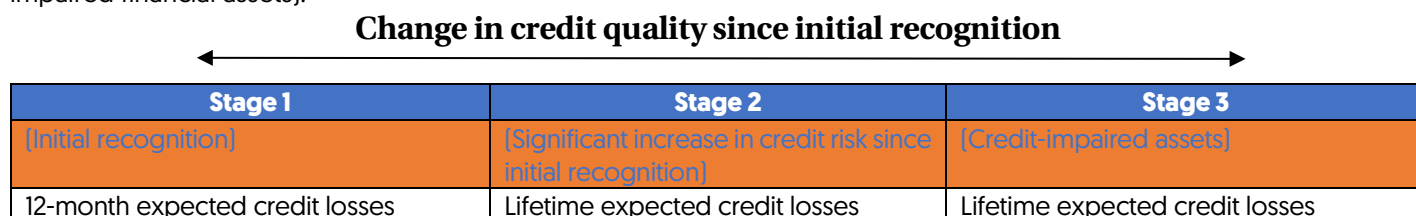
- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3";
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis;
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information; and
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis [Stage 3].

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis.

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The following diagram summarises the impairment requirements under IFRS 9 (other than purchased originated credit-impaired financial assets):



(c) Significant increase in credit risk ('SICR')

Due to the generally high quality of the securities as stipulated in Investment Policy Statement of respective funds and the overall low credit risk exposures whereby investments are commonly rated "investment grade" by the global credit rating agencies, the Group has opted for the practical expedient of the general approach through applying low credit risk operational simplification.

(d) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default if the issuer of the investment securities is downgraded to below investment grade, which is below Baa2 for Moody's and below BBB for Standard & Poor's and Fitch Ratings. Notwithstanding the above, the Group does not intend to rebut the "90 days overdue" presumed definition of default.

(e) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The key inputs used for measuring ECL are:

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

These ECL is derived from internally developed statistical models and other historical data and it is 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. The calculation is based on statistical rating 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), as well as internal data comprising both quantitative and qualitative factors. Given that there has not been any historical instance of defaults on the portfolio, the Group applied the external credit rating agency's historical observed default rates to derive the portfolio's average default rates for respective historical years. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss severity arising from 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 any collateral. Given that there has not been any historical instance of defaults on the portfolio, the Group bases its LGD estimates from data published by external rating agency. The LGD parameter will be determined based on average historical LGD on the basis that there is a limited statistical significance between LGD and macroeconomic indicators. The cash flows are not discounted as any discounting effects are not expected to be significant for measuring 12 months ECL on the debt securities portfolio.

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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. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the debt security exposure that are permitted by the current contractual terms, such as amortisation profiles and early repayment.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a SICR it can be necessary to perform the assessment on a collective basis as noted below.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

(f) Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified economic variables impacting credit risk and expected credit losses for each portfolio. The macroeconomic indicators should be both sensitive and reflective of Group's portfolio based on the following considerations:

- Intuitiveness for users to interpret and understand the relationship between macroeconomic indicators and the segment of the portfolios' default risk;
- Readily available forecasts to operationalize the model. In the absence of available forecasts, Group would require a separate forecasting process or introduce an element of expert judgement to derive the forecast estimate; and
- Accommodates assignment of probability weights.

Based on those considerations and the nature of the investment portfolio and the selected segmentation approach, we further narrowed down the potential economic factors to the following:

(g) Singapore economic factors - Singapore Macroeconomic Variables (MEVs)

The Singapore MEVs will be tested for correlation with credit quality of Singapore issuer counterparties within BDCB's investment portfolio, which are the following:

Singapore MEVs	Description	Category
SIN_STI	Singapore STI Index which is one of the main stock indices for Singapore equities	Equity Price
SIN_GDP	Singapore GDP (absolute value in SGD million) which measures economic growth for the country	Economic Growth
SIN_CPI_YOY%	Singapore Consumer Price Index	Inflation
SIN_PPI_MANF	Singapore Producer Price Index	Economic Growth
SIN_3M_SIBOR	Singapore 3-month Interbank Offer Rate	Interest Rate
SIN_IMP_PRICE	Singapore Import Price Index	Economic Growth
SIN_EXP_PRICE	Singapore Export Price Index	Economic Growth
SIN_EMPL	Singapore Employment Number	Employment

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(h) World economic factors - World MEVs

The World MEVs will be tested for correlation with credit quality of both Singapore and non-Singapore counterparties. They are:

World MEVs	Description	Category
WORLD_GDP	World GDP (%) which measures the economic growth globally	Economic Growth
WORLD_TRADE_VOL	World Trade Volume which measures trade flow globally	Trade
WORLD_WTI_OIL	World WTI crude oil prices measuring global demand for energy	Economic Growth
WORLD_BRENT_OIL	World Brent crude oil prices measuring global demand for energy	Economic Growth
WORLD_3M_LIBOR	World 3M LIBOR which measure interbank lending rate globally	Interest Rate
WORLD_US_CPI	US CPI Index which measures inflation in the world's largest economy	Inflation
WORLD_US_IND_PROD	US Industrial Production which measures industrial activities in the US	Economic Growth
WORLD_US_10Y	US 10Y Benchmark Yield	Interest Rate
WORLD_US_UNEMPL	US Unemployment Rate	Employment
S&P 500	S&P 500 which measure equity prices of the largest 500 companies in US	Equity Prices
DJIA	DowJones Industrial Average which measure the largest 30 biggest market cap companies in the US	Equity Prices
NASDAQ	NASDAQ index measures the equity prices of largest tech companies in the US	Equity Prices
US_OIS_3M	USD3M Overnight Index Swap serves as the indicator of overnight benchmark lending rate	Interest Rate
LIBOR_OIS_SPREAD	Spread between LIBOR and OIS tend to measure the market liquidity status	Interest Rate

The macro-economic indicators are shortlisted for further statistical analyses process to determine the highest predictive power for the Group's portfolio. Those shortlisted will be further examined before arriving at the final economic indicators that are both statistically significant, intuitive and reflective of the Group's portfolio.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors.

(i) Groupings based on shared risks characteristics

For expected credit loss provisions modelled on a collective basis, a grouping is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- date of initial recognition;

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- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

(j) Credit risk exposure

Maximum exposure to credit risk - Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of each financial instrument. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

The table below presents the ratings of debt securities, treasury bills and other government securities as at 31 December 2022 and 2021 based on international and domestic credit assessment agencies.

Credit grade	Financial assets at fair value through OCI *		Deposits with financial institutions *	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
AAA	409,469	454,679	19,631	19,631
Aa1 to Aa3	43,999	64,646	215,932	-
A1 to A3	266,837	276,463	28,511	-
Lower than A1	60,556	96,681	-	-
Unrated	179,425	181,901	-	-
Gross carrying amount	960,286	1,074,370	264,074	19,631
Loss allowance	-	-	-	-
Net carrying amount	960,286	1,074,370	264,074	19,631

* Stage 1: 12-month expected credit losses

As at 31 December 2022 and 2021, the Group and the Authority's deposits are placed with highly reputable financial institutions.

The entity is also exposed to credit risk in relation to Assets held with IMF that are measured at amortised cost. The maximum exposure at the end of the reporting period is the carrying amount of the asset at BND 1,005,398,109 [2021: BND 1,047,110,488].

Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment:

Financial assets at fair value through profit or loss	Maximum exposure to credit risk	
	2022 BND'000	2021 BND'000
Debt securities	105,993	93,386
Equity	176,525	232,992
Carrying amount	282,518	326,378

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27.2.2. Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk is from its financial investment portfolios.

The market risks arising from the Group's activities are monitored by the Investment Advisory Committee (IAC). Regular reports are submitted to the Management and IAC.

(a) Currency risk

Apart from the Group's assets and liabilities with the IMF, which are denominated in SDRs, its exposure to foreign currency risk is limited. The only other significant foreign currency is Singapore Dollar [SGD], on which there is no exposure because the Brunei and the SGD are pegged 1:1. The Group manages any other foreign currency exposure using internal hedging techniques, by matching assets and liabilities, wherever possible.

As at 31 December, the Group's exposure to other foreign currencies follows:

	2022 BND'000	2021 BND'000
Investment securities		
US Dollar (USD)	590,153	674,398
Australian dollar (AUD)	35,948	21,532
Hong Kong dollar (HKD)	665	8,006
Euro (EUR)	1,530	7,482
Pound Sterling (GBP)	2,293	2,572

A 10% strengthening of the BND against the USD, AUD, HKD, EUR and GBP at 31 December would have decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Authority considered to be reasonably possible at the end of reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2022 BND'000	2021 BND'000
Investment securities		
US Dollar (USD)	59,015	67,440
Australian dollar (AUD)	3,595	2,153
Hong Kong dollar (HKD)	67	801
Euro (EUR)	153	748
Pound Sterling (GBP)	229	257

A weakening of the BND against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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There is no analysis performed on movement against the Singapore dollar (SGD) as the BND is pegged to the Singapore dollar at parity under the Currency Interchangeability Agreement (CIA) signed between the Government of Negara Brunei Darussalam and the Government of Republic of Singapore and is customary tender in Singapore and vice-versa.

SDR, the IMF's unit of account, is essentially a specified basket of five (5) major international currencies [i.e., the U.S. Dollar (USD), Euro (EUR), Japanese Yen (JPY), Pound Sterling (GBP) and Chinese Renminbi (CNY)]. The weightage of each currency is as follows:

Currency	Weight (%)
USD	43.38
EUR	29.31
CNY	12.28
JPY	7.59
GBP	7.44
	100

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The level of mismatch of interest rate repricing that may be undertaken by the Group is monitored frequently by the IAC.

The following table shows the information relating to the Group's investments in debt securities that are exposed to fair value interest rate risk presented by maturity profile.

31 December 2022	Interest bearing					
	Non-interest bearing	Range of rates	Up to a year	2-5 years	Over 5 years	Total
	BND'000	%	BND'000	BND'000	BND'000	BND'000
Cash and cash equivalent	3,623,479	1.75% - 3.50%	65,065	-	-	3,685,5444
Investment securities at FVTPL	176,525	1.40% - 4.75%	1,523	29,184	75,286	282,518
Investment securities at FVOCI	59,572	0.50% - 5.63%	48,372	446,474	405,868	960,286

31 December 2021	Interest bearing					
	Non-interest bearing	Range of rates	Up to a year	2-5 years	Over 5 years	Total
	BND'000	%	BND'000	BND'000	BND'000	BND'000
Cash and cash equivalent	3,471,617	0.18% - 0.45%	189,607	-	-	3,661,224
Investment securities at FVTPL	232,992	1.60% - 5.00%	-	13,938	79,448	93,386
Investment securities at FVOCI	-	0.01% - 5.67%	87,936	571,780	414,654	1,074,370

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The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the impact on profit for the financial year ended 31 December 2022:

Change in interest rate:	Impact on profit (in BND'000)	
	Fixed Rate	Floating Rate
+1%	(80)	(16)
-1%	80	16

(c) Price risk

Price risk relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. The Group is exposed to price risk in respect of its investments in listed equities amounting to BND 176,524,980 [2021: BND 232,991,630].

As at 31 December 2022, based on a 10% fall in equity prices, the impact on profit or loss would be reduction of BND 17,652,498.

27.2.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems.

The Group's objective is to ensure that adequate liquidity is maintained at all times. The Group manages such risk by investing mainly in liquid money market instruments for maturities not exceeding 12 months so as to meet its day-to-day liquidity needs. Alongside with this, the Group imposes exposure limits on its approved counterparty list. Diversification of the fund is also achieved by investing in other asset classes such as debt securities and equities.

	The Group		The Authority	
	2022 BND'000	2021 BND'000	2022 BND'000	2021 BND'000
Financial assets	6,208,670	6,202,478	6,152,477	6,152,477
Financial liabilities	5,305,053	5,225,120	5,175,114	5,175,114

Financial assets consists of cash and cash equivalents, deposits with financial institutions, debt securities, government treasury bills, equity securities, assets held with IMF, and other assets excluding advances from suppliers.

Financial liabilities consists of currency in circulation, deposit and balances of local banks and other local financial institutions, deposit balances of international financial institutions, payables to Government of Brunei Darussalam, liabilities with IMF, other liabilities, sukuk issuance, and provision for distributable earnings to the Government of Brunei Darussalam.

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The following tables analyse the Group and the Authority's financial assets and liabilities at the end of reporting period into relevant maturity groupings based on the remaining period to the contractual maturity date:

The Group 31 December 2022	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	2,489,095	178,268	1,018,181	-	-	-	3,685,544
Deposits with financial institutions	19,631	-	-	244,443	-	-	264,074
Debt securities	-	4,021	12,019	92,436	476,650	481,153	1,066,279
Equity securities	176,525	-	-	-	-	-	176,525
Assets held with IMF	1,005,398	-	-	-	-	-	1,005,398
Other assets	10,850	-	-	-	-	-	10,850
	3,701,499	182,289	1,030,200	336,879	476,650	481,153	6,208,670
Financial liabilities							
Currency in circulation	1,422,275	-	-	-	-	-	1,422,275
Deposits and balances of local banks and other financial institutions	2,708,835	-	-	-	-	-	2,708,835
Deposits and balances of international financial institutions	19,650	-	-	-	-	-	19,650
Sukuk issuance	-	54,965	-	-	-	-	54,965
Payables to the Government of Brunei Darussalam	115,501	-	-	-	-	-	115,501
Liabilities held with IMF	890,340	-	-	-	-	-	890,340
Other liabilities	87,962	-	-	-	-	-	87,962
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	5,525	-	-	5,525
	5,244,563	54,965	-	5,525	-	-	5,305,053
Net liquidity gap	8,946,062	237,254	1,030,200	342,404	476,650	481,153	11,513,723
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	200,817	285,539	-	-	-	486,356
- Outflow	-	(198,326)	(279,587)	-	-	-	(477,913)
	-	2,491	5,952	-	-	-	8,443

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The Group 31 December 2021	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	2,411,779	253,690	995,755	-	-	-	3,661,224
Deposits with financial institutions	19,631	-	-	-	-	-	19,631
Debt securities	-	278	87,658	1,079,820	-	-	1,167,756
Equity securities	232,992	-	-	-	-	-	232,992
Assets held with IMF	1,047,111	-	-	-	-	-	1,047,111
Other assets	73,764	-	-	-	-	-	73,764
	3,785,277	253,968	1,083,413	1,079,820	-	-	6,202,478
Financial liabilities							
Currency in circulation	1,431,438	-	-	-	-	-	1,431,438
Deposits and balances of local banks and other financial institutions	2,626,864	-	-	-	-	-	2,626,864
Deposits and balances of international financial institutions	19,650	-	-	-	-	-	19,650
Sukuk issuance	-	76,998	-	-	-	-	76,998
Payables to the Government of Brunei Darussalam	109,524	-	-	-	-	-	109,524
Liabilities held with IMF	938,547	-	-	-	-	-	938,547
Other liabilities	16,574	-	-	-	-	-	16,574
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	-	5,525	-	5,525
	5,142,597	76,998	-	-	5,525	-	5,225,120
Net liquidity gap	8,927,874	330,966	1,083,413	1,079,820	5,525	-	11,427,598
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	214,722	249,840	-	-	-	464,562
- Outflow	-	(213,924)	(246,450)	-	-	-	(460,374)
	-	798	3,390	-	-	-	4,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

The Authority 31 December 2022	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	2,489,095	123,310	1,018,181	-	-	-	3,630,586
Deposits with financial institutions	19,631	-	-	244,443	-	-	264,074
Debt securities	-	4,021	12,019	92,436	476,650	481,153	1,066,279
Equity securities	176,525	-	-	-	-	-	176,525
Assets held with IMF	1,005,398	-	-	-	-	-	1,005,398
Other assets	10,837	-	-	-	-	-	10,837
	3,701,486	127,331	1,030,200	336,879	476,650	481,153	6,153,699
Financial liabilities							
Currency in circulation	1,422,275	-	-	-	-	-	1,422,275
Deposits and balances of local banks and other local financial institutions	2,709,459	-	-	-	-	-	2,709,459
Deposits and balances of international financial institutions	19,650	-	-	-	-	-	19,650
Payables to the Government of Brunei Darussalam	115,501	-	-	-	-	-	115,501
Liabilities held with IMF	890,340	-	-	-	-	-	890,340
Other liabilities	87,525	-	-	-	-	-	87,525
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	5,525	-	-	5,525
	5,244,750	-	-	5,525	-	-	5,250,275
Net liquidity gap	8,946,236	127,331	1,030,200	342,404	476,650	481,153	11,403,974
Derivative financial instruments							
Foreign exchange contracts	-	200,817	285,539	-	-	-	486,356
- Inflow	-	(198,326)	(279,587)	-	-	-	(477,913)
- Outflow	-	2,491	5,952	-	-	-	8,443

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

The Authority 31 December 2021	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	2,411,779	203,692	995,755	-	-	-	3,611,226
Deposits with financial institutions	19,631	-	-	-	-	-	19,631
Debt securities	-	278	87,658	1,079,820	-	-	1,167,756
Equity securities	232,992	-	-	-	-	-	232,992
Assets held with IMF	1,047,111	-	-	-	-	-	1,047,111
Other assets	73,761	-	-	-	-	-	73,761
	3,785,274	203,970	1,083,413	1,079,820	-	-	6,152,477
Financial liabilities							
Currency in circulation	1,431,438	-	-	-	-	-	1,431,438
Deposits and balances of local banks and other local financial institutions	2,649,517	-	-	-	-	-	2,649,517
Deposits and balances of international financial institutions	24,078	-	-	-	-	-	24,078
Payables to the Government of Brunei Darussalam	109,524	-	-	-	-	-	109,524
Liabilities held with IMF	938,547	-	-	-	-	-	938,547
Other liabilities	16,485	-	-	-	-	-	16,485
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	-	5,525	-	5,525
	5,169,589	-	-	-	5,525	-	5,175,114
Net liquidity gap	8,954,863	203,970	1,083,413	1,079,820	5,525	-	11,427,598
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	214,722	249,840	-	-	-	464,562
- Outflow	-	(213,924)	(246,450)	-	-	-	(460,374)
	-	798	3,390	-	-	-	4,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28. Comparatives figures

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

The Authority reclassified BND 4,427,471 of BND 24,078,212 from deposits and balances of international financial institutions to Deposits and balances of local banks and other local financial institutions in the Statement of financial position as at 31 December 2022 to be consistent with the current year's presentation.

	The Group		The Authority	
	2021	2021	2021	2021
	Previously reported	After reclassification	Previously reported	After reclassification
	BND'000	BND'000	BND'000	BND'000
Deposits and balances of local banks and other local financial institutions	2,622,436	2,626,864	2,649,517	2,653,945
Deposits and balances of international financial institutions	24,078	19,650	24,078	19,650

The above reclassification has no impact on amounts reported for total comprehensive income, assets and equity in the prior year.