بروني دارالسلام سنترال بڠک
BRUNEI DARUSSALAM CENTRAL BANK

2025

FINANCIAL STABILITY REPORT

Information published in this report is based on non-audited data as of 31 December 2025. All data sources for the figures and tables are from Brunei Darussalam Central Bank (BDCB), unless stated otherwise.

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Abbreviations

ASEAN	Association of Southeast Asian Nations
AUD	Assets Under Distribution
AUM	Assets Under Management
BND	Brunei Dollar
BSI	Business Sentiment Index
CAR	Capital Adequacy Ratio
CIS	Collective Investment Scheme
CMSL	Capital Markets Services Licence
CMSRL	Capital Markets Services Representative's License
CPI	Consumer Price Index
FCY	Foreign Currency
FDI	Foreign Direct Investments
FIs	financial institutions
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GVA	Gross Value Added
HQLA	high quality liquid assets
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
MAT	Marine, Aviation and Transport
MSCI	Morgan Stanley Capital International
MSMEs	micro, small and medium enterprises
NPLF	Non-Performing Loans/Financing
OPEC	Organization of the Petroleum Exporting Countries
QIA	Qualitative Impact Assessment
RKN12	12th National Development Plan
ROA	Return on Assets
ROE	Return on Equity
RPPI	Residential Property Price Index
RPS	Risk Perception Survey
RWA	Risk-Weighted Assets
SGD	Singapore dollar
SMO	Securities Market Order
SRPS	Systemic Risk Perception Survey
UAE	United Arab Emirates
WEO	World Economic Outlook

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Managing Director's Foreword

Hajah Rashidah binti Haji Sabtu
Managing Director
Brunei Darussalam Central Bank

بسم الله الرحمن الرحيم
السلام عليكم ورحمة الله وبركاته

The year 2025 unfolded amid continued global uncertainty, marked by uneven economic performance across regions and persistent downside risks. While global growth remained moderate, it was tempered by ongoing geopolitical tensions, shifting trade dynamics, and tighter global financial conditions. Inflationary pressures eased in some economies following earlier monetary tightening but remained elevated and uneven across sectors and jurisdictions. At the same time, evolving policy paths in major economies and heightened geopolitical developments contributed to increased volatility in capital flows, commodity prices, and financial market sentiment.

Against this backdrop, the Central Bank remained resolute in safeguarding financial stability and reinforcing the resilience of the domestic financial system. Throughout 2025, the Central Bank further intensified its surveillance and risk assessment efforts, strengthening its ability to identify emerging vulnerabilities and respond proactively to evolving financial conditions. This has enabled more timely and forward-looking policy actions to preserve stability in an increasingly uncertain environment.

An important initiative undertaken during the year was the introduction of the Systemic Risk Perception Survey (SRPS). Building on the Risk Perception Survey (RPS) launched in 2019, the SRPS broadens its coverage beyond the banking sector to include insurance companies, takaful operators, capital market intermediaries, and other financial institutions. This expansion provides a more comprehensive system-wide view of emerging risks and strengthens the Central Bank's ability to incorporate industry insights into its supervisory and policy frameworks.

In parallel, the Central Bank continued to strengthen the market conduct framework to promote fair, transparent, and responsible practices across the financial sector. Efforts in 2025 included enhancing supervisory oversight of conduct-related risks, improving disclosure standards, and broadening financial education initiatives to raise consumer awareness. These measures remain critical in preserving public trust and ensuring that individuals and businesses are equipped to make informed financial decisions.

Amid these developments, the domestic financial system remained resilient. In 2025, the banking sector continued to demonstrate strong capitalisation, supported by prudent lending standards, sustained credit growth, and sound asset quality. Liquidity conditions remained ample, enabling effective financial intermediation. At the same time, the Central Bank maintained close oversight of non-bank financial institutions and capital market developments to ensure risks across the broader financial ecosystem remain well contained.

Looking ahead, the outlook remains subject to external uncertainties, including geopolitical developments, global financial conditions, and evolving economic policies in major economies. In this context, the Central Bank remains committed to fostering a financial system that is resilient, inclusive, and future-ready. Key priorities will include strengthening macroprudential surveillance, advancing digital and payment system innovation, enhancing regulatory effectiveness, and supporting the development of sustainable finance.

I would like to express my sincere appreciation to the management and officers of the Central Bank for their dedication and professionalism in preparing this report. I also extend my gratitude to our stakeholders for their continued cooperation and support. Through sustained collaboration and a forward-looking approach, we will continue to strengthen financial stability and support sustainable economic growth in Brunei Darussalam.

Hajah Rashidah binti Haji Sabtu

Key Highlights

Major International Risks

Policy uncertainty

Geopolitical conflicts

Domestic Economic Performance

Brunei Darussalam's economy recorded modest growth in 2025, driven by improvements in the oil and gas sector, while the non-oil and gas sector declined.

0.7%
Overall Growth

3.1%
Oil and Gas
Sector Growth

-1.5%
Non-Oil and Gas
Sector Growth

Structure of the Financial System in Brunei Darussalam

Total financial system assets increased by 2.6% from BND25.2 billion in 2024 to BND25.9 billion in 2025.

Financial Institutions Regulated by the Central Bank	2025		
	No. of Financial Institutions	Amount (BND Billion)	Share of Total Assets %
Deposit-taking institutions	10	23.7	91.5
Banks, including Perbadanan TAIB	8	21.3	82.3
Conventional	6	7.9	30.4
Islamic	2	13.5	52.0
Finance Companies	2	2.4	9.1
Other Licensed Financial Institutions	11	2.2	8.5
Insurance Companies & Takaful Operators	11	2.2	8.4
Conventional	7	1.6	6.0
Takaful	4	0.6	2.4
Capital Market Services Licence	5	0.03	0.1
Total	20	25.9	100

Sector	Total Assets (BND Billion)		Growth (%)
	2024	2025	
Banking	20.9	21.3	+2.2
Finance Companies	2.2	2.4	+7.3
Takaful and Insurance	2.1	2.2	+2.4
Capital Market Services Licensee	0.03	0.03	+1.3
Total	25.2	25.9	+2.6

Key Highlights

Financial institutions continued to be well-capitalised and improved their performance in 2025, compared to 2024, despite global rate cuts.

Banking Sector

Resilient with improved quality

19.2% Regulatory Capital To Risk-Weighted Assets (RWA) (2024: 19.6%)	**50.5%** Loans/Financing to Deposit Ratio (2024: 46.2%)
1.7% Non-performing Loans/Financing Ratio (2024: 2.0%)	**1.5%** Return On Assets (ROA) (Before tax) (2024: 1.9%)

BND 0.57b
Gross Value Added (GVA)
(2024: $0.55b)

Finance Companies

Well-capitalised and stable credit quality

13.6% Regulatory Capital to RWA (2024: 14.6%)	**94.0%** Loans/Financing to Deposit Ratio (2024: 97.0%)
1.0% Non-performing Loans/Financing Ratio (2024: 0.5%)	**1.5%** ROA (Before tax) (2024: 2.1%)

BND 0.06b
Gross Value Added (GVA)
(2024: $0.06b)

Takaful and Insurance Companies

Strong solvency

1.4% Insurance Penetration (2024: 1.8%)	**75.5%** Solvency Margin (2024: 62.9%)
41.5% Claim/Loss Ratio (General) (2024: 41.5%)	**BND 0.25b** Gross Value Added (GVA) (2024: $0.17b)

Capital Market

Remained resilient with modest growth

BND 1.2b Assets Under Management (2024: $1.1b)	**BND 8.4m** Gross Value Added (GVA) (2024: $5.7m)

01 International and Domestic Macroeconomic Developments

Global Economic Developments

In 2025, the global economy expanded at a moderate pace, supported by easing inflation but tempered by continued policy uncertainty. The United States remained relatively resilient, supported by steady consumer spending and a still-robust labour market – although tighter financial conditions and a slower pace of monetary easing weighed on investment and overall economic momentum. In Europe, economic activity remained subdued amid high borrowing costs, weaker external demand, and lingering geopolitical tensions. Meanwhile, China's economy grew more moderately, as structural challenges in the property sector and softer domestic demand dampened activity, despite targeted policy support.

Looking ahead, the International Monetary Fund (IMF) projects global economic growth of 3.3% in 2026, easing slightly to 3.2% in 2027, reflecting steady but moderate global expansion amid ongoing trade and geopolitical uncertainties. In late February 2026, geopolitical tensions have intensified, including conflicts in the Middle East and tensions in other regions. These developments have added uncertainty to global trade and investment flows and contributed to increased financial market volatility. As a result, policymakers and businesses remain cautious, given the potential for sanctions, supply chain disruptions, and energy market shocks to further weigh on global economic activity.

Global inflation is projected to ease to around 3.6% in 2026 and decline further to 3.2% in 2027, reflecting gradual disinflation amid easing supply pressures. However, inflation is expected to remain above central bank targets in several major economies. Other risk factors that could affect global economic trajectories in 2026 include escalating trade tensions, policy uncertainty, and geopolitical conflicts, which may disrupt investment and supply chains. In addition, rapid shifts in interest rates or currency valuations could trigger financial market volatility, affecting capital flows across economies. Climate-related shocks and energy market disruptions also remain potential sources of economic instability, particularly for emerging markets and resource-dependent economies.

Global Financial Markets

Global financial markets in 2025 experienced periods of heightened volatility as geopolitical tensions, trade uncertainties, and evolving central bank policies shaped investor sentiment. Equity markets performed strongly, with the MSCI World Index rising by 19.9%, supported by resilient corporate earnings and strong momentum in artificial intelligence (AI) and technology sectors, particularly among U.S. large-cap companies.

Bond markets also delivered positive returns as several central banks began easing interest rates, although yields remained volatile amid shifting inflation expectations and policy outlooks. Commodity markets showed mixed performance during the year. Oil prices declined as oversupply and weaker global demand weighed on prices, with WTI and Brent crude falling by 20.1% and 17.1%, respectively. In contrast, gold prices surged by 65.1%, reaching multi-year highs as investors sought safe-haven assets amid economic uncertainty and a softer U.S. dollar.

Looking ahead to 2026, global financial markets are expected to remain influenced by moderating inflation, evolving monetary policy, and persistent geopolitical risks. Equity markets may continue to benefit from resilient corporate earnings, while bond markets could experience more stable yields as central banks approach the end of their tightening cycles. Commodity markets are likely to remain sensitive to global growth prospects and geopolitical developments. Oil prices may face upward pressure amid tensions in the Middle East and continued supply management by OPEC+ producers. Meanwhile, gold is expected to retain its role as a safe-haven asset and may potentially reach new highs should global uncertainties persist. Overall, diversification and prudent risk management will remain important as markets adjust to shifting economic conditions.

Brunei Darussalam Economic Developments

Gross Domestic Product

In 2025, Brunei Darussalam's Gross Domestic Product (GDP) expanded by 0.7%, marking a continuation of the economy's gradual recovery. Growth was driven primarily by the Oil and Gas sector, which increased by 3.1%, supported by stronger oil and gas production towards the latter part of the year. In contrast, the Non-Oil and Gas sector declined by 1.5%, reflecting weaker performance across several subsectors.

The contraction in the Non-Oil and Gas sector was primarily driven by reduced activity in the Manufacture of Petroleum and Chemical Products subsector. Scheduled maintenance at key processing facilities led to lower production of methanol and urea fertiliser, weighing on overall manufacturing output and industrial activity during the year. The financial services sector contracted by 5.5% in 2025, largely reflecting the prolonged low global interest rate environment, which

Figure 1. Contributions to Real GDP

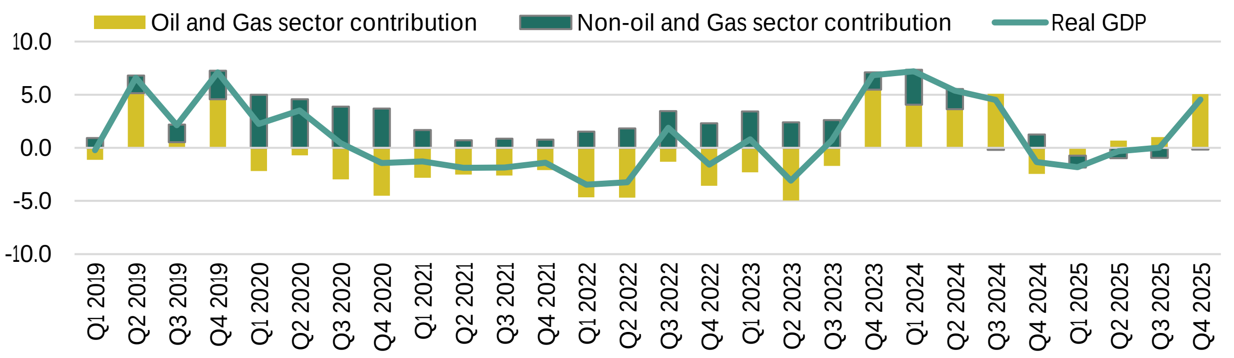
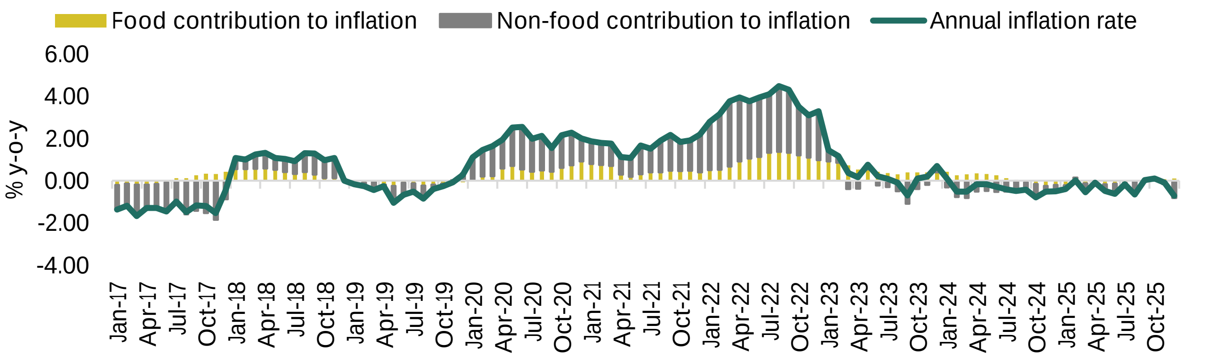


Figure 2. Inflation Rate



compressed net interest margins and reduced investment income.

Looking ahead, Brunei Darussalam's growth outlook remains broadly stable, underpinned by the stabilisation of both upstream and downstream oil and gas activities. Further momentum is expected from progress in major foreign direct investment (FDI) projects, together with the continued implementation of strategic initiatives under the 12th National Development Plan (RKN12). Together, these factors are expected to support economic activity and contribute to a more sustainable and balanced growth trajectory over the medium term, despite continued external uncertainties.

Inflation

In 2025, Brunei Darussalam's Consumer Price Index (CPI) continued to reflect a disinflationary environment, with overall inflation declining 0.3%, slightly moderating from the 0.4% decline in 2024. This was driven by decreases in both the Food and Non-Alcoholic Beverages index and the Non-Food index, each falling by 0.3%. Lower prices of meat, dairy products, and vegetables were key contributors to the decline in food-related prices, while reductions in Transport, Recreation and Culture, and Miscellaneous Goods and Services also contributed to lower non-food inflation.

Overall, the subdued inflation environment reflects stable domestic demand conditions and favourable price developments in selected consumption categories.

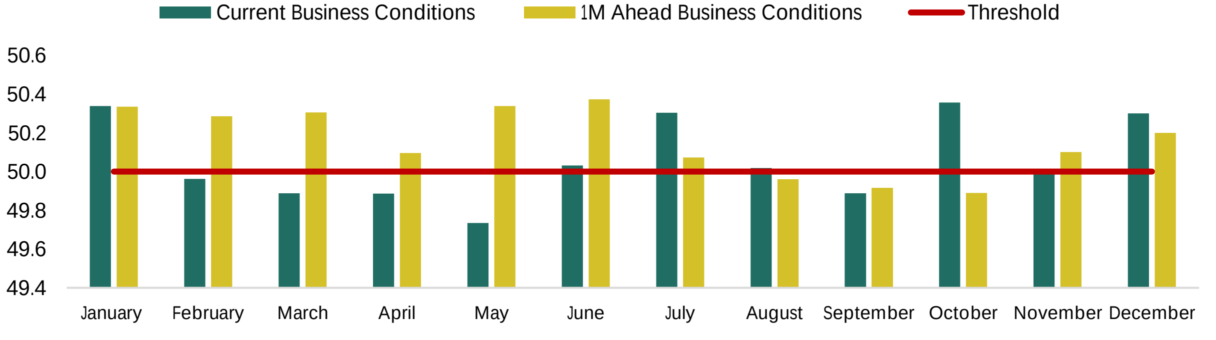
Business Sentiment Index (BSI)

The Business Sentiment Index (BSI) measures the level of confidence among businesses in Brunei Darussalam through surveys covering current and future expectations regarding business conditions, investment activity, employment, and operating costs. Its forward-looking nature makes the BSI a useful leading macroeconomic indicator.

In 2025, the BSI averaged 50.1, indicating a generally optimistic outlook across the private sector, with positive sentiment slightly outweighing pessimism. Overall business conditions remained broadly stable throughout the year, although sentiment varied across months, sectors, and business sizes.

Much of the optimism was supported by seasonal and festive spending, key events and exhibitions, project awards, and business development initiatives, such as marketing campaigns and product launches. Nevertheless, businesses faced several persistent challenges that tempered sentiment during the year. Cross-border spending during extended holiday periods reduced domestic demand, while uncertainty surrounding project pipelines, particularly for micro, small and medium enterprises (MSMEs), contributed to cautious business expectations. Weather-related disruptions, weak demand in certain sectors (especially export-oriented businesses), and post-festive slowdowns also contributed to fluctuations in sentiment.

Figure 3. Business Conditions 2025



Business confidence remained encumbered by structural issues. Labour-related constraints, including lengthy approval processes, quota limitations, rising compliance costs, and challenges in recruiting suitable workers, were frequently cited by businesses. Businesses also highlighted reduced government project opportunities, operational disruptions due to adverse weather conditions, and financial pressures from delays in client payments. These payment delays affected business cash flows, leading some firms to seek external financing and, in some cases, scale back expansion plans or reduce workforce levels.

Residential Property Price Index (RPPI)

The Residential Property Price Index (RPPI) measures changes in the prices of private residential properties purchased by households over time. It serves as an important indicator of housing market conditions, homeownership affordability, and potential financial stability risks. RPPI may serve as one of the macroeconomic indicators of economic growth.

In 2025, the RPPI declined by 1.14%, extending the downward trend observed since the base year of 2015. Despite the decline in prices, residential property transactions increased, indicating continued demand in the housing market.

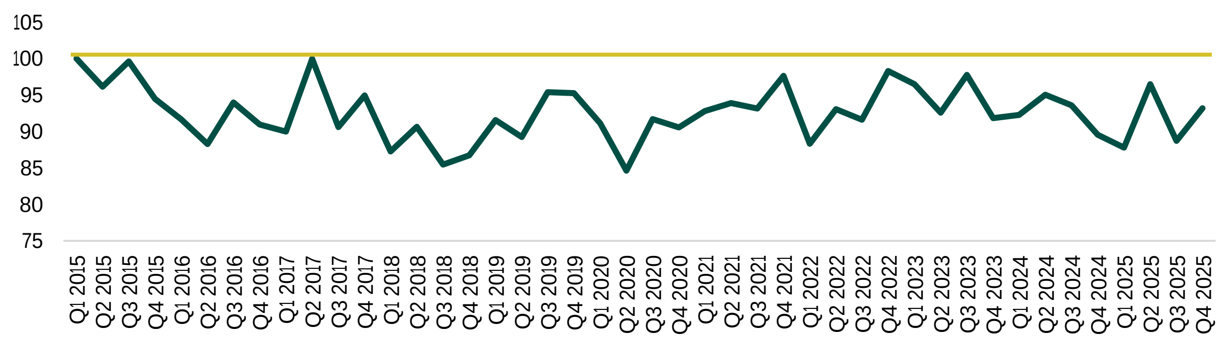
A total of 564 transactions were recorded during the year, a 16.29% increase over the previous year, with detached houses remaining the most preferred property type. Meanwhile, the median purchase price across all residential property types fell by 4.42% to BND238,000.

Overall, the property market reflects a combination of moderating prices alongside sustained transaction activity, suggesting ongoing demand for residential housing despite softer price dynamics.

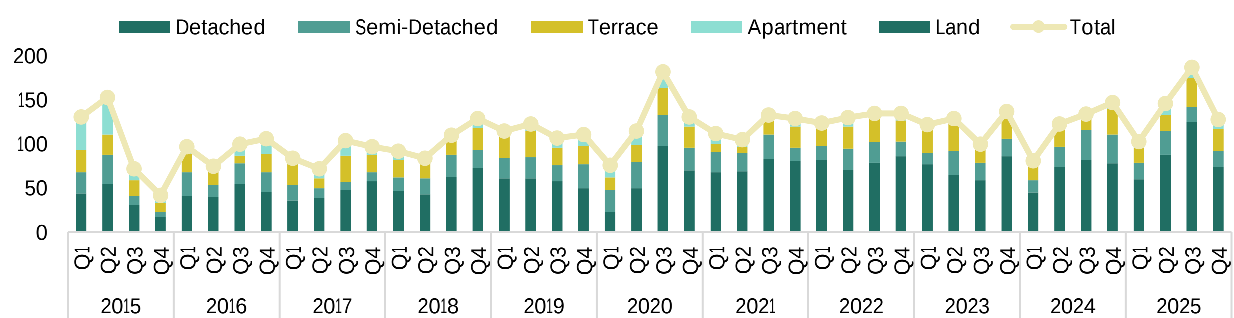
The index is compiled using mortgage loans and house financing data from the banks in Brunei Darussalam, and is published with close cooperation from the Ministry of Development, in particular the Authority for Building Control and Construction Industry (ABCi). Full details of the RPPI can be found on the Central Bank's website.

Figure 4. Residential Property Price Index

RPPI (Q1 2015=100)



RPPI: Number of Transactions by Property Type



02 Banking Sector Performance

In 2025, the banking sector recorded robust credit growth of 12.2%, alongside continued strong profitability from lending and financing activities. Balance sheet expansion remained steady, with total assets and deposits increasing by 2.1% and 2.5%, respectively, compared to the previous year.

Islamic banking institutions continued to dominate the financial landscape. By end-2025, Islamic banks and Islamic trust funds accounted for 63.1% of total banking assets, 63.3% of deposits, and 63.9% of total loans/financing, underscoring their systemic importance within the banking sector.

Capital Adequacy

Despite ongoing macroeconomic vulnerabilities, the banking sector remained resilient and well-capitalised in 2025.

The overall Capital Adequacy Ratio (CAR) stood at 19.2%, comfortably exceeding both the Central Bank's minimum regulatory requirement of 10.0% and the 8.0% Basel II threshold, on both solo and consolidated bases. The Tier 1 CAR remained stable at 19.1%, reflecting a strong core capital position and providing substantial buffers against potential financial shocks.

Asset quality improved further during the year. The ratio of net non-performing loans/financing (NPLF) to capital declined significantly to 2.3% from 3.0% in 2024. This improvement was primarily driven by a reduction in net NPL, reflecting strengthened risk management practices and continued prudent lending across the industry.

Figure 5. Trends and Growth in Assets, Deposits and Loans/Financing (Banks)

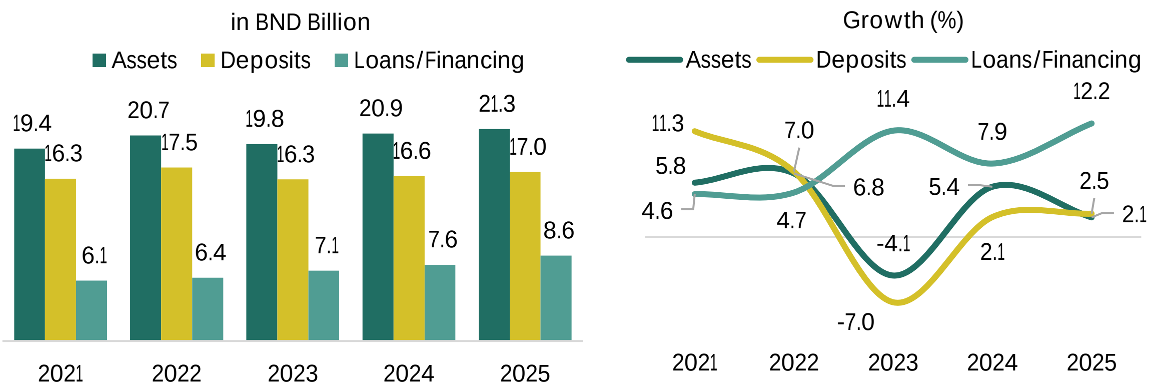
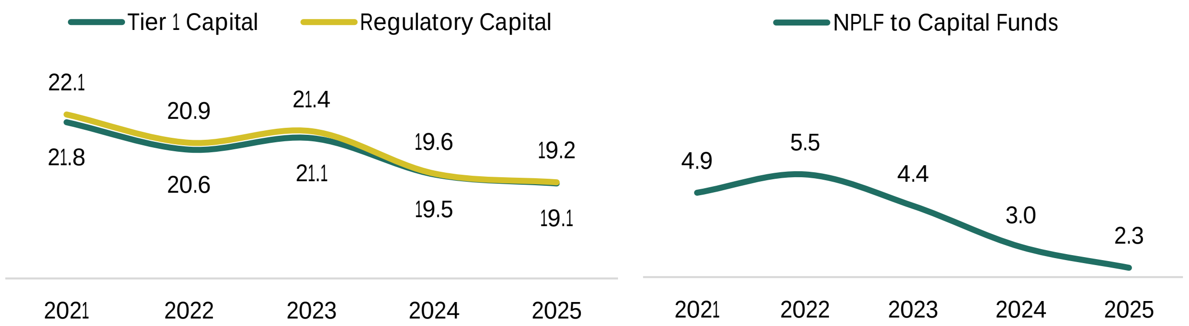


Figure 6. Trends in Capital Adequacy

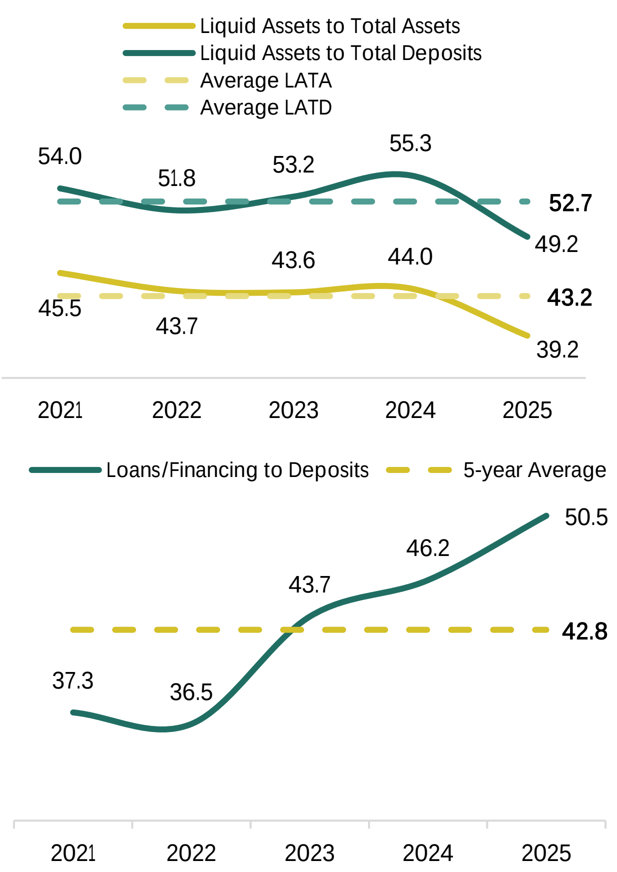


Liquidity and Funding

The banking sector maintained a strong liquidity position, supported by persistently high levels of liquid assets, albeit at a slightly slower pace than the previous year. Over the past five years, the ratio of liquid assets to total assets averaged 43.2%, while the ratio of liquid assets to total deposits averaged 52.7% (Figure 7).

These indicators compare favourably with regional peers, reflecting low liquidity risk. The sector's liquidity profile remains underpinned by structural surplus liquidity and relatively modest levels of financial intermediation.

Figure 7. Trends in Liquidity



In 2025, the loans/financing-to-deposit ratio increased to 50.5%, exceeding the five-year average of 42.8%. This suggests that banks are utilising their deposit base more efficiently to support lending and financing activities, while maintaining a prudent balance between risk and return **(Figure 7)**.

Deposits remained the primary funding source, accounting for 79.7% of total liabilities, reinforcing a stable and deposit-driven funding structure.

The sector also maintained a substantial liquidity buffer, with the Liquidity Coverage Ratio (LCR) standing at 493.5%, well above regulatory requirements. Further details on the implementation of the LCR in Brunei Darussalam are discussed in the Special Studies section.

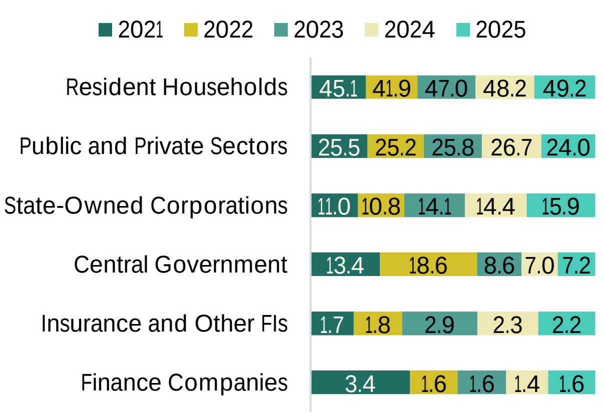
Deposit Structure

Deposit growth moderated to 2.5% in 2025, mainly driven by strong increases in deposits from finance companies (15.2%), state-owned corporations (13.3%), and the central government (5.7%). In contrast, deposits from the public and private sectors continued to decline, although at a slower pace, with contraction easing to 7.9%.

Resident household deposits remained the largest funding component, accounting for 49.2% of total deposits. These deposits continue to provide a stable and reliable funding base for banks (Figure 8).

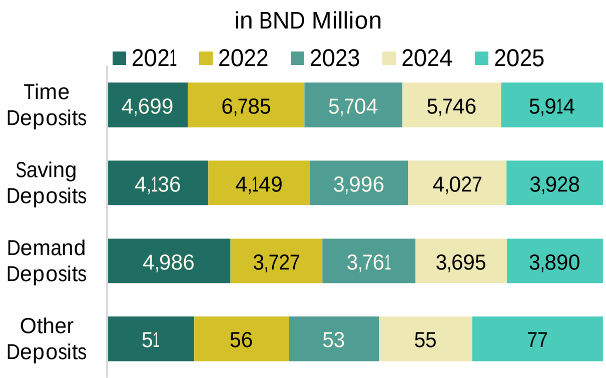
The ongoing shift from current and savings accounts to time deposits, supported by intensified promotional efforts, is expected to further enhance funding stability and strengthen the sector's liquidity profile.

Figure 8. Trends in Residents' Deposit Structure by Ownership



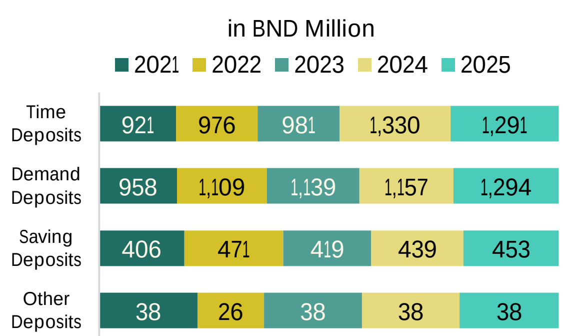
Both Brunei Dollar (BND) and foreign currency (FCY) deposits recorded growth of 0.2% and 15.0%, respectively, compared to the previous year. Time deposits remained a key component of BND deposits, accounting for 42.8% of the total, thereby supporting a stable funding base (Figure 9).

Figure 9. Trends in BND Deposits by Holders in Brunei Darussalam by Type of Deposits



Within foreign currency (FCY) deposits, demand deposits constituted the largest share at 42.1%, up by 11.9%. Time deposits accounted for 42.0% but declined by 2.9%, while savings deposits represented 14.7%, increasing by 3.2% (Figure 10).

Figure 10. Trends in FCY Deposits by Holders in Brunei Darussalam by Type of Deposits



Loans/Financing Structure

The banking sector's credit-to-GDP ratio increased to 43.5% in 2025, up from 38.8% in 2024, continuing a steady upward trend since 2021 (Figure 11).

Overall credit growth strengthened to 12.2%, surpassing the 7.7% recorded in the previous year (Figure 13). This reflects improved economic momentum and stronger business confidence, particularly as lending to the business sector expanded significantly by 20.1%.

Financing to the household sector increased marginally by 0.1% (Figure 12). In terms of portfolio composition, business lending accounted for 64.7% of total loans/financing (2024: 60.5%), indicating a growing emphasis on supporting productive economic activities.

Lending remained predominantly domestic, with resident borrowers accounting for 68.6% of total loans/financing. However, non-resident exposure, while smaller at 31.4%, grew substantially by 47.7%, compared to 1.1% growth in resident lending. This suggests a gradual diversification of lending portfolios while maintaining a core focus on domestic economic support.

Figure 11. Credit to GDP (Banks)

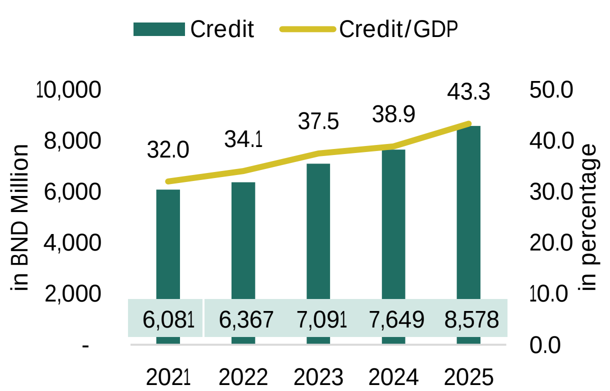
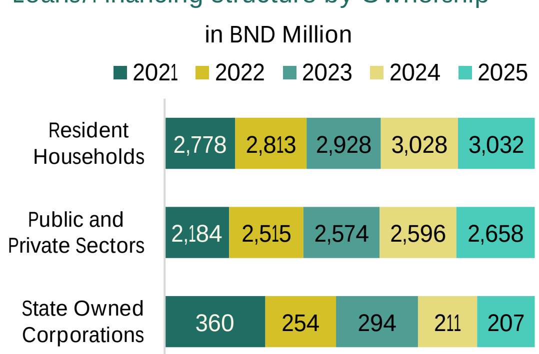
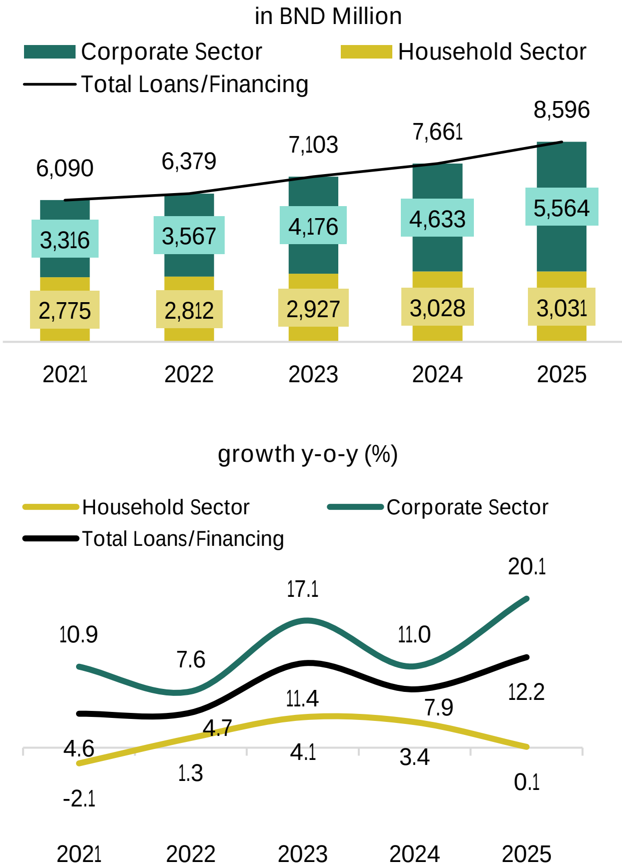


Figure 12. Trends in Residents' Loans/Financing Structure by Ownership



Total lending to residents reached BND5.9 billion by the end of 2025. Household financing remained the largest segment at 51.4%, followed by credit to the public and private sectors (45.1%) and state-owned enterprises (3.5%) (Figure 12), reflecting a broadly balanced and diversified lending structure.

Figure 13. Trends and Growth of Total Loans/Financing



Credit Quality

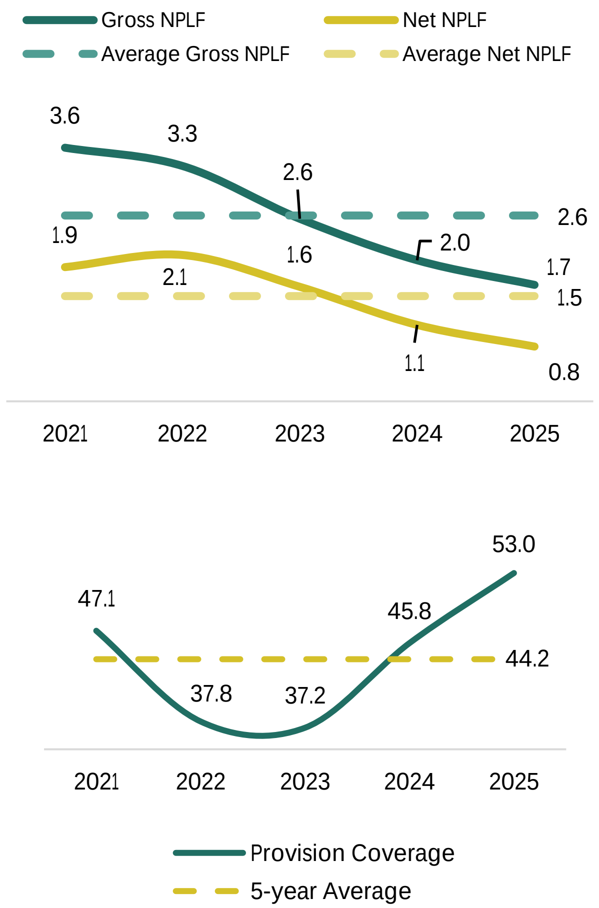
Credit quality improved further in 2025, with the total amount of NPLFs declining by 5.8% to BND149.6 million. This was driven by improvements across both household and business segments.

Gross and net NPLF ratios declined to 1.7% and 0.8%, respectively, well below their five-year averages of 2.6% and 1.5%, indicating a continued easing of asset quality risks.

Provision coverage strengthened to 53.0%, exceeding the five-year average of 44.2% (Figure 14), consistent with improved credit performance.

Notwithstanding these positive developments, banks are expected to remain vigilant in monitoring emerging credit risks. The continued accumulation of capital buffers and adequate provisioning places the sector in a strong position to absorb potential shocks.

Figure 14. Trends in Credit Quality (Banks)



Income, Expenses and Profitability

Trends in Income and Yield

In 2025, the average yield on total interest/profit-earning assets declined further, easing from 4.3% in 2024 to 4.0%. In line with this trend, total interest/profit income across the banking sector fell by 7.2% to BND745.9 million (Figure 15).

Income from lending and financing activities remained the primary contributor to gross income, accounting for 53.1% of the total income. However, the yield on lending moderated from 4.9% in 2024 to 4.6% in 2025, reflecting the broader softening in interest/profit rate conditions. Similarly, yields on placements edged down to 3.6% during the year.

Yields on investments also declined, from 3.4% to 3.2%, resulting in a 4.6% decrease in income from investments to BND138.3 million in 2025.

Trends in Profitability and Expenses

Profitability moderated in 2025, with Return on Assets (ROA) declining to 1.5% and Return on Equity (ROE) to 9.7%.

The sector's efficiency weakened, as reflected in the increase in the cost-to-income ratio to 54.5%. This was driven by a 7.6% rise in operating expenses alongside a 4.4% contraction in gross income, resulting in a higher cost base.

Considering these challenges, maintaining diversified income sources remains important to enhance resilience against changing operating conditions and to support long-term financial stability.

Figure 15. Trends in Income and Yields by Type of Assets

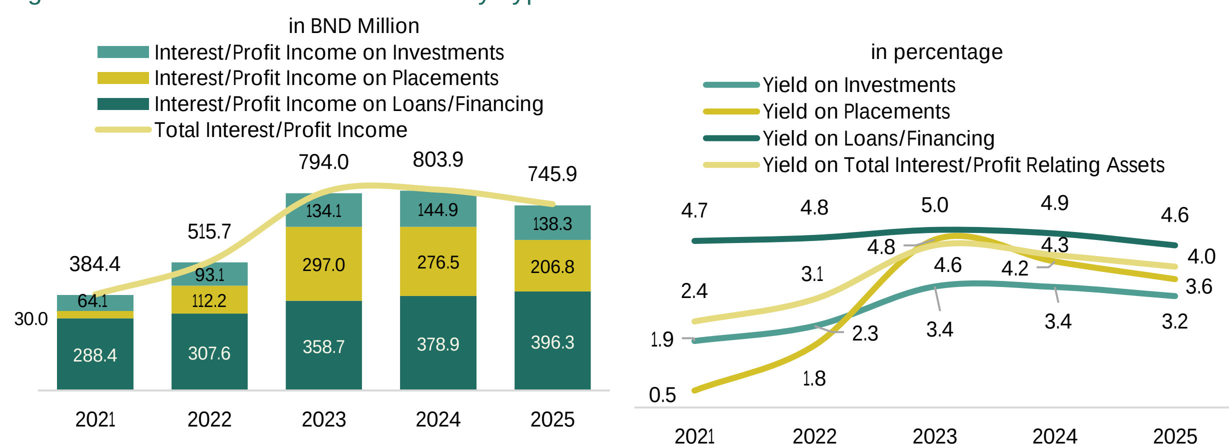
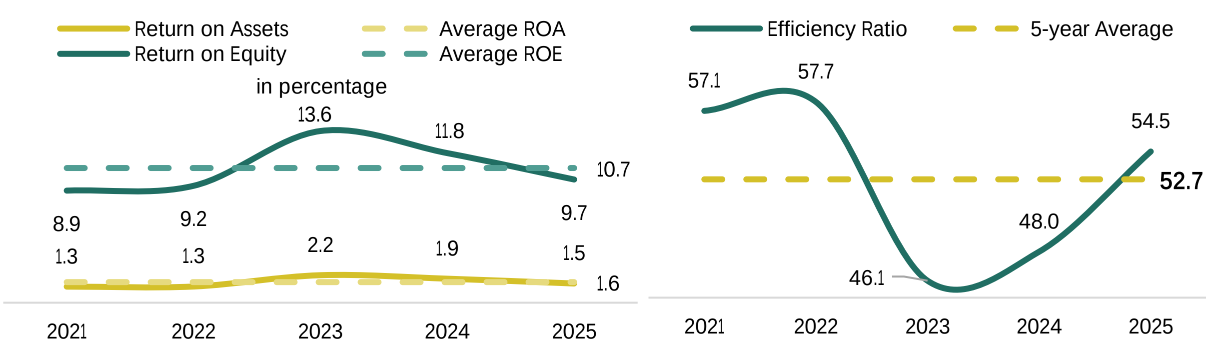


Figure 16. Trends in Profitability (Banks)

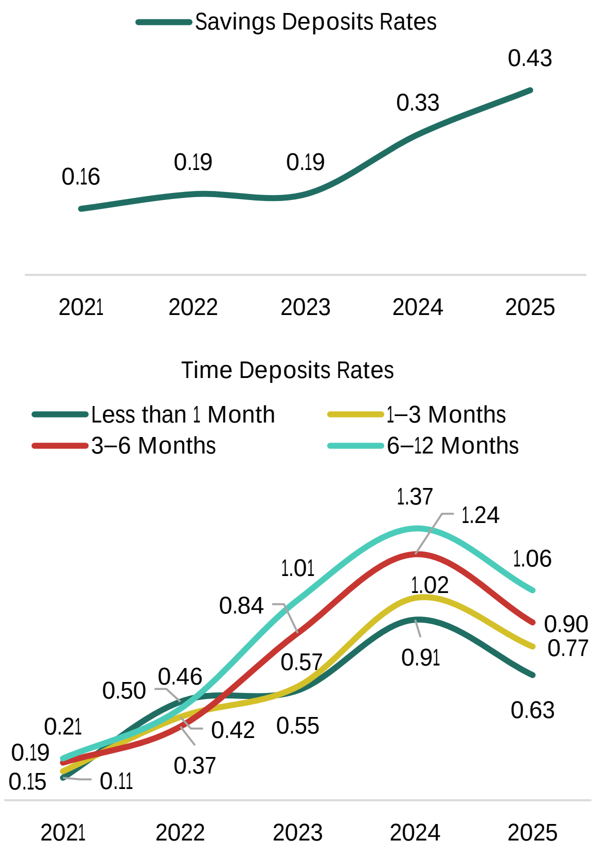


Trends in Net Interest/Profit Income

Movements in deposit rates continued to influence banks’ net interest margins and overall profitability.

While the minimum savings deposit rate, maintained at 0.15% since 2013, was increased to 0.43% in 2025, interest rates on time deposits declined across all maturity tenors. This helped to moderate overall funding costs and partially offset upward pressure arising from higher savings deposit rates.

Figure 17. Trends in Average Saving & Time Deposits (Interest/Profit Rates by Maturity)



Offshore Assets

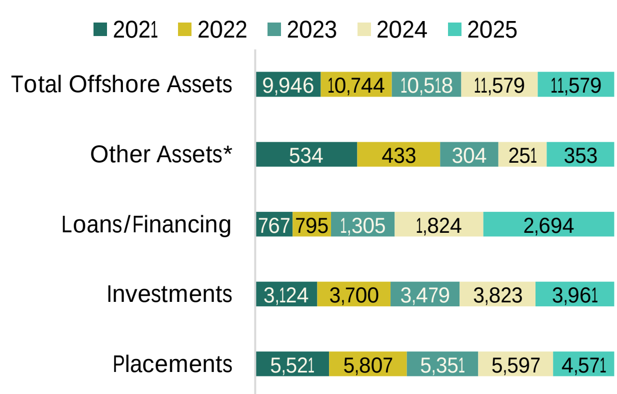
Offshore assets accounted for 54.3% of total banking sector assets in 2025, reflecting a slight increase from the previous year. This trend reflects the continued placement of surplus liquidity in offshore assets as part of banks’ overall liquidity management strategies.

Placements remained the largest component of offshore assets, accounting for 39.5%, followed by investments at 34.2%. Offshore loans and financing grew significantly by 47.8%, contributing to the overall expansion (Figure 18).

While offshore diversification supports returns, it also introduces potential risks, particularly from maturity and currency mismatches, which could affect domestic liquidity conditions.

The ratio of offshore assets to total deposits decreased to 68.2% (2024: 69.9%), reflecting stronger deposit growth relative to the expansion in offshore asset holdings and signalling a modest moderation in external asset deployment.

Figure 18. Composition of Offshore Assets Held by Banks



Offshore Assets by Currency

Offshore placements and investments remained concentrated in two major currencies: the US Dollar (USD) and the Singapore Dollar (SGD) (Figure 19).

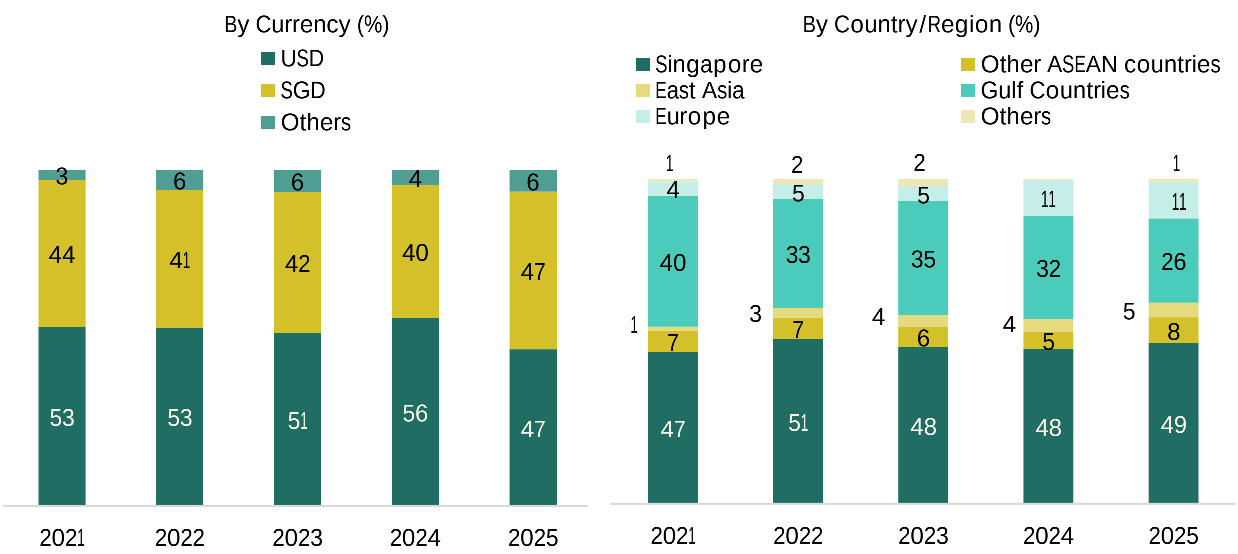
In 2025, the share of USD-denominated assets declined to 46.5%, while the share of SGD-denominated assets increased to 47.0%. This shift likely reflects banks' efforts to manage currency risk and optimise returns amid evolving market conditions, with SGD offering relatively stable exchange rates and favourable yields.

The combined share of other currencies, including the Euro, British Pound Sterling, Malaysian Ringgit, and Australian Dollar, rose to 6.4%, indicating gradual diversification into alternative currencies.

Offshore Assets by Country Risk

The geographical distribution of offshore assets remained broadly unchanged in 2025. Singapore continued to account for the largest share at 49.4%, followed by Gulf countries at 26.0% and other ASEAN countries at 8.0% (Figure 19).

Figure 19. Trends in Composition of Offshore Placements and Investments by Currency and Country/Region



Box 1: Systemic Risk Perception Survey (December 2025)

The Systemic Risk Perception Survey (SRPS) for December 2025 was circulated to financial institutions (FIs) to gather forward-looking views on risks that may affect Brunei Darussalam's financial sector over the next six months. The survey, conducted biannually, captures institutions' perspectives on key systemic vulnerabilities, their ability to manage emerging risks, and their overall confidence in the financial system.

The latest results highlight cybersecurity risk, credit risk, and domestic macro-financial conditions as the three most significant concerns among respondents. In addition, 12 out of 28 institutions identified global macroeconomic developments as increasingly challenging to manage, reflecting heightened uncertainty stemming from geopolitical tensions, volatile global markets, and evolving digital and operational threats.

Despite these identified risks, most financial institutions across banking, finance, insurance, takaful, and capital markets expressed moderate to high confidence in the overall stability and resilience of the financial system.

For further details on the SRPS methodology and the interpretation of probability and impact scores, please refer to the Chapter on Special Studies, Section 5.1: Systemic Risk Perception Survey: Transition from Risk Perception Survey to SRPS.

Results

Relative to June 2025, respondents in the December 2025 survey reported slightly lower perceived probabilities and impacts across systemic risks:

	June 2025	December 2025
Average probability	2.81	2.75
Average impact	3.28	3.21
Overall average expected impact	8.90	8.54

These findings suggest a modest easing in perceived systemic risk, indicating that respondents view risks as somewhat less likely and marginally less severe compared with the previous survey round. Nevertheless, the potential consequences of several risks remain material. For December 2025, the percentile thresholds derived from the distribution of responses are:

- Probability: 2.48 (25^{th}), 3.10 (75^{th})
- Impact: 2.96 (25^{th}), 3.40 (75^{th})

Each hypothetical systemic risk event is positioned in the SRPS matrix (Figure 20) according to its average probability and impact scores. This mapping provides a clear and comparable view of systemic risk exposures and supports prioritisation of supervisory attention and risk mitigation measures.

Figure 20. SRPS Matrix

Financial Institutions		Impact if event materialises		
		Acceptable (Relatively Weak Impact)	Tolerable (Moderate Impact)	Unacceptable (Relatively Strong Impact)
Probability of event's occurrence	Unlikely (Relatively Low Probability)	VERY LOW O (Fall in property prices in Brunei)	LOW AA (Disruption in the payment & settlement systems' infrastructure) P (Default of counterparties) S (Increase in default from household sector) Z (Syariah non-compliance)	MEDIUM
	Possible (Moderate Probability)	LOW B (EME vulnerability) C (Lower and volatile oil & gas price) D (Volatile and weak international equity & bond markets) F (Global monetary policy tightening) G (High-interest rate environment) N (Higher inflation in Brunei)	MEDIUM A (Deterioration in the global output and trade) AB (Climate change risks) H (Lower GDP growth in Brunei) L (Lower household consumption) Q (Default of Top 10 borrowers) T (Deposit withdrawal by retail depositors) V (Deposit withdrawal by Government) W (Exchange rate risk) Y (Rising fraud and AML/CFT breaches)	HIGH L (Lower household consumption) R (Increase in default from the business sector) U (Deposit withdrawal by corporate depositors)
	Probable (Relatively High Impact)	MEDIUM	HIGH E (Increased geopolitical tensions) I (Lower export growth) J (Decline in Brunei's business sector profitability)	VERY HIGH AC (Higher general Takaful and Insurance Claims) K (Decline in Brunei's financial sector profitability) M (Increase in Brunei's fiscal deficit) X (Cybersecurity incidents and attacks)

Analysis

The SRPS highlights several areas where Brunei Darussalam's financial sector may face elevated risks over the next six months, particularly those classified as having Very High expected impact.

Three broad systemic themes emerged from the December SRPS survey findings:

1. Digital and Operational Risks – cybersecurity incidents and attacks remain a key vulnerability, reflecting the increasing frequency and sophistication of cyber threats as well as potential risks arising from third-party service providers and digital infrastructure dependencies.
2. Fiscal Vulnerabilities – Rising fiscal deficits may pose indirect risks to financial stability through potential spillovers to liquidity conditions, including larger or more volatile government deposit movements within the banking system.

3. Profitability Pressures – financial sector profitability remains under pressure due to margin compression, slower credit growth, and elevated credit costs. Sustained profitability challenges could reduce institutions' ability to build capital buffers and absorb future shocks.

The SRPS categorises risks by expected severity and likelihood, providing a structured view of emerging vulnerabilities across the financial system. Insights from the December 2025 survey guide regulatory focus, institutional readiness, and the development of targeted measures.

VERY HIGH SEVERITY

Several risks were assessed as having both high probability and strong impact, placing them in the most critical category. These include:

- Cybersecurity incidents and attacks;
- Increase in Brunei Darussalam's fiscal deficit; and
- Declining profitability across the financial sector.

These risks represent significant structural and operational challenges and warrant close supervisory attention, strengthened risk management practices, and proactive mitigation measures.

HIGH SEVERITY

Risks under this category fall into two distinct groups based on differing likelihood and impact assessments.

1. Possible Likelihood with Strong Impact

These risks require close attention due to their potential to meaningfully disrupt financial system operations. Key concerns include:

- Lower household consumption;
- Increased defaults from the business sector; and
- Corporate deposit withdrawals.

These developments could exert pressure on credit quality, liquidity buffers, and funding stability, potentially affecting financial institutions' earnings and balance sheet resilience.

2. Probable Likelihood with Tolerable Impact

While their impact is assessed as tolerable, the higher probability of occurrence warrants monitoring within the High Severity category. Key challenges include:

- Increased geopolitical tensions;
- Lower export growth; and
- Decline in Brunei Darussalam's business sector profitability.

These risks, though moderate in direct impact, could still constrain external demand and trade flows, weighing on both export-oriented and domestic business profitability. Over time, weaker cash flows may heighten vulnerabilities in loan performance, deposit growth, and overall business sentiment. Rising geopolitical uncertainty may further dampen investor confidence, prompting more cautious financial behaviour that could slow credit expansion and economic momentum.

MEDIUM SEVERITY

A cluster of macro-financial and operational risks falls into the moderate severity category. While currently manageable, these risks require continued monitoring due to their potential to escalate under adverse conditions. Key risks include:

- Rising fraud and AML/CFT breaches;
- Climate-related financial risks;
- Deterioration in global output and trade;
- Defaults among the top ten borrowers; and
- Deposit withdrawals by the government and retail depositors

Although their immediate impact is assessed as moderate, these risks could spill over across the financial system if conditions deteriorate.

LOW SEVERITY

Risks currently assessed as low probability and low impact include:

- Syariah non-compliance;
- Volatility in equity and bond markets; and
- Lower and volatile oil prices.

While these risks are considered lower priority at present, they remain under surveillance given the potential for shifts in global financial or commodity market conditions.

Conclusion

The December 2025 SRPS indicates a slight moderation in perceived systemic risk compared with June 2025. Nevertheless, several vulnerabilities remain prominent, particularly in relation to cybersecurity threats, fiscal developments, and financial sector profitability.

Going forward, the Central Bank will continue to strengthen financial surveillance by monitoring the evolving interlinkages between the financial and real sectors. This will be supported by targeted stress testing, scenario analysis, and supervisory engagement with financial institutions. Such forward-looking assessments will help identify emerging systemic vulnerabilities early and support the timely implementation of appropriate macroprudential and supervisory measures to safeguard financial stability.

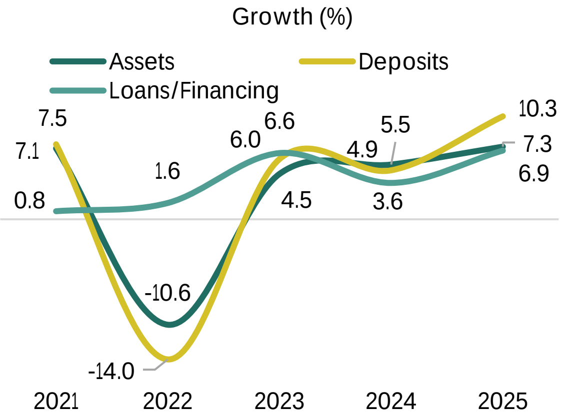
03 Non-Banking Sector Performance

Finance Companies

Finance companies, like banks, offer savings and fixed deposit services. They primarily specialise in financing automobiles and consumer durable goods through hire purchase agreements, catering mainly to households' financing needs.

As of 2025, this sector comprised two licensed entities, accounting for 9.1% of total financial system assets. The sector recorded steady growth, with total assets increasing by 7.3% to BND2.4 billion. Deposits rose by 10.3% to BND2.0 billion, while total loans/financing expanded by 6.9% to BND1.9 billion (Figure 21).

Figure 21. Growth in Assets, Deposits and



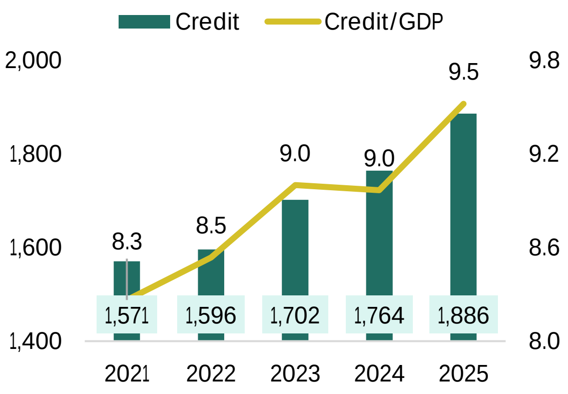
Trends in Types of Loans/Financing

In 2025, finance companies' credit-to-GDP ratio increased to 9.5%, up from 9.0% in 2024 (Figure 22), reflecting a gradual expansion in credit intermediation.

Automobile loans/financing remained the dominant segment, accounting for 98.3% of total loans/financing. This continues to reflect households' reliance on private transportation for daily mobility, with automobile financing growing by 6.3% during the year.

Financing for consumer durables recorded a strong increase of 37.8%, potentially supported by rising demand through digital financing platforms.

Figure 22. Credit to GDP (Finance Companies)

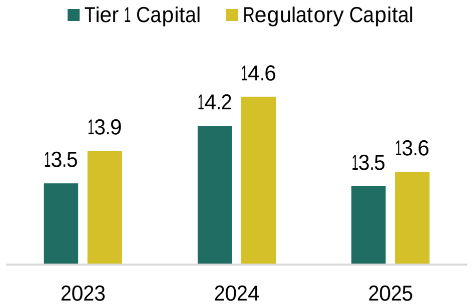


Capital Adequacy

The Capital Adequacy Ratio (CAR) framework for finance companies, introduced in 2022, sets a minimum regulatory requirement of 10%. In 2025, the sector remained resilient, with the regulatory capital-to-risk-weighted assets ratio at 13.6%, despite a decline from 14.6% in the previous year (Figure 23).

However, some weakening in asset quality indicators was observed. The ratio of net non-performing loans/financing (NPLF), net of specific provisions, to capital funds increased to 0.5%, from -1.3% in 2024. This deterioration was driven by a 140.2% increase in net NPLF levels.

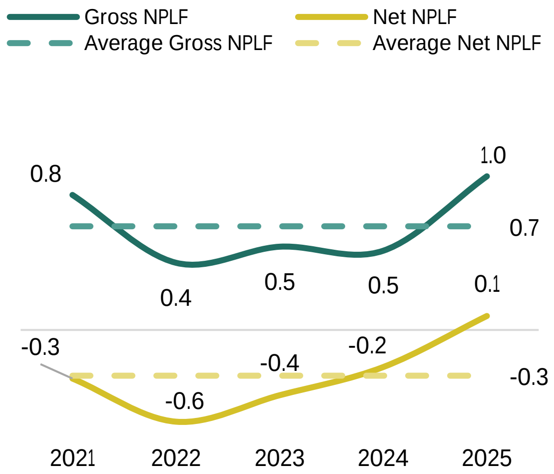
Figure 23. Capital Adequacy Ratio (Finance Companies)



The overall gross NPLF ratio rose marginally from 0.5% to 1.0%, primarily due to an increase in impaired motor vehicle financing. Similarly, the net NPLF ratio increased to 0.1% from -0.2% in the previous year (Figure 24). Despite this, asset quality indicators remained relatively low.

Profitability moderated in 2025, with profit before tax declining to BND34.7 million. This was largely attributable to a 6.2% increase in total expenses, driven mainly by a significant 20.8% rise in operating expenses (Figure 25).

Figure 24. Trends in Credit Quality (Finance Companies)



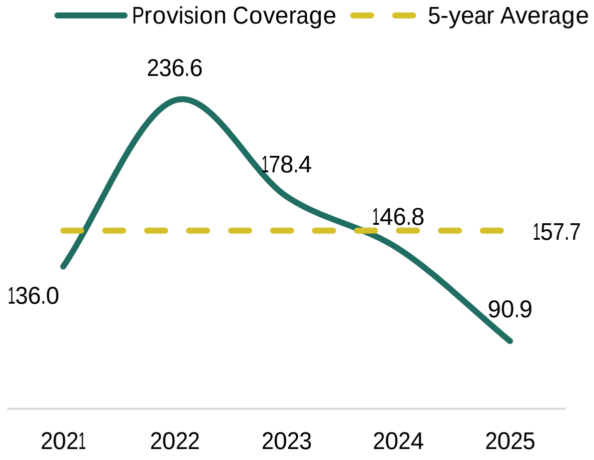
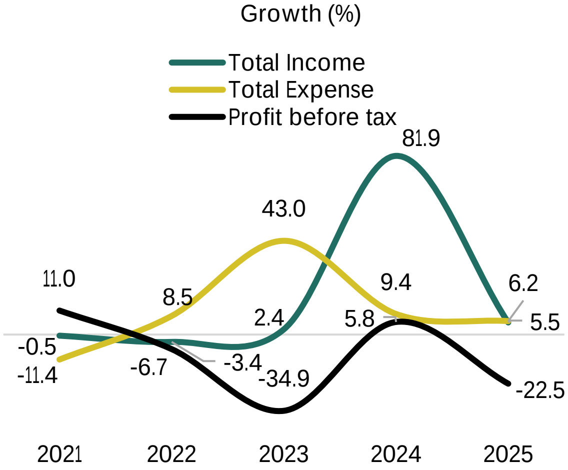
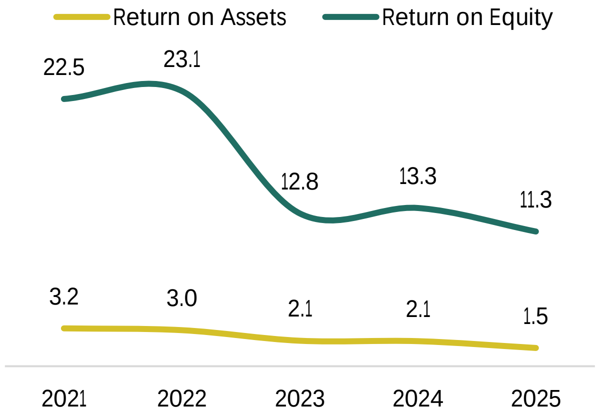


Figure 25. Trends and Growth in Profitability (Finance Companies)





Takaful and Insurance

The takaful and insurance industry in Brunei Darussalam comprises 11 licensed companies: five life/family takaful operators and six general insurance/takaful operators. Registered intermediaries comprise one insurance broker and 536 agents, of which 243 are general insurance/takaful agents and 293 are life insurance/family takaful agents.

Insurance Penetration

In 2025, the insurance penetration rate—measured as the ratio of gross premiums and contributions to GDP—declined to 1.42%, down from 1.70% in 2024.

Trends in Assets

As of 2025, financial assets held by insurers and takaful operators amounted to BND2.18 billion (Figure 26). The industry's asset portfolio is predominantly financial investments, accounting for 78.6% of total assets, followed by cash and cash equivalents at 15.3%. Reinsurance contract assets represented 2.9%, while insurance contract assets contributed a minimal 0.2%, and other assets recorded at 0.4% (Figure 27).

This composition highlights the sector's strong reliance on financial investments, with liquidity and reinsurance positions forming a smaller proportion of the overall asset base.

Table 1. Financial Soundness Indicators for the Takaful and Insurance Industry

Indicators (in percentage)	2021	2022	2023	2024	2025
Takaful/Insurance Penetration Rate	1.7	1.4	1.7	1.7	1.4
Assets Growth	1.1	-4.7	7.3	5.5	2.2
Gross Premium Growth	3.1	6.5	3.0	2.0	1.0
Gross Claims/Benefits Growth	-34.5	-4.4	40.1	-8.4	15.0

Figure 26. Total Takaful and Insurance Industry Assets

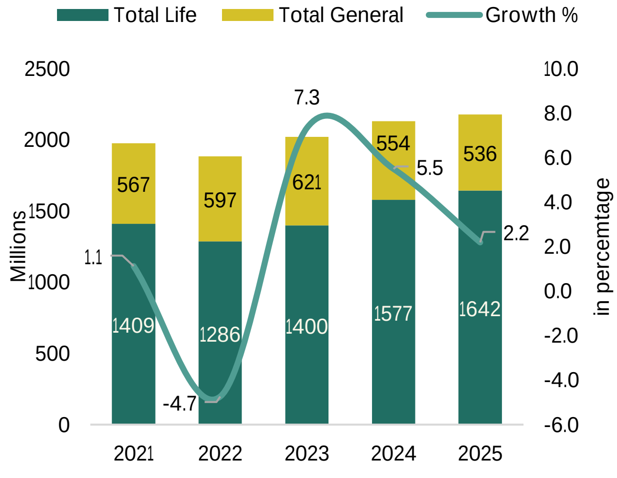
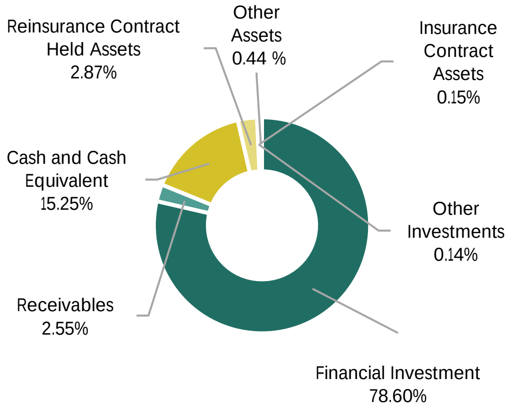


Figure 27. Investment Portfolio



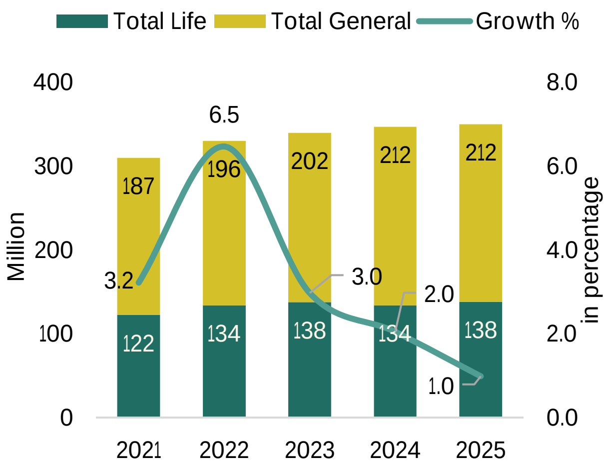
Trends in Industry Premiums/ Contributions

The total gross premiums/contributions written by the insurance/takaful industry increased marginally by 1.0% to BND349.8 million in 2025, up from BND346.4 million in 2024. This reflects a modest expansion in the industry's overall premium/contribution base during the year.

The life insurance/family takaful sector recorded growth of 3.1%, indicating continued demand for protection and savings-related products. Growth in this segment remained the main contributor to the overall increase in industry premiums/contributions. In comparison, the general insurance/general takaful sector registered a slight 0.4% increase, reflecting relatively stable underwriting activity during the period.

Overall, the industry's performance in 2025 remained moderate, with growth primarily supported by the life insurance/family takaful segment, while the general insurance/general takaful sector continued to record steady but limited expansion.

Figure 28. Total Takaful and Insurance Industry Gross Premiums/Contributions

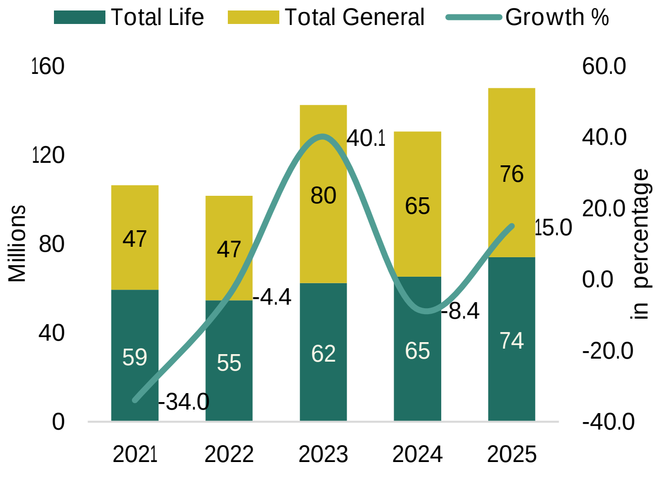


Trends in Industry Claims

The insurance industry experienced a notable 15.0% increase in gross claims, rising from BND130.5 million in 2024 to BND150.0 million in 2025. The life sector recorded a 13.5% increase, with gross claims reaching BND74.0 million in 2025 compared to BND65.2 million in 2024, largely driven by both the life and family takaful segments.

Similarly, the general insurance sector saw a 16.5% rise in claims, increasing from BND65.3 million in 2024 to BND76.1 million in 2025, primarily attributable to growth in the general conventional segment. Overall, the increase in gross claims across both sectors warrants close monitoring, particularly considering the higher growth observed in the general insurance segment.

Figure 29. Insurance and Takaful Total Gross Claims/Benefits



Solvency Margin Ratio

In accordance with the Insurance Order, 2006 and the Takaful Order, 2008, licensed insurance companies and takaful operators are required to maintain assets in excess of liabilities by at least 20%, as prescribed under the respective regulations.

In 2025, the solvency margin of the insurance and takaful sector stood at 75.5%, indicating a strong financial position.

Capital Markets

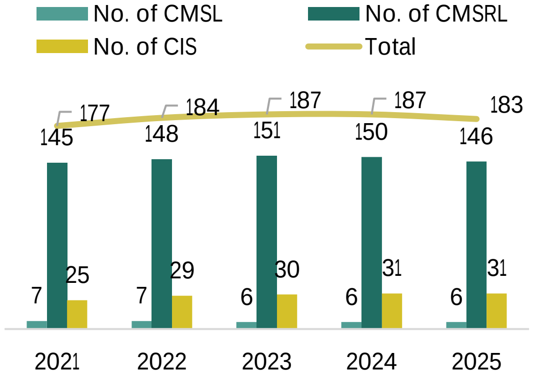
The capital markets sector in Brunei Darussalam accounts for a small share of the overall financial sector. Under the Securities Markets Order, 2013 (SMO), there are 183 regulated persons, comprising six capital market intermediaries holding a Capital Market Services Licence (CMSL) and 146 holders of the Capital Markets Services Representative's Licence (CMSRL).

A CMRSL holder typically refers to a licensed individual representative acting on behalf of a capital market intermediary as its principal.

Licensed persons comprise investment dealers, fund managers, investment advisers, and financial planners who cater to institutional, accredited, and retail investors, offering both Islamic and conventional capital market services and securities.

The change in the total number of regulated persons is attributed to the cessation and new applications of CMSRL holders throughout the year.

Figure 30. Number of Regulated Persons under SMO

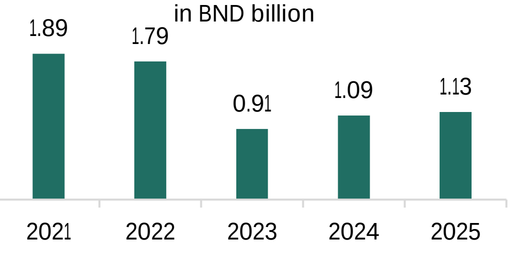


Assets Under Management

The total assets under management (AUM) managed by the CMSL holders stood at BND1.13 billion in 2025, up from BND1.09 billion in 2024. Despite the recovery in the last two years, the five-year trend indicates notable fluctuations before rebounding in 2024 and 2025. The recent gradual improvement may be attributed to stabilising market sentiment, renewed investor confidence, and new mandates secured by fund management companies.

Notably, in 2025, 81.4% of total AUM was invested in foreign bonds and sukuk.The remainder was allocated across other asset classes, including securities (13.9%), deposits (3.7%), and treasury bills (1.0%).

Figure 31. Total Assets Under Management

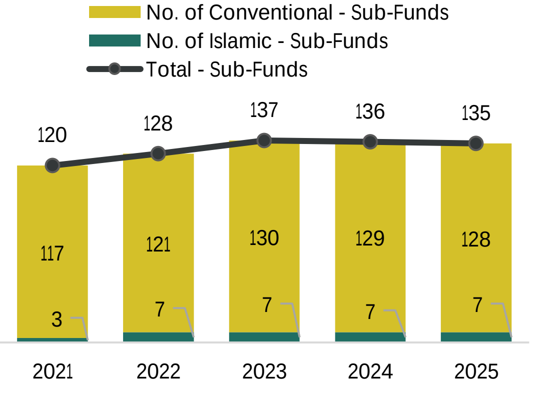


Collective Investment Schemes (CIS)

By the end of 2025, the total number of collective investment schemes (CIS) stood at 31, comprising 20 conventional CIS and 11 Islamic CIS. While there has been a gradual increase in CIS offerings in the market, the total number of sub-funds declined slightly from 136 in 2024 to 135 in 2025. Of the sub-funds, 128 were conventional and seven were Islamic.

A CIS is commonly known as a mutual fund or unit trust. It is a professionally managed investment scheme run by a licensed fund management company that brings together a group of investors and invests their money in stocks, bonds, and other assets/securities.

Figure 32. Total Number of Sub-Funds



Assets Under Distribution (AUD)

As of end-2025, Assets under Distribution (AUD) for public CIS totalled BND685.66 million, with 31.4% allocated to Islamic CIS and 68.6% to conventional CIS. This is reflected in Figure 33, which shows a positive trend in total AUD by 29.3% y-o-y from 2024 to 2025. The increase in total AUD for the public CIS may be driven by the positive market performance and growing investor interest in 2025.

Profitability

In 2025, the sector showed clear signs of recovery following the downturn in 2024. All key financial indicators improved, with Total Revenue rising by 20.6%, Total Net Profit increasing sharply by 1,080%, and Total GVA strengthening by 47.8%. These improvements suggest a rebound in business activities, stronger profitability, and a higher overall economic contribution from CMSL holders.

The upturn reflects improved operating conditions and the positive impact of ongoing strategic and operational adjustments undertaken by the industry. Despite earlier challenges, all six CMSL holders continued to maintain the minimum financial requirements for their authorised regulated activities.

Figure 33. Total Assets Under Distribution for Public Collective Investment Schemes

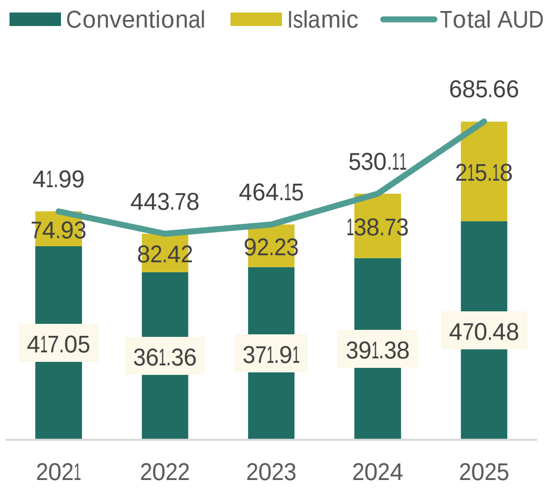
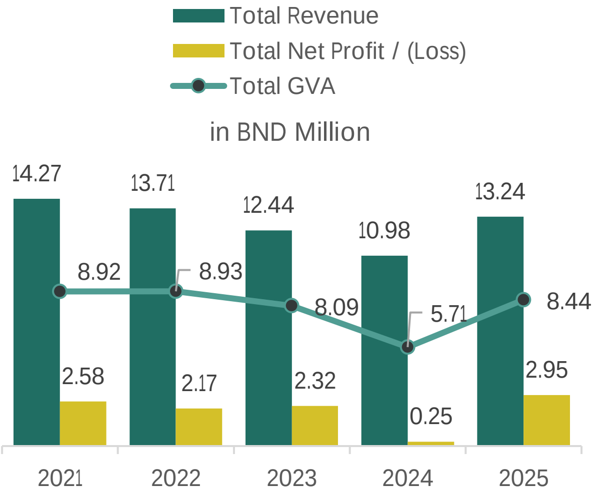


Figure 34. Total Revenue, Total Net Profit and Total Gross Value Added



Money-Changing and Remittance

The money-changing and remittance sector is composed largely of specialised businesses licensed to perform currency exchange or funds transfer services. The sector's structure reflects a balance between market demand, particularly from foreign workers and cross-border consumers, and the regulatory safeguards required to preserve trust, transparency, and financial integrity.

Money-Changing Sector

As of end-2025, the money-changing sector comprised 21 licensed operators, including four located in hotels. Most were based in the Brunei-Muara district, with one operating in the Belait district. One money-changer voluntarily ceased operations and subsequently chose not to renew its licence, expiring on 31 December 2025.

In 2025, the buying of foreign currencies fell by 2.6% (BND0.6 million) while the selling of foreign currencies rose by 1.9% (BND7.0 million) (Table 2). In terms of transactions, the buying and selling of foreign currencies rose by 2.3% and 2.4%, respectively, totalling 2,796 and 17,425 transactions (Table 2).

USD was the top foreign currency bought, representing 28.4% of the total value in 2025, equivalent to BND6.4 million. This was followed by the Malaysian Ringgit at 25.6%, valued at BND5.8 million (Figure 35).

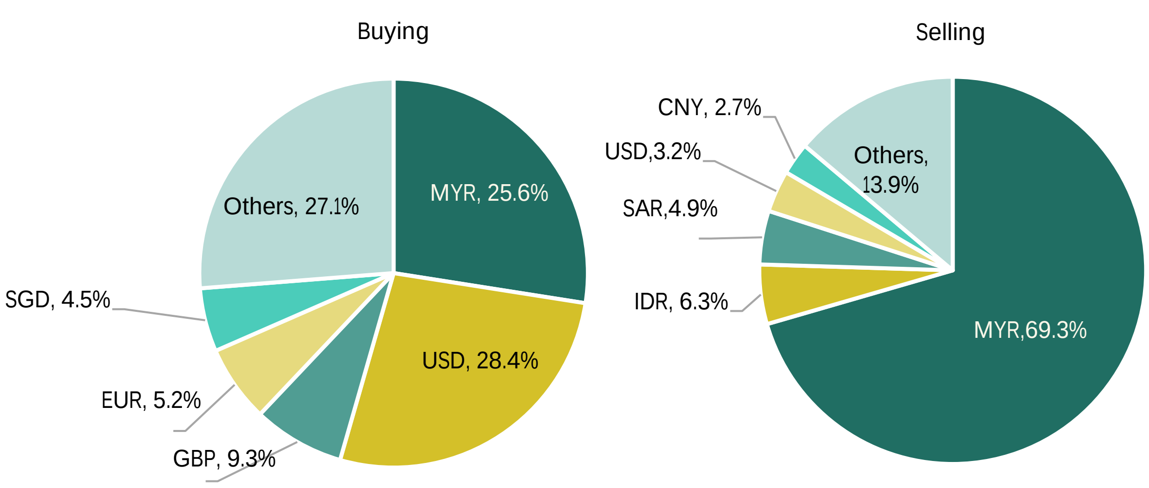
As for the selling of foreign currencies, the Malaysian Ringgit continued to dominate, accounting for 69.3% of total foreign currency sales in 2025, underscoring its continued prominence in cross-border transactions among residents and visitors (Figure 35).

Table 2: Total Value of Buying and Selling of Foreign Currencies: 2021-2025

Year	2021	2022	2023	2024	2025	% Change
Total value In BND Million						
Buying	4.9*	15.2	21.7	23.2	22.6	-2.6%
Selling	8.7*	90.4*	258.1*	361.5	368.5	1.9%
Number of transactions						
Buying	13,386	41,003	101,608	119,311	122,107	2.3%
Selling	13,078	151,540	529,659	738,464	755,889	2.4%

*Figures for 2021, 2022 and 2023 have been updated using revised data.

Figure 35. Top Foreign Currencies (Buying and Selling) of Money-Changers



Remittance Sector

There were 17 licensed remittance businesses operating in Brunei Darussalam in 2025. These businesses mainly operate in the Brunei-Muara district, with one remittance business in the Belait district.

In 2025, the value for outward remittance rose by 0.1%, equivalent to an increase of BND1.0 million, bringing the total to BND1.02 billion. In contrast, the volume of transactions declined by 1.6%, reflecting a reduction of 16,478 transactions compared to 2024 (Table 3).

Outward remittances remained concentrated in regional destinations, with Malaysia accounting for the largest share at 32.2% of the total value in 2025. This was followed by Indonesia (27.5%) and the Philippines (15.2%), reflecting sustained demand from foreign workers (Figure 36).

83.8% of outward remittances to Malaysia were mainly for personal purposes, representing 120,014 transactions, whereas the remaining 16.2%, accounting for 23,262 transactions, were for business purposes.

Figure 36. Top Outward Remittance

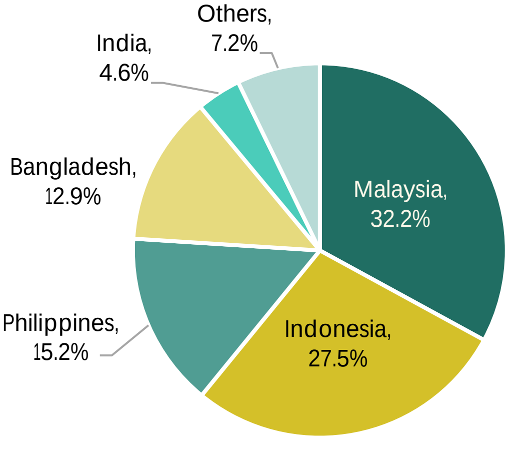


Table 3. Outward Remittance

Year	2021	2022	2023	2024	2025	% Change
Transaction Value (BND Billion)	1.3	1.3	1.2	1.0	1.0	0.2%
No. of Transactions	1,210,396*	1,048,388*	1,093,932*	1,025,416	1,008,938	-1.6%

*Figures for the years 2021, 2022 and 2023 have been updated using revised data.

Payment Services Sector

Globally, ongoing efforts under the G20 roadmap to enhance cross-border payments, alongside ASEAN initiatives to strengthen regional payment connectivity, continue to shape the evolution of retail payment systems. Brunei Darussalam's domestic payment infrastructure developments during the year took place within this broader reform landscape.

Domestically, digital payment activity – mainly dominated by QR payments, followed by e-money payments – continued to expand in 2025. QR payment transactions by approved Payment System Operators (PSOs) increased to over 620,000 transactions, amounting to over BND16.2 million, while e-money payments reached more than 130,000 transactions valued at BND4.4 million, reflecting sustained year-on-year growth (Figure 37).

On average, QR transaction values remained modest at approximately BND26.2 per transaction, underscoring their primary use for retail and low-value transfers. The number of QR-accepting merchants rose to 1,100, alongside growth in registered wallet users to 115,000, indicating gradual shifts in consumer and merchant behaviour towards digital channels (Figure 38).

A key structural milestone was the launch of tarus on 12 March 2025, introducing 24/7 instant fund transfers and central addressing capabilities. The central addressing capability enables users to send funds using simplified identifiers, such as mobile numbers, thereby enhancing convenience and reducing input errors.

Since its launch, tarus has recorded cumulative transaction volumes of over 20,000, totalling approximately BND2.4 million, with volumes rising by approximately 87.2% between the launch period and year-end. While transaction levels remain modest relative to the overall size of the financial system, the establishment of real-time payment infrastructure enhances efficiency and strengthens the foundations for future interoperability.

From a financial stability perspective, QR payments and instant payment transactions remain at an early stage of development, with significant potential for further growth as digital adoption continues to expand. Retail digital payment activity is still largely concentrated within established card networks, anchoring the ecosystem within well-regulated banking channels.

Looking ahead, further expansion of wallet-based and instant payment services is anticipated as adoption deepens and interoperability strengthens. As reliance on digital payment infrastructure increases, maintaining strong operational resilience, effective safeguarding of customer funds, and robust supervisory oversight will be essential to preserve confidence and support the sound development of the retail payments system.

Figure 37. Transaction Volume

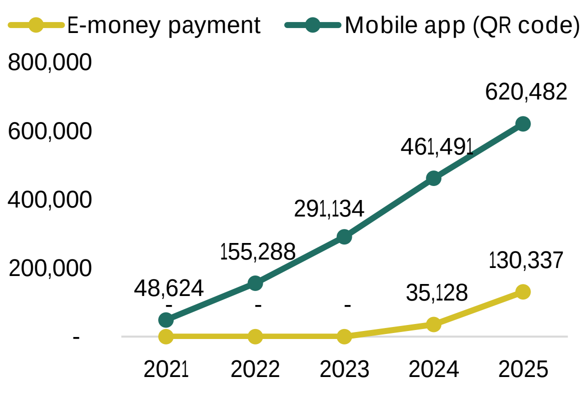
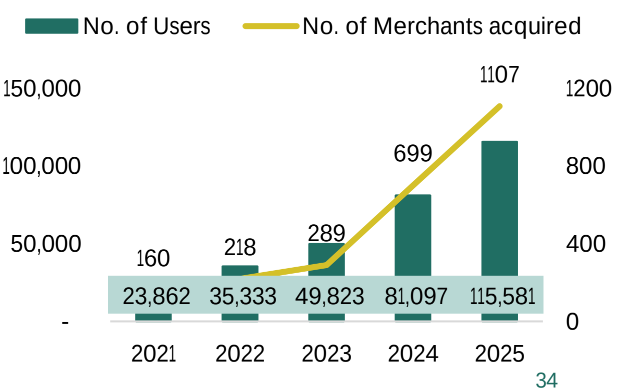


Figure 38. Total Number of Users and Merchants

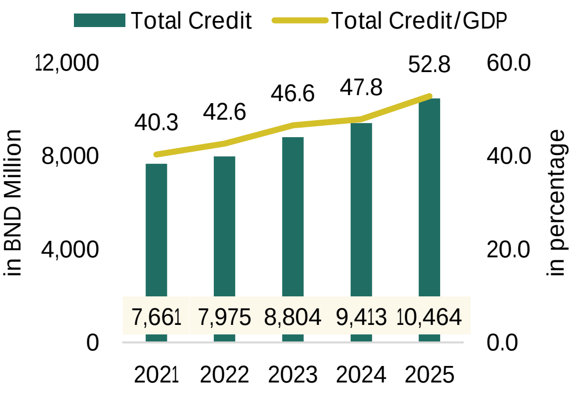


04 Household and Business Sectors

In Brunei Darussalam, financial intermediation is primarily conducted through banks and finance companies. This section focuses on lending and financing activities within these institutions directed at households and businesses.

Total credit extended by banks and finance companies increased from 47.8% of GDP in 2024 to 52.8% in 2025 (Figure 39), continuing a steady upward trend observed since 2020. As of 2025, loans/financing to the business sector accounted for 52.7% of total credit, while the household sector made up the remaining 47.3% (Figure 40).

Figure 39. Credit to GDP



Loans/Financing by Economic Sectors

Figure 41 presents the distribution of loans/financing across economic sectors. Household credit, which includes personal loans/financing, residential housing, and automobile financing, accounted for 47.3% of total loans/financing, underscoring its continued importance in driving domestic credit activity. This was followed by key business-related sectors, including Commercial Property, Services, Financial, and Manufacturing, which broadly reflect the structure of Brunei Darussalam's economy.

Figure 40. Trends in Loans/Financing by Sector

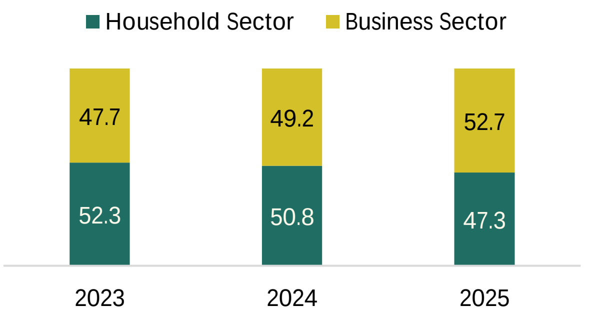
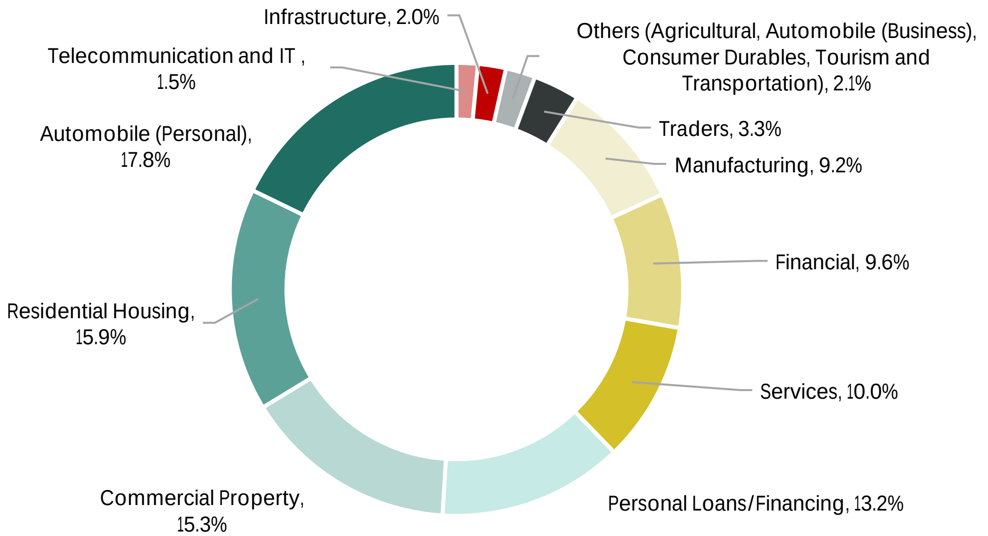


Figure 41. Proportion of Loans/Financing in Brunei Darussalam by Economic Sectors: 2025



Loans/Financing to the Household Sector

Within the household segment, financing remained concentrated in automobiles (37.7%), residential housing (33.7%), and personal loans/financing, including credit cards (28.0%) (Figure 41). This highlights the continued importance of vehicle ownership and homeownership among households.

To support affordability, a maximum financing rate of 4.25%–4.75% flat per annum for automobile financing remains in place, facilitating access to personal transportation.

Figure 42. Trends of Total Loans/Financing in the Household Sector

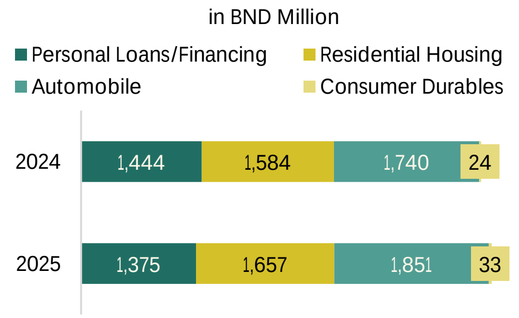
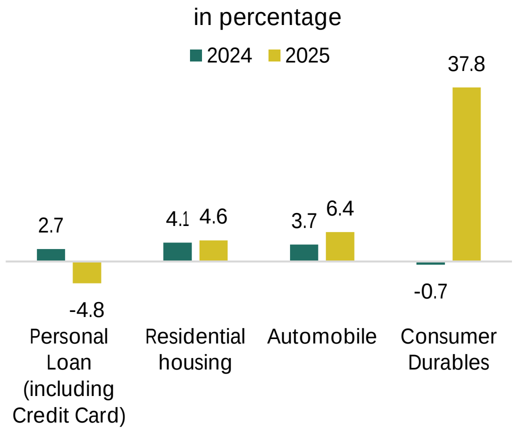


Figure 43. Growth of Total Loans/Financing in the Household Sector



In 2025, total household financing grew modestly by 2.6%. Consumer durables financing recorded the strongest growth, increasing by 37.8% to BND32.8 million. In contrast, personal loans/financing (including credit cards) declined slightly by 4.8% to BND1.4 billion (Figure 43).

Credit Risk in the Household Sector

Credit quality in the household sector showed signs of deterioration in 2025, with gross non-performing loans/financing (NPLF) increasing by 13.9%, primarily driven by the automobile segment.

The overall household NPLF ratio rose marginally from 1.0% in 2024 to 1.1% in 2025. By segment, the NPLF ratio for residential housing declined slightly to 1.5% (2024: 1.6%), while consumer durables improved to 1.2% (2024: 1.9%). Meanwhile, the NPLF ratio for automobile increased to 1.0% in 2025 from 0.5% in the previous year.

Figure 44. Trends in NPLF in the Household Sector

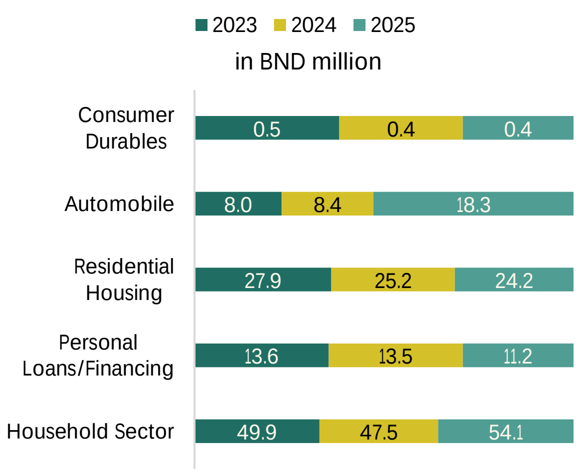
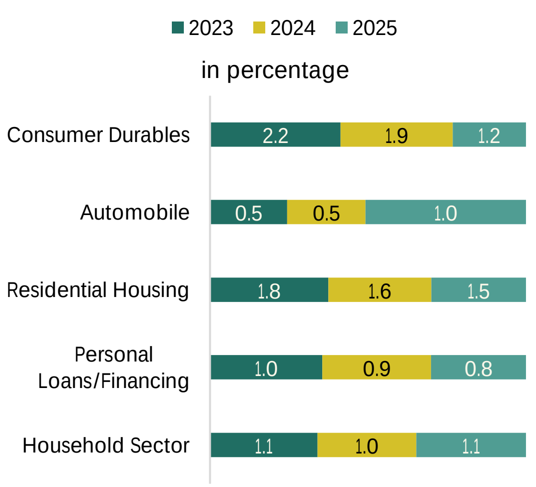


Figure 45. Trends in NPLF Ratio in the Household Sector



Loans/Financing to the Business Sector

In 2025, the business lending and financing portfolio remained concentrated in a few key sectors, led by Commercial Property (29.0%), followed by Services (19.0%), Financial (18.2%), and Manufacturing (17.4%).

The expansion in business lending was primarily driven by the Telecommunications and IT, Financial, Transportation, and Infrastructure sectors. Notably, financing to Telecommunications and IT increased by 109.4% to BND157.7 million, while the Financial sector grew by 89.5% to BND1.0 billion. Lending to the Transportation and Infrastructure sectors also recorded strong growth of 60.2% and 78.8%, respectively (Figure 46).

These trends are broadly aligned with economic activity. Increased credit to the Telecommunications and IT sector corresponds with growth in the Communications sector, reflecting continued investment in digital infrastructure. Similarly, strong growth in air transport activity is consistent with increased financing to support the expansion of transportation services.

Despite a contraction in the Construction sector (-2.2%), exposure to Commercial Property remained elevated, likely reflecting ongoing or long-term development projects.

Credit Risk in the Business Sector

Credit risk in the business sector improved in 2025, with the overall NPLF ratio declining to 2.1% from 2.6% in 2024 (Figure 47).

Notably, the Transportation sector recorded a significant improvement in asset quality, with its NPLF ratio decreasing to 3.5% from 6.0% in the previous year, indicating stronger credit performance and repayment capacity within the sector.

Figure 46. Trends in Business Sector Loans/Financing in Brunei Darussalam

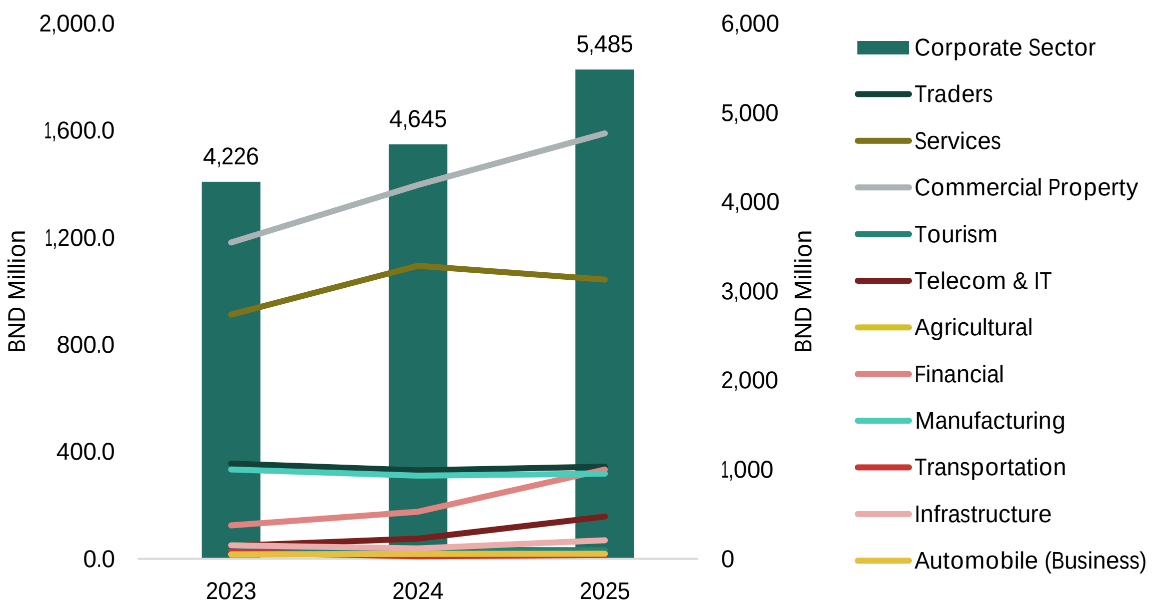


Figure 47. Trends in NPLF Ratio in Certain Business Sectors

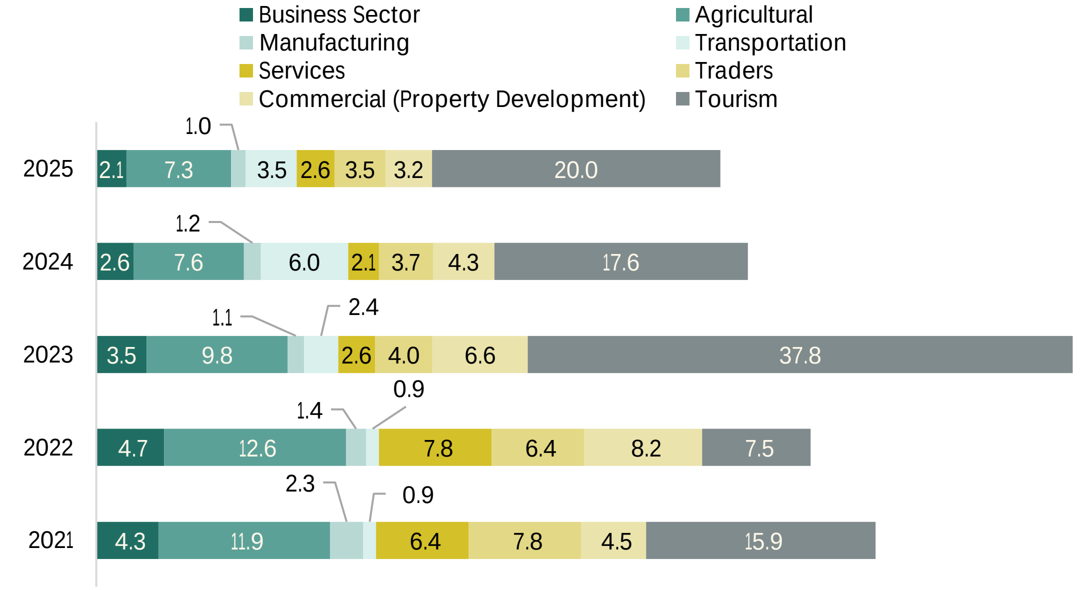
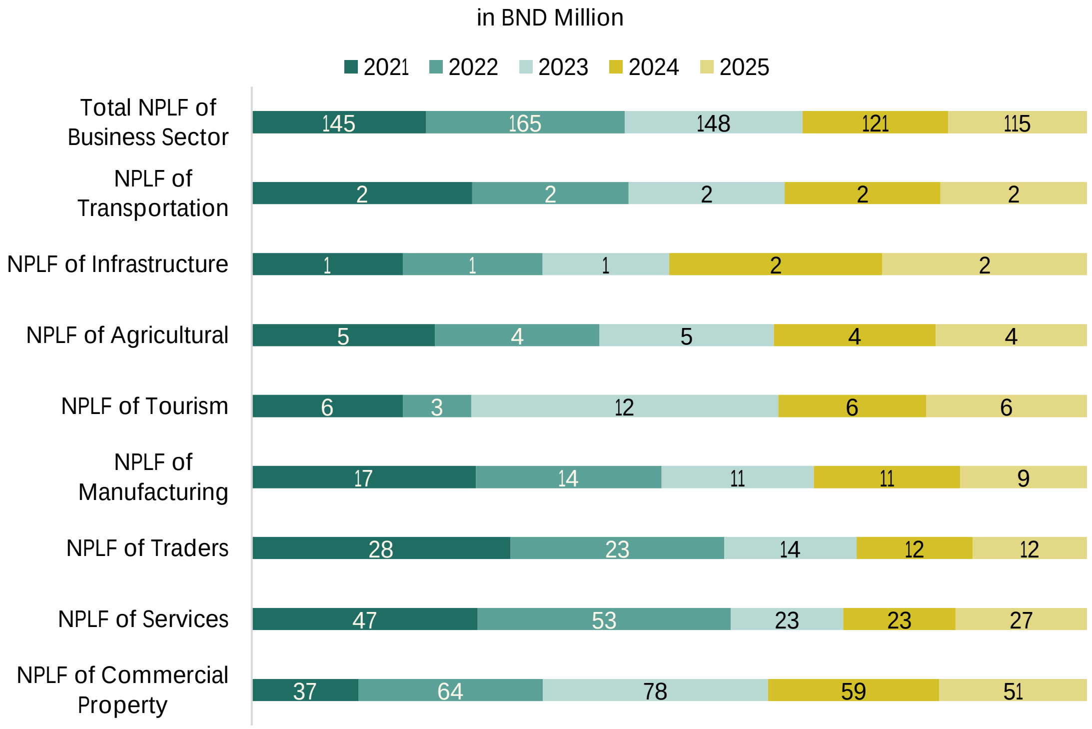


Figure 48. Trends and Growth of NPLF in Certain Business Sectors



05 Special Studies

5.1 Systemic Risk Perception Survey (SRPS): Transition from Risk Perception Survey to SRPS

To strengthen financial surveillance and enhance sector-wide risk insights, the Central Bank introduced the Systemic Risk Perception Survey (SRPS) in 2025. The SRPS builds on the earlier Risk Perception Survey (RPS), introduced in 2019, which primarily captured banks' assessments of vulnerabilities within the financial system.

The SRPS broadens the respondent base to include banks, insurance companies, takaful operators, capital market licensees, and other supervised financial institutions. This expanded coverage provides a more comprehensive and system-wide view of risk perceptions across Brunei Darussalam's financial sector.

Conducted on a biannual basis, the SRPS gathers forward-looking perspectives on risks that may affect the financial system over the next six months. Responses are typically provided by senior officers responsible for risk management, treasury, or strategic oversight functions, ensuring that the survey reflects informed institutional assessments.

Rationale and Evolution of SRPS

The RPS served as the Central Bank's primary biannual instrument for capturing banks' forward-looking risk assessments to support financial stability surveillance and policy formulation. However, evolving macro-financial conditions and the increasing interconnectedness of financial institutions necessitated a broader approach.

The transition from a bank-focused RPS to a system-wide SRPS aligns the Central Bank's surveillance framework with contemporary macroprudential practice, which emphasises identifying vulnerabilities across the entire financial system rather than within a single subsector.

In 2024–2025, the survey was redesigned to enhance analytical robustness and decision-usefulness. The revised framework drew on international practices, including approaches adopted by the Qatar Central Bank, the Bank of England, and the Central Bank of Oman. Enhancements included broader institutional coverage, a streamlined questionnaire, and the introduction of a structured probability-impact risk matrix.

Three key enhancements underpinned the transition:

1. Expansion of the respondent base beyond banks to include non-bank financial institutions, enabling a system-wide perspective on risk.
2. Rationalisation of survey content to reduce response burden while preserving critical macro-financial transmission channels (with the risk list consolidated from 71 to 29 items).
3. Adoption of a probability-by-impact scoring methodology, presented through a nine-cell matrix, to support supervisory prioritisation and structured risk dialogue.

The SRPS provides a quantitative and structured assessment of systemic risks by capturing financial institutions' views on how these risks could affect the financial system as a whole. Respondents are expected to assess risks from a system-wide perspective, informed by their institutional experience and market observations.

The survey comprises three core components:

1. Identification of the top five risks to the financial system and those considered most challenging to manage.
2. Assessment of confidence in the stability of Brunei Darussalam's financial system.
3. Probability and impact ratings for a consolidated list of 29 hypothetical systemic risk events.

Methodology

Each hypothetical risk event is assessed along two dimensions:

- Probability of occurrence; and
- Impact if the event materialises.

Respondents rate both dimensions on a five-point scale ranging from 1 ("Very Low") to 5 ("Very High").

For each event, an expected impact score is calculated at the respondent level by multiplying the probability and impact ratings. These scores are then averaged across all respondents. As a result, expected impact values range from 1 to 25, allowing comparability across risks and survey rounds.

The SRPS Matrix (Figure 49) is constructed using the average probability and impact scores. The matrix comprises nine cells, categorising risks according to likelihood and severity:

- Rows represent probability (Unlikely, Possible, Probable).
- Columns represent impact (Acceptable, Tolerable, Unacceptable).

This structured mapping enables the classification of risks into severity bands ranging from "Very Low" to "Very High", thereby facilitating supervisory prioritisation.

Risk classifications are determined using percentile-based thresholds derived from the distribution of average probability and impact scores:

- Risks below the 25th percentile for both probability and impact are classified as unlikely with acceptable impact.
- Risks above the 75th percentile for both dimensions are classified as probable with unacceptable impact.
- Risks falling between the 25th and 75th percentiles are classified as possible with tolerable impact.

This approach ensures methodological consistency, objectivity, and comparability across survey cycles.

The results are then presented using the SRPS matrix below. The matrix provides a clear visual representation of systemic risk concentrations and supports supervisory focus on areas requiring heightened monitoring or policy attention.

		Impact if event materialises		
		Acceptable (Relatively Weak Impact)	Tolerable (Moderate Impact)	Unacceptable (Relatively Strong Impact)
Probability of event's occurrence	Unlikely (Relatively Low Probability)	VERY LOW O (Fall in property prices in Brunei)	LOW AA (Disruption in the payment & settlement systems' infrastructure) P (Default of counterparties) S (Increase in default from household sector) Z (Syariah non-compliance)	MEDIUM
	Possible (Moderate Probability)	LOW B (EME vulnerability) C (Lower and volatile oil & gas price) D (Volatile and weak international equity & bond markets) F (Global monetary policy tightening) G (High-interest rate environment) N (Higher inflation in Brunei)	MEDIUM A (Deterioration in the global output and trade) AB (Climate change risks) H (Lower GDP growth in Brunei) L (Lower household consumption) Q (Default of Top 10 borrowers) T (Deposit withdrawal by retail depositors) V (Deposit withdrawal by Government) W (Exchange rate risk) Y (Rising fraud and AML/CFT breaches)	HIGH L (Lower household consumption) R (Increase in default from the business sector) U (Deposit withdrawal by corporate depositors)
	Probable (Relatively High Impact)	MEDIUM	HIGH E (Increased geopolitical tensions) I (Lower export growth) J (Decline in Brunei's business sector profitability)	VERY HIGH AC (Higher general Takaful and Insurance Claims) K (Decline in Brunei's financial sector profitability) M (Increase in Brunei's fiscal deficit) X (Cybersecurity incidents and attacks)

Figure 49. SRPS Matrix

Conclusion

The transition from RPS to SRPS represents a significant enhancement to the Central Bank's financial surveillance framework. By expanding institutional coverage, streamlining the risk taxonomy, and introducing a structured probability-impact matrix, the SRPS provides:

- System-wide visibility of emerging vulnerabilities.
- A clearer prioritisation framework for supervisory and macroprudential action.
- Reduced respondent burden alongside improved analytical clarity.
- Alignment with international supervisory and macroprudential practices.

These enhancements strengthen the SRPS as both an analytically robust tool and a practical tool for supervisory planning, risk dialogue, and policy formulation. By integrating probability, impact, and confidence measures, the SRPS supports early identification of systemic risks and reinforces the Central Bank's forward-looking approach to safeguarding financial stability.

5.2 Impact of U.S.-linked policy uncertainty **on Brunei Darussalam's Economy and** Financial System in 2025

Background

Following the return of the Trump administration in January 2025, the United States (U.S.) moved swiftly to implement its campaign commitments on trade policy. On 2 April 2025 ("Liberation Day"), the U.S. introduced a new tariff regime consisting of a baseline 10% tariff on all imports, alongside higher country-specific tariffs targeting economies with large trade surpluses with the U.S. ASEAN economies were among the most affected, with tariff rates ranging from 19% to 49% prior to subsequent bilateral negotiations.

Collectively, ASEAN accounted for approximately USD327.3 billion of the U.S. goods trade deficit in 2025, placing the region under significant scrutiny within the revised trade framework. By August 2025, negotiated tariff rates began taking effect, while during the October 2025 ASEAN Summit in Kuala Lumpur, Malaysia, produced a series of bilateral trade frameworks aimed at mitigating the impact of the measures. Nevertheless, uncertainty remains about the implementation and durability of these arrangements. In addition, the legal basis of the tariffs under the International Emergency Economic Powers Act (IEEPA) remained under review by the U.S. Supreme Court as of early 2026.

Domestically, direct trade exposure to the U.S. is relatively limited, as bilateral goods flows are modest and Brunei Darussalam's exports were not among the primary targets of the tariff measures. However, the indirect or second-order effects are more significant. These include disruptions to regional supply chains across ASEAN, volatility in global energy and financial markets, and broader uncertainty surrounding the stability of the global rules-based trading system that Brunei Darussalam has historically relied upon.

Brunei Darussalam's structural exposures

Understanding the potential impact of U.S.-linked policy uncertainty requires consideration of the structural characteristics of Brunei Darussalam's economy.

Hydrocarbon dependence

1

- Brunei Darussalam's economy remains highly dependent on the hydrocarbon sector. Oil and gas activities account for around 48.8% of GDP and 70.7% of government revenue on average in 2025. Therefore, fluctuations in global energy prices may have some impact on its external balances and fiscal outcomes.

2

Monetary Policy Framework

- Brunei Darussalam operates under a Currency Board Arrangement (CBA), which pegs the Brunei Dollar (BND) to the Singapore Dollar (SGD). Simultaneously, the longstanding Currency Interchangeability Agreement (CIA) with Singapore ensures that the BND is valued at par with the SGD. This framework has contributed to monetary and price stability.
- Since the BND is pegged to the SGD, Brunei's financial conditions are influenced by Singapore's monetary policy, which is centred around the exchange rate instead of interest rates, in response to global financial developments. Given that the US is a major player in the global financial market, shifts in US monetary policy driven by trade or inflationary pressures may indirectly transmit to Brunei's financial system through both exchange rate and domestic interest rate channels.

3

Financial System Structure

- Brunei Darussalam's banking system is relatively concentrated, with a small number of institutions accounting for the majority of system assets.
- Banks remain well capitalised and maintain regulatory capital ratios above prudential requirements. Lending portfolios are primarily focused on household and corporate credit, with property-related financing representing a notable share.
- On the asset side, banks hold foreign currency assets predominantly in Singapore dollar placements with highly rated counterparties, which provide some degree of external diversification.

Transmission channels

U.S.-linked policy uncertainty may affect Brunei Darussalam through several macro-financial transmission channels.

1. Global energy

- The most significant transmission channel operates through global energy markets. Trade tensions and tariff-induced slowdowns in global manufacturing activity could dampen industrial demand for oil and gas. At the same time, policy initiatives aimed at expanding U.S. energy production could contribute to greater global supply.
- Together, these factors may exert downward pressure on global energy prices, while geopolitical responses to evolving trade dynamics may introduce additional price volatility.
- These developments are already reflected in projections for Brunei Darussalam's external position. According to the 2025 AMRO Annual Consultation Report, Brunei Darussalam's current account surplus is expected to decline from 14.6% of GDP in 2024 to 11.5%, largely reflecting softer energy prices.
- Given that over 70% of government revenue is derived from hydrocarbon receipts, sustained price weakness could narrow fiscal space and amplify existing fiscal pressures.

2. U.S. monetary policy spillovers

- A second transmission channel operates through global financial conditions and monetary policy spillovers. Tariffs that raise import prices in the U.S. may contribute to inflationary pressures, potentially requiring the U.S. Federal Reserve to maintain a tighter monetary policy stance.
- Through the BND–SGD peg and Singapore's exchange rate-based framework, tighter global financial conditions may transmit to Brunei Darussalam's domestic financial environment. Higher interest rates could influence borrowing costs for households and businesses, potentially moderating credit growth.
- Stress testing conducted by AMRO as part of its 2025 Annual Consultation examined the resilience of Brunei Darussalam's banking sector under an interest rate shock of up to 100 basis points. The results suggest that banks would remain adequately capitalised under such conditions, although the analysis was conducted using financial data prior to the full pass-through of recent trade policy developments.

3. Financial system and capital flow effects

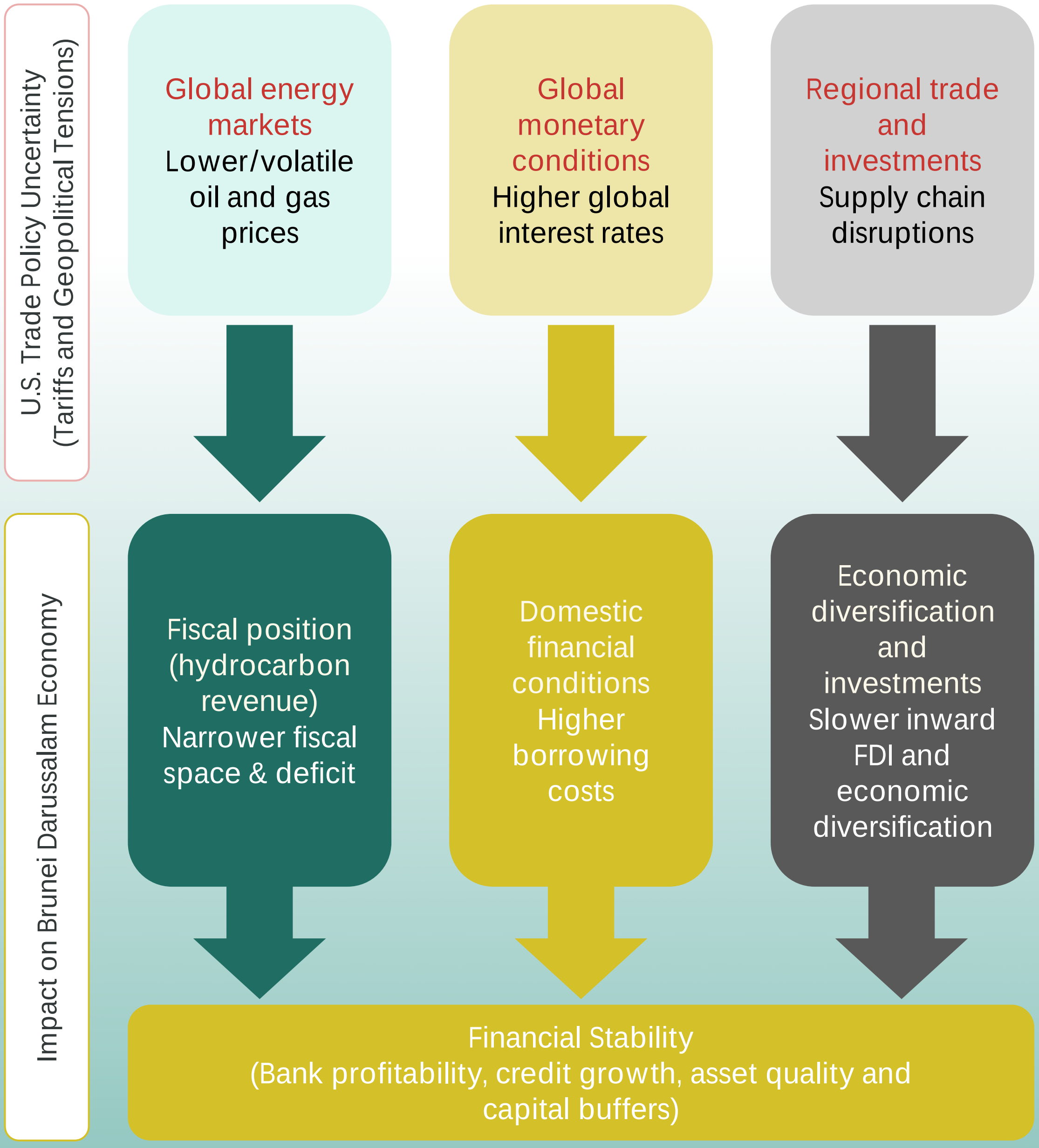
- Periods of heightened global uncertainty typically lead to increased demand for safe-haven assets, contributing to appreciation of the U.S. dollar. For Brunei Darussalam, this dynamic presents both advantages and risks.
- On one hand, a stronger U.S. dollar may support BND-denominated oil and gas revenues, given that global energy prices are generally denominated in USD. On the other hand, stronger dollar conditions could weigh on economic growth in major energy-importing economies such as China, Japan, and South Korea, which are key markets for Brunei's liquefied natural gas (LNG) exports.
- In addition, tighter global financial conditions could reduce returns on Brunei's offshore financial assets and external placements.

4. Trade, investment and diversification

- Finally, the evolving global trade environment could affect regional investment flows and supply chain dynamics. Increased scrutiny of cross-border supply chains, including stricter rules-of-origin and anti-transshipment provisions, may complicate the regional "China-plus-one" investment strategy that has supported manufacturing investment flows into ASEAN economies.
- For Brunei Darussalam, which aims to expand sectors such as halal manufacturing, downstream petrochemicals, logistics, tourism, and financial services under Wawasan Brunei 2035, a less favourable regional investment climate could slow progress toward economic diversification. At the same time, weaker growth in key LNG-importing economies could dampen demand for Brunei Darussalam's energy exports.

Figure 50. Transmission Channels of U.S. Trade Policy Uncertainty

The figure below visually highlights that Brunei is affected mainly through indirect channels rather than direct trade exposure.



Implications for Financial Stability

Brunei Darussalam's financial system remains closely linked to developments in the domestic macroeconomic environment. A prolonged period of lower energy prices or weaker external demand could affect bank profitability, asset quality, and credit growth, particularly through reduced government spending, slower business activity, and weaker household income growth. Property-related lending/financing exposures may also be indirectly affected if economic conditions soften.

Nevertheless, several structural features help mitigate these risks. The banking sector maintains strong capital and liquidity buffers, and the system relies predominantly on stable domestic deposit funding, reducing vulnerability to global funding shocks. Lending/Financing practices also remain relatively conservative, with most exposures supported by collateral.

In light of heightened global uncertainty, continued monitoring of external developments remains important. Particular attention is being given to movements in global energy prices, international financial conditions, and regional trade developments that could influence Brunei Darussalam's macro-financial outlook.

Stress testing and macro-financial surveillance will continue to be used to assess the resilience of the financial sector under adverse external scenarios, ensuring that emerging risks are identified early and that appropriate supervisory responses can be implemented where necessary.

Conclusion

While Brunei Darussalam's direct exposure to U.S. trade measures remains limited, the economy remains susceptible to indirect spillovers through global energy markets, financial conditions, and regional investment flows. These channels highlight the importance of continued vigilance in monitoring external developments and their potential implications for domestic financial stability.

Overall, the financial system remains resilient, supported by strong prudential safeguards, sound banking sector fundamentals, and ongoing supervisory oversight by the Central Bank.

5.3 Understanding the Basel III Liquidity Coverage Ratio

How the Global Financial Crisis Shaped International Liquidity Standards

The Global Financial Crisis (GFC) in 2007-2009 underscored the importance of sound liquidity risk management in the banking sector. While many banks maintained an adequate level of capital during the crisis, they nevertheless encountered severe stress due to weaknesses in liquidity risk monitoring and management.

Prior to the crisis, financial markets were characterised by ample liquidity, and banks could obtain funding easily and at relatively low cost. However, during the crisis, market confidence dropped, and liquidity in financial markets evaporated rapidly. Access to funding became severely constrained for many banks, triggering bank runs and the failure of several financial institutions, including the bankruptcy of Lehman Brothers.

In response, international regulatory bodies introduced a range of reforms to strengthen the resilience of the global banking system. Among the key reforms was the introduction of global liquidity standards under the Basel III framework, namely the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio.

Lehman Brothers Holdings Inc. filed for bankruptcy on 15 September 2008, marking the largest bankruptcy in U.S. history and a key event that intensified the GFC.

An Overview of the LCR Framework

Aimed at promoting short-term liquidity resilience, the LCR ensures banks hold sufficient high quality liquid assets (HQLA) against cash outflows to withstand a significant stress scenario lasting 30 calendar days. During this period, banks must maintain 100% LCR, ensuring all cash outflows are offset by HQLA.

$$\frac{Stock\ of\ HQLA}{Total\ net\ cash\ outflows\ over\ the\ next\ 30\ calendar\ days} \geq 100\%$$

The LCR are driven by two components: HQLA and Net Cash Outflows (NCO). The wider LCR framework includes parameters for calculating HQLA and NCO, taking into account the size, complexity, and nature of banks' counterparties.

Details of the components are provided below:

HQLA

Banks must hold an adequate stock of unencumbered HQLA – assets that can be easily converted into private markets at little or no discounted price without any operational restrictions. Given this requirement, many asset types are not eligible for HQLA consideration. Examples of HQLA include cash, and central banks and government bonds.

NCO

The LCR framework is based on a stress scenario in which banks estimate expected cash inflows and outflows. For example, loan repayments may be recognised as inflows but are capped at 50%, while corporate deposits are assumed to have a 40% outflow rate.

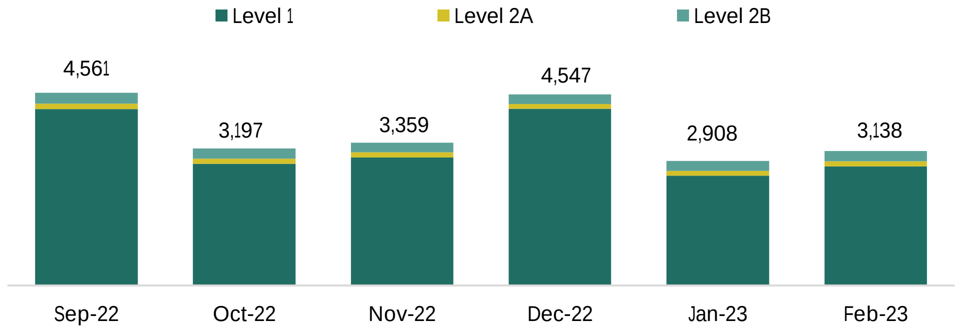
Implementation of the LCR Framework in Brunei Darussalam

The Central Bank adopts a structured consultative approach as a core practice in the development and rollout of new regulations, ensuring transparency while taking into account the nature and complexity of the domestic landscape through active engagement with banks. In this regard, the implementation of the Basel III Liquidity Coverage Ratio (LCR) was supported by three rounds of consultations conducted between 2023 and 2024, as summarised in Table 4, undertaken through a phased introduction of key LCR components, with LCR reporting conducted via Qualitative Impact Assessments (QIA) to assess industry readiness and refine the framework.

Table 4 – Industry Consultation

Component	Round 1	Round 2	Round 3
Consultation Period	January – April 2023	November 2023 – January 2024	July – August 2024
Areas of Focus	NCO (without applying inflow and outflow rates)	NCO, HQLA and LCR	NCO, HQLA and LCR
Consultation Documents	• Consultation paper • Reporting template and instruction manual	• Consultation paper • Revised reporting template and instruction manual	• Consultation paper • Notice and framework • Reporting template and instruction manual
Key Activities / Approach	• Reporting of actual net cash outflows without prescribed rates based on 6 months of historical data • Familiarisation with LCR reporting	• Simulation of LCR positions using proposed inflow/outflow rates • Identification of eligible HQLA • Data validation and consistency using same dataset	• Presentation of consultation outcomes • Submission of exposure drafts for consultation: LCR regulatory requirements and the LCR Framework, which outlined the standardised LCR calculation methodology • Submission of longer-term LCR data series
Quantitative Impact Analysis	• Banks calculated NCO components (without inflow/outflow rates)	• Banks calculated their LCR positions	• Banks calculated LCR using longer time series (21 months) and continued informal reporting
Outcomes / Key Insights	• Improved understanding of reporting requirements • Strengthened data quality Key concerns identified and addressed through engagement • Resubmission of improved QIA data required	• Positive LCR trends observed from 6-month QIA data • Industry LCR ranged from 463% to 548% • All banks' LCR exceeded Basel III minimum (≥100%) • Strong level 1 HQLA supported high LCR positions (see Figure 51)	• Longer-term data provided deeper insights into liquidity positions • Enhanced understanding of the domestic banking system liquidity structure • Strengthened supervisory assessment of short-term liquidity risks

Figure 51. Level 1 HQLA formed the bulk of HQLA component



Key Considerations in Calibrating the LCR Framework to the Domestic Context

The Central Bank adopts a proportionality-based approach in implementing regulatory frameworks. Accordingly, four key aspects of the LCR framework have been calibrated to align with the structural features and operating context of the domestic banking sector.

No	Area	Consideration	Outcome
1.	Scope of application	The Basel III LCR standard set by the Basel Comittee on Banking Supervision establishes a minimum level of liquidity for internationally active banks to be met at a Group level	To impose LCR on an entity or solo level only
2.	LCR by currency	Given the novelty of the proposed LCR requirement, the Central Bank may expand it to a broader group level. The Central Bank will endeavour to review the appropriateness of the LCR requirement after the successful implementation of LCR, as our understanding of banks' liquidity advances.	To calculate and comply with LCR on an aggregated basis (i.e. banks will not be asked to compute LCR based on a specific currency)
3.	Minimum LCR level	The grace period will allow banks sufficient time to transition to the new legal requirement. The submission of LCR regulatory returns should continue post-process. This arrangement will provide sufficient time for banks to practice soft reporting before the legal reporting kicks in.	To impose the minimum LCR level at 100% for all banks in Brunei Darussalam; and To establish a 1-year grace period prior to full effect of 100% LCR compliance in Jan 2026
4.	Reporting obligation		To establish a 6-month grace period prior to full effect of legal reporting in July 2025

Formal issuance of LCR framework to the banking industry

On 11 December 2024, the Central Bank issued the LCR regulatory framework via the Notice on Maintenance of LCR. The Notice provided a transitional arrangement toward full adoption, incorporating feedback from banks, including an appropriate transition period to support operational readiness.

Dec 2024	1 July 2025	1 January 2026
Issuance of Notice	Legal reporting requirement	Legal requirement of 100% LCR

- Effective 1 July 2025, banks are required to complete and submit LCR on a solo level on a monthly basis
- Effective 1 January 2026, banks are required to maintain a minimum LCR level of at least 100% on an aggregated basis.

Liquidity Position of the Banking Industry

The Brunei Darussalam banking system, measured by LCR, demonstrated a strong liquidity position. This is reinforced by other liquidity indicators monitored by the Central Bank, including the liquid assets-to-total assets ratio and the loan-to-deposit ratio.

As of December 2025, aggregate LCR stood at 493%. The LCR figure varied significantly across peer groups within the industry (Figure 52). Overall, this suggests that the domestic banking system maintains strong liquidity resilience compared with regional peers (Figure 53). In addition, banks continued to hold a high level of HQLA, primarily cash, balances with the Central Bank, and sovereign and central bank securities.

Figure 52. LCR Position of the Banking Industry

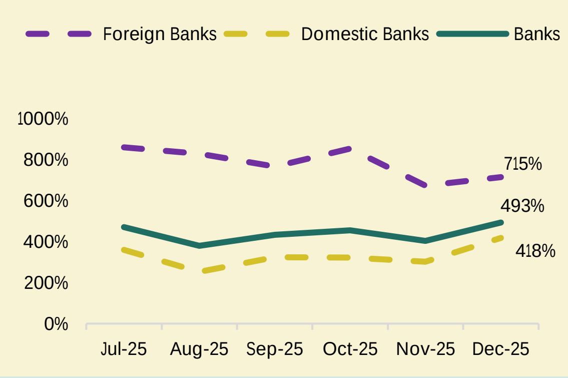
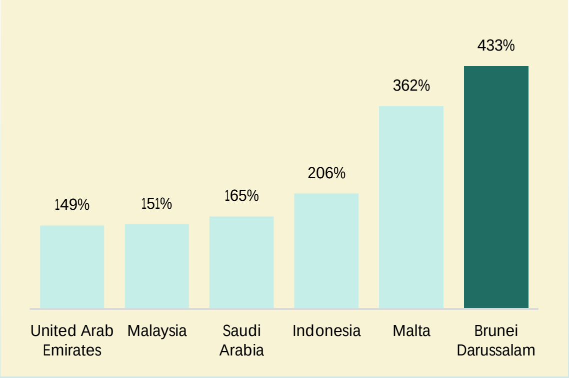


Figure 53. LCR Positions across selected jurisdictions



Integration into the BDCB Supervisory Process

Going forward, the LCR framework will form an integral part of the Central Bank's supervisory toolkit. It will inform and support bank-level assessment of liquidity risk management, and contribute to system-wide monitoring of liquidity conditions across the banking industry. In particular, the broader supervisory assessment of liquidity will continue to be guided by the Central Bank's Guidelines on Liquidity Risk Management. To enhance transparency and reinforce public confidence, LCR will also be featured in the Central Bank's banking industry financial highlights, including the bi-annual Policy Statement and Statistical Bulletin.

With the completion of the Basel III LCR implementation, the Central Bank remains committed to progressively implementing the remaining components of the Basel III framework to further align the regulatory framework with international standards.

5.4 Enhancement of the Market Conduct Framework and Future Plans

Introduction

The Central Bank, as Brunei Darussalam's financial authority, plays a pivotal role in shaping responsible market behaviour and safeguarding consumers' interests. A robust market conduct framework is fundamental in maintaining confidence in the financial system and in ensuring fair outcomes for consumers. It also reinforces the expectation that banks and financial institutions (FIs) act responsibly, treat consumers fairly, and uphold the highest standards of ethics in delivering financial products and services.

The Central Bank's market conduct framework is anchored on several regulatory instruments, including:

Notice on Market Conduct

This Notice outlines how banks and FIs should treat financial consumers. It sets the expectations for:

- Fair treatment of consumers, requiring banks and FIs to act honestly, professionally, and in the best interest of consumers;
- Clear and transparent disclosures, including terms and conditions, fees and charges, risks, and non-misleading or false advertising; and
- Protection of personal data, which requires strong safeguards and clear communication of privacy policies.

Notice for the Establishment of a Complaints Handling Function within FIs

This Notice requires, among others, banks and FIs to implement proper channels for consumers to lodge complaints and to ensure that complaints are handled fairly and promptly.

Guidelines on Fit and Proper Criteria for FIs Frontline Staff

These Guidelines ensure high professional standards in staff-consumer interactions. Staff who deal directly with consumers should be competent, knowledgeable, and professionally qualified, with the ability to explain product features and risks accurately, and to serve customers in an ethical manner.

Guidelines on Responsible Lending for Banks/Islamic Banks/Finance Companies

In line with the requirement for suitability and affordability assessments, these guidelines emphasise how consumers should not be extended credit beyond their means. Banks and finance companies are required to assess consumers' financial capacity and risk profile, while promoting lending practices that support long-term financial resilience and prevent excessive indebtedness.

Guidelines on Product Transparency and Disclosure for Banks/Islamic Banks/Finance Companies/Insurance Companies/Takaful Operators

Supporting the Notice on Market Conduct, these guidelines aim to empower consumers to make informed financial decisions and strengthen transparency by requiring:

- Clear, accurate, easy-to-understand product information;
- Plain-language product disclosure sheets; and
- Balanced communication of product features, risks, fees, and penalties.

The Central Bank remains committed to strengthening consumer protection, promoting transparency, ensuring the fair treatment of financial consumers and providing effective redress mechanisms. However, as financial products become increasingly complex and service delivery processes more sophisticated, the Central Bank will continuously review and enhance its market conduct framework to ensure alignment with international regulatory standards and best practices while safeguarding consumers. These ongoing efforts aim to reinforce consumers' trust and contribute to the stability and integrity of Brunei Darussalam's financial system.

An effective market conduct framework is rooted in strong consumer protection principles. The Central Bank continues to enhance this framework by focusing on key areas that directly shape consumer experience, including:

Fair Treatment of Financial Consumers

As financial products become more innovative and complex, consumers may struggle to fully understand them and their associated risks, leading to significant information gaps when dealing with banks and other financial institutions. Under the principle of fair treatment, financial consumers, including vulnerable groups, are protected from exploitative practices such as aggressive sales tactics, unfair contract terms that favour FIs, and the mis-selling of products and services.

Embedding fairness within institutional culture encourages businesses to be responsible for their conduct and uphold stronger ethical standards. Additionally, FIs that implement fairness into their corporate culture and operations are better positioned to design suitable products, provide transparent information, and maintain long-term relationships with their customers.

The Central Bank is currently reviewing enhancements to the Notice on Market Conduct to incorporate protectionary measures for vulnerable consumers, strengthened standards for consumer treatment, internal conduct and culture requirements, and well as more robust suitability and affordability requirements. Following this, the Central Bank plans to issue a new notice on the fair treatment of financial consumers in 2026, which will outline the following key objectives:

- Promote a consumer-centric culture that is inclusive and supportive of vulnerable consumers, ensuring consumers' interests are embedded within the business strategies and operations of FIs;
- Cultivate high standards of responsibility and professional conduct within FIs;
- Set expectations for FIs to effectively manage conduct risk; and
- Provide consumers with confidence that FIs exercise due care, skill, and diligence and act fairly in their dealings with financial consumers.

Enhancing Disclosures and Transparency Standards

Effective disclosure, through clear, accurate, and timely information, is crucial as it empowers consumers to make well-informed financial decisions. Transparency in products and services offered also reduces information asymmetry, which refers to the imbalance between what the FIs know and what consumers understand. Without proper disclosure and transparency, consumers may enter financial arrangements without fully understanding the product, increasing the likelihood of harm, dissatisfaction, and disputes.

The Central Bank's Guidelines on Product Transparency and Disclosure entail a comprehensive product disclosure regime aimed at improving information disclosure to retail consumers on products and services offered by banks, touching on recommended disclosure requirements and standards for product disclosure sheets. The guidelines support the provisions on disclosure and transparency provisions under the Notice on Market Conduct. As these guidelines are only recommended best practices, they allow FIs the flexibility to adopt them in ways that best suit their operational context.

As part of the Central Bank's efforts to scale up the market conduct framework, it is exploring measures to impose stronger obligations on product transparency and disclosures to FIs, thereby enhancing consumer protection and supporting informed financial decision-making.

Protection of Personal Data and Information

Consumer trust is influenced, amongst others, by how effectively FIs safeguard and manage personal data, particularly as more consumer-facing processes, including consumer onboarding, transition to digital channels. In addition to ensuring that consumers' personal data is securely used and stored, FIs must implement robust data protection measures to mitigate the risks of fraud and misuse. Any unauthorised disclosure of consumers' personal data by a FI would constitute a breach towards the Central Bank's administered laws and regulations.

In this regard, the Central Bank has issued the Guidelines on Technology Risk Management, which provides guidance to FIs on managing risks associated with the use of information technology for providing essential services to consumers, including services offered via digital channels. For personal data, the guidelines also set out expectations on clear purpose and consent for data collection, supported by privacy policies, as well as secure storage and transmission of consumer information.

With the enactment of the new Personal Data Protection Act (2025), which aims to empower individuals in controlling how private sector organisations collect, use, and disclose their personal data, there is an opportunity for the Central Bank to align its expectations with national legislation and further tailor its provisions on data protection specifically for the financial sector. In doing so, FIs would adopt consistent, sector-appropriate standards for safeguarding consumer information, strengthen accountability across all data-handling processes, and reinforce public trust in the integrity and security of the financial system.

The Central Bank remains steadfast in safeguarding consumers' personal data, ensuring that any future enhancements to its data protection expectations remain relevant, forward-looking, and responsive to the evolving risks and developments within the financial industry.

Market Conduct Supervision

As part of its ongoing supervisory responsibilities, the Central Bank monitors FIs through onsite and offsite supervision to assess compliance with market conduct requirements and delivery of fair outcomes for consumers.

Onsite supervision involves targeted inspections to evaluate adherence to applicable notices, review internal controls and frontline practices, and identify potential misconduct. These inspections are conducted based on supervisory priorities, including findings from complaints and emerging risks.

This is complemented by continuous offsite supervision, which focuses on monitoring conduct risks. Key tools include the assessment of products and fees to ensure proper disclosure and transparency, as well as analysis of consumer complaints and media monitoring to identify misconduct or unlicensed activities. Collectively, these supervisory activities enable early identification of conduct risks, timely supervisory intervention, and promote responsible behaviour by FIs, thereby strengthening consumer protection and public confidence in the financial system.

Policy Considerations

Looking ahead, the Central Bank remains committed to enhancing its consumer protection framework by continuously reviewing and strengthening existing laws and regulations, as well as introducing new measures where necessary to address emerging market trends and arising conduct issues, ensuring they align with international standards and best practices.

Through this ongoing commitment, the Central Bank seeks to reinforce consumer trust and confidence, while supporting the development of a resilient and inclusive financial sector that serves the long-term interests of consumers.

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Annex

Banks

Trends in the Financial Soundness Indicators: 2021-2025

Year	2021	2022	2023	2024	2025
Capital Adequacy	in percentage (%)				
Tier 1 Capital to Risk Weighted Assets	21.8	20.6	21.1	19.5	19.1
Regulatory Capital to Risk Weighted Assets	22.1	20.9	21.4	19.6	19.2
Non-Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	4.9	5.7	4.4	3.0	2.3
Credit Quality	in percentage (%)				
Non-Performing Loans/Financing to Gross Loans/Financing	3.6	3.3	2.6	2.0	1.7
Net Non-Performing Loans/Financing to Gross Loans/Financing	1.9	2.1	1.6	1.1	0.8
Provision Coverage	47.1	37.8	37.2	45.8	53.0
Profitability	in percentage (%)				
Return on Assets (Before tax)	1.3	1.3	2.1	1.9	1.5
Return on Equity (After tax)	8.6	9.3	13.7	11.8	9.7
Efficiency Ratio	57.1	57.7	46.1	47.7	54.5
Liquidity	in percentage (%)				
Liquid Assets to Total Assets	45.5	43.7	43.6	44.0	39.2
Liquid Assets to Total Deposits	54.0	51.8	53.2	55.5	49.2
Liquid Assets to Demand and Savings Deposits (Non-bank customers)	84.0	94.9	91.9	98.2	87.0
Loans/Financing to Deposits Ratio	37.3	36.5	43.7	46.2	50.5

Banks

Aggregated Banks' Balance Sheet: 2021-2025

	2021	2022	2023	2024	2025
	Total Assets (in BND millions)				
Cash and Bank Balances	3,256	3,207	2,013	1,540	1,993
Placement with banks	6,243	6,341	6,223	6,661	5,667
Investments	3,474	4,059	3,919	4,251	4,415
Loans/Financing (Net)	5,951	6,265	7,002	7,560	8,488
Other Assets	442	800	661	870	755
Total Assets	19,365	20,672	19,817	20,882	21,318
	Total Assets (% of total)				
Cash and Bank Balances	16.8	15.5	10.2	7.4	9.3
Placement with banks	32.2	30.7	31.4	31.9	26.6
Investments	17.9	19.6	19.8	20.4	20.7
Loans/Financing (Net)	30.7	30.3	35.3	36.2	39.8
Other Assets	2.3	3.9	3.3	4.2	3.6
Total Assets	100.0	100.0	100.0	100.0	100.0
	Total Assets (% change)				
Cash and Bank Balances	+36.7	-1.5%	-37.2	-23.5	+29.4
Placement with banks	-7.9	+1.6%	-1.9	+7.0	-14.9
Investments	+17.4	+16.9%	-3.5	+8.5	+3.9
Loans/Financing (Net)	+5.1	+5.3%	+11.8	+8.0	+12.3
Other Assets	-15.6	+81.2%	-17.4	+31.8	-13.2
Total Assets	+5.8	+6.7	-4.1	+5.4	+2.1
	Total Liabilities (in BND millions)				
Deposits	16,322	17,464	16,252	16,568	17,010
Borrowing and Other Liabilities	676	820	968	1,549	1,434
Capital Funds	2,368	2,387	2,596	2,735	2,874
Total Liabilities	19,365	20,672	19,817	20,882	21,318
	Total Liabilities (% of total)				
Deposits	84.3	84.5	82.0	79.5	79.8
Borrowing and Other Liabilities	3.5	4.0	4.9	7.4	6.7
Capital Funds	12.2	11.5	13.1	13.1	13.5
Total Liabilities	100.0	100.0	100.0	100.0	100.0
	Total Liabilities (% change)				
Deposits	+11.3	+7.0	-6.9	+2.1	+2.5
Borrowing and Other Liabilities	-49.1	+21.3	+18.0	+60.2	-7.4
Capital Funds	+2.4	+0.8	+8.8	+5.3	+5.1
Total Liabilities	+5.8	+6.7	-4.1	+5.4	+2.1

Banks

Aggregated Banks' Income and Expense Statement: 2021-2025

	2021	2022	2023	2024	2025
	(in BND millions)				
Total Income	570	644	931	927	865
Total Expenses	329	393	527	561	560
Profit before tax	233	252	411	381	314
Profit after tax	208	218	346	326	276
	% of total average assets				
Total Income	3.0	3.2	4.8	4.6	4.2
Total Expenses	1.8	2.0	2.7	2.8	2.7
Profit before tax	1.3	1.3	2.1	1.9	1.5
Profit after tax	1.1	1.1	1.8	1.6	1.3
	% change				
Total Income	-10.7	+13.8	+44.4	-0.4	-6.8
Total Expenses	-5.1	+19.4	+33.9	+6.5	-0.3
Profit before tax	-14.1	+8.0	+63.0	-7.2	-17.7
Profit after tax	-11.8	+5.0	+58.6	-5.7	-15.5

Distribution of Total Offshore Assets by Type of Instruments: 2021-2025

	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
	(in millions)					(% total of assets)				
Placements	5,521.4	5,807.1	5,350.6	5,644.9	4,570.9	28.5	28.1	27.0	27.0	21.4
Investments	3,124.1	3,699.5	3,477.9	3,800.9	3,960.8	16.1	17.9	17.5	18.2	18.6
Loans/ Financing	767.2	794.9	1305.1	1824.1	2,690.1	4.0	3.8	6.6	8.7	12.6
Other Assets*	611.2	515.4	389.1	273.5	353.4	3.2	2.5	2.0	1.3	1.7
Total Offshore Assets	10,023.9	10,816.9	10,522.7	11,623.8	11,579.2	51.8	52.3	53.1	55.7	54.3
Total Assets	19,365.4	20,672.3	19,817.1	20,874.2	21,318.1	100.0	100.0	100.0	100.0	100

Finance Companies

Trends in the Financial Soundness Indicators (Finance Companies): 2021-2025

Year	2021	2022	2023	2024	2025
Capital Adequacy	in percentage (%)				
Tier 1 Capital to Risk Weighted Assets	n/a	13.5	13.5	14.2	13.5
Regulatory Capital to Risk Weighted Assets	n/a	14.0	13.9	14.6	13.6
Non-Performing Loans/Financing (Net of Specific Provisions) to Capital Funds	-1.8	-3.1	-2.4	-1.3	0.5
Credit Quality	in percentage (%)				
Non-Performing Loans/Financing to Gross Loans/Financing	0.8	0.4	0.5	0.5	1.0
Net Non-Performing Loans/Financing to Gross Loans/Financing	-0.3	-0.6	-0.4	-0.2	0.1
Provision Coverage	136.0	236.6	178.4	146.8	90.9
Profitability	in percentage (%)				
Return on Assets (Before tax)	3.2	3.0	2.1	2.1	1.5
Return on Equity (After tax)	22.5	23.1	11.2	13.3	11.3
Efficiency Ratio	39.3	43.4	56.8	60.5	62.0
Liquidity	in percentage (%)				
Liquid Assets to Total Assets	23.9	13.7	12.4	10.5	11.2
Liquid Assets to Total Deposits	27.8	16.8	15.0	12.8	13.2
Loans/Financing to Deposits	79.1	94.4	95.1	97.0	94.0

Finance Companies

Aggregated Finance Companies' Balance Sheet: 2021-2025

	2021	2022	2023	2024	2025
	Total Assets (in BND millions)				
Cash and Bank Balances	162	138	154	158	184
Placements	477	235	194	170	185
Investments	-	-	-	-	-
Loans/Financing (Net)	1,546	1,574	1.680	1,799	1,919
Other Assets	48	52	62	77	76
Total Assets	2,233	1,999	2,090	2,204	2,364
	Total Assets (% of total)				
Cash and Bank Balances	7.3	6.9	7.4	7.2	7.8
Placement with banks	21.3	11.8	9.3	7.7	7.8
Investments	-	-	-	-	-
Loans/Financing (Net)	69.2	78.7	80.4	81.6	81.1
Other Assets	2.2	2.6	3.0	3.5	3.2
Total Assets	100.0	100.0	100.0	100.0	100.0
	Total Assets (% change)				
Cash and Bank Balances	+4.9	-15.0	+11.4	+2.8	+16.4
Placement with banks	+34.1	-5065	-17.5	-12.7	+9.4
Investments	0.0	0.0	0.0	0.0	0.0
Loans/Financing (Net)	+0.8	+1.8	+6.7	+7.1	+6.6
Other Assets	+17.6	+6.4	+20.4	+24.5	-1.2
Total Assets	+7.1	-10.5	+4.6	+5.5	+7.3
	Total Liabilities (in BND millions)				
Deposits	1,918	1,633	1,731	1,816	2,003
Borrowing and Other Liabilities	58	81	77	78	45
Capital Funds	259	284	282	311	316
Total Liabilities	2,233	1,999	2,090	2,204	2,364
	Total Liabilities (% of total)				
Deposits	85.9	81.7	82.8	82.4	84.7
Borrowing and Other Liabilities	2.5	4.1	3.7	3.5	1.9
Capital Funds	11.6	14.2	13.5	14.1	13.4
Total Liabilities	100.0	100.0	100.0	100.0	100.0
	Total Liabilities (% change)				
Deposits	+7.5	-14.8	+6.0	+4.9	+10.3
Borrowing and Other Liabilities	+4.9	+40.7	-5.4	+0.8	-42.0
Capital Funds	+4.6	+9.9	-0.7	+10.1	+1.8
Total Liabilities	+7.1	-10.5	+4.6	+5.5	+7.3

Finance Companies

Aggregated Finance Companies' Income and Expense Statement: 2021-2025

	2021	2022	2023	2024	2025
			(in BND millions)		
Total Income	115.4	111.5	114.2	120.0	125.9
Total Expenses	49.3	53.5	76.5	83.7	88.8
Profit before tax	69.8	65.1	42.3	44.8	34.7
Profit after tax	57.0	59.8	31.6	38.4	34.4
			% of total average assets		
Total Income	5.3	5.2	5.3	5.6	5.6
Total Expenses	2.3	2.5	3.6	3.9	3.9
Profit before tax	3.2	3.0	2.0	2.1	1.5
Profit after tax	2.6	2.8	1.5	1.8	1.5
			% change		
Total Income	-0.5	-3.4	+2.4	+5.1	+4.9
Total Expenses	-11.4	+8.5	+43.1	+9.3	+6.2
Profit before tax	+11.0	-6.7	-35.0	+5.8	-22.5
Profit after tax	+12.2	+4.9	-47.1	+6.1	-10.4

Takaful & Insurance

Takaful and Insurance Industry Financial Performance

Indicator	2021	2022	2023	2024	2025
Assets	1,975.9	1,882.3	2,020.2	2,131.2	2,177.8
Gross Premium	309.6	329.7	339.4	346.4	349.8
Gross Claims/Benefits	106.3	101.6	142.4	130.5	150.01
Gross Premiums/Contributions	309.6	329.7	339.4	346.4	349.8
Business Ceded Outside Brunei	75.6	72.6	75.1	56.3	62.46
Net Investment Income	54.3	68.0	52.3	67.7	-34.7
Underwriting Income	102.9	26.2	50.6	91.7	119.1
Net Income/(Loss)	64.9	24.2	40.0	57.5	87.7

Cash and Investments Ratio to Total Assets

Instruments	2021	2022	2023	2024	2025
			(in BND millions)		
Cash	299.5	341.3	329.4	359.0	332.1
Investments	1,469.0	1,302.7	1,448.5	1,610.9	1711.7
Total Assets	1,975.9	1,882.3	2,020.2	2,131.1	2,177.8
% ratio to total assets	89.5%	87.3%	88.0%	92.4%	93.9%