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Bhutan Development Bank

Your Development Partner

ANNUAL REPORT 2022

Bhutan Development Bank Limited

BDB

Your Development Partner since 1988

ANNUAL REPORT 2022

CONTENT

FOREWORD

The Bhutan Development Bank Limited (BDB) formerly known as Bhutan Development Finance Corporation (BDFC) was established through a Royal Charter on 31st January 1988 with core mandate of providing financial services for the development of agricultural, industrial and commercial enterprise in Bhutan. With 35 branch and 27 field offices spread across the country, it has the largest branch network. Further, to increase accessibility of its services especially by rural customers and reduce their transaction costs, it also provides extended banking services through its Farmers Outreach Banking services platform. It provides both collateral based retail lending as well as collateral free group lending.

To inculcate saving habits and financial discipline nationwide rural saving scheme was introduced in 2005, the year Micro Credit. The Royal Monetary Authority of Bhutan in 2010 issued a specialized deposit taking license by which BDB was allowed to mobilize saving and deposits from urban areas as well. In 2022 it is accredited Green Climate Fund initiative.

In the credit front as part of its transformation initiative, it will embark upon gradually moving from collateral based to cash flow based lending with major focus in the CSI sector and in terms of sustainability moving from purely mandate driven organization to a sustainable SOE. It will rationalize its credit products and streamline credit process right from screening and underwriting to loan utilization monitoring and repayment follow ups till the loans are successfully liquidated.

In the banking front with many its customers increasingly becoming techno savy and more so after COVID it will be riding on technology to provide most of services that will not enhance its efficiency and effectiveness but also minimize human intervention. It will also diversify its income sources and focus on improving its non fund based income.

MISSION

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

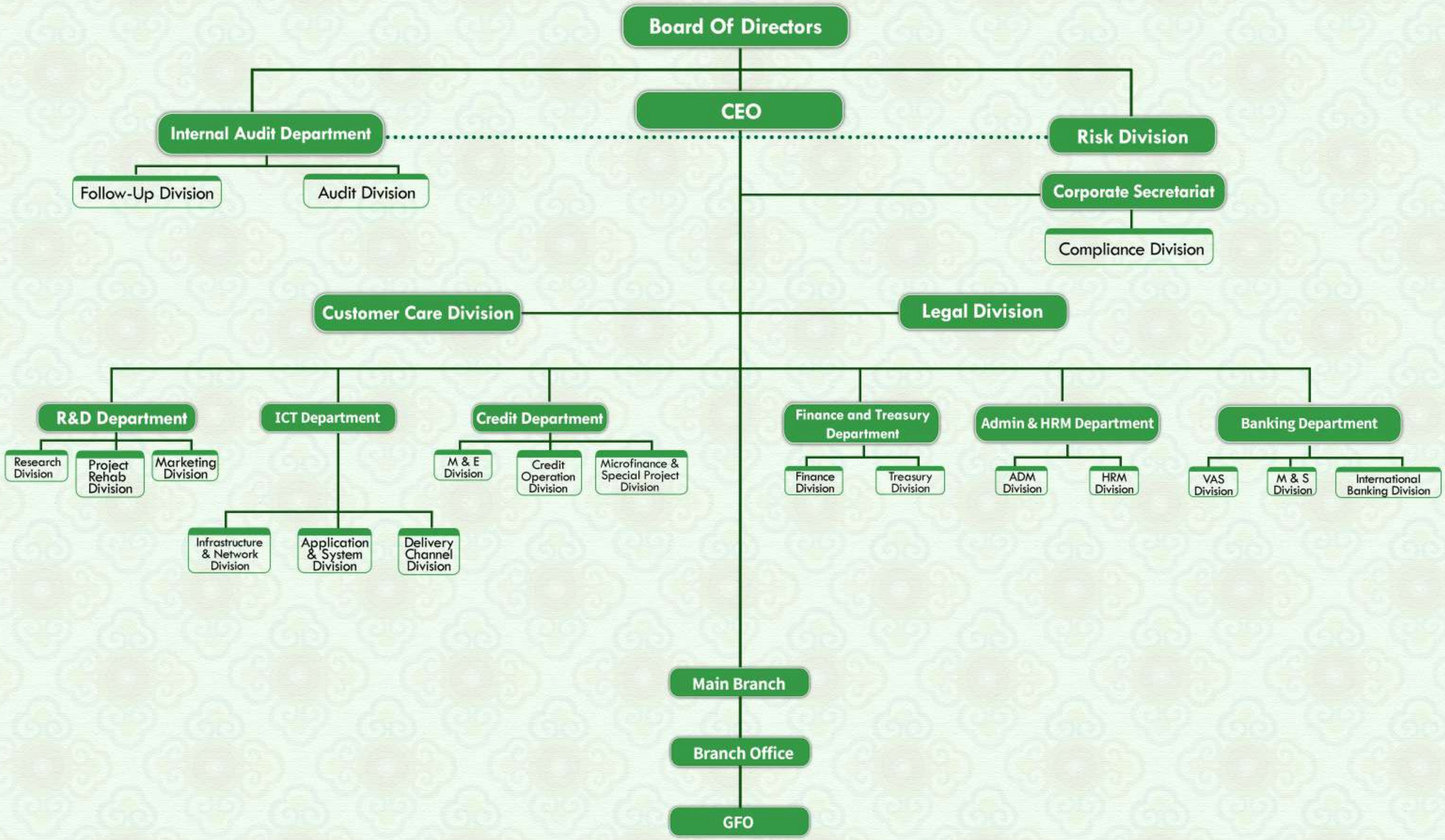
VISION

To be strong, dependable, customer focused bank that contributes towards achievement of GNH.

CORE VALUES

Professionalism - Give your Best
Excellence - 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 services

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS

Mr. Loday Tsheten

CHAIRMAN
Director
Department of Macro-Fiscal and Development Finance, MoF
Thimphu

Mr. Karma Tshering

DIRECTOR (Independent)
Former CEO BOiC
Thimphu

Ms. Kuenzang Lhamu

DIRECTOR (non-executive)
Director General
Department of Employment and Entrepreneurship, MoICE
Thimphu

Mr.Karma Tshering

DIRECTOR (non-executive)
Chief Planning Officer, Ministry of Agriculture and Livestock
Thimphu

Mr. Sonam Wangdi

DIRECTOR (non-executive)
Chief Finance Officer,
Department of Treasury and Accounts, MoF
Thimphu

Mr. Kuenzang Thinley

General Manager / Offtg. CEO
BDBL
Thimphu

Mr. Gopal Giri

DIRECTOR (Independent)
Assoc. Professor
Royal Thimphu College

BDB MANAGEMENT TEAM

Mr. Phub Dorji

Chief Executive Officer

Mr. Kuenzang Thinley

General Manager / Offtg. CEO
BDBL
Thimphu

Mr. Bhawani Shankar

General Manager
Internal Audit Department

Mr. Pema Wangdi

General Manager
Research Department

Mr. Samdrup Kinlay

Offtg. General Manager
ICT Department

Mr. Dorji Wangdi

Company Secretary

Mr. Karma Jigme

General Manager
ADM/HRM Dept.

Mr. Tshering Dukpa

General Manager
Credit Dept.

Mr. Nidup Tshering

General Manager
Finance & Treasury Dept.

CHAIRMAN'S REPORT

Dear Shareholders,

The year 2022 was not much different from the preceding year. The year was marked by significant challenges due to the ongoing COVID-19 pandemic and the Bank being put under the Prompt Corrective Action (PCA) framework by the central bank. Despite these obstacles, we were able to successfully manage our operations and deliver essential banking services through our extensive network of 35 Branch Offices and 27 Gewog Field Offices across the country.

Financial position and key financial performance

The financial statements for 2022 have been prepared in accordance with the Bhutanese Accounting Standards (BAS) 2020, equivalent to International Financial Reporting Standards (IFRS). Here are the key financial highlights for the year:

Assets: Our total assets grew marginally by 0.81% to Nu. 31,850.34 million in 2022, compared to Nu. 31,591.02 million in 2021. The slow growth can be attributed to the charge-off of chronic non-performing loans (NPLs) amounting to Nu. 1,935.49 million from our balance sheet, as well as the loan moratorium issued by the Royal Monetary Authority (RMA). The charge-off of NPLs was necessary to clean up our balance sheet, and we will pursue legal recovery of these non-performing loans. Any future recoveries will be recognized as other income for the bank.

Liabilities: Total liabilities for 2022 stood at Nu. 29,181.27 million, reflecting a decrease of 1.59% from Nu. 28,725.32 million in 2021. The decrease is primarily due to a decrease in deferred tax liability in 2022 compared to 2021, amounting to 45.57%.

Equity: Our total equity decreased by 6.86% from Nu. 2,865.71 million in 2021 to Nu. 2,660.06 million in 2022. This decline was primarily caused by a decrease in retained earnings due to a loss of Nu. 192.44 million reported in 2022. The share capital (paid-up) remained unchanged at Nu. 600.32 million.

The financial performance of the bank for 2022 are as follows:

(Nu. In millions)

	2022	2021
Net interest income	203.70	640.06
Net fee & commission income	45.74	60.02
Other operating income	155.17	36.47
Total Operating expense	(596.78)	(595.53)
Loan loss/ impairment expense	(85.53)	381.77
Tax expense	85.26	(186.80)
Profit after tax	(192.44)	335.99

The loss of Nu. 192.44 million was primarily driven by a significant decline in net interest income, which decreased by 68% to Nu. 203.70 million in 2022 compared to 2021. This decrease was mainly due to a 6.36% decline in loan growth resulting from the loan moratorium and the suspension of interest on non-performing loans as we transitioned to the IFRS 9 Expected Credit Loss method. Additionally, we had to provide higher loan loss provisions in 2022, amounting to Nu. 85.53 million, compared to a write-back of Nu. 381.77 million in 2021, due to the transition to the IFRS 9 Expected Credit Loss model.

Operational Review:

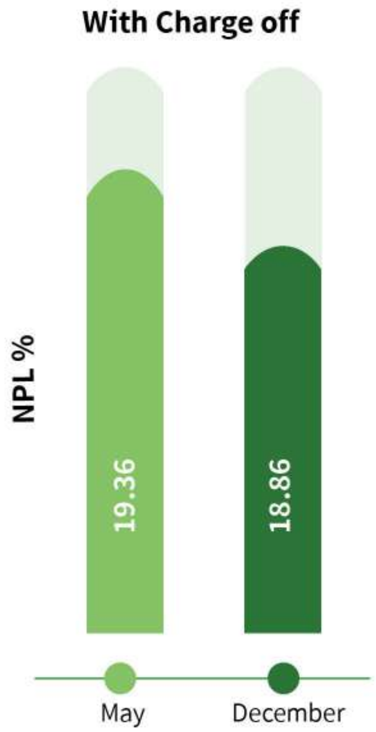
The Bank was put under prompt corrective action (PCA) with effect from May with the following conditions:

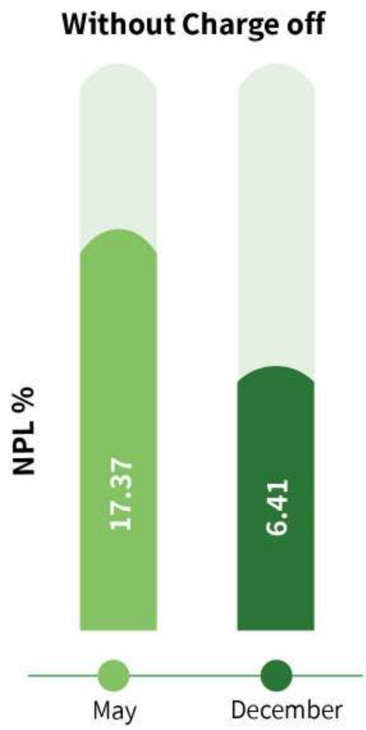
1. Further lending shall be mandatorily restricted except for disbursements of already sanctioned loans

2. Year end (2022) NPL target – 7%
3. New loan Target – 3%

To effectively resolve the Non-Performing Loans (NPLs), NPL framework – Monetary Measures IV to support and rehabilitate viable loans through different restructuring measures was implemented based on the directives issued from Royal Monetary Authority of Bhutan. Branch Offices were trained on the standard Operating procedures Monetary Measures IV developed in-house.

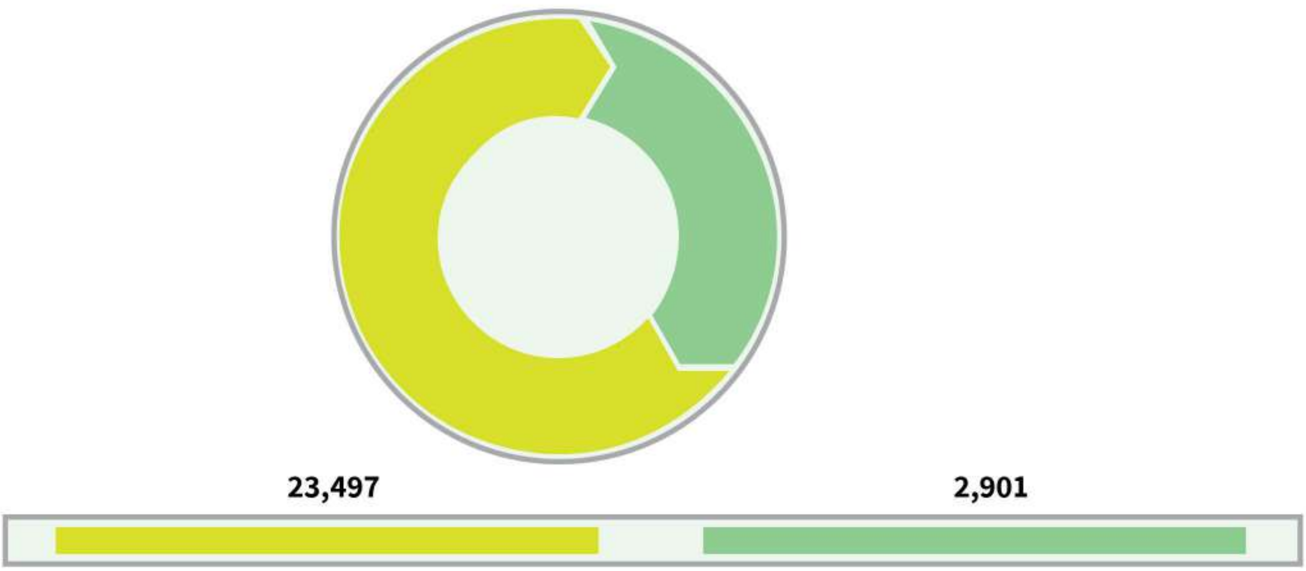
Status on Performance as on December 2022





The December standing of NPL for new loan stood at 3.72 % against the target of 3%.

The Bank achieved the overall NPL target when considered from without charge off at 6.41%. Out of 25 Branch Offices, 11 Branch offices met the target of 7.5% (with charge off).



Out of the 23, 497 customers eligible for FEIF account opening, only 2,901 opted composing of 8.9%.

Initiatives:

The bank has been putting consistent effort to improve the digital banking services as a part of bank 's acknowledgment to embrace national over-all drive to promote digitalization. Towards this end, the bank during the year came up with new version of its mobile banking application (ePay) with added features like opening of recurring and fixed deposits account, making deposit to any types of loan accounts within the bank, making payments to Samuh, NPPF and raising charge backs for failed transactions.

To provide continued wholesome banking services to the rural customer, the Bank has installed 3 ATMs at Jigmeling in Sarpang, Gangtey in Wangdue and Dangdung in Trongsa. This takes the total ATM network of the bank to 57.

During the year the Information System Audit (ISA) on the network infrastructure was initiated The bank is currently in midst of implementing the observations and the recommendation of the auditors.

Risk Management:

Pilot Risk Assessment and Hand Holding Supports were provided to 15 Branch Offices in the year. Conducted virtual assessment sessions for 20 branch office. Awareness Program on the risk management framework was also Conducted at Head Office:

Challenges:

Prompt Corrective Action framework:

Due to its high non-performing loans the RMA put the Bank under Prompt Corrective Action framework and restricted giving new loans. This measure though important affected the Bank adversely since its loan portfolio quality further deteriorated due to migration of its good customers to other banks and most importantly the Bank couldn't carry out its development mandates as envisaged.

High staff attrition:

The attrition rate for the years stands at 12 % Many of the skilled and experienced employees from critical positions left the Bank because of which not only the service delivery was affected but also increased burden on those staying back for having to bear additional responsibilities.

Future Outlook:

The Bank learnt important lesson from the pandemic foremost being the need to focus on improving its sustainability in order to carry out its mandates as per the Royal Charter.

As part of Credit risk management initiative, the Bank shall streamline the process of the entire loan cycle and provide hand holding services to customers where necessary.

The Bank shall change its loan underwriting practices by going from purely collateral based to cashflow based lending. The retail customers especially in rural areas shall be encouraged to go for collateral free loans in the CSI sectors.

As part of overall risk mitigation measures the Bank shall continue implementing Risk Management framework and risk-based auditing.

The Bank shall also improve efficiency and effectiveness of its services by embarking upon the technology to provide the services.

Tashidelek!!! My wishes and sincere prayers for a successful year 2023.

(Loday Tsheten)
Chairman
BDB Board of Directors

AUDITOR'S REPORT

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TITLE SHEET		
Title	:	Audit Report on the financial statements of the Bhutan Development Bank Limited 2022
AIN:		
Head of the Agency	:	Mrs. Tshering Om, Chief Executive Officer (New) CID No. 11005000916 Mr. Phub Dorji (former CEO)
Finance Personnel	:	Mr. Nidup Tshering, General Manager, Finance & Treasury Department CID No. 10605002331
Period Audited	:	1 January 2022 – 31 December 2022
Schedule of Audit	:	Planning: 27 December 2022- 31 December 2022 Actual: 19 Jan– 20 May 2023 Reporting:
Composition of Audit Team	:	Team Leader: Mr. Pema Dendup, Senior Audit Associate CID No. 11603001179 Team Members: 1. Ms. Phuntsho Choden, Senior Audit Associate CID No. 10102000056 2. Mr. Bijay Bhandari, Senior Audit Associate CID No. 11214004079 3. Mr. Sani Raj Limboo, Audit Associate CID No. 11304001592 4. Ms. Sangay Choden, Audit Associate CID No. 11808001101 5. Mr. Tenzin Chophel, Audit Associate CID No. 11601003337 6. Mr. Dorji Phuntsho, Audit Associate CID No. 10716002235 7. Mr. Tashi Gyaltshen, Audit Associate CID No. 11608002903 8. Mr. Man Singh Rai, Audit Associate CID No. 11812000037 9. Ms. Dema, Audit Associate CID No. 11509000272 10. Mr. Nima Tshering, Audit Associate CID No. 11101000611
Supervising Officer	:	Mrs. Menuka Chhetri, Managing Partner
Engagement Letter	:	Appointment letter dated 16 November 2022
Focal Person	:	Mr. Pema Dendup Email: kelzang.dawa31@gmail.com Phone: 17336523
Date of Exit Conference	:	24/05/2023

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
CD	:	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

Report on the Audit of the Financial Statements

To the Members of the Bhutan Development Bank Limited:

Opinion

We have audited the financial statements of the Bhutan Development Bank Ltd. (The Bank), which comprise the statement of financial position as on 31 December 2022, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of 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 Company 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 reasonable 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 of the current period. 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.

Other Matters:

The company have a centralized books of account maintained in the CBS system. The audit team have visited central region. We have been represented by the management that the data provided for our audit purposes is correct, complete, reliable, and also we were given access to system and data are directly generated from the accounting system without any further manual modifications. We have performed our audit procedures and relied upon the system generated data to obtain reasonable satisfaction over the completeness and accuracy of these transactions. We bring to the attention of the users that the audit of the financial statements has been performed in the aforesaid condition.

Our audit opinion is not modified in respect of this matter.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

i. 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;

ii. 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 Company's internal control;

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

iii. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

iv. 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 are required to 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, related safeguards.

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 auditor's 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 Appendix-I with statements on the matters specified therein to the extent applicable.

Further, as required by Section 265 of the Act, we report that:

a) We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the company as far as appear from our examination of the books.

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.

d) In our opinion, the company has complied with other legal and regulatory requirements.

For Menuka Chhetri & ASSOCIATES

Chartered Accountants
Firm Registration No.:331825E
Address: 5th Floor, MKTS Building,
Opposite Clock Tower, Norzin Lam, Thimphu

Menuka Chhetri
Managing Partner
Membership No.: 534365
Place: Thimphu, Bhutan
Date: 13/7/2023

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

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MINIMUM AUDIT EXAMINATION AND REPORTING 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 company containing inter alia, the following:

General:

a) The Companies audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The governing board/authority pursues a prudent and sound financial management practice in managing the affairs of the company.
c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
f) The mandatory obligations social entrusted are being fulfilled.
g) The amount of tax is computed correctly and reflected in the financial statements.

1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As per the information provided by the company, they had conducted the Physical Verification of the Assets on 29 December, 2022. The physical verification was carried out only once in the year which is at the end of the year, thus, considering the size of the bank, the physical verification should be conducted at least semi-annually.

2. The fixed assets of the Company have not been revalued during the year.

3. The company had conducted physical verification of the inventories once in a year. Thus, considering the size and frequency of moment of inventories, the verification conducted once a year is adequate.

4. The inventories records are adequately maintained by the Company. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.

5. In our opinion and according to information and explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

6. During the course of physical verification of stores and inventory done by the audit team formed by the management, no such major discrepancy having material impact on the financial statements was noticed.

7. 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.

8. Based on the information provided to us, all purchases of materials are classified as Raw Materials, traded goods, finished goods, stores and spares and physical verification is conducted quarterly in a year. The reconciliation is done between physical inventories and system recorded inventories wherever necessary.

9. It has been confirmed by the audit team formed by management after physical verification of inventories that there are no obsolete damaged, slow moving and surplus goods/inventories were lying in the stores at the end of the year. Also, during the physical verification of stock carried out by statutory auditor of the Head Office, Thimphu, no non -moving as well as missing stock were identified.

10. Since there are no such obsolete and surplus inventories identified by management during the year, thus disposal of such material does not arise.

11. The Company has not identified Obsolete, damaged, and surplus goods during the Financial Year 2022

12. 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).

13. The Basis of Valuation of Stock is adequate and no deviation from the preceding financial year has been observed.

14. The company has not granted any loans to the other parties, which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.

15. Advances granted to officers/staff are generally not 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 any particular.

16. In our opinion and according to the information and explanations given to us in the course of this audit, the company 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 company as well as to ensure adherence to the rules/regulations and system which are found.

17. 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 company and nature of its business, on issue of stores and allocation of Materials and labors to Jobs.

18. There is a proper system of competitive biddings, commensurate with the size of the company 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.

19. As explained to us, the Company 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 company in which the director(s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions.

20. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, 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.

21. Since, the company is not into manufacturing, determining of unserviceable or damage finished goods are not applicable.

22. System of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e., while in transit, during processing, during loading/ unloading, in storage and during handling etc. is not applicable for the banking company.

23. Since, the company is not into production, this clause of maintaining reasonable records for production of finished goods is not applicable.

24. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Bank is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.

25. According to the information and explanations provided to us and so far, it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, provident fund, and other statutory dues as on the last day of Financial Year 2022.

26. According to the information and explanations provided to us, the company has a reasonable system of allocating man hours utilised to the respective jobs, commensurate with the size and nature of its business.

27. Since, the company is not into production and manufacturing, the system of price fixation is not applicable.

28. In our opinion and according to the information and explanations given to us, the company has reasonable credit sales policy and credit rating of customers is not carried out.

29. Since the Company is not earning revenue through commission agents, this clause is not applicable.

30. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.

31. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records, considering the requirements of the funds in the normal banking business, the management of the Bank's liquid resources particularly cash is to be strengthened and in few branches we found that excessive amount is lying idle in the form of cash in hand (i.e. holding the Cash beyond the Cash Limit)

32. According to the information and explanations given to us, and on the basis of test examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Bank are lawful and intra vires to the Articles of Incorporation of the Bank.

33. 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.

34. In our opinion, the Bank has established an effective budgetary control system.

35. Since the company is not into manufacturing, this clause of establishing of standard costing system is not applicable.

36. In our opinion and according to the information and explanations given to us, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in Note 36 of the Notes to the Accounts.

37. As per the information and explanations given to us and based on our review of the transactions, the directives of the Board have been found to be complied with by the Bank.

38. On the basis of information received from the management, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Bank, which are not publicly available, unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

39. According to the information and explanations given to us, the company maintains proper records for inter unit transactions/services and arrangement for services made with other agencies engaged in similar activities

40. As per information and explanations given to us, in our opinion, proper lease agreements are executed and that the terms and conditions of leases are reasonable.

In Case of Finance and Investment Bank

1. On the basis of test examination of books and records, there are lapses in the documentation of loans and this area requires further improvement.

2. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.

3. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, reasonable records have been maintained by the Bank for deposits of customers and interest payment thereof.

4. As per information and explanations given to us, Investments made by the Bank and outstanding in its books as on 31st December 2022 have not undergone any permanent diminution in value.

5. To the best of our information and according to the information and explanations given to us, the Bank has complied with the requirements of Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations; however, guidelines on prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA) has not been fully complied.

6. Provisioning for non- performing assets including loans and advances has been carried out as per accounting policy of the Bank and the directives given by RMA in this regard have been complied with.

7. Interest on non- performing loans has not been recognized as interest income as per the accounting policy of the Bank.

8. On the basis of our test verification and as per the information and explanations given to us, in our opinion, the assets hypothecated against loans and advances is generally physically verified by the Bank, valued and Mortgage Deeds executed, wherever required, and the Bank has ensured that the assets are free of any prior lien or charges.

9. To the best of our information and according to the explanations given to us, the Bank has a system of monitoring of the Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily. To ensure the timely and required disbursement and its utilization it is suggested that the progress of the project be monitored more closely and documented, and site inspection be conducted more frequently depending on the amount of loan, the risk involved and the moratorium period, for which a policy be formulated.

10. To the best of our information and according to the explanations given to us, the Bank has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.

11. On the basis of our test verification, in our opinion and to the best of our knowledge, the rescheduling of loans was carried out in accordance with the provisions of Prudential Regulations 2016 after a detailed study and analysis of the requirements of the borrowers.

12. On the basis of our test verification, in our opinion and to the best of our knowledge, the Bank has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

13. According to the information and explanations given to us, there are loans written off worth of Nu. 15,177,785.36 during the year.

Computerized Accounting Environment

1. The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.

2. Adequate safeguard measures and backup facilities exist in the Bank.

3. Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place.

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

5. Adequate measures are in place to control unauthorized access over computer installations and files.

6. As informed, wherever there is data migration during change over to new system, it is managed effectively to ensure completeness and integrity of data as well as smooth operation of the system.

GENERAL

1. Going Concern Issues:

On the basis of the attached Financial Statements as at 31st December, 2022 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis:

Financial and Operational Results of the Company have been given in Annexure to this report.

3. Compliances with the Companies Act of Bhutan, 2016

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of The Companies Act of Bhutan, 2016.

Our observations in this regard are given below: -

a) The Company has filed annual return as required by Section 267 of the Act.

b) The Company has held annual general meeting as required by Section 177 of the Act.

c) The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.

d) Following statutory registers have been maintained by the Company depicting certain prescribed particulars as required to be disclosed under the Act.

  i. Register of Directors
  ii. Register of charges [Section 228(c)]

4. Adherence to Laws, Rules and Regulations

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association and as explained to us, the Company has been generally complying with appropriate laws, rules and regulations, systems, procedures and practices.

For Menuka Chhetri & ASSOCIATES

Chartered Accountants
Firm Registration No.:331825E
Address: 5th Floor, MKTS Building,
Opposite Clock Tower, Norzin Lam, Thimphu

Menuka Chhetri
Managing Partner
Membership No.:534365
Place: Thimphu, Bhutan
Date: 13/7/2023

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

(Amount in Nu.)

Particulars	Note	31-Dec-22	31-Dec-21
Assets			
Cash & Cash Equivalent	11	1,504,346,949.87	1,386,335,608.96
Balances with Central Bank	12	5,733,536,732.60	7,712,883,720.10
Due from Banks	13	2,403,520,255.71	854,544,963.66
Loans & Advances to Customers	14	18,490,892,195.81	19,747,697,819.03
Equity Instruments at FVOCI	15	28,739,311.26	27,561,000.00
Debt Instruments at Amortised Cost	16	2,040,075,922.29	518,281,478.56
Other Assets	17	1,381,938,996.74	1,050,706,902.79
Property, Plant & Equipment	18	184,576,977.95	202,381,672.59
Intangible Assets	19	82,709,425.09	90,631,219.05
Total Assets		**31,850,336,767.31**	**31,591,024,384.74**
Liabilities			
Due to Banks	20	1,438,291,438.43	1,507,637,927.80
Due to Customers	21	26,953,205,167.54	26,707,304,158.95
Retirement Benefit Plans	22	25,751,013.13	29,543,890.00
Deferred Tax Liability	23	101,843,731.20	187,103,762.19
Current Tax Liability	23	143,995,088.30	143,995,088.30
Other Liabilities	24	518,188,354.71	149,730,383.60
Total Liabilities		**29,181,274,793.32**	**28,725,315,210.84**
Equity			
Share Capital		600,317,000.00	600,317,000.00
Retained Earnings		750,738,806.05	948,276,005.72
Other Reserves		1,346,083,684.59	1,346,371,996.59
FVOCI Reserve		(28,077,516.65)	(29,255,827.92)
Total Equity		**2,669,061,973.99**	**2,865,709,174.40**
Total Liabilities and Equity		**31,850,336,767.31**	**31,591,024,384.74**

(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Financial Position)

For Menuka Chhetri & ASSOCAITES
Chartered Accountants
Firm Registration No. 331825E

On behalf of Board

Chairman

Chief Executive Officer

Menuka Chhetri & Associates
THIMPHU BHUTAN
Chartered Accountant

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: - Thimphu, Bhutan
Date: 13/7/2023

Mr. Loday Tsheten

Mr. Phub Dorji

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

(Amount in Nu.)

Particulars	**Note**	**31-Dec-22**	**31-Dec-21**
Interest & Similar Income	4	1,929,577,752.31	2,263,731,511.29
Interest & Similar Expense	5	(1,725,876,609.98)	(1,623,667,915.51)
Net interest income		**203,701,142.33**	**640,063,595.78**
Fee and commission income	6	45,740,186.10	60,019,187.11
Fee and commission expenses		-	-
Net fee and commission income		**45,740,186.10**	**60,019,187.11**
Other Operating Income	7	155,173,257.92	36,468,126.26
Total operating income		**404,614,586.35**	**736,550,909.85**
Personnel Expenses	8	(346,593,677.34)	(339,976,982.76)
Depreciation on Property Plant & Equipment	18	(41,230,072.37)	(50,263,029.26)
Amortization of Intangible Assets	19	(19,793,038.72)	(13,084,225.55)
Other Operating Expenses	9	(189,163,633.23)	(192,209,386.50)
Impairment (charges)/reversal for loans and other losses	14.1	(85,529,239.18)	381,767,178.09
Total Operating Expenses		**(682,309,660.85)**	**(213,766,445.98)**
Profit Before Tax from Continuing Operations		**(277,695,074.50)**	**522,784,463.87**
Deferred Tax Expense	23	85,260,030.98	(42,800,836.19)
Current Tax Expense		-	(143,995,088.30)
Profit For the year ending		**(192,435,043.52)**	**335,988,539.80**

(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Comprehensive Income)

For Menuka Chhetri & ASSOCAITES
Chartered Accountants
Firm Registration No. 331825E

On behalf of Board

Chairman

Chief Executive Officer

CA. Menuka Chhetri
(Managing Partner)
Membership No.534365
Place: - Thimphu, Bhutan
Date:

Mr. Loday Tsheten

Mr. Phub Dorji

STATEMENT OF OTHER COMPREHENSIVE INCOME

(Amount in Nu.)

Particulars	31-Dec-22	31-Dec-21
Profit for the year ending	**(192,435,043.52)**	**335,988,539.38**
Gains /(losses) on re-measuring available for sale financial assets	1,178,311.26	(12,540,645.80)
Impairment during the year - Available for sale investments	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	(4,061,225.00)	(1,917,953.00)
Total comprehensive income for the year, net of tax	**(195,317,957.25)**	**321,529,940.58**

(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Other Comprehensive Income)

For Menuka Chhetri & ASSOCAITES

Chartered Accountants
Firm Registration No. 331825E

CA. Menuka Chhetri
(Managing Partner)
Membership No.534365
Place: - Thimphu, Bhutan
Date: 13/7/2023

On behalf of Board

Chairman

Mr. Loday Tsheten

Chief Executive Officer

Mr. Phub Dorji

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

(Amount in Nu.)

Particulars	Stated Capital	Retained Earnings	Other Reserves					
			General Reserves	Reserve for Land And Building	IT Development Reserve	Staff Development Fund	FVOCI	Total Shareholders' Funds
Balance as at January 1 2021	600,317,000.00	715,001,981.16	1,087,819,071.73	52,749,981.56	48,945,654.00	56,668,079.08	(16,715,182.12)	2,544,786,585.41
Adjustments/Additional	-	-	-	-	-	(607,351.59)	-	(607,351.59)
Actuarial Gains/(Losses)	-	(1,917,953.00)	-	-	-	-	(12,540,645.80)	(14,458,598.80)
Net profit for the year	-	335,988,539.3 8	-	-	-	-	-	335,988,539.38
Transfers during the year	-	(100,796,561.81)	100,796,561.81	-	-	-	-	-
Balance as at 31st Dec 2021	**600,317,000.00**	**948,276,005.72**	**1,188,615,633.54**	**52,749,981.56**	**48,945,654.00**	**56,060,727.49**	**(29,255,827.92)**	**2,865,709,174.40**
Balance as at January 1 2022	600,317,000.00	948,276,005.72	1,188,615,633.54	52,749,981.56	48,945,654.00	56,060,727.49	(29,255,827.92)	2,865,709,174.40
Leases adjustments	-	(1,085,722.00)	-	-	-	-	-	(1,085,722.00)
Adjustments/Additional	-	44,790.84	-	-	-	(288,312.00)	-	(243,521.16)
Actuarial Gains/(Losses)	-	(4,061,225.00)	-	-	-	-	1,178,311.26	(2,882,913.74)
Net profit for the year	-	(192,435,043.52)	-	-	-	-	-	(192,435,043.52)
Balance as at 31st Dec 2022	**600,317,000.00**	**750,738,806.05**	**1,188,615,633.54**	**52,749,981.56**	**48,945,654.00**	**55,772,415.49**	**(28,077,516.65)**	**2,669,061,973.99**

(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of changes in Equity)

For Menuka Chhetri & ASSOCAITES

Chartered Accountants
Firm Registration No. 331825E

Menuka Chhetri & Associates
THIMPHU BHUTAN
Chartered Accountant

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date:13/7/2023

On behalf of Board

Chairman

Mr. Loday Tsheten

Chief Executive Officer

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amount in Nu.)

Particulars	31-Dec-22	31-Dec-21
Operating Activities		
Profit Before Tax from Continuing Operations	(277,695,074.50)	522,784,463.87
Adjustments for;		
Dividend received	(1,089,474.83)	-
Depreciation of Property, plant and equipment	61,023,111.09	63,347,254.81
Movement in Impairment of Loans & Advances	85,529,239.18	(381,767,178.09)
(Gain)/loss on Disposal of PPE	1,036,085.11	-
Operating profit before changes in operating assets & liabilities	**(131,196,113.94)**	**204,364,540.59**
(Increase)/Decrease in operating assets		
Balance with Royal Monetary Authority	1,979,346,987.50	(2,193,902,599.58)
Loans & Advances to Customers	1,171,276,384.03	(1,575,726,981.58)
Placement with other Banks	(1,548,975,292.05)	1,253,651,358.31
Financial Investments	(1,521,794,443.73)	96,607,013.64
Other assets	(331,232,093.95)	(689,449,279.03)
Increase/(Decrease) in operating liabilities		
Movement in other reserve	(1,329,242.65)	(607,351.59)
Retirement Benefit Plans	(7,854,101.87)	(3,122,590.00)
Other liabilities	368,457,971.11	(56,526,158.40)
Due to banks	(69,346,489.37)	(139,028,565.21)
Due to customers	245,901,008.58	3,386,832,042.95
Net cash flow from operating activities	**284,450,687.63**	**78,726,889.12**
Cash flow from investing activities		
Dividend received	(1,089,474.83)	-
Purchase of property & equipment	(36,332,707.60)	(18,889,245.99)
	(35,243,232.77)	**(18,889,245.99)**
Cash flow from financing activities		
Net cash flow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	118,011,340.91	264,202,183.72
Cash the beginning of the year	1,386,335,608.96	1,122,133,425.24
Cash at the end of the year	**1,504,346,949.87**	**1,386,335,608.96**

(Significant Accounting Policies & Notes to Financial Statement form an integral part of statement of Cash Flow)

For Menuka Chhetri & ASSOCAITES
Chartered Accountants
Firm Registration No. 331825E

CA. Menuka Chhetri
(Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date: 13/7/2023

On behalf of Board

Chairman

Mr. Loday Tsheten

Chief Executive Office

Mr. Phub Dorji

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. CORPORATE INFORMATION

Bhutan Development Bank Limited provides services to Small and Medium Enterprises (SME) and farmers' outreach in various 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 2022 were authorized for issue in accordance with a resolution of the Board of Directors on …

2.1 BASIS OF PREPARATION

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.)

Statement of compliance

The financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards /Bhutan Financial Reporting Standards (BAS/BFRS) and International Financial Reporting Standards (IFRS).

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.

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.

2.2 Changes in accounting policies and disclosures

2.2.1 New and amended standards and interpretations

In these financial statements, the Bank has applied BFRS 9/IFRS 9 effective for annual periods beginning on or after 1 January 2017, for the first time. The Bank has early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.2.1.1 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The BAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortized cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on de-recognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under BAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

2.2.1.2 Changes to the impairment calculation

The adoption of BFRS 9 (IFRS 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 9/IFRS 9 requires 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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, 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 a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, 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.

Going concern

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

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 dividend growth model. Wherever the growth cannot be estimated reasonably Bank assumes a positive correlation on growth at par with the sector/GDP growth.

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 judgment 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 judgment 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 judgment, 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 judgments 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.

Impairment of available-for-sale investments

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Foreign currency translation

The financial statements are presented in Bhutan Ngultrum (Nu) which is the functional currency of the Bank

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.

2.4.2 Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their purpose and characteristics and

the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Financial assets or financial liabilities held for trading

Currently the Bank does not have any Financial Assets/Liabilities classified as held for trading.

(iv) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

Currently the Bank does not have any Financial Instruments designated as Fair Value through Profit or Loss.

(v) Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

(vi) Available-for-sale financial investments

Available-for-sale investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the Available-for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in other operating income. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

(vii) Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the Effective Interest Rate (EIR). The amortization is included in Interest and similar income in the income statement. The losses arising from impairment of such investments are recognized in the income statement line Credit loss expense.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

Currently the Bank does not have any Financial Instruments classified as Held to Maturity (HTM).

(viii) Due from banks and loans and advances to customers

Due from banks and Loans and advances to customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss.
- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from banks and Loans and advances to customers are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The amortization is included in Interest and similar income in the income statement. The losses arising from impairment are recognized in the income statement in Credit loss expense.

(ix) Debt issued and other borrowed funds

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR).

(x) Reclassification of financial assets

The Bank is permitted to reclassify, in certain circumstances, non–derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. From this date, it was also permitted to reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

2.4.3 De-recognition of financial assets and financial liabilities

(i) Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset.
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 de-recognition 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 recognized in profit or loss.

2.4.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

An Active Market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2.4.5 Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortized cost (such as amounts due from banks and loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current

Effective Interest Rate (EIR). If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new Effective Interest Rate (EIR) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the product type.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and as appropriate.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

(v) Collateral repossessed

The Bank's policy is to auction all repossessed collateral.

2.4.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position.

2.4.7 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

As a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

As a Lessor

Leases in which significant portion of risks and rewards of ownership are not transferred from Bank to the lessees are classified as operating lease. The income from operating leases where the bank is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature and depreciated over their useful life.

2.4.8 Recognition of income and expenses

Revenue is recognized 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 recognized.

(i) Interest and similar income and expense

For all financial instruments measured at amortized 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 recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

iii) Dividend income

Revenue is recognized 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.

2.4.9 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.

2.4.10 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 amortization 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 derecognized. The costs of the day-to-day maintenance of property and equipment are recognized 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 derecognized 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 recognized in other operating income in the income statement in the year the asset is derecognized.

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.

2.4.11 Intangible assets

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

An intangible asset is recognized 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 amortization 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 amortized over the useful economic life. The amortization expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortization 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

2.4.12 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.

2.4.13 Guarantees

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

2.4.14 Provisions

Provisions are recognized 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.

2.4.15 Employee Benefits

The Group 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 recognizes 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 recognized 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.

2.4.16 Grants

Grants are recognized 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 recognized 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 recognized 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 favorable interest is regarded as a government grant.

Grants received by agencies are amortized 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 amortization purpose.

2.4.17 Dividends on ordinary share

Dividends on ordinary shares are recognized 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.

2.4.18 Equity reserves

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

Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.

2.5 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted in the country where the Bank and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases on assets and liabilities and their carrying amounts in the consolidated financial statements. De erred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are o set when there is a legally enforceable right to o set current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are o set where the entity has a legally enforceable right to o set and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and de erred tax is recognized in pro t or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6. Impairment of financial assets (Policy applicable from 1 January 2018)

2.6.1. Overview of the ECL principles

The adoption of BFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing BAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses 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 allowances is based on the credit losses expected to arise over the life of the assets (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL).
The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs 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 grouping financial assets measured on a collective basis is explained in Accounting Policy 2.6.1

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 Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

⇨ **Stage 1:**
When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

⇨ **Stage 2:**
When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

⇨ **Stage 3:**
Loans considered credit-impaired. The bank records an allowance for the LTECLs.

⇨ **POCI:**
Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized 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.

2.6.2. The calculation of ECLs

The Bank calculates ECLs based on a four 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:

⇨ **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 recognized and is still in the portfolio.

⇨ **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.

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The BFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

⇨ **LGD**
The 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 from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios base case, worst case, and worst case. Each of these is associated with different PDs, EADs and LGDs. 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 of credit cards and other revolving facilities, for which the treatment is separately set out, 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.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note ....

The mechanics of the ECL method are summarized below:

⇨ **Stage 1:**
The 12mECL is calculated as the portion of LTECLs that represent the ECLs 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 LTECLs. 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 recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

⇨ **POCI:**
Purchased or Originated Credit-Impaired (POCI) assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

⇨ **Loan Commitments and letters of credit:**

When estimating LTECLs 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 an approximation to the expected EIR on the loan.

⇨ **Financial Guarantee contracts:**

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions.

The measurement of impairment losses both under BFRS 9 and IAS 39 across all categories of financial assets requires judgment, 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 judgments and estimates include:

- The Banks for criteria assessing if there has been a significant increase in credit risk and so allowance for financial asset should be measured on a LTECL basis and 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

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 ECL model.

2.6.3. Debt instruments measured at fair value through OCI

The ECLs 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 amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon de-recognition of the assets.

2.6.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

2.6.5. Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards 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 to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's 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 ECLs for these products, is one year due to the credit mitigating actions bank have enforced on a continuous basis.

2.6.6. 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
⇨ Unemployment rates

- ⇨ Central Bank base rates
- ⇨ Inflation
- ⇨ Exchange Rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Therefore, bank also considers the following qualitative factors

- ⇨ Government Policies
- ⇨ Industry Business cycle
- ⇨ Regulatory impact

2.7. Collateral valuation

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, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under BFRS 9 is the same is it was under BAS 39.

2.8. Collateral repossessed

The Bank's accounting policy under BFRS 9 remains the same as it was under BAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

2.9. Write-offs

The Bank's accounting policy under BFRS 9 remains the same as it was under BAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.10. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3.

2.11 Grouping financial assets measured on a collective basis

As explained in Note 2.6.1 dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis all customers above the individually significant threshold

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers below the Individually Significant thresh hold

The Bank groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail mortgages these are:
- Product type (buy to let/owner occupied)
- Property type (prime, standard grade, low grade)
- Geographic location
- Loan-to-value ratios
- Internal grade
- Exposure value

For consumer lending these are:
- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilization
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:
- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Note 4: Interest and Similar Income

Particulars	31.12.2022	31.12.2021
Loans & Advances to customers	1,773,369,119.99	2,175,935,644.24
Due from Banks	57,509,937.02	40,949,329.56
Notional Interest on Staff Loans	7,873,429.33	7,418,137.72
Other short-term investments	90,825,265.97	39,428,399.77
Total Amount	**1,929,577,752.31**	**2,263,731,511.29**

Note 5: Interest & Similar Expense

Particulars	31.12.2022	31.12.2021
Due to customers	1,650,608,395.65	1,540,596,324.87
Due to banks	75,268,214.33	83,071,590.64
Total Amount	**1,725,876,609.98**	**1,623,667,915.51**

Note 6: Net Fees & Commission Income

Particulars	31.12.2022	31.12.2021
Fees & Commission Income		
Commission on Guarantee	25,018,989.21	20,056,458.96
Other fees Received	20,721,196.89	39,962,728.15
Total fees and commission income	**45,740,186.10**	**60,019,187.11**
Fees & Commission Expense	-	-
Net Fees & Commission Income	**45,740,186.10**	**60,019,187.11**

Note 7: Other Operating Income

Particulars	31.12.2022	31.12.2021
Operating lease income	3,308,963.90	4,146,180.70
Profit/(Loss)on disposal of Property, Plant & Equipment (Net)	-	537,516.93
Other	151,864,294.02	31,784,429.33
Total Amount	**155,173,257.92**	**36,468,126.96**

Note 8: Personnel Expenses

Particulars	31.12.2022	31.12.2021
Wages & Salaries	315,612,639.51	308,462,616.83
Training & Seminars Expenses	2,756,825.50	4,913,476.21
Amortization of Pre-paid employment benefits	7,873,429.33	7,418,137.72
Current Period Service cost/Interest Expense	15,976,000.00	14,864,000.00
Leave Encashment	4,374,783.00	4,318,752.00
Total Amount	**346,593,677.34**	**339,976,982.76**

Note 9: Other Operating Expenses

Particulars	31.12.2022	31.12.2021
Advertising and marketing	5,804,565.58	5,641,055.33
Administrative	127,247,448.23	143,563,449.87
Professional fees	3,802,687.50	1,731,900.00
Bank levy	80,058.80	114,678.41
Other	52,228,873.12	41,158,302.89
Total Amount	**189,163,633.23**	**192,209,386.50**

Note 10: Community Center Operations

Particulars	31.12.2022	31.12.2021
Expenditure on Community Centers (net of Income)	-	-
Total Amount	**-**	**-**

Note 11: Cash & Cash Equivalent

Particulars	31.12.2022	31.12.2021
Cash on hand/Bank Balance	1,504,330,138.20	1,386,335,608.96
Allowance for Expected Credit Losses	16,811.67	-
Total Amount	**1,504,346,949.87**	**1,386,335,608.96**

Note 12: Balance With Central Bank

Particulars	31.12.2022	31.12.2021
Balance in Cash Reserve Ratio	2,593,151,400.28	2,285,634,519.81
Balance in Current Deposit	2,141,506,163.27	2,590,111,082.43
Short Term Investment - Treasury Bill	998,879,169.05	2,837,138,117.86
Total Amount	**5,733,536,732.60**	**7,712,883,720.10**

Note 13: Due From Banks

Particulars	31.12.2022	31.12.2021
Placements with other banks	2,403,476,046.70	854,544,963.66
Other	-	-
Allowance for Expected Credit Losses	44,209.01	-
Total Amount	**2,403,520,255.71**	**854,544,963.66**

Note 14: Loans & Advances To Customers Particulars

Particulars	31.12.2022	31.12.2021
Loans & Receivables	19,348,935,425.54	22,073,451,483.73
Less: Allowance for Impairment (Collective)	(858,043,229.73)	(2,325,753,664.70)
Total Amount	**18,490,892,195.81**	**19,747,697,819.03**

Note 14.1: Impairment (charges)/reversal

Particulars	31.12.2022	31.12.2021
Impairment (charges)/reversal for loans	(70,351,453.83)	437,521,380.84
Impairment (charges)/reversal for other assets	(15,177,785.36)	(55,754,202.75)
Write Offs/Interest waiver	-	-
Total Amount	**(85,529,239.18)**	**381,767,178.09**

Note 15: Equity Instruments at FVOCI

Quoted Investments

Particulars	31.12.2022	31.12.2021
Quoted Equities (15.1)	1,178,311.26	-
Unquoted Equities (15.2)	27,561,000.00	27,561,000.00
Total Amount	**28,739,311.26**	**27,561,000.00**

(15.1) Quoted Equities	31.12.2022	31.12.2021
Bhutan Carbide and Chemical Limited	1,178,311.26	-
Penden Cement Authority Limited	-	-
Bhutan National Bank Limited	-	-
GIC Bhutan Reinsurance Limited	-	-
Total Amount	**1,178,311.26**	

(15.2) Unquoted Equities	31.12.2022	31.12.2021
Royal Securities Exchange of Bhutan	19,811,000.00	19,811,000.00
Financial Institution Training Institute	6,000,000.00	6,000,000.00
Credit Information Bureau	1,750,000.00	1,750,000.00
Total Amount	**27,561,000.00**	**27,561,000.00**

Note 16: Debt Instruments at Amortized Cost

Particulars	31.12.2022	31.12.2021
Investments in RICBL Bonds	-	-
Investments in DCCL Bonds	116,981,405.59	116,981,405.59
Investments in RSA Bonds	10,891,452.05	10,891,452.59
Investments in T bank Bonds	55,366,164.38	55,366,164.38
Investments in Government Bonds	1,856,836,900.27	335,042,456.00
Total Amount	**2,040,075,922.29**	**518,281,478.56**

Note 17: Other Assets

Particulars	31.12.2022	31.12.2021
Loans & Advances to Employees	133,615,039.12	136,977,753.46
Advances & Pre-payments	40,302,844.50	41,672,180.68
Pre-paid Employment Benefits	96,116,718.04	104,536,193.44
Stock of Stationeries and Spares	4,398,522.78	6,793,131.58
Accounts/Other receivables	399,948,139.75	203,629,014.38
Pre-Paid Tax	210,372,726.49	64,845,809.98
BFS - Receivable (Net)	520,390,328.55	511,063,345.21
Assets Pending Foreclosure	565,005,846.69	569,529,349.65
	1,970,125,882.92	**1,639,046,780.56**
Less : Against Receivables	(18,642,536.94)	(18,795,525.94)
Against Asset Acquired on Settlement of Loans	(15,000.00)	(15,000.00)
Reserve for loan loss (APF)	(569,529,349.00)	(569,529,349.65)
Total Amount	**1,381,938,996.74**	**1,050,706,902.79**

Note 18: Property, Plant & Equipment

Cost	Land	Buildings	Furniture and Fixtures	Arts & Art Effects	Office, Electrical & other Equipment	Motor Vehicles	Security Equipment	Network Equipment	Computer Hardware	Capital WIP	Leases	Total
At 1 January 2021	2,588,622.38	107,549,335.54	47,443,235.78	1,219,378.00	63,068,735.89	17,848,685.25	35,626,745.09	72,851,438.20	187,149,314.52	23,205,943.90		558,551,434.55
Movement During the Period	-	3,419,166.97	4,588,153.07	178,659.75	12,045,872.00	-	986,800.00	419,652.05	9,082,711.77	(11,659,918.72)		19,061,096.89
Disposals			915,751.95	7,400.00	4,397,989.19		616,750.00	5,535,499.30	16,896,442.66			28,369,833.10
At 31st Dec 2021	2,588,622.38	110,968,502.51	51,115,636.90	1,390,637.75	70,716,618.70	17,848,685.25	35,996,795.09	67,735,590.95	179,335,583.63	11,546,025.18		549,242,698.34
At 1 January 2022	2,588,622.38	110,968,502.51	51,115,636.90	1,390,637.75	70,716,618.70	17,848,685.25	35,996,795.09	67,735,590.95	179,335,583.63	11,546,025.18	15,853,263.00	565,095,961.34
Movement During the Period	-	3,884,638.43	2,184,768.18	105,150.00	3,172,338.00	-	931,900.00	3,439,471.78	1,266,221.43	(7,726,901.30)		7,257,586.52
Disposals			5,027,908.05	48,590.00	1,959,478.65		405,510.00	7,594,979.93	10,774,353.88			25,810,820.51
At 31st Dec 2022	2,588,622.38	114,853,140.94	48,272,497.03	1,447,197.75	71,929,478.05	17,848,685.25	36,523,185.09	63,580,082.80	169,827,451.18	3,819,123.88	15,853,263.00	546,542,727.35
Accumulated Depreciation					-							
At 1 January 2021	-	30,944,789.91	25,663,190.63	-	48,443,706.78	6,474,304.96	26,520,218.97	54,504,422.90	130,851,026.11			323,401,660.25
Depreciation charge for the year		4,334,585.72	5,088,755.78		3,254,293.22	988,793.69	6,029,726.16	7,261,561.40	23,305,313.29			50,263,029.26
Assets Disposed			829,377.48		4,212,812.01		598,783.54	5,264,442.59	15,898,248.14			26,803,663.76
At 31st Dec 2021	-	35,279,375.63	29,922,568.92	-	47,485,187.98	7,463,098.65	31,951,161.58	56,501,541.71	138,258,091.27	-	-	346,861,025.75
At 1 January 2022	-	35,279,375.63	29,922,568.92	-	47,485,187.98	7,463,098.65	31,951,161.58	56,501,541.71	138,258,091.27		-	346,861,025.75
Depreciation charge for the year		4,810,987.12	3,773,874.14		4,626,149.39	950,884.29	2,931,803.44	4,733,641.79	19,402,732.72			41,230,072.90
Assets Disposed			4,896,663.47		1,738,968.20		376,840.27	7,571,436.70	11,541,440.61		-	26,125,349.25
At 31st Dec 2022	-	40,090,362.75	28,799,779.60	-	50,372,369.18	8,413,982.94	34,506,124.76	53,663,746.81	146,119,383.37		-	361,965,749.40
Net book value:												
At 31st Dec 2021	2,588,622.38	75,689,126.88	21,193,067.98	1,390,637.75	23,231,430.72	10,385,586.60	4,045,633.51	11,234,049.24	41,077,492.36	11,546,025.18	-	202,381,673.59
At 31st Dec 2022	2,588,622.38	74,762,778.19	19,472,717.43	1,447,197.75	21,557,108.87	9,434,702.31	2,017,060.33	9,916,335.99	23,708,067.81	3,819,123.88	15,853,263.00	184,576,977.95

There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year.
No depreciation charged on Art and Artifacts.

Note 19: Intangible Assets (Software)

Particulars	Amount (Nu)
At 1 January 2021	180,875,521.16
Movement During the Period	1,394,320.320
Disposals	24,900.00
At 31st Dec 2021	182,244,941.49
At 1 January 2022	182,244,941.49
Movement During the Period	13,626,856.21
Disposals	44,448,720.88
At 31st Dec 2022	151,423,076.82
Accumulated Amortization	
At 1 January 2021	78,554,395.89
Movement During the period	-
Disposals	24,899.00
Amortisation	13,084,225.55
At 31st Dec 2021	91,638,622.44
At 1 January 2022	91,638,622.44
Movement During the Period	-
Disposals	42,693,108.88
Amortisation	19,768,138.17
At 31st Dec 2022	68,713,651.73
Net book value:	
At 31st Dec 2022	82,709,425.09

Note 20: Due to Banks

Particulars	31.12.2022	31.12.2021
Unsecured Loans	128,219,172.33	136,491,377.00
Secured Loans *	232,724,726.21	371,552,167.24
Subordinated Term Debt	999,518,973.22	999,594,383.56
Unsubordinated Term Debt	77,828,566.67	
Total	**1,438,291,438.43**	**1,507,637,927.80**
*** Secure Loan**		
1. Asian Development Bank-Line of Credit (Phase - I)	11,568,707.46	13,496,825.82
2. Asian Development Bank-Line of Credit -A/C#0088/008	99,091,094.06	115,596,670.89
3. International Fund for Agricultural Development (Second Eastern Zone Agricultural Programme)	24,577,928.44	25,982,382.00
4. International Fund for Agricultural Development (Agricultural marketing & Enterprise Promotion Programme)	39,835,515.90	41,646,221.16
5. Borrowing from National Pension & Provident Fund (OSED)	57,651,480.35	174,830,067.37
Total	**232,724,726.21**	**371,552,167.24**

Note 21: Due To Customers

Particulars	31.12.2022	31.12.2021
Fixed Deposit	14,306,980,239.99	14,693,249,288.32
Recurring Deposit	703,604,091.27	691,627,192.92
Savings Deposits	10,842,310,349.33	10,290,259,876.47
Current Deposit	1,100,310,486.95	1,032,167,801.24
Total	**26,953,205,167.54**	**26,707,304,158.95**

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	31.12.2022	31.12.2021
GRATUITY		
Defined benefit liability at the beginning of the period	95,985,335.00	92,634,064.00
Current service cost	8,324,000.00	7,507,000.00
Interest cost on benefit obligations	7,652,000.00	7,357,000.00
Actuarial (Gains)/Losses recognized in the year	(4,717,963.00)	(5,961,284.00)
Liability Settlement/Adjustment During the period	(10,398,175.00)	(5,551,445.00)
	96,845,197.00	95,985,335.00
LEAVE		
Defined benefit liability at the beginning of the period	13,128,228.00	12,585,425.00
Current service cost	3,331,262.00	3,308,714.00
Interest cost on benefit obligations	1,043,521.00	1,010,038.00
Actuarial (Gains)/Losses recognized in the year	8,779,188.00	7,879,237.00
Liability Settlement/Adjustment During the period	(12,593,743.00)	(11,655,186.00)
	13,688,456.00	13,128,228.00
Defined Benefit Obligation (Gratuity)	96,845,197.00	95,985,335.00
Fair Value of Plan assets	(84,782,639.87)	(79,569,673.00)
Defined Benefit Obligation (Leave Encashment)	13,688,456.00	13,128,228.00
	25,751,013.13	29,543,890.00

The principal assumptions used in determining Defined Benefit Obligation.		
Discount Rates	8.20%	8.35%
Salary Escalation Rates	6%	6%

Note 23: Tax Liability

Particulars	31.12.2022	31.12.2021
Deferred Tax Liability	101,843,731.20	187,103,762.19
Current Tax	143,995,088.30	143,995,088.30

Note 24(i): Other Liabilities

Particulars	31.12.2022	31.12.2021
Accounts payable & Sundry creditors	517,260,454.71	146,557,911.96
Provisions	927,900.00	350,000.00
Intra Branch Balance	-	67,566.30
Loan Loss Reserve	-	-
Total Amount	**518,188,354.71**	**146,975,478.26**

Note 24(ii): Revolving Funds

Particulars	31.12.2022	31.12.2021
Credit - Bio-Gas	-	1,700,000.00
Rudolf Fund – Credit	-	153,831.80
Rudolf (Monitoring and Supervision A/C)	-	178,983.77
Rudolf Fund – Subsidy	-	149,161.44
BCCI - SME Development Revolving Fund RLP –II	-	-
Coop. Revolving (DAMC) Fund	-	572,928.33
Total Amount	**-**	**2,754,905.34**

Note 24.iii: 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. 1,369,986,399.00 (PY Nu. 964,064,388.00) 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. 148,172,951.99 (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	Dec-22	Dec-21
Royal Government of Bhutan	Majority Shareholders	Investment in RGOB Bonds	1,856,835,406.49	335,042,456.00
Royal Government of Bhutan	Majority Shareholders	Investment in Short term T-Bills	998,879,169.05	2,837,138,117.86
Royal Government of Bhutan	Majority Shareholders	Sub-ordinated Term Debt	999,518,973.22	999,594,383.56
Royal Government of Bhutan	Majority Shareholders	SME Loan availed	128,219,172.33	136,491,377.00

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	31.12.2022	31.12.2021
Pay and Allowances to Managing Director	2,777,075.62	2,395,740.00
Director's Sitting Fee	622,000.00	897,500.00
Reimbursement of Travelling Expenses	273,203.50	18,000.00
Total	**3,672,279.12**	**3,311,240.00**

Note 25.3: Transactions, Arrangements and Agreements Involving KMPs and their CFMs

Note	Particulars	31.12.2022	31.12.2021
25.3.1	Loans and Advances to KMPs and their CFMs are detailed below:	-	1,445,409.22
	Total	-	1,445,409.22
25.3.3	Deposits and Investments from KMPs and their CFMs are detailed below:	10,339,733.40	
	Deposits & investments		1,371,091.95
	Total	**10,339,733.40**	**1,371,091.95**

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

A. Determination of fair value hierarchy

Particulars	31.12.2022			31.12.2021		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial Assets						
Quoted Equities	-	-	1,178,311.26	-	-	16,806,582.18
Loans & Advances to Employees	-	-	133,615,039.11	-	-	136,977,753.46
Total	**-**	**-**	**134,793,350.38**	**-**	**-**	**153,784,335.64**

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	31.12.2022		31.12.2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	1,504,330,138.20	1,504,346,949.87	1,386,335,608.96	1,386,335,608.96
Balances with Royal Monetary Authority of Bhutan	5,733,524,103.00	5,733,536,732.60	7,712,883,720.10	7,712,883,720.10
Placements with Banks	2,403,476,046.70	2,403,520,255.71	854,544,963.66	854,544,963.66
Loans & Advances to Customers	17,925,234,709.23	18,490,892,195.81	16,753,504,656.00	19,747,697,819.03
Other Financial Assets	2,096,891,256.51	2,068,815,233.55	671,705,320.00	545,842,478.56
Total Financial Assets	**29,663,456,253.64**	**30,201,111,367.54**	**27,378,974,268.72**	**30,247,304,590.31**
Financial Liabilities				
Due to banks	1,438,291,438.43	1,438,291,438.43	1,507,637,927.80	1,507,637,927.80
Due to other customers	27,086,155,538.60	26,953,205,167.54	23,418,920,126.00	26,707,304,158.95

Other Financial Liabilities	518,188,354.71	518,188,354.71	206,256,542.00	206,256,542.00
Total Financial Liabilities	**29,042,635,331.74**	**28,909,684,960.68**	**25,132,814,595.80**	**28,421,198,628.75**

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	31.12.2022			31.12.2021		
	Maximum Exposure to credit Risk	Properties	Net Exposure	Maximum Exposure to credit Risk	Properties	Net Exposure
Financial Assets						
Placements with Banks	2,403,520,255.71	-	2,403,520,255.71	854,544,963.66	-	854,544,963.66
Loans & advances to customers	18,490,892,195.81	18,490,892,195.81	-	19,747,697,819.03	19,747,697,819.03	-
Equity Instruments at FVOCI	28,739,311.26	-	28,739,311.26	27,561,000.00	-	27,561,000.00
Other assets	2,096,891,256.51	-	2,096,891,256.51	671,705,320.00	-	671,705,320.00
Total	**23,020,043,019.29**	**18,490,892,195.81**	**4,529,150,823.48**	**21,301,509,102.69**	**19,747,697,819.03**	**1,553,811,283.66**

29 (i) Liquidity Risk & Funding management

Contractual maturities & undiscounted cash flows of financial assets & liabilities

2021	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Cash & Cash Equivalent	1,386,335,608.96					1,386,335,608.96
Balances with Central Bank	7,712,883,720.10					7,712,883,720.10
Due from Banks	854,544,963.66					854,544,963.66
Loans & Advances to Customers	19,747,697,819.03					19,747,697,819.03
Financial Investments Available for Sale	575,098,306.56					575,098,306.56
Total undiscounted Assets	**10,528,862,599.28**	-	-	-	-	**10,528,862,599.28**
Due to Customers	11,479,460,613.33	1,226,889,072.29	3,686,119,576.81	8,825,918,333.25	1,488,916,563.28	26,707,304,158.95
Total Undiscounted Liabilities	**11,479,460,613.33**	**1,226,889,072.29**	**3,686,119,576.81**	**8,825,918,333.25**	**1,488,916,563.28**	**26,707,304,158.95**

2022	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Cash & Cash Equivalent	1,504,330,138.20					1,504,330,138.20
Balances with Central Bank	5,733,524,103.00					5,733,524,103.00
Due from Banks	2,403,476,046.70					2,403,476,046.70
Loans & Advances to Customers	18,490,892,195.81					18,490,892,195.81
Financial Investments Available for Sale	2,096,891,256.51					2,096,891,256.51
Total undiscounted Assets	**30,229,113,740.22**	-	-	-	-	**30,229,113,740.22**
Due to Customers	11,942,620,836.28	2,132,358,184.64	2,558,378,584.80	9,993,798,978.79	326,048,583.03	26,953,205,167.54
Total Undiscounted Liabilities	**11,942,620,836.28**	**2,132,358,184.64**	**2,558,378,584.80**	**9,993,798,978.79**	**326,048,583.03t**	**26,953,205,167.54**

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.

2021	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	291,483,133.62	857,522,746.98	220,980,517.93		1,369,986,398.53
	-	**291,483,133 .62**	**857,522,747 .98**	**220,980,518 .93**	-	**1,369,986,399 .53**

2022	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	179,283,970.20	788,028,984.08	189,083,474.66		1,156,396,428.94
	-	**179,283,970.20**	**788,028,984.08**	**189,083,474.66**	-	**1,156,396,428.94**

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.

			2021			
Financial Assets	**Thimphu Main Branch**	**Paro Branch**	**Phuntsholing Branch**	**Punakha Branch**	**Others**	**Total**
Loans & Advances to Customers	6,650,613,130.00	1,362,063,454.00	889,600,958.00	785,515,716.00	12,385,658,225.73	22,073,451,483.73
	6,650,613,130.00	**1,362,063,454.00**	**889,600,958.00**	**785,515,716.00**	**12,385,658,225.73**	**22,073,451,483.73**

			2022			
Financial Assets	**Thimphu Main Branch**	**Paro Branch**	**Phuntsholing Branch**	**Trashigang Branch**	**Others**	**Total**
Loans & Advances to Customers	6,220,695,421.58	1,561,634,510.58	961,179,592.96	884,933,340.42	9,720,492,560.00	19,348,935,425.54
	6,220,695,421.58	**1,561,634,510.58**	**961,179,592.96**	**884,933,340.42**	**9,720,492,560.00**	**19,348,935,425.54**

Other Disclosures:

31. Leasing

i. Operating Leases – As Lessee

The Bank has taken property under cancellable operating leases expiring in varying periods. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Rental Expenses relating to operating leases		
Particulars	**2022 (Nu.)**	**2021 (Nu.)**
Total rental expenses relating to operating leases	**17,728,601**	**17,315,958**

ii. Operating Leases – As Lessor

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	**2022 (Nu.)**	**2021 (Nu.)**
Total rental income relating to operating leases	**3,308,964**	**4,146,181**

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 lV 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 #	Particulars	2022 (Nu.)	2021 (Nu.)
1	Pay & Allowance	2,512,444.87	1,909,914.00
2	Leave Travel Concession	20,000.00	20,000.00
3	Leave encashment	100,480.00	98,340.00
4	Performance Incentive (Bonus)	-	192,400.00
5	Travel expense (In country)	-	18,000.00
6	Travel expense (Abroad)	273,203.50	-
7	Provident Fund	144,150.75	175,086.00
8	Board Sitting Fees	113,000.00	140,000.00
	Total : -	**3,163,279.12**	**2,553,740.00**

Other Directors

Sl. No	Particulars	2022 (Nu.)	2021 (Nu.)
1	Board Sitting Fees	622,000	897,500

37. 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	2022 (Nu.)	2021 (Nu.)
1	Audit Fees	108,900.00	108,900.00
2	Power and Water	2,531,871.50	3,331,576.05
3	Rent	17,728,600.81	17,313,958.25
4	Repairs & maintenance of buildings	852,215.22	1,758,346.56
5	Repairs & maintenance of computer hardware	11,000.00	1,318,155.70
6	Salaries and bonus	260,689,761.25	273,857,311.78
7	Contribution to Provident Fund	22,204,237.04	21,826,661.00
8	Insurance	3,894,648.42	4,285,935.06
9	Rates & taxes excluding Income tax	133,281.00	180,214.40
10	Other expenses exceeding 1% of total revenue:		
10.1	Staff training	-	3,878,113.21
10.2	Travel expenses	50,361,109.00	45,996,523.20
10.3	Depreciation	67,552,424.86	63,347,295.00

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

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RATIO ANALYSIS

RATIOS	31.12.2022	31.12.2021
A. Ratios for assessing Financial Health		
(i) Capital Turnover Ratio :		
(Income / Capital Employed)	0.80	0.78
(ii) Fixed Assets Turnover Ratio		
(Income / Fixed Assets)	7.60	8.05
B. Ratios for assessing Profitability		
(i) Profit on Capital Employed		
(Profit after Tax / Capital Employed)	(0.07)	11.16
(ii) Profit turn over		
(Net Profit/Total Income)*100	(0.09)	14.24
(iii) Operating Ratio		
((All expenses - Financial Charges)/Total Income)*100	(0.28)	0.16
(iv) Total Expenses to Total Income *100	(1.13)	77.85
C. Capital Adequacy Ratio (As per GAAP)	15.32	13.90
D. Statutory Liquidity Reserve Ratio (As per GAAP)	0.29	0.29
E. Credit to Deposit Ratio	0.69	0.74
F. Operational Self-Sufficiency	91.72%	116.47%
G. Gross Loan Growth	-6.36	5
H. NPL Ratio	6.47	14.88

For Menuka Chhetri & ASSOCAITES
Chartered Accountants
Firm Registration No. 331825E

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: - Thimphu, Bhutan
Date: 13/07/2023

COMPLIANCE CALENDAR AND CHECKLIST

COMPLIANCE CALANDAR

Sl. No.	ACTIVITY	Remarks
1)	Submission of Annual Return	Submitted on July 15, 2022.
	i) Duly filed form as per schedule XII	
	ii) Balance sheet	
	iii) Profit & Loss Account	
	iv) Cash Flow statement	
	v) Auditors Report	
	vi) Directors report	
2)	Annual General Meeting	Held on May 31, 2022
3)	Notice calling General Meetings	21 days prior notice waiver obtained from all shareholders.
4)	Payment of Dividend	No Dividend has been declared for the year 2021.
5)	Presentation of B/S, P & L and Cash Flow Statement at every AGM	B/S, P&L A/C and Cash Flow statement presented during the 30th AGM held on May 31, 2022.
6)	Filing of Documents with Registrar	Documents which are included in the Annual Return filed on July 15, 2022.
7)	Appointment of Auditors	Auditors are appointed by RAA
8)	File Schedule II	Compiled
9)	Board Meetings (2022)	**7 meeting held in 2022**
	1st Board Meeting	169th BM- 12/02/2022
	2nd Board Meeting	170th BM- 14/03/2022
	3rd Board Meeting	Emergency BM- 19/05/2022
	4th Board Meeting	171st BM- 16/04/2022
	5th Board Meeting	172nd BM- 29/04/2022
	6th Board Meeting	173rd BM- 15/10/2022
	7th Board Meeting	174th BM- 12/11/2022
	8th Board Meeting	175th BM-30/12/2022 (Minutes still in Draft Stage).
10)	Appointment of CEO	CEO 2nd term expired on March 31, 2022. The term was extended till August 12, 2022. Since then Offtg CEO was appointed.
11)	Appointment of Selling & Buying Agents	NA
12)	Appointment of Company Secretary	Interim CS appointed to replace CS who resigned on 30/11/2022
13)	Statutory Record and Inspection	Compiled

COMPLIANCE CHECKLIST

Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

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	√			Thimphu, Bhutan (Chubachu)
		(Postal Address & Contact Number)				
8	221	Publication of name by Company	√			As per certificate of incorpora-tion
		(Letter Head, Seals and Sign Board)				
9	241	Financial Year of Companies as of 31st Dec	√			Financial year ended on Decem-ber 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 15, 2022
12	177	Annual General Meeting (Minutes)	√			AGM conducted on May 31, 2022.
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. Lekzang Dorji was the Chair-man till March. After the formation of new Board, Mr. Loday Tsheten is the current Chairman.
17	192	Representation of corporations at meetings (appointed by Board Directors)	√			
18	193	Ordinary and special resolutions (Minutes)		√		
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)		√		No dividend has been declared for the year 2021

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	√			Auditors are appointed or removed by RAA
		Need to re-appoint annually (251-259)				
24	260	Resignation of Auditors from office (Annual Resignation)			√	Auditors have not resigned
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	√			The audit was conducted as per the IISAs as per the terms of appointment issued by RAA.
26	133	Number of directors	√			6 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)	√			8 Board meetings held in 2022 (including 1 Emergency BM)
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)	√			CEO 2nd term expired on March 31, 2022. The term was extended till August 12, 2022. Since then Offtg CEO was appointed.
38	213	Company Secretary required in all Public Companies	√			Interim CS appointed to replace CS who resigned on 30/11/2022
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 discharges 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			√	

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
(FRN No. 331825E)

CA Menuka Chhetri,
Managing Partner
M. No. 534365

SIGNATURE/SEAL
NAME OF THE INSPECTOR/AUDITOR

For Company

Name: Migmar Tshering
Interim Company Secretary

Note: This compliance checklist is to be used by all concerned until new one is adopted by register of companies.

RMA Disclosure as of December 31, 2022

*All items in 000' Ngultrum

Item 1: Tier 1 Capital and its sub-components

Sl. No.		31/12/2022	31/12/2021
1	**Total Tier 1 Capital**	**1,844,120**	**1,844,120**
a	Paid up Capital	600,317	600,317
b	General Reserves	886,754	886,754
c	Share premium Account	0	0
d	Retained Earnings	374,424	374,424
	Less:-		
e	Losses for the Current Year		
f	Holdings of Tier 1 instruments issued by other FIs	17,375	17,375

Item 2: Tier 2 Capital and its sub-components

Sl. No.		31/12/2022	31/12/2021
1	**Total Tier II Capital**	**1,328,483**	**994,585**
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	83,022	83,311
f	General Provision	186,703	188,774
g	Capital Grants	0	0
h	Subordinated Debt	742,736	722,500
i	Profit for the Year	316,022	0

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

	31/12/2022	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
Sl. No.	**Assets**			
1	Zero - Risk Weighted Assets	8,422,353	0%	0
2	20% - Risk Weighted Assets	3,861,399	20%	772,280
3	50% - Risk Weighted Assets	3,007,944	50%	1,503,972
4	100% - Risk Weighted Assets	16,866,720	100%	16,866,720
5	150% - Risk Weighted Assets		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			1,017,289
	OFF Balance Sheet Items	650,900	100%	650,899.89
	Grand Total	**32,158,416**		**20,811,161**

Item 2: Tier 2 Capital and its sub-components

Sl. No.		31/12/2022	31/12/2021
1	**Total Tier II Capital**	**1,328,483**	**994,585**
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	83,022	83,311
f	General Provision	186,703	188,774
g	Capital Grants	0	0
h	Subordinated Debt	742,736	722,500
i	Profit for the Year	316,022	0

Item 4: Capital Adequacy Ratios

Sl. No.		31/12/2022	31/12/2021
1	**Tier 1 Capital**	1,844,120	1,844,120
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**	1,328,483	994,585
3	**Total qualifying capital**	**3,170,545**	**2,807,829**
	Less: Total NPL of Related Parties	2,058	30,877
4	**Core CAR**	**8.86%**	**9.13%**
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**	**15.23%**	**13.90%**
6	**Leverage ratio**	**5.51%**	**5.07%**

Item 5: Loans and NPL by Sectoral Classification

Sl. No.	Sector	31/12/2022		31/12/2021	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture	4,844,847	353,587	5,892,161	739,466
b	Production & Manufacturing	1,001,076	36,803	1,126,349	346,163
c	Service	2,078,037	125,391	3,630,201	976,253
d	Trade & Commerce	2,025,241	170,874	2,266,048	352,885
e	Loans to FI (s)	0	0	0	0
f	Housing	4,798,750	209,703	5,039,935	417,955
g	Transport	1,351,753	68,150	1,538,398	156,658
h	Personal loan	1,572,449	84,449	2,100,979	203,959
i	Staff Loan	221,627	219	246,294	7,915
j	Education Loan	231,820	91,232	260,183	89,490
k	Loan Against Fixed Deposit	69,117	553	164,445	206
l	Loan to Government owned Corporation	0	0	0	0
m	Others	954,527	115,106	61,796	31,162
	Total	**19,149,244**	**1,256,067**	**22,326,789**	**3,322,112**

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

Sl. No.	Counter party	31/12/2022	31/12/2021
1	Overdrafts	2,974,607	3,864,376
a	Government	0	0
b	Government Corporation	0	0
c	Public Companies	0	0
d	Private Companies	626,003	597,012
e	Individuals	2,348,603	3,267,365
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0
2	Term Loans	16,177,121	18,462,413
a	Government	0	0
b	Government Corporation	0	0
c	Public Companies	0	0
d	Private Companies	721,287	767,570
e	Individuals	15,455,834	17,694,843
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0

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

31/12/2022	On Demand	1-30 Days	31-90 Days	91-180 days	181-270 Days	271-365 Days	Over 1 Year	Total
Cash in Hand	791,677	0	0	0	0	0	0	791,677
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	595,765	594,269	0	0	0	2,465,152	3,655,185
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	9,801	99	216	5,597	1,916	360,534	17,960,224	18,338,387
Others Assets	1,808,939	667,899	317,751	2,152,641	(207,331)	34,671	3,632,668	8,407,238
Total	**2,610,418**	**1,263,763**	**912,236**	**2,158,238**	**(205,416)**	**395,206**	**24,058,043**	**31,192,488**
Amounts Owed to Others Bank	0	0	0	0	0	0	356,554	356,554
Demand Deposits	1,100,310	0	0	0	0	0	0	1,100,310
Savings Deposits	10,841,408	0	0	0	0	0	0	10,841,408
Time Deposit	15,280	0	3,174	358,544	54,933	294,870	13,244,220	13,971,021
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,058,070	1,058,070
Other Liabilities	3,586	22,457	762	86,080	12,948	63,019	3,676,271	3,865,123
Total	**11,960,585**	**22,457**	**3,936**	**444,624**	**67,881**	**357,889**	**18,335,115**	**31,192,488**
Assets/Liabilities	22%	5627%	23178%	485%	-303%	110%	131%	100%
Net Mismatch in Each Time Interval	9,350,168	-1,241,306	-908,300	-1,713,614	273,297	-37,316	-5,722,928	0
Cumulative Net Mismatch	9,350,168	8,108,862	7,200,562	5,486,948	5,760,244	5,722,928	0	0

Bhutan Development Bank Ltd. BDB

31/12/2021	On Demand	1-30 Days	31-90 Days	91-180 days	181-270 Days	271-365 Days	Over 1 Year	Total
Cash in Hand	1,038,164	0	0	0	0	0	0	1,038,164
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	1,999,907	837,107	0	0	0	566,483	3,403,497
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	9,066	0	18,436	33,198	8,933	454,101	18,466,104	18,989,838
Others Assets	1,852,500	1,711,465	528,670	1,100,243	65,068	28,979	1,980,102	7,267,028
Total	**2,899,731**	**3,711,372**	**1,384,213**	**1,133,441**	**74,001**	**483,079**	**21,012,689**	**30,698,527**
Amounts Owed to Others Bank	0	0	0	0	0	0	501,210	501,210
Demand Deposits	1,032,168	0	0	0	0	0	0	1,032,168
Savings Deposits	10,289,357	0	0	0	0	0	0	10,289,357
Time Deposit	7,424	0	1,589	308,311	97,917	290,679	13,748,697	14,454,618
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	980,500	980,500
Other Liabilities	1,393	22,305	341	66,153	21,241	52,275	3,276,966	3,440,674
Total	**11,330,343**	**22,305**	**1,930**	**374,464**	**119,158**	**342,954**	**18,507,373**	**30,698,527**
Assets/Liabilities	26%	16639%	71718%	303%	62%	141%	114%	100%
Net Mismatch in Each Time Interval	8,430,611	(3,689,067)	(1,382,283)	(758,978)	45,157	(140,125)	(2,505,316)	0
Cumulative Net Mismatch	8,430,611	4,741,545	3,359,262	2,600,284	2,645,441	2,505,316	-	-

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

31/12/2022	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	791,677	0	0	0	0	0	0	791,677
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	595,765	594,269	0	0	0	2,465,152	3,655,185
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	9,801	99	216	5,597	1,916	360,534	17,960,224	18,338,387
Others Assets	1,808,939	667,899	317,751	2,152,641	(207,331)	34,671	3,632,668	8,407,238
Total	**2,610,418**	**1,263,763**	**912,236**	**2,158,238**	**(205,416)**	**395,206**	**24,058,043**	**31,192,488**
Amounts owed to Others Bank	0	0	0	0	0	0	356,554	356,554
Demand Deposits	1,100,310	0	0	0	0	0	0	1,100,310
Savings Deposits	10,841,408	0	0	0	0	0	0	10,841,408
Time Deposit	15,280	0	3,174	358,544	54,933	294,870	13,244,220	13,971,021
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	1,058,070	1,058,070
Other liabilities	3,586	22,457	762	86,080	12,948	63,019	3,676,271	3,865,123
Total	**11,960,585**	**22,457**	**3,936**	**444,624**	**67,881**	**357,889**	**18,335,115**	**31,192,488**
Assets/Liabilities	22%	5627%	23178%	485%	-303%	110%	131%	100%
Net Mismatch in each Time Interval	9,350,168	(1,241,306)	(908,300)	(1,713,614)	273,297	(37,316)	(5,722,928)	(0)
Cumulative Net Mismatch	9,350,168	8,108,862	7,200,562	5,486,948	5,760,244	5,722,928	(0)	(0)

Bhutan Development Bank Ltd. BDB

31/12/2021	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	1,038,164	0	0	0	0	0	0	1,038,164
Government Securities	0	0	0	0	0	0	0	0
Investment Securities	0	1,999,907	837,107	0	0	0	566,483	3,403,497
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	9,066	0	18,436	33,198	8,933	454,101	18,466,104	18,989,838
Others Assets	1,852,500	1,711,465	528,670	1,100,243	65,068	28,979	1,980,102	7,267,028
Total	**2,899,731**	**3,711,372**	**1,384,213**	**1,133,441**	**74,001**	**483,079**	**21,012,689**	**30,698,527**
Amounts owed to Others Bank	0	0	0	0	0	0	501,210	501,210
Demand Deposits	1,032,168	0	0	0	0	0	0	1,032,168
Savings Deposits	10,289,357	0	0	0	0	0	0	10,289,357
Time Deposit	7,424	0	1,589	308,311	97,917	290,679	13,748,697	14,454,618
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	980,500	980,500
Other liabilities	1,393	22,305	341	66,153	21,241	52,275	3,276,966	3,440,674
Total	**11,330,343**	**22,305**	**1,930**	**374,464**	**119,158**	**342,954**	**18,507,373**	**30,698,527**
Assets/Liabilities	**26%**	**16639%**	**71718%**	**303%**	**62%**	**141%**	**114%**	**100%**
Net Mismatch in each Time Interval	**8,430,611**	**(3,689,067)**	**(1,382,283)**	**(758,978)**	**45,157**	**(140,125)**	**(2,505,316)**	**0**
Cumulative Net Mismatch	**8,430,611**	**4,741,545**	**3,359,262**	**2,600,284**	**2,645,441**	**2,505,316**	**0**	**0**

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

31/12/2022	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	712,213	633,648	0	500,520	1,542,926	3,389,307
Treasury Bills	499,417	498,163	0	0	0	997,579
Loans and Advances	1,254,754	1,574,919	2,415,642	13,093,072	0	18,338,387
Investment Securities	0	591,123	338,601	1,727,882	0	2,657,606
Others Assets	27,769	324,267	412,257	2,156,814	2,888,502	5,809,609
Total financial assets	**2,494,152**	**3,622,119**	**3,166,500**	**17,478,288**	**4,431,428**	**31,192,488**
Outflows (Liabilities)						
Deposit	10,975,746	1,585,008	2,014,670	10,237,006	1,100,310	25,912,740
Borrowings	25,217	36,143	12,010	283,185	0	356,554
Other liabilities	4,070	89,859	126,851	2,126,558	2,575,855	4,923,193
Total financial liabilities	**11,005,033**	**1,711,010**	**2,153,530**	**12,646,749**	**3,676,165**	**31,192,488**
Total Interest Re-pricing gap	23%	212%	147%	138%	121%	100%

31/12/2021	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	386,801	418,240	0	75,523	1,435,655	2,316,218
Treasury Bills	1,999,907	837,107	0	0	0	2,837,014
Loans and Advances	2,057,773	539,953	2,432,330	13,959,782	0	18,989,838
Investment Securities	0	0	0	566,483	0	566,483
Others Assets	21,114	257,714	413,291	1,606,488	3,690,368	5,988,974
Total financial assets	**4,465,595**	**2,053,013**	**2,845,621**	**16,208,275**	**5,126,023**	**30,698,527**
Outflows (Liabilities)						
Deposit	10,423,436	1,660,389	2,652,835	10,007,314	1,032,168	25,776,143
Borrowings	28,742	42,025	72,749	357,694	0	501,210
Other liabilities	4,261	76,316	109,300	1,951,985	2,279,313	4,421,174
Total financial liabilities	**10,456,438**	**1,778,731**	**2,834,884**	**12,316,993**	**3,311,480**	**30,698,527**
Total Interest Re-pricing gap	**43%**	**115%**	**100%**	**132%**	**155%**	**100%**

30-09-2021	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	845,578	132,180	0	0	1,315,556	2,293,315
Treasury Bills	3,308,929	0	0	0	0	3,308,929
Loans and Advances	1,025,666	678,734	1,322,367	15,985,281	0	19,012,048
Investment Securities	372,310	0	0	566,504	0	938,814
Others Assets	1,028,893	76,729	217,149	899,859	1,749,141	3,971,772
Total financial assets	**6,581,376**	**887,644**	**1,539,516**	**17,451,645**	**3,064,697**	**29,524,878**
Outflows (Liabilities)						
Deposit	11,118,319	838,156	2,388,500	9,897,873	714,151	24,956,999
Borrowings	33,014	36,827	71,790	392,876	0	534,508
Other liabilities	65,104	43,186	90,922	1,873,076	1,961,083	4,033,372
Total financial liabilities	**11,216,437**	**918,169**	**2,551,212**	**12,163,825**	**2,675,234**	**29,524,878**
Total Interest Re-pricing gap	**59%**	**97%**	**60%**	**143%**	**115%**	**100%**

Bhutan Development Bank Ltd.

Item 10: Non-Performing Loans and Provisions

Sl. No.		31/12/2022	31/12/2021
1	**Amount of NPLs (Gross)**	**1,194,643**	**3,322,112**
a	Substandard	344,527	380,744
b	Doubtful	513,903	529,390
c	Loss	336,213	2,411,977
2	**Specific Provisions**	**601,039**	**2,689,167**
a	Substandard	66,918	67,218
b	Doubtful	218,045	226,736
c	Loss	316,077	1,930,350
	Additional provisioning		464,862
3	**Interest-in-Suspense**	**160,139**	**635,959**
a	Substandard	39,610	63,196
b	Doubtful	100,393	91,136
c	Loss	20,137	481,627
4	**Net NPLs**	**433,465**	**-3,014**
a	Substandard	238,000	250,330
b	Doubtful	195,465	211,518
c	Loss	0	0
5	**Gross NPLs to Gross Loans**	**6.24%**	**14.88%**
6	**Net NPLs to Net Loans**	**2.36%**	**-0.02%**
7	**General Provisions**	**175,139**	**188,776**
a	Standard	162,405	178,116
b	Watch	12,734	10,660

Item 11: Assets and Investments

Sl. No.	Investment	31/12/2022	31/12/2021
1	Marketable Securities (Interest Earning)		
a	RMA securities	499,563	2,837,014
b	RGOB Bonds/Securities	1,829,334	329,334
c	Corporate Bonds	180,332	180,332
d	Others	1,245,875	0
	Sub-total	3,755,104	3,346,680
2	Equity Investments		
e	Public Companies	28,442	28,442
f	Private Companies	0	0
g	Commercial Banks	17,375	17,375
h	Non- Bank Financial Institutions	11,000	11,000
	Less		
i	Specific Provisions	0	0
	Sub-total	56,817	56,817
3	Fixed Assets		
j	Fixed Assets (Gross)	740,625	731,488
	Less		
k	Accumulated Depreciation	489,966	440,424
l	Fixed Assets (Net Book Value)	250,659	291,064

Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Demand Deposits held With others banks	704,961	344,255	7,692	3,916	0	0
Time Deposits held with others banks	1,884,977	850,313	0	0	0	0
Borrowings	183,578	306,909	0	0		194,301

Item 14: Credit Risk Exposure by Collateral

Sl. No.	Particulars	31/12/2022	31/12/2021
1	**Secured Loans**	**19,149,250**	**23,075,955**
a	Loans Secured by Physical/Real Estate collateral	16,784,358	20,761,011
b	Loans Secured by Financial Collateral	2,364,892	1,515,841
c	Loan Secured by Guarantees	0	799,102
2	**Unsecured Loans**	**0**	**0**
3	**Total Loans**	**19,149,250**	**23,075,955**

Item 15: Earning Ratios (%)

Sl. No.	Ratio	31/12/2022	31/12/2021
1	Interest Income as a Percentage of Average Assets	6.21%	8.74%
2	Non-Interest Income as a Percentage of Average Assets	0.65%	0.34%
3	Operating Profit as a Percentage of Average Profit	35%	344.60%
4	Return on Assets	0.70%	0.84%
5	Business (Deposits plus advances) per employee	73,631	72,883
6	Profit Per employee	516	362

Note: - The earnings ratios are based on GAAP Accounts.

Item 16: Penalties imposed by RMA in the past period

	31/12/2022		31/12/2021	
Sl. No.	**Reason for Penalty Imposed**	**Penalty Imposed**	**Reason for Penalty Imposed**	**Penalty Imposed**
1	Violation of Section 4(ii) of the Directive of Personal Loan 2018	150		
2	Violation of Section 4(ii) of Directive on Personal Loan, Section 6(i) of Directive on Vehicle Loan, Section xiv of the Directive on Staff Incentive Loan, and Section 4.5.5 of Prudential Regulation 2017	150		
3	Violation of Section 218 of FSA 2021	150		
4	Violation of Section C2 (13) of Rules and Regulation on Foreclosure and Write-off of Non-Performing Loans 2022	1,367		
5	Missing Loan Files	2,735		
6	Violation of Section 24 of the FERR 2020 and Section 8 of the FEOG 2020	150		
7	Violation of Section 9 of Penalty Rules and Regulations 2019	150		
8	violations in accordance with the Appendix B - Section 3(a) of the Penalty Rules and Regulations 2022	1,363		
	Total	**6,215**		

Item 17: Customers Complaints

Sl. No.	Particulars	31/12/2022	31/12/2021
1	No. of complaints pending at the beginning of the year	0	0
2	No. of complaints received during the year	567	5,736
3	No. of complaints redressed during the year	567	5,736
4	No. of complaints pending at the end of the year	0	0

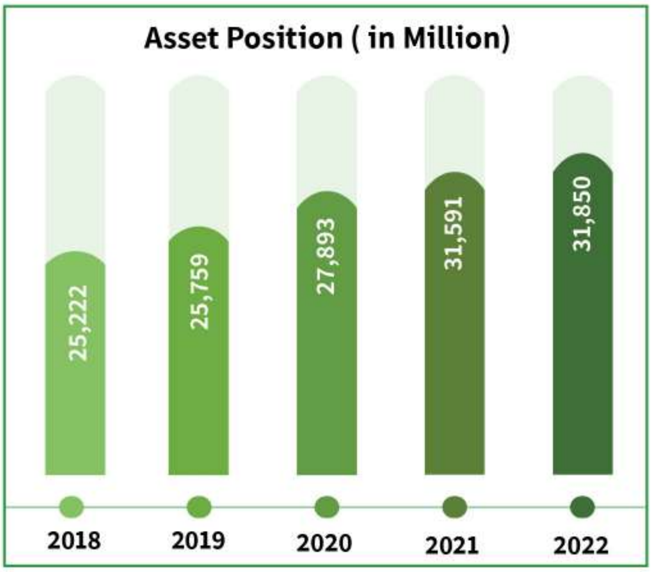
Item 19: Concentration of Credit and Deposits

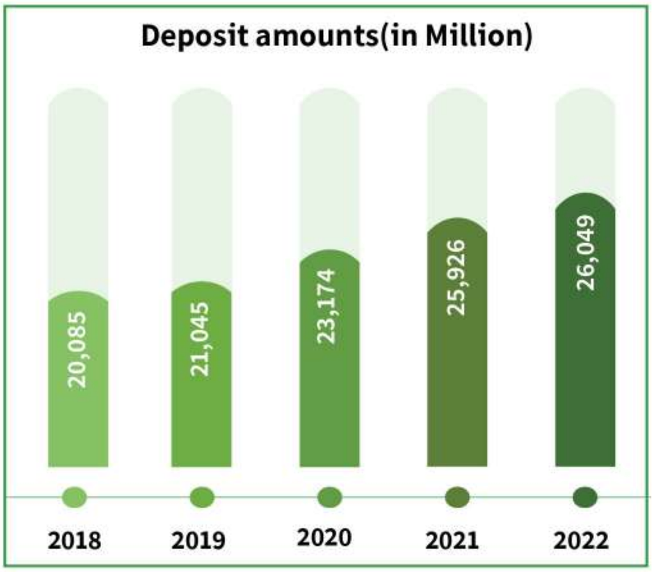
Sl. No	Particulars	31/12/2022	31/12/2021
1	Total Loans to 10 Largest Borrowers	1,322,158	1,317,770
2	As % of Total Loans	6.90%	5.90%
3	Total Deposit of the 10 Largest Depositors	5,006,083	4,920,766
4	As % of Total Deposits	19.32%	19.09%

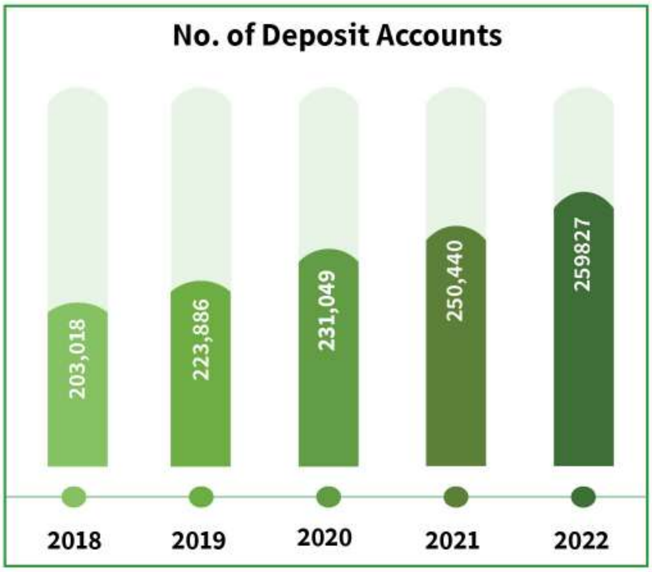
Item 20: Exposure to 5 Largest NPL Accounts

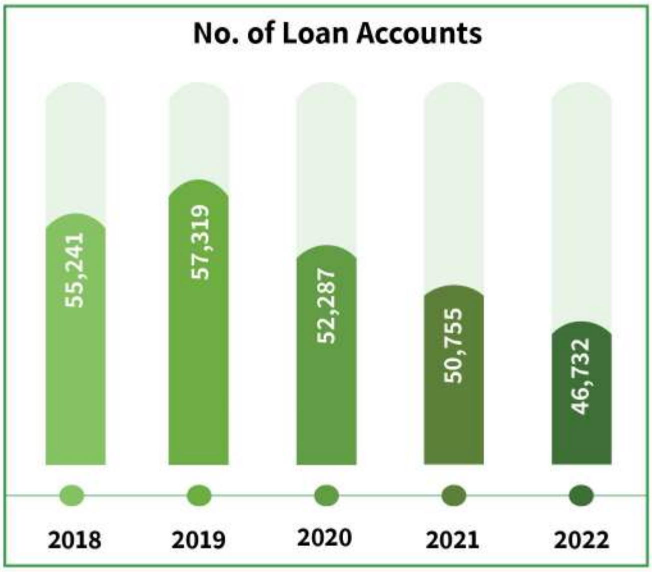
Sl. No	Particulars	31/12/2022	31/12/2021
1	Five Largest NPL Accounts	142,038	334,130
2	As % of Total NPLs	11.31%	10.06%

Performance Indicator

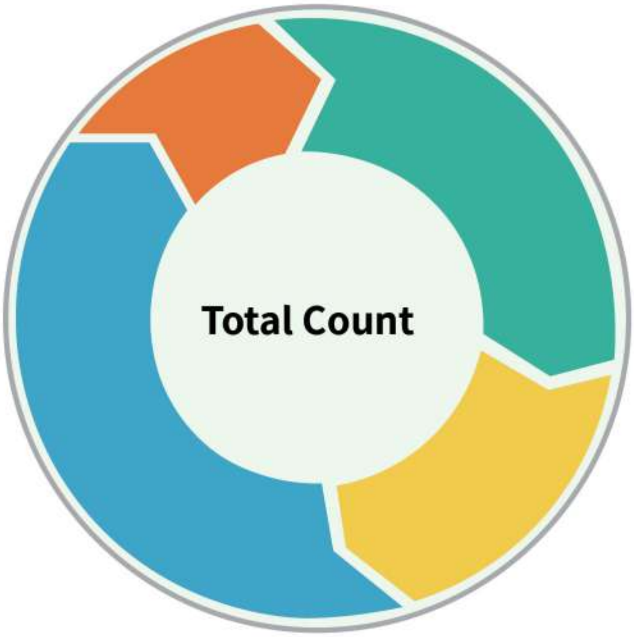



Deposit amounts(in Million)
20,085
21,045
23,174
25,926
26,049
2018
2019
2020
2021
2022

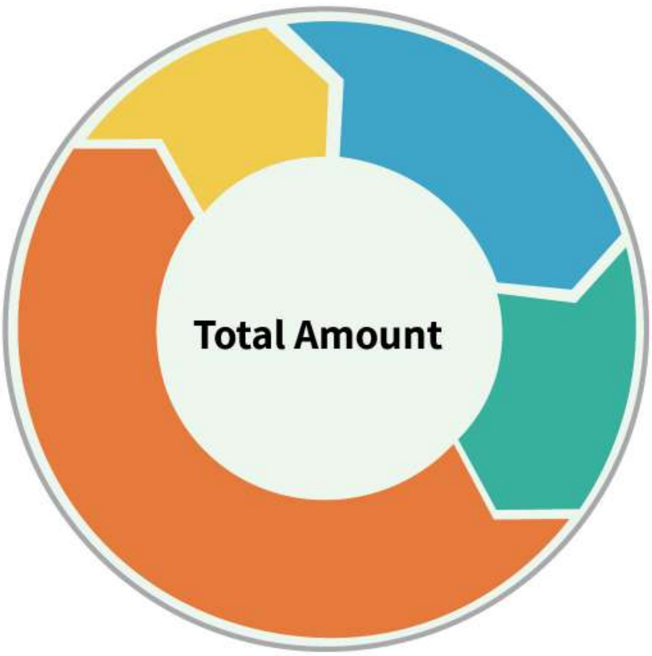

No. of Deposit Accounts
203,018
223,886
231,049
250,440
259827
2018
2019
2020
2021
2022


No. of Loan Accounts
55,241
57,319
52,287
50,755
46,732
2018
2019
2020
2021
2022

Region wise Deposit Accounts

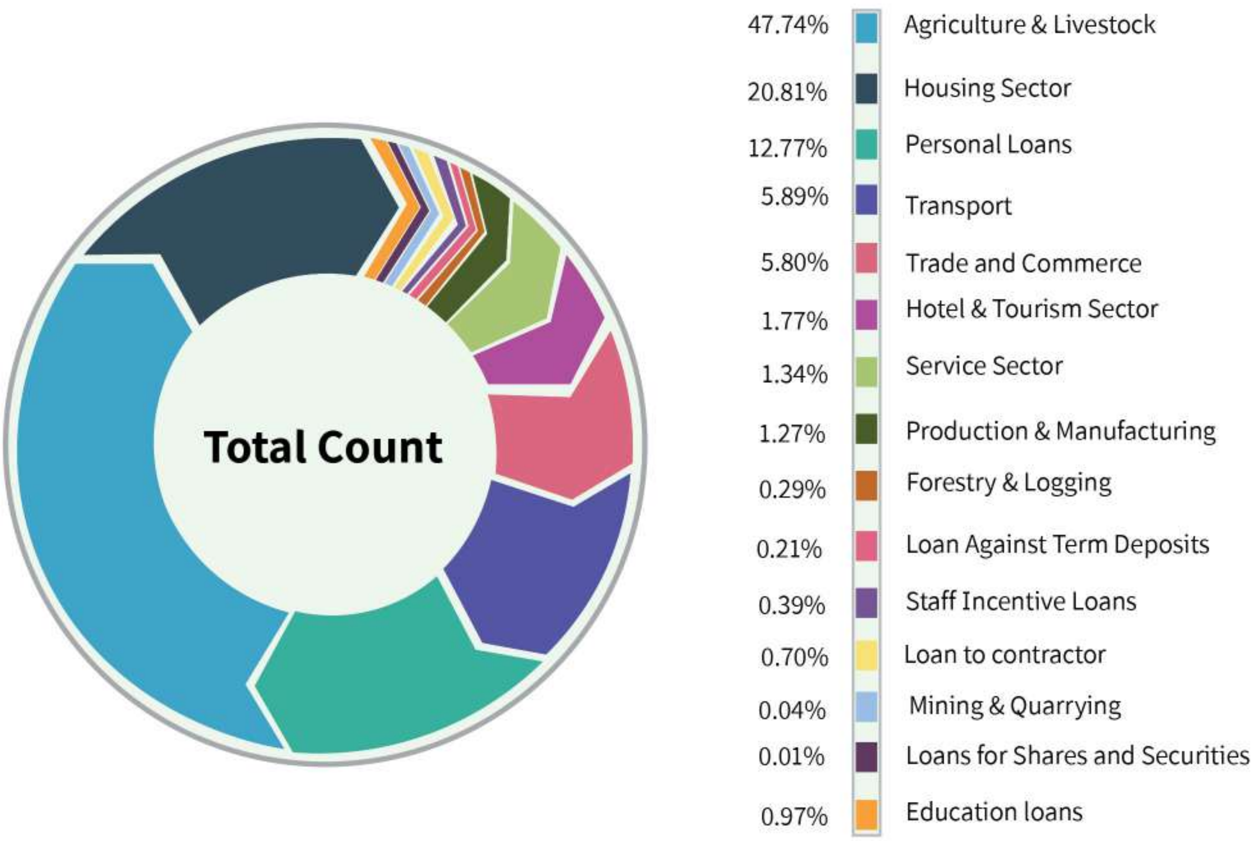


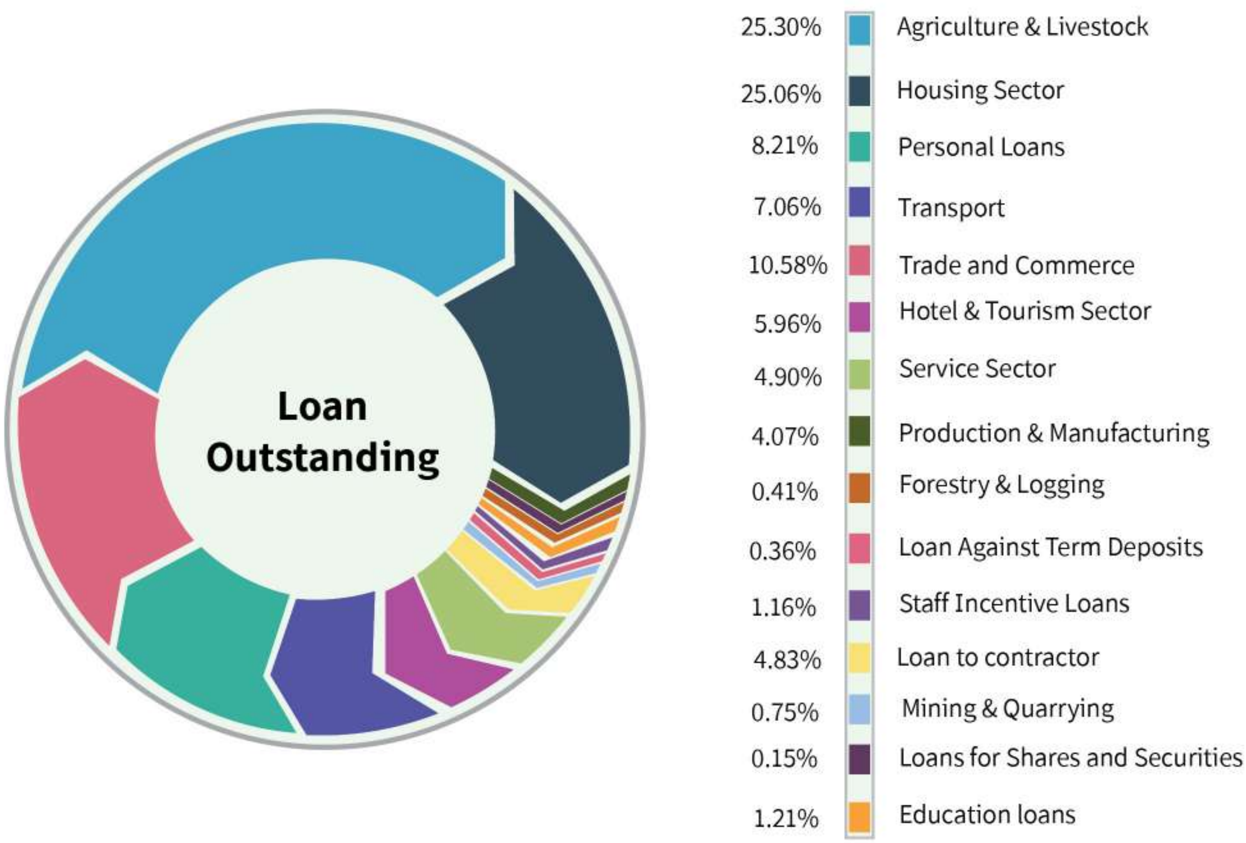
Central Region	Main Branch	Eastern Region	Western Region
56,338.00	29,089.00	75,609.00	98,791.00



Central Region	Main Branch	Eastern Region	Western Region
2,969,950,304.78	12,060,302,341.60	4,130,023,380.11	6,889,064,119.98

Sector wise Loan Accounts (%)





BHUTAN DEVELOPMENT BANK LIMITED
HEAD OFFICE, THIMPHU
Post Box: 256, Norzin Lam
Contact Center Toll free No. 1424

BRANCH OFFICES

Sl #	Name	Branch	Phone No.	Designation
Western Region				
1.	Mr. Namgay Rinchen	Thimphu	117685853	Chief Manager
2.	Mr. Tenzin Tashi	Paro	17952880	Chief Manager
3.	Mr. Thinley Namgay	Haa	17171719	Branch Manager
4.	Ms. Chencho Pem	Punakha	17831105	Branch Manager
5.	Mr. Pema Tenzin	Gasa	17395989	Branch Manager
6.	Mr. Jigme Norbu	Wangdue	17882708	Branch Manager
7.	Mr. Karma Sherub	Chukha	17648235	Branch Manager
8.	Mr. Tandin Dorji	Phuntsholing	17427448	Branch Manager
9.	Mr. Janga Bdr Rai	Samtse	17711899	Branch Manager
10.	Ms.Karma Choki	Dorokha	17345221	Branch Manager
11.	Ms. Sonam Lhadon	Tashi Choling	17307812	Branch Manager
12.	Mr. Namgay Tenzin	Gedu	17117466	Branch Manager
13.	Ms. Thinley Dema	Gangtey	17629258	Branch Manager
Central Region				
1.	Mr. Sangay Tenzin	Dagana	17894482	Branch Manager
2.	Mr.Sangay Jamtsho	Bumthang	17632159	Offtg. Branch Manager
3.	Ms. Tashi Dema	Trongsa	17447504	Offtg. Branch Manager
4.	Mr.Jamyang Tenzin	Zhemgang	17127700	Branch Manager
5.	Mr. Ugyen Tshewang	Panbang	17888707	Branch Manager
6.	Mr. Jhamba	Tsirang	17638551	Sr. Branch Manager
7.	Mr. Wangda	Sarpang	17973010	Branch Manager
8.	Mr. Yeshey Samdrup	Gelephu	17634757	Chief Manager
9.	Mr. Sonam Duba	Lhamoi Zingkha	77790580	Branch Manager
10.	Mr. Karma Tsheltrim	Dagapela	17389614	Offtg. Branch Manager
Eastern Region				
1.	Ms. Kunzang Tshomo	Lhuntse	17730309	Branch Manager
2.	Mr. Dhendup Namgyel	Mongar	17703598	Offtg. Branch Manager
3.	Mr. Chimi Dorji	Pema Gatshel	17697499	Offtg. Branch Manager
4.	Mr. Tenzin Wangchuk	Samdrup Jongkhar	17432468	Offtg. Branch Manager
5.	Mr. Tshewang	Trashigang	17699101	Chief Manager
6.	Mr. Jigme Sonam Tenzin	Trashi Yangtse	17730862	Branch Manager
7.	Ms. Sonam Yangchen	Wamrong	17396431	Branch Manager
8.	Mr. Namgay Doenyan	Nganglam	17125253	Branch Manager
9.	Mr. Santi Ram Khandal	Jomotshangkha	17565523	Branch Manager
10.	Mr. Nima Choezang	Yadi	17290334	Branch Manager
11.	Mr. Gyem Tshering	Samdrupcholing	17805497	Offtg. Branch Manager
Thimphu Main Branch, Chief Manager				
1.	Mr. Pema Tashi	Main Branch,Thimphu	17863355	Chief Manager

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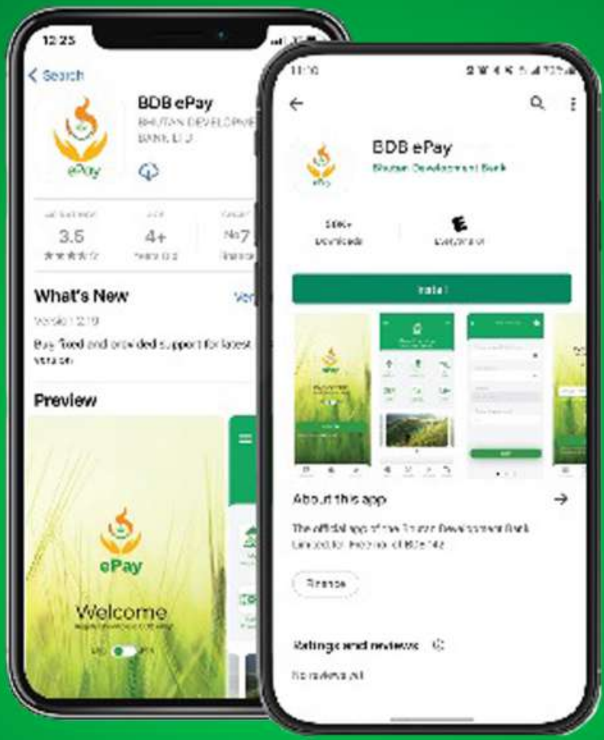

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