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EXECUTIVE SUMMARY

In Q1 10, the Government experienced a fiscal deficit of B\$368.9 million due to a significant increase in Total Expenditure of 60.1 percent to B\$2,421.4 million which offset the increase of Total Revenue by 57.6 percent to B\$2,052.5 million. Again, the Oil and Gas Sector continued to be the main source of income for the nation, contributing B\$1,917.3 million (93.4 percent) towards Total Revenue whereas revenue from the Non-Oil and Gas Sector stood at B\$135.2 million.

In continuing its efforts to develop Brunei Darussalam's Capital Market, the Government of His Majesty issued series 42 of its Government Short Term Sukuk Al-Ijarah (91 days maturity) valued at B\$70 million. This brings the aggregate amount of Sukuk Al-Ijarah issued since the maiden offering in April 2006 to B\$2.081 billion. With regards to foreign exchange, the Brunei Dollar strengthened against the US Dollar, the Pound Sterling, the Euro, the Australian Dollar as well as major Asian currencies - the Japanese Yen and the Hong Kong Dollar. On the other hand, it weakened against the Thai Baht, the Indonesian Rupiah and the Philippine Peso. On money supply, Currency in Circulation decreased slightly by 0.58 percent to B\$948.42 million and Broad Money increased by 3.63 percent due to the increase in Quasi Money.

In the Banking Sector, Total Banking Assets increased by 5.4 percent q-o-q to B\$16.5 billion with Total Deposits following the trend, increasing by 6.1 percent q-o-q to B\$14.4 billion. Total Loans, however, decreased by 1.6 percent to B\$5.6 billion. Asset quality improved marginally this quarter shown by a decrease in the NPA ratio by 0.2 percentage points q-o-q to 10.1 percent. The Insurance and Takaful Industry showed positive growth in Total Assets and Total Gross Premiums with increases of 4.0 percent and 49.8 percent, respectively. Conversely, Total Gross Claims decreased by a marginal 0.4 percent.

GLOBAL ECONOMIC REVIEW

In Q1 10, the global economy continued to undergo a multi-speed recovery due to the variation in the monetary and fiscal policy stimuli undertaken and improvements in global economic activity. This brought about improvements in the world trade volumes whereby it grew by 5.3 percent compared to the previous quarter which was greatly beneficial to the Asian economies, who became pioneers of the global recovery. However, uncertainties in the sustainability of future growth still remain as new risks such as the growing sovereign debts emerged. Brent Crude Oil prices stood at USD 77.8 per barrel in March.

Economic growth in the United States in Q1 10 moderated to 3.7 percent q-o-q from 5.0 percent due to the decline in Government expenditure and net trade. Private investment accounted for more than half of the overall increase in GDP which increased by 29.1 percent q-o-q marked by a high rise in investment for equipment and software. The Annual Consumer Price Index (CPI) inflation rose to 2.3 percent in March attributed to the rise in price of fruit and vegetables and base effects from energy prices. The US Federal Open Market Committee maintained its overnight target range at 0 to 25 bps, with the view that resource utilisation and inflation rates are low and stable.

The Eurozone economy grew by a modest rate of 0.2 percent q-o-q despite the growing concern over sovereign debt crisis in the Euro. The modest rise in GDP was mainly attributed to the rise in industrial production and government's final expenditure by 0.8 percent and 0.2 percent q-o-q respectively. However, despite an increase in exports of 2.1 percent q-o-q, due to improvements in the global trade and a depreciated Euro value, imports rose by a greater proportion of 3.8 percent q-o-q which contributed negatively to the overall GDP. Annual Harmonized Index of Consumer prices (HICP) inflation rates in Q1 10 rose to 1.1 percent from 0.4 percent in the previous quarter which reflected the rise in energy prices. Since slashing its rate by 25 bps in May 2009, the European Central Bank (ECB) decided to maintain its overnight rates at 1.0 percent.

In Q1 10, the United Kingdom's GDP grew by 0.3 percent q-o-q which was mainly driven by the positive contribution from inventories and strong industrial production. However household expenditure and net trade remained weak and contributed negatively to the overall GDP. Annual CPI inflation on the other hand rose from 3.0 percent in February to 3.4 percent in March which is mainly attributed by the rise in energy prices and the expiration of temporary VAT reduction. The Bank of England maintained its policy stance, with its official bank rate at 0.5 percent and stock of asset purchases at GBP 200 billion.

The Japanese economy expanded by 1.2 percent q-o-q due to strong net exports of goods and services as well as private demand which accounted for 0.7 percentage point of quarterly real GDP growth and 0.5 percentage point, respectively. However, despite this, CPI inflation fell into the negative territory as it decreased by -1.2 percent y-o-y in March. The Bank of Japan decided to

leave its overnight rate unchanged at around 0.1 percent as of 21st May 2010. Although the positive effects of fiscal stimuli are expected to weaken, Japan is expected to be on a recovery trend over the course of the year.

In China, real GDP growth accelerated to 11.9 percent y-o-y in Q1 10. This is seen as the result of continued fiscal stimuli as well as an increasingly self-sustaining private domestic demand. In conjunction with this, China's CPI inflation also continued to rise registering at 2.4 percent y-o-y in March. Negative real interest rates have been a major cause for this which has prompted monetary authorities to introduce a wide range of administrative measures aimed at cooling down markets.

For the ASEAN region, two of the ASEAN-4 nations, Thailand and Malaysia, registered double-digit GDP growth of 12 percent and 10.1 percent y-o-y, respectively. These growth rates were attributed to strong domestic demand across the region. Headline inflation rate rose across the region in Q1 10 but continued to be relatively low and manageable, registering at 3 percent y-o-y. Industrial production also showed good growth registering at roughly 20 percent y-o-y for the ASEAN-4 nations, prompting suggestions that growth rates for Q2 10 will also be buoyant.

In the Newly Industrialized Economies (NIE), namely Hong Kong, Republic Korea, Singapore and Taipei, all four nations registered GDP growth rates of 16.9 percent, 13.3 percent 8.0 percent and 5.7 percent y-o-y, respectively. As with the rest of the Asian region, this was attributed to strong domestic demand coupled with other contributing factors such as strong consumption, 5.3 percent y-o-y and surging investment, 14.7 percent y-o-y for the NIE bloc.

Table 1.1: REAL Gross Domestic Product (GDP)
(percent change quarter-on-quarter)

	2009				2010
	Q1	Q2	Q3	Q4	Q1
United States	-4.9	-0.7	1.6	5.0	3.7
Euro	-2.5	-0.1	0.4	0.1	0.2
United Kingdom	-2.5	-0.6	-0.3	0.1	0.3
Japan	-3.1	0.7	-0.1	1.1	1.2

Source: Bureau of Economic Analysis; Eurostat; National Statistics UK; Cabinet Office, Japan

FISCAL SECTOR DEVELOPMENTS

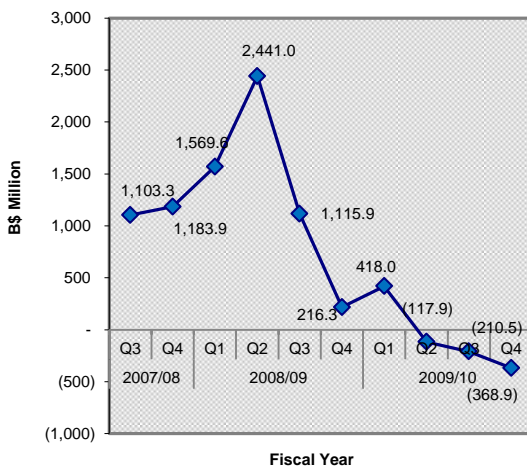
OVERVIEW

- Fiscal deficit was recorded at B\$368.9 million in Q4 FY 09/10.
- Total Government Revenue increased to B\$2,052.5 million and Total Government Expenditure increased to B\$2,421.4 million.
- 93.4 percent of Total Government Revenue was generated from Oil & Gas sector and 6.6 percent from Non-Oil sector.

FISCAL POSITION

In Q4 FY 09/10, the Government experienced a fiscal deficit of B\$368.9 million due to a significant increase in Total Expenditure of 60.1 percent q-o-q to B\$2,421.4 million which offset the increase in Total Revenue which grew by 57.6 percent q-o-q to B\$2,052.5 million.

Figure 2.1: Surplus/Deficit Balances



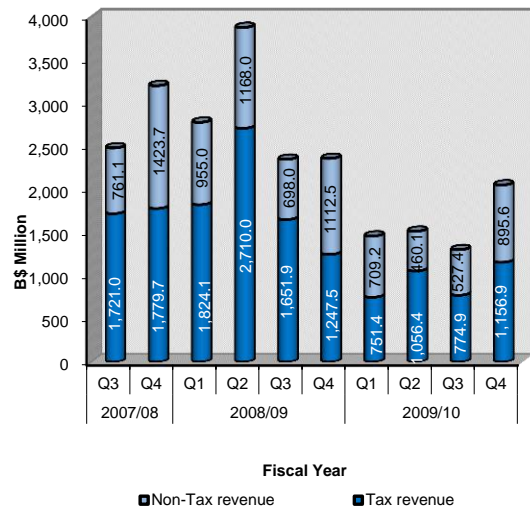
Source: Treasury Department, Ministry of Finance

GOVERNMENT REVENUE

The Total Government Revenue for Q4 FY 09/10 amounted to B\$2,052.5 million, an increase of 57.6 percent q-o-q. These changes can be explained by the changes in its components which comprises tax and non-tax revenue.

- Tax revenue for Q4 FY 09/10 amounted to B\$1,156.9 million, an increased of 49.3 percent q-o-q from B\$ 775.0 million.
- On the other hand, non-tax revenue generated B\$895.6 million for Q4 FY 09/10, a growth of 69.8 percent q-o-q from B\$527.4 million.
- The combined growth in both tax revenue and non-tax revenue have resulted in a rise in Total Government Revenue by B\$750.2 million.

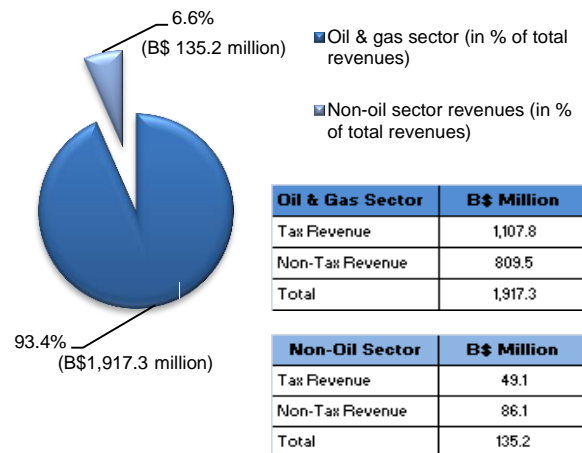
Figure 2.2: Tax Revenue & Non-Tax Revenue, Q3 FY2007/08 – Q4 FY 2009/10



Source: Treasury Department, Ministry of Finance

- As shown in Figure 2.3, most of the total revenue was generated from the Oil and Gas Sector which amounted to B\$1,917.3 million.
- Whereas the Non-Oil sector contributed 6.6 percent at B\$135.2 million.

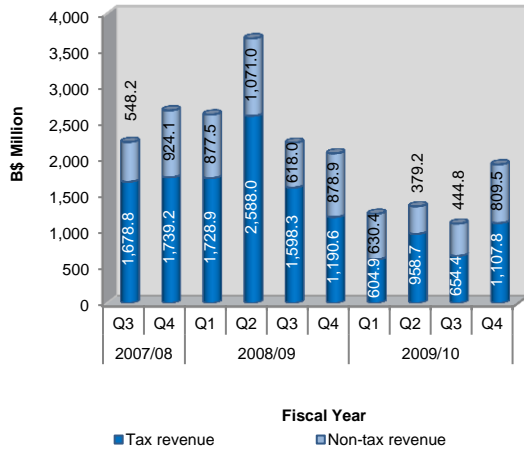
Figure 2.3 Percentage Proportion of Total Revenue Q4 2009/10



Source: Treasury Department, Ministry of Finance

- In Figure 2.4, Oil and Gas sector tax revenue for Q4 FY 09/10 amounted to B\$1,107.8 million, an increase of 69.3 percent q-o-q from B\$654.4 million.
- In addition, non-tax revenue from Oil and Gas sector for Q4 FY 09/10 of B\$809.5 million increased by 82.0 percent q-o-q from B\$444.8 million.

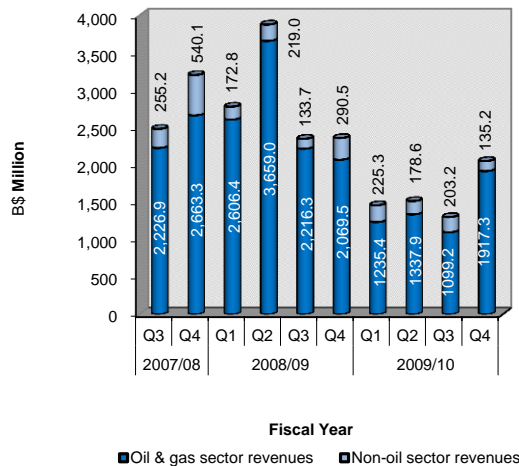
Figure 2.4: Tax and Non-Tax Revenue from the Oil & Gas Sector, Q3 FY2007/08 – Q4 FY2009/10



Source: Treasury Department, Ministry of Finance

- Meanwhile, for the Non-Oil sector tax revenue generated for Q4 FY 09/10 amounted to B\$49.1 million, a decline of 59.3 percent from B\$120.6 million.
- Non tax revenue from Non-Oil sector for Q4 FY 09/10 recorded at B\$86.1 million, an increase of 4.2 percent from B\$82.6 million.

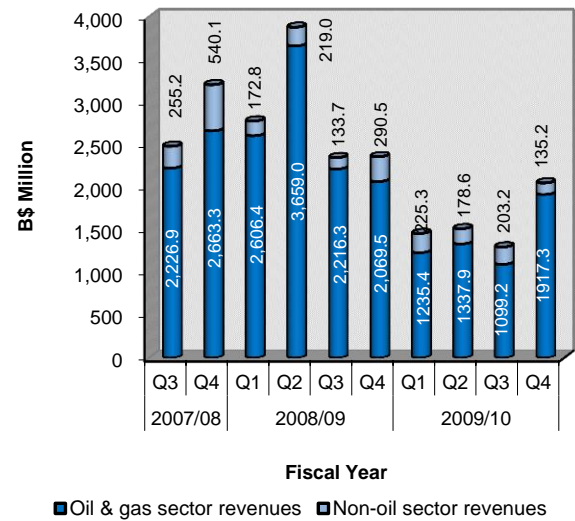
Figure 2.5: Oil and Gas Sector Revenue and Non-Oil Sector Revenues, Q3 FY 2007/08 – Q4 FY 2009/10



Source: Treasury Department, Ministry of Finance

- Overall, Oil and Gas sector revenue for Q4 FY 09/10 totalled at B\$1,917.3 million, an increase of 74.4 percent q-o-q from B\$1,099.2 million.
- Whereas, Non-Oil sector revenue of B\$135.2 million for Q4 FY 09/10 declined by 33.5 percent q-o-q from B\$203.2 million.

Figure 2.6: Oil & Non-Oil Sector Revenues, Q3 FY 2007/08 - Q4 FY2009/10



Source: Treasury Department, Ministry of Finance

Table 2.1 : Budgeted & Actual Revenue Comparison

	Budgeted Current Revenue (B\$ million) FY 2009/10	Actual Current Revenue (B\$ million) FY 2009/10	Proportion of Revenue Collected (%)
Total Revenue	4,000.4	6,331.9	158.3
Tax Revenue	2,512.0	3,739.6	148.9
Non-Tax Revenue	1,488.4	2,592.3	174.2

	Budgeted Revenue (B\$ million) Q4 FY 2009/10	Actual Revenue (B\$ million) Q4 FY 2009/10	Proportion of Revenue Collected (%)
Total Revenue	1,000.1	2,052.5	205.2
Tax Revenue	628.0	1,156.9	184.2
Non-Tax Revenue	372.1	895.6	240.7

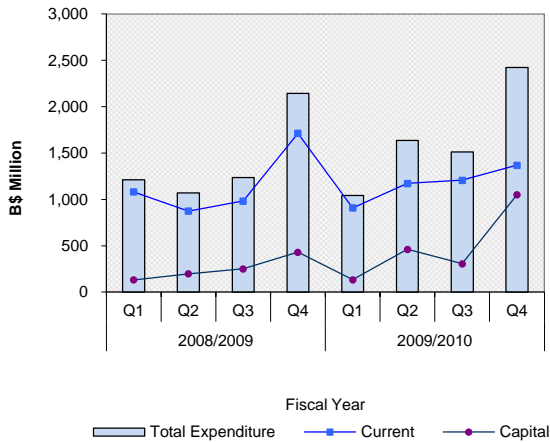
Source: Expenditure Division; and Treasury Department, Ministry of Finance

From Table 2.1, it can be observed that the Total Government Revenue collected for Q4 FY 09/10 exceeded the estimated budget by 105.2 percent (B\$1,052.4 million).

GOVERNMENT EXPENDITURE

In Q4 FY 09/10, Total Government Expenditure was recorded at B\$242.1 million, corresponding to an increase of 60.1 percent q-o-q and 12.9 percent y-o-y.

Figure 2.7: Government Expenditure, Q1 FY08/09 – Q4 FY09/10



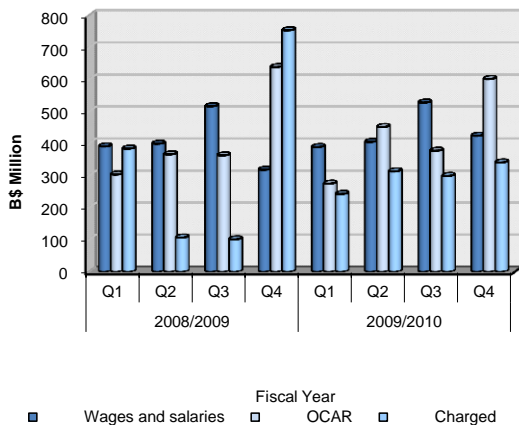
Source: Treasury Department, Ministry of Finance

Current Expenditure

Current Expenditure stood at B\$1,369.2 million, an increase of 13.5 percent q-o-q. This was attributed to an increase in Other Charges Annually Recurrent (OCAR) by 59.2 percent q-o-q, representing 43.9 percent of Current Expenditure.

Personal/ Emoluments decreased by 19.6 percent from B\$528.7 million to B\$425.2 million, contributing 31.1 percent of Current Expenditure. However, when compared on a y-o-y basis, it increased by 33.3 percent mainly due to the introduction of Supplemental Contributory Pension in January 2010. Charged Expenditure increased by 14.0 percent q-o-q contributing 25.0 percent of Current Expenditure.

Figure 2.8: Actual Current Expenditure Q1 FY08/09 – Q4 FY09/10



Source: Treasury Department, Ministry of Finance

Table 2.2: Budgeted & Actual Current Expenditure Comparison

	Budgeted Current Exp	Actual Current Exp	Proportion of Budget Utilised
	FY 09/10 (million)	Up to Q4 09/10 (million)	(%)
Current Expenditure	4,012.8	4,657.1	116.1
Personal/ Emoluments	1,787.3	1,749.7	97.9
OCAR	1,556.3	1,708.7	109.8
Charged	669.2	1,198.7	179.1
	Q4 09/10	Q4 09/10	(in percent)
Current Expenditure	1,003.2	1,369.2	136.5
Personal/ Emoluments	446.8	425.2	95.2
OCAR	389.1	602.2	154.8
Charged	167.3	341.8	204.3

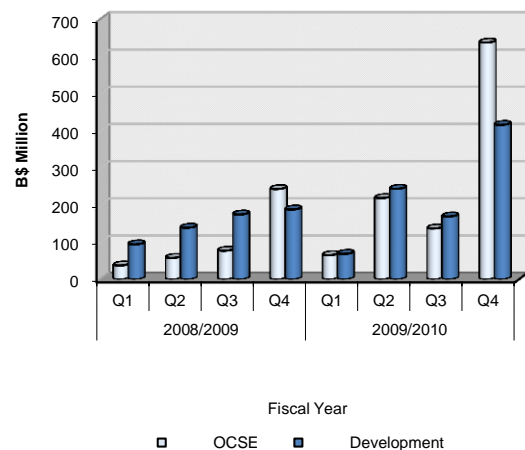
Source: Expenditure Division; and Treasury Department, Ministry of Finance

From Table 2.2, B\$4,012.8 million was allocated for FY 09/10, of which approximately 116.1 percent had been spent by the end of fourth quarter of the financial year.

Capital Expenditure

Capital Expenditure increased by 243.7 percent q-o-q from B\$306.1 million to B\$1,052.2 million due to increased spending in both Other Charges Special Expenditure and Development Expenditure by 365.2 percent and 145.5 percent q-o-q, respectively.

Figure 2.9: Actual Capital Expenditure Q1 FY08/09 – Q4 FY09/10



Source: Treasury Department, Ministry of Finance

Table 2.3: Budgeted & Actual Capital Expenditure Comparison

	Budgeted Capital Exp	Actual Capital Exp	Proportion of Budget Utilised
	FY 09/10	Up to Q4 09/10	(in percent)
Capital Expenditure	1,642.2	1,954.1	119.0
OCSE	592.2	1,057.4	178.6
Development	1,050.00	896.7	85.4

	Budgeted Capital Exp	Actual Capital Exp	Proportion of Budget Utilised
	Q4 09/10	Q4 09/10	(in percent)
Capital Expenditure	410.5	1,052.2	256.3
OCSE	148.0	636.8	430.2
Development	262.5	415.4	158.2

Source: Expenditure Division; and Treasury Department, Ministry of Finance

Overall, approximately 119.0 percent of the budgeted Capital Expenditure of B\$1,642.2 million for FY 09/10 has been utilised as of the end period Q4 FY 09/10.

MONETARY & FINANCIAL SECTOR DEVELOPMENTS

OVERVIEW

- Total Sukuk Al-Ijarah issued since April 2006 stands at B\$2.081 billion.
- Broad money increased by 3.6 percent due to the increase in quasi money.
- Total Banking Assets increased by 5.4 percent q-o-q to B\$16,491 million.
- Total Deposits increased by 6.1 percent to B\$14,447 million.
- Average NPA ratio is 10.1.
- Total Assets in the Insurance and Takaful Industry increased by 4.0 percent q-o-q.

MONETARY DEVELOPMENTS

i. Government Short Term Sukuk Al-Ijarah

A Government Short Term Sukuk Al-Ijarah valued at B\$70 million with 91 days maturity was issued in Q1 10. The aggregate amount of the Sukuk Al-Ijarah issued since the maiden offering in April 2006 up to Q1 10 was B\$2.081 billion.

Series	Issuance (B\$m)	Terms (days)	Issuance Date	Maturity Date	Rental Yield (p.a)
42	70	91	25 Mar 10	24 Jun 10	0.38%

Source: Brunei Currency and Monetary Board, Ministry of Finance

ii. Foreign exchange

Table 3.1: Brunei Dollar Against Selected Currencies			
	Q1 2009 End Of Period	Q4 2009 End Of Period	Q1 2010 End Of Period
B\$ to 1 unit of Foreign Currency			
US Dollar	1.5194	1.4034	1.4028
Pound Sterling	2.1771	2.2541	2.1143
Euro	2.0153	2.0163	1.8789
Australian Dollar	1.0463	1.2567	1.2830
B\$ to 100 unit of Foreign Currency			
Hong Kong Dollar	19.6	18.10	18.07
Indonesian Rupiah	0.013104	0.014934	0.015390
Japanese Yen	1.545	1.5194	1.5016
Philippine Peso	3.1389	3.0406	3.096
Thai Baht	4.2770	4.2094	4.3330

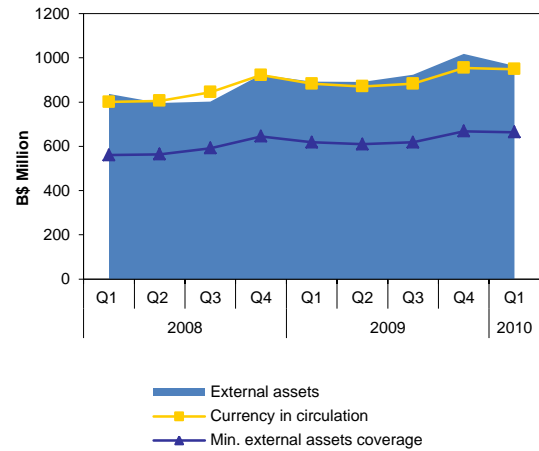
Source : The Brunei Association of Banks

On the foreign exchange, the Brunei Dollar strengthened against the US Dollar, Pound Sterling, Euro and Australian Dollar by 0.04 percent, 6.20 percent, 6.81 percent and 2.09 percent respectively.

The Brunei dollar also strengthened against major Asian currencies at 1.17 percent for the Japanese Yen and 0.17 percent for the Hong Kong Dollar. On the other hand, the Brunei Dollar weakened against the Thai Baht at 2.94 percent, the Indonesian Rupiah at 3.05 percent and the Philippine Peso at 1.82 percent.

iii. Monetary Aggregates

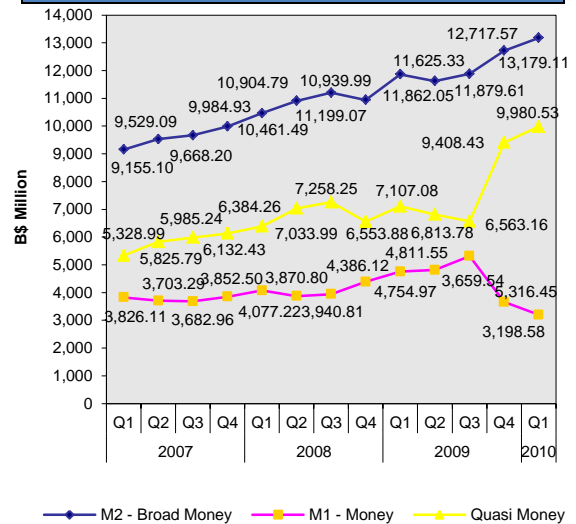
Figure 3.1: Currency in circulation (M0) and External Assets Back-up



Source: Brunei Currency and Monetary Board, Ministry of Finance

Currency in circulation (M0)¹ decreased slightly by 0.58 percent q-o-q to B\$948.42 million. The External assets of \$964.07 million provided 101.65 percent coverage to the currency in circulation. At the same time, liquid assets coverage was also well above the statutory requirement of 30 percent, which was 46.78 percent.

Figure 3.2: Monetary Aggregates



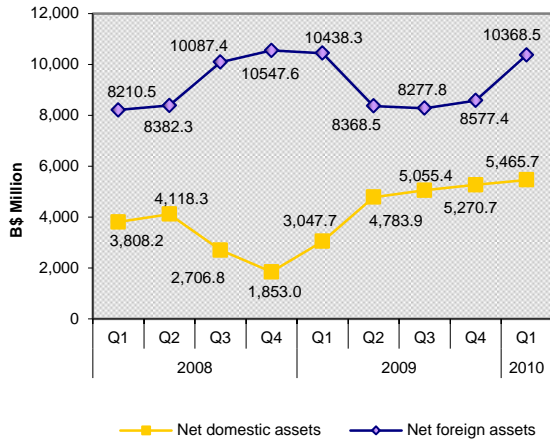
Source: Brunei Currency and Monetary Board & Financial Institutions Division, Ministry of Finance

¹ M0 = Currency in circulation outside BCMB

Net foreign assets² increased by 10.94 percent q-o-q to B\$10,368.47 millions from the previous quarter corresponding to a decrease in the Domestic claims³ by 6.24 percent.

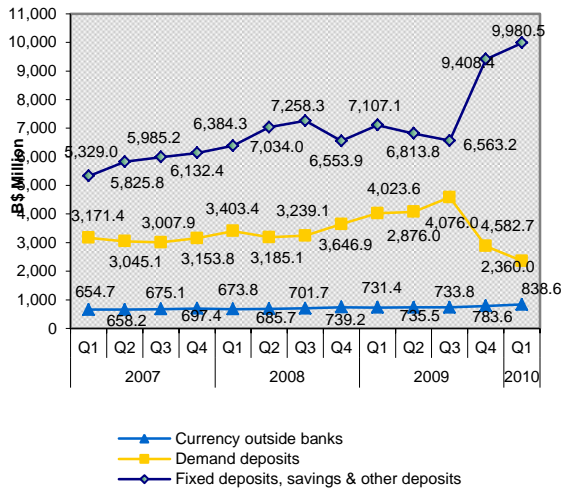
Claims on other sectors, other financial corporations and public non-financial corporations have decreased by 1.59 percent, 63.17 percent and 63.41 percent respectively. Meanwhile, claims on private sector increased by 0.34 percent.

Figure 3.3: Net Foreign Assets and Domestic Claims



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance

Figure 3.4: Components of Money and Quasi Money



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance

Broad money has increased by 3.63 percent q-o-q to B\$13,179.11 million compared to previous quarter. This is largely contributed by the increase of quasi money by 10.18 percent.

² Net foreign assets = BCMB net claims on non-residents + Commercial banks net claims on non-residents

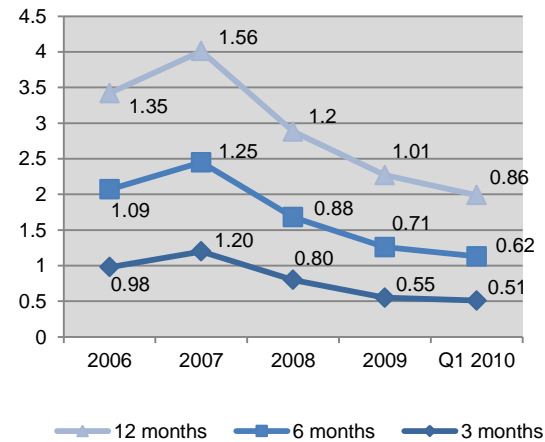
³ Domestic claims = Net claims on Government + Claims on Public Nonfinancial Corporations + Claims on Private Sector

DEPOSIT RATES

In Q1 10, the deposit rates structure of banks shifted further downwards in response to the trend in global interest rates. The 3-months and 6-months deposit rate declined by 4 basis points and 9 basis points q-o-q to 0.51 per cent and 0.62 percent in Q1 10, respectively. The short term (below 12 months) deposit rate declined by a wider margin of 15 basis points q-o-q to 0.86 percent. However, y-o-y, the 3-months deposit rate showed a wider margin of decline of 22 basis points.

Table 3.2 & Figure 3.5 : Percentage change in Brunei Fixed-Deposit Rates

Months	Q1 2009	Q4 2009	Q1 2010	y-o-y %	q-o-q %
3	0.73	0.55	0.51	-30.1%	-7.3%
6	0.73	0.71	0.62	-15.1%	-12.7%
12	1.03	1.01	0.86	-16.5%	-14.9%



Source: Financial Institutions Division & Brunei Currency and Monetary Board, Ministry of Finance

FINANCIAL SECTOR DEVELOPMENTS AND SYSTEM STABILITY

FINANCIAL SYSTEM - GROWTH TREND

Expansion in Q1 2010

Total assets of the financial institutions increased by 4.7 percent to B\$19,435 million at Q1 10. The expansion in Total Assets was the result of an increase of bank deposits which serves as the resource base for banking assets and was recorded in the government deposits sector. Licensed Banks, accounted for 84.9 per cent of total financial system assets and continued to maintain their dominant position in the financial sector.

Table 3.3 : The structure of the financial system, which is regulated by the Ministry of Finance (MOF)

FINANCIAL INSTITUTIONS				
INSTITUTIONS REGULATED BY MOF	2009		Q1 2010	
	Amount (B\$ Mil)	Percent, share of Total	Amount (B\$ Mil)	Percent, share of Total
Deposit Taking Institutions	17,401	93.8	18,238	93.8
Licensed Banks inc TAIB	15,651	84.3	16,491	84.9
Conventional	9,362	50.4	10,391	53.5
Islamic	6,289	33.9	6,101	31.4
Licensed Finance Companies	1,602	8.6	1,659	8.5
Licensed International (Off-shore) Banks	148	0.8	123	0.7
Other Financial Institutions	1,157	6.2	1,197	6.2
Insurance Companies & Takaful	999	5.4	1,039	5.3
Conventional	800	4.3	828	4.3
Takaful	199	1.1	211	1.1
International Insurance Companies	158	0.9	158	0.8
Total Assets	18,558	100.0	19,435	100.0

Source: Financial Institutions Division/Ministry of Finance

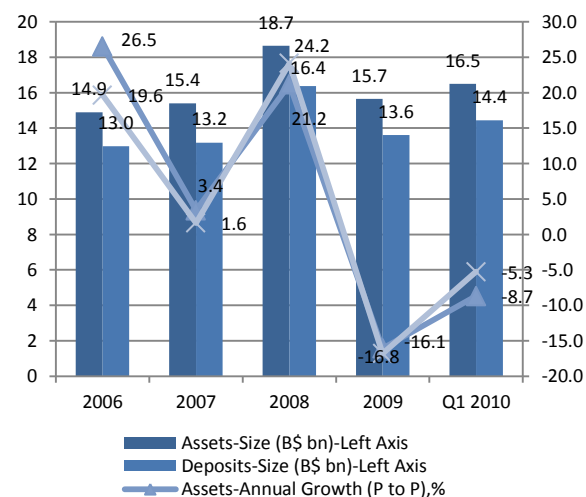
BANKING SYSTEM – growth trend

Overall, total assets and deposits showed a positive trend in Q1 10 with a first quarter increase of 5.4 percent and 6.1 percent respectively.

Table 3.4: Financial highlights of the banking sector (Q1 2010)

(In B\$ million)	Q1 2009	Q4 2009	Q1 2010	y-o-y %	q-o-q %
ASSETS	18,061	15,651	16,491	-8.7	5.4
DEPOSITS	15,251	13,618	14,447	-5.3	6.1
LOANS/ADVANCES	5,745	5,673	5,582	-2.8	-1.6

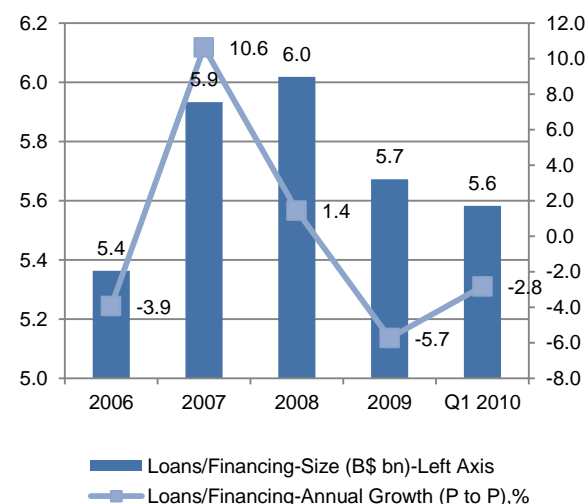
Figure 3.6: Assets and Deposit-Size and Growth



Source: Financial Institutions Division/Ministry of Finance

Credit/ Financing growth decelerating: The deceleration in credit growth continued in Q1 10 with total credit/ financing declining to B\$5,582 million by 1.6 percent q-o-q and 2.8 percent y-o-y. A greater moderation is seen in lending to the household sector as a result of the mandatory capping of personal loans. Although credit growth has declined in the recent past, financing operations still account for only 33.8 percent of bank assets as against 36.2 percent at end 2009.

Figure 3.7 : Total Loans Advances / Financing-Size & Growth



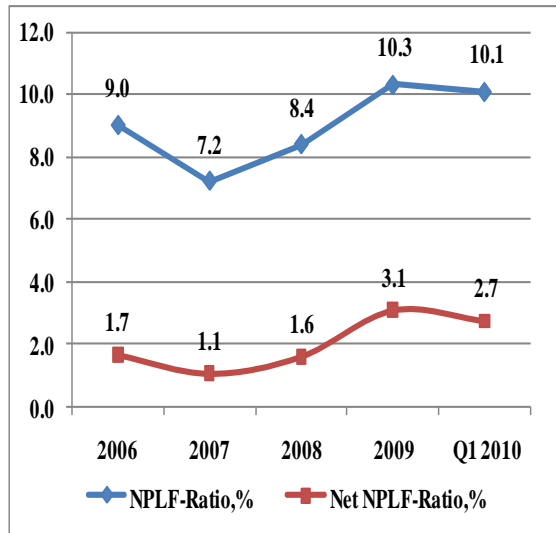
Source: Financial Institutions Division/Ministry of Finance

Direction of Credit / Financing: Personal loans within the household debt segment which represents the predominant credit exposure of the banks still remains the largest exposure at 35.9 percent of total credit / financing facilities despite the personal loans cap of 30 percent coming into effect in May 2010.

Assets Quality

Credit/ financing Risk: Asset quality of Licensed Banks improved marginally with a decrease in the gross NPA ratio in Q1 2010 to 10.1 per cent, a decrease of 0.2 percent from 2009. In absolute terms, NPA decreased by 3.4 per cent. The net NPA ratio (net of provision for NPA) decreased to 2.7 percent in Q1 10 from 3.1 percent in 2009 as a result of write-offs of hardcore NPA and an increase in loan loss provisioning.

Figure 3.8 : Trend in Gross NPLFs and Net NPLFs



Source: Financial Institutions Division/Ministry of Finance

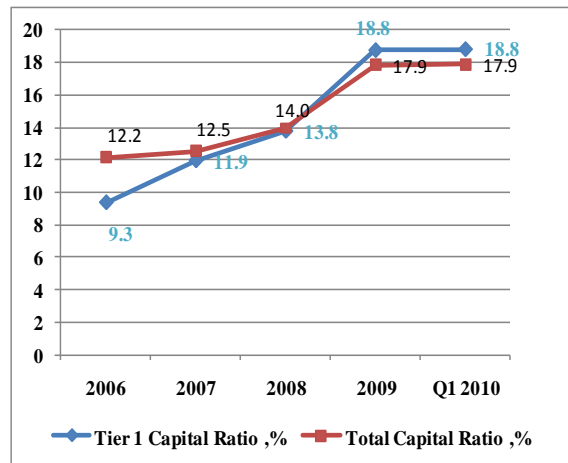
Liquidity

Short term liquidity of the banks was strong with one month liquefiable assets maintained at 162.0 percent of one month or short term demand and savings account deposit liabilities in Q1 10. Overall, the level of liquefiable assets of banks against total assets, continued to remain high at 59.7 percent.

Capital

Bank capitalization has increased as a result of the application of the prudential regulations on capital adequacy (CAR) and statutory reserve fund (SRF) to all licensed banks and reflects the position as at December 2009. The increased capitalization is also reflected in stronger capital adequacy ratios (CAR) for the Licensed Banks, well above the regulatory requirements of 10.0 percent and 5.0 percent respectively, enhancing the resilience of the banking sector.

Figure 3.9 : Capital Adequacy Ratios

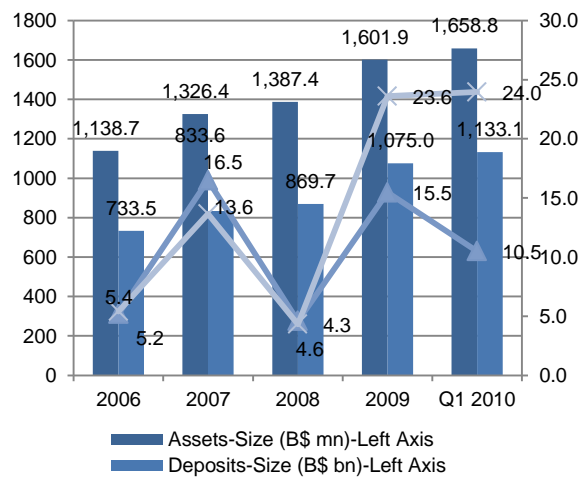


Source: Financial Institutions Division/Ministry of Finance

LICENSED FINANCE COMPANIES

Total assets increased q-o-q by 3.6 percent in Q1 10 financed by a 5.4 percent increase in deposits and a 6.8 percent increase in capital funds contributed by the mandatory transfers to the statutory reserve fund. Deposits accounted for 68.3 percent of total resources of Licensed Finance Companies and continued to be their major funding source.

Figure 3.10: Assets and Deposits-Size and Growth



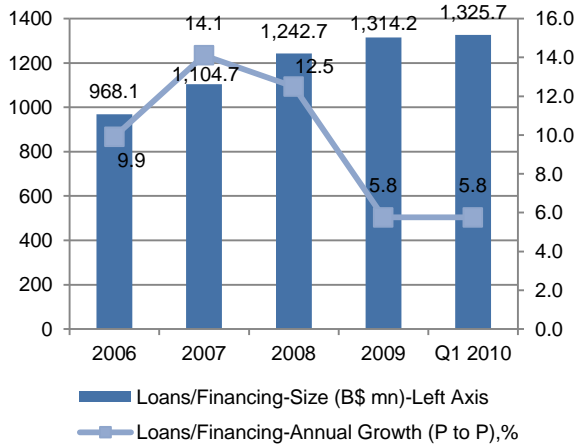
Source: Financial Institutions Division/Ministry of Finance

Credit / financing growth moderate: Credit growth in the Licensed Finance Companies in Q1 10 was maintained at 2009 levels at 5.8 percent and accounted for 79.9 percent of total assets. This trend is reflected in a commensurate sector-wise increase in consumer durables financing of 6.0 percent in Q1 10 while the core business of automobile financing increased only marginally.

Assets Quality

Asset quality was further strengthened in Q1 10, albeit marginally, with the gross NPA ratio declining to 2.0 percent from 2.1 percent q-o-q. All other financial soundness indicators of the Licensed Finance Companies continued to be maintained at a healthy level.

Figure: 3.11: Total Loans Advances/ Financing-Size & Growth



Source: Financial Institutions Division/Ministry of Finance

LICENSED INTERNATIONAL (OFFSHORE) BANKS

The licensed offshore banks recorded a further decline of 16.9 percent in asset in Q1 10. This decline is recorded in loans and advances by 34.0 percent and in deposits by 16.7 percent.

REGULATORY AND SUPERVISORY DEVELOPMENTS

The stability of the financial system was further enhanced through further regulatory and supervisory initiatives taken by the MOF in Q1 10 to strengthen the safety and soundness of the financial system and to curb the high levels of personal indebtedness in the country.

Banking Order, 2006

- i. 30th December 2009 - Notice No.1/2010 on Credit Cards to curb credit card debts in the country was made effective 1st January 2010 where new criteria for credit card holders and rules were imposed with the primary objective of curbing personal indebtedness.
- ii. 6th March 2010 - A Banking regulation cited as "Banking (License Forms and Fees) (Amendment) Regulations, 2010" was also issued.
- iii. 11th March 2010 - Notice No.2/2010 on Unclaimed Balances. – to ensure that dormant/inoperative accounts as defined in the Banking Order 2006 are made transparent and that the funds accruing there from are transferred by the banks to the Authority. The notice took effect immediately.

Islamic Banking Order, 2008

- i. 30th December 2009 - Notice No.1/2010 on Credit Cards to curb the credit card debts in the country was made effective 1st January 2010 where new criteria for credit card holders and rules were imposed with the primary objective of curbing personal indebtedness.
- ii. 13th January 2010 - Notice No.2/2010 on Classification of Financing as Non-Performing and the Treatment of Profit on Non-Performing Financing;- To ensure a uniform system of identification, classification, provisioning and treatment of interest on non performing financing for all Islamic banks. The notice took effect immediately.
- iii. 13th January 2010 - Guidelines No.1/2010 on Provision for Bad and Doubtful Financing; The notice took effect immediately.
- iv. 11th March 2010 - Notice No.3/2010 on Unclaimed Balances. To ensure that dormant/inoperative accounts as defined in the Banking Order 2006 are made transparent and that the funds accruing there from are transferred by the banks to the Authority. The notice took effect immediately.

INSURANCE AND TAKAFUL INDUSTRY

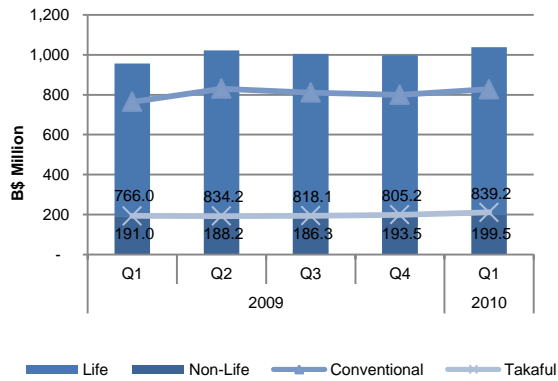
Overall, total assets and gross premiums showed a positive trend in Q1 10 with an increase of 4.0 percent and 49.8 percent respectively.

Figure 3.12 : Insurance & Takaful Highlights

(In B\$ million)	Q1 2009	Q4 2009	Q1 2010	y-o-y %	q-o-q %
ASSETS	957.0	998.7	1038.7	8.5	4.0
GROSS PREMIUMS	45.5	44.4	66.5	46.2	49.8
GROSS CLAIMS	24.3	23.9	23.7	-2.1	-0.4

Total Assets increased by 4.0 percent from B\$ 998.7 million in Q4 09 to B\$ 1,038.7 million in Q1 10, as a result of increases in asset-holding in both the Life and Non-Life sector of 4.2 percent and 3.1 percent respectively.

Figure 3.13 Total Assets, Q1 2009 – Q1 2010

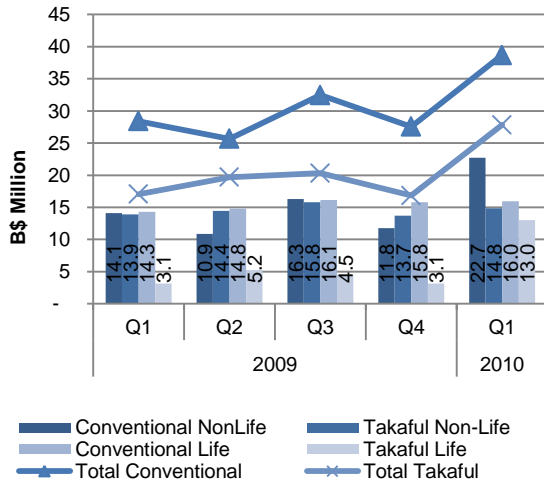


Source: Financial Institutions Division/Ministry of Finance

Gross Premiums increased by 49.8 percent from B\$44.4 million in Q4 09 to B\$66.5 million in Q1 10. Both Life and Non-Life businesses showed a marked increase in gross premium collection.

Life Gross Premiums increased by 52.9 percent from B\$18.9 million to B\$28.9 million. Family Takaful contribution grew by 314.2 percent during the quarter from B\$3.1 million to B\$13.0 million.

Figure 3.14: Gross Premiums, Q1 2009 – Q1 2010



Source: Financial Institutions Division/Ministry of Finance

Non-Life Gross Premiums grew significantly as a result of higher premium collection in Others business, Contractors' All Risks (CAR) and Public Liability. Motor business represented 41.1 percent of total non-life gross premiums for the year, followed by Others with 22.5 percent and CAR at 10.6 percent.

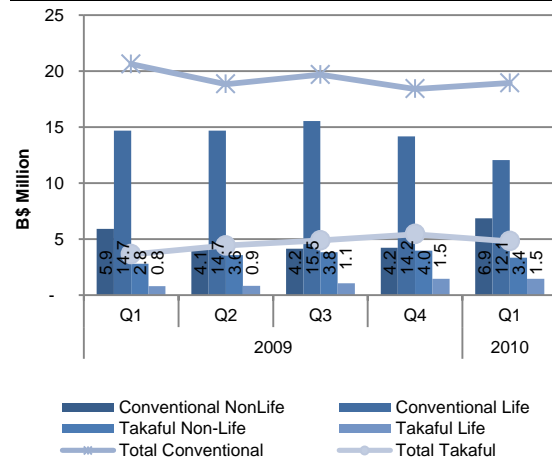
Table 3.5 : Non-Life Gross Premiums, Q1 2010

Class of Non-Life Business	Q1 2009	Q4 2009	Q1 2010	% of Total	y-o-y %	q-o-q %
Motor	15.0	15.2	15.4	41.1	2.7	1.3
Fire	3.7	3.1	3.7	9.8	-0.9	20.2
Marine, Aviation and Transit	1.4	2.8	1.1	2.9	-19.6	-60.3
Others	3.9	1.1	8.5	22.5	119.5	673.9
Contractors' All Risks	0.7	0.3	4.0	10.6	510.9	1173.6
Bond	0.1	0.2	0.2	0.4	31.4	-8.3
Workmen Compensation	2.1	1.9	2.2	5.9	6.8	14.5
Public Liability	1.2	0.9	2.5	6.8	109.3	180.9
Total Non-Life Gross Premiums	28.0	25.5	37.6	100.0	34.1	47.5

Source: Financial Institutions Division/Ministry of Finance

Gross Claims declined by 0.4 percent from B\$23.9 million in Q1 09 to B\$23.7 million in Q1 10. The majority of Gross Claims were paid by life insurers at B\$13.5 million.

Figure 3.15 : Gross Claims, Q1 2009 – Q1 2010



Source: Financial Institutions Division/Ministry of Finance

In life business, Gross Claims decreased by 13.5 percent from B\$15.6 million in Q4 09 to B\$13.5 million in Q1 10. Maturities and Surrenders represents the highest contribution of overall Life Claims amounting to B\$8.2 million and B\$2.9 million, respectively.

Figure 3.16 : Life Gross Claims, Q1 2010

Class of Life Business	Q1 2009	Q4 2009	Q1 2010	% of Total	y-o-y %	q-o-q %
Maturities	8.5	10.7	8.2	60.5	-4.0	-23.1
Death	1.9	0.6	1.2	9.0	-37.1	90.3
Surrenders	4.2	3.4	2.9	21.3	-30.6	-14.3
Annuities	0.0	0.0	0.0	0.0	n/a	n/a
Others	0.9	1.0	1.2	9.2	39.0	27.5
Total Life Benefits	15.5	15.6	13.5	100.0	-12.9	-13.5

Source: Financial Institutions Division, Ministry of Finance

In Non- Life Business, Gross Claims increased by 25.1 percent q-o-q from B\$8.2 million to B\$10.3 million as a result of higher claims in Motor and Fire.

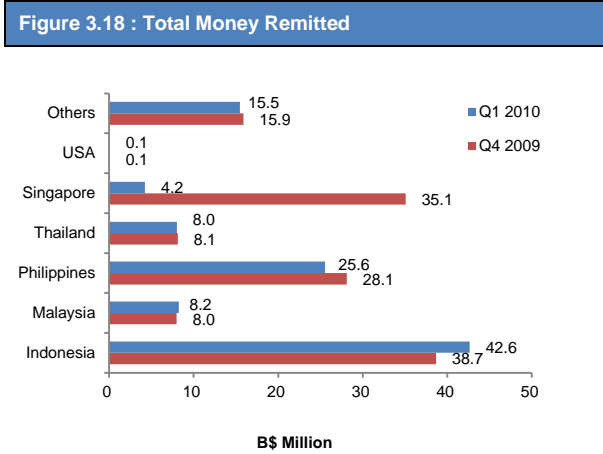
Figure 3.17 : Non-Life Gross Claims, Q1 2010

Class of Non-Life Business	Q1 2009	Q4 2009	Q1 2010	% of Total	y-o-y %	q-o-q %
Motor	4.5	5.4	5.5	53.5	21.4	1.2
Fire	1.2	1.0	2.6	25.7	124.7	151.8
Marine, Aviation and Transit	0.0	0.3	0.1	1.0	691.6	-60.1
Others	1.8	0.6	1.0	10.2	-40.6	89.5
Contractors' All Risks	0.0	0.0	0.1	1.1	n/a	538.9
Bond	0.0	0.0	0.0	0	82.0	-3,012.3
Workmen Compensation	1.3	0.3	0.4	4.3	-65.4	38.8
Public Liability	0.0	0.6	0.5	4.5	4,110.9	-21.4
Total Non-Life Gross Premiums	8.7	8.2	10.3	100.0	17.5	25.1

Source: Financial Institutions Division, Ministry of Finance

MONEY REMITTANCE

A total of B\$104.2 million was recorded as outward remittances in Q1 10, a decline of 22.1 percent q-o-q and 16.4 percent y-o-y. The decrease was due to the fall in remittances made to Singapore (87.9 percent); Australia (11.5 percent); Philippines (9.1 percent); Others (2.5 percent) and Thailand (1.5 percent). However, the remittances made to Indonesia and Malaysia rose by 10.2 percent and 3.0 percent, respectively.



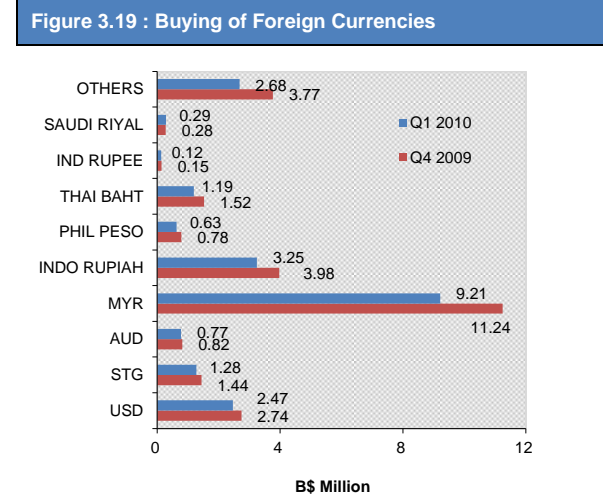
MONEY REMITTED	Q1 2009	Q4 2009	Q1 2010
Total (in B\$m)	124.7	133.7	104.2
% Change	-16.4% (y-o-y)	-	-22.1% (q-o-q)

Source: Financial Institutions Division, Ministry of Finance

FOREIGN CURRENCY EXCHANGE

The total amount of foreign currencies bought in Q1 10 was B\$21.9 million, a decline of 18.0 percent q-o-q and 7.4 percent y-o-y. This decline can be attributable to the decrease in the purchase of these currencies: Others (29.0 percent); Thai Baht (21.8 percent); Philippines Peso (19.3 percent); Indonesia Rupiah (18.3 percent); Malaysian Ringgit (18.1 percent); Indian Rupee (14.0 percent); Pound Sterling (11.5 percent); American Dollar (10.0 percent); and Australian Dollar (5.4 percent).

However, an increase in purchases was recorded for Saudi Riyal (2.0 percent).



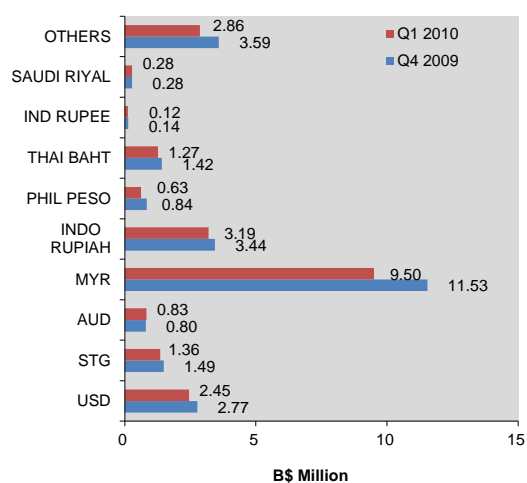
BUYING	Q1 2009	Q4 2009	Q1 2010
Total (in B\$m)	20.4	26.7	21.9
% Change	7.4% (y-o-y)	-	18.0% (q-o-q)

Source: Financial Institutions Division, Ministry of Finance

Foreign currencies sold amounted to B\$22.5 million in Q1 10, recording a decrease of 14.4 percent q-o-q and 8.2 percent y-o-y. The decline is caused by the fall in sales of Philippines Peso (25.5 percent); Others (20.3 percent); Malaysian Ringgit (17.6 percent); American Dollar (11.5 percent); Indian Rupee (11.5 percent); Thai Baht (10.8 percent); Pound Sterling (8.7 percent); Indonesia Rupiah (7.2 percent); and Saudi Riyal (1.4 percent).

However, sales of Australian Dollar recorded an increase of 3.7 percent.

Figure 3.20 : Selling of Foreign Currencies



SELLING	Q1 2009	Q4 2009	Q1 2010
Total (in B\$m)	20.8	26.3	22.5
% Change	8.2% (y-o-y)	-	14.4% (q-o-q)

Source: Financial Institutions Division, Ministry of Finance

TABLE A: Brunei Darussalam – FISCAL INDICATORS (Fiscal Position)										
	2007/08		2008/09				2009/10			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(B\$ Million)										
Total Revenue	2,482.1	3,203.4	2,779.2	3,878.0	2,349.9	2,360.1	1,460.6	1,516.5	1,302.3	2,052.5
<i>Tax Revenue</i>	1,721.0	1,779.7	1,824.1	2,710.0	1,651.9	1,247.5	751.4	1,056.4	775.0	1,156.9
Oil & Gas sector	1,678.8	1,739.2	1,728.9	2,588.0	1,598.3	1,190.6	604.9	958.7	654.4	1,107.8
Non-oil sector	42.3	40.5	95.3	122.0	53.6	56.9	146.5	97.7	120.6	49.1
<i>Non-tax revenue</i>	761.1	1,423.7	955.0	1,168.0	698.0	1,112.5	709.2	460.1	527.4	895.6
Oil & Gas sector	548.2	924.1	877.5	1,071.0	618.0	878.9	630.5	379.2	444.8	809.5
Non-oil sector	212.9	499.6	77.5	97.0	80.0	233.7	78.8	80.9	82.6	86.1
Total Expenditure	1,378.8	2,019.5	1,209.6	1,437.0	1,234.1	2,143.8	1,042.6	1,634.4	1,512.8	2,421.4
<i>Current Expenditure</i>	1,187.6	1,584.3	1,078.8	1,075.0	982.6	1,713.0	909.0	1,172.2	1,206.7	1,369.2
Wages and salaries	510.7	399.9	392.0	384.0	517.2	319.0	389.9	406.0	528.7	425.2
OCAR	326.6	767.3	301.9	349.0	363.8	639.5	275.7	452.4	378.4	602.4
Charged	350.3	417.1	385.0	342.0	101.7	754.5	243.4	313.9	299.7	341.8
<i>Capital Expenditure</i>	191.2	435.2	130.8	362.0	251.5	430.8	133.6	462.2	306.1	1,052.2
OCSE	61.3	198.6	37.4	228.0	77.1	242.9	65.1	218.6	136.9	636.8
Development	129.9	236.6	93.3	134.0	174.4	187.9	68.6	243.6	169.2	415.4
Investments in Public Enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or deficit (-), excl. transfer	1,103.3	1,183.9	1,569.6	2,441.0	1,115.9	216.3	418.0	-117.9	-210.5	-368.9
Memorandum Items										
Oil & gas sector revenues	2226.9	2663.3	2606.4	3659.0	2216.3	2069.5	1235.4	1337.9	1099.2	1917.3
Non-oil sector revenues	255.2	540.1	172.8	219.0	133.7	290.5	225.3	178.6	203.2	135.2
Oil & gas sector (in % of total revenues)	89.7	83.1	93.8	94.4	94.3	87.7	84.6	88.2	84.4	93.4
Non-oil sector revenues (in % of total revenues)	10.3	16.9	6.2	5.6	5.7	12.3	15.4	11.8	15.6	6.6

Source: Expenditure Division; and Treasury Department, Ministry of Finance

Table B: Central Bank Survey (Brunei Currency and Monetary Board)			
<i>Millions of Brunei Dollars</i>	Jan-10	Feb-10	Mar-10
Net Foreign Assets	1,462.169	1,461.795	1,530.119
Claim On Nonresidents	1,936.221	1,930.949	1,993.339
Liabilities To Nonresidents	-474.053	-469.155	-463.221
Claim On Other Depository Corporations	504.008	541.777	529.949
Net Claim On Central Government	-271.471	-271.471	-271.502
Claims On Central Government	0.823	0.823	0.792
Liabilities To Central Government	-272.294	-272.294	-272.294
Claims On Other Sectors	0.000	0.000	0.000
Claims On Other Financial Corporation	0.000	0.000	0.000
Claims On State and Local Government	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	0.000	0.000	0.000
Claims On Private Sector	0.000	0.000	0.000
Monetary Base	1,594.636	1,627.712	1,707.678
Currency In Circulation	927.518	962.550	1,008.994
Liabilities To Other Depository Corporations	667.118	665.162	698.683
Liabilities To Other Sectors	0.000	0.000	0.000
Other Liabilities To Other Depository Corporations	0.000	0.000	0.000
Deposit and Securities Other Than Shares Excluded From Monetary Base	0.000	0.000	0.000
Deposits Included In Broad Money	0.000	0.000	0.000
Securities Other Than Shares Included In Broad	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000
Loans	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000
Shares and Other Equity	123.691	123.792	123.991
Other Items (Net)	-21.143	-21.780	-22.554

Source: Brunei Currency and Monetary Board, Ministry of Finance

Table C: Depository Corporations Survey			
<i>Millions of Brunei Dollars</i>	Jan-10	Feb-10	Mar-10
Net Foreign Assets	9,320.893	8,913.020	10,368.456
Claims On Nonresidents	10,203.707	9,839.028	11,293.836
Liabilities To Nonresidents	-882.814	-926.008	-925.380
Domestic Claims	5,920.047	6,319.931	5,465.655
Net Claims On Central Government	-1,061.893	-680.792	-1,454.153
Claims On Central Government	130.644	105.082	128.120
Liabilities To Central Government	-1,192.537	-785.873	-1,582.273
Claims On Other Sectors	6,981.940	7,000.722	6,919.808
Claims On Other Financial Corporations	20.381	22.606	17.442
Claims On State and Local Government	0.000	0.000	0.000
Claims On Public Nonfinancial Corporations	64.010	64.268	60.578
Claims On Private Sector	6,897.549	6,913.848	6,841.788
Broad Money Liabilities	12,717.568	12,660.971	13,179.108
Currency Outside Depository Corporations	775.572	790.091	838.598
Transferable Deposits	2,533.564	2,229.599	2,359.983
Other Deposits	9,408.432	9,641.282	9,980.526
Securities Other Than Shares	0.000	0.000	0.000
Deposits Excluded From Broad Money	0.000	0.000	0.000
Securities Other Than Shares Excluded From Broad Money	0.000	0.000	0.000
Loans	0.000	0.000	0.000
Financial Derivatives	0.000	0.000	0.000
Insurance Technical Reserves	0.000	0.000	0.000
Shares and Other Equity	1,944.683	1,963.546	1,984.554
Other Items (Net)	578.689	608.434	670.449

Source: Brunei Currency and Monetary Board, Ministry of Finance

Table D: Monetary Aggregates and Broad Money Components			
<i>Millions of Brunei Dollars</i>	Jan-10	Feb-10	Mar-10
M0	927.52	962.55	1,008.99
Money	3,309.14	3,019.69	3,198.58
Quasi Money	9,408.43	9,641.28	9,980.53
Broad Money	12,717.57	12,660.97	13,179.11
Broad Money Components			
Currency outside banks	775.572	790.091	838.598
Demand deposits	2,533.56	2,229.60	2,359.98
Money	3,309.14	3,019.69	3,198.58
Fixed deposits, savings & other deposits	9,408.43	9,641.28	9,980.53

Source: Brunei Currency and Monetary Board, Ministry of Finance

GLOSSARY

Broad Money: Comprises of money and quasi money.

Central Bank: Consists of the Brunei Currency and Monetary Board (BCMB) only.

Depository Corporation (DC): Comprises of central bank and other depository corporations.

MO: Comprises of currency in circulation.

Money: Comprises of currency outside depository corporations and transferable deposits of other financial corporations, public non-financial corporations, and private sector with commercial banks in national currency.

Other Charges Annually Recurrent (OCAR): Annually recurring expenditure e.g: electric bills.

Other Charges Special Expenditure (OCSE): A one-off expenditure e.g: to buy a vehicle.

Other Depository Corporation (ODC): Comprises of commercial banks, financial companies, and a trust fund.

Other Financial Corporation (OFC): Comprises of insurance companies. It excludes pension funds, securities companies, assets management companies, offshore financial institutions, money remittances companies, and money changing companies.

Other Items (Net): Includes claims on other financial corporations.

Quasi Money: Comprises of other deposits of other financial corporations, public non-financial corporations, and private sector with other depository corporations held by the private sector in national currency.