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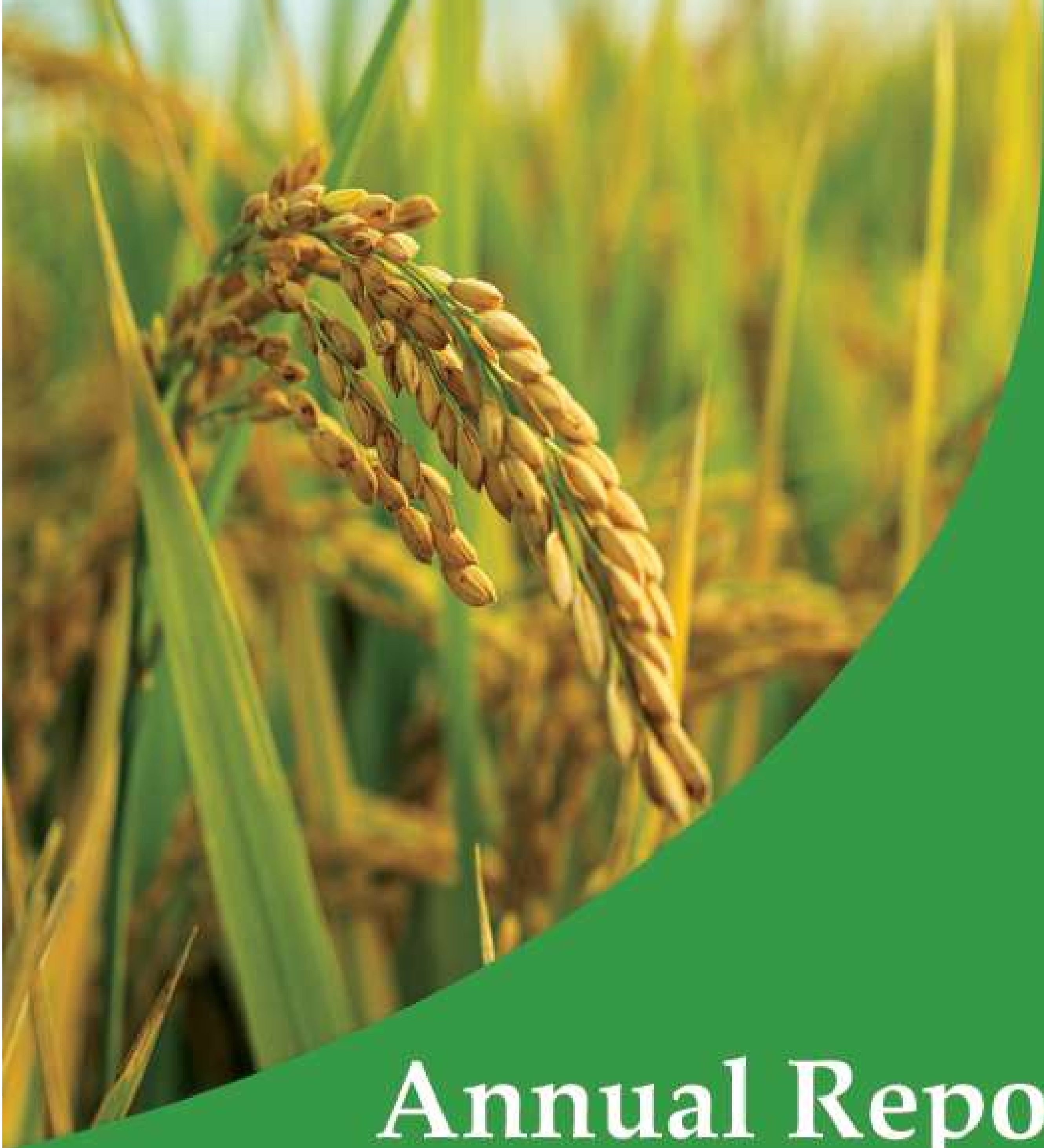
Bhutan Development Bank

"Your Development Partner"



Annual Report 2023

Annual Report

CONTENTS

INTRODUCTION

FOREWORD

Dear Shareholders and Stakeholders,

It is with great pleasure that I present to you the Bhutan Development Bank's Annual Report for the year 2023. This year has been a testament to our commitment to sustainable growth, resilience in the face of challenges, and unwavering dedication to our community and customers.

Throughout the year, we have navigated through dynamic economic landscapes, leveraging our expertise and innovative spirit to deliver financial performance. Our strategic initiatives have not only fortified our position in the market but also enhanced our capability to serve the evolving needs of our customers effectively.

As we reflect on the achievements of the past year, we are reminded of our core values of integrity, transparency, and customer-centricity. These values have guided us in every decision and action, ensuring that we uphold the trust and confidence bestowed upon us by our stakeholders.

Looking forward, we are committed to further strengthening our offerings and embracing technological advancements to drive sustainable growth and create lasting value for all our stakeholders. We remain dedicated to contributing positively to the socio-economic development of Bhutan, fostering financial inclusion, and supporting the aspirations of individuals and businesses alike.

I extend my heartfelt gratitude to our shareholders for their unwavering support, our customers for their trust, and our employees for their dedication and hard work. Together, we embark on the journey ahead with optimism and determination.

Who We Are

Bhutan Development Bank Limited (BDB) is one of the significant financial institution in the country, incorporated in January 1988 under a Royal Charter with assistance from the Asian Development Bank (ADB). It is registered as a company under Companies Act 2000 and licensed under the Financial Institutions Act 1992. Initially, its primary function was as a development finance institution (DFI) and in the following years as a domestic development bank with banking facilities, obtaining its banking license in March 2010. It's worth noting that the Royal Government of Bhutan (RGoB) holds a significant ownership stake in BDB, with 98.96% of its paid-up share capital being owned by the government.

What We Do

BDB plays a crucial role in the Bhutanese financial sector by focusing on rural development and providing financial services to rural farmers. It administers nationwide credit programs, offering seasonal, small, and medium-term loans to support the agricultural sector, which is vital for the country's economy.

Additionally, BDB also extends its services to industrial and agro-based ventures by providing both of term and working capital loans.

One notable initiative of BDB is its Farmers Outreach Banking Service, which aims to serve clients in rural areas more effectively. The service reduces the need for rural clients to travel to branch offices, making banking services more accessible and cost-effective for the clients.

Mandates

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

My Journey with BDBL

My journey with Bhutan Development Bank began in 1986, even before its establishment. The story dates back to when I was studying commerce in my first year at Kalimpong College. Due to unrest in the Darjeeling District, the college got closed, and I had to return home, seeking temporary employment. I approached RCSC, but temporary positions had been halted, so I was offered the role of Administrative Assistant at the RMA office.

I served as an Administrative Assistant for just seven days before being transferred to the Agriculture Credit Division within RMA due to my commerce background. After six months at RMA head office, I was transferred to Dagana Dzongkhag as a Rural Credit Officer from January 1, 1987. Back then, the Rural Credit Office was part of the Dzongkhag Administration, with Dasho Dzongdag as the approving authority.

Most loan requests were for agricultural inputs like seeds, seedlings, fertilizers, and tools, with amounts as small as Nu. 5. The entire portfolio of Agricultural Credit under RMA was a mere Nu. 4-5 million.After one and a half years with RMA, I was transferred to BDFC in 1988, a new financial institution established under the Royal Command of His Majesty the Fourth King. The entire staff from the Agriculture Credit Division was transferred to BDFC.

Serving four years in Dagana was challenging. There was no electricity, and roads were often blocked. The Dzongkhag had only two vehicles, relied upon by the entire office, including the Dratshang. Banking transactions required traveling 107 km to Tsirang Damphu. We carried cash and heavy ledgers to disburse loans. Everything was manual, from accruing interest to preparing reports. Tours were conducted on foot, lasting at least a week each time. Despite these challenges, we managed to disburse loans and maintain records manually.

During my tenure in Mongar, we computerized our loans, becoming the first financial institution in Bhutan to do so. With assistance from UNCDF, we started with small computers, later upgraded to ACER. In 1995, I was transferred to Samdrupjonhkhar Dzongkhag and served for three years, then moved to Tashiyangtsi Dzongkhag in 1998. Tashiyangtsi was where I had a near-death experience in 1999, which made me realize the importance of life, family, and religion. After five years in this remote Dzongkhag, I was transferred to Chukha Dzongkhag in 2003, serving there for eight years. This was my longest tenure in one place.

In 2011, I requested a transfer to Tsirang Dzongkhag, planning to settle there, but was transferred to Wangdue branch instead. In 2010, BDFC became BDBL, a full-fledged bank. As a result, government funding stopped, and we had to seek funds independently. Seeing potential in Phuntsholing, I was transferred there to mobilize funds from corporations and departments. Initially, it was challenging, but I managed to turn things around, gaining their trust and securing deposits.

In 2018, I was transferred to Tsirang branch, only to face a major issue: both Tellers had manipulated customer accounts, siphoning millions. The branch and Regional Office investigated, followed by the Internal Audit team. The CEO, GM, and Audit team visited all twelve geogs, assuring refunds to affected customers. The process was delayed due to the pandemic, but we managed to regain public confidence. Throughout my service, I've seen the transition from manual to digital banking, from small loans to million-Ngultrum disbursements. BDBL has significantly contributed to improving rural livelihoods, alleviating poverty in Bhutan. After 38 years of service, I am retiring on July 21, 2024. I had the privilege to work under various leaders and served the country to the best of my ability. I am and will always remain grateful to the Bank for this incredible journey.

Mr. Jhamba
(Sr. Branch Manager)
Tsirang Branch Office

MISSION 1

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

VISION 2

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

CORE VALUES 3

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

Milestone

FEB

Appointment of chief executive officer

MAR

Training on loan appraisal and Credit scoring model

APR

Partial lifting of moratorium across 11 branches

JUN

- Launch of Special
- Education Loan

AUG

Lifting of loan moratorium across whole BDB on performing customers

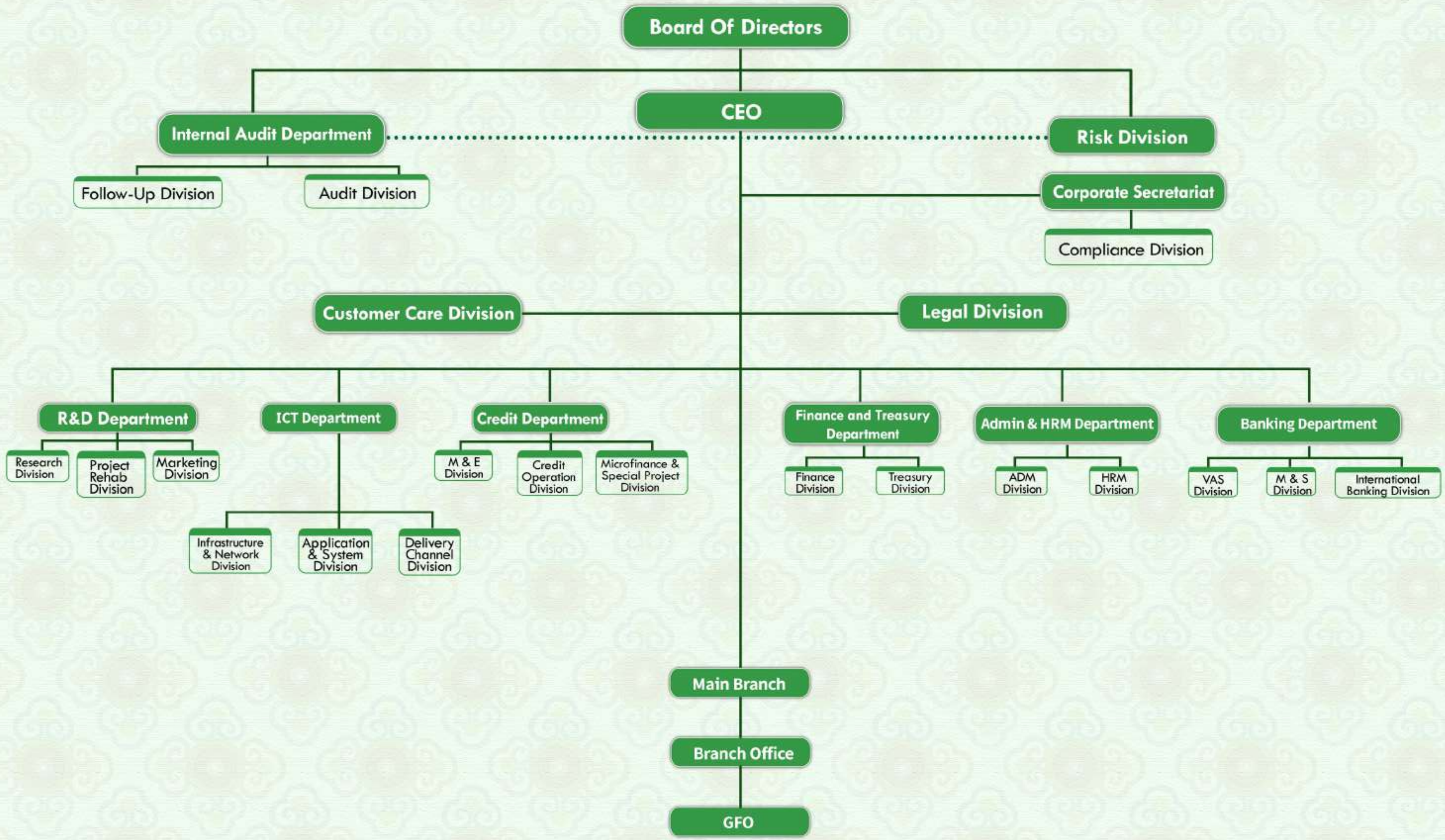
OCT

- Introduction of Educational and reflection forum
- Amalgamation of NCSIDBL and BDB
- Appointment of new board chairman

DEC

- Full lifting of prompt corrective action(PCA)

ORGANIZATIONAL STRUCTURE



Board of Directors

Mr. Karma Tshering
Chairman/Independent Director
Former CEO, BOIC

Ms. Kunzang Lhamu
Director
Director General, Department of Employment & Emtrepreneurship, MoICE

Mr. kinzang Tobgay
Director/ Independent Board
CEO, Lhojong Construction

Ms. Dechen Yangden
Director
Director, Dept. of Water, MoENR

Mr. Sonam Wangdi
Director
Chief Finance Officer, Department of Treasury and Accounts, MoF

Ms. Deki Yangzom
Director
Chief Legal Officer, MoF

Ms. Tshering Om
Executive Director,CEO
BDBL

BDBL MANAGEMENT TEAM

Ms. Tshering Om
Chief Executive Officer

Mr. Kuenzang Thinley
General Manager:
Banking Department

Mr. Pema Wangdi
General Manager: Corporate Planning & Research Department

Mr. Gembo Dorji
Chief Legal Counsel,
Legal Department

Mr. Lobzang Dhendup
General Manager: Credit Department

Mr. Tashi Rinchen
General Manager: Finance and Treasury Department

Mr. Pema Khandu
General Manager: HR & ADM Department

Mr. Bhawani shankar
General Manager: Internal Audit Department

Ms. Peldon
General Manager: ICT Department

CHAIRMAN'S REPORT

Director's report

On behalf of the Board of Directors of Bhutan Development Bank Ltd. (BDB), we are pleased to present this report on the company's performance for the year 2023. The report is for our shareholders Ministry of Finance, Bank of Bhutan Ltd., Bhutan National Bank Ltd., Royal Insurance Corporation of Bhutan Ltd. and other stakeholders.

Oveview

2023 was a challenging year. The bank had to recover from a loss of Nu.192.43 million in 2022 which was a result of both operational as well as strategic issues. Between 2018 and 2022, BDB experienced one of the highest Non-Performing Loan (NPL) ratios among banks in Bhutan. Due to this, the Royal Monetary Authority imposed a loan moratorium on BDB, along with National CSI Development Bank Ltd. (NCSIDBL) and Royal Insurance Corporation of Bhutan Ltd. (RICBL).

Without the implementation of a well-planned turnaround strategy led by experienced management and overseen by an independent board, BDB's performance was likely to continue deteriorating, leading to negative financial returns and, eventually, requiring government intervention to even meet regulatory obligations.

Beginning 2023, the board brought in a new-management team including the CEO to bring in transformative changes. As of today, we are pleased to inform that the board, management and employees have been able to turn around the performance of BDB in 2023 while ensuring continued and undisrupted services to our valued customers especially the rural farmers.

Furthermore, on August 25, 2023, the Lhengye Zhuntshog, through an order, authorized the amalgamation of NCSIDBL with BDB. This amalgamation will help to establish a more resilient and sustainable bank with a secure capital base in the long run. The immediate focus now would be to redefine BDB's role and priorities to align with the economic targets and development objectives of the Royal Government of Bhutan.

Reforms in 2023

As a turn-around strategy in 2023 the Board immediately set new directions to be implemented in terms of governance and operational reforms.

Governance reforms

All positions for General Managers were transitioned to contract-based roles, accompanied by higher pay and an annual review to evaluate their performance. In the management team, the board recruited a new CEO and other members from varied fields such as credit, human resources, and finance. This change was in response to the challenges of operational issues and high non-performing loans (NPLs). In order to resolve the high NPLs and the significant backlog of cases, the company has also recruited a Chief Legal Counsel.

Additionally, the board underwent significant changes, with several members choosing to resign and pursue their personal goals in 2023. New board members with a mix of legal and financial expertise were appointed. This diverse group includes senior civil servants and private sector professionals. An independent Director has been appointed as the Board's Chair. Regarding gender diversity, the board includes four female directors out of a total of seven.

Operational reforms:

NPL management and lifting of credit moratorium

The immediate focus of the bank was to come out of the loan moratorium in 2023. Major credit risk management reforms were initiated. These reforms include revision of credit manual, institution of enhance recovery process, weekly reporting of NPLs by branch/client and implementation of NPL tracking system with NPL management and restructuring. In January 2023, the NPLs were reported at 20.08% (including charged-offs) and 6.41% (active). By 31 December 2023, the NPLs were reduced to 14.6% (in-cluding charged-offs) and 2.7% (active) for BDB portfolio and 4.79% including National CSI Development Bank
portfolio.

Based on the NPL management, the RMA lifted the moratorium in following tranches:

- On 23 March 2023, the RMA provided partial lifting of moratorium by opening cred it for 11 branches.
- On 20 July 2023, the RMA lifted moratorium on consumer loan and loan against fixed deposit in all branches.
- On 01 August 2023, the RMA further relaxed the moratorium by allowing the bank to lend to existing clients across all branches for client retention.
- On 20 December 2023, the RMA lifted the full moratorium.

Balance sheet optimization and cost control

The bank's CD ratio and SLR requirement stood at 67.6% and 41.4% respectively. The immediate focus was to optimize the balance sheet to ensure the excess liquidity are efficiently used given the challenge from negative net loan growth during the moratorium. In order to maximise returns from the excess liquidity sitting with the bank, the treasury unit took active part in making short term investments which resulted in an income of Nu. 307.82 million. A 107% increase from Nu. 148.34 million in 2022.

A comprehensive review of all departments and cost centers was conducted to find ways to streamline operations and reduce operational expenses. Consequently, all capital expenditures for 2023 were put on hold. Over the last four years, from 2019 to 2022, the bank's workforce numbered over 600, peaking in 2019 with 644 employees. By the end of 2023, the employee count had dropped to its lowest at 551. The trend of resignations and new hires followed this pattern until 2022. However, in 2023, despite facing a record number of resignations (168 employees by December 2023), the bank recruited only 68 new employees, focusing only on the urgency and critical nature of the roles to be filled. Starting in November 2023, an organizational development initiative was launched and is currently ongoing. The results of this initiative are expected to offer further opportunities to optimize and make more efficient use of human resources.

Amalgamation of NCISDBL

The Lhengye Zhuntshog, through directive C-3/150/2023/1749 dated 21 August 2023, sanctioned the amalgamation of NCSIDBL with the bank. This process was overseen by a committee established by the Ministry of Finance, including representatives from both banks. The merger followed a comprehensive "lock, stock, and barrel" approach as mandated by the government, entailing the transfer of all legal rights and obligations from NCSIDBL to BDB.

This process involved a detailed examination of operational procedures across seven key areas, identifying challenges and outlining specific pre and post-merger activities. Sufficient budget was allocated for the continuation of these activities, with the post-merger phase focusing on skill development, data integration, and meeting regulatory standards. However, the merger introduced potential risks related to regulatory compliance, loan account migrations, and ongoing non-performing loans, which could affect BDBL's financial and regulatory standing. To mitigate this issue and to ensure a smooth merger,. the Royal Monetary Authority (RMA) has approved a 24-month period for segregation BDB and NCSIDBL loans to avoid regulatory breaches concerning NPL thresholds. This merger has strengthened the bank, providing a solid and sustainable foundation with a strong capital base, as evidenced by an 16.08% core capital ratio, a 26.3% capital adequacy ratio, and a 9.4% leverage ratio as of December 2023.

One of the key concern was the perception of undue related party transaction that it would create under the amalgamation. Under the amalgamated entity, the borrowings and investment between MoF, NCSIDBL and BDB would all be consolidated between MoF and BDB. The NCSIDBL has a total subsidized loan of Nu. 915 million from MoF with Nu. 700 million at 2% p.a and Nu. 215 million at zero interest rate. The BDB had an investment of Nu.1,500 million bond at 3.9% with MoF.

Removal of the separate legal entity and the amalgamation creates a relationship of borrowing where MoF is paying 3.9% for the funds borrowed from BDB and the same funds are now transferred to BDB at 2%. This invariably disadvantages MoF. From the BDB perspective, it gained on net interest of 1.9% on the sum.
The amalgamation provided the opportunity to correct this situation created through the proposed dissolution of NCSIDBL and restructuring the bond from Nu.1,500 million to Nu.800 million by extinguishing NCSIDBL's Nu.700 million liability. This was considered in the overall interest since the owner is the government.

Salary revision

The Ministry of Finance approved the pay revision for the employees of SoEs with retrospective from 1st October 2023. The pay revision notification issued by MoF on 24th November 2023 increased salaries by 46% to 72% in the form of Monthly Lump Sum Pay with the provision of 25% annual PBVI, subject to fulfilling annual performance compact. Similarly, the Board has approved pay raise of 50% to 70% to contract employees.

The pay revision was very timely as it came at right at the outset of growing inflation in the country and hence it has not only addressed the challenges pertaining to daily livelihood of employees but also motivated them to perform to the best of their abilities and to some extent, it also helped the bank to retain key employees.

Financial Performance

Despite the setback from negative growth of 2.9% in loans and advances, the bank has been able to make an improvement in PAT by 296 % from 2022. In terms of our financial reporting as per the Bhutanese Accounting Standards (equivalent of IFRS), the bank reported PAT of Nu. 378.92 million in 2023 against loss of Nu.192 million in 2022. For our regulatory reporting as per the Prudential Regulation 2017 of the RMA, the bank reported Nu. 236.12 million.

Sl.no	Particulars	Dec-23	Dec-22
1	Net interest income	**504.41**	**203.70**
2	Net fee and commission income	49.28	45.74
3	Other Operating Income	240.36	155.17
4	**Total operating income (1+2+3)**	**794.05**	**404.61**
5	Total Operating Expenses	545	597
6	Loan loss/ impairment expense	(79.14)	85.53
7	**Profit for year (before tax) (4-5-6)**	**327.93**	**(277.70)**
8	Current and deferred tax expense	(50.98)	(85.26)
9	**Profit after tax**	**378.92**	**(192.44)**

The significant improvement in the financial performance is attributed towards strategic initiative taken in 2023 which has resulted in transformation in our operational, governance and financial performance.

Assets: Our assets grew by 13% from Nu. 31,850.34 million in 2022 to Nu. 36,121.40 million in 2023. Despite the decrease in loan size by 2.9% due to continued loan moratorium, we have been able to maintain asset growth of 16.1% due to growth in asset through the amalgamation and increase inter-bank placements and investments in short-term instruments such as T-bills, commercial paper and inter-bank placements to optimize our balance sheet.

Liabilities: The total liabilities in 2023 was Nu. 31,700.75 million i.e 8.6% growth compared to Nu. 29.181 million in 2022. The growth in liability is due to increase of deposit liability from Nu.26,953.21 million in 2022 to Nu.28,863.78 million in 2023.

Equity: Equity increased to Nu.4420 million in 2023 from Nu. 2,669.07 million in 2022 mainly due to increase in Paid-up capital by Nu. 1,346.09 million from amalgamation of NCSIDBL with the bank and Nu. 353.43 million in retained earnings.

Challenges

In 2023, the leadership team and board successfully improved the bank's performance primarily by addressing urgent needs and capitalizing on easily achievable opportunities. However, the primary challenge lies in tackling deep-rooted problems stemming from the current organizational structure, including the high operational costs associated with the branch network, expensive funding sources, and the limitations of the existing workforce.

With the moratorium now lifted, the bank's immediate priority is to return to its pre-moratorium credit growth rates. It's crucial that while pursuing growth, the bank ensures the growth is of high quality. Currently, with 35 branches and 26 field offices, the challenge is to oversee these locations to ensure quality growth. Failing to reorganize the current branch and office setup, while ensuring uninterrupted customer engagement, could lead to a regression to prior operational difficulties.
Moreover, with the end of Monetary Measures IV approaching in June 2024, the bank must exit the deferment period with meticulous care, strategic planning, and effective implementation to prevent a decline in credit quality. This will be key to ensuring improved financial performance.

A significant issue for BDB in 2023 was the unprecedented number of resignations, leading to a severe manpower shortage in some branch offices. The bank experienced 168 resignations in 2023, resulting in a record-breaking attrition rate of 27%. This mass exodus not only led to a shortage of staff but also resulted in a significant loss of expertise. Among those who left, over 70 were critical credit and banking officials, exacerbating the impact of this brain drain on the organization.

Future outlook

The global expansion of fintech industries has opened up novel opportunities while introducing significant disruptions. In response, the bank is set to embrace new technologies to enhance its digital customer interactions, shifting away from the traditional brick-and-mortar approach. In addition to refining branch operations, there will be a
concerted effort to augment banking services with value-added features.

Looking forward to 2024 and the commencement of the 13th Five-Year Plan (FYP), there lies a fresh opportunity for the bank to redefine itself as a development bank, closely aligning its operations with national objectives to serve the Tsa-Wa-Sum.

In closing, the Board of Directors wishes to express profound gratitude towards the Ministry of Finance and the Transformation Office for their unwavering guidance and support throughout the years. The board also extends its appreciation to the Royal Monetary Authority (RMA) for its policy guidance and backing.

Tashi Delek!! My wishes and successful prayers for a successful year 2024!

(Mr. Karma Tshering)
Chairman
Board of Directors

AUDITOR'S REPORT

TITLE SHEET		
Title	:	Audit Report on the financial statements of the Bhutan Development Bank Limited 2023
AIN:		
Head of the Agency	:	Ms. Tshering Om, Chief Executive Officer CID No. 11005000916 From February 8, 2023 to February 8, 2026
Finance Personnel	:	Mr. Tashi Rinchen, General Manager, Finance & Treasury Department CID No. 10806000832
Period Audited	:	1 January 2023 – 31 December 2023
Schedule of Audit	:	Planning: 19 January 2024 - 20 February 2024 Actual: 16 February 2024 – 9 March 2024 Reporting:
Composition of Audit Team	:	Team Leader: Mr. Pema Dendup, Audit Manager CID No. 11603001179 Team Members: 1. Mr. Bijay Bhandari, Manager CID No. 11214004079 2. Mr. Sani Raj Limboo, Sr. Audit Associates CID No. 11304001592 3. Ms. Dema, Audit Associate CID No. 11509000272 4. Ms. Sangay Choden, Sr. Audit Associate CID No. 11808001101 5. Mr. Dorji Phuntsho, Audit Associate CID No. 10716002235 6. Mr. Man Singh Rai, Audit Associate CID No. 11812000037 7. Ms. Amrita Gurung, Audit Associate CID No. 11205003073 8. Mr. Man Singh Rai, Audit Associate
Supervising Officer	:	Mrs. Menuka Chhetri, Managing Partner
Engagement Letter	:	Appointment letter dated 7 November 2023
Focal Person	:	Mr. Sani Raj Limboo Email: saniraj514@gmail.com Phone: 17978662

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

To the Members of the Bhutan Development Bank Limited:

Opinion

We have audited the financial statements of the Bhutan Development Bank Ltd. (The Bank), which comprise the statement of financial position as on 31 December 2023, 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 2023, 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.

Emphasis of Matters

We draw attention on the financial statements which describes the basis of preparation and scheme of merger respectively. These statements, covering the financial year ending December 31, adhere to the Composite Scheme for the Amalgamation of NCSIDBL with BDBL.

The proposal for amalgamation, presented by the BDBL Board on September 1, 2023, necessitated approval from an extraordinary general meeting (EGM), indicating shareholder involvement in the decision to merge BDBL and NCSIDBL. The rationale behind this proposal may stem from both banks' common ownership by the Ministry of Finance and their similar customer segments.

The Statement of Comprehensive Income includes the NCSIDBL figures from October 1, 2023 (effective date of amalgamation) to December 31, 2023 and the Statement of Financial Position includes the NCSIDBL portfolio as of 31 December 2023. However, our opinion is not modified with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Matters:

The company have a centralized books of account maintained in the CBS system. The audit team have visited western region. We have been represented by the management that the data provided for our audit purposes is correct, complete, reliable, and also we were given access to system and data are directly generated from the accounting system without any further manual modifications.

Further, we have performed our audit procedures and relied upon the system generated data to obtain reasonable satisfaction over the completeness and accuracy of these transactions. We bring to the attention of the users that the audit of the financial statements has been performed in the aforesaid condition.

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

For **Menuka Chhetri & ASSOCIATES**

Chartered Accountants
Firm Registration No.:331825E
Address: 2nd Floor, Room No. 2D
Changangkha, Kawang Damisa, Thimphu

Menuka Chhetri & Associates
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

Menuka Chhetri
Managing Partner
Membership No.: 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

REPORT ON MINIMUM AUDIT EXAMINATION

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

Our audit was carried out by applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

The statutory audit report was prepared under the Companies Act of Bhutan, 2016 and other relevant Acts and regulatory norms in examining the accounts of the company containing inter alia, the following:

General:

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

1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As per the information provided by the company, they had conducted the Physical Verification of the Assets on 26th & 27th December, 2023. The physical verification was carried out only once at the end of the year, thus, considering the size of the bank, the physical verification should be conducted at least semi-annually.

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

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

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

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

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

7. On the basis of explanation from the management of records, we are of the opinion that there is a reasonable system of recording receipts, issues and consumption of materials of stores through in the system which is commensurate with the size and nature of its business.

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

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

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

11. The Company has not identified Obsolete, damaged, and surplus goods during the Financial Year 2023.

12. In our opinion the method of valuation of stock is fair and proper in line with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).

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

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

15. Advances granted to officers/staff are generally not accordance with the provisions of the service rules as advances are frequently allowed before the settlement of prior advances, leading to accumulation of large advances against few particular staff.

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

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

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

19. As explained to us, the Company has not entered into transactions for purchases and sales of goods and services during the year in pursuance of the contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions.

20. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

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

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

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

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

25. According to the information and explanations provided to us and so far, it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, provident fund, and other statutory dues as on the last day of Financial Year 2023.

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 are found to be adequate.

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

33. On the basis of our test verification and according to the information and explanations given to us, the Bank has system and procedures for obtaining the approval of the Board/delegated authority for all capital investment and also for the investment in bonds, treasury bills, commercial papers and equity etc. made in the normal banking business and the investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

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

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

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

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

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

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

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

In Case of Finance and Investment Bank

1. On the basis of test examination of books and records, there are no lapses in the documentation of loans monitoring and loan recovery action taken by the management.

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

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

4. As per information and explanations given to us, Investments made by the Bank and outstanding in its books as on 31st December 2023 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.

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

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

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

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

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

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

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

13. According to the information and explanations given to us, there are loans written off worth of Nu. 14,808,098.50 during the year.

Computerized Accounting Environment

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

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

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

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

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

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

GENERAL

1. **Going Concern Issues:**
On the basis of the attached Financial Statements as at 31st December, 2023 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: 2nd Floor, Room No. 2D
Changangkha, Kawang Damisa, Thimphu

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

Menuka Chhetri
Managing Partner
Membership No.:534365
Place: Thimphu, Bhutan
Date: 29th May 2024

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2023
(Amount in Nu.)

Particulars	Note	31-Dec-23	31-Dec-22
Assets			
Cash & Cash Equivalent	11	1,172,393,563	1,504,346,950
Balances with Central Bank	12	7,433,864,042	5,733,536,733
Due from Banks	13	4,735,818,575	2,403,520,256
Loans & Advances to Customers	14	17,950,537,184	18,490,892,196
Equity Instruments at FVOCI	15	80,997,261	28,739,311
Debt Instruments at Amortized Cost	16	2,635,756,557	2,040,075,922
Other Assets	17	1,874,364,292	1,381,938,998
Property, Plant & Equipment	18	155,068,087	184,576,977
Intangible Assets	19	82,609,923	82,709,425
Total Assets		**36,121,409,484**	**31,850,336,767**
Liabilities			
Due to Banks	20	2,297,739,565	1,438,291,438
Due to Customers	21	28,863,779,413	26,953,205,168
Defined Benefit Plans	22	16,559,650	25,751,013
Deferred Tax Liability	23	50,858,817	101,843,731
Current Tax Liability	23	143,995,088	143,995,088
Other Liabilities	24	327,824,945	518,188,355
Total Liabilities		**31,700,757,478**	**29,181,274,794**
Equity			
Share Capital		1,946,414,730	600,317,000
Retained Earnings		1,104,165,367	750,738,806
Other Reserves		1,345,891,477	1,346,083,685
FVOCI Reserve		24,180,433	(28,077,517)
Total Equity		**4,420,652,006**	**2,669,061,974**
Total Liabilities and Equity		**36,121,409,484**	**31,850,336,767**
(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Financial Position)			

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

On behalf of Bhutan Development Bank

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANTS

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

Mr. Tashi Rinchen
General Manager
F&T Department

Ms. Tshering Om
Chief Executive Officer

Mr. Karma Tshering
Chairman
Board of Directors

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Note	31-Dec-23	31-Dec-21
Interest & Similar Income	4	2,249,162,017	1,929,577,752
Interest & Similar Expense	5	(1,744,752,482)	(1,725,876,610)
Net interest income		**504,409,535**	**203,701,142**
Fee and commission income	6	49,281,115	45,740,186
Fee and commission expenses		-	-
Net fee and commission income		**49,281,115**	**45,740,186**
Other Operating Income	7	240,361,081	155,173,258
Total operating income		**794,051,730**	**404,614,586**
Personnel Expenses	8	(330,735,557)	(346,593,677)
Depreciation on Property Plant & Equipment	18	(29,792,271)	(41,230,072)
Amortization of Intangible Assets	19	(13,257,577)	(19,793,039)
Other Operating Expenses	9	(171,471,243)	(189,163,633)
Impairment (charges)/reversal for loans and other losses	14.1	79,135,406	(85,529,239)
Total Operating Expenses		**(466,121,242)**	**(682,309,661)**
Profit Before Tax from Continuing Operations		**327,930,488**	**(277,695,075)**
		-	-
		327,930,488	**(277,695,075)**
Deferred Tax Expense	23	50,984,914	85,260,031
Current Tax Expense		-	-
Profit For the year ending		**378,915,402**	**(192,435,044)**
(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Comprehensive Income)			

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

On behalf of Bhutan Development Bank

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

Mr. Tashi Rinchen
General Manager
F&T Department

Ms. Tshering Om
Chief Executive Officer

Mr. Karma Tshering
Chairman
Board of Directors

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	31-Dec-23	31-Dec-22
Profit for the year ending	**378,915,402**	**(192,435,044)**
Items that will not be reclassified to Profit or Loss		
Changes in the fair value of equity instrument at fair value through Other Comprehensive Income.	52,257,950	1,178,311
Remeasurement of Post-Employment Post Benefits	(25,698,898)	(4,061,225)
Total comprehensive income for the year, net of tax	**405,474,453**	**(195,317,957)**
(Significant Accounting Policies & Notes to Financial Statement form an integral part of Statement of Other Comprehensive Income)		

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

On behalf of Bhutan Development Bank

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

Mr. Tashi Rinchen
General Manager
F&T Department

Ms. Tshering Om
Chief Executive Officer

Mr. Karma Tshering
Chairman
Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Stated Capital	Retained Earnings	Other Reserves					
			General Reserves	Reserve for Land And Building	IT Development Reserve	Staff Development Fund	FVOCI	Total Shareholders' Funds
Balance as at January 1 2022	600,317,000	948,276,006	1,188,615,634	52,749,982	48,945,654	56,060,727	(29,255,828)	2,865,709,174
Leases adjustments	-	(1,085,722)	-	-	-	-	-	(1,085,722)
Adjustments/Additional	-	44,791	-	-	-	(288,312)	-	(243,521)
Actuarial Gains/(Losses)	-	(4,061,225)	-	-	-	-	-	(4,061,225)
FV Gains/(Losses)	-	-	-	-	-	-	1,178,311	1,178,311
Net profit for the year	-	(192,435,044)	-	-	-	-	-	(192,435,044)
Balance as at 31st Dec 2022	**600,317,000**	**750,738,806**	**1,188,615,634**	**52,749,982**	**48,945,654**	**55,772,415**	**(28,077,517)**	**2,669,061,974**
Balance as at January 1 2023	**600,317,000**	**750,738,806**	**1,188,615,634**	**52,749,982**	**48,945,654**	**55,772,415**	**(28,077,517)**	**2,669,061,974**
Leases adjustments	-	-	-	-	-	-	-	
Adjustments/Additional	1,346,097,730	210,057	-	-	-	(192,208)	-	17,849
Actuarial Gains/(Losses)	-	(25,698,898)	-	-	-	-	-	(25,698,898)
FV Gains/(Losses)	-	-	-	-	-	-	52,257,950	52,257,950
Net profit for the year	-	378,915,402	-	-	-	-	-	378,915,402
Balance as at 31st Dec 2023	**1,946,414,730**	**1,104,165,367**	**1,188,615,634**	**52,749,982**	**48,945,654**	**55,580,207**	**24,180,433**	**4,420,652,006**

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

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

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANTS

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

On behalf of Bhutan Development Bank

Mr. Tashi Rinchen
General Manager
F&T Department

Ms. Tshering Om
Chief Executive Officer
Board of Directors

Mr. Karma Tshering
Chairman

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	31-Dec-23	31-Dec-22
Operating Activities		
Profit Before Tax from Continuing Operations	327,930,488	(277,695,075)
Adjustments for;		
Dividend received	(5,025,040)	(1,089,475)
Depreciation of Property, plant and equipment	43,049,848	61,023,111
Movement in Impairment of Loans & Advances	(79,135,406)	85,529,239
(Gain)/loss on Disposal of PPE	795,381	1,036,085
Operating profit before changes in operating assets & liabilities	**287,615,271**	**(131,196,114)**
(Increase)/Decrease in operating assets		
Balance with Royal Monetary Authority	(1,700,327,309)	1,979,346,988
Loans & Advances to Customers	619,490,418	1,171,276,384
Placement with other Banks	(2,332,298,320)	(1,548,975,292)
Financial Investments	(595,680,634)	(1,521,794,444)
Other assets	(492,425,294)	(331,256,377)
Increase/(Decrease) in operating liabilities		
Movement in Share Capital	1,346,097,730	-
Movement in other reserve	17,850	(1,329,243)
Retirement Benefit Plans	(34,890,262)	(7,854,102)
Other liabilities	(190,363,410)	368,482,254
Due to banks	859,448,126	(69,346,489)
Due to customers	1,910,574,245	245,901,009
Net cash flow from operating activities	**(610,356,860)**	**284,450,688**
Cash flow from investing activities		
Dividend received	5,025,040	1,089,475
Purchase of property & equipment	(14,236,838)	(36,332,708)
Net Cash flow from investing activities	**(9,211,798)**	**(35,243,233)**
Cash flow from financing activities	-	-
Net cash flow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(331,953,387)	118,011,341
Cash the beginning of the year	1,504,346,950	1,386,335,609
Cash at the end of the year	**1,172,393,563**	**1,504,346,950**
(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

On behalf of Bhutan Development Bank

Menuka Chhetri & Associates
THIMPHU BHUTAN
Chartered Accountants

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: Thimphu, Bhutan
Date: 29th May 2024

Mr. Tashi Rinchen
General Manager
F&T Department

Ms. Tshering Om
Chief Executive Officer

Mr. Karma Tshering
Chairman
Board of Directors

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. Corporate Information

Bhutan Development Bank Limited is specialized deposit taking bank licensed by the Royal Monetary Authority with the mandate to provide financial services to Small and Medium Enterprises (SME) and farmers' outreach mainly in Agriculture and rural focus in all parts of the Kingdom of Bhutan.

Bhutan Development Bank Limited is a domestic development bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 256, Norzin Lam, Thimphu, Bhutan.

The financial statements for the year ended 31st December 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 25th March 2024

2. Basis of Preparation

The Financial Statements are prepared on accrual basis.

The Bhutan Development Bank Ltd. has prepared its financial statement on the basis that it will continue to operate as a going concern - Refer to Note 3.4.

3. Basis of Accounting

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

3.1 Statement of Compliance

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

3.2 Basis of Measurement

The Financial Statements of the bank have been prepared on the historical cost basis except for Financial Instruments at Fair Value through other comprehensive Income and defined benefit obligation.

3.3 Presentation of Financial Statements

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

The amounts in the Financial Statements have been rounded-off to the nearest Ngultrum, except where otherwise indicated as permitted by the Bhutanese Accounting Standard on "Presentation of Financial Statements" (BAS 1).

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

3.4 Going concern basis of accounting

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

3.5 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Bhutanese Accounting Standard – BAS 1 on 'Presentation of Financial Statements. Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the bank. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

3.6. Comparative information

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

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

In these financial statements, the Bank has applied BFRS 9/IFRS 9 ECL and BFRS 16 effective for annual periods beginning on or after 1 January 2022, for the first time.

4.2 Changes to the impairment calculation

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

4.3 Significant accounting judgements, estimates and assumption.

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

Judgements

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

Estimates and assumptions

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

Classification of financial assets and liabilities

The Significant Accounting Policies of the bank provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortized Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL) based on the following criteria;

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

Fair value of financial instruments

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

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

Impairment losses on loans and advances

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

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

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

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

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

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

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

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

BFRS 16 Judgments for leases:

Determination of the leases and lease terms

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

Estimating the Incremental Borrowing Rate

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

Actuarial valuation of employee benefits

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

Provisions and Other Contingent Liabilities

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

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

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

5 Significate Accounting Policies

5.1 Foreign currency translation

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

5.2 Transactions and balances

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

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

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

5.3 Financial instruments – initial recognition and subsequent measurement

5.3.1 Initial recognition of financial assets and liabilities

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

All financial liabilities are measured initially at their fair value.

5.3.2 Subsequent measurement financial assets and liabilities

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

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

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

Classification - the financial assets are classified in the following categories:
- Amortized cost or
- Financial assets at fair value through other comprehensive income (FVOCI), or
- Financial assets at fair value through profit or loss (FVPL).

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

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

- Financial guarantee contracts and loan commitments.

5.3.3 Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(a) Business model for managing the asset; and
(b) The cash flow characteristics of the asset.

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

5.3.3.1 Debt instruments at amortized cost

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

5.3.3.2 Debt instruments at FVOCI

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

5.3.3.3 Debt instruments at FVPL

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

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

5.3.4 Business model

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

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

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

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

5.3.5 Solely payment of principal and interest (SPPI)

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

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

5.3.6 Equity instruments

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

5.3.7 Reclassification of financial assets and liabilities

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

5.3.8 Modification of financial assets and liabilities

5.3.8.1 Modification of loans

The bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers as a result of commercial restructuring activity rather than due to credit risk and impairment considerations. When this happens, the bank assesses whether or not the new terms are substantially different to the original terms. For financial assets, this assessment is based on qualitative factors. When assessing whether or not to derecognise a loan to a customer, amongst others, the bank considers the following factors:
- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion

5.3.9 Derecognition of financial assets and liabilities

5.3.9.1 Derecognition of financial assets

i. Derecognition due to substantial modification of terms and conditions

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

ii. Derecognition other than for substantial modification

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

(i) The bank transfers substantially all the risks and rewards of ownership, or
(ii) The bank neither transfers nor retains substantially all the risks and rewards of ownership and the bank has not retained control.

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

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

5.3.9.2 De-recognition of financial liabilities

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

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

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

5.3.10 Impairment of financial assets

5.3.10.1Overview of the ECL principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no Significant Increase in Credit Risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

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

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

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

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

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

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

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

The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.
For financial assets for which the bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.3.11 Impairment of financial assets

5.3.11.1 Overview of the ECL principles

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

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

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

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

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

5.3.11.2 The calculation of ECL

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

i. The Probability of Default (PD):

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

ii. The Exposure at Default (EAD):

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

iii. The Loss Given Default (LGD):

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

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

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

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

The mechanics of the ECL method are summarized below:

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

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

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

5.3.11.3 Debt instruments measured at fair value through OCI.

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

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

5.3.11.4 Other revolving facilities

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

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

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

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

5.3.11.5 Forward looking information

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

- GDP growth
- Inflation
- Interest Rate
- Exchange Rate
- Unemployment rates

5.3.11.6 Credit enhancements: collateral valuation and financial guarantees

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

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

5.3.12 Impairment of non-financial assets

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

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

5.4 Leases

BFRS 16 supersedes BAS 17 – "Leases", IFRIC 4 – "Determining whether an Arrangement Contains a Lease", SIC-15 – "Operating Leases-Incentives" and SIC-27 – "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under BFRS 16 is substantially unchanged under BAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in BAS 17. Therefore, BFRS 16 did not have an impact for leases where the bank is the lessor.

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

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

5.4 Recognition of income and expenses

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

(i) Interest and similar income and expense

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

(ii) Fee and commission income

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

Fee income can be divided into the following two categories:

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

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

Fee income from providing transaction services

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

(iii) Dividend income

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

(iv) Net trading income

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

5.5 Cash and cash equivalents

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

5.8 Property, Plant and Equipment

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

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

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

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

The estimated useful lives are as follows:

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

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

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

5.9 Intangible assets

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

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

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

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

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

- **Computer software** **6-7 years**

5.10 Impairment of non-financial assets

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

5.11 Guarantees

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

5.12 Provisions

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

5.13 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 recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Short-term obligation

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

Other long-term benefit obligation

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

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

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

5.14 Grants

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

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

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

5.15 Dividends on ordinary shares

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

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

5.16 Equity reserves

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

FVOCI reserve, which comprises changes in fair value of FA classified at FVOCI.

5.17 Income tax

5.17.1 Current tax

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

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

5.17.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

5.18 Fair value measurement

5.18.1 Fair value hierarchy

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

- **Level 1 financial instruments** - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the bank has access to at the measurement date. The bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- **Level 2 financial instruments** - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- **Level 3 financial instruments** - Those that include one or more unobservable input that is significant to the measurement as whole.

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

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

5.18.2 Valuation technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

i. The fair value of the financial instruments other than equity shares is determined using discounted cash flow analysis.
ii. The fair value of financial instruments in the form of investment in equity shares is determined using multiple valuation techniques by independent value.

5.18.3 Market risk

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

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

5.18.4 Interest rate risk

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

5.18.5 Foreign currency risk

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

5.18.6 Credit risk

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

NOTES FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Note 3: (a) Remeasurement of Balance Sheet as at 31st December 2023.

Particulars	Note	GAAP	Re-Measurement	31-Dec-23 (BAS)
Assets				
Cash & Cash Equivalent	11	1,173,234,177	(840,614)	1,172,393,563
Balances with Central Bank	12	7,433,864,042	-	7,433,864,042
Due from Banks	13	4,738,817,657	(2,999,082)	4,735,818,575
Loans & Advances to Customers	14	17,334,957,885	615,579,298	17,950,537,184
Equity Instruments at FVOCI	15	56,816,828	24,180,433	80,997,261
Debt Instruments at Amortised Cost	16	2,635,895,710	(139,153)	2,635,756,557
Other Assets	17	1,874,364,293	(1)	1,874,364,292
Property, Plant & Equipment	18	154,907,231	160,856	155,068,087
Intangible Assets	19	45,551,979	37,057,945	82,609,923
Total Assets		**35,448,409,802**	**672,999,682**	**36,121,409,484**
Liabilities				
Due to Banks	20	2,297,739,565	-	2,297,739,565
Due to Customers	21	29,005,834,408	(142,054,995)	28,863,779,413
Retirement Benefit Plans	22	(19,915,979)	36,475,629	16,559,650
Deferred Tax Liability	23	-	50,858,817	50,858,817
Current Tax Liability	23	-	143,995,088	143,995,088
Other Liabilities	24	321,970,382	5,854,563	327,824,945
Total Liabilities		**31,605,628,375**	**95,129,102**	**31,700,757,478**
Equity				
Share Capital		1,946,414,730	-	1,946,414,730
Retained Earnings		926,782,554	177,382,813	1,104,165,367
Other Reserves		969,584,144	376,307,333	1,345,891,477
FVOCI Reserve		-	24,180,433	24,180,433
Total Equity		**3,842,781,427**	**577,870,579**	**4,420,652,006**
Total Liabilities and Equity		**35,448,409,802**	**672,999,682**	**36,121,409,484**

Note 3: (b) Remeasurement of Income Statement for the year ended 31st December 2023

Particulars	Note	GAAP	Re-Measurement	31-Dec-23
Interest & Similar Income	4	2,241,001,357	8,160,660	2,249,162,017
Interest & Similar Expense	5	(1,753,857,106)	9,104,624	(1,744,752,482)
Net interest income		**487,144,251**	**17,265,284**	**504,409,535**
Fee and commission income	6	49,281,115	-	49,281,115
Fee and commission expenses		-	-	-
Net fee and commission income		**49,281,115**	**-**	**49,281,115**
Other Operating Income	7	239,836,596	524,485	240,361,081
Total operating income		**776,261,962**	**17,789,768**	**794,051,730**
Personnel Expenses	8	(335,135,476)	4,399,919	(330,735,557)
Depreciation on Property Plant & Equipment	18	(44,222,781)	14,430,510	(29,792,271)
Amortization of Intangible Assets	19	(21,188,367)	7,930,790	(13,257,577)
Other Operating Expenses	9	(171,471,243)	-	(171,471,243)
Impairment (charges)/ reversal for loans and other losses	14.1	31,881,913	47,253,492	79,135,406
Total Operating Expenses		**(540,135,954)**	**74,014,712**	**(466,121,242)**
Profit Before Tax from Continuing Operations		**236,126,008**	**91,804,480**	**327,930,488**
Less: 50% Interest waiver by the bank			-	-
		236,126,008	**91,804,480**	**327,930,488**
Less: Expenditure on Community Centers (net of Income Nu.0.00)	10	-	-	-
		236,126,008	**91,804,480**	**327,930,488**
Deferred Tax Expense	23	-	-	50,984,914
Current Tax Expense				
Profit For the year ending		**236,126,008**	**91,804,480**	**378,915,402**

NOTE 4: INTEREST AND SIMILAR INCOME

Particulars	31-Dec-23	31-Dec-22
Loans & Advances to customers	1,933,177,565	1,773,369,120
Due from Banks	168,271,138	57,509,937
Notional Interest on Staff Loans	8,160,660	7,873,429
Other short-term investments	139,552,654	90,825,266
Total	**2,249,162,017**	**1,929,577,752**

NOTE 5: INTEREST & SIMILAR EXPENSE

Particulars	31-Dec-23	31-Dec-22
Due to customers	1,676,004,174	1,650,608,396
Due to banks	68,748,308	75,268,214
Total	**1,744,752,482**	**1,725,876,610**

NOTE 6: NET FEES & COMMISSION INCOME

Particulars	31-Dec-23	31-Dec-22
Fees & Commission Income		
Commission on Guarantee	19,489,600	25,018,989
Other fees Received	29,791,515	20,721,197
Total	**49,281,115**	**45,740,186**

NOTE 7: OTHER OPERATING INCOME

Particulars	31-Dec-23	31-Dec-22
Operating lease income	3,603,182	3,308,964
Profit/(Loss)on disposal of Property, Plant & Equipment (Net)	-	-
Amortization of the Government Grants (Credit Related)	-	-
Other	236,757,899	151,864,294
Total	**240,361,081**	**155,173,258**

NOTE 8: PERSONNEL EXPENSES

Particulars	31-Dec-23	31-Dec-22
Wages & Salaries	297,753,925	315,612,640
Training & Seminars Expenses	9,010,228	2,756,826
Amortization of pre-paid employment benefits	8,160,660	7,873,429
Current Period Service cost/Interest Expense	13,667,583	15,976,000
Leave Encashment	2,143,161	4,374,783
Total	**330,735,557**	**346,593,677**

NOTE 9: OTHER OPERATING EXPENSES

Particulars	31-Dec-23	31-Dec-22
Advertising and marketing	5,254,703	5,804,566
Administrative	121,534,556	127,247,448
Professional fees	5,637,190	3,802,688
Bank levy	112,741	80,059
Other	38,932,054	52,228,873
FINAP project Fund Contribution	-	-
Total	**171,471,243**	**189,163,633**

NOTE 10: COMMUNITY CENTER OPERATIONS

Particulars	31-Dec-23	31-Dec-22
Expenditure on Community Center (net of Income)	-	-
Total	-	-

NOTE 11: CASH & CASH EQUIVALENT

Particulars	31-Dec-23	31-Dec-22
Cash on hand/Bank Balance	1,173,234,177	1,504,330,138
Allowance for Expected Credit Losses	(840,614)	16,812
Total	**1,172,393,563**	**1,504,346,950**

NOTE 12: BALANCE WITH CENTRAL BANK

Particulars	31-Dec-23	31-Dec-22
Balance in Cash Reserve Ratio	2,248,585,650	2,593,151,400
Balance in Current Deposit	2,134,564,280	2,141,506,163
Short Term Investment - Treasury Bill	3,050,714,112	998,879,169
Total	**7,433,864,042**	**5,733,536,733**

NOTE 13: DUE FROM BANKS

Particulars	31-Dec-23	31-Dec-22
Placements with other banks	4,738,817,657	2,403,476,047
Other	-	-
Allowance for Expected Credit Losses	(2,999,082)	44,209
Total	**4,735,818,575**	**2,403,520,256**

NOTE 14: LOANS & ADVANCES TO CUSTOMERS

Particulars	31-Dec-23	31-Dec-22
Loans & Receivables	19,124,353,886	19,348,935,426
	19,124,353,886	**19,348,935,426**
Less: Allowance for Impairment (Collective)	(1,173,816,703)	(858,043,230)
	17,950,537,184	**18,490,892,196**
Impairment (charges)/reversal		
Impairment (charges)/reversal for loans	68,353,795	(70,351,454)
Impairment (charges)/reversal for other assets	10,781,610	(15,177,785)
Write Offs/Interest waiver	-	-
Total	**79,135,406**	**(85,529,239)**

NOTE 15: EQUITY INSTRUMENTS AT FVOCI

Particulars		31-Dec-23	31-Dec-22
Quoted Investments			
Quoted Equities (15.1)		53,436,261	1,178,311
Unquoted Equities (15.2)		27,561,000	27,561,000
		80,997,261	**28,739,311**
	No. of Shares		
(15.1) Quoted Equities			
Bhutan Carbide and Chemical Limited	25,000	1,281,000	1,178,311
Penden Cement Authority Limited	38,100	3,377,946	-
Bhutan National Bank Limited	178,120	22,762,315	-
GIC Bhutan Reinsurance Limited	600,000	26,015,000	-
		53,436,261	**1,178,311**
(15.2) Unquoted Equities			
Royal Securities Exchange of Bhutan	162,000	19,811,000	19,811,000
Financial Institutions Training Institute	600,000	6,000,000	6,000,000
Credit Information Bureau	137,500	1,750,000	1,750,000
Total		**27,561,000**	**27,561,000**

NOTE 16: DEBT INSTRUMENTS AT AMORTIZED COST

Particulars	31-Dec-23	31-Dec-22
Investments in RICBL Bonds	-	
Investments in DCCL Bonds	116,891,126	116,981,406
Investments in RSA Bonds	10,875,759	10,891,452
Investments in Tbank Bonds	55,325,308	55,366,164
Investments in Govt Bonds	2,452,664,364	1,856,836,900
Total	**2,635,756,557**	**2,040,075,922**

Bank has invested 100,000 scripts of RICBL bond at Nu.1,000 each, and 311,272 scripts of DCCL bonds at Nu. 1,000 each respectively. Such investments are intended to be held to maturity in order to recover the contractual cashflows (Principal + Interest). Although the bonds are listed in the Royal Securities Exchange it does not meet the definition of an Active Market. Hence bank has determined its Financial Asset Classification as Loans & Receivables in Line with BAS 39 Financial Instrument Recognition & Measurement.

NOTE 17: OTHER ASSETS

Particulars	31-Dec-23	31-Dec-22
Loans & Advances to Employees	106,854,548	133,615,039
Advances & Pre-payments	10,720,487	40,302,845
Pre-paid Employment Benefits	69,009,254	96,116,718
Stock of Stationeries and Spares	4,401,246	4,398,523
Accounts/Other receivables	1,350,435,866	399,948,141
Pre-Paid Tax	224,300,061	210,372,726
BFS - Receivable (Net)	106,791,266	520,390,329
Intra Branch Balance	-	(24,283)
Assets Pending Foreclosure	524,925,371	565,005,847
Advance to CC	47,248,282	-
	2,444,686,378	**1,970,125,884**
Less: Against Receivables	(18,642,537)	(18,642,537)
Against Asset Acquired on Settlement of Loans	(15,000)	(15,000)
Reserve for loan loss (APF)	(551,664,549)	(569,529,349)
Total	**1,874,364,292**	**1,381,938,998**

NOTE 18: PROPERTY, PLANT & EQUIPMENT

Cost:	Land	Buildings	Furniture and Fixtures	Arts & Art Effects	Office, Electrical & other Equip-ment's	Motor Vehicles	Security Equip-ment's	Network Equip-ment's	Computer Hardware	Capital WIP	Leases	Total
At 1 January 2022	2,588,622	110,968,503	51,115,637	1,390,638	70,716,619	17,848,685	35,996,795	67,735,591	179,335,584	11,546,025	15,853,263	565,095,961
Movement During the Period	-	3,884,638	2,184,768	105,150	3,172,338	-	931,900	3,439,472	1,266,221	(7,726,901)	-	7,257,587
Disposals			5,027,908	48,590	1,959,479	-	405,510	7,594,980	10,774,354	-	-	25,810,821
At 31st Dec 2022	2,588,622	114,853,141	48,272,497	1,447,198	71,929,478	17,848,685	36,523,185	63,580,083	169,827,451	3,819,124	-	546,542,727
At 1 January 2023	2,588,622	114,853,141	48,272,497	1,447,198	73,487,091	17,848,685	36,523,185	63,580,083	169,827,451	3,819,124	6,379,046	538,626,123
Movement During the Period	-	-	3,103,412	85,025	3,290,256	1,923,022	399,999	418,050	8,067,038	(3,193,100)	-	14,093,702
Disposals			**1,581,832**	**5,000**	**1,545,076**		**656,000**	**1,954,604**	**4,981,495**	**-**	**-**	**10,724,006**
At 31st Dec 2023	2,588,622	114,853,141	49,794,077	1,527,223	75,232,271	19,771,707	36,267,184	62,043,529	172,912,995	626,024	6,379,046	541,995,819
Accumulated Depreciation												
At 1 January 2022	-	35,279,376	29,922,569	-	47,485,188	7,463,099	31,951,162	56,501,542	138,258,091	-	-	346,861,026
Depreciation charge for the year	-	4,810,987	3,773,874	-	4,626,149	950,884	2,931,803	4,733,642	19,402,733	-		41,230,073
Assets Disposed	-	-	4,896,663	-	1,738,968	-	376,840	7,571,437	11,541,441	-	-	26,125,349
At 31st Dec 2022	-	40,090,363	28,799,780	-	50,372,369	8,413,983	34,506,125	53,663,747	146,119,383	-	-	361,965,749
At 1 January 2023	-	40,090,363	28,799,780	-	50,372,369	8,413,983	34,506,125	53,663,747	146,119,383	-	-	361,965,749
Depreciation charge for the year	-	4,981,966	5,266,273	-	6,020,126	2,415,220	507,842	3,521,268	11,445,101	-	--	34,157,797
Assets Disposed	-	-	757,881	-	1,379,445	-	632,302	1,919,396	4,506,790	-	-	9,195,814
At 31st Dec 2023	-	**45,072,329**	**33,308,171**	-	**55,013,050**	**10,829,203**	**34,381,665**	**55,265,619**	**153,057,695**	-	-	**386,927,732**
Net book value:										-		
At 31st Dec 2023	**2,588,622**	**69,780,812**	**16,485,906**	**1,527,223**	**20,219,221**	**8,942,504**	**1,885,519**	**6,777,910**	**19,855,300**	**626,024**	**6,379,046**	**155,068,087**
At 31st Dec 2022	**2,588,622**	**74,762,778**	**19,472,717**	**1,447,198**	**21,557,109**	**9,434,702**	**2,017,060**	**9,916,336**	**23,708,068**	**3,819,124**	**15,853,263**	**184,576,978**

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

NOTE 19: INTANGIBLE ASSETS (SOFTWARE)

Particulars	31-Dec-23	31-Dec-22
At 1 January 2023	151,423,077	182,244,941.49
Movement During the Period	14,587,920	13,626,856.21
Disposals	1,429,844	44,448,720.88
At 31st Dec 2023	**164,581,152**	**151,423,076.82**
Accumulated Amortization		
At 1 January 2023	68,713,652	91,638,622.44
Movement During the Period	-	-
Disposals		42,693,108.88
Amortization	13,257,577	19,768,138.17
At 31st Dec 2023	81,971,229	68,713,651.73
Net book value:		
At 31st Dec 2023	**82,609,923**	**82,709,425.09**

NOTE 20: DUE TO BANKS

Partiuclars	31-Dec-23	31-Dec-22
Unsecured Loans	119,988,820	128,219,172
Secured Loans	153,640,890	232,724,726
Subordinated Term Debt	1,863,241,288	999,518,973
Unsubordinated Term Debt	160,868,567	77,828,567
	2,297,739,565	**1,438,291,438**
*** Secure Loan**		
1. Asian Development Bank-Line of Credit (Phase - I)	9,640,589	11,568,707
2. Asian Development Bank-Line of Credit -A/C#0088/008	82,799,442	99,091,094
3. International Fund for Agricultural Development (Second Eastern Zone Agricultural Programme)	23,172,968	24,577,928
4. International Fund for Agricultural Development (Agricultural marketing & Enterprise Promotion Programme)	38,027,891	39,835,516
5. Borrowing from National Pension & Provident Fund (OSED)	-	57,651,480
Total	**153,640,890**	**232,724,726**

Borrowing No .1 to 4 are secured by guarantee of RGoB.

Borrowing No.5 is secured by 40,000sq. ft of land at Chubachu, Thimphu and guarantee by RGoB upto Nu. 500 million.

NOTE 21: DUE TO CUSTOMERS

Particulars	31-Dec-23	31-Dec-22
Fixed Deposit	15,194,977,007	14,306,980,240
Recurring Deposit	834,400,334	703,604,091
Savings Deposits	12,195,663,726	10,842,310,349
Current Deposit	638,738,345	1,100,310,487
Total	**28,863,779,413**	**26,953,205,168**

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	Jan/00 45291	Jan/00 44926
Defined benefit liability at the beginning of the period	96,845,197	95,985,335
Current service cost	7,766,023	8,324,000
Interest cost on benefit obligations	5,901,560	7,652,000
Actuarial (Gains)/Losses recognized in the year	16,376,875	4,717,963
Liability Settlement/Adjustment During the period	36,315,470	10,398,175
	90,574,167	**96,845,197**
LEAVE		
Defined benefit liability at the beginning of the period	13,688,456	13,128,228
Current service cost	1,629,512	3,331,262
Interest cost on benefit obligations	513,649	1,043,521
Actuarial (Gains)/Losses recognized in the year	9,322,041	8,779,188
Liability Settlement/Adjustment During the period	13,679,599	12,593,743
	11,474,059	**13,688,456**
GRATUITY		
Defined Benefit Obligation (Gratuity)	90,574,167	96,845,197
Fair Value of Plan assets	85,488,567	84,782,640
Defined Benefit Obligation (Leave Encashment)	11,474,059	13,688,456
	16,559,650	**25,751,013**
The principal assumptions used in determining Defined Benefit Obligation		
Discount Rates	8.20%	8.85%
Salary Escalation Rates	6%	6%

NOTE 23: TAX LIABILITY

Particulars	31-Dec-23	31-Dec-22
Deferred Tax Liability	50,858,817	101,843,731
Current Tax	143,995,088	143,995,088
Total Amount	**194,853,906**	**245,838,820**

Deferred Tax Asset and Liability for 2023

Particulars	Deposits	PPE	Intangible	Employee benefit	Total
Carrying amount	29,012,755,855	160,675,914	75,425,848	17,245,587	29,266,103,203
Tax Base	29,154,810,849	151,040,841	38,367,903	-	29,344,219,594
Taxable temporary	142,054,995	9,635,073	37,057,945		188,748,012
deductible temporary				17,245,587	17,245,587
Deferred Tax liability'					-
DTL	**(42,616,498)**	**(2,890,521)**	**(11,117,383)**		**(56,624,404)**
DTA				**5,173,676**	**5,173,676**
Tax loss -DTA				**591,910**	**591,910**
Net DTL					**(50,858,817)**

Movement of DTA from Tax Loss		
Opening balance	**Amount**	**DTA**
Tax loss 2022- BDB	(277,645,850)	83,293,755
Loss utilized in 2023	275,672,816	(82,701,844)
Balance in 2023	(1,973,033)	591,910

Movement of Defered Tax

Opening balance	Amount
Opening balance Net DTL 2023	101,843,731
Net DTL for 2023	(50,858,817)
Reversal of Net DTL	50,984,914

NOTE 24(I): OTHER LIABILITIES

Particulars	31-Dec-23	31-Dec-22
Accounts payable & Sundry creditors	327,276,237	517,260,455
Provisions	548,708	927,900
Intra Branch Balance	-	-
Loan Loss Reserve	-	-
Total Amount	**327,824,945**	**518,188,355**

Note 24 ii: Revolving Funds

	Jan/00 Nu	Jan/00 Nu
Credit - Bio-Gas	-	-
Rudolf Fund - Credit	-	-
Rudolf (Monitoring and Supervision A/C)	-	-
Rudolf Fund - Subsidy	-	-
BCCI - SME Development Revolving FUnd RLP -II	-	-
Coop.Revolving (DAMC) Fund	-	-
	-	-

Note 24.iii: Commitment & Contingencies

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

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

Bank has contingently liable as on for Nu. 796,107,958 (PY Nu. 1,156,396,429) towards guarantees issued to its constituents of which aging analysis are given in Note No. 29(ii)
Pending capital commitments (net of advance) as on 31.12.2022 are of Nu. Nil (PY Nu. Nil).

Note 25: Related Party Transactions

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

Note 25.1: Parent and Ultimate Controlling Party

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

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

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

Name of the Primary Party	Relationship	Nature of Transactions with Related Party	31-Dec-23	31-Dec-22
Royal Government of Bhutan	Majority Shareholders	Investment in RGOB Bonds	2,609,666,000	1,856,835,406
Royal Government of Bhutan	Majority Shareholders	Investment in Short term T-Bills	3,034,509,300	998,879,169
Royal Government of Bhutan	Majority Shareholders	Sub-ordinated Term Debt	2,194,804,356	998,518,973
Royal Government of Bhutan	Majority Shareholders	SME Loan availed	118,733,250	128,219,172

Note 25.2: Transactions with Key Managerial Personnel (KMPs)

According to BAS 24 (Related Party Disclosures) Key Managerial Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the Board of Directors of the Bank (including both Executive and Non Executive Directors), key employees who are holding directorship in Subsidiary companies of the Bank,

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

Note 25.2.1: Transactions with Key Managerial Personnel (KMPs)

Particulars	31-Dec-23	31-Dec-22
Pay and Allowances to Chief Executive Officer	2,982,739	2,777,076
Director's Sitting Fee	1,002,000	622,000
Reimbursement of Travelling Expenses	624,872	273,204
Total Amount	**4,609,611**	**3,672,279**

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

Note	Particulars	13/12/2023	13/12/2022
25.3.1	Loans and Advances to KMPs and their CFMS are detailed below:	5,421,041	
	Total	**5,421,041**	-
25.3.2	Deposits and Investments from KMPs and their CFMs are detailed below :		
	Deposits and Investments	7,006,184	10,339,733
Total		**7,006,184**	**10,339,733**

Note 26: Events after the Reporting Date

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

Note 27: Fair Value of Financial Instruments

A. Determination of fair value hierarchy

Particulars	31-Dec-23			31-Dec-22		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial Assets						
Quoted Equities	53,436,261	-	-	-	-	16,806,582
Loans & Advances to Employees	-	-	106,854,548		-	133,615,039
Total	**53,436,261**	**-**	**106,854,548**	**-**	**-**	**150,421,621**

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

Particulars	31-Dec-23		31-Dec-22	
	Carrying Value Nu.	Fair Value Nu.	Carrying Value Nu.	Fair Value Nu.
Financial Assets				
Cash and cash equivalents	1,173,234,177	1,172,393,563	1,504,330,138	1,504,346,950
Balances with Royal Monetary Authority of Bhutan	7,433,864,042	7,433,864,042	5,733,524,103	5,733,536,733
Placements with Banks	4,738,817,657	4,735,818,575	2,403,476,047	2,403,520,256
Loans & Advances to Customers	17,334,957,885	17,950,537,184	17,925,234,709	18,490,892,196
Other Financial Assets	2,692,712,538	2,716,753,818	2,096,891,257	2,068,815,234
	33,373,586,299	34,009,367,181	29,663,456,254	30,201,111,368
Financial Liabilities				
Due to banks	2,297,739,565	2,297,739,565	1,438,291,438	1,438,291,438
Due to other customers	29,005,834,408	28,863,779,413	27,086,155,539	26,953,205,168
Other Financial Liabilities	327,824,945	327,824,945	518,188,355	518,188,355
Total	**31,631,398,917**	**31,489,343,922**	**29,042,635,332**	**28,909,684,961**

The Fair Value and carrying value of Financial Assets and Liabilities have been assumed to be significantly similar.

Note 28: Risk Management

Credit Risk

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

The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management. Maximum Exposure to Credit Risk/Type of collateral or credit enhancement:

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

Particulars	31-Dec-23			31-Dec-22		
	Maximum Exposure to credit Risk	Properties	Net Exposure	Maximum Exposure to credit Risk	Properties	Net Exposure
Financial Assets						
Placements with Banks	4,735,818,575	-	4,735,818,575	2,403,520,256	-	2,403,520,256
Loans & advances to customers	17,950,537,184	17,950,537,184	-	18,490,892,196	18,490,892,196	-
Equity Instruments at FVOCI	80,997,261	-	80,997,261	28,739,311	-	28,739,311
Other assets	2,692,712,538	-	2,692,712,538	2,096,891,257	-	2,096,891,257
Total	**25,460,065,558**	**17,950,537,184**	**7,509,528,374**	**23,020,043,019**	**18,490,892,196**	**4,529,150,823**

Exposure to Credit risk and ECL Allowance on Loans and Advance (FA measured at ammortised cost)

Age Bucket	Stage	Agriculture	Transport	Personal	Trade
		ECL	ECL	ECL	ECL
Current	12 Months ECL	26,434,369	6,163,453	10,636,380	10,653,650
30-Jan	12 Months ECL	2,149,477	238,121	815,487	1,412,147
31-60	Lifetime ECL	2,226,103	857,191	936,143	694,582
61-90	Lifetime ECL	1,069,762	284,125	1,188,882	1,064,553
90 & Above	Lifetime ECL	119,926,177	8,428,745	23,205,750	30,426,540
Total		**151,805,888**	**15,971,635**	**36,782,642**	**44,251,472**

Age Bucket	Stage	Service	Housing	Overdraft	NCSIDBL
		ECL	ECL	ECL	ECL
Current	12 Months ECL	13,801,313	15,868,342	148,353,756	21,404,738
45,321	12 Months ECL	1,986,917	867,572	8,540,017	-
31-60	Lifetime ECL	778,770	1,014,808	-	21,214,539
61-90	Lifetime ECL	155,536	3,449,815	233,637	20,877,337
90 & Above	Lifetime ECL	9,443,474	97,316,548	35,706,186	153,435,162
Total		**26,166,009**	**118,517,084**	**192,833,596**	**216,931,777**

ECL on loans and advances (Debt at Ammortised Cost)	
Total Collective ECL	**803,260,104.0**
BG	**727,815.0**
Individual Imparament	**49,942,399.0**
Interest in suspense	**113,322,931.0**
Additional ECL	**206,563,453.0**
Total ECL Allowance	**1,173,816,703.0**

**** Additional ECL allowance is kept to ensure ECL amount is equivalent of RMA's Loan Loss Provisioning as per Prudential Regulation 2017.*

Other Financial Assets

Financial Asset	12 month ECL
Financial Investment Corporate Bond	139,153
Due From Banks	3,061,549
Cash & Cash Equivalent	840,614
Total	**4,041,316**

Note 29(i) Liquidity Risk & Funding management

Particulars	2022					Total
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Cash & Cash Equivalent	1,504,330,138					1,504,330,138
Balances with Central Bank	5,733,524,103					5,733,524,103
Due from Banks	2,403,476,047					2,403,476,047
Loans & Advances to Customers	18,490,892,196					18,490,892,196
Financial Investments Available for Sale	2,096,891,257					2,096,891,257
Total undiscounted Assets	**30,229,113,740**	-	-	-	-	**30,229,113,740**
Due to Customers	11,942,620,836	2,132,358,185	2,558,378,585	9,993,798,979	326,048,583	26,953,205,168
Debts Issued & Other Borrowed Funds	11,479,460,613	1,226,889,072	3,686,119,577	8,825,918,333	1,488,916,563	26,707,304,159
Total Undiscounted Liabilities	**11,942,620,836**	**2,132,358,185**	**2,558,378,585**	**9,993,798,979**	**326,048,583**	**26,953,205,168**

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

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.

2022	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	179,283,970	788,028,984	189,083,475		1,156,396,429	2,312,792,858
Total	**179,283,970**	**788,028,984**	**189,083,475**	-	**1,156,396,429**	**2,312,792,858**

2023	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees		345,613,203	299,356,386	151,138,370		796,107,958
Total	-	**345,613,203**	**299,356,386**	**151,138,370**	-	**796,107,958**

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.

Particulars	2022					
Financial Assets	Thimphu Main Branch	Paro Branch	Phuntsholing Branch	Trashigang Branch	Others	Total
Loans & Advances to Customers	6,220,695,422	1,561,634,511	961,179,593	884,933,340	9,720,492,560	19,348,935,426
	6,220,695,422	**1,561,634,511**	**961,179,593**	**884,933,340**	**9,720,492,560**	**19,348,935,426**

Particulars	2023					
Financial Assets	**Thimphu Main Branch**	**Paro** Branch	**Phuntsholing** Branch	**Trashigang** Branch	**Others**	**Total**
Loans & Advances to Customers	6,917,170,534	1,334,693,953	725,952,477	716,641,513	9,429,895,410	19,124,353,887
	6,917,170,534	**1,334,693,953**	**725,952,477**	**716,641,513**	**9,429,895,410**	**19,124,353,887**

31. Leases

31.1 BDB as a lessee

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

31.1.1 Right-of-use assets

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

Under the modified retrospective method, the bank has selected to measure the ROU asset, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately on the date of initial application. The RoU assets are presented as part of PPE under notes 18 and are subject to impairment in line with the bank's policy covered under ECL.

31.1.2 Nature of the effect of adoption of BFRS 16

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

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

31.1.3 Lease liabilities

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

31.1.4 Right-of-use assets/lease liabilities

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

Buildings

Particulars	Amount
Right-of-use asset	
As at 01 January 2023	15,853,263
Additions	1,241,406
Less: depreciation expense	(10,715,623)
As at 31 December 2023	**6,379,046**
Lease liability	
As at 01 January 2023	15,853,263
Additions	1,241,406
Interest Expense	1,000,156
Less: Payments	(11,240,264)
As at 31 December 2023	**5,854,562**

The following are the amounts recognised in profit or loss

Particulars	Amount
Depreciation expense of right-of-use asset	(10,715,623)
Interest expense on lease liabilities	(1,000,156)
Interest income on security deposit – rent	-
Expense relating to short-term leases (included in cost of sales)	-
Expense relating to leases of low-value assets (included in administrative expenses)	-

31.2 BDB as a lessor

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

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

Rental Income relating to operating leases		
Particulars	**2023 (Nu.)**	**2022 (Nu.)**
Total rental income relating to operating leases	3,078,697	3,308,964

Other Disclosures:

32. The paid up capital of BDBL has increased from Nu. 600 million to Nu. 1,946 billion after the amalgamation with NCSIDBL on 1st October 2023 with the capital injection of Nu. 1,346 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 view to mitigate COVID-19 pandemic impact, the Central Bank issued Phase III monetary measures for interest waiver and deferment of loan repayment from April 2021 to June 2022. Under these monetary measures on interest waiver, 50 percent of the loan interest payment is waived off and the remaining 50 percent to be paid by the borrowers. All the interest waived off by the Government are reimbursed from the Druk Gyalpo's Relief Kidu (DGRK) from the National Resilience Fund.

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

The loan term for the construction or setting-up of hotels and restaurants are also increased up to 30 years (excluding gestation period). The total accumulated interest for the entire Monetary Measures period are allowed to convert into 'Fixed Equated instalment Facility (FEIF)' payable in equal instalments for a period up to five years without any charge of any interest.

35. In line with Section 25 of Rules and Regulations on Foreclosure and Write-off of NPLs 2022, the Charge-off and Transfer of NPLs to Off-Balance sheet framework is being designed to clean-up the balance sheet of the FSPs to ensure that the FSPs can focus on their core business (financial intermediation) and are able to identify asset quality problems early on through clean balance sheets. The Bank have charged off Nu. 2,022,145,444 as of 31st December 2023 and transferred to Off-Balance Sheet. All recoveries from the loans charged-off is being charged back through income statement under other operating income.

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

Chief Executive Officer

Sl #	Particulars	2023(Nu)	2022 (Nu.)
1	Pay & Allowance	1,601,987	2,512,445
2	Leave Travel Concession	11,833	20,000
3	Leave encashment		100,480
4	Performance Incentive (Bonus)		-
5	Travel expense (In country)	564,790	-
6	Travel expense (Abroad)	-	273,204
7	Provident Fund	125,044	144,151
8	Board Sitting Fees	204,000	113,000
	Total	**2,507,654**	**3,163,279**

Other Directors

Sl. No	Particulars	2023 (Nu.)	2022 (Nu.)
1	Board Sitting Fees	999,500	622,000

37. Additional information pursuant to the provision of Part II of Schedule XIII A of the Companies Act of the Kingdom of Bhutan 2000:

Sl. No.	Nature of expense	2023 (Nu)	2022 (Nu.)
1	Audit Fees	200,000	108,900
2	Power and Water	2,211,878	2,531,872
3	Rent	17,697,273	17,728,601
4	Repairs & maintenance of buildings	619,965	852,215
5	Repairs & maintenance of computer hardware	415,313	11,000
6	Salaries and bonus	306,670,106	260,689,761
7	Contribution to Provident Fund	19,455,142	22,204,237
8	Insurance	3,603,732	3,894,648
9	Rates & taxes excluding Income tax	256,949	133,281
10	**Other expenses exceeding 1% of total revenue:**		
10.1	Staff training	8,868,628	-
10.2	Travel expenses	31,150,693	50,361,109
10.3	Depreciation	65,411,148	67,552,425

38. Chetrums have been rounded to the nearest Ngultrum.

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

Note 40: Financial Statement of Community Financing and Service Department (CFSD)

The financial statements of the CFSD does not have any direct impact on the Financial Statements of the BDB. As part of amalgamation of NCSIDBL with BDB, the CFSD was not taken over by the bank as decided between Ministry of Finance (shareholder), Board and the Management. The CFSD is only looked after by BDB on a principal-agent relationship between MoF and BDB. In this arrangement, the BDB provides any temporary funding to CFSD when there is deficit. The funding's are booked receivable and payable between BDB and CFSD which the MoF settles between the parties.

COMMUNITY FINANCING & SERVICES DEPARTMENT
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

(Amounts in Nu.)

Particulars	Notes	31-Dec-23	31-Dec-22
Assets			
Cash & Cash & Equivalent	3	5,882,780	6,065,704
Advances & Account Receivables	4	71,516,721	51,323,611
Closing Stock (Stamps & Eload)	5	1,656,995	1,509,206
Stationery at Stock	6	459,414	737,808
Property, Plant & Equipment	2	135,272,729	140,444,208
Right of Use Asset	13	-	55,499
Total Assets		**214,788,639**	**200,136,037**
Liabilities			
Current Liabilities & Provisions	8	187,510,351	216,535,852
Gratuity	7	13,442,139	6,020,868
Lease Liability	14	-	115,456
Total Liabilities		**200,952,490**	**222,672,176**
Equity			
Retained Earnings		13,836,149	(22,536,139)
Total Equity		**13,836,149**	**(22,536,139)**
Total Liabilities and Equity		**214,788,639**	**200,136,037**

COMMUNITY FINANCING & SERVICES DEPARTMENT
STATEMENT OF INCOME & EXPENDITURE AS AT DECEMBER 31, 2023

(Amounts in Nu.)

Particulars	Notes	31-Dec-23	31-Dec-22
Operating Income	9	7,415,307	6,913,850
Other Operating Income	10	104,688,413	61,170,753
Total Income		**112,103,720**	**68,084,603**
Expenses			
Personal Expenses	11	56,021,250	55,731,706
Other Operating Expenses	12	14,420,577	9,747,287
Depreciation on Property Plant &Equipment	2	5,289,605	5,046,812
Total Expenses		**75,731,432**	**70,525,804**
Profit/(Loss) Before Tax		**36,372,288**	**(2,441,201)**
Gain/(Loss) Other Comprehensive Income		-	(330,692)
Net Income/(Loss) for the Year		**36,372,288**	**(2,771,892)**

COMMUNITY FINANCING & SERVICES DEPARTMENT
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Share Capital	Retained Earnings	Total
As at January 01, 2022	-	(19,727,941)	**(19,727,941)**
Add: Implementation of BFRS 16	-	(36,305)	**(36,305)**
Profit/(Loss) for the year	-	(2,771,892)	**(2,771,892)**
As at December 31, 2022	-	**(22,536,139)**	**(22,536,139)**
As at January 01, 2023	-	(22,536,139)	(22,536,139)
Add: Adjustment		-	
Profit/(Loss) for the year		36,372,288	36,372,288
As at December 31, 2023		**13,836,149**	**13,836,149**

COMMUNITY FINANCING SERVICES DEPARTMENT
STATEMENT OF CASHFLOW AS AT DECEMBER 31, 2023

(Amounts in Nu.)

Particulars	31-Dec-23	31-Dec-22
Operating Activities		
Profit Before Tax from Continuing Operations	36,372,288	(2,771,892)
Adjustment of Prior year Retained Earnings	-	-
Adjustments for Implementation of BFRS 16	-	(36,305)
Depreciation of Property, Plant and Equipment	5,289,605	5,046,812
Operating profit before changes in operating assets & liabilities	**41,661,894**	**2,238,614**
(Increase)/Decrease in operating assets		
Advances & Account Receivables	(20,137,610)	(51,243,738)
Eload & Stamps (Closing Stock)	(147,789)	(156,684)
Stationery at Stock	278,395	223,155
(Gain)/loss on Disposal of PPE		-
Right of Use Asset	-	
Increase/(Decrease) in operating liabilities		
Payables	(21,719,686)	10,434,860
Net cash flow from operating activities	**(64,797)**	**(40,742,408)**
Cash flow from investing activities		
Purchase of property & equipment	(118,127)	(6,341,308)
Sale of Fixed Asset	-	-
Net cash flow from investing activities	**(118,127)**	**(6,341,308)**
Cash flow from financing activities		
Grants	-	-
Net cash flow from financing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**(182,924)**	**(44,845,102)**
Cash and cash equivalents at the beginning of the year	**6,065,704**	**50,910,806**
Cash and cash equivalents at the end of the year	**5,882,780**	**6,065,704**

RATIO ANALYSIS

Ratio Analysis

Ratios	31-Dec-23	31-Dec-21
A. Ratios for assessing Financial Health		
(i) Capital Turnover Ratio : Income / Capital Employed	0.57	0.80
(ii) Fixed Assests Turnover Ratio Income/Fixed Assests)	10.06	7.60
B. Ratios for assessing Profitability		
(i) Profit on Capital Employed (Profit after Tax / Capital Employed)	0.11	0.57
(ii) Profit Turn Over (Net Profit/ Total Income)*100	0.15	0.09
(iii)Operating Ratio	0.69	0.28
((All expenses - Financial Changes)/ Total Income) * 100		
(iv) Total expenses to total income * 100	0.87	1.13
C. Capital Adeqacy Ratio (As per GAAP)	26.30	15.32
D. Statutory Liquidity Reserve Ratio (As per GAAP)	0.42	0.29
E. Credit to deposit	0.62	0.69

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

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place: - Thimphu, Bhutan
Date: 29th May 2024

COMPLIANCE CALENDAR AND CHECKLIST

COMPLIANCE CALANDAR

Sl.No	Activity	Remarks
	Submission of Annual Return	Submitted on 17-07-2023
	i) Duly filed form as per schedule XII	
	ii) Balance sheet	
	iii) Profit & Loss Account	
	iv) Cash Flow statement	
	v) Auditors Report	
	vi) Director's report	
2)	Annual General Meeting	AGM held on 21st June, 2023
3)	Notice calling General Meetings	Notice AGM were called 21 days prior to AGM
4)	Payment of Dividend	No Dividend has been declared for 2022
5)	Presentation of B/S, P & L and Cash Flow Statement at every AGM	B/s, P&L and cash Flow statement presented during AGM 21st June, 2023
6)	Filing of Documents with Registrar	Documents which are included in Annual Return field on 17-07-2023
7)	Appointment of Auditors	Auditors are appointed by RAA
8)	File Schedule II	Complied
9)	Board Meetings (2022)	
	1st Board Meeting	3/25/2023
	2nd Board Meeting	5/8/2023
	3rd Board Meeting	5/17/2023
	4th Board Meeting	6/3/2023
	5th Board Meeting	6/7/2023
	6th Board Meeting	6/24/2023
	7th Board Meeting	7/27/2023
	8th Board Meeting	8/31/2023
	9th Board Meeting	9/16/2023
	10th Board Meeting	10/9/2023
	11th Board Meeting	11/16/2023
	12th Board Meeting	26-12-2023 (Minutes Still in Draft)
10)	Appointment of CEO	1/13/2023
11)	Appointment of Selling & Buying Agents	NA
12)	Appointment of Company Secretary	Intern CS is replaced after resignation of CS on 10th December,2023
13)	Statutory Record and Inspection	Complied

COMPLIANCE CHECKLIST

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

No.	Sec	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval	√			
2	47	Change of name/Approval		√		
3	123	Increase or consolidation of share capital	√			Amalgamation of NCSIDBL with BDBL
4	124	Reduction of share capital		√		
5	82	License Copy and Share Certificate filing	√			
6	107	Public offer of shares & Debentures-ROC Approval			√	
MANAGEMENT & ADMINISTRATION						
7	217	Registered Office of Company	√			Thimphu, Bhutan (Chubachu)
		(Postal Address & Contact Number)				
8	221	Publication of name by Company	√			As per certificate of incorporation
		(Letter Head, Seals and Sign Board)				
9	241	Financial Year of Companies as of 31st Dec	√			Financial year ended on December each year
	242	Extension up to 15 months - ROC approval			√	
	243	Extension up to 18 months - Authority's approval			√	
10	245	Financial Statements to follow BAS	√			BAS for Public Companies
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	√			Annual return filed on July 17, 2023
12	177	Annual General Meeting (Minutes)	√			AGM conducted on 21st June, 2023
13	180	Extraordinary General Meeting (Minutes)	√			Extraordinary Meeting conducted on 1st September and 20th October, 2023
14	185	Notice for calling general meeting	√			
15	187	listed Co. - written as well as in media			√	
		Public Co/Private Co. - Written Notice				
16	190	Chairman of meeting (CEO cannot chair)	√			After the resignation of Mr. Loday Tsheten, the current chairman is Mr. Karma Tshering.
17	192	Representation of corporations at meetings (appointed by Board Directors)	√			
18	193	Ordinary and special resolutions (Minutes)	√			
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	√			All minutes of the AGM and Board are maintained.
20	199	Declaration and payment of dividend (199-209)		√		No dividend has been declared for the year 2022
21	232	Books of account to be kept by company (location & time)	√			Books of accounts are generally maintained as required by the Companies Act of Bhutan, 2016 at Head Office
22		Board's report (signed by Chairman)	√			Boards Report contains CG & CSR practices report.

21	232	Books of account to be kept by company (location & time)	√			Books of accounts are generally maintained as required by the Companies Act of Bhutan, 2016 at Head Office
22		Board's report (signed by Chairman)	√			Boards Report contains CG & CSR practices report.
23	252	Appointment and removal of Auditors	√			Auditors are appointed or removed by RAA
		Need to re-appoint annually (251-259)				
24	260	Resignation of Auditors from office (Annual Resignation)		√		Auditors have not resigned
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	√			The audit was conducted as per the IISAs as per the terms of appointment issued by RAA.
26	133	Number of directors	√			7 Board Directors including CEO
27	134	One third of all Public Companies shall be independent	√			
28	138	(Minimum No. & retirement on rotation)	√			
29	139	Additional directors		√		
30	140	Consent to act as directors	√			Consent form filed
31	141	Certain persons not to be appointed as Directors		√		
32	142	Resignation by a director	√			
33	143	Removal of directors		√		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	√			12 Board meetings held in 2023
35	152	General powers of the board	√			
36	156	Restriction on powers of Board	√			
37	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	√			Offtg. CEO served till February and from thereon new CEO was appointed for term of 3 Years
38	213	Company Secretary required in all Public Companies		√		Interim CS is done by CEO and GM Finance after CS who resigned on 12/10/2023
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)			√	
40	157	No loans to directors (only for Public Co.)		√		
41	53	Inter-corporate investments (investments to be disclosed) apply old rule			√	
42	158	Conflict of Interest Transactions by Board	√			The company practices a signing of declaration of CoI in the beginning of every Board Meeting.
43	161	Standard of care required by directors (Reckless decision)		√		Every Director exercises their powers and discharge their duties according to the provision of the Act honestly and in good faith of the company.
STATUTORY RECORD AND INSPECTION						
44	228	Statutory record and inspection	√			
	(a)	Register of buy-back of shares			√	
	(b)	Register of transfers			√	
	(c)	Register of charges	√			
	(d)	Register of inter-corporate loans			√	

	(e)	Register of inter-corporate investments			√	
	(f)	Register of contracts in which directors are interested			√	
	(g)	Register of directors	√			
	(h)	Register of directors' shareholding			√	

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

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

CA Menuka Chhetri,
Partner
M. No. 534365

For Bhutan Development Bank Limited

Name: Migmar Managing

Interim Company Secretary

SIGNATURE/SEAL
NAME OF THE INSPECTOR/AUDITOR

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

RMA DISCLOSURE

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Bhutan Development Bank

"Your Development Partner"

RMA Disclosure as of December 31, 2023

*All items in 000' Ngultrum

Item 1: Tier 1 Capital and its sub-components

Sl. No.		31/12/2023	31/12/2022
1	**Total Tier 1 Capital**	**3,506,450**	**1,844,120**
a	Paid up Capital	1,946,415	600,317
b	General Reserves	973,207	886,754
c	Share premium Account	0	0
d	Retained Earnings	604,203	374,424
	Less:-		
e	Losses for the Current Year		
f	Holdings of Tier 1 instruments issued by other FIs	17,375	17,375

Item 2: Tier 2 Capital and its sub-components

Sl.No.		31/12/2023	31/12/2022
1	**Total Tier II Capital**	**2,264,427**	**1,328,483**
a	Capital Reserve	0	0
b	Fixed Assets Revaluation Reserve	0	0
c	Exchange Fluctuation Reserve	0	0
d	Investment Fluctuation Reserve	0	0
e	Research and Development Fund	82,830	83,022
f	General Provision	438,285	186,703
g	Capital Grants	0	0
h	Subordinated Debt	1,578,024	742,736
i	Profit for the Year	165,288	316,022

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

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

	31/12/2022	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
Sl. No.	Assets			
1	Zero - Risk Weighted Assets	8,422,353	0%	0
2	20% - Risk Weighted Assets	3,861,399	20%	772,280
3	50% - Risk Weighted Assets	3,007,944	50%	1,503,972
4	100% - Risk Weighted Assets	16,866,720	100%	16,866,720
5	150% - Risk Weighted Assets	0	150%	0
6	200% - Risk Weighted Assets	0	200%	0
7	250% - Risk Weighted Assets	0	250%	0
8	300% - Risk Weighted Assets	0	300%	0
	Add: Risk Weighted Assets for Operational Risk			1,017,289
	OFF Balance Sheet Items	650,900	100%	650,900
	Grand Total	**32,809,316**		**20,811,161**

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Item 4: Capital Adequacy Ratios

Sl. No.		31/12/2023	31/12/2022
1	**Tier 1 Capital**	**3,506,450**	**1,844,120**
a	Of which Counter-Cyclical Capital Buffer (CCyB) (If applicable)		
b	Of which sectoral Capital Requirements (SCR) (if applicable)		
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
2	**Tier 2 Capital**	2,264,427	**1,328,483**
3	**Total qualifying capital**	**5,769,131**	**3,170,545**
	Less: Total NPL of Related Parties	1,747	2,058
4	**Core CAR**	**16.06%**	**8.86%**
a	Of which CCyB (if applicable) expressed as % of RWA		
b	Of which SCR (if applicable) expressed as % of Sectoral RWA		
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
5	**CAR**	**26.42%**	**15.23%**
6	**Leverage ratio**	**9.40%**	**5.51%**

Bhutan Development Bank

"Your Development Partner"

Item 5: Loans and NPL by Sectoral Classification

Sl. No.	Sector	31/12/2023		31/12/2022	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture & Livestock	4,805,760	354,866	4,844,847	344,563
b	Forestry & Logging	32,596	3,105	79,469	4,606
c	Production & Manufacturing	744,226	159,759	778,705	27,563
d	Mining & Quarrying	197,095	12,786	142,903	4,635
e	Hotel & Tourism	1,086,379	4,720	1,140,449	49,392
f	Service	1,336,213	81,664	937,589	74,441
g	Loans to Contractors	901,797	51,247	925,408	85,712
h	Trade & Commerce	2,161,510	40,733	2,025,242	167,293
i	Housing	4,400,747	151,776	4,798,750	205,051
j	Transport	1,082,726	9,210	1,351,753	58,603
k	Personal loan	1,243,708	25,102	1,572,450	82,030
l	Credit Cards	-	-	-	-
m	Staff Incentive Loan	179,476	3,210	221,628	220
n	Loan Against Term Deposits	94,353	-	69,117	554
o	Loan to Government	-	-	-	-
p	Loans to FI (s)	-	-	-	-
q	Loans for shares & securities	28,879	-	29,120	386
r	Education Loan	482,438	-	231,820	91,232
s	Medical Loan	-	-	-	-
t	Others	-	-	-	-
	Total	**18,777,904**	**898,178**	**19,149,250**	**1,196,280**

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

Sl. No.	Counter party	31/12/2023	31/12/2022
1	**Overdrafts**	**2,952,956**	**2,974,607**
a	Government	0	0
b	Government Corporation	0	0
c	Public Companies	0	0
d	Private Companies	656,335	626,003
e	Individuals	2,296,622	2,348,603
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0
2	**Term Loans**	**15,809,497**	**16,177,121**
a	Government	0	0
b	Government Corporation	0	0
c	Public Companies	0	0
d	Private Companies	730,408	721,287
e	Individuals	15,079,089	15,455,834
f	Commercial Banks	0	0
g	Non-Bank Financial Institutions	0	0

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

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

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

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

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

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

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

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

31/12/2022	Time to re-pricing				Non-Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
Inflows (Assets)						
Cash and Balance with Banks	712,213	633,648	0	500,520	1,542,926	3,389,307
Treasury Bills	499,417	498,163	0	0	0	997,579
Loans and Advances	1,254,754	1,574,919	2,415,642	13,093,072	0	18,338,387
Investment Securities	0	591,123	338,601	1,727,882	0	2,657,606
Others Assets	27,769	324,267	412,257	2,156,814	2,888,502	5,809,609
Total financial assets	**2,494,152**	**3,622,119**	**3,166,500**	**17,478,288**	**4,431,428**	**31,192,488**
Outflows (Liabilities)						
Deposit	10,975,746	1,585,008	2,014,670	10,237,006	1,100,310	25,912,740
Borrowings	25,217	36,143	12,010	283,185	0	356,554
Other liabilities	4,070	89,859	126,851	2,126,558	2,575,855	4,923,193
Total financial liabilities	**11,005,033**	**1,711,010**	**2,153,530**	**12,646,749**	**3,676,165**	**31,192,488**
Total Interest Re-pricing gap	**23%**	**212%**	**147%**	**138%**	**121%**	**100%**

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Item 10: Non-Performing Loans and Provisions

Sl. No.		31/12/2023	31/12/2022
1	**Amount of NPLs (Gross)**	**898,178**	**1,196,280**
a	Substandard	198,126	346,176
b	Doubtful	465,636	513,903
c	Loss	234,417	336,201
2	**Specific Provisions**	**686,866**	**601,039**
a	Substandard	33,329	66,918
b	Doubtful	189,462	218,045
c	Loss	256,648	316,077
	Additional provisioning	207,427	
3	**Interest-in-Suspense**	**126,480**	**160,139**
a	Substandard	26,217	39,610
b	Doubtful	57,754	100,393
c	Loss	42,509	20,137
4	**Net NPLs**	**84,832**	**435,114**
a	Substandard	138,580	239,649
b	Doubtful	218,419	195,465
c	Loss	-272,167	-12
5	**Gross NPLs to Gross Loans**	**4.78%**	**6.25%**
6	**Net NPLs to Net Loans**	**0.47%**	**2.37%**
7	**General Provisions**	**162,426**	**175,139**
a	Standard	155,787	162,405
b	Watch	6,638	12,734

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Item 11: Assets and Investments

Sl. No.	Investment	31/12/2023	31/12/2022
1	**Marketable Securities (Interest Earning)**		
a	RMA securities	3,034,509	499,563
b	RGOB Bonds/Securities	2,429,334	1,829,334
c	Corporate Bonds	180,332	180,332
d	Others	776,329	1,245,875
	Sub-total	**6,420,504**	**3,755,104**
2	Equity Investments		
e	Public Companies	881	28,442
f	Private Companies	0	0
g	Commercial Banks	17,375	17,375
h	Non- Bank Financial Institutions	38,561	11,000
	Less		
i	Specific Provisions	0	0
	Sub-total	**56,817**	**56,817**
3	Fixed Assets		
j	Fixed Assets (Gross)	695,332	740,625
	Less		
k	Accumulated Depreciation	494,872	489,966
l	**Fixed Assets (Net Book Value)**	**200,459**	**250,659**

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

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

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Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Demand Deposits held With others banks	485,988	704,961	7,064	7,692	0	0
Time Deposits held with others banks	3,978,729	1,884,977	0	0	0	0
Borrowings	118,733	183,578	0	0	151,651	

Item 14: Credit Risk Exposure by Collateral

Sl. No.	Particulars	31/12/2023	31/12/2022
1	**Secured Loans**	**18,777,904**	**19,149,250**
a	Loans Secured by Physical/Real Estate collateral	16,077,660	16,784,358
b	Loans Secured by Financial Collateral	92,029	2,364,892
c	Loan Secured by Guarantees	2,608,214	0
2	**Unsecured Loans**	**0**	**0**
3	**Total Loans**	**18,777,904**	**19,149,250**

Item 15: Earning Ratios (%)

Sl. No.	Ratio	31/12/2023	31/12/2022
1	Interest Income as a Percentage of Average Assets	6.70%	6.21%
2	Non-Interest Income as a Percentage of Average Assets	0.86%	0.65%
3	Operating Profit as a Percentage of Average Profit	141.68%	35%
4	Return on Assets	0.51%	0.70%
5	Business (Deposits plus advances) per employee	83,638	73,631
6	Profit Per employee	425	516

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

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Item 16: Penalties imposed by RMA in the past period

31/12/2023			31/12/2022	
Sl. No.	**Reason for Penalty Imposed**	**Penalty Imposed**	**Reason for Penalty Imposed**	**Penalty Imposed**
1	-	-	Violation of Section 4(ii) of the Directive of Personal Loan 2018	150
2	-	-	Violation of Section 4(ii) of Directive on Personal Loan, Section 6(i) of Directive on Vehicle Loan, Section xiv of the Directive on Staff Incentive Loan, and Section 4.5.5 of Prudential Regulation 2017	150
3	-	-	Violation of Section 218 of FSA 2021	150
4	-	-	Violation of Section C2 (13) of Rules and Regulation on Foreclosure and Write-off of Non-Performing Loans 2022	1,367
5	-	-	Missing Loan Files	2,735
6	-	-	Violation of Section 24 of the FERR 2020 and Section 8 of the FEOG 2020	150
7	-	-	Violation of Section 9 of Penalty Rules and Regulations 2019	150
8	-	-	violations in accordance with the Appendix B - Section 3(a) of the Penalty Rules and Regulations 2022	1,363
	Total	**-**	**Total**	**6,215**

Item 17: Customers Complaints

Sl. No.	Particulars	31/12/2023	31/12/2022
1	No. of complaints pending at the beginning of the year	0	0
2	No. of complaints received during the year	1,477	567
3	No. of complaints redressed during the year	1,477	567
4	No. of complaints pending at the end of the year	0	0

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Item 18: Provisioning Coverage Ratio

Year	Gross NPL	Additional NPL	Additional Specific Provisions	Additional Interest-in-Suspense A/C	Required PCR (60% of Additional NPL)	Accretion to the Buffer	Counter-cyclical Provisioning Buffer (Stock)
1	2	3	4	5	6= (60% of Col.3)	7=(6-5-4)	8
2022	1,196,280	(2,066,045)	2,088,128	(475,820)	(1,239,626.72)	(2,851,934.53)	
2023	898,178	(298,102)	(85,827)	(33,659)	(178,861.22)	(59,375.06)	

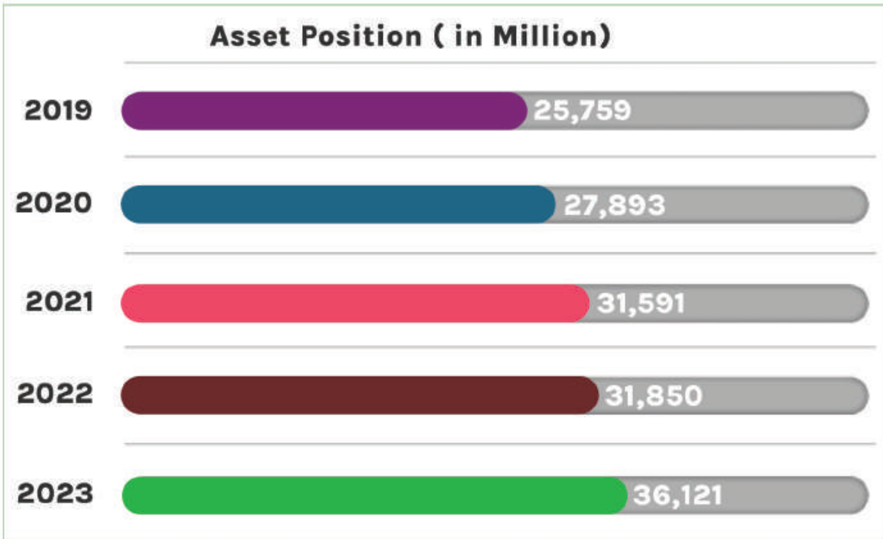
Item 19: Concentration of Credit and Deposits

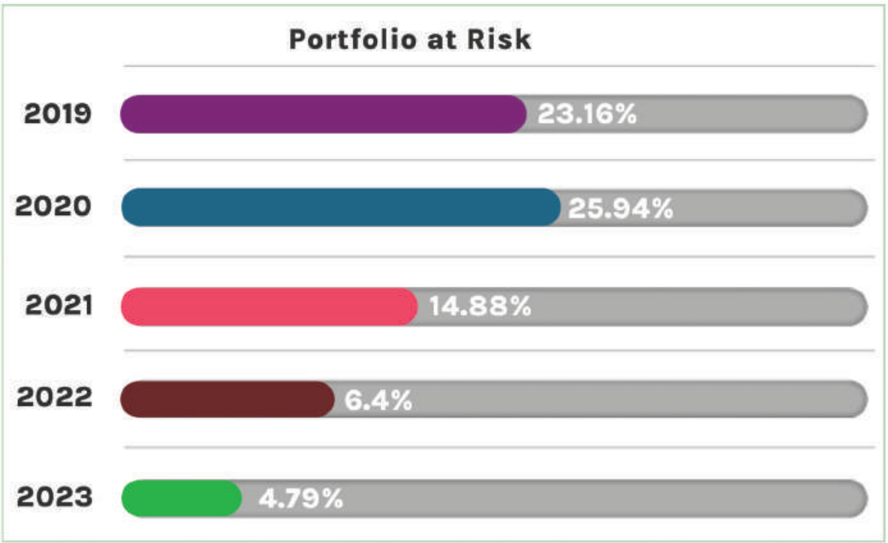
Sl. No	Particulars	31/12/2023	31/12/2022
1	Total Loans to 10 Largest Borrowers	1,316,871	1,322,158
2	As % of Total Loans	7.01%	6.90%
3	Total Deposit of the 10 Largest Depositors	3,269,040	5,006,083
4	As % of Total Deposits	11.79%	19.32%

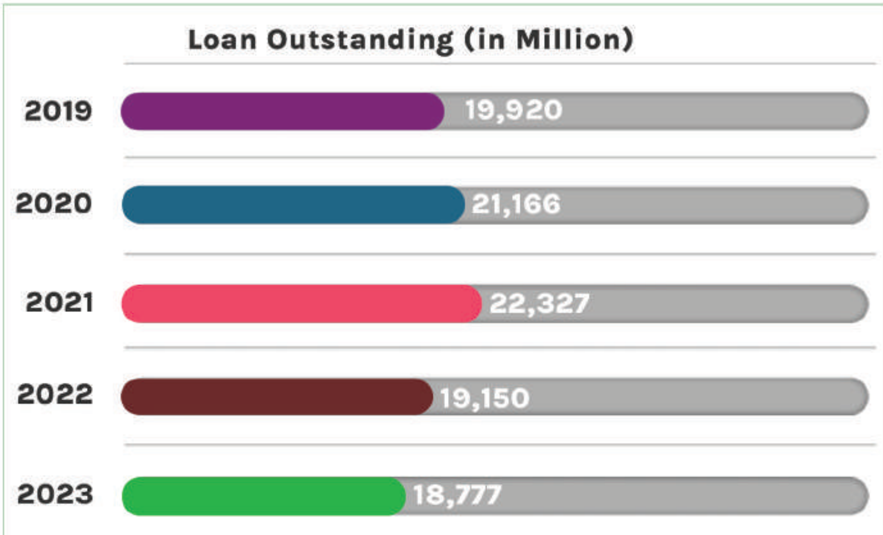
Item 20: Exposure to 5 Largest NPL Accounts

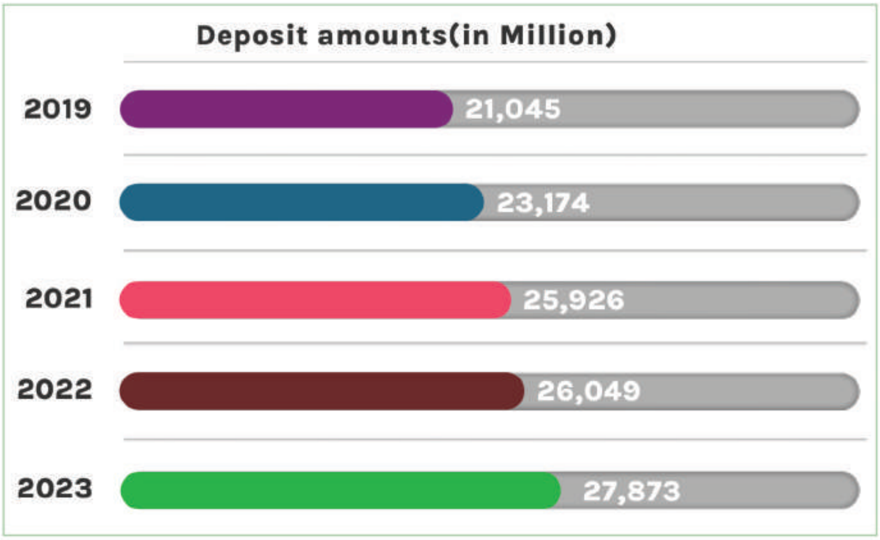
Sl. No	Particulars	31/12/2023	31/12/2022
1	Five Largest NPL Accounts	120,530	142,038
2	As % of Total NPLs	13.42%	11.31%

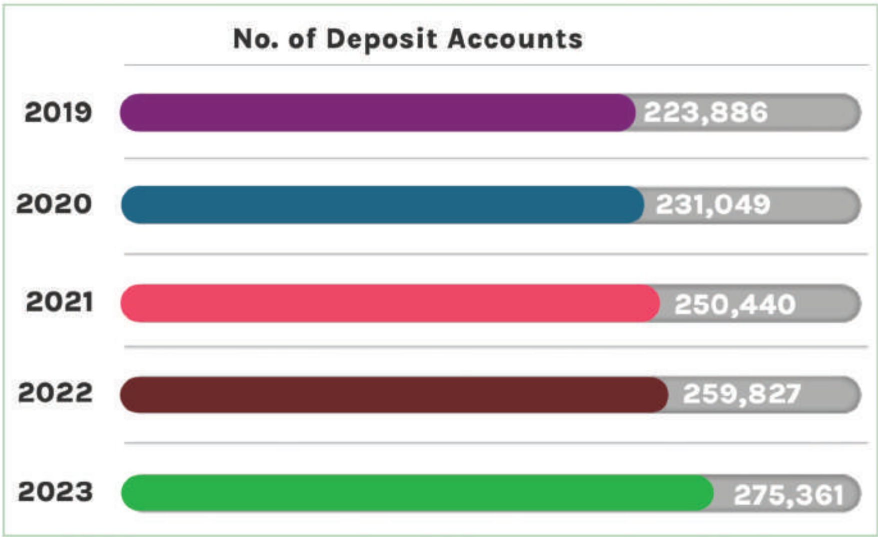
Performance Indicator

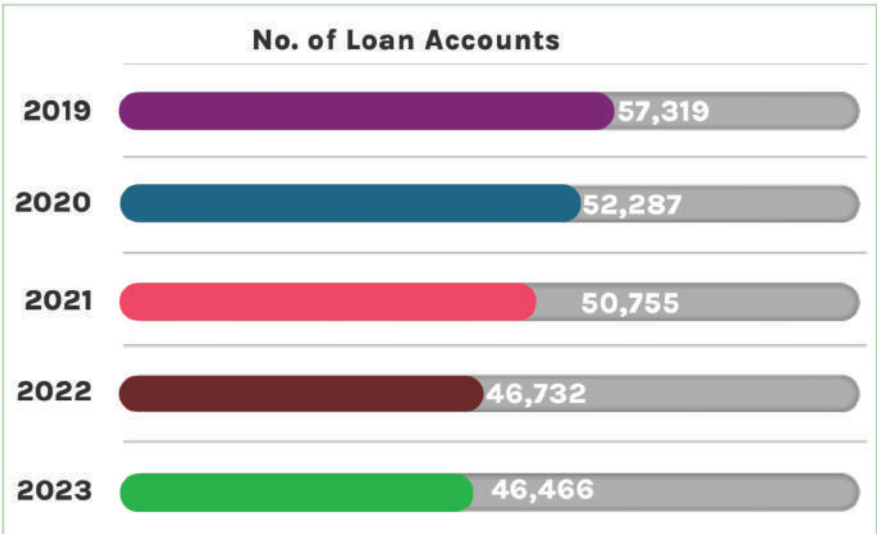




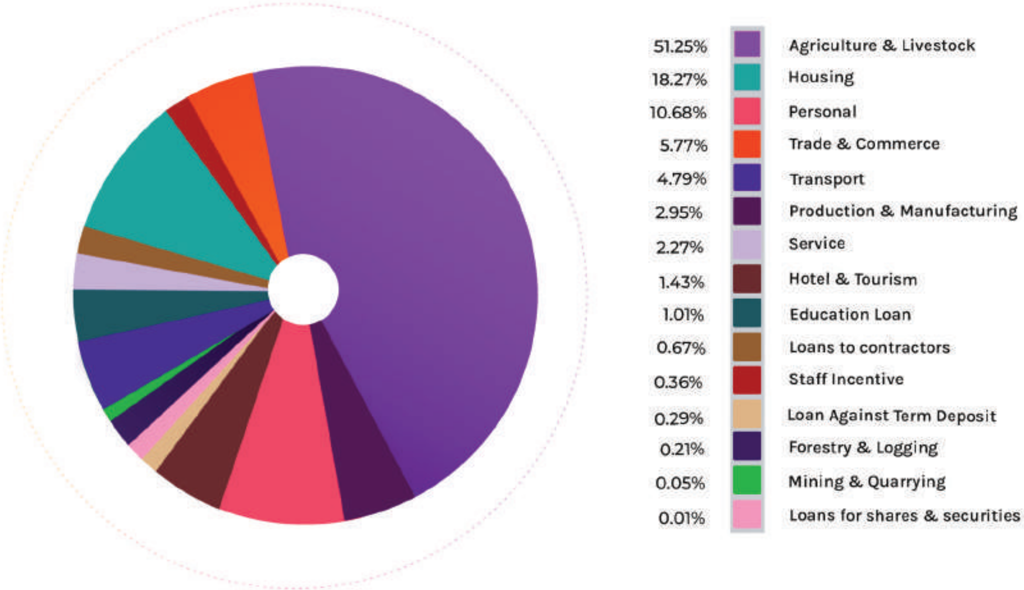



Deposit amounts(in Million)
2019
21,045
2020
23,174
2021
25,926
2022
26,049
2023
27,873

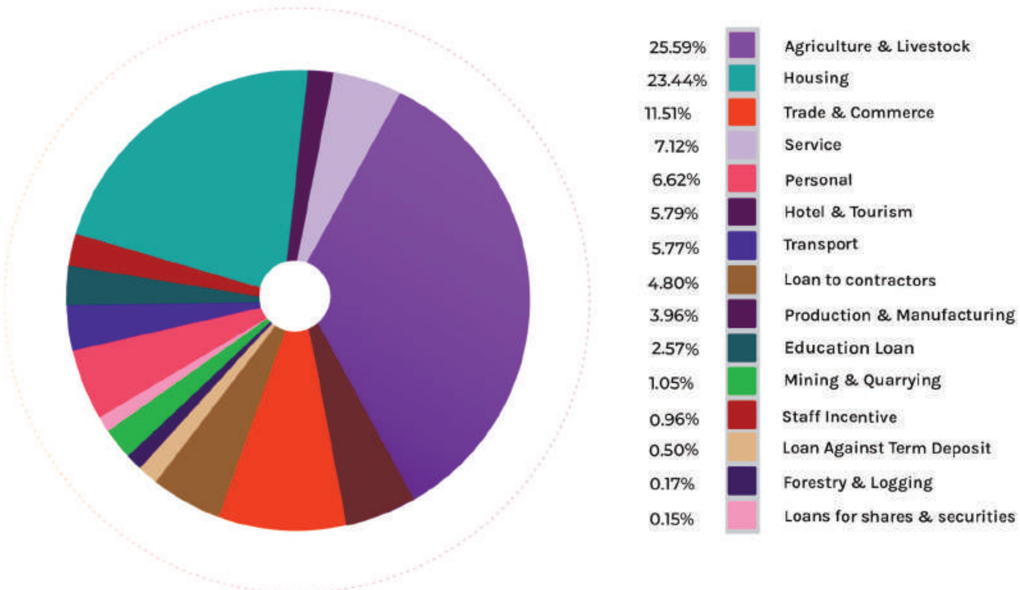

No. of Deposit Accounts
2019
223,886
2020
231,049
2021
250,440
2022
259,827
2023
275,361


No. of Loan Accounts
2019
57,319
2020
52,287
2021
50,755
2022
46,732
2023
46,466

Total Count



Loan Outstanding



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

Branch Managers Çontact

SL. No	Name	Designation	Branch	Contact Number
1	Tenzin Tashi	Chief Manager	Thimphu Main Branch	17952880
Central Region				
1	Ngawang Tashi	Branch Manager	Bumthang	17449399
2	Sangay Tenzin	Branch Manager	Dagana	17894482
3	Dorji Norbu	Branch Manager	Dagapela	17548455
4	Yeshey Samdrup	Chief Manager	Gelephu	17634757
5	Sonam Duba	Branch Manager	Lhamoizingkha	77790580
6	Pema Choda	Branch Manager	Panbang	17232816
7	Kelzang Pelmo	Chief Manager	Sarpang	17819897
8	Tashi Dema	Branch Manager	Trongsa	17447504
9	Jhamba	Sr. Branch Manager	Tsirang	17638551
10	Jamyang Tenzin	Branch Manager	Zhemgang	17127700
Eastern Region				
1	Nima Choezang	Branch Manager	Yadhi	17290334
2	Santi Ram Khandal	Branch Manager	Jomotshangkha	77313130
3	Dendup Namgyel	Branch Manager	Lhuntse	17703598
4	Kunzang Tshomo	Sr. Branch Manager	Mongar	17730309
5	Namgay Doenyan	Sr. Branch Manager	Nganglam	17125253
6	Chimi Dorji	Offtg. Branch Manager	Pemagatshel	17674806
7	Gyem Tshering	Branch Manager	Samdrupcholing	17805497
8	Yezer Peldon	Chief Manager	Samdrupjongkhar	17636371
9	Tshewang	Chief Manager	Trashigang	17699101
10	Jigme Sonam Tenzin	Branch Manager	Trashiyangtse	17730862/77333031
11	Sonam Yangchen	Branch Manager	Wamrong	17396431
Western Region				
1	Karma Sherub	Branch Manager	Chukha	17648235 / 77648239
2	Pema Tenzin	Branch Manager	Gasa	17395989
3	Namgay Tenzin	Branch Manager	Gedu	17117466
4	Wangda	Branch Manager	Haa	17973010
5	Karma Choki	Branch Manager	Dorokha	17345221
6	Thinley Dema	Branch Manager	Gangtey	17681330
7	Ugyen Dema	Chief Manager	Paro	17889608
8	Chencho Pem	Branch Manager	Punakha	17831105
9	Janga Bdr. Rai	Chief Manager	Samtse	17711899
10	Sonam Lhadon	Branch Manager	Tashicholing	17739462
11	Namgay Rinchen	Chief Manager	Thimphu	17685853
12	Jigme Norbu	Sr. Branch Manager	Wangdue	17882708
13	Sangay Dorji	Chief Manager	Phuentsholing	77369188

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