بروني دارالسلام سنترال بڠك

BRUNEI DARUSSALAM CENTRAL BANK

2023

ANNUAL REPORT

بسم الله الرحمن الرحيم

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

Abbreviations

ABPR	Annual Business Planning Retreat
ACH	Automated Clearing House
ACMF	ASEAN Capital Markets Forum
ADBI	Asian Development Bank Institute
AFI	Alliance for Financial Inclusion
AFMGM	ASEAN Finance Ministers' and Central Bank Governors' Meeting
AGC	Attorney General's Chambers
AITI	Authority for Info-communications Technology Industry of Brunei Darussalam
AITRI	ASEAN Insurance Training & Research Institute
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AMRO	ASEAN+3 Macroeconomic Research Office
APG	Asia Pacific Group on Money Laundering
APRG	Asia and Pacific Regional Group
ASEAN	Association of Southeast Asian Nations
ATB	ASEAN Taxonomy Board
ATO	Anti-Terrorism Order
AUSTRAC	Australian Transaction Reports and Analysis Centre
BAB	Brunei Association of Banks
BDCB	Brunei Darussalam Central Bank
BFIC	Brunei FinTech Innovation Centre
BICTA	Brunei ICT Awards
BIG	Brunei Institution of Geomatics
BILIF	Brunei Institute of Leadership & Islamic Finance
BISIH	Bank for International Settlements Innovation Hub
BITA	Brunei Insurance and Takaful Association
BMGF	Bill and Melinda Gates Foundation
bps	basis points
BSI	Business Sentiment Index
CARO	Criminal Asset Recovery Order
CBA	Currency Board Arrangement
CBB	Central Bank of Bahrain
CBDC	Central Bank Digital Currencies
CBNI	Currency and Bearer Negotiable Instruments
CFP	Call-for-Papers
CIA	Currency Interchangeability Agreement
CIS	Collective investment scheme
CINRG	Crimes Intelligence Research Group
CMSL	Capital Markets Services Licence
CMSRL	Capital Market Services Representatives' License
CPD	Continuing Professional Development
CPI	Consumer Price Index
CSB	Cyber Security Brunei
CSPS	Centre for Strategic and Policy Studies

CTR	Cash Transaction Report
DEPS	Department of Economic Planning and Statistics
DFSA	Dubai Financial Services Authority
DNFBPs	Designated Non-Financial Businesses and Professions
DPH	Digital Payments Hub
D-SIBs	Domestic Systematically Important Bank(s)
DT	Deloitte & Touche
ECOFEL	Egmont Centre of FIU Excellence and Leadership
EDD	Enhanced due diligence
EOI	Expression of Interest
ESG	Environmental, social and governance
FAB	FinTech Association Brunei Darussalam
FATF	Financial Action Task Force
FICG	Financial Intelligence Consultative Group
FIU, BDCB	Financial Intelligence Unit, Brunei Darussalam Central Bank
FMSC	Financial and Monetary Stability Committee
FPPP	Financial Planning Practitioner's Programme
FSB RCG-Asia	Financial Stability Board Regional Consultative Group Asia
FSBP	Financial Sector Blueprint 2016-2025
GDP	Gross Domestic Product
GFIN	Global Financial Innovation Network
HKMA	Hong Kong Monetary Authority
HLA	High Loss Absorbency
IAIS	International Association of Insurance Supervisors
I-Bills	BDCB Islamic Bills
ICCR	International Committee on Credit Reporting
IEWG	Information Exchange Working Group
IFIS	Integrated Financial Intelligence System
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IMF-STI	IMF-Singapore Regional Training Institute
IOSCO	International Organisation of Securities Commissions
IPA	Civil Service Institute
ISP	Information Sharing Platform
IT	Information technology
JPMC	Jerudong Park Medical Centre
KACA	Persatuan Kanak-Kanak Cacat
LCR	Liquidity Coverage Ratio
LNG	Liquefied Natural Gas
MAS	Monetary Authority of Singapore
MEC	Mutual Evaluation Committee
MER	Mutual Evaluation Report
ML/TF	Money laundering and terrorist financing
MOFE	Ministry of Finance and Economy
MOU	Memorandum of understanding
MPWG	Macroprudential Policy Working Group
MSCI	Morgan Stanley Capital International
MSCWG	Membership, Support and Compliance Working Group

MYCE	Mid-Year Conference & Exhibition
NAMLC	National Anti-Money Laundering and Combating the Financing of Terrorism Committee
ndpx	National Digital Payments Network Sdn Bhd
NPLF	Non-performing loans/financing
NRA	National Risk Assessments
NSD	National Savings Day
OSF	Overnight Standing Facilities
PB	Politeknik Brunei
PFIC	Pacific Financial Intelligence Community
PFMI	Principles for Financial Market Infrastructures
PMP	Primary market participants
PPP	Public-Private Partnership
PPWG	Policy and Assistance and Training Working Group
RBPF	Royal Brunei Police Force
RCG	Regional Consultative Group
RIA-Fin	ASEAN Integration in Finance
ROA	Return on Assets
ROE	Return on Equity
RTB	Radio Televisyen Brunei
RTGS	Real-Time Gross Settlement
S$NEER	Singapore dollar nominal effective exchange rate
SABs	Syariah Advisory Bodies
SAFE	Single Accesspoint for ESG Data
SCP	Support and Compliance Process
SEACEN	South East Asian Central Banks
SFIA	Sustainable Finance Institute Asia
SFR	Sustainable Finance Roadmap
SFSB	Syariah Financial Supervisory Board
SFTF	Sustainable Finance Task Force
SGF	Syariah Governance Framework
SHENA	Safety, Health and Environment National Authority
SIR	Self-Inquiry Report
SMARTER	Society for Management of Autism Related Issues in Training, Education and Resources
SP	BDCB Strategic Plan
STR	Suspicious Transaction Report
STRO	Suspicious Transaction Reporting Office
SWIFT	Society for Worldwide Interbank Financial Telecommunications
SyaRiF	Syariah Risk-Based Supervision Framework
TATWG	Technical Assistance and Training Working Group
TFR	Anti-Terrorism (Terrorist Financing) Regulations
UAE	United Arab Emirates
UBD	Universiti Brunei Darussalam
UNISSA	Universiti Islam Sultan Sharif Ali
UNN	Unified National Networks
US	United States
UTB	Universiti Teknologi Brunei
YASKA	Yayasan Kanser Kanak-kanak Brunei
y-o-y	year-on-year

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Chairman's Remarks

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

Under the leadership of His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah Ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan of Brunei Darussalam, the Government of Brunei Darussalam has demonstrated its resilience and adaptability in the aftermath of the COVID-19 pandemic by focusing strategically on economic recovery in 2023. The financial sector has regained strength, which has led to a positive shift and indicated its potential to support business activities as well as the country's efforts to diversify and reduce its reliance on oil and gas. The Department of Economic Planning and Statistics (DEPS), under the Ministry of Finance and Economy (MOFE), has reported that the financial sector played a crucial role in contributing to the 4.5% growth rate of the non-oil and gas sector in 2023. Moreover, the ASEAN+3 Macroeconomic Research Office (AMRO) predicts that domestic economic growth will rise to 2.4% in 2024, compared to 1.4% in 2023, primarily driven by robust activities in the non-oil and gas sector, including finance.

The global economy faced persistent challenges due to the ongoing geopolitical conflicts, which have unexpectedly triggered soaring inflation rates worldwide in 2023. The International Monetary Fund (IMF) predicts a gradual slowdown in global inflation from 6.8% in 2023 to 5.8% in 2024. Central banks worldwide are working diligently to tame these inflationary pressures. In alignment with this, the Central Bank has adjusted its standing facilities, deposit, and lending rates upwards in 2023. Additionally, the Currency Interchangeability Agreement (CIA) with Singapore continues to provide stable domestic monetary conditions, given Brunei Darussalam's economic openness and the need for a robust exchange rate to mitigate the impact of imported inflation. Although the annual inflation for 2023 was 0.7% and much lower than the 3.7% inflation rate of 2022, we shall remain vigilant against the build-up of unexpected inflationary pressure, which could pose challenges not just to households and businesses, but also to the financial system.

The Central Bank, guided by the Financial Sector Blueprint (FSBP) 2016-2025, carried out several initiatives in 2023 to promote growth in the financial sector and ensure its legislation and regulatory frameworks are in accordance with international standards.

These include the issuance of regulatory directives and membership to an international network supporting financial innovation. These measures contribute towards fostering an environment that encourages innovation that can support the goal of Wawasan 2035 of having a dynamic and sustainable economy.

As a result of the coordinated efforts made by the Central Bank as the Secretariat of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), with other NAMLC members as well as various agencies from the government and private sector, I am pleased to share that Brunei Darussalam has achieved substantial results in the mutual evaluation assessment conducted by the Asia Pacific Group on Money Laundering (APG). The improved evaluation results demonstrate the effectiveness of efforts in fortifying our Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. Nonetheless, as risks and threats may persist, we must remain diligent in further enhancing our AML/CFT regime to maintain the integrity of our financial system.

The financial sector is increasingly embracing digital transformation in line with the country's vision. However, the rapid pace of technological innovation presents both opportunities and risks. Cyberthreats and online financial scams remain significant challenges, prompting the Central Bank to raise public awareness and reinforce its mandate to maintain a secure, efficient, and robust digital financial ecosystem. To this end, the Central Bank recently issued the Notice on Technology Risk Management to Financial Institutions and made amendments to the Notice on Early Detection of Cyber Intrusion and Incident Reporting.

Looking ahead, as we navigate through the complex global economic terrain, marked not only by inflationary pressures but also geopolitical uncertainties and rapid technological advancements, the Central Bank will maintain the delicate balance between embracing progress and safeguarding our financial system against potential risks. The multifaceted challenges must be approached proactively and by learning from experience, as well as through leveraging opportunities for growth, resilience, and sustainability. I believe the Central Bank's unwavering commitment to these values will continue to usher the country into a future marked by financial stability and prudence, technological innovation, and development, in support of achieving Brunei Darussalam's Wawasan 2035.

I would like to take this opportunity to extend my sincere appreciation to the BDCB Board of Directors, Executive Management, officers, and staff for their hard work and contributions throughout 2023. With that, it is my pleasure to present BDCB Annual Report 2023.

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

Managing Director's Foreword

بسم الله الرحمن الرحيم
السلام عليكم ورحمة الله وبركاته

The year 2023 presented both opportunities and challenges globally. Despite a strong economic recovery from the effects of COVID-19 and high inflation, there was also an increase in geo-economic fragmentation. Additionally, while global headline inflation was expected to decrease from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024, the IMF predicted that global growth would slow down from 3.5% in 2022 to 3.1% in both 2023 and 2024.

Through collaborative efforts with other government agencies and the financial sector, we continue to support economic recovery while safeguarding financial stability. According to the DEPS, MOFE, the services sector, which is one of the components in the non-oil and gas sector of the Gross Domestic Product (GDP), has expanded by 5.9%, with a growth of 37.4% recorded by the financial sector in 2023. Alhamdulillah, this positive trend demonstrates the financial sector's potential to further diversify the economy.

I am pleased to share that in 2023, the Central Bank issued several important directives. These include the Notice on Syariah Governance Framework (Amendment No. 1), Notice and Guidelines on Conducting Islamic Investment Business, and Notice on the Appointment of Syariah Advisory Bodies (SABs). These directives aim to ensure effective oversight and compliance pertaining to Syariah matters. Simultaneously, the Notice on Licensing Examination and Guideline on Conducting the Regulated Activity of Giving or Offering Investment Advice have been enhanced. These enhancements offer greater clarity and guidance on requirements for investment business activities. Furthermore, they align with the rapidly changing financial landscape.

As our financial sector continues to undergo digital transformation, the Central Bank also recognises the importance of having controls in place to prevent and mitigate technological risks, particularly cyber-attacks. In response to this shift, the Central Bank has increased its efforts to monitor, supervise, and regulate technology risks faced both internally and by financial institutions. In 2023, the Notice on Technology Risk Management was introduced, which requires financial institutions to establish a technology risk management framework, including the implementation of appropriate controls. By fortifying these 'second line' defences, the Central Bank aims to create a more secure and resilient financial system and to instil confidence and stability for all.

Alhamdulillah, 2023 also saw the publication of the APG mutual evaluation results on our nation, whereby Brunei Darussalam was rated to be substantially effective in several key areas, including national risk, policy and coordination, international cooperation, use of financial intelligence, terrorism financing investigations and prosecutions, as well as terrorism financing preventive measures and financial sanctions. I would like to extend my deepest appreciation to all the stakeholders involved for their hard work and contribution during the mutual evaluation and their unwavering dedication to safeguarding the integrity of the financial sector.

In 2023, the Central Bank took great strides in fostering international partnerships and collaborations. Through the signing of two memoranda of understanding with the Monetary Authority of Singapore and the Dubai Financial Services Authority, the Central Bank paved the way for the exchange of information and enhancement of cooperation in financial supervision. In promoting Brunei Darussalam as a destination for FinTech activities and advancing the nation's financial ecosystem, the Central Bank has also joined the Global Financial Innovation Network (GFIN) to establish close ties and facilitate information-sharing with other central banks and regulators.

The Central Bank is committed to educating the public on financial management and promoting positive financial behaviours. To celebrate National Savings Day in 2023, the Central Bank partnered with a local production company, Relentless Entertainment and the Academy of Performing Arts to create a musical called 'The InfluencHER.' The show combines education and entertainment to emphasise the importance of responsible financial management, effective debt management, and the dangers of financial fraud. The Central Bank also takes proactive measures to promote financial literacy and raise awareness of financial scams, including roadshows to schools, public and private agencies, and social media campaigns throughout the year.

This Annual Report will go into more detail about the operational insights and milestones achieved by the Central Bank in 2023, along with plans for the year ahead.

Lastly, I express my deepest appreciation and gratitude to our esteemed Chairman and Board of Directors for their sound guidance and counsel. Equally, my sincere thanks and regards go to the Executive Management, officers and staff of the Central Bank. Alhamdulillah, it is through their daily dedication and concerted efforts that we continue to fulfil our mandates to safeguard our financial system and promote the development of a sound and progressive financial sector. I look forward to another productive year ahead that is defined by resilience, innovation, and sustained economic prosperity.

Hajah Rokiah binti Haji Badar
Managing Director
Brunei Darussalam Central Bank

BDCB in Brief
Vision, Mission, and Objectives

Our Vision

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

Our Mission

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

Our Objectives

As outlined in Section 4 of BDCB Order, 2010, Brunei Darussalam Central Bank (BDCB) carries the following core objectives:

Objective #1

Achieve and maintain domestic price stability

The Central Bank operates a Currency Board Arrangement (CBA), facilitated by the Currency Interchangeability Agreement (CIA) between Brunei Darussalam and Singapore. Through the CBA, all Brunei currency in circulation must be fully backed up by foreign exchange reserves. Simultaneously, the CIA allows for the Brunei Dollar to be interchangeable with the Singapore Dollar at par.

Objective #2

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

By implementing relevant regulations and conducting supervision of the financial sector, the Central Bank has a vital role in maintaining financial stability and mitigating any risks that could potentially have a systemic impact on the economy. This helps to ensure that the financial system remains resilient and is able to withstand any potential shocks or disruptions.

Objective #3

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

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

Objective #4

Foster and develop a sound and progressive financial services sector

The Central Bank plays a crucial role in fostering and advancing the growth of the financial services sector. This is carried out by actively engaging and consulting with the industry and other relevant stakeholders, with the aim of supporting the broader goals of sustainable and inclusive economic development.

BDCB in Brief
Board of Directors

CHAIRMAN

Yang Mulia
Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Deputy Minister of Finance and Economy (Economy)
Ministry of Finance and Economy

DEPUTY CHAIRMAN

Yang Mulia
Pengiran Datin Seri Paduka Hajah Zety Sufina binti Pengiran Dato Paduka Haji Sani
Deputy Minister of Finance and Economy (Fiscal)
Ministry of Finance and Economy

MEMBERS

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

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

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

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

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

BDCB in Brief
Executive Management

Yang Mulia
Dayang Hajah Rokiah binti Haji Badar
Managing Director

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

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

Yang Mulia
Awang Mardini bin Haji Eddie
Assistant Managing Director
Monetary Operations

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

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

BDCB in Brief
Governance

Financial and Monetary Stability Committee (FMSC)

The FMSC monitors the risks present in the global and domestic financial and economic environments. Additionally, it offers policy recommendations to the Board of Directors and upholds the CBA according to the Currency Order, 2004 as amended by the Currency and Monetary (Amendment) Order, 2010 for the monetary stability of Brunei Darussalam.

The members of the FMSC, as of 31 December 2023, are:

CHAIRPERSON

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

MEMBERS

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

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

Yang Mulia Pengiran Hajah Normaswati binti Pengiran Anak Haji Mashor
Acting Deputy Accountant General
Treasury Department
Ministry of Finance and Economy

Yang Mulia Awang Mardini bin Haji Eddie
Assistant Managing Director
Monetary Operations
Brunei Darussalam Central Bank

Yang Mulia Dayang Hajah Mahani binti Haji Mohsin
Assistant Managing Director
Supervision
Brunei Darussalam Central Bank

Yang Mulia Awang Hairol Nizam bin Haji Abd Hamid
Acting Director General
Department of Economic Planning and Statistics
Ministry of Finance and Economy

Yang Mulia Dr. Awang Mohd Hairul Azrin bin Haji Besar
Director, Sultan Omar 'Ali Saifuddien Centre for Islamic Studies, Universiti Brunei Darussalam (UBD)
Assistant Professor, UBD School of Business and Economics

BDCB in Brief
Governance

Investment Advisory Committee (IAC)

The IAC is responsible for advising the Board of Directors on investment selection and other related matters. This includes advising on investment policies and any potential revisions, overseeing the process for the selection and appointment of external fund managers, and assisting in the assessment of the performance of appointed managers. Additionally, the IAC is also responsible for reviewing and evaluating investment proposals by the Executive Management and any other related matters directed by the Board of Directors as needed.

The members of the IAC, as of 31 December 2023, are:

CHAIRPERSON

Yang Mulia Awang Haji Sofian bin Mohammad Jani
Managing Director
Brunei Investment Agency

DEPUTY CHAIRPERSON

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

MEMBERS

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

Yang Mulia Awang Mardini bin Haji Eddie
Assistant Managing Director
Monetary Operations
Brunei Darussalam Central Bank

Yang Mulia Awang Haji Mokhzani Izhar bin Pehin Orang Kaya Seri Kerna Dato Seri Setia Dr Haji Abu Bakar
Senior Manager
Brunei Investment Agency

BDCB in Brief
Governance

Human Resource Committee (HRC)

The HRC oversees the review, amendment, and approval of the Central Bank's Employee Services Terms and Conditions, human resources policies, and rewards and recognition policies. Further, it endorses recommendations for State Decorations and Honorary State Medal recipients and is responsible for approving and/or endorsing the appointment of senior officers as directed by the Board of Directors.

The members of the HRC, as of 31 December 2023, are:

CHAIRPERSON

Yang Mulia Awang Ajman bin Haji Meludin
Permanent Secretary (Civil Service Governance)
Prime Minister's Office

MEMBERS

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

Yang Mulia Awang Mohammad Yazdi bin Haji Yahya
Chief Human Resources and Administration Officer
Progresif Sdn. Bhd.

Assistant Managing Director
Corporate Development
Brunei Darussalam Central Bank

BDCB in Brief
Governance

Audit Committee (AC)

The AC, as outlined under Section 21 (4) of the BDCB Order, 2010, is responsible for overseeing the Internal Audit Division, reviewing and recommending the appointment of external auditors, determining the scope of external audits and other inter-related services, facilitating discussions between auditors on findings and recommendations, and assessing the year-end financial statements with external auditors. The Internal Audit Division supports the AC in discharging its role, by providing an objective and independent assurance on the Central Bank's risk exposure, adherence to internal policies and procedures, and the efficiency and effectiveness of internal control systems and procedures, as appropriate.

The members of the AC,
as of 31 December 2023, are:

CHAIRPERSON

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

MEMBERS

Yang Mulia Awang Haji Hairul Mohd Daud bin Haji Abdul Karim
Deputy Permanent Secretary (Infocommunications)
Ministry of Transport and Infocommunications

Yang Mulia Pengiran Hajah Noorasiah binti Pengiran Mohd Hassan
Acting Accountant General, Treasury Department
Ministry of Finance and Economy

Yang Mulia Pengiran Hajah Normaswati binti Pengiran Anak Haji Mashor
Acting Deputy Accountant General,
Treasury Department
Ministry of Finance and Economy

Yang Mulia Pengiran Haji Johari bin Pengiran Haji Abd Ghani
Head of Business and Operations Compliance
Brunei Investment Agency

Yang Mulia Awang Shamsul Bahri bin Haji Kamis
Chief Executive Officer
I.T. Protective Security

Yang Mulia Awang Muhamad Yusri bin Dato Paduka Haji Abdul Majid
Head of Risk and Compliance
Brunei Darussalam Central Bank
As Observer

BDCB in Brief
Governance

Risk Management Committee (RMC)

The RMC is responsible for reporting and advising the Board on the Central Banks's overall risk tolerance, the risk management framework (encompassing principles, policies, systems, processes, and procedures), and overseeing the development of the overall risk management frameworks.

The members of the RMC, as of 31 December 2023, are:

CHAIRPERSON

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

MEMBERS

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

Yang Mulia Awang Haji Hairul Mohd Daud bin Haji Abdul Karim
Deputy Permanent Secretary (Infocommunications)
Ministry of Transport and Infocommunications

Yang Mulia Kolonel (B) Muhd Harrith Rashidi bin Haji Muhd Jamin
Director
National Disaster Management Centre
Ministry of Home Affairs

Yang Mulia Dayang Mazriyani binti Haji Abdul Ghani
Director
E-Government National Centre (EGNC)
Prime Minister's Office

Yang Mulia Pengiran Haji Johari bin Pengiran Haji Abdul Ghani
Head of Business and Operations Compliance
Brunei Investment Agency
Ministry of Finance and Economy

Syariah Financial Supervisory Board (SFSB)

The SFSB was established under the Syariah Financial Supervisory Board Order, 2006. It is mandated to ascertain the laws of Islam for the purposes of Islamic banking, takaful, Islamic financial business, Islamic development financial business, and any other business which is based on Syariah principles and carried out, supervised or regulated by the Central Bank.

The members of the SFSB, as of 31 December 2023, are:

CHAIRPERSON

Yang Dimuliakan Pehin Orang Kaya Paduka Setia Raja Dato Paduka Seri Setia Haji Awang Suhaili bin Haji Mohiddin
Member
Brunei Islamic Religious Council (MUIB)

DEPUTY CHAIR

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

Yang Mulia Dato Seri Setia Dr. Awang Haji Mazanan bin Haji Yusof
Assistant State Mufti (Buhuth)
State Mufti's Office

MEMBERS

Yang Arif Awang Haji Hassan bin Haji Metali
Syariah High Court Judge

Yang Mulia Datin Paduka Dayang Hajah Nor Hashimah binti Haji Mohd Taib
Permanent Secretary (Security and Law)
Prime Minister's Office

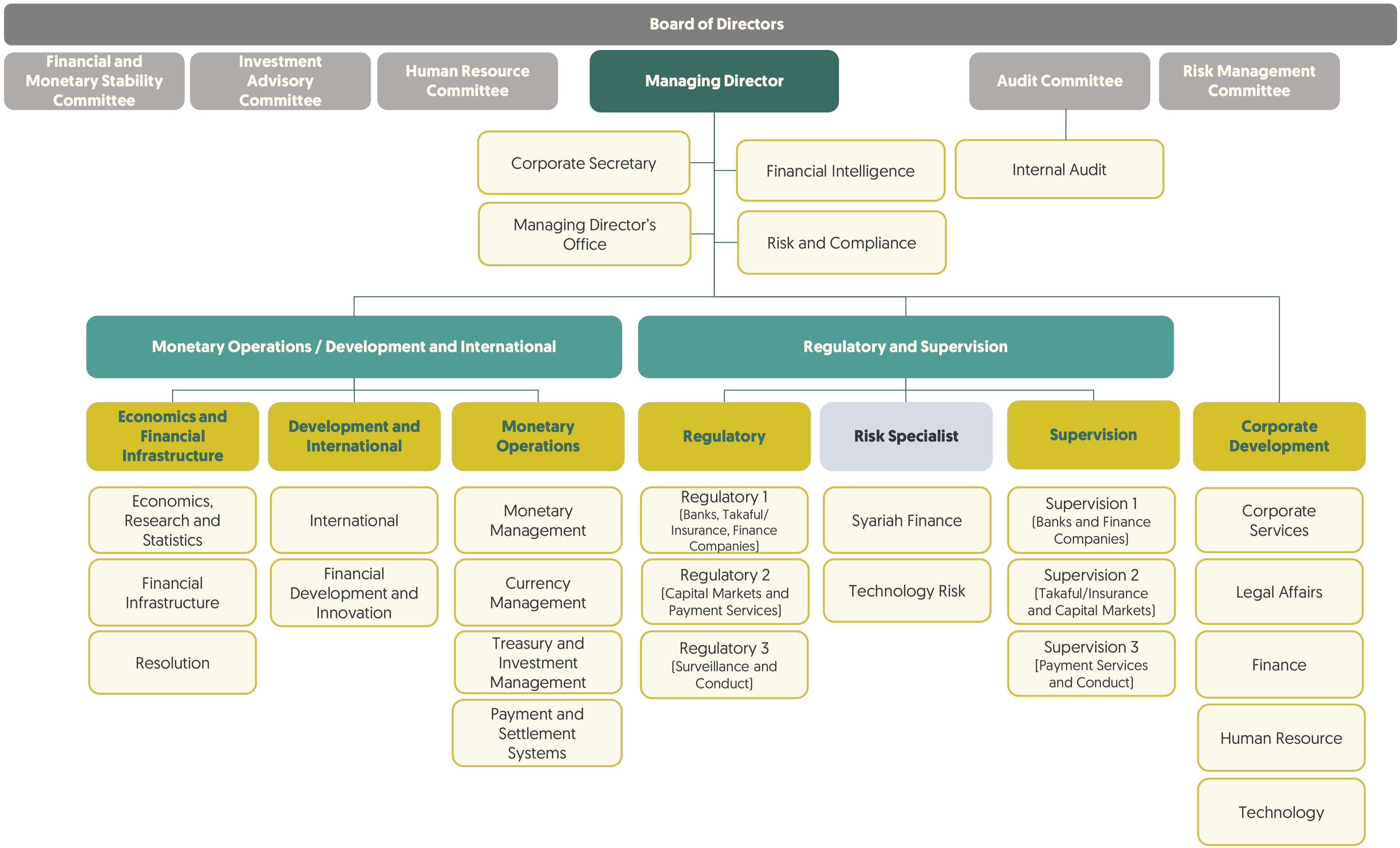
Yang Mulia Dayang Hajah Rokiah binti Haji Badar
Managing Director
Brunei Darussalam Central Bank

Yang Mulia Awang Haji Hardifadhilah bin Haji Mohd Salleh
Director of Islamic Legal Department
Ministry of Religious Affairs

Yang Mulia Dr. Awang Mohd Hairul Azrin bin Haji Besar
Director, Sultan Omar 'Ali Saifuddien Centre for Islamic Studies, Universiti Brunei Darussalam (UBD)
Assistant Professor, UBD School of Business and Economics

Yang Mulia Awang Haji Mas Reduan bin Haji Jumat
Head of Buhuth
State Mufti's Office

BDCB in Brief
Organisational Structure



BDCB in Brief
People

Executive Management

6

1 Managing Director
2 Deputy Managing Directors
3 Assistant Managing Directors

Management

25

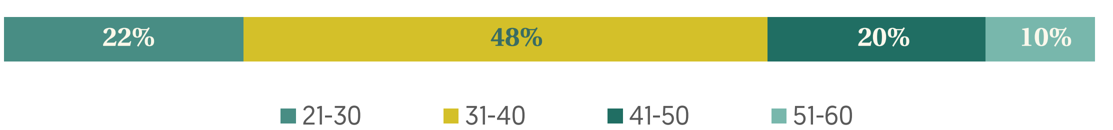
13 Executive Directors
12 Assistant Executive Directors

Officers & Staff

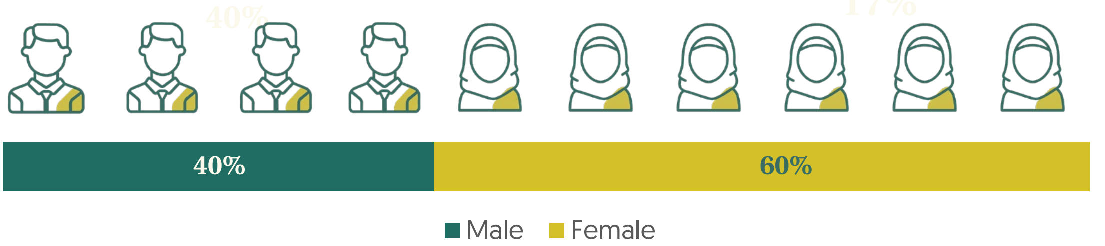
211

33 Senior Managers
31 Managers
64 Associates
27 Assistant Officers
56 Support Staff

Age Breakdown



Gender Breakdown



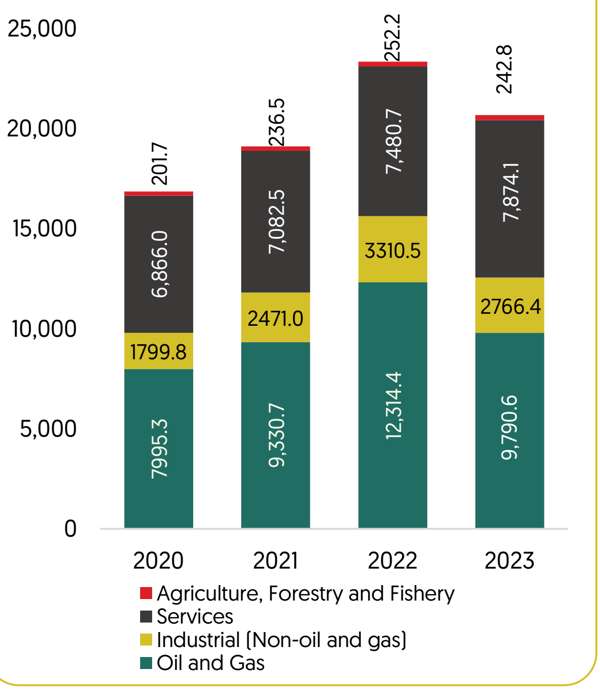
The Year in Review
Economic Review

The global economy was initially projected to have a rocky recovery in 2023, due to the potential risks of recession and financial sector vulnerabilities, primarily as a result of consecutive monetary policy tightening by central banks. The hard landing scenario was somewhat avoided, and economies were generally resilient in the high-interest rate environment. Global growth is projected to be slow albeit uneven, with increased divergences across different economies. Significant risks still threaten global growth due to the ongoing geopolitical fragmentations, increased trade restrictions, the deepening real estate crisis in China, reduced fiscal space in many countries with elevated debt levels, and the persistent impact of climate change on energy and food prices. However, global inflation has reduced considerably from the highs of 2022 as a result of collective and accumulative tightening from central banks. Despite this, headline inflation still remains above target in many economies. Looking ahead, inflation is expected to continue on its downward trend, making way for possible monetary policy easing in 2024.

Financial markets were again disrupted from the banking crisis in March 2023. Amid the short-lived banking crisis, global equity market rebounded strongly, with MSCI All Country World Index registered positive returns by 20.09% as of 29 December 2023. Driven by the aggressive monetary policy by many central banks around the world to curb inflation, global bond yields rose from early of the year until October 2023. The U.S. 10-year treasury yields reached their highest in more than two decades at 5% in October 2023 and fell back to 3.88% at the end of the year. Crude oil prices remained volatile with the renewed conflict in the Middle East, and softer demand stemming from China's slow economic growth. Brent crude oil price fell by 0.14% to USD77.04 a barrel as of 29 December 2023. Gold held its safe haven status and maintained its upward momentum; supported by uncertainties in the market due to concerns of recession risk and geopolitical tension. As a result, gold rose by 13.10% to USD2,062.98 toz.

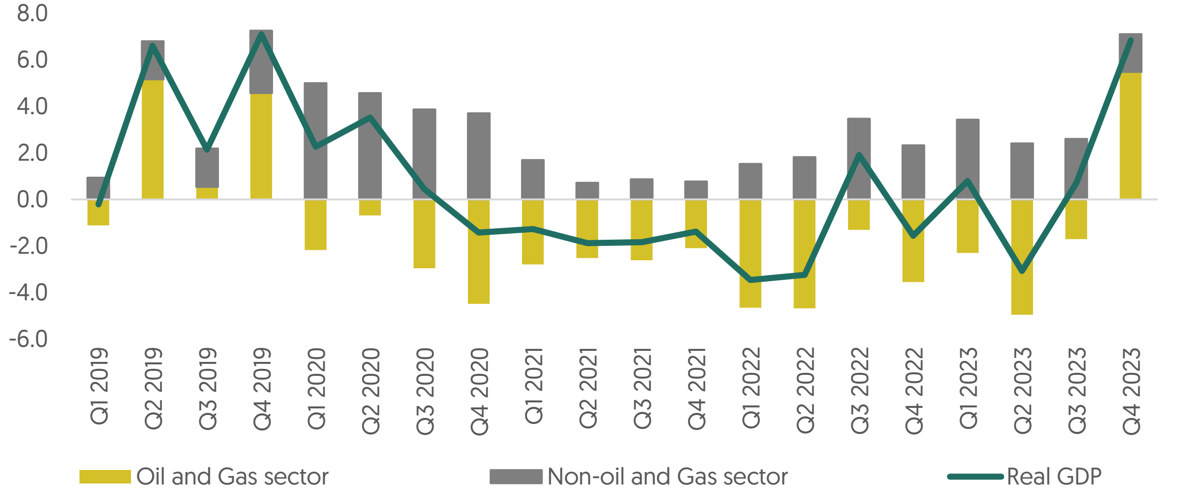
In 2023, Brunei Darussalam's real Gross Domestic Product (GDP) increased by 1.4%. This was largely driven by the Non-Oil and Gas sector, which grew by 4.5%, primarily contributed by expansion in the Air Transport and Finance sectors, which grew by 75.8% and 37.4%, respectively. However, the Oil and Gas sector decreased by 2.0%, due to decreases in the activities of Oil and Gas mining and Manufacture of LNG. In 2024, the economy's performance will depend on domestic economic activities, the performance of existing foreign direct investment (FDI) projects and the implementation progress of new FDI. However, low crude oil production and turbulence in the energy prices remain as downside risks to growth.

Chart 1: Nominal GDP by sector (BND million)



Source: DEPS, MOFE

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



Source: DEPS, MOFE

▲ **4.5%**

Non-oil & Gas Sector

The growth in the Non-oil and Gas sector was largely driven by the Services sector, particularly the Air Transport and Finance sectors.

▼ **2.0%**

Oil & Gas Sector

The decline in the sector was due to a fall in Oil and Gas Mining activities as well as Manufacture of LNG.

BND18,961.3 million

Real GDP

2023

▲ **26.4%**

Net Exports

(2022: -4.9%)

▼ **-2.2%**

Exports

(2022: 6.9%)

▼ **-7.8%**

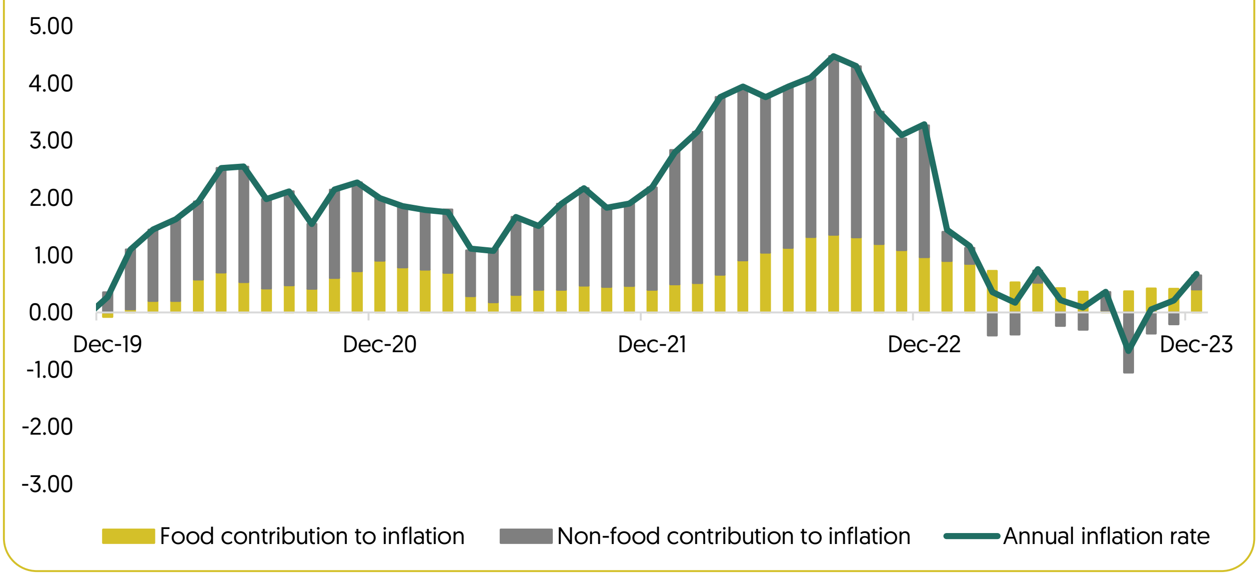
Imports

(2022: 9.5%)

Brunei Darussalam's exports fell by 2.2% in 2023, driven by a 2.7% decrease in exports of goods, attributed to maintenance activities in the downstream industries that disrupted production. On the other hand, the exports of services rose by 17.3%. Imports also decreased in the same period by 7.8%, largely contributed by the reduction in the importation of mineral fuels as feedstock for the petrochemical industry in Brunei Darussalam.

The Consumer Price Index (CPI) rose by 0.4% in 2023, compared to an average of 3.7% in 2022. This was in line with the Central Bank's inflation expectations in the BDCB Policy Statement 2/2023 of 0.0% - 1.0%. The Food and Non-Alcoholic Beverages sub-index increased by 2.7% on average, mainly contributed by increases in prices of rice and cereals; meat; milk, dairy products and eggs. The Non-Food Index showed an average decrease of 0.2% in 2023, contributed by declines in the Transport and Communication sub-indices. Increases were recorded for Restaurants and Hotels; Recreation and Culture; and Education sub-indices. The tightening financial conditions and recovery in global supply chains may have contributed to easing global inflation, and given the Brunei Dollar's peg to the Singapore Dollar and the strength of the Singapore Dollar nominal effective exchange rate (S$NEER), Brunei Darussalam's domestic inflation is expected to remain within manageable levels.

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



Source: DEPS, MOFE

Business Sentiment Index

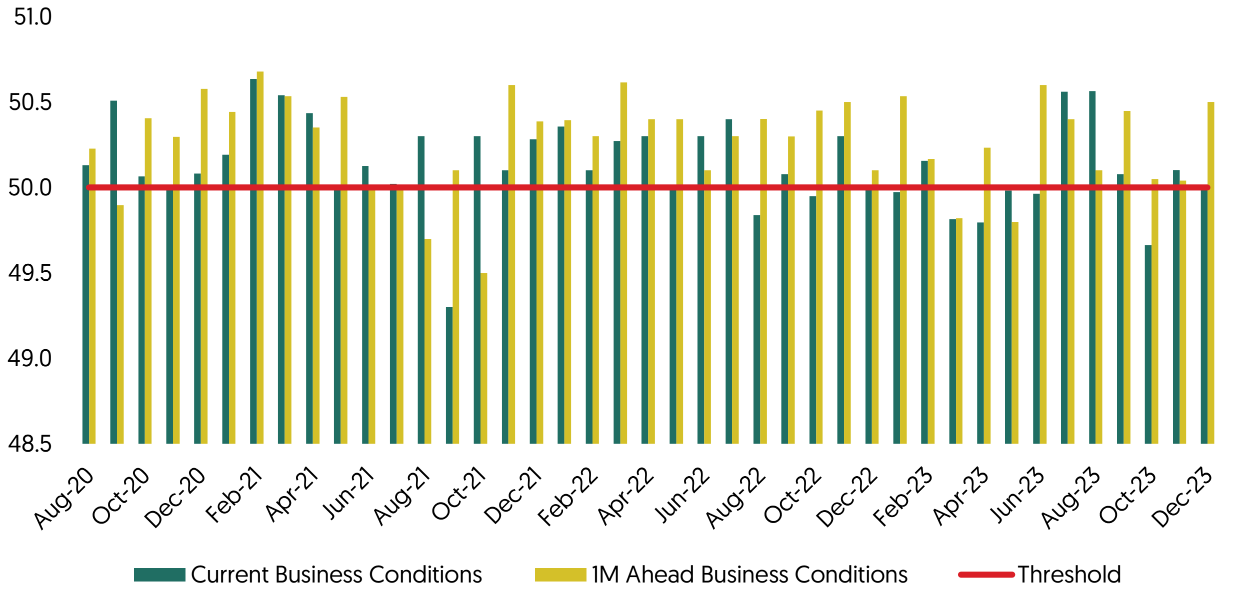
In December 2021, the Central Bank published its inaugural Business Sentiment Index (BSI). The BSI project, which commenced in August 2020, is designed to measure the level of sentiment/confidence of businesses in Brunei Darussalam, through surveys on more than 500 businesses asking general questions on current and future outlook on business conditions, investments, employment of workers, as well as costs of running the businesses.

The index's forward-looking approach makes it a useful leading macroeconomic indicator. Full details on the sectoral performance of the eleven economic sectors and by business size (micro, small, medium and large) are published monthly and can be viewed on the Central Bank's website.

BSI value	Interpretation
Above 50	Expansion/Optimism compared to the previous month
50	Similar/No change compared to the previous month
Below 50	Contraction/Less optimism compared to the previous month

In 2023, the Current Business Conditions sub-index (which is the headline index for BSI) was 50.1 on average, indicating that the sentiment in the private sector has been slightly optimistic throughout the year. Business sentiment in Brunei Darussalam is largely affected by factors such as long public holidays and school holidays, where people prefer to travel overseas, as well as national-level events that can spur domestic demand and annual festivities such as Hari Raya Aidilfitri and His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam's birthday celebrations. Despite the optimistic sentiment throughout the period, some businesses also cited concerns such as increasing costs in running their businesses, and challenges in securing manpower needs for operations and business expansion.

Chart 4: Business Conditions



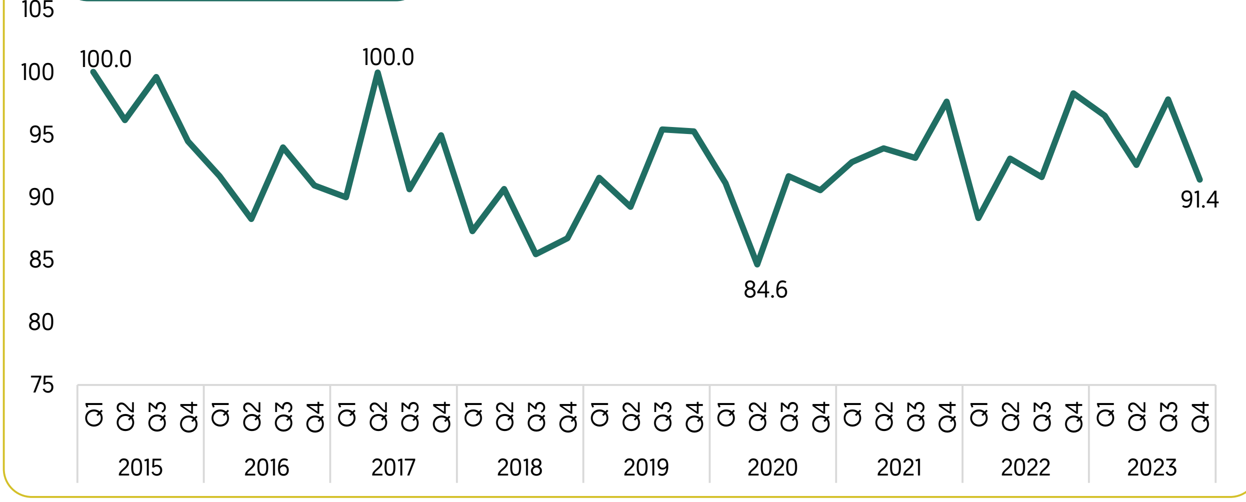
Residential Property Market

The Residential Property Price Index (RPPI)[1] measures the rate at which the prices of private residential properties purchased by households change over time. RPPI serves as a useful indicator to assess the state of the real estate market and to gauge homeownership affordability.

RPPI may serve as one of the macroeconomic indicators of economic growth and a financial stability/soundness indicator for measuring risk exposure.

The RPPI was higher by 2.2% for the whole of 2023 compared to the same period last year. The number of transactions in 2023 was lower by 6.9% compared to the year before, with detached houses continuing to dominate residential property purchases. Meanwhile, the median purchase price for residential properties was BND255,000 in 2023. Full details on the RPPI data are published on the Central Bank's website.

Chart 5: RPPI (Q1 2015 = 100)



[1] Note: Data source for RPPI is based on the purchases financed by the banks only.

Chart 6: RPPI (% y-o-y)

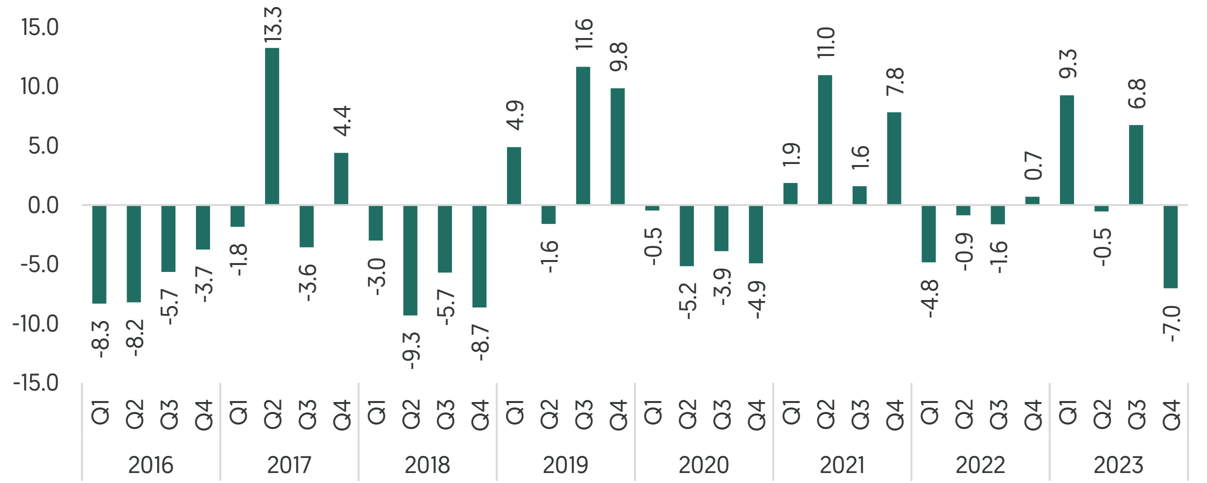


Chart 7: RPPI (Number of Transactions)

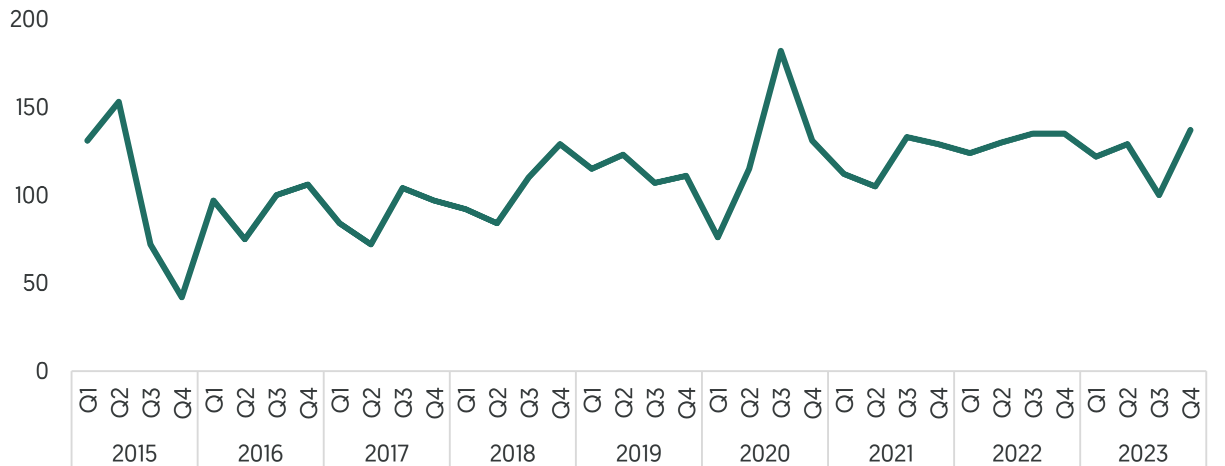
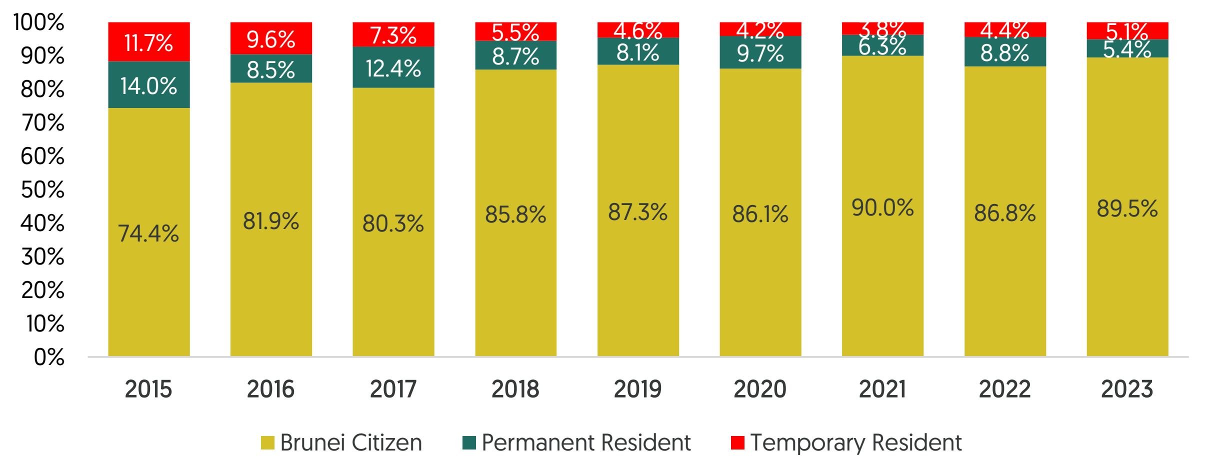


Chart 8: Nationality of Buyers[2] from 2015 – 2023



[2] Note: Buyers may jointly own a property in some of the transactions recorded.

Chart 9: Median Age of Buyers[2] from 2015 – 2023

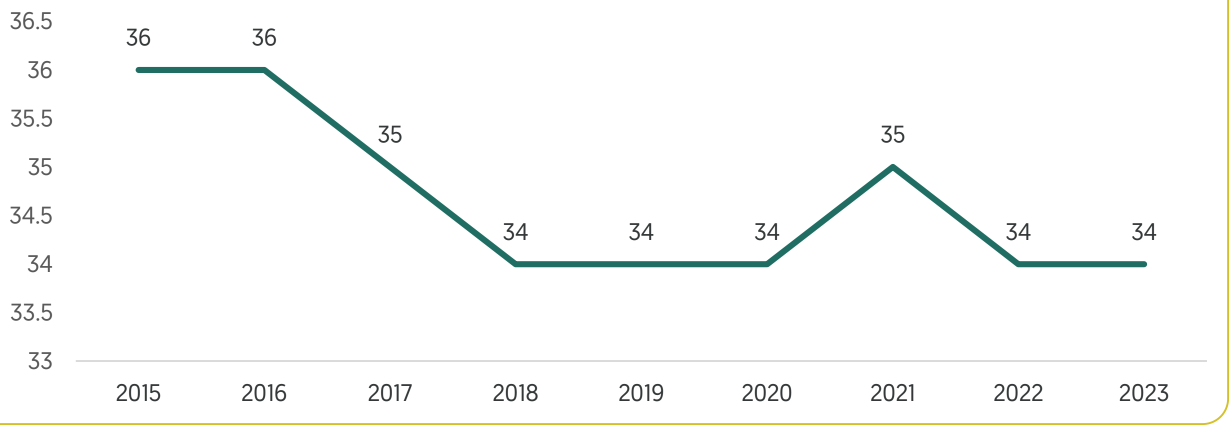


Chart 10: Age Profile of Buyers[2] from 2015 – 2023

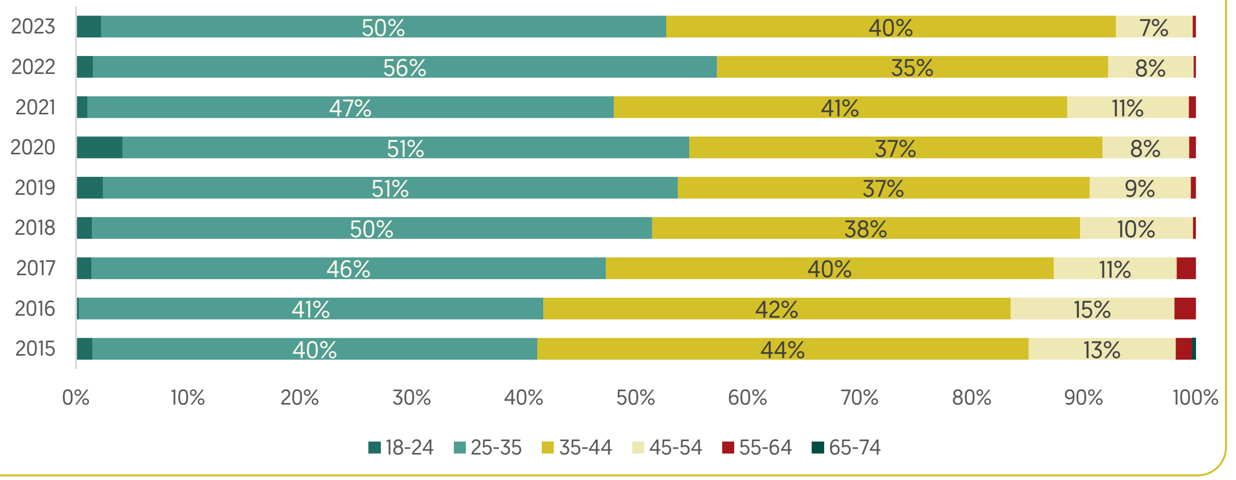
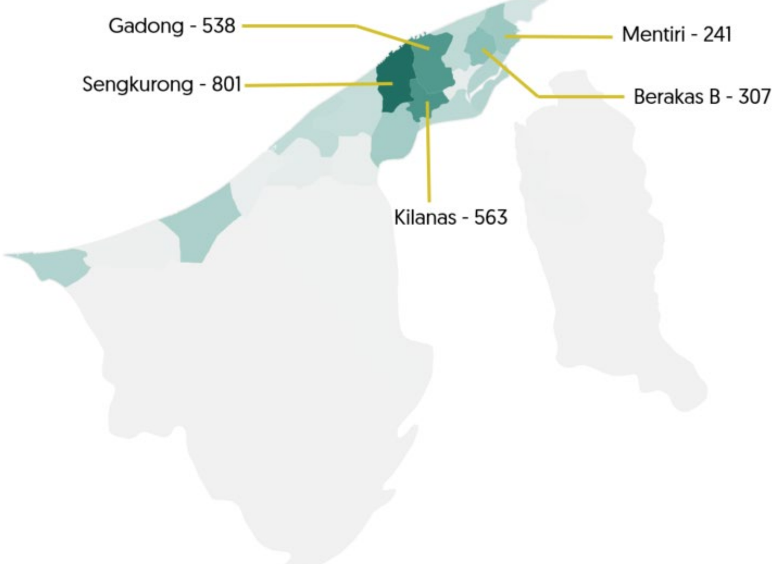


Chart 11: Top 5 Mukims by Number of Transactions from 2015 – 2023



[2] Note: Buyers may jointly own a property in some of the transactions recorded.

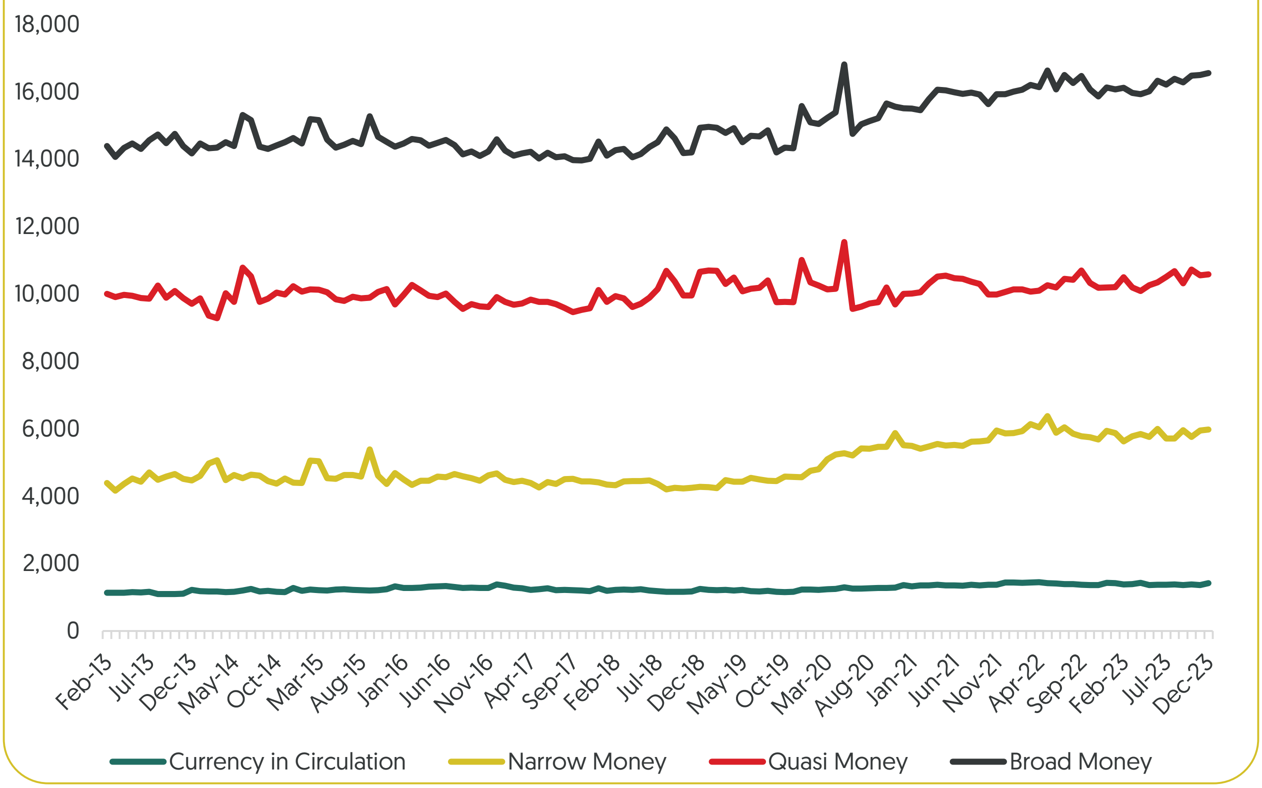
Monetary Sector Statistics

Monetary Aggregates

Narrow Money increased by 0.7% in December 2023 to almost BND6.0 billion, mainly contributed by increases in transferable deposits in foreign currency for Other Resident Sectors.

On the other hand, Quasi Money also increased by 3.9% to BND10.6 billion, driven by increases in other deposits held by Public Nonfinancial Corporations and Other Resident Sectors. Overall, this resulted in Broad Money increasing in December 2023 by 2.7% y-o-y to BND16.6 billion. The longer-term trend of monetary aggregates has generally been on an upward trajectory since 2013.

Chart 12: Monetary Aggregates (BND million)



	2022	2023
CURRENCY ISSUANCE	**BND1.83 billion** total currency issued	**BND2.00 billion** total currency issued
CURRENCY REDEMPTION	**BND1.50 billion** total currency redemption	**BND1.30 billion** total currency redemption
CURRENCY PROCESSING	**46,814,000** pieces of notes processed valued at **BND1.80 billion**	**49,445,000** pieces of notes processed valued at **BND3.04 billion**
COIN DEPOSIT MACHINE	**BND129,456.22** total coins deposited	**BND158,425.63** total coins deposited
COMMEMORATIVE SALES	**BND551,553.27** total sales	**BND311,850.27** total sales
PRODUCTION OF CIRCULATION COINS	**8,388,000** coins minted	**5,047,500** coins minted

Financial Sector Statistics

The Brunei Darussalam Financial System

Brunei Darussalam's financial system consists of a dual financial system comprising Islamic and conventional financial institutions. In total, the financial system comprises seven banks, one Islamic trust fund, two finance companies, one custodian bank, one SME Bank, seven insurance companies, and four takaful operators.

In aggregate, Brunei Darussalam's financial sector assets recorded a decline of 2.54% y-o-y from BND24.54 billion in Q4 2022 to BND23.92 billion in Q4 2023. The banking sector continued to dominate the financial sector, representing 82.82% of the total assets, followed by finance companies with 8.73% and the takaful and insurance sector with 8.45%.

Assets

In terms of asset growth, the banking sector experienced a decline of 4.17% y-o-y from BND20.67 billion in Q4 2022 to BND19.81 billion in Q4 2023, mainly due to a decrease in the banks' cash holdings. In the same period, finance companies recorded a growth of 4.54% y-o-y from BND2.00 billion to BND2.09 billion, primarily due to an increase in time deposits. The takaful and insurance sector recorded a growth of 7.84% y-o-y from BND1.87 billion to BND2.02 billion due to an increase in recoverable from reinsurers and investment assets.

Table 1: Total Assets of Financial Institutions in Brunei Darussalam

Financial Institutions Regulated by the Central Bank	2023		
	No. of Financial Institutions	Amount (BND billion)	Share of Total Assets %
Deposit Taking Institutions	**10**	**21.90**	**91.55**
Banks including Perbadanan TAIB	8	19.81	82.82
Conventional	6	7.59	31.71
Islamic	2	12.23	51.11
Finance Companies	2	2.09	8.73
Other Licensed Financial Institutions	**11**	**2.02**	**8.45**
Insurance Companies & Takaful	11	2.02	8.45
Conventional	7	1.36	5.68
Takaful	4	0.66	2.77
Total	**21**	**23.92**	**100.00**

Table 2: Growth of Financial Sector Assets

Sector	Total Assets (BND Billion)		Growth (% y-o-y)
	Q4 2022	Q4 2023	
Banking	20.67	19.81	-4.17%
Finance Companies	2.00	2.09	4.54%
Takaful and Insurance	1.87	2.02	7.84%
Total	**24.54**	**23.92**	**-2.54%**

Gross Value Added (GVAs)

The overall GVA for the financial services sector, as of Q4 2023, increased by 42% to BND753.5 million from BND530.5 million in Q4 2022, which was attributed to the following factors:

Banking

The banking sector, which includes finance companies, recorded a positive growth of 33.9% from BND479.0 million to BND641.5 million, driven by the sector's high interest/profit margins supported by the rising interest/profit rates.

Capital Market

The capital market industry declined by 11.7% from BND8.9 million to BND7.9 million. This was attributed to a decrease in revenue from fund management fees that may reflect the industry's response to market volatility and shifts in their clients' investment strategies.

Takaful/Insurance

The takaful/insurance industry recorded a positive growth of 144.6% from BND42.6 million to BND104.1 million. This was mainly due to the significant improvements in the investment income compared to 2022, with the spike in global interest rates.

Overview of the Banking Industry

The banking industry's loans/financing experienced a growth of 11.35.% to BND7.10 billion, despite assets and deposits declining by 4.17% to BND19.81 billion and 7.02% to BND 16.24 billion, respectively. The asset quality of the banks showed an improvement, with the non-performing loans/financing (NPLF) ratio recorded at 2.59%, a reduction from 3.34% in the previous year. The banking industry collectively held ample capital and liquidity buffers with a ratio of 20.08% and 43.54%, respectively. Compared to a year ago, the profitability of the banking industry had also improved, with Return on Assets (ROA) and Return on Equity (ROE) standing at 2.11% and 13.58%, respectively.

Chart 13: Banking Industry - Assets, Deposits and Loans/Financing (BND billion)

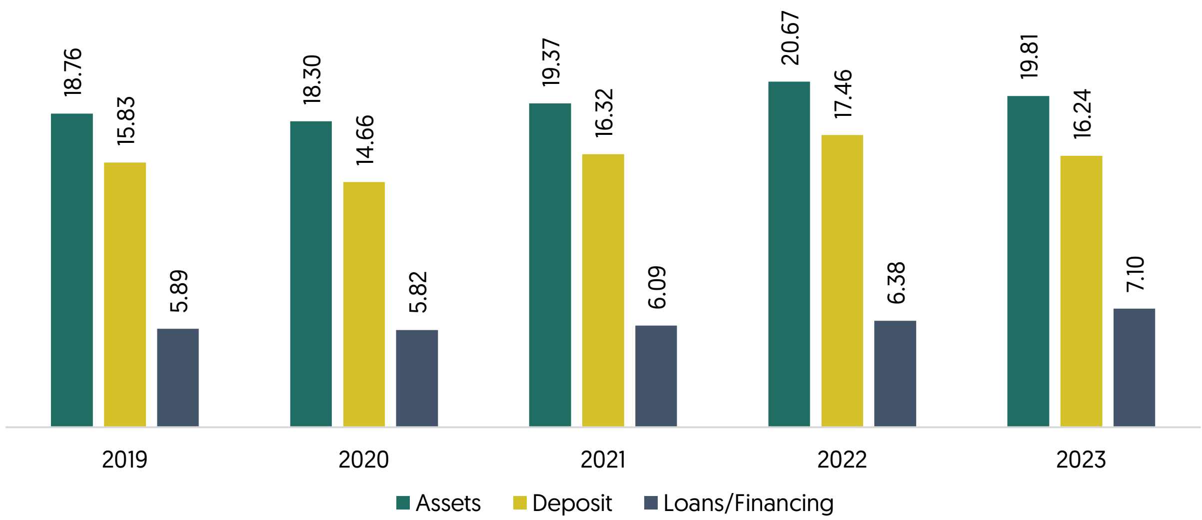


Table 3: Financial Soundness Indicators for Banks

Financial Soundness Indicators, Percent	2022	2023
Capital Adequacy		
Regulatory Capital to Risk Weighted Assets	20.90	20.08
Tier 1 Capital to Risk-Weighted Assets	20.65	19.86
Non-Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	5.54	4.44
Assets Quality		
Non-Performing Loans/Financing to Gross Loans/Financing	3.34	2.59
Net Non-Performing Loans/Financing (Net of Provisions) to Gross Loans/Financing	2.08	1.63
Provision Coverage (Specific Provisions to Total NPLFs)	37.83	37.28
Profitability		
Return on Assets (Before Tax)	1.28	2.11
Return on Equity (After Tax)	9.25	13.58
Efficiency Ratio	57.67	46.02
Liquidity		
Liquid Assets to Total Assets	43.73	43.54
Liquid Assets to Total Deposits	51.78	53.12
Liquid Assets to Demand and Savings Deposits (Non-bank customers)	94.94	91.86
Loans/Financing to Deposits Ratio	36.52	43.74

The overall loans/financing portfolio grew by 11.35% to BND7.10 billion, which was mainly contributed by growth in the corporate sector by 17.07% to BND4.18 billion, particularly in the commercial property sector which showed an increase of 49.43%. The household sector recorded an increase of 4.10% to BND2.93 billion, mainly contributed by personal loans/financing (including credit cards), which rose by 4.56%. Subsequently, the corporate sector remains as the predominant sector, registering at 58.79% of total loans/financing.

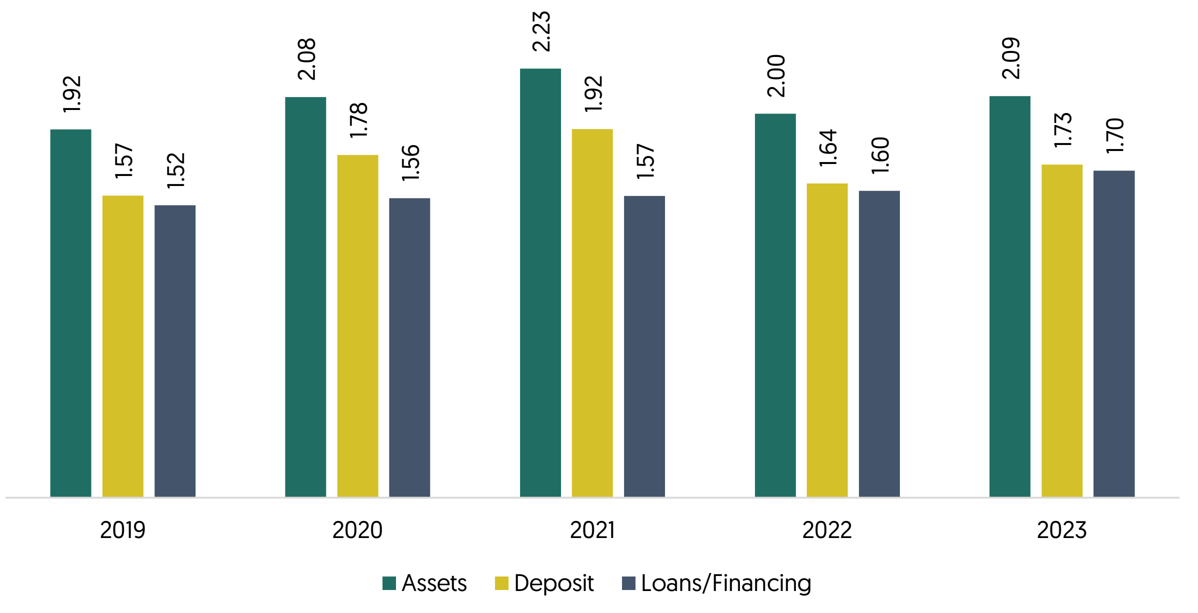
Table 4: Distribution of Loans/Financing

Sector	2022		2023		Percentage Change
	Amount (BND Million)	% of total financing	Amount (BND Million)	% of total financing	
Household Sector	**2,811.72**	**44.08**	**2,927.07**	**41.21**	**4.10%**
Personal Loan (including Credit Card)	1,344.39	21.08	1,405.70	19.79	4.56%
Residential Housing	1,467.33	23.00	1,521.36	21.42	3.68%
Corporate Sector	**3,566.81**	**55.92**	**4,175.62**	**58.79**	**17.07%**
Agriculture	34.36	0.54	46.62	0.66	35.69%
Financial	271.43	4.26	374.47	5.27	37.96%
Manufacturing	1,035.77	16.24	1,001.80	14.10	-3.28%
Transportation	199.77	3.13	71.88	1.01	-64.02%
Infrastructure	123.92	1.94	150.17	2.11	21.19%
Traders	358.89	5.63	355.50	5.01	-0.95%
Services	671.58	10.53	912.69	12.85	35.90%
Commercial Property	791.06	12.40	1,182.07	16.64	49.43%
Tourism	36.79	0.56	32.28	0.45	-9.82%
Telecom & IT	44.24	0.69	48.14	0.68	8.81%
Total Loans/Financing	**6,378.53**	**100.00**	**7,102.69**	**100.00**	**11.35%**

Finance Companies in Brunei Darussalam

Finance companies recorded a growth in assets at 4.54% to BND2.09 billion and also an increase of 6.03% in deposits to BND1.73 billion, primarily due to time deposits. Lending also expanded, with loans/financing portfolios increasing by 6.63% to BND1.70 billion, mainly due to the increase in motor vehicle loans/financing. Asset quality remained stable with a 0.52% NPLF ratio, while profitability softened, with ROA reducing from 3.03% to 2.14% and ROE from 23.14% to 12.84%.

Chart 14: Finance Companies – Assets, Deposits and Loans/Financing (BND billion)



Access to Finance

The geographical segmentation of banks' (including Perbadanan TAIB) and finance companies' facilities remains concentrated in the Brunei-Muara district, the most populated district and centre of economic and financial activities. Nevertheless, financial facilities continued to be provided to other districts to ensure accessibility.

Table 5: Distribution of Branches and ATMs by District as of 2023

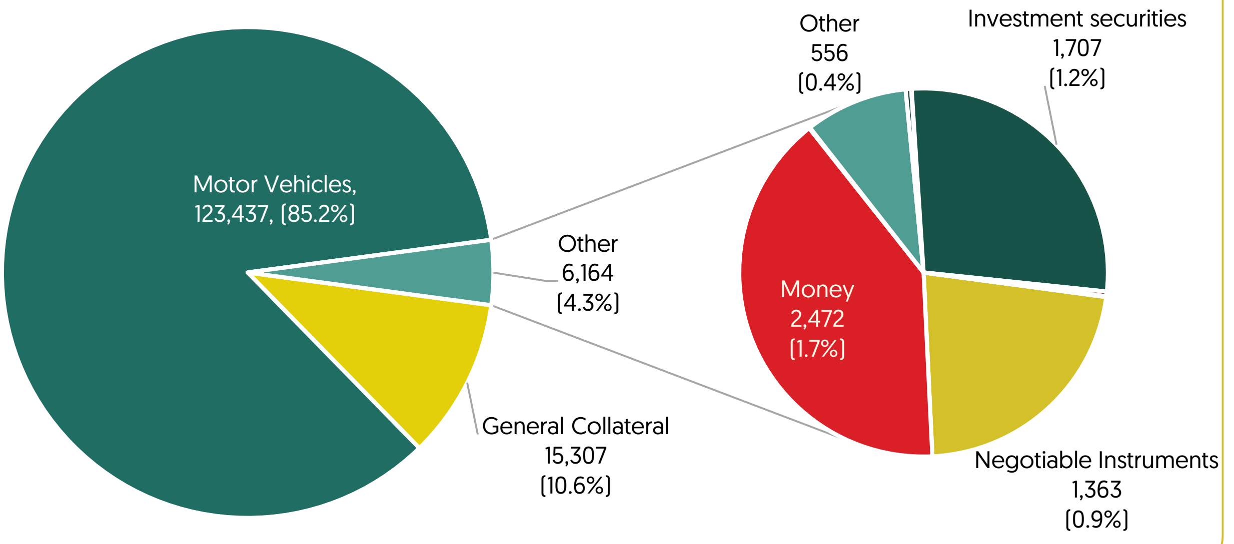
District	Branches (including Head Office)	Single Function Machines (ATM, CDM & CQM)		Multi-Function Machines	
		Onsite	Offsite	Onsite	Offsite
Brunei-Muara	36	85	59	32	13
Temburong	2	4	0	0	0
Tutong	3	4	7	3	0
Belait	10	19	8	6	6
Total	**51**	**112**	**74**	**41**	**19**

Collateral Registry

Since the implementation of the Collateral Registry (CRS) in 2016, the Collateral Registry has successfully onboarded 11 financial institutions (nine banks and two finance companies), 19 law firms, and three businesses as registered users.

The majority of collaterals registered were motor vehicles (85.2%), followed by general collateral (10.6%), and other types of movable assets (4.3%).

Chart 15: Number of Collaterals by Type as of 2023

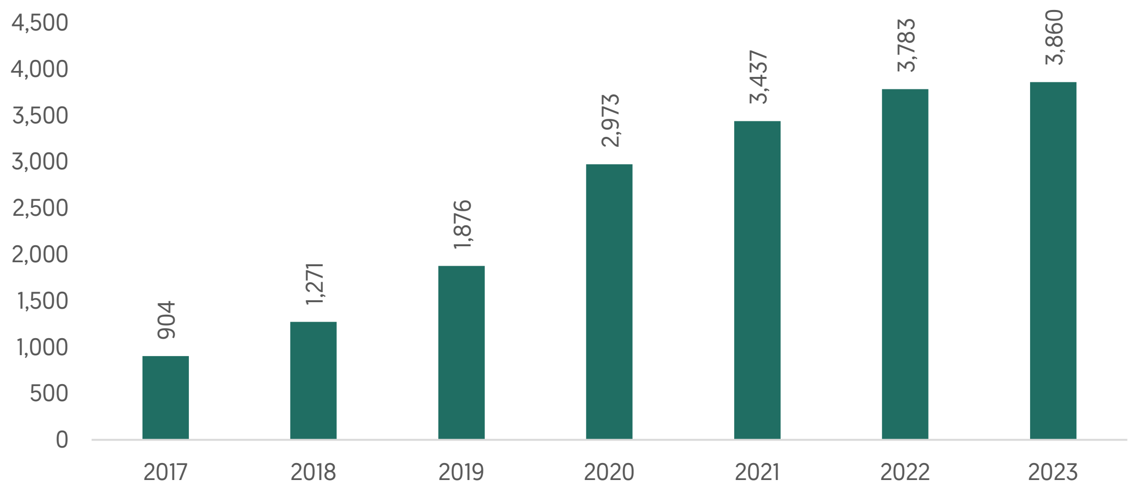


As of Q4 2023, 142,555 financing statements had been registered since the CRS began operationalising in December 2016. The consistent growth in the registration of financing statements indicates the increasing trust and reliance of financial institutions on the collateral registry as a vital risk management tool to safeguard the security rights of their movable assets.

Chart 16: Accumulative Number of Financing Statements

In 2023, users performed a total of 3,860 searches in the CRS, an increase from 3,783 searches in 2022. The increasing number of searches shows the integral role that the collateral registry plays in promoting transparency, enhancing risk management practices, and fostering confidence within the financial industry.

Chart 17: Number of Searches

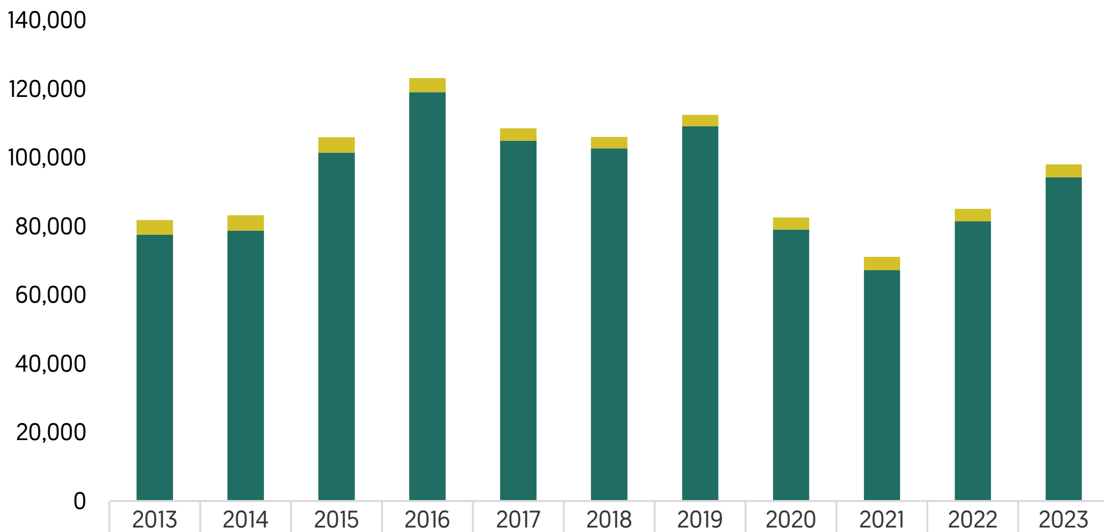


Credit Bureau

Credit Information Reports (CIR) Usage

There was an increase of 15.12% on the total number of reports generated, from 81,438 credit reports in 2022 to 94,307 credit reports in 2023. As of 31 December 2023, 96.21% of the total credit reports generated during the year were requested for consumers and only 3.79% were for commercial entities.

Chart 18: Number of Credit Reports Generated

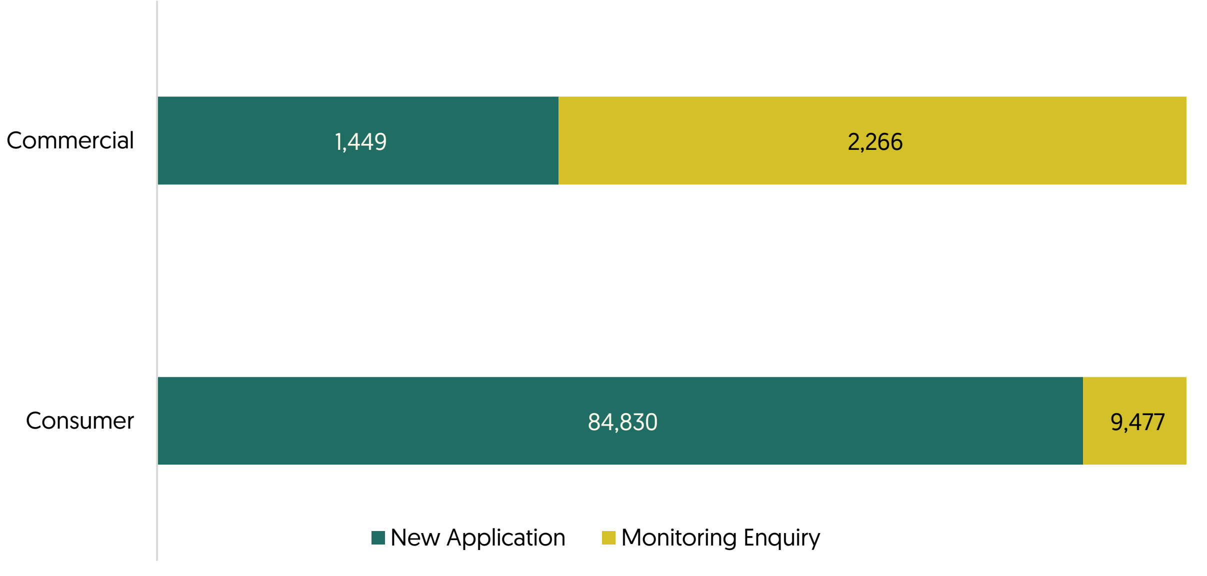


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Commercial	4,252	4,460	4,484	4,146	3,686	3,349	3,320	3,530	3,854	3,710	3,715
Consumer	77,561	78,751	101,53	119,08	104,93	102,72	109,17	79,066	67,272	81,438	94,307

Credit Information Reports (CIR) Usage by Purpose

88.02% of the total credit report generated by members of the Credit Bureau in 2023 were for the purpose of New Application Enquiry and 11.98% for Monitoring Enquiry, i.e. reviewing bank's existing customers' or guarantors' credit reports.

Chart 19: Credit Report by Purpose for 2023



Credit Facilities Requested by Type

In 2023, the top three consumer credit facilities requested were Hire Purchase (including Vehicle Financing), Personal Loans and Credit Cards, whereas the top three commercial credit facilities requested were Hire Purchase (including Vehicle Financing), Term Financing/Loans and Other Revolving Credits.

Chart 20: Credit Facilities Requested by Type in 2023 (Consumer)

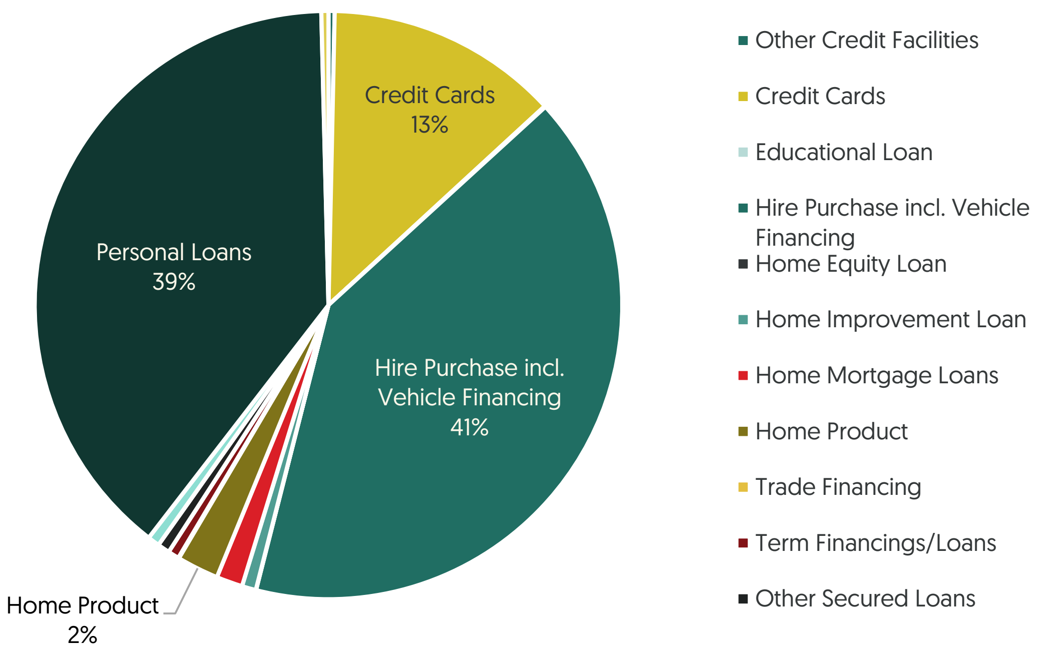
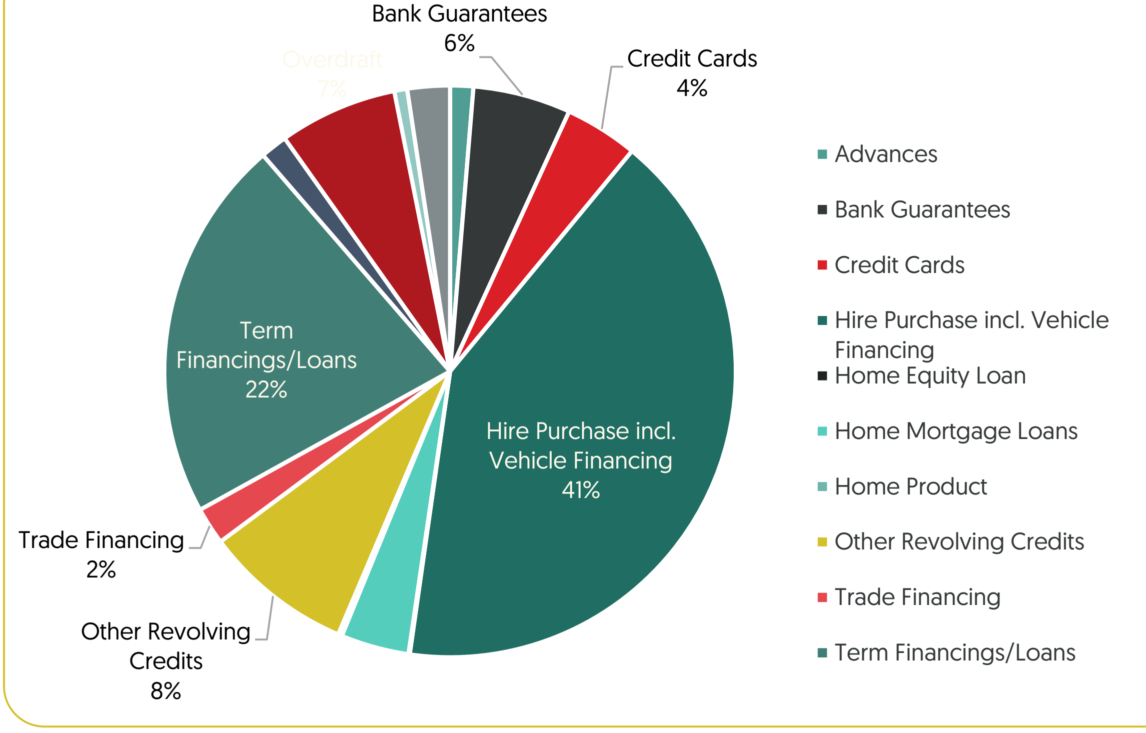


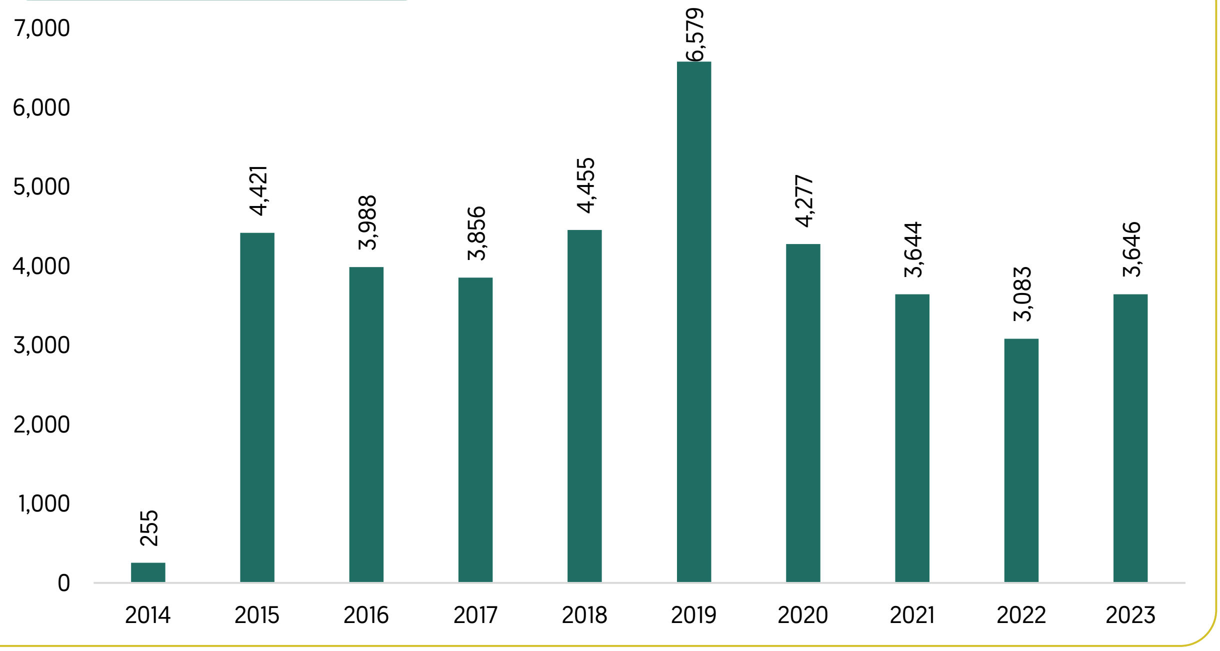
Chart 21: Credit Facilities Requested by Type in 2023 (Commercial)



Self-Inquiry Report (SIR) Generated

A total of 3,646 SIRs were generated in 2023 compared to 3,083 in 2022, reflecting an 18.26% increase. 99.59% of the SIR generated were from online applications.

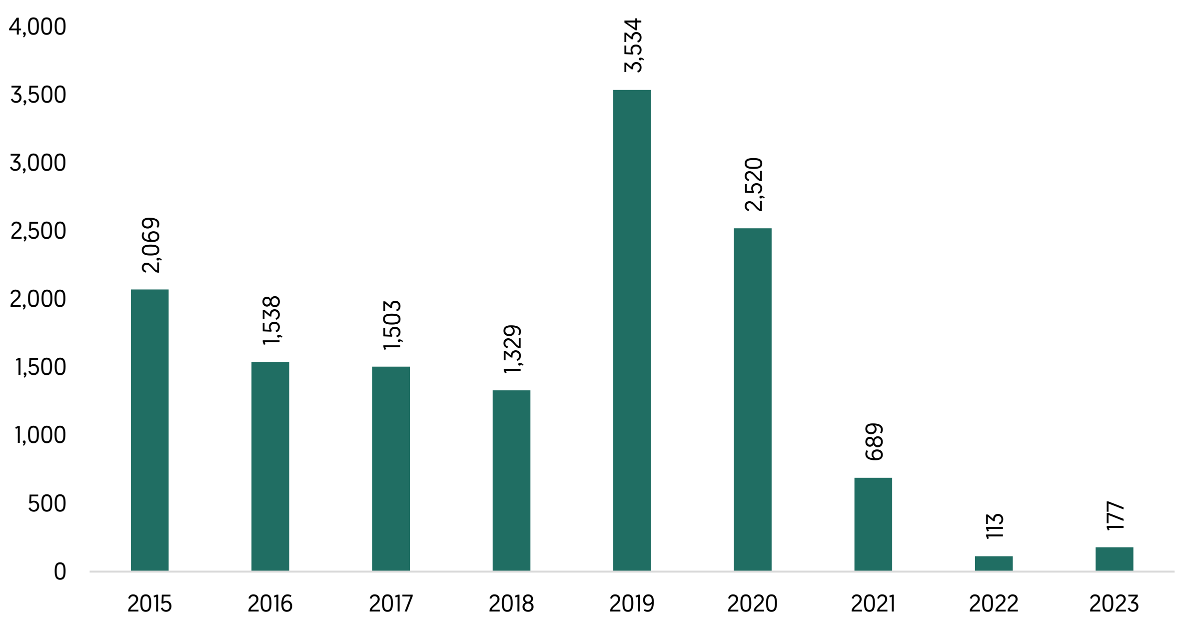
Chart 22: Number of SIR Generated



Dispute Resolution

The number of disputes registered increased from 113 in 2022 to 177 in 2023. All disputes lodged in 2023 have been resolved.

Chart 23: Number of Registered Disputes



Credit Bureau Repository

As of 31 December 2023, there were a total of 17 reporting data providers, which consists of financial institutions and non-financial institutions, such as government agencies and telecommunication companies.

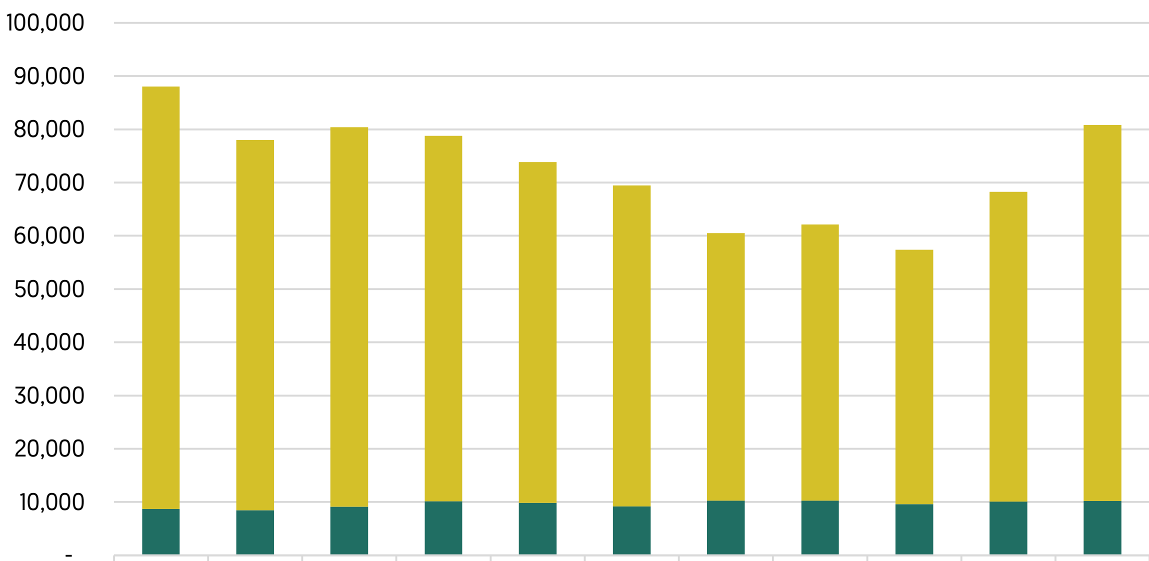
Table 6: Credit Bureau Repository

	2014	2015	2016	2017	2018	1019	2020	2021	2022	2023
No. of reporting financial institution	11	11	12	12	11	11	11	11	11	11
No. of reporting non-financial institution	-	2	3	5	9	9	11	11	6	6
No. of accounts	888,835	999,919	1,094,029	1,217,988	1,287,968	1,244,748	1,323,300	1,449,176	1,642,614	1,596,076
No. of individuals	172,285	182,480	188,119	215,289	220,858	224,023	224,032	238,231	246,709	252,804
No. of individual accounts	786,415	883,589	963,943	1,072,325	1,124,216	1,110,334	1,227,656	1,362,344	1,542,012	1,490,957
No. of active individual accounts	351,750	358,845	342,935	374,886	469,470	383,420	347,311	403,310	382,388	386,715
No. of commercial entities	9,225	10,071	11,062	12,062	15,186	13,298	9,404	10,156	10,647	11,016
No. of commercial accounts	102,420	116,330	130,086	145,663	163,752	161,258	54,093	86,832	100,602	105,119
No. of active commercial accounts	17,316	18,110	21,834	20,489	26,125	27,018	13,106	13,019	15,114	15,537
Historical Records Duration (Months)	60	72	84	96	108	120	132	144	156	165

Credit Facilities Granted

A total of 80,799 credit facilities were granted in 2023 of which 70,567 were for Consumer (Retail) and 10,232 were for Commercial (Corporate). This reflects an 18.36% increase compared to 68,265 credit facilities granted in 2022.

Chart 24: Number of Credit Facilities Granted



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consumer	79,270	69,539	71,236	68,659	63,965	60,270	50,234	51,854	47,811	58,188	70,567
Commercial	8,731	8,444	9,133	10,124	9,869	9,206	10,251	10,290	9,589	10,077	10,232

Credit Facilities Granted by Type

31% of the total granted consumer credit facilities were for Personal Loans, followed by Vehicle Financing at 25%, and 12% for Credit Cards. On the other hand, 71% of the total granted commercial credit facilities were for trade financing, 10% for bank guarantees, and 10% in Revolving Credits.

Chart 25: Credit Facilities Granted by Type (Consumer)

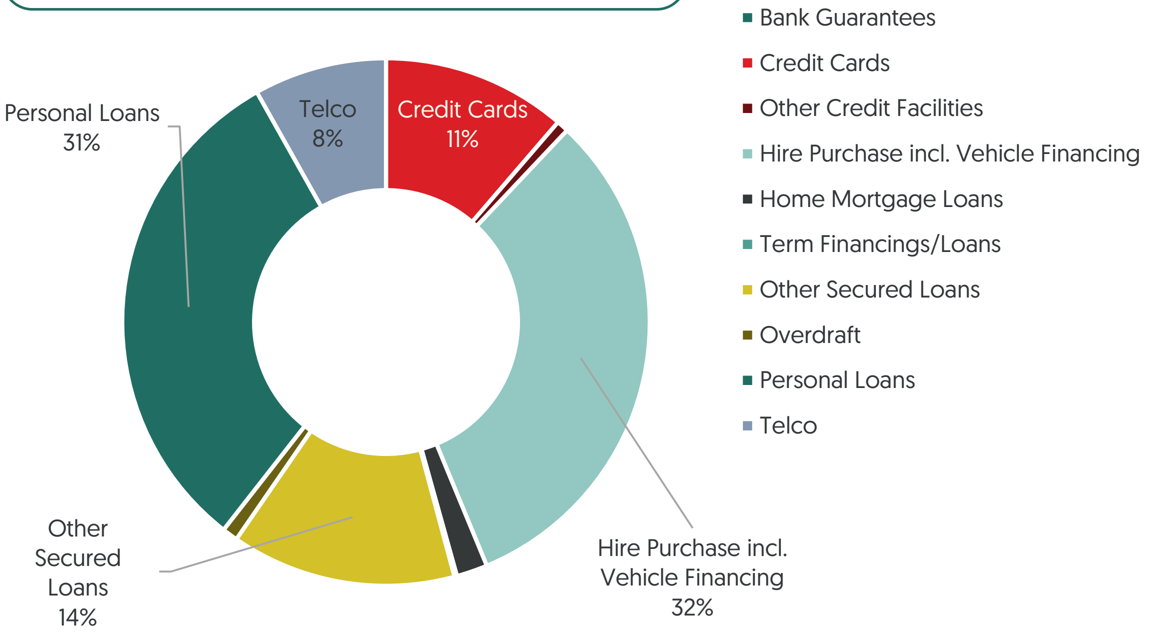
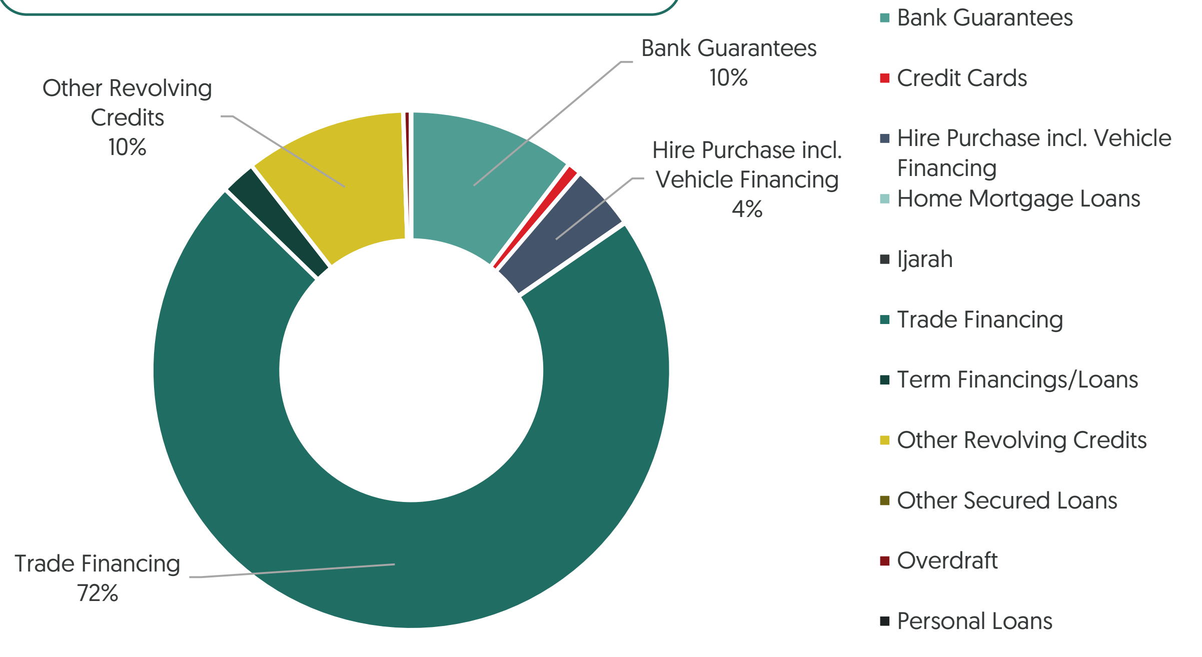


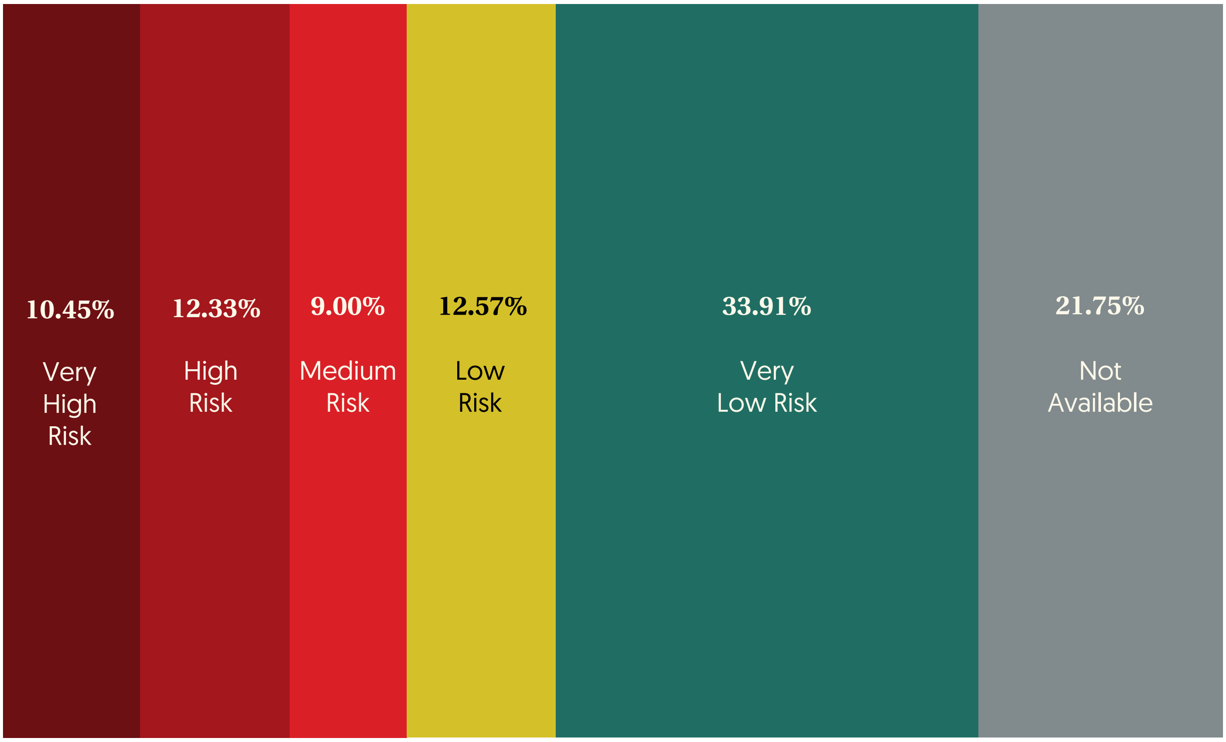
Chart 26: Credit Facilities Granted by Type (Commercial)



Credit Score Distribution

The chart below shows the distribution of applicant's credit score for the year 2023. This is based on the number of individuals/business entities and not the amount of financing applied by the aforementioned. On average, 46% of applicants had very low-risk and low-risk credit scores at the point of their loan application. Applicants who have no credit score may either be due to the Subject being new with no existing financing, the Subject having all contracts closed before 12 months, or the Subject has been inactive for the last 12 months.

Chart 27: Credit Score Distribution



Overview of Insurance/Takaful Industry

Similar to 2022, there were a total of 11 licensed companies in the insurance and takaful industry by year-end 2023 of which seven are conventional insurers and four takaful operators. Of these, six are general insurance/takaful operators, and the remaining five are life/family takaful companies.

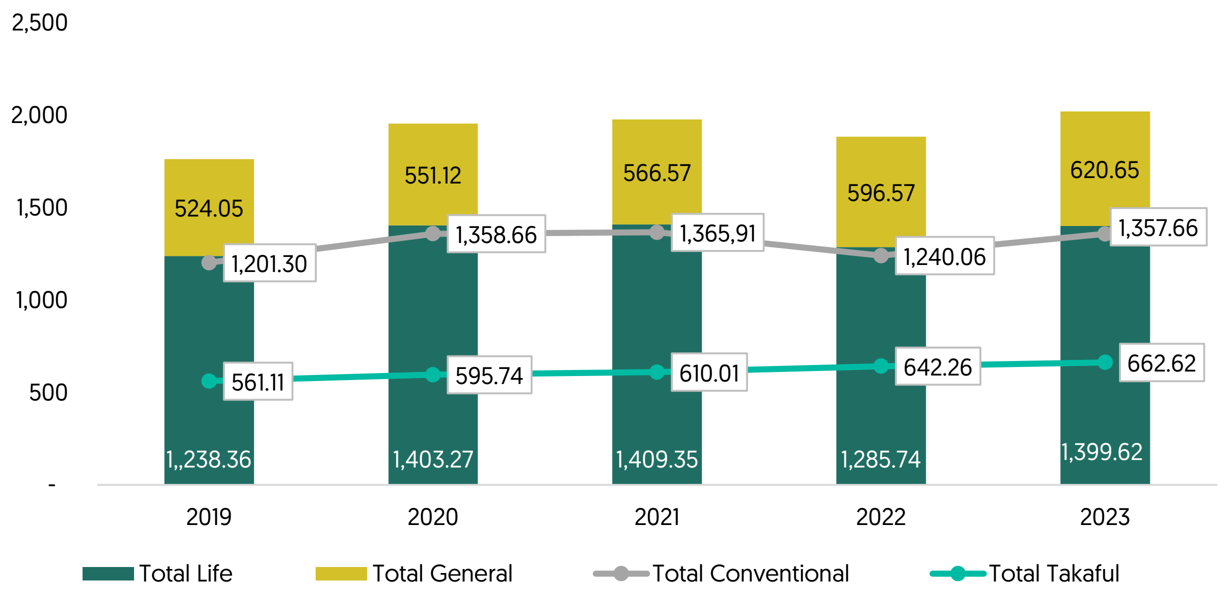
Table 7: Insurance and Takaful: Number of Intermediaries

	2022	2023
Insurance Broker	1	1
Loss Adjuster	0	0
General Insurance / Takaful Agents:	**236**	**239**
Individual	216	219
Corporate	20	20
Life Insurance/Takaful Agents:	**226**	**268**
Individual	225	267
Corporate	1	1

Total Assets

In 2023, the total assets of the insurance and takaful industry increased by 7.33% to BND2.02 billion. This was due to an increase in cash investments by 11.19%, recoverable from reinsurers by 15.09%, and other assets by 13.16% in both the life and general sectors.

Chart 28: Insurance and Takaful: Total Industry Assets (BND million)*

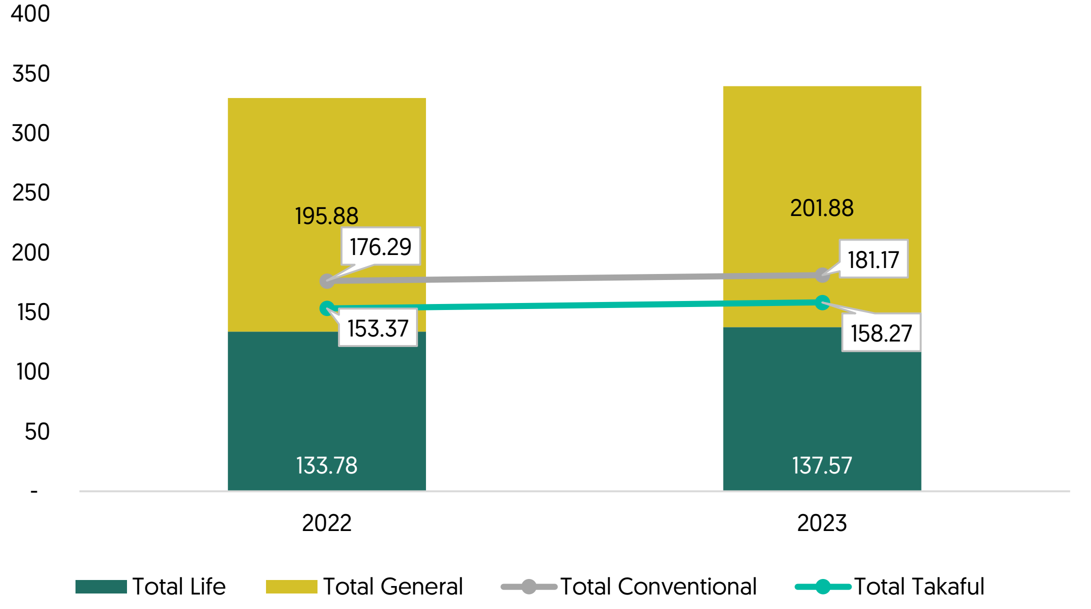


**Unaudited figures*

Gross Premiums/Contributions

The total industry insurance and takaful gross premiums rose by 2.97% from BND329.66 million in 2022 to BND339.45 million in 2023. This was mainly contributed by premium growth in the general sector specifically property, motor, and workmen compensation business while the life/family business was driven by term, endowment, and group. In terms of market share in 2023, conventional premiums had a market share of 53.37% compared to takaful contributions at 46.63%.

Chart 29: Insurance and Takaful: Total Industry Gross Premiums/Contributions (BND million)*



**Unaudited figures*

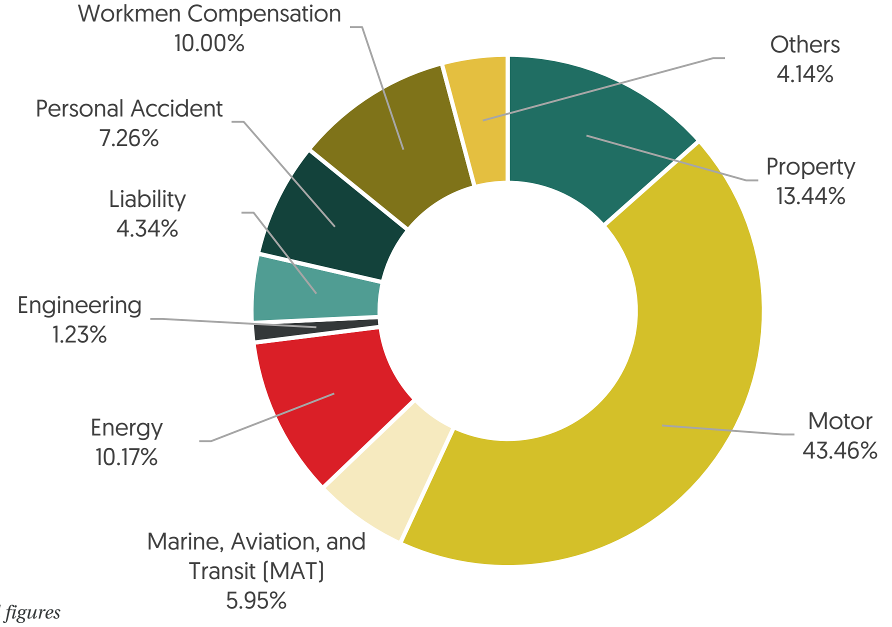
General insurance/takaful sector recorded a slight growth of 3.06% in gross premiums, with total gross premiums/contributions of BND201.88 million. A notable increase was recorded in property by 39.05%, motor by 2.39%, liability by 8.04%, and workmen compensation by 9.77%.

Insurance and Takaful: Gross Premiums/Contributions for General Business (BND million)*

	2022	2023	Percentage Change %
Property	19.52	27.14	39.05
Motor	85.68	87.73	2.39
Marine, aviation and transit (MAT)	13.14	12.01	(8.60)
Energy	22.04	20.54	(6.82)
Engineering	3.15	2.49	(21.10)
Liability	8.11	8.77	8.04
Personal Accident	15.55	14.67	(5.71)
Workmen Compensation	18.39	20.19	9.77
Others	10.29	8.36	(18.78)
Total Gross Premiums/Contributions	**195.88**	**201.88**	**3.06**

**Unaudited figures*

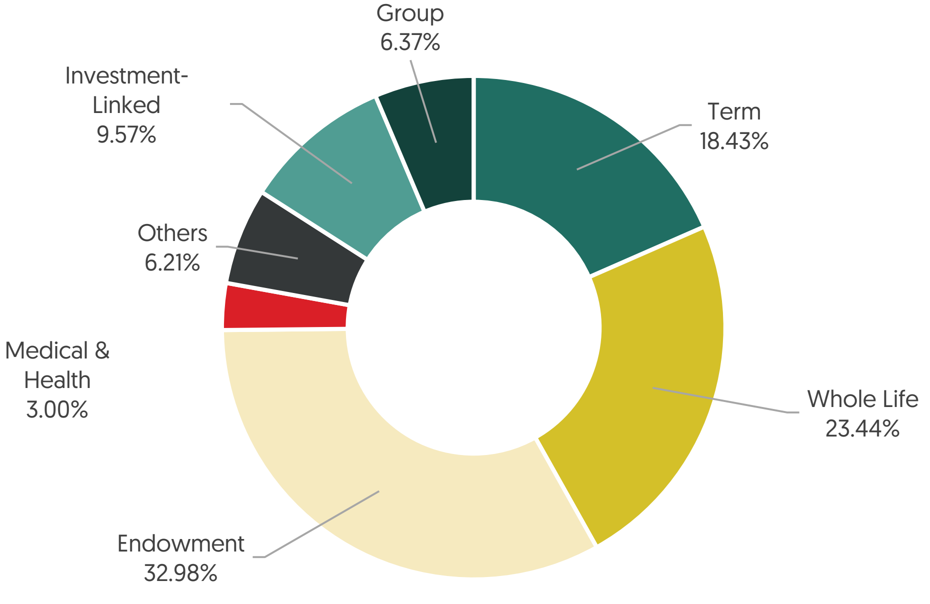
Chart 30: Insurance and Takaful: General Gross Premiums/Contributions by Classes of Business*



Unaudited figures

For the life insurance/family takaful sector, business in-force premiums/contributions were at BND137.57 million in 2023, an increase of 2.83%. This was due to a significant increase in family business by 20.72% as term takaful contributions increased by 35.03%. Endowment policies had the biggest segment in the life/family space and accounted for a 32.98% share, followed by whole life with 23.44%), and term with 18.43%. As of 2023, a total of 37,879 new policies/certificates were issued, totalling 256,386 policies/certificates being in force.

Chart 31: Insurance and Takaful: Life Premiums/Family Contributions by Classes of Business*

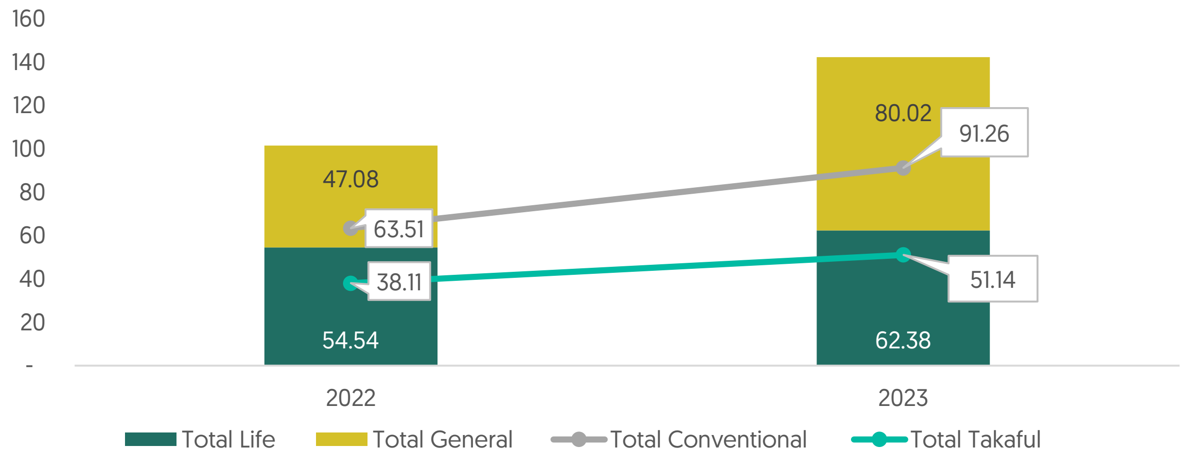


Unaudited figures

Gross Claims/Benefits

In 2023, the industry recorded a 40.12% rise in gross claims/benefits from BND101.63 million in 2022 to BND142.40 million in 2023. The life sector recorded an increase of 14.38% to BND62.38 million in 2023, particularly due to the growth in term by 41.73%, whole life by 26.37%, investment (unit)-linked by 5.41%, and other business by 35.79%. Similarly, the general sector also recorded an increase in claims by 69.95% mainly due to engineering and personal accident.

Chart 32: Insurance and Takaful: Total Industry Gross Claims/Benefits (BND million)*



**Unaudited figures*

Specialised Markets

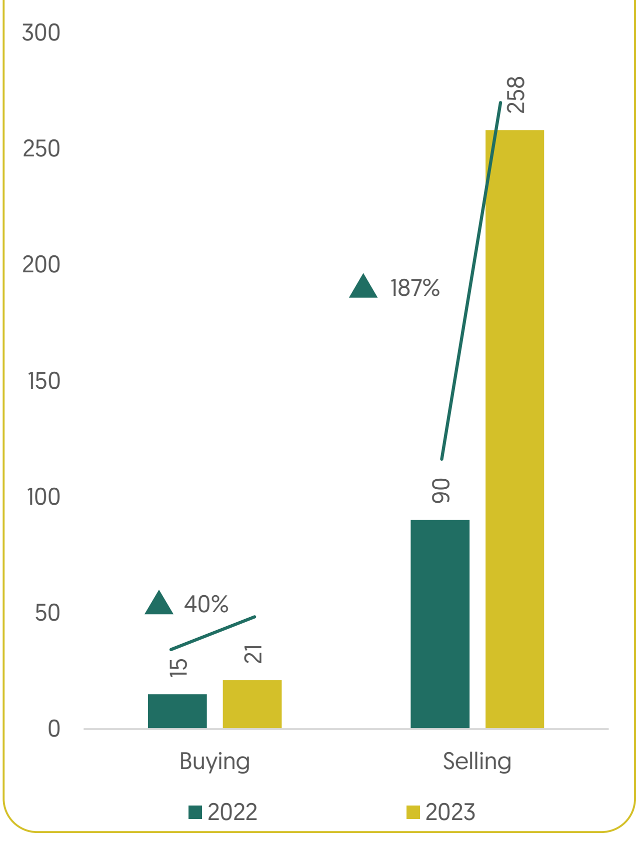
Money Changing

In 2023, both the selling and buying of foreign currencies showed an upward trend. The selling of foreign currencies increased by 187% from BND89.95 million in 2022 to BND258.00 million in 2023, while the buying of foreign currencies recorded a 40% increase from BND15.18 million to BND21.00 million.

Malaysian Ringgit made up the highest value of foreign currencies sold and bought at 67% (BND174.15 million with 400,506 transactions), and 34% (BND7.45 million with 47,141 transactions), respectively.

The increase in the buying and selling of Malaysian Ringgit can be attributed to the consistent number of cross-border travellers to and from Malaysia following the easing of COVID-19 control measures since Q3 2022.

Chart 33: Total Value of Buying and Selling of Foreign Currencies (BND million)

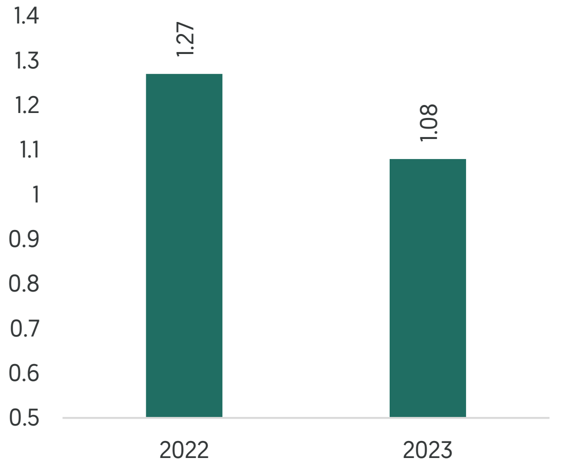


Money Remittance

In 2023, the value of outward remittances decreased by 15% from BND1.27 billion in 2022 to BND1.08 billion. Consistent with this, the number of transactions also declined by 4%, from 1.14 million to 1.09 million. The majority of the money was remitted to Malaysia (33%) and Indonesia (25%).

Remittances to Malaysia amounted to BND353.51 million with 151,417 transactions, while remittances to Indonesia amounted to BND267.81 million with 397,842 transactions. 80% of the outward remittances were for personal purposes.

Chart 34: Total Value of Outward Remittances (BND billion)



Capital Market

Regulated Persons under Securities Markets Order, 2013 (SMO)

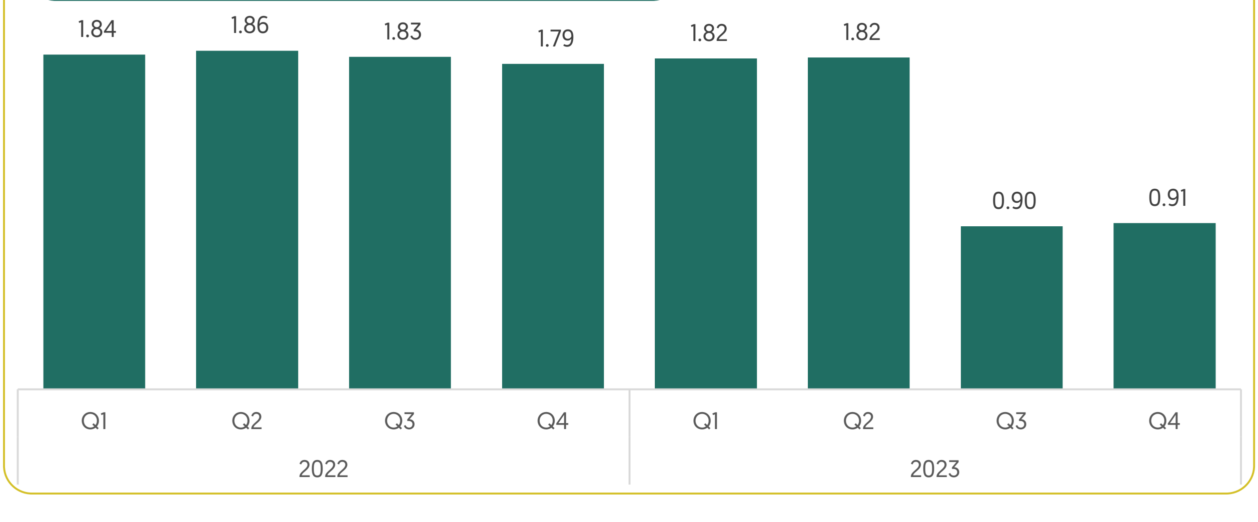
The total number of regulated persons under the SMO, 2013 increased by two to 157 in Q4 2023 compared to 155 in Q4 2022 from new applications for Capital Markets Services Representative's Licence (CMSRL).

In Q1 2023, there was one cessation of Capital Market Services License (CMSL), resulting in a total of only six CMSL holders in Q4 2023.

Total Assets Under Management

The total assets under management (AUM) managed by CMSL holders in Brunei Darussalam stood at BND0.91 billion in Q4 2023, marking a 48.96% y-o-y decline. This decline may be attributed to clients' strategic decisions and market sentiment.

Chart 35: Total Assets Under Management (BND billion)



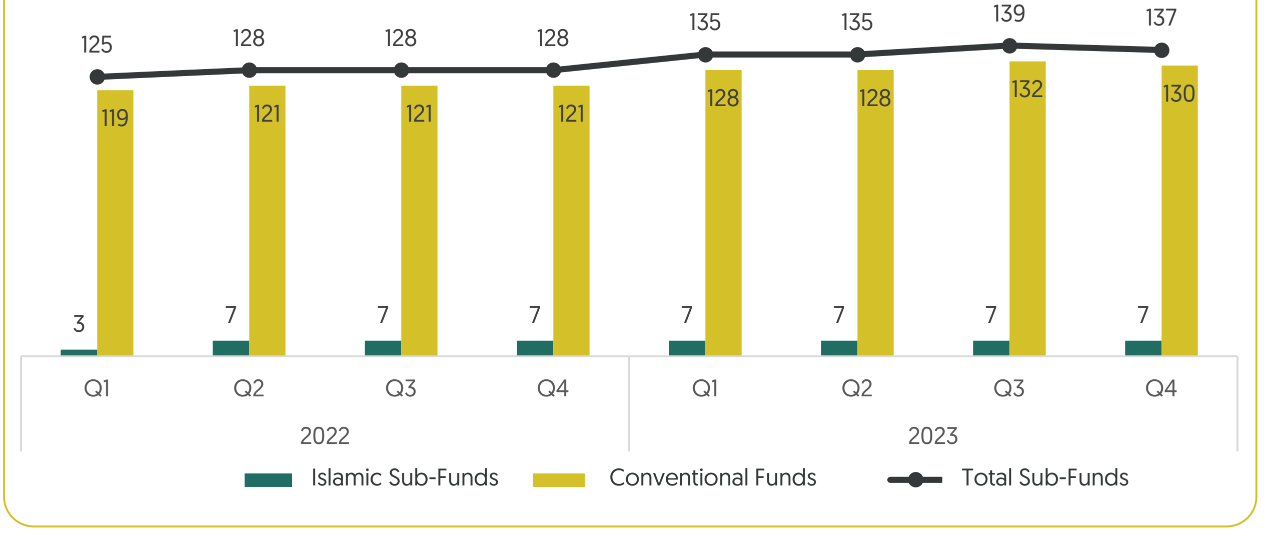
Collective Investment Schemes (CIS)

The total number of CIS being distributed in Brunei Darussalam increased from 29 in Q4 2022 to 30 in Q4 2023, of which 20 are conventional and 10 are Islamic CIS.

Sub-funds of Collective Investment Schemes (CIS)

The total number of sub-funds being distributed in Brunei Darussalam increased from 128 CIS in Q4 2022 to 137 CIS in Q4 2023.

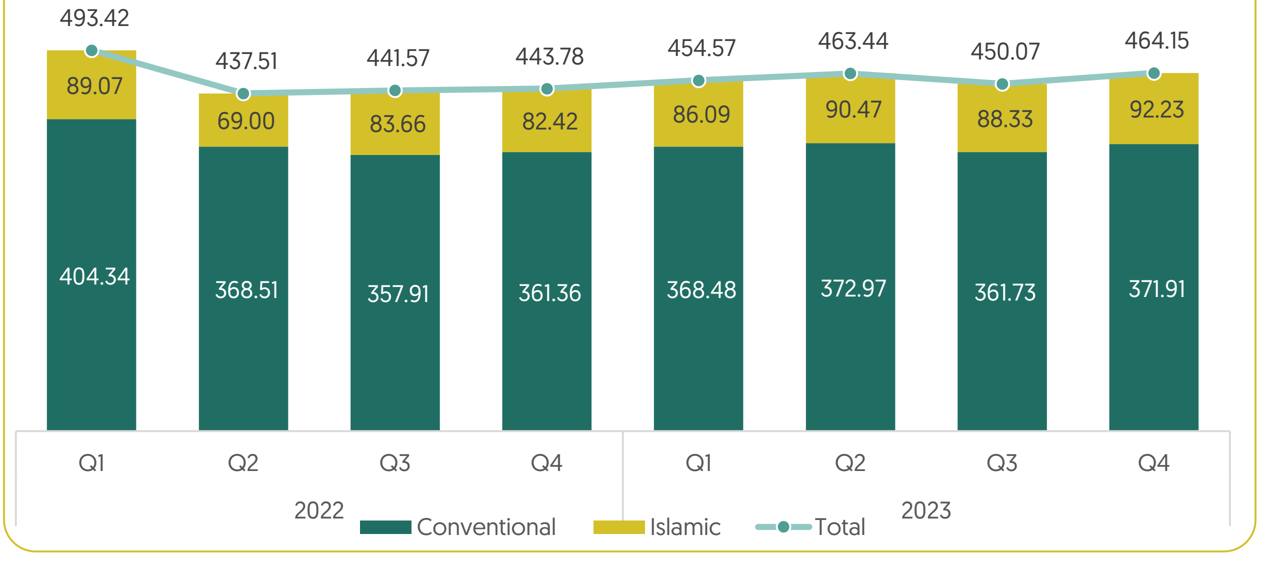
Chart 36: Total Number of Sub-Funds of CIS



Total Assets Under Distribution for Public CIS

The total Assets Under Distribution (AUD) invested into Public CIS stood at BND464.15 million in Q4 2023, of which 19.87% are in Islamic CIS and 80.13% are conventional. This represents a 4.59% increase from BND443.78 million in Q4 2022.

Chart 37: Assets Under Distribution for Public CIS (BND million)



Financial Sector Blueprint (2016-2025)
2023 Progress

Pillar I: Monetary and Financial Stability

- Notice on Commencement of Continuing Professional Development (CPD) Framework
- Notice on Licensing Examination – Amendment No.2
- Notice on Technology Risk Management
- Notice on Early Detection of Cyber Intrusion and Incident Reporting – Amendment No.2*
- Notice on Conducting Islamic Investment Business
- Notice on Syariah Governance Framework (Amendment No. 1)
- Notice on Appointment of Syariah Advisory Bodies (SAB)
- Notice on Syariah Non-Compliance
- Guidelines on Conducting Islamic Investment Business
- Guidelines on Fitness and Propriety of Syariah Advisory Bodies (SAB)
- Guidelines on Conducting The Regulated Activity of Giving or Offering Investment Advice – Amendment No.1
- Guidelines on Liquidity Risk Management

Pillar II: Competitive and Innovative Financial Institutions and Services

- BDCB officially became a member to the Global Financial Innovation Network (GFIN)
- Establishment of Brunei FinTech Innovation Centre
- Issuance of Guidelines on Issuance of Debentures – Amendment No.1
- BDCB with Universiti Islam Sultan Sharif Ali (UNISSA) co-organised a Call-for-Papers to encourage greater research and increase publications related to Islamic Finance
- Continuous preparation for the establishment of the national securities exchange

Pillar III: Robust and Modern Infrastructure

- Creation of a regulatory framework for Payment Systems Operators
- Continuous preparation for the establishment of the national payment network

Pillar IV: Enhanced International Integration

- Signing of Banking Supervisory Memorandum of Understanding with Monetary Authority of Singapore (MAS)
- Signing of Memorandum of Understanding with the Dubai Financial Services Authority (DFSA)
- Signing of the 9th Protocol of the ASEAN Framework on Services (AFAS) - Financial Services
- Conducted 4th BDCB-MAS Bilateral Roundtable
- Chairmanship of the ASEAN Taxonomy Board

Pillar V: Human Capital Development

- Introduction of Continuous Professional Development (CPD) for the Capital Market and Insurance/Takaful sector
- Finalisation of the data reporting Guidelines and data templates for the financial sector Manpower Study

Objective I
Domestic Price Stability

Currency Board Arrangement

Brunei Darussalam's monetary policy regime is based on a Currency Board Arrangement (CBA) and is underpinned by the CIA between Brunei Darussalam and Singapore.

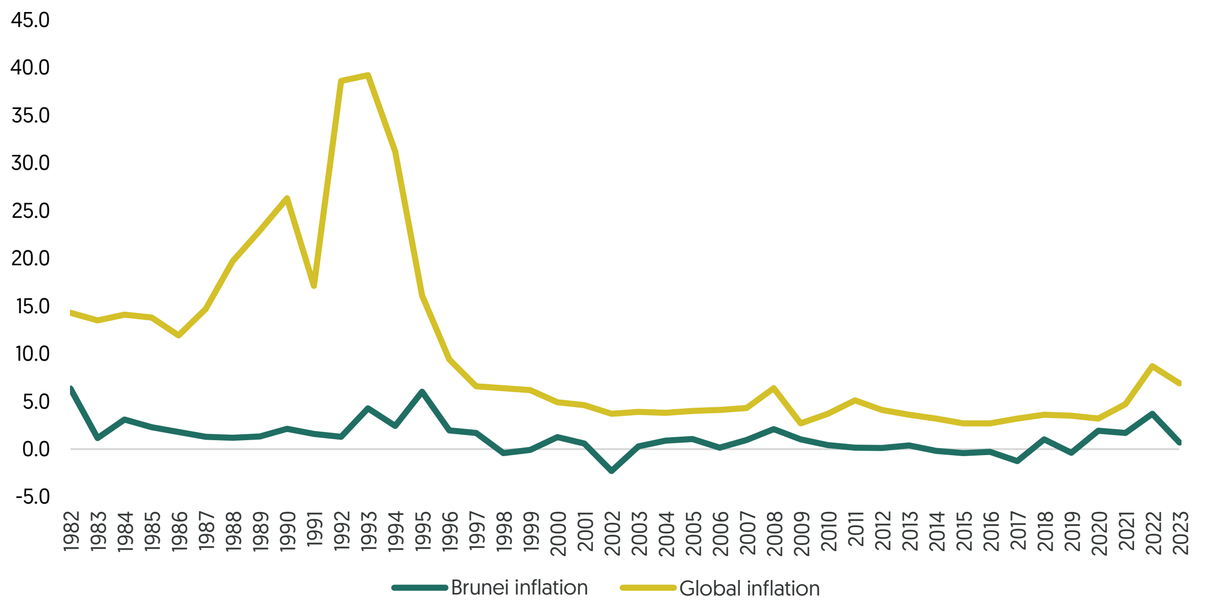
The core principles of the Currency Board are its adherence to a fixed exchange rate system and the requirement of ensuring the currency issued is entirely backed in an equivalent amount in foreign reserves. In Brunei Darussalam's case, the Brunei Dollar is pegged to the Singapore dollar at a one-to-one ratio. The rule of full reserve backing is stated in the Currency Order, 2004, which also stipulates that only the Central Bank can issue the Brunei currency.

Furthermore, the CIA specifies that the Central Bank, the MAS, and licensed banks in both Brunei Darussalam and Singapore must accept and convert each other's currencies at an equal rate and without any charges into their respective currencies. Under this agreement, the Brunei Dollar is customary tender in Singapore, and similarly, the Singapore Dollar is recognised as customary tender in Brunei Darussalam.

Other than macroeconomic and monetary stability, this unique arrangement has been mutually beneficial for Brunei Darussalam and Singapore, facilitating trade and investment between the two countries. It also reflects the strong bilateral relationship between the two countries and the continuous financial cooperation between the Central Bank and the MAS.

This monetary policy and a few administrative price measures in place have helped to keep inflation relatively low and stable, with the inflation in Brunei Darussalam for the period 1982–2023, averaging around 1.3%, as shown in the chart below:

Chart 38: Average Inflation Rate in Brunei Darussalam Against World's Average (% y-o-y)



Source: DEPS, MOFE and IMF

Monetary Operations

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

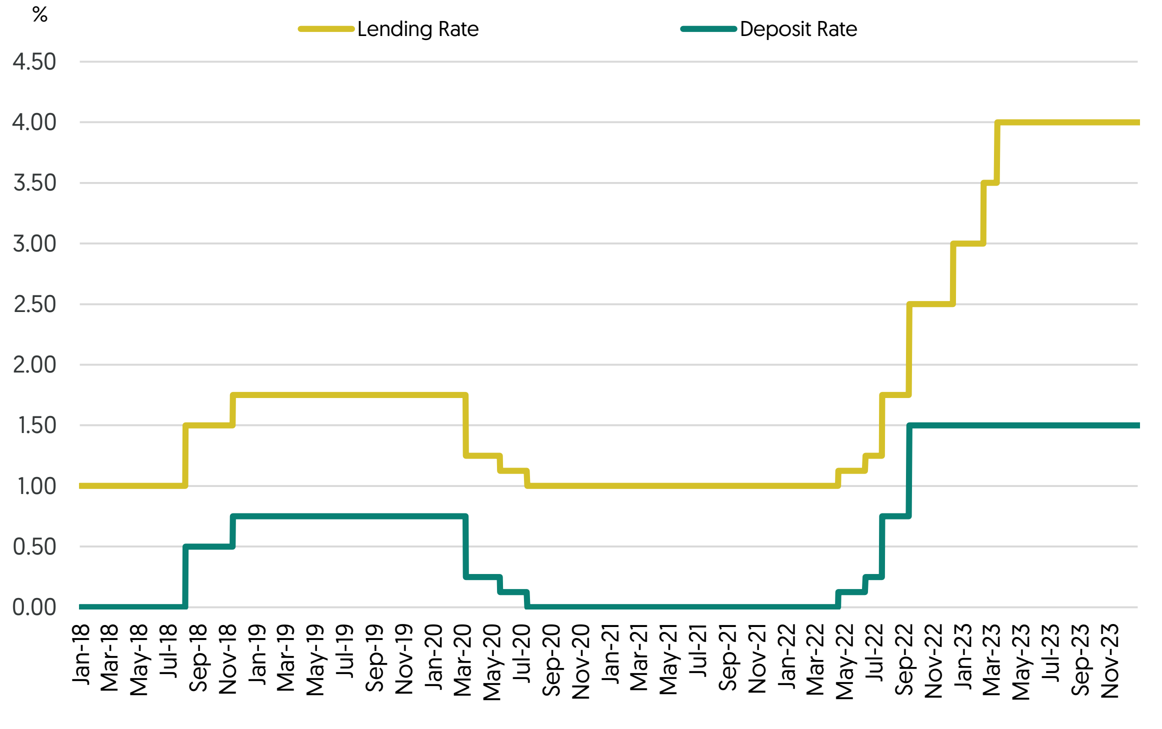
Towards achieving monetary stability, the Central Bank also conducts monetary operations through the issuance of BDCB Islamic Bills (I-Bills) and Overnight Standing Facilities (OSF) to ensure sufficient liquidity for the smooth functioning of the domestic banking system. The design of these instruments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

Overnight Standing Facilities

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

In light of the global economic and market conditions, the FMSC raised the BDCB Overnight Standing Facility rates twice in 2023, by a total of 100 basis points. The rates remained unchanged for the remainder of 2023, with the Lending and Deposit rates at 4.00% and 1.50% respectively.

Chart 39: BDCB Overnight Standing Facilities Rates



Brunei Government Sukuk Al-Ijarah

The first Brunei Government Sukuk Al-Ijarah was issued on 6 April 2006. Since the inception of this programme, the Brunei Darussalam Government has issued a total of 226 issuances of Sukuk Al-Ijarah securities, with maturities of three months, one year, three years, five years, seven years, and ten years.

As of 13 December 2023:

BND16.58 billion

Total issuance value

BND339.00 million

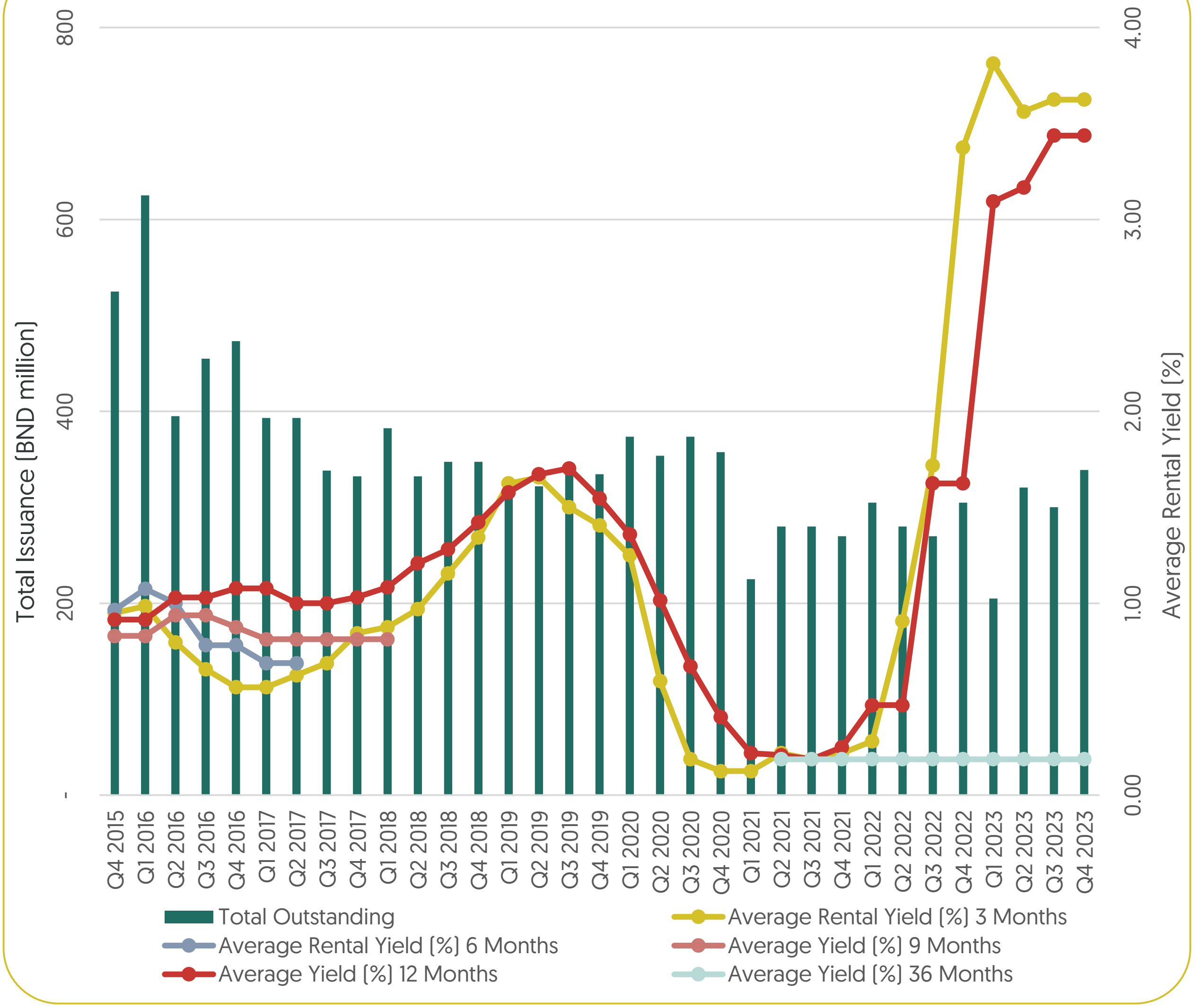
Total outstanding amount

13 sukuk were issued in 2023, comprising:

- **7** Issuances of three months maturities
- **4** Issuances of one-year maturities
- **1** Issuance of three-year maturity
- **1** Issuance of five-year maturity

Brunei Government Sukuk Al-Ijarah is an eligible collateral for BDCB Lending/Funding Facility under the OSF, which allows banks to borrow in Brunei Dollars from the Central Bank.

Chart 40: Brunei Government Sukuk Outstanding Amount and Cut-off Yield



BDCB Islamic Bills

As part of the Central Bank's commitment to Pillars I and II of the FSBP 2016–2025 and its continued efforts to develop a more efficient money market for Brunei Darussalam, the Central Bank successfully launched the two-week BDCB Islamic Bills (I-Bills) on 22 October 2020 which is based on the Syariah concept of Wakalah bil Ujrah.

The BDCB I-Bills aim to support liquidity management for the banks and the Islamic trust fund as primary market participants (PMP) in Brunei Darussalam. BDCB I-Bills are also eligible collateral for the BDCB Lending/Funding Facility under OSF, enabling banks to borrow in Brunei Dollars from the Central Bank, if required.

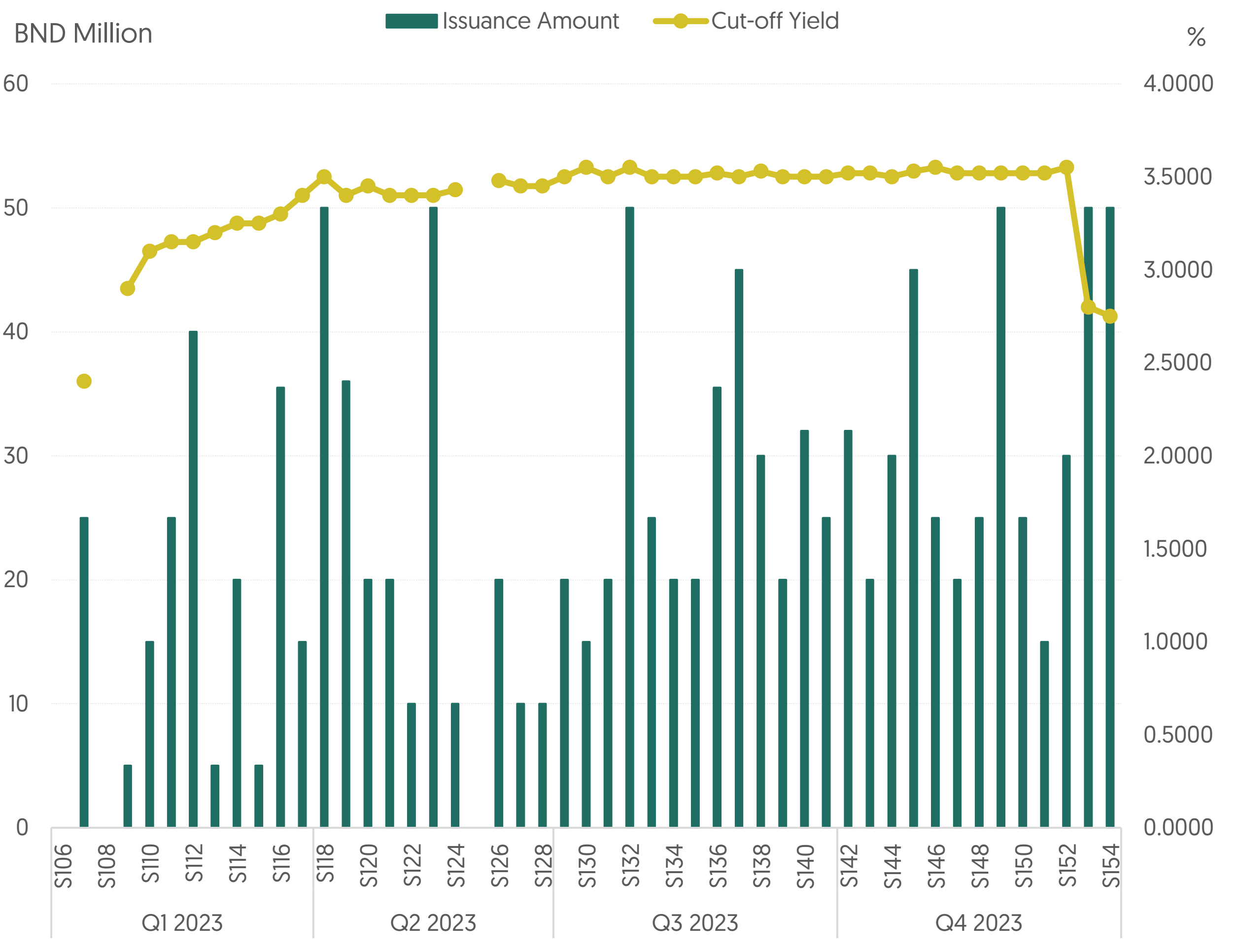
As of 31 December 2023:

BND3.93 billion
Total value of issued

154
Issuances

BND100 million
Total outstanding amount

Chart 41: Rental Yield and Issuance Amount of BDCB I-Bills



Objective II
Stability of the Financial System

REGULATORY DEVELOPMENTS

In order to uphold financial stability, market integrity, and soundness of financial institutions in Brunei Darussalam, the Central Bank formulates financial regulations and prudential standards in line with international standards and best practices. As part of the Central Bank's efforts to meet its regulatory key objectives for the financial system, the Central Bank issued a number of regulatory notices and guidelines in 2023.

Standards and Best Practices

Notices and guidelines issued by the Central Bank aim to encourage financial institutions to cultivate a strong culture of compliance alongside continuous improvement in business conduct, risk management, as well as corporate and Syariah governance.

- **Notice on Licensing Examination – Amendment No. 2**
  The Notice on Licensing Examination was amended to implement two key changes. This includes the requirement for individuals engaged in, or intending to engage in, Islamic financial planning to successfully complete relevant modules under the Financial Planning Practitioner's Programme (FPPP) and the extension of the notice's application to exempt persons, specifically insurance companies offering or selling investment-linked insurance contracts.

- **Notice on Technology Risk Management**
  The Notice on Technology Risk Management was issued to strengthen the resilience of the financial sector amidst evolving technological risks. The notice reflects new advancements and emerging risks, mandating financial institutions to establish and implement effective technology risk management frameworks, strategies, and best practices.

- **Notice on Early Detection of Cyber Intrusion and Incident Reporting**
  The Notice on Early Detection of Cyber Intrusion and Incident Reporting was amended to elevate cyber resilience within the financial sector. Applicable to all financial institutions, the amended notice imposes stricter requirements for proactive cyber threat detection and prompt reporting of major information technology (IT) incidents to the Central Bank.

- **Notice and Guidelines on Conducting Islamic Investment Business**
  The Notice and Guidelines on Conducting Islamic Investment Business apply to Capital Markets Services Licence (CMSL) holders. There are new requirements and detailed operational guidance provided to bolster the operational integrity of Islamic investment activities.

- **Notice on Syariah Non-Compliance**
  The Notice on Syariah Non-Compliance was issued to promote transparency and accountability in Syariah compliance. This notice mandates Islamic financial institutions to report any instances of non-compliance events to the Central Bank, along with their proposed rectification plans.

- **Notice on Appointment of Syariah Advisory Bodies**
  The Notice on Appointment of SABs was issued as part of the Central Bank's continuous efforts to foster a robust and competent Islamic financial ecosystem. This notice aims to raise the standards of SABs of Islamic financial institutions and streamline the appointment and reappointment processes, to facilitate efficient talent acquisition, and ensure continuity of guidance.

- **Notice on Syariah Governance Framework – Amendment No. 1**
  The Notice on Syariah Governance Framework (SGF) was amended in recognition of the potential impact of Syariah non-compliance risks on financial stability. The amendments aim to further strengthen the roles and responsibilities of the Board of Directors, SABs, and the senior management, as well as introduce a well-defined line of defence approach for Syariah control functions.

- **Guidelines on Conducting the Regulated Activity of Giving or Offering Investment Advice – Amendment No. 1**
  The Guidelines on Conducting the Regulated Activity of Giving or Offering Investment Advice was amended with the aim of enhancing clarity and guidance on the relevant requirements applicable to any person who is conducting or intending to conduct the regulated activity of giving or offering Islamic investment advice.

- **Appointment of Syariah Financial Supervisory Board Members**
  Approval was granted for the reappointment of six Syariah Financial Supervisory Board (SFSB) members, including two Deputy Chairmen, and the appointment of two new SFSB members for a three-year term starting from 5 October 2023.
  The SFSB is the authority responsible for determining Islamic law in the context of Islamic financial activities in Brunei Darussalam, supervised or regulated by the Central Bank.

- **Guidelines on Liquidity Risk Management**
  The Guidelines on Liquidity Risk Management set forth the Central Bank's supervisory expectations for banks' liquidity risk management practices. The guidelines cover key areas such as governance, funding strategy, liquidity cushion maintenance, intragroup liquidity management, and contingency funding plans. These guidelines offer banks detailed guidance on implementing sound principles and best practices to effectively manage liquidity risks inherent in their activities.

Commencement of Continuous Professional Development Framework

The Central Bank, in collaboration with the Brunei Institute of Leadership & Islamic Finance (BILIF), took a significant step towards enhancing professionalism and competencies within the takaful/insurance and capital market sectors by implementing a comprehensive CPD Framework.

The CPD Framework emphasises the importance of ongoing learning and development for individuals operating in these sectors. It aims to equip agents and licensed representatives with the necessary knowledge, skills, and regulatory expertise to navigate the ever-evolving financial landscape while adhering to the highest professional standards.

To cater to the unique needs of each sector, the Central Bank has developed separate CPD requirements for takaful/insurance and capital market practitioners. These requirements have been incorporated into the registration conditions for takaful operators/insurance agents and the Notice on Commencement of the CPD Framework, which was issued in May 2023. The notice and accompanying frequently asked questions outline the CPD obligations for various stakeholders, including holders of CMSL, CMSRL, and insurance companies offering investment-linked contracts.

Industry Consultation

In underscoring its commitment to open communication and informed policymaking, the Central Bank actively engaged with key stakeholders throughout 2023. These consultations enabled the Central Bank to gather valuable insights and perspectives on the following matters:

Implementation of BASEL III Liquidity Framework

To further strengthen the Central Bank's prudential regulatory framework and ensure alignment with international best practices, Basel III liquidity framework for the banking industry is currently being developed, starting with the Liquidity Coverage Ratio (LCR Framework).

To ensure its effective implementation, a series of consultation processes were conducted. During each consultation, the industry was invited to review and comment on specific components of the LCR Framework, and at the same time, the industry was required to conduct quantitative impact assessments on respective components of the LCR Framework.

As of 2023, two rounds of consultations were conducted on the introduction of the LCR Framework:

- On 16 January 2023, the Central Bank issued the first Consultation Paper, which focused on the Net Cash Outflows component of the LCR Framework, and aimed to gauge the industry's readiness; and
- On 8 November 2023, the Central Bank released the second Consultation Paper with the objective of bringing together other components of the LCR, including the application of run-off assets (outflow and inflow rates) and eligible High-Quality Liquid Assets.

Recovery and Resolution Framework for Financial Institutions

In line with the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions, the Central Bank has implemented initiatives to ensure the successful establishment of a comprehensive recovery and resolution framework for regulated financial institutions. This framework aims to underpin financial stability and ensure orderly resolution in the event a financial institution experiences distress.

Following a consultation process and consultation paper issued on 13 June 2023, and engagement sessions with respective industry associations and relevant government agencies in the same month, the Central Bank gathered feedback and insights for the design of the policy considerations and legal framework for the resolution regime.

SUPERVISING FINANCIAL INSTITUTIONS AMID MACROECONOMIC UNCERTAINTY

Macroprudential Policy and Financial Surveillance

Identification of Domestic Systematically Important Bank(s) (D-SIBs) in Brunei Darussalam

The objective of identifying D-SIBs is to enhance the banking sector's resilience and overall stability of the financial sector by effectively managing the risks posed by systematically important financial institutions. The list of D-SIBs is reviewed annually, considering any changes in the banks' systemic importance over the past year. Additionally, the framework undergoes a review once every three years to ensure its continued relevance and effectiveness.

The D-SIBs for 2024 was identified based on both quantitative and qualitative criteria outlined in the Framework for D-SIBs. The designated D-SIBs were subjected to High Loss Absorbency (HLA) requirements for their capital, as determined by the assessment.

Macroprudential Toolkit

In continuing the surveillance of systemic risk in Brunei Darussalam, the Central Bank conducted a study to assess the level of indirect interconnectedness within the financial system. The study focused on the top 50 common debtors' exposure, which refers to debtors that have loan or financing facilities from more than two banks. Additionally, a study was carried out to determine the level of offshore assets and their interconnectedness to the banking system. The study aimed to address systemic risk by monitoring the interconnectedness of the financial sector as well as the financial soundness of individual entities.

The Central Bank also regularly conducts macroprudential surveillance of the financial sector through its quarterly Risk Dashboard analysis and bi-annual Risk Perception Survey. In addition to the supervisory tasks undertaken, the Central Bank's Macroprudential Policy Working Group (MPWG), which is made up of team members from various backgrounds, meets on a quarterly basis to discuss potential financial stability risks and concerns across different industries which may be escalated to the FMSC for reporting.

Supervision

Supervisory Priorities and Approach

Throughout 2023, the Central Bank continued to oversee financial institutions with a primary focus on significant risk areas, including, but not limited to, credit risk, market risk, liquidity risk, and operational risk. A risk-based approach was adopted in identifying the relevant financial institutions for onsite inspection. This approach allows the Central Bank to allocate resources effectively and prioritise onsite inspection based on the level of risk associated with each financial institution.

Syariah Supervision

Syariah Risk-Based Supervision Framework

With the increasing adoption of Islamic finance, the Central Bank introduced the Syariah Risk-Based Supervision Framework (SyaRiF). This framework strengthens the Central Bank's supervisory capacity, safeguarding the integrity of Islamic finance through effective oversight of financial institutions offering Islamic products and services. It aims to uphold adherence to Syariah principles in the operations of these institutions.

The framework equips the Central Bank with a holistic risk-based approach to supervising Syariah compliance. It provides guidance for supervisors to systemically identify gaps, evaluate control functions, and make recommendations for financial institutions to enhance their Syariah compliance culture for effective adoption of the Central Bank's legal and regulatory requirements.

SAFEGUARDING THE FINANCIAL SECTOR AGAINST ML/TF RISKS

Amendments to Regulatory Framework

The Criminal Asset Recovery Order (CARO), enacted on 16 June 2012, is the primary statute governing the AML/CFT regime in Brunei Darussalam. CARO criminalises money laundering and contains provisions that applies to a wide range of authorities and agencies relevant to AML/CFT.

Demonstrating Brunei Darussalam's commitment in combatting ML/TF, CARO was amended on 31 January 2023 to streamline Brunei Darussalam's legislative framework to the standards set forth by the Financial Action Task Force (FATF) 40 Recommendations. Changes were made to provisions for identification requirements, wire transfer requirements, enhanced due diligence (EDD) on high-risk customers, EDD and countermeasures as required by the FATF or the government, the assessment and mitigation of ML/TF risks and the implementation of group-wide programmes by all branches and majority-owned subsidiaries of financial groups. The functions and powers of the Financial Intelligence Unit (FIU), BDCB were also clarified to include the authority to access, use and share information, and to impose measures and sanctions upon non-compliance.

Onsite Examinations

An AML/CFT onsite examination is an in-depth examination into an institution's AML/CFT programme and its implementation throughout the institution by examining written policies and procedures, interviewing relevant officers, as well as reviewing systems and processes in place against the requirements stipulated under CARO, Anti-Terrorism Order (ATO), and Anti-Terrorism (Terrorist Financing) Regulations (TFR).

Between July and August 2023, the FIU, BDCB conducted onsite examinations to 17 remittance companies. These onsite examinations assessed the institutions' understanding and implementation of preventive measures for ML/TF, specifically on aspects of sanctions screening, transaction monitoring, and suspicious transaction reporting.

Offsite Examinations

A review of financial institutions' and Designated Non-Financial Businesses and Professions' (DNFBPs) AML/CFT programs were also conducted based on desktop reviews and analysis of documents provided or published by financial institutions and DNFBPs, including documents on policies and procedures, audit reports, and responses to the AML/CFT questionnaires. In May 2023, the FIU, BDCB issued the AML/CFT questionnaire to all banks with the purpose of updating the information previously collected in 2019.

The questionnaire aimed to obtain an overview of each institution's current AML/CFT measures and to assess the implementation of provisions under the AML/CFT legislative frameworks such as the CARO, ATO, and TFR. Information gathered had enhanced FIU, BDCB's understanding of ML/TF risks and the banks' level of compliance.

Supervisory Letters

In 2023, the FIU, BDCB issued a total of 22 supervisory letters, as follows:

7

Relating to obtaining updates on recommended actions highlighted in the onsite reports issued.

14

Relating to possible non-compliance with requirements to report suspicious transactions and cash transactions under sections 15 and 16 of CARO, respectively.

1

Relating to obtaining updates and clarification as part of FIU's offsite examination and continuous monitoring of the institution.

Table 9: Highlights for 2023

Suspicious Transaction Reports (STR)	
No. of STRs Received	1,929
Intelligence Reports	
No. of Intelligence Reports Disseminated	16
Cash Transaction Reports (CTR)	
No. of CTRs Received	5,494
Amount Reported in CTRs	BND3.68 billion
Requests for Information (RFI)	
Received from Domestic Agencies and Stakeholders	195
No. of Persons and Entities	627 persons 49 entities
Sent to Reporting Entities	122
Received from International Counterparts	1
No. of Persons **No. of Entities**	2 persons
Sent to International Counterparts	1
No. of Persons **No. of Entities**	1 person 1 entity
Physical Currency or Bearer Negotiable Instruments (CBNI) Reports	
No. of CBNI Reports Received	1,333
Total Amount Reported in CBNI	BND525 million
Reported Entering Brunei Darussalam	779
Total Amount Reported in CBNI	BND295 million
Reported Exiting Brunei Darussalam	492
Total Amount Reported in CBNI	BND221 million
Reported Transiting Through Brunei Darussalam	61
Total Amount Reported in CBNI	BND8 million

Suspicious Transaction Report

A Suspicious Transaction Report (STR) is filed whenever a transaction or attempted transaction is suspected of involvement in a serious offence. A serious offence is any offence that is committed for which the maximum penalty is death, imprisonment for a term not less than six months, a fine of not less than BND1,000, or a more severe penalty. This includes offences of ML/TF and other serious offences. STRs are submitted directly to the FIU, BDCB through the Integrated Financial Intelligence System (IFIS).

In 2023, the FIU, BDCB received a total of 1,929 STRs, a decrease of 14.03% in total reporting compared to 2,244 reports received in 2022. The FIU, BDCB analyses these reports and assesses the likelihood of any criminal activity occurring. If the suspicion raised is substantiated, the FIU, BDCB then disseminates the information to the respective law enforcement agency for investigation.

Cash Transaction Report

A Cash Transaction Report (CTR) is filed on any cash transaction amounting to BND15,000 or more, or the equivalent in a foreign currency transacted within a day. The CTR requirement was first implemented in June 2014. CTRs are submitted by financial institutions, DNFBPs, and motor vehicle dealers who are registered as reporting entities. Similar to the STR, CTRs are submitted to the FIU, BDCB via IFIS.

In 2023, the FIU, BDCB received 5,494 CTRs from reporting entities, with 82.60% of the reports coming from the banking and remittance sectors. Following previously observed patterns, these sectors continued to report the majority of CTRs received over the years.

The total monetary value of CTRs received decreased from BND3.61 billion reported in 2022 to BND3.68 billion in 2023.

Physical Currency and Bearer Negotiable Instruments Report

The Currency and Bearer Negotiable Instruments (CBNI) reporting requires any persons carrying BND15,000 or more, or the equivalent in foreign currency, across Brunei Darussalam borders, to submit a CBNI report to either a Customs or Immigration officer at the border control post. These reports are then forwarded for digitisation, storage, and analysis by the FIU, BDCB. CBNI reporting is also required for any persons moving CBNI across Brunei Darussalam borders amounting to BND15,000 or more by cargo, courier, postal service, or any other means.

CARO imposes measures for the disclosure of information regarding movements of CBNI into and out of Brunei Darussalam for the purposes of detecting, investigating, and prosecuting any offences involved under ML/TF and related offences. Failure to submit a CBNI declaration as per the requirements of Section 37 of CARO is an offence and liable, upon conviction, to a fine not exceeding BND50,000, or imprisonment for a term not exceeding three years, or both. However, in the case of a legal person, the fine shall not exceed BND100,000.

Due to the relaxation of travel movement restrictions following Brunei Darussalam's entry to the Endemic Phase in December 2022, the FIU, BDCB received more CBNI reports in 2023 compared to 2022, totaling 1,333 reports, mostly submitted by money changers and banks. The majority of CBNI Reports indicated that the purpose of moving cash across borders was to conduct business.

Intelligence Report

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

Additionally, the FIU, BDCB also undertook an increasingly direct collaborative approach alongside its stakeholders in 2023 through increased engagement in the provision of intelligence and information during ongoing financial investigations and prosecutions. The feedback received from law enforcement agencies, which are the FIU, BDCB's primary stakeholders, indicates that the assistance provided in the form of intelligence reports or direct engagements between an analyst and a law enforcement officer has been useful in financial investigations.

Public-Private Partnership (PPP): Crimes Intelligence Research Group (CINRG, "Synergy")

The PPP initiative establishes a platform for intelligence exchange between selected public and private sector agencies, named Crime Intelligence Research Group (CINRG). Through this platform, CINRG is expected to play a significant role in monitoring crime trends encompassing various criminal activities through public and private collaboration.

The FIU, BDCB referred to the 2020 ML Threat Assessment update, which identified cheating (fraud) as one of the crimes rated as a high ML threat in Brunei Darussalam. Consequently, CINRG prioritises this offence in its work program. The group assessed the existing strategies and methods used to combat these crimes through SWOT (strengths, weaknesses, opportunities, and threats) analysis discussions to identify gaps or weaknesses that could be used to formulate targeted and effective strategic or operational actions. Among the key outcomes as of 2023 include:

- Active participation from the Royal Brunei Police Force (RBPF), Cyber Security Brunei, Centre for Strategic and Policy Studies (CSPS), Authority for Info-communications Technology Industry (AITI), Unified National Networks (UNN), and four large banks in Brunei Darussalam;

- Agreement on common areas of interest and to act within the available legislative framework; and
- Identification of three work areas to achieve the desirable outcome of mitigating the threat of scams, which include Education and Awareness, Monitoring and Surveillance, and Response and Recovery.

CINRG saw an opportunity to enhance existing awareness programs by establishing a joint communications program which involves collaboration between the public relations teams from various agencies. Moreover, CINRG can conduct monitoring and surveillance through the collection of statistics to identify emerging trends for the purpose of maintaining relevance in communications programs. As CINRG brings together parties with a pivotal role in the investigative process, the platform provides an opportunity to assess critical work processes that need improvement in order to achieve effective investigations.

Outreach and Awareness

In 2023, the FIU, BDCB conducted the following activities to assist in raising awareness on AML/CFT obligations as well as enhance AML/CFT supervisory practices:

Engagement with the Board of Valuers and Estate Agents (BoVEA)

On 28 January 2023, the Land Department of the Ministry of Development, in collaboration with the Brunei Institution of Geomatics (BIG), conducted a briefing with real estate agents as part of the BoVEA's CPD programme to introduce the duties and responsibilities relating to the selling and renting of real estate. The FIU, BDCB was invited to give an introductory presentation on AML/CFT, which covered the following:

- An introductory briefing to the FIU, BDCB, the FATF, National Risk Assessments (NRA), and the AML/CFT legislative framework;
- AML/CFT obligations to all financial institutions and DNFBPs;
- Brunei Darussalam's AML/CFT Regime; and
- Other relevant reference materials.

Legislative Amendments Briefing

On 30 June 2023 and 7 July 2023, the FIU, BDCB conducted briefings on amendments made to CARO, ATO, and TFR to all financial institutions and payment service operators. Additionally, the briefing was also given to DNFBPs which included auditors and accountants, advocates and solicitors, gold dealers, real estate agents and company service providers. The objective of the briefing was to notify and update all reporting entities on the amendments made to CARO, ATO, and TFR as well as to remind them of their obligations, the prohibitions, and offences as set out in the legislations.

Virtual Assets Workshop

From 4 to 5 December 2023, the FIU, BDCB as NAMLC Secretariat, organised a two-day workshop on virtual assets which was attended by senior officials and officers from government and law enforcement agencies and relevant divisions under the Central Bank.

The workshop explored the global prominence of virtual assets, providing insights into their nature and complexities, as well as the regulatory and enforcement measures adopted by different countries. The workshop aimed to provide a deeper understanding of the challenges and risks associated with virtual assets as well as delving into effective strategies for the establishment of an appropriate regulatory framework in compliance with evolving international standards to mitigate such risks.

This reflects the nation's dedication and commitment to equipping stakeholders with the necessary expertise to navigate the complexities of the financial landscape related to virtual assets. The knowledge acquired from this workshop will contribute to the formation of a framework for regulating virtual assets within the country. Such efforts are essential to ensure market integrity, protect consumers, and safeguard the public from fraudulent activities.

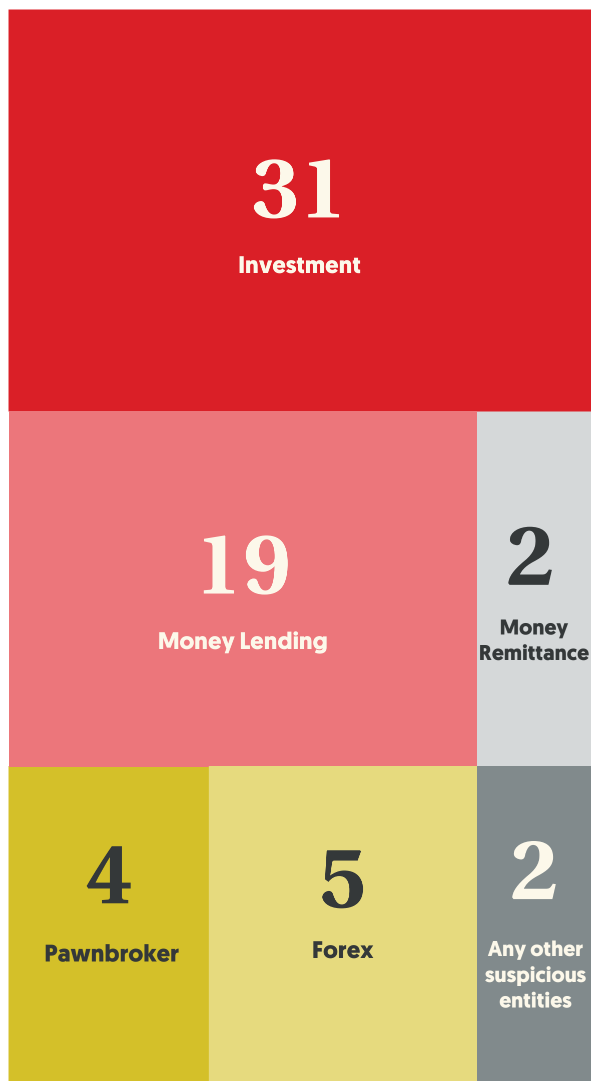
MARKET CONDUCT AND CONSUMER PROTECTION

Public Awareness on Unlicensed Financial Activities

The BDCB Alert List is a list of persons (i.e. companies and individuals) who, based on information available to BDCB at the time of publication, may be or may have been wrongly perceived as being licensed, authorised or regulated by BDCB.

As of 31 December 2023, a total of 236 unauthorised persons were listed in the Alert List, of which 62 were added in 2023.

Chart 42: Entities Listed on the BDCB Alert List in 2023 Based on Types of Activities



FINANCIAL LITERACY IN BRUNEI DARUSSALAM

In recognising the importance of building financially informed and empowered citizens, the Central Bank remained active in promoting financial literacy in Brunei Darussalam. Efforts were dedicated to the publication of various awareness materials and the delivery of targeted programmes.

Throughout the year, the Central Bank published different types of financial literacy materials to cater to different segments of the population, including social media posts through its Instagram account, @centralbank.brunei and LinkedIn page, awareness videos, radio adverts, TV tickers, and its Smart Money Habits booklet. The materials encompassed a wide range of topics from the core responsibilities of the Central Bank to financial management topics such as savings, debt management, takaful/insurance, investments, and financial consumer protection.

Besides social media, the Central Bank continued to leverage traditional media channels to make information more accessible to the public. As part of its comprehensive strategy, the Central Bank collaborated with Radio Televisyen Brunei (RTB) and local radio stations including Kristal FM, Pelangi FM, and Nasional FM, to extend its outreach efforts.

Financial Literacy Programmes

The Central Bank offered its signature financial literacy modules and courses to cater to the needs of different target audiences. The modules and courses are designed to empower participants with essential knowledge and skills for making sound financial decisions, particularly on financial planning, budgeting, inflation, debt management, takaful/insurance, investments, financial scams awareness, and understanding the Brunei currency. These modules and courses were delivered to both the public and private sectors, as well as educational institutions, including the Ministry of Finance and Economy, Ministry of Education, Ministry of Defence, Royal Brunei Armed Forces (RBAF), Royal Brunei Police Force (RBPF), Belait District Office, Brunei Investment Agency, Jerudong Park Medical Centre (JPMC), Pantai Jerudong Specialist Centre, Anthony Abell College, Young Executive Programme under the Civil Service Institute (IPA), and JPMC College of Health Sciences.

Further, various programmes were carried out in conjunction with significant financial literacy events, such as the annually celebrated National Savings Day, World Investor Week, and ASEAN Savings Day. Throughout these events, the Central Bank issued a number of social media posts and videos, as well as organised several competitions.

Additionally, the Central Bank successfully organised financial awareness roadshows at various events, including the Mid-Year Conference and Exhibition and National Youth Day, as well as outreach initiatives to schools in Tutong district, namely Ma'had Islam Brunei and Keriam Primary School. These roadshows were designed to equip participants with the relevant knowledge and skills in both central banking knowledge and financial management. The success of these programmes was achieved through collaborations with the Central Bank's stakeholders, particularly government agencies, financial institutions, and associations.

'Know Your Banknotes' Initiative

The Central Bank, in collaboration with the Commercial Crime Investigation Department (CCID) of the Royal Brunei Police Force (RBPF) conducted several 'Know Your Banknotes' awareness talks in 2023. The talk was delivered to Brunei National Archive of the Museum Department, Royal Customs and Excise Department, Tabung Amanah Islam Brunei, various money changers and money remittance companies, Masin Secondary School, Baiduri Bank, tour guide operators under the Tourism Department, and Politeknik Brunei (PB).

The 'Know Your Banknotes' talk aims to raise awareness and understanding of the Currency Order, 2004, the law administering the Brunei currency. The security features of the different denominations and ways to identify the authenticity of the banknotes were also shared. Additionally, the RBPF provided insights on measures to be taken should individuals be in possession of counterfeit, or suspected counterfeit currency.

Box Article

NATIONAL SAVINGS DAY: THE INFLUENCHER

The Central Bank, in collaboration with Relentless Entertainment and Academy of Performing Arts, produced a musical titled 'The InfluencHER' in conjunction with the National Savings Day (NSD) celebrated every 28 May.

In line with NSD's slogan 'Financial Literate Generation', the musical was a unique blend of education and entertainment, designed to serve as a reminder on the importance of sound financial management, effective debt management while simultaneously cautioning against financial scams.

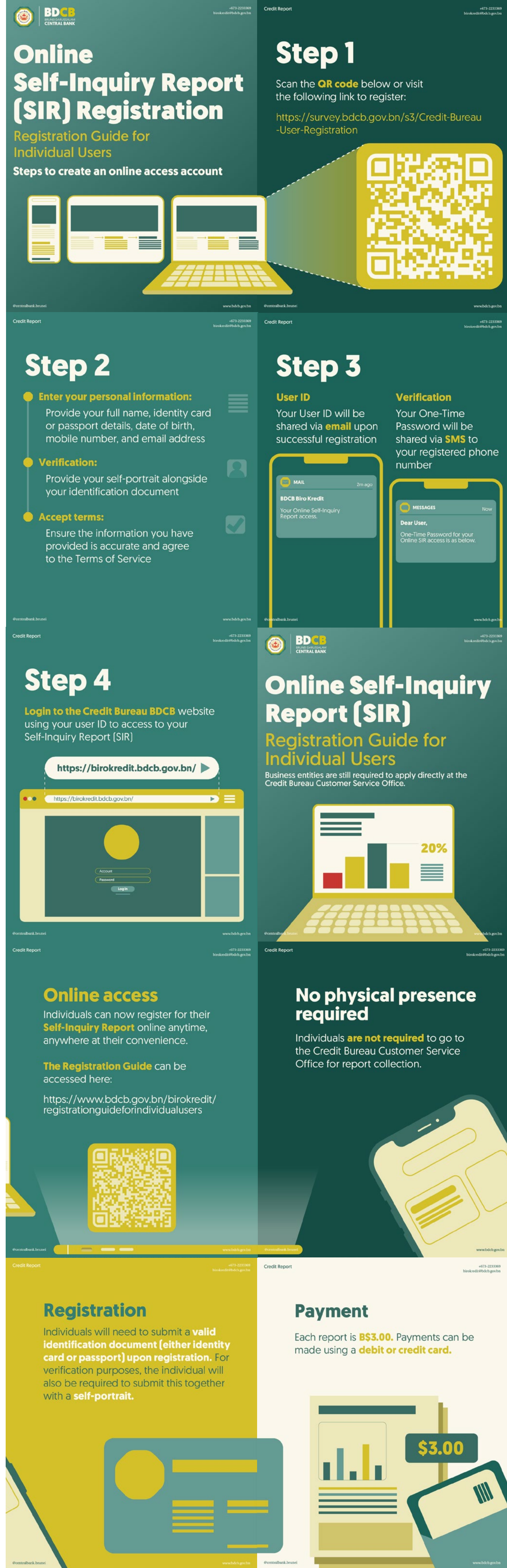
Inspired by the series of books and movie 'Confessions of a Shopaholic' by Sophie Kinsella, 'The InfluencHER' centred around Aisha Ali, an aspiring social media influencer as she navigates love, career and her true love of shopping. With a total of 30 talented cast members, the production adopted a fun and creative approach towards financial education, making it suitable for all ages, in particular youth and families.

A total of eight shows, attended by approximately 4,155 people, took place over 6 days from 4-6 August 2023, and 11-13 August 2023 at the Jerudong International School (JIS) Arts Centre. The event was supported by the Brunei Association of Banks (BAB), Brunei Insurance and Takaful Association (BITA), and local telecommunication companies.

In an effort to give back to the community, a portion of the ticket sales were donated to several non-government organisations, namely Pusat Ehsan Al-Ameerah Al-Hajjah Maryam, Persatuan Pusat Kanak-kanak Cacat (KACA), Yayasan Kanser Kanak-kanak Brunei (YASKA), and Society for Management of Autism Related Issues in Training, Education and Resources (SMARTER) Brunei to support their ongoing efforts and mission in creating positive change and lasting impact on the country.

Obtaining Self-Inquiring Report

The Central Bank continued its efforts to enhance awareness on obtaining Self-Inquiry Report (SIR) through its Instagram account, @centralbank.brunei. The initiative aims to offer more information on new services available and the convenience of accessing credit reports online. Published materials highlighted key features of the Credit Bureau online services such as online registration, payment via debit and credit card, uploading of valid documents for verification, and online generation of the SIR. Guidance for online individual user access registration was also published on the Central Bank's website.



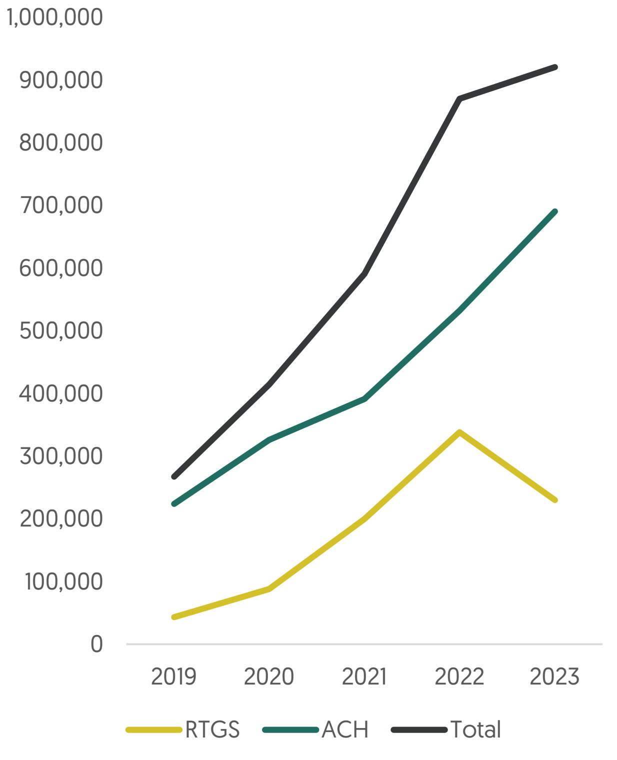
Objective III
Efficient Payment Systems

Standards and Best Practices

The Central Bank operates the Real-Time Gross Settlement (RTGS) system and the Automated Clearing House (ACH) system to facilitate the clearing and settlement of interbank fund transfer transactions. The RTGS system offers real-time settlement of large value and urgent payments, while the ACH system is used for clearing lower-value payments.

In 2023, the number of customer fund transfers in the RTGS system decreased by 31.9% to 230,180 transactions. Concurrently, the ACH system experienced a 29.8% increase, with a total of 690,497 direct credit transfer transactions. This trend is likely due to some banks reinstating their RTGS charges while continuing to waive the fees and charges for the ACH system in the second half of the year, contributing to a shift to customers' preference to make non-urgent payments using the ACH system.

Chart 43: Volume of Interbank Fund Transfers by Customers (Number of Transactions)



Digital Payment Hub (DPH) Project

The Central Bank is committed to cultivating a dynamic digital economy by promoting digital payments to support national development efforts. As part of this commitment, the Central Bank has been working closely with the National Digital Payments Network Sdn Bhd (ndpx) to ensure the successful implementation of the Digital Payments Hub (DPH) project.

Among the key activities of this project in 2023 include:

- The project has undergone an assessment to ensure that it meets regulatory requirements, including compliance, governance, financial, and overall risk management framework. Additionally, it has been evaluated against the Principles for Financial Market Infrastructures (PFMI), which is an international standard that governs the design and operation of key financial market infrastructures. This evaluation aims to ensure that the project is secure and efficient, thus contributing to the stability of the global financial system.
- Active discussions have been ongoing since 2023 to establish national QR code standards that ensure interoperability, security, and a standardised approach to implementing QR code technology within the national digital payment framework.

Payment System Operators

Pursuant to the Notice on Requirements for Payment Systems [Notice No. PSO/N-1/2020/1], the Central Bank has duly authorised the following Payment System Operators to engage in the operation of their individual payment systems:

Company	Approved Activities	Approved Date
ThreeG Media Sdn Bhd	Merchant acquiring services Account issuing services E-Money issuing services	27 February 2023 (effective 1 March 2023)
Datastream Digital Sdn Bhd	Merchant acquiring services Account issuing services E-Money issuing services	1 May 2023
Progresif Sdn Bhd	Merchant acquiring services Account issuing services E-Money issuing services	1 May 2023
Beep Digital Solutions Sdn Bhd	Merchant acquiring services Account issuing services	8 March 2023 (effective 1 April 2023)

The Central Bank will continue to monitor progress to ensure that the payment services provided by these payments system providers are safe and reliable in accordance to the relevant Central Bank's rules and regulations.

Objective IV
Sound And Progressive Financial Services Sector

In achieving one of the Central Bank's primary objectives to foster and develop a sound and progressive financial services sector, Pillar II of the FSBP 2016–2025 identifies the essential strategic items to create a competitive and innovative financial system. Islamic finance, FinTech, and sustainable finance continued to be key focus areas undertaken by the Central Bank throughout 2023.

Industry players, such as financial institutions, FinTech companies, and payment service providers, play a crucial role in the financial services sector, particularly through product innovation and development.

To streamline the process of facilitating new potential entrants to the Brunei Darussalam financial services sector, the Central Bank launched the Expression of Interest (EOI) landing page on the Central Bank's website in October 2023. The streamlined process allows the Central Bank to conduct the necessary prerequisite due diligence on the interested applicants before the formal licensing application, and provide interested applicants with the information needed on licensing criteria for financial activities licensed under the Central Bank, as well as entry to the FinTech Regulatory Sandbox.

Islamic Finance

Islamic Finance Ecosystem

The Islamic financial ecosystem currently comprises of a few components and key players such as Islamic banks, takaful operators, Islamic investment dealers, Islamic finance service providers, government Sukuk issuer, and the operation of an Islamic window in the securities sector.

As of Q4 2023, Islamic financial assets accounted for 57.95% of the nation's market share. The Islamic financial industry overall saw a 5.82% y-o-y decline in total assets, decreasing from BND14.72 billion to BND13.86 billion.

In Brunei Darussalam, Islamic deposit-taking institutions, comprising Islamic banks and finance companies, represent 95.22% of the market share in terms of total assets in the Islamic finance sector. The sector's assets declined by 6.28% y-o-y, amounting to BND13.70 billion in Q4 2023 from BND14.08 billion in Q4 2022.

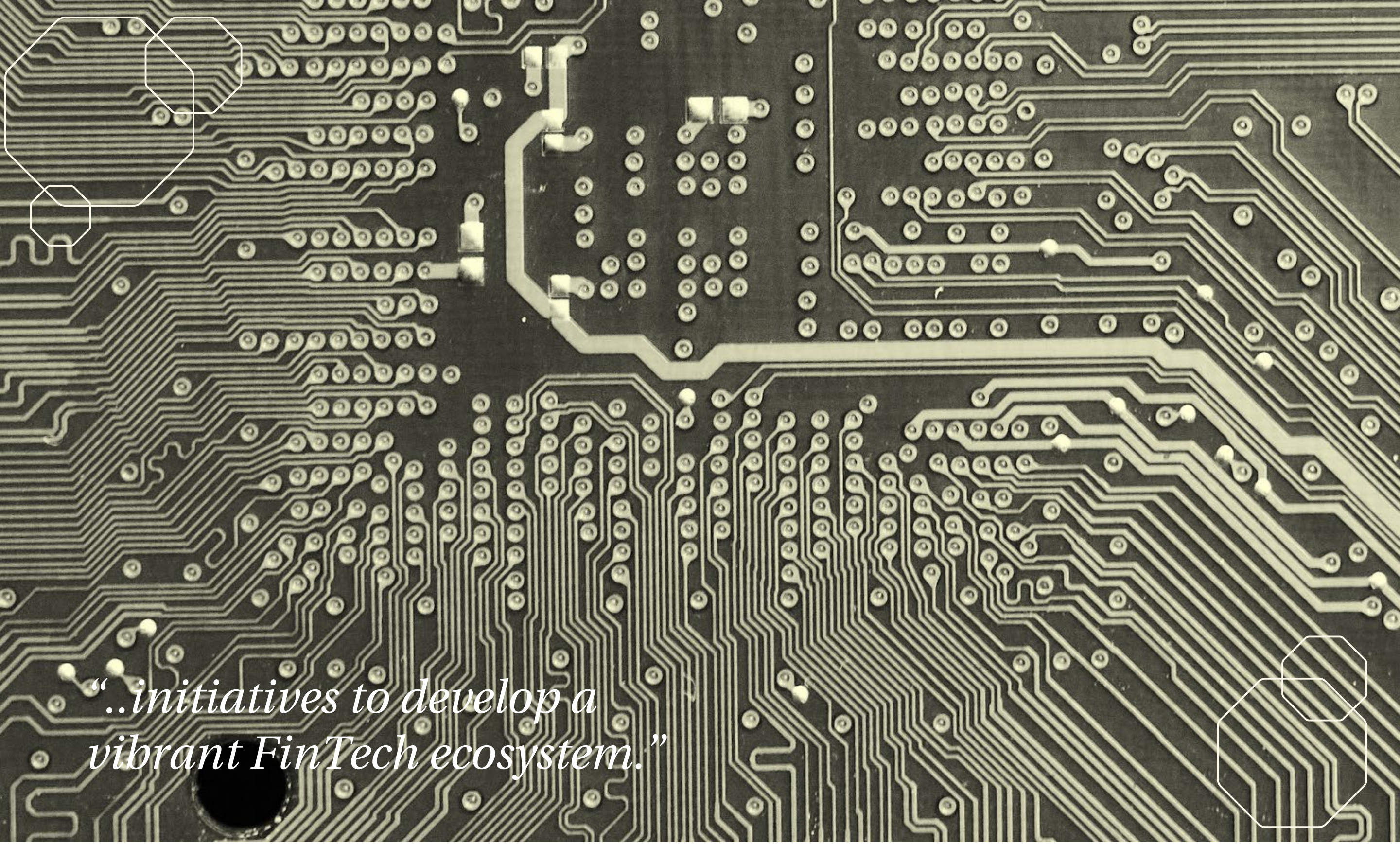
In contrast, the assets of the takaful sector demonstrated growth of 4.29% y-o-y from Q4 2022, reaching BND662.00 million. This growth was primarily driven by activities under general takaful, which saw an increase in investment assets, receivables, and other assets.

Islamic Finance Development

The Central Bank, in collaboration with Universiti Islam Sultan Sharif Ali (UNISSA), organised the inaugural Brunei Darussalam Islamic Finance Call-for-Papers (CFP) in September 2023. Carrying the theme 'The Role of Islamic Finance as a Catalyst for Economic Growth and Shared Prosperity', the CFP encompassed six key focus paper streams, namely sustainable finance or environmental, social and governance (ESG)-related matters; Islamic social finance; innovations in FinTech; financial inclusion; Syariah governance; and Islamic finance and economic growth. As of the closing date of abstract submission, a total of 32 abstracts were received.

The CFP aimed to provide local participants with opportunities for knowledge exchange, peer recognition from experts in Islamic finance, and publication of their papers in a journal.

Following this, a symposium will be organised to serve as a forum for experts to further engage in critical discussions and debates to advance knowledge and understanding in the field.



FinTech

Developing the FinTech Ecosystem in Brunei Darussalam

In 2023, significant progress was made towards achieving several strategic initiatives to develop a vibrant FinTech ecosystem. These initiatives are in line with the recommendations in the White Paper on the State of FinTech in Brunei Darussalam and include:

Membership to the Global Financial Innovation Network

The Central Bank officially became a member of GFIN on 23 March 2023. This is a significant milestone for connecting Brunei Darussalam to the global FinTech world as it enables further collaboration on common regulatory areas and promotes the sharing of best practices in financial innovation.

Establishment of FinTech Association Brunei Darussalam

The establishment of the FinTech Association Brunei Darussalam (FAB) is designed to promote collaboration amongst various FinTech stakeholders through exchanging ideas, expertise, and resources. In 2023, the Central Bank continued to provide guidance to the pro-tem executive members through regular meetings held throughout the year. On 24 July 2023, the pro-tem executive members submitted their application to the Registrar of Societies to officially establish the FAB.

Establishment of the Brunei FinTech Innovation Centre

The Brunei FinTech Innovation Centre (BFIC) was established to foster a culture of innovation in the financial sector. The centre will provide a co-working space, community-building initiatives, and a platform for businesses to seek guidance on regulatory matters. The innovation centre is set to be located at the iCentre Building, which is expected to begin operations by the first half of 2024.

Sustainable Finance

Sustainable Finance Strategy

In supporting the national sustainability agenda, the Central Bank, through its Sustainable Finance Task Force (SFTF), began preparing a strategic framework to guide the financial sector in adopting and integrating sustainable finance practices.

The framework is designed to enhance financial institutions' management of sustainability-related risks, foster the development of innovative sustainable finance solutions, and encourage the adoption of corporate sustainability practices. Key components that have been taken into consideration in developing this framework include the issuance of appropriate regulatory instruments, provision of suitable incentives, international cooperation, development of human capital, and availability of data.

Development of an ESG Data Platform

The Central Bank became a member of the Single Accesspoint for ESG Data (SAFE) Community Leadership Committee with the aim of developing the SAFE Platform. Initiated by the Sustainable Finance Institute Asia (SFIA), the creation of this platform aims to promote sustainable finance in Asia, specifically in the Association of Southeast Asian Nations (ASEAN) region. The SAFE Platform provides a seamless solution for data platforms to support reporting requirements, such as sustainability-related disclosures.

Capacity Building and Socialisation Activities on Financial Development

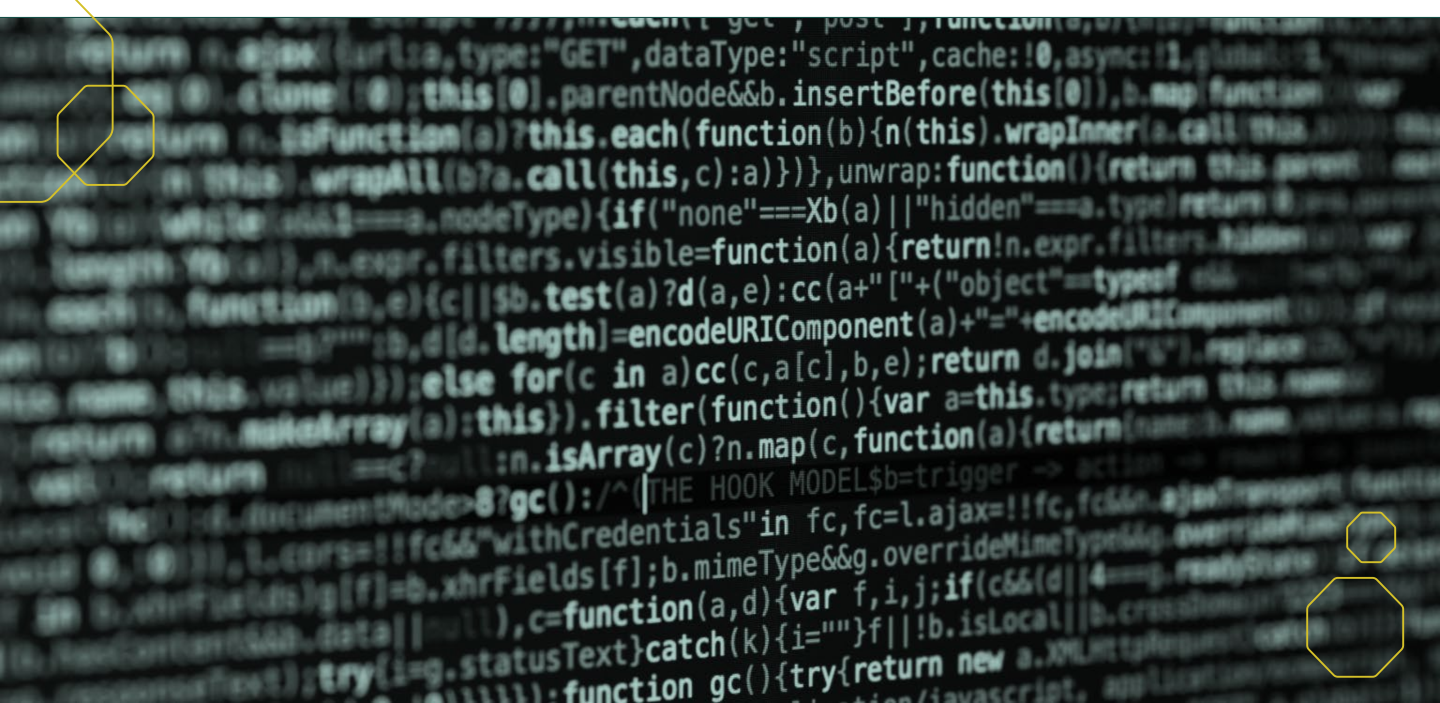
In 2023, the Central Bank participated in a series of public outreach programmes to increase public awareness of its financial development initiatives. These sessions covered areas related to financial technology and collateral registry, among others.

Capacity Building

- Role as a Judge for the Start-Up Category at Brunei ICT Awards (BICTA) 2023
- Conducted Modular Training on Collateral Registry to key financial sector stakeholders
- "Secured Transactions Overview" training delivered in collaboration with International Law Institute

Socialisation Activities

- "Achieving Quality Financial Inclusion and Literacy in the Digital Era" at the ASEAN Digital Financial Inclusion Festival
- "Dare to Innovate: Growth & Resilience through Innovation" at the MSME Festival 2023 Conference
- "Digitalisation: Getting to Know FinTech" during the BILIF Open Day as a speaker
- "Money Goes Digital: The Role of Digital Finance in Driving Innovation Across Industries" during the Brunei Mid-Year Conference & Exhibition (MYCE) 2023
- "Shaping Brunei's Socio-Economic Future" at the Brunei Economic Forum 2023



The Year Ahead

The Central Bank remains committed to its mission of ensuring a robust and well-functioning monetary and financial system while promoting the growth of an efficient and forward-looking financial services sector. In line with the FSBP 2016–2025 and the BDCB Strategic Plan (SP) 2021–2025, the Central Bank aims to conduct the following initiatives in 2024.

Monetary and Financial Stability

The Central Bank will continue to monitor the effectiveness of the current monetary policy and operations to support Brunei Darussalam's economic growth and development. In line with this, the Central Bank is also encouraging the effective use of current monetary tools and may introduce additional tools from time to time to further safeguard and maintain the country's monetary stability.

To ensure financial stability, the Central Bank is committed to strengthening its supervisory and regulatory framework by aligning with international standards and best practices while taking into consideration the size and complexity of Brunei Darussalam's financial landscape. This will be achieved through various planned initiatives, including the proposed revisions to various legislations under the Central Bank's purview, including the Banking Order, 2006; Islamic Banking Order, 2008; Insurance Order, 2006; Takaful Order, 2008; Finance Companies Act, 2006; and Securities Market Order, 2013. Further to this, to ensure compliance and in providing guidance to financial institutions, the Central Bank will continue to issue relevant notices and guidelines, as well as introduce and upgrade prudential and non-prudential frameworks.

The Central Bank also intends to implement micro-stress testing for banks in the coming year. This strategic initiative involves assessing the resilience of individual institutions to various stressors, where banks will undergo hypothetical stress scenarios to evaluate their ability to withstand financial shocks.

This exercise will give insights and better clarity into the overall resilience and health of the banking sector, as well as individual institutions while identifying potential vulnerabilities. Through this exercise, the Central Bank aims to evaluate each bank's ability to remain sufficiently capitalised and liquid when faced with adverse situations.

Another important component in maintaining financial stability is the ongoing onsite and offsite supervision of financial institutions, covering areas including technology risks and AML/CFT. By leveraging the Central Bank's risk-based supervision framework, continuous onsite and offsite supervision will be conducted based on respective financial institutions' risk profile to assess their level of compliance against the Central Bank's regulatory and supervisory framework as well the Financial Action Task Force (FATF) recommendations.

Additionally, 2024 will see more collaborations within the Public-Private Partnership (PPP) for intelligence exchange between selected public and private sector agencies, via CINRG. Through this platform, CINRG will be playing a significant role in monitoring trends encompassing various criminal activities through public and private collaboration.

Financial Sector Development

Through the FSBP 2016–2025, the Central Bank aims to develop a diversified and dynamic financial sector that serves as a key enabler in supporting economic growth and, ultimately, Brunei Darussalam's Wawasan 2035 goal of having a dynamic and sustainable economy.

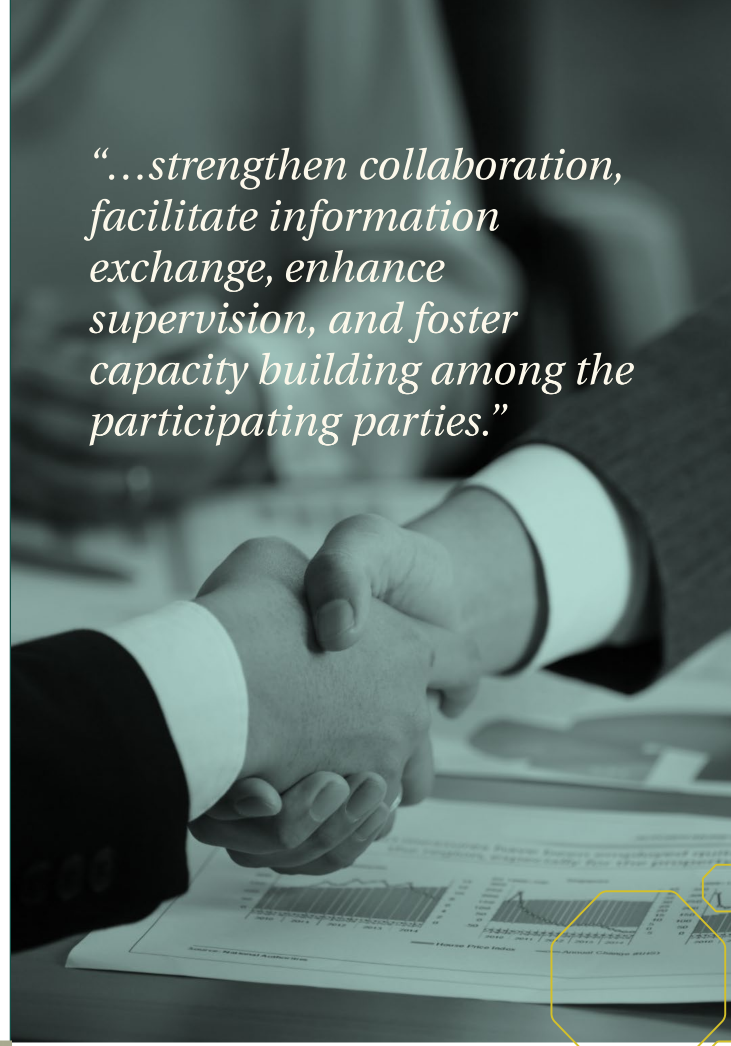
To bolster the national sustainability agenda, the Central Bank will be publishing the Brunei Darussalam Sustainable Finance Roadmap (SFR) in 2024 to set forth strategic directions to guide the financial sector's transition towards sustainability and climate resilience. The SFR will lay out the foundation for the financial sector in Brunei Darussalam to effectively adopt sustainable finance and its practices. Through its implementation, the financial sector can ensure its resilience against sustainability-related risks, develop innovative sustainable financial products and services, and embrace corporate sustainability whilst contributing to the overall social well-being of the country.

In the FinTech space, the Central Bank will start operationalising the BFIC. The centre aims to promote a culture of innovation and encourage FinTech expansion by offering a centralised space for all FinTech-related activities. This involves providing shared working spaces, resources, community-building initiatives, and a platform for businesses to seek guidance on regulatory matters. The innovation centre is set to be located at the iCentre Building, which is expected to begin operations by the first half of 2024. The BFIC will complement similar spaces related to entrepreneurship and innovation at the Anggerek Desa Technology Park area.

Enhancing International Cooperation

Establishing strategic partnerships by signing MOUs with central banks and joining relevant international organisations have consistently proven to be beneficial. This helps to strengthen collaboration, facilitate information exchange, enhance supervision, and foster capacity building among the participating parties.

The Central Bank plans to enter into MOUs with the Central Bank of Bahrain (CBB) and Hong Kong Monetary Authority (HKMA) in 2024. Both MOUs will formally allow for the exchange of information and enhancement of cooperation in the area of financial supervision.



Human Capital Development

The Central Bank is partnering with BILIF to introduce a CPD Framework for SABs. This framework will help enhance the skills of the financial sector's workforce, ensuring proficient provision of financial services to their respective customers.

In order to develop human capital, it is important to enhance knowledge, skills, and talent. It is equally important to identify the current and future skills gaps needed to create a strong pool of local talent for financial sector development. Following the Central Bank's Manpower Study on the Capital Market, Banking, and Takaful/Insurance sectors, an analysis will be conducted to understand manpower demand in the financial services sector, gain insights into employment trends and opportunities, and promote local employment by forecasting available job opportunities.

Leveraging Data and Technology

BDCB continues to leverage on technology to improve efficiency and productivity. BDCB has procured several systems and adopted digital solutions to obtain and collate data, expedite some of its processes, and store data as the Central Bank thrives to reduce paper usage and carbon footprint. In 2023, the Central Bank has initiated various projects to further modernise its IT operations to focus more on security, system performance, operations management, availability and resilience.

As part of the effort to embrace technology, the updated Central Bank website and mobile application will be launched. The upgrades are aimed at enhancing transparency and accessibility to information for various stakeholders, including financial institutions and the general public. The updated website and mobile app will feature a more user-friendly interface, allowing easy access to information about the Central Bank's roles and responsibilities, activities, market data, and educational resources. It is hoped that this will contribute to a more informed community in today's increasingly digital and interconnected world.

Enhancing Organisational Effectiveness

The Central Bank is focusing on improving its organisational effectiveness by introducing certain frameworks including the Risk Appetite Framework and BDCB Compliance Framework.

The Risk Appetite Framework is a strategic initiative aimed at strengthening the organisation's risk management infrastructure. It will help to allocate resources to manage risks and align them with the Central Bank's predetermined risk appetite, which is set by the Board of Directors and Executive Management. This framework provides clarity on acceptable risk levels and guides strategic decision-making by reflecting the collective risk perspectives of top leadership. It also prioritises risks aligned with industry standards, enhances risk management practices and fosters a consistent risk response. Additionally, it will establish appropriate metrics for risk measurement, serving as quantitative tools to systematically measure and enhance risk and control performance across the organisation.

The Central Bank is implementing the BDCB Compliance Framework to ensure a consistent approach to compliance management. This will provide better assurance to the Board of Directors and Executive Management regarding the Central Bank's compliance with its identified obligations.

To prepare for the conclusion of the FSBP and SP in 2025, the Central Bank is taking stock of progress made so far and completing any remaining strategic actions. Following this, the Central Bank will begin developing new FSBP and 5-year SP documents that will span from 2026 to 2035 and from 2026 to 2030, respectively.

It is crucial to review and renew these documents as changes in the financial and economic landscape can be dynamic. Developments such as technology, climate change, sustainability, virtual currencies, and changing consumer preferences raise fundamental quandaries, particularly on their potential impacts on the financial sector, which may require major policy changes.

It is important to assess recent developments in the financial sector from both positive and negative perspectives. This would enable the Central Bank to be prepared to face any potential threats while leveraging available opportunities. The new FSBP and SP documents are intended to offer reliable guidance for the financial sector in Brunei Darussalam, promoting the country's objective of building a dynamic and sustainable economy by 2035. However, achieving the Wawasan 2035 goal would necessitate continuous cooperation, coordination, and commitment between the Central Bank and all the relevant stakeholders.

Events

A few important events will be hosted by the Central Bank in 2024.

Brunei Darussalam, represented by the Central Bank, will be hosting the 27th ASEAN Insurance Regulators' Meeting (AIRM) and 50th ASEAN Insurance Council (AIC) in November 2024. Over 150 delegates representing insurance supervisory authorities and companies from ASEAN member states are expected to take part in the meetings. Brunei Darussalam had the honour of being the first host and Chairman of the AIRM in 1998 and again in 2008 and 2014. Further to this, several related meetings will also take place, namely the ASEAN Insurance Summit/Conference, the ASEAN Insurance Training and Research Institute (AITRI) Management Meeting, and a joint plenary meeting between AIRM and AIC.

The 16th Islamic Financial Services Board (IFSB) Summit, which is a significant event in the world of Islamic finance, will be held in Bandar Seri Begawan, Brunei Darussalam. It will be co-hosted with the IFSB and will carry the theme "Islamic Finance and Financial Stability in An Evolving Environment: Navigating Emerging Risks". This event aims to showcase the resilience and robustness of Islamic finance in a challenging global environment. It also emphasises the need for industry players, policymakers, and stakeholders to convene and explore the critical challenges and opportunities within Islamic finance. This collaboration is expected to lead to the development of frameworks and policies that will help the industry grow further.

The inaugural Brunei Darussalam Islamic Finance Symposium, organised by the Central Bank, in collaboration with UNISSA and in partnership with BILIF, will also be conducted in 2024. This symposium will provide a platform to discuss the latest developments, challenges, and opportunities in the field of Islamic finance. It will also foster knowledge-sharing and collaboration within the Islamic finance industry. The event will feature an award ceremony for the distinguished winners of the Brunei Darussalam Islamic Finance CFP initiative.

2024 will also see the celebration of the 10th National Savings Day. National Savings Day, which is celebrated every 28 May with the aim of promoting a savings culture and prudent money management in Brunei Darussalam, will see more collaborations with the National Financial Literacy Council (NFLC) members in 2024. In line with the Central Bank's commitment to enhancing financial literacy on a national scale, financial awareness programmes are planned for all districts to empower individuals with essential financial knowledge and skills. The Central Bank aspires to bridge gaps, raise awareness, and cultivate a more financially savvy population by bringing financial literacy initiatives directly to these communities.

Enhancing International Relations

The Central Bank actively participated in regional economic integration activities throughout 2023, including supporting the initiatives under the Roadmap for ASEAN Integration in Finance (RIA-Fin). In addition, the Central Bank continuously strengthens its supervisory and regulatory framework by aligning to international standards and best practices, as well as through active participation in international forums such as the Financial Stability Board Regional Consultative Group Asia (FSB RCG-Asia), Islamic Financial Services Board (IFSB), International Organisation of Securities Commissions (IOSCO) and International Association of Insurance Supervisors (IAIS).

4th Brunei Darussalam Central Bank – Monetary Authority of Singapore Bilateral Meeting

MAS hosted the 4th BDCB-MAS Bilateral Meeting on 2 February 2023 in Singapore.

During the meeting, both parties exchanged views on the economic, monetary, and financial developments, sustainable finance, and facilitating ASEAN's transition to net zero. Additionally, topics on the development of Central Bank Digital Currencies (CBDC), the ongoing progress of regional payments connectivity, and opportunities for capacity-building programmes were also discussed.

Memoranda of Understanding

At the sidelines of the 4th BDCB-MAS Bilateral Meeting on 2 February 2023, the Central Bank and MAS signed a supervisory MOU. The objective of the MOU is to enhance cooperation in banking and insurance supervision and to facilitate effective supervision of banks and insurers operating across both jurisdictions.

"...aligning to international standards and best practices, as well as through active participation in international forums."

The MOU also intends to facilitate the exchange of information and cross-border on-site inspections.

On 14 February 2023, the FIU, BDCB signed an MOU with the Australian Transaction Reports and Analysis Centre (AUSTRAC) in Singapore. The MOU aims to facilitate cooperation between the two agencies in exchanging financial intelligence that can aid in the investigation and prosecution of individuals suspected of ML/TF. This agreement reflects the strong commitment of both agencies in combatting ML/TF, and other serious crimes globally.

In April 2023, the Central Bank and the DFSA signed an MOU to establish a formal framework to facilitate effective consolidated supervision and cooperation between supervisors, including the exchanging of information in line with international standards and best practices.

Sustainable Finance

ASEAN Taxonomy Board

The ASEAN Taxonomy Board (ATB) is chaired by the Central Bank from 2021 to 2024. It was established under the auspices of the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) during the Brunei Darussalam 2021 ASEAN Chairmanship.

The ATB aims to develop, maintain and promote a multi-tiered ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) that aims to identify economic activities that are sustainable and help direct investment and funding towards a sustainable ASEAN. The ASEAN Taxonomy is a multi-tiered overarching guide used to identify and classify sustainable projects and economic activities in ASEAN. It is designed to be an inclusive and credible classification system for sustainable activities and will be one of the key building blocks in attracting investments and financial flows into sustainable projects in the region.

IMF High-Level Seminar on Climate Change Issues

The Central Bank's Deputy Managing Director, Regulatory and Supervision was invited to share insights as a panelist on the "Climate Risks and Financial Stability: What Can Central Banks Do?" discussion with Asian Central Bank Deputy Governors at the IMF High-Level Seminar on Climate Change Issues for Governors and Financial Sector Policymakers held in Bangkok, Thailand on 12 to 13 December 2023. The event was organised by the IMF Capacity Development Office in Thailand (CDOT) and the South Asia Regional Training and Technical Assistance Center (SARTTAC).

ACMF and International Sustainability Standards Board Joint Conference and Technical Training on the IFRS Sustainability Disclosure Standards

The ASEAN Capital Markets Forum and International Sustainability Standards (ACMF-ISSB) Joint Conference and Technical Training on the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, hosted by the MAS, was held in Singapore from 27 to 28 June 2023 and attended by representatives from the Central Bank. Brunei Darussalam was also represented by officials from the Brunei Government and financial industry participants mainly from the banking sector. The conference discussed developments and progress of the IFRS Sustainability Disclosure Standards, focusing on benefits and challenges in its adoption and implementation. The technical training delved further into the requirements of the ISSB standards, exploring the pivotal role regulators play in ISSB adoption and enabling disclosures.

Fostering Innovation

Bank for International Settlements Innovation Hub (BISIH)

The Central Bank became an ASEAN Special Observer to Project Nexus, a BIS Innovation Hub (BISIH) project to explore on building the success of domestic instant payments to improve the speed, cost, transparency, and accessibility of cross-border payments.

As an ASEAN Special Observer, the Central Bank participated in the Bill and Melinda Gates Foundation (BMGF) ASEAN Cross-border Payments Roundtable Meeting, hosted by BMGF, in partnership with Elevandi, on 14 November 2023. Discussions centred on accelerating financial inclusion in the ASEAN region by promoting domestic fast payment systems, cross-border payment interconnection and their associated challenges.

Financial Intelligence

Asia Pacific Group on Money Laundering (APG)

Brunei Darussalam has been a member of the APG since December 2002. The main point of contact is the FIU, BDCB, which also holds the role of the National Anti-Money Laundering Committee (NAMLC) Secretariat. The APG is an autonomous and collaborative international organisation, founded in 1997. It has 42 members and several international and regional observers committed to the effective implementation and enforcement of internationally accepted practices against ML/TF, particularly the FATF 40 Recommendations.

The APG meets at least once a year at a general plenary meeting with all members and observers to discuss its strategic directions and work programme. Representing Brunei Darussalam, the FIU, BDCB attended the following meetings in 2023:

a) APG Annual Meetings and Technical Forum

Between 11 to 14 July 2023, the delegation from Brunei Darussalam, which was led by the Deputy Minister of Finance and Economy (Fiscal) as Chair of NAMLC, accompanied by the Central Bank's Managing Director as Deputy Co-Chair of NAMLC, the Head of FIU, BDCB along with officers from the Attorney General's Chambers (AGC) and the FIU, BDCB attended the APG Plenary meetings in Vancouver, Canada. The plenary was chaired by Canada and Australia, and attended by representatives from 41 member countries, seven observer countries and 11 international organisations. During the plenary session on 13 July 2023, the Brunei Mutual Evaluation Report (MER) was discussed and subsequently adopted by the APG.

b) Mutual Evaluation Committee Meeting

On 9 July 2023, two FIU, BDCB members attended the Mutual Evaluation Committee (MEC) meeting chaired by New Zealand and Macao FIUs in Vancouver, Canada. The MEC is a sub-committee under the APG that manages the APG's Mutual Evaluation programme and considers draft MERs and Mutual Evaluation policy issues.

Egmont Group of Financial Intelligence Units

The Egmont Group, established in 1995, is a global network of 155 FIUs working together to foster and improve international cooperation, provide a platform for the secure exchange of information related to combating ML/TF, and foster the implementation of domestic programs in the field of AML/CFT.

Brunei Darussalam, through the FIU, BDCB obtained an official membership to the Egmont Group in June 2014. Through its four working groups, the Egmont Group strives to accomplish its mission of development, cooperation and sharing of expertise between member FIUs. The working group consists of the following:

- Information Exchange Working Group (IEWG);
- Membership, Support and Compliance Working Group (MSCWG);
- Policy and Assistance and Training Working Group (PPWG); and
- Technical Assistance and Training Working Group (TATWG).

The Egmont Group's membership is divided into eight regional groups, each represented by a regional representative on the Egmont Committee, which is the consultation and coordination mechanism for the Executive Director of the FIU, BDCB and working groups, overseeing the Egmont Group Secretariat's work. The FIU, BDCB is a member of the Asia and Pacific Regional Group (APRG). In 2023, the FIU, BDCB attended the following meetings:

a) Asia Pacific Regional Representative Catch-up

On 18 January 2023, the FIU, BDCB attended The Asia Pacific Regional Representative Catch-up session virtually. Participants of this meeting include Egmont Group members, international partners, and observers.

b) The Egmont Working Group and APRG Meetings

From 30 January 2023 to 3 February 2023, the FIU, BDCB attended the Egmont Working Group and Regional Group Meetings virtually. Participants of this meeting include Egmont Group members, international partners, and observers. The event was hosted by the Egmont Secretariat.

c) Egmont Group of FIU APRG Meeting

On 8 March 2023, the Head of FIU, BDCB co-chaired the APRG meeting with Australia. The meeting discussed various topics, including the adoption of summary records, update on Egmont Group initiatives, Support and Compliance Process (SCP) Review Project, Egmont Group IT Renewal, APRG Business Plan, Financial Intelligence Consultative Group (FICG) and The Pacific Financial Intelligence Community (PFIC) updates, and Egmont Centre of FIU Excellence and Leadership (ECOFEL) update on Asia and Pacific initiatives.

d) Egmont Group of FIUs Plenary Meeting

From 3 to 7 July 2023, FIU, BDCB attended the 29th Egmont Plenary Meeting held in Abu Dhabi, United Arab Emirates (UAE), hosted by the UAE FIU. As a member since 2014, the FIU, BDCB has participated in the annual Plenary to reaffirm its commitment to comply with international standards (FATF Recommendation 29) as well as the Egmont Group Principles. The plenary facilitated both strategic and operational level sessions including:

- Egmont Committee Meeting;
- Egmont Working Group Meeting;
- Egmont Regional Group Meeting;
- Head of FIU and EC Closed Session;
- Operational Training Session; and
- Best Egmont Group Case (BECA) Workshop.

At the same time, the Head of FIU, BDCB, was re-elected as one of the two APRG Representatives for a two-year term. The FIU, BDCB co-chaired the APRG meeting remotely. The meeting discussed the Egmont Committee's and APRG's priorities and viewed the BECA submissions from APRG member FIUs.

Financial Intelligence Consultative Groups (FICG)

The FICG is an information exchange platform for FIUs in the ASEAN, Australia and New Zealand region, intended to identify and improve the understanding of key regional TF risks as well as strengthen collaboration on mutually agreed transnational crime priorities. As a member of the FICG, the FIU, BDCB attended the following meetings in 2023:

a) Information Sharing Platform (ISP) Working Group meetings

On 16 January 2023, the FIU, BDCB attended a FICG ISP Working Group meeting, hosted by the FICG Secretariat discussed the status update from the last ISP Working Group meeting in November 2022 and the preparations for the FICG Face-to-Face Meeting in February 2023.

On 29 March 2023, FIU, BDCB attended the ISP meeting hosted by the AUSTRAC. The meeting discussed the framework structure and review of the project and platform risks captured during the ISP sessions in Singapore.

On 2 August 2023, the FIU, BDCB attended the FICG meeting virtually. The meeting discussed the latest developments within the FICG working group projects.

b) FICG Face-to-Face Meeting in Singapore

From 14 to 16 February 2023, FIU, BDCB attended the FICG face-to-face meeting hosted by the Suspicious Transaction Reporting Office (STRO), Singapore Police Force in Singapore. During the meeting, the strategic direction of FICG, proposed model and approach for ISP, design and implementation, commitment by member countries, supporting arrangements, regional response mechanism to enhance operational collaboration to combat fraud, and new lines of effort for the FICG and working groups were discussed.

APG Mutual Evaluation of Brunei Darussalam

The APG holds annual meetings to discuss country Mutual Evaluations, strategic issues, and capacity-building initiatives for the region. The APG Mutual Evaluation is a peer review system that examines and determines a country's level of compliance with the international standards on AML/CFT, namely the FATF 40 Recommendations. The FIU, BDCB, in its capacity as the Secretariat to the NAMLC, is the main coordinator for Brunei Darussalam's Mutual Evaluation process. The review is conducted by a team of experts drawn together from APG member jurisdictions specially trained and qualified in the FATF assessment methodology that considers the level of compliance to the FATF Recommendations achieved by the assessed country.

In 2023, Brunei Darussalam completed its 3rd APG Mutual Evaluation, having previously completed its 2nd Mutual Evaluation in 2010. In collaboration with other stakeholders, including the AGC, law enforcement agencies, financial institutions and DNFBP sectors, the FIU, BDCB, as NAMLC Secretariat, completed the following milestones:

3 – 5 May 2023

Face-to-face meetings to discuss the MER draft and issues arising in relation to AML/CFT.

9 July 2023

Brunei Darussalam's Key Issues Document and the MER draft were discussed at the APG Mutual Evaluation Committee Meeting.

13 July 2023

Adoption of the MER at the 2023 APG Annual Meeting and Technical Assistance Forum.

19 July 2023

APG provided the post-adoption version of the MER to Brunei Darussalam for comments.

2 August 2023

Brunei Darussalam provided final comments on the post-adoption version of MER to the APG.

23 August 2023

Publication of MER on the APG website.

On 13 July 2023, the APG Plenary endorsed the MER of Brunei Darussalam and agreed to place Brunei Darussalam in the Enhanced Follow-Up category which requires Brunei Darussalam to provide follow-up reports annually to the APG.

Brunei Darussalam was rated 'substantially effective' in five key areas, namely:

- Risk, policy, and coordination;
- International cooperation;
- Financial intelligence;
- Terrorism financing investigations and prosecutions; and
- Terrorism financing preventive measures and financial sanctions.

The category placement means that Brunei Darussalam's level of compliance is on par with that of Malaysia, Singapore and Thailand while the ratings are second to Indonesia within the ASEAN region. The MER has also outlined priority areas to improve Brunei Darussalam's system including:

- Closed engagement with the financial institutions and DNFBP sectors;
- Better enforcement of beneficial ownership transparency requirements; and
- Development of a legal framework to combat proliferation financing of weapons of mass destruction.

With the next Mutual Evaluation scheduled to take place in 2030, the FIU, BDCB is committed to playing its part in the national AML/CFT institutional framework in order to comply with the FATF Recommendations.

The final outcomes of the Brunei Darussalam Mutual Evaluation are as follows:

Technical Compliance Assessment

This assessment addresses the specific requirements of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities.

Level	Ratings Achieved
Compliant	5
Largely Compliant	23
Partially Compliant	10
Non-Compliant	2
Out of 40 Recommendations	

Effectiveness Assessment

This assessment evaluates the adequacy of the implementation of the FATF Recommendations and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system.

Level	Ratings Achieved
High Effectiveness	0
Substantial Effectiveness	5
Moderate Effectiveness	5
Low Effectiveness	1
Out of 11 Immediate Outcomes	

Others

Alliance for Financial Inclusion (AFI): Global Policy Forum

The Central Bank attended the annual AFI-GPF from 12 to 15 September 2023 in Manila, Philippines. This event is recognised as the leading platform for financial inclusion, providing a comprehensive forum for regulatory institutions to discuss policies to promote financial inclusion. It provided a platform for the Central Bank to engage in meaningful discussions with senior financial regulators, including AFI members, to exchange ideas and engage in peer-to-peer learning activities, focusing on developing and improving national financial inclusion strategies and policies.

Regional Consultative Group of the International Committee on Credit Reporting

The Central Bank, as a member of the Regional Consultative Groups (RCGs) of the International Committee on Credit Reporting (ICCR) for Asia, attended the first physical meeting of RCGs in Bali, Indonesia, from 24 to 26 October 2023. Among the topics discussed include the use of alternative data, Buy Now Pay Later, cross-border information sharing, and credit reporting system's role in strengthening financial stability.

The International Credit Reporting Agency (ICCR) promotes the adoption of credit reporting and best practices to facilitate financial stability and access to credit through standard setting and thought leadership. They have produced several publications, including the General Principles for Credit Reporting, which is globally adopted. RCGs facilitate communication between ICCR and regional credit information-sharing stakeholders on industry developments, thus providing the Central Bank with the opportunity for information sharing and networking with industry experts.

Organisational Development

Our People

The Central Bank is committed to the growth and development of its workforce, which is the driving force behind its organisational progress. The recruitment of highly motivated individuals and the strengthening of existing workforce capabilities demonstrate the Central Bank's continuous commitment to achieving its mission, vision, and objectives in line with its organisational core values.

In 2023, 15 new employees were hired, increasing its workforce to 248. Throughout the year, significant resources, time, and planning were dedicated towards various initiatives and activities to nurture, empower, and engage its employees. This year, the Central Bank placed a strong emphasis on recognising and rewarding excellence, supporting employee wellbeing, and fostering a positive work environment.

Innovative

Investment Challenge

The BDCB Investment Challenge 2023 was conducted on 17 November 2023 to promote investment literacy and awareness amongst employees.

The participants were given the opportunity for self-paced learning through introductory investment videos prior to the challenge, answering pop quizzes, analysing economic and business news headlines, and discussing their trading strategies.

Learning and Development

The Central Bank encourages ongoing professional development. In 2023, employees attended over 127 trainings on various trainings including, but not limited to, Syariah finance, banking, legal, data analytics, and IT.

Employees underwent international training programmes to refine their regulatory and supervisory skills. These programmes were hosted by notable entities and counterparts, such as the IMF, IMF Singapore Regional Training Institute (IMF-STI), the South East Asian Central Banks (SEACEN) Centre, and the MAS. The training programmes covered banking supervision and financial soundness.

Employees also attended various conferences and training programs, including those hosted by the IOSCO, Cambridge Judge Business School for FinTech Innovation Programmes, and the IFSB for takaful institution-related training.

- Senior Executive Advanced Leadership (SEAL) Programme, and the Young Executive Leadership Programme (YELP) by BILIF;
- ASEAN+3 Macroeconomic Research Office (AMRO);
- Financial Leadership Training Program organised by HKMA, and Asian Development Bank Institute (ADBI); and
- SEACEN LD1A 2023: Leadership Course on Building Leadership Resilience by The SEACEN Centre.

These programs aim to equip current and future leaders with the essential knowledge and skills in strategic thinking, leadership, innovation and emotional intelligence.

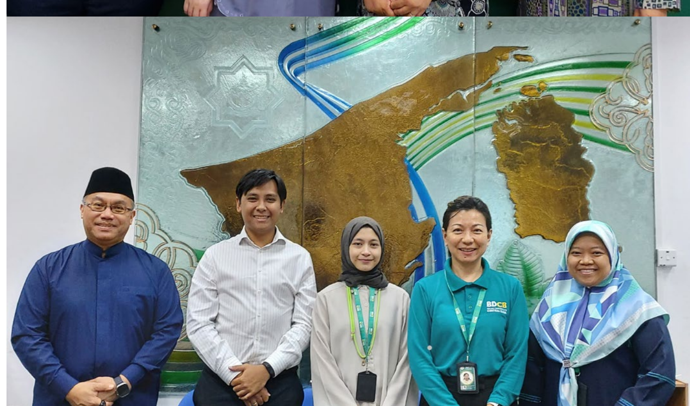
The Central Bank also fosters a holistic approach towards the development of employees to continuously uphold the national philosophy of Malay Islamic Monarchy or Melayu Islam Beraja (MIB). In collaboration with several institutions and agencies, six in-house training sessions were organised to improve spiritual knowledge, MIB-related knowledge, and formal Malay writing skills. The sessions were delivered by various entities, including the Civil Service Institute, Jabatan Adat Istiadat Negara, Dewan Bahasa dan Pustaka (DBP), the Pusat Da'wah Islamiah, and BILIF.

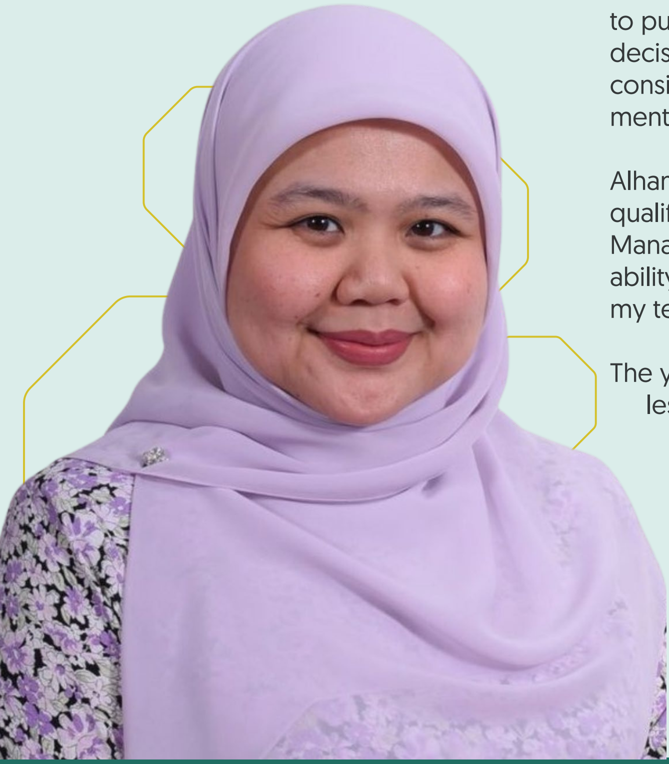
Further Learning

Two officers were awarded the BDCB In-Service Training Scheme to undergo their Master's degree.

One officer also attended a six-month work attachment at the Securities Commission Malaysia. This opportunity will allow the officer to gain industry insights and also receive on-the-job training to gain more exposure at an internationally recognised institution. The opportunity arose through the Central Bank's network with regulatory counterparts.

In 2023, 23 employees obtained various certifications, including Certified Financial Supervisor, Certified Information Systems Security Professional, The National Examination Board in Occupational Safety and Health (NEBOSH) Certificate, and ISO Lead Implementer. The relevant certification allows these employees to be registered with local authorities.





"I was encouraged to apply for the in-service training program to pursue my Master's Degree by my Executive Director. The decision to undertake the LLM was made after careful consideration and many in-depth consultations with my work mentors.

Alhamdulillah, I was given the opportunity to "level up" my qualifications and could not be more thankful to the BDCB Management. The experience not only provided me with the ability to have a better appreciation of legal theories and widen my technical skills, but it also enriched me as a person.

The year away from family and friends taught me a valuable life lesson and the true meaning of *tawakkal*. I learnt that in most circumstances all we need to do is breathe, do our best in the next steps forward, and let Allah Subhanahu Wa Ta'ala charter our pathway forward."

Shifa' binti Husaini
Senior Manager, International
BDCB In-service Training Scheme Awardee 2022 - 2023

"The year 2023 marks my tenth year in BDCB and looking back, it has been a journey filled with meaningful experiences and growth opportunities. My experience extends from working in different divisions within the organisation, ranging from Economics, Research & Statistics, Banking Policy, and currently, in FinTech.

This year alone has been a year of growth for us in the FinTech team. Early in the year, BDCB officially became a member of the GFIN which unlocked networking and learning opportunities with other global central banks. Coming from a non-tech academic background, these learning sessions have helped me gain a deeper understanding of the latest innovation and its impact to the financial sector. More importantly, as FinTech development is still in its infancy here in Brunei Darussalam, GFIN's wide network enables us to learn from other central banks' experiences that can be tailored for our own FinTech development.

Aside from that, as part of the Central Bank's efforts to establish a national FinTech Innovation Centre, I felt honoured to lead the BDCB team during our working visit to some of the most reputable FinTech innovation labs in Singapore. This visit gave us first-hand experience to learn from Singapore and connected us with potential partners for our future projects. This truly resonates with one of the big lessons that have stuck with me over the years - collaboration is at the heart of success for innovation and growth."

Hjh Hanisah Azah binti POKSKDSS (DR) HJ Awg Abu Bakar
Senior Manager, FinTech

Excellence

Manpower Planning

In December 2023, a socialisation session for Heads of Divisions on the updated Employee Promotion Guidelines was conducted. The guidelines provide employees with constructive and transparent guidance on career development opportunities within the Central Bank.

Employee Appreciation Day

In September 2023, the Central Bank hosted its inaugural Annual Employee Appreciation Day to celebrate employees' commitment and contribution upon completing five and ten years of service. Employees received certificates and tokens of appreciation for their service.

"I can vaguely remember the very moment I received my offer letter to join BDCB in November 2011. A young and green accounting graduate, with almost zero knowledge of central banking.

I was placed in Finance after two months of rotation in various departments. Since then, I have been given the opportunity to hold different portfolios within Finance and have been involved in various projects, including the implementation of an integrated financial system, enhancement of policies, and governance and process improvement both within Finance and the organisation as a whole.

Over the years of being in Finance, I have witnessed first-hand the exponential growth in the volume and amount of investments made in various projects and initiatives towards building and enhancing the organisation from enhancing systems, building frameworks and, most importantly, nurturing its people.

The leadership has always emphasised capacity building. Certifications are highly encouraged, individuals with potential are inducted into leadership programmes, and experts and consultants are hired to provide specialised expertise while building the capacity of employees. I was one of the fortunate officers being given the opportunity to join the pilot Advanced Leadership Program in 2016 – one of the most impactful programmes I have attended to-date.

For my initial 12-year journey with the Central Bank, I embarked on a transformative path which was indeed a steep learning curve. This time has not only enriched my professional expertise but also my personal growth. I believe that there is more to this journey, and I am ready for my next 10, 20 years with the Central Bank, Insya Allah."

Dk Sahanoorazzirah binti Pg Hj Samsuddin

Senior Manager, Finance
10 Years Award Recipient

"Reflecting on my first year at the Central Bank, it has been an enlightening journey, mainly due to the inspiring colleagues I am surrounded by. They are the ones who know how to get things done and have played a significant role in my growth. It has been a year of facing challenges head-on, learning on the go, and truly appreciating the value of such a supportive team. The hands-on experience has been crucial for my professional development, and I have gained insights that just can't be taught.

There's no sugarcoating - it's a demanding environment, but the payoff is worth it. I now have a deeper understanding of what it means to be a part of something bigger, and I believe the work we all do here is a means to a better future. I look forward to the next set of challenges and continued growth for myself and the organisation."

Mathien Malan bin Kasim
Associate Trainee, Corporate Communications

Employee Wellness

Recognising the importance of employee well-being, resilience, and perseverance, the Central Bank prioritises employee welfare while promoting self-care and a healthy lifestyle. Toward this, the Central Bank organised the following events:

- In October 2023, the Central Bank focused on Breast Cancer Awareness and carried out various activities to raise awareness about potential risk factors associated with breast cancer, promote suitable dietary plans, and encourage healthy lifestyle habits. As a part of this initiative, a talk was delivered by a Consultant Oncologist and Physician from Raja Isteri Pengiran Anak Saleha Hospital to provide insights on breast cancer, including early detection, prevention, care, and supportive practices for breast cancer in Brunei Darussalam.

- The objectives of the November Wellness Month were to enhance physical and mental well-being of employees. The month-long initiative included two wellness talks – one on "Longevity in Sports and Fitness" and the other on "Skincare: An Act of Self-Love". Additionally, employees also had the opportunity of participating in wellness treatments.

- The Mental Health Strategy Lead from Health Promotion Centre, Ministry of Health delivered a session advocating the concept of work-life balance.

- A session was delivered by an Adjunct Professor from Universiti Brunei Darussalam on fostering mindset change and facilitating growth transformation focused on improving the existing services to employees.

To better support stress management in the workplace, employees have access to external counselling services for confidential discussions with counsellors and therapists.

Teamwork

BDCBees Buzzchat

In March 2023, the Central Bank organised an annual town hall meeting which was dubbed the "BDCBees Buzzchat". The purpose of the event was to promote a sense of community and encourage two-way communication by allowing attendees to ask questions and provide feedback. The main theme of the event was on “Teamwork”, which is one of the core values of the Central Bank. Discussions were centred around team dynamics, collaboration, human resources, and engagement with Executive Management.

Advocating a Knowledge-Sharing Culture

In 2023, 50 Weekly Economic and Market Review sessions were conducted, covering topics on macroeconomic indicators such as inflation, gross domestic product, employment, as well as global and financial market trends. These sessions drove conversations among employees to discuss observations on the current and future state of the global economy, including its impact on various industries and investments. gold

A total of 36 sharing sessions were also held throughout 2023 where employees were encouraged to present various topics of interest, including digital payments and assets, regulation, supervision, and emerging technologies.

In addition, industry experts were invited to present topics on digital transformation and change management strategies, in line with the establishment of the upcoming the BDCB Digital Transformation Roadmap.

Teambuilding

In 2023, the Central Bank implemented a restructuring of its teambuilding initiative to incorporate the core value of teamwork. The new initiative allowed departments to independently organise and plan their own teambuilding sessions. The aim of this flexibility was to encourage employees to strengthen internal team dynamics and cohesion, as well as to foster a sense of camaraderie within their respective teams. A wide range of activities were organised, including outdoor adventure activities, team retreats, team-bonding games, and art and creativity sessions.

Further, various Interhouse events were held to promote engagement and interaction beyond the routine work of the employees. The Interhouse was established with the objective of facilitating and coordinating internal engagement, sportsmanship, and healthy competition within the Central Bank. In July 2023, the employees were engaged in a thrilling scavenger hunt called "Buzzin' Around Bandar", designed to involve them in a series of creative and exciting tasks, while also encouraging teamwork, collaboration, and problem-solving skills. In November 2023, in collaboration with the BDCB's Corporate Social Responsibility team, a "Pink Walk" walkathon was held to raise awareness about Breast Cancer.

Integrity

HR Shares and Engagement Sessions

In efforts to ensure high integrity and ethics, bite-sized reminders on existing policies and guidelines were circulated to employees through an approach titled “HR Shares”.

Four engagement sessions were also held to emphasise the standards of conduct and ethics that employees are expected to adhere to. In particular, the Women and Children Abuse Investigation Unit of the Royal Brunei Police Force conducted a session on sexual harassment and bullying in the workplace to provide awareness on the types of behaviours which can be identified as bullying or harassment, as well as the measures and actions that can be taken if an employee experiences bullying or harassment.

Our Community Outreach

Internship Programme

As part of the Central Bank’s intention to contribute to Wawasan Brunei 2035’s goal of ensuring the people of Brunei Darussalam are educated, highly skilled and accomplished, the Central Bank continued to provide internship opportunities to students from local higher education institutions including Universiti Brunei Darussalam (UBD), Universiti Teknologi Brunei (UTB), UNISSA, and PB.

This internship programme equips students with an insight into central banking, as well as a learning environment to apply their theoretical knowledge and concepts into real-world scenarios. This programme also aims to facilitate students’ transition into the world of employment after completing their studies and help to improve their employability.

BDCB Gives Back

Giving back to the community is an integral part of Central Bank's culture and purpose.

Throughout the year, BDCB organised numerous activities to give back:

Society for Community Outreach & Training's (SCOT) Social Kitchen Community

The Central Bank continued its support for SCOT Social Kitchen Community initiative by donating, preparing and distributing 550 iftar meals in April 2023. These meals were delivered to socio economically-challenged communities and foreign workers across the country.

Donations for Orphans

During the holy month of Ramadhan, a Majlis Khatam Al-Quran and a donation drive for 20 orphans identified by the Department of Community Development, Ministry of Culture, Youth and Sports was conducted.

Blood Donation Drive

In July 2023, the Central Bank showed its continued dedication to community welfare by arranging the BDCB Blood Donation Drive. This initiative, which forms an important part of the yearly support given to the Blood Donation Centre (BDC) under the Ministry of Health, aimed to help increase the country's blood bank supply.

Donate A Story

In conjunction with International Literacy Day, the Donate-A-Story campaign was organised in November 2023 with the aim of cultivating a reading culture and instilling appreciation for literature among young school children in rural areas. The campaign collected a total of 248 books that were donated to Haji Tarif Primary School and Bendahara Lama Primary School. A story telling session was also conducted during the campaign.

Our Organisational Capabilities

Annual Business Planning Retreat (ABPR)

Towards enhancing the effectiveness of the organisation, the Annual Business Planning Retreat (ABPR) was held in June and July 2023. The objective of the ABPR was for the Executive Management and Head of Divisions to discuss and set priorities for 2024 based on the Central Bank's vision, mission, and SP 2021-2025. The ABPR also provided an avenue to align the Central Bank's organisational priorities and discuss pertinent matters, including budget allocation, manpower, staff welfare, IT infrastructure, and organisational culture. During these sessions, a new concept of institutional performance measure was introduced, namely the BDCB Scorecard, which is aimed at enhancing the Central Bank's performance management.

Technology

The Central Bank looks forward to utilise new technological solutions to develop a more automated, efficient and resilient working environment centred around digital transformation.

In 2023, the Central Bank has initiated various projects to further modernise its IT operations, focusing more on security, system performance, operations management, availability and resilience.

Environmental, Social and Governance (ESG)

In line with the Central Bank's goal of embedding sustainability and ESG in its organisational practices, a series of strategies were implemented to support the transition towards a more environmentally-friendly, socially-responsible, and sustainable infrastructure and asset base while carrying out its principal objectives and administrative operations.

ESG Taskforce

The ESG Taskforce was established in 2023 to incorporate sustainable approaches and practices in the disposal of unfit assets and consumables. This includes a banknote recycling program which will be initiated in 2024, with the aim of enhancing long-term sustainability practice and green process in the Central Bank.

ESG Investing

With the rise of ESG investing, the Central Bank has appointed a fund manager to manage an ESG mandate since 2022. The Central Bank believes that fundamentals such as mitigating climate change risks, implementing good corporate governance, and maintaining high standards of management quality, along with the ability to manage other ESG risks, will have significant positive impacts on the Central Bank's reputation and financial performance.

In supporting the Brunei Darussalam National Climate Change Policy and the United Nation's Sustainable Development Goals, the Central Bank is continuously finding opportunities to fully integrate ESG principles in its investment mandates.

Learning and Development

The Central Bank hosted the SEACEN-ASEAN Curriculum in Climate Risk Resilience/Sustainable Finance Block 3: Climate Change and Monetary Policy from 30 October to 1 November 2023. The training programme was attended by officers from the Central Bank and international participants, including officials from Nepal Rastra Bank, Reserve Bank of India, Bank Indonesia, National Bank of Cambodia, Central Bank Chinese Taipei, Bank of Thailand, and State Bank of Vietnam.

Additionally, employees attended numerous trainings on sustainable finance, environmental risk, and climate change organised by various notable international entities, including the IMF, ASEAN Insurance Training & Research Institute (AITRI) – Toronto Centre, and The SEACEN Centre.

World Environment Day

In conjunction with World Environment Day, the Central Bank organised a beach clean-up campaign at the Pantai Peranginan Muara to encourage employees to contribute to community outreach programmes, support global efforts in preserving the environment, and raise awareness on the benefits and importance of maintaining beach cleanliness.

Our Governance and Assurance

External Audit

In accordance with section 61 of the BDCB Order, 2010, the BDCB Group and Al-Munawarrah Sdn Bhd Financial and Statutory audit for the financial year 2023 was performed by Deloitte & Touche (DT).

DT was first engaged as the Central Bank's external auditor in 2019 for three years. The Audit Committee recommended to the Board for DT's appointment to be extended for another two years until 2023, in line with section 61 (b) of the BDCB Order, 2010, which provisions for the appointment of the external auditor for not more than five years.

Internal Audit

The Central Bank's audit priorities in 2023 were aligned to account for concerns raised, as well as current and emerging risks in the Central Bank's operations. A range of audit activities were conducted throughout the year, including Consultancy Review on Business Sentiment Index Process, and Process Review on Legal Affairs.

The 2023 Internal Audit work plan also included the facilitation of the Retest Verification for the 2nd Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Programme Independent Assessment on the Payment and Settlement System and the completion of the Internal Audit system migration.

Our Commitment in Managing Risks

Operational Risk Management

In 2023, risk assessments mainly focused on information security threats, specifically following recent trends in Quishing (QR Code Phishing). The annual risk horizon scanning was also conducted to identify and assess key and emerging risk areas and threats to the Central Bank, allowing it to consider key concerns in prioritising its yearly strategic plans.

In line with the BDCB Resilience Management Roadmap 2023-2025, the Central Bank focused its efforts to enhance crisis preparedness and business resilience arrangements, specifically the resilience of critical business functions through the maintenance of relevant documents and provision of alternate sites.

Additionally, in 2023, the Central Bank's Crisis Response Taskforce placed priority in reviewing and aligning relevant resilience policies and plans to enhance collaborative efforts between the first and second lines of defence in line with best practices and international standards.

Securing and Protecting Our Information

The Central Bank recognises the importance of information security and continues to benchmark its efforts to manage information against best practices stipulated under the ISO27000 standards. The Central Bank is committed to protecting its employees, properties, information, reputation, including the public's information from potential threats to ensure the information privacy of the organisation, the public, its stakeholders, and employees, by protecting it against unauthorised access, disclosure and/or loss.

With the introduction of various legislations such as Personal Data Protection Order and Cybersecurity Order, the Central Bank has also initiated dialogues and discussions with relevant agencies such as Authority for Info-communications Technology Industry (AITI) and Cyber Security Brunei (CSB) in 2023 in its efforts to align security strategies and plans.

Enhanced Security Posture

The Central Bank's initiatives underscore the strides taken in aligning cyber security strategies with the principles of the National Institute of Standards and Technology (NIST) Framework. Rigorous penetration testing and thorough web vulnerability scanning have become cornerstones in the Central Bank's proactive efforts to ensure the resilience and integrity of its systems. These initiatives not only fortify the Central Bank's defence but also exemplify its dedication to staying ahead of the rapidly evolving cyber threat landscape.

This year, infrastructure vulnerability management has emerged as a significant initiative in its resilience strategy, ensuring that weaknesses within the Central Bank's infrastructure are systematically addressed and fortified.

The Central Bank made a strong commitment to maintaining a robust security culture and focused on improving training and awareness initiatives in 2023, building on previous efforts. This included conducting the annual Cybersecurity Awareness Month campaign in collaboration with relevant national agencies such as CSB and BruCERT.

CONSOLIDATED FINANCIAL STATEMENTS

Contents

Report of the Board

for the financial year ended 31 December 2023

The Members of the Board hereby submit their report and the audited consolidated financial statements of Brunei Darussalam Central Bank (the "Authority", "BDCB") and its subsidiary (the "Group") for the financial year ended 31 December 2023.

Principal Activities

Brunei Darussalam Central Bank ("the Authority"), was established on 1 January 2011 pursuant to Section 3(1) of the Brunei Darussalam Central Bank Order, 2010 ("the Order").

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

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

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

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

Financial Statements Highlights

	The Group BND'000	The Authority BND'000
Net gain for the year	100,392	100,294
Other comprehensive gain	69,095	69,095
Total comprehensive income for the year	**169,487**	**169,389**
Less (non-distributable profit / unrealised market gain):		
Profit for the year of AMSB	(98)	-
Transfer to market revaluation reserves	(97,137)	(97,137)
Distributable earnings for the year	**72,252**	**72,252**
Distributable to:		
BDCB Reserve Fund	21,676	21,676
The Government of Brunei Darussalam	50,576	50,576
	72,252	**72,252**

Report of the Board

for the financial year ended 31 December 2023

Board of Directors

Chairman

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

Deputy Chairman

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

Members

Yang Mulia
Dato Seri Setia Dr. Haji Japar bin Haji Mat Dain @ Maidin
Deputy State Mufti, State Mufti's Office
(8 August 2022 – Present)

Yang Mulia
Pengiran Hajah Siti Nirmala binti Pengiran Haji Mohammad
Permanent Secretary (Vision), Prime Minister's Office
(8 August 2022 – Present)

Yang Mulia
Dr. Dayang Hajah May Fa'ezah binti Haji Ahmad Ariffin
Permanent Secretary (Economy, Trade and Industry), Ministry of Finance and Economy
(8 August 2022 – Present)

Yang Mulia
Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers, Prime Minister's Office
(8 August 2022 – Present)

Yang Mulia
Dayang Hajah Rokiah binti Haji Badar
Managing Director, Brunei Darussalam Central Bank
(8 August 2022 – Present)

Report of the Board
for the financial year ended 31 December 2023

Audit Committee

Chairperson

Yang Mulia
Dayang Hajah Zuraini binti Haji Sharbawi
Solicitor General at Attorney General's Chambers, Prime Minister's Office
(1 January 2020 - Present)

Members

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

Yang Mulia
Pengiran Hajah Noorasiah binti Pengiran Mohd Hassan
Acting Accountant General, Treasury Department, Ministry of Finance and Economy
(1 January 2023 – Present)

Yang Mulia
Pengiran Hajah Normaswati binti Pengiran Anak Haji Mashor
Acting Deputy Accountant General, Treasury Department,Ministry of Finance and Economy
(1 January 2023 – Present)

Yang Mulia
Awang Shamsul Bahri bin Haji Kamis
Chief Executive Officer, I.T. Protective Security Services Sdn Bhd
(1 January 2023 – Present)

Yang Mulia
Pengiran Haji Johari bin Pengiran Haji Abd Ghani
Head of Business Continuity Plan, Brunei Investment Agency
(1 January 2023 – Present)

Observer

Yang Mulia
Awang Muhammad Yusri bin Dato Abdul Majid
Head of Risk and Compliance, Brunei Darussalam Central Bank
(1 January 2020 – Present)

Report of the Board

for the financial year ended 31 December 2023

The Audit Committee has held several meetings in 2023. In performing its functions, the Audit Committee met with the Group's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

For and on behalf of the Board

Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Chairman

Dayang Hajah Rokiah binti Haji Badar
Managing Director

Date: 1 May 2024

Independent Auditor's Report

As at 31 December 2023

BRUNEI DARUSSALAM CENTRAL BANK AND ITS SUBSIDIARY
(Established in Brunei Darussalam)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Brunei Darussalam Central Bank (the "Authority") and its subsidiary (the "Group") which comprise the statements of financial position of the Group and the Authority as at December 31, 2023 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Authority for the year ended 31 December 2023 and notes to the consolidated financial statements, including material accounting policy information, as set out on pages FS 8 to FS 60.

In our opinion, the accompanying consolidated financial statements of the Group and the Authority are properly drawn up in accordance with the provisions of the Brunei Darussalam Central Bank Order, 2010 (the "Order"), the Brunei Darussalam Companies Act, Chapter 39 (the "Act"), the Currency Order, 2004 (the "CO"), and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the financial position of the Group and the Authority as at December 31, 2023 and of the financial performance, changes in equity and cash flows of the Group and the Authority for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group and the Authority in accordance with the International Ethics Standards Boards for Accountants Code of Ethics for Professional Accountants ("IESBA") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Boards for Accountants (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Members of the Board are responsible for the other information. The other information comprises the Report of the Board include in pages FS 1 to FS 4.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor’s Report

As at 31 December 2023

Responsibilities of Members for the Consolidated Financial Statements

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Authority’s internal control.

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

- Conclude on the appropriateness of the members’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

As at 31 December 2023

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

Report on Other Legal and Regulatory Requirements

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

DELOITTE & TOUCHE
Certified Public Accountants

HAJI ZULFARIQ ZARA BIN HAJI ZAINUDDIN
Public Accountant

Brunei Darussalam
Date: May 10, 2024

Statements of Financial Position

As at 31 December 2023

		The Group		The Authority	
		2023	2022	2023	2022
	Note	BND'000	BND'000	BND'000	BND'000
ASSETS					
Cash and cash equivalents	4	2,427,649	3,685,544	2,327,755	3,630,586
Deposits with financial institutions		576,481	264,074	576,481	264,074
Investment securities	5	1,274,706	1,242,804	1,274,706	1,242,804
Derivative financial assets	6	5,724	8,542	5,724	8,542
Inventories		13,454	10,772	13,454	10,772
Assets held with International Monetary Fund (IMF)	7	1,033,756	1,005,398	1,033,756	1,005,398
Other assets	8	27,421	13,153	27,356	13,140
Investment in AMSB	1	-	-	-	-
Gold	9	400,317	355,196	400,317	355,196
Property and equipment, net	10	16,533	16,677	16,533	16,677
TOTAL ASSETS		**5,776,041**	**6,602,160**	**5,676,082**	**6,547,189**
LIABILITIES AND EQUITY					
Liabilities					
Currency in circulation	11	1,417,033	1,422,275	1,417,033	1,422,275
Deposits and balances of local banks and other local financial institutions	13	1,627,280	2,708,835	1,629,477	2,709,459
Deposits and balances of international financial institutions	14	19,650	19,650	19,650	19,650
Derivative financial liabilities	6	1,231	99	1,231	99
Payables to the Government of Brunei Darussalam		151,069	115,501	151,069	115,501
Liabilities held with IMF	7	883,109	890,340	883,109	890,340
Other liabilities	15	110,320	87,962	108,398	87,525
Provisions	16	55,526	10,564	55,526	10,564
Sukuk issuance	17	99,943	54,965	-	-
TOTAL LIABILITIES		**4,365,161**	**5,310,191**	**4,265,493**	**5,255,413**

See accompanying notes to the consolidated financial statements.

Statements of Financial Position

As at 31 December 2023

		The Group		The Authority	
		2023	2022	2023	2022
	Note	BND’000	BND’000	BND’000	BND’000
Equity					
Share capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Reserve fund	18	159,031	137,355	159,031	137,355
Currency valuation reserve fund	18	-	-	-	-
Market valuation reserve fund	18	251,558	154,421	251,558	154,421
Retained earnings		291	193	-	-
TOTAL EQUITY		**1,410,880**	**1,291,969**	**1,410,589**	**1,291,776**
TOTAL LIABILITIES AND EQUITY		**5,776,041**	**6,602,160**	**5,676,082**	**6,547,189**

For and on behalf of the Board

Dato Seri Paduka Awang Haji Khairuddin bin Haji Abdul Hamid
Chairman

Dayang Hajah Rokiah binti Haji Badar
Managing Director

Date: 1 May 2024

See accompanying notes to the consolidated financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

		The Group		The Authority	
		2023	2022	2023	2022
	Note	BND'000	BND'000	BND'000	BND'000
INCOME					
Interest income	19	70,067	45,411	68,442	44,859
Dividend income		3,732	7,530	3,732	7,530
Net gain / (loss) on investment securities measured at fair value through profit or loss (FVTPL)	20	22,742	(50,272)	22,742	(50,272)
Net gain from derecognition of investment securities measured at fair value through other comprehensive income (FVOCI)	21	38,898	4,995	38,898	4,995
Operating income	22	3,620	3,681	3,609	3,681
TOTAL INCOME		**139,059**	**11,345**	**137,423**	**10,793**
EXPENSES					
Staff costs	23	(20,704)	(19,111)	(20,704)	(19,111)
Other operating expenses	24	(14,377)	(14,777)	(14,368)	(14,741)
Sukuk coupon cost		(1,529)	(318)	-	-
Fee and commission expense		(2,057)	(2,121)	(2,057)	(2,121)
TOTAL EXPENSES		**(38,667)**	**(36,327)**	**(37,129)**	**(35,973)**
Net profit /(loss) for the year		**100,392**	**(24,982)**	**100,294**	**(25,180)**
OTHER COMPREHENSIVE INCOME / (LOSS)					
Net gain / (loss) on investment securities measured at FVOCI	21	23,974	(45,210)	23,974	(45,210)
Net gain / (loss) on gold revaluation	9	45,121	(285)	45,121	(285)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**69,095**	**(45,495)**	**69,095**	**(45,495)**
Total comprehensive income / (loss) for the year		**169,487**	**(70,477)**	**169,389**	**(70,675)**

See accompanying notes to the consolidated financial statements.

Statements of Changes in Equity

For the year ended 31 December 2023

The Group	Share capital BND'000	Distributable earnings BND'000	Retained earnings ** BND'000	Reserve fund BND'000	Currency valuation reserve fund BND'000	Market valuation reserve fund BND'000	Total BND'000
Balance as at 1 January 2021	**1,000,000**	**-**	**(7)**	**133,474**	**-**	**219,092**	**1,352,559**
Total Comprehensive income:							
Net profit for the year	-	51,276	2	-	-	-	51,278
Other comprehensive loss	-	(41,391)	-	-	-	-	(41,391)
Transfers during the year:							
Foreign exchange valuation	-	(3,960)	-	-	3,960	-	-
Fair value movement of gold at FVOCI	-	8,789	-	-	-	(8,789)	-
Fair value movement of investment securities at FVOCI	-	32,602	-	-	-	(32,602)	-
Fair value movement of investment securities at FVTPL	-	(33,466)	-	-	-	33,466	-
Transfer to reserve fund	-	(13,850)	-	13,850	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-	-
Balance as at 31 December 2021	**1,000,000**	**-**	**(5)**	**147,324**	**3,960**	**211,167**	**1,362,446**
Balance as at 1 January 2022	**1,000,000**	**-**	**(5)**	**147,324**	**3,960**	**211,167**	**1,362,446**
Total Comprehensive loss:							
Net loss for the year	-	(25,180)	198	-	-	-	(24,982)
Other comprehensive loss	-	(45,495)	-	-	-	-	(45,495)
Transfers during the year:							
Foreign exchange valuation	-	3,960	-	-	(3,960)	-	-
Fair value movement of gold at FVOCI	-	285	-	-	-	(285)	-
Fair value movement of investment securities at FVOCI	-	7,335	-	-	-	(7,335)	-
Fair value movement of investment securities at FVTPL	-	49,126	-	-	-	(49,126)	-
Transfer to reserve fund	-	9,969	-	(9,969)	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-	-
Balance as at 31 December 2022	**1,000,000**	**-**	**193**	**137,355**	**-**	**154,421**	**1,291,969**

Statements of Changes in Equity

For the year ended 31 December 2023

	Share capital	Distributable earnings	Retained earnings **	Reserve fund	Currency valuation reserve	Market valuation reserve	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
Balance as at 1 January 2023	**1,000,000**	**-**	**193**	**137,355**	**-**	**154,421**	**1,291,969**
Total Comprehensive income:							
Net profit for the year	-	100,294	98	-	-	-	100,392
Other comprehensive income	-	69,095	-	-	-	-	69,095
Transfers during the year:							
Foreign exchange valuation	-	-	-	-	-	-	-
Fair value movement of gold at FVOCI	-	(45,121)	-	-	-	45,121	-
Fair value movement of investment securities at FVOCI	-	(23,974)	-	-	-	23,974	-
Fair value movement of investment securities at FVTPL	-	(28,042)	-	-	-	28,042	-
Transfer to reserve fund	-	(21,676)	-	21,676	-	-	-
Transfer to the Government of Brunei Darussalam*	-	(50,576)	-	-	-	-	(50,576)
Balance as at 31 December 2023	**1,000,000**	**-**	**291**	**159,031**	**-**	**251,558**	**1,410,880**

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

See accompanying notes to the consolidated financial statements.

Statements of Changes in Equity

For the year ended 31 December 2023

The Authority	Share capital	Distributable earnings	Reserve fund	Currency valuation reserve	Market valuation reserve	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
Balance as at 1 January 2021	**1,000,000**	**-**	**133,474**	**-**	**219,092**	**1,352,566**
Total Comprehensive income:						
Net profit for the year	-	51,276	-	-	-	51,276
Other comprehensive loss	-	(41,391)	-	-	-	(41,391)
Transfers during the year:						
Foreign exchange valuation	-	(3,960)	-	3,960	-	-
Fair value movement of gold at FVOCI	-	8,789	-	-	(8,789)	-
Fair value movement of investment securities at FVOCI	-	32,602	-	-	(32,602)	-
Fair value movement of investment securities at FVTPL	-	(33,466)	-	-	33,466	-
Transfer to reserve fund	-	(13,850)	13,850	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-
Balance as at 31 December 2021	**1,000,000**	**-**	**147,324**	**3,960**	**211,167**	**1,362,451**
Balance as at 1 January 2022	**1,000,000**	**-**	**147,324**	**3,960**	**211,167**	**1,362,451**
Total Comprehensive loss:						
Net loss for the year	-	(25,180)	-	-	-	(25,180)
Other comprehensive loss	-	(45,495)	-	-	-	(45,495)
Transfers during the year:						
Foreign exchange valuation	-	3,960	-	(3,960)	-	-
Fair value movement of gold at FVOCI	-	285	-	-	(285)	-
Fair value movement of investment securities at FVOCI	-	7,335	-	-	(7,335)	-
Fair value movement of investment securities at FVTPL	-	49,126	-	-	(49,126)	-
Transfer to reserve fund	-	9,969	(9,969)	-	-	-
Transfer to the Government of Brunei Darussalam*	-	-	-	-	-	-
Balance as at 31 December 2022	**1,000,000**	**-**	**137,355**	**-**	**154,421**	**1,291,776**

Statements of Changes in Equity

For the year ended 31 December 2023

	Share capital	Distributable earnings	Reserve fund	Currency valuation reserve	Market valuation reserve	Total
	BND'000	BND'000	BND'000	BND'000	BND'000	BND'000
Balance as at 1 January 2023	**1,000,000**	**-**	**137,355**	**-**	**154,421**	**1,291,776**
Total Comprehensive income:						
Net profit for the year	-	100,294	-	-	-	100,294
Other comprehensive income	-	69,095	-	-	-	69,095
Transfers during the year:						
Foreign exchange valuation	-	-	-	-	-	-
Fair value movement of gold at FVOCI	-	(45,121)	-	-	45,121	-
Fair value movement of investment securities at FVOCI	-	(23,974)	-	-	23,974	-
Fair value movement of investment securities at FVTPL	-	(28,042)	-	-	28,042	-
Transfer to reserve fund	-	(21,676)	21,676	-	-	-
Transfer to the Government of Brunei Darussalam*	-	(50,576)	-	-	-	(50,576)
Balance as at 31 December 2023	**1,000,000**	**-**	**159,031**	**-**	**251,558**	**1,410,589**

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

See accompanying notes to the consolidated financial statements.

Statements of Cash Flows

For the year ended 31 December 2023

	The Group		The Authority	
	2023	2022	2023	2022
	BND'000	BND'000	BND'000	BND'000
Cash flows from operating activities:				
Net profit / (loss) for the year	100,392	(24,982)	100,294	(25,180)
Adjustments for:				
Depreciation on property and equipment	2,289	2,675	2,289	2,675
Unrealised (gain) / loss on currency and market	(15,160)	57,681	(15,160)	57,681
Sukuk coupon cost	1,529	318	-	-
	89,050	**35,692**	**87,423**	**35,176**
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Deposits with financial institutions	(312,407)	(244,443)	(312,407)	(244,443)
Investment securities	7,231	55,053	7,231	55,053
Derivative financial assets	2,818	(4,257)	2,818	(4,257)
Inventories	(2,682)	(154)	(2,682)	(154)
Other assets	(14,268)	63,303	(14,216)	63,313
(Decrease)/increase in operating liabilities:				
Currency in circulation	(5,242)	(9,163)	(5,242)	(9,163)
Deposits and balances of local banks and other local financial institutions	(1,081,555)	81,971	(1,079,982)	55,514
Payables to the Government of Brunei Darussalam	(20)	(517)	(20)	(517)
Derivative financial liabilities	1,132	2	1,132	2
Other liabilities	22,358	71,388	20,873	71,040
Provisions	(5,614)	608	(5,614)	608
Net cash (used in) generated from operating activities	**(1,299,199)**	**49,483**	**(1,300,686)**	**22,172**
Cash flows used in investing activity:				
Additions to property and equipment, representing net cash used in investing activity	**(2,145)**	**(2,812)**	**(2,145)**	**(2,812)**
Cash flows used in financing activities:				
Sukuk redemption (placement)	44,978	(22,033)	-	-
Sukuk coupon cost	(1,529)	(318)	-	-
Net cash flows generated from (used in) financing activities	**43,449**	**(22,351)**	**-**	**-**
Net (decrease) increase in cash & cash equivalents	**(1,257,895)**	**24,320**	**(1,302,831)**	**19,360**
Cash and cash equivalents at beginning of the year	3,685,544	3,661,224	3,630,586	3,611,226
Cash and cash equivalents at the end of the year	**2,427,649**	**3,685,544**	**2,327,755**	**3,630,586**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue by the Members of the Board on 1 April 2024.

1. Domicile and activities

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

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

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

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

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

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

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

2. Summary of significant accounting policies

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

2.1. Basis of preparation

2.1.1 Statement of compliance

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

2.1.2 Functional currency

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

2.1.3 Basis of measurement

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

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

2.1.4 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Authority and the subsidiary (AMSB) made up to 31 December 2023. The Group controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities of the entity. For the Group to have power over an entity, it must have the practical ability to exercise those rights. In situations where potential voting rights exist, these are taken into account if the Group has the practical ability to exercise those rights.

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

All intra-group transactions are eliminated on consolidation.

2.2. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except for financial assets and financial liabilities measured at Fair Value through Profit and Loss ("FVTPL") and Fair Value through Other Comprehensive Income ("FVOCI") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL and FVOCI are recognised immediately in profit or loss.

2.3. Financial assets

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

2.3.1 Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:
- Investment securities at FVTPL;
- Investment securities at FVOCI;
- Investment securities at amortised cost; or
- Other assets at amortised cost.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

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

Debt instruments

Classification and subsequent measurement of debt instruments depend on:
(a) the Group's business model for managing the asset; and
(b) the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate (EIR) and/or effective profit rate (EPR) method.

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

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

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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

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

Equity instruments

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

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

2.3.2 Impairment of financial assets

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

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

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments, (referred to as Stage 2 and Stage 3); or
- a loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk ("SICR") are provided in Note 27.2.1(c).

ECLs are probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR and/or EPR.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of securities that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR and/or EPR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

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

- the lender or the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a SICR.

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

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

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

Significant increase in credit risk (SICR)

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECL are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for debt instruments measured at FVOCI: the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a part of net income in the statements of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised as a part of net income in the statements of comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of accounts previously written off are recognised directly in the statements of comprehensive income as a part of net income.

2.3.3 Modification and derecognition of financial assets

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

2.3.4 Write-off

Debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in other income.

2.4. Financial liabilities

Classification and subsequent measurement

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

(a) Financial liabilities at FVTPL

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

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

(b) Other financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.5. Derivative financial instruments

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

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

2.6. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter ("OTC") derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg; and

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The Group has no assets or liabilities classified under Level 3 as at 31 December 2023 and 2022.

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

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

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

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

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

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

2.7. Property and equipment

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

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

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

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

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

2.8. Gold

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

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

2.9. Impairment on non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.10. Interest income and expense

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

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

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

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

2.11. Dividend income

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

2.12. Operating income

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

2.13. Fee and commission expense

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

2.14 Foreign currency transactions and translation

2.14.1 Functional and presentation currency

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

2.14.2 Transactions and balances

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

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

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

2.15. Offsetting

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

As at 31 December 2023 and 2022, there are no financial assets and liabilities that have been offset.

2.16. Cash and cash equivalents

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

2.17. Advances to suppliers and other assets

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

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

2.18. Inventories

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

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

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

2.19. Currency in circulation

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

2.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

2.21. Sukuk issuance, accrued expenses and other liabilities

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

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

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

2.22. Employee benefits

2.22.1 Defined contribution plans and other employment benefits

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

(a) Employees Trust Fund ("TAP") and Supplemental Contributory Pension ("SCP") (now known as Skim Persaraan Kebangsaan ("SPK")

Under Section 26 of the Order, the laws of Brunei Darussalam which relate to retirement benefits schemes shall apply to the employees of the Group. The Group participates in TAP and SCP. The two schemes has been replaced with Skim Persaraan Kebangsaan (SPK) starting July 2023.

(b) Incentive scheme

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

2.22.2 Annual leave

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

2.23. Distributable earnings

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

(a) where profits include realised and unrealised foreign currency valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the currency valuation reserve fund;

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

(c) where profits include market unrealised valuation gains, by deducting the amount of such gains from the net profits and adding the amount to the market valuation reserve fund; and

(d) where profits include market unrealised valuation losses, by adding back such losses to the net profit and deducting such losses from the market valuation reserve fund to the extent that there are credit funds available in the market valuation reserve fund to cover such losses.

2.24. Allocation of distributable earnings

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

a) Within 3 months after the end of every financial year of the Group, the Group shall allocate the distributable earnings as follows:
   - where the total balance of the paid-up capital and the Reserve Fund is less than 20 percent of the total assets at the end of the financial year, 100 percent of the distributable profit is to be transferred to the Reserve Fund until the 20 percent level is met.
   - where the total balance of the paid-up capital and the Reserve Fund is greater than 20 percent of the total assets at the end of the financial year, 30 percent of the distributable profit is to be transferred to the Reserve Fund and the balance of 70 percent is to be transferred to the Government of Brunei Darussalam;

b) No distribution shall be made out of the current income of the Group except as permitted by subsection (a) above; and

c) If in any financial year the Group incurs negative distributable earnings, these earnings shall first be charged to the Reserve Fund and subsequently be covered by capital.

2.25. Other operating expenses

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

2.26. Standards issued but not yet effective

As at 1 January 2023, the Group adopted all new and revised IFRS Standards, and interpretation of IFRS Standards that are effective from the date and are relevant to its operations. The adoption of these new/revised IFRS Standards does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current period or prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Accounting standards	Summary of the requirements	Possible impact on consolidated financial statements
Amendments to IAS 1 Presentation of Financial Statements– Classification of Liabilities as Current or Non-current	The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.	The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements.
Amendments to IAS 1 Presentation of Financial Statements— Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include	The Group is still assessing the impact of the application of amendments to IAS 1, however, does not anticipate that such application will have material impact on its consolidated financial statements.

	information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.	
Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered	The Group is still assessing the impact of the application of amendments to IFRS 16, however, does not anticipate that such application will have material impact on its consolidated financial statements.

	into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.	

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the below notes to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the accounting policies

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

(a) Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a SICR. In assessing whether the credit risk of an asset has significantly increased the Group applied the 'low credit risk' expedient. Refer to Note 27.2.1 for more details.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 27.2.1 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

(c) Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 27.2.1 for more details on the ECL.

(d) Impairment of property and equipment: Assets that have definite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, management considers evidence of obsolescence or physical damage of an asset, assets becoming idle, or the economic performance of the asset is, or will be, worse than expected. If any such evidence exists for any item of property and equipment, changes in those estimates and judgments could result in adjustments to the net carrying amount of property and equipment.

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

3.2 Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

(b) Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(c) Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

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

The carrying amounts of property and equipment are presented in Note 10. Based on management's assessment as at 31 December 2023 and 2022, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

4. Cash and cash equivalents

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

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Cash	1,414,743	2,489,095	1,414,743	2,489,095
Short-term deposits	107,843	62,065	7,949	7,107
Short-term government treasury bills	905,063	1,134,384	905,063	1,134,384
Total cash and cash equivalents	**2,427,649**	**3,685,544**	**2,327,755**	**3,630,586**

Short-term deposits with banks have average maturities of less than or equal to 90 days and carry effective interest and/or profit rates ranging from 3.38% to 5.12% (2022: 1.75% to 3.5%). Interest earned from cash and deposits with banks and financial institutions is disclosed in Note 19.

Short-term government treasury bills have maturities of less than or equal to 90 days from the date of acquisition. Income from the treasury bills recognised by the Group and the Authority for the financial year amounts to BND46,580,883 (2022: BND15,878,901).

5. Investment securities

	The Group and the Authority	
	2023 BND'000	2022 BND'000
Investment securities at FVTPL:		
Corporate debt securities	138,758	105,993
Listed equity instruments	180,314	176,525
	319,072	**282,518**
Investment securities at FVOCI:		
Government debt securities	454,934	479,415
Corporate debt securities	500,700	480,871
	955,634	**960,286**
Total investment securities	**1,274,706**	**1,242,804**

Debt securities classified as FVOCI that are expected to mature within 12 months after reporting date amounts to BND288,643,912 (2022: BND290,665,144). The remaining balance of FVOCI has a maturity of more than 12 months after reporting date.

The dividend income from listed equity instruments recognised by the Group and the Authority for the financial year amounts to BND3,731,740 (2022: BND7,529,671).

6. Derivative financial assets and liabilities

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

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

	2023 Contract/Notional Amount in BND'000	2022 Contract/Notional Amount in BND'000
Commitments to purchase currencies under forward contracts	549,696	486,355
Commitments to sell currencies under forward contracts	(545,203)	(477,912)

As at 31 December 2023, the derivative financial assets amount to BND5,724,115 (2022: BND8,542,184), while the derivative financial liabilities amount to BND1,231,261 (2022: BND99,347). The contract amounts of these instruments reflect the extent of the Authority's involvement in forward currency contracts and do not represent the risk of loss due to counterparties non-performance. The fair values of these derivatives are presented on the statements of financial position.

7. Assets held and liabilities with IMF

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

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

The IMF account is as detailed below:

	The Group and the Authority	
	2023 BND'000	2022 BND'000
ASSETS		
Foreign currency investment and claims:		
IMF quota subscription	536,556	542,210
Less:		
IMF No.1 currency account	(79,365)	(82,289)
IMF securities account	(387,695)	(401,982)
Currency valuation adjustment account	(6,815)	5,403
Reserve Tranche Position	**62,681**	**63,342**

	The Group and the Authority 2023 BND'000	The Group and the Authority 2022 BND'000
Add:		
SDR holdings	904,981	911,827
Account receivable:		
Accrued remuneration on Brunei's reserve tranche position	325	222
Accrued interest on SDR holdings	6,278	4,191
IMF expenses on SDR allocation	59,491	25,816
	1,033,756	**1,005,398**
LIABILITIES		
IMF No.2 currency account	357	370
Currency valuation adjustment account No.2	5	(4)
IMF SDR allocation	876,665	885,902
IMF accrued expenses on SDR allocation	6,082	4,072
	883,109	**890,340**

8. Other assets

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Interest and dividend receivables	13,269	10,042	13,204	10,029
Advances to suppliers	9,974	2,303	9,974	2,303
Trade pending settlement	3,265	-	3,265	-
Sundry assets	913	808	913	808
	27,421	**13,153**	**27,356**	**13,140**

Trade pending settlements are securities sold pending settlement, in a regular way transaction, that have been contracted but not yet transferred on the reporting date.

9. Gold

	The Group and the Authority 2023 BND'000	The Group and the Authority 2022 BND'000
At 1 January	355,196	355,481
Revaluation – gain / (loss)	45,121	(285)
At 31 December	**400,317**	**355,196**

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

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10. Property and equipment, net

The Group and the Authority	Buildings BND'000	Construction-in-progress BND'000	Furniture, fixtures & fittings BND'000	Motor vehicles BND'000	Office equipment, machinery & computers BND'000	Total BND'000
Cost						
Balance as at 1 January 2021	41,717	26,859	1,138	325	22,725	92,764
Additions	111	-	24	63	3,757	3,955
Transfer/Disposal	-	(26,859)	-	-	-	(26,859)
Balance as at 31 December 2021	**41,828**	**-**	**1,162**	**388**	**26,482**	**69,860**
Accumulated depreciation						
Balance as at 1 January 2021	28,518	-	954	315	18,179	47,966
Depreciation charge for the year	669	-	60	10	4,615	5,354
Balance as at 31 December 2021	**29,187**	**-**	**1,014**	**325**	**22,794**	**53,320**
Net book value as at 31 December 2021	**12,641**	**-**	**148**	**63**	**3,688**	**16,540**
Cost						
Balance as at 1 January 2022	41,828	-	1,162	388	26,482	69,860
Additions	315	-	16	-	2,481	2,812
Balance as at 31 December 2022	**42,143**	-	**1,178**	**388**	**28,963**	**72,672**
Accumulated depreciation						
Balance as at 1 January 2022	29,187	-	1,014	325	22,794	53,320
Depreciation charge for the year	652	-	60	10	1,953	2,675
Balance as at 31 December 2022	**29,839**	**-**	**1,074**	**335**	**24,747**	**55,995**
Net book value as at 31 December 2022	**12,304**	**-**	**104**	**53**	**4,216**	**16,677**

	Buildings BND'000	Construction-in-progress BND'000	Furniture, fixtures & fittings BND'000	Motor vehicles BND'000	Office equipment, machinery & computers BND'000	Total BND'000
Cost						
Balance as at 1 January 2023	**42,143**	-	**1,178**	**388**	**28,963**	**72,672**
Additions	740	-	11	-	1,394	2,145
Balance as at 31 December 2023	**42,883**	**-**	**1,189**	**388**	**30,357**	**74,817**
Accumulated depreciation						
Balance as at 1 January 2023	**29,839**	**-**	**1,074**	**335**	**24,747**	**55,995**
Depreciation charge for the year	749	-	59	9	1,472	2,289
Balance as at 31 December 2023	**30,588**	**-**	**1,133**	**344**	**26,219**	**58,284**
Net book value as at 31 December 2023	**12,295**	**-**	**56**	**44**	**4,138**	**16,533**

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11. Currency in circulation

In accordance with Section 13 of the CO, the Authority has the sole authority to issue banknotes and coins for circulation in Brunei Darussalam.

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

12. External assets

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

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

	The Group and the Authority	
	2023 BND'000	2022 BND'000
External Assets:		
Cash & cash equivalents	464,122	47,546
Fixed deposits	158,926	49,106
Investment securities	894,881	1,331,668
Other assets	12,106	11,482
	1,530,035	**1,439,802**
Less:		
Active currency in circulation	1,417,033	1,422,275
	113,002	**17,527**
Percentage of external assets	**108%**	**101%**

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

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Minimum cash balance:				
Finance companies	88,624	98,800	88,624	98,800
Current account:				
Commercial banks	1,104,851	1,240,354	1,104,851	1,240,354
Insurance company	8,000	8,000	8,000	8,000
AMSB	-	-	2,197	624
Other institutions	4,736	6,458	4,736	6,458
Deposits:				
Commercial banks	421,069	1,355,223	421,069	1,355,223
	1,627,280	**2,708,835**	**1,629,477**	**2,709,459**

Deposits from local banks and other local financial institutions include:

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

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

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

14. Deposits balances of international financial institutions

	The Group and the Authority	
	2023 BND'000	2022 BND'000
Deposit from World Bank	19,631	19,631
Other institutions	19	19
	19,650	**19,650**

15. Other liabilities

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Accrued expenses	107,539	86,214	105,617	85,777
Fees received in advance	1,771	1,748	1,771	1,748
Trade Pending Settlement	1,010	-	1,010	-
	110,320	**87,962**	**108,398**	**87,525**

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

Trade pending settlements are securities purchased pending settlement, in a regular way transaction, that have been contracted but not yet delivered on the reporting date.

16. Provisions

	The Group and the Authority 2023 BND'000	2022 BND'000
Provision for incentive scheme	4,792	4,889
Provision for leave expenses	158	150
Provision for distributable earnings to the Government of Brunei Darussalam	50,576	5,525
	55,526	**10,564**

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

	The Group and the Authority 2023 BND'000	2022 BND'000
As at 1 January	5,525	5,525
Distributable profit for the year	50,576	-
Repayment made during the year	(5,525)	-
As at 31 December	**50,576**	**5,525**

17. Sukuk issuance

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Issuance of BDCB I-Bills	99,894	54,957	-	-
Coupon payable (within 12 months)	49	8	-	-
	99,943	**54,965**	**-**	**-**

As part of the Authority's continued efforts to develop a more efficient money market for Brunei Darussalam, the Authority successfully launched the BDCB Islamic Bills Programme (BDCB I-Bills) with the maiden issuance, through AMSB, on 22 October 2020. The BDCB I-Bills Programme aims to support the effective and efficient liquidity management for the banks in Brunei Darussalam and at the same time, widen the list of available money market instruments for BDCB and the domestic financial sector. The BDCB I-Bills is based on the Syariah concept of Wakalah bil Ujrah with a tenor of two weeks and is issued weekly. The maximum issuance size of the BDCB I-Bills is BND50,000,000 and is one of the eligible collaterals for the BDCB Funding/Lending Facilities in addition to the Brunei Government Sukuk.

18. Equity including reserves

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

18.1 Capital management

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

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

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

18.2 Reserve fund and reserve accounts

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

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

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

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

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

	The Authority 2023 BND'000	The Authority 2022 BND'000
Total comprehensive income / (loss)	169,389	(70,675)
Transfer from / (to) currency valuation reserve fund	-	3,960
Transfer (to) / from market valuation reserve fund for investment securities measured at FVOCI	(23,974)	7,335
Transfer (to) to market valuation reserve fund for investment securities measure at FVTPL	(28,042)	49,126
Transfer (to) / from market valuation reserve fund for gold revaluation	(45,121)	285
Earnings available for distribution	**72,252**	**(9,969)**
Distributed as follows:		
Transfer to reserve fund	(21,676)	(9,969)
Transfer to the Government of Brunei Darussalam	(50,576)	-
	-	-

19. Interest income

	The Group 2023 BND'000	The Group 2022 BND'000	The Authority 2023 BND'000	The Authority 2022 BND'000
On debt securities	35,185	33,826	35,184	33,826
On deposits with banks and financial institutions	34,882	11,585	33,258	11,033
	70,067	**45,411**	**68,442**	**44,859**

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

	The Group and the Authority 2023 BND'000	The Group and the Authority 2022 BND'000
Investment in debt securities		
- Realised loss	(767)	(602)
- Unrealised gain / (loss)	4,548	(4,965)
Investment in equity securities		
- Realised gain	5,593	5,264
- Unrealised gain / (loss)	23,494	(44,161)
Loss on foreign exchange	(10,126)	(5,808)
	22,742	**(50,272)**

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

	The Group and the Authority	
	2023 BND'000	2022 BND'000
Net gain from derecognition of investment securities :		
- Realised gain from derecognition	**38,898**	**4,995**
Net gain / (loss) on investment securities :		
- Unrealised gain / (loss)	**23,974**	**(45,210)**

22. Operating income

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Registration and licensing of banks and financial institutions	1,509	1,509	1,509	1,509
Payment Settlements	880	430	880	430
Credit Bureau	642	579	642	579
Commemorative coins	246	504	246	504
Collateral Registry	196	89	196	89
Other income	147	570	136	570
	3,620	**3,681**	**3,609**	**3,681**

23. Staff costs

	The Group and the Authority	
	2023 BND'000	2022 BND'000
Salaries and wages	12,411	11,504
Allowances	3,954	3,628
Bonuses	2,742	2,574
Other staff costs	959	796
Long-term incentive scheme	638	609
	20,704	**19,111**

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24. Other operating expenses

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
General and administrative expenditure	4,858	4,831	4,849	4,795
Maintenance of building, office equipment & computer	3,165	3,305	3,165	3,305
Depreciation	2,289	2,675	2,289	2,675
Currency operation expenses	2,066	2,034	2,066	2,034
Consultancy and developmental expenditure	1,999	1,932	1,999	1,932
	14,377	**14,777**	**14,368**	**14,741**

25. Related parties

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

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

26. Events after the reporting date

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material. There was no material event after the end of the reporting period that necessitates the revision of the figures included in the financial statements.

27. Financial instruments and financial risks

27.1. Fair value of financial instruments

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

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

31 December 2023	Level 1 BND'000	Level 2 BND'000	Level 3 BND'000	Total BND'000
Financial assets				
Investment securities	1,274,706	-	-	1,274,706
Derivative financial assets	-	5,724	-	5,724
	1,274,706	**5,724**	**-**	**1,280,430**
Financial Liabilities				
Derivative financial liabilities	-	1,231	-	1,231
	-	**1,231**	**-**	**1,231**

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

27.2. Financial risk management

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

The most important types of financial risks are credit risk, liquidity risk and market risk. Market risk includes currency risk, price risk and interest rate risk.
The Group's investment policy statements are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

27.2.1. Credit risk

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

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

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

(a) Credit risk management

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

(b) Expected credit loss measurement

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

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

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

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

Change in credit quality since initial recognition

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

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

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

(d) Definition of default and credit-impaired assets

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

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

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

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

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. Given that there has not been any historical instance of defaults on the portfolio, the Group applied the external credit rating agency's historical observed default rates to derive the portfolio's average default rates for respective historical years. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

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

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the debt security exposure that are permitted by the current contractual terms, such as amortisation profiles and early repayment.

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

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

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

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

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

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

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

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

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

(h) World economic factors - World MEVs

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

World MEVs	Description	Category
WORLD_GDP	World GDP (%) which measures the economic growth globally	Economic Growth
WORLD_TRADE_VOL	World Trade Volume which measures trade flow globally	Trade
WORLD_WTI_OIL	World WTI crude oil prices measuring global demand for energy	Economic Growth
WORLD_BRENT_OIL	World Brent crude oil prices measuring global demand for energy	Economic Growth
WORLD_3M_LIBOR	World 3M LIBOR which measure interbank lending rate globally	Interest Rate

WORLD_US_CPI	US CPI Index which measures inflation in the world's largest economy	Inflation
WORLD_US_IND_PROD	US Industrial Production which measures industrial activities in the US	Economic Growth
WORLD_US_10Y	US 10Y Benchmark Yield	Interest Rate
WORLD_US_UNEMPL	US Unemployment Rate	Employment
S&P 500	S&P 500 which measure equity prices of the largest 500 companies in US	Equity Prices
DJIA	DowJones Industrial Average which measure the largest 30 biggest market cap companies in the US	Equity Prices
NASDAQ	NASDAQ index measures the equity prices of largest tech companies in the US	Equity Prices
US_OIS_3M	USD3M Overnight Index Swap serves as the indicator of overnight benchmark lending rate	Interest Rate
LIBOR_OIS_SPREAD	Spread between LIBOR and OIS tend to measure the market liquidity status	Interest Rate

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

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

(i) Groupings based on shared risks characteristics

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

- instrument type;
- credit risk grade;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

(j) Credit risk exposure

Maximum exposure to credit risk - Financial instruments subject to impairment

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

The table below presents the ratings of debt securities, treasury bills and other government securities as at 31 December 2023 and 2022 based on international and domestic credit assessment agencies.

Credit grade	Financial assets at fair value through OCI * 2023 BND'000	Financial assets at fair value through OCI * 2022 BND'000	Deposits with financial institutions * 2023 BND'000	Deposits with financial institutions * 2022 BND'000
AAA	367,750	409,469	19,631	19,631
Aa1 to Aa3	73,589	43,999	197,981	215,932
A1 to A3	263,258	266,837	347,530	28,511
Lower than A1	63,822	60,556	-	-
Unrated	187,215	179,425	11,339	-
Gross carrying amount	**955,634**	**960,286**	**576,481**	**264,074**
Loss allowance	-	-	-	-
Net carrying amount	**955,634**	**960,286**	**576,481**	**264,074**

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

As at 31 December 2023 and 2022, the Group and the Authority's deposits are placed with highly reputable financial institutions.

The entity is also exposed to credit risk in relation to Assets held with IMF that are measured at amortised cost. The maximum exposure at the end of the reporting period is the carrying amount of the asset at BND1,033,755,612 (2022: BND1,005,398,109).

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

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

Financial assets at fair value through profit or loss	Maximum exposure to credit risk 2023 BND'000	Maximum exposure to credit risk 2022 BND'000
Debt securities	138,758	105,993
Equity	180,314	176,525
Carrying amount	**319,072**	**282,518**

27.2.2. Market risk

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

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

(a) Currency risk

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

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

	2023 BND'000	2022 BND'000
Investment securities		
US Dollar (USD)	620,066	590,153
Australian dollar (AUD)	74,733	35,948
Chinese Yuan (CNY)	4,790	-
Pound Sterling (GBP)	2,478	2,293
Euro (EUR)	1,633	1,530
Hong Kong dollar (HKD)	672	665

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

	2023 BND'000	2022 BND'000
Investment securities		
US Dollar (USD)	62,007	59,015
Australian dollar (AUD)	7,473	3,595
Chinese Yuan (CNY)	479	-
Pound Sterling (GBP)	248	229
Euro (EUR)	163	153
Hong Kong dollar (HKD)	67	67

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

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

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

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

(b) Interest rate risk

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

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

			Interest bearing			
31 December 2023	Non-interest bearing	Range of rates	Up to a year	2-5 years	Over 5 years	Total
	BND'000	%	BND'000	BND'000	BND'000	BND'000
Cash and cash equivalent	2,319,806	3.38% - 5.12%	107,843	-	-	2,427,649
Investment securities at FVTPL	180,314	0.00% - 5.52%	2,164	41,428	95,166	319,072
Investment securities at FVOCI	9,909	0.50% - 6.48%	67,790	405,849	472,086	955,634

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

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, showing the impact on profit for the financial year ended 31 December 2023:

Change in interest rate:	Impact on profit (in BND'000) Fixed Rate	Floating Rate
+1%	(87)	(18)
-1%	87	18

(c) Price risk

Price risk relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. The Group is exposed to price risk in respect of its investments in listed equities amounting to BND180,314,632 (2022: BND176,524,980).

As at 31 December 2023, based on a 10% fall in equity prices, the impact on profit or loss would be reduction of BND18,031,463.

27.2.3. Liquidity risk

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

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

	The Group		The Authority	
	2023 BND'000	2022 BND'000	2023 BND'000	2022 BND'000
Financial assets	5,330,039	6,208,670	5,230,080	6,152,477
Financial liabilities	4,358,980	5,305,053	4,259,312	5,175,114

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

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

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

The Group 31 December 2023	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	1,414,743	260,533	752,373	-	-	-	2,427,649
Deposits with financial institutions	19,631	-	-	556,850	-	-	576,481
Debt securities	-	675	9,006	70,183	447,277	567,251	1,094,392
Equity securities	180,314	-	-	-	-	-	180,314
Assets held with IMF	1,033,756	-	-	-	-	-	1,033,756
Other assets	17,447	-	-	-	-	-	17,447
	2,665,891	**261,208**	**761,379**	**627,033**	**447,277**	**567,251**	**5,330,039**
Financial liabilities							
Currency in circulation	1,417,033	-	-	-	-	-	1,417,033
Deposits and balances of local banks and other financial institutions	1,627,280	-	-	-	-	-	1,627,280
Deposits and balances of international financial institutions	19,650	-	-	-	-	-	19,650
Payables to the Government of Brunei Darussalam	151,069	-	-	-	-	-	151,069
Liabilities held with IMF	883,109	-	-	-	-	-	883,109
Other liabilities	110,320	-	-	-	-	-	110,320
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	50,576	-	-	50,576
Sukuk issuance	-	99,943	-	-	-	-	99,943
	4,208,461	**99,943**	**-**	**50,576**	**-**	**-**	**4,358,980**
Net liquidity gap	**6,874,352**	**361,151**	**761,379**	**677,609**	**447,277**	**567,251**	**9,689,019**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	20,662	369,399	159,635	-	-	549,696
- Outflow	-	(20,848)	(367,267)	(157,088)	-	-	(545,203)
	-	**(186)**	**2,132**	**2,547**	**-**	**-**	**4,493**

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

The Authority 31 December 2023	No specific maturity BND'000	Up to 1 month BND'000	1-3 months BND'000	3-12 months BND'000	1-5 years BND'000	> 5 years BND'000	Total BND'000
Financial assets							
Cash and cash equivalents	1,414,743	160,639	752,373	-	-	-	2,327,755
Deposits with financial institutions	19,631	-	-	556,850	-	-	576,481
Debt securities	-	675	9,006	70,183	447,277	567,251	1,094,392
Equity securities	180,314	-	-	-	-	-	180,314
Assets held with IMF	1,033,756	-	-	-	-	-	1,033,756
Other assets	17,382	-	-	-	-	-	17,382
	2,665,826	**161,314**	**761,379**	**627,033**	**447,277**	**567,251**	**5,230,080**
Financial liabilities							
Currency in circulation	1,417,033	-	-	-	-	-	1,417,033
Deposits and balances of local banks and other local financial institutions	1,629,477	-	-	-	-	-	1,629,477
Deposits and balances of international financial institutions	19,650	-	-	-	-	-	19,650
Payables to the Government of Brunei Darussalam	151,069	-	-	-	-	-	151,069
Liabilities held with IMF	883,109	-	-	-	-	-	883,109
Other liabilities	108,398	-	-	-	-	-	108,398
Provision for distributable earnings to the Government of Brunei Darussalam	-	-	-	50,576	-	-	50,576
	4,208,736	**-**	**-**	**50,576**	**-**	**-**	**4,259,312**
Net liquidity gap	**6,874,562**	**161,314**	**761,379**	**677,609**	**447,277**	**567,251**	**9,489,392**
Derivative financial instruments							
Foreign exchange contracts							
- Inflow	-	20,662	369,399	159,635	-	-	549,696
- Outflow	-	(20,848)	(367,267)	(157,088)	-	-	(545,203)
	-	**(186)**	**2,132**	**2,547**	**-**	**-**	**4,493**

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