





## VISION

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



## MISSION

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



## CORE VALUES

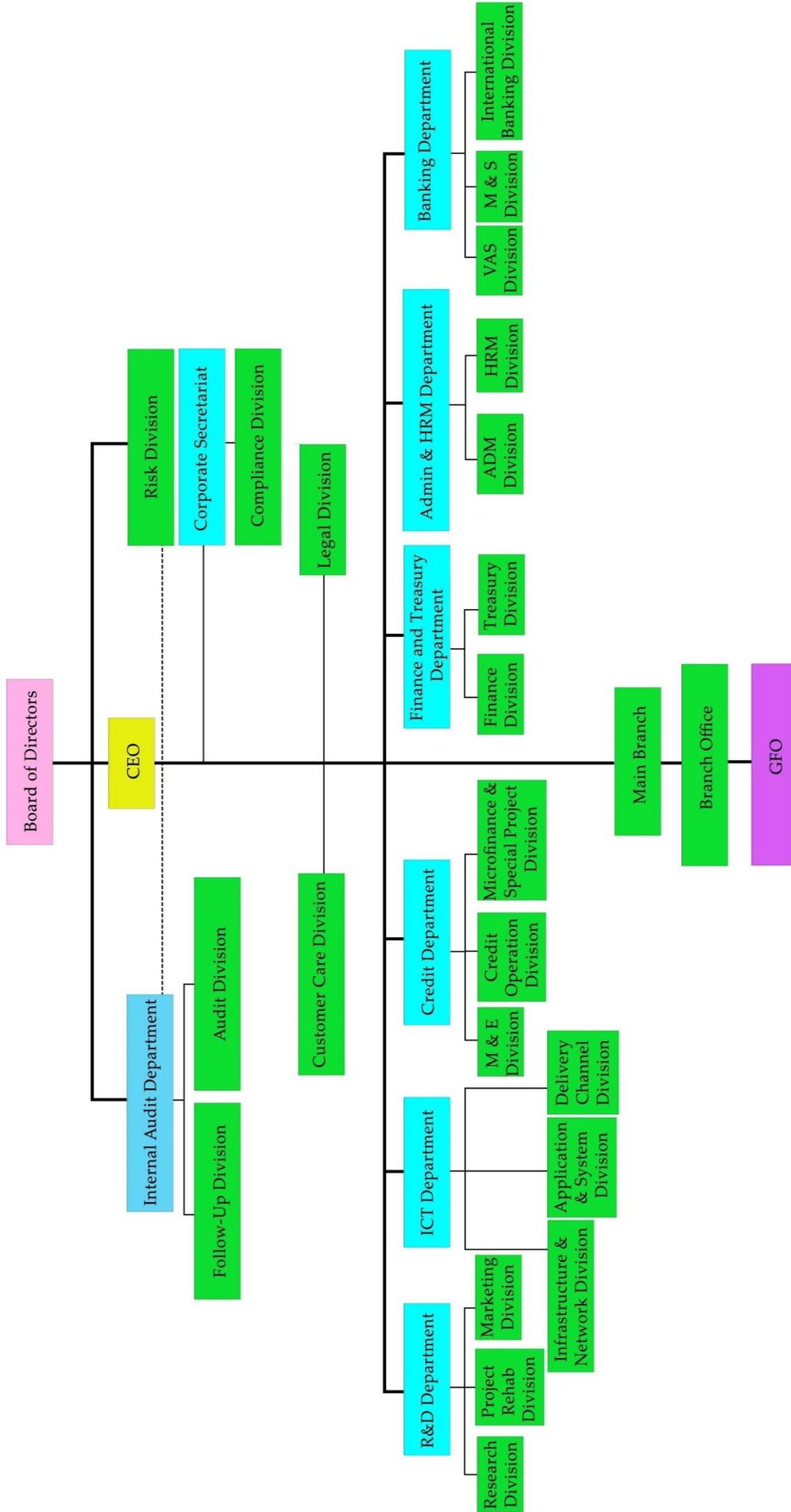
<b>Professionalism</b>	-	Give your Best
<b>Excellence</b>	-	Aim for higher ideals
<b>Ownership</b>	-	Own your Bank and care for your customers
<b>Partnership</b>	-	Work together for growth
<b>Loyalty</b>	-	Be true to oneself and stakeholders
<b>Efficiency</b>	-	Deliver prompt services

## TABLE OF CONTENTS

---

01.	Organizational Structure	4
02.	General Information	5
03.	Board of Directors	7
04.	Management Team	8
05.	Chairman's/Directors Report	9
06.	Operational Highlights	14
07.	Auditors' Report	15
08.	Annual Accounts/Financial Statements	27
	I. Statement of Financial Position	28
	II. Income Statement	29
	III. Statement of Other Comprehensive Income	30
	IV. Statement of Changes in Equity	31
	V. Statement of Cash Flows	32
	VI. Accounting Policies (Notes 1 to 2)	33
	VII. Notes to Consolidated Financial Statements (Notes 3 to 39)	45
09.	RMA Disclosures	58
10.	Performance Indicators	73

# ORGANIZATIONAL STRUCTURE



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

**BRANCH OFFICES**

Sl #	Branch Managers/Chief Manager	Branch	Phone No.
<b>Western Region</b>			
1.	Mr. Pem Tashi	Thimphu	02-326853
2.	Mr. Tenzin Tashi	Paro	08-271334
3.	Mr. Sangay Wangdi	Haa	08-375459
4.	Ms. Yangchen Lhamo	Punakha	02-584102/584157
5.	Mr. Pema Tenzin	Gasa	16288121
6.	Mr. Jigme Norbu	Wangdue	02-481261
7.	Mr. Karma Sherub	Chukha	08-478243/478427
8.	Mr. Yeshey K Tshering	Phuntsholing	05-252881
9.	Mr. Janga Bdr Rai	Samtse	05-365469
10.	Mr. Damcho Wangdi	Dorokha	05-342656/17160380
11.	Ms. Sonam Lhadon	Tashi Choling	7710677
12.	Mr. Namgay Tenzin	Gedu	05-282315
13.	Mr. Thinlay Namgay	Gangtey	
<b>Central Region</b>			
1.	Mr. Younten Tharchen	Dagana	06-481106
2.	Mr. Sonam Wangchuk	Bumthang	03-631111
3.	Mr. Penjor	Trongsa	03-521147
4.	Ms. Dawa Dem	Zhemgang	03-741127
5.	Mr. Ugyen Tshewang	Panbang	03-742017
6.	Mr. Jhamba	Tsirang	06-471206
7.	Mr. Wangda	Sarpang	06-365136
8.	Mr. Yeshey Samdrup	Gelephu	06-252135
9.	Mr. Lobzang Choiphel	Lhamoi Zingkha	06-241422/17160574
10.	Ms. Sonam Choden	Dagapela	06-483143
<b>Eastern Region</b>			
1.	Ms. Kunzang Tshomo	Lhuntse	04-545106
2.	Mr. Dhendup Namgyel	Mongar	04-641127/04-641177
3.	Mr. Yeshey Jamtsho	Pema Gatshel	07-471126/
4.	Ms. Sonam	Samdrup Jongkhar	07-251118

5.	Mr. Tshewang	Trashigang	04-521122
6.	Mr. Jigme Sonam Tenzin	Trashi Yangtse	04-781105
7.	Mr. Thinlay Wangchuk	Wamrong	04-571148/751164
8.	Mr. Namgay Doenyan	Nganglam	07-481190
9.	Mr. Norbu Dendup	Jomotshangkha	07-264023
10.	Mr. Nima Choezang	Yadi	17290334/17246434
11.	Ms. Tashi Wangmo	Samdrupcholing	17700475

### **Thimphu Main Branch, Chief Manager**

1.	Mr. Cheda	Main Branch, Thimphu	02-323852
----	-----------	----------------------	-----------

# BOARD OF DIRECTORS

---



**CHAIRMAN**

Mr. Lekzang Dorji  
Director General

Department of Macroeconomic Affairs



**DIRECTOR**

Mr. Nima Wangdi  
Former Health Secretary  
Gadhen Khangzang



**DIRECTOR**

Mr. Ugyen Penjore  
Director General  
Dept. of Consumer Protection  
MOEA



**DIRECTOR**

Mr. Phub Tshering  
Former Secretary General  
BCCI



**DIRECTOR**

Mr. Pema Wangdi  
Former Chief Executive Officer  
REDCL



**DIRECTOR**

Mr. Dhak Tshering  
Director  
DoS, MOWHS



**MEMBER SECRETARY**

Mr. Phub Dorji  
Chief Executive Officer  
BDB

# BDB MANAGEMENT TEAM

---



**Mr. Phub Dorji**

Chief Executive Officer



**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.



**Mr. Samdrup Kinlay**

Offg. General Manager  
ICT Department



**Mr. Pema Wangdi**

General Manager  
Research  
Department



**Mr. Bhawani Shankar**

General Manager  
Internal Audit  
Department



**Mr. Kuenzang Thinley**

General Manager  
Banking Department

# CHAIRMAN'S REPORT

## Directors' Report

The year 2021 was not much different from the preceding year when the country was hit by COVID-19 pandemic. Despite the odds and challenges posed by the pandemic, the Bank was able to manage well by dispensing its essential banking services through its 35 Branch Offices, 3 Regional Offices and 27 Gewog Field Offices spread across the nooks and corners of the country. Needless to say, the seamless operation was largely due to the blessings and guidance from the Throne, constant direction and supervision of Central Bank and the Board of Directors.

A brief account of operations, new initiatives and overall performance of the year, inter alia, include the following:

### Core Activities – dispense loans and mobilize funds

As usual the Bank continues to extend financial and non-financial support to its needy customers. Despite the pandemic a total loan of Nu. 3,674.34 million have been dispensed benefiting 7,116 clients in 2021. The total loans at the end of year 2021 stood at Nu. 22,073 million registering a growth of 5.77% from the previous year.

Interest Payment Support from His Majesty's Kidu Fund has helped lessen financial burden of borrowers, which also improved the loan quality of the Bank. The NPL had improved by 43% from 25.94% to 14.88%. In absolute terms the NPL at the close of the year saw Nu. 3.32 billion, a reduction of more than Nu. 1 billion from the previous year.

Similarly, the Bank took in deposits from savers, which stood at Nu. 26,707 million, a growth of 14.52%. The Bank provides highest interest rates among banks mainly to achieve its dual objective of increasing rural savers and to meet the funding needs of the Bank.

### Financial Status – Position and Performance

**Assets:** The total Assets of the Bank grew by 13.25% from Nu. 27,893.23 million in 2020 to Nu. 31,591.02 million in 2021. The liquidity position also saw a sharp rise with 37.05% increase compared to the previous year. The total cash balance as on 31<sup>st</sup> December 2021 stood at Nu. 9,184.67 million.

**Equity:** While there's no change in the Bank's Share Capital of Nu. 600.31 million, the Retained Earnings, however increased quite significantly by 32.62% from Nu. 715.00 million in 2020 to Nu. 948.27 million, as a result loan quality improvement.

The Bank's total Equity also registered a growth of 12.61% (from Nu. 2,544.79 million to Nu. 2,865.70 million) the highest in recent years.

**Liabilities:** The total liabilities rose by 13.32 % from Nu. 25,348.44 million to Nu. 28,725.31 million contributed largely by increase in deposits. The Bank has seen drastic increase in savings from Nu. 23,320.47 million to Nu. 26,707.30 million. The Bank offers highest interest rate mainly to encourage rural savers, which eats into its revenue by a whopping 69%.

**Revenue:** The Bank generated a total revenue of Nu. 2,360.21 million during the year, an increase of 0.75% from that of the previous year. The cost of fund, i.e. interest paid to depositors, has also increased by 16.06 %.

**Profit:** 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. 522.78 million.

While the operating income for the year decreased by Nu. 206.96 million, 1.30% compared to the previous year, the Bank's operating expenses saw a drastic decrease by 70.93% contributed largely by reduction in the loan provisions.

**Contributions in the form of taxes and payment of interest on loans:** In addition to the normal banking services, BDB has been consistently making monetary contributions to the Exchequer in the form of tax and interest on loans availed. For instance, in 2021 alone the Bank paid close to Nu. 144 million as Corporate tax and Nu. 83.07 million as interest on loan.

The Bank that relies heavily on the deposits of savers for its on-lending to borrowers continues to be one of the highest interest payers in the country. In 2021 alone a total of Nu. 1,623.66 million has been paid as interest to depositors.

### Initiatives

**Bank Restructuring:** Through a series of studies, reviews and deliberations the Board of Directors have initiated some structural reforms as stated below with the ardent hope of expediting the service delivery process and enhance efficiency by removing additional layers in the Bank's organogram to make the organization structure flatter to reduce the decision-making process.

- Closed down Regional Offices (3 in all)
- Converted General Manager post from Regular to Contract employment
- Abolished the post of Director (Operations)
- Established Project Rehabilitation Division (PRD)

To take banking services closer to the grassroots the Management has been directed to conduct a feasibility study for establishment of Gewog Field Offices in Mewang under Thimphu and Medrelgang in Tsirang Dzongkhag during 2022 financial year.

**5-year (2022-26) Business Plan:** A roadmap for next 5 years has been drawn for the bank with the assistance of a local consultant. The plan outlays whole gamut of business operations that clearly indicates the growth targets, products, services and technological requirements. With many FSPs operating in a limited market the Bank had realized the importance of creating its own niche area of focus. Given the experiences over the years and understanding the needs of the rural communities, the bank will realign its focus on providing credit to the cottage and small industries (CSI) sector, and micro finance through the group guarantee loan schemes (GGLS). The plan will be implemented earnestly to build on the existing expertise and experience in managing CSI and GGLS loans to remain competitive.

**Risk management framework:** A local consultant in collaboration with a firm in India is developing a new risk management framework to help us manage risks in a professional manner. The three line of defense, namely 1. business units, 2. risk & compliance management functions and 3. internal audit functions will be strengthened. The Risk and Compliance Division will now act like the middle office who will use risk assessment tools developed by the consultant and submit early warning signs to the

Management for proactive intervention. Under the ADB TA, a risk based internal audit manual is also being developed along with an internal control system. These initiatives will help in decreasing risks of unexpected losses and damage to the bank's reputation.

Internal Audit Department (IAD) has been bifurcated into Audit and Follow-up Divisions. A total revamp of the Department is being initiated by strengthening the manpower and capacity building through trainings. IAD is expected to assume bigger role in taking corrective and proactive actions to minimize risks.

We are also currently processing ISO 27001 and PCI DSS certification. While the former will help to manage visitors professionally the latter will help in preventing cyber frauds. The certification process will help the bank in setting up mechanism to ensure the safety of the bank and its employees.

The Project Rehabilitation Division (PRD) is being established mainly to carry out detailed study on the NPLs and related issues. Some SOPs developed by RMA will be implemented to facilitate out of court settlements, and reschedule and restructure viable NPL projects. This will help in reducing the NPL and cleaning the books of account.

**Technology initiatives:** In the last few years we have been emphasizing on reducing costs to improve our profitability. In some instances, stationeries, furniture and equipment purchased are not used optimally or no proper care taken. To manage the assets judiciously, the bank is in the process of installing an ERP (enterprise resource planning) system which will register all the asset holders accountable and ensure requests and issuances of inventories are needs based. Payments, such as TA/DA will be done online through the ERP system and deductions on advances also done without human interventions.

The current ePay vendor has been a bottleneck instead of assisting us in providing seamless and real time payments. We will soon have a new ePay, which is being developed by another vendor in India. The feedbacks received from our staff and clients are incorporated wherever feasible. The national quick response (NQR) code will be made reliable to facilitate instant and seamless fund transfers and payments.

Internet Banking and our website is being revamped to meet the growing demands of online users and digitalization. Our systems and infrastructures will also be integrated to BHIM and RuPay Indian card holders to facilitate ease of doing business and building the rupee reserves.

We are still continuing our efforts to stabilize the CBS and related problems. The ICT infrastructure and systems are being upgraded constantly to improve service delivery. We are also exploring software applications that will automate ECL (expected credit loss) calculation when preparing IFRS financial statements, LOS (loan origination system), ALM (asset liability management) systems, etc.

**Strengthening manpower and enhancing systems:** The HR – ISR has been revised several times in the recent past to offer career progression and job satisfaction. Majority of the job openings are first offered to internal candidates. With technological advancements, the bank will invest in strengthening the human capital of the ICT Department. A major transformation will be initiated to make the technical staff competent, dependable and ready to overcome the many CBS related challenges we face.

**Infrastructure improvement:** The Nobding Branch Office was downgraded to a Gewog Field Office (GFO) and Gangtey GFO upgraded to Branch Office in keeping with the emerging business

opportunities and enhancing service delivery. Dharla Gewog will be served from Gedu Branch Office in an effort to hasten service delivery and reduce costs for the clients. Umling GFO was established to connect the settlements to financial services when the swelling Mao Khola cuts them off from Gelephu town. Renovations in the Head Office and some Branch Offices are being carried out to improve the turnaround time of service delivery while also creating a conducive working environment. The Management is exploring purchasing land in Gakiling Dungkhag and other places to construct offices to meet the bank's requirement.

**Implementation of new guidelines:** As directed by the RMA the Bank will start implementing 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) to resolve the NPLs.

The Management has been directed to consult, collaborate and cooperate with Filed Offices to constantly improve the performance and increase the value of the shares, provide appropriate returns on equity, build the confidence of our clients and minimize the risks.

The group manuals, credit scoring system, credit appraisal, digital KYC, etc. will be strengthened through trainings and certifications. Existing SOPs and manuals will be reviewed and revised to make them relevant with the changing needs to improve efficiency, relevance and the working environment.

### **Challenges**

One of the challenges impeding the Bank from furthering its lending activities is its low capital base. Nu. 600.31 million share capital is just meeting the bare minimum capital requirement. The Board had endorsed the Management's proposal to seek approval of the Government to convert Nu. 430 million Subordinated Debt received from Ministry of Finance to Share Capital. The other option was to pay tax of Nu. 144 million and request the Ministry to plough back the amount as equity from the Government.

Unless the share capital is enhanced the Bank will continue to encounter problem of meeting the Capital Adequacy Ratio, which will impact its lending operations.

### **Statutory Auditors**

Unlike the past years, 2021 accounts have been audited by a local audit firm called Menuka Chhetri & Associates, Chartered Accountants for the very first time. Their opinion is reproduced here below:

**Opinion:** We have audited the financial statements of the Bhutan Development Bank Ltd. (The Bank), which comprise the statement of financial position as on December 31, 2021, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

**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).

## **Conclusion**

With the everchanging customer needs, taste, environment, competition and uncertainties it is imperative that we should build teams, work together, strive and support each other to uphold the very purpose of setting up the Bank. The Board of Directors sincerely appreciate the support rendered by the esteemed shareholders, Ministry of Finance, RMA and the hard work of the Management team and employees.

I am hopeful that with continued support and guidance of the shareholders, the Board Directors, Management Team and Employees will continue to work with unstinting vigor and commitment and use their experiences, knowledge and skills to make the Bank grow steadily and become stronger and sustainable.

Tahshi delek!!!

My wishes and sincere prayers for a successful year 2022.



(Nima Wangdi)

BDB Board of Directors

## OPERATIONAL HIGHLIGHTS FROM 2017- 2021

Sl #	Particulars	2017	2018	2019	2020	2021
<b>I</b>	<b>Assets ( Million)</b>	<b>24,148</b>	<b>25,222</b>	<b>25,759</b>	<b>27,893</b>	<b>31,591</b>
<b>II</b>	<b>Profits/(Loss) ( Million)</b>	<b>(880)</b>	<b>322</b>	<b>127</b>	<b>(140)</b>	<b>336</b>
<b>III</b>	<b>Disbursement ( Million)</b>	<b>6,036</b>	<b>5,330</b>	<b>5,776</b>	<b>3,790</b>	<b>4,069</b>
	Main Branch	1,184	595	652	275	414
	Branch Office	4,852	4,735	5,124	3,515	3,655
<b>IV</b>	<b>Loan Outstanding ( Million)</b>	<b>18,836</b>	<b>18,924</b>	<b>19,920</b>	<b>21,166</b>	<b>22,327</b>
	Main Branch	6,830	6,475	6,426	6,384	6,468
	Branch Office	12,007	12,448	13,494	14,782	15,859
<b>V</b>	<b>Portfolio At Risk</b>	<b>22.72%</b>	<b>20.73%</b>	<b>23.16%</b>	<b>25.94%</b>	<b>14.88%</b>
	Main Branch	33.42%	30.29%	36.52%	51.04%	29.37%
	Branch Office	18.67%	15.75%	16.80%	15.10%	8.97%
<b>VI</b>	<b>Number of Active Clients</b>	<b>57,414</b>	<b>55,241</b>	<b>57,319</b>	<b>52,287</b>	<b>50,755</b>
	Main Branch	4,563	4,295	3,968	3,283	2,781
	Branch Office	52,851	50,946	53,351	49,004	47,974
<b>VII</b>	<b>Deposit Amount ( Million)</b>	<b>19,689</b>	<b>20,085</b>	<b>21,045</b>	<b>23,174</b>	<b>25,926</b>
	Main Branch	13,523	12,490	12,815	12,092	12,171
	Branch Office	6,165	7,595	8,230	11,082	13,756
<b>VIII</b>	<b>No.of Depositors</b>	178,386	203,018	223,886	231,049	250,440
	Main Branch	15,101	18,386	21,702	23,642	27,278
	Branch Office	163,285	184,632	202,184	207,407	223,162
<b>IX</b>	<b>Number of Employess</b>	563	572	644	622	660
	Head Office	152	164	222	184	195
	Main Branch	45	43	61	50	52
	Branch Office	366	365	422	388	413
<b>X</b>	<b>Active Clients/Employee Ratio</b>					
	Main Branch	101	100	65	66	53
	Branch Office	144	140	126	126	117
<b>XI</b>	<b>Loans /Employee Ratio</b>					
	Main Branch	152	151	105	128	124
	Branch Office	33	34	32	38	39



# AUDITOR'S REPORT 2021

**Menuka Chhetri & ASSOCIATES**

**Chartered Accountants**

**Thimphu**

**Bhutan**



## 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 2021, 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 2021, 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.

#### Other Matters:

We draw attention to the following:

- 1. Due to the COVID-19 pandemic, RMA (Royal Monetary Authority of Bhutan) had issued monetary measures to financial service providers (FSP's); Phase I from Apr-2020 to June 2020 (dt.14th April 2020) and Phase II from July-2020 to Dec-2020 (dt.10th July 2020). In line with the monetary measures, 50% of interest (Nu. 259,560,008.84 under Phase I and Nu. 749,011,868.56 under phase II) is paid as compensation by Druk Gyalpo's Relief Kidu - Support from the National Resilience Fund to the bank. Balance 50% of the interest waived under phase I (April to June 2020) is recognized as interest waiver expenses by the bank.*

*The RMA further extended the loan interest waiver through Druk Gyalpo Relief Kidu (DGRK) - Interest Payment Support from April 2021 to June 2022 (May 24, 2021), and accordingly, borrower's interest amount of Nu. 848,774,593.98 was waived-off in the year 2021, which was reimbursed by the Druk Gyalpo's Relief Kidu – Interest Payment Support.*

*The monetary relief measures also granted deferment of loan repayment from 1<sup>st</sup> April 2020 to 30<sup>th</sup> June 2022. In line with the relief measures issued by RMA, the bank has deferred loan repayment for 24,794 borrowers and partially deferred (minimum interest portion) for 2,195 borrowers till June 30, 2022 as per the monetary measures directives.*

- 2. Due to severe health hazard associated with COVID-19 across the country there was restrictions on physical visit to the client's regional offices for physical verification of documents pertaining to financial transactions. As a result, the audit of client's regional offices was carried out based on remote access of data as provided by the management. We have been represented by the management that the data provided for our audit purposes is correct, complete, reliable, and 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 these matters.

## **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**

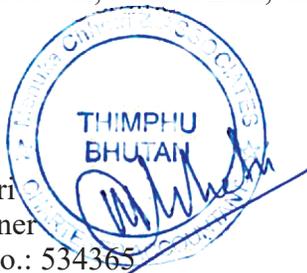
As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as *Appendix-I* with statements on the matters specified therein to the extent applicable.

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 so 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: 5<sup>th</sup> Floor, MKTS Building,  
Opposite Clock Tower, Norzin Lam, Thimphu



Menuka Chhetri  
Managing Partner  
Membership No.: 534365  
Place: Thimphu, Bhutan  
Date: 01/07/2022

## REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS 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 from 14 December 2020 to 06 February 2021. *The year ended physical verification was not carried out, 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 is no obsolete damaged, slow moving and surplus goods/inventories were lying in the stores at the end of the year. *However, during the physical verification of stock carried out by statutory auditor of the Head Office, Thimphu, the non -moving as well as missing stock were identified. (Refer Management Report – Observation No. 5.i & ii)*
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 2021.
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 in accordance with the provisions of the service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is avoided.
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 and procedures.
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 labours 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 as 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 2021.
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) (Refer the Management Report Para No. 1.i);*
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 25.2.1. 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 (Refer the Management Report Para No. 3.i)*
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 31<sup>st</sup> December 2021 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 and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA).

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 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; *however, the said system needs to be further strengthened as in some cases additional loans have been given to customers having NPLs in the bank (Refer Follow up of the year 2016 Para No. A1)*
13. According to the information and explanations given to us, there are loans written off worth of Nu. 55,754,203 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. *However, the same needs to be strengthened in regard to loan documents.*
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 31<sup>st</sup> December, 2021 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: 5<sup>th</sup> Floor, MKTS Building,

Opposite Clock Tower, Norzin Lam, Thimphu



Menuka Chhetri  
Managing Partner

Membership No.:534365

Place: Thimphu, Bhutan

Date: 01/07/2022

## RATIO ANALYSIS

RATIOS	31 December 2021	31 December 2020
<b>A. Ratios for assessing Financial health</b>		
<b>Capital Turnover Ratio (As per BAS)</b>	0.78	1.33
(Turnover/Capital Employed)		
<b>Current Ratio (As per BAS)</b>	1.07	8.66
(Current Assets/Current Liabilities)		
<b>Fixed Asset Turnover Ratio (As per BAS)</b>	8.05	6.19
(Turnover/Fixed Asset)		
<b>B. Ratios for assessing Profitability</b>		
<b>Profit on Capital Employed Ratio (As per BAS)</b>	11.16%	-9.00%
(PAT/Capital Employed)		
<b>Profit Turnover Ratio (As per BAS)</b>	14.24%	-7.00%
(NP / Total Income)		
<b>Total Expense to total Income ratio (As per BAS)</b>	77.85%	94.00%
(Total Expenses / Total Income) * 100		

### 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: 01/07/2022

Mr. Nima Wangdi

Mr. Phub Dorji

**BHUTAN DEVELOPMENT BANK LIMITED**

**Financial Statements  
December 31, 2021**

**STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021**

*(Amount in Nu.)*

Particulars	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Cash & Cash Equivalent	11	1,386,335,608.96	1,122,133,425.30
Balances with Central Bank	12	7,712,883,720.10	5,518,981,120.52
Due from Banks	13	854,544,963.66	2,108,196,321.97
Loans & Advances to Customers	14	19,747,697,819.03	17,790,203,659.36
Equity Instruments at FVOCI	15	27,561,000.00	27,726,645.00
Debt Instruments at Amortized Cost	16	518,281,478.56	627,263,493.00
Other Assets	17	1,050,706,902.79	361,257,622.81
Property, Plant & Equipment	18	202,381,672.59	235,149,775.30
Intangible Assets	19	90,631,219.05	102,321,125.16
<b>Total Assets</b>		<b>31,591,024,384.74</b>	<b>27,893,233,188.42</b>
<b>Liabilities</b>			
Due to Banks	20	1,507,637,927.80	1,646,666,493.01
Due to Customers	21	26,707,304,158.95	23,320,472,116.00
Retirement Benefit Plans	22	29,543,890.00	30,748,527.00
Deferred Tax Liability	23	187,103,762.19	144,302,926.00
Current Tax Liability	23	143,995,088.30	-
Other Liabilities	24	149,730,383.60	206,256,542.00
<b>Total Liabilities</b>		<b>28,725,315,210.84</b>	<b>25,348,446,604.01</b>
<b>Equity</b>			
Share Capital		600,317,000.00	600,317,000.00
Retained Earnings		948,276,005.70	715,001,981.16
Other Reserves		1,346,371,996.59	1,246,182,786.38
FVOCI Reserve		(29,255,828.40)	(16,715,183.12)
<b>Total Equity</b>		<b>2,865,709,173.90</b>	<b>2,544,786,584.41</b>
<b>Total Liabilities and Equity</b>		<b>31,591,024,384.74</b>	<b>27,893,233,188.42</b>
<b>(Significant Accounting Policies &amp; Notes to Financial Statement form an integral part of Statement of Financial Position)</b>			

**For Menuka Chhetri & ASSOCAITES**

Chartered Accountants

Firm Registration No. 331825E



CA. Menuka Chhetri

(Managing Partner)

Membership No. 534365

Place: - Thimphu, Bhutan

Date: 01/07/2022

**On behalf of Board**

Chairman

Chief Executive Officer

Mr. Nima Wangdi

Mr. Phub Dorji

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021**

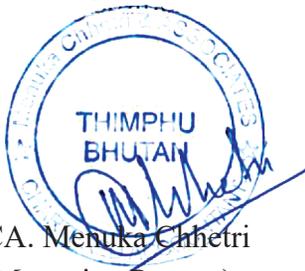
(Amount in Nu.)

Particulars	Note	31 December 2021	31 December 2020
Interest & Similar Income	4	2,263,731,511.29	2,293,719,956.96
Interest & Similar Expense	5	(1,623,667,915.51)	(1,398,988,857.29)
<b>Net interest income</b>		<b>640,063,595.78</b>	<b>894,731,099.66</b>
Fee and commission income	6	60,019,187.11	34,037,549.83
Fee and commission expenses		-	-
<b>Net fee and commission income</b>		<b>60,019,187.11</b>	<b>34,037,549.83</b>
Other Operating Income	7	36,468,126.96	14,751,400.70
<b>Total operating income</b>		<b>736,550,909.85</b>	<b>943,520,050.19</b>
Personnel Expenses	8	(339,976,982.76)	(326,980,715.24)
Depreciation on Property Plant & Equipment	18	(50,263,029.26)	(49,236,701.15)
Amortization of Intangible Assets	19	(13,084,225.55)	(16,253,284.00)
Other Operating Expenses	9	(192,209,386.50)	(176,173,738.80)
Impairment (charges)/reversal for loans and other losses	14.1	381,767,178.09	(166,817,069.09)
<b>Total Operating Expenses</b>		<b>(213,766,445.98)</b>	<b>(735,461,509.29)</b>
<b>Profit Before Tax from Continuing Operations</b>		<b>522,784,463.87</b>	<b>208,058,540.91</b>
Less : 50% Interest waiver by the bank		-	(259,560,008.84)
		<b>522,784,463.87</b>	<b>(51,501,466.93)</b>
Less : Expenditure on Community Centers (net of Income Nu.0.00)	10	-	(15,397,999.00)
		<b>522,784,463.87</b>	<b>(66,899,465.93)</b>
Deferred Tax Expense	23	(42,800,836.19)	(72,770,469.00)
Current Tax Expense		(143,995,088.30)	
<b>Profit For the year ending</b>		<b>335,988,539.38</b>	<b>(139,669,934.93)</b>
<b>(Significant Accounting Policies &amp; Notes to Financial Statement form an integral part of Statement of Comprehensive Income)</b>			

**For Menuka Chhetri & ASSOCAITES**

Chartered Accountants

Firm Registration No. 331825E



CA. Menuka Chhetri  
(Managing Partner)

Membership No. 534365

Place: - Thimphu, Bhutan

Date:01/07/2022

**On behalf of Board**

Chairman

Chief Executive Officer

Mr. Nima Wangdi

Mr. Phub Dorji

**STATEMENT OF OTHER COMPREHENSIVE INCOME**

*(Amount in Nu.)*

Particulars	31 December 2021	31 December 2020
<b>Profit for the year ending</b>	<b>335,988,539.38</b>	<b>(139,669,934.93)</b>
Gains /(losses) on re-measuring available for sale financial assets	(12,540,645.80)	(22,599,868.00)
Impairment during the year - Available for sale investments	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	(1,917,953.00)	(25,811,131.00)
<b>Total comprehensive income for the year, net of tax</b>	<b>321,529,940.58</b>	<b>(188,080,933.93)</b>
<b>(Significant Accounting Policies &amp; Notes to Financial Statement form an integral part of Statement of Other Comprehensive Income)</b>		

**For Menuka Chhetri & ASSOCAITES**

Chartered Accountants

Firm Registration No. 331825E



CA. Menuka Chhetri  
(Managing Partner)

Membership No. 534365

Place: - Thimphu, Bhutan

Date: 01/07/2022

**On behalf of Board**

Chairman

Chief Executive Officer

Mr. Nima Wangdi

Mr. Phub Dorji

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021**

*(Amount in Nu.)*

Particulars	Stated Capital	Retained Earnings	Other Reserves				FVOCI	Total Shareholders' Funds
			General Reserves	Reserve for Land And Building	IT Development Reserve	Staff Development Fund		
<b>Balance as at January 1 2020</b>	600,317,000.00	880,483,047.09	1,087,819,071.73	52,749,981.56	48,945,654.00	57,474,193.08	5,884,685.88	2,733,673,633.35
Adjustments/Additional								-
Actuarial Gains/(Losses)		(25,811,131.00)				(806,114.00)	(22,599,868.00)	(49,217,113.00)
Net profit for the year		(139,669,934.93)						(139,669,934.93)
Transfers during the year								-
<b>Balance as at 31st Dec 2020</b>	<b>600,317,000.00</b>	<b>715,001,981.16</b>	<b>1,087,819,071.73</b>	<b>52,749,981.56</b>	<b>48,945,654.00</b>	<b>56,668,079.08</b>	<b>(16,715,182.12)</b>	<b>2,544,786,585.41</b>
<b>Balance as at January 1 2021</b>	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		335,988,539.38						335,988,539.38
Transfers during the year		(100,796,561.81)	100,796,561.81					-
<b>Balance as at 31st Dec 2021</b>	<b>600,317,000.00</b>	<b>948,276,005.72</b>	<b>1,188,615,633.54</b>	<b>52,749,981.56</b>	<b>48,945,654.00</b>	<b>56,060,727.49</b>	<b>(29,255,827.92)</b>	<b>2,865,709,174.40</b>

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

**For Menuka Chhetri & ASSOCAITES**

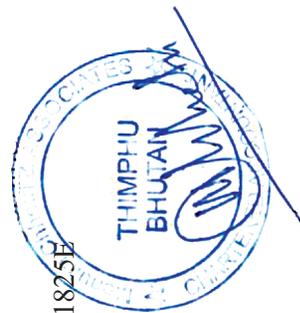
Chartered Accountants

Firm Registration No. 331825E

Chairman

On behalf of Board

Chief Executive Officer



CA. Menuka Chhetri  
(Managing Partner)

Membership No. 534365

Place:- Thimphu, Bhutan

Date: 01/07/2022

*Signature of Mr. Nimra Wangdi*  
Mr. Nimra Wangdi

*Signature of Mr. Phub Dorji*  
Mr. Phub Dorji

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Amount in Nu.)

Particulars	31 December 2021	31 December 2020
<b>Operating Activities</b>		
Profit Before Tax from Continuing Operations	522,784,463.87	(66,899,465.93)
Adjustments for ;		
Dividend received	-	(531,720.00)
Depreciation of Property, plant and equipment	63,347,254.81	65,489,985.61
Movement in Impairment of Loans & Advances	(381,767,178.09)	166,817,069.09
(Gain)/loss on Disposal of PPE	-	160,720.24
<b>Operating profit before changes in operating assets &amp; liabilities</b>	<b>204,364,540.59</b>	<b>165,036,589.01</b>
<b>(Increase)/Decrease in operating assets</b>		
Balance with Royal Monetary Authority	(2,193,902,599.58)	(1,372,373,141.83)
Loans & Advances to Customers	(1,575,726,981.58)	(1,264,509,360.06)
Placement with other Banks	1,253,651,358.31	604,078,519.00
Financial Investments	96,607,013.64	(341,084,608.56)
Other assets	(689,449,279.03)	50,783,041.80
<b>Increase/(Decrease) in operating liabilities</b>		
Movement in other reserve	(607,351.59)	(806,114.00)
Retirement Benefit Plans	(3,122,590.00)	(1,482,721.00)
Other liabilities	(56,526,158.40)	92,674,029.87
Due to banks	(139,028,565.21)	449,674,125.12
Due to customers	3,386,832,042.95	1,683,336,691.77
<b>Net cash flow from operating activities</b>	<b>78,726,889.12</b>	<b>(99,709,537.88)</b>
<b>Cash flow from investing activities</b>		
Dividend received	-	531,720.00
Purchase of property & equipment	(18,889,245.99)	(75,701,410.38)
	<b>(18,889,245.99)</b>	<b>(75,169,690.38)</b>
<b>Cash flow from financing activities</b>		
<b>Net cash flow from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	264,202,183.12	(9,842,639.25)
<b>Cash the beginning of the year</b>	1,122,133,425.24	1,131,976,065.49
<b>Cash at the end of the year</b>	<b>1,386,335,608.36</b>	<b>1,122,133,425.24</b>

(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  
(Managing Partner)

Membership No. 534365

Place: - Thimphu, Bhutan

Date: 01/07/2022

**On behalf of Board**

Chairman

Chief Executive Officer

Mr. Nima Wangdi

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 31<sup>st</sup> December 2021 were authorized for issue in accordance with a resolution of the Board of Directors on April 29, 2022.

#### 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.

Audited Financial Statements for 31.12.2021 are prepared in accordance with BAS 1 on presentation of financial statements in line with BAS.

### 2.1 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 judgments are 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 judgments on the effect of economic and market conditions.

## **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.

## **2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.2.1 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.

## **2.2.2 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.

### **2.2.3 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.

## 2.2.4 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.

## 2.2.5 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.

### **2.2.6 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.

## 2.2.7 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.

## 2.2.8 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.

## **2.2.9 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.

## **2.2.10 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:

<b><u>Asset Type</u></b>	<b><u>Useful Life</u></b>
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 are 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 are estimated at nil except vehicles based on the trend. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### **2.2.11 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

### **2.2.12 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.

### **2.2.13 Guarantees**

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

### **2.2.14 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.

### **2.2.15 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.

### **2.2.16 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 installments. 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.

### **2.2.17 Dividends on ordinary shares**

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.

## 2.2.18 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.

## 2.3.18 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 of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred 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 offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit 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.

## 2.4.18 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

## 3. BFRS 9 Financial Instruments.

BFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to BFRS 9 Mandatory Effective Date of BFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of BFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **BFRS 15 Revenue from Contracts with Customers**

BFRS 15, as issued, reflects the first phase of IASB's initiative to replace IAS 18, the objective of which is to establish the principles that the company shall apply in reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards.

Earlier application by the company is permitted. Contracts with customers will be presented in the company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

**NOTES FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED DECEMBER 31, 2021**

**Note 4: Interest And Similar Income**

Particulars	31.12.2021	31.12.2020
Loans & Advances to customers	2,175,935,644.24	2,149,920,318.99
Due from Banks	40,949,329.56	101,885,162.37
Notional Interest on Staff Loans	7,418,137.72	6,111,828.83
Other short term investments	39,428,399.77	35,802,646.77
<b>Total Amount</b>	<b>2,263,731,511.29</b>	<b>2,293,719,956.96</b>

**Note 5: Interest & Similar Expense**

Particulars	31.12.2021	31.12.2020
Due to customers	1,540,596,324.87	1,333,225,911.78
Due to banks	83,071,590.64	65,762,944.51
<b>Total Amount</b>	<b>1,623,667,915.51</b>	<b>1,398,988,857.29</b>

**Note 6: Net Fees & Commission Income**

Particulars	31.12.2021	31.12.2020
<b>Fees &amp; Commission Income</b>		
Commission on Guarantee	20,056,458.96	17,272,834.67
Other fees Received	39,962,728.15	16,764,715.16
<b>Total fees and commission income</b>	<b>60,019,187.11</b>	<b>34,037,549.83</b>

**Note 7: Other Operating Income**

Particulars	31.12.2021	31.12.2020
Operating lease income	4,146,180.70	4,817,039.23
Profit/(Loss) on disposal of Property, Plant & Equipment(Net)	537,516.93	-
Other	31,784,429.33	9,934,362.27
<b>Total Amount</b>	<b>36,468,126.96</b>	<b>14,751,400.70</b>

**Note 8: Personnel Expenses**

Particulars	31.12.2021	31.12.2020
Wages & Salaries	308,462,616.83	301,412,327.41
Training & Seminars Expenses	4,913,476.21	3,535,774.00
Amortization of Pre-paid employment benefits	7,418,137.72	6,111,828.83
Current Period Service cost/Interest Expense	14,864,000.00	12,199,000.00
Leave Encashment	4,318,752.00	3,721,785.00
<b>Total Amount</b>	<b>339,976,982.76</b>	<b>326,980,715.24</b>

**Note 9: Other Operating Expenses**

Particulars	31.12.2021	31.12.2020
Advertising and marketing	5,641,055.33	4,213,824.75
Administrative	143,563,449.87	122,084,221.02
Professional fees	1,731,900.00	2,598,328.00
Bank levy	114,678.41	103,046.59
Other	41,158,302.89	44,236,404.44
FINAP project Fund Contribution	-	2,937,914.00
<b>Total Amount</b>	<b>192,209,386.50</b>	<b>176,173,738.80</b>

**Note 10: Community Center Operations**

Particulars	31.12.2021	31.12.2020
Expenditure on Community Centers (net of Income)	-	15,397,999.00
<b>Total Amount</b>	<b>-</b>	<b>15,397,999.00</b>

**Note 11: Cash & Cash Equivalent**

Particulars	31.12.2021	31.12.2020
Cash on hand/Bank Balance	1,386,335,608.96	1,122,133,425.30
Allowance for Expected Credit Losses	-	-
<b>Total Amount</b>	<b>1,386,335,608.96</b>	<b>1,122,133,425.30</b>

**Note 12: Balance With Central Bank**

Particulars	31.12.2021	31.12.2020
Balance in Cash Reserve Ratio	2,285,634,519.81	2,099,686,385.78
Balance in Current Deposit	2,590,111,082.43	3,352,809,334.74
Short Term Investment - Treasury Bill	2,837,138,117.86	66,485,400.00
<b>Total Amount</b>	<b>7,712,883,720.10</b>	<b>5,518,981,120.52</b>

**Note 13. Due From Banks**

Particulars	31.12.2021	31.12.2020
Placements with other banks	854,544,963.66	2,108,196,321.97
<b>Total Amount</b>	<b>854,544,963.66</b>	<b>2,108,196,321.97</b>

**Note 14: Loans & Advances To Customers**

Particulars	31.12.2021	31.12.2020
Loans & Receivables	22,073,451,483.73	20,914,462,931.36
Less: Allowance for Impairment (Collective)	(2,325,753,664.70)	(3,124,259,272.00)
<b>Total Amount</b>	<b>19,747,697,819.03</b>	<b>17,790,203,659.36</b>

**Note 14.1: Impairment (charges)/reversal**

Particulars	31.12.2021	31.12.2020
Impairment (charges)/reversal for loans	437,521,380.84	(166,810,824.00)
Impairment (charges)/reversal for other assets	(55,754,202.75)	(6,245.09)
Write Offs/Interest waiver	-	(259,560,008.84)
<b>Total Amount</b>	<b>381,767,178.09</b>	<b>(426,377,077.93)</b>

**Note 15: Equity Instruments at FVOCI Quoted Investments**

Particulars	31.12.2021	31.12.2020
Quoted Equities (15.1)	-	165,645.00
Unquoted Equities (15.2)	27,561,000.00	27,561,000.00
<b>Total Amount</b>	<b>27,561,000.00</b>	<b>27,726,645.00</b>
(15.1) Quoted Equities	31.12.2021	31.12.2020
Bhutan Carbide and Chemical Limited	-	-
Penden Cement Authority Limited	-	-
Bhutan National Bank Limited	-	165,645.00
GIC Bhutan Reinsurance Limited	-	-
<b>Total Amount</b>	<b>-</b>	<b>165,645.00</b>

<b>(15.2) Unquoted Equities</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
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
<b>Total Amount</b>	<b>27,561,000.00</b>	<b>27,561,000.00</b>

**Note 16: Debt Instruments at Amortized Cost**

<b>Particulars</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Investments in RICBL Bonds	-	108,979,452.00
Investments in DCCL Bonds	116,981,405.59	116,981,406.00
Investments in RSA Bonds	10,891,452.59	10,894,015.00
Investments in Tbank Bonds	55,366,164.38	55,366,164.00
Investments in Government Bonds	335,042,456.00	335,042,456.00
<b>Total Amount</b>	<b>518,281,478.56</b>	<b>627,263,493.00</b>

**Note 17: Other Assets**

<b>Particulars</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Loans & Advances to Employees	136,977,753.46	148,906,625.45
Advances & Pre-payments	41,672,180.68	3,998,008.48
Pre-paid Employment Benefits	104,536,193.44	108,563,037.90
Stock of Stationeries and Spares	6,793,131.58	8,512,950.08
Accounts/Other receivables	203,629,014.38	34,982,769.14
Pre-Paid Tax	64,845,809.98	61,222,917.51
BFS - Receivable ( Net )	511,063,345.21	13,898,200.03
Assets Pending Foreclosure	569,529,349.65	-
	<b>1,639,046,778.38</b>	<b>380,084,508.75</b>
Less : Against Receivables	(18,795,525.94)	(18,811,885.94)
Against Asset Acquired on Settlement of Loans	(15,000.00)	(15,000.00)
Reserve for loan loss ( APF )	(569,529,349.65)	-
<b>Total</b>	<b>1,050,706,902.79</b>	<b>361,257,622.81</b>

## 18 PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and Fixtures	Arts & Art Effects	Office, Electrical & other Equipment	Motor Vehicles	Security Equipment's	Network Equipment's	Computer Hardware	Capital WIP	Total
At 1 January 2020	2,588,622.38	98,175,364.17	46,043,521.47	1,174,408.00	59,071,886.70	17,848,685.25	35,581,005.09	64,158,383.17	175,150,115.06	4,281,388.95	504,073,380.24
Movement During the Period	-	9,373,971.37	2,050,630.51	44,970.00	4,487,539.04	-	45,740.00	9,010,551.03	13,098,116.80	18,924,554.95	57,036,073.70
Disposals		650,916.20			490,689.85			317,496.00	1,098,917.34		2,558,019.39
At 31st Dec 2020	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
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
<b>Accumulated Depreciation</b>											
At 1 January 2020	-	28,263,573.93	21,935,515.94	-	46,828,362.08	5,267,052.30	20,138,358.56	47,750,741.14	106,297,675.21		276,481,279.16
Depreciation charge for the year		2,681,215.99	4,330,671.83		2,089,629.03	1,207,252.65	6,381,860.40	7,047,222.91	25,498,848.47		49,236,701.28
Assets Disposed			602,997.15		474,284.34			293,541.15	945,497.56		2,316,320.20
At 31st Dec 2020	-	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
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
<b>Net book value:</b>											
At 31st Dec 2020	2,588,622.38	76,604,545.63	21,780,045.15	1,219,378.00	14,625,029.11	11,374,380.29	9,106,526.12	18,347,015.30	56,298,288.41	23,205,943.90	235,149,775.30
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	202,381,672.59

**Note 19: Intangible Assets (Software)**

Particulars	Amount (Nu.)
At 1 January 2020	162,129,203.40
Movement During the Period	18,746,317.76
Disposals	
At 31st Dec 2020	180,875,521.16
At 1 January 2021	180,875,521.16
Movement During the Period	1,394,320.33
Disposals	24,900.00
At 31st Dec 2021	182,244,941.49
<b>Accumulated Amortization</b>	
At 1 January 2020	62,301,111.00
Movement During the Period	-
Disposals	-
Amortization	16,253,284.00
At 31st Dec 2020	78,554,396.00
At 1 January 2021	78,554,395.89
Movement During the Period	-
Disposals	24,899.00
Amortization	13,084,225.55
At 31st Dec 2021	91,613,722.44
<b>Net book value:</b>	
At 31st Dec 2020	<b>102,321,125.16</b>
At 31st Dec 2021	<b>90,631,219.05</b>

**Note 20: Due To Banks**

Particulars	31.12.2021	31.12.2020
Unsecured Loans	136,491,377.00	144,763,582.00
Secured Loans *	371,552,167.24	502,306,433.01
Subordinated Term Debt	999,594,383.56	999,596,478.00
<b>Total</b>	<b>1,507,637,927.80</b>	<b>1,646,666,493.01</b>
<b>* Secure Loan</b>		
1. Asian Development Bank-Line of Credit ( Phase - I )	13,496,825.82	15,424,943.98
2. Asian Development Bank-Line of Credit -A/C#0088/008	115,596,670.89	131,614,930.57
3. International Fund for Agricultural Development (Second Eastern Zone Agricultural Programme)	25,982,382.00	27,386,835.16
4. International Fund for Agricultural Development (Agricultural marketing & Enterprise Promotion Programme)	41,646,221.16	43,456,926.33
5. Borrowing from National Pension & Provident Fund (OSD)	174,830,067.37	284,422,796.97
	<b>371,552,167.24</b>	<b>502,306,433.01</b>

**Note 21: Due To Customers**

Particulars	31.12.2021	31.12.2020
Fixed Deposit	14,693,249,288.32	13,967,352,287.00
Recurring Deposit	691,627,192.92	567,887,612.00
Savings Deposits	10,290,259,876.47	7,901,149,267.00
Current Deposit	1,032,167,801.24	884,082,950.00
<b>Total</b>	<b>26,707,304,158.95</b>	<b>23,320,472,116.00</b>

## 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	31.12.2021	31.12.2020
<b>GRATUITY</b>		
Defined benefit liability at the beginning of the period	92,634,064.00	67,668,687.00
Current service cost	7,507,000.00	6,388,000.00
Interest cost on benefit obligations	7,357,000.00	5,811,000.00
Actuarial (Gains)/Losses recognized in the year	(5,961,284.00)	14,596,748.00
Liability Settlement/Adjustment During the period	(5,551,445.00)	(1,830,371.00)
	<b>95,985,335.00</b>	<b>92,634,064.00</b>
<b>LEAVE</b>		
Defined benefit liability at the beginning of the period	12,585,425.00	8,337,988.00
Current service cost	3,308,714.00	3,023,858.00
Interest cost on benefit obligations	1,010,038.00	697,927.00
Actuarial (Gains)/Losses recognized in the year	7,879,237.00	11,214,383.00
Liability Settlement/Adjustment During the period	(11,655,186.00)	(10,688,732.00)
	<b>13,128,228.00</b>	<b>12,585,424.00</b>
Defined Benefit Obligation ( Gratuity )	95,985,335.00	92,634,064.00
Fair Value of Plan assets	(79,569,673.00)	(74,470,962.00)
Defined Benefit Obligation (Leave Encashment )	13,128,228.00	12,585,425.00
	<b>29,543,890.00</b>	<b>30,748,527.00</b>
The principal assumptions used in determining Defined Benefit Obligation.		
Discount Rates	0.08	0.09
Salary Escalation Rates	0.06	0.06

## Note 23: Tax Liability

Particulars	31.12.2021	31.12.2020
Deferred Tax Liability	187,103,762.19	144,302,926.00
Current Tax	143,995,088.30	-
<b>Total</b>	<b>331,098,850.49</b>	<b>144,302,926.00</b>

**Note 24.i: Other Liabilities**

Particulars	31.12.2021	31.12.2020
Accounts payable & Sundry creditors	146,557,911.96	165,086,737.00
Provisions	350,000.00	728,900.00
Intra Branch Balance	67,566.30	-
<b>Total</b>	<b>146,975,478.26</b>	<b>165,815,637.00</b>

**Note 24.ii: Revolving Funds**

Particulars	31.12.2021	31.12.2020
Credit - Bio-Gas	1,700,000.00	39,386,000.00
Rudolf Fund - Credit	153,831.80	153,832.00
Rudolf (Monitoring and Supervision A/C)	178,983.77	178,984.00
Rudolf Fund - Subsidy	149,161.44	149,161.00
BCCI - SME Development Revolving Fund RLP -II	-	-
Coop. Revolving (DAMC) Fund	572,928.33	572,928.00
<b>Total</b>	<b>2,754,905.34</b>	<b>40,440,905.00</b>

**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 is contingently liable as on for Nu. 1,369,986,399 (PY Nu. 964,064,388) 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 31.12.2021 are of Nu. Nil (PY Nu. Nil).

**Note 25: Related Party Transactions**

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

**Note 25.1: Parent and Ultimate Controlling Party**

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

Of the 60,031,700 equity shares (Nu.10 each) issued by the Bank as at December 31, 2021, the 58,000,000 equity shares (96.62%) are held by the Ministry of Finance, Royal Government of Bhutan (RGOB). The Bank considers that for the purpose of BAS 24, Related Party Disclosures, the RGOB is in a position of control over it, and therefore regards the RGOB as related parties including the Key Managerial Personnel (KMPs) for the purpose of the disclosures required by BAS 24.

**A summary of the Bank's transactions with the RGOB are included below:**

Name of the Primary Party	Relationship	Nature of Transactions with Related Party	Dec-21	Dec-20
Royal Government of Bhutan	Majority Shareholders	Investment in RGOB Bonds	335,042,456.00	335,042,456.00
Royal Government of Bhutan	Majority Shareholders	Investment in Short term T-Bills	2,837,138,117.86	66,485,400.00
Royal Government of Bhutan	Majority Shareholders	Sub-ordinate Term Debt	999,594,383.56	999,596,478.00
Royal Government of Bhutan	Majority Shareholders	SME Loan availed	136,491,377.00	144,763,582.00
Mr. Phub Tshering, Former Secretary General, BCCI	Independent Director	Loan	279,320.38	268,345.62
Mr. Phub Dorji, Chief Executive Officer, BDB	Executive Director, CEO	Loan	1,166,088.84	2,132,766.56

**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	31.12.2021	31.12.2020
Pay and Allowances to Managing Director	2,395,740.00	2,280,859.90
Director's Sitting Fee	897,500.00	465,500.00
Reimbursement of Travelling Expenses	18,000.00	48,246.00
<b>Total</b>	<b>3,311,240.00</b>	<b>2,794,605.90</b>

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

Note	Particulars	31.12.2021	31.12.2020
25.3.1	Loans and Advances to KMPs and their CFMs are detailed below:	1,445,409.22	2,835,718.54
	<b>Total</b>	<b>1,445,409.22</b>	<b>2,835,718.54</b>
25.3.3	Deposits and Investments from KMPs and their CFMs are detailed below:		
	Deposits & investments	1,371,091.95	187,125.37
	<b>Total</b>	<b>1,371,091.95</b>	<b>187,125.37</b>

**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	Dec/21			Dec/20		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Financial Assets</b>						
Quoted Equities	-	-	-			16,806,582.18
Loans & Advances to Employees	-	-	136,977,753.46			148,906,625.45
<b>Total</b>	-	-	<b>136,977,753.46</b>	-	-	<b>165,713,207.64</b>

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	Dec/21		Dec/20	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	1,386,335,608.96	1,386,335,608.96	1,122,133,425.30	1,122,133,425.30
Balances with Royal Monetary Authority of Bhutan	7,712,883,720.10	7,712,883,720.10	5,518,981,120.52	5,518,981,120.52
Placements with Banks	854,544,963.66	854,544,963.66	2,108,196,321.97	2,108,196,321.97
Loans & Advances to Customers	18,559,549,472.67	19,747,697,819.03	16,753,504,656.00	17,790,203,659.36
Other Financial Assets	575,098,306.56	545,842,478.56	671,705,320.00	654,990,138.00
<b>Total Financial Assets</b>	<b>29,088,412,071.95</b>	<b>30,247,304,590.31</b>	<b>26,174,520,843.79</b>	<b>27,194,504,665.15</b>
<b>Financial Liabilities</b>				
Due to banks	1,507,637,927.80	1,507,637,927.80	1,646,666,493.01	1,646,666,493.01
Due to other customers	26,822,418,058.22	26,707,304,158.95	23,418,920,126.00	23,320,472,116.00
Other Financial Liabilities	149,730,383.60	149,730,383.60	206,256,542.00	206,256,542.00
<b>Total Financial Liability</b>	<b>28,479,786,369.62</b>	<b>28,364,672,470.35</b>	<b>25,271,843,161.01</b>	<b>25,173,395,151.01</b>

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.

### Note 29.i: Liquidity Risk & Funding management

#### Contractual maturities & undiscounted cash flows of financial assets & liabilities

2020	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Cash & Cash Equivalent	1,122,133,425.00					1,122,133,425.00
Balances with Central Bank	5,518,981,121.00					5,518,981,121.00
Due from Banks	2,182,667,284.00					2,182,667,284.00
Loans & Advances to Customers	2,681,664,309.00	272,915,139.00	1,470,673,355.00	10,785,570,934.00	5,703,639,194.00	20,914,462,931.00
Financial Investments Available for Sale	671,705,320.00					671,705,320.00
<b>Total undiscounted Assets</b>	12,177,151,459.00	272,915,139.00	1,470,673,355.00	10,785,570,934.00	5,703,639,194.00	30,409,950,081.00
Due to Customers	9,520,596,048.00	1,548,296,805.00	3,224,961,398.00	5,918,509,227.00	2,961,623,929.00	23,173,987,407.00
<b>Total Undiscounted Liabilities</b>	9,520,596,048.00	1,548,296,805.00	3,224,961,398.00	5,918,509,227.00	2,961,623,929.00	23,173,987,407.00
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						-
Financial Investments Available for Sale	575,098,306.56					575,098,306.56
<b>Total undiscounted Assets</b>	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
<b>Total Undiscounted Liabilities</b>	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

## 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.

2020	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	307,242,529.77	519,188,671.92	137,555,932.59	77,254.00	964,064,388.28
<b>Total</b>	-	<b>307,242,529.77</b>	<b>519,188,671.92</b>	<b>137,555,932.59</b>	<b>77,254.00</b>	<b>964,064,388.28</b>

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
<b>Total</b>	-	<b>291,483,133.62</b>	<b>857,522,746.98</b>	<b>220,980,517.93</b>	-	<b>1,369,986,398.53</b>

### 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.

2020						
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	11,226,669,673.36	20,914,462,931.36
<b>Total</b>	<b>6,650,613,130.00</b>	<b>1,362,063,454.00</b>	<b>889,600,958.00</b>	<b>785,515,716.00</b>	<b>11,226,669,673.36</b>	<b>20,914,462,931.36</b>

2021						
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	12,445,008,618.19	22,073,451,483.73
<b>Total</b>	<b>6,220,695,421.58</b>	<b>1,561,634,510.58</b>	<b>961,179,592.96</b>	<b>884,933,340.42</b>	<b>12,445,008,618.19</b>	<b>22,073,451,483.73</b>

### 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	2021 (Nu.)	2020 (Nu.)
Total rental expenses relating to operating leases	17,315,958.00	15,657,410.00

## 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	2021 (Nu.)	2020 (Nu.)
Total rental income relating to operating leases	4,146,181.00	4,817,039.00

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 during the year 2017 and also the parties have deducted TDS during the year 2017, 2018, 2019, 2020 and 2021. The bank earned profit (before tax) of Nu. 522.78 million during the year, and as such, the CIT payable for the year is Nu. 143.99 million.
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 response to the COVID-19 pandemic impact, the Central Bank issued monetary measures for interest waiver and deferment of loan repayment during the year 2020. The monetary measure I issued in April 14, 2020 granted full interest waivers on loans and deferment of loan repayment from April to June 2020. The cost of the interest waiver to be shared equally between the Government and the Financial Service Providers (FSP). 50% of the interest to be provided as compensation from the Government and the remaining 50% shall be waived of by the FSP.

The monetary measure II issued in July 10, 2020 waived of 100 percent of the interest payment from July 01, 2020 to September 30, 2020 (3 months) and from October 01, 2020 to March 31, 2021 (6 months), 50 percent of the 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 from the National Resilience Fund.

The Central Banks vide letter # RMA/DFRS/34/2120-2021/3387 dated May 24<sup>th</sup> 2021, further extended the Druk Gyalpo Relief Kidu (DGRK) - Interest Payment Support from April 2021 to June 2022.

In line with the central bank's monetary measure, I directives, the Bank thereby has to bear Nu. 259,560,008.84 as interest waiver expenses being the 50% of the interest receivables for 3 months from April 01, 2020 to June 30, 2020. On the other hand, the bank received reimbursement of Nu. 1,008,571,877.40 as interest waiver from the Druk Gyalpo's Relief Kidu from the National Resilience Fund in the year 2020. As such, the total interest waived off comes to Nu. 1,268,131,886.40 in the year 2020.

Accordingly, Nu. 848,774,593.98 is the interest waiver for the loans in the year 2021 reimbursed by the Druk Gyalpo's Relief Kidu – Interest Payment Support.

In total, the Bank received Nu. 1,859,057,662.49 from Druk Gyalpo Relief Kidu as interest waiver of the borrowers' loans for the year 2020 and 2021.

The Bank also deferred loan repayment of 26,989 clients comprising full loan repayment deferment of 24,794 clients and partial loan repayment deferment of 2,195 clients till June 30, 2022 as per the monetary measure directives.

**35. Detail of remuneration and expenditure paid/reimbursed to the Chief Executive Officer and other directors is as under:**

**Chief Executive Officer**

Sl. No.	Particulars	2021 (Nu.)	2020 (Nu.)
1	Pay & Allowance	1,909,914.00	1,997,890.00
2	Leave Travel Concession	20,000.00	20,000.00
3	Leave encashment	98,340.00	94,060.00
4	Performance Incentive (Bonus)	192,400.00	-
5	Travel expense ( In country)	18,000.00	48,246.00
6	Travel expense (Abroad)	-	-
7	Provident Fund	175,086.00	168,910.00
8	Board Sitting Fees	140,000.00	68,000.00
	<b>Total : -</b>	<b>2,507,048.00</b>	<b>2,397,106.00</b>

**Other Directors**

Sl. No.	Particulars	2021 (Nu.)	2020 (Nu.)
1	Board Sitting Fees	897,500.00	465,500.00

**36. 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	2021 ( Nu)	2020 (Nu)
1	Audit Fees	108,900.00	108,900.00
2	Power and Water	3,331,576.05	2,879,621.84
3	Rent	17,313,958.25	15,657,410.46
4	Repairs & maintenance of buildings	1,758,346.56	1,303,181.31
5	Repairs & maintenance of computer hardware	1,318,155.70	4,439,812.33
6	Salaries and bonus	273,857,311.78	265,864,498.97
7	Contribution to Provident Fund	21,826,661.00	21,663,705.84
8	Insurance	4,285,935.06	4,786,760.55
9	Rates & taxes excluding Income tax	180,214.40	138,972.02
10	<b>Other expenses exceeding 1% of total revenue:</b>		
10.1	Staff training	3,878,113.21	2,977,763.00
10.2	Travel expenses	45,996,523.20	41,821,459.20
10.3	Depreciation	63,347,295.00	65,489,986.00

37. Chetrumts have been rounded to the nearest Ngultrum.

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





**Item 03: Risk Weighted Assets (Current Year and Previous Year)**

Sl. No.	31-12-2021	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
	Assets			
1	Zero - Risk Weighted Assets	9,244,703	0%	0
2	20% - Risk Weighted Assets	1,958,999	20%	391,800
3	50% - Risk Weighted Assets	3,225,261	50%	1,612,630
4	100% - Risk Weighted Assets	16,949,022	100%	16,949,022
5	150% - Risk Weighted Assets		150%	
6	200% - Risk Weighted Assets		200%	
7	250% - Risk Weighted Assets		250%	
	<b>Add: Risk Weighted Assets for Operational Risk</b>			1,305,675
	<b>Grand Total</b>	<b>31,377,984</b>		<b>20,259,128</b>

Sl. No.	31-12-2020	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
	Assets			
1	Zero - Risk Weighted Assets	6,707,005	0%	0
2	20% - Risk Weighted Assets	2,622,221	20%	524,444
3	50% - Risk Weighted Assets	6,882	50%	3,441
4	100% - Risk Weighted Assets	16,760,010	100%	16,760,010
5	150% - Risk Weighted Assets	1,490,854	150%	2,236,280
6	200% - Risk Weighted Assets		200%	
7	250% - Risk Weighted Assets		250%	
	<b>Add: Risk Weighted Assets for Operational Risk</b>			1,250,585
	<b>Grand Total</b>	<b>27,586,973</b>		<b>20,774,761</b>





**Item 04: Capital Adequacy Ratios**

Sl. No.		31-12-2021	31-12-2020
1	<b>Tier 1 Capital</b>	<b>1,844,120</b>	<b>1,515,252</b>
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	<b>Tier 2 Capital</b>	<b>994,585</b>	<b>1,002,846</b>
3	<b>Total qualifying capital</b>	<b>2,815,060</b>	<b>2,492,039</b>
	Less: Total NPLs of related parties	23,645	26,059
4	<b>Core CAR</b>	<b>9.10%</b>	<b>7.29%</b>
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	<b>CAR</b>	<b>13.90%</b>	<b>12.00%</b>
6	<b>Leverage ratio</b>	<b>5.75%</b>	<b>5.40%</b>





**Item 05: Loans and NPL by Sectoral Classification**

Sl. No.	Sector	31-12-2021		31-12-2020	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture	5,892,161	739,466	6,017,958	1,195,180
b	Production & Manufacturing	1,126,349	346,163	1,039,838	612,386
c	Service	3,630,201	976,253	3,511,090	1,676,207
d	Trade & Commerce	2,266,048	352,885	1,948,600	581,461
e	Loans to FI (s)	0	0	0	0
f	Housing	5,039,935	417,955	4,535,803	649,325
g	Transport	1,538,398	156,658	1,197,658	252,116
h	Personal loan	2,100,979	203,959	2,229,929	389,861
i	Staff Loan	246,294	7,915	253,501	10,061
j	Education Loan	260,183	89,490	263,221	84,421
k	Loan Against Fixed Deposit	164,445	206	81,530	2,132
l	Loan to Govt. owned Corporation	0	0	0	0
m	Others	61,796	31,162	86,829	37,360
	<b>Total</b>	<b>22,326,789</b>	<b>3,322,112</b>	<b>21,165,959</b>	<b>5,490,510</b>





**Item 06: Loans (Over-drafts and term Loans) by types of counter-party**

Sl. No.	Counter party	31-12-2021	31-12-2020
<b>1</b>	<b>Overdrafts</b>	<b>3,864,376</b>	<b>3,670,309</b>
a	Government	0	0
b	Government Corporation	0	20,775
c	Public Companies	0	0
d	Private Companies	597,012	471,558
e	Individuals	3,267,365	3,177,976
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0
<b>2</b>	<b>Term Loans</b>	<b>18,462,413</b>	<b>17,495,650</b>
a	Government	0	0
b	Government Corporation	0	0
c	Public Companies	0	0
d	Private Companies	767,570	659,681
e	Individuals	17,694,843	16,835,969
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0





**Item 10: Non Performing Loans and Provisions**

Sl. No.		31-12-2021	31-12-2020
<b>1</b>	<b>Amount of NPLs (Gross)</b>	<b>3,322,112</b>	<b>5,490,510</b>
a	Substandard	380,744	1,605,442
b	Doubtful	529,390	640,761
c	Loss	2,411,977	3,244,307
<b>2</b>	<b>Specific Provisions</b>	<b>2,689,167</b>	<b>3,133,333</b>
a	Substandard	67,218	303,541
b	Doubtful	226,736	276,690
c	Loss	1,930,350	2,553,102
d	Additional Provision for 2021	464,862	0
<b>3</b>	<b>Interest-in-Suspense</b>	<b>635,959</b>	<b>866,324</b>
a	Substandard	63,196	87,737
b	Doubtful	91,136	87,382
c	Loss	481,627	691,205
<b>4</b>	<b>Net NPLs</b>	<b>-3,014</b>	<b>1,490,854</b>
a	Substandard	250,330	1,214,164
b	Doubtful	211,518	276,690
c	Loss	0	0
<b>5</b>	<b>Gross NPLs to Gross Loans</b>	<b>14.88%</b>	<b>25.94%</b>
<b>6</b>	<b>Net NPLs to Net Loans</b>	<b>-0.02%</b>	<b>8.68%</b>
<b>7</b>	<b>General Provisions</b>	<b>188,776</b>	<b>161,301</b>
a	Standard	178,116	145,065
b	Watch	10,660	16,237





**Item 11: Assets and Investments**

Sl. No.	Investment	31-12-2021	31-12-2020
<b>1</b>	<b>Marketable Securities (Interest Earning)</b>		
a	RMA securities	2,837,014	66,485
b	RGOB Bonds/Securities	329,334	329,334
c	Corporate Bonds	180,332	280,332
d	Others	0	0
	<b>Sub-total</b>	<b>3,346,680</b>	<b>676,151</b>
<b>2</b>	<b>Equity Investments</b>		
e	Public Companies	28,442	28,442
f	Private Companies	0	0
g	Commercial Banks	17,375	5,000
h	Non- Bank Financial Institutions	11,000	11,000
	<b>Less</b>		
i	Specific Provisions	0	0
<b>3</b>	<b>Fixed Assets</b>		
j	Fixed Assets (Gross)	731,488	739,427
	<b>Less</b>		
k	Accumulated Depreciation	440,424	395,063
l	Fixed Assets (Net Book Value)	291,064	344,364

**Item 13: Geographical Distribution of Exposures**

	Domestic		India		Other	
	31-12-21	31-12-20	31-12-21	31-12-20	31-12-21	31-12-20
Demand Deposits Held With others banks	344,255	338,091	3,916	6,882	0	0
Time deposits held with others banks	850,313	2,094,328	0	0	0	0
Borrowings	306,909	422,803	0	0	194,301	215,626





**Item 14: Credit Risk Exposure by Collateral**

Sl. No.	Particulars	31-12-2021	31-12-2020
<b>1</b>	<b>Secured Loans</b>		
a	Loans Secured by Physical/Real Estate collateral	20,055,678	19,057,446
b	Loans Secured by Financial Collateral	1,452,478	1,436,657
c	Loan Secured by Guarantees	818,633	671,856
<b>2</b>	<b>Unsecured Loans</b>	0	0
<b>3</b>	<b>Total Loans</b>	<b>22,326,789</b>	<b>21,165,959</b>

**Item 15: Earning Ratios (%)**

Sl. No.	Ratio	31-12-2021	31-12-2020
1	Interest Income as a Percentage of Average Assets	8.74%	8.05%
2	Non-Interest Income as a Percentage of Average Assets	0.34%	0.19%
3	Operating Profit as a Percentage of Average Profit	344.60%	-126.21%
4	Return on Assets	0.84%	-0.55%
5	Business (Deposits plus Advances) per employee	72,883	70,356
6	Profit Per employee	362	-230





**Item 17: Customers Complaints**

Sl. No.	Particulars	31-12-2021	31-12-2020
1	No. of complaints pending at the beginning of the year	0	0
2	No. of complaints received during the year	5,736	0
3	No. of complaints redressed during the year	5,736	0
4	No. of complaints pending at the end of the year	0	0

**Item 19: Concentration of Credit and Deposits**

Sl. No.	Particulars	31-12-2021	31-12-2020
1	Total Loans to 10 Largest Borrowers	1,317,770	1,214,052
2	As % of Total Loans	5.90%	5.74%
3	Total Deposit of the 10 Largest Depositors	4,920,766	5,813,303
4	As % of Total Deposits	19.09%	25.73%

**Item 20: Exposure to 5 Largest NPL Accounts**

Sl. No.	Particulars	31-12-2021	31-12-2020
1	Five Largest NPL Accounts	334,130	419,136
2	As % of Total NPLs	10.06%	7.63%





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

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	1,038.16	0.00	0.00	0.00	0.00	0.00	0.00	1,038.16
Govt. Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Securities	0.00	1,999.91	837.11	0.00	0.00	0.00	566.48	3,403.50
Loans & Advances to Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances to Customers(net)	9.07	0.00	18.44	33.20	8.93	454.10	18,466.10	18,989.84
Others Assets	1,852.50	1,711.47	528.67	1,100.24	65.07	28.98	1,980.10	7,267.03
<b>Total</b>	<b>2,899.73</b>	<b>3,711.37</b>	<b>1,384.21</b>	<b>1,133.44</b>	<b>74.00</b>	<b>483.08</b>	<b>21,012.69</b>	<b>30,698.53</b>
Amounts Owed to Others Bank	0.00	0.00	0.00	0.00	0.00	0.00	501.21	501.21
Demand Deposits	1,032.17	0.00	0.00	0.00	0.00	0.00	0.00	1,032.17
Savings Deposits	10,289.36	0.00	0.00	0.00	0.00	0.00	0.00	10,289.36
Time Deposit	7.42	0.00	1.59	308.31	97.92	290.68	13,748.70	14,454.62
Bonds & Others Negotiable Instruments	0.00	0.00	0.00	0.00	0.00	0.00	980.50	980.50
Other Liabilities	1.39	22.31	0.34	66.15	21.24	52.27	3,276.97	3,440.67
<b>Total</b>	<b>11,330.34</b>	<b>22.31</b>	<b>1.93</b>	<b>374.46</b>	<b>119.16</b>	<b>342.95</b>	<b>18,507.37</b>	<b>30,698.53</b>
<b>Assets/Liabilities</b>	<b>25.59%</b>	<b>16639.02%</b>	<b>71718.27%</b>	<b>302.68%</b>	<b>62.10%</b>	<b>140.86%</b>	<b>113.54%</b>	<b>100%</b>
<b>Net Mismatch in Each Time Interval</b>	<b>8,430.61</b>	<b>(3,689.07)</b>	<b>(1,382.28)</b>	<b>(758.98)</b>	<b>45.16</b>	<b>(140.13)</b>	<b>(2,505.32)</b>	<b>0.00</b>
<b>Cumulative Net Mismatch</b>	<b>8,430.61</b>	<b>4,741.54</b>	<b>3,359.26</b>	<b>2,600.28</b>	<b>2,645.44</b>	<b>2,505.31</b>	<b>(0.01)</b>	<b>(0.01)</b>



Email: [info@bdb.bt](mailto:info@bdb.bt)

Toll Free No. 1424

[www.bdb.bt](http://www.bdb.bt)

Bhutan Development Bank Ltd. | P.O Box: 256 | Thimphu Bhutan |



ལྷོ། འབྲུག་གོང་འཕེལ་དཔུང་ལས་ཚན་འཛིན།  
**Bhutan Development Bank Limited**  
*"Your Development Partner"*



31-12-2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in hand	777.16	0.00	0.00	0.00	0.00	0.00	0.00	777.16
Govt. Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Securities	0.00	0.00	66.49	0.00	0.00	0.00	654.11	720.59
Loans & Advances to Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances to Customers(net)	130.82	47.95	250.00	399.17	393.59	642.82	15,307.91	17,172.28
Others Assets	3,697.78	2,315.36	547.24	868.49	89.49	126.71	800.81	8,445.89
<b>Total</b>	<b>4,605.77</b>	<b>2,363.32</b>	<b>863.73</b>	<b>1,267.66</b>	<b>483.08</b>	<b>769.53</b>	<b>16,762.83</b>	<b>27,115.91</b>
Amounts Owed to Others Bank	0.00	26.93	8.08	32.13	35.93	33.07	502.28	638.43
Demand Deposits	884.08	0.00	0.00	0.00	0.00	0.00	0.00	884.08
Savings Deposits	7,900.22	0.00	0.00	0.00	0.00	0.00	0.00	7,900.22
Time Deposit	157.44	365.63	1,182.71	1,417.86	835.65	1,012.74	8,839.08	13,811.12
Bonds & Others Negotiable Instruments	0.00	0.00	0.00	0.00	0.00	0.00	980.50	980.50
Other Liabilities	266.28	146.76	19.75	27.64	32.50	28.39	2,380.23	2,901.55
<b>Total</b>	<b>9,208.02</b>	<b>539.33</b>	<b>1,210.54</b>	<b>1,477.64</b>	<b>904.09</b>	<b>1,074.20</b>	<b>12,702.09</b>	<b>27,115.91</b>
<b>Assets/Liabilities</b>	<b>50.02%</b>	<b>438.19%</b>	<b>71.35%</b>	<b>85.79%</b>	<b>53.43%</b>	<b>71.64%</b>	<b>131.97%</b>	<b>100%</b>
<b>Net Mismatch in Each Time Interval</b>	<b>4,602.26</b>	<b>(1,823.99)</b>	<b>346.81</b>	<b>209.98</b>	<b>421.01</b>	<b>304.66</b>	<b>(4,060.74)</b>	<b>0.00</b>
<b>Cumulative Net Mismatch</b>	<b>4,602.26</b>	<b>2,778.27</b>	<b>3,125.08</b>	<b>3,335.06</b>	<b>3,756.07</b>	<b>4,060.73</b>	<b>(0.01)</b>	<b>(0.01)</b>

*(Handwritten Signature)*



Email: [info@bdb.bt](mailto:info@bdb.bt)

Toll Free No. 1424

[www.bdb.bt](http://www.bdb.bt)

Bhutan Development Bank Ltd. | P.O Box: 256 | Thimphu Bhutan |



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

	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		1,038.16	0.00	0.00	0.00	0.00	0.00	0.00	1,038.16
Govt. Securities		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Securities		0.00	1,999.91	837.11	0.00	0.00	0.00	566.48	3,403.50
Loans & Advances to Bank		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances to Customers		9.07	0.00	18.44	33.20	8.93	454.10	18,466.10	18,989.84
Others Assets		1,852.50	1,711.47	528.67	1,100.24	65.07	28.98	1,980.10	7,267.03
<b>Total</b>		<b>2,899.73</b>	<b>3,711.37</b>	<b>1,384.21</b>	<b>1,133.44</b>	<b>74.00</b>	<b>483.08</b>	<b>21,012.69</b>	<b>30,698.53</b>
Amounts owed to Others Bank		0.00	0.00	0.00	0.00	0.00	0.00	501.21	501.21
Demand Deposits		1,032.17	0.00	0.00	0.00	0.00	0.00	0.00	1,032.17
Savings Deposits		10,289.36	0.00	0.00	0.00	0.00	0.00	0.00	10,289.36
Time Deposit		7.42	0.00	1.59	308.31	97.92	290.68	13,748.70	14,454.62
Bonds & Others Negotiable Instruments		0.00	0.00	0.00	0.00	0.00	0.00	980.50	980.50
Other liabilities		1.39	22.31	0.34	66.15	21.24	52.27	3,276.97	3,440.67
<b>Total</b>		<b>11,330.34</b>	<b>22.31</b>	<b>1.93</b>	<b>374.46</b>	<b>119.16</b>	<b>342.95</b>	<b>18,507.37</b>	<b>30,698.53</b>
<b>Assets/Liabilities</b>		<b>25.59%</b>	<b>16639.02%</b>	<b>71718.27%</b>	<b>302.68%</b>	<b>62.10%</b>	<b>140.86%</b>	<b>113.54%</b>	<b>100%</b>
<b>Net Mismatch in each Time Interval</b>		<b>8,430.61</b>	<b>(3,689.07)</b>	<b>(1,382.28)</b>	<b>(758.98)</b>	<b>45.16</b>	<b>(140.13)</b>	<b>(2,505.32)</b>	<b>0.00</b>
<b>Cumulative Net Mismatch</b>		<b>8,430.61</b>	<b>4,741.54</b>	<b>3,359.26</b>	<b>2,600.28</b>	<b>2,645.44</b>	<b>2,505.31</b>	<b>(0.01)</b>	<b>(0.01)</b>





འབྲུག་གོང་འཕེལ་དཔལ་ཁང་ཚོད་འཛིན།  
Bhutan Development Bank Limited  
"Your Development Partner"



31-12-2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	777.16	0.00	0.00	0.00	0.00	0.00	0.00	777.16
Govt. Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Securities	0.00	0.00	0.00	0.00	0.00	0.00	720.59	720.59
Loans & Advances to Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans & Advances to Customers	7.28	1.57	28.49	7.69	11.22	185.33	16,930.70	17,172.28
Others Assets	3,697.78	1,447.93	10.29	1,310.95	915.60	8.69	1,054.65	8,445.89
<b>Total</b>	<b>4,482.22</b>	<b>1,449.50</b>	<b>38.78</b>	<b>1,318.64</b>	<b>926.82</b>	<b>194.02</b>	<b>18,705.94</b>	<b>27,115.91</b>
Amounts owed to Others Bank	0.00	26.93	8.08	32.13	35.93	33.07	502.28	638.43
Demand Deposits	884.08	0.00	0.00	0.00	0.00	0.00	0.00	884.08
Savings Deposits	7,900.22	0.00	0.00	0.00	0.00	0.00	0.00	7,900.22
Time Deposit	0.00	0.00	203.09	507.91	566.78	171.40	12,361.94	13,811.12
Bonds & Others Negotiable Instruments	0.00	0.00	0.00	0.00	0.00	0.00	980.50	980.50
Other liabilities	261.74	137.41	1.95	5.72	7.50	5.83	2,481.40	2,901.55
<b>Total</b>	<b>9,046.05</b>	<b>164.34</b>	<b>213.13</b>	<b>545.76</b>	<b>610.22</b>	<b>210.30</b>	<b>16,326.12</b>	<b>27,115.91</b>
<b>Assets/Liabilities</b>	<b>49.55%</b>	<b>882.01%</b>	<b>18.20%</b>	<b>241.61%</b>	<b>151.88%</b>	<b>92.26%</b>	<b>114.58%</b>	<b>100%</b>
<b>Net Mismatch in each Time Interval</b>	<b>4,563.83</b>	<b>(1,285.16)</b>	<b>174.35</b>	<b>(772.88)</b>	<b>(316.60)</b>	<b>16.28</b>	<b>(2,379.81)</b>	<b>0.00</b>
<b>Cumulative Net Mismatch</b>	<b>4,563.83</b>	<b>3,278.67</b>	<b>3,453.02</b>	<b>2,680.14</b>	<b>2,363.54</b>	<b>2,379.82</b>	<b>0.01</b>	<b>0.01</b>





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

31-12-2021	Time to re-pricing				Non-Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
<b>Asset</b>						
Cash and Balance with Banks	386.80	418.24	0.00	75.52	1,435.66	2,316.22
Treasury Bills	1,999.91	837.11	0.00	0.00	0.00	2,837.01
Loans and Advances	2,057.77	539.95	2,432.33	13,959.78	0.00	18,989.84
Investment Securities	0.00	0.00	0.00	566.48	0.00	566.48
Others Assets	21.11	257.71	413.29	1,606.49	3,690.37	5,988.97
<b>Total Financial Assets</b>	<b>4,465.59</b>	<b>2,053.01</b>	<b>2,845.62</b>	<b>16,208.28</b>	<b>5,126.02</b>	<b>30,698.53</b>
<b>Liabilities</b>						
Deposit	10,423.44	1,660.39	2,652.84	10,007.31	1,032.17	25,776.14
Borrowings	28.74	42.03	72.75	357.69	0.00	501.21
Other liabilities	4.26	76.32	109.30	1,951.98	2,279.31	4,421.17
<b>Total Financial Liabilities</b>	<b>10,456.44</b>	<b>1,778.73</b>	<b>2,834.88</b>	<b>12,316.99</b>	<b>3,311.48</b>	<b>30,698.53</b>
<b>Total Interest Re-pricing Gap</b>	<b>33.40%</b>	<b>117.00%</b>	<b>89.86%</b>	<b>144.20%</b>	<b>157.39%</b>	<b>100.00%</b>





ལྷོ། འབྲུག་གོང་འཕེལ་དུལ་ཁང་ཚད་འཛིན།  
Bhutan Development Bank Limited  
"Your Development Partner"



31-12-2020	Time to re-pricing					Non-Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months			
<b>Asset</b>							
Cash and Balance with Banks	1,308.79	785.54	74.47	0.00	1,122.13	3,290.93	
Treasury Bills	66.49	0.00	0.00	0.00	0.00	66.49	
Loans and Advances	428.78	399.17	1,036.42	15,307.91	0.00	17,172.28	
Investment Securities	0.00	0.00	0.00	654.11	0.00	654.11	
Others Assets	912.08	142.86	172.68	821.37	3,883.11	5,932.11	
<b>Total Financial Assets</b>	<b>2,716.14</b>	<b>1,327.57</b>	<b>1,283.57</b>	<b>16,783.39</b>	<b>5,005.25</b>	<b>27,115.91</b>	
<b>Liabilities</b>							
Deposit	9,606.01	1,417.86	1,848.40	8,839.08	884.08	22,595.43	
Borrowings	35.02	32.13	69.00	502.28	0.00	638.43	
Other liabilities	52.10	37.91	82.39	1,745.26	1,964.39	3,882.05	
<b>Total Financial Liabilities</b>	<b>9,693.12</b>	<b>1,487.91</b>	<b>1,999.78</b>	<b>11,086.62</b>	<b>2,848.47</b>	<b>27,115.91</b>	
<b>Total Interest Re-pricing Gap</b>	<b>33.40%</b>	<b>117.00%</b>	<b>89.86%</b>	<b>144.20%</b>	<b>157.39%</b>	<b>100.00%</b>	



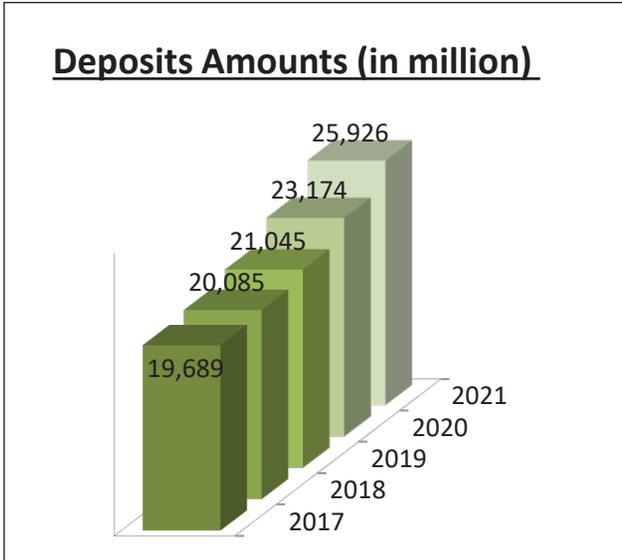
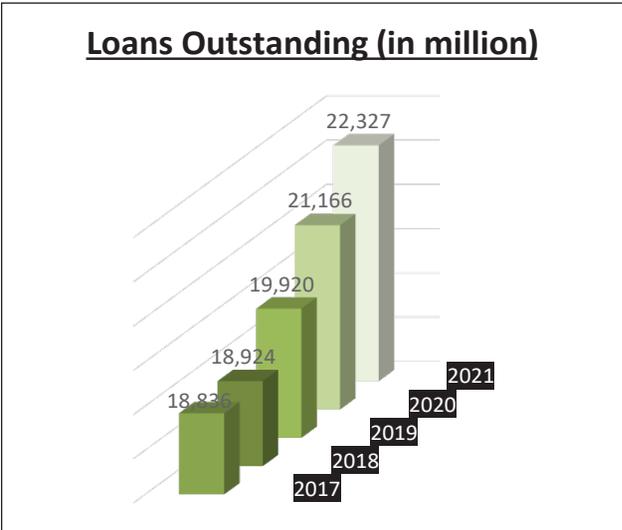
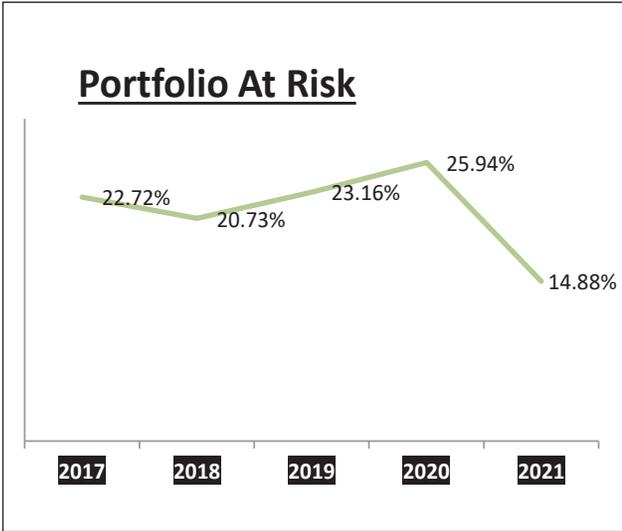
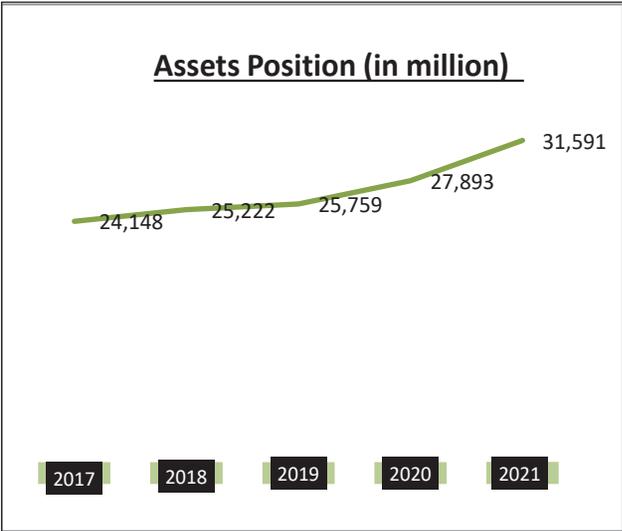
Bhutan Development Bank Ltd. | P.O Box: 256 | Thimphu Bhutan |

Email: [info@bdb.bt](mailto:info@bdb.bt)

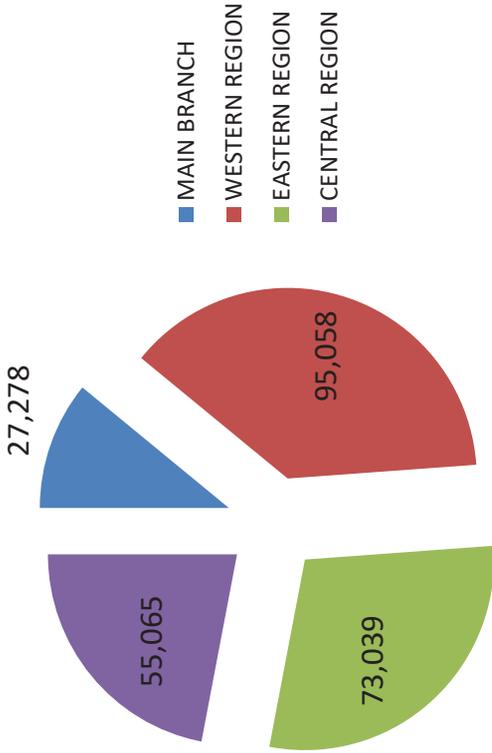
[www.bdb.bt](http://www.bdb.bt)

Toll Free No. 1424

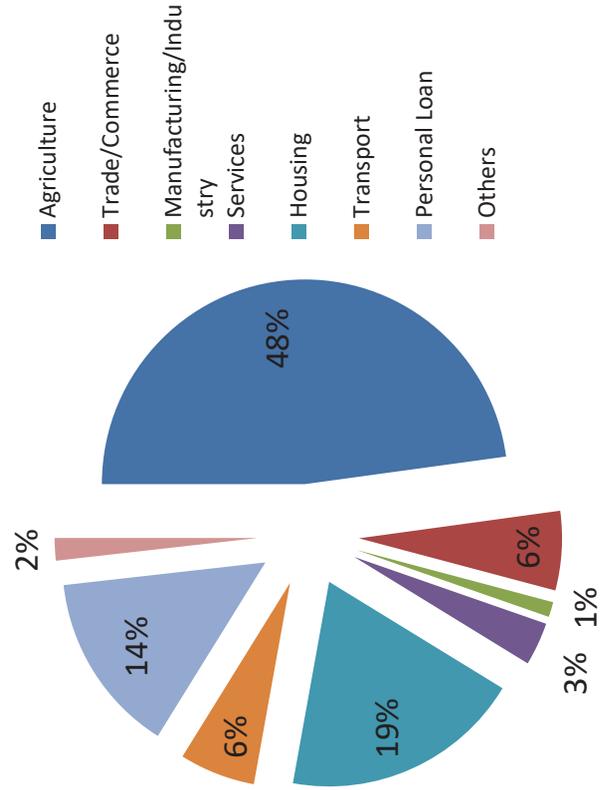
# PERFORMANCE INDICATORS



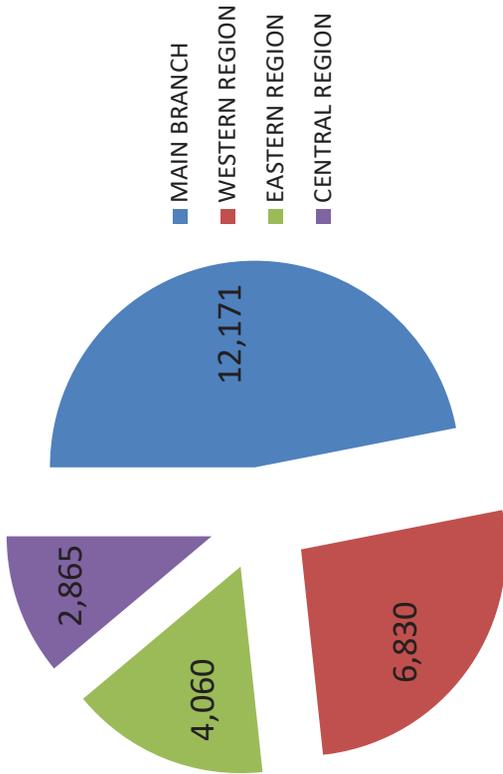
**Region - Wise Deposit Accounts**



**Sector wise Credit Accounts ( % )**



**Region - Wise Deposit Amount**



**Sector wise Credit Outstanding ( % )**

