

# CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>2</b>
<b>GLOBAL ECONOMIC REVIEW</b>	<b>3</b>
<b>FISCAL SECTOR DEVELOPMENTS</b>	<b>4</b>
<b>Overview</b>	<b>4</b>
<b>Fiscal Position</b>	<b>4</b>
<b>Government Revenue</b>	<b>4</b>
<b>Government Expenditure</b>	<b>5</b>
<b>MONETARY AND FINANCIAL SECTOR DEVELOPMENTS</b>	<b>8</b>
<b>Overview</b>	<b>8</b>
<b>Monetary Developments</b>	<b>8</b>
<b>Deposit Rates</b>	<b>9</b>
<b>Banking System</b>	<b>9</b>
<b>Direction of Lending</b>	<b>10</b>
<b>Non-Performing Loans</b>	<b>10</b>
<b>Insurance And Takaful Industry</b>	<b>11</b>
<b>Money Remittance</b>	<b>12</b>
<b>Foreign Currency Exchange</b>	<b>12</b>
<b>APPENDIX</b>	
<b>TABLE A: Fiscal Indicators</b>	<b>14</b>
<b>TABLE B: Central Bank Survey (Brunei Currency and Monetary Board)</b>	<b>15</b>
<b>TABLE C: Depository Corporation Survey</b>	<b>16</b>
<b>TABLE D: Monetary Aggregates And Broad Money Components</b>	<b>17</b>
<b>GLOSSARY</b>	<b>18</b>

## ADVISORS

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

Yang Mulia  
Haji Bahrin bin Abdullah  
Deputy Minister of Finance  
Ministry of Finance

Yang Mulia  
Haji Mohd Roselan bin Haji Mohd. Daud  
Permanent Secretary (Monetary)  
Ministry of Finance

Yang Mulia  
Haji Mohd Rosli bin Haji Sabtu  
Deputy Permanent Secretary (Monetary)  
Ministry of Finance

Yang Mulia  
Haji Hisham bin Haji Mohd Hanifah  
Permanent Secretary (Fiscal)  
Ministry of Finance

Yang Mulia  
Yusof bin Haji Abd Rahman  
Deputy Permanent Secretary  
(Policy & Administration)  
Ministry of Finance

## EDITORIAL BOARD MEMBERS

Accountant General, Treasury Department (TD)  
Chief Executive Officer, Brunei Currency and Monetary Board (BCMB)  
Director, Brunei International Financial Centre (BIFC)  
Director of Budget, Expenditure Division (ED)  
Director of Financial Institutions, Financial Institutions Division (FID)  
Director, Research and International Division (RID)  
Director, Revenue Division (RD)

## FMR GROUP

### SECRETARIAT

YM Haji Abu Asiruddin bin Haji Zaini (RID)  
YM Dk Sri Joedianna binti Pg Haji Mohammed (RID)  
YM Haji Mohd Irwan bin DP Haji Rashid (RID)  
YM Hajah Rosmenawaty binti Haji Osman (RID)  
YM Idya Lelawatty binti Haji Mohd Ali (RID)

### CONTRIBUTORS

YM Dk Hajah Nadiyah Annasyitah binti Pg DP Haji Abu Bakar (RID)  
YM Dk Sri Rohayani binti Pg Matarsat (ED)  
YM Haji Muhd Aiman Izzuddin bin POKLSDSLJ Haji Abas (RID)  
YM Hajah Dyg Maizatul Najibah binti Haji Awg Mohamad (FID)  
YM Hajah Rafezah binti Haji Abd Rahman (FID)  
YM 'Izzul Azam bin Haji Mohd Roselan (RID)  
YM Mohamad Saiful Adilin bin Haji Edin (ED)  
YM Norul Adibah binti Haji Abdullah (RD)  
YM Shifa' binti Husaini (FID)  
YM Yulia Qidzura binti Mohd.Yussin (FID)  
YM Yung Mei Hui (RD)  
YM Zawatil Isyqi binti Haji Awang (BCMB)

---

**EXECUTIVE SUMMARY**

In Q4 09, the Government continued to incur a fiscal deficit amounting to B\$210.5 million resulting from a decrease in Total Government Revenue by 14.1 percent q-o-q to B\$1,302.3 million despite the decrease in Government Expenditure by 7.4 percent q-o-q. The decline in Total Government Revenue was resulted from a fall in the Tax Revenue collected from the Oil and Gas Sector by 31.7 percent q-o-q. This emphasizes the importance of the Oil and Gas Sector as the main contributor to the Nation's wealth, which is about 84.4 percent of Total Government Revenue.

On the Monetary front, a further four series of Sukuk Al-Ijarah of 91 days maturity were issued as part of Brunei Darussalam's continuous efforts to develop its capital market. As of Q4 09, the aggregate amount of Sukuk Al-Ijarah issued was B\$2.011 billion. On foreign exchange, the Brunei Dollar continued to strengthen against the major global and regional currencies such as the US Dollar, Pound Sterling, Euro, the Hong Kong Dollar and the Japanese Yen. However, the Brunei Dollar weakened against the Australian Dollar, Indonesian Rupiah and Philippines Peso. Currency in Circulation rose by 8.1 percent q-o-q to B\$954.5 million. The External Assets of B\$1,107.9 million provided more than 100 percent coverage to the currency in circulation. Liquid Assets coverage was also well above the statutory requirement of 30 percent.

In the Banking sector, Total Banking Assets increased marginally by 0.4 percent q-o-q from B\$16.4 billion to B\$16.5 billion whereby Total Deposits rose by 5.0 percent q-o-q to B\$13.6 billion. Total Loans registered a decrease of 2.2 percent q-o-q, falling to B\$5.9 billion. Total Non-Performing Loans of the banking industry stood at B\$668.9 million, an increase of 3.2 percent q-o-q. In the Insurance and Takaful Industry, Total Assets decreased slightly by 0.6 percent to B\$998.7 million. Industry Gross Premiums decreased by 17.9 percent q-o-q to B\$43.1 million followed by Overall Industry Gross Claims decreasing by 3.1 percent q-o-q to B\$23.7 million.

## GLOBAL ECONOMIC REVIEW

In Q4 09, the global economy showed stronger signs of economic recovery reflecting the effects of fiscal stimulus packages and monetary quantitative easing undertaken globally. However, economic recovery remained fragile due to financial market instability and fears of a double dip recession. At the same time, global inflation rates are moving into the positive territory due to base effects relating to commodity prices.

Economic growth in the United States accelerated to 5.7 percent q-o-q after showing green shoots of growth, as economic conditions continued to improve. This can be attributed to the rebound in private consumption, residential and business investments as well as net exports. However, the outlook for consumer spending remains fragile due to weak labour market conditions and existing high private household debt. Quarterly Consumer Price Index (CPI) inflation rose by 2.7 percent due to modest increases in food and core items as well as base effects in oil prices. Even though economic recovery is observed, the US Federal Open Market Committee decided to maintain its overnight target range at 0 to 25 bps. Some of the non-conventional measures introduced to support the financial markets and stimulate the economy have expired recently.

The Gross Domestic Product (GDP) of the Eurozone economy posted a slower growth of 0.1 percent q-o-q stalling their steady growth that was observed in the previous quarter of 0.4 percent q-o-q. This was due to lower than expected investments in the Euro spurred by declining consumer confidence in the Eurozone sovereign bonds as news on a troubled Greece emerged. Annual HICP inflation rate rose to 0.4 percent q-o-q due to base effects relating to commodity prices. The European Central Bank maintained its overnight rates at 1 percent.

The United Kingdom's GDP moved to the positive territory for the first time in the year at a modest rate of 0.1 percent q-o-q compared to 0.2 percent q-o-q decline in the previous quarter. The weak recovery mainly reflected the stagnant performance of services sector, which only grew by 0.1 percent q-o-q compared to manufacturing output, which expanded by 0.4 percent. Annual HICP inflation rose to 2.9 percent due to base effects as well the price impact from the increase in VAT in January. 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 showed signs of recovery as real GDP reportedly increased by 1.1 percent q-o-q in Q4 09. This was largely due to strong external demand and solid personal consumption as well as Government stimulus. Japan's annual CPI stood at 1.2 percent as of December 2009. The Bank of Japan maintained its overnight rates at 0.1 percent, unchanged from the previous quarter.

China's real GDP grew further by 10.7 percent y-o-y in Q4 09 due to strong stimulus-driven investment. As of November 2009, annual CPI returned to positive territory and reached 1.5% in January 2010. The monetary authorities have begun to withdraw excess domestic liquidity by raising the banks' reserve requirement ratio twice since the beginning of the year, by 50 basis points on each occasion.

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

	2008		2009			
	Q3	Q4	Q1	Q2	Q3	Q4
United States	-2.7	-5.4	-6.4	-0.7	2.2	5.7
Euro	-0.4	-1.9	-2.5	-0.1	0.4	0.1
United Kingdom	-0.7	-1.8	-2.5	-0.6	-0.3	0.1
Japan	-1.0	-2.7	-3.1	0.7	-0.1	1.1

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

For the ASEAN region, The ASEAN-4 economies improved during the second half of 2009, supported by fiscal stimulus and some returning export demand. However, y-o-y export growth figures for these nations continued to remain in the negative territory. This is followed by improvements in industrial production whereby three of the ASEAN-4 nations have improved to single-digit declines with the Philippines lagging behind with a -13.9 percent y-o-y decline in industrial production. Regional Headline Inflation rates continued to be low despite these minor signs of recovery as it stood at 1.1 percent y-o-y in Q4 09.

In the Newly Industrialized Economies, namely Hong Kong, Singapore and Taiwan, leading indicators such as industrial production and retail sales have continued to move higher in recent months. Fiscal stimulus and improved external demand contributed to the turnaround in NIEs' growth. However, as with the ASEAN-4 nations, export growth figures continued to be negative, with double-digit declines. Industrial production growth on the other hand, excluding Taiwan, have now moved in to the positive half registering growth as high as 8.0 percent y-o-y, such as that of Singapore.

## FISCAL SECTOR DEVELOPMENTS

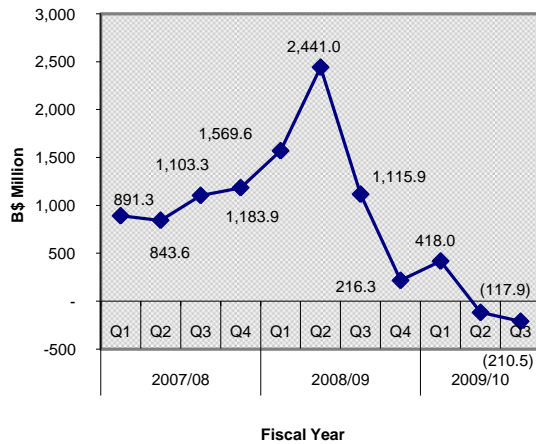
### OVERVIEW

- Fiscal deficit was recorded at B\$210.5 million in Q3 FY2009/10.
- Total Government Revenue decreased to B\$1,302.3 million and Total Government Expenditure decreased to B\$1,512.8 million.
- Tax Revenue decreased to B\$775.0 million and Non-Tax Revenue increased to B\$527.4 million.
- Current Expenditure increased to B\$1,206.7 million and Capital Expenditure reduced to B\$306.1 million.

### FISCAL POSITION

In Q3 FY 09/10, the Government registered a further fiscal deficit of B\$210.5 million in comparison to B\$117.9 million from the previous fiscal quarter. This was due to the fall in Total Government Revenue, mainly from the Oil & Gas sector.

Figure 2.1: Surplus/Deficit Balances

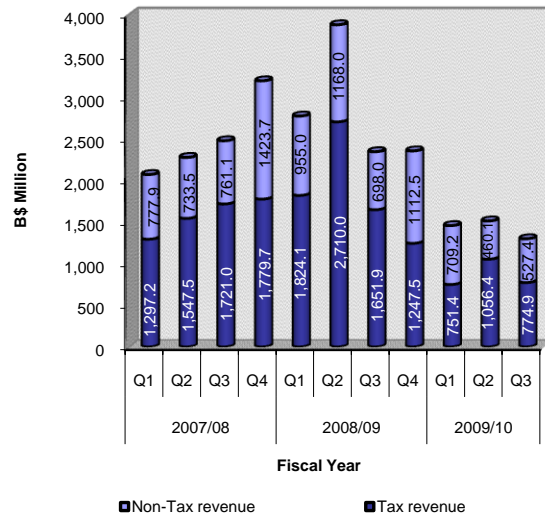


Source: Treasury Department, Ministry of Finance

### GOVERNMENT REVENUE

In Q3 FY 09/10, Total Government Revenue recorded at B\$1,302.3 million, a decrease of 14.1 percent q-o-q. Tax Revenue decreased by 26.6 percent q-o-q while Non-Tax Revenue grew by 14.6 percent q-o-q. As shown in figure 2.2, Tax Revenue collected stood at B\$774.9 million, while Non-Tax Revenue generated B\$527.4 million. Nevertheless, the growth from Non-Tax Revenue was not enough to compensate for the decline in collection from Tax Revenue resulting in overall decrease in Government Revenue.

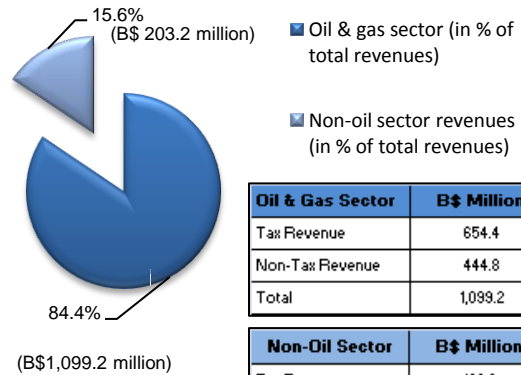
Figure 2.2: Tax Revenue & Non-Tax Revenue, Q1 FY2007/08 – Q3 FY2009/10



Source: Treasury Department, Ministry of Finance

As shown in Figure 2.3, 84.4 percent of the revenue was generated from Oil and Gas Sector, recording at B\$1,099.2 million. The Non-Oil sector contributed 15.6 percent at B\$203.2 million.

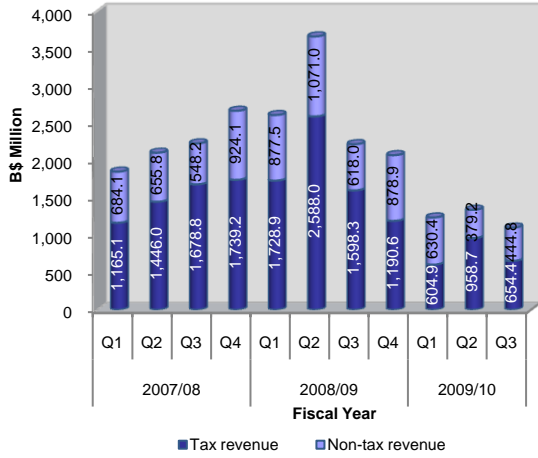
Figure 2.3 Percentage Proportion of Total Revenue Q3 2009/10



Source: Treasury Department, Ministry of Finance

In Figure 2.4, Tax Revenue from the Oil and Gas Sector fell by 31.7 percent q-o-q to B\$654.4 million while Non-Tax Revenue from the said sector rose by 17.3 percent q-o-q to B\$444.8 million.

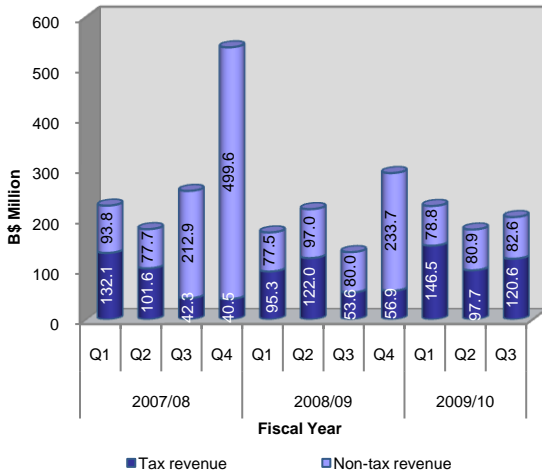
**Figure 2.4: Tax and Non-Tax Revenue from the Oil & Gas Sector, Q1 FY2007/08 – Q3 FY2009/10**



Source: Treasury Department, Ministry of Finance

Tax Revenue for the Non-Oil sector generated B\$120.6 million, up by 23.4 percent, while Non-Tax Revenue collected increased by 2.1 percent to B\$82.6 million.

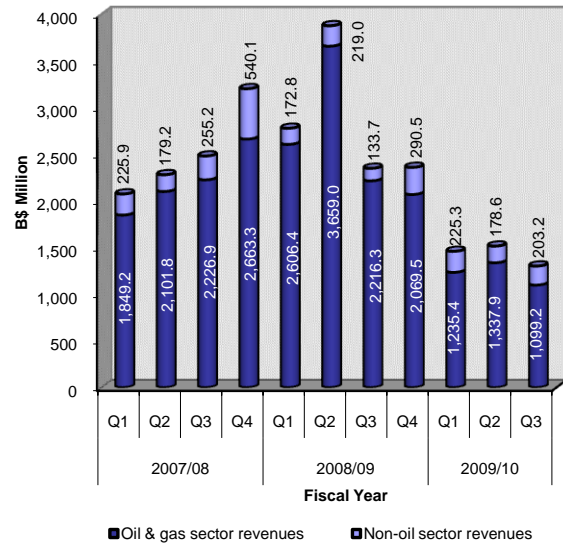
**Figure 2.5: Tax & Non-Tax Revenue from Non-oil Sector Revenues, Q1 FY2007/08s – Q3 FY2009/10**



Source: Treasury Department, Ministry of Finance

As shown in figure 2.6, revenue from the Oil and Gas Sector declined by 17.8 percent q-o-q from B\$1,337.9 million to B\$1,099.2 million while the Non-Oil Sector increased by 13.8 percent q-o-q from B\$178.6 million to B\$203.2 million.

**Figure 2.6: Oil & Non-oil Sector Revenues, Q1 FY2007/08 – Q3 FY2009/10**



Source: Treasury Department, Ministry of Finance

**Table 2.1 : Budgeted & Actual Revenue Comparison**

	Budgeted Revenue per quarter (B\$ million)	Actual Revenue (B\$ million) Q3 2009/10	Proportion of Revenue Collected (%)
Total Revenue	1,000.1	1,302.3	130.2
Tax Revenue	628.0	775.0	123.4
Non-Tax Revenue	372.1	527.4	141.7
	Budgeted Revenue (B\$ million) FY 09/10	Actual Revenue (B\$ million) Q3 2009/10	Proportion of Revenue Collected (%)
Total Revenue	4,000.4	1,302.3	32.6
Tax Revenue	2,512.0	775.00	30.9
Non-Tax Revenue	1,488.4	379.2	25.5

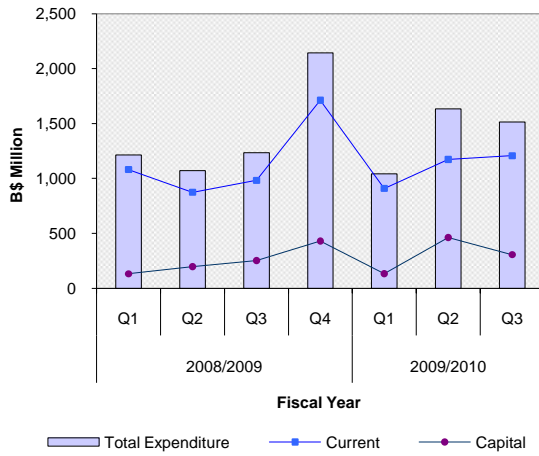
Source: Expenditure Division; and Treasury Department, Ministry of Finance

From Table 2.1, Total Government Revenue collected for Q3 FY 09/10 was above the estimated budget by 30.2 percent (B\$302.2 million).

**GOVERNMENT EXPENDITURE**

In Q3 FY 09/10, Total Government Expenditure decreased by 7.4 percent q-o-q from B\$1,634.4 million to B\$1,512.8 million. However, on a y-o-y basis, it increased by 22.6 percent

**Figure 2.7: Government Expenditure, Q1 FY08/09 – Q3 FY09/10**



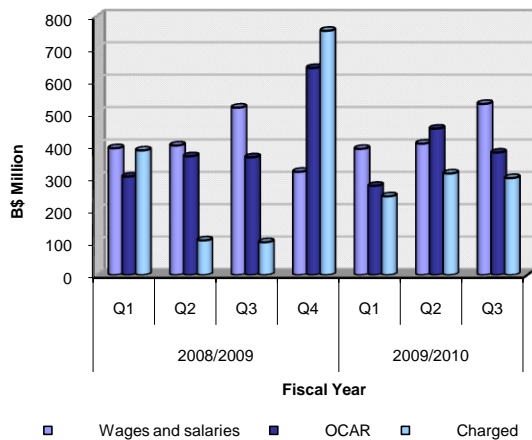
Source: Treasury Department, Ministry of Finance

**Current Expenditure**

Current Expenditure was recorded at B\$1,206.7 million, an increase of 2.9 percent q-o-q. This was attributed to an increase in Wages and Salaries by 30.2 percent q-o-q, representing 43.8 percent of Current Expenditure due to Government Civil Servants receiving their bonuses at the end of December 2009.

Other Charges Annually Recurrent (OCAR) representing one-third of Current Expenditure, decreased by 16.4 percent from B\$452.4 million to B\$378.4 million. However, when compared on a y-o-y basis, it has shown an increase of 4.0 percent. Charged Expenditure decreased by 4.5 percent q-o-q contributing 24.8 percent to Current Expenditure.

**Figure 2.8: Actual Current Expenditure Q1 FY08/09 – Q3 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 Q3 09/10 (million)	(%)
Current Expenditure	4,012.8	3,287.9	81.9
Wages & Salaries	1,787.3	1,324.5	74.1
OCAR	1,556.3	1,106.4	71.1
Charged	669.2	857.00	128.1
	Budgeted Q3 09/10 (million)	Actual Q3 09/10 (million)	(in percent)
Current Expenditure	1,003.2	1,206.7	120.3
Wages & Salaries	446.8	528.7	118.3
OCAR	389.1	378.4	97.2
Charged	167.3	299.7	179.1

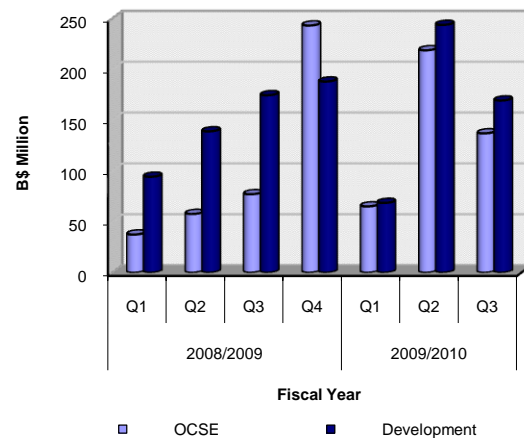
Source: Expenditure Division; and Treasury Department, Ministry of Finance

From Table 2.1, B\$4,012.8 million was allocated for FY 09/10, of which approximately 81.9 percent had already been spent by the end of third quarter of the financial year.

**Capital Expenditure**

Capital Expenditure declined by 33.8 percent q-o-q from B\$462.2 million to B\$306.1 million due to decreased spending in both Other Charges Special Expenditure and Development Expenditure by 37.4 percent and 30.6 percent q-o-q, respectively.

**Figure 2.9: Actual Capital Expenditure Q1 FY08/09 – Q3 FY09/10**



Source: Treasury Department, Ministry of Finance

Overall, approximately 54.9 percent of the budgeted Capital Expenditure of B\$1,642.2 million for FY 09/10 has been utilised as of the end period Q3 FY 09/10.

Table 2.3: Budgeted &amp; Actual Capital Expenditure Comparison

	Budgeted Capital Exp	Actual Capital Exp	Proportion of Budget Utilised
	FY 09/10	Up to Q3 09/10	
	(million)	(million)	(%)
Capital Expenditure	1,642.2	901.9	54.9
OCSE	592.2	420.6	71.0
Development	1,050.00	481.3	45.8
	Budgeted Q3 09/10 (million)	Actual Q3 09/10 (million)	(in percent)
Capital Expenditure	410.5	306.1	74.6
OCSE	148.0	136.9	92.5
Development	262.5	169.2	64.5

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

## MONETARY & FINANCIAL SECTOR DEVELOPMENTS

### OVERVIEW

- The aggregate amount of Sukuk Al-Ijarah issued since April 2006 is B\$2.011 billion.
- Broad money increased by 8.1 percent q-o-q due to the increase in quasi money by 31.4 percent q-o-q.
- Total Banking Assets increased by 0.4 percent q-o-q to B\$16.5 billion.
- Total Deposits increased from B\$13.0 billion to B\$13.6 billion.
- Average NPL ratio is 11.97 percent.
- Total Assets in the Insurance and Takaful Industry decreased by 0.6 percent q-o-q.

### MONETARY DEVELOPMENTS

#### i. Government Short Term Sukuk Al-Ijarah

Four Government Short Term Sukuk Al-Ijarah of 91 days maturity were issued in Q4 09. The aggregate amount of the Sukuk Al-Ijarah issued since the maiden offering in April 2006 up to Q4 09 is B\$2.011 billion.

Table 3.1: Issuance of Government Sukuk Al-Ijarah

Series	Issuance (B\$m)	Terms (days)	Issuance Date	Maturity Date	Rental Yield (p.a)
38	33	91	8 Oct 09	7 Jan 10	0.36%
39	30	91	22 Oct 09	21 Jan 10	0.38%
40	25	91	19 Nov 09	18 Feb 10	0.39%
41	43	91	3 Dec 09	04 Mar 10	0.39%

Source: Brunei Currency and Monetary Board, Ministry of Finance

#### ii. Foreign exchange

Table 3.1: Brunei Dollar Against Selected Currencies			
	Q4 2008 End Of Period	Q3 2009 End Of Period	Q4 2009 End Of Period
<b>B\$ to 1 unit of Foreign Currency</b>			
US Dollar	1.4392	1.4141	1.4034
Pound Sterling	2.0769	2.2662	2.2541
Euro	2.0258	2.0674	2.0163
Australian Dollar	0.9959	1.2431	1.2567
<b>B\$ to 100 unit of Foreign Currency</b>			
Hong Kong Dollar	18.57	18.25	18.10
Indonesian Rupiah	0.013143	0.014608	0.014934
Japanese Yen	1.5924	1.5752	1.5194
Philippine Peso	3.0235	2.9833	3.0406
Thai Baht	4.1297	4.2168	4.2094

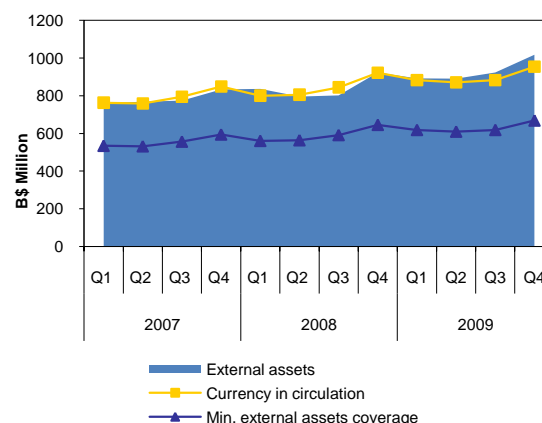
Source : The Brunei Association of Banks

The Brunei Dollar strengthened against the US Dollar (0.76 percent), Pound Sterling (0.53 percent) Euro (2.47 percent) and the Japanese Yen (3.55 percent). However, it continued to weaken against the Australian Dollar (1.09 percent).

The Brunei Dollar also strengthened against major Asian currencies namely, the Hong Kong Dollar (0.82 percent) and the Thai Baht (0.18 percent). On the other hand, the Brunei Dollar weakened against the Indonesian Rupiah (2.23 percent) and the Philippine Peso (1.92 percent).

#### iii. Monetary Aggregates

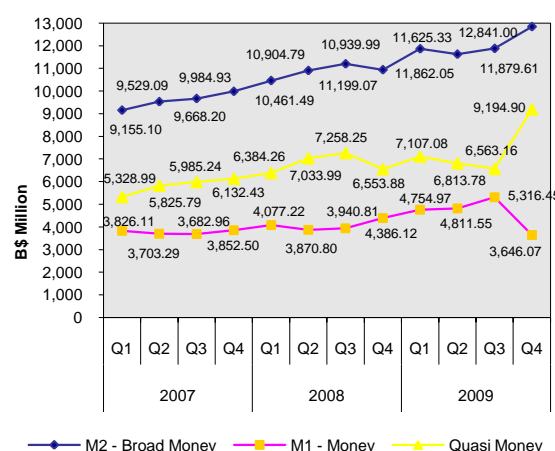
Figure 3.1: Currency in circulation (M0) and External Assets Back-up



Source: Brunei Currency and Monetary Board, Ministry of Finance

Currency in circulation (M0)<sup>1</sup> increased by 8.1 percent q-o-q to B\$954.5 million. This was due to the annual bonuses that Government employees received with their salary at the end of December 2009. The External Assets of \$1,107.9 million provided more than 100 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 at 53.5 percent.

Figure 3.2: Monetary Aggregates

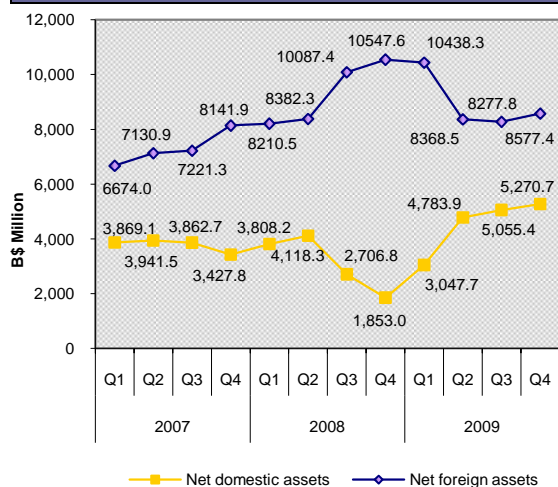


Source: Brunei Currency and Monetary Board & Financial Institutions Division, Ministry of Finance

<sup>1</sup> M0 = Currency in circulation outside BCMB

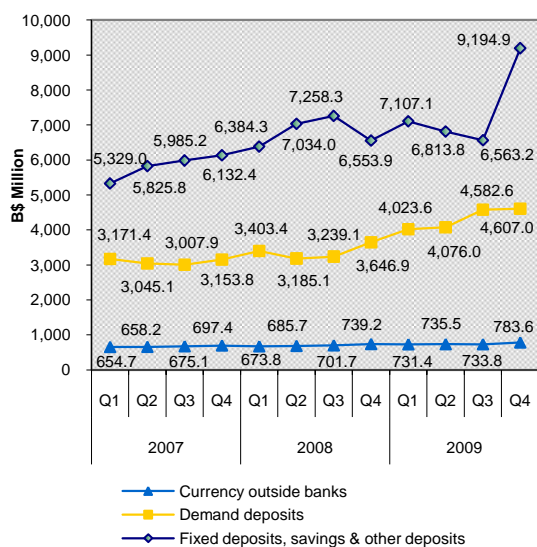
Net Foreign Assets<sup>2</sup> increased by 3.6 percent q-o-q to B\$8577.4 million. Domestic Claims<sup>3</sup> showed slight increase of 1.1 percent since liabilities to the Government dropped by 4.7 percent and at the same time claims on Government went up by 22.2 percent. Claims on private sector, however, fell by 3.0 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

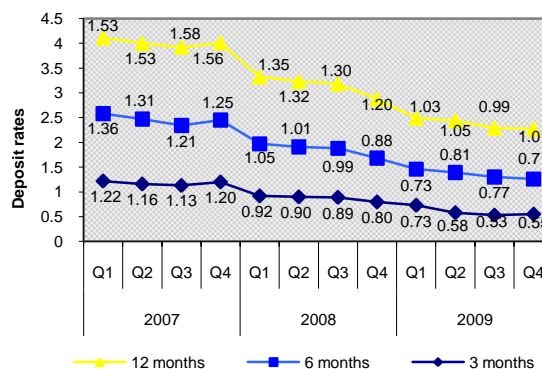
Broad money has increased by 8.1 percent q-o-q attributed to the sharp increase in quasi money by 31.4 percent.

## DEPOSIT RATES

In Q4 09, the average fixed deposit rates showed a rising trend primarily in the 3-month and 12-month deposit rates. The 3-month, 6-month and 12-month deposit rates are 0.55, 0.71 and 1.01 percent, respectively. However, the local banks continued to offer higher rates compared to the foreign banks.

Table 3.2 : % change in Brunei Fixed-Deposit Rates

Months	Q4 2008	Q2 2009	Q3 2009	Q4 2009
3	0.80	0.58	0.53	0.55
6	0.88	0.81	0.77	0.71
12	1.20	1.05	0.99	1.01



Source: Financial Institutions Division, Ministry of Finance

## BANKING SYSTEM<sup>4</sup>

Total Banking Assets increased marginally by 0.4 percent q-o-q to B\$16.5 billion. In the segmental trend, the local banks, however recorded an increase of 7.9 percent, while the foreign banks recorded a decrease of 7.2 percent q-o-q.

Total Deposits of the banking industry increased by 5 percent q-o-q from B\$13.0 billion to B\$13.6 billion. This was mostly reflected in the foreign bank segment which recorded an increase of 8.4 percent q-o-q from B\$6.4 billion to B\$6.9 billion, while the local banks recorded an increase of 1.7 percent q-o-q from B\$6.6 billion to B\$6.7 billion.

Total Offshore Deposits also reported an increase of 18.7 percent q-o-q to B\$8.3 billion. This was mostly reflected in the local bank segment which recorded an increase of 62.0 percent q-o-q from B\$2.1 billion to B\$3.4 billion.

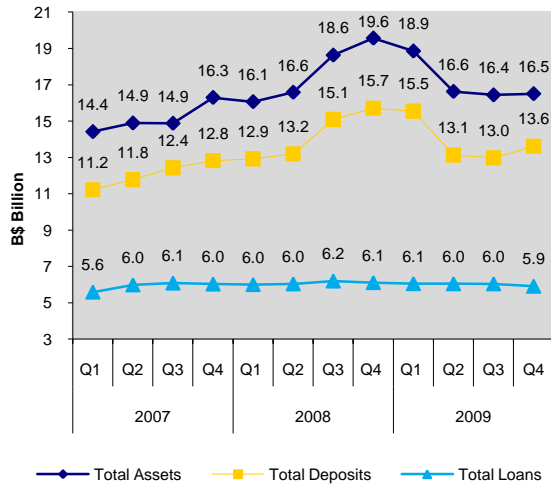
Total Loans reflected a decrease of 2.2 percent from B\$6.04 billion to B\$5.9 billion. This was mainly due to by the decrease of 3.0 percent q-o-q from \$4.0 billion to \$3.9 billion in the local bank segment.

<sup>2</sup> Net foreign assets = BCMB net claims on non-residents + Commercial banks net claims on non-residents

<sup>3</sup> Domestic claims = Net claims on Government + Claims on Public Nonfinancial Corporations + Claims on Private Sector

<sup>4</sup> In previous issues of the Fiscal and Monetary Review, the banking system comprised wholly of banks operating in Brunei Darussalam. However, due to the increasingly significant banking activities of the trust fund, Tabung Amanah Islam Brunei (TAIB), the definition of the banking system has been amended to include the banks and trust fund.

**Figure 3.6: Total Assets, Total Deposits and Total Loans**



Source: Financial Institutions Division, Ministry of Finance

The industry's loans to deposit ratio stood at 43.4 percent. However, the local banks have a higher loan to deposit ratio of 57.7 percent compared to 29.5 percent of the foreign banks.

The banking sector remained highly liquid, primarily the foreign banks which accounted for 57.8 percent of total liquid assets and 58.4 percent of Total Offshore Deposits in the industry.

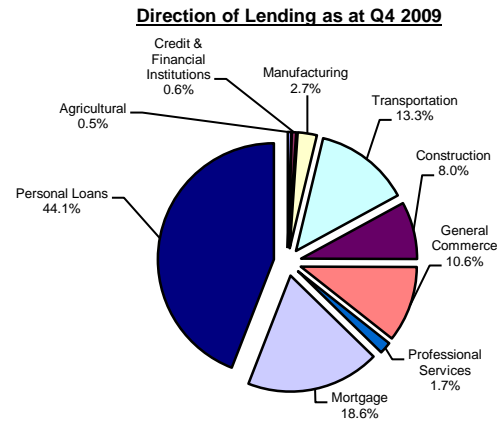
**DIRECTION OF LENDING**

Personal Loans continued to constitute the major proportion of financing which accounted for 44.1 percent of the Total Loans. It also showed the highest growth on a q-o-q basis by 6.5 percent. However, it only increased marginally y-o-y at 0.6 percent.

The second largest loans portfolio continued to be Mortgage/Property Financing which accounted for 18.6 percent followed by the Transportation sector which accounted for 13.3 percent.

Transportation has recorded the highest decrease of 30.5 percent q-o-q and 30.7 percent on a y-o-y basis respectively. Credit and Financial Institutions recorded the highest y-o-y increase of 15.9 percent from B\$28.8 million to B\$33.4 million.

**Figure 3.7: Direction of Lending in percent**



Source: Financial Institutions Division, Ministry of Finance

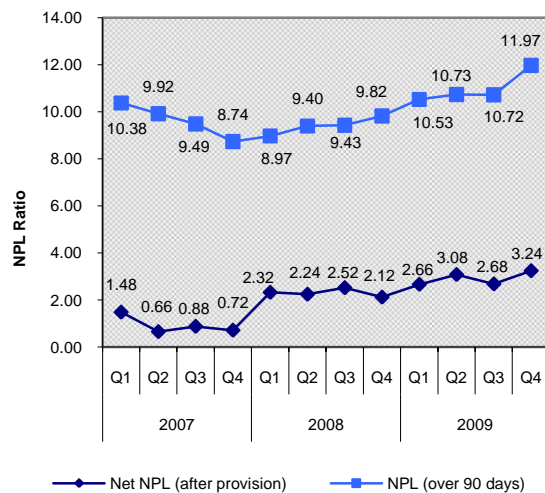
**NON-PERFORMING LOANS**

Total NPL of the banking industry stood at B\$668.9 million, an increase of 3.2 percent q-o-q resulting in a NPL to Total Loans Ratio of 11.97 percent. Provision cover for NPL stood at 73.0 percent and has decreased by 0.4 percent q-o-q. Personal Loans also continued to be most affected by the number of accounts in default.

DIRECTION OF LENDING	Q4 2008	Q3 2009	Q4 2009	y-o-y	q-o-q
	(in B\$ million)				
Agricultural	37.5	37.0	27.8	-26.0	-25.0
Construction	503.6	512.8	445.8	-11.5	-13.1
Credit & Financial Institutions	28.8	32.9	33.4	15.9	1.5
General Commerce	602.9	587.4	590.1	-2.1	0.5
Manufacturing	145.8	176.0	148.9	2.1	-15.4
Mortgage/Property financing	1,189.7	1,226.7	1,037.7	-12.8	-15.4
Personal	2,445.0	2,308.0	2,458.7	0.6	6.5
Professional Services	89.6	92.5	92.7	3.5	0.3
Transportation	1,069.8	1,066.4	741.0	-30.7	-30.5
<b>Total Loans</b>	<b>6,112.7</b>	<b>6,039.7</b>	<b>5,576.1</b>	<b>-8.8</b>	<b>-7.7</b>

Source: Financial Institutions Division, Ministry of Finance

**Figure 3.8: NPL percentage**

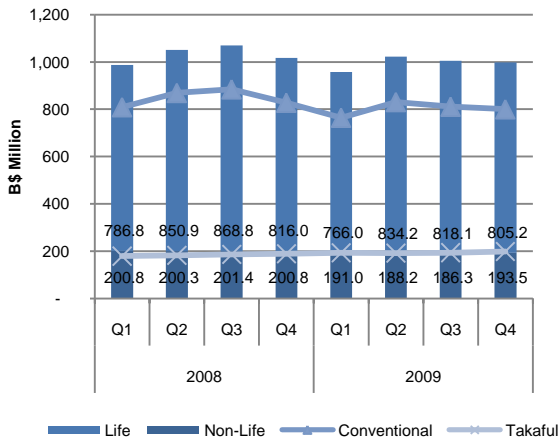


Source: Financial Institutions Division, Ministry of Finance

**INSURANCE AND TAKAFUL INDUSTRY**

Total Industry Assets decreased slightly by 0.6 percent q-o-q from B\$1,004.3 million to B\$998.7 million, mainly due to the decrease in Life Assets of 1.6 percent. Life Assets constituted 80.6 percent of Total Industry Assets at B\$ 805.2 million, of which the majority was held by conventional life insurers.

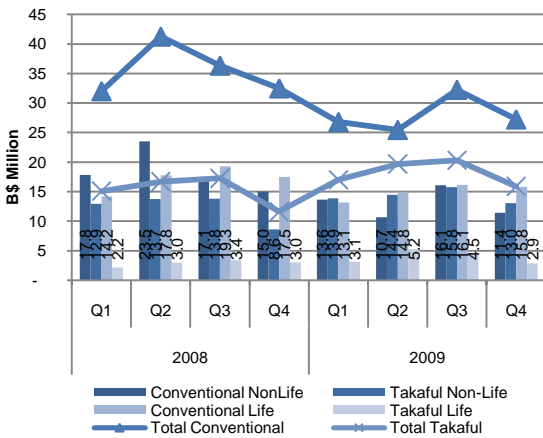
**Figure 3.9: Total Assets, Q1 2008 – Q4 2009**



Source: Financial Institutions Division, Ministry of Finance

Industry Gross Premiums decreased by 17.9 percent q-o-q from B\$52.6 million to B\$43.1 million. Conventional Life Insurers captured a market share of 84.7 percent of Total Life Gross Premiums, while Takaful operators obtained 53.4 percent market share of Total Non-Life Gross Premiums.

**Figure 3.10: Gross Premiums, Q1 2008 – Q4 2009**

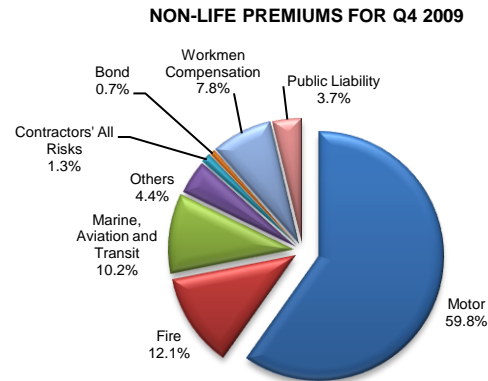


Source: Financial Institutions Division, Ministry of Finance

In Life Business, Gross Premiums decreased by 9.7 percent q-o-q from B\$20.7 million to B\$18.7 million. Takaful Family Business decreased by 36.6 percent q-o-q to B\$2.9 million whereas Conventional Life Business decreased by 2.2 percent q-o-q to B\$15.8 million.

In Non-Life Business, Gross Premiums decreased by 23.3 percent q-o-q from B\$31.9 million to B\$24.5 million. This marked decrease was the result of the exceptionally high Gross Premiums for Public Liability which amounted to B\$4.7 million written in Q3 09. Takaful operators continued to dominate the motor business with a market share of 81.1 percent with an amount of B\$11.9 million.

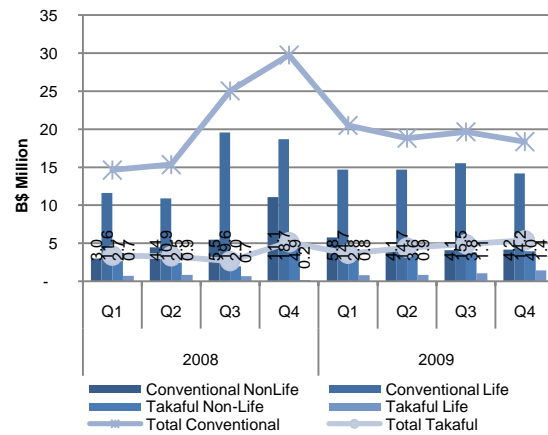
**Figure 3.11: Non-Life Gross Premiums Percentage, Q4 2009**



Source: Financial Institutions Division, Ministry of Finance

Overall Industry Gross Claims decreased by 3.1 percent q-o-q from B\$24.5 million to B\$23.7 million. The majority of Gross Claims were paid by life insurers at B\$15.6 million.

**Figure 3.12: Gross Claims, Q1 2008 – Q4 2009**

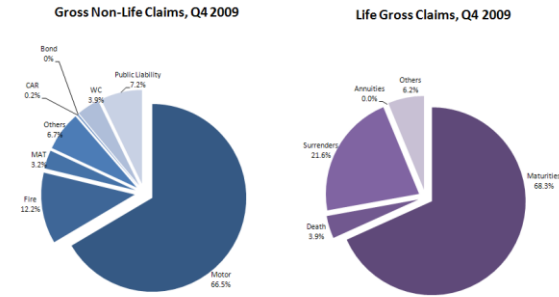


Source: Financial Institutions Division, Ministry of Finance

In Life Business, Gross Claims decreased by 5.9 percent q-o-q from B\$16.6 million to B\$15.6 million. Maturities and Surrenders were paid out amounting to B\$10.7 million and B\$3.7 million, respectively.

In Non-Life Business, Gross Claims recorded an increase of 3.8 percent q-o-q from B\$7.9 million to B\$8.2 million. Motor, Fire and Public Liability businesses incurred losses of B\$5.4 million (66.5 percent), B\$0.9 million (12.2 percent) and B\$0.6 million (7.2 percent), respectively.

**Figure 3.13: Gross Claims Percentage, Q4 2009**

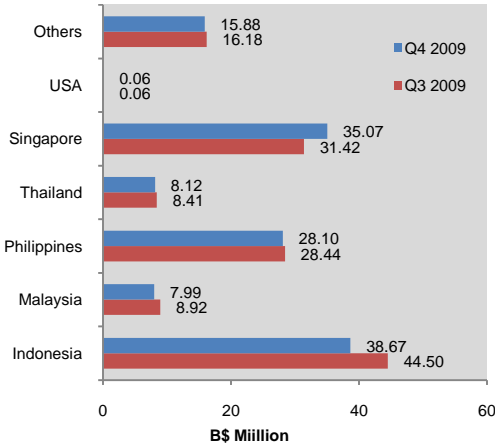


Source: Financial Institutions Division, Ministry of Finance

**MONEY REMITTANCE**

A total of B\$133.9 million was recorded as outward remittances in Q4 09, a decrease of 3.0 percent q-o-q and 5.2 percent increase y-o-y. The decrease was due to the fall in remittances made to Indonesia (13.1 percent); Malaysia (10.5 percent); Thailand (3.4 percent); Others (1.9 percent); and Philippines (1.2 percent). However, the remittances made to Singapore rose by 11.6 percent q-o-q.

**Figure 3.14: Total Money Remitted**



MONEY REMITTED	Q4 2008	Q3 2009	Q4 2009
Total (in B\$m)	127.1	137.8	133.9
% Change	5.2% (y-o-y)	-	-3.0% (q-o-q)

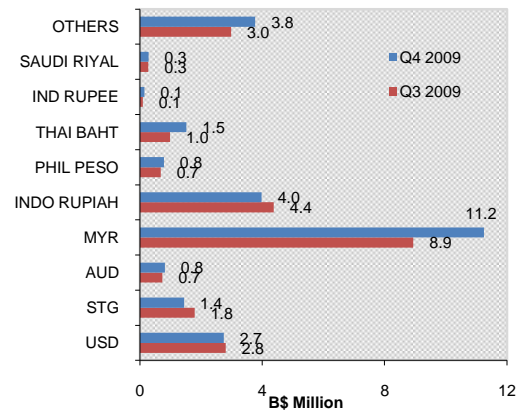
Source: Financial Institutions Division, Ministry of Finance

**FOREIGN CURRENCY EXCHANGE**

The total amount of foreign currencies bought in Q4 09 was B\$26.7 million recording an increase of 12.7 percent q-o-q and 13.6 percent y-o-y. This was caused by the increase in the purchase of Indian Rupee (54.9 percent); Thai Baht (54.1 percent); Others (27.3 percent); Malaysian Ringgit (25.8 percent); Philippine Peso (15.8 percent); Australian Dollar (10.9 percent); and Saudi Riyal (1.8 percent).

Although such increases were recorded in the major currencies purchased, decreases were observed in Pound Sterling (19.4 percent); Indonesian Rupiah (9.0 percent); and United States Dollar (2.4 percent).

**Figure 3.15: Buying of Foreign Currencies**

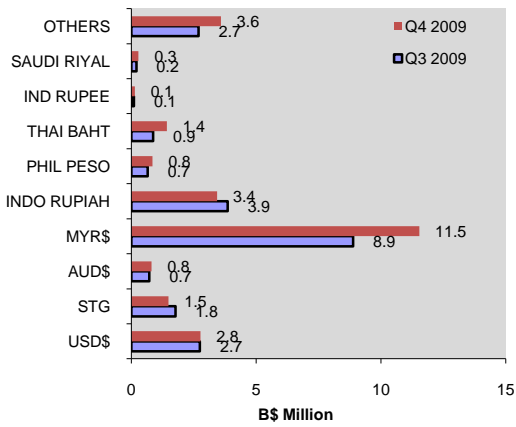


BUYING	Q4 2008	Q3 2009	Q4 2009
Total (in B\$m)	23.5	23.7	26.7
% Change	13.6% (y-o-y)	-	12.7% (q-o-q)

Source: Financial Institutions Division, Ministry of Finance

Foreign currencies sold amounted to B\$26.3 million in Q4 09, an increase of 16.9 percent q-o-q and also y-o-y. The increase was due to the rise in the sale of Thai Baht (64.0 percent); Saudi Riyal (38.9 percent); Others (33.3 percent); Ringgit Malaysia (29.9 percent); Indian Rupee (29.8 percent); Philippine Peso (28.8 percent); Australian Dollar (11.4 percent) and United States Dollar (0.7 percent). However, there was a decline in the sales of the Pound Sterling (11.4 percent) and Indonesian Rupiah (11.5 percent).

**Figure 3.16: Selling of Foreign Currencies**



SELLING	Q4 2008	Q3 2009	Q4 2009
<b>Total (in B\$m)</b>	22.5	22.5	26.3
<b>% Change</b>	16.9% (y-o-y)	-	16.9% (q-o-q)

Source: Financial Institutions Division, Ministry of Finance

TABLE A: Brunei Darussalam – FISCAL INDICATORS (Fiscal Position)										
	2007/08			2008/09				2009/10		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	(B\$ Million)									
<b>Total Revenue</b>	<b>2,281.0</b>	<b>2,482.1</b>	<b>3,203.4</b>	<b>2,779.2</b>	<b>3,878.0</b>	<b>2,349.9</b>	<b>2,360.1</b>	<b>1,460.6</b>	<b>1,516.5</b>	<b>1,302.3</b>
<b>Tax Revenue</b>	1,547.5	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
<b>Oil &amp; Gas sector</b>	1,446.0	1,678.8	1,739.2	1,728.9	2,588.0	1,598.3	1,190.6	604.9	958.7	654.4
<b>Non-oil sector</b>	101.6	42.3	40.5	95.3	122.0	53.6	56.9	146.5	97.7	120.6
<b>Non-tax revenue</b>	733.5	761.1	1,423.7	955.0	1,168.0	698.0	1,112.5	709.2	460.1	527.4
<b>Oil &amp; Gas sector</b>	655.8	548.2	924.1	877.5	1,071.0	618.0	878.9	630.5	379.2	444.8
<b>Non-oil sector</b>	77.7	212.9	499.6	77.5	97.0	80.0	233.7	78.8	80.9	82.6
<b>Total Expenditure</b>	<b>1,437.5</b>	<b>1,378.8</b>	<b>2,019.5</b>	<b>1,209.6</b>	<b>1,437.0</b>	<b>1,234.1</b>	<b>2,143.8</b>	<b>1,042.6</b>	<b>1,634.4</b>	<b>1,512.8</b>
<b>Current Expenditure</b>	1,075.8	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
<b>Wages and salaries</b>	384.4	510.7	399.9	392.0	384.0	517.2	319.0	389.9	406.0	528.7
<b>OCAR</b>	349.1	326.6	767.3	301.9	349.0	363.8	639.5	275.7	452.4	378.4
<b>Charged</b>	342.3	350.3	417.1	385.0	342.0	101.7	754.5	243.4	313.9	299.7
<b>Capital Expenditure</b>	361.6	191.2	435.2	130.8	362.0	251.5	430.8	133.6	462.2	306.1
<b>OCSE</b>	228.0	61.3	198.6	37.4	228.0	77.1	242.9	65.1	218.6	136.9
<b>Development</b>	133.7	129.9	236.6	93.3	134.0	174.4	187.9	68.6	243.6	169.2
<b>Investments in Public Enterprises</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Surplus or deficit (-), excl. transfer</b>	<b>843.6</b>	<b>1,103.3</b>	<b>1,183.9</b>	<b>1,569.6</b>	<b>2,441.0</b>	<b>1,115.9</b>	<b>216.3</b>	<b>418.0</b>	<b>-117.9</b>	<b>-210.5</b>
<b>Memorandum items</b>										
<b>Oil &amp; gas sector revenues</b>	2101.8	2226.9	2663.3	2606.4	3659.0	2216.3	2069.5	1235.4	1337.9	1099.2
<b>Non-oil sector revenues</b>	179.2	255.2	540.1	172.8	219.0	133.7	290.5	225.3	178.6	203.2
<b>Oil &amp; gas sector (in % of total revenues)</b>	92.1	89.7	83.1	93.8	94.4	94.3	87.7	84.6	88.2	84.4
<b>Non-oil sector revenues (in % of total revenues)</b>	7.9	10.3	16.9	6.2	5.6	5.7	12.3	15.4	11.8	15.6

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>	Oct-09	Nov-09	Dec-09
Net Foreign Assets	1,365.375	1,357.991	1,449.659
Claim On Nonresidents	1,846.907	1,855.111	1,938.014
Liabilities To Nonresidents	-481.532	-497.120	-488.355
Claim On Other Depository Corporations	496.035	542.252	536.903
Net Claim On Central Government	-268.381	-268.476	-268.476
Claims On Central Government	0.851	0.856	0.856
Liabilities To Central Government	-269.231	-269.332	-269.332
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	1,502.276	1,535.806	1,624.322
Currency In Circulation	867.800	886.416	954.514
Liabilities To Other Depository Corporations	634.475	649.390	669.809
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	110.615	115.742	114.246
Other Items (Net)	-19.861	-19.781	-20.483

Source: Brunei Currency and Monetary Board, Ministry of Finance

<b>Table C: Depository Corporations Survey</b>			
<i>Millions of Brunei Dollars</i>	<b>Oct-09</b>	<b>Nov-09</b>	<b>Dec-09</b>
Net Foreign Assets	8032.299	8093.138	8577.448
Claims On Nonresidents	8904.526	8981.933	9479.866
Liabilities To Nonresidents	-390.695	-391.674	-414.064
Domestic Claims	5405.808	5192.385	5002.186
Net Claims On Central Government	-1820.101	-1990.014	-1981.475
Claims On Central Government	218.77	186.804	288.205
Liabilities To Central Government	-2039.717	-2177.675	-2270.535
Claims On Other Sectors	7225.909	7182.4	6983.661
Claims On Other Financial Corporations	0.092	0.085	0.104
Claims On State and Local Government	0	0	0
Claims On Public Nonfinancial Corporations	68.828	66.709	63.337
Claims On Private Sector	7156.989	7115.606	6920.22
Broad Money Liabilities	11035.200	10875.292	11041.803
Currency Outside Depository Corporations	-136.103	-144.919	-170.95
Transferable Deposits	4657.879	4660.903	4606.972
Other Deposits	6511.567	6358.467	6604.706
Securities Other Than Shares	1.857	0.841	1.075
Deposits Excluded From Broad Money	0	0	0
Securities Other Than Shares Excluded From Broad Money	0	0	0
Loans	0	0	0
Financial Derivatives	0	0	0
Insurance Technical Reserves	0	0	0
Shares and Other Equity	1977.142	2001.807	2018.612
Other Items (Net)	-442.035	-477.991	-435.295

Source: Brunei Currency and Monetary Board, Ministry of Finance

<b>Table D: Monetary Aggregates and Broad Money Components</b>			
<i>Millions of Brunei Dollars</i>	<b>Oct-09</b>	<b>Nov-09</b>	<b>Dec-09</b>
M0	867.800	886.416	954.514
Money	5389.576	5402.400	3646.073
Quasi Money	6513.423	6359.308	9194.893
Broad Money	11903.000	11761.708	12840.966
<b>Broad Money Components</b>			
Currency outside banks	731.70	741.50	783.57
Demand deposits	4,657.88	4,660.90	2,862.50
Money	5389.58	5402.4	3646.07
Fixed deposits, savings & other deposits	6513.42	6359.31	9194.89

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.