ANNUAL REPORT 2019

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

CONTENTS

CHAIRMAN’S SABDA

His Royal Highness Prince Haji Al-Muhtadee Billah Ibni
His Majesty Sultan Haji Hassanal Bolkiah Mu’izzaddin Waddaulah,
The Crown Prince and Senior Minister at the Prime Minister’s Office
As Chairman of Autoriti Monetari Brunei Darussalam (AMBD)

بسم الله الرحمن الرحيم
السلام عليكم ورحمة الله وبركاته
الحمد لله رب العالمين، والصلاة والسلام على أشرف المرسلين، سيدنا محمد وعلى آله وصحبه أجمعين، وبعد

2019 was a year in which important milestones were achieved by AMBD. The inaugural publication of the Financial Stability Report is particularly noteworthy. The report presents our annual assessment of the risks and vulnerabilities in the domestic financial sector, particularly of the banks and finance companies, in which the former currently holds the biggest market share in the industry. The assessment presented in the report informs actions that are needed to promote the resilience of the financial system and contributes to an increased understanding amongst the financial industry and the public at large of issues that are relevant for safeguarding the stability of the Brunei financial system.

In supporting the national vision of becoming a digital economy, AMBD recognises the importance of building a financial ecosystem that encourages innovation. To achieve this goal, AMBD commenced the State of FinTech Assessment in Brunei Darussalam Project where inputs were sought from over thirty stakeholders ranging from government agencies to tech companies and start-ups. Drawing on best practices from leading FinTech hubs, the project has provided a critical evaluation of Brunei Darussalam's FinTech ecosystem and highlighted areas for improvement. A FinTech roadmap for developing a niche FinTech industry is currently in the pipeline, as well as a White Paper intended to assist interested parties to better understand the FinTech landscape in Brunei Darussalam.

A dedicated Payment System Oversight function was set up to oversee the development, regulation and supervision of payment systems in Brunei Darussalam. One of its first priorities will be to develop the appropriate legal and regulatory frameworks that will allow AMBD to better regulate and develop the payments ecosystem in Brunei Darussalam.

Our Financial and Monetary Stability, Investment Advisory, Human Resource, Risk Management and Audit Committees have all continued to carry out important work respectively. Each of them have been operating effectively with regular reporting to the Board. I commend the Chairs of these committees for their professional leadership.

I welcome Dayang Hajah Rokiah binti Haji Badar’s appointment as Managing Director. AMBD is fortunate to have her as a successor to Awang Yusof bin Haji Abdul Rahman, who retired in October 2019 after five years of service. Awang Yusof's contributions to AMBD have been immense. Under his leadership, AMBD attained several key achievements including the publication of Financial Sector Blueprint (2016-2025) and Digital Payment Roadmap (2019-2025); the launch of the National Payment and Settlement Systems and the Collateral Registry System; and the issuance of the award-winning BND50 note to commemorate the 50th Anniversary of the Currency Interchangeability Agreement, just to name a few. I thank Awang Yusof for his significant contributions and wish him a happy retirement and good health. I wish to acknowledge the commitment and energy of our Board of Directors, our executive management, and all officers and staff, in continuing our mission to serve the public’s interest.

MANAGING DIRECTOR'S FOREWORD

بسم الله الرحمن الرحيم

السلام عليكم ورحمة الله وبركاته

I would like to begin my first Annual Report as the Managing Director by paying tribute to my predecessor, Yang Mulia Awang Yusof bin Haji Abdul Rahman, for his enormous contributions to AMBD. It is my honour to continue to build on the strong foundations he has laid and the outstanding work AMBD has done so far.

Since its establishment in 2011, AMBD's priority has been to serve public interest. This is achieved through maintaining confidence in the currency, ensuring the stability of the financial system and smooth financial intermediation as well as supporting the development of the financial sector. This annual report outlines the variety of work undertaken by AMBD in continuing to deliver these objectives in 2019.

A core element of our work is to proactively identify risks in the financial system and to ensure that it is able to withstand adverse shocks, if and when they happen. In 2019, AMBD worked hard to develop macroprudential surveillance tools. Significant improvements were made to our Financial Stability Risk Dashboard through the inclusion of more specific risk indicators and the introduction of a numerical score to determine the financial sector's overall risk level. AMBD conducted its first bi-annual risk perception surveys among banks, which provided valuable input for macroprudential surveillance and policy formulation. Meanwhile, the inaugural publication of the Financial Stability Report aimed to promote a greater understanding of the health of our financial sector among market participants and the general public.

To remain resilient, AMBD has to ensure the banking system has enough capital to sustain itself during normal operations and in times of stress. AMBD successfully introduced all three pillars of the Basel II framework: minimum capital, supervisor review and market discipline. As part of the progressive implementation of the Basel II framework, AMBD has received banks' first submission of Internal Capital Adequacy and Assessment Process (ICAAP) documents. These documents provide information on the capital needed by a bank to fund itself on a 'business as usual' basis and whether the bank can maintain its capital adequacy at above minimum levels under stressed scenarios.

Following international best practices, AMBD continued to roll out its risk-based supervision framework. Though a pre-requisite for a stable financial system, effective supervision goes beyond compliance checks. Risk-based supervisory frameworks entail identifying areas that carry the highest risks. This will allow for a more effective allocation of resources by the regulators in order to mitigate these risks. Having implemented the framework on the takaful and insurance sector in 2017, the framework was then extended to the banking, capital market and specialised market sectors in 2019. Similarly, anti money laundering and combating the financing of terrorism (AML/CFT) supervision of financial institutions and designated non financial businesses and professions also adapted the risk based approach.

The cybersecurity of the financial system remains an important agenda for AMBD. New guidelines were introduced to the money changing and remittance businesses to manage technology risks based on best practices. Recognising that the sector is made up of relatively smaller industry players who may not be able to bear huge costs for maintaining cyber security, the guidelines were tailored for small and medium enterprises. The reporting framework for financial institutions' incident reporting was also amended to encourage the financial institutions to enhance their detection of cyber intrusion. It is hoped that these initiatives can encourage financial institutions to be more vigilant about the threat of cyber-crimes. Simultaneously, AMBD is reviewing the financial sector's technological risk management guidelines to ensure the framework remains relevant with the fast changing trends in technology and cyber security in the financial sector.

AMBD places high importance on fair and equitable market conduct. In September 2019, guidelines were issued to conventional and Islamic banks and finance companies as well as insurance companies and Takaful operators to have a consistent and comprehensive product disclosure regime pertaining to the products and services that they offer.

However, disclosure alone is insufficient. Therefore, AMBD has also enforced the need for ensuring that the information about financial products and services are easily understood by consumers to make informed financial decisions most suited to their needs and resources. We also continued our efforts in enhancing consumer knowledge to empower them to make sound financial decisions, such as through our easy to understand financial tips on social media.

On the development side, we released guidelines on peer-to-peer financing, setting out the requirements for the registration of peer lending platforms. These provide more clarity for interested market players on the regulatory requirements for peer-to-peer financing. Such initiatives can unlock the potential of the financial sector and open new opportunities for the industry through the mobilisation of alternative sources of funds outside of the banking system, which still dominates the financial sector. This effort is also expected to facilitate the growth and development of the capital market sector in the country.

It has been exciting to see industry developments in harnessing technology to transform financial products and services. Two years into the FinTech Regulatory Sandbox, we have approved the entry of three more companies, which include a cloud-based FinTech platform, a digital remittance and a merchant acquirer. The takaful and insurance industry, on the other hand, also came up with digital solutions, which has contributed to easier access and faster services for the financial consumers. This goes to show that the market is ready to embrace the FinTech movement and that there is increasing demand for mobile-led financial solutions.

In continuing our commitment to support the development of the domestic FinTech industry as well as to provide a more enabling framework to support the digital transformation of the financial industry, AMBD embarked on a project to assess the current state of the FinTech ecosystem in Brunei Darussalam. The assessment identified niche areas in the FinTech industry that we will focus on as we continue to support the growth of this industry.

In order to better deliver our mandate, we have made a commitment to achieve institutional excellence. We worked with an independent consultant to identify target outcomes, assess our current status and plan enhancements across all institutional dimensions. I am also pleased to share that in our efforts to be more productive and to encourage digitalisation, we have successfully implemented our Human Resource Management System. Reducing paperwork and process times will unlock resources and capacity which can be utilised more productively.

Since arriving at AMBD in October 2019, I have been impressed by the dedication, expertise and talent of those who work in the organisation. I am very grateful to them for their continuous support and hard work. Much has been accomplished in the past year but as we enter the new decade and navigate through various emerging risks, there is still a lot to be done to maintain the stability of the financial system, to develop a more dynamic and diversified financial sector, and to transform AMBD itself. I am confident that in the period ahead we can meet these challenges.

Finally, on behalf of AMBD, let me take this opportunity to express our deepest appreciation for Yang Mulia Awang Yusof's exemplary leadership and our Board of Director's continued guidance and advice. All of us at AMBD look forward to another productive year.

Dayang Hajah Rokiah binti Haji Badar
Managing Director, AMBD

AMBD IN BRIEF

MAIN OBJECTIVES

Autoriti Monetari Brunei Darussalam (AMBD) is responsible for ensuring a well-functioning financial system in Brunei Darussalam. Under the AMBD Order, 2010, AMBD is empowered to issue currency notes and coins, issue regulations and prudential standards, and oversee financial institutions and financial market infrastructure to protect the public interest.

AMBD fulfils its objectives under the AMBD Order, 2010 by carrying out the following:

1 To achieve and maintain domestic price stability

Under the Currency Interchangeability Agreement (CIA) between Brunei Darussalam and Singapore, the Brunei Dollar is interchangeable with the Singapore Dollar at par. This allows AMBD to operate on a currency board arrangement, ensuring all currency in circulation in the economy is fully backed up by foreign exchange reserves.

2 To ensure the stability of the financial system, in particular by formulating financial regulations and prudential standards

AMBD is the overall supervisor of financial institutions in Brunei Darussalam, which allows AMBD to issue prudential and market conduct regulations to ensure that financial institutions are operating in a sound and safe manner while providing fair service to their customers.

3 To assist in the establishment and functioning of efficient payment systems and to oversee them

The National Payment and Settlement Systems were established by AMBD to provide a digital platform for more efficient and secure interbank payment systems. AMBD conducts oversight of payment systems to ensure that national and consumers' interests are safeguarded.

4 To foster and develop a sound and progressive financial services sector

AMBD's secondary role after financial stability is to promote market development within the financial sector. This is where AMBD will work with the industry and our stakeholders both in Brunei Darussalam and abroad to support economic development.

BOARD OF DIRECTORS

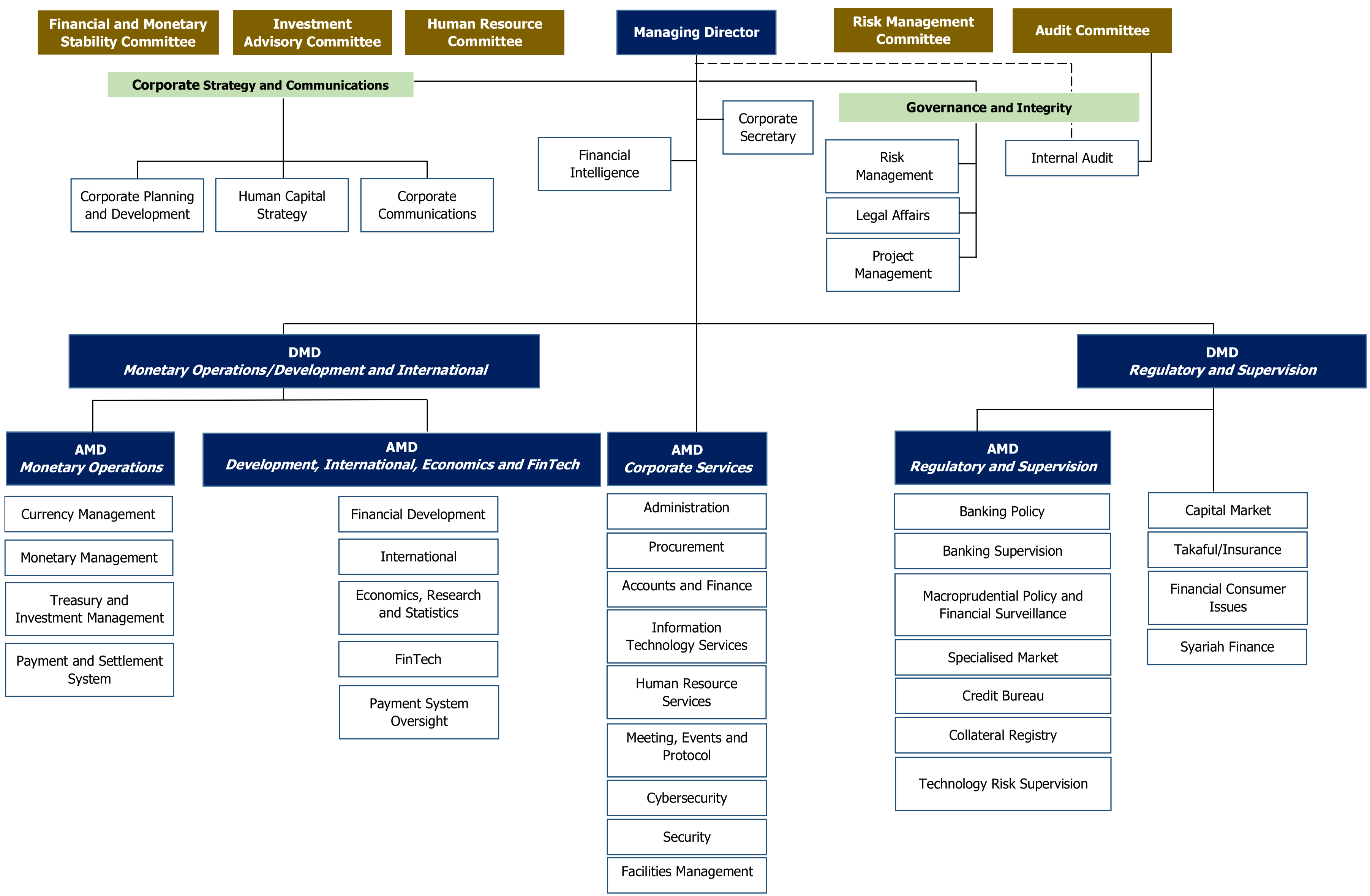
Chairman	**His Royal Highness** **Prince Haji Al-Muhtadee Billah** **Ibni His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah** Senior Minister at The Prime Minister's Office
Deputy Chairman	**Yang Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apong** Minister of Home Affairs (30 January 2018 - Present)
Members	**Yang Berhormat Dato Seri Setia Haji Awang Abdul Mokti bin Haji Mohd Daud** Minister at the Prime Minister's Office (30 January 2018 - Present)
	Yang Berhormat Dato Seri Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah Minister at the Prime Minister's Office and Minister of Finance and Economy II (30 January 2018 - Present)
	Yang Berhormat Dato Seri Setia Awang Haji Hamzah bin Haji Sulaiman Minister of Education (30 January 2018 - 31 December 2019)
	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, Attorney General's Office (10 August 2018 - Present)
	Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki Member of Brunei Islamic Religious Council (MUIB) and Syariah Financial Supervisory Board (SFSB) (30 January 2018 - 31 December 2019)
	Yang Mulia Awang Yusof bin Haji Abd Rahman as the Managing Director of AMBD under Section 13, AMBD Order, 2010 (30 January 2018 - 4 October 2019)
	Yang Mulia Dayang Hajah Rokiah binti Haji Badar as the Managing Director of AMBD under Section 13, AMBD Order, 2010 (5 October 2019 - Present)

Note:
1. Yang Berhormat Dato Seri Setia Awang Haji Hamzah bin Haji Sulaiman served as a member of the Board from 30 January 2018 to 31 December 2019.
2. Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki served as a member of the Board from 30 January 2018 to 31 December 2019.
3. Yang Mulia Awang Yusof bin Haji Abd Rahman served as a member of the Board from 30 January 2018 to 4 October 2019.

EXECUTIVE MANAGEMENT

Yang Mulia Dayang Hajah Rokiah binti Haji Badar	Managing Director
Yang Mulia Dayang Hajah Rashidah binti Haji Sabtu	Deputy Managing Director (Regulatory & Supervision)
Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman	Deputy Managing Director (Monetary Operations/Development & International)
Yang Mulia Awang Mardini bin Haji Eddie	Acting Assistant Managing Director (Monetary Operations)
Yang Mulia Dayang Hajah Sufinah binti Haji Sahat	Acting Assistant Managing Director (Corporate Services)

AUTORITI MONETARI BRUNEI DARUSSALAM ORGANISATION CHART



As of 16 Sept 2019

DEPARTMENTS

Regulatory and Supervision

The Regulatory and Supervision Department carries the responsibility of fulfilling AMBD's mandate in ensuring the stability of the domestic financial system, through the issuance of financial regulations, implementation of prudential standards and conducting off-site surveillance and on-site supervision of financial institutions.

The Regulatory and Supervision Department consists of Banking Supervision, Banking Policy, Specialised Market, Takaful/Insurance, Capital Market, Credit Bureau, Collateral Registry, Technology Risk Supervision, Syariah Finance, Macroprudential Policy and Financial Surveillance and Financial Consumer Issues to support this mandate.

Monetary Operations/Development and International

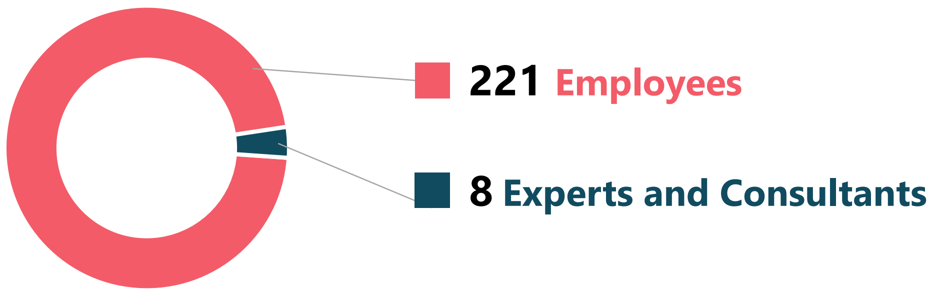
The Monetary Operations/Development and International Department manages the conduct of our monetary policy through the Currency Board Arrangement and Currency Interchangeability Agreement, executing the mandates of assisting the establishment and functioning of efficient payment systems and to oversee them, and to foster and develop a sound and progressive financial services sector.

This is conducted through Monetary Management, Treasury and Investment Management, Payment and Settlement System, Financial Development, International, Economic, Research and Statistics, FinTech, Payment System Oversight and Currency Management.

Corporate Services

The Corporate Services Division supports AMBD's organisational and business needs as well as ensures AMBD optimises its corporate resources. The division is made up of Accounts and Finance, Procurement, Information Technology Services, Human Resource Services, Meeting, Events and Protocol, Cybersecurity, Security, Facilities Management and Administration functions.

AMBD EMPLOYEES



221 Employees

Excluding Experts and Consultants

40% Male | 60% Female

5 Executive Management

- 1 Managing Director
- 2 Deputy Managing Directors
- 2 Acting Assistant managing Directors

20% Male | 80% Female

21 Middle Management

- 9 Executive Directors
- 12 Assistant Executive Directors

29% Male | 71% Female

141 Officers

- 23 Senior Managers
- 78 Managers
- 1 Confidential Secretary
- 9 Manager Trainees
- 29 Assistant Officers
- 1 Customer Service Officer

43% Male | 57% Female

54 Support Staff

- 51 Administrative Assistants
- 1 Office Assistant
- 2 Drivers

39% Male | 61% Female

8 Experts and Consultants

- 8 Experts and Consultants

88% Male | 12% Female

THE YEAR IN REVIEW

ECONOMIC REVIEW

A broad-based global slowdown

Global growth recorded its weakest pace in 2019 since the global financial crisis a decade ago, with growth trending downwards in almost all major and emerging market economies.

Geopolitical tensions, rising trade barriers and the associated uncertainties have weighed on business sentiments and activities globally. Global economic growth was still gradually slowing down towards the end of the year.

As a result of resilient consumer spending, the United States economy maintained its expansion throughout 2019.

In the United Kingdom, Brexit uncertainty has caused growth to remain stagnant, while Europe continued to struggle with continued uncertainties in the global economy.

China has also been greatly affected by trade uncertainty as its slowdown was further exacerbated by the government's ongoing economic reforms.

Many central banks began to ease monetary policy as had been expected a year ago - with some countries (notably the United States and China) providing additional reforms to stimulate the economy.

Domestic economy faced mild recovery

The economy of Brunei Darussalam expanded by 3.9% in 2019, picking up from a growth of 0.1% in 2018. The contraction in Q1 2019 by 0.2% y-o-y was offset by three subsequent quarters of positive growth of 6.6% y-o-y in Q2, 2.1% y-o-y in Q3 and 7.1% y-o-y in Q4 2019. Overall, the real Gross Domestic Product (GDP) in Brunei Darussalam in 2019 was BND 19,098.5 million.

4.9% y-o-y
Oil and gas sector

Increase in *oil and gas mining* and the *manufacture of liquefied natural gas*.

2.5% y-o-y
Non-oil and gas sector

Gains in the *services* sector, particularly *hotel* and *health* industries.

Exports rose at a faster pace than imports as production of *crude oil* and *liquefied natural gas* increased, with net exports surging by **18.4% y-o-y**.

Imports rose at a slower pace due to fewer *manufactured goods* and *machinery and transport equipment* compared to the previous year. The winding down of construction activity of foreign direct investment (FDI) projects also contributed to the slower growth of imports, particularly the completion of phase 1 of Hengyi's petrochemical plant which also explained the decline in private gross capital formation by **6.6% y-o-y**.

Source: Department of Economic Planning and Statistics (DEPS)

Major global equity markets registered positive double digit returns in 2019, despite multiple episodes of turbulence especially in the middle of the year.

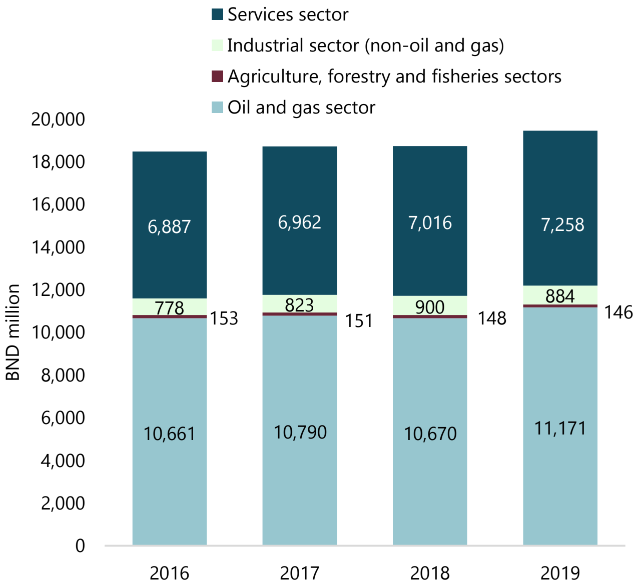
Financial markets withstood turbulence

Equities
- Positive progress in the U.S.-China trade negotiations helped to restore confidence
- Recovering economic fundamentals drove equity markets

Bonds
- Accommodative monetary policies meant global government bonds performed well

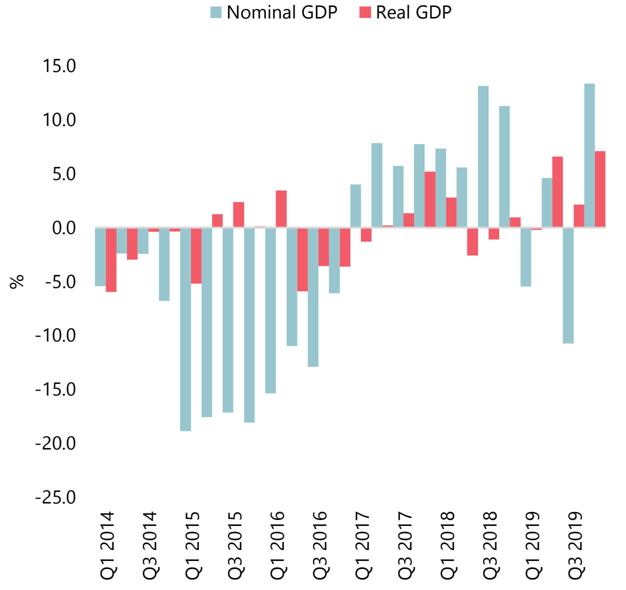
Commodities
- Continued joint supply cut efforts by OPEC and non-OPEC countries contributed to rise in oil prices
- Gold prices surged as investors moved to safe haven assets as trade tensions escalated

Real GDP by Sector*



*before taxes less subsidies

Quarterly GDP Growth (y-o-y)



Inflation yet to pick up...

In Q2 2019, the Consumer Price Index (CPI) for Brunei Darussalam was revised and rebased with changes in weightings and sub-items for which prices were collected for the index. The weights for the new CPI series were derived from the findings of the Household Expenditure Survey (HES) 2015/16.

↓0.4%

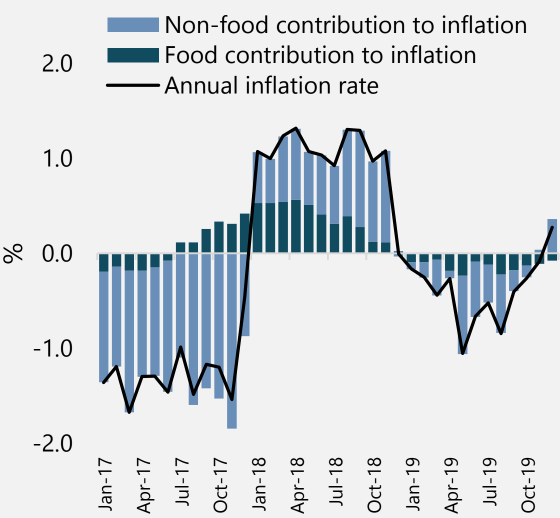
Inflation fell by 0.4% y-o-y in 2019 compared to an increase of 0.1% y-o-y in 2018. The indices with the largest price declines were those of *transport* (-2.6%), *housing, water, electricity, gas and other fuels* (-1.6%), *clothing and footwear* (-0.9%), *food and non-alcoholic beverages* (-0.7%), *furnishings, household equipment and routine household maintenance* (-0.6%). On the other hand, increases were recorded in *restaurants and hotels* (+3.5%), *recreation and culture* (+2.1%), *health* (+0.5%) and *education* (+0.2%).

AMBD revised down its forecast for inflation for the whole of 2019 to the range of **-1.0% to 0.0%,** from -0.5% to 0.5%. Expectations of lower inflation were attributed to a number of factors such as:

1. Global inflation has been weak and its pass-through into domestic inflation has remained significant given the Monetary Authority of Singapore (MAS)'s continued appreciation of the Singapore dollar[1]. The effects of weak global inflation also became even more pronounced in the newly rebased CPI.

2. Domestic inflationary pressures have also remained muted, particularly in the rental market. Looking ahead, these factors are expected to remain.

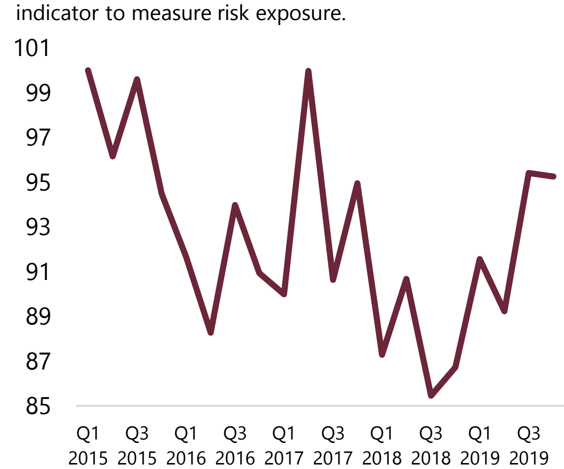
Inflation Rate (y-o-y)



[1] The Brunei Dollar is pegged to the Singapore Dollar at par under the Currency Interchangeability Agreement

Residential Property Price Index (RPPI)

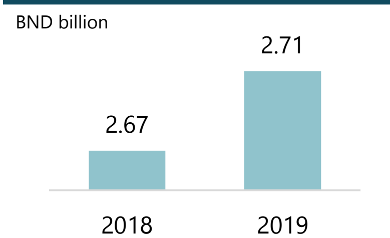
The RPPI measures the change in the average level of prices paid by households for residential properties sold in Brunei Darussalam. It serves as a macroeconomic indicator of economic growth and a financial stability/soundness indicator to measure risk exposure.



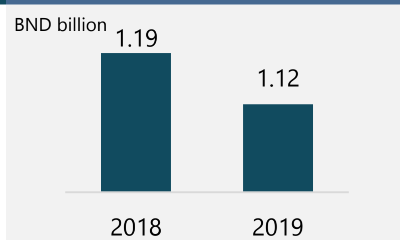
MONETARY SECTOR STATISTICS

In conjunction with His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam's 73rd Birthday in 2019, AMBD unveiled the limited edition commemorative BND 1 polymer "2-in-1 Uncut Sheets" on 20 August 2019. The commemorative notes were officially sold to the public on 22 August 2019. The BND 1 "2-in-1 Uncut sheets" is considered a legal tender of Brunei Darussalam. The design of the note is based on the BND 1 polymer note in circulation series 2011. A total of 600 pieces of the uncut sheets were printed.

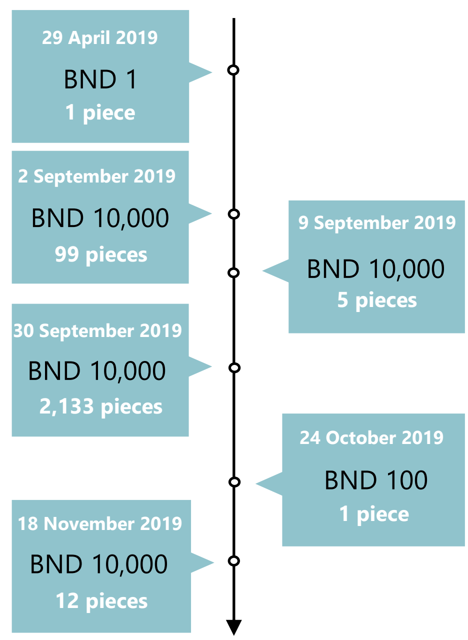
BANKNOTES ISSUED



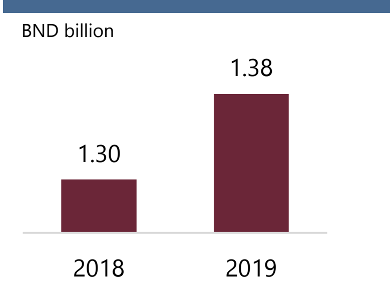
BANKNOTES RETURNED FROM LOCAL BANKS



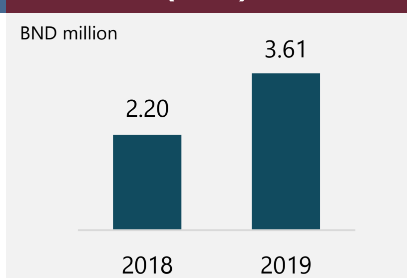
COUNTERFEIT BND BANKNOTES DETECTED IN 2019



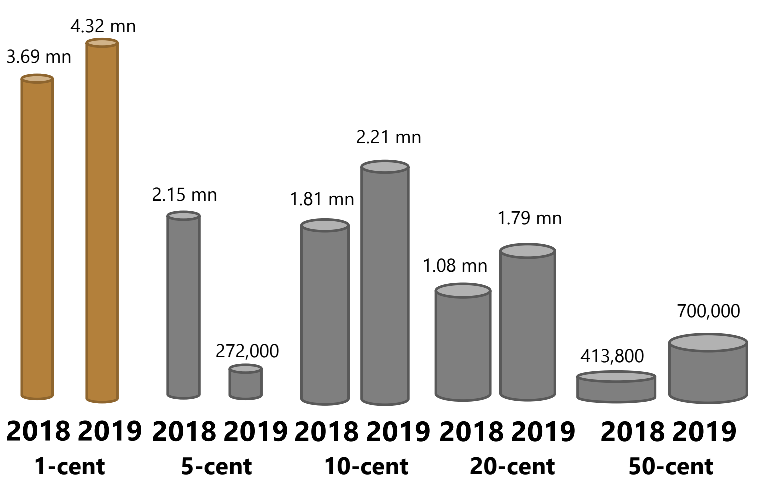
RETURNED TO BRUNEI DARUSSALAM FROM SINGAPORE (BND)



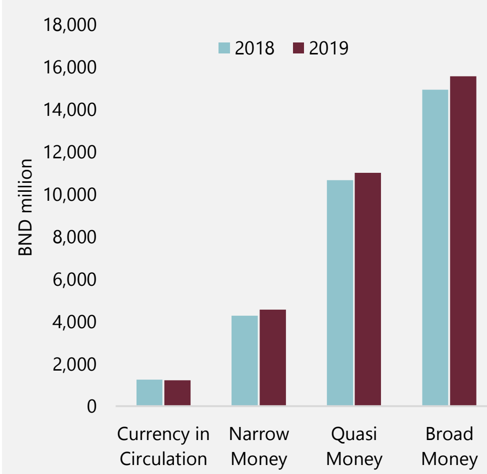
REPATRIATED TO SINGAPORE FROM BRUNEI DARUSSALAM (SGD)



COINS MINTED BY DENOMINATION (PIECES)



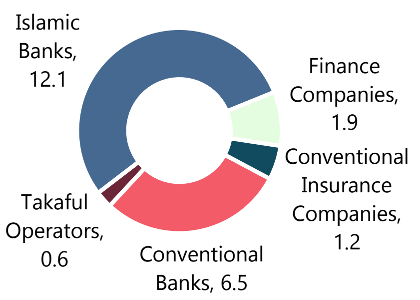
MONETARY AGGREGATES



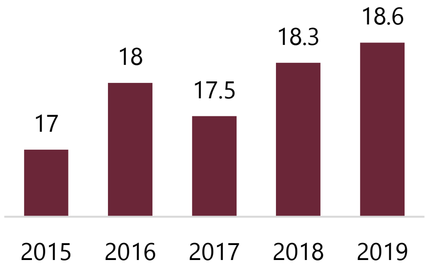
FINANCIAL SECTOR STATISTICS

Brunei Darussalam has a dual financial system comprising of Islamic and conventional financial institutions. The financial system ended 2019 with a sustained year-on-year growth of 1.5% with total assets of BND22.3 billion compared to BND21.9 billion in 2018. The predominant sector continues to be the banking industry which accounted for 83.5% of total assets.

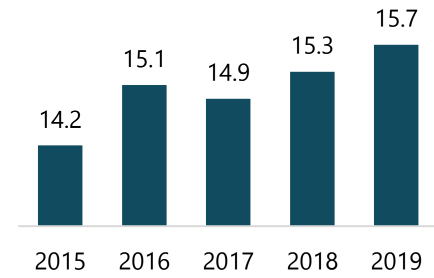
STRUCTURE



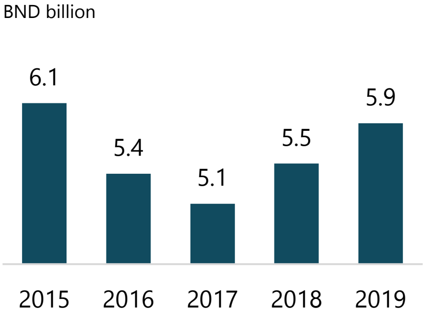
BANKING ASSETS



BANKING DEPOSITS

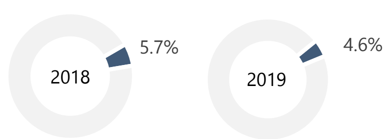


BANKING LOANS/FINANCING



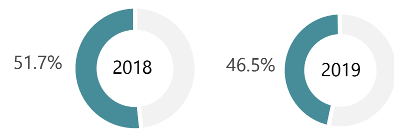
BANKING ASSETS QUALITY

Non-Performing Loans/Financing to Gross Loans/Financing

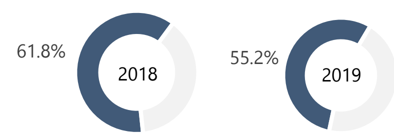


BANKING LIQUIDITY

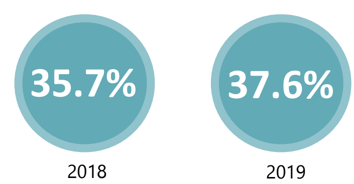
Liquid Assets to Total Assets



Liquid Assets to Total Deposits

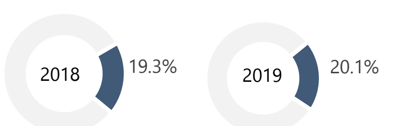


Loans / Financing to Deposit Ratio

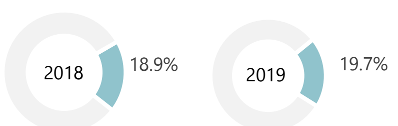


BANKING CAPITAL ADEQUACY

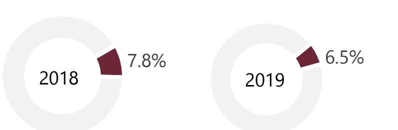
Regulatory Capital to Risk Weighted Assets



Tier 1 Capital to Risk Weighted Assets

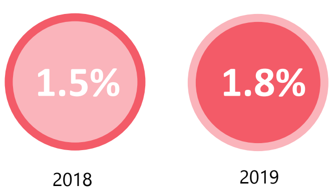


Non-Performing Loans/Financing to Capital Funds

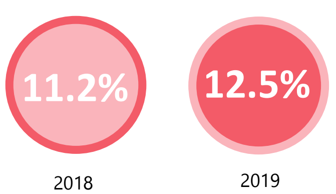


PROFITABILITY

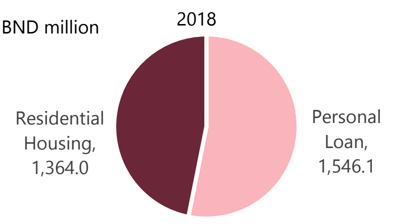
Return on Assets (before tax)

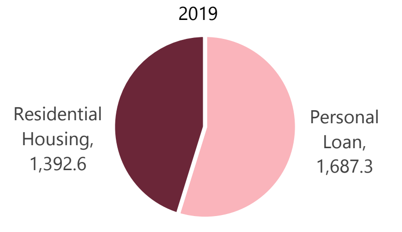


Return on Equity (after tax)



DISTRIBUTION OF HOUSEHOLD LOANS

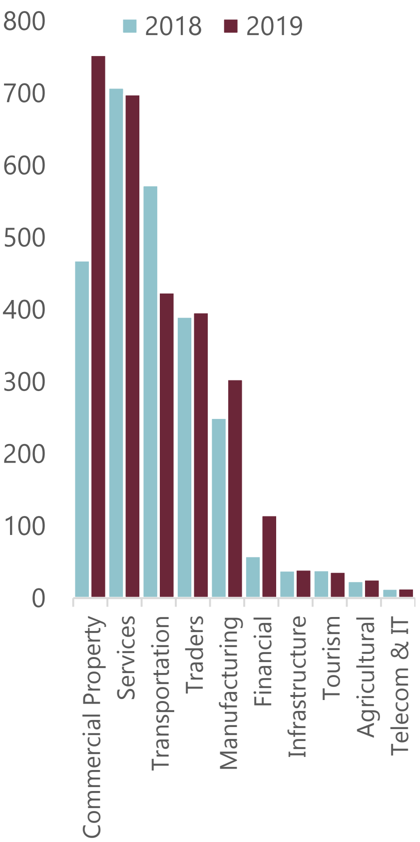




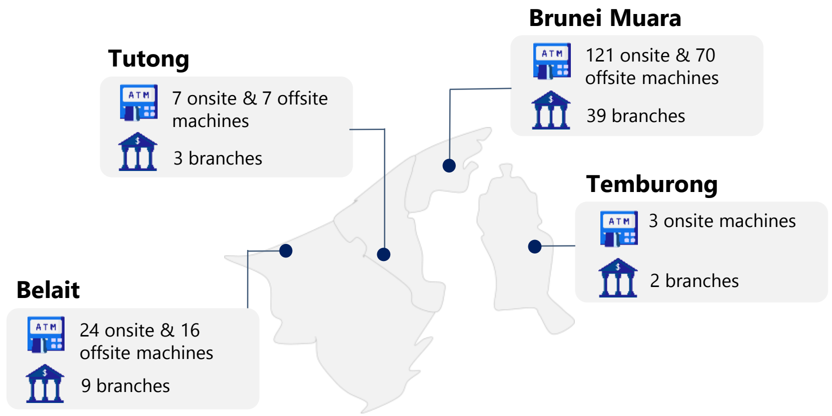
Overall loans/financing portfolio continued to grow at a healthy pace in 2019 where the growth is more pronounced in the corporate sector with an increase of 9.6%, especially in the commercial properties. The household sector continued to dominate total financing, making up 52.3% of the total, of which 28.7% was made up of personal loans/financing.

DISTRIBUTION OF CORPORATE LOANS

BND million



DISTRIBUTION OF BANK BRANCHES AND ATMs BY DISTRICT



INSURANCE COMPANIES AND TAKAFUL OPERATORS

General Conventional Insurers
4

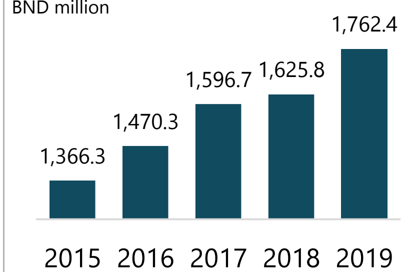
General Takaful
2

Life Conventional Insurers
3

Family Takaful
2

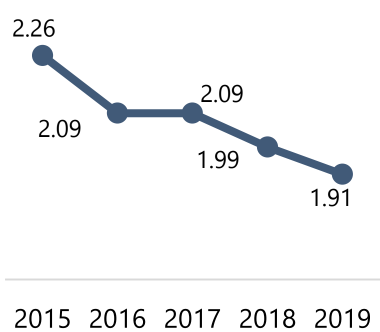
INSURANCE AND TAKAFUL ASSETS

BND million

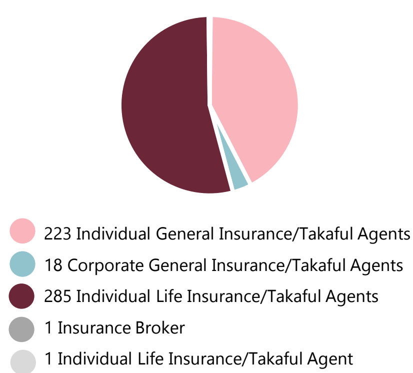


FINANCE COMPANIES ASSETS

BND billion



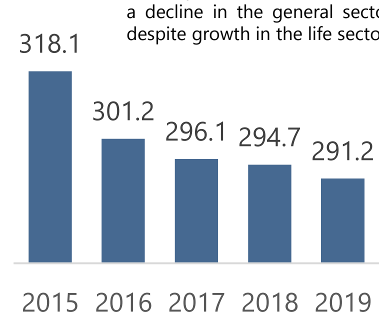
INSURANCE INTERMEDIARIES



INSURANCE AND TAKAFUL GROSS CLAIMS

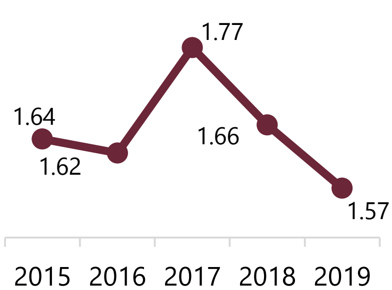
BND million

The insurance and takaful gross premiums declined by 1.2% annually in 2019, contributed by a decline in the general sector despite growth in the life sector



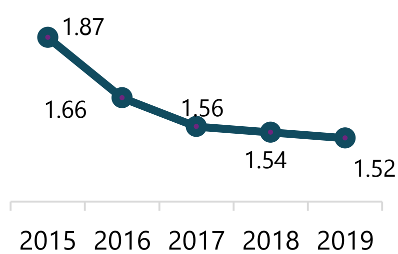
FINANCE COMPANIES DEPOSITS

BND billion



FINANCE COMPANIES LOANS/FINANCING

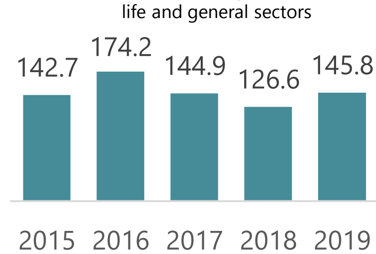
BND billion



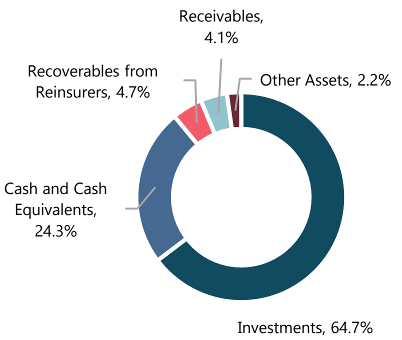
INSURANCE AND TAKAFUL GROSS CLAIMS/BENEFITS

BND million

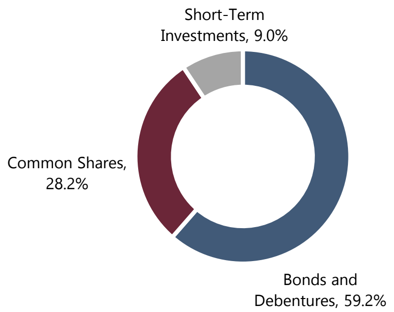
The industry's total gross claims and benefits have increased by 15.7% annually due to both the life and general sectors



INSURANCE AND TAKAFUL ASSET PORTFOLIO

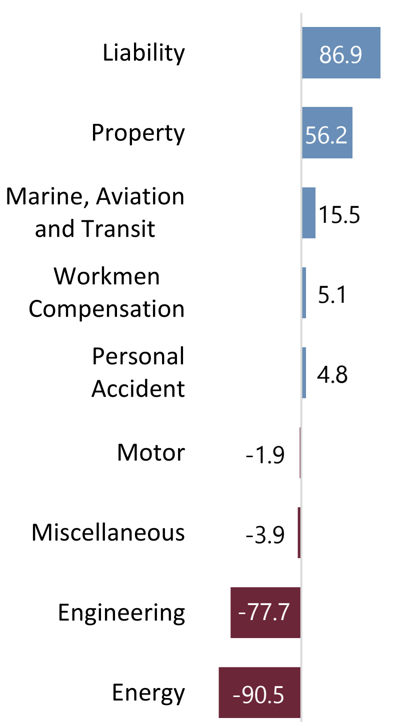


INSURANCE AND TAKAFUL INVESTMENT PORTFOLIO



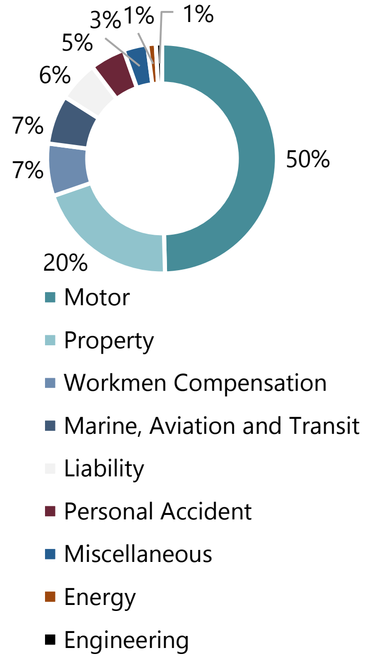
GROSS PREMIUMS/ CONTRIBUTIONS FOR NON-LIFE BUSINESS

Percentage change (%) between 2018 and 2019



NON-LIFE GROSS PREMIUMS/ CONTRIBUTIONS BY CLASSES OF BUSINESS

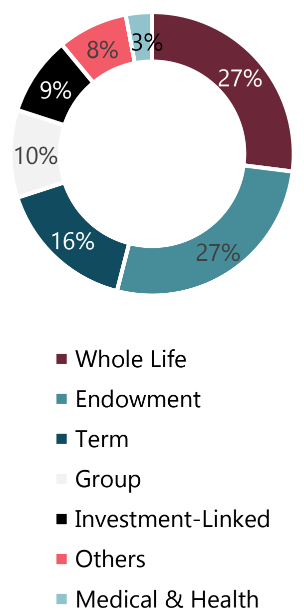
Motor business continued to be the dominant segment, which accounted for 50% of total general business



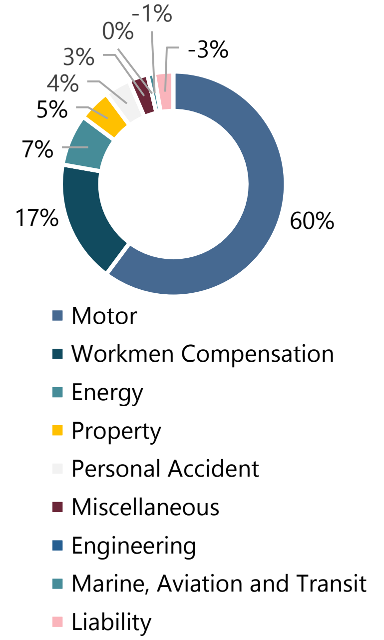
Liability includes general liability, professional indemnity, directors and officers liability and cyber liability

LIFE PREMIUMS/FAMILY CONTRIBUTIONS BY CLASSES OF BUSINESS

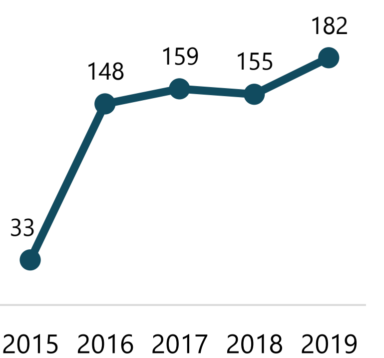
Whole life insurance took up the biggest segment in the life/family space and accounts for 27.1% of total life/family premiums/ contributions



LIFE PREMIUMS/FAMILY CONTRIBUTIONS BY CLASSES OF BUSINESS



CAPITAL MARKET INDUSTRY PLAYERS



INDUSTRY PLAYERS IN THE CAPITAL MARKET INDUSTRY

1 Recognised Trading Facility

8 CMSL Holders

153 CMSRL Holders

20 CIS

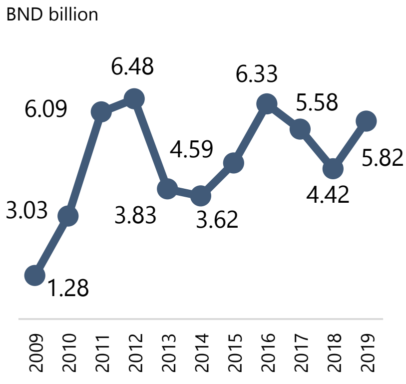
Note:
CMSL: Capital Markets Services Licence

CMSRL: Capital Markets Services Representative's Licence

CIS: Collective Investment Schemes

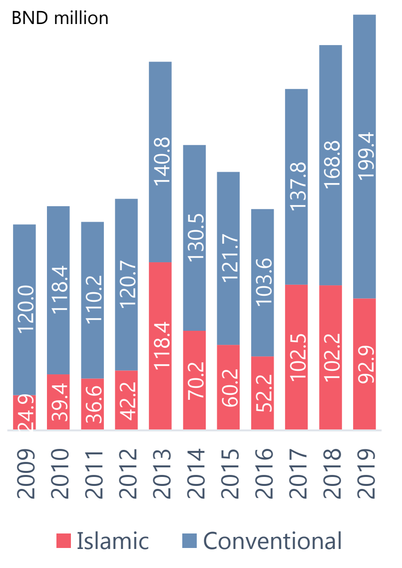
ASSETS UNDER MANAGEMENT (AUM)

The majority of the total AUM had been invested into foreign bonds and sukuk (65%), and foreign treasury bills (35%) in 2019



COLLECTIVE INVESTMENT SCHEMES (SIZE)

There was an increase in total number of investors from 5,100 investors in 2018 to 6,035 investors in 2019

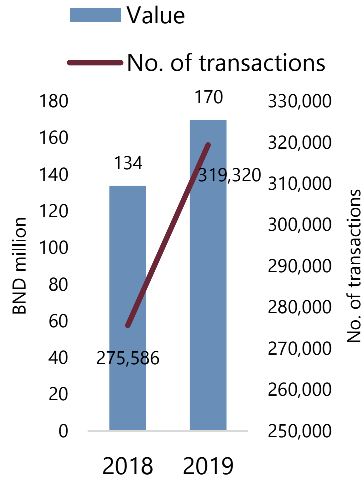


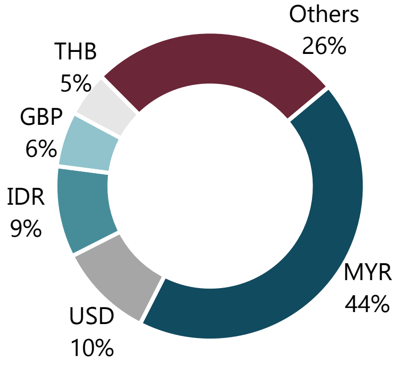
NEW MONEY CHANGING AND REMITTENCE LICENCES

AMBD granted five new licences to operate money-changing business in 2019 including:

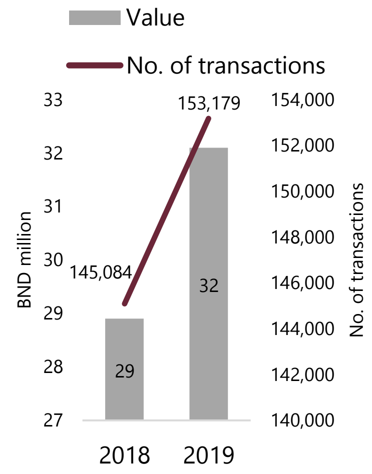
4 in Brunei Muara district and 1 in Temburong district

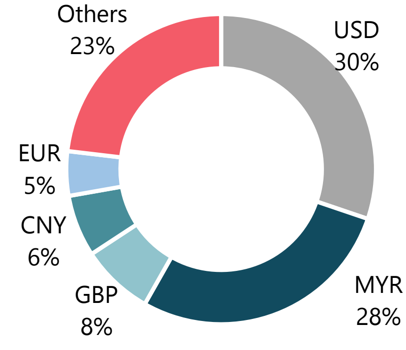
SALE OF FOREIGN CURRENCIES



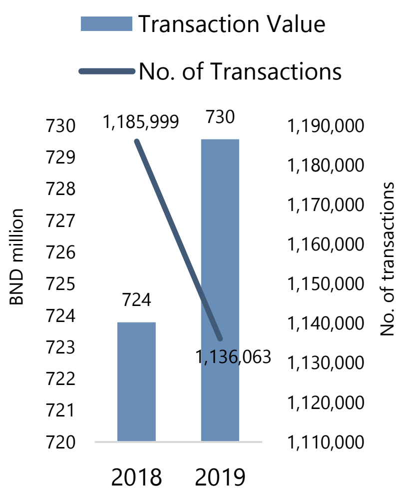


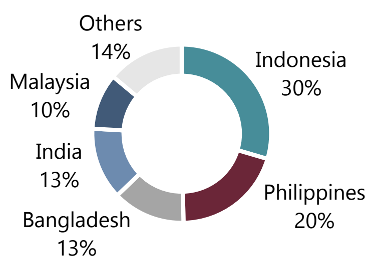
PURCHASE OF FOREIGN CURRENCIES





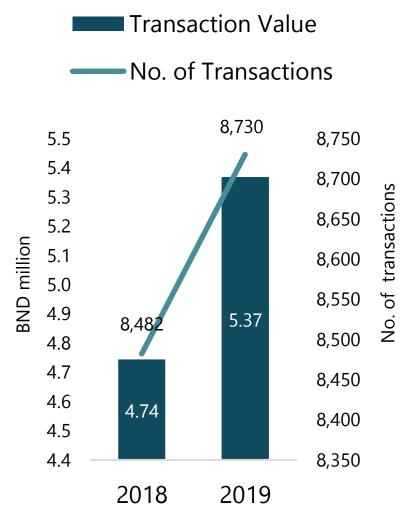
OUTWARD REMITTANCE

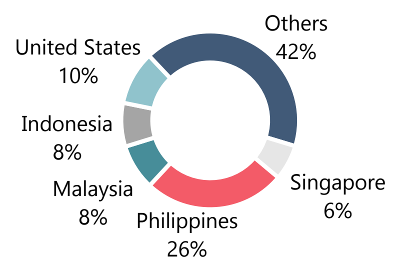




95% of outward remittance were for personal purposes

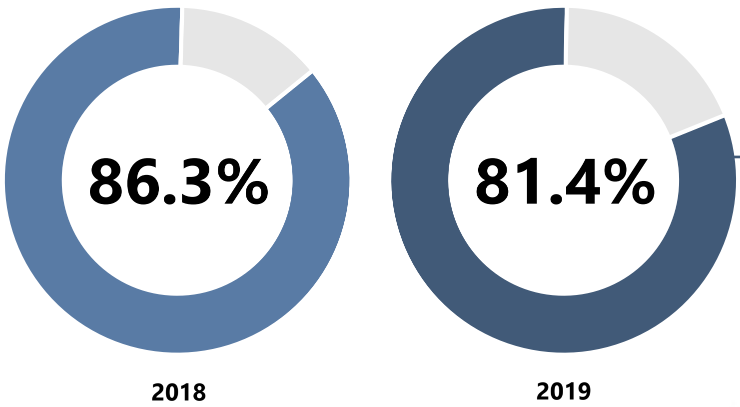
INWARD REMITTANCE





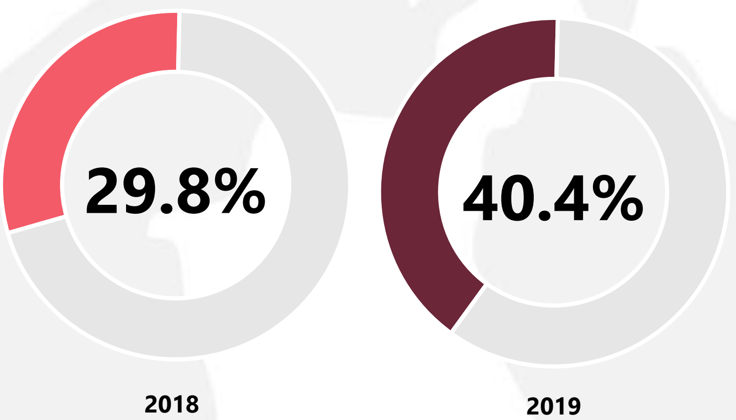
FINANCIAL INCLUSION

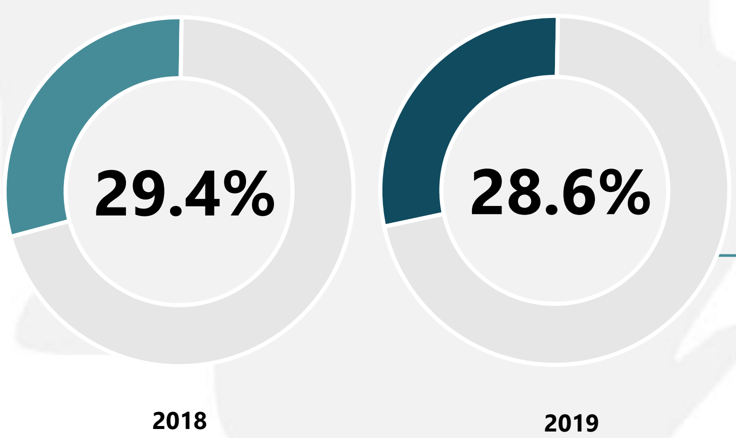
AMBD collects supply-side data on half-yearly basis to gauge the level of accessibility to deposit accounts, financing, and life insurance / family takaful products at all licensed financial instituions in Brunei Darussalam. These data can assist in formulating policy that can best serve the country. The latest set of statistics was collected as at 30 June 2019.



of the population aged 15 and above have an **account at a financial institution**

of the population aged 15 and above have **credit financing**





of the population aged 15 and above have **insurance policies / family takaful plans**

FINANCIAL SECTOR BLUEPRINT 2016-2025 (FSBP) HIGHLIGHTS

PILLAR I
Monetary and Financial Stability

- Full implementation of Basel II Framework in Banking Sector
- Issuance of Notice and Guidelines on Corporate Governance for Finance Companies
- Publication of Inaugural Financial Stability Report
- Establishment of Financial Markets Services Panel
- Establishment of AMBD-Financial Institutions Technology Committee
- Development of Domestic Systemically Important Banks Framework
- AML/CFT Risk Assessments and Mock Assessments
- Issuance of Standard Technology Management Guidelines for Money Changers and Remittance Businesses
- Takaful/Insurance Profiling Tool and Early Warning System, Issuance of Guidelines on Product Transparency and Disclosure for Banks, Islamic Banks, Finance Companies, Insurance Companies and Takaful Operators
- Development of Risk-Based Supervision Framework for Designated Non-Financial Businesses and Professions as well as the Banking, Capital Market and Specialised Market industries

PILLAR II
Competitive and Innovative Financial Institutions and Services

- Issuance of Notice on Peer-to-Peer Financing Platform Operators
- Issuance of Guidelines on Product Transparency and Disclosure for Financial Institutions

PILLAR III
Robust and Modern Infrastructure

- Publication of Digital Payment Roadmap for Brunei Darussalam 2019-2025
- Completion of State of Fintech in Brunei Darussalam Assessment
- Approval of AMBD Islamic Bills Structure
- Assessment of Legislative and Regulatory Framework for Secured Transactions

PILLAR IV
Enhanced International Integration

- Signing of 8th Package of Commitments on Financial Services
- Signing of 7th Renewal of the ASEAN Swap Renewal
- Co-Chairmanship of Working Committee on ASEAN-Banking Integration and Working Committee on Financial Inclusion
- Conducted self-assessment to enable Brunei Darussalam to participate in fund passporting schemes

PILLAR V
Human Capital Development

- Launching of The Centre for Islamic Banking Finance and Management (CIBFM) Leadership in Economics and Finance (LIFE) Programme
- Roundtable Discussion on National Strategy on Human Capital Development for Islamic Finance

MONETARY STABILITY

One of AMBD's objectives under the AMBD Order, 2010, is to maintain price stability through Brunei Darussalam's unique monetary policy framework. This framework consists of the Currency Board Arrangement with the Brunei Dollar pegged to the Singapore Dollar at par under the Currency Interchangeability Agreement which has been in place between Brunei Darussalam and Singapore since 1967. This framework is a key contributing factor to price stability as the inflation rate in Brunei Darussalam remains low and stable, averaging around 1.2% over the period 1981 to 2019.

The link of the Brunei Dollar to the Singapore Dollar, which provides a credible nominal anchor, implies that Singapore's monetary policy has a direct influence on the monetary conditions in Brunei Darussalam. This long-standing arrangement allows Brunei Darussalam to better manage its imported inflation.

Confidence in the currency is also an important factor in determining monetary stability. The Currency Order, 2004 as amended by the Currency and Monetary (amendment) Order, 2010, requires AMBD to back up every note and coin issued with foreign exchange reserves. Combined with the exchange rate commitment under the monetary policy framework, this provides the assurance which instils confidence resulting in the stability of the Brunei Dollar. This in turn, facilitates trade and investment.

AMBD closely monitors developments in domestic prices for both short and long term horizons and publishes official inflation forecasts twice a year. The inflation rate is expected to be in the range of -1.0% to 0.0% for 2020 with a skew to the upper half of the forecast range. Risks to the inflation outlook for 2020 appear balanced, with the movement of global inflation seen as a key factor for either upside or downside risks to the forecast.

FINANCIAL STABILITY

REGULATORY DEVELOPMENTS

AMBD carries out its mandate in ensuring the stability of the financial system by formulating financial regulations and prudential standards. Pillar 1 of the Financial Sector Blueprint (2016-2025) provides the strategic objectives for maintaining financial stability which includes enhancing our regulatory frameworks and supervision that meet international standards, cultivate high quality financial institutions and ensure resilience of our licensees against threats and shocks. To ensure our requirements are met, AMBD also monitors and supervises these licensees through off-site surveillance and on-site examination.

ESTABLISHMENT OF THE AMBD PAYMENT SYSTEM OVERSIGHT FUNCTION

AMBD established a dedicated Payment System Oversight function, which is responsible for formulating the appropriate legal and regulatory framework for payment systems and for the supervision of payment service providers in Brunei Darussalam. The establishment of this dedicated function is in line with the recommendations of the Financial Sector Blueprint (2016-2025) and the Digital Payment Roadmap (2016-2025) - to develop, regulate and supervise the payment systems in Brunei Darussalam.

CHANGES TO PRUDENTIAL REQUIREMENTS

In 2019, AMBD continued to work with relevant stakeholders to upgrade its existing legislations.

For banks, AMBD amended the Notice on Forms of Assets Approved by the Authority issued to the banking sector to promote a more efficient use of assets for foreign bank branches. Foreign bank branches in the country are currently required to hold a specific amount of assets as part of AMBD's regulation. In November 2019, AMBD changed the requirement of the type of assets that can be held by foreign bank branches in meeting this regulation to provide them greater flexibility in managing their assets. This flexibility is aimed at unlocking resources which could spur further development in the financial sector.

For takaful and insurance, AMBD issued a Notice on Surplus Distribution for Takaful Operators that specifies how a surplus can be distributed and whom the recipients are. According to the Notice, surplus can only be distributed to participants who did not receive claim payments during the financial year which is consistent with current takaful practice.

AMBD continued to work with the industry in developing a new Risk-Based Capital (RBC) framework for the insurance and takaful operators. The project is aimed to be completed in 2020 and implemented starting 2021.

Feedback from industry consultation on the proposed high level RBC framework was obtained and this was followed up by data gathering exercise in preparation for the industry Quantitative Impact Survey (QIS) starting from November 2019. As part of the preparation for transitioning to RBC framework, AMBD carried out consultations with industry on two critical elements required i.e. the establishment of insurance funds in conventional insurance companies, and the requirement to submit a Financial Condition Report.

For the capital market, AMBD introduced its requirements on the operation of a peer to peer (P2P) financing platform in Brunei Darussalam in April 2019. This effort is expected to facilitate the growth and development of the capital market sector in the country, particularly in the P2P financing industry, as well as to provide start-ups and small businesses with an alternative source of financing in raising capital.

ESTABLISHMENT OF THE FINANCIAL MARKETS SERVICES PANEL

On 27 May 2019, the Financial Markets Services Panel (FMSP) was established in pursuant to section 254(1) of the Securities Markets Order, 2016. The main objectives of the establishment of the FMSP are to ensure the proper implementation of the Securities Markets Order, 2016 and to provide a system of checks and balances. Amongst the functions of the FMSP are to consider appeals against decisions made by AMBD under the Securities Markets Order, 2016.

FINANCIAL SECTOR RISK AND ASSESSMENT

Developing a robust crisis management framework

In enhancing the resilience of financial institutions in times of distress, AMBD engaged the banking and takaful and insurance industries in preparation of their recovery plans. A notice has been issued requiring banks to submit their individual recovery plans starting 2020 whilst the requirement for the takaful and insurance companies is being finalised. Meanwhile, the development of Early Warning System for the takaful and insurance sector has also been introduced to facilitate early supervisory intervention. These initiatives form part of AMBD's ongoing efforts to develop a recovery and resolution framework for the financial sector.

Inaugural top down stress testing exercise for banking sector

As part of AMBD's macroprudential surveillance and risk management of the financial sector, AMBD conducted its first stress testing exercise on the banking sector. The exercise measured the resilience of Brunei Darussalam's financial system by estimating the amount of market and credit risks losses that the banking sector could suffer based on severe yet reasonable macroeconomic shocks. The results of the exercise showed that the banking sector was able to withstand all shock scenarios.

Enhancing financial sector risk assessment

The first Risk Perception Survey exercise was conducted on the banks in 2019 to assess banks' perception regarding potential vulnerabilities that can affect the financial sector in the next 6 to 12 months. The forward-looking exercise is part of AMBD's macroprudential and surveillance toolkit to assess the risks and vulnerabilities that could prevent the financial system from functioning smoothly. AMBD also consulted the takaful and insurance industry on the preparation of a financial condition report to allow for long-term assessment of the industry.

CULTIVATING HIGH QUALITY FINANCIAL INSTITUTIONS

GUIDELINES ON OFFERING INVESTMENT ADVICE

REQUIREMENTS FOR INVESTMENT DEALERS

GUIDELINES ON PRODUCT DISCLOSURES AND TRANSPARENCY

EXPOSURE DRAFTS FOR SYARIAH STANDARDS

INVESTOR PROTECTION

Providing clarity on giving or offering investment advice

As part of AMBD's current regulation in allowing capital market intermediaries to offer investment advice, guidelines were issued to clarify the differences between undertaking the regulated activity as an investment adviser and a financial planner.

Providing safe market access to a foreign market

AMBD introduced a new requirement for investment dealers to obtain approval from AMBD before providing foreign market access to domestic investors. This is to ensure that investment dealers have proper controls in place and that due diligence is conducted prior to providing access to foreign markets for domestic investors.

CONSUMER PROTECTION

Enhancing consumer knowledge on products and services

AMBD introduced guidelines to conventional and Islamic banks and finance companies, takaful operators and insurance companies on transparency and product disclosure to promote fair treatment to customers, awareness and understanding of products. Financial institutions are required to provide a consistent and comprehensive disclosure regime and provide customers with a product disclosure sheet which should contain key information, on product features, benefits and risks, fees and charges, contractual rights and obligations. This requirement is key to ensure customers are equipped with consistent essential information to make comparisons between products and services offered by financial institutions as well as to avoid the selling malpractices of products and services.

Promoting end-to-end compliance with Syariah requirements

To better protect consumers, AMBD also issued exposure drafts for Syariah standards to financial institutions offering Islamic Financial Products and Services in Brunei Darussalam. These Syariah Standards were designed to provide the best practices and references on the Syariah rulings associated with the Syariah concepts and to promote end-to-end compliance with Syariah requirements. These also help to ensure sound practices and consumer protection are implemented throughout the life cycle of the Syariah concept.

ENSURING A TRUSTED FINANCIAL SECTOR THROUGH A ROBUST LICENSING FRAMEWORK

Amendment to licensing examination requirements for capital markets services representative

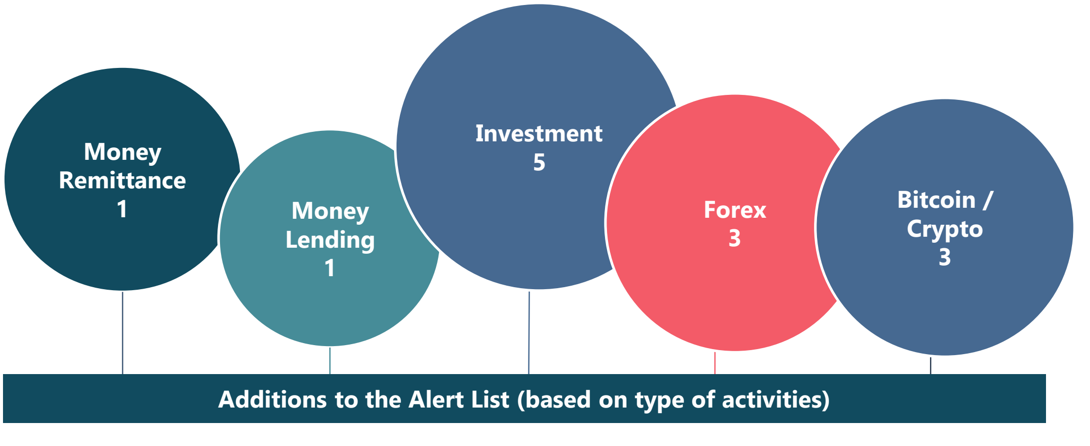
AMBD currently requires applicants for capital market services representatives' licence to pass relevant licensing examination to ensure they have the adequate knowledge and experience to perform regulated activities safely and competently. In 2019, AMBD made the requirement more flexible for licensed representatives who are Chartered Financial Consultants (ChFCs) and Certified Financial Planners (CFPs).

Strengthening the licensing framework for money-changing and remittance businesses

AMBD made changes to licensing conditions for the money-changing and remittance businesses, particularly aiming towards enhancing licensees' compliance and professionalism. This helps to safeguard the industry from being used as a conduit for money laundering, terrorism financing or other illicit activities.

Continued public awareness on unlicensed financial activities

The 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 AMBD or whose activities raise a suspicion of illegal activity. Only financial institutions licensed by AMBD are allowed to provide financial services in Brunei Darussalam. As of 31 December 2019, 94 unauthorised persons were included in the Alert List, 13 of which were added in 2019.



ENHANCING EFFORTS ON THE ADOPTION OF RISK-BASED SUPERVISION

In line with efforts to adopt risk-based supervision (RBS) across the financial sector, AMBD continued to focus on enhancing the industry's governance and risk management and enhance understanding of the changes to AMBD's supervisory approach.

Banks and finance companies

Minimum requirements were introduced to promote sound corporate governance practices for finance companies. This sets the first step in developing an effective risk management framework for the sector.

Amendments were made to the Capital Adequacy Framework and requirements relating to the Supervisory Review and Evaluation Process for banks. This is to ensure the effective implementation of the Basel II framework by the banking sector.

Takaful operators and insurance companies

AMBD introduced a profiling tool for the takaful operators and insurance companies to enhance its supervisory risk assessment of the sector.

AMBD consulted the industry on online transactions relating to takaful and insurance, particularly to ensure proper risk management and internal control framework.

Requirements were established for the conduct of any material outsourcing arrangements particularly on obtaining AMBD's approval. This helps to ensure sound risk management practices in the takaful and insurance sector. Guidelines were also issued setting out AMBD's expectations on sound practices on risk management of material outsourcing arrangements.

Capital market intermediaries

AMBD completed the RBS framework and carried out the first on-site inspection based on the new methodology.

Money-changing and remittance businesses

AMBD introduced a RBS framework for the money-changing and remittance industry with specific focus on money laundering and terrorism financing risks.

Standard technology risk management guidelines were issued to the money-changing and remittance businesses to ensure these businesses have at least baseline level of technology risk management in place considering the size of their operations.

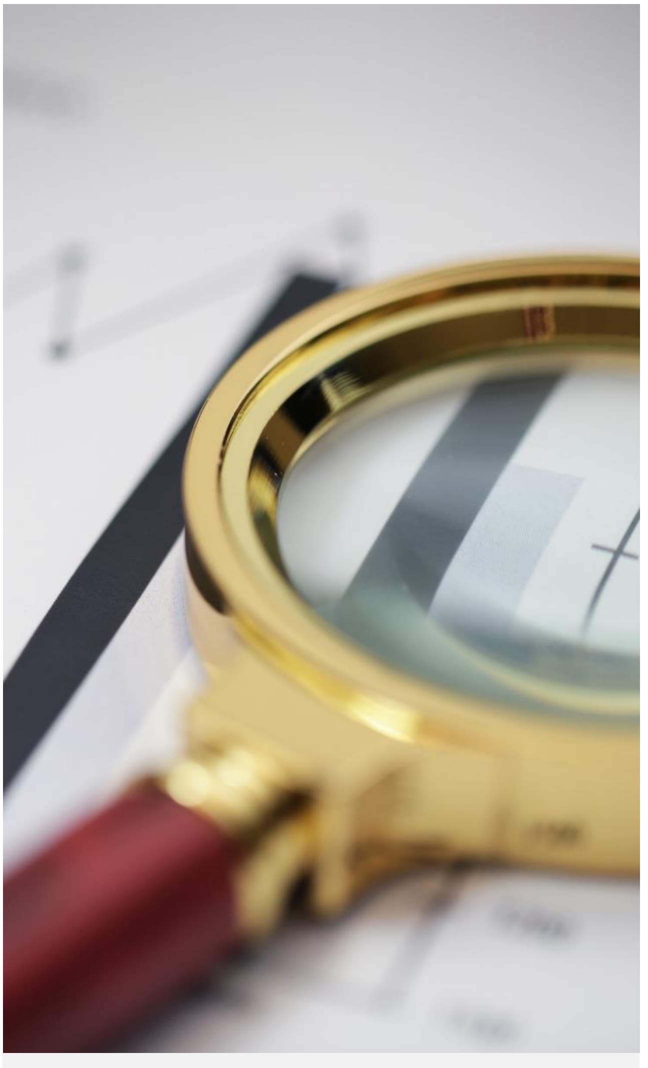
All financial institutions

AMBD is in the process of drafting a risk-based approach for technology risk assessment framework which will require all financial institutions to assess their technology risks.

AMBD consulted the industry on the draft amendment to the Notice on Early Detection of Cyber Intrusion and Incident Reporting to consider the changing trends of incidents as well as feedbacks that have been received since the issuance of the Notice.

The AMBD-Financial Institutions Technology Committee was established on 19 December 2019. The committee serves as a platform for AMBD and financial institutions to discuss technology development, issues, regulations and collaboration in the financial services industry.

AMBD conducted Syariah compliance on-site visits to Islamic financial institutions in 2019 to ensure that their businesses are in accordance to Hukum Syara'. Additionally, AMBD oversees the full implementation of the Syariah Governance Framework and Internal Syariah Audit Framework which were rolled out in 2018.



NATIONAL ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM COMMITTEE (NAMLC)

The Financial Intelligence Unit (FIU), AMBD acts as the Secretariat to the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), which serves as a mechanism for relevant domestic competent authorities to coordinate, implement and monitor the development and implementation of national AML/CFT initiatives and compliance towards international AML/CFT standards outlined by the Financial Action Task Force (FATF).

The FATF Recommendations require countries to understand their money laundering and terrorism financing risks, in order to ensure that measures to prevent or mitigate money laundering and terrorism financing commensurate with the risks identified. As part of ongoing efforts to keep the country's understanding of risks up-to-date, the FIU as NAMLC Secretariat coordinated and completed the following risk assessments in 2019:

- Money laundering risk assessment of the cooperatives sector
- Terrorism financing risk assessment at the national level
- Terrorism financing risk assessment of non-profit organisations sector

The FIU also coordinated Brunei Darussalam's preparation towards the Mutual Evaluation by the Asia/Pacific Group on Money Laundering (APG) in 2020, which included the following initiatives:

- FATF-style mock assessment on financial institutions and designated non-financial businesses and professions (DNFBPs)
- Outreach to Royal Customs and Excise Department (RCED) and the Immigration and National Registration Department (INRD) to improve the reporting of Physical Currency and Bearer Negotiable Instruments (CBNI)

AML/CFT SUPERVISION

AMBD issued AML/CFT questionnaires to all financial institutions and DNFBPs to understand and assess the AML/CFT risk associated within each sector. Several guidance papers were also produced to ensure the effective implementation of AML/CFT programmes. These include the guidance on developing and implementing AML/CFT programmes within financial institutions and DNFBPs and the requirements of submitting suspicious transaction reports, in line with requirements of the Criminal Asset Recovery Order, 2012.

ENFORCEMENT

AMBD carried out nine outreach sessions to financial institutions and issued 69 supervisory letters and three directions. Fines related to AML/CFT offences were imposed on two financial institutions for failure to implement a robust transaction monitoring system, and failure to submit cash transaction reports. Meanwhile seven penalties were imposed on financial institutions related to non-compliance to various requirements under the respective legislation.

FINANCIAL DEVELOPMENT

In 2019, AMBD undertook numerous efforts to support and facilitate further developments of the financial sector in Brunei Darussalam. Through the Brunei Darussalam's Financial Sector Blueprint (2016-2025), AMBD embarked on strategic initiatives with the objective to, among others, amplify the development of Islamic Finance in Brunei Darussalam, spur the growth of its capital market activities, as well as create vibrancy for FinTech sector to grow.

ISLAMIC FINANCE

During the year, assets have increased across the Islamic banking, takaful and Islamic capital market industries. Comprising of 65% of the total banking assets, Islamic banking recorded a stable return on assets of 2.1% and a return on equity of 13.8% during the year. Meanwhile, Takaful funds and Islamic funds maintained their average market shares of 32% and 5% of total assets in their respective sectors, leaving room for more growth in the future.

Brunei Darussalam maintained its ranking as one of the top 10 performing Islamic finance markets out of 131 countries as reported in the ICD-Refinitiv Islamic Finance Development Report 2019: Shifting Dynamics. The report, which took into account data collected in 2018, revealed that Brunei Darussalam scored 45 points in the Islamic Finance Development Indicator (IFDI), ranking Brunei Darussalam at the tenth position in 2019, and third in the ASEAN region, after Malaysia and Indonesia.

Human Capital Development in Islamic Finance

In collaboration with The Centre for Islamic Banking Finance and Management (CIBFM), AMBD organised Muzakarah Ilmuan Kewangan Islam (MIKI) sessions on 26 February 2019 and 22 October 2019. MIKI serves as a platform for professionals to discuss issues and current trends in Islamic finance Industry. The discussions centred on Islamic social finance tools in tackling issues of poverty and hunger and how Islamic financial institutions can balance their profit making activities with their responsibilities toward the society.

AMBD also organised a roundtable discussion (RTD) in collaboration with Universiti Islam Sultan Sharif Ali (UNISSA) on 14 November 2019. The main objectives of this closed RTD were to set up a platform for academicians, policy makers and practitioners to effectively discuss the needs of having Islamic finance experts for Brunei Darussalam and to create a resolution and strategic plan for the human capital development for Islamic Finance industry since the development of human capital will require the efforts of various agencies.

CAPITAL MARKET

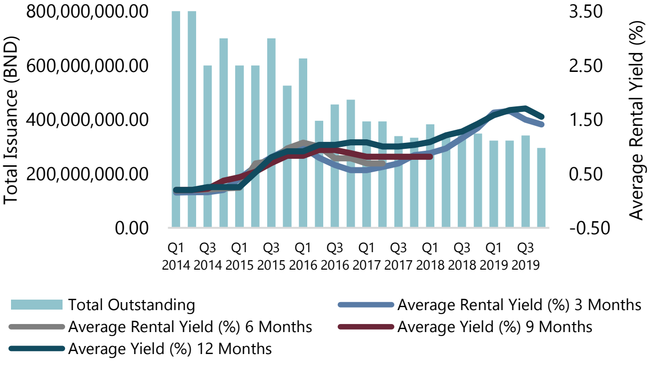
AMBD I-Bills

To further develop a more efficient money market for Brunei Darussalam, necessary preparations have been made by AMBD to launch the AMBD Islamic Bills (AMBD I-Bills). The AMBD I-Bills are expected to be launched in 2020 with the aim to support effective and efficient liquidity management for the banks as primary investors in Brunei Darussalam and can be regarded as an eligible collateral for the Overnight Funding/Lending Facilities.

The inaugural AMBD I-Bills will be based on a Wakalah structure, the first of its kind in Brunei Darussalam, and will have a tenor of two weeks. This Syariah-compliant instrument is strictly consistent with the Currency Board principles as Brunei Darussalam remains fully committed to the Currency Board Arrangement, and the Currency Interchangeability Agreement with the Republic of Singapore.

AMBD acts as the agent to the Government of Brunei Darussalam, through the Ministry of Finance and Economy, in the issuance and administration of the Brunei Government Sukuk Al-Ijarah Programme. AMBD continues to issue the Brunei Government Sukuk Al-Ijarah on a regular basis. The first Brunei Government Sukuk Al-Ijarah was issued on 6 April 2006. Since the inception of this programme, the Brunei Government issued a total of 176 issuances of short-term Sukuk Al-Ijarah, with maturities of three months and one year with total value of BND13.34 billion. The objective of this programme is to develop the Brunei Government securities yield curve as a benchmark for corporate sukuk and provide a safe and liquid investment instrument for domestic financial institutions. In 2019, 12 sukuk was issued, which comprised of 8 issuances with three month maturities and four issuances with 12 month maturities with the total outstanding at the end of 2019 standing at BND 334.6 million.

Outstanding Amount and Average Rental Yield
Brunei Government Sukuk Al-Ijarah
2014 -2019



Project for the Establishment of a Securities Exchange

The Ministry of Finance and Economy set up a Stock Exchange Project Team to spearhead the establishment of a securities exchange in Brunei Darussalam. AMBD, as a member of the working group, continues to work with the Stock Exchange Project Team on its establishment, particularly in ensuring the readiness and preparation of key parts of the exchange ecosystem. This includes enhancements to the legal and regulatory framework, to facilitate the operationalisation and supervision of the securities exchange.

FINTECH

The State of FinTech in Brunei Darussalam Project

AMBD engaged a consultancy firm to assess the State of FinTech in Brunei Darussalam. From the project, the FinTech Ecosystem Assessment Report; the FinTech Recommendations Roadmap; and the White Paper on the State of FinTech in Brunei Darussalam for awareness purposes to relevant stakeholders were produced.

On 19 September 2019, AMBD in collaboration with this consultant hosted the "FinTech Forum 2019" with the aim to socialise the preliminary outcomes of the project to relevant stakeholders whom were also part of the industry engagement process. Moving forward, several actions are being considered by AMBD to implement such recommendations that have been put forward for the development of the country's FinTech ecosystem.

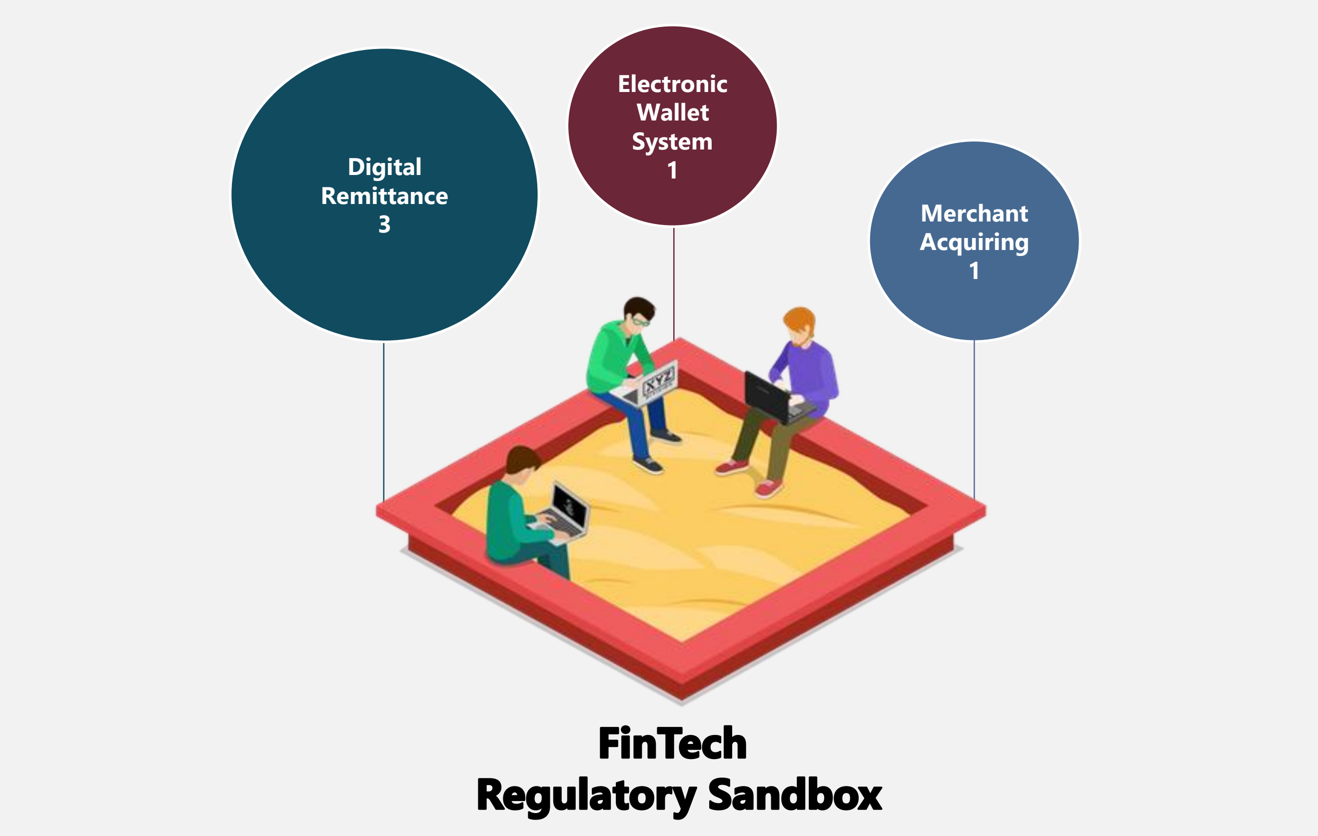
FinTech Regulatory Sandbox

FinTech Regulatory Sandbox was introduced by AMBD in 2017 to enable qualified companies or businesses to experiment with innovative FinTech solutions in a relaxed regulatory environment, for a limited period of time and parameters.

AMBD recognises that risk and failures are fundamental elements of innovation. Therefore a regulatory sandbox with all the necessary safeguards in place can help to contain the consequences of these elements. The overall safety and soundness of the financial system remains a prime consideration.

In 2019, AMBD approved the entry of three new companies into the AMBD FinTech Regulatory Sandbox. This brings the total to five FinTech companies currently testing various FinTech solutions in the FinTech Regulatory Sandbox. Moving forward, AMBD will look into improving the FinTech Regulatory Sandbox framework to cater for more qualified FinTech companies with suitable innovative FinTech solutions in the Sandbox.

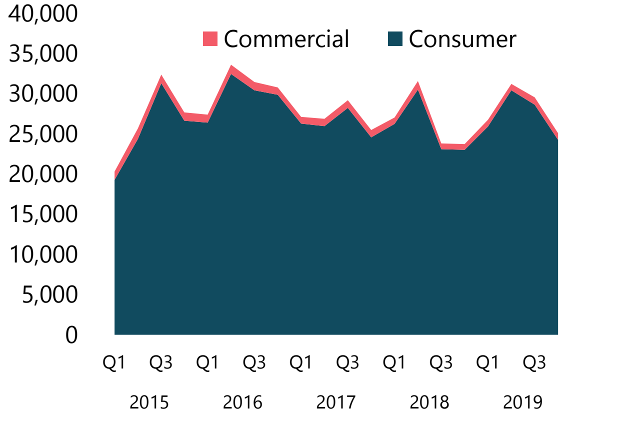
AMBD continuously engages other agencies to socialise the FinTech Regulatory Sandbox Guidelines. These socialisation sessions can help ensure other agencies who may play a role in the FinTech ecosystem to have a good understanding of the guidelines. In 2019, AMBD conducted socialisation sessions with the Majlis Ugama Islam Brunei (MUIB), the Brunei Economic Development Board (BEDB) and the Brunei Capital Markets Association (BCMA).



FINANCIAL INFRASTRUCTURE

CREDIT BUREAU HIGHLIGHTS

REQUESTS FOR CREDIT REPORT



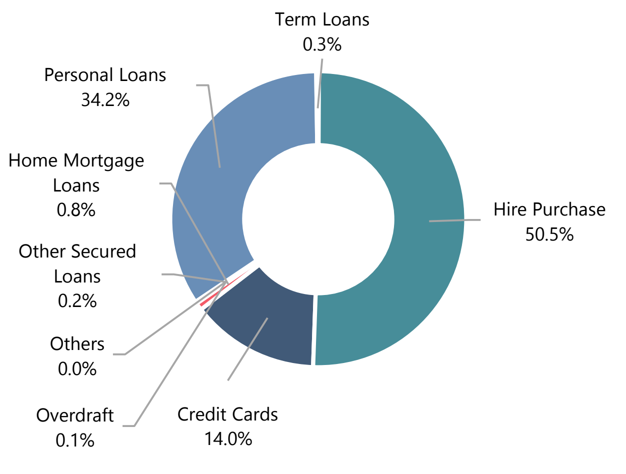
EVOLUTION

2012 Establishment of the Credit Bureau

2014 Launching of Self Inquiry and Dispute Resolution Services

2018 Introduction of Credit Bureau Score and Online Self-Inquiry Requests

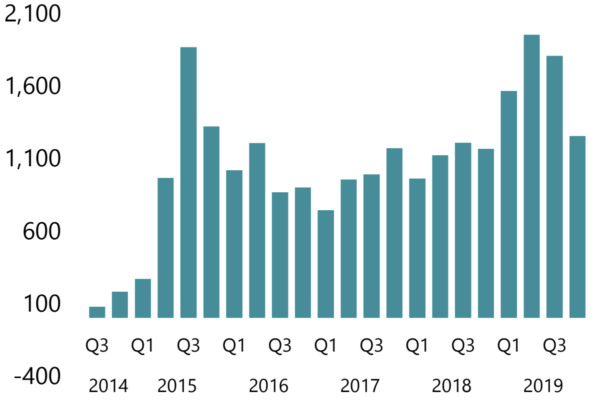
CREDIT FACILITIES REQUESTS BY TYPE



Hire Purchase includes Vehicle Financing
Home Mortgage Loan includes Musharakah Mutanaqisah

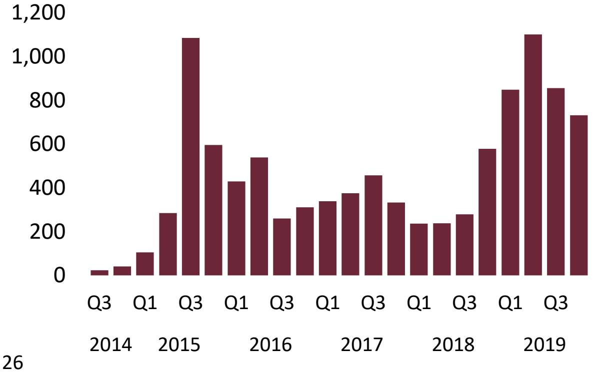
SELF-INQUIRY REPORTS

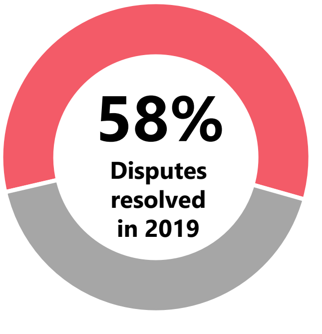
The number of self inquiry reports generated by the Credit Bureau system grew from 255 reports in 2014 to 6,579 reports in 2019



DISPUTE RESOLUTION

The Credit Bureau has received a total of 10,037 registered disputes since 2014





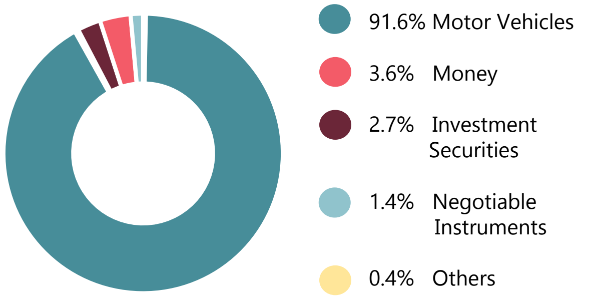
ENHANCING ACCESS TO FINANCE

With the assistance of a consultancy firm, AMBD conducted an assessment to analyse gaps in the current business environment, as well as in the existing legislative and regulatory framework for secured transactions in Brunei Darussalam. The assessment revealed that the main challenges for unlocking credit at affordable interest rates are not directly linked to secured transactions. Instead, the main challenges were found to be related to coordination and capacity building issues. This is because meeting the financing needs of SMEs requires the involvement of different agencies of the economy. The assessment recommended that financial institutions, large industry players, and SMEs to collaborate in developing modern financing products that can be beneficial for all.

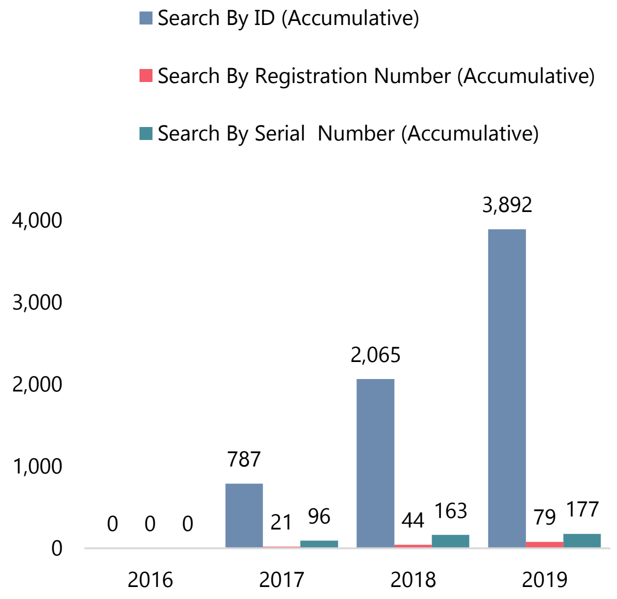
In implementing this recommendation, AMBD conducted various workshops in 2019 involving financial institutions and the private sector. The workshops focused on innovative lending products and various aspects of modern asset-based lending systems, including the technological underpinnings enabled by the Secured Transactions Order (STO), 2016 framework. The workshops shared examples drawn from other economies that have successfully implemented secured transactions reforms. Additionally, specific financial products - factoring, reverse factoring (also referred to as supply chain finance), and asset-based lending, have been identified as products with the highest potential to be applied in the Brunei Darussalam market and were shared with the workshop participants. AMBD also conducted a workshop for members of the judiciary (including judges, registrars and official receivers) to introduce key concepts and provisions of the STO and how they can be applied in practice.

DEVELOPING MODERN FINANCING PRODUCTS TOGETHER

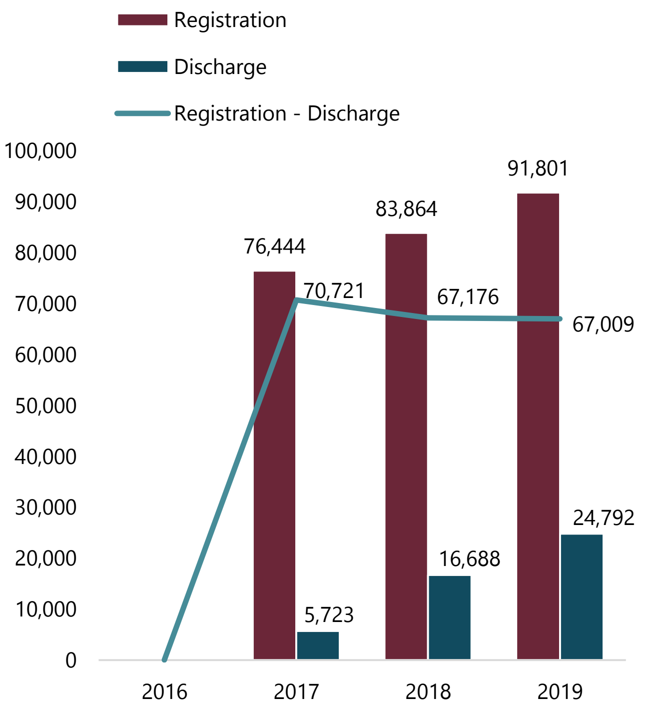
Total Registered Collateral



Total Searches Made



Total Registrations Made



COMMUNICATIONS AND OUTREACH

AMBD continued to enhance consumer knowledge in making informed financial decisions, which was communicated through our online and offline campaigns. During the World Investor Week 2019 which ran from 30 September to 6 October 2019, AMBD conducted several activities to raise awareness about the importance of investor education and protection initiatives of securities regulators. AMBD also provided the opportunity for the public to have one-on-one sessions to obtain financial health checks and information about the availability of investments products and services in Brunei Darussalam. The platform also served to provide financial advice tailored to the needs of the participants.

AMBD also delivered talks to targeted audiences - newly recruited government officers and staff, as well as those who will retire in the next decade - to enable participants to identify characteristics of financial scams and prevent themselves from falling prey, to highlight the role of credit reports as well as the dangers of dealing with unlicensed money lenders and money remittance entities. To curb the use of illegal remittance services and encourage the use of licensed remittance businesses in the country, AMBD conducted a Mini Remittance Day on 28 November 2019 to give public the exposure to the licensed businesses offering remittance service.

WE CONTINUED OUR AGENDA OF ENHANCING CONSUMER KNOWLEDGE TO MAKE INFORMED FINANCIAL DECISIONS

In 2019, AMBD was active in raising public awareness on emerging cybersecurity issues and delivered presentations on cyber fraud and how consumers can protect their financial information. Easy-to-understand graphical information on trends in capital market and tips on investment and financial planning were also shared on our social media. With these initiatives, it is hoped that that the public can be equipped with the necessary knowledge in making decisions in relation to the handling of their data and finances.

In collaboration with the Royal Brunei Police Force, AMBD continued the Know Your Banknotes Drive, aimed at increasing the public's knowledge on Brunei Darussalam's currency, particularly in educating the public on the security features of the banknotes. The target audiences were money changers, money remittance companies and telecommunications service providers.

INTERNATIONAL RELATIONS

AGREEMENTS

8th ASEAN Framework on Services (AFAS) Protocol

During the ASEAN Finance Ministers and Central Bank Governors Meeting on 5 April 2019, the 8th Package of Commitment on Financial Services under the AFAS Protocol was signed by Yang Berhormat Dato Seri Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah, Minister at the Prime Minister's Office and Minister of Finance and Economy II on behalf of the Government of Brunei Darussalam. Brunei Darussalam ratified the 8th protocol on 14 November 2019, which is a legal instrument that enables the implementation of the commitments made in the financial services sector in line with the ASEAN Economic Community Blueprint 2025. Under the 8th Protocol, AMBD committed to liberalise the cross border business for maritime, aviation and transit brokerage. The protocol is aimed to be renewed every two years.

ASEAN Swap Agreement

On 14 November 2019, the 7th Renewal of the ASEAN Swap Arrangement (ASA) was signed by the Managing Director of AMBD, Yang Mulia Dayang Hajah Rokiah binti Haji Badar. The ASA was established to enhance financial cooperation between ASEAN member countries with a total arrangement size of USD 2 billion. The Arrangement, which came into force on 17 November 2005, is a financial safety net instrument for ASEAN member states facing temporary balance of payments difficulties. The Agreement is renewed every two years.

MEMORANDUMS OF UNDERSTANDING (MOU)

On 13 November 2019, the Financial Intelligence Unit, AMBD signed an MoU with the Anti-Money Laundering Council, the Financial Intelligence Unit of the Republic of the Philippines during the Counter-Terrorism Financing Summit in Manila, Republic of the Philippines. The MoU will allow for the exchange of financial intelligence that may assist in the investigation and prosecution of persons suspected of money laundering and terrorism financing. This marks the strong commitment of both agencies in the global fight against money laundering and terrorism financing.

CHAIRING AND HOSTING REGIONAL FORUMS

Chair of Sub-Working Group for Financial Services under Regional Comprehensive Economic Partnership (RCEP) Negotiation Meetings

In 2019, AMBD as chair for RCEP Negotiation Meetings successfully concluded the negotiations for the Financial Services Annex of RCEP in line with the RCEP Ministerial directions and decisions. The objectives of launching RCEP negotiations include - to achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement among the ASEAN Member States and ASEAN's free trade agreement partners.

Co-chair for Working Committee on ASEAN Banking Integration Framework (WC-ABIF)

AMBD and MAS are co-chairs for ABIF from April 2018 until 2020. AMBD had the opportunity to monitor and participate in the facilitation of effective operationalisation of the banking integration process in ASEAN, initiatives to promote improvement in the regulatory framework, and cooperation and financial stability arrangement for regional financial integration.

Co-chair for Working Committee on Financial Inclusion (WC-FINC)

AMBD and Bangko Sentral ng Pilipinas (BSP), the Republic of Philippines are co-chairs for WC-FINC from April 2018 until 2020. Under the WC-FINC co-chairmanship, AMBD was responsible in monitoring regional developments of financial inclusion frameworks and initiatives and ensuring ASEAN countries are on track to achieve the targets of 30% average financial exclusion rate and 85% readiness of financial inclusion infrastructure for ASEAN as a whole by 2025.

Monitoring and Evaluation (M&E) Capacity Building Workshop

AMBD, ASEAN Secretariat and the United Nations Capital Development Fund (UNCDF), jointly organised the Monitoring and Evaluation Capacity Building Workshop in Brunei Darussalam on 29 to 30 October 2019.

The workshop aimed to assist ASEAN member states in developing measurable financial inclusion key indicators and M&E frameworks, as well as to facilitate data harmonisation across ASEAN member states for the ease of comparison and reporting. Inputs were also sought to develop the ASEAN Guidance Note on Developing a Monitoring and Evaluation Framework for Financial Inclusion.

Workshop on Chiang Mai Initiative Multilateralisation (CMIM)

AMBD hosted a Workshop on Chiang Mai Initiative Multilateralisation (CMIM) on 11 June 2019 which was organised by ASEAN+3 Macroeconomic Research Office (AMRO). The workshop was held to assist Brunei Darussalam's role as an Arrangement Providing Party (APP) in the 10th CMIM Test Run. The workshop was designed to equip and prepare AMBD from a technical standpoint in the operation of the 10th Test Run, where it involved the actual transfer of funds.

IFSB Working Group Meetings

Several Islamic Financial Services Board (IFSB) meetings were also hosted by AMBD in Brunei Darussalam, including the 11th Meeting of the Task Force on Prudential and Structural Islamic Financial Indicators (PSIFIs) on 4 to 5 March 2019, the 3rd Working Group Meeting of the Revised Capital Adequacy Standard for the Islamic Banking Sector (RCASIBS) and the 3rd Meeting of the Core Principles for Islamic Finance Regulation: Effective Deposit Insurance Systems (CPIFR-IDIS), both on 6 March 2019.

MEMBERSHIPS IN INTERNATIONAL ORGANISATIONS

AMBD is a member to various international standard-setting bodies and actively contributes to the development of international standards. In 2019, AMBD joined the Financial Stability Board (FSB) Regional Consultative Group for Asia (RCG Asia). Established in 2011, the objectives of the FSB RCG for Asia are to expand and formalise its outreach activities beyond the membership of the G20, and to reflect the global nature of the financial system. Other organisations that AMBD participate in include:

International Financial Services Board (IFSB)

AMBD also actively participates in the International Financial Services Board (IFSB), the International Organisation of Securities Commission (IOSCO) and the International Association of Insurance Supervisors (IAIS). In 2019, AMBD attended and contributed to the following meetings:

- IFSB Council
- Technical Committees
- Working Group Meeting of the IFSB Investor Protection for Islamic Capital Markets
- Working Group Meeting IFSB Disclosures to Promote Transparency and Market Discipline for Takaful/Retakaful Undertaking
- Working Group Meeting IFSB Core Principles for Islamic Finance Regulations (Takaful Segment)
- Working Group Meeting IFSB-AAOIFI Revised Shari`ah Governance Framework Standard
- Working Group Meeting IFSB Revised Capital Adequacy Standard for The Islamic Banking Sector
- Meeting of the Core Principles for Islamic Finance Regulation: Effective Deposit Insurance Systems
- Task-Force on Prudential and Structural Islamic Financial Indicators

International Organisation of Securities Commission (IOSCO)

- IOSCO Annual Conference and Meeting
- IOSCO Initial Coin Offerings Consultation (ICO) Network Meeting
- IOSCO FinTech Network

International Association of Insurance Supervisors (IAIS)

- IAIS Annual Conference and Meeting

OTHER ENGAGEMENTS WITH COUNTERPARTS

In addition, AMBD actively contributes to the following regional and international collaboration platforms:

- ASEAN Finance and Central Bank track meetings
- Asia/Pacific Group on Money Laundering (APG)
- Egmont Group
- South East Asian Central Banks (SEACEN) Research and Training Centre
- Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC)
- International Islamic Finance Market (IIFM)
- Technical Meeting of Mints in ASEAN (TEMAN)

ORGANISATIONAL DEVELOPMENT

DEVELOPING PEOPLE

AMBD believes that its strength lies in its people and continues to put a strong emphasis on developing its people. In 2019, AMBD invested in the development of its human capital which amounted to the equivalence of 7.1% of total gross salaries of AMBD employees. Employees were given the opportunity to attend various programmes, conducted both in-house and externally. There was also an increase in the number of employees opting for programmes conducted digitally.

More than 30 employees pursued professional credentials and certifications in 2019. One employee was awarded a full scholarship under the Temasek Regional Regulators Scholarship Programme to pursue Master of Science in Asset and Wealth Management at the Wealth Management Institute, Nanyang Technological University, Singapore. Seven employees also had short working attachments at a range of financial-related institutions in the region. AMBD hired seven new employees in 2019. The strengthening of the workforce is necessary for AMBD to continue to carry out its mandate.

Internally, AMBD conducted programmes to promote the understanding and awareness among the staff on emerging issues in 2019 including data confidentiality, crisis management, virtual currencies and cybersecurity. These thematic talks represent an important platform for AMBD staff to keep abreast with current developments and to equip them with the necessary tools should there be a need to take action.

A BETTER WORK ENVIRONMENT

The Human Resource Management System (HRMS) was launched in 2019 to ease the management of human resources, processes and data management. It is hoped that through its social platform, there will be an increased engagement between the Hearts of AMBD. AMBD also introduced the Employee Assistance Program in 2019, which aims to provide voluntary counselling assistance to AMBD employees. It also aims to improve mental health awareness of AMBD employees, to enhance morale, loyalty and productivity, besides improving employees' welfare.

AMBD INTERNSHIP PROGRAMME

2019 saw the introduction of the inaugural AMBD internship programme, which aims to support the government's goal of realising Vision 2035 by building the human capital in Brunei Darussalam. This is a specialised training program designed to allow trainees to be rotated within pre-selected AMBD functions for a total period of six months. The trainees will not only be able to understand better the functions of AMBD as the country's monetary authority, but will also build their understanding of global markets and economies and enhance their research, analysis, and presentation skills through various tasks.

HOSTING KNOWLEDGE SHARING SESSIONS

In spurring discussions on evolving matters both in the global and domestic contexts, AMBD organised several talks for targeted audiences. Two economic and market outlook sessions were held in 2019 which focused on emerging trends and opportunities in the digital future as well as topics on the growing importance of sustainability. These trends permeate different aspects of investments, and businesses are also increasingly taking the concept into consideration when formulating business strategies.

OUR STRENGTH LIES IN OUR PEOPLE

HEART OF AMBD INITIATIVES

As part of AMBD's Corporate Social Responsibility (CSR) efforts, AMBD held a blood donation drive to help replenish the country's blood bank, as well as to raise awareness on the positive social impact of donating blood. The event was also opened to officers and staff of the Ministry of Finance and Economy. The blood donation drive was a success as it managed to attract 75 donors and resulted in the collection of 63 pints of blood.

AMBD also held a Majlis Khatam Al-Quran and a presentation of donation to three non-government organisations and 30 orphans in conjunction with the holy month of Ramadhan. Towards the end of the year, the ‘Back to School’ project was held for 15 students of the Batu Marang Primary School to help provide them with school necessities in preparation of the new school year in 2020. The project also highlighted the importance of spending wisely within an allocated budget. AMBD contributed BND 3,619.52 worth of school supplies and books for the students.

As part of AMBD's commitment to protecting the environment and in line with the AMBD Health, Safety and Environment Strategic Plan, AMBD introduced a go green initiative through the placement of recycling bins for paper, plastic and aluminium waste in its offices. In 2019, AMBD collected 2,949 kilograms worth of waste. Paper waste accounted for more than half of the total waste collected, mainly from newspapers and scrap papers. AMBD encouraged employees to reduce paper consumption by printing documents back-to-back. AMBD plans to introduce further initiatives such as moving towards digital newspaper subscriptions and maintaining digital records of documents instead of physical records.

Recyclable waste collected by material (kilograms)

Paper	1,650
Aluminium	726
Plastic	573

GOVERNANCE

FINANCIAL AND MONETARY STABILITY COMMITTEE (FMSC)

The FMSC monitors the risks present in the global and domestic financial and economic environment, provides policy recommendations to the Board of Directors, maintains the Currency Board Arrangement 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 Currency Board Arrangement in Brunei Darussalam. The members of the FMSC are:

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director, AMBD
As Chairman
(5 October 2019 - Present)

Yang Mulia Awang Yusof bin Haji Abdul Rahman
Managing Director, AMBD
(12 June 2018 - 4 October 2019)

Yang Mulia Dayang Hajah Rashidah bin Haji Sabtu
Deputy Managing Director, AMBD
(12 June 2018 - Present)

Yang Mulia Dayang Hajah Noorrafidah binti Sulaiman
Deputy Managing Director, AMBD
(5 October 2019 - Present)

Yang Mulia Awang Mardini bin Haji Eddie
Acting Assistant Managing Director, AMBD
(12 June 2018 - Present)

Yang Mulia Awang Mozart bin Haji Brahim
Deputy Chief Executive Officer,
Bursa Brunei Darussalam Sdn Bhd
(12 June 2018 - Present)

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, appointment of external fund managers and assisting in the evaluation of performance of these managers, reviewing and evaluating investment proposals by the Management of AMBD and review any other related matters as may be directed from time to time by the Board of Directors. The members of the IAC are:

Yang Mulia Awang Haji Khairuddin bin Haji Abdul Hamid
Permanent Secretary (Investment),
Ministry of Finance and Economy
As Chairman
(1 January 2017 - Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director, AMBD
(5 October 2019 - Present)

Yang Mulia Awang Yusof bin Haji Abdul Rahman
Managing Director, AMBD
(26 August 2014 - 4 October 2019)

Yang Mulia Awang Haji Sofian bin Mohammad Jani
Acting Managing Director, Brunei Investment Agency,
Ministry of Finance and Economy
(14 July 2018 - Present)

Yang Mulia Dayang Zakiah binti Haji Nayan
Senior Manager, Brunei Investment Agency
Ministry of Finance and Economy
(1 January 2017 - 31 December 2019)

HUMAN RESOURCE COMMITTEE (HRC)

The HRC is responsible in reviewing AMBD employment terms and conditions, reward schemes, human resource and capacity development policies, endorse recommendations for key appointments to the Board of Directors, amongst others. The members of the HRC are:

Yang Mulia Dr. Awang Haji Azman bin Ahmad
Permanent Secretary (Higher Education),
Ministry of Education
As Chairman
(23 April 2018 - Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director, AMBD
(5 October 2019 - Present)

Yang Mulia Awang Yusof bin Haji Abdul Rahman
Managing Director, AMBD
(26 April 2016 - 4 October 2019)

Yang Mulia Awang Ajman bin Haji Meludin
Deputy Permanent Secretary (Security and Welfare),
Ministry of Home Affairs
(1 January 2019 - Present)

Yang Mulia Awang Shamsul Baharin bin Abdul Rahman
Senior Manager (Human Resource),
DST Communications Sdn Bhd
(23 April 2018 - Present)

AUDIT COMMITTEE (AC)

The responsibilities of the AC as stipulated under Section 21(4) of the AMBD Order, 2010, include oversight of the Internal Audit function, review and recommend on 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 with the external auditors the end of year financial statements. The membership of the AC, as at 31 December 2019 are:

Yang Mulia Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers,
Prime Minister's Office
As Chairman
(10 August 2018 - Present)

Yang Mulia Awang Haji Maswadi bin Haji Mohsin
Deputy Permanent Secretary Policy and Management,
Ministry of Health
(23 April 2018 - Present)

Yang Mulia Awang Haji Yusop bin Haji Mahmud
Acting Accountant General
Ministry of Finance and Economy
(23 April 2018 - 11 November 2019)

Yang Mulia Dayang Mazriyani binti Haji Abdul Ghani
Director, E-Government National Centre,
Prime Minister's Office
(23 April 2018 - Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Acting Director Human Resource Development and Corporate Affairs,
Ministry of Finance and Economy
(23 April 2018 - 4 October 2019)

Yang Mulia Pengiran Haji Johari bin Pengiran Haji Abdul Ghani
Audit Supervisor, Brunei Investment Agency,
Ministry of Finance and Economy
(23 April 2018 - Present)

Yang Mulia Pengiran Maslina binti Pengiran Haji Mahmud
Head of Risk Management, AMBD
As Observer
(23 April 2018 - 10 November 2019)

Yang Mulia Awang Muhammad Yusri bin Dato Abdul Majid
Head of Risk Management, AMBD
As Observer
(11 November 2019 - Present)

Internal Audit

First line of defence	Second line of defence	Independent third line of defence
Operational Management through establishing internal controls	Risk Management Oversight Functions	Internal Audit

Internal Audit provides independent, objective assurance and consulting activities designed to add value and improve the performance of AMBD's tasks and activities. In doing so, it assists in accomplishing its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of governance, risk management and control processes. To maintain its independence, Internal Audit reports directly to the AC and administratively to the Managing Director of AMBD.

Internal Audit conducted a range of audits across AMBD in 2019 including audits on Third Party Outsourcing, Compounding of Offences, Suspicious Transaction Report and Cash Transaction Report Processes (limited scope audit), Front Desks Support, System Backups and Storage of Data, Risk Management's Tabletop Exercises and Identity Access Management.

RISK MANAGEMENT COMMITTEE (RMC)

The RMC is responsible in reporting to the Board of Directors on AMBD'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 are:

Yang Mulia Dr. Awang Haji Azman bin Ahmad
Permanent Secretary (Higher Education),
Ministry of Education
As Chairman
(8 March 2019 - Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director, AMBD
(5 October 2019 - Present)
Acting Director Human Resource Development and Corporate Affairs,
Ministry of Finance and Economy
(25 April 2018 – 4 October 2019)

Yang Mulia Awang Yusof bin Haji Abdul Rahman
Managing Director, AMBD
(29 February 2016 - 4 October 2019)

Yang Mulia Awang Haji Maswadi bin Haji Mohsin
Deputy Permanent Secretary,
Ministry of Health
(25 April 2018 - Present)

Yang Mulia Pengiran Haji Johari bin Pengiran Haji Abdul Ghani
Audit Supervisor, Brunei Investment Agency,
Ministry of Finance and Economy
(25 April 2018 - 31 December 2019)

Yang Mulia Siti Nur Afiqah binti Dato Paduka Col (B) Hj Joharie
Head of Internal Audit, AMBD
As Observer
(29 February 2016 - Present)

Risk Management

Operational risk
In ensuring continuous holistic assessment of AMBD operations, AMBD conducted two thematic risk assessments focusing on physical and digital security in AMBD for the year 2019. Among the objectives of these assessment were to further examine the effectiveness of procedures in AMBD and to identify any deficiencies. Additionally, an Operational Risk Management (ORM) assessment cycle was carried out with specific business functions. The objectives of ORM assessments in AMBD are to integrate risk information, to better manage uncertainty and to enable better-informed, risk-based, decision-making processes. ORM assessments provide reasonable assurance that AMBD will achieve its mission and objectives whilst protecting its personnel, reputation and financial assets.

Business Continuity
The Business Continuity Management Steering Committee, which is comprised of senior management in AMBD, has an overarching view of all organisational business continuity and emergency planning arrangements within AMBD to ensure that they are appropriate and fit for purpose, and that effective remedial action is taken when they are not. In 2019, the RMC approved and endorsed the following documents under the Crisis Management Project:
- AMBD Resilience Policy
- Crisis Management Policy
- Crisis Management Plan
- Communications Response Policy
- Communications Response

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE BOARD

for the financial year ended 31 December 2019

The Members of the Board hereby submit their report and the audited consolidated financial statements of Autoriti Monetari Brunei Darussalam (the "Authority") and its subsidiary (the "Group") for the year ended 31 December 2019.

Principal Activities

Autoriti Monetari Brunei Darussalam ("the Authority") was established on 1 January 2011 pursuant to Section 3(1) of the Autoriti Monetari Brunei Darussalam 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 to the extent that it considers appropriate.

Al-Munawwarah Sdn Bhd ("the subsidiary") ("AMSB") is a special purpose vehicle ("SPV"), which facilitate 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 B$'000	**The Authority B$'000**
Profit for the year	56,409	56,411
Other comprehensive income	67,309	67,309
Total comprehensive income for the year	**123,718**	**123,720**
Add: Loss for the year (non-distributable)	2	-
Distributable earnings	**123,720**	**123,720**
Distributable to:		
Market valuation reserve fund	98,013	98,013
AMBD reserve fund	25,707	25,707
	123,720	**123,720**

REPORT OF THE BOARD (continued)
for the financial year ended 31 December 2019

Members of the Board

The members of the Board are as follows:-

Duli Yang Teramat Mulia Paduka Seri Pengiran Muda Mahkota Pengiran Muda
Haji Al-Muhtadee Billah ibni Kebawah Duli Yang Maha Mulia Paduka Seri Baginda
Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah
Senior Minister at the Prime Minister's Office
As Chairman

Yang Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apong
Minister of Home Affairs
As Deputy Chairman
(30th January 2018 – Present)

Yang Berhormat Dato Seri Setia Haji Awang Abdul Mokti bin Haji Mohd Daud
Minister at the Prime Minister's Office
(30th January 2018 – Present)

Yang Berhormat Dato Seri Setia Dr. Awang Haji Mohd Amin Liew bin Abdullah
Minister at the Prime Minister's Office and Minister of Finance and Economy II
(30th January 2018 – Present)

Yang Mulia Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti at State Mufti's Office
(1st January 2020 – Present)

Yang Mulia Dr Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin
Permanent Secretary (Economy) at Ministry of Finance and Economy
(21st August 2019 – Present)

Yang Mulia Dr. Haji Azman bin Ahmad
Permanent Secretary (Higher Education) at Ministry of Education
(1st January 2020 – Present)

Yang Mulia Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers, Prime Minister's Office
(10th August 2018 – Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director, Autoriti Monetari Brunei Darussalam
(5th October 2019 – Present)

Yang Berhormat Dato Seri Setia Awang Haji Hamzah bin Haji Sulaiman
Minister of Education
(1st January 2017 – 31st December 2019)

Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki
Member of Brunei Islamic Religious Council (MUIB) and Syariah Financial Supervisory Board (SFSB)
(1st January 2017 – 31st December 2019)

Yang Mulia Awang Yusof bin Haji Abd Rahman
Former Managing Director, Autoriti Monetari Brunei Darussalam
(Retired on 4th October 2019)

REPORT OF THE BOARD (continued)

for the financial year ended 31 December 2019

Audit Committee

The members of the Audit Committee are as follows:

Yang Mulia Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers, Prime Minister's Office
As Chairman
(10th August 2018- Present)

Yang Mulia Haji Hairul Mohd Daud bin Haji Abd Karim
Deputy Permanent Secretary (Infocommunications, Cybersecurity, Strategy and Corporate), Ministry of Transport and Infocommunications
(1st January 2020 – Present)

Yang Mulia Dayang Hajah Chairani binti Haji Sulaiman
Acting Accountant General, Ministry of Finance and Economy
(1st January 2020 – Present)

Yang Mulia Awang Haji Asrul Adrain bin Pehin Orang Kaya Setia Pahlawan Dato Seri Setia Dr. Haji Ahmad
Deputy Director General, Department of Economic Planning and Statistics, Ministry of Finance and Economy
(1st January 2020 – Present)

Yang Mulia Dayang Mazriyani binti Haji Abdul Ghani
Director E-Government National Center (EGNC), Ministry of Transport and Infocommunications
(23rd April 2018- Present)

Yang Mulia Dayang Rosminah binti Haji Awang Besar
Head of Business and Operations Compliance, Brunei Investment Agency
(1st January 2020- Present)

Yang Mulia Awang Muhammad Yusri bin Dato Abdul Majid
Head of Risk Management, AMBD
As Observer
(11th November 2019 – Present)

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
(23rd April 2018 – 4th October 2019)

Yang Mulia Awang Haji Maswadi bin Haji Mohsin
(23rd April 2018- 31st December 2019)

Yang Mulia Awang Haji Yusop bin Haji Mahmud
Acting Accountant General, Ministry of Finance and Economy
(23rd April 2018 – 11th November 2019)

Yang Mulia Pengiran Haji Johari bin Pengiran Haji Abdul Ghani
(23rd April 2018- 31st December 2019)

Yang Mulia Pengiran Maslina binti Pengiran Haji Mahmud
Head of Risk Management, AMBD
As Observer
(23rd April 2019 – 10th November 2019)

REPORT OF THE BOARD (continued)
for the financial year ended 31 December 2019

The Audit Committee has held several meetings in 2019. 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 Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apong
Deputy Chairman

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director

INDEPENDENT AUDITOR'S REPORT
as at 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AUTORITI MONETARI BRUNEI DARUSSALAM AND ITS SUBSIDIARY
(Established in Brunei Darussalam)

Opinion

We have audited the consolidated financial statements of Autoriti Monetari Brunei Darussalam ("the Authority") and its subsidiary ("the Group") which comprise the statements of financial position of the Group and the Authority as at 31 December 2019 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 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages, 8 to 56.

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 Autoriti Monetari Brunei Darussalam Order, 2010 (the "Order"), the Companies Act, Cap. 39 (the "Act"), the Currency Order, 2004 (the "CO") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and the Authority as at 31 December 2019 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 Financial Statements section of our report. We are independent of the Group and the Authority in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Authority for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 13 March 2019.

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

The members are responsible for the other information. The other information comprises the Members' Report included in pages 1 to 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.

INDEPENDENT AUDITOR'S REPORT (continued)

as at 31 December 2019

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Members for the Consolidated Financial Statements

The members are responsible for the preparation of 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 members determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The members' responsibilities also include overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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's internal control.

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

INDEPENDENT AUDITOR'S REPORT (continued)

as at 31 December 2019

- 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 and the Authority 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.

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date:

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		The Group		The Authority	
			Restated		Restated
		2019	2018	2019	2018
	Note	B$'000	B$'000	B$'000	B$'000
ASSETS					
Cash and cash equivalents	4	3,010,908	1,643,233	3,010,908	1,643,233
Deposits with financial institutions		106,994	248,631	106,994	248,631
Investment securities	5	1,642,141	1,882,613	1,642,141	1,882,613
Derivative financial assets	6	4,417	2,802	4,417	2,802
Inventories		10,403	12,062	10,403	12,062
Assets held with International Monetary Fund (IMF)	7	486,090	490,999	486,090	490,999
Other assets	8	15,979	16,932	15,979	16,932
Investment in AMSB	1	-	-	-	-
Gold	9	297,404	254,544	297,404	254,544
Property and equipment, net	10	32,444	26,006	32,444	26,006
TOTAL ASSETS		**5,606,780**	**4,577,822**	**5,606,780**	**4,577,822**
LIABILITIES AND EQUITY					
Liabilities					
Currency in circulation	11	1,228,121	1,248,786	1,228,121	1,248,786
Deposits and balances of local banks and other local financial institutions	13	2,195,245	1,540,706	2,315,245	1,660,706
Deposit balance of international financial institutions	14	23,852	23,222	23,852	23,222
Derivative financial liabilities	6	402	49	402	49
Payables to the Government of Brunei Darussalam		106,329	103,557	106,329	103,557
Liabilities with IMF	7	380,721	388,408	380,721	388,408
Other liabilities	15	299,773	8,149	300,182	8,560
Provisions	16	2,900	19,226	2,900	19,226
Sukuk issuance	17	120,411	120,411	-	-
Total liabilities		4,357,754	3,452,514	4,357,752	3,452,514

The notes set out on page 14 to 56 form part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION (continued)

as at 31 December 2019

		The Group		The Authority	
			Restated		Restated
	Note	2019	2018	2019	2018
		B$'000	B$'000	B$'000	B$'000
Equity					
Capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Reserve fund	18	131,106	105,399	131,106	105,399
Market valuation reserve	18	117,922	19,909	117,922	19,909
Retained earnings		(2)	-	-	-
Total equity		1,249,026	1,125,308	1,249,028	1,125,308
TOTAL LIABILITIES AND EQUITY		**5,606,780**	**4,577,822**	**5,606,780**	**4,577,822**

For and on behalf of the Board

Yang Berhormat Pehin Orang Kaya Seri Kerna Dato Seri Setia (Dr.) Haji Awang Abu Bakar bin Haji Apong
Deputy Chairman

Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director

The notes set out on page 14 to 56 form part of these consolidated financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		The Group		The Authority	
			Restated		Restated
		2019	2018	2019	2018
	Note	B$'000	B$'000	B$'000	B$'000
INCOME					
Interest income	19	45,723	40,179	45,723	40,179
Dividend income		5,810	4,181	5,810	4,181
Net gain / (loss) on investment securities measured at fair value through profit or loss (FVTPL)	20	24,699	(27,332)	24,699	(27,332)
Net gain from derecognition of investment securities measured at fair value through other comprehensive income (FVOCI)	21	14,474	9,668	14,474	9,668
Operating income	22	3,942	8,632	3,942	8,632
TOTAL INCOME		**94,648**	**35,328**	**94,648**	**35,328**
EXPENSES					
Staff costs	23	(16,709)	(15,647)	(16,709)	(15,647)
Other operating expenses	24	(16,239)	(14,859)	(16,237)	(14,859)
Sukuk coupon cost		(3,000)	(411)	(3,000)	(411)
Fee and commission expense		(2,291)	(2,399)	(2,291)	(2,399)
TOTAL EXPENSES		**(38,239)**	**(33,316)**	**(38,237)**	**(33,316)**
Net profit for the year		**56,409**	**2,012**	**56,411**	**2,012**
OTHER COMPREHENSIVE INCOME					
Net gain / (loss) on investment securities measured at FVOCI	21	24,449	(5,193)	24,449	(5,193)
Net gain on gold revaluation	9	42,860	2,626	42,860	2,626
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**67,309**	**(2,567)**	**67,309**	**(2,567)**
Total comprehensive income / (loss) for the year		**123,718**	**(555)**	**123,720**	**(555)**

The notes set out on page 14 to 56 form part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

The Group

	Share capital B$'000	Distributable earnings B$'000	Retained earnings** B$'000	Reserve fund B$'000	Market valuation reserve B$'000	Total B$'000
Balance as at 1 January 2018	**1,000,000**	**-**	**-**	**98,303**	**44,118**	**1,142,421**
Comprehensive income / (loss):						
Net profit for the year	-	2,012	-	-	-	**2,012**
Other comprehensive loss	-	(2,567)	-	-	-	**(2,567)**
Transfers during the year :						
Fair value movement of gold at FVOCI (Note 9)	-	(2,626)	-	-	2,626	**-**
Fair value movement of investment securities at FVTPL (Note 20)	-	26,835	-	-	(26,835)	**-**
Transfer to reserve fund	-	(7,096)	-	7,096		**-**
Transfer to the Government of Brunei Darussalam*	-	(16,558)	-	-	-	**(16,558)**
Balance as at 31 December 2018	**1,000,000**	**-**	**-**	**105,399**	**19,909**	**1,125,308**
Balance as at 1 January 2019	**1,000,000**	**-**	**-**	**105,399**	**19,909**	**1,125,308**
Comprehensive income / (loss):						
Net profit (loss) for the year	-	56,411	(2)	-	-	**56,409**
Other comprehensive income	-	67,309	-	-	-	**67,309**
Transfers during the year:						
Fair value movement of gold at FVOCI (Note 9)	-	(42,860)	-	-	42,860	**-**
Fair value movement of investment securities at FVOCI (Note 21)	-	(24,449)	-	-	24,449	**-**
Fair value movement of investment securities at FVTPL (Note 20)	-	(30,704)	-	-	30,704	**-**
Transfer to reserve fund	-	(25,707)	-	25,707	-	**-**
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	**-**
Balance as at 31 December 2019	**1,000,000**	**-**	**(2)**	**131,106**	**117,922**	**1,249,026**

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

The notes set out on page 14 to 56 form part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

The Authority

	Share capital B$'000	Distributable earnings B$'000	Reserve fund B$'000	Market valuation reserve B$'000	Total B$'000
Balance as at 1 January 2018	**1,000,000**	**-**	**98,303**	**44,118**	**1,142,421**
Comprehensive income / (loss):					
Net profit for the year	-	2,012	-	-	**2,012**
Other comprehensive loss	-	(2,567)	-	-	**(2,567)**
Transfers during the year :					
Fair value movement of gold at FVOCI (Note 9)	-	(2,626)	-	2,626	**-**
Fair value movement of investment securities at FVTPL (Note 20)	-	26,835	-	(26,835)	**-**
Transfer to reserve fund	-	(7,096)	7,096		**-**
Transfer to the Government of Brunei Darussalam*	-	(16,558)	-	-	**(16,558)**
Balance as at 31 December 2018	**1,000,000**	**-**	**105,399**	**19,909**	**1,125,308**
Balance as at 1 January 2019	**1,000,000**	**-**	**105,399**	**19,909**	**1,125,308**
Comprehensive income:					
Net profit for the year	-	56,411	-	-	**56,411**
Other comprehensive income	-	67,309	-	-	**67,309**
Transfers during the year :					
Fair value movement of gold at FVOCI (Note 9)	-	(42,860)	-	42,860	**-**
Fair value movement of investment securities at FVOCI (Note 21)	-	(24,449)	-	24,449	**-**
Fair value movement of investment securities at FVTPL (Note 20)	-	(30,704)	-	30,704	**-**
Transfer to reserve fund	-	(25,707)	25,707	-	**-**
Transfer to the Government of Brunei Darussalam*	-	-	-	-	**-**
Balance as at 31 December 2019	**1,000,000**	**-**	**131,106**	**117,922**	**1,249,028**

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

The notes set out on page 14 to 56 form part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	The Group		The Authority	
		Restated		Restated
	2019	2018	2019	2018
	B$'000	B$'000	B$'000	B$'000
Cash flows from operating activities				
Net profit for the year	56,409	2,012	56,411	2,012
Adjustments for:				
Depreciation on property and equipment	3,263	2,951	3,263	2,951
Unrealised (gain) / loss on currency and market	(26,866)	18,032	(26,866)	18,032
Sukuk coupon cost	3,000	411	3,000	411
	35,806	23,406	35,808	23,406
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Deposits with financial institutions	141,637	(229,000)	141,637	(229,000)
Investment securities	291,786	220,450	291,786	220,450
Derivative financial assets	(1,615)	2,894	(1,615)	2,894
Inventories	1,659	1,574	1,659	1,574
Other assets	954	(606)	954	(606)
(Decrease)/increase in operating liabilities:				
Decrease in currency in circulation	(20,666)	(14,262)	(20,666)	(14,262)
Deposits and balances of local banks and other local financial institutions	654,539	(859,657)	654,539	(739,657)
Deposit balance of international institutions	630	506	630	506
Derivative financial liabilities	353	(75)	353	(75)
Payables to the Government of Brunei Darussalam	(5)	(175)	(5)	(175)
Other liabilities	291,624	506	291,622	506
Provisions	(16,326)	(16,300)	(16,326)	(16,300)
Net cash from (used in) operating activities	**1,380,376**	**(870,739)**	**1,380,376**	**(750,739)**
Cash flows from investing activities:				
Additions to property and equipment	(9,701)	(4,356)	(9,701)	(4,356)
Cash flows from financing activities:				
Sukuk issuance	-	120,000	-	-
Sukuk coupon cost	(3,000)	(411)	(3,000)	(411)
Net cash flows from financing activities	(3,000)	119,589	(3,000)	(411)
Net increase (decrease) in cash & cash equivalents	**1,367,675**	**(755,506)**	**1,367,675**	**(755,506)**
Cash and cash equivalents at beginning of the year	1,643,233	2,398,739	1,643,233	2,398,739
Cash and cash equivalents at the end of the year	**3,010,908**	**1,643,233**	**3,010,908**	**1,643,233**

The Group's cash and cash equivalents include restricted cash balances (Note 4).

The notes set out on page 14 to 56 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

The consolidated financial statements were authorised for issue by the Board of Directors on 11 June 2020.

1. Domicile and activities

Autoriti Monetari Brunei Darussalam ("the Authority") acts as a central bank of Brunei Darussalam, domiciled in Brunei Darussalam and was established on 1 January 2011 pursuant to Section 3(1) of 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 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 Government of Brunei Darussalam is the sole shareholder of the Authority.

Al-Munawwarah Sdn Bhd ("the subsidiary") ("AMSB") is a special purpose vehicle ("SPV"), which facilitate 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 are 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 Autoriti Monetari Brunei Darussalam Order, 2010 (the "Order"), the Companies Act, Cap. 39 (the "Act"), the Currency Order, 2004 (the "CO"), and the International Financial Reporting Standards ("IFRS") including any relevant interpretations issued by the IFRS Interpretations Committee ("IFRIC") applicable to entities reporting under IFRS.

The consolidated financial statements comply with the Orders Act and 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 Dollars, rounded to the nearest thousands, except as otherwise stated. The Brunei Dollar 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 comprises the financial statements of the Authority and the subsidiary (AMSB) made up to 31 December 2019. 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 FVTPL and 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.

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 receivables.

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 receivables at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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

Debt instruments

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.

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) 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 method.

- 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 gains 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 method.

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 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 evidences 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.

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.

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. Gains and losses on equity investments at FVTPL are included in the "Net gains on investment securities measured at FVOCI" line in the statements of comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

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, 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;
- 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

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.

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.

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 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.

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.
- 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 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

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 vehicle	-	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.

Construction-in-progress consists of items of property under construction. Assets under construction are depreciated once they are completed and ready for operational use, at which time these are derecognised in the construction-in-progress account and recognised within the specific asset classification in property and equipment account.

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.

Changes in carrying amount of gold relating to the price of gold bullion are recognised in OCI as "Net gains 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 method.

The EIR 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 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, 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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

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

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 Brunei dollar, which is the Group's functional currency.

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.

As at 31 December 2019 and 2018, 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 the Brunei Darussalam, in favor 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 Authority 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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 EIR method, unless the discounting effect is immaterial.

2.22. Employee benefits

2.22.1. Defined contribution plans

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 follow:

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. Application of new and revised IFRSs

IFRS 16 has replaced the current guidance in IAS 17, Leases. IFRS 16 which is effective on 1 January 2019 affects primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. IFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An optional exemption exists for short-term and low-value leases.

Assessment has been made on the impact of IFRS 16 and it was found that IFRS 16 had no significant impact on the consolidated financial statements of the Group as the operating lease arrangements are minimal.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

c) 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.

d) 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.

e) 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.

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 2019 and 2018, 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 and the Authority	
		Restated
	2019	**2018**
	B$'000	**B$'000**
Cash	1,928,662	1,126,162
Short-term deposits	314,354	113,888
Short-term government treasury bills	767,892	403,183
Total cash and cash equivalents	**3,010,908**	**1,643,233**
Less:		
Restricted cash	(54,865)	(82,119)
Total cash and cash equivalents - unrestricted	**2,956,043**	**1,561,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

Short-term deposits with banks have average maturities of less than or equal to 90 days and carry effective interest rates of 1.64% to 1.94% in 2019 (2018: 1.33% to 2.60%). Interest earned from cash and deposits with banks and financial institutions is disclosed in Note 19.

Restricted cash and cash equivalents are not available for use in the Group's day-to-day operations and used as a back-up to the currency in circulation as at 31 December 2019, in compliance with the requirements of Section 24 of the CO (Note 11).

5. Investment securities

	The Group and the Authority	
	2019	**2018**
	B$'000	**B$'000**
Investment securities at FVOCI:		
Government debt securities	605,922	693,831
Corporate debt securities	419,762	400,483
Government treasury bills	381,112	594,836
	1,406,796	1,689,150
Investment securities at FVTPL:		
Government debt securities	-	1,924
Corporate debt securities	36,929	31,331
Listed equity instruments	198,416	160,208
	235,345	193,463
Total investment securities	**1,642,141**	**1,882,613**

Debt securities classified as FVOCI that are expected to mature within 12 months after reporting date amounts to B$26,474,992 (2018: B$317,357,607). 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 for the year amounts to B$5,809,780 (2018: B$4,181,013).

6. Derivative financial assets and liabilities

Derivatives held by the Group 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 Group had contractual commitments under open forward currency contracts as follows:

	2019 Contract/Notional Amount in B$'000	**2018 Contract/Notional Amount in B$'000**
Commitments to purchase currencies under forward contracts	383,494	381,257
Commitments to sell currencies under forward contracts	(379,478)	(378,504)

As at 31 December 2019, the derivative financial assets amounts to B$4,417,282 (2018: B$2,802,014), while the derivative financial liabilities amounts to B$401,811 (2018: B$49,090). The contract amounts of these instruments reflect the extent of the Group's involvement in forward currency contracts and do not represent the risk of loss due to counterparty non-performance. The fair values of these derivatives are presented on the statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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 is the fiscal agent and the Group was appointed to be a depository for the IMF deposits. These deposits which were paid by the Government of Brunei Darussalam to IMF through the Ministry of Finance and Economy were maintained by the Group (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 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	
	2019	2018
	B$'000	B$'000
ASSETS		
Foreign currency investment and claims:		
IMF quota subscription	562,388	573,463
Less:		
IMF No.1 currency account	(83,456)	(84,193)
IMF securities account	(407,685)	(411,286)
Currency valuation adjustment account	(5,549)	(10,993)
Reserve Tranche Position	65,698	66,991
Add:		
SDR holdings	405,893	413,088
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	65	91
Accrued interest on SDR holdings	529	740
IMF expenses on SDR allocation	13,905	10,089
	486,090	**490,999**
LIABILITIES		
IMF No.2 currency account	375	378
Currency valuation adjustment account No.2	4	8
IMF SDR allocation	379,847	387,328
IMF accrued expenses on SDR allocation	495	694
	380,721	**388,408**

8. Other assets

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
Interest and dividend receivables	10,447	9,658
Advances to suppliers	3,500	6,094
Miscellaneous assets	2,032	1,180
	15,979	**16,932**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

9. Gold

	The Group and the Authority	
	2019	**2018**
	B$'000	**B$'000**
At 1 January	254,544	251,918
Revaluation	42,860	2,626
At 31 December	**297,404**	**254,544**

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.

THE REST OF THIS PAGE HAS BEEN LEFT BLANK ON PURPOSE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. Property and equipment, net

The Group and the Authority

31 December 2019

	Buildings B$'000	Construction-in-progress B$'000	Furniture, fixtures & fittings B$'000	Motor vehicles B$'000	Office equipment, machinery & computers B$'000	Total B$'000
Cost						
Balance as at 1 January 2019	41,429	6,017	1,128	321	18,618	67,513
Additions	216	5,504	2	4	3,975	9,701
Balance as at 31 December 2019	41,645	11,521	1,130	325	22,593	77,214
Accumulated depreciation						
Balance as at 1 January 2019	27,215	-	799	259	13,234	41,507
Depreciation charge for the year	635	-	86	31	2,511	3,263
Balance as at 31 December 2019	27,850	-	885	290	15,745	44,770
Net book value as at 31 December 2019	**13,795**	**11,521**	**245**	**35**	**6,848**	**32,444**

Construction-in-progress is related to the construction of the Group's new building which is expected to be completed in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. Property and equipment, net (cont'd)

The Group and the Authority

31 December 2018

	Buildings B$'000	Construction-in-progress B$'000	Furniture, fixtures & fittings B$'000	Motor vehicles B$'000	Office equipment, machinery & computers B$'000	Total B$'000
Cost						
Balance as at 1 January 2018	41,311	2,490	1,095	541	17,880	63,317
Additions	118	3,527	33	-	738	4,416
Disposals	-	-	-	(220)	-	(220)
Balance as at 31 December 2018	41,429	6,017	1,128	321	18,618	67,513
Accumulated depreciation						
Balance as at 1 January 2018	26,597	-	699	364	11,057	38,717
Depreciation charge for the year	618	-	100	56	2,177	2,951
Disposals	-	-	-	(161)	-	(161)
Balance as at 31 December 2018	27,215	-	799	259	13,234	41,507
Net book value as at 31 December 2018	**14,214**	**6,017**	**329**	**62**	**5,384**	**26,006**

Construction-in-progress is related to the construction of the Group's new building which is expected to be completed in 2021.

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.

	The Authority	
	2019	**2018**
Denomination	**B$'000**	**B$'000**
$1	41,096	40,232
$5	30,245	30,099
$10	130,962	129,645
$20	13,915	14,050
$25	8,370	8,686
$50	106,531	99,463
$100	609,682	623,284
$500	162,131	166,977
$1,000	14,511	34,733
$10,000	63,470	66,580
Other notes and coins	47,208	35,037
	1,228,121	**1,248,786**

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:

	The Authority	
	2019	**2018**
External Assets:	**B$'000**	**B$'000**
Cash & cash equivalents - restricted	54,865	82,119
Fixed deposit	50,003	26,000
Investment securities	1,312,927	1,252,758
Other (liabilities) / assets	(15,398)	8,965
	1,402,397	1,369,842
Less:		
Active currency in circulation	1,228,121	1,248,786
	174,276	**121,056**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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

	The Group		The Authority	
		Restated		Restated
	2019	2018	2019	2018
	B$'000	B$'000	B$'000	B$'000
Minimum cash balance:				
Finance companies	87,726	94,876	87,726	94,876
Current account:				
Commercial banks	1,400,476	1,441,830	1,400,476	1,441,830
Insurance company	7,000	4,000	7,000	4,000
AMSB	-	-	120,000	120,000
Deposits:				
Commercial banks	700,043	-	700,043	-
	2,195,245	**1,540,706**	**2,315,245**	**1,660,706**

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 and the Islamic Banking Order, 2008 and Section 13A of the Finance Companies Act (Chapter 89) respectively. Deposits from companies holding licenses 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 institutions with the Authority shall be used to satisfy the Minimum Cash Balance and as a settlement account for each bank and other institutions 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 utilization 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).

14. Deposit balance of international financial institutions

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
Deposit from World Bank	19,631	19,631
Other institutions	4,221	3,591
	23,852	**23,222**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

15. Other liabilities

	The Group		The Authority	
		Restated		Restated
	2019	2018	2019	2018
	B$'000	B$'000	B$'000	B$'000
Trade pending settlement	167,567	-	167,567	
Accrued expenses	130,480	6,287	130,889	6,698
Fees received in advance	1,726	1,862	1,726	1,862
	299,773	**8,149**	**300,182**	**8,560**

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

16. Provisions

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
Provision for incentive scheme	2,801	2,571
Provision for leave expenses	99	97
Provision for distributable earnings to the Government of Brunei Darussalam	-	16,558
	2,900	**19,226**

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

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
As at 1 January	16,558	16,692
Distributable earnings for the year	-	16,558
Payment made during the year	(16,558)	(16,692)
As at 31 December	**-**	**16,558**

17. Sukuk issuance

	The Group		The Authority	
		Restated		Restated
	2019	2018	2019	2018
	B$'000	B$'000	B$'000	B$'000
Issuance of sukuk	120,000	120,000	-	-
Coupon payable (within 12 months)	411	411	-	-
	120,411	**120,411**	**-**	**-**

On 12 November 2018, AMSB issued its first 10 years sukuk to finance the construction of AMBD Building with an issuance size of BND 120,000,000 via a private placement. The sukuk were issued pursuant to the Syariah-compliant financing principles of Wakalah, Istisna' and Ijara. The transaction, structured using the concept of Ijarah Mausufah Fi Zimmah, has a unique structure not commonly adopted in Islamic finance by creatively using three structures. The first structure is the treasury structure, or wakalah. AMBD acts as wakeel to invest the sukuk issuance proceeds in accordance with a Syariah compliant treasury mandate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

The second structure is the construction structure, or istisna'. The sukuk issuance proceeds will be used to fund the construction of the underlying asset. The third structure is the lease structure, or ijara, and is separated into two stages namely the advance rental and rental stage. The advance rental stage runs together with the construction phase. Upon completion of the building of the underlying asset, the rental stage will begin and the lease of the underlying asset will commence.

18. Equity including reserves

The authorized capital of the Authority is B$2,000,000,000 and the paid-up capital is B$1,000,000,000. The entire capital is held by the Government of Brunei Darussalam.

The Authority regards its shareholder's funds as capital to support its normal operations.

18.1 Capital management

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

(a) To comply with the capital requirements outlined in Sections 6 of the Order;
(b) 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
(c) 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) a Reserve Fund which shall not be used except for the purpose of covering losses sustained by the Authority;
(b) 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;
(c) 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
(d) such other funds as the Authority may determine.

Effective from 1 January 2018 market valuation reserve consists of the following:
(a) Market valuation reserve for investment securities measured at FVTPL;
(b) Market valuation reserve for investment securities measured at FVOCI; and
(c) 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;
    (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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

	The Authority	
	2019 B$'000	2018 B$'000
Total comprehensive income / (loss)	123,720	(555)
Transfer from market valuation reserve fund for investment securities measured at FVTPL	-	26,835
Earnings available for distribution	**123,720**	**26,280**
Transferred as follows:		
Transfer to market valuation reserve fund for investment securities measured at FVOCI	(67,309)	(2,626)
Transfer to market valuation reserve fund for investment securities measured at FVTPL	(30,704)	-
Transfer to reserve fund	(25,707)	(7,096)
Transfer to the Government of Brunei Darussalam	-	(16,558)
	-	-

19. Interest income

	The Group and the Authority	
	2019 B$'000	2018 B$'000
On debt securities	32,788	32,859
On deposits with banks	12,935	7,320
	45,723	**40,179**

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

	The Group and the Authority	
	2019 B$'000	2018 B$'000
Investment in debt securities		
- Realised (loss)	(47)	(12)
- Unrealised gain / (loss)	138	(1,921)
Investment in equity securities		
- Realised (loss) / gain	(1,823)	602
- Unrealised gain / (loss)	30,566	(24,915)
Loss on foreign exchange	(4,135)	(1,086)
	24,699	**(27,332)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. Net gain on investment securities measured at FVOCI

	The Group and the Authority	
		Restated
	2019	2018
	B$'000	B$'000
Investment securities at FVOCI:		
- Realised gain	14,474	9,668
- Unrealised gain / (loss)	24,449	(5,193)
	38,923	**4,475**

22. Operating income

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
Sale of commemorative coins	327	6,728
Credit Bureau services	664	850
Payment settlements	615	561
Registration and licensing of banks and other financial institutions	1,834	288
Collateral registry	85	79
Registry of international business companies	2	18
Other income	415	108
	3,942	**8,632**

22. Staff costs

	The Group and the Authority	
	2019	2018
	B$'000	B$'000
Salaries and wages	10,212	9,471
Allowances	3,105	2,793
Bonuses	2,313	2,244
Other staff costs	738	697
Long-term incentive scheme	341	442
	16,709	**15,647**

22. Other operating expenses

	The Group		The Authority	
		Restated		Restated
	2019	2018	2019	2018
	B$'000	B$'000	B$'000	B$'000
Consultancy and developmental expenditure	3,931	4,169	3,931	4,169
General and administrative expenditure	3,773	3,620	3,771	3,620
Depreciation	3,263	2,951	3,263	2,951
Currency operation expenses	2,931	2,258	2,931	2,258
Maintenance of building, office equipment & computer	2,341	1,861	2,341	1,861
	16,239	**14,859**	**16,237**	**14,859**

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.

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 financial statements when material.

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.

31 December 2019	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Financial assets				
Investment securities	1,642,141	-	-	1,642,141
Derivative financial assets	-	4,417	-	4,417
	1,642,141	**4,417**	**-**	**1,646,558**
Financial Liabilities				
Derivative financial liabilities	-	402	-	402
	-	**402**	**-**	**402**

31 December 2018	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
Financial assets				
Investment securities	1,882,613	-	-	1,882,613
Derivative financial assets	-	2,802	-	2,802
	1,882,613	**2,802**	**-**	**1,885,415**
Financial Liabilities				
Derivative financial liabilities	-	49	-	49
	-	**49**	**-**	**49**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

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 AMBD Risk Committee manages and controls credit risk by monitoring the investment guidelines and directives issued to the fund managers of the Group.

The Directors 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

Debt securities and treasury portfolio

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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

- 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.

- 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.

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

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(c) <u>Significant increase in credit risk ('SICR')</u>

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) <u>Definition of default and credit-impaired assets</u>

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

(e) <u>Measuring ECL - Explanation of inputs, assumptions and estimation techniques</u>

The key inputs used for measuring ECL are:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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.

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.

- 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:

(i) *Singapore economic factors - Singapore Macroeconomic Variables (MEVs)*

The Singapore MEVs will be tested for correlation with credit quality of Singapore issuer counterparties within AMBD'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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(ii) 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.

(g) 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;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

(h) 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 2019 and 2018 based on international and domestic credit assessment agencies.

	Financial assets at fair value through OCI *		Deposits with financial institutions *	
Credit grade	**2019 B$'000**	**2018 B$'000**	**2019 B$'000**	**2018 B$'000**
AAA	824,546	1,143,314	19,631	19,631
Aa1 to Aa3	134,684	105,205	25,000	-
A1 to A3	188,987	221,792	60,363	174,000
Lower than A1	106,561	94,391	-	-
Unrated	152,018	124,448	2,000	55,000
Gross carrying amount	**1,406,796**	**1,689,150**	**106,994**	**248,631**
Loss allowance	-	-	-	-
Net carrying amount	**1,406,796**	**1,689,150**	**106,994**	**248,631**

** Stage 1: 12-month expected credit losses*

As at 31 December 2019 and 2018, the Group'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 B$486,090,569 (2018: B$490,999,585).

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:

	Maximum exposure to credit risk	
	2019 B$'000	**2018 B$'000**
Financial assets at fair value through profit or loss		
Debt securities	36,929	33,255
Carrying amount	**36,929**	**33,255**

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:

	2019 B$'000	2018 B$'000
Investment securities		
US Dollar	477,587	481,418
Euro	39,906	16,951
Australian dollar	11,622	3,424
Hong Kong dollar	3,797	87
Pound Sterling	847	-
Renminbi	252	-
Thai Baht	1,903	-

A 10% strengthening of the Brunei dollar against the USD, EUR, AUD, HKD, GBP and Other currencies at 31 December 2019 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.

	2019 B$'000	2018 B$'000
Investment securities		
US Dollar	47,759	48,142
Euro	3,991	1,695
Australian dollar	1,162	342
Hong Kong dollar	380	8
Pound Sterling	85	-
Renminbi	25	-
Thai Baht	190	-

A weakening of the Brunei dollar 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.

There is no analysis performed on movement against the Singapore dollar as the Brunei dollar 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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

Currency	Weight
USD	41.73%
EUR	30.93%
CNY	10.92%
JPY	8.33%
GBP	8.09%
	100.00%

(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 fixed income securities that are exposed to fair value interest rate risk presented by maturity profile.

31 December 2019	Range of rates	Up to a year	2-5 years	Over 5 years	Total
			(in B$' 000)		
Financial assets at FVTPL	3.50% - 7.25%	-	-	36,929	36,929
Financial assets at FVOCI	0.013% - 5.875%	26,475	580,337	418,872	1,025,684

31 December 2019	Range of rates	Up to a year	2-5 years	Over 5 years	Total
			(in B$' 000)		
Financial assets at FVTPL	0.00 - 4.7%	-	1,924	31,331	33,255
Financial assets at FVOCI	0.00% - 5.875%	91,486	547,558	455,270	1,094,314

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 year ended 31 December 2019:

	Impact on profit (in B$'000)	
Change in interest rate:	Fixed Rate	Floating Rate
+1%	(805)	(204)
-1%	805	204

(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 B$198,416,197 (2018: B$160,208,387).

As at 31 December 2019, based on a 10% fall in equity prices, the impact on profit or loss would be reduction of B$19,841,620.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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	
	2019 B$'000	Restated 2018 B$'000	2019 B$'000	Restated 2018 B$'000
Financial assets	5,258,612	4,276,314	5,258,612	4,276,314
Financial liabilities	4,354,452	3,433,239	4,354,450	3,433,239

THE REST OF THIS PAGE HAS BEEN LEFT BLANK ON PURPOSE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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 2019	No specific maturity B$'000	Up to 1 month B$'000	1-3 months B$'000	3-12 months B$'000	1-5 years B$'000	> 5 years B$'000	Total B$'000
Financial assets							
Cash and cash equivalents	1,928,662	-	1,082,246	-	-	-	3,010,908
Deposits with financial institutions	19,631	-	-	87,363	-	-	106,994
Debt securities	-	-	-	26,475	580,337	455,801	1,062,613
Government treasury bills	-	-	-	381,112	-	-	381,112
Equity securities	198,416	-	-	-	-	-	198,416
Assets held with IMF	486,090	-	-	-	-	-	486,090
Other assets	12,479	-	-	-	-	-	12,479
	2,645,278	**-**	**1,082,246**	**494,950**	**580,337**	**455,801**	**5,258,612**
Financial liabilities							
Currency in circulation	1,228,121	-	-	-	-	-	1,228,121
Deposit and balances of local banks and other financial institutions	2,107,519	87,726	-	-	-	-	2,195,245
Deposit balance of international institutions	23,852	-	-	-	-	-	23,852
Sukuk issuance	-	-	-	411	-	120,000	120,411
Payables to Brunei Government	106,329	-	-	-	-	-	106,329
Liabilities with IMF	380,721	-	-	-	-	-	380,721
Other liabilities	299,773	-	-	-	-	-	299,773
	4,146,315	**87,726**	**-**	**411**	**-**	**120,000**	**4,354,452**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	124,684	258,810	-	-	-	383,494
- Outflow	-	(122,902)	(256,577)	-	-	-	(379,479)
	-	**1,782**	**2,233**	**-**	**-**	**-**	**4,015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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 Authority 31 December 2019	No specific maturity B$'000	Up to 1 month B$'000	1-3 months B$'000	3-12 months B$'000	1-5 years B$'000	> 5 years B$'000	Total B$'000
Financial assets							
Cash and cash equivalents	1,928,662	-	1,082,246	-	-	-	3,010,908
Deposits with financial institutions	19,631	-	-	87,363	-	-	106,994
Debt securities	-	-	-	26,475	580,337	455,801	1,062,613
Government treasury bills	-	-	-	381,112	-	-	381,112
Equity securities	198,416	-	-	-	-	-	198,416
Assets held with IMF	486,090	-	-	-	-	-	486,090
Other assets	12,479	-	-	-	-	-	12,479
	2,645,278	**-**	**1,082,246**	**494,950**	**580,337**	**455,801**	**5,258,612**
Financial liabilities							
Currency in circulation	1,228,121	-	-	-	-	-	1,228,121
Deposit and balances of local banks and other local financial institutions	2,227,519	87,726	-	-	-	-	2,315,245
Deposit balance of international institutions	23,852	-	-	-	-	-	23,852
Payables to Brunei Government	106,329	-	-	-	-	-	106,329
Liabilities with IMF	380,721	-	-	-	-	-	380,721
Other liabilities	300,182	-	-	-	-	-	300,182
	4,266,724	**87,726**	**-**	**-**	**-**	**-**	**4,354,450**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	124,684	258,810	-	-	-	383,494
- Outflow	-	(122,902)	(256,577)	-	-	-	(379,479)
	-	**1,782**	**2,233**	**-**	**-**	**-**	**4,015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

The Group (Restated) 31 December 2018	No specific maturity B$'000	Up to 1 month B$'000	1-3 months B$'000	3-12 months B$'000	1-5 years B$'000	> 5 years B$'000	Total B$'000
Financial assets							
Cash and cash equivalents	1,126,162	-	517,071	-	-	-	**1,643,233**
Deposits with financial institutions	19,631	-	-	229,000	-	-	**248,631**
Debt securities	-	28,957	4,766	83,952	549,482	460,412	**1,127,569**
Government treasury bills	-	-	5,779	589,057	-	-	**594,836**
Equity securities	160,208	-	-	-	-	-	**160,208**
Assets held with IMF	490,999	-	-	-	-	-	**490,999**
Other assets	10,838	-	-	-	-	-	**10,838**
	1,807,838	**28,957**	**527,616**	**902,009**	**549,482**	**460,412**	**4,276,314**
Financial liabilities							
Currency in circulation	1,248,786	-	-	-	-	-	**1,248,786**
Deposit and balances of local banks and other local financial institutions	1,445,830	94,876	-	-	-	-	**1,540,706**
Deposit balance of international institutions	23,222	-	-	-	-	-	**23,222**
Sukuk issuance	-	-	-	411	-	120,000	**120,411**
Payables to Brunei Government	103,557	-	-	-	-	-	**103,557**
Liabilities with IMF	388,408	-	-	-	-	-	**388,408**
Other liabilities	8,149	-	-	-	-	-	**8,149**
	3,217,952	**94,876**	**-**	**411**	**-**	**120,000**	**3,433,239**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	311,313	69,944	-	-	-	**381,257**
- Outflow	-	(308,854)	(69,650)	-	-	-	**(378,504)**
	-	**2,459**	**294**	**-**	**-**	**-**	**2,753**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

The Authority (Restated) **31 December 2018**	**No specific maturity** **B$'000**	**Up to 1 month** **B$'000**	**1-3 months** **B$'000**	**3-12 months** **B$'000**	**1-5 years** **B$'000**	**> 5 years** **B$'000**	**Total** **B$'000**
Financial assets							
Cash and cash equivalents	1,126,162	-	517,071	-	-	-	**1,643,233**
Deposits with financial institutions	19,631	-	-	229,000	-	-	**248,631**
Debt securities	-	28,957	4,766	83,952	549,482	460,412	**1,127,569**
Government treasury bills	-	-	5,779	589,057	-	-	**594,836**
Equity securities	160,208	-	-	-	-	-	**160,208**
Assets held with IMF	490,999	-	-	-	-	-	**490,999**
Other assets	10,838	-	-	-	-	-	**10,838**
	1,807,838	**28,957**	**527,616**	**902,009**	**549,482**	**460,412**	**4,276,314**
Financial liabilities							
Currency in circulation	1,248,786	-	-	-	-	-	**1,248,786**
Deposit and balances of local banks and other local financial institutions	1,565,830	94,876	-	-	-	-	**1,660,706**
Deposit balance of international institutions	23,222	-	-	-	-	-	**23,222**
Payables to Brunei Government	103,557	-	-	-	-	-	**103,557**
Liabilities with IMF	388,408	-	-	-	-	-	**388,408**
Other liabilities	8,560	-	-	-	-	-	**8,560**
	3,338,363	**94,876**	**-**	**-**	**-**	**-**	**3,433,239**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	311,313	69,944	-	-	-	**381,257**
- Outflow	-	(308,854)	(69,650)	-	-	-	**(378,504)**
	-	**2,459**	**294**	**-**	**-**	**-**	**2,753**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

28. Restatement of Prior Year Comparatives

Certain restatements were made to prior year comparatives as outlined below.

The below restatements are a result of certain reclassifications made to conform to the current year's financial statements' presentation and, the Authority regarding AMSB as its subsidiary for which it didn't in the prior year. As a result, the Group balances and transactions have been consolidated and presented separately from the Authority's on its primary financial statements and accompanying notes for the year ended 31 December 2018

The impact due to the consolidation and other reclassifications on the Statements of Financial Position as at 31 December 2018, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash flows for the year ended 31 December 2018 are set out in the following tables and explanatory notes.

(a) Impact on the Statements of Financial Position as at 31 December 2018

The Group	**2018 B$'000 Previously reported**	**B$'000 Reclassification**	**Note**	**2018 B$'000 As restated**
Line item				
Assets				
Cash and cash equivalents	1,794,519	(151,286)	1	1,643,233
Liabilities				
Deposits and balances of local banks and other local financial institutions	1,811,992	(271,286)	1,3	1,540,706
Other liabilities	8,560	(411)	2	8,149
Sukuk issuance	-	120,411	2 , 3	120,411

The Authority	**2018 B$'000 Previously reported**	**B$'000 Reclassification**	**Note**	**2018 B$'000 As restated**
Line item				
Assets				
Cash and cash equivalents	1,794,519	(151,286)	1	1,643,233
Liabilities				
Deposits and balances of local banks and other local financial institutions	1,811,992	(151,286)	1	1,660,706

(b) Impact on Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

The Group and the Authority	**2018 B$'000 Previously reported**	**B$'000 Adjustments**	**Note**	**2018 B$'000 As restated**
Line item				
Income				
Net gain from derecognition of investment securities measured at fair value through other comprehensive income (FVOCI)	-	9,668	4	9,668
Other comprehensive income				
Net gain / (loss) on investment securities measured at FVOCI	4,475	(9,668)	4	(5,193)
Expenses				
Other operating expenses	15,270	(411)	5	14,859
Sukuk coupon cost	-	411	5	411

(c) Impact on Statements of Changes in Equity for the year ended 31 December 2018

The Group and the Authority	**2018 B$'000 Previously reported**	**B$'000 Adjustments**	**Note**	**2018 B$'000 As restated**
Net (loss) profit for the year	(7,656)	9,668	4	2,012
Other comprehensive income (loss)	7,101	(9,668)	4	(2,567)

(d) Impact on Statements of Cash Flows for the year ended 31 December 2018

The Group	**2018 B$'000 Previously reported**	**B$'000 Adjustments**	**Note**	**2018 B$'000 As restated**
Line item				
Cash flows from operating activities:				
Sukuk coupon cost	-	411	5	411
(Increase) / decrease in operating assets:				
Investment securities	230,118	(9,668)	4	220,450
Increase / (decrease) in operating liabilities:				
Deposit and balance of local banks and other local financial institutions	(588,371)	(271,286)	1, 3	(859,657)
Cash flows from financing activities:				
Sukuk issuance	-	120,000	3	120,000
Sukuk coupon cost	-	(411)	5	(411)
Cash and cash equivalents at the end of the year	1,794,519	(151,286)	1	1,643,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

The Authority	**2018 B$'000 Previously reported**	**B$'000 Adjustments**	**Note**	**2018 B$'000 As restated**
Line item				
Cash flows from operating activities:				
Net profit for the year	(7,656)	9,668	4	2,012
Adjustments for:				
Sukuk coupon cost	-	411	5	411
(Increase) / decrease in operating assets:				
Investment securities	230,118	(9,668)	4	220,450
Increase / (decrease) in operating liabilities:				
Deposit and balance of banks and other financial institutions	(588,371)	(151,286)	1	(739,657)
Cash flows from financing activities:				
Sukuk coupon cost	-	(411)	5	(411)
Cash & cash equivalents at the end of the year	1,794,519	(151,286)	1	1,643,233

The explanatory notes on the above reclassifications and restatements made are as follows:

Note	**Line item**	**Impact on**	**Description**	**B$'000**
1	Assets - Cash & cash equivalents Liabilities - Deposits and balances of local banks and other local financial institutions	The Group and the Authority	To reclassify actual amount deposited with AMBD by the local banks in RTGS current account	151,286
2	Other liabilities - accruals and Sukuk issuance	The Group and the Authority	To reclassify Sukuk coupon payable within other liabilities from accruals to Sukuk issuance account in Statement of Financial Position	411
3	Other liabilities - Sukuk issuance	The Group	To recognise Sukuk balance and coupon payable due to the impact of consolidation	120,000
4	Income - Net gain from derecognition of investments securities measured at FVOCI Other comprehensive income - Net gain (loss) on investment securities measured at FVOCI	The Group and the Authority	To reclassify net gains/losses on derecognition of investments measured at FVOCI from OCI to profit and loss.	9,668
5	Expenses - Sukuk coupon cost Expenses - Other operating expenses	The Group and the Authority	To reclassify Sukuk coupon cost from other operating expenses to Sukuk coupon cost in Statement of Profit and Loss and Other Comprehensive Income.	411

CONTACT US

Autoriti Monetari Brunei Darussalam

Level 14

Ministry of Finance and Economy Building

Commonwealth Drive

Bandar Seri Begawan, BB3910

Brunei Darussalam

Phone: +673 238 8388

Fax: +673 238 3787

E-mail: **info@ambd.gov.bn**

Website: **www.ambd.gov.bn**

ACKNOWLEDGMENTS

Icons made by Freepik from www.flaticon.com