اٴوتوريتي مونيتاري بروني دارالسلام

AUTORITI MONETARI BRUNEI DARUSSALAM

ANNUAL REPORT

2012

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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

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

Alhamdulillah, Brunei Darussalam's economy has remained resilient in 2012 despite the downside risks in the global economy. The economy continued to record positive growth albeit moderately with an encouraging performance in the non-oil and gas sector. Inflation was kept at a modest level mainly due to government policy and the relatively stable Brunei currency.

The domestic financial system remains robust. It plays a vital role in the growth and development of the economy, particularly towards achieving Brunei Darussalam's National Vision 2035. As the regulator of the financial sector, AMBD continues to safeguard the stability of the financial system through the strengthening of regulations and supervision of the financial institutions, while being mindful of the need to ensure that any regulatory measures would not hamper the growth of the financial institutions. At the same time, priority was given to initiatives to further enhance and strengthen the financial infrastructure, so as to promote the development of the financial activities in particular the domestic capital market.

AMBD's efforts will also be geared towards realising the vision of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam for the country to become an Islamic financial hub. Brunei Darussalam is bestowed with many positive attributes for a thriving Islamic financial industry. The challenge now is to build upon this solid foundation in order to capitalise on the tremendous global growth of Islamic finance so as to elevate the domestic Islamic financial industry.

As a young and growing institution, AMBD continues to strengthen its capacity and capability in its endeavour to become a highly reputable institution. This effort is critical in safeguarding the country's monetary and financial stability. On this note, I would like to convey my sincere appreciation to the Board of Directors, management and staff of AMBD for their hard work and dedication.

In closing, it is my pleasure to present AMBD Annual Report 2012.

وبالله التوفيق والهداية، والسلام عليكم ورحمة الله وبركاته

Foreword by

Managing Director

بسم الله الرحمن الرحيم

This Report provides a summary of monetary and financial developments in Brunei Darussalam for 2012. The environment for financial sector growth and development remained conducive as the financial system continued to be sound and stable. Over the year, business lending grew and non-banking financial activities expanded. AMBD continued to strengthen the legal and regulatory framework governing the financial sector. Notably, new regulations regarding credit cards were introduced with the main objective of promoting a more disciplined credit culture. In addition, Brunei Darussalam's financial sector infrastructure was further enhanced with the commencement of the Credit Bureau.

AMBD remains committed to strengthening international cooperation with regional counterparts. In 2012, AMBD signed a Memorandum of Understanding (MoU) with the State Bank of Vietnam which aims to promote monetary and banking cooperation between the two countries. Another MoU was also signed with the Korea Financial Intelligence Unit, Financial Services Commission to facilitate cooperation in the exchange of financial intelligence related to money laundering and terrorist financing.

A knowledgeable and skilled work force is a key enabler in achieving AMBD's long term goals. In this regard, AMBD continued to invest in the training and development of its human capital including through hosting a number of training programs in Brunei Darussalam in collaboration with local and regional capacity building providers. AMBD will continue to further develop its human capacity to fulfill its objectives effectively.

As a closing note, I would like to convey my heartfelt gratitude to His Royal Highness the Chairman for the forward-looking guidance and strong leadership. I would also like to express my deepest appreciation to the other members of the Board for their continuous support and invaluable advice. Last but not least, I wish to take this opportunity to thank all AMBD personnel for their continued support and commitment to AMBD.

Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu

MEMBERS OF THE BOARD OF DIRECTORS

Chairman

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

Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi bin Haji Osman
Minister of Development as Deputy Chairman of AMBD

Yang Berhormat Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abdul Rahman bin Haji Ibrahim
Minister of Finance II at the Prime Minister's Office

Yang Mulia Dato Paduka Awang Haji Ali bin Apong
Deputy Minister at the Prime Minister's Office

Yang Mulia Dato Seri Setia Awang Haji Metussin bin Haji Baki
Sharia High Court Judge

Yang Mulia Dato Paduka Haji Hisham bin Haji Mohd Hanifah
Permanent Secretary (Policy & Investment) Ministry of Finance

Yang Mulia Dayang Naimah binti Md Ali
Solicitor General Attorney General's Chambers

Yang Mulia Dato Paduka Dr Awang Haji Ismail bin Haji Duraman
Executive Director of Centre for Strategic and Policy Studies (CSPS)

Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu
Managing Director of AMBD

FINANCIAL STABILITY COMMITTEE

Chairman

Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi bin Haji Osman
Minister of Development as Deputy Chairman of AMBD

Deputy Chairman

Yang Mulia Dato Paduka Haji Ali bin Apong
Deputy Minister at the Prime Minister's Office

Members

i) **Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki**
Sharia High Court Judge

ii) **Yang Mulia Dato Paduka Haji Hisham bin Haji Mohd Hanifah**
Permanent Secretary (Policy & Investment), Ministry of Finance

iii) **Yang Mulia Dato Paduka Dr Haji Ismail bin Haji Duraman**
Executive Director of Centre for Strategic and Policy Studies (CSPS)

iv) **Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu**
Managing Director, AMBD

v) **Yang Mulia Awang Haji Zakaria bin Haji Serudin**
Deputy Managing Director (Monetary and Corporate Services & Development), AMBD

vi) **Yang Mulia Dayang Hajah Lily binti Haji Kula**
Deputy Managing Director (Regulatory), AMBD

vii) **Yang Mulia Awang Haji Adi Marhain bin Haji Leman**
Assistant Managing Director (Monetary Operations), AMBD

Secretariat

i) Regulatory Department, AMBD

ii) Monetary Policy and Management Department, AMBD

AUDIT COMMITTEE

Chairman

Yang Mulia Dato Paduka Dr Awang Haji Ismail bin Haji Duraman
Executive Director of Centre for Strategic and Policy Studies (CSPS)

Members

i) **Yang Mulia Dayang Naimah binti Md Ali**
Solicitor General, Attorney General's Chambers

ii) **Yang Mulia Awang Haji Azhar bin Haji Ahmad**
Deputy Permanent Secretary (Technology), Ministry of Defence

Secretariat

Internal Audit Unit, AMBD

INVESTMENT ADVISORY COMMITTEE

Chairman

Yang Mulia Dato Paduka Awang Haji Hisham bin Haji Mohd Hanifah
Permanent Secretary (Policy & Investment), Ministry of Finance

Deputy Chairman

Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu
Managing Director, AMBD

Members

i) **Yang Mulia Awang Haji Abu Bakar bin Haji Ibrahim**
Deputy Permanent Secretary (Investment), Ministry of Finance

ii) **Yang Mulia Awang Haji Khairuddin bin Haji Abd Hamid**
Acting Managing Director, Brunei Investment Agency

iii) **Yang Mulia Awang Haji Adi Marhain bin Haji Leman**
Assistant Managing Director (Monetary Operations), AMBD

iv) **Yang Mulia Awang Haji Abdul Razak bin Hasbullah**
Deputy Director, Head of Operations Division, Brunei Investment Agency

Secretariat

Yang Mulia Awang Mardini bin Haji Eddie
Executive Director (Reserve Investment and Payment & Settlement System), AMBD

MANAGEMENT TEAM

1. **Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu**
   Managing Director

2. **Yang Mulia Awang Haji Zakaria bin Haji Serudin**
   Deputy Managing Director (Monetary and Corporate Services & Development)

3. **Yang Mulia Dayang Hajah Lily binti Haji Kula**
   Deputy Managing Director (Regulatory)

4. **Yang Mulia Awang Haji Adi Marhain bin Haji Leman**
   Assistant Managing Director (Monetary Operations)

5. **Yang Mulia Awang Md Yassin bin Haji Bini**
   Executive Director (Currency Management, Mint and Currency Design/Gallery)

6. **Yang Mulia Dayang Hajah Sufinah binti Haji Sahat**
   Executive Director (Corporate Services)

7. **Yang Mulia Awang Mardini bin Haji Eddie**
   Executive Director (Reserve Investment and Payment & Settlement System)

8. **Yang Mulia Dayang Hajah Rashidah binti Haji Sabtu**
   Executive Director (Banking and Specialised Market Supervision)

9. **Yang Mulia Dayang Hajah Mahani binti Haji Mohsin**
   Executive Director (Insurance/Takaful and Capital Market Supervision)

10. **Yang Mulia Dayang Hajah Nuralia binti Haji Abd Rahim**
    Head of Financial Intelligence and Enforcement Unit

11. **Yang Mulia Dayang Hajah Siti Norishan @ Hajah Siti Norihsan binti Haji Abdul Ghafor**
    Principal Counsel (Corporate and Legal Affairs)

Management Team

From left to right (front): Awg Hj Zakaria Hj Serudin, Dato Paduka Hj Mohd Rosli Hj Sabtu (Managing Director), Dyg Hjh Lily Hj Kula

From left to right (back): Dyg Hjh Nuralia Hj Abd Rahim, Dyg Hjh Rashidah Hj Sabtu, Dyg Hjh Sufinah Hj Sahat, Awg Hj Adi Marhain Hj Leman, Awg Mohd Yassin Hj Bini, Awg Mardini Hj Eddie, Dyg Hjh Mahani Hj Mohsin, Dyg Hjh Siti Norihsan Hj Abd Ghafor

Note:

1. Yang Mulia Dayang Hajah Lily binti Haji Kula was appointed as Deputy Managing Director (Regulatory) on 3 June 2013.

2. Yang Mulia Awang Haji Zakaria bin Haji Serudin served as Deputy Managing Director (Monetary and Corporate Services & Development) from 3 June 2013 to 29 October 2013.

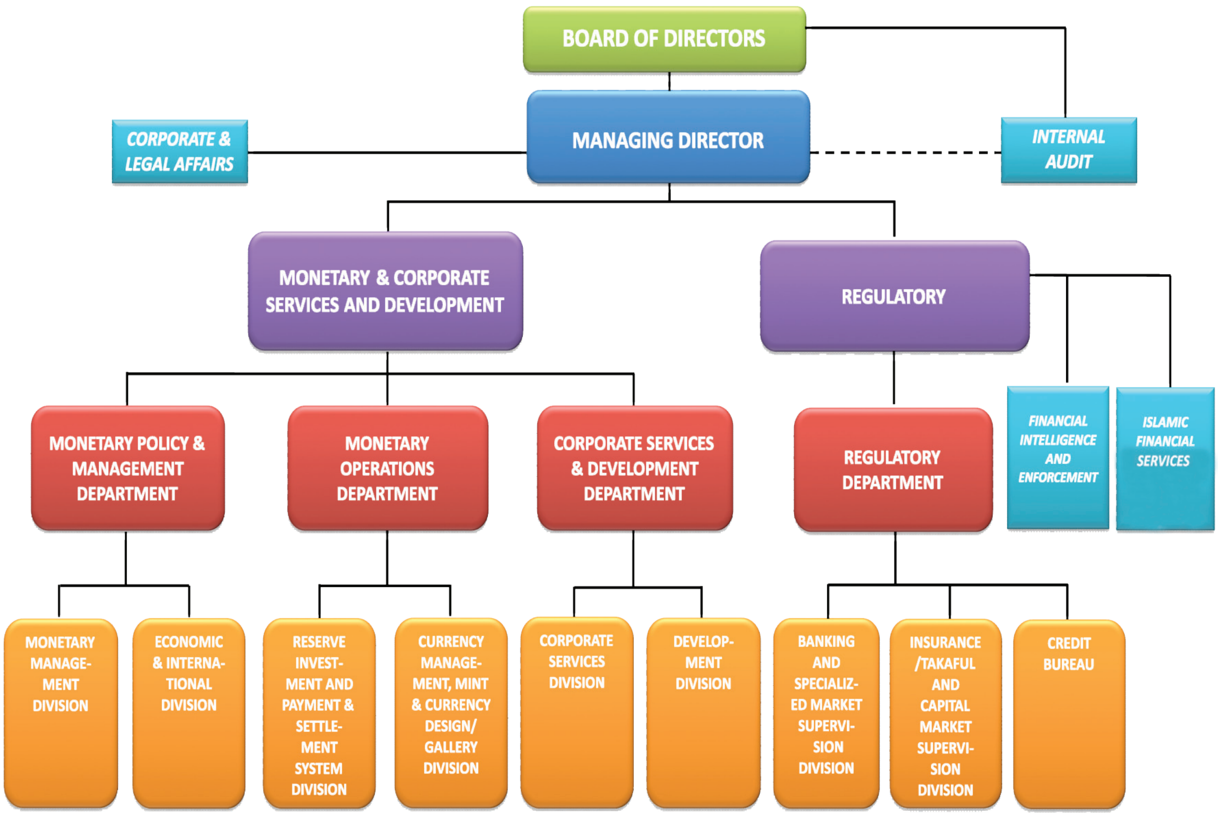
3. Yang Mulia Awang Chong Fu Li served as Deputy Managing Director (Regulatory) from 1 January 2011 to 4 May 2013.

4. Yang Mulia Awang Haji Aidil Bahrin bin DSLJ Haji Mohd Salleh served as Executive Director (Development) from 18 July 2011 to 6 April 2013.

ORGANISATIONAL STRUCTURE

The Board of Directors, comprising of the Chairman, Deputy Chairman and seven other board members, including the Managing Director, is responsible for the formulation of AMBD's policies. The Managing Director, as the chief executive, is assisted by two Deputy Managing Directors from the Regulatory sector, and the Monetary and Corporate Services & Development sector.

Chart 1: Organisation Chart



MAIN OBJECTIVES

The principal objectives of AMBD under the Autoriti Monetari Brunei Darussalam Order, 2010 are:

i. To achieve and maintain domestic price stability;

ii. To ensure the stability of the financial system, in particular by formulating financial regulation and prudential standards;

iii. To assist in the establishment and functioning of an efficient payments system and to oversee them; and

iv. To foster and develop a sound and progressive financial services sector.

1. GLOBAL ECONOMIC REVIEW

For the year 2012, the global economy faced many challenges with the ongoing European sovereign debt crisis, the impending United States (US) fiscal cliff, and the economic slowdown in major emerging economies, including China. The global economy grew by 3.3 percent in 2012 compared to 3.9 percent in 2011. Going forward, global recoveries will largely depend on the US and European policymakers addressing the underlying economic challenges.

The US economy registered 2.8 percent growth in 2012, performing better than the previous year. The unemployment rate at the end of 2012 was at 8.1 percent, compared to 8.9 percent in 2011. The US continued to maintain its low-interest-rate policy, with a benchmark interest rate of 0 to 0.25 percent since December 2008 with the view that it will help to boost their domestic economy. The quantitative easing measures of $40 billion in monthly purchases of mortgage-backed securities introduced in September were aimed to improve financial conditions and support the mortgage market. The securities purchased were increased to US$45 billion per month in December in the country's effort to boost the economy and further reduce unemployment.

The Eurozone economy contracted by 0.6 percent, compared to 1.4 percent in 2011. The European Central Bank (ECB) has kept its key interest rate unchanged as at the end of 2012 at 0.75 percent. It has been at this level since July 2012 when the ECB lowered the rate by 25 basis points from 1 percent to 0.75 percent. In September, the ECB unveiled Outright Monetary Transactions (OMT), an unlimited bond-purchase program aimed at improving control of interest rates in the Eurozone.

In Asia, China's economy regained its momentum towards the end of 2012. However, the figure showed that it was the slowest year of economic growth since 1999 as its growth was at 7.8 percent in 2012 compared to the 9.3 percent growth in 2011. Nevertheless, China is expected to maintain stable and high economic growth in the coming years.

Japan's economy expanded by 1.9 percent in 2012 following the 0.5 percent contraction in 2011. The economy continued to face deflation with consumer prices declining 0.04 percent year-on-year in 2012 compared to a decline of 0.3 in 2011. The Bank of Japan has set an inflation target of 2 percent as part of ongoing efforts to reverse the years of deflation.

The expansion of Singapore's economy eased to a three-year low in 2012, with growth of 1.3 percent. This was mainly due to weakness in the manufacturing sector. Average inflation for 2012 was 4.6 percent due to higher costs of accommodation and transportation.

2. ECONOMY OF BRUNEI DARUSSALAM

Real Gross Domestic Product (GDP) in 2012 rose by 0.9 percent year-on-year to B$12,369.0 million. The contribution to overall GDP growth by the Oil and Gas sector was -1.1 percent and by the non-Oil and Gas sector was 2.2 percent.

The Oil and Gas sector saw a decrease of 2.5 percent to B$5,543.7 million in 2012. The non-Oil and Gas sector reported growth of 4.0 percent to B$6,825.3 million in 2012 and this growth was mainly driven by the expansion in government services (2.6%) and private services (6.3%).

The inflation rate for 2012 was 0.5 percent. The main contributors for the increase in the consumer price index were Food and Non-Alcoholic Beverages (1.8 percent), Housing, Water, Electricity, Gas and Other Fuels (1.5 percent) and Furnishings, Household Equipment and Routine Household Maintenance (0.5 percent) and Health (1.6 percent). During 2011, Food and Non-Alcoholic Beverages was also a major contributor to the annual inflation.

Exports stood at B$16,467.9 million in 2012, a 5.2 percent increase from B$15,648.1 million in 2011. Oil exports declined by 1.7 percent whereas LNG exports rose by 10.0 percent. Imports also rose in 2012 by 16.0 percent to B$4,289.4 million. Notably, there were significant increases recorded for imports of Miscellaneous Manufactured Articles (94.8 percent), Mineral Fuels and Lubricants (20.6 percent), and Manufactured Goods (11.1 percent). Overall, trade balance surplus increased 6.9 percent to stand at B$12,770.1 million.

The exchange rate of Brunei Dollar to the US Dollar was B$1.2216 to US$1.00 at the end of 2012, compared to the rate of B$1.3007 to US$1.00 at the end of 2011. This showed an appreciation of Brunei Dollar by 6.1 percent. Against currencies of other major trading partners, Brunei Dollar strengthened by 2.4 percent to Malaysian Ringgit, 2.6 percent against Thai Baht and 16.1 percent against Japanese Yen. Meanwhile, it depreciated by 2.1 percent against Korean Won over the same period.

Table 1: Economy of Brunei Darussalam					
Items	2011		2012		
	Amount B$ million	Market share (Percent)	Amount B$ million	Market share (Percent)	Percentage change
Real Gross Domestic Product	**12,252.8**		**12,369.0**		**0.9**
Oil & Gas Sector	5,687.2	46.4	5,543.7	44.8	-2.5
Non-Oil & Gas Sector	6,565.6	53.6	6,825.3	55.2	4.0
Exports	**15,648.1**		**16,467.9**		**5.2**
Crude Oil	7,957.1	50.9	7,824.4	47.5	-1.7
LNG	7,006.3	44.8	7,706.0	46.8	10.0
Methanol	231.7	1.5	303.5	1.8	31.0
Others	452.9	2.9	634.0	3.8	40.0
Imports	**3,697.8**		**4,289.4**		**16.0**
Food	559.9	15.1	548.7	12.8	-2.0
Mineral Fuels and Lubricants	355.1	9.6	428.3	10.0	20.6
Chemicals	293.1	7.9	301.3	7.0	2.8
Manufactured Goods	857.4	23.2	952.6	22.2	11.1
Machinery and Transport Equipments	1,131.0	30.6	1,188.5	27.7	5.1
Miscellaneous Manufactured Articles	331.7	9.0	646.0	15.1	94.8
Others	169.6	4.6	224.0	5.2	32.1
Total Trade	**19,345.9**		**20,757.3**		**7.3**
Consumer Price Index	**106.9**		**107.4**		**0.5**
Exchange Rate	**2011**		**2012**		**Percentage change [1]**
B$/unit of US Dollar	1.3007		1.2216		-6.1
B$/100 units of Japanese Yen	1.6777		1.4079		-16.1
B$/100 units of Korean Won	0.1124		0.1148		2.1
B$/100 units of Malaysian Ringgit	40.94		39.94		-2.4
B$/100 units of Thai Baht	4.0980		3.9900		-2.6

Source: Department of Economic, Planning and Development, Prime Minister's Office and Bloomberg

[1] Negative sign denotes appreciation of Brunei Dollar and positive sign means depreciation of Brunei Dollar against the foreign currencies.

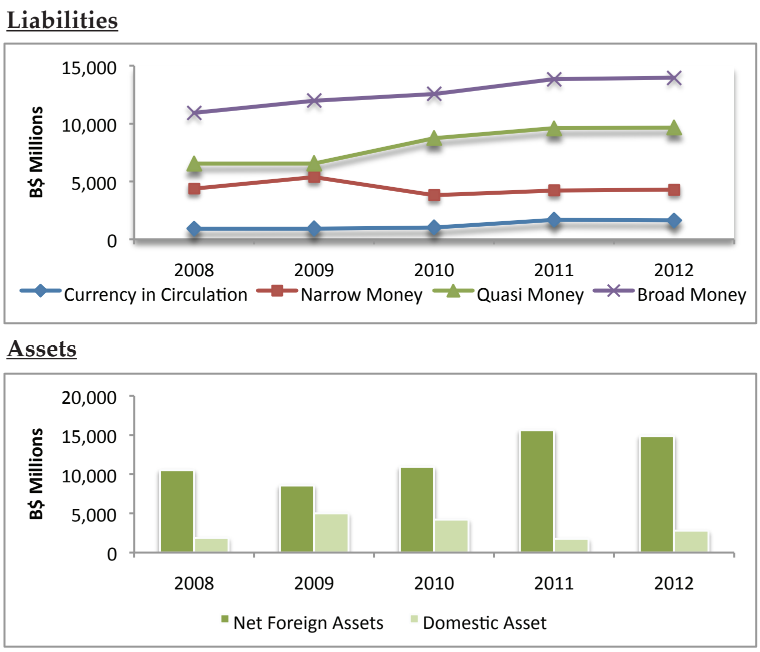
3. MONETARY SECTOR DEVELOPMENTS

3.1 MONEY SUPPLY

Broad money[2] (M2) grew by 0.9 percent year-on-year in 2012 to B$13,961.6 million. Narrow money[3] (M1) stood at B$4,293.4 million, reflecting an increase of 1.4 percent over the previous year. Quasi money[4] also expanded, by 0.7 percent to stand at B$9,668.2 million. Currency in circulation declined 3.7 percent to $1,627.1 million.

In 2012, Net Foreign Assets of the Depository Corporations declined by 4.5 percent year-on-year to B$14,896.2 million. Domestic claims stood at B$2,772.6 million, reflecting an increase of 60.3 percent due to an increase in claims on other sectors by 2.3 percent and a decline in government deposits by 27.1 percent to $4,394.3 million.

Chart 2: Money Supply



Source: Autoriti Monetari Brunei Darussalam

Currency in Circulation

As shown in Chart 3, the gross currency in circulation at end of 2012 declined by 3.7 percent to B$1,627.1 million compared with the previous year. Active currency in circulation[5] was B$927.6 million, showing a decline of B$491.6 million or 34.6 percent compared to 2011. This was as a result of adjustment in the Asset Maintenance Requirement (AMR) to be fulfilled by the banks in Brunei Darussalam.

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[2] Broad money is referring to Narrow Money plus Quasi Money.

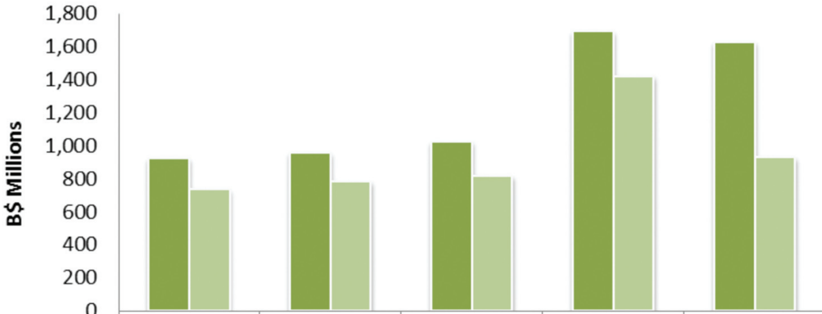
[3] Narrow money is referring to Currency outside Banks plus Demand Deposits of Private Sector.

[4] Quasi money is referring to Fixed Deposits plus Savings & Other Deposits.

[5] Active Circulation does not include commemorative coins, cash holdings of commercial banks in Brunei, and Brunei currency held by MAS pending repatriation.

The external assets for the currency back-up stood at B$1,851.0 million as at end of 2012, providing 113.8 percent coverage to the currency in circulation.

Chart 3: Currency in Circulation



	2008	2009	2010	2011	2012
Gross Circulation	921.79	954.51	1,023.71	1,689.99	1,627.10
Active Circulation	732.76	781.66	815.70	1,419.21	927.60

Source: Monetary Operations Department, AMBD

3.2 BRUNEI GOVERNMENT SUKUK AL-IJARAH

Table 2 illustrates that a total of B$1.5 billion Sukuk Al-Ijarah was issued in 2012. Among the 15 series issued, one series had a tenor of 364 days with the remainder having a tenor of 91 days. Since its inauguration in 2006, issuance of Sukuk Al-Ijarah has reached B$5.2 billion and as at 31 December 2012, it had an outstanding amount of B$500 million.

Table 2: Brunei Government Sukuk Al-Ijarah Issuance

Year	No. of issuances		Total value of issuances (B$ million)	Average rental yield (Percent)	
	91 days	364 days		91 days	364 days
2006	4	-	570	3.375	-
2007	6	1	450	2.506	2.300
2008	10	2	374	0.831	1.325
2009	16	2	617	0.339	0.475
2010	14	1	649	0.300	0.340
2011	11	1	991	0.181	0.350
2012	14	1	1,500	0.180	0.280
Total	**75**	**8**	**5,151**	**0.680**	**0.859**

Source: Monetary Policy and Management Department, AMBD

Box 1: 45th Anniversary of the Currency Interchangeability Agreement

The Currency Interchangeability Agreement (CIA) between Brunei Darussalam and Singapore marked its 45th Anniversary in 2012. Four stamps were issued in November 2012 to commemorate the longstanding diplomatic relations between both countries. This strong historical bond continues to be developed; promoting bilateral trade and cooperation on a wide range of areas including tourism, health, and education.

The stamps issued comprises of a set of two stamps from each country. Brunei's stamp features images on the four series of its currency notes as follows:

- The illustration of Omar 'Ali Saifuddien Mosque on all of the 1967 banknotes;
- The view of Padian (the Water Village woman vendor in her boat) on a banknote in 1989;
- The view of a Rainforest Floor on the B$5 polymer notes in 1996; and
- The Bunga Tapak Kuda Laut (or Ipomoea Pescapre, a medicinal plant with purplish flowers found along the beaches of Brunei) on the B$20 banknote in 2007.

Singapore's stamp illustrates themes of its past and current currency notes as follows:

- The "Orchid" series (1967-1976) – the Vanda Rothscildiana "Teo Choo Hong" on the S$50 banknote;
- The "Bird" series (1976-1984) – the Yellow-breasted Sunbird on the S$20 banknote;
- The "Ship" series (1984-1999) – the barter trading vessel "Palari" on the S$10 banknote; and
- The "Potrait" series (1999-present) – the portrait of Singapore's first President, the late Encik Yusof bin Ishak on the S$1,000 banknote.

The other stamp of which both countries share, consist of the same design featuring the illustration of Brunei's Omar 'Ali Saifuddien Mosque and Singapore's Esplanade-Theatres on the Bay, waterfront alongside Marina Bay.

The four stamps issued to commemorate the 45th Anniversary of the CIA

Source: Monetary Operations Department, AMBD

4. FINANCIAL SECTOR DEVELOPMENTS

4.1 STRUCTURE OF THE FINANCIAL SYSTEM IN BRUNEI DARUSSALAM

Brunei Darussalam's financial system consists of a dual financial system comprising Islamic and conventional financial institutions. Total assets of the key financial institutions as at end 2012 were B$23.2 billion, of which 84.7 percent was attributed to the banking sector (Table 3).

Table 3: Total Assets of the Major Financial Institutions

Financial Institutions Regulated by AMBD	2012	
	Amount B$ million	Share of Total Assets (Percent)
Deposit Taking Institutions	**21,823**	**93.9**
Banks including Perbadanan TAIB	19,685	84.7
Conventional	11,992	51.6
Islamic	7,693	33.1
Finance Companies	2,040	8.8
Offshore Banks	98	0.4
Other Licensed Financial Institutions	**1,423**	**6.1**
Insurance Companies & Takaful	1,246	5.4
Conventional	879	3.8
Takaful	367	1.6
Offshore Insurance Companies	177	0.8
Total Assets	**23,245**	**100.0**

Source: Banking and Specialised Market Supervision Division, AMBD

There are eight fully licensed commercial banks currently operating in Brunei Darussalam; two local banks (one conventional bank and one Islamic bank), three branches of international banks and three branches of regional banks. There is also an Islamic Trust Fund which provides specialised financial services. AMBD has also granted a Restricted Banking Licence under Section 23 of the Banking Order, 2006 to State Street (Brunei) Sdn Bhd. Its activities are restricted to support clients based in the country through client servicing and relationship management only. Also, it does not accept deposits or engage in any other core banking functions.

In addition, there are three licensed finance companies; two conventional and one Islamic. These finance companies are wholly-owned subsidiaries of three licensed banks in Brunei Darussalam. There are four offshore banks operating within the framework of the International Banking Order, 2000. In addition, thirteen insurance companies and takaful operators are also represented in Brunei Darussalam's financial system, nine of which are conventional insurance operators and four are takaful operators.

4.2 LEGAL AND REGULATORY FRAMEWORK

AMBD's objectives in respect of financial stability include:

a) Promoting and maintaining a sound financial system in the country;

b) Promoting and enhancing market confidence, consumer protection and the reputation of Brunei Darussalam as a financial centre; and

c) Facilitating innovation in the financial services business.

The legislative framework overseen by AMBD is comprehensive and governs both domestic and international financial activities as listed below:

Table 4: Legislation Administered by AMBD	
Anti-Terrorism Order, 2011	International Trusts Order, 2000
Banking Order, 2006	Islamic Banking Order, 2008
Criminal Asset Recovery Order, 2012	Money-Changing and Remittance Businesses Act (Chap. 174)
Finance Companies Act (Chap. 89)	Moneylenders Act (Chap. 62)
Hire-Purchase Order, 2006	Motor Vehicles Insurance (Third Party Risks) Act (Chap. 90)
Insurance Order, 2006	Mutual Funds Order, 2001
International Banking Order, 2000	Pawnbrokers Order, 2002
International Business Companies Order, 2000	Registered Agents and Trustees Licensing Order, 2000
International Insurance and Takaful Order, 2002	Securities Order, 2001
International Limited Partnerships Order, 2000	Takaful Order, 2008

The Legislation shown in Table 4 is complemented by the issuance of relevant regulations, notices and guidelines to ensure sustained financial soundness and stability.

Supervisory Framework

AMBD has also established a comprehensive supervisory framework to ensure compliance with the above regulations which include the following measures:

a) Continuous off-site surveillance system;

b) Periodic on-site examination process;

c) Continuous dialogue and discussion with senior management of the financial institutions;

d) Establishing sound Syariah governance framework;

e) Ensuring the smooth functioning of the payment system through the lender of last resort facility;

f) Providing technical support to the financial safety net mechanism of the mandatory deposit protection scheme; and

g) Strengthening the financial system infrastructure through the Credit Bureau.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Requirements

As a member of the Asia Pacific Group on Money Laundering, Brunei Darussalam remains committed towards implementing international standards for the prevention of money laundering and combating the financing of terrorism, in particular the Financial Action Task Force 40 Recommendations.

In 2012, this commitment was reinforced through the introduction of new laws and regulations concerning AML/CFT, as follows:-

(i) Criminal Asset Recovery Order, 2012; and

(ii) Amendments and regulations pursuant to Anti-Terrorism Order, 2011.

<u>Criminal Asset Recovery Order, 2012</u>

On 16 June 2012, the Criminal Asset Recovery Order, 2012 was enacted to replace and repeal overlapping provisions contained in the Anti-Money Laundering Act Chapter 209, the Drug-Trafficking (Recovery of Proceeds) Act Chapter 178 and the Criminal Conduct (Recovery of Proceeds) Order, 2000. Provisions are clarified to increase transparency and enable relevant authorities in Brunei Darussalam to successfully take action against those who intend to make illicit use of the financial system. Key provisions in the Criminal Asset Recovery Order, 2012 include the criminalisation of money laundering (section 3); the obligations of financial institutions and designated non-financial businesses and professions to perform customer due diligence requirements (sections 4 – 14); the power of the Financial Intelligence Unit to act as the central agency for the receipt, analysis and dissemination of suspicious transaction reports (section 15); and the reporting of physical currency and bearer negotiable instruments exceeding B$15,000 which are moved into or out of Brunei Darussalam (sections 35 – 47).

<u>Amendments and regulations pursuant to Anti-Terrorism Order, 2011</u>

The Anti-Terrorism Order, 2011 which had been enacted on 18 July 2011 was strengthened through two amendments and the issuance of regulations. The Anti-Terrorism (Amendment) Order, 2012, enacted on 16 June 2012, criminalises terrorism financing committed by a terrorist organisation and extends the terrorism financing offence to include the collection of funds to be used by a terrorist organisation or by an individual terrorist. On 8 December 2012, the Anti-Terrorism (Amendment) (No.2) Order, 2012 was enacted and the Anti-Terrorism (Terrorist Financing) Regulations 2013 were issued to require every Brunei Darussalam citizen and other foreign nationals in the country to freeze, without delay, terrorist-related funds and other assets. The Regulations also require financial institutions and designated non-financial businesses and professions to report to AMBD any transactions that are suspected of involving terrorist financing activities.

Compliance to AML/CFT

In order to raise industry awareness on these legislations and regulations, outreach activities to both financial institutions and designated non-financial businesses and professions were held in the second half of the year.

On-site inspections on several banks were undertaken to review their level of compliance to domestic AML/CFT requirements. It is noted that these institutions had generally established the necessary AML/CFT controls, however there are still areas for improvement, including the need to conduct enhanced due diligence on high risk customers and to keep updated customer records. The establishment of robust AML/CFT controls is regarded as an essential requirement to prevent Brunei Darussalam's financial system from being infiltrated by illegitimate funds and financial institutions have an obligation to report its efforts in improving its AML/CFT compliance.

4.3 FINANCIAL SYSTEM OVERVIEW

4.3.1 BANKING

The banking system continued to be resilient in the face of today's challenging environment in the aftermath of the global financial crisis and economic slowdown. As the regulator of the financial system and as part of its framework to assess financial system stability, AMBD compiles aggregate micro-financial soundness indicators on the banking system.

Table 5 shows the key financial soundness indicators of the banking sector for 2012. The current mandatory regulatory capital to risk weighted assets ratio and Tier 1 Capital to risk weighted assets ratios for banks in Brunei Darussalam are prescribed to be at least 10.0 percent and 5.0 percent respectively. These are well above the Basel I and Basel II requirements of 8.0 percent and 4.0 percent respectively. In this regard, all banks met, and were in excess of the Basel III Tier I common equity requirement of 7.0 percent and the leverage ratio of 3.

The banks in Brunei Darussalam were also highly liquid. Strong capital and liquidity levels, together with sustained earnings and improved risk management systems, have resulted in a stable financial system, despite a marginal, albeit temporary, deterioration in asset quality. The exposure of the banks to market risk was negligible due to the low trading portfolios and they also have minimal exposure to foreign exchange risk as a result of substantial foreign assets held in Singapore dollars by banks.

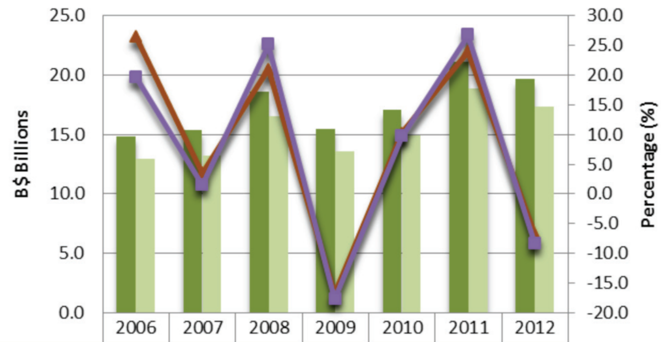
Table 5: Selected Financial Soundness Indicators for Banks		
Financial Soundness Indicator	**2011 (Percent)**	**2012 (Percent)**
Capital Adequacy		
Regulatory Capital to Risk Weighted Assets, minimum 10 percent*	18.8	21.2
Tier 1 Capital to Risk Weighted Assets, minimum 5 percent*	19.8	21.3
Non-Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	4.9	4.3
Assets Quality		
Non-Performing Loans/Financing to Total Gross Loans/Financing	10.8	9.9
Net Non-Performing Loans (Net of Provisions and Interest) to Gross Loans	1.8	1.6
Provision Coverage (Specific Provisions to Non-Performing Loans/Financing)	76.3	76.2
Profitability		
Return on Assets (Before Tax)	1.1	0.8
Return on Equity (After Tax)	7.3	5.6
Interest/Profit Margin to Total Average Assets	82.6	71.7
Non-Interest/Profit Expense to Gross Income (Efficiency Ratio)	53.3	49.6
Liquidity		
Liquid Assets to Total Assets	64.0	62.2
Liquid Assets to Total Deposits	71.6	70.6
Liquid Assets to Demand and Savings Deposits (Short term)	137.5	143.8
Loans to Deposits Ratio	26.9	30.0

*AMBD's requirement

Source: Banking and Specialised Market Supervision Division, AMBD

Overall Growth: Chart 4 illustrates that total assets and deposits which move in tandem, recorded a decline by 7.0 percent and 8.4 percent respectively as at end of 2012. The decrease in total assets was reflected in a decrease in placements abroad by 13.6 percent and investments by 17.6 percent. Onshore assets accordingly increased from 38.3 percent of total assets in 2011 to 42.4 percent in 2012. Offshore assets saw a commensurate decline from 61.7 percent of total assets in 2011 to 57.6 percent in 2012. Deposits continued to serve as the primary resource base for banking assets and accounted for 88.1 percent of total assets of the banking system.

Chart 4: Banking: Assets and Deposits

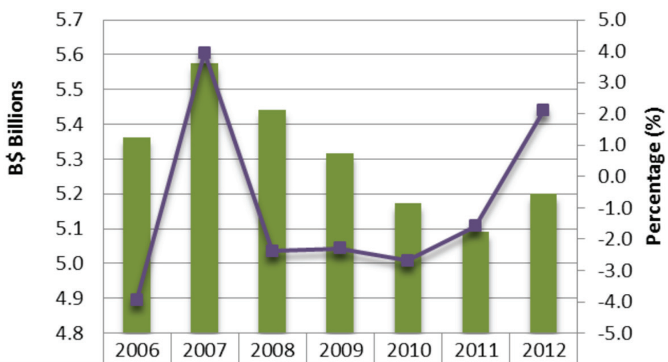


	2006	2007	2008	2009	2010	2011	2012
Assets-Size (B$ billion)-Left Axis	15	15	19	16	17	21	20
Deposits-Size (B$ billion)-Left Axis	13	13	17	14	15	19	17
Assets-Annual Growth,%	26.5	3.4	21.0	-16.7	10.2	23.9	-7.0
Deposits-Annual Growth,%	19.7	1.6	25.2	-17.6	9.7	26.8	-8.4

Source: Banking and Specialised Market Supervision Division, AMBD

Credit/Financing Overall Growth Indicators: Loans and advances recorded a marginal increase in 2012 by 2.2 percent to B$5.2 billion as shown in Chart 5. Credit growth was particularly buoyant in business sector with growth of 6.7 percent.

Chart 5: Banking: Total Loans Advances/Financing



	2006	2007	2008	2009	2010	2011	2012
Loans/Financing-Size (B$ billion)-Left Axis	5.4	5.6	5.4	5.3	5.2	5.1	5.2
Loans/Financing-Annual Growth,%	-3.9	4.0	-2.4	-2.3	-2.7	-1.6	2.1

Source: Banking and Specialised Market Supervision Division, AMBD

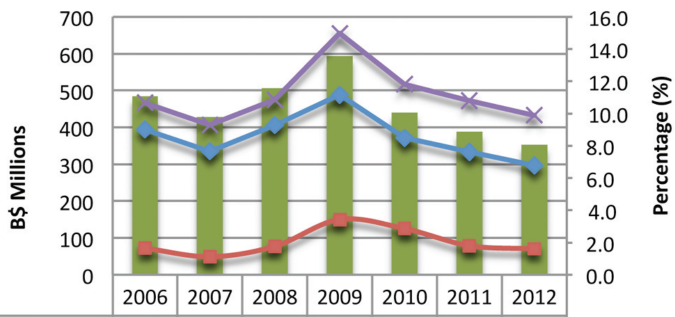
Direction of Credit/Financing: Table 6 illustrates that household debt was still the largest credit/financing segment at 56.4 percent of total credit/financing, in which personal loans were still representing the largest sector at 33.7 percent. However, personal loans continued their declining trend with a decrease of 6.6 percent to B$1,751 million in 2012 compared to 2011. Personal loans have recorded a decline of approximately 50.0 percent since the introduction of the personal loans cap in 2005.

Table 6: Banking: Distribution of Credit/Financing					
Total Loans/Financing-Sector-wise Exposure	**2011**		**2012**		**Percentage change**
Sector	**Amount B$ million**	**Market share (Percent)**	**Amount B$ million**	**Market share (Percent)**	
HOUSEHOLD SECTOR	**2,965**	**58.2**	**2,932**	**56.4**	**-1.1**
Personal Loans (Including credit cards)	1,875	36.8	1,751	33.7	-6.6
Residential housing	978	19.2	1,090	21.0	11.5
Automobile Financing	112	2.2	91	1.7	-18.8
BUSINESS SECTOR	**2,126**	**41.8**	**2,268**	**43.6**	**6.7**
Commercial housing and Other Constructions	442	8.7	484	9.3	9.5
Traders	373	7.3	418	8.0	12.1
Manufacturing	353	6.9	350	6.7	-0.8
Services	215	4.2	223	4.3	3.7
Transportation	96	1.9	218	4.2	127.1
Financial	266	5.2	214	4.1	-19.5
Infrastructure	187	3.7	181	3.5	-3.2
Tourism	82	1.6	81	1.6	-1.2
Telecommunication and Information Technology	87	1.7	77	1.5	-11.5
Agricultural	24	0.5	23	0.4	-4.2
Total Loans/Financing	**5,091**	**100.0**	**5,200**	**100.0**	**2.2**

Source: Banking and Specialised Market Supervision Division, AMBD

Assets Quality: Credit/financing was still the key risk in the banking sector, reflecting the core business of the banking industry. Asset quality continued to improve with a decrease in the gross non-performing loans/financing ratio (NPLF) from 10.8 percent in 2011 to 9.9 percent in 2012 as shown in Chart 6. Despite the high gross NPLF ratio, the potential credit risk of the banking system was low because provision cover for loan/financing losses stood at 76.2 percent and the uncovered portion was supported by adequate realisable collateral. Accordingly, the net NPLF ratio (net of provision for NPLF) improved to 1.6 percent in 2012 from 1.8 percent in 2011.

Chart 6: Banking: Trend in Gross NPLFs and Net NPLFs



	2006	2007	2008	2009	2010	2011	2012
NPLF-Volume (B$ million)-Left Axis	484	428	506	593	440	388	353
NPLF-Ratio,% (Exclude Interest in Suspense)	9.0	7.7	9.3	11.2	8.5	7.6	6.8
Net NPLF-Ratio,%	1.7	1.1	1.8	3.4	2.9	1.8	1.6
NPLF-Ratio,% (Include Interest in Suspense)	10.7	9.3	10.8	15.0	11.8	10.8	9.9

Source: Banking and Specialised Market Supervision Division, AMBD

Liquidity: Overall, the banks continued to maintain a high level of liquidity against total deposits at 70.6 percent and against their short term deposit liabilities, at 143.8 percent, as illustrated in Table 7. In addition, funding mismatches of the banking system remained within a manageable range. The cumulative gaps for the shorter term maturities (up to 12 months) remained positive.

Table 7: Banking: Maturity Gap Analysis

	1 to 7 Days	8 to 14 Days	15 to 28 Days	29 Days to 3 Months	>3 to ≤6 Months	>6 to ≤12 Months	>1 to ≤3 Years	>3 to ≤5 Years	Over 5 Years
Inflows	5,438	1,525	1,904	6,000	2,679	2,120	1,543	1,046	2,281
Outflows	1,999	1,420	1,740	5,105	3,776	4,082	4,621	110	2,314
Gap (Mismatch)-(Inflows-Outflows)									
Gap in different time buckets	3,439	105	164	895	-1,096	-1,962	-3,078	936	-3
Cumulative Gap	3,439	2,824	2,988	3,883	2,786	824	-2,254	-1,318	-1,351
Cumulative Gap as a percentage of Total liabilities	13.7	14.1	14.7	18.3	13.9	6.1	-6.1	-2.4	-2.5

Source: Banking and Specialised Market Supervision Division, AMBD

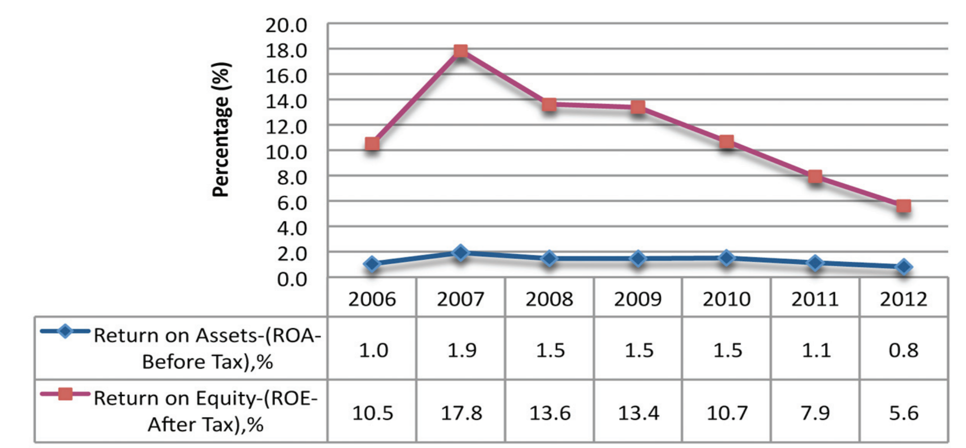
Profitability: Profitability of the banking system decreased in 2012. Total profit (after tax) stood at B$111 million, a 23.5 percent decrease from 2011. The contributing factor for the decline in profitability was the increase in operating expenses by 9.1 percent and the decline in interest income on loans and financing by 5.0 percent.

Table 8: Banking: Profitability Trend			
Item	**2011 (B$ million)**	**2012 (B$ million)**	**Percentage change**
Interest Income	440	443	0.6
of which -			
Interest income on Loans/Financing	361	343	-5.0
Interest income on Placements	55	71	28.8
Interest income on Others	23	29	25.5
Interest Expenses	77	74	-4.3
Net Interest Income	363	369	1.7
Non Interest Income	112	149	32.7
Operating Expenses	234	255	9.1
Loan Loss Provisions (Net)	35	3	-91.2
Provision for decline in value of investments	0	100	-131,450.7
Profit Before Tax	205	160	-22.2
Profit After Tax	145	111	-23.5

Source: Banking and Specialised Market Supervision Division, AMBD

In line with the decline in overall profitability, Chart 7 shows that the return on assets (ROA) declined to 0.8 percent and the return on equity (ROE) fell to 5.6 percent in 2012.

Chart 7: Banking: Profitability Indicators

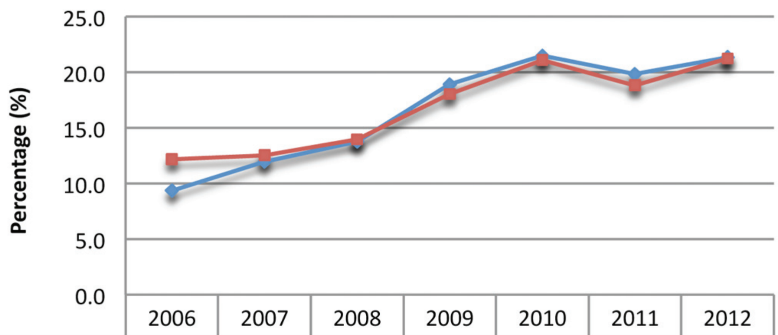


Source: Banking and Specialised Market Supervision Division, AMBD

Capital Adequacy: Chart 8 shows the capital adequacy ratio (CAR) of banks which focuses on the strength of bank capital against the risk profile of the bank and provides protection to depositors from potential shocks or losses that a bank might be exposed to. It provides absorptive capacity against major financial risks (such as credit risk, market risk, and operational risk). Bank capitalization has been significantly enhanced since 2008, as a result of the implementation of prudential regulations on CAR and statutory reserve fund (Capital conservation buffer) for all banks. The increased capitalization was also reflected in a stronger CAR for the banking industry at 21.2

percent and the Tier 1 CAR at 21.3 percent in 2012. These rates are well above AMBD's regulatory requirements of 10.0 percent and 5.0 percent as well as the Basel II international regulatory norm of 8.0 percent and 4.0 percent respectively. They are also in excess of the Basel III common equity requirements of 7% with all banks meeting the leverage ratio of 3, much earlier than the timelines prescribed for this purpose.

Chart 8: Banking: Capital Adequacy Ratios



	2006	2007	2008	2009	2010	2011	2012
Tier 1 Capital Ratio,%	9.3	11.9	13.8	18.9	21.5	19.8	21.3
Total Capital Ratio,%	12.2	12.5	14.0	18.0	21.1	18.8	21.2

Source: Banking and Specialised Market Supervision Division, AMBD

Access to Finance:

Banking Demography: Demographic bank penetration measures the penetration of the banking sector in terms of access to physical outlets of the bank. Higher penetration would indicate more branches per banking population and thus easier access to finance. The same measure is used in the case of ATMs. As at 2012, the number of banking outlets and ATMs operated by the banks was 59 and 277 respectively, an increase of 1.7 percent and 16.9 percent respectively as compared to 2011.

Banking Density: The median for banking density for branches stood at 14 branches per 100,000 persons, whereas for ATMs it was 66 ATMs per 100,000 persons as at end of 2012. Banking penetration in the country was considered high in the context of the regional median which stood at 8 branches per 100,000 persons

Table 9: Banking: Distribution of Branches and ATMs by District

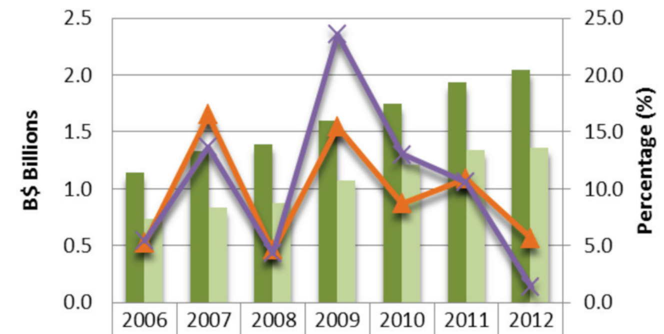
District	No of Branches	No of ATMs
Brunei/ Muara	41	212
Kuala Belait	12	46
Tutong	5	16
Temburong	1	3
Total	**59**	**277**

Source: Banking and Specialised Market Supervision Division, AMBD

4.3.2 FINANCE COMPANIES

Chart 9 illustrates that total finance companies assets increased marginally by 5.6 percent to B$2.0 billion in 2012 and deposits have also increased marginally by 1.4 percent to B$1.4 billion. Deposits continued to be the major funding source for the finance companies and accounted for 94.5 percent of total assets. The resource base of the finance companies was also supported by borrowings from their bank holding companies.

Chart 9: Finance Companies: Assets and Deposits

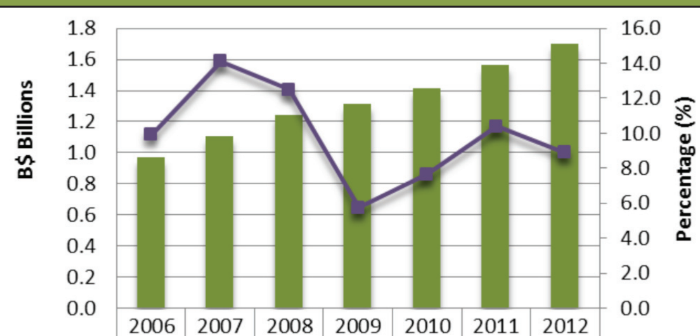


	2006	2007	2008	2009	2010	2011	2012
Assets-Size (B$ billion)-Left Axis	1.1	1.3	1.4	1.6	1.7	1.9	2.0
Deposits-Size (B$ billion)-Left Axis	0.7	0.8	0.9	1.1	1.2	1.3	1.4
Assets-Annual Growth,%	5.2	16.5	4.6	15.5	8.7	10.9	5.6
Deposits-Annual Growth,%	5.4	13.6	4.3	23.6	13.0	10.6	1.4

Source: Banking and Specialised Market Supervision Division, AMBD

Credit/financing Growth: Credit/financing growth at the finance companies continued to show a positive trend, increasing by 8.9 percent to B$1.7 billion in 2012 and accounting for 83.3 percent of total assets as shown in Chart 10. This trend is reflected in a commensurate sector-wise increase in automobile financing by 9.6 percent in 2012.

Chart 10: Finance Companies: Total Loans Advances/Financing



	2006	2007	2008	2009	2010	2011	2012
Loans/Financing-Size (B$ billion)-Left Axis	1.0	1.1	1.2	1.3	1.4	1.6	1.7
Loans/Financing-Annual Growth,%	9.9	14.1	12.5	5.8	7.7	10.4	8.9

Source: Banking and Specialised Market Supervision Division, AMBD

4.3.3 INSURANCE AND TAKAFUL

Overall Growth: In 2012, the insurance and takaful industry continued to demonstrate positive growth. Table 10 shows that the assets grew by 5.0 percent from B$1,186.1 million in 2011 to B$1,245.9 million in 2012 due to the increase of asset-holding in non-life and also life sectors by 6.7 percent and 4.5 percent respectively as shown in Chart 11.

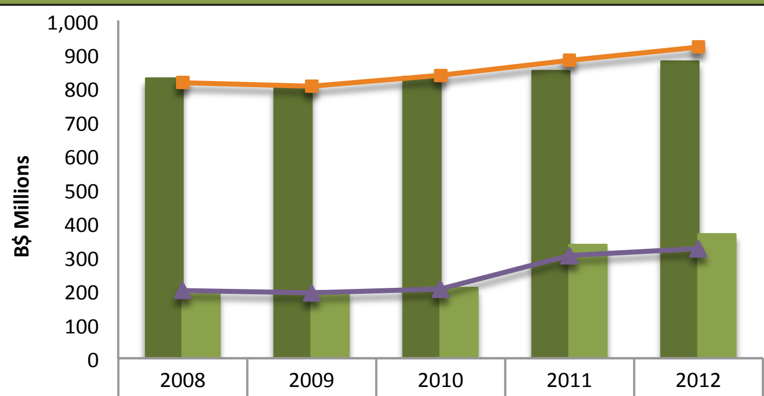
Meanwhile, gross premiums expanded by 6.1 percent from B$266.4 million in 2011 to B$282.7 million in 2012. Gross claims/benefits increased by 15.4 percent from B$98.9 million in 2011 to B$114.1 million in 2012.

Table 10: Insurance & Takaful Highlights

(In B$ million)	2008	2009	2010	2011	2012
Assets	1,016.73	999.08	1,041.83	1,186.09	1,245.88
Gross Premiums	195.78	186.45	248.80	266.42	282.73
Gross Claims/Benefits	95.74	96.40	102.87	98.89	114.07

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Chart 11: Insurance and Takaful: Total Assets



	2008	2009	2010	2011	2012
Total Conventional	827.66	800.19	832.99	850.88	879.10
Total Takaful	189.07	198.89	208.84	335.21	366.78
Non-Life	200.78	193.80	204.76	304.16	324.54
Life	815.96	805.28	837.07	881.94	921.34

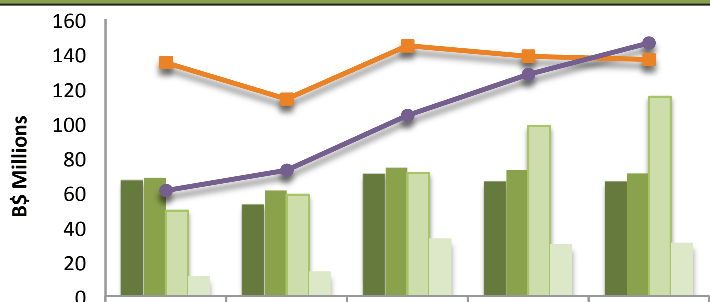
Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Gross Premiums: The growth in gross premiums was largely due to an increase in non-life sector which saw an expansion of 10.4 percent year-on-year from B$163.9 million to B$181.0 million (Chart 12). Most classes of non-life business saw an increase during the year with the exception of marine, aviation, transit, contractor's all risks, bond, and public liability as shown in Table 11. Motor insurance, the compulsory insurance in Brunei Darussalam remained the highest class of non-life business with premiums totaling B$79.0 million which represented 43.7 percent of total premiums.

On the other hand, life business experienced a decrease in gross premiums of 0.8 percent from B$102.5 million in 2011 to B$101.7 million in 2012. Life business continued to be dominated by conventional life companies with a market share of 69.6 percent. Nonetheless, there has been an increasing trend for family takaful from 14.5 percent of market share in 2008 to 30.4 percent in 2012.

In addition, market share of takaful contributions has been rising from 31.1 percent in 2008 to 51.7 percent in 2012 (Chart 12). The growth of takaful contributions was attributable to the growth of both general takaful and family takaful business. General takaful operators have a market share of 63.6 percent of total non-life business. This rapid growth of takaful business was directly generated from motor insurance business. Meanwhile, the proportion of conventional premiums from non-motor business has risen from 78.4 percent in 2008 to 81.5 percent in 2012.

Chart 12: Insurance and Takaful: Total Gross Premiums/Contributions



	2008	2009	2010	2011	2012
Conventional Non-Life	66.48	52.69	70.24	65.86	65.82
Conventional Life	68.40	61.06	74.25	72.63	70.77
General Takaful	49.31	58.50	70.95	98.05	115.18
Family Takaful	11.59	14.21	33.36	29.88	30.96
Total Conventional	134.88	113.75	144.49	138.49	136.59
Total Takaful	60.90	72.71	104.32	127.93	146.14

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

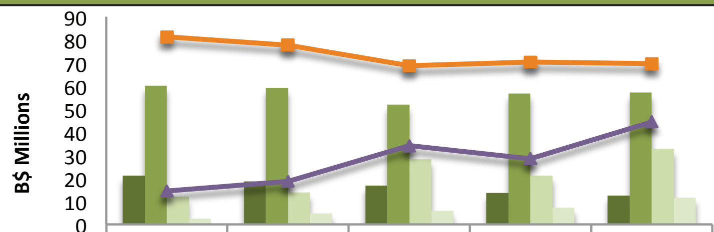
Table 11: Insurance and Takaful: Gross Premiums/Contributions for Non-Life Business

Classes of Non-Life Business	2011		2012		Percentage change (Percent)
	Amount B$ million	Market share	Amount B$ million	Market share	
Motor	68.66	41.89	79.04	43.67	+15.1
Fire	14.00	8.54	14.94	8.25	+6.7
Marine, Aviation, and Transit	20.43	12.46	15.27	8.44	-25.3
Others	39.04	23.82	55.94	30.91	+43.3
Contractor’s All Risks	2.40	1.46	0.41	0.23	-82.9
Bond	0.61	0.37	0.46	0.25	-24.6
Workmen Compensation	11.14	6.80	11.98	6.62	+7.5
Public Liability	7.63	4.66	2.96	1.63	-61.2
Total	**163.90**	**100.00**	**181.00**	**100.00**	**+10.4**

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Gross Claims: In 2008, claims stood at B$95.7 million and continued to increase to B$114.1 million in 2012. Table 12 shows that the non-life claims increased from B$34.8 million in 2011 to B$45.3 million in 2012 due to the increase in all classes of business except for contractor all risks and workmen's compensation. Motor claims recorded 78.3 percent of total non-life claims and stood at B$35.5 million in 2012.

Chart 13: Insurance and Takaful: Total Gross Claims



	2008	2009	2010	2011	2012
Conventional Non-Life	21.20	18.58	16.93	13.60	12.53
Conventional Life	60.05	59.16	51.85	56.79	57.08
General Takaful	12.05	13.83	28.25	21.21	32.75
Family Takaful	2.44	4.83	5.84	7.27	11.71
Total Conventional	81.25	77.73	68.78	70.39	69.61
Total Takaful	14.49	18.66	34.09	28.48	44.46

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Table 12: Insurance and Takaful : Gross Claims for Non-Life Business

Classes of Non-Life Business	2011		2012		Percentage change (Percent)
	Amount B$ million	Market share	Amount B$ million	Market share	
Motor	26.66	76.61	35.46	78.31	+33.0
Fire	0.91	2.61	2.01	4.44	+120.9
Marine, Aviation, and Transit	0.34	0.98	1.57	3.47	+361.8
Others	2.45	7.04	2.77	6.12	+13.1
Contractor's All Risks	0.42	1.21	0.29	0.64	-31.0
Bond	0.02	0.06	0.16	0.35	+700.0
Workmen Compensation	3.67	10.54	2.56	5.65	-30.3
Public Liability	0.33	0.95	0.46	1.02	+39.4
Total	**34.80**	**100.00**	**45.28**	**100.00**	**+30.1**

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Gross Benefits: For life benefits, there was an increase of 7.4 percent from B$64.1 million in 2011 to B$68.8 million in 2012 (Table 13). The main form of benefits in 2012 was through maturities which made up of 55.9 percent of total benefits or B$38.4 million.

Table 13: Insurance and Takaful : Gross Benefits for Life Business					
Classifications	2011		2012		Percentage change (Percent)
	Amount B$ million	Market share	Amount B$ million	Market share	
Maturities	35.53	55.45	38.43	55.86	+8.2
Death	11.51	17.96	11.74	17.07	+2.0
Surrenders	12.37	19.30	12.28	17.85	-0.7
Annuities	(0.01)	0.02	0.00	0.00	-100.0
Others	4.66	7.27	6.34	9.22	+36.1
Total	**64.06**	**100.00**	**68.79**	**100.00**	**+7.4**

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

4.3.4 CAPITAL MARKET

Assets Under Management (AUM) by Investment Advisers

There are at present thirteen licensed investment advisers in Brunei Darussalam, comprising four local and nine international companies, whose activities include providing investment advice and portfolio management. There has been no changes in the number of investment advisers in 2012.

Table 14 shows the total AUM of investment advisers from the year 2008 to 2012. There has been an increase of 84.0 percent from 2011 to 2012. Overall, there has been growth of approximately 611 percent since 2008 in asset management portfolios of licensed investment advisers.

Table 14: Capital Market: Total AUM of Investment Advisers					
B$ Millions	2008	2009	2010	2011	2012
Total (rounded off)	1,029	1,502	3,482	3,978	7,319

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

Mutual Funds

In 2012, 20 mutual funds were distributed and offered in the country, compared to 23 mutual funds in 2011. The public mutual funds comprised of eight Islamic and nine conventional funds whereas, the private fund comprised of one Islamic and two conventional funds. There are two licensed fund managers and one licensed fund administrator in Brunei Darussalam.

In brief, Table 15 illustrates the total market share of Islamic funds against conventional funds from 2009 to 2012. There continued to be positive interest towards Islamic funds in general, with an increase in market share from 17.2 percent in 2009 to 25.9 percent in 2012.

Table 15: Capital Market: Islamic Funds vs Conventional Funds				
Market Share (Percent)	**2009**	**2010***	**2011***	**2012**
Islamic Funds	17.2	25.0	24.9	25.9
Conventional Funds	82.8	75.0	75.1	74.1

Source: Insurance/Takaful and Capital Market Supervision Division, AMBD

*Note: 2010 and 2011 figures have been adjusted due to adjustments in calculation.

4.3.5 ISLAMIC FINANCIAL SERVICES

The Ministry of Finance and AMBD place great importance in ensuring that the overall Islamic financial services operates in accordance with Syariah principles. Particular Orders have been introduced with regards to the Islamic financial services namely: Finance Companies Act (Chap. 89), International Insurance and Takaful Order, 2002, Islamic Banking Order, 2008, Mutual Funds Order, 2001, Pawnbrokers Order, 2002, Syariah Financial Supervisory Board Order, 2006, and Takaful Order, 2008.

Apart from that, the Ministry of Finance has established a two-tier Syariah governance infrastructure comprising two vital components:

i. A centralised Syariah Financial Supervisory Board (SFSB) of Brunei Darussalam where AMBD is the appointed secretariat; and
ii. The Syariah Advisory Body (SAB) formed at the respective Islamic financial institutions (IFIs).

The SFSB is a body established under the Syariah Financial Supervisory Order, 2006 that has positioned the SFSB as the authority for the ascertainment of Islamic law for the purpose of Islamic financial business. The mandates of the SFSB are, among others, to ascertain the Islamic law on any financial matter and issue a ruling upon reference made to it, as well as to advise on any Syariah issues relating to Islamic financial business, activities or transactions.

At the industry level, IFIs are under the provision Islamic Banking Order, 2008 as well as the Takaful Order, 2008, whereby IFIs have to establish their Syariah Advisory Body (SAB) that may consult with the SFSB on Syariah matters relating to Islamic banking business, takaful business, Islamic financial business, Islamic development financial business and any other business which is based on Syariah principles and later submission to the SFSB. Towards the continuous advancement of Islamic finance, AMBD may issue written directives on these Syariah matters with the advice of the SFSB.

Since 2006, the SFSB has approved 88 products which are categorised as follows:

Table 16: Islamic Financial Services: Types of Product							
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Banking Products	-	2	1	1	4	19	5
Takaful Products	-	-	-	-	-	36	3
Mutual Funds	2	8	1	-	5	-	1

Source: Islamic Financial Services Unit, AMBD

4.3.6 CREDIT BUREAU

Establishing the Credit Bureau was one of the key financial stability initiatives that AMBD had taken on. It was established as a unit under the Regulatory Department of AMBD. The implementation project of the Credit Bureau was kicked off in August 2011 and the project was successfully completed within one year. The Credit Bureau officially commenced its service in September 2012.

The key objective of the Credit Bureau is to help the financial institutions to significantly improve credit risk management, reduce information asymmetry and to make informed decisions. In addition to that, from a consumer credit responsibility perspective, it will induce greater financial discipline amongst borrowers in maintaining a good credit history record.

The main task of the Credit Bureau is to collect, collate and consolidate factual information on the credit facilities, and distribute it in the form of Credit Information Reports (CIR) to the enquiring Members. To date, there are 12 members, which comprise of seven conventional banks, an Islamic bank, three finance companies and an Islamic Trust Fund. The Credit Bureau collects positive and negative information on the credit facilities as well as the identification details for both individuals and commercial entities. It also collects information on the repayment history and dishonoured cheques. However, it does not collect information on savings, investments or net worth.

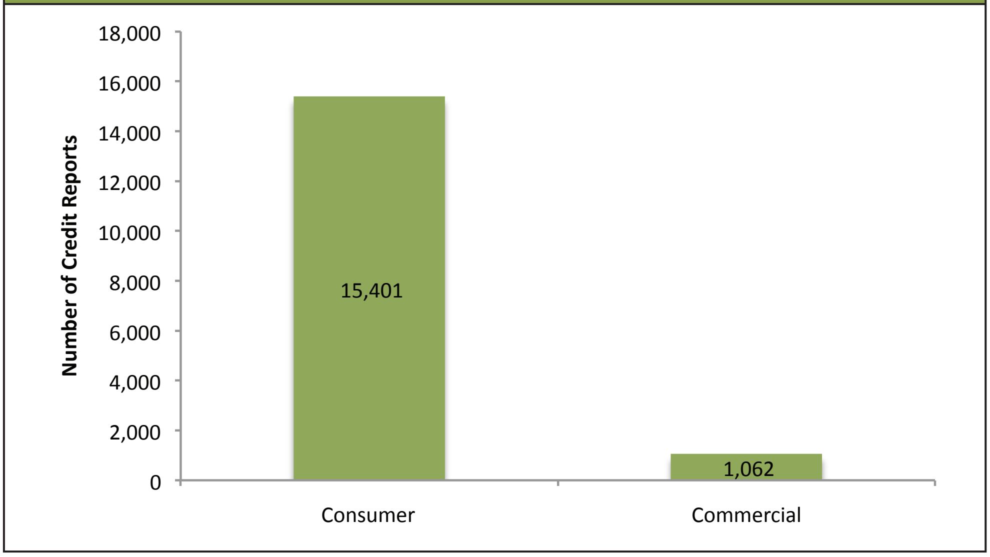
Table 17 shows the key statistics on the Credit Bureau's Repository as of 31 December 2012:

Table 17: Credit Bureau: Key Statistics on the Credit Bureau's Repository	
Total Members	12
Total Individuals	96,728
Active Individual Credit Facilities	449,805
Total Commercial Entities	2,475
Active Commercial Credit Facilities	17,628
Historical Records Duration	36 months

Source: Credit Bureau Unit, AMBD

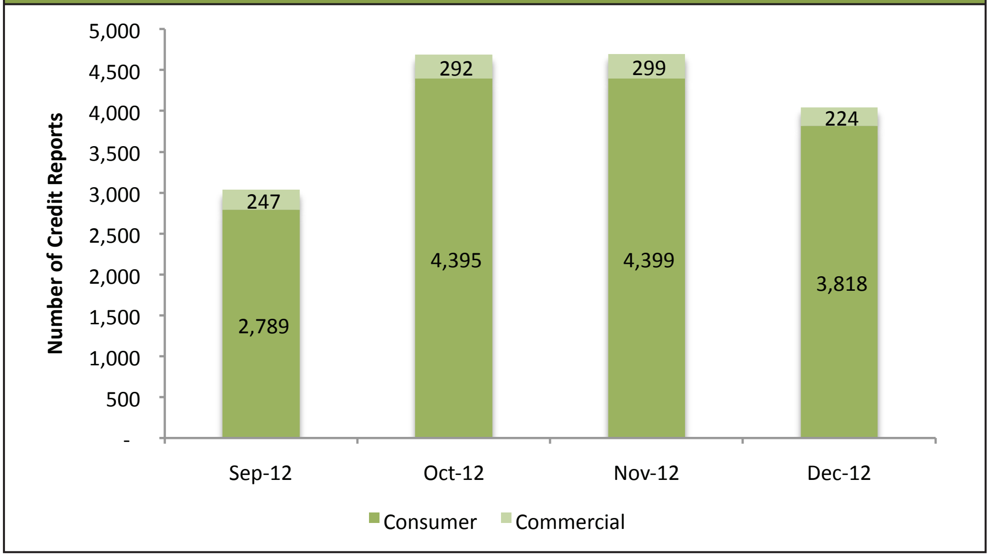
Since the Credit Bureau's inception until 31 December 2012, members had obtained 15,401 reports on individuals and 1,062 reports on commercial entities either for the purpose of assessing the credit worthiness of a customer/guarantor in connection with a new application for Credit Facilities or a review of the existing accounts. Chart 14 and Chart 15 depict the statistics on the credit report usage.

Chart 14: Credit Bureau: Credit Report Usage



Source: Credit Bureau Unit, AMBD

Chart 15: Credit Bureau: Monthly Credit Report Usage



Source: Credit Bureau Unit, AMBD

5. AUDITED FINANCIAL STATEMENTS

Autoriti Monetari Brunei Darussalam
(Established in Brunei Darussalam)

Report and Audited Financial Statements
Year ended 31 December 2012

The Members of the Board hereby submit their report and the audited financial statements of Autoriti Monetari Brunei Darussalam for the year ended 31 December 2012.

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 that 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.

In line with the introduction of the Order, 2010, His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam also consented to the amendment of the Currency and Monetary Order, 2004, now cited as Currency Order, 2004 ("the CO"), which came into effect on 1 January 2011.

The CO, amongst other things, provides for the transfer of the powers of the Brunei Currency and Monetary Board ("BCMB") to the Authority, including its assets and liabilities. Therefore, assets and liabilities previously held under BCMB which were valued using Generally Accepted Accounting Practice in Brunei ("GAAP") have now been transferred to the Authority valued in accordance with International Financial Reporting Standards ("IFRS"). The CO also provides for the establishment of the Currency Fund for the purpose of currency management. Following this amendment, the Authority is the sole authority for the issuance of Brunei currency notes and coins.

Financial Statements

	B$'000
Profit for the year	24,604

Members of the Board

The members of the board at the date of this report are as follows:-

Duli Yang Teramat Mulia **As Chairman**
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
The Crown Prince and Senior Minister at the Prime Minister's Office

Yang Berhormat Pehin Orang Kaya Indera Pahlawan **As Deputy Chairman**
Dato Seri Setia Awang Haji Suyoi bin Haji Osman
Minister of Development

Yang Berhormat Pehin Orang Kaya Laila Setia
Dato Seri Setia Awang Haji Abd Rahman bin Haji Ibrahim
Minister of Finance II at the Prime Minister's Office

Yang Mulia Dato Paduka Awang Haji Ali bin Apong
Deputy Minister at the Prime Minister's Office

Yang Mulia Awang Haji Shahbudin bin Haji Musa
Permanent Secretary (Policy), Ministry of Finance
(Effective from 6 October 2011 to 28 February 2012)

Yang Mulia Dato Paduka Haji Hisham bin Haji Mohd Hanifah
Permanent Secretary (Policy and Investment), Ministry of Finance
(Effective from 29 February 2012)

Yang Mulia Dato Seri Setia Haji Awang Metussin bin Haji Baki
Syariah High Court Judge

Yang Mulia Dayang Naimah binti Md Ali
Solicitor General
(Effective from 18 September 2012)

Yang Mulia Dato Paduka Dr Awang Haji Ismail bin Haji Duraman
Executive Director, Centre for Strategic and Policy Studies (CSPS)

Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu
Managing Director, Autoriti Monetari Brunei Darussalam

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Yang Mulia Dato Paduka Dr Awang Haji Ismail bin Haji Duraman **Chairman**

Yang Mulia Awang Haji Azhar bin Haji Ahmad

Yang Mulia Pengiran Haji Abdul Rajak bin Pengiran Abdul Wahap
(Resigned on 21 December 2012)

Yang Mulia Dayang Naimah binti Md Ali
(Effective from 18 September 2012)

Yang Mulia Awang Haji Zakaria bin Haji Serudin
(Effective from 8 April 2013)

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

Auditors

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

For and on behalf of the Board

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Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi bin Haji Osman
Deputy Chairman

....

Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu
Managing Director

INDEPENDENT AUDITOR'S REPORT

AUTORITI MONETARI BRUNEI DARUSSALAM
(Enacted in Brunei Darussalam)

Report on the Financial Statements
We have audited the accompanying financial statements of Autoriti Monetari Brunei Darussalam ("the Authority") which comprise the statement of financial position as at December 31, 2012, and the statement of profit or loss and other comprehensive income, statement of distribution, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on page 8 to 49.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Autoriti Monetari Brunei Darussalam Order, 2010 ("the Order"), Currency Order, 2004 ("the CO") and International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

a) the financial statements of the Authority are properly drawn up in accordance with the Order, the CO and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the state of affairs of the Authority as at December 31, 2012 and of the results, changes in equity and cash flows of the Authority for the year ended on that date according to the best of our information and the explanations given to us, and as shown by the books of the Authority; and

b) we have obtained all the information and explanations that we required.

The financial statements of the Authority for the year ended December 31, 2011 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements in their report dated October 24, 2012.

Deloitte & Touche

DELOITTE & TOUCHE
Certified Public Accountants

PENGIRAN HAJI MOKSIN BIN PENGIRAN HAJI YUSOF
Brunei Darussalam Authorised Auditor

Brunei Darussalam
Date:

Statement of financial position
As at 31 December 2012

	Note	2012 B$'000	2011 B$'000
Non-current assets			
Gold, property, plant & equipment	3	220,996	154,511
Securities	4	950,382	685,727
Derivatives		-	693
TOTAL NON-CURRENT ASSETS		**1,171,378**	**840,931**
Current assets			
Inventories		7,877	7,997
Receivables from Government of Brunei Darussalam	5	-	300,000
Assets held with IMF	6	436,455	462,901
Other assets	7	63,130	37,358
Fixed deposits		8,481	120,015
Cash and cash equivalents with			
- Central banks		-	-
- Banks and other financial institutions	8	2,841,725	2,537,391
TOTAL CURRENT ASSETS		**3,357,668**	**3,465,662**
TOTAL ASSETS		**4,529,046**	**4,306,593**
EQUITY & LIABILITIES			
Equity			
Capital	9	1,000,000	1,000,000
Reserve funds	10	107,206	679
Currency valuation reserve	10	-	2,442
Market valuation reserve	10	44,706	28,483
TOTAL EQUITY		**1,151,912**	**1,031,604**

The notes set out on pages 47 to 75 form part of these financial statements.

	Note	2012 B$'000	2011 B$'000
<u>**Non-current assets**</u>			
Provisions	11	27,780	124,118
TOTAL NON-CURRENT LIABILITIES		**27,780**	**124,118**
<u>**Current liabilities**</u>			
Currency in circulation	12	1,627,057	1,689,987
Payables to Government of Brunei Darussalam	13	54,190	56,412
Liabilities with IMF	6	383,098	406,910
Other liabilities	14	25,053	22,070
Deposit and balances of			
- Central banks		-	-
- Banks and other financial institutions	15	1,259,956	975,492
TOTAL CURRENT LIABILITIES		**3,349,354**	**3,150,871**
TOTAL EQUITY & LIABILITIES		**4,529,046**	**4,306,593**

On behalf of the Board

Yang Berhormat Pehin Orang Kaya Indera Pahlawan Dato Seri Setia Awang Haji Suyoi bin Haji Osman
Deputy Chairman

Yang Mulia Dato Paduka Awang Haji Mohd Rosli bin Haji Sabtu
Managing Director

The notes set out on pages 47 to 75 form part of these financial statements.

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2012

	Note	2012 B$'000	2011 B$'000
Interest Income	16	4,190	2,423
		4,190	2,423
Net gains on financial assets	17	31,701	33,221
Net gains / (losses) on gold revaluation	18	1,222	(14,060)
Fee and commission income	19	5,297	4,843
Other income	20	243	130
		38,463	24,134
Profit before operating expenses		**42,653**	**26,557**
Fee and commission expense		(1,987)	(1,749)
Staff costs	21	(9,229)	(6,341)
Other operating expenses	22	(6,833)	(5,059)
Profit for the year		**24,604**	**13,408**
Other comprehensive income		-	-
Total comprehensive income		**24,604**	**13,408**

Statement of Distribution
As at 31 December 2012

	2012 B$'000	2011 B$'000
Total comprehensive income	24,604	13,408
Add :		
Transfer from Currency Valuation Reserve Fund	2,442	-
Less:		
Transfer to Currency Valuation Reserve Fund	-	(2,442)
Transfer to Market Valuation Reserve Fund	(16,223)	(8,702)
Transfer to Reserve Fund	(3,247)	(679)
To be transferred to the Government of Brunei Darussalam	(7,576)	(1,585)
	-	-

The notes set out on pages 47 to 75 form part of these financial statements.

Statement of changes in equity
As at 31 December 2012

	Share capital B$'000	Retained earnings B$'000	Reserve fund B$'000	Currency valuation reserve B$'000	Market valuation reserve B$'000	Total B$'000
At 1 January 2011	**-**	**-**	**-**	**-**	**19,781**	**19,781**
Capital	1,000,000	-	-	-	-	1,000,000
Profit for the year	-	13,408	-	-	-	13,408
Transfer during the year	-	-	12,941	-	-	12,941
Transfer for distribution of profits	-	(11,823)	679	2,442	8,702	-
Transfer to Government of Brunei Darussalam *	-	(1,585)	-	-	-	(1,585)
Transfer to Government of Brunei Darussalam **	-	-	(12,941)	-	-	(12,941)
At 31 December 2011	**1,000,000**	-	**679**	**2,442**	**28,483**	**1,031,604**
At 1 January 2012	**1,000,000**	**-**	**679**	**2,442**	**28,483**	**1,031,604**
Profit for the year	-	24,604	-	-	-	24,604
Adjustment	-	-	72	-	-	72
Transfer during the year	-	-	103,208	-	-	103,208
Transfer for distribution of profits	-	(17,028)	3,247	(2,442)	16,223	-
Transfer to Government of Brunei Darussalam *	-	(7,576)	-	-	-	(7,576)
At 31 December 2012	**1,000,000**	**-**	**107,206**	**-**	**44,706**	**1,151,912**

Note:-

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

** BCMB's reserve fund, to be transferred back to the Government of Brunei Darussalam.

The notes set out on pages 47 to 75 form part of these financial statements.

Statement of cash flows
As at 31 December 2012

	Note	2012 B$'000	2011 B$'000
Cash flow from operating activities			
Profit for the year		24,604	13,408
Adjustment for:			
Depreciation on plant, property and equipment	3	1,247	825
(Gains) / Losses on gold revaluation	17	(1,222)	14,060
Unrealised gains on currency and market valuation		(11,885)	(13,163)
		12,744	15,130
(Increase) / Decrease in:			
Securities		(252,770)	(653,476)
Derivatives		693	-
Inventories		120	(7,997)
Receivables from Government of Brunei Darussalam		300,000	-
Assets held with IMF		26,446	(462,901)
Other assets		(25,772)	(37,358)
Fixed deposits		111,534	(120,015)
Increase / (Decrease) in:			
Provisions		(707)	122,533
Payables to Government of Brunei Darussalam		(2,222)	56,412
Liabilities with IMF		(23,812)	406,910
Other liabilities		3,056	22,070
Deposit and Balance of : Banks and Other Financial Institutions		284,464	975,492
Net cash from operating activities		**421,030**	**301,670**
Cash flows from investing activities			
Purchase of gold, property, plant & equipment		(66,510)	(169,396)
Net cash used in investing activities		**(66,510)**	**(169,396)**

	2012 B$'000	2011 B$'000
Cash flows from financing activities:		
Increase in share capital	-	700,000
(Decrease) / increase in currency in circulation	(62,930)	1,689,987
Net cash (used in) / from financing activities	(62,930)	2,389,987
Net increase in cash & cash equivalent	304,334	2,537,391
Cash and cash equivalents at beginning of the year	2,537,391	-
Cash & cash equivalent at the end of the year	**2,841,725**	**2,537,391**

The notes set out on pages 47 to 75 form part of these financial statements.

Notes to the financial statements

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

The financial statements were authorised for issue by the Board of Directors on 22nd April 2013.

1. Domicile and 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 Government of Brunei Darussalam is the shareholder of the Authority.

2. Summary of significant accounting policies

2.1. Basis of preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), Autoriti Monetari Brunei Darussalam Order, 2010 ("the Order") and Currency Order 2004 ("the CO"). The financial statements of the Authority are presented in Brunei Dollars, rounded to the nearest thousands, except as otherwise stated. The Brunei Dollar is also the functional currency of the Authority.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

2.2. Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instruments.

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

2.3. Financial assets

Financial assets comprise investments in equity and debt securities, trade and other receivables, cash balances with central banks, banks and other financial institution and assets held with the IMF. Cash and cash equivalents comprise cash on hand, balances and placements with banks which are repayable on demand, money at call and on short notice.

Financial assets are classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), and loan and receivables financial assets. Note 25 sets out the amount of each class of financial asset and their corresponding categories. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Authority commits itself to purchase or sell the asset.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date – the date on which the Authority commits to purchase or sell the asset. Loans and receivables are recognised on the date they are originated.

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

2.3.1. Financial assets at fair value through profit or loss

This category has two sub-categories: financial instruments held for trading, and those designated as fair value through profit or loss at inception ("fair value option").

A financial asset is classified as held for trading if:

a) it has been acquired principally for the purpose of selling it in the near term; or
b) on initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or
c) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading include government securities and treasury bills and other dealing securities which are held for trading.

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

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
b) the financial asset forms part of a group of financial assets or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'net gains/losses on financial assets' line item. The Authority does not have any financial assets designated at fair value through profit or loss.

2.3.2. Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, and deposits held in banks unless otherwise stated) are initially recognised at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method less impairment losses.

2.3.3. Derecognition of financial assets

The Authority 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 Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.3.4. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

a) significant financial difficulty of the issuer or counterparty; or
b) breach of contract, such as a default or delinquency in interest or principal payments; or
c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
d) the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

2.4. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or measured at amortised cost.

2.4.1. Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

a) it has been acquired principally for the purpose of repurchasing it in the near term; or
b) on initial recognition it is part of a portfolio of identified financial instruments that the Authority manages together and has a recent actual pattern of short-term profit-taking; or
c) it is a derivative that is not designated and effective as a hedging instrument.

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

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
b) the financial liability forms part of a group of financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Authority's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract liability to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net gains / losses on financial liabilities' line item.

To date, the Authority does not have financial liabilities that are classified under FVTPL. All financial liabilities are measured at amortised cost.

2.4.2 Financial liabilities measured at amortised cost

Other financial liabilities (including currency in circulation, trade and other payables, deposit and balances of banks and other financial institutions, and liabilities with the IMF) are subsequently measured at amortised cost using the effective interest method.

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

2.4.3. Derecognition of financial liabilities

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire. 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

The Authority enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivative financial instruments are accounted for on a trade date basis. Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Any arising attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

Fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and pricing models, as appropriate.

Assets, including gains, resulting from derivative financial instruments which are measured at fair value are included in "Other assets"; liabilities, including losses, resulting from such contracts, are included in "Other liabilities". Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.6. Fair value of financial instruments

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms-length transaction other than an involuntary liquidation or distressed sale.

Fair value is based on observable market prices or parameters where available, or derived rom such prices or parameters.

The fair values of quoted investments in active markets are based on bid prices for equity and debt securities. If the market for a financial asset is not active (and for unquoted securities), the Authority establishes fair value by using valuation techniques. These include the use of recent market transactions, discounted cash flows analysis, pricing models and other valuation techniques commonly used by market participants. Any gains or losses arising from the valuation of financial instruments do not include interest and dividend income. As for cash and cash equivalents, other assets, currency in circulation and deposit liabilities are carried in the statement of financial position at face value which is equivalent to their amortised cost.

Fair values of derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and pricing models, as appropriate.

2.7. Property, plant and equipment

Property, plant 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 and fitttings	– 5 to 10 years
Office equipment, computers and machinery	– 3 to 10 years
Motor vehicles	– 7 years

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

The depreciable amount of a revalued asset is based on its revalued amount. The revaluation surplus is not transferred to retained earnings until the asset's ultimate disposal.

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 statement of profit or loss and other comprehensive income.

2.8. Impairment on non-financial assets

The carrying amounts of the Authority'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.

2.9. Revenue recognition

Revenue is recognised when the amount of revenue and associated costs can be reliably measured, it is probable that economic benefits associated with the transaction will be realised, and the stage of completion of the transaction can be reliably measured.

2.9.1. Interest income and expense

Interest from all interest-bearing assets and liabilities is recognised as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts.

2.9.2. Fee and commission income

Fee and commission 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 fee is recognised as revenue as the services are provided, or when the significant act has been completed, or as an adjustment to the effective interest rate.

2.10. Fee and commission expense

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

2.11. Foreign currency transaction and translation

In preparing the financial statements, transactions in currencies other than the Authority's functional currency are recognised at the rate of exchange prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into Brunei dollars at rates of exchange prevailing at the end of the reporting period. Transactions in foreign currencies are translated into Brunei Dollar at exchange rates prevailing on the transaction date. Translation differences are dealt with through profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.12. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Authority has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

2.13. Gold

Gold are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of gold is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such asset is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

2.14. Cash and cash equivalents

Cash and cash equivalents comprise of balances and short-term investments with less than or equal to three months maturity from the date of acquisition. Breakdown of the maturity period of cash deposits and short-term investments are disclosed in note 26 under sub-heading Liquidity Risk.

2.15. Inventory

Inventories consist of the currencies that are held for distribution and are measured at costs. 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.

2.16. Currency in circulation

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 2012 are as follow:

External Assets:	**B$'000**
Gold	199,463
Securities	588,684
Cash & cash equivalent	1,038,677
Other assets	3,714
	1,830,538
Less:	
Active currency in circulation	1,627,057
Currency held by the Authority	-
	1,627,057
	203,481

2.17. 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 Authority 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

2.18. Employee benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions and will have no legal or constructive obligation to pay further contributions. The Authority's contributions to defined contributions plans are recognized in the financial year to which they relate.

2.19. Distribution of profits

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;
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.

Within 3 months after the end of every financial year, the Authority shall allocate the distributable earnings as follows:

a) where the total balance of the paid-up capital and Reserve Fund is less than 20 percent of the total assets at the end of the financial year, 10 percent of the distributable profit is to be transferred to the Reserve Fund until the 20 percent level is met;
b) where the total balance of the paid-up capital and 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.

2.20. Application of new and revised IFRSs

All new and amended applicable IFRSs effective for this financial period have been applied consistently throughout these financial statements. There is no material impact of this application on the financial statements other than those discussed below:

a) Amendment to IAS 1 Presentation of items of Other Comprehensive Income

The company has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed the‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamedthe ‘statement of profit or loss’. The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective, and which are relevant to it:

a) Amendment to IFRS 7 and IAS 32

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Authority does not anticipate significant impact on the application of these amendments

b) IFRS 9 Financial Instruments

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the company’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Authority is currently assessing the impact on the application of IFRS 9.

c) IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. The Authority anticipates that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

3. Gold, property, plant and equipment

	Gold B$'000	Buildings B$'000	Furniture fixtures & fittings B$'000	Motor vehicles B$'000	Office equipment, machinery & computers B$'000	Total B$'000
Cost						
At 1 January 2012	136,014	39,794	427	194	3,647	180,076
Additions	62,227	-	22	-	4,261	66,510
Revaluation	1,222	-	-	-	-	1,222
Disposals	-	-	-	-	-	-
At 31 December 2012	**199,463**	**39,794**	**449**	**194**	**7,908**	**247,808**
Accumulated depreciation						
At 1 January 2012	-	23,582	333	103	1,547	25,565
Depreciation charge for the year	-	462	22	14	749	1,247
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2012	**-**	**24,044**	**355**	**117**	**2,296**	**26,812**
Net book value as at 31 December 2012	**199,463**	**15,750**	**94**	**77**	**5,612**	**220,996**

	Gold B$'000	Buildings B$'000	Furniture fixtures & fittings B$'000	Motor vehicles B$'000	Office equipment, machinery & computers B$'000	Total B$'000
Cost						
At 1 January 2011	-	-	-	-	-	-
Additions	150,074	13	12	94	442	150,635
Revaluation	(14,060)	-	-	-	-	(14,060)
Disposals	-	-	-	-	-	-
Transfer from BCMB	-	39,781	415	100	3,205	43,501
At 31 December 2011	**136,014**	**39,794**	**427**	**194**	**3,647**	**180,076**
Accumulated depreciation						
At 1 January 2011	-	-	-	-	-	-
Depreciation charge for the year	-	466	19	3	337	825
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer from BCMB	-	23,116	314	100	1,210	24,740
At 31 December 2011	**-**	**23,582**	**333**	**103**	**1,547**	**25,565**
Net book value as at 31 December 2011	**136,014**	**16,212**	**94**	**91**	**2,100**	**154,511**

4. Securities

	2012 B$'000	2011 B$'000
Government debt securities	595,742	425,762
Corporate debt securities	77,701	76,331
Government Treasury Bills	214,750	-
Sukuk	-	129,665
Equity securities	62,189	53,969
	950,382	**685,727**

5. Receivable from Government of Brunei Darussalam

In October 2012, the Authority has received the remaining balance of paid-up capital amounting B$300,000,000 from Government of Brunei Darussalam.

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

The IMF account is as detailed below:

	2012 B$'000	2011 B$'000
ASSETS		
Foreign currency investment and claims:		
IMF quota subscription	404,667	429,737
IMF No.1 currency account	(89,964)	(93,466)
IMF securities account	(311,085)	(323,194)
Currency valuation adjustment account	22,093	14,226
Reserve Tranche Position	25,711	27,303
SDR holdings	407,069	432,248
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	1	3
Accrued interest on SDR holdings	46	132
IMF expenses on SDR allocation	3,628	3,215
	436,455	**462,901**

	2012 B$'000	2011 B$'000
LIABILITIES		
IMF No.2 currency account	404	420
Currency valuation adjustment account No.2	(22)	(14)
IMF SDR allocation	382,672	406,380
IMF accrued expenses on SDR allocation	44	124
	383,098	**406,910**

7. Other assets

	2012 B$'000	2011 B$'000
Interest and dividend receivable	5,345	4,717
World Bank subscription	19,659	19,659
Prepayments	37,252	1,280
Other assets	874	11,702
	63,130	**37,358**

8. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2012 B$'000	2011 B$'000
Cash	589,708	598,206
Short-term deposit	1,523,521	1,939,185
Short-term Government Treasury bills	728,496	-
	2,841,725	**2,537,391**

9. Capital

The authorised 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.

10. Reserve funds

The reserve funds were established in accordance with the provisions of Section 7 of the the Order, 2010 as follow:

(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 realized 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 instrument and other assets; and

(d) such other funds as the Authority may determine.

11. Provisions

	2012 B$'000	2011 B$'000
Provision for salary	5,238	5,000
Provision for incentive scheme	440	190
Provision for Minimum Cash Balance ("MCB")	-	104,402
Provision for distributable earnings to Government of Brunei Darussalam	22,102	14,526
	27,780	**124,118**

a) The provision for salary comprises of the staff costs for the Government officers and staff who were seconded to BCMB for the year 2009-2010 and to the Authority for the year 2011-2012.
b) The provision for the Authority's incentive scheme relates to a post-employment benefit plan under which the Authority contributes 5 or 10 percent of employee's monthly salary depending on the employee's annual performance. This will be invested through third party or any institution approved by the Board. This incentive scheme is recognized as an employee benefits expense under"Other operating expenses" in the statement of profit or loss and other comprehensive income. The provision for this incentive scheme was reclassified from current liabilities in 2011 to non-current liabilities in 2012.
c) The provision for MCB is the accumulated interest earned for the cash balances deposited with BCMB (before establishment of the Authority in 2011) by all banks and finance companies operating in Brunei Darussalam, as part of their regulatory requirements. During the year, this provision has been transferred to Reserve Funds.
d) The provision for the amount payable to Government of Brunei Darussalam is as follows:

	2012 B$'000	2011 B$'000
At 1 January	14,526	-
Transfer of BCMB's reserve funds	-	12,941
Distributable profit for the year	7,576	1,585
At 31 December	**22,102**	**14,526**

12. Currency in circulation

Denomination	**2012 B$'000**	**2011 B$'000**
$1	33,380	31,631
$5	21,468	20,284
$10	117,548	109,475
$20	10,703	10,253
$25	8,541	8,588
$50	39,120	37,364
$100	525,949	465,917
$500	188,358	169,267
$1,000	78,748	61,739
$10,000	566,170	739,950
Other notes and coins	37,072	35,519
	1,627,057	**1,689,987**

13. Payables to the Government of Brunei Darussalam

	2012 B$'000	2011 B$'000
Credit to the Government on IMF holdings	53,358	55,992
Payables to the Government of Brunei Darussalam	832	420
	54,190	**56,412**

14. Other liabilities

	2012 B$'000	2011 B$'000
Accrued expenses	5,122	2,338
Deposits by international institutions	19,679	19,679
Other liabilities	252	53
	25,053	**22,070**

15. Deposit and balances of banks and other financial institutions

	2012 B$'000	2011 B$'000
Minimum cash balance:		
Commercial banks	906,447	910,653
Finance companies	93,509	64,839
Reserve account:		
Commercial banks	260,000	-
	1,259,956	**975,492**

Deposits from banks and finance companies include:

a) The MCB 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 licences under the Securities Order (SO), 2001 represents statutory deposits as required under Section 27 of the SO 2001.

b) The reserve accounts shall be used for the maintenance of the bank's cash balances with the Authority. For the Asset Maintenance Requirement, the cash balances in the reserve account may be recognized as an eligible asset as defined in regulation 2 of the Deposit Protection Regulations, 2010 (S111/10) for the purpose of computing the asset maintenance ratio. This account was introduced in 2012.

16. Interest income

Interest income is inclusive of interest that is earned from fixed deposits placement, cash and cash equivalents. For the year 2012, the Authority earned B$4,190,355.10 (2011: B$2,423,392.68).

17. Net gains on financial assets

	2012 B$'000	2011 B$'000
Debt securities		
- Market gain	10,464	18,372
- Bonds interest	16,672	15,122
Equity		
- Market gain/(loss)	7,159	(4,168)
- Dividend	1,554	1,453
Foreign exchange (loss) / gain	(4,148)	2,442
	31,701	**33,221**

18. Net gains /(losses) on gold revaluation

	2012 B$'000	2011 B$'000
Unrealised gains / (losses) on market	11,905	(24,756)
Unrealised (losses) / gains on currency	(10,683)	10,696
	1,222	**(14,060)**

19. Fee and commission income

Fee and commission income is inclusive of the following:

	2012 B$'000	2011 B$'000
Registry of international business companies	3,063	2,930
Registration and licensing of banks and financial institutions	1,953	1,913
Credit Bureau services	281	-
	5,297	**4,843**

20. Other income

Other income is inclusive of the following:

	2012 B$'000	2011 B$'000
Commemorative coins	219	126
Other income	24	4
	243	**130**

21. Staff costs

	2012 B$'000	2011 B$'000
Salaries and wages	4,806	4,200
Bonuses	1,069	670
Other staff costs	3,354	1,471
	9,229	**6,341**

22. Other operating expenses

	2012 B$'000	2011 B$'000
Depreciation	1,247	825
Other expenses	5,586	4,234
	6,833	**5,059**

23. Capital management

The Authority manages its capital to ensure that it will be able to continue as going concerns while ensuring there is sufficient capital to carry out effectively its statutory responsibilities. The Authority's overall strategy remains unchanged from 2011.

The capital structure of the Authority's consists of the equity of the Authority's comprising paid-up capital and reserve, detailed in notes 9 to 10.

The Authority is not subject to any externally imposed capital requirements.

24. Related party

In the normal course of its operation, the Authority can enter into transactions with related party. Related parties include the Government of Brunei Darussalam.

The Authority may serve as banker to and act as the financial agent to the Government of Brunei Darussalam. There is no related party transaction during the current financial year.

25. Categories of financial instruments

2012	Carrying amount B$'000	At fair value through profit or loss B$'000	Loans and receivables B$'000	Financial liabilities held at amortised cost B$'000
Financial assets				
Securities	950,382	950,382	-	-
Assets held with IMF	436,455	-	436,455	-
Other assets	25,878	-	25,878	-
Fixed deposits	8,481	-	8,481	-
Cash and cash equivalents with				
- Banks and other financial institutions	2,841,725	-	2,841,725	-
	4,262,921	**950,382**	**3,312,539**	**-**
Financial Liabilities				
Currency in circulation	1,627,057	-	-	1,627,057
Payables to Government of Brunei Darussalam	54,190	-	-	54,190
Liabilities with IMF	383,098	-	-	383,098
Other liabilities	25,053	-	-	25,053
Deposit and balances of				
- Banks and other financial institutions	1,259,956	-	-	1,259,956
	3,349,354	**-**	**-**	**3,349,354**

2011	Carrying amount B$'000	At fair value through profit or loss B$'000	Loans and receivables B$'000	Financial liabilities held at amortised cost B$'000
Financial assets				
Securities	685,727	685,727	-	-
Derivatives	693	693	-	-
Receivables from Government of Brunei Darussalam	300,000	-	300,000	-
Assets held with IMF	462,901	-	462,901	-
Other assets	36,078	-	36,078	-
Fixed deposits	120,015	-	120,015	-
Cash and cash equivalents with				
- Banks and other financial institutions	2,537,391	-	2,537,391	-
	4,142,805	**686,420**	**3,456,385**	**-**
Financial Liabilities				
Currency in circulation	1,689,987	-	-	1,689,987
Payables to Government of Brunei Darussalam	56,412	-	-	56,412
Liabilities with IMF	406,910	-	-	406,910
Other liabilities	22,070	-	-	22,070
Deposit and balances of				
- Banks and other financial institutions	975,492	-	-	975,492
	3,150,871	-	-	**3,150,871**

26. Fair value of financial assets and liabilities

The Authority considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to their relatively short term maturity.

The fair values of financial assets and financial liabilities are determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

b) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and

c) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques that rely upon relevant observable market data curves. This category of instruments comprised of derivatives, repurchase transactions, commercial paper and deposits.

Level 3: Valued using techniques where at least one input that could have a significant impact on the valuation is not based on observable market data.

	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
2012				
Securities	950,382	-	-	950,382
	950,382	**-**	**-**	**950,382**

	Level 1 B$'000	Level 2 B$'000	Level 3 B$'000	Total B$'000
2011				
Securities	556,062	129,665	-	685,727
Derivatives	-	693	-	693
	556,062	**130,358**	**-**	**686,420**

27. Financial risk management

Exposure to credit, market, liquidity and operational risks arise in the normal course of the Authority's b usiness. The Authority has risk management policies and has established processes to monitor and control the risks inherent in their business and activities.

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 Authority, as and when they fall due.

Under Section 68 of the Order, there is a guarantee from the Government which states that the Government shall be responsible for the payment of all moneys due by the Authority.

Credit risk on securities held by the Authority is managed by providing investment guidelines and requirements to the funds. These guidelines are agreed upon by the Board of Directors.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 B$'000	2011 B$'000
Securities	950,382	685,727
Derivatives	-	693
Receivables from Government of Brunei Darussalam	-	300,000
Other assets	25,878	36,078
Fixed deposits	8,481	120,015
Cash and cash equivalents with:		
- Central banks	-	-
- Banks and other financial institutions	2,841,725	2,537,391
	3,826,466	**3,679,904**

The Authority which acts as the depository agent for the Government for IMF Membership holds assets and liabilities in the Authority's books. Therefore, the Authority is not susceptible to the credit risks.

Liquidity risk

Liquidity risk is the risk that the Authority 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 Authority's objective is to ensure that adequate liquidity is maintained at all times. The Authority 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 need. Alongside this, the Authority imposes exposure limits on its approved counterparty list. Diversification of the fund is also achieved by investing in other asset classes such as fixed income bonds, equities and precious metals.

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

	No specific maturity B$'000	Up to 1 mth B$'000	1-3 mths B$'000	3-12 mths B$'000	1-5 years B$'000	> 5 yrs B$'000	Total B$'000
31 December 2012							
Financial assets							
Other assets	25,878	-	-	-	-	-	25,878
Assets held with IMF	436,455	-	-	-	-	-	436,455
Equity	62,189	-	-	-	-	-	62,189
Cash & cash equivalent	-	2,136,218	705,507	-	-	-	2,841,725
Fixed deposits	-	-	-	8,481	-	-	8,481
Government treasury bills	-	-	-	214,750	-	-	214,750
Fixed income bonds	-	-	-	-	93,549	579,894	673,443
	524,522	**2,136,218**	**705,507**	**223,231**	**93,549**	**579,894**	**4,262,921**
Financial liabilities							
Currency in circulation	1,627,057	-	-	-	-	-	1,627,057
Payable to Government of	54,190	-	-	-	-	-	54,190
Brunei Darussalam							383,098
Liabilities with IMF	383,098	-	-	-	-	-	25,053
Other liabilities	25,053	-	-	-	-	-	
Deposit and balances of banks and other financial institutions	1,259,956	-	-	-	-	-	1,259,956
	3,349,354	**-**	**-**	**-**	**-**	**-**	**3,349,354**

	No specific maturity B$'000	Up to 1 mth B$'000	1-3 mths B$'000	3-12 mths B$'000	1-5 years B$'000	> 5 yrs B$'000	Total B$'000
31 December 2011							
Financial assets							
Other assets	36,078	-	-	-	-	-	36,078
Assets held with IMF	462,901	-	-	-	-	-	462,901
Receivable from Government of Brunei Darussalam	300,000	-	-	-	-	-	300,000
Equity	53,969	-	-	-	-	-	53,969
Cash & cash equivalent	-	2,176,870	360,521	-	-	-	2,537,391
Fixed deposits	-	-	-	120,015	-	-	120,015
Derivatives	-	-	693	-	-	-	693
Fixed income bonds	-	-	501	170,960	163,149	297,148	631,758
	852,948	**2,176,870**	**361,715**	**290,975**	**163,149**	**297,148**	**4,142,805**
Financial liabilities							
Currency in circulation	1,689,987	-	-	-	-	-	1,689,987
Payable to Government of Brunei Darussalam	56,412	-	-	-	-	-	56,412
Liabilities with IMF	406,910	-	-	-	-	-	406,910
Other liabilities	22,070	-	-	-	-	-	22,070
Deposit and balances of banks and other financial institutions	975,492	-	-	-	-	-	975,492
	3,150,871	**-**	**-**	**-**	**-**	**-**	**3,150,871**

Market risk

Market risk is defined as the risk of loss as a result of changes in market risk factors, including prices of securities, interest rates, foreign exchange rates, and credit spreads.

The Authority is exposed to market risk, as a consequence of its operations to deliver its policy objectives in the course of managing the Authority's statement of financial position, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred to changes in exchange rates (see below) and to shifts in general market conditions, such as the liquidity of asset markets.

Market risk is managed through regular monitoring of the market risk exposure of the Authority's investments, the diversification of the Authority's investments across different markets and currencies, and the establishment of investment risk tolerance and controls at both the aggregate and individual portfolio levels.

Interest rate risk

Interest rate risk is the risk associated with holding fixed-rate and floating-rate instruments in a changing interest-rate environment. The Authority's statement of financial position and profit is exposed to interest rate risk because most of its assets are financial assets, such as foreign securities and fixed deposits, which have interest income streams. The price of fixed-interest instruments like fixed income bonds will decline when market rates rise, while the price will increase when market rates fall. Interest rate risk will also increase with maturity of a security because the associated income stream is fixed for a longer period.

The Authority has holdings of interest-bearing financial instruments in the form of fixed deposits ranging from 0.04% to 0.58% (2011: 0.02% to 0.51%) and fixed-income bonds ranging from 0.00% to 5.6% (0.00% to 5.60% for 2011).

The maximum duration of the Authority's holding of fixed-income instruments in its investment portfolio as at 31 December 2012 is 37 years (2011: 19 years).

Sensitivity to interest rate risk

At the reporting date the interest rate profile of the Authority's interest-bearing financial instruments were as follows:

	Carrying amount 2012 B$'000	Carrying amount 2011 B$'000
Financial assets:		
Securities	888,193	631,758
Derivatives	-	693
Fixed deposits	8,481	120,015
Cash equivalents	2,252,017	1,939,185
	3,148,691	2,691,651
Financial liabilities	-	-
	3,148,691	**2,691,651**

The effect on the Authority's fixed rate instruments' interest income of a movement of +/- 10 basis points in interest rates as at 31 December 2012 will result in a gain/loss of B$4.321 million. These figures are generally reflective of the Authority's exposure over the financial year. For fixed deposits, there are no interest rate risks as interest rates are fixed at the time of trade. Similarly, for cash equivalents, there are also no interest rate risks as these are zero-coupon government treasury bills, with fixed income to be received at maturity.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of the instrument will vary due to changes in currency exchange rates. The Authority holds forward contracts amounting to principal amount of $27,243,509 for 2012 (2011: $24,804,386) to hedge its exposure to foreign exchange risks.

Any gains or loss of the outstanding forward contracts are recognised in profit or loss.
As at 31 December 2012, the Authority's net exposure to major currencies, in Brunei Dollar terms, is:

	2012 B$'000	2011 B$'000
Securities:		
US dollar	48,826	172,408
Euro currency	11,320	9,208
Hong Kong dollar	9,318	7,551
Japanese yen	3,166	2,673
Pound sterling	3,530	3,244
Australian dollar	2,465	2,795
Other currencies	2,842	1,542
	81,467	**199,421**

Other financial assets and liabilities are denominated in the functional currency.

28. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

As a result, certain line items have been amended in the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and related notes to the financial statements.

	2011	
	B$'000	**B$'000**
The items were reclassified as follows:	Previously reported	After reclassification
	$	$
(a) Statement of financial position:		
Liabilities		
Provisions	123,928	124,118
Other liabilities	22,260	22,070

(b) Statement of profit or loss and other comprehensive income:

Interest income	17,545	2,423
Dividend income	1,453	-
Net gain on financial assets	16,646	33,221
Staff costs	6,341	-
Other operating expenses	11,400	5,059

(c) Statement of cash flows:

Adjustment for:		
Unrealised gains on currency and market valuation	-	(13,163)
<u>(Increase)/Decrease in operating activities</u>		
Securities	(685,727)	(653,476)
Derivatives	(693)	-
Receivables from Government of Brunei Darussalam	(300,000)	-
<u>Increase/(Decrease) in operating activities</u>		
Provisions	109,402	122,533
Other liabilities	22,260	22,070
<u>Cash flows from financing activities</u>		
Share capital	1,000,000	700,000
Transfer of reserve	12,941	-
Revaluation reserve	19,781	-

6. KEY EVENTS AND ACTIVITIES

AMBD FAMILY DAY

7th SEACAN-CEMCOA/BOJ Intermediate Course on Payment and Settlement Systems for Emerging Economics

Seminar on Emerging Shariah Issues in Regulatory Capital and Risk Management in Islamic Banking

AITRI Workshop on Self Assessment on IAIC Insurance Off Principles

ANNEX

Annex 1: Circulation of Brunei Notes				
Denomination	**Held by Banks in Brunei**	**Held by Monetary Authority of Singapore Pending Repatriation**	**Held Otherwise (Active Circulation)**	**Gross Circulation**
$1	540,955.00	37,266.00	32,802,022.00	33,380,243.00
$5	837,370.50	34,810.00	20,596,143.50	21,468,324.00
$10	11,323,210.00	1,877,190.00	104,347,635.00	117,548,035.00
$20	333,840.00	23,280.00	10,345,500.00	10,702,620.00
$25	144,075.00	3,500.00	8,393,487.50	8,541,062.50
$50	3,230,100.00	1,123,350.00	34,766,250.00	39,119,700.00
$100	77,525,750.00	51,700,200.00	396,723,243.00	525,949,193.00
$500	14,937,500.00	21,184,500.00	152,236,250.00	188,358,250.00
$1,000	3,837,000.00	9,026,000.00	65,884,500.00	78,747,500.00
$10,000	493,550,000.00	7,180,000.00	65,440,000.00	566,170,000.00
TOTAL (B$)	**606,259,800.50**	**92,190,096.00**	**891,535,031.00**	**1,589,984,927.50**

**As of 31 December 2012*

Source: Monetary Operations Department, AMBD

Annex 2: Circulation of Brunei Coins			
Denomination	**Held by Banks in Brunei**	**Held Otherwise (Active Circulation)**	**Gross Circulation**
1¢	1,008.48	527,079.51	528,087.99
5¢	3,712.19	2,394,430.96	2,398,143.15
10¢	4,717.45	6,517,602.55	6,522,320.00
20¢	9,250.10	8,829,744.10	8,838,994.20
25¢	0.00	82.50	82.50
50¢	14,203.50	8,927,846.50	8,942,050.00
$1	0.00	79,435.00	79,435.00
$2	0.00	7,944.00	7,944.00
$2.50	0.00	760.00	760.00
$3	0.00	21,537.00	21,537.00
$5	0.00	257,105.00	257,105.00
$10	0.00	326,845.00	326,845.00
$20	0.00	383,170.00	383,170.00
$25 (Jubilee)	0.00	197,300.00	197,300.00
$30	0.00	94,021.00	94,021.00
$50 (Jubilee)	0.00	489,700.00	489,700.00
$100	0.00	973,300.00	973,300.00
$200	0.00	324,000.00	324,000.00
$250	0.00	249,000.00	249,000.00
$500	0.00	994,500.00	994,500.00
$750	0.00	747,750.00	747,750.00
$1,000	0.00	4,696,000.00	4,696,000.00
TOTAL (B$)	**32,891.72**	**37,039,153.12**	**37,072,044.84**

**As of 31 December 2012*

Source: Monetary Operations Department, AMBD

Annex 3: Brunei Government Sukuk Al-Ijarah Issuance						
YEAR	SERIES	ISSUANCE DATE	TENOR (Days)	MATURITY DATE	TOTAL	RENTAL YIELD (Percent)
2006	SERIES 1	6-Apr-06	91	06-Jul-06	$150,000,000	3.400
	SERIES 2	29-Jun-06	91	28-Sep-06	$150,000,000	3.375
	SERIES 3	13-Jul-06	91	12-Oct-06	$150,000,000	3.350
	SERIES 4	2-Nov-06	91	01-Feb-07	$120,000,000	3.375
2007	SERIES 5	15-Feb-07	91	17-May-07	$ 90,000,000	3.150
	SERIES 6	12-Apr-07	91	12-Jul-07	$ 70,000,000	2.700
	SERIES 7	21-Jun-07	91	20-Sep-07	$ 70,000,000	2.275
	SERIES 8	12-Jul-07	364	10-Jul-08	$ 45,000,000	2.300
	SERIES 9	16-Aug-07	91	15-Nov-07	$ 80,000,000	2.450
	SERIES 10	25-Oct-07	91	24-Jan-08	$ 50,000,000	2.275
	SERIES 11	6-Dec-07	91	06-Mar-08	$ 45,000,000	2.188
2008	SERIES 12	24-Jan-08	364	22-Jan-09	$ 30,000,000	1.500
	SERIES 13	5-Jun-08	91	04-Sep-08	$ 40,000,000	0.925
	SERIES 14	19-Jun-08	91	18-Sep-08	$ 28,000,000	0.880
	SERIES 15	17-Jul-08	91	16-Oct-08	$ 15,000,000	0.600
	SERIES 16	7-Aug-08	91	06-Nov-08	$ 9,000,000	0.550
	SERIES 17	21-Aug-08	91	20-Nov-08	$ 24,000,000	0.750
	SERIES 18	11-Sep-08	91	11-Dec-08	$ 45,000,000	1.000
	SERIES 19	9-Oct-08	91	08-Jan-09	$ 35,000,000	1.430
	SERIES 20	23-Oct-08	364	22-Oct-09	$ 35,000,000	1.150
	SERIES 21	6-Nov-08	91	05-Feb-09	$ 18,000,000	0.920
	SERIES 22	20-Nov-08	91	19-Feb-09	$ 35,000,000	0.600
	SERIES 23	18-Dec-08	91	19-Mar-09	$ 60,000,000	0.650
2009	SERIES 24	5-Feb-09	91	07-May-09	$ 31,000,000	0.400
	SERIES 25	19-Feb-09	91	21-May-09	$ 60,000,000	0.390
	SERIES 26	5-Mar-09	364	04-Mar-10	$ 11,000,000	0.500
	SERIES 27	19-Mar-09	91	18-Jun-09	$ 63,000,000	0.340
	SERIES 28	9-Apr-09	91	09-Jul-09	$ 25,000,000	0.300
	SERIES 29	23-Apr-09	91	23-Jul-09	$ 30,000,000	0.300
	SERIES 30	7-May-09	91	06-Aug-09	$ 21,000,000	0.300
	SERIES 31	21-May-09	91	20-Aug-09	$ 35,000,000	0.300
	SERIES 32	11-Jun-09	91	10-Sep-09	$ 20,000,000	0.300
	SERIES 33	9-Jul-09	91	08-Oct-09	$ 45,000,000	0.300
	SERIES 34	30-Jul-09	364	29-Jul-10	$ 50,000,000	0.450
	SERIES 35	13-Aug-09	91	12-Nov-09	$ 25,000,000	0.330
	SERIES 36	27-Aug-09	91	26-Nov-09	$ 32,000,000	0.300

YEAR	SERIES	ISSUANCE DATE	TENOR (Days)	MATURITY DATE	TOTAL	RENTAL YIELD (Percent)
2009	**SERIES 37**	17-Sep-09	91	17-Dec-09	$ 38,000,000	0.350
	SERIES 38	8-Oct-09	91	07-Jan-10	$ 33,000,000	0.360
	SERIES 39	22-Oct-09	91	21-Jan-10	$ 30,000,000	0.380
	SERIES 40	19-Nov-09	91	18-Feb-10	$ 25,000,000	0.390
	SERIES 41	3-Dec-09	91	04-Mar-10	$ 43,000,000	0.390
2010	**SERIES 42**	25-Mar-10	91	24-Jun-10	$ 70,000,000	0.380
	SERIES 43	1-Apr-10	91	01-Jul-10	$ 30,000,000	0.350
	SERIES 44	29-Apr-10	91	29-Jul-10	$ 25,000,000	0.300
	SERIES 45	20-May-10	91	19-Aug-10	$ 33,000,000	0.300
	SERIES 46	17-Jun-10	91	16-Sep-10	$ 70,000,000	0.320
	SERIES 47	1-Jul-10	91	30-Sep-10	$ 65,000,000	0.300
	SERIES 48	22-Jul-10	91	21-Oct-10	$ 35,000,000	0.300
	SERIES 49	5-Aug-10	364	04-Aug-11	$ 65,000,000	0.340
	SERIES 50	19-Aug-10	91	18-Nov-10	$ 40,000,000	0.280
	SERIES 51	2-Sep-10	91	02-Dec-10	$ 25,000,000	0.280
	SERIES 52	30-Sep-10	91	30-Dec-10	$ 48,000,000	0.280
	SERIES 53	14-Oct-10	91	13-Jan-11	$ 25,000,000	0.280
	SERIES 54	28-Oct-10	91	27-Jan-11	$ 48,000,000	0.280
	SERIES 55	25-Nov-10	91	24-Feb-11	$ 35,000,000	0.280
	SERIES 56	9-Dec-10	91	10-Mar-11	$ 35,000,000	0.270
2011	**SERIES 57**	21-Apr-11	91	21-Jul-11	$ 72,000,000	0.280
	SERIES 58	12-May-11	91	11-Aug-11	$ 85,000,000	0.250
	SERIES 59	9-Jun-11	91	08-Sep-11	$ 31,000,000	0.200
	SERIES 60	23-Jun-11	91	22-Sep-11	$ 51,000,000	0.190
	SERIES 61	7-Jul-11	91	06-Oct-11	$ 71,000,000	0.200
	SERIES 62	11-Aug-11	364	09-Aug-12	$ 96,000,000	0.350
	SERIES 63	25-Aug-11	91	24-Nov-11	$ 85,000,000	0.100
	SERIES 64	22-Sep-11	91	22-Dec-11	$100,000,000	0.150
	SERIES 65	13-Oct-11	91	12-Jan-12	$100,000,000	0.100
	SERIES 66	3-Nov-11	91	02-Feb-12	$100,000,000	0.175
	SERIES 67	17-Nov-11	91	16-Feb-12	$100,000,000	0.180
	SERIES 68	8-Dec-11	91	08-Mar-12	$100,000,000	0.170
2012	**SERIES 69**	8-Mar-12	91	7-Jun-12	$100,000,000	0.200
	SERIES 70	22-Mar-12	91	21-Jun-12	$100,000,000	0.200
	SERIES 71	12-Apr-12	91	12-Jul-12	$100,000,000	0.200
	SERIES 72	26-Apr-12	91	26-Jul-12	$100,000,000	0.180
	SERIES 73	17-May-12	91	16-Aug-12	$100,000,000	0.180
	SERIES 74	7-Jun-12	91	6-Sep-12	$100,000,000	0.180
	SERIES 75	28-Jun-12	91	27-Sep-12	$100,000,000	0.200

YEAR	SERIES	ISSUANCE DATE	TENOR (Days)	MATURITY DATE	TOTAL	RENTAL YIELD (Percent)
2012	**SERIES 76**	12-Jul-12	91	11-Oct-12	$100,000,000	0.180
	SERIES 77	2-Aug-12	91	1-Nov-12	$100,000,000	0.180
	SERIES 78	16-Aug-12	364	15-Aug-13	$100,000,000	0.280
	SERIES 79	20-Sep-12	91	20-Dec-12	$100,000,000	0.180
	SERIES 80	11-Oct-12	91	10-Jan-13	$100,000,000	0.160
	SERIES 81	1-Nov-12	91	31-Jan-13	$100,000,000	0.160
	SERIES 82	22-Nov-12	91	21-Feb-13	$100,000,000	0.160
	SERIES 83	6-Dec-12	91	7-Mar-13	$100,000,000	0.160
TOTAL (B$)					**$5,151,000,000**	

Source: Monetary Policy and Management Department, AMBD

Annex 4: Central Bank Survey					
Millions of Brunei Dollars	2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012
Net Foreign Assets	2,697.548	2,345.759	3,276.898	3,121.784	3,632.270
Claims On Nonresidents	3,124.403	2,770.191	3,690.820	3,534.384	4,034.745
Liabilities To Nonresidents	-426.855	-424.433	-413.921	-412.599	-402.475
Claims on Other Depository Corporations	850.215	854.541	705.503	362.269	423.456
Net Claims On Central Government	138.181	114.902	115.166	116.438	-69.518
Claims On Central Government	300.769	300.877	300.784	300.932	0.803
Liabilities To Central Government	-162.588	-185.975	-185.617	-184.494	-70.321
Claims On Other Sectors	0.000	0.000	0.000	0.000	0.000
Claims On Other Financial Corporations	0.000	0.000	0.000	0.000	0.000
Claims On State and Local Government	0.000	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	0.000	0.000	0.000	0.000	0.000
Claims on Private Sector	0.000	0.000	0.000	0.000	0.000
Monetary Base	2,665.479	2,312.570	3,090.636	2,585.687	2,887.007
Currency In Circulation	1,689.987	1,238.855	2,125.172	1,623.716	1,627.052
Liabilities To Other Depository Corporations	975.492	1,073.715	965.464	961.971	1,259.956
Liabilities To Other Sectors	0.000	0.000	0.000	0.000	0.000
Other Liabilities To Other Depository Corporations	0.001	1.648	1.038	2.041	1.130
Deposits and Securities Other Than Shares Excluded From Monetary Base	0.000	0.000	0.000	0.000	0.000
Deposits Included In Broad Money	0.000	0.000	0.000	0.000	0.000
Securities Other Than Shares Included In Broad Money	0.000	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000	0.000
Shares and Other Equity	1,045.438	1,025.907	1,029.465	1,036.490	1,159.489
Other Items (Net)	-24.974	-24.923	-23.570	-23.726	-61.417

Source: Monetary Policy and Management Department, AMBD

Note: Central Bank refers to Autoriti Monetari Brunei Darussalam

Annex 5: Other Depository Corporations Survey					
Millions of Brunei Dollars	2011	Mar 2012	Jun 2012	Sep 2012	Dec 2012
Net Foreign Assets	12,897.324	12,923.333	11,140.844	11,848.597	11,227.439
Claims On Nonresidents	13,098.103	13,171.902	11,351.521	12,041.398	11,428.595
Liabilities To Nonresidents	-200.778	-248.568	-210.677	-192.801	-201.156
Claims on Central Bank	1,833.578	1,514.090	2,244.211	1,730.828	1,960.870
Currency	858.928	440.086	1,238.260	663.050	701.029
Reserve Deposits And Securities Other than Shares	974.650	1,074.004	1,005.951	1,067.779	1,259.841
Other Claims On Central Bank	0.000	0.000	0.000	0.000	0.000
Net Claims On Central Government	-5,120.405	-3,913.605	-3,839.909	-4,703.795	-3,917.499
Claims On Central Government	495.659	295.769	595.805	399.582	499.680
Liabilities To Central Government	-5,616.063	-4,209.374	-4,435.714	-5,103.377	-4,417.179
Claims On Other Sectors	6,711.972	6,682.889	6,755.330	6,828.707	6,864.017
Claims On Other Financial Corporations	108.731	95.966	20.662	18.762	59.979
Claims On State and Local Government	0.000	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	107.915	193.499	280.242	180.990	194.050
Claims On Private Sector	6,495.326	6,393.425	6,454.426	6,629.163	6,609.987
Liabilities To Central Bank	700.218	816.997	616.586	267.709	322.885
Transferable Deposits Included In Broad Money	3,402.429	3,686.725	3,480.080	3,523.199	3,367.360
Other Deposits Included in Broad Money	9,603.696	10,009.106	9,440.754	9,524.064	9,668.210
Securities Other Than Shares Included in Broad Money	0.000	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000	0.000
Insurance Technical Reserves	0.000	0.000	0.000	0.000	0.000
Shares and Other Equity	2,073.250	2,135.491	2,190.419	2,227.953	2,184.242
Other Items (Net)	542.876	558.389	572.637	161.412	592.131

Source: Monetary Policy and Management Department, AMBD

Note: Other Depository Corporations consist of deposit-taking institutions including commercial banks, finance companies, and an Islamic trust fund.

Annex 6: Depository Corporations Survey					
Millions of Brunei Dollars	**2011**	**Mar 2012**	**Jun 2012**	**Sep 2012**	**Dec 2012**
Net Foreign Assets	15,594.872	15,269.092	14,417.742	14,970.382	14,859.710
Claims On Nonresidents	16,222.506	15,942.093	15,042.341	15,575.781	15,463.340
Liabilities To Nonresidents	-627.634	-673.001	-624.599	-605.400	-603.631
Domestic Claims	1,729.749	2,884.187	3,030.587	2,241.350	2,877.000
Net Claims On Central Government	-4,982.223	-3,798.703	-3,724.743	-4,587.357	-3,987.017
Claims On Central Government	796.428	596.647	896.588	700.514	500.483
Liabilities To Central Government	-5,778.651	-4,395.350	-4,621.331	-5,287.871	-4,487.501
Claims On Other Sectors	6,711.972	6,682.889	6,755.330	6,828.707	6,864.017
Claims On Other Financial Corporations	108.731	95.966	20.662	18.762	59.979
Claims On State And Local Government	0.000	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	107.915	193.499	280.242	180.782	194.050
Claims On Private Sector	6,495.326	6,393.425	6,454.426	6,629.163	6,609.987
Broad Money Liabilities	13,837.185	14,494.599	13,807.746	14,007.929	13,961.592
Currency Outside Depository Corporations	831.059	798.769	886.912	960.666	926.022
Transferable Deposits	3,402.429	3,686.725	3,480.080	3,523.199	3,367.360
Other Deposits	9,603.696	10,009.106	9,440.754	9,524.064	9,668.210
Securities Other Than Shares	0.000	0.000	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000	0.000	0.000
Loans	0.000	0.000	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000	0.000	0.000
Insurance Technical Reserves	0.000	0.000	0.000	0.000	0.000
Shares and Other Equity	3,118.688	3,161.398	3,219.884	3,264.444	3,343.730
Other Items (Net)	368.747	497.281	420.699	-60.641	431.387

Source: Monetary Policy and Management Department, AMBD

Note: Depository Corporations consist of Central Bank and Other Depository Corporations.

Annex 7: Other Financial Corporations Survey					
Millions of Brunei Dollars	**2011**	**Mar 2012**	**Jun 2012**	**Sep 2012**	**Dec 2012**
Net Foreign Assets	735.311	741.160	734.759	753.046	751.501
Claims On Nonresidents	752.431	774.084	762.455	777.439	772.631
Liabilities To Nonresidents	-17.120	-32.924	-27.696	-24.393	-21.130
Claims on Other Depository Corporations	265.152	281.630	296.177	285.779	301.318
Net Claims On Central Government	-10.637	-15.546	-15.568	-19.428	-10.917
Claims On Central Government	10.892	8.351	5.863	3.239	12.255
Liabilities To Central Government	-21.529	-23.897	-21.431	-22.667	-23.172
Claims On Other Sectors	58.581	62.214	61.066	58.263	54.969
Claims On State and Local Government	0.000	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	0.860	3.609	2.406	2.587	2.181
Claims on Private Sector	57.721	58.605	58.660	55.676	52.788
Deposits	0.000	0.000	0.000	0.000	0.000
Securities Other Than Shares	0.000	0.000	0.000	0.000	0.000
Loans	73.087	73.081	73.255	75.974	76.067
Financial Derivatives	0.000	0.000	0.000	0.000	0.000
Insurance Technical Reserves	558.938	585.056	590.213	600.451	598.403
Shares and Other Equity	391.390	387.240	393.974	401.788	408.290
Other Items (Net)	24.992	24.081	18.992	-0.554	14.111

Source: Monetary Policy and Management Department, AMBD

Note: Other Financial Corporations consist of insurance companies. It excludes pension funds, securities companies, assets management companies, offshore financial institutions, money remittance companies, and money companies

Annex 8: Financial Corporations Survey					
Millions of Brunei Dollars	**2011**	**Mar 2012**	**Jun 2012**	**Sep 2012**	**Dec 2012**
Net Foreign Assets	16,330.183	16,010.252	15,152.501	15,723.427	15,611.211
Claims On Nonresidents	16,974.937	16,716.177	15,804.796	16,353.220	16,235.971
Liabilities To Nonresidents	-644.754	-705.925	-652.295	-629.793	-624.761
Domestic Claims	1,668.962	2,834.889	3,055.423	2,261.423	2,861.073
Net Claims On Central Government	-4,992.860	-3,814.249	-3,740.311	-4,606.784	-3,997.934
Claims On Central Government	807.320	604.998	902.451	703.753	512.738
Liabilities To Central Government	-5,800.180	-4,419.247	-4,642.762	-5,310.538	-4,510.673
Claims On Other Sectors	6,661.822	6,649.138	6,795.734	6,868.207	6,859.007
Claims On State and Local Government	0.000	0.000	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	108.775	197.108	282.648	183.369	196.231
Claims On Private Sector	6,553.047	6,452.030	6,513.086	6,684.839	6,662.775
Currency Outside Financial Corporations	828.892	795.069	884.403	956.754	922.660
Deposits	12,826.301	13,509.758	12,726.515	12,869.316	12,858.087
Securities Other Than Shares	0.000	0.000	0.000	0.000	0.000
Loans	72.366	72.366	72.366	75.561	75.560
Financial Derivatives	0.000	0.000	0.000	0.000	0.000
Insurance Technical Reserves	558.781	584.921	590.032	600.257	598.252
Shares and Other Equity	3,510.078	3,548.638	3,613.858	3,666.232	3,752.020
Other Items (Net)	202.726	334.389	320.750	-183.270	265.703

Source: Monetary Policy and Management Department, AMBD

Note: Financial Corporations consist of Depository Corporations and Other Financial Corporations

Annex 9: Monetary Aggregates and Broad Money Components					
Millions of Brunei Dollars	**2011**	**Mar 2012**	**Jun 2012**	**Sep 2012**	**Dec 2012**
Monetary Aggregates					
M0	1,689.987	1,238.855	2,125.172	1,623.716	1,627.052
Money	4,233.489	4,485.494	4,366.992	4,483.865	4,293.382
Quasi Money	9,603.696	10,009.106	9,440.754	9,524.064	9,668.210
Broad Money	13,837.185	14,494.599	13,807.746	14,007.929	13,961.592
Broad Money Components					
Currency outside banks	831.060	798.769	886.912	960.666	926.022
Demand deposits	3,402.429	3,686.725	3,480.080	3,523.199	3,367.360
Money	4,233.489	4,485.494	4,366.992	4,483.865	4,293.382
Fixed deposits, savings & other deposits	9,603.696	10,009.106	9,440.754	9,524.064	9,668.210

Source: Monetary Policy and Management Department, AMBD

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