BHUTAN DEVELOPMENT BANK

"Your Development Partner"

ANNUAL REPORT, 2024

Contents

INTRODUCTION

Foreword

2024 marked a period of strong recovery and forward momentum, driven by the reforms we set in motion in 2023.

We made significant strides in strengthening our financial position, streamlining operations, and deepening our commitment to national development.

One of the most pivotal moments this year was the successful rollout of the Economic Stimulus Program. This initiative not only bolstered our capital base but also enabled us to extend our services to underserved communities. In doing so, we aligned closely with the government's development priorities and strengthened our role as a key driver of inclusive economic growth.

Among our key accomplishments this year:

- After 13 years, we declared a dividend payout, a testament to our financial turnaround and renewed strength.
- We restored credit growth following the end of the loan moratorium.
- We achieved ISO 27001:2022 certification, affirming our commitment to information security and operational excellence.
- We introduced the Community Development Loan, tailored to empower grassroots initiatives.
- Through our partnership with the Desuung Skilling Program, we launched an internship and recruitment drive.
- We formalized collaboration with the Asian Institute of Management through signed MoU and MoA, strengthening our institutional capacity.
- We proudly hosted the Bhutan Country Investment Roundtable alongside the Food and Agriculture Organization (FAO) – Regional Office for Asia and the Pacific, bringing together regional stakeholders to support Bhutan's agricultural and rural investment priorities.
- We successfully implemented a nationwide financial literacy training program with the support of Asian Development Bank (ADB). Through this initiative, we reached 4,071 participants, of whom 59% were women, reflecting our strong commitment to inclusive financial education. The training was conducted across 30 Gewog Centers, covering 19 Dzongkhags

Despite a challenging global economic environment and domestic transitions following the conclusion of Monetary Measures IV, we remained resilient. Our values—Professionalism, Excellence, Ownership, Partnership, Loyalty, and Efficiency—have guided us throughout this journey, ensuring we remain aligned with Bhutan's vision of Gross National Happiness.

These achievements were made possible only through the trust and support of our stakeholders. I extend my deepest appreciation to:

- Our shareholders, especially the Royal Government of Bhutan, for their unwavering confidence in our mission
- Our customers, for their loyalty and continued partnership
- Our Board of Directors, for their strategic foresight and guidance
- Our employees, whose dedication and hard work have been instrumental to our progress
- Our development partners, including the Royal Monetary Authority and the Ministry of Finance, for their collaboration and support

As we prepare to align with Bhutan's 13th Five-Year Plan, we remain focused on innovation, good governance, and expanding our impact. I am confident that with continued commitment from our team and support from our partners, Bhutan Development Bank will keep playing a pivotal role in building a resilient and inclusive financial system for all Bhutanese.

Tshering Om
Chief Executive Officer

Who are we?

Bhutan Development Bank Limited (BDB) is one of the most significant financial institutions in the country. It was incorporated in January 1988 under a Royal Charter with assistance from the Asian Development Bank (ADB). It is registered as a company under the Companies Act 2000 and licensed under the Financial Institutions Act 1992.

Initially, its primary function was as a development finance institution (DFI). Later, it transitioned into a domestic development bank with banking facilities after obtaining its banking license in March 2010. The Royal Government of Bhutan (RGoB) holds a significant ownership stake in BDB, with 98.96% of its paid-up share capital owned by the government.

Mandates

- Provide micro, small and medium financial services for the development and modernization of agricultural, commercial and industrial enterprises in the country;
- Enhance income of people thereby improve standard of living through provision of financial services;
- Provide financial services for private sector development;
- Alleviate poverty; Provide technical and advisory services to enterprises; Mobilize external and internal funds for investments.

What we do?

Bhutan Development Bank (BDB) plays a crucial role in the Bhutanese financial sector by focusing on rural development and delivering tailored financial services to rural communities, especially farmers. We administer nationwide credit programs, offering seasonal, small, and medium-term loans to support the agricultural sector —an essential pillar of the country's economy.

Beyond agriculture, BDB also supports small industries and agro-based businesses through term loans and working capital financing. One of our key services, the Farmers Outreach Banking Service, brings banking directly to people in remote areas. This initiative significantly reduces travel time and costs for rural clients, making banking more accessible than ever before.

We are also bringing banking directly to our clients' fingertips. Through our ePay services and Customer Complaint OS Ticketing System, clients can conveniently access financial services and lodge concerns without having to visit a branch. This strengthens our commitment to inclusive and efficient banking for all Bhutanese citizens.

While we continue to expand our digital and outreach services, we are not stopping there. 2025 will mark a pivotal year for BDB as we accelerate digitization and innovation. The Bank plans to roll out initiatives for online account opening and account updation, ensuring services are even more accessible, seamless, and efficient for all customers.

31 Years of Journey with BDB

I began my professional journey with Bhutan Development Bank Limited (BDBL), then Bhutan Development Finance Corporation (BDFC), 31 years ago, as a Personal Assistant to the Managing Director.

During those days, without the convenience of modern technology, a Personal Assistant meant drafting a wide range of correspondences and being a reliable support system. It was like having extra "eye at the back", constantly staying alert to every detail, keeping track of schedules, and ensuring nothing slipped through the cracks.

This level of involvement was crucial in maintaining efficiency and order within the organization's operations. This role allowed me to interact with a diverse array of individuals both from within and outside the organization.

It was a period of immense learning, as I navigated the dynamics of administrative functions and developed a deep understanding of the organization's operations.

In 2014, I embraced a new challenge when I transferred to the Customer Care Division. It marked a significant shift in my career and involved direct interaction with the Bank's customers.

My extensive administrative experience proved invaluable. In this role, I became a frontline representative of the bank, ensuring customers received the highest standard of care and support.

One of my key achievements in this role was the development of a comprehensive Customer Grievance Redressal Policy and Customer Care Manual, aligning with the requirements set forth by the Royal Monetary of Bhutan (RMA). These initiatives were instrumental in standardizing our customer service processes and ensuring a consistent, high-quality experience for our customers.

When I began my journey with BDB in 1992, little did I know that this institution would become such a significant part of my life. From my early days, I witnessed the Bank's unwavering commitment to fostering economic growth and improving the livelihoods of countless Bhutanese citizens. I have seen the Bank evolve, adapting to new challenges and seizing opportunities to better serve our community. Technological advancements, policy changes, and market dynamics continuously reshaped strategies and operations. Through it all, the core values of integrity, dedication, and service remained steadfast.

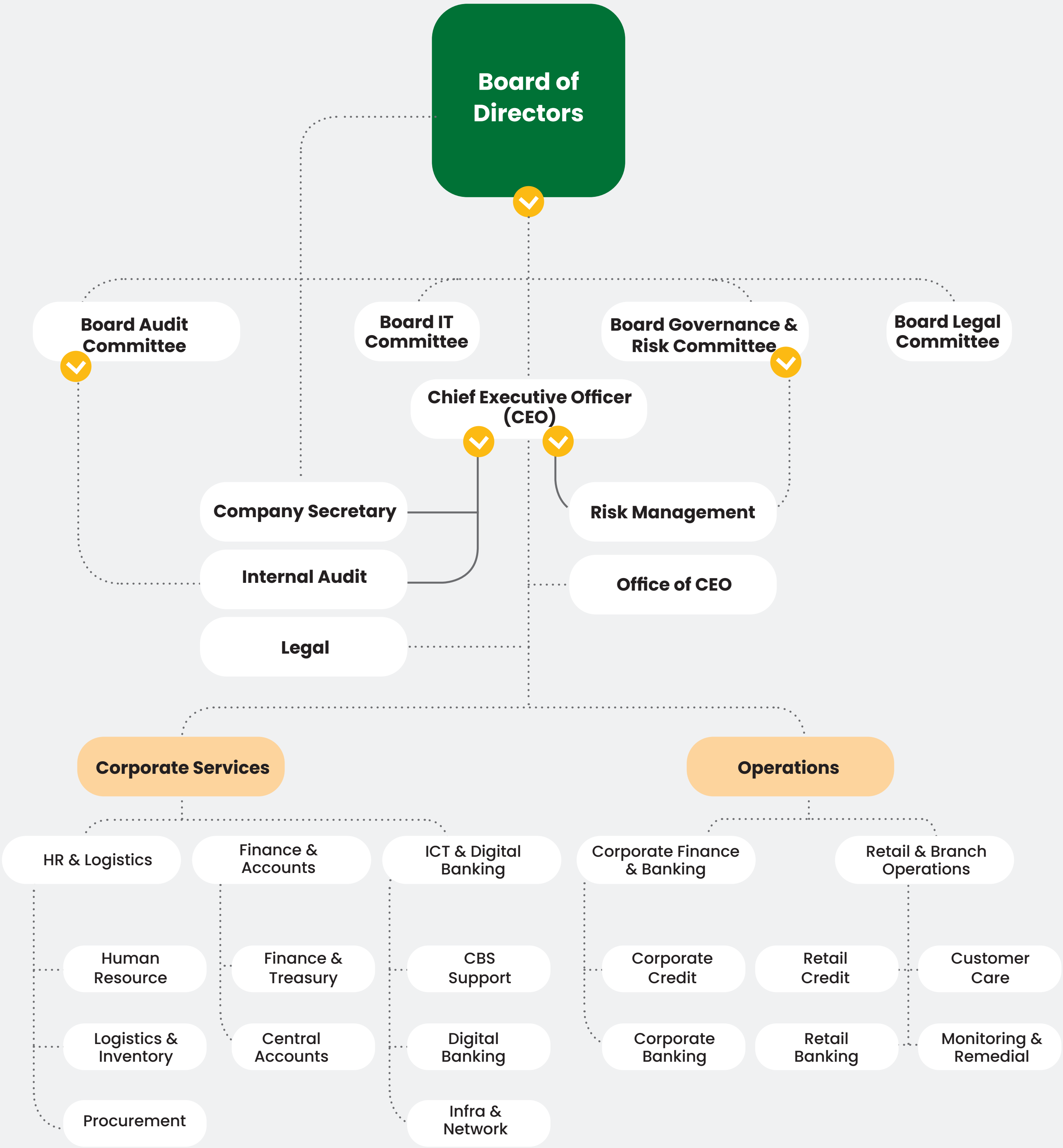
The relationships I built during my tenure with colleagues, mentors and customers are among the most cherished aspects of my career. These bonds have enriched my professional and personal life immeasurably.

As I reflect on the past three decades, I am struck by the realization that the essence of BDB's mission remains the same- to be a beacon of hope and catalyst for positive change in Bhutan. I am proud to have played a role and am excited to see where it goes in the future.

My gratitude to BDB is profound. It has been more than just a workplace. Thank you for making me what I am today.

Norbu Lham
Former Head
Customer Care

Organogram



Board of Directors
Board Audit Committee
Board IT Committee
Board Governance & Risk Committee
Board Legal Committee
Chief Executive Officer (CEO)
Company Secretary
Internal Audit
Legal
Risk Management
Office of CEO
Corporate Services
Operations
HR & Logistics
Finance & Accounts
ICT & Digital Banking
Corporate Finance & Banking
Retail & Branch Operations
Human Resource
Logistics & Inventory
Procurement
Finance & Treasury
Central Accounts
CBS Support
Digital Banking
Infra & Network
Corporate Credit
Corporate Banking
Retail Credit
Retail Banking
Customer Care
Monitoring & Remedial

MISSION

A premier development bank with focus on rural prosperity through prompt, efficient and effective financial services on a sustainable basis.

VISION

To be the strong, dependable and customer focused Bank that contributes towards achievement of GNH

CORE VALUES

Professional - Give your best
Exellence - Aim for higher ideals
Ownership - Own your Bank and care for your customers
Partnership - Work together for growth
Loyalty - Be true to oneself and stakeholders
Efficiency - Deliver prompt service

2024
MILESTONES

JAN

- Full lifting of Prompt Corrective Action
- Launch of community development loan
- Employee recognition initiative

MARCH

- Declaration of dividend after 13 years

APRIL

- Launch of Customer support system with OSTicketing

MAY

- Launch of ESP loan
- Collaborated with Desuung skilling programme

JULY

- Awarded ISO 27001:2022 certification
- Signed MOU and MOA with AIT

SEP.

- Hosted Bhutan Country Investment Roundtable with FAO- RAP and APRACA

DEC.

- Established correspondent relationship with State Bank of India (SBI)

BOARD of **DIRECTORS**

Karma Tshering
Chairman/Independent Director
Former CEO, BOIC

Mr. Karma Tshering holds a Master in Business Administration from University of Canberra and a Bachelor's degree from Sherubtse College (affiliated with Delhi University). He served as CEO of the Business Opportunity & Information Centre (BoIC) from March 2013 to May 2016.

Kuenzang Lhamu
Non- Executive Director
Director General
Department of Employment & Entrepreneurship, MoICE

Ms. Kunzang Lhamu holds a Master in Public Policy from the National University of Singapore and a Bachelor's degree in Arts from Sherubtse College.

Kinzang Tobgay
Independent Director
CEO, Lhojong Construction

Kinzang Tobgay is a Certified Practicing Accountant (CPA), Australia, and holds a Bachelor of Business from the University of South Australia and Bachelor of Commerce (Honours) from Sherubtse College.

Dechen Yangden
Non-Executive Director
Director, Department of Water, MoENR

Ms. Dechen Yangden holds a Master of Philosophy in Urban Infrastructure Management from Yokohama National University, Japan, and a Bachelor's degree in Civil Engineering from the University of Wollongong, Australia. She served as an assistant engineer in BUDP, MoWHS (2002-2005), and as executive engineer, MoWHS (2011 – 2014). She has a wide range of experience in planning, designing and implementation of urban infrastructure.

Deki Yangzom
Non-Executive Director
Chief Legal Officer, MoF

Ms. Deki Yangzom holds a Master in Law from University of Hawaii (United States of America), P.G. Diploma from RIM, Thimphu, and a Bachelor's in law from University of Mumbai.

Rinzin Lhamo
Non-Executive Director
Director
Department of Procurement and Properties, MoF

Ms. Rinzin Lhamo holds a Master in Public Policy from KDI School of Public Policy and Management, South Korea, a post graduate degree in Financial Management from RIM, Thimphu, and a Bachelor's degree from Sherubtse College.

Tshering Om
Chief Executive Officer
BDBL

Ms. Tshering Om holds a Master of Business Administration (MBA) from the University of Canberra, Australia, and a Bachelor of Commerce from St. Joseph's College, Darjeeling, West Bengal, India.

BDBL MANAGEMENT **TEAM**

Tshering Om
Chief Executive Officer, BDBL

Kuenzang Thinley
General Manager
Retail & Branch Operation Division

Gembo Dorji
Chief Legal Counsel
Legal Division

Pema Wangdi
General Manager
Internal Audit

Lobzang Dhendup
General Manager,
Corporate Finance &
Banking Division

Tashi Rinchen
General Manager
Finance & Accounts

Pema Khandu
General Manager
HR & Logistics Division

Kushma Khar Adhikari
General Manager
Economic Stimulus Programme

Thukten Dhendup
General Manager
ICT & Digital Banking Division

DIRECTOR'S REPORT

The Board of Directors is pleased to present the performance of Bhutan Development Bank (BDB) for the year ending December 31, 2024. While the year presented major challenges due to the exit of Monetary Measures IV, the bank demonstrated resilience and achieved growth in key areas.

In 2024, BDB experienced a significant improvement in loan and deposit growth despite a significant rise in non-performing loans (NPLs) impacting profitability. While overall income increased through strategic diversification and expense management, the profit after tax (PAT) declined due to higher credit costs and tax expenses.

Operationally, BDB successfully navigated the exit from loan deferment, managed escalating NPLs through rigorous strategies, and advanced its digital transformation with an eKYC portal, while also strengthening its control framework and managing the Economic Stimulus Plan's concessional credit line. Looking ahead, the bank aims to enhance loan portfolio management, drive digitization, and achieve a 20% growth rate in 2025, prioritizing operational efficiency and customer service.

The details of performance are as:

Financial performance

In 2024, loans grew by 15% from Nu. 18,762.45 million in 2023 to Nu. 21,574.49 million in 2024. On the liability side, deposits increased from Nu. 27,724.92 million in 2023 to Nu. 30,108.49 million in 2024. This improved the bank's CD ratio from 68.5% in 2023 to 71.6% in 2024.

The consolidated NPLs grew from Nu. 898.5 million in 2023 to Nu. 1,203.86 million in 2024. The BDB standalone NPL was Nu. 840.81 million (4.07%) in 2024, up from Nu. 461.34 million (2.67%) in 2023. The bank encountered a rise in Non-Performing Loans (NPLs), primarily due to internal operational lapses such as weak underwriting, insufficient loan monitoring, and poor client selection. These issues were further aggravated by institutional and policy-level challenges, including delays in the seizure and disposal of collateral and the broader impact of monetary policies. Additionally, external factors like market and product failures, inconsistent borrower incomes, low financial literacy, and customer behaviour also contributed to the increase in NPLs.

In response, the institution implemented a series of corrective measures to strengthen credit management. Weekly NPL review meetings with branch offices were introduced to improve oversight, while a dedicated auction unit was formed to handle seized assets efficiently. Enhanced loan monitoring practices were adopted, and significant efforts were made to build the capacity of credit staff. Furthermore, credit policies were revised to align with changing market conditions, reinforcing our commitment to restoring portfolio quality and institutional resilience.

The financials for 2024 are as:

GAAP Financial Statements (RMA Prudential Regulations 2024)

Income from Operations	2024	2023	% Change
Interest on Loans	1,858,749,573	1,933,177,565	-3.85%
Interest & Dividend on Deposits & Investments	476,034,013	307,823,792	54.64%
Other Income	364,931,853	289,117,711	26.22%
Total Income	**2,699,715,439**	**2,530,119,068**	**6.70%**
Less; Expenses			
Operating Expenses	584,532,857	572,017,868	2.19%
Financial Expenses	1,821,847,512	1,753,857,106	3.88%
Total Expenses	**2,406,380,369**	**2,325,874,973**	**3.46%**
Operating Profit	**293,335,070**	**204,244,094**	**43.62%**
Credit cost	75,167,156	-31,881,913	-335.77%
Profit before tax	**218,167,915**	**236,126,008**	**-7.61%**
Provision for Tax	65,450,374		2023- Bank used tax losses
Profit after tax	**152,717,540**	**236,126,008**	**-35.32%**

As per the GAAP financial statements, the bank reported Nu. 1,858.75 million in loan interest income for 2024, down from Nu. 1,933.18 million in 2023. The reason for decrease in interest income on loans was due to interest-suspension of Nu. 36.9 million from increase of NPLs and slow growth of credit in Q1 and Q2 of 2024.

To compensate for the reduced loan interest income, the bank strategically increased its holdings in short-term investments. This resulted in a substantial rise in income from these sources, from Nu. 307.83 million in 2023 to Nu. 476.04 million in 2024. The other income (fees and commissions) increased by 26.2% to Nu. 364.72 million mainly due to recovery from OBS loan of Nu. 280 million. Consequently, despite the challenges with loan income, the bank experienced a 6.7% growth in total income, from Nu. 2,530 million in 2023 to Nu. 2,699 million in 2024.

The bank's financial expenses saw an increase in 2024, rising from Nu. 1,743 million to Nu. 1,822 million, primarily due to growth in deposits. While the bank experienced a substantial 9% increase in deposits, from Nu. 27,724 million in 2023 to Nu. 30,108 million in 2024, interest expense growth was held to just 3.9% through a reduction in the bank's cost of funds.

Furthermore, the bank managed to maintain operating expense growth at a modest 2%, despite implementing a salary revision in October 2023 and additional banking allowance of 20% in March 2024, which costs the bank Nu. 89 million in 2024.

The bank's operating profit saw a significant 43.6% increase, reaching Nu. 293 million in 2024. As highlighted earlier, on NPLs increasing to 4.07%, the bank provided a credit cost- provision expense of Nu. 75.16 million which reduced profit to Nu.218. 67 million. In 2023, the bank carried forward a tax loss of Nu. 277.64 million, which was fully utilised during the year. As a result, no provision for tax was made in 2023. In 2024, the bank made provision for tax of Nu. 65.4 million, a 35% decrease compared to 2023.

BAS Financial Statements

Sl.no	Particulars	2024	2023	% change
1 2 3	Net interest income	518,178,063.29	504,409,534.86	3%
4 5 6	Net fee and commission income	53,228,345.86	49,281,114.80	8%
7 8 9	Other Operating Income	311,703,507.03	240,361,080.53	30%
	Total operating income (1+2+3)	883,109,916.18	794,051,730.20	11%
	Operating Expenses	(593,571,490.11)	(545,256,648.10)	9%
	Impairment (charges) / reversals	(82,194,034.70)	79,135,405.65	-204%
	Profit before Tax (4-5-6)	207,344,391.37	327,930,487.75	-37%
	Tax expenses (Current + Deferred)	63,289,786.10	(50,984,913.89)	-224%
	Profit after Tax (7-8)	144,054,605.27	378,915,401.64	-62%

Consistent with the overall financial trends reported in the GAAP statements, the bank's Profit. After Tax (PAT) for 2024 fell to Nu. 144.05 million. This decrease is largely attributable to significant impairment expenses of Nu. 82 million and tax expenses of Nu. 63.29 million.

Non-Financial

Operational insight:

After lifting of credit moratorium by RMA in December 2023, the goal of BDB was to bring in new business and grow the loan portfolio. As the growth rate was meager in Q1 2024, the manage- ment and board initiated an interest rate revision across all products for client retention and attraction. The loan portfolio grew by 14% by the end of 2024. Similarly, to balance the banking books, the cost of fund was reduced from 6.3% to 5.8%.

A significant undertaking was to manage the exit from Monetary Measures IV, which involved transitioning in previously deferred loans without repayment, amounting to Nu. 7,765.06 million, back into the regular portfolio. Due to this, the bank also had to address escalating NPLs, which peaked at 4.8% in June 2024, by implementing rigorous recovery and restructuring strategies, ultimately reducing NPL to 4.07% by year-end. A weekly review of branches with increasing NPLs was conducted to mitigate further deterioration. For recovery of chronic old NPLs, the bank initiated a one-time settlement facility under the four pillar approach, with partial interest and penalty waiver.

Of the total NPL of Nu.840.8 million, 98.6% of NPLs stemmed from loans issued before 2022 while NPLs from new loans were minimal, confirming effectiveness of new underwriting standards.

After obtaining a commercial deposit taking license in 2011, the bank's focus has been on domestic operations only and, in 2024, the bank formed a relationship with the State Bank of India, enabling efficient and secure cross-border remittance services to enhance international financial accessibility.

On its 37th Foundation Day, January 31, 2025, the bank unveiled its eKYC Portal, a significant step in its digital transformation. This portal empowers customers with convenient digital onboarding, allowing new customers to open savings accounts and existing customers to update their KYC information from anywhere. Utilizing Bhutan NDI for secure data validation, the portal prioritizes efficiency and customer comfort.

Strengthening of control framework

The bank had 998 outstanding audit observations (RAA, SA, RMA & IAD) in 2021, which decreased to 932 by December 2023. A key objective in 2024 was to foster a culture of ownership and accountability. To this end, the bank implemented a risk-based internal audit manual, shifting from compliance-focused audits to prioritising high-risk areas. This new approach was applied to 35 units. Additionally, the Board approved Audit Action Taken Report Guidelines to ensure systematic tracking of issue resolution. As a result, outstanding audit observations were reduced to 218 by December 2024. Factoring out 127 observations tied to ACC and court cases, the balance observation is 91 indicating the bank achieved a 90.23% resolution rate.

Economic Stimulus Plan

The Economic Stimulus Plan (ESP) was allocated Nu. 15 billion by RGoB, with Nu. 5.3 billion earmarked for concessional loans. This allocation included Nu. 3.3 billion for a concessional credit line and Nu. 2 billion for a reinvigoration fund. Recognizing BDB's role as a state-owned enterprise with a mandate to support government policy lending, the bank was chosen to manage the concessional credit line. This decision has allowed BDB to refocus on its primary mission. By the end of 2024, BDB had received 3,969 loan applications requesting Nu. 11,440.22 million and had approved 588 applications for Nu. 297.90 million.

To ensure dedicated management of the ESP Fund, the bank strategically increased its staff by recruiting an additional General Manager and 15 credit officers. Recognizing the elevated risk of Non-Performing Loans (NPLs) stemming from the collateral-free nature of the ESP loans, the Royal Monetary Authority (RMA) has granted an 18-month sandbox period. The final decision on how the treatment and way forward for ESP fund amounting Nu. 3.3 billion will be decided after 18 months.

This period will serve as a crucial phase for the bank to monitor loan performance closely, allowing the RMA to formulate a suitable regulatory framework based on empirical data.

Human Resource Development

Recognizing the critical shortage of professional capacity, the bank partnered with Asian Institute of Technology. A MoU was signed between BDB and AIT to foster collaboration on improving professional capacity of bank employees with scholarship facilities for 25% fee concession. In 2023, two BDB mid-level employees were selected to pursue master's degrees at AIT. A reciprocal invitation and visits have happened in 2024 to further strengthen collaboration and cooperation. For short term training, the bank has trained 83 employees for ex-country and 325 employees for in-country, in areas of credit, finance, risk, audit, and customer care.

Revenue Contribution to the Ministry of Finance:
In 2024, the Bank's total dividend contribution to the Ministry of Finance (MoF) was Nu. 83.12 million, with a tax payment of Nu. 65.45 million, from a total revenue of Nu. 148.57 million— compared to a total revenue of Nu. 151.8 million in 2023. However, in 2023, no tax was paid since there was tax loss adjustment.

Way forward:

The observed increase in non-performing loans (NPLs) has prompted the bank to implement a strategic focus on strengthening its loan portfolio management. This will involve deploying robust credit risk mitigation strategies to reduce NPLs and safeguard long-term financial stability.To further enhance profitability, the bank will continue to diversify its income streams, maintain rigorous cost control measures and adapt its business approach, from a centralized model to a more segmented focus that is, as corporate and retail banking.

In 2025, the bank will transition from organic growth to a focused drive to meet industry benchmarks, targeting a 20% growth rate. The strategic theme for 2025 is enhancing operational efficiency through digitization and improving customer service experience. To maximize the benefits of digitization, the bank aims to achieve a 20% reduction in physical branch visits through closure of loss-making and less transaction branches, while ensuring seamless service delivery through digital on-boarding, agency banking, and enhanced customer outreach initiatives.

The entire ICT apps and services in terms of digital banking will be revamped to enable bringing on-board government CD accounts and convenience of opening account from anywhere by anyone for Bhutanese citizens on a digital platform. The Bank will optimize its balance sheet efficiently to be able to provide line-of-credit to Ministry of Finance as and when needed.

In light of the evolving economic landscape and the emerging needs of our stakeholders, the Economic Stimulus Program (ESP) will be reorganized to ensure greater effectiveness and relevance. This restructuring will aim to enhance the program's efficiency and deliver support that is more targeted and impactful.

To enhance employees' capacity, the board has also approved Nu. 30 million for staff capacity development for both short and long term programmes in 2025.

Conclusion:

The Board of Directors remains confident in the bank's ability to navigate the current economic landscape and deliver sustainable value to its stakeholders.

Karma Tshering
Chairperson

AUDITORS' REPORT

AUDIT REPORT ON THE FINANCIAL STATEMENTS BHUTAN DEVELOPMENT BANK LIMITED

PERIOD: JANUARY 1, 2024, to DECEMBER 31, 2024

Title sheet

Title	Audit Report on the financial statements of Bhutan Development Bank Limited
AIN	
Head of the Agency	Ms. Tshering Om, Chief Executive Officer CID No. 11005000916
Finance Personnel	Mr. Tashi Rinchen, General Manager, Finance & Treasury Department CID No. 10806000832
Period Audited	January 1, 2024 – December 31, 2024
Schedule of Audit	Planning: January 15, 2025 – January 16, 2025 Actual: January 20, 2025 – February 12, 2025 Reporting:
Composition of Audit Team	**Team Leader:** Kunzang Pasa Tenzin, Partner CID No. 11410000669 **Team Members:** 1. Ngawang Loday, Audit Manager CID No. 10604000452 2. Rakesh Tamang, Sr. Audit Associate CID No. 10201000790 3. Ugyen Chophyal, Audit Associate CID No. 10704001924 4. Tshering Tashi, Audit Intern CID No. 11111000718 5. Tenzin Gyeltshen, Audit Intern CID No. 11410005636
Supervising Officer	Kunzang Pasa Tenzin, Partner
Engagement Letter	RFPL/ENL/25/003
Focal Person	Ngawang Loday Email: ngawang@rinzingfinancial.com Phone: +975 17339454
Date of Exit Conference	March 4, 2025

ACRONYM

AAG	:	Assistant Auditor General
AASBB	:	Accounting and Auditing Standard Board of Bhutan
AFS	:	Available for Sale
AGM	:	Annual General Meeting
AIN	:	Audit Identification Number
APF	:	Asset Pending Foreclosure
AR	:	Audit Report
BAS	:	Bhutanese Accounting Standard
BDB	:	Bhutan Development Bank
BFRS	:	Bhutan Financial Reporting Standard
CA	:	Current Account
CFM	:	Close Family Members
CGU	:	Cash Generating Unit
CID	:	Citizenship Identity Card
CIT	:	Corporate Income Tax
DGRK	:	Druk Gyalpo's Relief Kidu
EAD	:	Exposure at Default
ECL	:	Expected Credit Loss
EIR	:	Effective Interest Rate
FSP	:	Financial Service Providers
FVOCI	:	Fair Value through Other Comprehensive Income
FVPL	:	Fair Value through Profit or Loss
GDP	:	Gross Domestic Products
GFO	:	Gewog Field Officer
HRM	:	Human Resource Management
HTM	:	Held to Maturity
IFRS	:	International Financial Reporting Standard
ISA	:	International Standards on Accounting
KMP	:	Key Managerial Personnel
LGD	:	Loss Given Default
LTECL	:	Lifetime Expected Credit Loss
OCI	:	Other Comprehensive Income
PD	:	Probability of Default
POCI	:	Purchased or Originated Credit Impaired
PPE	:	Property, Plant and Equipment
PUC	:	Projected Unit Credit
RAA	:	Royal Audit Authority
RGoB	:	Royal Government of Bhutan
RMA	:	Royal Monetary Authority
SME	:	Small and Medium Enterprises
TA/DA	:	Travel Allowance/Daily Allowance
TDS	:	Tax Deducted at Source

Independent Auditor's Report

To the members of Bhutan Development Bank Limited ("BDBL"):

Opinion

We have audited the standalone financial statements of bhutan development bank limited ("the bank"), which comprise the statement of financial position as at 31 december 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the bank as at 31 december 2024 and its financial performance and its cash flows for the year then ended in accordance with bhutanese accounting standards (bas).

Basis for opinion

We conducted our audit in accordance with the international standards on auditing (isas). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of this report. We are independent of the bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in bhutan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 december 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.We do not have any matters to report under this for the current audit.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of management and those charged with governance for the standalone financial statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with bas, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

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

As part of an audit in accordance with isas, we have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the bank's internal control;

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 266 of the companies act of bhutan 2016, we enclose the minimum audit examination and reporting requirements as a separate section *"report on minimum audit examination requirements"*

Further, as required under section 265 of the companies act of bhutan 2016, we report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion, proper books of account as required by law have been kept by the bank in so far as it appears from our examination of those books;
- The statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows dealt with by this report have been prepared in accordance with bas; and
- Based on the information, explanations and management representations received during the course of our audit, the bank has complied with other legal and regulatory requirements to the extent applicable to the bank.

For rinzing financial private limited
Firm license no. 1036380

RINZING FINANCIAL PRIVATE LIMITED

Kunzang pasa tenzin
Audit partner
Cpa license no. 10534147

Date: 24 March, 2025
Place: thimphu, bhutan

Report on minimum Audit examination requirements

Our audit was carried out by applying the international standards on auditing (isa) as adopted and issued by the accounting and auditing standards board of bhutan (aasbb).

The statutory audit report was prepared under the companies act of bhutan, 2016 and other relevant acts and regulatory norms in examining the accounts of the bank containing inter alia, the following:

General:

- The companies audited adhere to the corporate governance guidelines and regulations as applicable to them.
- The governing board/authority pursues prudent and sound financial management practice in managing the affairs of the bank.
- The financial statements are prepared applying the bhutanese accounting standards issued by the accounting and auditing standards board of bhutan (aasbb).
- Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.

- Adequate records as specified under section 228 of the companies act of bhutan 2016 have been maintained.
- The mandatory obligations social entrusted are being fulfilled.
- The amount of tax is computed correctly and reflected in the financial statements.

1. The bank has maintained property, plant & equipment (ppe) register showing full particulars including quantitative details and situation of ppe. During our fixed assets verification, we found certain discrepancies which is noted in "management report" section of this report.
2. The fixed assets of the bank have not been revalued during the year.
3. The bank conducted physical verification of the inventories on december 27, 2024. Thus, considering the size and frequency of moment of inventories, the verification conducted once a year is adequate.
4. The bank adequately maintains the inventories records. The method of valuation of inventory for the bank is adequate and commensurate with the size and nature of business.
5. During the physical verification of inventory, no discrepancies were noted. However, the value shown on the inventory list and the gl balance do not match. This has been noted in "management report" section of this report.
6. On the basis of explanation from the management of records, we are of the opinion that there is a reasonable system of recording receipts, issues and consumption of materials of stores through in the system which is commensurate with the size and nature of its business.
7. Based on the information, the bank does not have any finished products and therefore, quantitative reconciliation is not required to be carried out in respect of finished products.
8. In our opinion and according to the information and explanations given to us, obsolete, damaged, slow moving, and surplus goods/inventories has been determined and if the value is significant, adequate provisions are made. However, the bank does not have obsolete, damaged, slow moving, and surplus goods/inventories as of december 31, 2024.
9. Since there are no such obsolete and surplus inventories identified by management during the year, thus disposal of such material does not arise.
10. The bank has not identified obsolete, damaged, and surplus goods during the financial year 2024.
11. In our opinion the method of valuation of stock is fair and proper in line with the applicable accounting standards issued by the accounting and auditing standard board of Bhutan (AASBB).

12. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of loans are not prejudicial to the interest of the bank.

13. As per our assessment and the information furnished to us, the bank, operating as a financial institution, has refrained from extending loans to entities that would be deemed ultra-vires under its articles of incorporation and other applicable acts and regulations.

14. Advances granted to officers/staff are generally in accordance with the provisions of the service rules as advances are frequently allowed before the settlement of prior advances, leading to accumulation of large advances against few particular staff.

15. In our opinion and according to the information and explanations given to us in the course of this audit, the bank has generally established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the bank as well as to ensure adherence to the rules/regulations and system which are found.

16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of the bank and nature of its business, on issue of stores and allocation of materials and labors to jobs.

17. There is a proper system of competitive biddings, commensurate with the size of the bank and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.

18. (A) as explained to us, the bank has not entered into transactions for purchases and sales of goods and services during the year in pursuance of the contracts or arrangements entered into with the bank in which the director(s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions. (B) the examination of records does not reveal any transaction entered into by the bank which is prejudicial to the interest of the bank wherein directors are directly or indirectly interested. Please refer to the note 25 related party transaction.

19. During the course of our examination of the books of account, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the statement of comprehensive income nor have we been informed about such cases by the management.

20. In our opinion and according to the information and explanations given to us, there are no unserviceable or damaged stores, which have not been provided for in the books of account. The bank being a finance sector bank, does not have any raw materials or finished goods.

21. This section is not applicable to the bank.

22. This section is not applicable to the bank.

23. This section is not applicable to the bank.

24. In our opinion and according to the information and explanations given to us, the bank is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities.

25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.

26. This section is not applicable to the bank.

27. This section is not applicable to the bank.

28. In our opinion and according to the information and explanations given to us, the bank has a reasonable system of periodical review of minimum lending rate and based on such review and considering the market and economic conditions, the minimum lending rate are determined and approved by the royal monetary authority of bhutan.

29. The credit sales policy of the bank is reasonable and credit rating of customers is carried out by the bank which are based on the cib report.

30. Commission agents is adequate where sales are made through commission agents and that the agency commission structure is in keeping with the industry norms/market conditions.

31. The bank has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age wise analysis is not carried out for management information and follow up action.

32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. Are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the bank.

33. In our opinion and according to the information and explanations given to us, the activities carried out by the bank are lawful and intra-vires the articles of the bank.

34. On the basis of our test verification and according to the information and explanations given to us, the bank has system and procedures for obtaining the approval of the board/delegated authority for all capital investment and also for the investment in bonds, treasury bills, commercial papers and equity etc. Made in the normal banking

business and the investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

35. In our opinion, the bank has established an effective budgetary control system.

36. This section is not applicable to the bank.

37. The details of remuneration, commission and other payments made in cash or in kind to the board of directors including the chief executive officer or any of their relatives (including spouse(s) and child/children) if any, by the bank directly or indirectly are disclosed in the accounts. Please refer to the note 25 related party transaction.

38. In our opinion and according to the information and explanations given to us, the management of the bank complies with the directives of the board of directors as we have not come across any such incidence where it is not complied.

39. In our opinion and according to the information and explanations given to us, the officials of the bank have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

41. In our opinion and according to the information and explanations given to us, the bank has executed agreements properly and the terms and conditions of leases are reasonable and the same are applied for machinery/ equipment acquired on lease or leased out to others.

In the case of finance and investment company

1. The bank fulfilled all matters specified in clause a except those pertaining to manufacturing activities.

2. Adequate documents and records have been maintained for loans and advances with timely entries.

3. Proper records of transactions and contracts have been maintained with timely entries in the books pertaining to shares, securities and other investments.

4. On the basis of verification of records, information and explanations given to us, we noted that reasonable records have been maintained for the funds collected from the depositors and interest payments.

5. On basis of the verification of records, information and explanations given to us, we noted no permanent diminutions during the current year.

6. The financial statements prepared are in accordance with bhutanese accounting standards and per prudential rules and regulations 2017 of rma.

7. On the basis of verification of records, information and explanations given to us, non-performing assets were noted and the requirements relating to provisioning have been complied with per the brfs 9.

8. On the basis of verification of records, information and explanations given to us, the bank has assets hypothecated against loans.

9. On the basis of verification of records, information and explanations given to us, the bank has a system of monitoring projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.

10. On the basis of verification of records, information and explanations given to us, disposed assets are sold through open/sealed bids.

11. On the basis of records, information and explanations given to us, we noted instances of deferment of loans during the year.

12. No rescheduling of loans during the year as the defaulted loans are under deferment period.

13. On the basis of records, information and explanations given to us, we noted no additional loans granted to those who have defaulted on payments of previous advances.

14. On the basis of records, information and explanations given to us, we noted write –off of loans during the year based on high level committee decision.

Computerized accounting environment

1. The bank maintains its accounts using various software systems such as finacle, empower, mis, and microsoft excel, which are stored on a bank server at the head office and phuentsholing. Given the size of the operation of the bank, this is considered to be an adequate system for maintaining accounts.

2. The bank has implemented a system for backing up its data on servers to safeguard against any potential disasters or system failures.

3. The backup facility is located at phuentsholing, with hard copy documents also being stored at the head office.

4. The bank's operational controls were found to be generally adequate to ensure the correctness and validity of input data and output information.

5. To prevent unauthorized access to the bank's data, the system of accounting is controlled and maintained by credential-based passwords. The it team's access is separate from the accounting team's, ensuring the system is secure and protected.

6. There has been no data migration carried out during the year.

Other requirements:

1. **Going concern problems**
   the financial position as on the date of this report is healthy. Additionally, the bank has been making profit over the years. There are no potential going concern problems for the bank as of the date of the audit report.

2. **Ratio analysis**
   relevant ratio analysis has been carried out and the details are under section "ratio analysis."

3. **Compliance with the companies act of bhutan 2016**
   the bank has complied with the various provisions of the companies act of bhutan 2016, details are under section "compliance calendar & checklist."

4. **Adherence to laws, rules, and regulations**
   the audit of the bank is governed by the companies act of bhutan 2016, internal service manual, and bhutanese accounting standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said act, rules and regulations as well as the bhutanese accounting standards.

For rinzing financial private limited
Firm license no. 1036380

RINZING FINANCIAL PRIVATE LIMITED

Kunzang pasa tenzin
Audit partner
Cpa license no. 10534147

Date: 24 March, 2025
Place: thimphu, bhutan

Financial statements

Bhutan development bank limited
statement of financial position as at december 31, 2024 (amount in nu.)

Particulars	Note	31-Dec-24	31-Dec-23 (Restated)	01-Jan-23 (Restated)
Assets				
Cash & Cash Equivalent	11	864,889,205	1,172,393,563	1,504,346,950
Balances with Central Bank	12	6,271,646,063	7,433,864,042	5,733,536,733
Due from Banks	13	4,633,943,363	4,735,818,575	2,403,520,256
Loans & Advances to Customers	14	20,062,964,941	17,314,578,069	17,854,933,081
Equity Instruments at FVOCI	15	81,730,183	80,997,261	28,739,311
Debt Instruments at Amortised Cost	16	3,650,379,248	2,635,756,557	2,040,075,922
Other Assets	17	1,951,429,960	1,874,364,293	1,381,963,280
Property, Plant & Equipment	18	175,448,956	155,068,087	184,576,978
Intangible Assets	19	62,734,053	82,609,923	82,709,425
Total Assets		37,755,165,972	35,485,450,370	31,214,401,935
Liabilities				
Due to Banks	20	2,047,283,891	2,297,739,565	1,438,291,438
Due to Customers	21	31,375,514,653	28,863,779,413	26,953,205,168
Retirement Benefit Plans	22	22,963,594	16,559,650	25,751,013
Deferred Tax Liability	23	51,945,286	50,858,817	101,843,731
Current Tax Liability	23	65,818,699	143,995,088	143,995,088
Other Liabilities	24	425,169,263	327,824,946	518,212,638
Total Liabilities		33,988,695,386	31,700,757,479	29,181,299,077
Equity				
Share Capital		1,946,414,730	1,946,414,730	600,317,000
Retained Earnings		449,754,918	468,206,252	114,779,691
Other Reserves		1,345,764,773	1,345,891,477	1,346,083,685
FVOCI Reserve		24,536,165	24,180,433	(28,077,517)
Total Equity		**3,766,470,586**	**3,784,692,891**	**2,033,102,859**
Total Liabilities and Equity		**37,755,165,972**	**35,485,450,370**	**31,214,401,935**

Note 1 to 39 form an integral part of financial statements

For Rinzing Financial Private Limited:
Firm License 1036380

Kunzang Tenzin

Kunzang Pasa Tenzin
Audit Partner
CPA License No. 10534147

RINZING FINANCIAL PRIVATE LIMITED

Date: 24 March, 2025
Place: Thimphu, Bhutan

For Bhutan Development Bank Limited:

Mr. Karma Tshering
Chairman, BOD

Ms. Tshering Om
CEO

Mr. Tashi Rinchen
GM, F&T Department

Bhutan development bank limited statement of profit and loss for the year ended december 31, 2024 (amount in nu.)

Particulars	Note	31-Dec-24	31- Dec-23
Interest & Similar Income	4	2,343,164,544	2,249,162,017
Interest & Similar Expense	5	(1,824,986,481)	(1,744,752,482)
Net interest income		**518,178,063**	**504,409,535**
Fee and commission income	6	53,228,346	49,281,115
Fee and commission expenses		-	-
Net fee and commission income		**53,228,346**	**49,281,115**
Other Operating Income	7	311,703,507	240,361,081
Total operating income		**883,109,916**	**794,051,730**
Personnel Expenses	8	(409,180,660)	(330,735,557)
Depreciation on Property Plant & Equipment	18	(27,753,148)	(29,792,271)
Amortization of Intangible Assets		(17,393,187)	(13,257,577)
Other Operating Expenses	9	(139,244,494)	(171,471,243)
Impairment (charges)/reversal for loans and other losses	14.1	(82,194,035)	79,135,406
Total Operating Expenses		**(675,765,525)**	**(466,121,242)**
Profit Before Tax from Continuing Operations		**207,344,391**	**327,930,488**
Deferred Tax Expense	23	(1,086,469)	50,984,914
Current Tax Expense		62,203,317	
Profit For the year ending		**144,054,605**	**378,915,402**

Note 1 to 39 form an integral part of financial statements

For Rinzing Financial Private Limited:
Firm License 1036380

Kunzang Tenzin

Kunzang Pasa Tenzin
Audit Partner
CPA License No. 10534147

Date: 24 March, 2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

For Bhutan Development Bank Limited:

Mr. Karma Tshering
Chairman, BOD

Ms. Tshering Om
CEO

Mr. Tashi Rinchen
GM, F&T Department

Bhutan development bank limited statement of other comprehensive income for the year ended december 31, 2024 (amount in nu.)

Particulars	31-Dec-24	31-Dec-23
Profit for the year ending	**144,054,605**	**378,915,402**
Gains /(losses) on re-measuring available for sale financial assets	355,732	52,257,950
Impairment during the year - Available for sale investments	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	(9,024,034)	(25,698,898)
Total comprehensive income for the year, net of tax	**135,386,304**	**405,474,453**

Note 1 to 39 form an integral part of financial statements

For Rinzing Financial Private Limited:

Firm License 1036380

Kenzang Tenzin

RINZING FINANCIAL PRIVATE LIMITED

Kunzang Pasa Tenzin

Audit Partner

CPA License No. 10534147

Date: 24 March, 2025

Place: Thimphu, Bhutan

For Bhutan Development Bank Limited:

Mr. Karma Tshering

Chairman, BOD

Ms. Tshering Om

CEO

Mr. Tashi Rinchen

GM, F&T Department

Bhutan development bank limited statement of cashflows for the year ended december 31, 2024

Particulars	31-Dec-24	31-Dec-23
Operating Activities		
Profit Before Tax from Continuing Operations	207,344,391	327,930,488
Adjustments for ;		
Current tax	(62,203,317)	
Dividend received	(3,043,332)	(5,025,040)
Depreciation of Property, plant and equipment	45,146,336	43,049,848
Movement in Impairment of Loans & Advances	82,194,035	(79,135,406)
(Gain)/loss on Disposal of PPE	625,036	795,381
Operating profit before changes in operating assets & liabilities	**270,063,148**	**287,615,271**
(Increase)/Decrease in operating assets		
Balance with Royal Monetary Authority	1,162,217,978	(1,700,327,309)
Loans & Advances to Customers	(2,830,580,907)	619,490,418
Placement with other Banks	101,875,212	(2,332,298,320)
Financial Investments	(1,014,999,881)	(595,680,634)
Other assets	(77,065,667)	(492,425,294)
Increase/(Decrease) in operating liabilities		
Movement in Share Capital	-	1,346,097,730
Movement in other reserve	(126,704)	17,850
Retirement Benefit Plans	(2,620,090)	(34,890,262)
Other liabilities	97,344,318	(190,363,410)
Movement in current tax liability	(78,176,389)	-
Due to banks	(250,455,674)	859,448,126
Due to customers	2,511,735,240	1,910,574,245
Net cash flow from operating activities	**(380,852,563)**	**(610,356,861)**
Cash flow from investing activities		
Dividend received	3,043,332	5,025,040
Purchase of property & equipment	(46,276,370)	(14,236,838)
	(43,233,038)	**(9,211,798)**
Cash flow from financing activities		
Dividend paid	(153,481,905)	-
Net cash flow from financing activities	**(153,481,905)**	**-**

Net increase/(decrease) in cash and cash equivalents	(307,504,358)	(331,953,387)
Cash the beginning of the year	1,172,393,563	1,504,346,950
Cash at the end of the year	**864,889,205**	**1,172,393,563**

For Rinzing Financial Private Limited:

Firm License 1036380

Kunzang Pasa Tenzin

Audit Partner

CPA License No. 10534147

Date: 24 March, 2025

Place: Thimphu, Bhutan

For Bhutan Development Bank Limited:

Mr. Karma Tshering

Chairman, BOD

Ms. Tshering Om

CEO

Mr. Tashi Rinchen

GM, F&T Department

BHUTAN DEVELOPMENT BANK LIMITEDSTATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024 (Amount in Nu.)

Particulars	Stated Capital	Retained Earnings	Other Reserves					
			General Reserves	Reserve for Land And Building	IT Development Reserve	taff Development Fund	FVOCI	Total Shareholders' Funds
Balance as at January 1 2023	1,946,414,730	750,738,806	1,188,615,634	52,749,982	48,945,654	55,772,415	(28,077,517)	4,015,159,704
Correction of error (IIS reversal prior 2022)	-	(635,959,115)	-	-	-	-	-	(635,959,115)
Balance as at January 1 2023 (Restated)	**-**	**114,779,691**	**-**	**-**	**-**	**-**	**-**	**114,779,691**
Leases adjustments	-	-	-	-	-	-	-	-
Adjustments/Additional	-	210,057	-	-	-	(192,208)	-	17,849
Actuarial Gains/(Losses)	-	(25,698,898)					52,257,950	26,559,052
Net profit for the year	-	378,915,402	-	-	-	-	-	378,915,402
Transfers during the year	-	-	-	-	-	-	-	-
Balance as at 31st Dec 2023 (Restated)	**1,946,414,730**	**468,206,252**	**1,188,615,634**	**52,749,982**	**48,945,654**	**55,580,207**	**24,180,433**	**3,899,472,582**
Balance as at January 1 2024	1,946,414,730	468,206,252	1,188,615,634	52,749,982	48,945,654	55,580,207	24,180,433	3,784,692,891
Adjustments						(126,704)		(126,704)
Adjustments/Additional	-	-	157,149,139	(52,749,982)	(48,945,654)	(55,453,503)	-	-
Dividend paid	-	(153,481,905)	-	-	-	-	-	(153,481,905)
Actuarial Gains/(Losses)	-	(9,024,034)	-	-	-	-	355,732	(8,668,302)
Net profit for the year	-	144,054,605	-	-	-	-	-	144,054,605
Balance as at Dec 31 2024	**1,946,414,730**	**449,754,918**	**1,345,764,773**	**-**	**-**	**-**	**24,536,165**	**3,766,470,586**

For Rinzing Financial Private Limited:
Firm License 1036380

Kunzang Pasa Tenzin
Audit Partner
CPA License No. 10534147

RINZING FINANCIAL PRIVATE LIMITED

For Bhutan Development Bank Limited:

Mr. Karma Tshering
Chairman, BOD

Ms. Tshering Om
CEO

Mr. Tashi Rinchen
GM, F&T Department

Date: 24 March, 2025
Place: Thimphu, Bhutan

Accounting policies & notes to accounts

1. Accounting policy

1. Corporate information

Bhutan development bank limited is specialized deposit taking bank licensed by the royal monetary authority with the mandate to provide financial services to small and medium enterprises (sme) and farmers' outreach mainly in agriculture and rural focus in all parts of the kingdom of bhutan.

Bhutan development bank limited is a domestic development bank incorporated and domiciled in the kingdom of bhutan. Its registered office is at p.O. Box 256, norzin lam, thimphu, bhutan.

The financial statements for the year ended 31st december 2024 were authorized for issue in accordance with a resolution of the board of directors on 15th march 2025.

2. Basis of preparation

The financial statements are prepared on accrual basis. The bhutan development bank ltd. Has prepared its financial statement on the basis that it will continue to operate as a going concern – refer to note 3.5.

3. Basis of accounting

The financial statements have been prepared on a historical cost basis, except for available for sale investments. The financial statements are presented in bhutan ngultrum rounded (nu.)

3.1 Statement of compliance

The financial statements of the bank have been prepared in accordance with bhutanese accounting standards (bas) issued by the accounting and auditing standard boards of bhutan (aasbb).

3.2 Basis of measurement

The financial statements of the bank have been prepared on the historical cost basis except for financial instruments at fair value through other comprehensive income and defined benefit obligation.

3.3 Presentation of financial statements

The bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is considered when preparing the statement of financial position.

The amounts in the financial statements have been rounded-off to the nearest ngultrum, except where otherwise indicated as permitted by the bhutanese accounting standard on "presentation of financial statements" (bas 1).

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

3.4 Going concern basis of accounting

The banks' management has made an assessment of bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

3.5 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the bhutanese accounting standard – bas 1 on 'presentation of financial statements.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the bank. Understandability of financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

3.6 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

In these financial statements, the bank has applied bfrs 9 and bfrs 16 effective for annual periods beginning on or after 1 january 2022, for the first time.

4.2 Changes to the impairment calculation

The adoption of bfrs 9 has fundamentally changed the bank's accounting for loan loss impairments by replacing bas 39's incurred loss approach with a forward-looking expected credit loss (ecl) approach. Bfrs 9requires the bank to record an allowance for ecls for all loans and other debt financial assets not held at fvpl, together with loan commitments and financial guarantee contracts. The allowance is based on the ecls associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (poci), the allowance is based on the change in the ecls over the life of the asset.

4.3 Significant accounting judgements, estimates and assumption.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the bank. Such changes are reflected in the assumptions when they occur.

Classification of financial assets and liabilities

The significant accounting policies of the bank provides scope for financial assets to be classified and subsequently measured into different categories, namely, at amortized cost (ac), fair value through other comprehensive income (fvoci) and fair value through profit or loss (fvtpl) based on the following criteria;

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

For the purpose of valuation of quoted equity, the bank considers market approach.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan type, etc.) And judgement on the effect of economic and market conditions.

The measurement of impairment losses both under bfrs 9/ifrs 9 and bas 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The bank's ecl calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ecl models that are considered accounting judgements and estimates include:

- The bank's criteria for assessing, if there has been a significant increase in credit risk and allowances for financial assets should be measured on a ltecl basis and the qualitative assessment.
- The segmentation of financial assets when their ecl is assessed on a collective basis.
- Development of ecl models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on pds, eads and lgds.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ecl models.

Property, plant and equipment, investment property, and intangible assets

Accounting estimates are used to determine the useful life of property, plant and equipment/ intangible assets based on various factors such as the present condition of assets, technological advances, regulation, and the past experience of using similar assets.

The recoverable amount of property, plant and equipment is based on estimates and assumptions, in particular the expected market outlook and future cash flows associated with any changes in these assumptions may have a material impact on the measurement of the recoverable amount resulting in impairment.

Bfrs 16 judgments for leases:

Determination of the leases and lease terms

The bank uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. Further, the bank applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors create an economic benefit for it to exercise, either the renewal or termination option.

Estimating the incremental borrowing rate

As the bank cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("ibr") to measure the lease liabilities. The ibr is the rate of interest that the bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. As there aren't any borrowings, the bank uses the internal cost of fund rate. The bank estimates the ibr using observable inputs when available and is required to make certain entity-specific adjustments.

Actuarial valuation of employee benefits

Employee benefit obligations pertaining to gratuity, leave encashment and terminal benefits are measured on the basis of actuarial assumptions concerning future developments in discount rates, the rate of increase in salary and the attrition rate.

Provisions and other contingent liabilities

Provisions are recognized when the bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of bank. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of management/ independent experts. These are reviewed at each reporting date and are adjusted to reflect the current management estimate.

4.4 Correction of error

In january 2022, the bhutan accounting standards (bas) 2020 came into effect whereby the impairment model under bfrs 9 transitioned to expected credit loss model (ecl) from incurred loss model. The bank adopted the ecl model for impairment model which also required the recognition of net interest income after impairment. The bank's interest income is already recognized on net basis after suspending the interest income on defaulted loans by the core banking system- finacle and adjustments were not required on interest income.

In preparation for adoption of bas for regulatory reporting to the royal monetary authority from december 2025, the bank conducted a detailed review of all its accounting balances and bas compliances in 2024 by comparing the difference between the financial statements prepared as per bas and rma's prudential requirements (local gaap) and discovered two errors.

Prior to 2022, the bank had reversed suspended interest income and recognized amount in its books of accounts prepared as per bas which was allowed under incurred loss model as per bas 2015. During the transition in 2022, the bank needed to reverse the suspended interest income recognized prior to 2022 by reducing the opening balance of retained earnings. As the adjustment was not recognized, the retained earnings were overstated.

To correct this error, the bank has retrospectively restated the affected financial statements in accordance with bas 8 (accounting policies, changes in accounting estimates and errors). The impact of the restatement is as follows:

	31 Dec. 2023	01 Jan. 2023
Net loan receivables	17,314,578,068.51	18,490,892,195.81
IIS		(635,959,115)
Restated net loan receivables	17,314,578,068.51	17,854,933,080.81
Net impact on equity	-	(635,959,115.00)

5. Significate accounting policies

5.1 Foreign currency translation

The financial statements are presented in bhutan ngultrum (nu) which is the functional currency of the bank

5.2 Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non–trading activities are taken to other operating income in the income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.3 Financial instruments – initial recognition and subsequent measurement

5.3.1 Initial recognition of financial assets and liabilities

At initial recognition, financial assets are measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income.

All financial liabilities are measured initially at their fair value.

5.3.2 Subsequent measurement of financial assets and liabilities

The subsequent measurement of financial asset depends on the classification of financial asset. The bank holds financial assets in the form of debt and instruments.

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

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

Classification - the financial assets are classified in the following categories:

- Amortized cost or
- Financial assets at fair value through other comprehensive income (fvoci), or
- Financial assets at fair value through profit or loss (fvpl).

Financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for de-recognition, a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the bank recognizes any expense incurred on the financial liability, when continuing involvement approach applies.

- Financial guarantee contracts and loan commitments.

5.3.3 Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (A) business model for managing the asset; and
- (B) the cash flow characteristics of the asset.

Based on these factors, the debt instruments are classified into following measurement category:

5.3.3.1 Debt instruments at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('sppi'), and that are not designated at fvpl, are measured at amortized cost. The carrying amount of these assets is adjusted by incurred credit loss allowance recognized and measured as described under note 7.3.10. Impairment of financial asset. Interest income from these financial assets is included in 'interest income' using the effective interest rate (eir) method.

5.3.3.2 Debt instruments at fvoci

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fvpl, are measured at fair value through other comprehensive income (fvoci). Movements in the carrying amount are taken through oci, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in oci is reclassified from equity to statement of comprehensive income. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

5.3.3.3 Debt instruments at fvpl

Assets that do not meet the criteria for amortized cost or fvoci are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in the statement of comprehensive income and presented in the statement of comprehensive income. Interest income from these financial assets is included in 'interest income' using the eir method.

The debt investments are reclassified when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

5.3.4 Business model

The business model reflects how the bank manages the assets in order to generate cash flows. That is, whether the bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.G., Financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fvpl.

Factors considered by the bank in determining the business model for a bank of assets include

- Past experience on how the cash flows for these assets were collected,
- How the asset's performance is evaluated and reported to key management personnel,
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the bank's original expectations, the bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

5.3.5 Solely payment of principal and interest (sppi)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'sppi test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

In making this assessment, the bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.E., Interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

5.3.6 Equity instruments

Equity investments are subsequently measured at fair value through oci, where the management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in oci and are not subsequently reclassified to statement of comprehensive income, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in statement of comprehensive income as other income when right to receive payments is established.

5.3.7 Reclassification of financial assets and liabilities

The bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the business model for managing those assets change. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Financial liabilities are never reclassified.

5.3.8 Modification of financial assets and liabilities

5.3.8.1 Modification of loans

The bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers as a result of commercial restructuring activity rather than due to credit risk and impairment considerations. When this happens, the bank assesses whether or not the new terms are substantially different to the original terms. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the bank considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the sppi criterion

5.3.9 Derecognition of financial assets and liabilities

5.3.9.1 Derecognition of financial assets

I. Derecognition due to substantial modification of terms and conditions

The bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ecl measurement purposes, unless the new loan is deemed to be poci.

Ii. Derecognition other than for substantial modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(I) the bank transfers substantially all the risks and rewards of ownership, or

(Ii) the bank neither transfers nor retains substantially all the risks and rewards of ownership and the bank has not retained control.

The bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the bank's continuing involvement, in which case, the bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained.

5.3.9.2 De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

When the transfer of financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the bank recognizes any expense incurred on the financial liability, when continuing involvement approach applies.

Financial liabilities are derecognized when they are extinguished (i.E., When the obligation specified in the contract is discharged, cancelled, or expires).

5.3.10 Impairment of financial assets

5.3.10.1 Overview of the ecl principles

The bank records an allowance for expected credit loss for all loans and other debt financial assets not held at fvpl, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under bfrs 9.

The ecl allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or ltecl), unless there has been no significant increase in credit risk (sicr) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mecl).

The 12mecl is the portion of ltecl that represent the ecl that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both ltecl and 12mecl are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The bank's policy for banking financial assets measured on a collective basis.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the banks assesses its loans into stage 1, stage 2 and stage 3, as described below:

Stage 1: when loans are first recognised, the bank recognises an allowance based on 12mecl. Ecl is computed based on the delinquency method where all facilities which are less than or equal to 30 days past due is considered under stage 1.

Stage 2: when a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the ltecl. The definition of a significant deterioration is subject to assessment on an ad-hoc/annual basis. Lifetime losses are computed for all accounts classified as stage 2. The bank computes ecls based on the delinquency method where all facilities which are between 30 days past due and 90 days past due is considered under stage 2.

Stage 3: loans considered credit-impaired, the bank records an allowance for the ltecl. Ecl is computed based on the delinquency method where all facilities which are greater than 90 days past due are considered as stage 3 facilities.

The ecl allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.3.11 Impairment of financial assets

5.3.11.1 Overview of the ecl principles

The bank records an allowance for expected credit loss for all loans and other debt financial assets not held at fvpl, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under bfrs 9.

The ecl allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or ltecl), unless there has been no significant increase in credit risk (sicr) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mecl).

The 12mecl is the portion of ltecl that represent the ecl that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both ltecl and 12mecl are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The bank's policy for banking financial assets measured on a collective basis.

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the banks assesses its loans into stage 1, stage 2 and stage 3, as described below:

Stage 1: when loans are first recognised, the bank recognises an allowance based on 12mecl. Ecl is computed based on the delinquency method where all facilities which are less than or equal to 30 days past due is considered under stage 1.

Stage 2: when a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the ltecl. The definition of a significant deterioration is subject to assessment on an ad-hoc/annual basis. Lifetime losses are computed for all accounts classified as stage 2. The bank computes ecls based on the delinquency method where all facilities which are between 30 days past due and 90 days past due is considered under stage 2.

Stage 3: loans considered credit-impaired; the bank records an allowance for the ltecl. Ecl is computed based on the delinquency method where all facilities which are greater than 90 days past due are considered as stage 3 facilities.

The ecl allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.3.11.2 The calculation of ecl

The bank calculates ecl based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the eir. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ecl calculations are outlined below and the key elements are, as follows:

I. The probability of default (pd):

The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Ii. The exposure at default (ead):

The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Iii. The loss given default (lgd):

Loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the ead.

When estimating the ecl, the bank considers three scenarios (best, base, and worse). Each of these is associated with different pds, eads and lgds, as stated above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception other revolving facilities, for which the treatment is separately set out in the accounting policy, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Iv. The mechanics of the ecl method are summarized below:

Stage 1: the 12mecl is calculated as the portion of ltecl that represents the ecl that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The bank calculates the 12mecl allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast ead and multiplied by the expected lgd and discounted by an approximation to the original eir. This calculation is made for each of the four scenarios, as explained above.

Stage 2: when a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the ltecl. The mechanics are similar to those explained above, including the use of multiple scenarios, but pds and lgds are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original eir.

Stage 3: for loans considered credit-impaired, the bank recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the pd set at 100%.

Loan commitments	When estimating LTECL for undrawn loan commitments, the bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions.
Financial guarantee contracts	The bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognized within Provisions.

5.3.11.3 Debt instruments measured at fair value through oci.

The ecl for debt instruments measured at fvoci do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in oci as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in oci is recycled to the profit and loss upon derecognition of the assets.

5.3.11.4 Other revolving facilities

The bank's product offering includes a variety of corporate and retail overdraft facilities, in which the bank has the right to cancel and/or reduce the facilities with one day's notice. The bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the bank's expectations, the period over which the bank calculates ecl for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ecl for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest. The calculation of ecl, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products.

A collective impairment provision is established for banks of homogeneous loans and advances that are not considered individually significant and banks of assets that are individually significant but that were not found to be individually impaired

5.3.11.5 Forward looking information

In its ecl models, the bank relies on a broad range of forward-looking information as economic inputs, such as:

- Gdp growth
- Inflation
- Interest rate
- Exchange rate
- Unemployment rates

5.3.11.6 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, real estate, and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by bfrs standards and which are considered integral to the contractual terms of a debt instrument which is subject to ecl, are included in the measurement of those ecl. On this basis, the fair value of collateral affects the calculation of ecl. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

5.3.12 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

5.4 Leases

Bfrs 16 supersedes bas 17 – “leases”, ifric 4 – “determining whether an arrangement contains a lease”, sic-15 – “operating leases-incentives” and sic-27 – “evaluating the substance of transactions involving the legal form of a lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under bfrs 16 is substantially unchanged under bas 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in bas 17. Therefore, bfrs 16 did not have an impact for leases where the bank is the lessor.

Bfrs 16 became applicable for annual reporting periods beginning 01 january 2022. The bank has adopted bfrs 16 using the modified retrospective method of adoption with the date of initial application of 01 january 2022. Under this method, the standard is applied to the opening balance as on date of initial application.

The bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.4 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(I) interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for- sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (eir). Effective interest rate (eir) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the eir, but not future credit losses.

(Ii) fee and commission income

The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(Iii) dividend income

Revenue is recognised when the bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(Iv) net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

5.5 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

5.6 Property, plant and equipment

Property, plant and equipment (including equipment under operating leases where the bank is the lessor) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of property and equipment are recognised in profit or loss as incurred.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated.

Land, work in progress, and paintings and other artworks and objects are not depreciated.

The estimated useful lives are as follows:

Asset Type	Useful Life
Buildings	20-50 years
Furniture & Fitting	10 years
Office Equipment	5 years
Electrical Equipment	10 years
Network Equipment	5 years
Computer Hardware	5 years
Motor Vehicle	10 Years
Security Equipment	5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

The residual values of property, plant and equipment's are estimated at nil except vehicles based on the trend. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

5.7 Intangible assets

The bank's other intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software 6-7 years

5.8 Impairment of non–financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cgu's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cgu exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

5.9 Guarantees

In the ordinary course of business, the bank gives guarantees, consisting of letters of credit/ guarantees and acceptances.

5.10 Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

5.11 Employee benefits

The bank measures the present value of the pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the projected unit credit method (puc) as required by bas 19 employee benefits.

An actuarial valuation has been carried out at every year end to ascertain the full liability under the fund.

Recognition of actuarial gains and losses: actuarial gains and losses occur when the actual plan experience differs from the assumed. The bank recognises the total actuarial gains and losses that arise in calculating the bank's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Short-term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within the 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term benefit obligation

The liabilities for the annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and period of service. The expected future payments are discounted using market yields at the end of the reporting period of high- quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in the actuarial assumptions are recognised in profit or loss.

The obligation is presented as current liabilities in the balance sheet if the entity does not have unconditional right to defer settlement for at least twelve months after the reporting period regardless of when the actuarial settlement is expected to occur.

5.12 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

Grants received by agencies are amortised to income over the period of a grant on straight line basis and grants received during the period are assumed to be received by the end of the period for amortisation purpose.

5.13 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

5.14 Equity reserves

The reserves recorded in equity (other comprehensive income) on the bank's statement of financial position include:

Fvoci reserve, which comprises changes in fair value of fa classified at fvoci.

5.15 Income tax

5.15.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in note 23.

5.15.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through oci, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to oci.

These exceptions are subsequently reclassified from oci to the income statement together with the respective deferred loss or gain. The bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the bank's intention to settle on a net basis.

5.16 Fair value measurement

5.16.1 Fair value hierarchy

This section explains judgements and estimates made in determining the fair values of the financial instruments. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- **Level 1 financial instruments** - those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the bank has access to at the measurement date. The bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- **Level 2 financial instruments -** the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3 financial instruments** - those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the bank manages a bank of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the bank of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the bfrs offsetting criteria.

The bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations and it evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

5.16.2 Valuation technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

I. The fair value of the financial instruments other than equity shares is determined using discounted cash flow analysis.

Ii. The fair value of financial instruments in the form of investment in equity shares is determined using multiple valuation techniques by independent value.

5.16.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk includes deposits.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

5.16.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank's exposure to the risk of changes in market interest rates relates primarily to the bank's short term deposits.

5.16.5 Foreign currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The bank's exposure to the risk of changes is limited as most foreign currency transaction are in indian rupee which is pegged to the bhutanese ngultrum.

5.16.6 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Notes forming an integral part of the financial statements for the year ended december 31, 2024

Note 3: (a) remeasurement of balance sheet as at december 31, 2024.

Particulars	Note	GAAP	Re measurement	Dec-24
Assets				
Cash & Cash Equivalent	11	865,558,061	(668,856)	864,889,205
Balances with Central Bank	12	6,271,646,063	-	6,271,646,063
Due from Banks	13	4,637,645,733	(3,702,370)	4,633,943,363
Loans & Advances to Customers	14	20,082,152,053	(19,187,113)	20,062,964,941
Equity Instruments at FVOCI	15	57,194,018	24,536,165	81,730,183
Debt Instruments at Amortised Cost	16	3,652,096,881	(1,717,634)	3,650,379,248
Other Assets	17	1,951,429,962	(2)	1,951,429,960
Property, Plant & Equipment	18	154,444,912	21,004,044	175,448,956
Intangible Assets	19	24,566,543	38,167,511	62,734,053
Total Assets		**37,696,734,226**	**58,431,746**	**37,755,165,972**
Liabilities				
Due to Banks	20	2,047,283,891	-	2,047,283,891
Due to Customers	21	31,514,430,679	(138,916,026)	31,375,514,653
Retirement Benefit Plans	22	(19,662,301)	42,625,895	22,963,594
Deferred Tax Liability	23	-	51,945,286	51,945,286
Current Tax Liability	23	-	65,818,699	65,818,699
Other Liabilities	24	399,991,338	25,177,925	425,169,263
Total Liabilities		**33,942,043,607**	**46,651,779**	**33,988,695,386**
Equity				
Share Capital		1,946,414,730	-	1,946,414,730
Retained Earnings		838,818,450	(389,063,532)	449,754,918
Other Reserves		969,457,440	376,307,333	1,345,764,773
FVOCI Reserve		-	24,536,165	24,536,165
Total Equity		**3,754,690,619**	**11,779,966**	**3,766,470,586**
Total Liabilities and Equity		**37,696,734,226**	**58,431,746**	**37,755,165,972**

Note 3: (b) remeasurement of income statement for the year ended december 31, 2024

Particulars	Note	GAAP	Re Measurement	Dec-24
Interest & Similar Income	4	2,334,783,587	8,380,958	2,343,164,544
Interest & Similar Expense	5	(1,821,847,512)	(3,138,969)	(1,824,986,481)
Net interest income		512,936,075	5,241,989	518,178,063
Fee and commission income	6	53,228,346	-	53,228,346
Fee and commission expenses		-	-	-
Net fee and commission income		53,228,346	-	53,228,346
Other Operating Income	7	311,703,507	-	311,703,507
Total operating income		**877,867,927**	**5,241,989**	**883,109,916**
Personnel Expenses	8	(396,988,150)	(12,192,510)	(409,180,660)
Depreciation on Property Plant & Equipment	18	(30,178,560)	2,425,411	(27,753,148)
Amortization of Intangible Assets	19	(18,502,754)	1,109,567	(17,393,187)
Other Operating Expenses	9	(138,863,393)	(381,101)	(139,244,494)
Impairment (charges)/reversal for loans and other losses	14.1	(75,167,156)	(7,026,879)	(82,194,035)
Total Operating Expenses		(659,700,013)	(16,065,512)	(675,765,525)
Profit Before Tax from Continuing Operations		218,167,915	(10,823,523)	207,344,391
Deferred Tax Expense	23	-	(1,086,469)	(1,086,469)
Current Tax Expense		65,450,374		62,203,317
Profit For the year ending		**152,717,540**	**(9,737,055)**	**144,054,605**

Note 4: Interest and Similar Income

Particulars	31-Dec-24	31-Dec-23
Loans & Advances to customers	1,858,749,573	1,933,177,565
Due from Banks	215,279,719	168,271,138
Notional Interest on Staff Loans	8,380,958	8,160,660
Other short term investments	260,754,294	139,552,654
Total	**2,343,164,544**	**2,249,162,017**

Note 5: Interest & Similar Expense

Particulars	31-Dec-24	31-Dec-23
Due to customers	1,781,189,231	1,676,004,174
Due to banks	43,797,250	68,748,308
Total	**1,824,986,481**	**1,744,752,482**

Note 6: Net fees & Commission Income

Particulars	31-Dec-24	31-Dec-23
Fees & Commission Income		
Commission on Guarantee	14,342,353	19,489,600
Other fees Received	38,885,993	29,791,515
Total	**53,228,346**	**49,281,115**

Note 7: Other Operating Income

Particulars	31-Dec-24	31-Dec-23
Operating lease income	3,287,593	3,603,182
Other	308,415,914	236,757,899
Total	**311,703,507**	**240,361,081**

Note 8: Personnel Expenses

Particulars	31-Dec-24	31-Dec-23
Wages & Salaries	350,983,559	297,753,925
Training & Seminars Expenses	21,136,858	9,010,228
Amortization of Pre-paid employment benefits	8,380,958	8,160,660
Current Period Service cost/Interest Expense	14,886,306	13,667,583
Leave Encashment	13,792,980	2,143,161
Total	**409,180,660**	**330,735,557**

Note 9: Other Operating Expenses

Particulars	31-Dec-24	31-Dec-23
Advertising and marketing	4,754,199	5,254,703
Administrative	97,959,037	121,534,556
Professional fees	1,526,000	5,637,190
Bank levy	164,056	112,741
Other	34,841,203	38,932,054
Total	**139,244,494**	**171,471,243**

Note 10: Community Center Operations

Particulars	31-Dec-24	31-Dec-23
Expenditure on Community Centers (net of Income)	-	-
Total	**-**	**-**

Note 11: Cash & Cash Equivalent

Particulars	31-Dec-24	31-Dec-23
Cash on hand/Bank Balance	865,558,061	1,173,234,177
Allowance for Expected Credit Losses	(668,856)	(840,614)
Total	**864,889,205**	**1,172,393,563**

Note 12: Balance with Central Bank

Particulars	31-Dec-24	31-Dec-23
Balance in Cash Reserve Ratio	2,391,585,715	2,248,585,650
Balance in Current Deposit	2,101,432,520	2,134,564,280
Short Term Investment - Treasury Bill	1,778,627,829	3,050,714,112
Total	**6,271,646,063**	**7,433,864,042**

Note 13: Due from Banks

Particulars	31-Dec-24	31-Dec-23
Placements with other banks	4,637,645,733	4,738,817,657
Allowance for Expected Credit Losses	(3,702,370)	(2,999,082)
Total	**4,633,943,363**	**4,735,818,575**

Note 14: Loan & Advances to customers

Particulars	31-Dec-24	31-Dec-23
Loans & Receivables	21,037,998,469	19,124,353,886
	21,037,998,469	**19,124,353,886**
Less: Allowance for Impairment (Collective)	(975,033,528)	(1,173,816,703)
Less: Adjustment on correction of error (IIS)		(635,959,115)
	20,062,964,941	**17,314,578,069**

Note 14.1: Impairment (charges)/reversal

Particulars	31-Dec-24	31-Dec-23
Impairment (charges)/reversal for loans	(162,278,059)	68,353,795
Impairment (charges)/reversal for other assets	80,084,024	10,781,610
	(82,194,035)	**79,135,406**

Note 15: Equity Instruments at FVOCI

Particulars		31-Dec-24	31-Dec-23
Quoted Investments			
Quoted Equities (15.1)		54,169,183	53,436,261
Unquoted Equities (15.2)		27,561,000	27,561,000
		81,730,183	**80,997,261**
	No. of Shares		
(15.1) Quoted Equities			
Bhutan Carbide and Chemical Limited	25,000	1,229,250	1,281,000
Penden Cement Authority Limited	38,100	2,540,752	3,377,946
Bhutan National Bank Limited	178,120	22,063,181	22,762,315
GIC Bhutan Reinsurance Limited	600,000	28,336,000	26,015,000
		54,169,183	**53,436,261**
(15.2) Unquoted Equities			
Royal Securities Exchange of Bhutan	162,000	19,811,000	19,811,000
Financial Institution Training Institute	600,000	6,000,000	6,000,000
Credit Information Bureau	137,500	1,750,000	1,750,000
		27,561,000	**27,561,000**

Note: 16 Debt Instruments at Amortised Cost

Particulars	31-Dec-24	31-Dec-23
Investments in DCCL Bonds	-	116,891,126
Investments in RSA Bonds	11,185,680	10,875,759
Investments in Tbank Bonds	60,285,488	55,325,308
Investments in Govt Bonds	2,454,427,530	2,452,664,364
Investments in Tashi Air Bonds	98,668,623	-
Investments in BOB Bonds	1,025,811,926	-
Total	**3,650,379,248**	**2,635,756,557**

Bank has invested 100,000 scripts of ricbl bond at nu.1,000 Each, and 311,272 scripts of dccl bonds at nu. 1,000 Each respectively. Such investments are intended to be held to maturity in order to recover the contractual cashflows (principal + interest). Although the bonds are listed in the royal securities exchange it does not meet the definition of an active market. Hence bank has determined its financial asset classification as loans & receivables in line with bas 39 financial instrument recognition & measurement.

Note: 17 Other Assets

Particulars	31-Dec-24	31-Dec-23
Loans & Advances to Employees	264,927,036	106,854,548
Advances & Pre-payments	11,766,457	10,720,487
Pre-paid Employment Benefits	157,738,093	69,009,254
Stock of Stationeries and Spares	4,067,518	4,401,246
Accounts/Other receivables	1,342,529,455	1,350,435,867
Pre-Paid Tax	69,658,003	224,300,061
BFS - Receivable (Net)	101,547,118	106,791,266
Assets Pending Foreclosure	456,833,681	524,925,371
Advance to CC	0	47,248,282
	2,409,067,361	**2,444,686,379**
Less : Against Receivables	(18,642,537)	(18,642,537)
Against Asset Acquired on Settlement of Loans	(15,000)	(15,000)
Reserve for loan loss (APF)	(438,979,864)	(551,664,549)
	1,951,429,961	**1,874,364,293**

Note 18: Property, Plant and Equipment

Particulars	GROSS BLOCK				
	Cost	Additions	Disposal	Adjustment	Total
Land	2,588,623	-	-	-	2,588,623
Building	114,853,141	466	-	-	114,853,607
Furniture & fittings	49,794,077	120,434	2,134,609	(888,059)	46,891,843
Electric Equipment	20,084,630	-	80,900	-	20,003,730
Arts & Artifacts	1,527,223	36,250	59,711	-	1,503,761
Office equipment	54,146,857	2,222,170	3,181,082	(713,338)	52,474,607
Motor vehicles	19,771,707	54,949	2,221,010	(1,589,302)	16,016,345
Security Equipment	36,267,184	4,653,250	2,332,700	-	38,587,734
Networking Equipment	62,043,529	686,780	1,232,231	-	61,498,078
Computer Hardware	172,912,995	18,548,268	7,031,236-	(1,675,526)	182,754,501
Other office equipment	1,000,783	5,000	79,765	-	926,018
WIP	626,024	4,545,500	-	-	5,171,524
Leases	6,379,046	-	-	-	24,796,823
	541,995,820	**30,873,068**	**18,353,244**	**(4,866,225)**	**568,067,195**

Note 19: Intangible Assets

Intangible Assets	164,581,152	1,319,891	8,434,027	(1,755,604)	155,711,411

	ACCUMULATED DEPRECIATION				Net book value Dec 31, 2024	Net book value Dec 31, 2023
Cost	**Depreciation for the year**	**Disposal**	**Adjustment**	**Closing Balance**		
-	-	-	-	-	2,588,623	2,588,623
45,072,329	4,889,374	-		49,961,703.25	64,891,904	69,780,812
33,308,171	3,361,809	2,055,086	(888,059)	33,726,834.98	13,165,008	16,485,906
12,182,995	1,267,210	80,881	201,301	13,570,624.33	6,433,106	7,901,636
-			-	-	1,503,761	1,527,223
42,830,055	4,197,296	3,102,042	(713,338)	43,211,970.10	9,262,637	11,316,802
10,829,203	1,696,485	2,022,325	(1,589,302)	8,914,061.01	7,102,284	8,942,504
34,381,665	857,155	2,332,688	-	32,906,132.38	5,681,602	1,885,519
55,265,619	2,911,324	1,212,928	-	56,964,014.25	4,534,064	6,777,910
153,057,695	8,572,496	6,591,767	(1,675,526)	153,362,898.73	29,391,602	19,855,300
					926,018	1,000,783
					5,171,524	626,024
					24,796,823	6,379,046
386,927,732	**27,753,148**	**17,397,717**	**(4,664,924)**	**392,618,239**	**175,448,956**	**155,068,088**

81,971,229	17,393,187	6,069,785	(317,273)	92,977,358.00	62,734,053	82,609,923

Note: 20 Due to Banks

Particulars	**31-Dec-24**	**31-Dec-23**
Unsecured Loans	111,369,872	119,988,820
Secured Loans *	133,129,730	153,640,890
Subordinated Term Debt	1,388,822,589	1,863,241,288
Unsubordinated Term Debt	413,961,700	160,868,567
	2,047,283,891	**2,297,739,565**
*** Secure Loan**		
1. Asian Development Bank-Line of Credit (Phase - I)	7,782,430	9,640,589
2. Asian Development Bank-Line of Credit -A/C#0088/008	66,998,309	82,799,442
3. International Fund for Agricultural Development (Second Eastern Zone Agricultural Programme)	21,775,021	23,172,968
4. International Fund for Agricultural Development (Agricultural marketing & Enterprise Promotion Programme)	36,573,970	38,027,891
5.Borrowing from National Pension & Provident Fund (OSED)	-	-
	133,129,730	**153,640,890**

Borrowing no.1 To 4 are secured by guarantee of rgob

Borrowing no.5 Is secured by 40,000sq.Ft of land at chubachu, thimphu and guarantee by rgob upto nu.500 Million.

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Note 21: Due to Customers

Particulars	**31-Dec-24**	**31-Dec-23**
Fixed Deposit	14,669,969,755	15,194,977,007
Recurring Deposit	852,346,829	834,400,334
Savings Deposits	14,632,023,685	12,195,663,726
Current Deposit	1,221,174,383	638,738,345
	31,375,514,653	**28,863,779,413**

Note 22: retirement benefit plans

Defined benefit plan a defined benefit plan/ (gratuity) defines, an amount of benefit that an employee is entitled to receive on (a) retirement/resignation or (b) on superannuation or (c) on death or disablement due to accident or disease as per the terms and conditions specified in the service rule of the bank. The benefit is dependent on factors such as age, number of years served and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

As required under bas 19, valuation of scheme benefits is done using projected unit credit method. Under this method, only benefits accrued till the date of valuation (i.E. Based on service till date of valuation) is to be considered for valuation. Present value of defined benefit obligation is calculated by projecting future salaries, exits due to death, resignation and other decrements (if any) and benefit payments made during each year till the time of retirement of each active member, using assumed rates of salary escalation, mortality and employee turnover rates. The expected benefit payments are then discounted back from the expected future date of payment to the date of valuation using the assumed discount rate.

Bas 19 also requires that "service cost" be calculated separately in respect of the benefit accrued during the current period. Service cost is calculated using the same method as described above.

Particulars	**31-Dec-24**	**31-Dec-23**
Defined benefit liability at the beginning of the period	90,574,167	96,845,197
Current service cost	8,627,129	7,766,023
Interest cost on benefit obligations	6,259,177	5,901,560
Actuarial (Gains)/Losses recognized in the year	2,090,341	16,376,857
Liability Settlement/Adjustment During the period	(14,236,943)	(36,315,470)
	93,313,871	**90,574,167**
LEAVE		
Defined benefit liability at the beginning of the period	11,474,059	13,688,456
Current service cost	3,122,049	1,629,512
Interest cost on benefit obligations	460,400	513,649
Actuarial (Gains)/Losses recognized in the year	10,210,531	9,322,041
Liability Settlement/Adjustment During the period	(10,630,790)	(13,679,599)
	14,636,249	**11,474,059**
Changes in Plan assets		
Changes in Fair value of plan asset in the beginning	85,488,577	84,782,640
Contribution paid into the plan	-	-
Expected return on the plan assets	6,411,643	6,358,698
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	(6,933,693)	(5,652,761)
Fair value of plan assets in the end	84,966,527	85,488,577
GRATUITY		
Defined Benefit Obligation (Gratuity)	93,313,871	90,574,167
Fair Value of Plan assets	(84,966,526)	(85,488,576)
Defined Benefit Obligation (Leave Encashment)	14,616,249	11,474,059
	22,963,594	**16,559,650**

Note: 23 Tax Liability

Particulars	**31-Dec-24**	**31-Dec-23**
Deferred Tax Liability	51,945,286	50,858,817
Current Tax	65,818,699	143,995,088

Movement of DTA from Tax Loss		
Opening balance	**Amount**	**DTA**
Tax loss 2022- BDB	(277,645,850)	83,293,755
Loss utilized in 2023	275,672,816	(82,701,844)
Balance in 2023	(1,973,033)	591,910
Tax loss balance in 2024 (Tax assessment for 2023 not completed as of 31 Dec. 2024)		**591,910**

Particulars	**Deposits**	**PPE**	**Intangible**	**Employee benefit**
Carrying amount	31,376,369,452	175,448,956	62,734,053	22,963,594
Tax Base	31,515,285,478	155,881,365	23,130,089	-
	(138,916,026)	19,567,591	39,603,964	22,963,594
Taxable temporary	138,916,026	19,567,591	39,603,964	
deductible temporary				22,963,594
DTL	(41,674,808)	(5,870,277)	(11,881,189)	
DTA	-	-	-	6,889,078
Utilization of balance tax loss				591,910
Final Deferred tax 2024	(41,674,808)	(5,870,277)	(11,881,189)	7,480,988
Net DTL 2024				**(51,945,286)**

Movement of Deferred Tax	
Opening balance	**Amount**
Opening balance Net DTL 2024	50,858,817
Closing balance Net DTL for 2024	51,945,286
Income tax expense from DTL movement	1,086,469

Note: 24(i) Other Liabilities

Particulars	31-Dec-24	31-Dec-23
Accounts payable & Sundry creditors	424,080,557	327,276,237
Provisions	910,000	548,708
Intra Branch Balance	178,706	-
	425,169,263	**327,824,945**

Note 24.(Ii) commitment & contingencies

To meet the financial needs of customers in the ordinary course of business, the bank enters into various irrevocable commitments and incurs certain contingent liabilities. These consist of financial guarantees and other undrawn commitments to lend. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank.

Guarantees commit the bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. No material losses are anticipated as a result of these commitments and contingencies.

Bank has contingently liable as on for nu. 604,429,036 (Py nu. 796,107,958) Towards guarantees issued to its constituents of which aging analysis are given in note no. 29(Ii)

Pending capital commitments (net of advance) as on 31.12.2022 Are of nu. Nil (py nu. Nil).

Note 25: related party transactions

The bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the bas 24 (related party disclosures), the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the bank and is comparable with what is applied to transactions between the bank and its unrelated customers.

Note 25.1: Parent and ultimate controlling party

A related party transaction is a transfer of resources, services and/or obligations between the bank and a related party, regardless of whether a price is charged.

Of the 60,031,700 equity shares (nu.10 Each) issued by the bank as at december 31, 2021, the 58,000,000 equity shares (96.62%) Are held by the ministry of finance, royal government of bhutan (rgob). The bank considers that for the purpose of bas 24, related party disclosures, the rgob is in a position of control over it, and therefore regards the rgob as related parties including the key managerial personnel (kmps) for the purpose of the disclosures required by bas 24.

A summary of the bank's transactions with the rgob are included below:

Name of the Primary Party	Relationship	Nature of Transactions with Related Party	31-Dec-24	31-Dec-23
Royal Government of Bhutan	Majority Shareholders	Investment in RGOB Bonds	3,594,334,000	2,609,666,000
Royal Government of Bhutan	Majority Shareholders	Investment in Short term T-Bills	1,773,316,200	3,034,509,300
Royal Government of Bhutan	Majority Shareholders	Sub-ordinated Term Debt	1,801,867,178	2,194,804,356
Royal Government of Bhutan	Majority Shareholders	SME Loan availed	110,544,750	118,733,250

Note 25.2: Transactions with key managerial personnel (kmps)

According to bas 24 (related party disclosures) key managerial personnel (kmp) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such kmps include the board of directors of the bank (including both executive and non-executive directors), key employees who are holding directorship in subsidiary companies of the bank.

Close family members (cfm) of the kmps are those family members who may be expected to influence or be influenced by that kmps in their dealing with the entity. They may include kmps/domestic partners and children of the kmps/domestic partners and dependents of the kmps/domestic partners.

Note 25.2.1: Transactions with key managerial personnel (kmps)

Particulars	31-Dec-24	31-Dec-23
Pay and Allowances to Chief Executive Officer	2,565,633	2,982,739
Director's Sitting Fee	1,280,000	1,002,000
Reimbursement of Traveling Expenses	439,850	624,872
Total	**4,285,483**	**4,609,611**

Note 25.3: Transactions, arrangements and agreements involving kmps and Their cfms

Note	Particulars	31-Dec-24	31-Dec-23
25.3.1	Loans and Advances to KMPs and their CFMS are detailed below:	18,551,476	5,421,041
Total		**18,551,476**	**5,421,041**
25.3.2	Deposits and Investments from KMPs and their CFMs are detailed below :		
	Deposits and Investments	6,511,342	7,006,184
Total		**6,511,342**	**7,006,184**

Note 26: events after the reporting date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements

Note 27: fair value of financial instruments

Determination of fair value hierarchy

Particulars	31-Dec-24			31-Dec-23		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial Assets						
Quoted Equities	54,169,183	-	-	53,436,261		
Loans & Advances to Employees	-	-	264,927,036			106,854,548
Total	**54,169,183**	**-**	**264,927,036**	**53,436,261**	**-**	**106,854,548**

Set out below is a comparison, by class of the carrying amounts and fair values of the bank's financial instruments. This table does not include the fair value of non-financial assets & non-financial liabilities.

Particulars	31-Dec-24		31-Dec-23	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	865,558,061	864,889,205	1,173,234,177	1,172,393,563
Balances with Royal Monetary Authority of Bhutan	6,271,646,063	6,271,646,063	7,433,864,042	7,433,864,042
Placements with Banks	4,637,645,733	4,633,943,363	4,738,817,657	4,735,818,575
Loans & Advances to Customers	20,082,152,053	20,062,964,941	17,334,957,885	17,314,578,069
Other Financial Assets	3,709,290,899	3,732,109,431	2,692,712,538	2,716,753,818
Total	**35,566,292,810**	**35,565,553,003**	**33,373,586,299**	**33,373,408,066**
Financial Liabilities				
Due to banks	2,047,283,891	2,047,283,891	2,297,739,565	2,297,739,565
Due to other customers	31,514,430,679	31,375,514,653	29,005,834,408	28,863,779,413
Other Financial Liabilities	425,169,263	425,169,263	327,824,945	327,824,945
Total	**33,986,883,833**	**33,847,967,807**	**31,631,398,918**	**31,489,343,923**

The fair value and carrying value of financial assets and liabilities have been assumed to be significantly similar.

Note 28: risk management
Credit risk

Credit risk is the risk of financial loss to the bank if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers/other banks and investments in debt securities. In addition to the credit risk from direct funding exposure, the bank would also be exposed to indirect liabilities such as letters of credit guarantees etc, which would carry similar credit risk.

The bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent credit risk management. Maximum exposure to credit risk/type of collateral or credit enhancement:

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including geography of counterparty, and sector. As part of its overall risk management, the bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the credit policy of the bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

Particulars	31-Dec-24			31-Dec-23		
	Maximum Exposure to credit Risk	Properties	Net Exposure	Maximum Exposure to credit Risk	Properties	Net Exposure
Financial Assets						
Placements with Banks	4,633,943,363	-	4,633,943,363	4,735,818,575	-	4,735,818,575
Loans & advances to customers	20,062,964,941	20,062,964,941	-	17,314,578,069	17,314,578,069	-
Equity Instruments at FVOCI	81,730,183	-	81,730,183	80,997,261	-	80,997,261
Other assets	3,709,290,899	-	3,709,290,899	2,692,712,538	-	2,692,712,538
Total	**28,487,929,386**	**20,062,964,941**	**8,424,964,446**	**24,824,106,443**	**17,314,578,069**	**7,509,528,374**

Exposure to credit risk and ecl allowance on loans and advance (fa measured at amortized cost)

SL.no	Portfolio Segment	ECL	LGD
1	Agriculture & Livestock	127,509,424	22.73%
2	General Trade	32,950,153	36.28%
3	Transport	16,346,459	14.77%
4	Housing	58,113,489	13.67%
5	Personal	23,700,957	19.64%
6	Service and Tourism	24,512,270	27.54%
7	Industrial	121,060,178	45.22%
8	Group	2,486,035	15.81%
9	Education	189,787	10.73%
10	Overdraft	117,525,310	36.63%
11	NCISDBL portfolio (Acquired/ Merged)	107,315,261	45%
12	Off-balance Guarantee	320,209	
13	Individual Impairment	11,442,718	
Total ECL calculated		**643,472,249**	
14	Additional Provisions provided	331,561,279	
Total ECL		**975,033,528**	

Ecl (staging by segment)

Age Bucket	Stage	Agriculture & Livestock	General Trade	Transport	Housing	Personal	Service and Tourism
Current	12 month ECL	10,215,411.53	6,350,117.33	1,250,063.77	10,152,701.91	2,860,337.37	8,601,862.88
1-30	12 month ECL	3,554,665.33	2,753,963.64	1,637,846.69	6,867,862.47	1,700,719.23	1,566,021.52
31-60	Lifetime ECL	3,068,921.10	1,624,449.32	2,003,151.07	2,810,317.50	1,828,470.93	3,391,030.58
61-90	Lifetime ECL	3,646,516.93	4,351,629.29	2,281,561.45	2,113,239.31	773,750.98	992,073.45
90 & Above	Lifetime ECL	107,023,908.83	17,869,993.43	9,173,835.58	36,169,367.76	16,537,678.06	9,961,281.59
Total		**127,509,423.71**	**32,950,153.01**	**16,346,458.55**	**58,113,488.95**	**23,700,956.55**	**24,512,270.02**

Age Bucket	Stage	Industrial	Group	Education	Overdraft	NCISDBL portfolio (Acquired/ Merged)	Total
Current	12 month ECL	61,827,224.78	599,564.83	42,437.91	45,821,555.83	5,359,192.71	153,080,470.85
1-30	12 month ECL	6,250,006.52	264,731.03	21,489.03	28,282,744.21	1,301,715.58	54,201,765.24
31-60	Lifetime ECL	2,678,578.07	115,531.24	31,752.75	1,024,637.44	1,271,659.48	19,848,499.47
61-90	Lifetime ECL	2,560,282.59	124,533.18	83,337.96	566,103.01	1,289,638.43	18,782,666.56
90 & Above	Lifetime ECL	47,744,086.33	1,381,674.59	10,769.09	41,830,269.49	98,093,054.95	385,795,919.69
Total		**121,060,178.28**	**2,486,034.87**	**189,786.74**	**117,525,309.98**	**107,315,261.14**	**631,709,321.82**

Ecl : other financial assets

Asset	12 month ECL
Financial Investment Corporate Bond	1,717,634
Due From Banks	3,702,370
Cash & Cash Equivalent	668,856
Total	**6,088,859**

Note 29(i) liquidity risk & funding management

Contractual maturities & undiscounted cash flows of financial assets & liabilities

Particulars	2023					
	On Demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Cash & Cash Equivalent	1,173,234,177					1,173,234,177
Balances with Central Bank	2,137,805,243	3,159,162,778	587,617,585	1,374,446,962	174,831,474	7,433,864,042
Due from Banks		2,149,229,305	2,589,588,353			4,738,817,657
Loans & Advances to Customers	2,418,622,218	297,952,727	2,816,337,050	11,289,995,167	1,127,630,021	17,950,537,184
Financial Investments Available for Sale	155,314,131	18,568,351	250,854,419	1,565,878,216	702,097,421	2,692,712,538
Total undiscounted Assets	**5,884,975,770**	**5,624,913,161**	**6,244,397,407**	**14,230,320,345**	**2,004,558,916**	**33,989,165,597**
Due to Customers	12,996,617,391	442,954,093	4,862,992,579	9,301,787,517	1,259,427,833	28,863,779,413
Total Undiscounted Liabilities	**12,996,617,391**	**442,954,093**	**4,862,992,579**	**9,301,787,517**	**1,259,427,833**	**28,863,779,413**

Particulars	2024					
	On Demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Cash & Cash Equivalent	865,558,061					865,558,061
Balances with Central Bank	2,457,158,086	355,725,566	982,952,123	1,917,402,115	558,408,174	6,271,646,063
Due from Banks			837,707,001	3,799,938,732		4,637,645,733
Loans & Advances to Customers	2,484,439,317	129,547,487	4,079,709,177	13,258,710,461	569,412,613	20,521,819,055
Financial Investments Available for Sale	(22,513,722)	(443,208,387)	2,529,102,424	355,617,669	1,314,829,080	3,733,827,065
Total undiscounted Assets	**5,784,641,742**	**42,064,666**	**8,429,470,725**	**19,331,668,977**	**2,442,649,867**	**36,030,495,977**
Due to Banks						-
Due to Customers	15,854,711,218	462,689,119	3,994,276,635	9,765,339,506	1,299,352,974	31,376,369,452
Total Undiscounted Liabilities	**15,854,711,218**	**462,689,119**	**3,994,276,635**	**9,765,339,506**	**1,299,352,974**	**31,376,369,452**

Net undiscounted financial assets/ (liabilities)
Note 29(ii): liquidity risk & funding management

The table shows the contractual expiry by maturity of banks contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn.

2023	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	Nu	Nu	Nu	Nu	Nu	Nu
Financial Guarantees		345,613,203	299,356,386	151,138,370		796,107,958
	-	**345,613,203**	**299,356,386**	**151,138,370**	**-**	**796,107,958**
2024	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	Nu	**Nu**	**Nu**	**Nu**	**Nu**	**Nu**
Financial Guarantees	-	97,095,487	414,788,349	92,545,201	-	604,429,036
	-	**97,095,487**	**414,788,349**	**92,545,201**	**-**	**604,429,036**

Note 30: geographical risk

The geographical risk is the risk that an occurrence within geographical locations has an adverse effect on the bank directly by impairing the value through an obligor's ability to meet its obligation to the bank.

2023						
Financial Assets	**Thimphu Main Branch**	**Paro Branch**	**Phuntsholing Branch**	**Trashigang Branch**	**Others**	**Total**
Loans & Advances to Customers	6,917,170,533	1,334,693,953	725,952,477	716,641,513	9,429,895,410	19,124,353,886
	6,917,170,533	**1,334,693,953**	**725,952,477**	**716,641,513**	**9,429,895,410**	**19,124,353,886**
2024						
Financial Assets	**Thimphu Main Branch**	**Paro Branch**	**Phuntsholing Branch**	**Trashigang Branch**	**Others**	**Total**
Loans & Advances to Customers	6,659,176,965	1,616,188,269	759,068,648	755,525,682	11,744,828,097	21,534,787,661
	6,659,176,965	**1,616,188,269**	**759,068,648**	**755,525,682**	**11,744,828,097**	**21,534,787,661**

31. Leases
BDBL as a lessee

The bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the bank are classified as operating leases. The bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

31.1.1 Right-of-use assets

The bank recognises right-of-use (rou) assets at the commencement date of the lease (i.E., The date the underlying asset is available for use). Rou assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of rou assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Rou assets are depreciated on a straight-line basis over the lease term.

Under the modified retrospective method, the bank has selected to measure the rou asset, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately on the date of initial application.

The rou assets are presented as part of ppe under notes 18 and are subject to impairment in line with the bank's policy covered under ecl.

31.1.2 Nature of the effect of adoption of bfrs 16

The bank has lease contracts for 45 premises. Before adoption, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of bfrs 16, the bank has applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied.

31.1.3 Lease liabilities

At the commencement date of the lease, the bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

31.1.4 Right-of-use assets/lease liabilities

Set below, are the carrying amounts of the bank's rou assets and liabilities and the movements during the period.

Buildings	
Particulars	**Amount**
Right-of-use asset	
As at 01 January 2023	6,379,046
Additions	34,361,838
Less: depreciation expense	(15,944,062)
As at 31 December 2024	24,796,823
Lease liability	
As at 01 January 2023	7,134,411
Additions	34,361,839
Interest Expense	2,157,899
Less: Payments	(17,720,860)
As at 31 December 2024	25,177,924

The following are the amounts recognized in profit or loss

Particulars	**Amount**
Depreciation expense of right-of-use asset	(15,944,062)
Interest expense on lease liabilities	(2,157,899)

31.1 BDBL as a lessor

Leases in which the bank does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The respective leased assets are included in the statement of financial position based on their nature and depreciated over their useful life.

The bank has given a portion of office building under cancellable operating leases expiring within varying periods. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Rental Income relating to operating leases

Particulars	31-Dec-24	31-Dec-23
Total rental income relating to operating leases	3,287,593	3,078,697

Other disclosures:

32. Up to the year 2016, bank was exempted from corporate income tax. From the year 2017, bank is under corporate income tax ambit. Accordingly, the bank has paid advance tax of nu. 48,000,000.00 In the year 2017 and paid nu. 140,379,706.31 In the year 2022.There are also deducted tds by the parties in during the year 2017, 2018, 2019, 2020 ,2021 and 2022. The bank earned loss (before tax) of nu. 277 Million during the year.

33. In line with the annual general meeting (agm) resolution dated may 29, 2020 and as approved by the registrar of companies vide letter # moea/cr-04/2021/30 dated february 02, 2021, the authorized capital of the bank was increased from nu. 1,000 Million to nu. 5,000 Million.

34. In view to mitigate covid-19 pandemic impact, the central bank issued phase iii monetary measures for interest waiver and deferment of loan repayment from april 2021 to june 2022. Under these monetary measures on interest waiver, 50 percent of the loan interest payment is waived off and the remaining 50 percent to be paid by the borrowers. All the interest waived off by the government are reimbursed from the druk gyalpo's relief kidu (dgrk) from the national resilience fund.

    Phase Iv monetary measures effective from july 01, 2022 provided the targeted support measures for all performing loans as of june 30, 2022 only. Under the targeted support measures, the sectors and subsectors loans are classified into three different risk categories viz., High, moderate and low. The high and moderate risk sectors are eligible for deferment of loan repayment up to 2 years, extension of maturity period for term loans up to 3 years (in addition to deferment period), change in repayment frequency, conversion of overdraft/ working capital facility to term-loans, splitting of loans into multiple accounts, transfer of loans to third party, extension of gestation period up to 2 years depending on the progress of the project etc. While the low risk sector is eligible for extension of gestation period upto 2 years depending on the progress of the project only.

The loan term for the construction or setting-up of hotels and restaurants are also increased up to 30 years (excluding gestation period). The total accumulated interest for the entire monetary measures period are allowed to convert into 'fixed equated instalment facility (feif)' payable in equal instalments for a period up to five years without any charge of any interest.

35. In line with section 25 of rules and regulations on foreclosure and write-off of npls 2022, the charge-off and transfer of npls to off-balance sheet framework is being designed to clean-up the balance sheet of the fsps to ensure that the fsps can focus on their core business (financial intermediation) and are able to identify asset quality problems early on through clean balance sheets. The bank have charged off nu. 1,935,490,019.94 As of 31st december 2022 and transferred to off-balance sheet. All recoveries from the loans charged-off is being charged back through income statement under other operating income.

36. Detail of remuneration and expenditure paid/reimbursed to the chief executive officer and other directors is as under:

Chief executive officer

Sl No.	Particulars	31-Dec-24	31-Dec-23
1	Pay & Allowance	2,291,441	1,601,987
2	Leave Travel Concession	15,000	11,833
3	Leave encashment	87,640	-
4	Performance Incentive (Bonus)	171,552	-
5	Travel expense (In country)	70,380	564,790
6	Travel expense (Abroad)	361,682	-
7	Provident Fund	157,110	125,044
8	Board Sitting Fees	206,000	204,000
	Total	**3,360,805**	**2,507,654**

Other directors

Sl No.	Particulars	31-Dec-24	31-Dec-23
1	Board Sitting Fees	1,280,000	999,500

Additional information pursuant to the provision of part ii of schedule xiii a of the companies act of the kingdom of bhutan 2000:

Sl No.	Nature of Expense	31-Dec-24	31-Dec-23
1	Audit Fees	210,000	200,000
2	Power and Water	2,346,705	2,211,878
3	Rent	18,897,933	17,697,273
4	Repairs & maintenance of buildings	212,640	619,965
5	Repairs & maintenance of computer hardware	422,638	415,313
6	Salaries and bonus	355,616,071	306,670,106
7	Contribution to Provident Fund	20,185,221	19,455,142
8	Insurance	1,774,415	3,603,732
9	Rates & taxes excluding Income tax	689,833	256,949
10	Other expenses exceeding 1% of total revenue:		
10.1	Staff training	17,030,973	8,868,628
10.2	Travel expenses	30,311,416	31,150,693
10.3	Depreciation	18,502,754	65,411,148

38. Chetrums have been rounded to the nearest ngultrum.

39. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figures.

Ratio analysis

Ratio analysis

Ratios	31-Dec-24	31-Dec-23
A. Ratios for assessing Financial Health		
(i) Capital Turnover Ratio : Income / Capital Employed	0.72	0.57
(ii) Fixed Assets Turnover Ratio Income / Fixed Assets	11.38	10.06
B. Ratios for assessing Profitability		
(i) Profit on Capital Employed Profit after Tax / Capital Employed	0.04	0.11
(ii) Profit turn over (Net Profit/Total Income)*100	0.05	0.15
(iii) Operating Ratio ((All expenses - Financial Charges)/Total Income)*100	0.67	0.69
(iv) Total Expenses to Total Income *100	0.92	0.87
C. Capital Adequacy Ratio (As per RMA Returns)	28.9%	26.3%
D. Statutory Liquidity Reserve Ratio (As per RMA returns)	36.2%	41.5%
E. Credit to Deposit Ratio	71.5%	62.0%

Compliance calendar & checklist

Compliance calendar & checklist

No.	Sec	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval				
2	47	Change of name/Approval		✓		
3	123	Increase or consolidation of share capital		✓		
4	124	Reduction of share capital		✓		
5	82	License Copy and Share Certificate filing	✓			
6	107	Public offer of shares & Debentures-ROC Approval			✓	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company (Postal Address & Contact Number)	✓			Chubachu,Thimphu, Bhutan
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	✓			As per the certificate of incorporation
9	241	Financial Year of Companies as of 31st Dec	✓			Financial year ended on December each year
	242	Extension up to 15 months - ROC approval			✓	
	243	Extension up to 18 months - Authority's approval			✓	
10	245	Financial Statements to follow BAS	✓			BAS for Public Companies
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	✓			Annual return filed on July 30^{th} 2024
12	177	Annual General Meeting (Minutes)	✓			AGM conducted on 25^{th} March,2024
13	180	Extraordinary General Meeting (Minutes)		✓		
14	185	Notice for calling general meeting	✓			
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice			✓	
16	190	Chairman of meeting (CEO cannot chair)	✓			Mr. Karma Tshering
17	192	Representation of corporations at meetings (appointed by Board Directors)	✓			
18	193	Ordinary and special resolutions (Minutes)	✓			

No.	Sec	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✓			All minutes of the AGM and Board are maintained.
20	199	Declaration and payment of dividend (199-209)	✓			Dividend has been declared and paid for the year 2023
21	232	Books of account to be kept by company (location & time)	✓			Books of accounts are generally maintained as required by the Companies Act of Bhutan, 2016 at Head Office.
22		Board's report (signed by Chairman)	✓			Boards report contains CG & CSR practices report.
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	✓			Auditors are appointed or removed by RAA.
24	260	Resignation of Auditors from office (Annual Resignation)	✓			2024
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	✓			The audit was conducted as per the ISAs as per the terms of the appointment issued by RAA.
26	133	Number of directors	✓			7 Board Directors including CEO.
27	134	One third of all Public Companies shall be independent	✓			
28	138	(Minimum No. & retirement on rotation)	✓			
29	139	Additional directors		✓		
30	140	Consent to act as directors	✓			Consent form filed.
31	141	Certain persons not to be appointed as Directors		✓		
32	142	Resignation by a director	✓			
33	143	Removal of directors		✓		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	✓			12 Board meetings held in 2024
35	152	General powers of the board	✓			
36	156	Restriction on powers of Board	✓			
37	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	✓			
38	213	Company Secretary required in all Public Companies		✓		

No.	Sec	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)			✓	
40	157	No loans to directors (only for Public Co.)		✓		
41	53	Inter-corporate investments (investments to be disclosed) apply old rule			✓	
42	158	Conflict of Interest Transactions by Board		✓		The company practices a signing of declaration of CoI in the beginning of every Board Meeting.
43	161	Standard of care required by directors (Reckless decision)		✓		Every Director exercises their powers and discharge their duties according to the provision of the Act honestly and in good faith of the company.
		STATUTORY RECORD AND INSPECTION				
44	228	Statutory record and inspection	✓			
	(a)	Register of buy-back of shares			✓	
	(b)	Register of transfers			✓	
	(c)	Register of charges	✓			
	(d)	Register of inter-corporate loans			✓	
	(e)	Register of inter-corporate investments			✓	
	(f)	Register of contracts in which directors are interested			✓	
	(g)	Register of directors	✓			
	(h)	Register of directors' shareholding			✓	

RMA DISCLOSURES

RMA Disclosure as on December 31, 2024

*All items in 000' Ngultrum

Item 1: Tier 1 Capital and its sub-components

Sl. No.		31/12/2024	31/12/2023
1	Total Tier 1 Capital	3,519,148	3,506,450
a	Paid up Capital	1,946,415	1,946,415
b	General Reserves	969,457	973,207
c	Share premium Account	0	0
d	Retained Earnings	620,651	604,203
	Less:-		
e	Losses for the Current Year	0	0
f	Buyback of FI's own shares	0	0
g	Holdings of Tier 1 instruments issued by other FIs	17,375	17,375

Item 2: Tier 2 Capital and its sub-components

Sl. No.		31/12/2024	31/12/2023
1	Total Tier II Capital	2,606,865	2,264,427
a	Capital Reserve	0	0
b	Fixed Assets Revaluation Reserve	0	0
c	Exchange Fluctuation Reserve	0	0
d	Investment Fluctuation Reserve	0	0
e	Research and Development Fund	0	82,830
f	Asset Pending Foreclosure Reserve	438,980	
g	Bond Redemption Reserve	0	
h	General Provision	213,301	438,285
i	Capital Grants	0	0
j	Subordinated Debt	1,801,867	1,578,024
k	Profit for the Year	152,718	165,288

Item 3: Risk Weighted Assets (Current Year and Previous Year)

31/12/2024		Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
Sl. No.	**Assets**			
1	Zero - Risk Weighted Assets	9,759,885	0%	0
2	20% - Risk Weighted Assets	6,253,566	20%	1,250,713
3	50% - Risk Weighted Assets	7,750,256	50%	3,875,128
4	100% - Risk Weighted Assets	14,652,899	100%	14,652,899
5	150% - Risk Weighted Assets	0	150%	0
6	200% - Risk Weighted Assets	0	200%	0
7	250% - Risk Weighted Assets	0	250%	0
8	300% - Risk Weighted Assets	0	300%	0
	Add: Risk Weighted Assets for Operational Risk			1,048,999
	OFF Balance Sheet Items	325,533	100%	325,533
Grand Total		**38,742,139**		**21,153,273**

31/12/2023		Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
Sl. No.	**Assets**			
1	Zero - Risk Weighted Assets	10,527,175	0%	0
2	20% - Risk Weighted Assets	4,464,717	20%	892,943
3	50% - Risk Weighted Assets	2,575,667	50%	1,287,833
4	100% - Risk Weighted Assets	18,195,411	100%	18,195,411
5	150% - Risk Weighted Assets	0	150%	0
6	200% - Risk Weighted Assets	0	200%	0
7	250% - Risk Weighted Assets	0	250%	0
8	300% - Risk Weighted Assets	0	300%	0
	Add: Risk Weighted Assets for Operational Risk			1,048,999
	OFF Balance Sheet Items	411,518	100%	411,518
Grand Total		**36,174,488**		**21,836,705**

Bhutan Development Bank Limited

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Item 4: Capital Adequacy ratios

Sl. No.		31/12/2024	31/12/2023
1	**Tier 1 Capital**	**3,519,148**	**3,506,450**
a	Of which Counter-Cyclical Capital Buffer (CCyB) (If applicable)		
b	Of which sectoral Capital Requirements (SCR) (if applicable)		
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
2	**Tier 2 Capital**	**2,606,865**	**2,264,427**
3	**Total qualifying capital**	**6,124,935**	**5,769,131**
	Less: Total NPL of Related Parties	1,078	1,747
4	**Core CAR**	**16.64%**	**16.06%**
a	Of which CCyB (if applicable) expressed as % of RWA		
b	Of which SCR (if applicable) expressed as % of Sectoral RWA		
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
5	**CAR**	**28.96%**	**26.42%**
6	**Leverage ratio**	**9.01%**	**9.40%**

Item 5: Loans and NPL by Sectoral Classification

Sl. No.	Sector	31/12/2024		31/12/2023	
		Total Loans	**NPL (Amount)**	**Total Loans**	**NPL (Amount)**
a	Agriculture & Livestock	4,557,133	473,546	4,805,760	354,866
b	Forestry & Logging	31,932	2,872	32,596	3,105
c	Production & Manufacturing	1,654,665	156,739	744,226	159,759
d	Mining & Quarrying	180,005	2,901	197,095	12,786
e	Hotel & Tourism	1,288,739	85,448	1,086,379	4,720
f	Service	1,308,311	105,248	1,336,213	81,664
g	Loans to Contractors	966,917	51,078	901,797	51,247
h	Trade & Commerce	2,446,880	134,373	2,161,510	40,733
i	Housing	5,931,866	53,872	4,400,747	151,776
j	Transport	919,574	54,403	1,082,726	9,210
k	Personal loan	1,447,251	83,483	1,243,708	25,102
l	Credit Cards	-	-	-	-
m	Staff Incentive Loan	425,331	-	179,476	3,210
n	Loan Against Term Deposits	125,774	-	94,353	-
o	Loan to Government	-	-	-	-
p	Loans to FI (s)	-	-	-	-
q	Loans for shares & securities	24,715	-	28,879	-
r	Education Loan	225,702	-	482,438	-
s	Medical Loan	-	-	-	-
	Total	**21,534,793**	**1,203,964**	**18,777,904**	**898,178**

Bhutan Development Bank Limited
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Item 6: Loans (Over-drafts and Term Loans) by types of counter-party

Sl. No.	Counter party	31/12/2024	31/12/2023
1	**Overdrafts**	**2,533,923**	**2,952,956**
a	Government	0	0
b	State Owned Enterprises	49,580	0
c	Public Companies	0	0
d	Private Companies	225,673	656,335
e	Individuals	2,258,670	2,296,622
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0
h	NGO	0	0
i	Sole Proprietorship	474,659	0
2	**Term Loans**	**18,526,211**	**15,809,497**
a	Government	521,217	0
b	State Owned Enterprises	0	0
c	Public Companies	649,109	0
d	Private Companies	577,419	730,408
e	Individuals	16,778,466	15,079,089
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0
h	NGO	0	0
i	Sole Proprietorship	521,217.31	0

Bhutan Development Bank Limited
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Item 7: Assets (net of provisions) and Liabilities by Residual Maturity (Current Year and Previous Year)

31/12/2024	On Demand	1-30 Days	31-90 Days	91-180 days	181-270 Days	271-365 Days	Over 1 Year	Total
Cash in Hand	605,498	0	0	0	0	0	0	605,498
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	0	1,680,971	0	0	0	3,882,884	5,563,855
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	0	0	439	7,045	1,858	375,435	20,333,341	20,718,118
Others Assets	1,248,355	763,374	2,345,310	2,325,010	-198,116	1,069,998	3,553,600	11,107,531
Total	**1,853,853**	**763,374**	**4,026,720**	**2,332,055**	**-196,258**	**1,445,433**	**27,769,825**	**37,995,001**
Amounts Owed to Others Bank	0	0	0	0	0	0	240,871	240,871
Demand Deposits	1,221,174	0	0	0	0	0	0	1,221,174
Savings Deposits	14,631,069	0	0	0	0	0	0	14,631,069
Time Deposit	517	0	0	273,145	8,498	143,648	13,830,440	14,256,247
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,801,867	1,801,867
Other Liabilities	130	116,896	0	92,743	493	9,701	5,623,810	5,843,772
Total	**15,852,890**	**116,896**	**0**	**365,889**	**8,990**	**153,349**	**21,496,988**	**37,995,001**
Assets/Liabilities	12%	653%	0%	637%	-2183%	943%	129%	100%
Net Mismatch in Each Time Interval	13,999,037	-646,478	-4,026,720	-1,966,167	205,248	-1,292,084	-6,272,837	0
Cumulative Net Mismatch	13,999,037	13,352,559	9,325,839	7,359,672	7,564,921	6,272,837	0	0

31/12/2023	On Demand	1-30 Days	31-90 Days	91-180 days	181-270 Days	271-365 Days	Over 1 Year	Total
Cash in Hand	682,171	0	0	0	0	0	0	682,171
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	0	2,728,466	530,975	0	0	3,217,880	6,477,321
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	0	61	13	3,949	4,578	55,202	17,851,159	17,914,962
Others Assets	1,391,020	771,020	1,345,170	4,055,506	-150,932	7,496	3,443,604	10,862,885
Total	**2,073,191**	**771,081**	**4,073,649**	**4,590,430**	**-146,354**	**62,699**	**24,512,643**	**35,937,339**
Amounts Owed to Others Bank	0	0	0	0	0	0	270,385	270,385
Demand Deposits	638,738	0	0	0	0	0	0	638,738
Savings Deposits	12,194,771	0	0	0	0	0	0	12,194,771
Time Deposit	5,501	0	0	303,954	32,581	93,778	14,455,589	14,891,403
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,979,357	1,979,357
Other Liabilities	1,628	91,013	0	98,329	8,057	27,744	5,735,914	5,962,685
Total	**12,840,638**	**91,013**	**0**	**402,283**	**40,638**	**121,522**	**22,441,245**	**35,937,339**
Assets/Liabilities	16%	847%	0%	1141%	-360%	52%	109%	100%
Net Mismatch in Each Time Interval	10,767,447	-680,068	-4,073,649	-4,188,148	186,992	58,823	-2,071,398	0
Cumulative Net Mismatch	10,767,447	10,087,379	6,013,730	1,825,583	2,012,575	2,071,398	0	0

Item 8: Assets (net of provisions) and Liabilities by Original Maturity (Current Period and Previous Year)

31/12/2024	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	605,498	0	0	0	0	0	0	605,498
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	0	1,680,971	0	0	0	3,882,884	5,563,855
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	0	0	439	7,045	1,858	375,435	20,333,341	20,718,118
Others Assets	1,248,355	763,374	2,345,310	2,325,010	-198,116	1,069,998	3,553,600	11,107,531
Total	**1,853,853**	**763,374**	**4,026,720**	**2,332,055**	**-196,258**	**1,445,433**	**27,769,825**	**37,995,001**
Amounts owed to Others Bank	0	0	0	0	0	0	240,871	240,871
Demand Deposits	1,221,174	0	0	0	0	0	0	1,221,174
Savings Deposits	14,631,069	0	0	0	0	0	0	14,631,069
Time Deposit	517	0	0	273,145	8,498	143,648	13,830,440	14,256,247
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,801,867	1,801,867
Other liabilities	130	116,896	0	92,743	493	9,701	5,623,810	5,843,772
Total	**15,852,890**	**116,896**	**0**	**365,889**	**8,990**	**153,349**	**21,496,988**	**37,995,001**
Assets/Liabilities	12%	653%	0%	637%	-2183%	943%	129%	100%
Net Mismatch in each Time Interval	13,999,037	-646,478	-4,026,720	-1,966,167	205,248	-1,292,084	-6,272,837	0
Cumulative Net Mismatch	13,999,037	13,352,559	9,325,839	7,359,672	7,564,921	6,272,837	0	0

31/12/2023	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	682,171	0	0	0	0	0	0	682,171
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	0	2,728,466	530,975	0	0	3,217,880	6,477,321
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	0	61	13	3,949	4,578	55,202	17,851,159	17,914,962
Others Assets	1,391,020	771,020	1,345,170	4,055,506	-150,932	7,496	3,443,604	10,862,885
Total	**2,073,191**	**771,081**	**4,073,649**	**4,590,430**	**-146,354**	**62,699**	**24,512,643**	**35,937,339**
Amounts owed to Others Bank	0	0	0	0	0	0	270,385	270,385
Demand Deposits	638,738	0	0	0	0	0	0	638,738
Savings Deposits	12,194,771	0	0	0	0	0	0	12,194,771
Time Deposit	5,501	0	0	303,954	32,581	93,778	14,455,589	14,891,403
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,979,357	1,979,357
Other liabilities	1,628	91,013	0	98,329	8,057	27,744	5,735,914	5,962,685
Total	**12,840,638**	**91,013**	**0**	**402,283**	**40,638**	**121,522**	**22,441,245**	**35,937,339**
Assets/Liabilities	16%	847%	0%	1141%	-360%	52%	109%	100%
Net Mismatch in each Time Interval	10,767,447	-680,068	-4,073,649	-4,188,148	186,992	58,823	-2,071,398	0
Cumulative Net Mismatch	10,767,447	10,087,379	6,013,730	1,825,583	2,012,575	2,071,398	0	0

Item 9: Assets and Liabilities by time-to re-pricing (Current Period and Previous Year)

31/12/2024	Time to re-pricing				Non Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
Inflows (Assets)						
Cash and Balance with Banks	2,101,119	1,910,339	497,910	0	879,424	5,388,792
Treasury Bills	0	1,773,316	0	0	0	1,773,316
Loans and Advances	2,553,884	1,200,636	2,990,807	13,972,791	0	20,718,118
Investment Securities	537,750	139,010	1,537,556	1,576,222	0	3,790,538
Others Assets	60,440	326,877	350,884	1,972,647	3,613,390	6,324,237
Total financial assets	**5,253,192**	**5,350,179**	**5,377,157**	**17,521,660**	**4,492,814**	**37,995,001**
Outflows (Liabilities)						
Deposit	14,778,615	1,832,108	1,845,412	10,431,180	1,221,174	30,108,491
Borrowings	173,891	4,086	4,282	58,613	0	240,871
Other liabilities	801,865	96,872	132,808	2,248,343	4,365,751	7,645,640
Total financial liabilities	**15,754,371**	**1,933,067**	**1,982,502**	**12,738,136**	**5,586,925**	**37,995,001**
Total Interest Re-pricing gap	33%	277%	271%	138%	80%	100%

31/12/2023	Time to re-pricing				Non-Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
Inflows (Assets)						
Cash and Balance with Banks	1,760,332	2,043,106	155,469	0	1,195,046	5,153,953
Treasury Bills	198,950	2,835,559	0	0	0	3,034,509
Loans and Advances	2,309,381	359,744	2,443,938	12,801,898	0	17,914,962
Investment Securities	301,309	776,329	102,408	2,262,765	0	3,442,812
Others Assets	65,790	299,207	472,579	1,733,969	3,819,558	6,391,104
Total financial assets	**4,635,763**	**6,313,946**	**3,174,394**	**16,798,632**	**5,014,604**	**35,937,339**
Outflows (Liabilities)						
Deposit	12,404,384	1,776,615	2,838,905	10,066,270	638,738	27,724,912
Borrowings	188,208	3,274	3,494	75,408	0	270,385
Other liabilities	45,447	979,197	127,764	2,223,980	4,565,654	7,942,042
Total financial liabilities	**12,638,039**	**2,759,086**	**2,970,164**	**12,365,658**	**5,204,392**	**35,937,339**
Total Interest Re-pricing gap	37%	229%	107%	136%	96%	100%

Item 10: Non-Performing Loans and Provisions

Sl. No.		31/12/2024	31/12/2023
1	**Amount of NPLs (Gross)**	**1,203,964**	**898,178**
a	Substandard	571,338	198,126
b	Doubtful	250,526	465,636
c	Loss	382,100	234,417
2	**Specific Provisions**	**684,374**	**686,866**
a	Substandard	115,076	33,329
b	Doubtful	133,174	189,462
c	Loss	436,124	256,648
	Additional provisioning		207,427
3	**Interest-in-Suspense**	**171,991**	**126,480**
a	Substandard	80,073	26,217
b	Doubtful	42,038	57,754
c	Loss	49,880	42,509
4	**Net NPLs**	**347,599**	**84,832**
a	Substandard	376,188	138,580
b	Doubtful	75,314	218,419
c	Loss	-103,903	-272,167
5	**Gross NPLs to Gross Loans**	**5.59%**	**4.78%**
6	**Net NPLs to Net Loans**	**1.68%**	**0.47%**
7	**General Provisions**	**213,301**	**162,426**
a	Standard	198,281	155,787
b	Watch	15,020	6,638

Item 11: Assets and Investments

Sl. No.	Investment	31/12/2024	31/12/2023
1	**Marketable Securities (Interest Earning)**		
a	RMA securities	1,773,316	3,034,509
b	RGOB Bonds/Securities	2,429,334	2,429,334
c	Corporate Bonds	1,304,010	180,332
d	Others	0	776,329
	Sub-total	**5,506,661**	**6,420,504**
2	**Equity Investments**		
e	Public Companies	1,258	881
f	Private Companies	0	0
g	Commercial Banks	17,375	17,375
h	Non- Bank Financial Institutions	38,561	38,561
	Less		
i	Specific Provisions	0	0
	Sub-total	**57,194**	**56,817**
3	**Fixed Assets**		
j	Fixed Assets (Gross)	698,982	695,332
	Less		
k	Accumulated Depreciation	519,970	494,872
l	**Fixed Assets (Net Book Value)**	**179,011**	**200,459**

Item 12: Foreign exchange assets and liabilities (Current Period and Copy)

Liquid Foreign Currency Holdings (Upto One Week)			**Long Term Foreign Currency Holdings (More Than One Week)**			**Nu. In Millions**	
Assets in Foreign currency	**Liabilities in Foreign currency**	**Net Short Tem Position**	**Assets in Foreign Currency**	**Liabilities in Foreign Currency**	**Long term Position**	**Overall Net Position**	**Overall Net Position/ Core Capital**
Currency 1							
Currency 2							
Currency 3							
Currency 4							
Currency 5							

Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	31/12/2024	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2023
Demand Deposits held With others banks	252,518	485,988	7,542	7,064	0	0
Time Deposits held with others banks	4,523,234	3,978,729	0	0	0	0
Borrowings	110,545	118,733	0	0	130,327	151,651

Item 14: Credit Risk Exposure by Collateral

Sl. No.	Particulars	31/12/2024	31/12/2023
1	**Secured Loans**	**20,627,031**	**18,777,904**
a	Loans Secured by Physical/Real Estate collateral	19,106,529	16,077,660
b	Loans Secured by Financial Collateral	125,774	92,029
c	Loan Secured by Guarantees	1,394,728	2,608,214
2	**Unsecured Loans**	**907,763**	**0**
3	**Total Loans**	**21,534,793**	**18,777,904**

Item 15: Earning Ratios (%)

Sl. No.	Ratio	31/12/2024	31/12/2023
1	Interest Income as a Percentage of Average Assets	6.38%	6.70%
2	Non-Interest Income as a Percentage of Average Assets	1.00%	0.86%
3	Operating Profit as a Percentage of Average Assets	0.60%	0.71%
4	Return on Assets	0.41%	0.51%
5	Business (Deposits plus advances) per employee	94,412	83,638
6	Profit Per employee	399	425

Note: The earnings ratios are based on GAAP Accounts.

Item 16: Penalties imposed by RMA in the past period

	31/12/2023		31/12/2022	
Sl. No.	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	-	-	-	-
	Total	**-**	**Total**	**-**

Item 17: Customers Complaints

Sl. No.	Particulars	31/12/2024	31/12/2023
1	No. of complaints pending at the beginning of the year	0	0
2	No. of complaints received during the year	4,846	1,477
3	No. of complaints redressed during the year	4,846	1,477
4	No. of complaints pending at the end of the year	0	0

Item 18: Provisioning Coverage Ratio

Year	Gross NPL	Additional NPL	Additional Specific Provisions	Additional Interest-in-Suspense A/C	Required PCR (60% of Additional NPL)	Accretion to the Buffer	Counter-cyclical Provisioning Buffer (Stock)
1	2	3	4	5	6= (60% of Col.3)	7=(6-5-4)	8
2023	898,178	(298,102)	(85,827)	(33,659)	(178,861.22)	(59,375.06)	
2024	1,203,964	305,786	2,492	45,511	183,471.33	135,468.74	

Item 19: Concentration of Credit and Deposits

Sl. No	Particulars	31/12/2024	31/12/2023
1	Total Loans to 10 Largest Borrowers	1,600,935	1,316,871
2	As % of Total Loans	7.43%	7.01%
3	Total Deposit of the 10 Largest Depositors	3,406,917	3,269,040
4	As % of Total Deposits	11.32%	11.79%

Item 20: Exposure to 5 Largest NPL Accounts

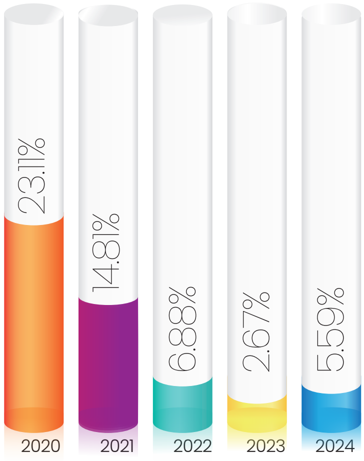
Sl. No	Particulars	31/12/2024	31/12/2023
1	Five Largest NPL Accounts	300,726	120,530
2	As % of Total NPLs	24.98%	13.42%

Bhutan Development Bank Limited

PERFORMANCE INDICATORS

Asset Position (in Million)

Portfolio at Risk



Loan Outstanding

Deposit Amount

No. of Deposit Account

No. of Loan Accounts

Count	Particulars	Total o/s
23,813	Agriculture & Livestock	4,805,759,659.39001
96	Forestry & Logging	32,595,539.61
1,369	Production & Manufacturing	744,225,778.990001
22	Mining & Quarrying	197,094,923.76
663	Hotel & Tourism	1,086,378,949.88
1,056	Service	1,336,213,066.77
310	Loans to contractors	901,797,072.46
2,683	Trade & Commerce	2,161,510,491.56
8,488	Housing	4,400,747,107.90999
2,227	Transport	1,082,725,971.07
4,961	Personal	1,243,708,302.21
169	Staff Incentive	179,475,688.24
136	Loan Against Term Deposit	94,353,479.43
4	Loans for shares & securities	28,879,464.38
469	Education Loan	482,438,313.22
-	Credit Cards	-
-	Loans to Government	-
-	Loans to Financial Service Providers	-
	Medical Loan	
46,466	Total	18,777,903,808.88

Annual Rimdro

The Annual Rimdro was held on 27th June 2024, presided over by His Eminence Dorji Lopen Rinpoche, with prayers offered for the well-being of all sentient beings and blessings sought to remove negativities and obstacles.

Employee Recognition

As part of our ongoing commitment to fostering a positive and motivated work environment, we take pride in recognizing team members who go above and beyond in their roles. Through regular appreciation and recognition, we celebrate their contributions, inspire excellence, and strengthen a culture of gratitude and teamwork across the organization.








Namkhai Nyingpo Rinpoche

At the request of the management, His Eminence Namkhai Nyingpo Rinpoche visited the bank on 4th October 2024, marking a significant and auspicious occasion in the bank's history. During the visit, Rinpoche bestowed lung and khago upon the bank's employees and customers.

MOU with Asian Institute of Technology

We have established a partnership with the Asian Institute of Technology (AIT), School of Engineering & Technology, through the signing of a Memorandum of Understanding (MoU) and a Memorandum of Agreement (MoA). This collaboration aims to strengthen capacity building for BDB employees by offering opportunities such as Master's degree programs and short-term training courses.

To date, two employees have been nominated and sent under this scholarship initiative.

Padtshelling Trulku

On July 29,2024, His Eminence the Fifth Padtshelling Trulku visited the Bank, marking a significant and auspicious occasion for the institution. During the visit, His Eminence offered blessings to the bank and its staff, praying for their continued prosperity and the future success of the organization.

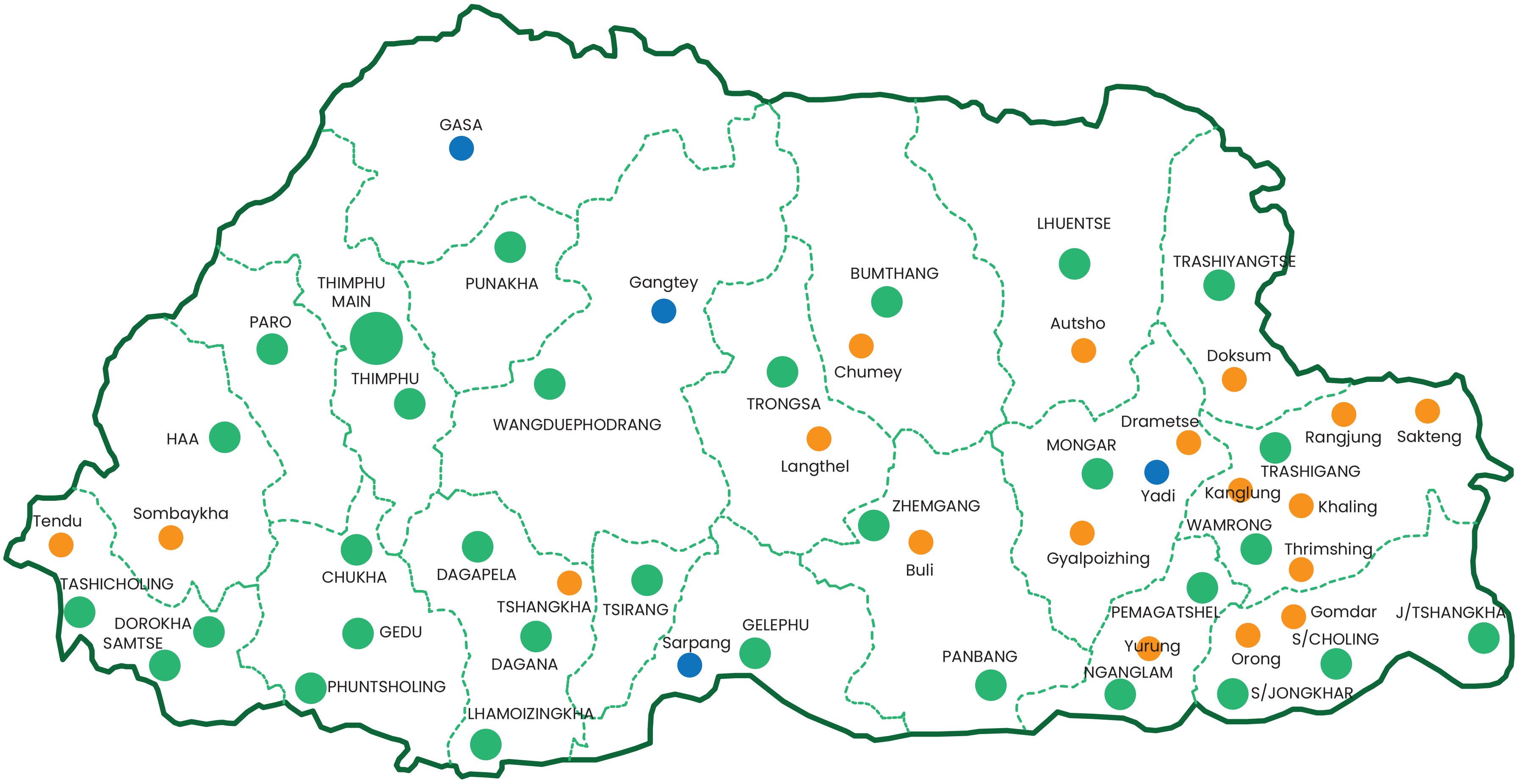
Foundation Day

On January 2024, Bhutan Development Bank proudly celebrated its 36th Foundation Day, marking over three decades of dedicated service since its establishment in 1988. This milestone stands as a testament to the collective efforts, commitment, and resilience of all those who have contributed to the Bank's journey. The occasion was observed across BDB offices nationwide, beginning with a ceremonial offering to Kencho Sum, His Majesty's Zhabten, and a symbolic cake-cutting, followed by the distribution of 2024 calendars, gift hampers for lucky walk-in customers, and refreshments. A special highlight of the day was the presentation of certificates of appreciation to employees who have made outstanding contributions to the Bank's growth and reputation. Foundation Day is not only a celebration of past achievements but also a reaffirmation of BDB's core values and its vision for a prosperous future, with heartfelt gratitude extended to its loyal and supportive customers.

Customer touchpoint

31 Branch Offices
18 Gewog Field Offices
4 Extension Offices

300+ Farmer's Outreach Services



Branch Managers Contact

Tenzin Tashi
Chief Manager
Thimphu Main
17952880

Ugyen Dema
Chief Manager
Paro
17889608

Sangay Dorji
Chief Manager
Phuentsholing
17885189

Phurba Wangchen
Chief Manager
Chukha
17116998

Yeshey Samdrup
Chief Manager
Gelephu
17634757

Tshewang
Chief Manager
Trashigang
17699101

Yezer Peldon
Chief Manager
Samdrupjongkhar
17636371

Namgay Tenzin
Sr. Branch Manager
Gedu
17117466

Jamyang Tenzin
Sr. Branch Manager
Zhemgang
17127700

Nima Choezang
Sr. Branch Manager
PemaGatshel
17290334

Wangda
Sr. Branch Manager
Haa
17973010

Chencho Pem
Sr. Branch Manager
Punakha
17831105

Jigme Norbu
Dy. Chief Manager
Thimphu Branch
17882708

Damcho Wangdi
Dy. Chief Manager
Wangdue
17613317

Namgay Doenyan
Dy. Chief Manager
Samtse
17125253

Kunzang Tshomo
Dy. Chief Manager
Mongar
17730309

Chimi Dorji
Branch Manager
Dorokha
17674806

Sonam Jamtsho
Branch Manager
Tashicholing
17116263

Jigme Tenzin
Branch Manager
Tsirang
17772361

Ngawang Tashi
Branch Manager
Bumthang
17449399

Sangay Tenzin
Branch Manager
Dagana
17894482

Sonam Duba
Branch Manager
Lhamoizingkha
77790580

Dorji Norbu
Branch Manager
Dagapela
17548455

Pema Choda
Branch Manager
Panbang
17232816

Sonam Yangchen
Branch Manager
Wamrong
17396431

Gyem Tshering
Branch Manager
Samdrupcholing
17351708

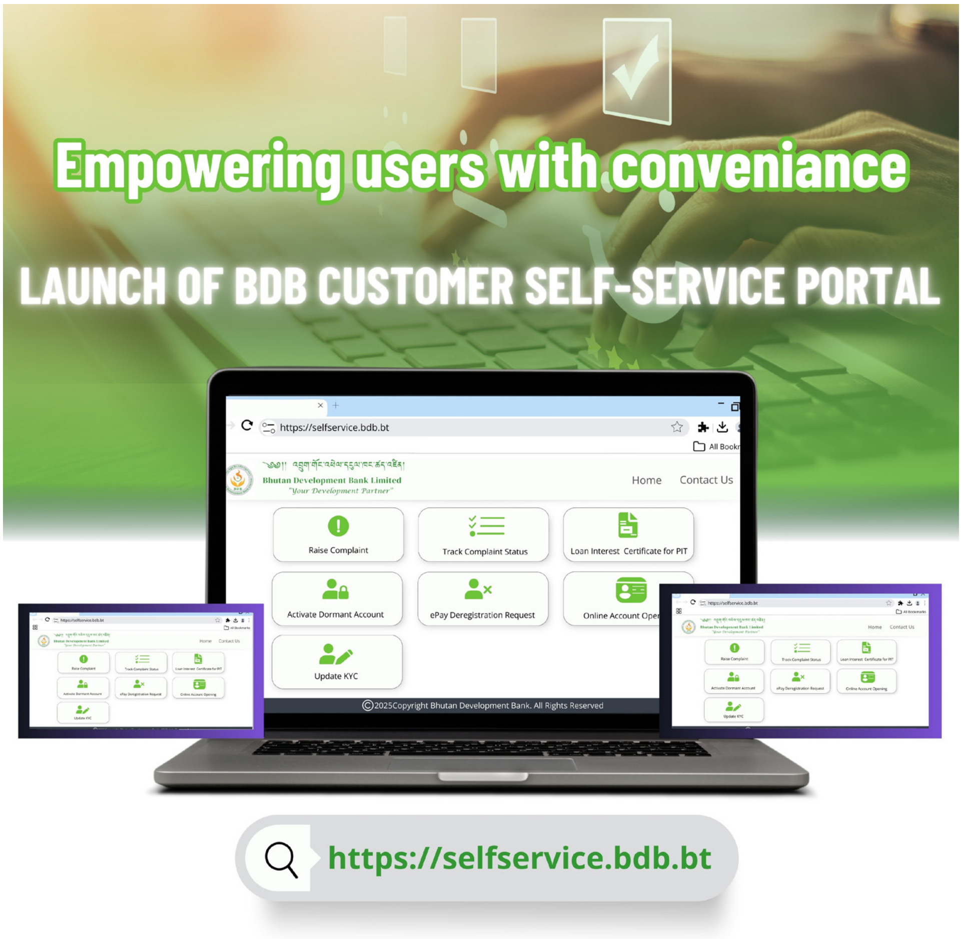
Kinley Penjor
Branch Manager
Jomotshangkha
17678913

Dendup Namgyel
Branch Manager
Lhuntse
17703598

Ngawang Tenzin
Branch Manager
Trashiyangtse
17976677

Pema Tenzin
Branch Manager
Nganglam
17395989

Tashi Dema
Branch Manager
Trongsa
17447504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Track Complaint Status
Loan Interest Certificate for PIT
Activate Dormant Account
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RAISE COMPLAINT
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LOAN INTEREST CERTIFICATE FOR PIT
ONLINE ACCOUNT OPENING
ACTIVATE DORMANT ACCOUNT
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kadrinchey
for Banking with us

BHUTAN DEVELOPMENT BANK LIMITED

Head Office
Thimphu
Post Box: 256
Norzin Lam
Contact Center No. 1424
info@bdb.bt