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BDB | Bhutan Development Bank Limited
BDB Newsletter 2022



Issue 46

OFFICE RIMDRO



On 28th May 2022, the annual rimdro was conducted in BDB Head office led by venerable His Holiness the Leytshog Lopen Sangay Dorji along with 15 Lopens from Pangrizampa school of Astrology. The ritual was conducted to eradicate evils, promote well-being of the board, Shareholders, stakeholders, employees of the bank and to dispel all the negatives and obstacles that may obstruct us from achieving our goals and for bank successful business operation.

The Rimdro was a great success with initiative from the management and coordination of all the employees.



Greetings from the CEO's desk!

Dear BDB family members,

Congratulations to our team members for the impressive achievements in 2021! While 2021 has generally been a bad year for the economy, we have managed to do well. With persistence, dedication and hard work of our staff we have achieved most of our Annual Performance Compact (APC) targets. The biggest achievement was bringing down our NPL below 15%, to 14.88% which was the critical threshold as per RMA's circular. With this reduction we were able to generate an estimated profit before tax (PBT) of Nu. 523 million. We are expected to pay a corporate tax of Nu. 187 million with a net profit of Nu. 336 million for 2021. This will be the second time in the history of BDB where we will be paying corporate income tax. Well done team and please continue to work with the same vigor and commitment.

I was due to exit the bank on March 31, 2022 as mentioned in the first quarter "From the CEO's Desk – 2022". However, on March 28, 2022 we received a letter from the Ministry of Finance asking me to continue serving as the CEO until the State-Owned Enterprise (SOE)'s CEO selection procedure is streamlined. I took leave from March 29, to spend some time with my ailing mother in my village. She passed away peacefully on March 30, 2022.

This extension gave me the opportunity to spend quality time with my beloved mother before her demise. While we hear a lot about "impermanence of life," to accept the reality of a mother separating from her children is dreadful and heart

wrenching. As soon as an embryo enters a mother's womb, it is our beloved mother who puts into action the true essence of love, care and sacrifice in nurturing the baby. This act blossoms at every stage of the child's growth within and outside the womb with the hope to create a good human being. The unconditional love and care mothers impart lays the foundation for humanity to flourish and pursue their dreams.

For the profound contributions all the mothers make in our lives, we should salute and reciprocate their love while we can. With this I submit my deep admiration to all our female colleagues who are or will be mothers. I take solace in the fact that you will continue to shower your love to all your off springs and make this world a peaceful, livable and enjoyable place for the future generations.

At this juncture, when I bid farewell to my beloved mother, I was overwhelmed with material, emotional and all-round support from my colleagues in BDB. I feel privileged to be part of a caring family and will forever remain grateful to everyone. There are no words I can express in receiving your love and care when the one person who epitomizes this left from my world. I will forever cherish your support, love and care. Thank You, Dear Colleagues, from the bottom of my heart!

Reverting back to our professional lives, I will continue to serve the bank with the same vigor and fortitude until the new CEO takes over. I have been blessed to have team members across all the strata of the organization that have the experience, knowledge, skill and the right

attitude and aptitude to form performing teams wherever you are placed to serve our clients. Every meaningful contribution you make will add to the fame and reputation of the bank. I recall the appreciation and respect shown by our clients and supporters when I first visited the Branch and Gewog Field Offices after taking over as the new CEO in 2016. I am hopeful the respect and appreciation for our bank has grown further during my tenure as the CEO with your support and effort.

While we achieved many things in the last six years, we were also in the limelight for many infamous incidences and actions. The fact that we learned to move on and improve on both the good and bad, has made us stronger and resilient in undertaking challenges, targets or goals hurled at us. I can say with immense pride and gratitude that your support and collaboration has been the bedrock in overcoming and achieving many milestones and improving our system.

Having achieved many things, we cannot rest on our past laurels and become comfortable. We all need to accept the fact that many changes are taking place around us and we definitely will not be excluded. It is slowly dawning on us that everything we do will be “rule based” or simply put, all our actions will be gauged against the words written in the acts, PR, guidelines, manuals, SOPs, circulars, office orders, etc. and not based on emotions and relationships. To illustrate this point let me provide you an example.

We did extremely well in 2021 and were expecting to receive PBVI until the announcement made on BBS last night by Finance Minister. It is becoming clear we will not be getting PBVI for 2021. Now, my point is even if the Ministry of Finance

allowed us to pay the PBVI, there will be other complications. We received instruction from RMA not to give loans to related parties starting from 2020, I think. However, it has been observed we have dished out loans to related party members during the last two years despite the instruction not to do so. This, I believe, is in contravention with RMA’s instruction and the penalty would have been no payment of incentives as mentioned in the letter. This is not the reason why Finance Minister announced no PBVI payment to the SOE employees, definitely not. But, what I caution is even after having made a huge profit and achieved all our APC targets, such contravention will disqualify us from receiving incentive payouts. We need to respect and pay more attention to written instructions.

Therefore, I suggest whatever decisions we make henceforth has to be in line with the rule of law or what is written in the act, SOPs, PR, guidelines, manuals, circulars, office orders, etc. Times are changing and we need to change and correct our behaviors to be in conformity with written instructions, what I call the rule of law.

In a couple of days, I would like to hold in person meeting with the Departments, Divisions and virtual meetings with Branch Offices. Ms. Thinley Wangmo will coordinate and fix the dates for the meeting. I would like to hear and discuss the annual work plans of the Departments, Divisions and Branch Offices. Among many other considerations you must have made, I would like to make the following suggestions for you to incorporate in your annual work plans for our discussions:

We all need to understand that BDB is at a crossroad where we are striving to restructure and introduce globally recognized system that support our endeavor

to carry out our social mandate, maximize profits, maintain minimal NPLs, eliminate fraud and misuse cases and provide a conducive working environment for our employees to showcase their talent, commitment and capabilities. Our focus for 2022 should be to reform, restructure and improve the banking infrastructure and systems.

The Management has formulated 2022 APC which has been endorsed by the Board of Directors and submitted to the Ministry of Finance for their review and acceptance. A copy of the APC will be shared once it is agreed and signed between the Ministry and the bank. While formulating the APC the Management took into consideration the uncertainties that lie ahead after July 2022 when the Kidu granted by His Majesty The King ends.

With the financial services going digital globally, our focus is to provide seamless services driven by technology. To improve efficiency, transparency and confidence of our clients, the core banking solution (CBS) needs to stabilize. While external factors like the stability of the internet connection cannot be controlled by us. We have heard about the encouraging effort being put in by the government to find a third internet gateway for stable and reliable internet connections. In the same manner it has become imperative for us to improve the stability and connectivity of our CBS and reduce the downtime. We have procured license for a robust CBS but have been handicapped with the technical expertise to manage the system and improve the services.

On this front we are exploring training programs to enhance the skills, knowledge and capabilities of our ICT officials. We have relied a lot on L2 support and

it is high time for us to develop in-house expertise and perform the required tasks from within to keep our CBS functional at all times. We need to move out of the shadow of L2 and find our own footing in using technology which is being promulgated by our leaders as the main channel of service delivery. Our ICT officials need to show the urgency, desire and interest to learn and become professionals. They need to pursue lifelong learning on their own and apply the skills to enhance their career prospects.

The other aspect which we need to highlight are the front-line workers. You have supported and performed your duties with outstanding commitment. You have been handicapped with the disruptions caused by the CBS sometimes, but we expect you to fully embrace technology to provide financial services. You need to exercise due diligence, minimize mistakes and improve customers confidence in our services. You need to learn, learn and learn more on how to optimize the benefits from the CBS. We will also be providing refresher courses in appraising loan proposals, and using the credit scoring model (CSM). Further to boost the reputation of the bank we are implementing risk management framework and risk based internal audit (RBIA) to minimize risks, improve profitability and sustainability of the bank. You will play an integral part in these activities.

Further, RMA has directed the FSPs to implement new guidelines (Guidelines on Reclassification of Old NPL 2022, Rules and Regulation for Loan Restructuring by FSP 2022 and Rules and Regulation on Foreclosure and Write-off of NPL 2022) by May 1, 2022 to resolve the NPLs. The concerned Departments and Divisions have started to implement the guidelines, which needs the support and cooperation from all our officials in

the Branch and Gewog Field Offices. The older directives from RMA also need to be followed to constantly improve our performance and increase the value of the shares, provide appropriate returns on equity, build the confidence of our clients and minimize the risks.

The Compliance Division under the Company's Secretary has been provided with a very senior officer. It will be the responsibility of CS and Compliance Division to read, fully understand and comprehend what is written in the acts, SOPs, manuals, Prudential Regulations, directives, office orders, circulars, etc. and inform through virtual or in-person trainings and make all the employees understand and comply fully with the provisions. This activity needs to be taken seriously by the Compliance Division under the supervision of the CS to check few employees from committing mistakes that have larger implications on the entire employees of the bank, like the case of related party loans given recently violating RMA's instruction.

With many FSPs operating in a limited market, we have realized the importance of creating our own niche area of focus. The business plan being developed by a local consultant for the next five years will realign our focus on providing credit to the cottage and small industries (CSI) sector, and micro finance through the group guarantee loan schemes (GGLS). The business plan needs to be implemented earnestly to build on our existing expertise and experience in managing CSI and GGLS loans to remain competitive.

Further, every effort should be made to maintain zero NPLs of all the loans

sanctioned after April 10, 2020 as prescribed by RMA. BDB will never be given any concessions for delivering the social mandates including the huge clientele base. We will be gauged with other commercial banks with the same parameters. We are vulnerable and can contravene many provisions in the acts, PR, SOPs, etc. and for this very reason we need to operate cautiously and with a lot of due diligence. By now you all would have received the office order to temporarily suspend lending. This is the result of the NPLs deteriorating. If we are not mindful and cannot develop remedial plans to mitigate the problem of rising NPL we may have to bear severe consequences. Our operational teams need to focus on reducing NPLs immediately and gain the trust of RMA to continue our operations.

The interest accrued during the deferment period needs to be treated differently after June 2022 for which broad guidelines are provided in the Monetary Measure SOPs. They need to be created as new loans with no interest which will be payable in bullet form or over the period stipulated in the SOP. Given the huge number of clients we have, the Credit Department is being informed in advance to prepare on how to manage this transition smoothly. When the plans and the procedures are finalized by the Credit Department all the operational teams need to be guided for smooth implementation.

Finally, for the information of our colleagues, like all the state-owned enterprises (SOEs) under the Ministry of Finance, we were also reviewed by the expert team. We were the first SOE to make a virtual presentation to the expert team which lasted for more than five hours the day before 2022 second

lockdown was announced in Thimphu. Following our presentation, we received ten action points after a couple of weeks for our response. We prepared our responses to all the ten action points during the second lockdown and submitted to Ministry of Finance who shared the reports with the expert team. We are yet to receive feedback from the experts.

Finally, as I am due to exit, I urge you all to continue supporting the new CEO and his Management team in improving our financial services to create a conducive environment for our clients to thrive and excel in their businesses.

Warm regards.

#StaySafe #Takecare



Phub Dorji
CEO

Virtual session on RMA revised guidelines and SOP (Project Rehabilitations)

The increasing number of Non-Performing loan (NPL) accounts earlier and with the emergence of pandemic posed a major concern for the Banks, Central Bank and nation as a whole, the economy is not expected to revive easily. Keeping in view of the major concern, as a counter-cyclical policy response to the pandemic, the Royal Monetary Authority (RMA) in consultation with all Financial Institutions (FIs) have developed and issued below three guidelines on NPL Resolution Framework with the sole objective to facilitate and provide immediate relief to both the borrowers and financial institutions:

- 1.Guideline on NPL Asset Transfer, 2020;
- 2.Guideline on Foreclosure and Write-off of NPLs, 2021; and
- 3.Guideline on Segregation of NPLs into viable and non-viable loans, 2020.

However, in the month of March, 2022, the RMA has reviewed, revised and issued all above three guidelines under the NPL Resolution Framework as follows:

- 1.Guideline on NPL Asset Transfer, 2020 now revised as Guideline on the Reclassification of Old NPLs, 2022;
- 2.Guideline on Foreclosure and Write-off of NPLs, 2021 now revised as Rules and Regulations on Foreclosure and Write-off of NPLs, 2022; and
- 3.Guideline on Segregation of NPLs into viable and non-viable loans 2020 now revised as Rules and Regulations for Loan Restructuring by Financial Service Provider (s), 2022.

In order to familiarize and facilitate our colleagues at the Branches and Gewog Field Offices in carrying out their task, the Training of Trainer (ToT) unit and relevant officials from the Project Rehabilitation Division under Research & Development Department at Head Office conducted sensitization workshop virtually covering all three revised guidelines in two different batches including Standard Operating Procedure (SOP) and basic process documents on Asset Pending Foreclosure (APF) accounts management.

All Chief Managers and Branch Managers were conducted on May 05, 2022 and as suggested by the CMs/BMs and also considering their key roles required in managing the NPL accounts, similar session was also conducted for all the Credit Officers (COs) and Credit

Assistants (CAs) including the Gewog Field Assistants (GFAs) with the total participants of 147 from all across the branches on May 14, 2022.

Therefore, the ToT team and entire officials in Research and Development Department is optimistic that all our colleagues in the branches will use these guidelines prudently while managing the non-performing loans.

-TOT Team & officials from PR Division Research and Development Department.



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GLOBAL MONEY WEEK

“Build your future, be smart about money”



Global money week is an annual global awareness raising campaign on the importance of ensuring that young people, from an early age, are financially aware, and are gradually acquiring the knowledge, skills, attitudes and behaviour necessary to make sound financial decisions. It is important to educate children on how to manage spending from an early age.

On 16th May, The staffs of BDB Gasa branch were welcomed by teachers and students of Laya Central School to participate in global money week event organized by the school.

The school organized various activities and competitions in order to encourage children and teach them on values, ethics, competencies and other capabilities. Those students who achieved excellence in the activities were awarded with Fin Star batches, Certificates and Cash prizes. The prize money amounting to Nu. 8,090/- (Eight thousand ninty only) in total was deposited in their respective personal YE-accounts.

Ms. Karma Dechen Dolkar (Banking Assistant, BDB) presented briefly about the services provided by BDB and also gave awareness on how to save and manage money by opening YE - Banking account(s).



She added how YE Banking will inculcate the savings habit and also educated our youngsters on practical financial knowledge on banking. They opened YE banking account for CLASS PP STUDENTS and also saving accounts for newly transferred teacher(s). The event was successfully concluded with a few dance program and the vote of thanks speech from the Mr. Thinley Rabgay (Teacher, Laya CS).

Karma Dechen Dolkar
Banking Assistant
Gasa Branch

Successful Stories on setting up of FOB Centre at Tshachi, Pemagatshel

The landscape is hilly and the climate condition is moderate at Tshachi, Pemagatshel . Tshachi chewog is Isolatedly located under Nangong Geog which is approximately 50 KM away from branch office, Pema Gatshel . The people rely on cardamom cultivation, Sugarcane cultivation, Ginger cultivation and some on Orange Orchard. Tshachi Buram (Made out of Sugarcane) which is famous in eastern Bhutan and even some parts of western is locally made in this Chewog.

On September 2021, along with Branch Manager, the staff of BDB Pemagatshel branch headed towards Tshachi chewog to discuss on setting up of FOB centre with Chewog Tshokpa and Gothips of the chewog. The people living out there were very overwhelmed to hear such news. With FOB setting in such area it benefits not only the people of Tshachi chewog but also the people of Dagor Chewog to avail all our banking facilities.



After successfully setting up the FOB centre at Tshachi chewog, Now, the people of Tshachi Chewog and Dagor Chewog are availing all kinds of Facilities like saving account opening, Credit facilities, Inquiries and Value added services.

With assistance from BDB services , some started doing business like Poultry Farming, furniture house set up and many more. The people of Chewog are very thankful to BDB with such services provided at their doorsteps. They always express BDB is a Kidu Bank which always makes services convenient for them. They have set a FOB date on fifth of every month. The monthly transaction (during FOB) exceeds forty numbers and sometimes even more.

“There is no exercise better for the heart than reaching down and lifting people up” - “John Holmes”

-Rudra Man Khapangi
Credit Assistant, Pema Gatshel.





Bhutan Development Bank Limited

P.O Box 256

Thimphu: Bhutan

Facebook: Bhutan Development Bank Limited

Email: info@bdb.bt

www.bdb.bt

Contact Center No. 1424