

Report on the Audit of the Financial Statements

To the Members of the Bank of Bhutan Limited:

Opinion

We have audited the financial statements of Bank of Bhutan Limited (the Bank), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, 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 Bank as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2021. 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.

Key Audit Matter	How the Matter was addressed
<p><u>Impairment of Loans and Advances to Customers</u></p> <p>The assessment of impairment of loans and advances to customers involves significant judgment. The Bank adopts an individual impairment assessment approach for individually significant loans; and a collective impairment assessment approach for loans not individually significant or not individually impaired. Under the collective approach, assessment of future cash flows for loan portfolios is based on historical loss experience of loans with similar credit risk characteristics, with adjustments based on the impact from changes of and uncertainties in the macro-economic environment. The future cash flows for loans without collateral or guarantees, or loans that are not adequately collateralized, are subject to higher uncertainties.</p> <p>Since loan impairment assessment involves judgment and assumptions, and in view of the significance of the amount (as at December 31, 2021, loans and advances to customers amounted to Nu. 51,809 million, representing 51% of total asset), it is considered a Key Audit Matter in our audit.</p>	<p><u>Our Audit Procedure</u></p> <p>We evaluated and tested the effectiveness of the design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment, including testing of relevant data quality and information systems. We adopted a combination of risk-based and random sampling approach in our loan review procedures. We assessed the borrowers' repayment capacity taking into account the impacts of COVID-19 and evaluated the Bank's loan classification, taking into consideration post-lending investigation reports, borrowers' financial information, collateral valuation reports and other available information. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.</p> <p><u>Our Results</u></p> <p>The loan impairment process followed by Bank were found to be adequate and reliable considering the materiality of transactions and the observations.</p>
<p><u>Fair Value measurement of Financial Instruments</u></p> <p>(Refer to Note 4.14 to the financial statements)</p> <p>Fair value of financial assets and financial liabilities are measured using valuation techniques including the Adjusted Net Asset Method where the financial instruments are not quoted in active markets. The inputs to these models are taken from observable markets where possible. However, where this is not feasible, a degree of judgment is required in establishing fair values. This especially pertains to investments in non-listed private companies. Judgments include considerations of inputs such</p>	<p><u>Our Audit Procedure</u></p> <p>The Bank has carried out the valuation of its financial instruments per their policy which is consistent with prior years. Fair value estimation for their investments in unlisted companies was based on recent financial data received from the underlying investments.</p> <p>We reviewed the valuation methodology of all of the Bank's financial instruments including a review of the controls over adjustments to mitigate model limitations and assumptions and made some recommendations to make the</p>

<p>as liquidity risk, credit risk and volatility that involve a high degree of estimation and judgment and could affect the reported fair value of the financial instruments.</p>	<p>valuation policy more robust especially around the valuation of unlisted companies.</p> <p><u>Our Results</u></p> <p>The results of our testing were satisfactory, and we considered the fair value of the financial instruments (assets and liabilities) recognized to be acceptable.</p>
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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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 Bank's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. 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 Bank's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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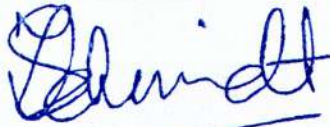
Report on Other Legal and Regulatory Requirements

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 under Section 265 of the Companies Act of Bhutan 2016, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Bank insofar as it appears from our examination of those books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- d) Based on the information, explanations and management representations received during the course of our audit, the Bank has complied with other legal and regulatory requirements to the extent applicable to the Bank.

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762

Date: *April 28, 2022*
Place: Thimphu, Bhutan



**REPORT ON MINIMUM AUDIT EXAMINATION
REQUIREMENTS**

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

1. The Bank fulfilled all matters specified in clause A except those pertaining to manufacturing activities and relative procurements, sales, marketing, etc.
2. Adequate documents and records have been maintained for loans and advances with timely entries.
3. Proper records of transactions and contracts have been maintained with timely entries in the books.
4. On the basis of verification of records, information and explanations given to us, we noted that reasonable records have been maintained for the funds collected from the depositors and interest payments.
5. On basis of the verification of records, information and explanations given to us, we noted no permanent diminutions during the current year.
6. The financial statements prepared are in accordance in Bhutanese Accounting Standards.
7. On the basis of verification of records, information and explanations given to us, non-performing assets were noted and the requirements relating to provisioning have been complied with during the current year.
8. On the basis of verification of records, information and explanations given to us, the Bank has assets hypothecated against loans.
9. On the basis of verification of records, information and explanations given to us, the Bank has a system of monitoring projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. On the basis of verification of records, information and explanations given to us, disposed assets are sold through open/sealed bids.
11. On the basis of records, information and explanations given to us, we noted instances of re-phasing/rescheduling of loans.
12. On the basis of records, information and explanations given to us, we noted no additional loans granted to those who have defaulted on payments of previous advances.
13. On the basis of records, information and explanations given to us, we noted no write-off of loans during the year.



Computerized Accounting Environment

1. During the course of our audit, we have neither come across nor have been informed of any failure or major weakness in the organizational and system development controls and other internal controls relative to size and nature of the computer installation.
2. According to information and explanation given to us, the Bank has adequate safeguard measures and back up facilities.
3. Based on the information and explanations given to us, the Bank has set up an offsite facility with Bhutan Telecom to store and back up files as a disaster recovery measure.
4. According to information and explanation given to us, the operational controls are adequate to ensure correctness and validity of input data and output information.
5. The Bank has adequate measures to prevent unauthorized access to the computer installation and files.
6. Based on the information and explanations given to us, the Bank manages to ensure that the new system are effectively managed to ensure completeness and integrity of data as well as smooth operation of the system during data migration.

Going Concern Problem

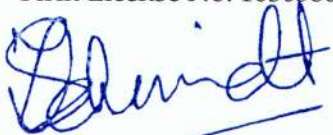
The Bank has been making adequate profits in the past years and the financial position as on the date of this report is healthy. There are no potential going concern problems for the Bank as of the date of the audit report.

Adherence to Laws, Rules and Regulations

The audit of the Bank is governed by the Prudential Rules & Regulations 2017, Companies Act of Bhutan 2016, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act and By-laws, 2018 as well as the Bhutanese Accounting Standards.

For Rinzing Financial Private Limited

Firm License No. 1036380



Tashi Rinzing Schmidt
Audit Partner

CPA License No. 34762

Date: April 28, 2022

Place: Thimphu, Bhutan



FINANCIAL STATEMENTS

BANK OF BHUTAN LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

(Amount in Nu.)

Particulars	Note No.	December 31, 2021	December 31, 2020
ASSETS			
Cash and Cash Equivalents	5.1	2,546,846,131.32	3,609,845,434.02
Balances with Central Bank	5.2	29,855,260,739.57	28,400,237,730.08
Placements with other Banks	5.3	1,432,377,600.00	1,828,976,800.00
Loans & Advances to Customers	5.4	51,809,256,672.98	47,482,630,031.17
Financial Investments			
- Held to Maturity	5.5	11,743,289,351.98	3,565,825,528.95
- Available for sale	5.6	474,699,649.00	352,012,297.00
Investments in Associates	5.7	44,779,500.00	48,672,180.00
Other Financial Assets	5.8	1,134,686,023.39	311,027,800.34
Other Assets	5.9	56,348,240.63	241,630,976.54
Property, Plant & Equipment	5.10	1,237,101,938.10	450,067,048.78
Intangible Assets	5.11	264,358,577.79	210,601,120.65
Capital Work-in-Progress	5.12	80,693,455.93	684,819,395.67
TOTAL ASSETS		100,679,697,880.69	87,186,346,343.05
LIABILITIES			
Due to Banks	5.13	18,760,406.32	25,387,554.27
Due to Customers	5.14	88,526,349,604.07	77,593,172,444.84
Current Tax Liabilities	5.15	103,194,110.76	(48,046,219.44)
Other Financial Liabilities	5.16	2,167,963,279.48	1,550,527,375.95
Provision for Liabilities & Charges	5.17	9,116,736.79	13,100,194.95
Retirement Benefit Obligations	5.18	243,756,704.00	218,638,407.00
Other Liabilities	5.19	1,279,809,132.10	594,491,181.95
Deferred Tax Liabilities	5.20	106,702,016.59	80,647,182.59
TOTAL LIABILITIES		92,455,651,990.11	80,027,918,122.11
EQUITY			
Share Capital	5.21	3,000,000,000.00	3,000,000,000.00
Reserve Fund	5.22	2,310,179,262.68	2,189,684,368.40
Exchange Fluctuation Reserve	5.22	318,197,898.97	292,253,233.84
Retained Earnings	5.22	2,140,199,237.45	1,676,490,619.23
Asset Pending Foreclosure Reserve	5.22	455,469,491.85	-
TOTAL EQUITY		8,224,045,890.96	7,158,428,221.47
TOTAL LIABILITIES & EQUITY		100,679,697,880.69	87,186,346,343.04
Contingent liabilities	5.23	1,351,674,621.51	674,088,374.51
Bills for Collection	5.24	1,489,600.00	8,805,332.20
Significant Accounting Policies	1-4		
Notes to Accounts	7		
Disclosures Related to Abandoned Property	7.11		
Macro Prudential Disclosures	7.12		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

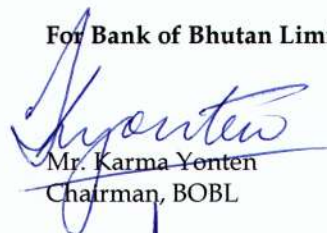
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: April 28, 2022
Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
Chairman, BOBL

Mr. Tshering Kezang
Chairman, Board Audit Committee, BOBL



Mr. Dorji Kadin
Chief Executive Officer & Director BOBL



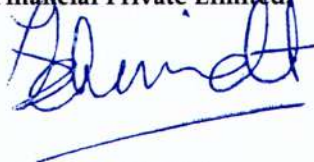
BANK OF BHUTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

(Amount in Nu.)

Particulars	Note No.	December 31, 2021	December 31, 2020
Interest Income	6.1	4,704,833,243.63	4,326,684,483.39
Interest Expenses	6.2	(3,603,367,752.11)	(3,112,363,030.37)
Net Interest Income		1,101,465,491.52	1,214,321,453.02
Fees & Commission Income	6.3	445,096,302.22	346,143,857.36
Fees & Commission Expenses	6.4	(98,595,374.78)	(80,807,554.25)
Net Gains from Trading of Foreign Exchange	6.5	103,778,660.54	141,287,344.04
Other Operating Income	6.6	102,524,398.51	90,129,639.87
Net Non-interest Income		552,803,986.49	496,753,287.02
Total Operating Income		1,654,269,478.01	1,711,074,740.04
Staff Costs	6.7	(664,263,799.46)	(542,280,595.11)
Premises Costs	6.8	(64,158,632.21)	(66,807,513.07)
General Administrative Expenses	6.9	(145,151,581.78)	(216,270,899.75)
Depreciation on Property, plant & equipment	6.10	(65,300,759.27)	(47,237,317.50)
Amortization of Intangible Assets	6.11	(54,761,793.78)	(35,212,032.47)
Impairment reversal on loans and advances	5.4 & 6.14	52,375,319.52	(679,115,498.88)
Total Operating Expenses/(Loss)		(941,261,246.98)	(1,586,923,856.78)
Profit before Taxation		713,008,231.03	124,150,883.26
Tax Expenses	6.12		
- Current tax		(179,970,888.00)	(17,711,396.00)
- Current tax - earlier year's		(25,002,931.91)	-
- Deferred tax		(26,054,834.00)	(18,922,689.00)
Net Profit for the year		481,979,577.12	87,516,798.26
Other Comprehensive Income-Items that will not be reclassified to P&L			
Actuarial Gains/(Losses) on Retirement Benefits		9,403,928.52	10,014,170.00
Net Gains/(Losses) from Financial Instruments designated at Fair Value through OCI		118,794,672.00	(66,996,010.00)
Other Comprehensive Income		128,198,600.52	(56,981,840.00)
Total Comprehensive Income for the year		610,178,177.64	30,534,958.26
Basic & Diluted Earnings Per Share	6.13	16.07	2.92

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

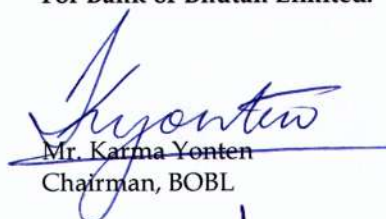
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: April 28, 2022
 Place: Thimphu, Bhutan

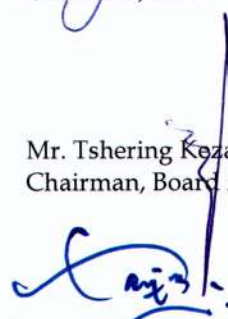


For Bank of Bhutan Limited:



Mr. Karma Yonten
 Chairman, BOBL

Mr. Tshering Kezang
 Chairman, Board Audit Committee, BOBL



Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL



BANK OF BHUTAN LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

(Amount in Nu.)

Particular	Share Capital	Reserve Fund	Exchange Fluctuation Reserve	Retained Earnings	Asset Pending Foreclosure Reserve	Total
As at January 01, 2020	3,000,000,000.00	2,167,805,168.84	256,931,397.83	2,485,649,182.56	-	7,910,385,749.23
Profit for the year 2020	-	-	-	87,516,798.26	-	87,516,798.26
Exchange fluctuation adjustment	-	-	-	(142,547,735.82)	-	(142,547,735.82)
Refund on interest on loans	-	-	-	(2,573,366.34)	-	(2,573,366.34)
Dividends Paid	-	-	-	(637,371,384.32)	-	(637,371,384.32)
Transfer from other Comprehensive Income	-	-	-	(56,981,840.00)	-	(56,981,840.00)
Transfer to Reserve Fund	-	21,879,199.56	-	(21,879,199.56)	-	-
Transfer to Exchange Fluctuation Reserve	-	-	35,321,836.01	(35,321,836.01)	-	-
As at December 31, 2020	3,000,000,000.00	2,189,684,368.40	292,253,233.84	1,676,490,619.23	-	7,158,428,221.46
Transfer of APF provision to Reserve	-	-	-	-	455,469,491.85	455,469,491.85
Profit for the year 2021	-	-	-	481,979,577.12	-	481,979,577.12
Exchange fluctuation adjustment	-	-	-	0.003	-	0.003
Refund on old Cash Warrants	-	-	-	(30,000.00)	-	(30,000.00)
Dividends Paid	-	-	-	-	-	-
Transfer from other Comprehensive Income	-	-	-	128,198,600.52	-	128,198,600.52
Transfer to Reserve Fund	-	120,494,894.28	-	(120,494,894.28)	-	-
Transfer to Exchange Fluctuation Reserve	-	-	25,944,665.14	(25,944,665.14)	-	-
As at December 31, 2021	3,000,000,000.00	2,310,179,262.68	318,197,898.97	2,140,199,237.46	455,469,491.85	8,224,045,890.95

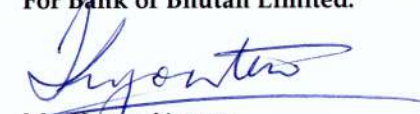
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: April 28, 2022
 Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



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 Chairman, BOBL

Mr. Tshering Kezang
 Chairman, Board Audit Committee, BOBL



Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL



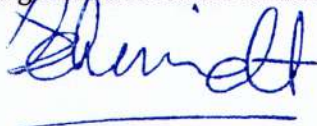
BANK OF BHUTAN LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Cash flows from operating activities		
Profit before taxation	713,008,231.03	124,150,883.26
Add: Depreciation on Property, Plant & Equipment	65,300,759.27	47,237,317.50
Add: Amortization of Intangible Assets	54,761,793.78	35,212,032.47
Operating profit before changes in operating assets & liabilities	833,070,784.08	206,600,233.23
(Increase)/Decrease in operating assets		
Balance with RMA in CRR Account	(807,152,084.64)	578,675,954.94
Loans & Advances to Customers	(4,326,626,641.81)	(3,692,592,016.90)
Other Financial Assets	(823,658,223.05)	14,378,271.67
Other Assets	185,282,735.91	(42,572,707.54)
Sub Total (Operating Assets)	(5,772,154,213.59)	(3,142,110,497.83)
Increase/(Decrease) in operating liabilities		
Due to Banks	(6,627,147.95)	(1,386,637.18)
Due to Customers	10,933,177,159.23	18,356,264,787.72
Other Financial Liabilities	617,435,903.53	294,783,844.03
Other Liabilities	883,747,953.19	(262,360,909.18)
Sub Total (Operating Liabilities)	12,427,733,868.00	18,387,301,085.39
Net cash (used in)/generated from operating activities before income tax	7,488,650,438.49	15,451,790,820.78
Income taxes paid	(231,028,653.91)	(36,634,085.00)
Net cash (used in)/generated from operating activities	7,257,621,784.58	15,415,156,735.78
Cash Inflows from investing activities		
Investments	(8,296,258,495.03)	2,072,071,782.61
Purchase of PPE	(356,728,959.77)	(204,890,466.03)
Net cash generated from/(used in) investing activities	(8,652,987,454.80)	1,867,181,316.58
Cash Outflows from financing activities		
Dividend Paid	-	(637,371,384.32)
Other Adjustments from Retained Earnings	583,638,092.37	(200,061,083.63)
Net cash used in financing activities	583,638,092.37	(837,432,467.95)
Net Cash generated/(used) during the year	(811,727,577.85)	16,444,905,584.42
Cash and cash equivalents at the beginning of the year	28,687,594,062.28	12,242,688,477.76
Cash and cash equivalents at the end of the year	27,875,866,484.43	28,687,594,062.26
Cash and cash equivalents at the end of the year		
Cash and Cash Equivalents	2,546,846,131.32	3,609,845,434.02
Balances with Central Bank	23,896,642,753.11	23,248,771,828.26
Placements with other Banks	1,432,377,600.00	1,828,976,800.00
Total Cash & cash equivalents at the end of the year	27,875,866,484.43	28,687,594,062.28

For Bank of Bhutan Limited:

For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: April 28, 2022
Place: Thimphu, Bhutan

Mr. Karma Yonten
Chairman, BOBL

Mr. Tshering Kezang
Chairman, Board Audit Committee,
BOBL

Mr. Dorji Kadin
Chief Executive Officer & Director, BOBL



ACCOUNTING POLICIES & NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. Corporate Information

- a. Bank of Bhutan Limited (“the Bank”) is established under the Royal Charter in May 1968 and it is the only banking institute in the country until 1997. It acted as the Central Bank of Bhutan till the Royal Monetary Authority of Bhutan was set up in 1982. The registered office of the Bank is located at Norzin Lam, PO Box No. 102, Thimphu, Bhutan.
- b. The Bank is a controlled company of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Bank has been incorporated and registered under The Companies Act of Bhutan, 2016 with limited liability.
- c. The Bank is governed by the Companies Act of Bhutan, 2016. Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including Prudential Regulations issued by the Royal Monetary Authority of Bhutan (RMA).
- d. Today, the Bank being the largest commercial bank in Bhutan, has its presence in every Dzongkhag, and major towns through a network of 54 branch offices and few extension offices. The Bank first rolled out Flexcube Core Banking Solution (CBS) in 2009; hence banking operations were fully automated. Subsequently on April 1st, 2016, The Bank migrated into BaNCS CBS of Tata Consultancy Services. This paved a way for customers to use the cutting-edge technologies for banking services.
- e. The financial statements of the Bank for the year ended December 31, 2021 were authorized for issue in accordance with the resolution of the Board of Directors dated February 25th, 2022.

2. Bhutanese Accounting Standards (BAS)

The financial statements have been prepared in accordance with the Bhutanese Accounting Standards (BAS), as notified under Accounting Standard Rules for Companies in Bhutan, 2015, issued by the Ministry of Economic Affairs of Royal Government of Bhutan.

3. Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Although the Bank regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known. Actual results may differ from management’s estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made. The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after



that date but provide additional evidence about conditions existing as at the statement of financial position date. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

a. Fair Value measurement of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Adjusted Net Asset Method etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

b. Impairment of Financial assets

The impairment provisions of financial assets are based on the BAS 39 "Incurred Loss Model", under which the Bank uses judgement in making the relevant assumptions and selecting the inputs to the impairment calculation, based on Bank's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

c. 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 fair value less cost of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other fair value indicators.

d. Useful lives of Property Plant and Equipment

The Property, Plant and Equipment are depreciated on a pro-rate basis on straight line method over their respective useful lives. Management estimates the useful lives of these assets as detailed in Note 4.5 below. Changes in the expected level of usage, technological developments, level of wear and tear could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised and could have an impact on the profit in future years.

e. Retirement benefit obligations

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the



determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

i. Discount Rate

Discount rate is one of the key actuarial assumptions used to calculate the present value of future liabilities when accounting for employee benefits in defined benefit obligations (DBO) plan. BAS 19 states that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit. As there is neither actively traded bonds in the market nor a long-term yield curve for the economy, the discount rate has been derived considering the bonds listed in the Royal Securities Exchange of Bhutan Ltd. and deposit rates for 7 - 10 years in the banks.

ii. Salary growth rate

As per para 84 of BAS 19, "estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market." The assumed salary growth rate reflects expectation of salary increment over the long term inclusive of annual increment and major salary revision every 3 - 5 years.

iii. Mortality Rate

As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2012-14 which is the best available proxy.

iv. Employee Turnover Rate

The employee turnover rate used in the valuation was based on the past experience and future expectation

4. Summary of Significant Accounting Policies

4.1 Basis of preparation

4.1.1 Statement of compliance

- a. These financial statements are the general-purpose financial statements that have been prepared in accordance with and to comply with the Bhutanese Accounting Standards (BAS), the Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2015, the Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including prudential regulations



issued by the Royal Monetary Authority of Bhutan (RMA). Further, as these financial statements have been prepared in accordance with and are compliant with the Bhutanese Accounting Standards (BAS), to the extent as applicable, as detailed in para-2 above, therefore though the loans and advances to the customers have been classified under non-performing assets i.e. sub-standard, doubtful or loss in accordance with the prudential regulations issued by the Royal Monetary Authority of Bhutan, the provisions /impairments loss thereon have been provided in accordance with 'BAS 39 - Financial Instruments: Recognition and Measurement' as detailed in para-4.15 (i) c below.

- b. The financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Bank's accounting policies and if the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates, the differences between the actual results and the estimates are recognised in the period in which the results are known/ materialised. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 above.
- c. The format used in the preparation and presentation of Financial Statements as per BAS and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Bhutan, Royal Monetary Authority of Bhutan (RMA).
- d. The assets and liabilities in the financial statements have been presented in decreasing order of liquidity to provide information, which are more relevant to the financial statements of the Bank, than the current/non-current presentation. The same is as per the exemption given to the financial institution in 'BAS 1: Presentation of Financial Statements'. However, the status of current/non-current assets and liabilities on the basis of residual maturity is given in the Note 7.9 as disclosure.
- e. The accounting policies based on BAS have been applied consistently for the years presented in these financial statements. There were no changes in the accounting policies applied compared to the previous year, except otherwise stated.

4.1.2 Basis of Measurement

In preparing the Financial Statements, management has made judgements and estimates that affect the application of the Bank's accounting policies and the reported amounts of assets, equity, liabilities, commitments, income and expenses.

- a. The financial investments that are classified as "available for sale" are measured at fair valued as required by BFRS 7 (Note 7.5) and recognised through Other Comprehensive Income (OCI).



- b. The Loans and Advances are tested for impairment on periodic basis and recognised through profit or loss less the impairment charges.
- c. Defined benefit obligations are actuarially valued and recognised at the present value of the defined benefit obligation.
- d. The Fixed Deposit placed by customer are measured at fair value. The fair value for fixed deposits with the interest earning at the maturity, estimated using discounted cash flows, applying market rates and effective interest rate on the expired periods. The difference between the FV at MIR and FV at EIR is the additional interest to be booked.
- e. The incentive loans provided to employees of the Bank are measured at fair value. In order to determine fair value of staff loan needs to determine the market interest rate for similar instruments and discount all cash flows from the loan with the market interest rate to arrive at their present value. The difference between the present values at given rate on the remaining loan instalments and the present value at market rate on the remaining loan instalments is deferred employment cost.

4.2 Presentation of Financial Statement

As prescribed by the BAS accounting standard (BAS-1), the basis for presentation of general-purpose financial statements is presented to provide financial information about the Bank which is useful to existing and potential investors and other users and to ensure comparability both with the Bank's financial statements of previous periods and with the financial statements of other banks.

Items in the Statement of Financial Position of the Bank are classified by nature of such item and presented broadly in order of their relative liquidity and maturity pattern. An analysis regarding long term or short term that are either payable or receivable within 12 months after the Reporting date (current) and more than 12 months after the Reporting date (non-current) is presented in Note 7.9.

4.2.1 FOREIGN CURRENCY TRANSLATION

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates, referred to as the "functional currency". The functional currency and presentation currency of the Bank is Bhutanese Ngultrum.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.



4.2.2 Going Concern

The Bank has made an assessment on the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The financial statements are prepared on a going concern basis. The Bank do not anticipate any material uncertainties that may pose substantial uncertainty to the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

4.2.3 Accrual basis of accounting

The Bank prepared its financial statements, except for cash flow information, using the accrual basis of accounting. It recognizes items such as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the framework.

4.2.4 Materiality and aggregation

In compliance with BAS 1 - "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial. Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or functions. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements.

4.2.5 Offsetting

All the items that are recorded in the financial statements are reported gross except for loans and advances which is net off impairment charges. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Bank.

4.2.6 Frequency of reporting

As required by BAS accounting standard, the Bank prepares a complete set of financial statements including comparative information annually. The other financial information that are required by Companies Act of Kingdom of Bhutan, 2016 and Central Bank of Bhutan, Royal Monetary Authority of Bhutan are presented as a separate disclosure on quarterly and half-yearly basis.

4.2.7 Comparative information

The previous year's figures have been regrouped/rearranged wherever considered necessary, to conform to the current year's presentation. As a minimum, the Bank has reported two statements of financial position, two statements of profit or loss and OCI, two statements of cash flows, two statements of changes in equity and related notes.



4.3 OPERATING SEGMENTS

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses. The Bank operates in single segment of commercial banking. However, it is applicable only to listed company. Since the Bank is unlisted company, it is not required to identify the operating segment as per BFRS 8.

4.4 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Bank and the cost can be measured reliably.

Property, plant and equipment are initially recognized at cost. The initial cost of property, plant and equipment comprises its net purchase price after deducting any trade discount and rebates, including import duties and non-refundable purchase taxes, and directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

4.5 DEPRECIATION AND AMORTISATION METHODS, ESTIMATED USEFUL LIVES AND RESIDUAL VALUE

On other tangible assets

- i. Depreciation is provided on pro rata basis on the straight-line method to allocate the cost, net of residual value over the estimated useful lives of the assets.
- ii. Where a significant component (in terms of cost) of an asset has an estimated economic useful life shorter than that of its corresponding asset, the component is depreciated over its shorter life.
- iii. Useful life of assets is determined by the management based on the internal technical assessments as follows:



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Asset	Useful life (No. of years)
Buildings and civil structures (built on owned land only)	30
Plant and machinery and other equipment	7
Furniture and fixtures	7
Office equipment	7
Vehicles	10
Leasehold property improvements	Over the lease term
Desktops, Servers, Card embossing machine	5
Laptops, printers, scanners, routers, switches, modems, UPS	3

The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and/or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

- iv. The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed-off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

4.6 INTANGIBLE ASSETS

Intangible assets include identifiable capitalized software costs and are recognized at cost of acquisition/implementation less accumulated amortisation and any other provision for impairment losses. Subsequent costs are included only when it is probable that the item associated with the cost will generate future economic benefits and the cost can be reliably measured.

Internally generated intangible assets are recognized only when the asset created can be identified and it is probable that the asset created will generate future economic benefits and the costs can be measured reliably. Otherwise, the expenditure is charged to the Statement of Comprehensive Income for the year of incurring the expenditure.

Amortisation is calculated and recognized using the straight-line basis over the estimated useful life as estimated by the management as given in below table. The useful lives and the amortization methods are reviewed annually and are adjusted as appropriate at the end of each reporting year, with any changes recognized as a change in the accounting estimate.

Asset	Useful life (No. of years)
Software	7

An intangible asset is derecognized when disposed off or when no future benefits are expected to arise from the continued use of the asset. The gains and losses are determined by comparing



the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

4.7 CASH AND CASH EQUIVALENTS

In the Statement of Cash Flows, "cash and cash equivalents" includes cash in hand and deposits held at call with other banks.

4.8 Customer Deposits

Customer deposits include all customer accounts where the Bank owes money to customers (excluding balances owed to other banks, including central banks). Credit balances in cardholder accounts are also treated as customer deposits.

4.9 Income Tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income Tax Authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities and assets are recognized for all taxable temporary differences except when the deferred income tax liability or asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Bank intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

The income tax liabilities are recognized when, despite the Bank's belief that its income tax return positions are supportable, the Bank believes, it is more likely than not, based on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome. At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes the Bank to change its judgment regarding the adequacy of existing income tax liabilities, such changes to income tax liabilities are duly recognized in income tax expense in the year in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax charge for the year in which the assessment is completed.



4.10 Employee benefits

a. Short Term Employee Benefits

All Employee benefits payable within twelve months of rendering the services are classified as short term benefits. Such benefits include salaries and allowances, performance-based incentive and performance based variable allowance, etc., and the same are in the Statement of Comprehensive Income in the period in which the employee renders the related services.

b. Other Long-Term Benefit

The liability towards encashment of the employees' long term compensated absences, which are partly non-cashable during the service period and balance at the time of retirement/ separation of the employees is a long-term benefit and is provided for based on actuarial valuation as at the Statement of Financial Position date. The liability is discounted to present value applying the pre-tax rate of return on Government bonds of similar tenure and currency. Increase in the liability due to passage of time is recognized as interest expense. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other Comprehensive Income in the year in which they arise.

c. Defined contribution plan:

Contribution to Provident Fund administered by Bank is a defined contribution scheme and is recognized in the Statement of Comprehensive Income as and when they fall due.

d. Defined benefit plan:

The Bank's employees are entitled for post-retirement benefits of Gratuity, Travel Allowance and Separation Grant. These liabilities are provided for based on actuarial valuation as at the Statement of Financial Position date. The liabilities are discounted to present value applying the pre-tax rate of return on Government bonds of similar tenure and currency. Increase in the liability due to passage of time is recognized as interest expense. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

4.11 Provisions, Contingent Liabilities and Contingent Assets

- a. The Bank creates a provision when there is a present obligation arising as result of past event that probably requires an outflow of resources, and a reliable estimate can be made of the amount of obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation, at the balances sheet date and are not discounted to its present value.
- b. A disclosure for a contingent liability is made when there is a present obligation arising as a result of past event that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.



4.12 Revenue recognition

Revenue is recognized to the extent that it is probable that the associated economic benefits will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria must also be met before revenue is recognized:

i. Interest income

Interest income on loans and advances is recognized on accrual basis except for non-performing loans and advances, in respect of which the interest income, as per the guidelines issued by the Royal Monetary Authority of Bhutan is deferred and shown under the head "Interest Suspense Account" in the liabilities, and is taken to the Other Comprehensive Income on actual realization only.

ii. Other Income

- a. Other items of incomes are accounted for on accrual basis except commission on guarantees and letters of credit, which are accounted for on cash basis.
- b. Dividend income on investments is recognized when the right to receive dividend is established.
- c. Interest income on investment is recognized on time proportion basis taking into account the amount outstanding and applicable interest rates.

4.13 Mandatory Cash Reserve with RMA

Mandatory Cash Reserve with RMA are carried at historical cost and represent mandatory reserve deposits with Royal Monetary Authority of Bhutan (RMA), which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalent for the purposes of the statement of cash flows.

4.14 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Financial Assets**

(a) **Initial recognition and measurement**

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

(b) **Classification and subsequent measurement**

For the purpose of subsequent measurement, financial assets are classified in the following categories:

- a. Financial assets measured at amortized cost;



- b. Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- c. Financial assets measured at fair value through profit and loss (FVTPL)

Where financial assets are measured at fair value, gains and losses are either recognized entirely in the Statement of Profit and Loss (i.e. fair value through profit and loss), or recognized in other comprehensive income (i.e. fair value through Other Comprehensive Income).

The classification of financial assets depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets measured at amortized cost:

A financial asset is measured at amortized cost if both the following conditions are met:

- Business Model Test: The objective of the business model is to hold financial asset in order to collect contractual cash flows (rather than to sell the asset prior to its financial maturity to realize its fair value changes); and
- Cash Flow Characteristics Test: Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The EIR amortization is included in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income. This category applies to term deposits, investments in bonds and treasury bills, loans and advances to customers (including staff), and other advance etc.

(2) Financial instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI):

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:



- Business Model Test: The objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- Cash Flow Characteristics Test: The Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on principal amount outstanding.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in Other Comprehensive Income (OCI) except for the recognition of interest income, impairment gains and losses and foreign exchange gain and losses which are recognized in the Statement of Profit and Loss. This category generally applies to investments (other than in bonds and treasury bills) and other advances.

- (3) Financial instruments measured at Fair Value Through Profit and Loss (FVTPL)
 Fair Value through Profit and Loss is a residual category. Any financial instrument, which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified as FVTPL. Financial instruments included in FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements i.e. gain or loss and interest income are recorded in Statement of Comprehensive Income.

(c) Impairment of financial assets

The Bank assesses impairment of financial assets, based on the Incurred Loss Model as per 'BAS 39 - Financial Instruments: Recognition and Measurement'. Under the said model, the Bank assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired, and in that case the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through Allowance for Impairment Loss Account, and the amount of the loss is recognised in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the Allowance for Impairment Loss Account, to the extent the impairment loss was previously recognised on the respective asset. The amount of such reversal is recognised in the Statement of Comprehensive Income.



(d) De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Bank's Statement of Financial Position) when:

- a. The rights to receive cash flows from the asset have been expired/transferred, or
- b. The Bank retains the contractual right to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Bank has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the Bank has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized.

Where the Bank has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Bank has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

(ii) Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of deposits and borrowings and payables, net of directly attributable transaction costs. The Bank's financial liabilities include deposits from customers including banks, borrowings, security deposits and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value through Profit or Loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BAS 39 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in Other Comprehensive Income. These gains/ losses are not subsequently transferred to the Statement of



Comprehensive Income. However, the Bank may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of comprehensive income. The Bank has not designated any financial liability as at fair value through the Statement of Comprehensive Income.

Borrowings and Deposits

Any difference between the proceeds (net of transaction costs) and the repayment amount is recognized in profit or loss over the period of the liability and subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

Financial Guarantee Contract

Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of BAS 39 and the amount recognized less cumulative amortization.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Comprehensive Income.

(iii) Off-setting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.15 Impairment of Non-Financial Assets

The Bank assesses, at each reporting date, using external and internal sources, whether there is an indication that a non-financial asset may be impaired and also whether there is an indication of reversal of impairment loss recognised in the previous period/s. If any



indication exists, or when annual impairment testing for an asset is required, the Bank determines the recoverable amount and impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The recoverable amount is determined:

- In the case of an individual asset, at the higher of the asset's fair value less cost of sell and value in use; and
- In the case of cash generating unit (a group of assets that generates identified, independent cash flows) at the higher of the cash generating unit's fair value less cost to sell and value in use.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that effects current market assessments of the time value of money and the risks specific to that asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss for an asset is reversed, if and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized, the carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss being recognized for the asset in prior year/s.

4.16 Earnings Per share

The Bank presents the basic and diluted EPS data for its ordinary shares. Basic and diluted EPS are computed by dividing the profit after tax for the year attributable to the ordinary shareholders of the Bank by the number of ordinary shares outstanding during the year.

4.17 Dividend Distribution

Dividend on ordinary shares is recognized as a liability and deducted from equity when it is approved by the Shareholders of the Bank. Interim Dividend is deducted from equity when it is declared. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.



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Notes forming part of the Statement of Financial Position as at December 31, 2021

NOTE 5.1 - CASH AND CASH

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
i. Cash in Hand		
- Local Currency	1,066,879,774.36	1,288,483,990.45
- Foreign Currency	29,213,742.25	48,617,639.16
ii. Balances in Current Accounts		
- Local Banks	200,000.00	200,000.00
- Foreign Banks (Refer Note 7.3.a)	1,450,552,614.71	2,272,543,804.41
TOTAL	2,546,846,131.32	3,609,845,434.02

NOTE 5.2 - BALANCES WITH CENTRAL

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Balances with Royal Monetary		
- Cash Reserve	5,958,617,986.46	5,151,465,901.82
- Current Account (Refer Note 7.3.a)	23,896,642,753.11	23,248,771,828.26
TOTAL	29,855,260,739.57	28,400,237,730.08

NOTE 5.3 - PLACEMENTS WITH OTHER

(Amount in Nu.) Nu.)

Particulars	December 31, 2021	December 31, 2020
On Deposit Accounts		
- Local Banks	1,200,000,000.00	1,600,000,000.00
- Foreign Banks (Refer note 7.4)	232,377,600.00	228,976,800.00
TOTAL	1,432,377,600.00	1,828,976,800.00

NOTE 5.4 - LOANS & ADVANCES TO

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Gross Loans & Advances	52,922,796,987.35	49,147,702,619.33
Less: Interest in Suspense	(143,842,908.09)	(205,369,393.31)
Gross Loans & Advances after	52,778,954,079.26	48,942,333,226.02
Less: Allowance for Impairment Loss		
- Individually assessed*	32,662,879.63	128,761,911.53
- Collectively assessed**	938,524,126.65	1,339,746,615.52
Total Allowance for Impairment Loss	971,187,006.28	1,468,508,527.05
Net Loans & Advances	51,807,767,072.98	47,473,824,698.97
Bills discounted & purchased	1,489,600.00	8,805,332.20
TOTAL	51,809,256,672.98	47,482,630,031.17

*Individually assessed includes additional provision(Letter of Credit Nu. 9,071,878.21 & Bank Guarantee Nu.4,444,868.01)

**Collectively assessed includes additional provision of Credit Card Nu. 12,225,646.54



Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
a. Current portion	4,694,413,781.55	6,542,514,728.88
b. Non-Current portion	47,114,842,891.43	40,940,115,302.29
TOTAL	51,809,256,672.98	47,482,630,031.17

Particulars of Advances	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
i Debts considered good in respect of which Bank is fully secured	46,685,727,665.88	43,387,893,843.53
ii Debts considered good for which Bank holds no other security than the Debtor's personal security	5,455,139,227.39	5,275,425,120.96
iii Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors	781,930,094.08	484,383,654.84
TOTAL	52,922,796,987.35	49,147,702,619.33
iv Debts due by directors, managers, or officers of Bank or any of them either severally or jointly with any other person	889,847,654.25	428,023,265.34
Maximum amount of advances, including temporary advances made at any time during the year to directors, managers or officers of Bank or any of them either severally or jointly with any other person	535,206,893.68	-
v Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members	360,971,793.83	1,098,971,081.35
Maximum amount of advances, including temporary advances outstanding during the year to the companies or firms in which directors of Bank are interested as directors, partners or members	-	1,083,853,946.10



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NOTE 5.5 - FINANCIAL INVESTMENTS - HELD TO MATURITY

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Bonds - Fully paid up - Listed		
- 1,314,917 (Previous Year: 1,414,917) Bonds of Dungsam Cement Corporation Limited of Face Value of Nu. 1,000 each	1,314,917,000.00	1,314,917,000.00
- 157,550 (Previous Year: 157,550) Bonds of Royal Insurance Corporation of Bhutan Limited of Face Value of Nu. 1,000 each	-	157,550,000.00
- 102,270 (Previous Year: 102,270) Bonds of Tashi Air Limited of Face Value of Nu. 1,000 each	102,270,000.00	102,270,000.00
Bonds & Treasury Bills - Fully paid up - Unlisted		
- 3,000,000 (Previous Year: 3,000,000) Bonds of Bhutan Telecom Limited of Face Value of Nu. 100 each	-	-
- DHI Seed Fund	2,761,451.98	5,541,428.95
- RGoB Bond	987,999,000.00	987,999,000.00
- Royal Monetary Authority (RMA) Treasury Bill	9,335,341,900.00	997,548,100.00
TOTAL	11,743,289,351.98	3,565,825,528.95



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NOTE 5.6 - FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Equity Shares - Fully Paid Up - Listed		
- 1,724,000 (Previous Year: 1,724,000) Equity Shares of Bhutan Board Products Limited of Face Value of Nu. 10 each	77,804,120.00	24,136,000.00
- 1,584,500 (Previous Year: 1,584,500) Equity Shares of Bhutan Carbide & Chemicals Limited of Face Value of Nu. 10 each	71,445,105.00	76,087,690.00
- 503,800 (Previous Year: 503,800) Equity Shares of Bhutan Ferro Alloys Limited of Face Value of Nu. 10 each	57,297,174.00	59,816,174.00
- 37,950 (Previous Year: 37,950) Equity Shares of Penden Cement Authority Limited of Face Value of Nu. 10 each	3,984,750.00	4,633,695.00
- 1,182,720 (Previous Year: 1,182,720) Equity Shares of Druk Ferro Alloys Limited of Face Value of Nu. 10 each	109,992,960.00	69,780,480.00
- 1,270,440 (Previous Year: 1,270,440) Equity Shares of State Trading Corpn. of Bhutan Limited of Face Value of Nu. 10 each	77,496,840.00	60,345,900.00
Equity Shares - Fully Paid Up -Unlisted		
- 12,726 (Previous Year: 12,726) Equity Shares of Bhutan Development Bank Limited of Face Value of Nu. 1,000 each	72,220,050.00	52,914,708.00
- 17,500 (Previous Year: 17,500) Equity Shares of Credit Information Bureau of Face Value of Nu. 100 each	4,458,650.00	4,297,650.00
TOTAL	474,699,649.00	352,012,297.00

NOTE 5.7 - INVESTMENTS IN ASSOCIATES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Equity Shares - Fully Paid Up - Unlisted		
- 162,000 (Previous Year: 162,000) Equity Shares of Royal Securities Exchange of Bhutan Ltd. of Face Value of Nu. 100 each	27,013,500.00	30,600,180.00
- 1,800,000 (Previous Year: 1,800,000) Equity Shares of Financial Training Institution of Face Value of Nu. 10 each	17,766,000.00	18,072,000.00
TOTAL	44,779,500.00	48,672,180.00



NOTE 5.8 - OTHER FINANCIAL ASSETS

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Accrued Interest on Balances relating to	41,303,996.59 623,829,510.44	68,341,714.78 38,278,193.64
Stamps, Sundry Deposits and Amounts Recoverable	49,129,741.83	48,291,960.79
CP-Interest Receivable	420,422,774.53	156,115,931.13
TOTAL	1,134,686,023.39	311,027,800.34

NOTE 5.9 - OTHER ASSETS

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Prepaid Expenses	18,799,172.89	17,618,224.00
Stationery	29,598,424.27	26,253,740.13
Building Materials	-	-
Advances to Suppliers & Others	7,950,643.47	197,759,012.41
TOTAL	56,348,240.63	241,630,976.54



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NOTE 5.10 - PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold Land	Buildings & Civil Structures	Furniture & Fixtures	Office Equipment & Machineries	Vehicle	Computer & IT Equipment	Total (as at December 31, 2021)	Total (as at December 31, 2020)
Gross Block								
Balance as at January 1, 2021	166,181,409.78	137,934,390.58	32,161,120.54	259,193,684.12	47,572,224.65	261,585,380.40	904,628,210.07	806,364,989.51
Additions	-	444,618,613.86	52,599,317.44	317,935,908.90	1,570,726.80	35,611,082.59	852,335,649.59	141,168,615.73
Deletions/ Adjustments/ Reclassification	-	-	-	-	(1,381,282.00)	-	(1,381,282.00)	(42,905,395.18)
Closing Balance as at December 31, 2021	166,181,409.78	582,553,004.44	84,760,437.98	577,129,593.02	47,761,669.45	297,196,462.99	1,755,582,577.65	904,628,210.06
Accumulated Depreciation								
Balance as at January 1, 2021	-	(51,772,405.19)	(27,256,209.05)	(148,229,217.32)	(23,531,986.52)	(203,771,343.23)	(454,561,161.28)	(448,584,542.95)
Depreciation on deletions/ adjustments/ reclassification	-	-	-	-	1,381,282.00	-	1,381,282.00	41,260,699.14
Depreciation for the year	-	(5,069,158.07)	(3,626,435.62)	(29,536,174.07)	(4,395,121.26)	(22,673,870.25)	(65,300,759.27)	(47,237,317.50)
Balance as at December 31, 2021	-	(56,841,563.26)	(30,882,644.67)	(177,765,391.39)	(26,545,825.78)	(226,445,213.48)	(518,480,639.55)	(454,561,161.32)
Net Book Value as at December 31, 2021	166,181,409.78	525,711,441.18	53,877,793.31	399,364,201.63	21,215,843.67	70,751,249.51	1,237,101,938.10	450,067,048.78



NOTE 5.11 - INTANGIBLE ASSETS

		(Amount in Nu.)
Particulars	December 31, 2021	
Gross Block		
Balance as at January 1, 2021	397,128,741.93	
Additions	108,519,250.92	
Deletions/ Adjustments/ Reclassification		
Closing Balance as at December 31, 2021	505,647,992.85	
Accumulated Amortization		
Balance as at January 1, 2021	(186,527,621.28)	
Amortization for the year	(54,761,793.78)	
Deletions/ Adjustments/ Reclassification		
Balance as at December 31, 2021	(241,289,415.06)	
Net Book Value as at December 31, 2021	264,358,577.79	

NOTE 5.12 - CAPITAL WORK IN PROGRESS

		(Amount in Nu.)
Particulars	December 31, 2021	
Balance as at January 1, 2021	684,819,395.67	
Additions	(597,431,978.61)	
Adjustments/ Capitalization during the year	(6,693,961.13)	
Balance as at December 31, 2021	80,693,455.93	

NOTE 5.13 - DUE TO BANKS

		(Amount in Nu.)	
Particulars	December 31, 2021	December 31, 2020	
Current Deposits	18,760,406.32	25,387,554.27	
TOTAL	18,760,406.32	25,387,554.27	

NOTE 5.14 - DUE TO CUSTOMERS

		(Amount in Nu.)	
Particulars	December 31, 2021	December 31, 2020	
i. DEMAND DEPOSITS			
- Current Accounts	27,772,742,842.98	25,319,426,479.26	
- Savings Bank Accounts	28,548,724,144.78	24,979,838,092.88	
	56,321,466,987.76	50,299,264,572.14	
ii TERM DEPOSITS			
Fixed Deposits (Net)	29,741,097,138.29	25,328,411,421.58	
Fixed Deposits	29,800,591,346.32	25,371,828,049.97	
Less: Fair Value FD-Staff	(570,702.64)	(433,384.49)	
Less: Fair Value FD-Public	(58,923,505.39)	(42,983,243.90)	
Recurring Deposits	2,463,785,478.02	1,965,496,451.12	
	32,204,882,616.31	27,293,907,872.70	
TOTAL	88,526,349,604.07	77,593,172,444.84	

		(Amount in Nu.)	
Particulars	December 31, 2021	December 31, 2020	
a. Current portion	66,703,095,422.83	58,548,449,072.45	
b. Non - Current portion	21,823,254,181.24	19,044,723,372.39	
TOTAL	88,526,349,604.07	77,593,172,444.84	



NOTE 5.15 - CURRENT TAX

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Income Tax Payable	179,970,888.00	26,940,044.92
Less: Advance Tax	(66,270,242.40)	(64,153,695.35)
Tax Deducted at Source (TDS)	(10,506,534.84)	(10,832,569.01)
TOTAL	103,194,110.76	(48,046,219.44)

NOTE 5.16 - OTHER FINANCIAL LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Interest Accrued & Due	2,095,251,250.51	1,491,901,357.75
Balances relating to Visa/Mastercard	2,928,338.59	1,839,044.06
Unearned Commission Income	69,783,690.38	56,786,974.14
TOTAL	2,167,963,279.48	1,550,527,375.95

NOTE 5.17 - PROVISION FOR LIABILITIES & CHARGES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Provision towards frauds/thefts	9,116,736.79	13,100,194.95
TOTAL	9,116,736.79	13,100,194.95

NOTE 5.18 - RETIREMENT BENEFIT

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Provisions for Employee Benefits:		
- Gratuity *	180,180,379.00	168,133,117.00
- Leave Encashment *	41,957,091.00	33,226,218.00
- Separation & Travel Allowance *	21,619,234.00	17,279,072.00
TOTAL	243,756,704.00	218,638,407.00

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
a. Current portion	27,312,443.00	14,944,061.00
b. Non-Current portion	216,444,261.00	203,694,346.00
TOTAL	243,756,704.00	218,638,407.00

* Refer note 7.1

NOTE 5.19 - OTHER LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Drafts & Cash Warrants issued & outstanding	254,858,555.02	277,490,787.81
Others (including provisions for operating expenses)	1,024,950,577.08	317,000,394.14
TOTAL	1,279,809,132.10	594,491,181.95



NOTE 5.20 - DEFERRED TAX LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Deferred Tax Liabilities	106,702,016.59	80,647,182.59
TOTAL	106,702,016.59	80,647,182.59

NOTE 5.21 - SHARE CAPITAL

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
AUTHORISED CAPITAL		
100,000,000 Shares of Nu. 100 each	10,000,000,000.00	10,000,000,000.00
ISSUED AND PAID-UP CAPITAL		
30,000,000 Shares of Nu. 100 each	3,000,000,000.00	3,000,000,000.00

DETAILS OF SHARES HELD BY EACH SHAREHOLDER HOLDING MORE THAN 5% SHARES

(Amount in Nu.)

Name of equity shareholder	December 31, 2021		December 31, 2020	
	No. of Shares held	% holding in that class of shares	No. of Shares held	% holding in that class of shares
Druk Holding & Investment Limited, Bhutan	24,000,000	80.00%	24,000,000	80.00%
State Bank of India, India	6,000,000	20.00%	6,000,000	20.00%
Total	30,000,000	100.00%	30,000,000	100.00%

RECONCILIATION OF EQUITY SHARE OUTSTANDING

(Amount in Nu.)

Name of equity shareholder	December 31, 2021		December 31, 2020	
	No. of Shares held	% holding in that class of shares	No. of Shares held	% holding in that class of shares
At the beginning of the year	30,000,000	3,000,000,000.00	30,000,000	3,000,000,000.00
At the end of the year	30,000,000	3,000,000,000.00	30,000,000	3,000,000,000.00



NOTE 5.22 - RESERVES & SURPLUS

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Reserve Fund		
Opening Balance	2,189,684,368.40	2,167,805,168.84
Add: Transfer from Retained Earnings	120,494,894.28	21,879,199.56
	2,310,179,262.68	2,189,684,368.40
Exchange Fluctuation Reserve		
Opening Balance	292,253,233.84	256,931,397.83
Add: Transfer from Retained Earnings	25,944,665.14	35,321,836.01
	318,197,898.97	292,253,233.84
Retained Earnings		
Opening Balance	1,676,490,619.23	2,485,649,182.56
Less: Exchange fluctuation adjustment	0.003	(142,547,735.82)
Less: Refund of old cash warrants to Kuensel	(30,000.00)	(2,573,366.34)
Less: Dividend Paid	-	(637,371,384.32)
Less: Transfer to Reserve Fund	(120,494,894.28)	(21,879,199.56)
Less: Transfer to Exchange Fluctuation Reserve	(25,944,665.14)	(35,321,836.01)
Add: Other Comprehensive Income	128,198,600.52	(56,981,840.00)
Add: Profit for the year	481,979,577.12	87,516,798.26
	2,140,199,237.45	1,676,490,619.23
Asset Pending Foreclosure Reserve		
Opening Balance	455,469,491.85	-
	455,469,491.85	-
TOTAL	5,224,045,890.96	4,158,428,221.47

NOTE 5.23 - CONTINGENT LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	907,187,820.52	376,199,103.16
Guarantees Issued & Outstanding (Refer Note 7.8.a)*	444,486,800.99	297,889,271.36
TOTAL	1,351,674,621.51	674,088,374.51

*The figure reflected here for Bank Guarantee is 50% of net BG

NOTE 5.24 - BILLS FOR COLLECTION

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Payable outside Bhutan	1,489,600.00	8,805,332.20
TOTAL	1,489,600.00	8,805,332.20



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Notes forming part of the Statement of Comprehensive Income as at December 31, 2021

NOTE 6.1 - INTEREST INCOME

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
On Customer Loans (Net of Interest Suspense)*	4,425,444,301.84	3,977,176,511.18
On Bills Discounted & Purchased	455,587.63	114,170.00
On Investments	217,387,439.57	225,064,012.78
On Inter-Bank Deposits	61,545,914.59	124,329,789.43
TOTAL	4,704,833,243.63	4,326,684,483.39

* Interest Suspenses - GL based interest in suspense is net off with the interest impairment provision

NOTE 6.2 - INTEREST EXPENSES

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
On Customer Deposits	3,448,235,242.20	2,608,200,200.32
CP Interest Expenses	155,132,509.91	504,162,830.05
On Inter-Bank Deposits	-	-
TOTAL	3,603,367,752.11	3,112,363,030.37

NOTE 6.3 - FEES & COMMISSION INCOME

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Commission	107,967,845.41	86,383,106.53
SB Maintenance Fee	47,295,406.30	42,290,648.92
Exchange - Fund Transfer/Drafts	80,805,476.02	58,866,725.01
Debit Card Issuance & Usage Fees	7,315,305.40	9,042,254.35
Visa/Master Card POS Acquiring Commission	10,029.90	1,250,686.76
Visa Debit Card ATM Charges	2,757,559.00	4,917,995.00
BFS ATM Interchange Fee Income	937,232.00	2,003,863.50
International ATM Access Fees	748,500.00	1,555,725.00
Income From Visa Credit Cards	5,427,274.45	5,457,077.01
Prepaid card Load/Reload Fee	4,227,750.00	1,538,350.00
M-BoB Service Charge/Commission	10,728,456.80	9,764,479.41
Electronic Wallet Transaction Commission	1,470,710.00	1,918,370.00
E-Acquiring Commission	2,432,725.20	11,865,067.50
Airtime Top Up Commission-BT	113,995,664.01	73,129,365.80
Airtime Top Up Commission-T-Cell	44,456,915.86	30,582,703.02
AMEX ATM Access Fee Acc	3,900.00	600.00
Other miscellaneous income	14,515,551.87	5,576,839.55
TOTAL	445,096,302.22	346,143,857.36



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NOTE 6.4 - FEES & COMMISSION

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Visa & Master Card Fee	54,217,054.87	49,423,930.43
BFS Interchange Fee Expenses	4,407,619.00	9,908,560.00
BT Share on Bwallet Commission	782,766.36	1,405,132.00
Securities Trading Fee Expense	460,664.79	67,808.35
goBoB Expenses Account	71,000.00	607,958.92
Tshongdrel Ngotshab Comm. Payout Ac	-	7,620.00
Tshongdrel Ngotshab Bonus Payout Ac	-	-
Agency Banking Comm. Payout	36,720,762.49	19,042,499.70
BFS RuPay POS Reimbursement Debit Account	-	65.20
AMEX Reg Fee Charges Acc	1,935,462.46	343,968.62
AMEX POS Reimbursement Ac Dr	20.77	5.30
AMEX ATM FCY Loss Acc	0.16	1.20
AMEX POS FCY Loss Acc	23.88	4.53
TOTAL	98,595,374.78	80,807,554.25

NOTE 6.5 - NET GAINS FROM TRADING OF FOREIGN EXCHANGE

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Gains on trading of Foreign Currency (net)	103,778,660.54	141,287,344.04
TOTAL	103,778,660.54	141,287,344.04

NOTE 6.6 - OTHER OPERATING

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Dividend on Equity Investments	6,835,928.00	3,088,380.00
Rental Income	12,948,567.78	9,444,602.95
Profit on sale of property, plant & equipment	1,574,716.77	57,035.71
Other Income including recoveries for charges	81,165,185.96	77,539,621.21
TOTAL	102,524,398.51	90,129,639.87



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NOTE 6.7 - STAFF COSTS

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Employee Salaries	264,866,486.77	259,754,806.36
Employee Allowances	169,787,492.66	151,976,123.75
Bank's Contribution to Employee Provident Fund	38,807,341.00	37,133,008.00
Leave Encashment (Refer note 7.1)	27,610,653.00	22,537,817.67
Medical Expenditure	402,059.00	437,467.00
Employee Bonus	-	-
Employee Gratuity (Refer note 7.1)	26,780,558.00	24,738,147.00
Leave Travel Concession	11,612,179.00	11,245,263.92
Staff Amenities	490,606.40	452,160.50
Uniform Expenses	1,437,700.00	95,000.00
Training Expenses	5,516,328.98	1,290,661.35
Separation Cost (including Travel Allowance) (Refer note 7.1)	4,184,607.00	3,197,822.00
Staff Relocation Expenses	1,137,413.88	1,877,910.36
Sports & Recreational Expenses	1,676,150.00	1,892,400.00
Prizes & Awards	45,000.00	52,000.00
BoB scholarship	6,330,244.64	14,932,088.38
FV-Staff Loan Cost	103,578,979.13	10,667,918.82
TOTAL	664,263,799.46	542,280,595.11

NOTE 6.8 - PREMISES COSTS

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Rent	17,577,858.49	21,531,521.27
Insurance - Building	633,701.72	254,161.33
Insurance - Office Equipment	503,097.40	810,853.01
Light & Fuel	5,757,925.67	6,338,261.18
Rates & Taxes	386,138.56	554,749.63
Water & Sewerage	242,362.30	325,211.00
Repairs & Maintenance - Building	261,452.42	810,753.00
Repairs & Maintenance - Vehicle	722,430.38	754,963.98
Repairs & Maintenance - Furniture & Fixtures	41,265.00	39,925.00
Repairs & Maintenance - Equipment & Machineries	115,185.00	155,900.00
ATM Expenses	5,491,173.81	4,161,010.49
Housekeeping	4,411,410.30	4,847,341.13
Fuel & Lubricants	1,552,619.28	1,170,413.29
Security Expenses	26,462,011.88	25,052,448.76
TOTAL	64,158,632.21	66,807,513.07



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NOTE 6.9 - GENERAL ADMINISTRATIVE EXPENSES

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Travelling Expenses	1,524,721.20	2,223,150.61
Directors' Sitting Fees	580,080.00	650,000.00
Postage & Stamps	22,218,742.18	30,155,791.11
Audit Fees	275,000.00	275,000.00
Audit Expenses	1,388,172.96	281,998.00
Annual Maintenance Charges - Computers, equipment & Machineries & Software	52,009,531.15	57,399,312.02
Stationery, Printing, Advertisement etc	25,585,203.30	26,841,997.12
Charity and Donations	135,000.00	80,000.00
Property, Plant & Equipment written off	-	1,390,643.64
Golden Jubilee Celebration	-	-
Brand & management fees	1,514,782.12	18,534,951.77
Other Miscellaneous Expenditure	39,920,348.87	78,438,055.48
TOTAL	145,151,581.78	216,270,899.75

NOTE 6.10 - DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
On Vehicles	4,395,121.26	3,864,733.29
On Furniture & Fixtures	3,626,435.62	1,940,480.90
On Office Equipment & Machineries	29,536,174.07	19,181,327.56
On Computer & IT Equipment	22,673,870.25	16,754,059.25
On Buildings & Civil structures	5,069,158.07	5,496,716.50
TOTAL	65,300,759.27	47,237,317.50

NOTE 6.11 - AMORTIZATION OF INTANGIBLE ASSETS

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
On Software	54,761,793.78	35,212,032.47
TOTAL	54,761,793.78	35,212,032.47

NOTE 6.12 - TAX EXPENSES

Particulars	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Current Income Tax		
Current tax	179,970,888.00	17,711,396.00
Current tax - earlier year's	25,002,931.91	-
Deferred tax	26,054,834.00	18,922,689.00
TOTAL	231,028,653.91	36,634,085.00



NOTE 6.13 - EARNINGS PER SHARE

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Profit after Tax	481,979,577.12	87,516,798.26
Weighted average number of Ordinary Shares in issue	30,000,000.00	30,000,000.00
Basic and Diluted Earnings per Share	16.07	2.92

NOTE 6.14 - OTHER IMPAIRMENT LOSS

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
Other Impairment loss Provision (Tashi Air	(10,523,290.60)	10,523,290.60
TOTAL	(10,523,290.60)	10,523,290.60



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7. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

7.1 Employee Benefits

a. Disclosures as required under BAS 19 "Employee Benefits" are as under:

i. Change in present value of obligation:

(Amount in Nu.)

Particulars	Gratuity		Leave Encashment	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Present Value of obligation at the beginning of year	168,133,117.00	157,642,609.00	33,226,218.00	29,298,754.00
Interest cost	13,281,752.00	12,312,447.00	1,147,715.00	855,072.00
Past Service Cost				
Current Service Cost	13,498,805.00	12,425,700.00	8,730,873.00	3,927,464.00
Benefit Paid	(4,222,425.00)	(7,474,055.00)	(18,879,780.00)	(18,610,353.67)
Net actuarial Loss on obligation	(10,510,871.00)	(6,773,584.00)	17,732,065.00	17,755,281.67
Present value of the defined benefit at the end of year	180,180,379.00	168,133,117.00	41,957,091.00	33,226,218.00
Current Liability	15,266,551.00	10,361,335.00	6,006,884.00	1,854,430.00
Non-current Liability	164,913,827.00	157,771,782.00	35,950,207.00	31,371,788.00

(Amount in Nu.)

Particulars	Separation and Travel Allowance	
	December 31, 2021	December 31, 2020
Present Value of obligation at the beginning of year	17,279,072.00	19,236,557.00
Interest cost	1,344,270.00	1,462,336.00
Current Service Cost	2,840,337.00	1,735,486.00
Benefit Paid	(951,387.00)	(1,914,721.00)
Net actuarial Loss on obligation	1,106,942.00	(3,240,586.00)
Present value of the defined benefit at the end of year	21,619,234.00	17,279,072.00
Non-current Liability	15,580,227.00	14,550,776.00

ii. Expenses recognized in the Statement of Comprehensive Income.

(Amount in Nu.)

Particulars	Gratuity		Leave Encashment	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Interest Cost	13,281,752.00	12,312,447.00	1,147,715.00	855,072.00
Current Service cost	13,498,805.00	12,425,700.00	8,730,873.00	3,927,464.00
Past Service cost	-	-	-	-
Net actuarial Loss recognized in the year	(10,510,871.00)	(6,773,584.00)	-	-
Expenses recognized in Statement of Comprehensive Income	26,780,557.00	24,738,147.00	27,610,653.00	22,537,817.67



(Amount in Nu.)

Particulars	Separation and Travel Allowance	
	December 31, 2021	December 31, 2020
Interest Cost	1,344,270.00	1,462,336.00
Current Service cost	2,840,337.00	1,735,486.00
Net actuarial Loss recognized in the year	1,106,942.00	(3,240,586.00)
Expenses recognized in Statement of Comprehensive Income	4,184,608.00	3,197,822.00

iii) Year-end Expected Benefit Payments

Particulars	Amount in Nu.
31-Dec-22 (Retirement Benefit Obligations - Current)	29,497,437.00
31-Dec-23	20,791,772.00
31-Dec-24	26,462,510.00
31-Dec-25	28,472,664.00
31-Dec-26	20,585,614.00
31-Dec-27 to 31-Dec-31	168,193,433.00
31-Dec-32 to 31-Dec 41	490,206,859.00

iv) Sensitivity Analysis

a. Gratuity

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
<i>i) Discount Rate</i>		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(8,914,564.00)	(8,566,718.00)
Effect on DBO due to 0.5% decrease in Discount Rate	9,704,703.00	9,323,660.00
<i>ii) Salary Escalation Rate</i>		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	10,322,389.00	9,896,006.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(9,548,044.00)	(9,154,319.00)



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b. Leave Encashment

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
<i>i) Discount Rate</i>		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(2,094,979.00)	(1,908,288.00)
Effect on DBO due to 0.5% decrease in Discount Rate	2,306,268.00	2,102,665.00
<i>ii) Salary Escalation Rate</i>		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	2,460,401.00	2,222,016.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(2,251,899.00)	(2,030,105.00)

c. Separation and Travel allowance

(Amount in Nu.)

Particulars	December 31, 2021	December 31, 2020
<i>i) Discount Rate</i>		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(866,050.00)	(820,394.00)
Effect on DBO due to 0.5% decrease in Discount Rate	941,300.00	891,281.00
<i>ii) Salary Escalation Rate</i>		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	1,018,432.00	949,935.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(944,775.00)	(880,570.00)

7.2 Related Party Transactions

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 30,000,000 equity shares (Nu.100 each) issued by the Bank as at December 31, 2021, 24,000,000 equity shares (80%) are held by M/s Druk Holding and Investments Limited (DHI). The entire share capital of DHI is held by the Ministry of Finance, Royal Government of Bhutan. The Bank considers that for the purpose of BAS 24, Related Party Disclosures, the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

A summary of the Bank's transactions with the Royal Government of Bhutan and its related entities is included below:



Related Party Disclosure as on December 31, 2021

(Amount in Nu.)

Sl. No.	Name of Primary Party	Relationship	Nature of Transaction with related Party	Amount Outstanding as of December 31, 2021	Transaction during the year
1	Royal Government of Bhutan	Ultimate Holding	Investment in RGoB Bond	-	987,999,000.00
2	Druk Holding and Investment Limited	Holding Company	Payment of Brand & Management Fee	-	1,514,782.12
			Payment of Dividend	-	-
3	Bhutan Board Product Limited	Fellow Subsidiary Company	Bank Guarantee	105,120,000.00	Three Bank Guarantee issued for Nu. 64,824,000, Nu. 21,024,000 & Nu. 19272,000
			WCL - Manufacturing & Industry	10,000,000.00	Total Debit Nu. 24,657,608.54 & Total Credit Nu. 21,421,783.54
4	Druk Green Power Corporation Ltd	Fellow Subsidiary	Service Loan	720,909,487.52	Total Debit of Nu. 7,789,248.60 & Credit of Nu. 5,873,859.60
5	Bhutan Carbide and Chemical	BOBL Shareholding	WCL - Manufacturing & Industry	160,000,000.00	Total Debit of Nu. 137,964,789.01 & Credit of Nu. 57,993,650.29
			Manufacturing loan (Covid Loan)	47,567,981.57	Total Debit of Nu. 402,120.51 & Credit of Nu. 3,475,400.00
6	Bhutan Ferro Alloys Ltd.	Fellow Subsidiary Company	WCL - Manufacturing & Industry	250,000,000.00	Total Debit of Nu. 510,352,149.19 & Credit of Nu. 451,246,138.41
			Bank Guarantee	47,507.20	One BG issued for Nu. 47,507.20
7	Dungsam Cement Corporation Limited	Fellow Subsidiary Company	Industrial Loan	572,858,003.25	Total Debit of Nu. 7,253,565.25 & Credit of Nu. 10,956,950.67
			Industrial Loan (Covid Loan)	571,289,780.29	Total Debit of Nu. 7,274,251.66 & Credit of Nu. 21,909,788.55
			Bank Guarantee	1,804,500.00	Three BG issued for Nu. 601,500.00, Nu. 601,500.00 & Nu. 601,500.00
8	Dungsam Polymers Ltd	Fellow Subsidiary Company	Industrial Loan (Covid Loan)	4,118,929.40	Total Debit of Nu. 34,199.19 & Total Credit of Nu. 0.00
			WCL - Manufacturing & Industry	13,400,000.00	Total Debit of Nu. 34,842,448.36 & Credit of Nu. 29,193,281.41
9	State Trading Corporation of Bhutan Limited	Fellow Subsidiary Company	Service Loan	81,760,456.31	Total Debit of Nu. 1,086,739.33 & Total Credit of Nu. 3,033,548.64
			Service Loan	3,561,335.75	Total Debit of Nu. 47,383.71 & Total Credit of Nu. 146,752.21
			WCL - Service	150,000,000.00	Total Debit of Nu. 721,367,011.79 & Total Credit of Nu. 774,673,476.52
			Bank Guarantee	1,606,750.00	Two BG issued for Nu. 1,506,750.00 & Nu. 100,000.00
10	Bhutan Power Corporation Limited	Fellow Subsidiary Company	WCL - Service	500,000,000.00	Total Debit of Nu. 0.00 & Total Credit of Nu. 0.00
			WCL - Service	227,300,000.00	Total Debit of Nu. 0.00 & Total Credit of Nu. 0.00
11	Azista Bhutan Healthcare Ltd	Fellow Subsidiary Company	Industrial Loan	173,286,210.59	Total Debit of Nu. 2,011,597.00 & Total Credit of Nu. 1,290,923.76
			WCL - Manufacturing & Industry	37,500,000.00	Total Debit of Nu 9,328,502.41 & Total Credit of Nu. 340,516.63
12	Natural Resources Development Corporation Limited	Fellow Subsidiary Company	WCL - Manufacturing	60,000,000.00	Total Debit of Nu. 133,166,845.19 & Total Credit of Nu. 149,821,840.00
13	Druk Air Corporation Limited	Fellow Subsidiary Company	Service Loan (Covid Loan)	246,404,022.12	Total Debit of Nu. 1,920,246.45 & Total Credit of Nu. 0.00
			Service Loan (Covid Loan)	239,432,711.70	Total Debit of Nu. 1,920,246.45 & Total Credit of Nu.
			WCL-Service & Tourism	1,020,640,000.00	Total Debit of Nu. 11,621,270.16 & Total Credit of Nu. 11,403,687.12



(Amount in Nu.)

Sl. No.	Name of Primary Party	Relationship	Nature of Transaction with related Party	Amount Outstanding as of December 31, 2021	Transaction during the year
14	Koufuku International Limited	Fellow Subsidiary Company	WCL- Agriculture	12,000,000.00	Total Debit of Nu. 8,307,225.76 & Total Credit of Nu. 7,578,915.77
15	Penden Cement Authority Limited	Fellow Subsidiary Company	Bank Guarantee	2,012,400.00	Three Bank Guarantee issued for Nu. 670,800.00, Nu. 670,800.00 & Nu. 670,800.00
16	Karma Yonten	Director	Housing Loan	10,041,731.80	Total Debit of Nu. 69,804.00 & Total Credit of Nu. 70,967.40
17	Dr.Phuntsho Choden	Director	Housing Loan	2,506,940.60	Total Debit of Nu. 33,454.14 & Total Credit of Nu. 82,576.66
18	Tshering Dorji	Independent Director	Housing Loan	11,373,438.08	Total Debit of Nu. 868,279.51 & Total Credit of Nu. 682,870.03
19	Tshering Dorji	Independent Director	Housing-FEIF	654,734.45	Total Debit of Nu. 654,734.45 & Total Credit of Nu.

All transactions between the Bank and above related parties fall under "Related Party Transactions". However, all transactions in 2021 have been carried out at an "arms-length" and no benefit has accrued to either party as a result of the relationship.

Key management personnel ('KMP')

KMPs are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank directly or indirectly including any director whether executive or otherwise. Key management personnel of the Bank for the purpose of disclosure of compensation include the members of the Board of Directors and Chief Executive Officer as required by the Companies Act of Bhutan, 2016.

Summary of the compensation paid to KMP's are given below:

(Amount in Nu.)

Sl.No.	Particulars	December 31, 2021	December 31, 2020
a.	Remuneration, allowances, etc. paid to Chief Executive Officer:		
i	Salary, Allowances, Bonus and Encashment of Leave	2,962,654.00	2,936,718.87
ii	Contribution to Provident Fund	189,006.00	183,380.00
iii	Sitting Fee	104,000.00	104,000.00
	Total	3,255,660.00	3,224,098.87
b.	Executive Directors:		
i	Salary, Allowances, Bonus and Encashment of Le	7,046,381.00	6,546,169.05
ii	Contribution to Provident Fund	433,599.00	394,107.00
iii	Sitting Fee	2,000.00	8,000.00
	Total	7,350,100.00	6,948,276.05
c.	Non-Executive Directors:		
i	Sitting Fees paid to other Directors	428,000.00	444,000.00
	Total	428,000.00	444,000.00



7.3 Confirmation / Reconciliation

- a. The reconciliation of the following accounts maintained with various agencies / parties are in process, and the impact if any, subsequent to the reconciliation of these accounts, will be taken in the year of reconciliation, which in view of management, will not be material.

(Amount in Nu.)

Account	Maintained with	Unidentified / un reconciled	Unidentified / un reconciled
		Debit Entries	Credit Entries
Cover fund Account, Draft Cover Account and Principal Account	State Bank of India, India	1,831,284.19	180,077,298.37
Nostro Accounts (20 Accounts (including 15 FCY accounts))	Various Foreign Banks	270,785,917.91	171,965,850.43
Global Interchange for Financial Transactions (GIFT) Account (Nostro Statement Balance - GL Balance)	Royal Monetary Authority		-
Global Interchange for Financial Transactions (GIFT) Difference Account	Bank of Bhutan Limited		225,306.02

- b. The balances in the loan and advance to customers, other financial assets, other financial liabilities and other parties etc. are subject to confirmation / reconciliation. The impact, if any, subsequent to the confirmation / reconciliation, will be taken in the year of confirmation/ reconciliation, which in view of management, will not be material.

7.4 Assets under Lien

Balances in the Placements with Other Banks (Note 5.3) include USD 3.120 million equivalents to Nu. 232,377,600.00 (Previous Year: USD 3.120 million equivalent to Nu. 228,976,800.00), which is under lien with Standard Chartered Bank, Singapore and Commerzbank, Germany respectively with respect to Letters of Credit issued by the Bank and confirmed by Standard Chartered Bank and Commerzbank.

7.5 Fair value measurement of Equity investments

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels prescribed under the BAS.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: 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: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3. In practice, the bank relies on previous year audited report for valuing unquoted stocks. However, due to time lag of 12 months in the previous year's audited report and current year's reporting period, fair value measurement may lead to material changes in the financial health of the unlisted companies. Hence, it is imperative that the bank uses data for valuation closest to the valuation/reporting date.

(ii) Valuation technique used to determine fair value

The carrying amounts of other financial assets, due to customers and other financial liabilities are considered to be the same as their fair values, due to their short-term nature.

The fair values for financial instruments such as loans and advances including staff loans and investment in DHI seed fund were calculated based on cash flows discounted using current borrowing rate/respective interest rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Financial assets at fair value - recurring fair value measurements

Quoted Entities: The fair value measurements of investments quoted/listed are taken at current market price on the date of reporting from Royal Security Exchange of Bhutan Limited (RSEBL). The same are compared against the cost and the difference of purchase price and market price is passed to OCI.

Unquoted Entities: The bank has computed the fair value measurement for those investments which are not quoted in the active market using adjusted net asset method. The difference of fair value and book value is passed to OCI.

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Bank uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.



The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

(Amount in Nu.)

	Level I	Level II	Level III
As at December 31, 2021			
Investments available for sale (Quoted shares)	398,020,949.00	-	-
Investments (Unquoted Shares)	-	-	121,458,200.00
As at December 31, 2020			
Investments available for sale (Quoted shares)	294,799,939.00	-	-
Investments (Unquoted Shares)	-	-	105,884,538.00

7.6 Consolidation of Accounts

The consolidation of the accounts of associates of the Bank viz. Financial Institutions Training Institute (FITI) and Royal Securities Exchange of Bhutan Limited (RSEBL) has not been done by Bank as the Holding Company i.e. Druk Holding & Investments Ltd. (DHI) has agreed to consolidate the same.

7.7 Capital Commitments

The capital commitment as of December 31, 2021 stood at Nu. 20,555,050.83, for purchase of fixed assets. (Previous year Nu. 76,966,045.13 as at December 31, 2020 on account of capital expenditures for the construction of the Bank's Corporate Office in Thimphu and for purchase of other assets)

7.8 Contingent Liabilities

a. To meet the financial needs of its customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. As at the statement of financial position date, these obligations may not be recognised but they contain the credit risk and therefore form part of the overall risk of the Bank. Letters of Credit and Guarantees (including standby letters of credit) commit the Bank to make payments on behalf of the customers in the event of a specific act, generally related to the import or export of the goods. The value of these commitments is given in the Note 5.23.

b. Income tax assessment

Income Tax assessment has been completed up to the financial year 2019. As per the assessment report for the income year 2018 and 2019, the additional tax assigned was evaluated to be Nu. 25,892,906.33. The bank has made payment with regard to undisputed earlier years' tax amounting to Nu. 22,857,700.98 along with the payment of penal interest on earlier years tax expenses amounting to Nu. 2,145,230.93.



7.9 Current and Non-Current Classifications

The status of current/non-current assets/liabilities in the Statement of Financial Position on the basis of residual maturity is as follows:

(Amount in Nu.)		
Particulars	December 31, 2021	December 31, 2020
Current Assets		
Cash and Cash Equivalents	2,546,846,131.32	3,609,845,434.02
Balances with Central Bank	29,855,260,739.57	28,400,237,730.08
Placements with other Banks	1,432,377,600.00	1,828,976,800.00
Loans & Advances to Customers	4,694,413,781.55	6,542,514,728.88
Financial Investments - Held to Maturity	9,335,341,900.00	997,548,100.00
Other Financial Assets	1,134,686,023.39	311,027,800.34
Other Assets	56,348,240.63	241,630,976.54
Total Current Assets	49,055,274,416.46	41,931,781,569.86
Non Current Assets		
Loans & Advances to Customers	47,114,842,891.43	40,940,115,302.29
Financial Investments - Held to Maturity	2,407,947,451.98	2,568,277,428.95
Financial Investments - Available for sale	474,699,649.00	352,012,297.00
Investments in Associates	44,779,500.00	48,672,180.00
Property, Plant & Equipment	1,237,101,938.10	450,067,048.78
Intangible Assets	264,358,577.79	210,601,120.65
Capital Work-in-Progress	80,693,455.93	684,819,395.67
Total Non-Current Assets	51,624,423,464.23	45,254,564,773.34
TOTAL ASSETS	100,679,697,880.69	87,186,346,343.05

(Amount in Nu.)		
Particulars	December 31, 2021	December 31, 2020
Current Liabilities		
Due to Banks	18,760,406.32	25,387,554.27
Due to Customers	66,703,095,422.83	58,548,449,072.45
Current Tax Liabilities	103,194,110.76	(48,046,219.44)
Other Financial Liabilities	2,167,963,279.48	1,550,527,375.95
Provision for Liabilities & Charges	9,116,736.79	13,100,194.95
Retirement Benefit Obligations	27,312,443.00	14,944,061.00
Other Liabilities	1,279,809,132.10	594,491,181.95
Deferred Tax Liabilities	106,702,016.59	80,647,182.59
Total Current Liabilities	70,415,953,547.87	60,779,500,403.72
Non-Current Liabilities		
Due to Customers	21,823,254,181.24	19,044,723,372.39
Retirement Benefit Obligations	216,444,261.00	203,694,346.00
Total Non-Current Liabilities	22,039,698,442.24	19,248,417,718.39
TOTAL LIABILITIES	92,455,651,990.11	80,027,918,122.11
EQUITY		
Share Capital	3,000,000,000.00	3,000,000,000.00
Reserve Fund	2,310,179,262.68	2,189,684,368.40
Exchange Fluctuation Reserve	318,197,898.97	292,253,233.84
Retained Earnings	2,140,199,237.45	1,676,490,619.23
Asset Pending Foreclosure Reserve	455,469,491.85	-
TOTAL EQUITY	8,224,045,890.96	7,158,428,221.47
TOTAL LIABILITIES & EQUITY	100,679,697,880.68	87,186,346,343.04



7.10 In the opinion of the Management, all items of assets and liabilities as appearing in the Statement of Financial Position as at December 31, 2021 have a value equal to the amount at which they are stated therein.

7.11 Disclosures

a. Abandoned Property

As per Section 245 of the Financial Services Act of Bhutan, 2011, Notwithstanding anything contained in any other law, any money or articles shall be deemed to be abandoned property in terms of this Section if the owner fails to claim the money or the articles within a stipulated period of time as may be prescribed in the regulations by the Authority.

Accordingly, the Bank has identified such unclaimed balances with detailed information on the amounts and beneficial owners of such monies/ articles. The Bank continues to take action to contact the beneficial owners of such monies/ articles.

As at year-end, the following amounts are "abandoned property" included in the statement of financial position of the Bank.

(Amount in Nu.)		
Category	December 31, 2021	December 31, 2020
Unclaimed Cash Warrants	5,288,803.92	6,918,693.61
Unclaimed Drafts	8,390,442.04	8,588,310.04
Unclaimed Term Deposits	20,052.60	20,052.60
Other Unclaimed Balances	76,090,229.35	56,623,224.42
Total	89,789,527.91	72,150,280.67

b. Deferred Taxation

Deferred tax is accounted for in accordance with BAS 12, *Income Taxes*. BAS 12 defines a deferred tax liability as being the amount of income tax payable in future periods in respect of taxable temporary differences and deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

(Amount in Nu.)	
Particulars	December 31, 2021
Deferred tax assets	
Deferred tax asset to be recovered after more than 12 months	
Deferred tax asset to be recovered within 12 months	
	-
Deferred tax liabilities:	
Deferred tax liabilities to be recovered after more than 12 months	80,647,182.59
Deferred tax liabilities to be recovered within 12 months	26,054,834.00
Deferred tax assets / (liabilities) (net)	106,702,016.59



The gross movement on the deferred income tax account is as follows:

(Amount in Nu.)	
Particulars	December 31, 2021
At January 1, 2021	
Charged (credited) to the income statement	26,054,834.00
Charged (credited) to other comprehensive income	
Charged (credited) directly to equity	
Acquisition of subsidiary	
Exchange differences	
At December 31, 2021	26,054,834.00

Movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:

(Amount in Nu.)					
Deferred tax liabilities	Depreciation	Fair Value Gains	Convertible bond	Investment in subsidiaries, associates, joint ventures	Total
At January 1, 2021					
Charged (credited) to the income statement	(3,459,002.28)	90,308,446.67	-	-	86,849,444.39
Charged (credited) to other comprehensive income	-	-	-	-	-
Charged (credited) directly to equity	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
Exchange differences	-	-	-	-	-
At December 31, 2021	(3,459,002.28)	90,308,446.67	-	-	86,849,444.39

c. Current Income Tax

According to the Income Tax Act of Bhutan, 2001, all Companies registered under the Companies Act of the Kingdom of Bhutan shall be subject to full tax liability on all sources of income. Currently as per the Section 45.1 of Chapter 9 of the Act, the rate of income tax for companies under full tax liability shall be 30 percent on the net profit. All companies shall file an income tax return for the income year within 31st of March of the succeeding year in accordance with the rules prescribed by Ministry of Finance.

The current income tax expenses calculation is in below table:

(Amount in Nu.)	
Current tax	December 31, 2021
Current tax on profits for the year	179,970,889.00
Adjustment in respect of prior years	
Total current tax	179,970,889.00

Deferred tax	December 31, 2021
Origination and reversal of temporary differences	26,054,833.00
Impact of changes in tax rates	
Total deferred tax	26,054,833.00

Income Tax Expense for the Year	206,025,722.00
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d. Asset Pending Foreclosures

Royal Authority Monetary of Bhutan came up with the guideline on the transfer of non-performing loans asset as asset pending foreclosures in considering that the financial institutions will not be in a position to lend due to the impact of high NPLs and loan loss provisions which ultimately lead to credit crunch if not addressed in a timely manner.

The main purpose of these Guidelines is to provide broad uniform guidelines to the financial service providers for foreclosing and writing off of NPLs in a timely manner across the financial sector. And this is also to enhance the financial institution's capital position thereby enabling creation of new loans with the ultimate objective of improving the real economy.

Non-performing loans of the financial institutions that are beyond the scope of recovery or unable to recover due to COVID-19 pandemic shall be eligible for transfer and in order to qualify for the transfer these NPLS should have been in the following categories group for at least one year as on March 31, 2020.

The following categories of NPLs are:

- a) Absconder
- b) Untraceable
- c) Deceased
- d) Imprisoned
- e) Loans under enforcement

Details of Asset Pending Foreclosure as of December 31, 2021

(Amount in Nu.)

Sl.No	Account Type	No.of Accounts	Amount outstanding
1	Absconder	91	12,598,824.13
2	Deceased	7	2,232,362.72
3	Deficit	11	91,685,215.60
4	Imprisoned	10	3,905,057.46
5	Law Enforcement Investigation	8	258,558,036.74
6	Unable to Auction	18	86,489,995.20
Total		145	455,469,491.85

e. Impact of COVID-19 Pandemic

The Covid-19 pandemic has put the Bhutan's financial system under considerable strain and has led to severe liquidity stress. It has severely affected the socio-economic activities and negatively impacted economic growth, inflation and unemployment in the country. The Royal Government of Bhutan and the Royal Monetary Authority have implemented various fiscal and monetary measures to mitigate shocks and to boost the economy from the pandemic under the command of His Majesty.

The Bank has implemented the following policy intervention in line with the RMA's overall monetary relief measures.

- i. The bank will provide deferment until June 2022 and Bridging Loans/ Soft Term Loans granted to the business entities under the Monetary Measures. These loans shall also



- include those concessional loans granted under Monetary Measures and are still being continued.
- ii. Extended deferment of loan repayment for all loans sanctioned as of June 30, 2020 shall be eligible for another one year until June 2022.
 - iii. The bank has provided one percent interest rate reduction (rebate) on term loans for another one year from July 2021 to June 2022 to the borrowers who service their loan instalments regularly. Rebate on terms loans amounting to Nu. 152.62 million, contributed by the bank as of December 31, 2021.

7.12 Macro Prudential Disclosure

Financial Risk management of the Bank (Qualitative)

i. Capital Planning

The Bank has a process for assessing and monitoring its Capital Adequacy Ratio in line with the Bank's risk appetite while maintaining its capital in line with the statutory requirements. The monitoring process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through its governance and control practices, risk management and an elaborate process for capital calculation and planning, through its annual planning processes.

The Bank has a structured internal framework to assess its capital requirements which involves the identification and evaluation of all significant risks that the Bank faces, which may have a material impact on its financial position. The Bank also implemented a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) that will guide the Bank in setting the process for assessment of the capital adequacy to support its current and future business activities/risks and built a model on the capital projections/requirements for a period of up to 3 years.

ii. Credit Risk Management

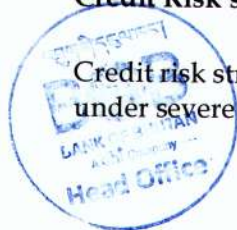
The Bank has an approved Credit risk policy document governing credit risk identification, assessment and monitoring. Credit scoring is key for assessing the credit risk arising from facilities. Credit scoring assesses the credit worthiness of borrowers and is indicative of expected losses by undertaking the loan. A rating model consists of a set of factors, which is used to assess the customers' ability to repay the loan based on their inherent credit risk.

Capital requirements

For credit risk capital requirements, ICAAP policy document covers the method to compute the regulatory capital requirements. The Bank however, bases the RMA Prudential regulation 2017 to maintain the minimum CAR of 12.5 percent along with Operation risk capital, based on BIA method.

Credit Risk stress testing

Credit risk stress testing is being conducted semi-annually to ascertain the resilience of Bank under severe but plausible scenarios for the following variables:



- Capital adequacy;
- Liquidity risk;
- Profitability risk;
- Interest rate risk;
- Non-performing assets;
- Concentration risk;
- Sectoral risk etc.;

iii. Credit risk Provisions for Loans and Advances

For individual impairment any customer with total exposure exceeding Nu.10 million and loan against cash collaterals at customer level is considered as individually significant. Definition of Total exposure = Outstanding amount (Principal + Interest) > 10 million break up of computation of outstanding amount product wise: unsecured portion of the exposure is provided with loss allowances.

Collective Impairment provision is calculated transaction wise based on the pool define as per sector wise classifications. The credit loss provisioning is done for those accounts under stage2 and stage 3 as per the Incurred Loss Model as below.

Classifications	(Amount in Nu.)	
	December 31, 2021	December 31, 2020
Stage 2	28,921,639.15	91,523,769.00
Stage 3	909,602,487.50	1,248,222,846.52
Total	938,524,126.65	1,339,746,615.52
Individual Impairment	32,662,879.63	128,761,911.53
Total Provision	971,187,006.28	1,468,508,527.05
Interest impairment	143,842,908.09	205,369,393.31

iv. Methodology for valuation and Management of Collaterals

We take collaterals such as fixed assets, fixed capital, movable capital and machineries, stock and book debts, extension of charges on the securities already being charged to bank and against fixed deposits receipt. The valuation and management of the collaterals is based on the followings:

- a. Valuation/Estimation of collateral security being offered (Estimated by Real Estate Division of the Bank in case of Housing Loans).
- b. Place of locations and its feasibility of business.
- c. Verifications and valuations of available stock and book debt at the time of availing loan.
- d. Taking ownership certificates and mortgage deed of the collateral being offered against the loan applied and obtaining the comprehensive insurance policy in the joint name of bank and the party.
- e. Appraising and sanctioning the loan as per the RMA PR and within the prescribed banking norms, taking into consideration the available income source of the party (Margin of Safety, LTI, LTV, Balance Sheet, P&L account and cash flow statement, Stock value, margin of equity, gross block, net block).



- f. Follow up of loan EMI and Interest, after release of loan as per the recovery policy and procedures of the bank.

v. Collateral management

Collateral management is the method of verifying the status, evaluate the value of collateral in the market and maintain proper track record of collateral transactions, in order to reduce credit risk.

- i. Taking into account the depreciated value of the collateral securities on a yearly basis during the periodical review of loans till the currency of loan account.
- ii. Securing and continue to have comprehensive insurance for the full value of collateral security, having adjusted the periodical depreciation.

vi. Risk Management Strategy

The main objective of risk management program in the Bank is to bring together, in an integrated and coherent manner three equally critical but potentially conflicting strategies as detailed below:

- a. Overall Corporate strategy;
- b. Risk Management strategy;
- c. Operational excellence.

Each of these demands has impact on the others. Resolving the creative tension between them is the core responsibility of the management committee and Board of Directors of the Bank. The Board of Directors and Senior Management of the Bank is well aware of principles of credit risk, operational risk and market risk and ensure that these risks are identified, assessed, monitored, controlled and mitigated. They also ensure that the bank's risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff.

The Board and Management committee of the bank always strive to balance and harmonize the natural tension between growth and risk objectives that embodies in the corporate strategic plan and the ICAAP policy of the Bank. Ability to effectively fulfil this mandate rests, among other things, on its reputation as an organization of the highest integrity and professionalism.

vii. Risk management governance

In line with clause 62 and 63 of Financial Services Act and clause 11(i) and (ii) of the RMA Corporate Governance regulation 2011, the Bank has instituted a Board Risk Management Committee (BRMC) at Board level and Risk Management Committee (RMC) at management level. While BRMC is chaired by one of the Directors, Chief Executive Officer chairs the RMC. The Risk Management Division is an independent division which directly reports to the CEO. Its charter, Terms of Reference and Rules of Procedures approved by the Board, governs all committees. The Head, Risk management and Risk officers have their clear Term of References and job descriptions under which the division functions.



Risk management is integral to all aspects of the Bank's activities and is the responsibility of all employees. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and strengthen the three lines of defence and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risks in all business processes.

Coverage of risk management framework

The Bank's attitude towards its key strategic, financial, people and operational risks is as described below.

Strategic Risks

The Bank's Executives meet regularly to discuss the major initiatives and ensure these initiatives are prioritized appropriately and are managed and reported on a consistent basis. Our Strategy Department is responsible for development of strategic plan for the bank for the next five years.

Operational Risks

The Bank's appetite for specific operational risks is detailed below. Risks are carefully analysed in all the Bank's operational activities, including ensuring that the benefit of the risk control measures exceeds the costs of these measures. Operation risk basically covers; people risk, system risk, process risk and external risk.

Information Technology

Information Technology (IT) risks cover both daily operations and on-going enhancements to the Bank's IT systems. These include:

- **Processing - Prolonged outage of a CBS system**

The Bank has a very low appetite for risks to the availability of systems which support its critical business functions including those which relate to alternate delivery channels, banking operations and financial transactions and inter-bank settlements. System downtime is tracked monthly as KRI and the Bank ensures that it is within the tolerable threshold limit.

- **Security - Cyber-attack on CBS systems or networks**

The Bank has approved IT security policy. It has a very low appetite for threats to its assets arising from external malicious attacks. To address this risk, the Bank aims for strong internal control processes and the implementation of robust technology solutions.

- **ISO 27001:2013 ISMS and PCI-DSS Certification**

The Bank of Bhutan Limited (BoB), the largest and the oldest Bank in the country, has come a long way, in serving the Nation and its Citizens, towards successfully steering the country's economy growth. In this long journey, the Bank has transformed itself from legacy banking into offering reliable digital banking experience. However, the digital transformation is



always associated with Cyber Threats and Risks.

In order to minimize the Cyber Threats and Risks, despite pandemic, the Bank could implement world-class Cyber Security Standards such as **ISO 27001:2013 ISMS** (Information Security Management System) and Payment Card Industry Data Security Standards (**PCI-DSS**), during the Year 2021, as part of its commitment in extending secured and reliable digital services.

ISO 27001 (formally known as **ISO/IEC 27001:2013**) is a specification for the Information Security Management System (ISMS). **An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls** involved in an **organization's Information Risk Management Processes**. The Information Security Management System preserves the **confidentiality, integrity and availability** of information, by applying a risk management process and gives confidence to interested parties, that the risks are adequately managed.

Securing the ISO 27001 certification demonstrates that BoB has **identified the risks, assessed the implications** and put in place the needed **systemized controls, to limit any damage** to the **organization** and that the Bank is prepared to provide requirements for establishing, implementing, maintaining and continually improving it's information security management system. Overall, getting ISO 27001 certification portrays that the Bank is sensitive about the Information Security.

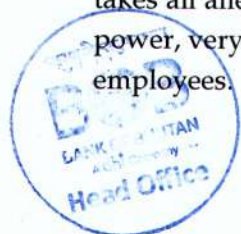
PCI-DSS is an Information Security Standard, applicable to organizations handling the card transactions, from the major Card Schemes, like Visa, MasterCard etc. The standard was created, to increase controls around card holder-data and to reduce card-related frauds. **PCI certification** ensures security of card data at business, through fulfilment of a set of requirements established by the Payment Card Industry Security Standard Council (**PCI-SSC**). These include a number of commonly known best practices, such as Installation of firewalls, Encryption of data transmitted, etc.

As part of these certifications, the Bank underwent various assessment processes, which include from defining the scope, Gap assessment, developing the Policies & Procedures, Vulnerabilities Assessment, Penetration Testing and suitable Remediation. The journey was very challenging and costly to the Bank, yet worth doing it, since this is the only way to minimize the ever-increasing Cyber Threats and Risks to the Bank and its esteemed customers.

With these Security Standards implementation put in place, at the Bank, the infrastructures, systems, digital services and Card business provided by the Bank, to its customers are now, more secure and reliable.

Fraud and Corruption

The Bank has no appetite for any fraud or corruption perpetrated by its employees. The Bank takes all allegations of suspected fraud or corruption, misuse of public properties, abuse of power, very seriously and responds fully and fairly as set out in the Code of Conduct for its employees.



Compliance

The Bank has a fully functional compliance division committed to a high level of compliance with relevant legislations, regulations, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements. Composite rating by regulatory is tracked yearly as a KRI for the bank and any deterioration in the rating is taken seriously.

Information Management

The Bank is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. The Bank has no appetite for the deliberate misuse of its information. Information transparency is critical for correct communication and bank upholds the principle transparency in terms of sharing the information to its employees, customers and stakeholders.

People and Culture Risks

The Bank's significant people and culture-related risks include:

- **Calibre of People**

The Bank relies on motivated and high-quality employees to perform its functions. It aims to create an environment where employees are empowered to the full extent of their abilities. The Bank has a well-designed succession planning and retention policy to retain and motivate highly qualified employees and give them every opportunity to advance their career in the bank. The appetite for losses to the value of the Bank's collective competencies, knowledge and skills is very low and attrition rate for key position holders is taken seriously.

- **Conduct of People**

The Bank expects employees to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve, and to promote and protect the public interest. The appetite for behaviours, which do not meet these standards, is very low. The Bank takes any breach of its Code of Conduct seriously.

- **Work Health & Safety (WHS)**

The Bank aims to create a safe working environment for its entire employees, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviours that lead to staff being harmed while at work. A grievance re-dressal system has been put in place for the employees to address their issues if any, and resolves it amicably with a minimum reputational damage to the bank and its employees.



Risk exposures-

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

- **Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

- **Salary growth risk**

As the Earned Leave benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

- **Employer turnover risk**

Employer turnover experience of BOBL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

- **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

- **Regulatory risk**

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and concerning Earned Leave benefit such as increase in ceiling, introduction of floor, change in vesting period or benefit accrual rate would eventually alter the liability.

- **Liquidity risk**

Finally, there is a risk that BOBL may not be able to honour the Earned Leave payments in the short-run due to liquidity constraints.

Bank's Risk Appetite & ICAAP policy

The objectives of the Internal Capital Adequacy Assessment Process policy are:

- a. To ensure management of internal capital in accordance with the country's regulatory framework and Basel II Pillar I capital requirement guidelines;
- b. To describe the process for identification, assessment, measurement and aggregation of the risk inherent in the Bank's business and operations;



- c. To ensure that the available capital is commensurate with the Bank's risk profile;
- d. To ensure that there is a clear assignment of roles and responsibilities for facilitating the ICAAP;

Types of risks covered under ICAAP policy are:

The risks that are applicable to the Bank based on our business requirements and the status of the economy are classified below in terms of Basel II Pillar I and Pillar II.

Classification of Risks	Types of risks
Pillar I Risks	Credit Risk Operational Risk
Risk not fully covered under Pillar I	Residual Risk (arising out of credit risk Mitigation)
Pillar II risks	Credit Concentration Risk Interest Rate Risk in Banking Book Liquidity Risk Reputation Risk Compliance risk Economic and regulatory environment Stress testing

Market risk is not covered in the ICAAP Policy as the Bank is not highly exposed to the market risk. However, for exchange fluctuation risk, the Bank provides 25% provision of Exchange Gain on annual basis as per Clause No. 8.3 of RMA Prudential Regulations, 2017.

Reporting & Monitoring

The Bank has number of templates, models, matrices and other statistics calculation, for assisting and assessing whether outcomes are consistent with the Bank's risk appetite. Performance against these thresholds and tolerance is tracked and reported to the Risk Management Committee on a regular basis. Reporting systems are maintained to provide assurance that the risk appetite is effectively incorporated into management decisions. Feedback on the implementation of the various policies and models are provided through the Risk Management Committee.

Previous year's figures have been rearranged / regrouped, where considered necessary to make them comparable with the current year's figure



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Disclosures required as per Macro-prudential rules and regulations

Item 1: Tier 1 Capital and Its Sub-components

(Amounts in Nu.)			
S.No.	Particulars	December 31, 2021	December 31, 2020
1	Total Tier 1 Capital	7,450,378,499.76	6,866,174,987.14
a.	Paid-Up Capital	3,000,000,000.00	3,000,000,000.00
b.	General Reserves	2,310,179,262.68	2,189,684,368.40
c.	Share Premium Account	-	-
d.	Retained Earnings	2,140,199,237.08	1,731,430,600.24
Less:-			
e.	Losses for the Current Year(Other Comprehensive Loss)	-	(54,939,981.50)
f.	Buyback of FI's own shares	-	-
g.	Holdings of Tier 1 instruments issued by FIs	-	-

Item 2: Tier 2 Capital and Its Sub-components

(Amounts in Nu.)			
S.No.	Particulars	December 31, 2021	December 31, 2020
1	Tier II Capital	773,667,390.83	292,253,233.84
a.	Capital Reserve	-	-
b.	Fixed Asset Revaluation Reserve	-	-
c.	Exchange Fluctuation Reserve	318,197,898.98	292,253,233.84
d.	Investment Fluctuation Reserve	-	-
e.	Research & Development Reserve	-	-
f.	General Provision	-	-
g.	Asset Pending Foreclosure Reserve	455,469,491.85	-
h.	Capital Grants	-	-
i.	Subordinated Debt	-	-
j.	Other Comprehensive Income/(Loss)	-	-
k.	Profit for the Year (After profit is appropriate)	-	-



Item 3: Risk Weighted Assets

(Amounts in Nu.)

S.No.	Assets	Risk Weight %	December 31, 2021		December 31, 2020	
			Balance Sheet Amount*	Risk Component	Balance Sheet Amount#	Risk Component
1.	Zero-Risk Weighted Assets	0%	41,803,025,609.65	-	31,875,320,826.07	-
2.	20% Risk Weighted Assets	20%	4,123,141,970.58	824,628,394.12	4,923,042,096.21	984,608,419.24
3.	50% Risk Weighted Assets	50%	4,326,360,134.82	2,163,180,067.41	499,136,937.15	249,568,468.58
4.	100% Risk Weighted Assets	100%	50,831,927,616.20	50,831,927,616.20	48,651,962,108.92	48,651,962,108.92
5.	150% Risk Weighted Assets	150%	946,917,170.96	1,420,375,756.44	1,910,972,749.37	2,866,459,124.05
6.	200% Risk Weighted Assets	200%				
7.	250% Risk Weighted Assets	250%				
8.	300% Risk Weighted Assets	300%				
	Grand Totals		102,031,372,502.21	55,240,111,834.16	87,860,434,717.72	52,752,598,120.79

* Includes total assets of Nu. 100,679,697,880.70 and Contingent Liabilities of Nu.1,351,674,621.51

Includes total assets of Nu. 86,819,856,377.48 and Contingent Liabilities of Nu.674,088,374.51



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Item 4: Capital Adequacy Ratios

(Amounts in Nu.)

S.No.	Particulars	December 31, 2021	December 31, 2020
1	Tier 1 Capital	7,450,378,499.76	6,866,174,987.14
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.	Secotr 3		-
2	Tier 2 Capital	773,667,390.83	292,253,233.84
3	Total qualifying Capital	8,224,045,890.59	7,158,428,220.98
4	Core CAR	12.70%	12.21%
5	BIA	3,404,276,741.33	3,458,909,110.49
a.	of which CCyB (If applicable) expressed as % of RWVA		-
b.	of which SCR (If applicable) expressed as % of RWVA		-
i.	Sector 1		-
ii.	Sector 2		-
iii.	Secotr 3		-
6	CAR	14.02%	12.73%
7	Leverage Ratio	7.30%	7.81%

Item 5: Loans (Gross including Bills) and NPL by Sectoral Classification

(Amounts in Nu.)

Sl No	Sector	December 31, 2021		December 31, 2020	
		Total Loans *	NPL	Total Loans #	NPL
a.	Agriculture	237,918,299.18	9,915,727.95	212,638,569.28	22,870,760.11
b.	Manufacturing/ Industry	5,646,744,479.74	361,730,298.61	5,424,876,149.33	112,794,548.08
c.	Service & Tourism	14,521,769,611.56	192,999,151.42	12,930,882,163.25	277,488,043.74
d.	Trade & Commerce	2,704,579,080.42	329,073,263.19	2,782,628,161.62	758,341,139.96
e.	Housing	16,312,179,795.72	142,983,596.48	15,536,832,839.73	1,088,428,861.87
f.	Transport	1,863,190,970.86	400,216,195.11	1,780,856,945.33	783,598,495.13
g.	Loans to Purchase Securities	359,122,116.99	-	296,725,257.40	667,084.46
h.	Personal Loans	768,459,934.06	77,528,087.74	761,100,499.95	207,008,207.30
i.	Education Loan	708,866,157.81	37,069,836.97	686,500,996.90	92,623,824.88
j.	Loan against term deposits	374,061,506.20	-	166,739,477.16	2,884,302.05
k.	Loans to FI (s)	2,895,137.98	-	3,436,084.98	-
l.	Infrastructure Loans	-	-	-	-
m.	Staff Loans (incentives)	802,880,634.17	82,758,438.48	336,772,263.69	4,293,379.47
n.	Loans to govt Owned Companies	3,628,373,554.39	-	3,309,998,142.91	-
o.	Consumer Loan	4,993,245,308.27	70,573,370.80	4,926,520,400.00	162,550,714.72
	Total	52,924,286,587.35	1,704,847,966.75	49,156,507,951.53	3,513,549,361.77

* Includes gross loans and advance of Nu.52,922,796,987.35. and Bills discounted & purchased of Nu. 1,489,600.

Includes gross loans and advance of Nu.49,147,702,619.33. and Bills discounted & purchased of Nu. 8,805,332.20.



Item 6: Loans (Over-drafts and term loans) by type of counter- party

(Amounts in Nu.)

S.No.	Particulars	December 31, 2021	December 31, 2020
1	Overdrafts	6,966,116,548.81	7,053,701,248.91
a	Government	-	-
b	Government Corporations	1,152,693,348.21	893,462,255.05
c	Public Companies	172,218,812.93	524,694,369.65
d	Private Companies	4,900,233,079.93	4,981,270,312.71
e	Individuals	738,076,169.76	650,838,226.52
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	2,895,137.98	3,436,084.98
2	Term Loans	45,924,605,085.00	42,087,978,343.57
a	Government	-	-
b	Government Corporations	2,475,680,206.18	2,416,535,887.86
c	Public Companies	356,291,875.20	408,156,103.66
d	Private Companies	15,911,611,517.72	13,185,041,718.56
e	Individuals	27,181,021,485.90	26,078,244,633.49
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	-	-
	Total	52,890,721,633.81	49,141,679,592.48
	Credit Cards	32,075,353.54	6,023,026.85
	Gross Loans and Advances	52,922,796,987.35	49,147,702,619.33
	Bills	1,489,600.00	8,805,332.20
	Total Loan Outstanding	52,924,286,587.35	49,156,507,951.53



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

(Amount in Nu.)

As of period ending December 31, 2021	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	1,096,093,516.61	-	-	-	-	-	-	1,096,093,516.61
Gov't Securities		5,998,983,100.00	3,336,358,800.00				987,999,000.00	10,323,340,900.00
Investment securities				1,199,585,000.00			739,842,600.98	1,939,427,600.98
Loans & advances to banks		848,960,000.00	500,000,000.00			83,417,600.00		1,432,377,600.00
Loans & advances to customers	347,151,934.94	66,263,927.81	142,443,214.28	277,112,669.19	2,888,662,976.98	1,395,381,870.67	46,692,240,079.11	51,809,256,672.98
Other assets		34,079,201,590.13						34,079,201,590.13
TOTAL ASSETS	1,443,245,451.55	40,993,408,617.94	3,978,802,014.28	1,476,697,669.19	2,888,662,976.98	1,478,799,470.67	48,420,081,680.09	100,679,697,880.70
Amounts owed to other banks	18,760,406.32	-	-	-	-	-	-	18,760,406.32
Demand deposits	27,772,742,842.98	-	-	-	-	-	-	27,772,742,842.98
Savings deposits	28,548,724,144.78	-	-	-	-	-	-	28,548,724,144.78
Time deposits	-	1,002,552,776.96	1,456,115,312.82	3,354,992,871.54	2,795,226,387.03	1,772,741,086.72	21,823,254,181.24	32,204,882,616.31
Bonds & other negotiable instruments								0.00
Other liabilities	-	12,134,587,870.31	-	-	-	-	-	12,134,587,870.31
TOTAL LIABILITIES	56,340,227,394.08	13,137,140,647.27	1,456,115,312.82	3,354,992,871.54	2,795,226,387.03	1,772,741,086.72	21,823,254,181.24	100,679,697,880.70
Assets/Liabilities	0.03	3.12	2.73	0.44	1.03	0.83	2.22	1.00
Net Mismatch in each Time Interval	(54,896,981,942.53)	27,856,267,970.66	2,522,686,701.46	(1,878,295,202.35)	93,436,589.95	(293,941,616.05)	26,596,827,498.85	(0.00)
Cumulative Net Mismatch	(54,896,981,942.53)	27,856,267,970.66	30,378,954,672.12	28,500,659,469.77	28,594,096,059.72	28,300,154,443.67	54,896,981,942.52	54,896,981,942.52



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

(Amount in Nu.)

As of period ending December 31, 2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	1,337,101,629.61	-	-	-	-	-	-	1,337,101,629.61
Gov't Securities			997,548,100.00				987,999,000.00	1,985,547,100.00
Investment securities		157,550,000.00					1,823,412,905.95	1,980,962,905.95
Loans & advances to banks	-	1,046,780,000.00	700,000,000.00			82,196,800.00		1,828,976,800.00
Loans & advances to customers	510,370,718.61	159,278,422.62	2,129,630,068.18	1,406,351,140.06	1,464,459,317.23	872,425,062.18	40,940,115,302.29	47,482,630,031.17
Other assets		31,225,640,311.37		-	-	-	1,345,487,564.95	32,571,127,876.32
TOTAL ASSETS	1,847,472,348.22	32,589,248,733.99	3,827,178,168.18	1,406,351,140.06	1,464,459,317.23	954,621,862.18	45,097,014,773.19	87,186,346,343.05
Amounts owed to other banks	25,387,554.27	-	-	-	-	-	-	25,387,554.27
Demand deposits	25,319,426,479.26	-	-	-	-	-	-	25,319,426,479.26
Savings deposits	24,979,838,092.88	-	-	-	-	-	-	24,979,838,092.88
Time deposits	228,638,110.80	933,169,457.69	2,155,037,200.41	1,813,186,295.74	2,071,870,983.31	1,047,282,452.36	19,044,723,372.39	27,293,907,872.70
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	2,143,108,342.81	-	-	-	-	7,424,678,001.13	9,567,786,343.94
TOTAL LIABILITIES	50,553,290,237.21	3,076,277,800.50	2,155,037,200.41	1,813,186,295.74	2,071,870,983.31	1,047,282,452.36	26,469,401,373.52	87,186,346,343.05
Assets/Liabilities	0.04	10.59	1.78	0.78	0.71	0.91	1.70	1.00
Net Mismatch in each Time Interval	(48,705,817,888.99)	29,512,970,933.49	1,672,140,967.77	(406,835,155.68)	(607,411,666.08)	(92,660,590.18)	18,627,613,399.66	-
Cumulative Net Mismatch	(48,705,817,888.99)	29,512,970,933.49	31,185,111,901.26	30,778,276,745.58	30,170,865,079.50	30,078,204,489.32	48,705,817,888.99	48,705,817,888.99



Item 8: Assets (net of provisions) and Liabilities by Original Maturity

(Amount in Nu.)

As of period ending December 31, 2021	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	1,096,093,516.61	-	-	-	-	-	-	1,096,093,516.61
Gov't Securities		999,945,600.00	5,836,144,900.00	2,499,251,400.00			987,999,000.00	10,323,340,900.00
Investment securities							1,939,427,600.98	1,939,427,600.98
Loans & advances to banks			500,000,000.00	848,960,000.00		83,417,600.00		1,432,377,600.00
Loans & advances to customers	-	32,075,353.54	3,563,116.31	46,718,693.00	64,109,667.72	89,460,931.43	51,573,328,910.98	51,809,256,672.98
Other assets	-	34,079,201,590.13	-	-	-	-	-	34,079,201,590.13
TOTAL ASSETS	1,096,093,516.61	35,111,222,543.67	6,339,708,016.31	3,394,930,093.00	64,109,667.72	172,878,531.43	54,500,755,511.96	100,679,697,880.70
Amounts owed to other banks	18,760,406.32	-	-	-	-	-	-	18,760,406.32
Demand deposits	27,772,742,842.98	-	-	-	-	-	-	27,772,742,842.98
Savings deposits	28,548,724,144.78							28,548,724,144.78
Time deposits	-	-	500,000,000.00	441,323,164.81	221,929,996.62	4,098,250,923.53	26,943,378,531.35	32,204,882,616.31
Bonds & other negotiable instruments								0.00
Other liabilities	-	12,134,587,870.31	-	-	-	-	-	12,134,587,870.31
TOTAL LIABILITIES	56,340,227,394.08	12,134,587,870.31	500,000,000.00	441,323,164.81	221,929,996.62	4,098,250,923.53	26,943,378,531.35	100,679,697,880.70
Assets/Liabilities	0.02	2.89	12.68	7.69	0.29	0.04	2.02	1.00
Net Mismatch in each Time Interval	(55,244,133,877.47)	22,976,634,673.35	5,839,708,016.31	2,953,606,928.19	(157,820,328.90)	(3,925,372,392.10)	27,557,376,980.61	(0.00)
Cumulative Net Mismatch	(55,244,133,877.47)	22,976,634,673.35	28,816,342,689.66	31,769,949,617.85	31,612,129,288.95	27,686,756,896.85	55,244,133,877.46	55,244,133,877.46



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Item 8: Assets (net of provisions) and Liabilities by Original Maturity

(Amount in Nu.)

As of period ending December 31, 2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	1,337,101,629.61	-	-	-	-	-	-	1,337,101,629.61
Gov't Securities				997,548,100.00			987,999,000.00	1,985,547,100.00
Investment securities							1,980,962,905.95	1,980,962,905.95
Loans & advances to banks		500,000,000.00	200,000,000.00	1,046,780,000.00		82,196,800.00		1,828,976,800.00
Loans & advances to customers	-	14,828,359.05	1,915,974.32	32,189,156.46	8,349,843.51	764,376,058.68	46,660,970,639.15	47,482,630,031.17
Other assets	-	31,225,640,311.37	-	-	-	-	1,345,487,564.95	32,571,127,876.32
TOTAL ASSETS	1,337,101,629.61	31,740,468,670.42	201,915,974.32	2,076,517,256.46	8,349,843.51	846,572,858.68	50,975,420,110.05	87,186,346,343.05
Amounts owed to other banks	25,387,554.27	-	-	-	-	-	-	25,387,554.27
Demand deposits	25,319,426,479.26	-	-	-	-	-	-	25,319,426,479.26
Savings deposits	24,979,838,092.88	-	-	-	-	-	-	24,979,838,092.88
Time deposits	-	500,000,000.00	200,000,000.00	1,312,775,990.02	320,070,646.91	2,893,104,579.58	22,067,956,656.19	27,293,907,872.70
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	2,143,108,342.81	-	-	-	-	7,424,678,001.13	9,567,786,343.94
TOTAL LIABILITIES	50,324,652,126.41	2,643,108,342.81	200,000,000.00	1,312,775,990.02	320,070,646.91	2,893,104,579.58	29,492,634,657.32	87,186,346,343.05
Assets/Liabilities	0.03	-	-	1.58	0.03	0.29	1.73	1.00
Net Mismatch in each Time Interval	(48,987,550,496.80)	29,097,360,327.61	1,915,974.32	763,741,266.44	(311,720,803.40)	(2,046,531,720.90)	21,482,785,452.72	0.00
Cumulative Net Mismatch	(48,987,550,496.80)	29,097,360,327.61	29,099,276,301.93	29,863,017,568.37	29,551,296,764.97	27,504,765,044.07	48,987,550,496.80	48,987,550,496.80



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Item 9: Assets and Liabilities by time-to-re-pricing

(Amount in Nu.)

As of period ending December 31, 2021	Time to re-pricing				Non-interest bearing	Total
	0-3 months	3-6 months	6-12 months	More than 12. months		
Cash and Balances with Banks	-	-	-	-	32,402,106,870.89	32,402,106,870.89
Treasury Bills	9,335,341,900.00	-	-	-	-	9,335,341,900.00
Loans and Advances	1,904,819,077.03	277,112,669.19	4,367,462,447.65	46,692,240,079.11	-	53,241,634,272.98
Investment Securities	-	1,199,585,000.00	-	1,727,841,600.98	-	2,927,426,600.98
Other Assets	-	-	-	-	2,773,188,235.84	2,773,188,235.84
Total financial assets	11,240,160,977.03	1,476,697,669.19	4,367,462,447.65	48,420,081,680.09	35,175,295,106.74	100,679,697,880.70
Liabilities						
Deposits	31,007,392,234.56	3,354,992,871.54	4,567,967,473.75	21,823,254,181.24	27,791,503,249.30	88,545,110,010.39
Borrowings	-	-	-	-	-	-
Other Liabilities	-	-	-	-	12,134,587,870.31	12,134,587,870.31
Total financial liabilities	31,007,392,234.56	3,354,992,871.54	4,567,967,473.75	21,823,254,181.24	39,926,091,119.61	100,679,697,880.70
Total interest Re-pricing gap	(19,767,231,257.53)	(1,878,295,202.35)	(200,505,026.10)	26,596,827,498.85	(4,750,796,012.87)	(0.00)



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Item 9: Assets and Liabilities by time-to-re-pricing

(Amount in Nu.)

As of period ending December 31, 2020	Time to re-pricing				Non-interest bearing	Total
	0-3 months	3-6 months	6-12 months	More than 12. months		
Assets						
Cash and Balances with Banks	-	-	-	-	32,010,083,164.10	32,010,083,164.10
Treasury Bills	-	-	-	987,999,000.00	-	987,999,000.00
Loans and Advances	4,546,059,209.41	1,406,351,140.06	2,419,081,179.41	40,940,115,302.29	-	49,311,606,831.18
Investment Securities	157,550,000.00	-	-	2,414,735,100.00	406,225,905.95	2,978,511,005.95
Other Assets	-	-	-	-	1,898,146,341.83	1,898,146,341.83
Total financial assets	4,703,609,209.41	1,406,351,140.06	2,419,081,179.41	44,342,849,402.29	34,314,455,411.88	87,186,346,343.05
Liabilities						
Deposits	28,296,682,861.78	1,813,186,295.74	3,119,153,435.67	19,044,723,372.39	25,344,814,033.53	77,618,559,999.11
Borrowings	-	-	-	-	-	-
Other Liabilities	-	-	-	-	9,567,786,343.82	9,567,786,343.83
Total financial liabilities	28,296,682,861.78	1,813,186,295.74	3,119,153,435.67	19,044,723,372.39	34,912,600,377.47	87,186,346,343.05
Total interest Re-pricing gap	(23,593,073,652.37)	(406,835,155.68)	(700,072,256.26)	25,298,126,029.90	(598,144,965.59)	0.00



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Item 10: Non-performing Loans and Provisions

As at December 31, 2021					
Stage	Amount of NPL's (Gross)	Principal Impairment Provision	Interest Impairment Provision	Total Impairment Provision	Net NPL's
Stage 2	355,402,055.27	28,921,639.15	788,154.57	29,709,793.72	325,692,261.55
Stage 3	1,052,657,241.02	909,602,487.50	143,054,753.52	1,052,657,241.02	0.00
Total Collective Impairment#	1,408,059,296.29	938,524,126.65	143,842,908.09	1,082,367,034.74	325,692,261.55
Individual Impairment*	296,788,670.46	32,662,879.63	-	32,662,879.63	264,125,790.83
Total Impairment (Collective+Individual)	1,704,847,966.75	971,187,006.28	143,842,908.09	1,115,029,914.37	589,818,052.38
Gross NPL's to Gross Loans					3.22%
Net NPLs to net Loans					1.14%

*Individually impairment includes additional provision (Letter of credit Nu.9,071,878.21 & bank Guarantee Nu.4,444,868.01).

Collective impairment includes additional provision (Credit card Nu.12,225,646.54)

As at December 31, 2020					
Stage	Amount of NPL's (Gross)	Principal Impairment Provision	Interest Impairment Provision	Total Impairment Provision	Net NPL's
Stage 2	1,635,887,642.19	91,523,769.00	1,079,053.95	92,602,822.95	1,543,284,819.24
Stage 3	1,452,849,185.88	1,248,222,846.52	204,290,339.36	1,452,513,185.88	336,000.00
Total Collective Impairment	3,088,736,828.07	1,339,746,615.52	205,369,393.31	1,545,116,008.83	1,543,620,819.24
Individual Impairment*	424,812,533.70	128,761,911.53	-	128,761,911.53	296,050,622.17
Total Impairment (Collective+Individual)	3,513,549,361.77	1,468,508,527.05	205,369,393.31	1,673,877,920.36	1,839,671,441.41
Gross NPL's to Gross Loans					7.15%
Net NPLs to net Loans					3.87%

*Individually impairment includes additional provision (Letter of credit Nu.3,761,991.03 & bank Guarantee Nu.2,978,892.71)



Item 11: Assets and Investments

(Amount in Nu.)

S.No.	Investment	December 31, 2021	December 31, 2020
1.	Marketable Securities (Interest Earning)		
a.	RMA Securities	9,335,341,900.00	997,548,100.00
b.	RGOB Bonds/Securities	987,999,000.00	987,999,000.00
c.	Corporate Bonds	1,417,187,000.00	1,580,278,428.95
d.	Others	2,761,451.98	-
	Sub-Total	11,743,289,351.98	3,565,825,528.95
2.	Equity Investments		
a.	Public Companies	420,245,599.00	317,169,589.00
b.	Private Companies		
c.	Commercial Banks	72,220,050.00	52,914,708.00
d.	Non-Bank Financial Institutions	27,013,500.00	30,600,180.00
	<i>Less</i>		
e.	Specific Provisions		-
	Sub-Total	519,479,149.00	400,684,477.00
3.	Fixed Assets		
a.	Fixed Assets (Gross)	2,341,924,026.43	1,986,576,347.51
	<i>Less:</i>		
b.	Accumulated Depreciation	759,770,054.61	641,088,782.56
c.	Fixed Assets (Net Book Value)	1,582,153,971.82	1,345,487,564.95



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Item 12: Foreign exchange assets and liabilities as at December 31, 2021

(Amount in Nu.)

Currency	Liquid Foreign Currency Holdings (up to 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 Net Position	Overall Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
USD	863,715,366.81	949,581,891.50	(85,866,524.69)	43,075,639.83	-	43,075,639.83	(42,790,884.86)	(0.57)
SGD	19,388,549.55	270,095,862.11	(250,707,312.56)			-	(250,707,312.56)	(3.37)
EURO	100,859,886.51	39,021,877.24	61,838,009.27			-	61,838,009.27	0.83
AUD	76,789,852.86	13,457,277.30	63,332,575.56			-	63,332,575.56	0.85
CAD	13,942,710.40	-	13,942,710.40			-	13,942,710.40	0.19
HKD	446,367.00	-	446,367.00			-	446,367.00	0.01
GBP	40,283,213.24	-	40,283,213.24			-	40,283,213.24	0.54
CHF	31,310,954.14	1,246,248.14	30,064,706.00			-	30,064,706.00	0.40
JPY	32,053,455.31	-	32,053,455.31			-	32,053,455.31	0.43
DKK	33,960.00	-	33,960.00			-	33,960.00	0.00
SEK	-	-	-			-	-	-
NOK	-	-	-			-	-	-
TOTAL	1,178,824,315.82	1,273,403,156.29	(94,578,840.46)	43,075,639.83	-	43,075,639.83	(51,503,200.63)	(0.69)



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Item 12 (continued): Foreign exchange assets and liabilities as at December 31, 2020

(Amount in Nu.)

Currency	Liquid Foreign Currency Holdings (up to one			Long Term Foreign Currency Holdings (More			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 Net Position	Overall Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
USD	1,716,552,821.67	1,531,184,552.41	185,368,269.26	42,426,745.79	-	42,426,745.79	227,795,015.05	3.32
SGD	9,211,579.99	25,350,761.44	(16,139,181.45)	-	-	-	(16,139,181.45)	(0.24)
EURO	45,006,036.65	1,025,599.82	43,980,436.83	-	-	-	43,980,436.83	0.64
AUD	159,707,163.51	73,718,523.68	85,988,639.83	-	-	-	85,988,639.83	1.25
CAD	4,404,647.27	-	4,404,647.27	-	-	-	4,404,647.27	0.06
HKD	1,536,737.40	-	1,536,737.40	-	-	-	1,536,737.40	0.02
GBP	19,884,086.07	-	19,884,086.07	-	-	-	19,884,086.07	0.29
CHF	21,545,272.48	260,642.86	21,284,629.62	-	-	-	21,284,629.62	0.31
JPY	47,690,655.11	-	47,690,655.11	-	-	-	47,690,655.11	0.69
DKK	30,908,282.41	-	30,908,282.41	-	-	-	30,908,282.41	0.45
SEK	-	-	-	-	-	-	-	-
NOK	-	-	-	-	-	-	-	-
TOTAL	2,056,447,282.56	1,631,540,080.21	424,907,202.35	42,426,745.79	-	42,426,745.79	467,333,948.14	6.81



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Item 13: Geographical Distribution of Exposures

(Amount in Nu.)

Particular	Domestic		India		Other	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Demand Deposits held with other banks	200,000.00	200,000.00	533,136,187.96	499,136,937.15	917,416,426.75	1,773,406,867.26
Time deposits held with other banks	1,200,000,000.00	1,600,000,000.00	-	-	232,377,600.00	228,976,800.00
Borrowings	-	-	-	-	-	-

Item 14: Credit Risk Exposure by Collateral

(Amounts in Nu.)

SI No	Particular	December 31, 2021*	December 31, 2020#
1	Secured Loans	52,921,806,100.63	49,141,427,735.68
a	Loans secured by physical/real estate collateral	46,685,727,665.88	43,387,893,843.53
b	Loans Secured by financial collateral	780,939,207.36	478,108,771.19
c	Loans secured by guarantees	5,455,139,227.39	5,275,425,120.96
2	Unsecured Loans	2,480,486.72	15,080,215.85
3	Total Loans	52,924,286,587.35	49,156,507,951.53

* Includes gross loans and advance of Nu.52,922,796,987.35; and Bills discounted & purchased of Nu. 1,489,600.

Includes gross loans and advance of Nu.49,147,702,619.33; and Bills discounted & purchased of Nu. 8,805,332.20.



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Item 15: Earnings Ratios

(Amounts in Nu.)

Sl.No.	Ratio	December 31, 2021
1	Interest Income as a percentage of Average Assets	1.17%
2	Non-interest income as a percentage of Average Assets	0.59%
3	Operating Profit as a percentage of Average Assets	0.76%
4	Return on Assets	0.48%
5	Business (Deposits plus Advances) per employee (Nu. In million)	172.00
6	Profit per employee (Nu. In million)	0.59

Item 16: Penalties imposed by the RMA in the past period

Sl No	December 31, 2021		December 31, 2020	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	NIL	NIL	NIL	NIL

Item 17: Customer Complaints

Sl No	Particular	December 31, 2021	December 31, 2020
1	No. of complaints pending at the beginnig of the year	51	128
2	No. of complaints received during the year	15,129	24,838
3	No. of complaints redressed during the year	15,151	24,915
4	No. of complaints pending at the end of the year	29	51



Item 18: Provision Coverage Ratio (PCR)

(Amount in Nu.)

Year	Gross NPL	Additional NPL	Additional Impairment Provisions	Additional Interest in Suspense A/c	PCR
1	2	3	4	5	6= (4/5)
December 31, 2021	1,704,847,966.75	(1,808,701,395.02)	(497,321,520.77)	(61,526,485.22)	8.08
December 31, 2020	3,513,549,361.77	1,634,071,787.95	766,820,023.99	107,141,577.60	7.16

Item 19: Concentration of Credit and Deposits

(Amount in Nu.)

Sl. No	Particulars	December 31, 2021	December 31, 2020
1.	Total loans to 10 largest borrowers	10,147,609,611.91	8,461,548,392.76
2.	As % of total loans	19.17%	17.21%
3.	Total deposits of the 10 largest depositors	15,438,048,187.21	14,006,946,002.47
4.	As % of total deposits	17.44%	18.05%

Item 20: Exposure to 5 Largest NPL accounts

Sl. No	Particulars	December 31, 2021	December 31, 2020
1.	Five largest NPL accounts	256,573,850.91	982,845,715.50
2.	% of Total NPLs	15.05%	27.97%



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RATIO ANALYSIS

Ratio Analysis

Ratios	December 31, 2021	December 31, 2020
Return on Equity (PAT/Shareholders Equity)	5.86%	1.22%
Return on Assets (PAT/Total Assets)	0.48%	0.10%
Capital Adequacy Ratio (Tier 1+ Tier 2 Capital)/(Risk Weighted Assets + Operation Risk)	14.02%	12.73%
Credit to Deposit Ratio (Total Loans/Total Deposits)	59.78%	63.33%
Statutory Liquidity Ratio (Quick assets/Total liabilities excluding capital fund and RMA liabilities)	41.06%	36.80%
Gross Non-Performing Assets (Non-performing Assets/Total Loans)	3.34%	7.15%
Earnings per share (PAT/No. of Shares)	16.07	2.92
Net interest margin (Total Interest Income-Interest Expenses)/Total earning assets (Total Loans to customer + Loans to banks)	1.67%	2.38%
Leverage Ratio (Tier 1 /total balance sheet Amount including off balance sheet item)	7.23%	7.81%
Debt to Equity Ratio (Total Liabilities/Shareholder's Equity)	11.24	11.18



Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: April 28, 2022
 Place: Thimphu, Bhutan



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