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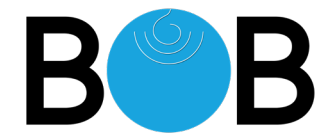
BANK OF BHUTAN

A DBL Company



ANNUAL REPORT 2019

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BANK OF BHUTAN

A dhi Company

Annual Report 2019

Registered Office

Bank of Bhutan Limited,
P.O. Box. 102,
Thimphu, Bhutan.

Fixed Line: +975-2-334333

Website: www.bob.bt

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The Year In Review

The year 2019 - marking 51 years of service to the Nation - the Bank saw continued growth in its financial performance. The Bank's Net Profit crossed Nu. 1.00 billion yet again and achieved a notable credit growth of 23.30 %.

In summary, some major highlights of the Bank for 2019 are:

- 1. Efficient Management of Non-Performing Assets - the Bank managed to maintain an average of less than 5 percent GNPA throughout the year, and finally closed at 3.61 percent on 31st December 2019.
- 2. Credit Growth - In 2019, the credit portfolio saw a remarkable growth of 23.30 percent because of reduced lending rates and aggressive marketing.
- 3. Business Expansion - The Bank continued its expansion and reach across the country by opening two BoBConnect Agents (Agency Banking) in the most remote area of Soe. A new full-fledged Branch office at Dorokha was opened during the year. By year end, the Bank's network reach comprised of 54 branch offices (42 full-fledged branch offices and 12 Extension Offices), 121 Tshongdrel Ngotshabs to cater the basic banking services, 110 ATM terminals and 381 BoBConnect Agents.
- 4. New products - The Bank launched all its digital services in Dzongkha in 2019. The bilingual services are made available for BoB ATMs, website and mBoB App, an effort made towards financial inclusion. Partial withdrawal facility on the Fixed deposits was also launched enabling our customers to access funds in times of need. For faster remittance services, the Bank tied up with Standard Chartered Bank for Straight to bank payment system.
- 5. Security - The Bank Developed Policies and Procedures in line with ISO 27001 standards for ISO 27001:2013 ISMS certification readiness. ISO 27001:2013 ISMS certification is an internationally recognized structured methodology dedicated to information security and the only auditable international standard which defines the requirements for an Information Security Management System (ISMS).
- 6. Additional Services and Improvements - The Bank continued to improve on the existing services. A number of features were added to mBoB (Bank's mobile banking App) - Auto registration, Biometric login, real time payments with Bhutan Telecom, insurance premium payments with RICBL, tax payments, linking new accounts to mBoB, voting facility for reality shows, Foreign currency account balance enquiry, Thimphu Thromde water and property bill payment, Debit card replacement and renewal, blocking/unblocking of debit card, adding your card details and profile picture upload - to name a few.
- 7. Employee Engagement - The Bank has been providing BoB Scholarship and training to its employees. Since 2011 and till date, 30 employees have completed their Masters Degree and 3 employees are attending their Masters through this scholarship program. 5 employees have also completed their Masters Program under different scholarship schemes and were granted study leave and other employment benefits during their study period by the Bank.

A total of 559 employees were provided with short-term training for the year in areas such as Task specific, Knowledge based, Skills related and Professional development. Apart from training and scholarship, the Bank also sent employees on study tours to third countries.



(Dorji Kadin)
Chief Executive Officer

Events during the year 2019



4th January

Connecting Lauri Village with 3G facility.



8th March

Banking made accesible for the people of Dorokha.



22th - 24th April

Annual Branch Managers Meeting.



23rd May

Helping improve public sanitation at Wangsisina.



28th May

Closing ceremony of Golden Jubilee.



28th May

Bilingual Digital Service, a step towards Financial Inclusion.



2nd June

Tree Plantation to commemorate Social Forestry Day.



4th June

The new CEO joins office.



14th - 15th October

Banking Services made available during Jomolhari Mountain Festival



23rd - 24th October

Banking Services made available during Royal Highlander Festival



14th June

Saving lives through Blood Donation Drive



22nd July

Facilitating the nation's e-payment through e-PEMS



9th November

Wangdue Dzong renovation volunteer by BoB employees



1st October

Kurim at Trashichhoe Dzong



13th October

MoU with GCBS for Industry-Academia Collaboration and Partnership by the CEO of BoB and President of GCBS

A RANGE OF SERVICES TO CATER
TO ALL YOUR BANKING NEEDS

INTERNATIONAL
BANKING
REMITTANCES CONTACT CENTER
mBOB CARDS EXPRESS MONEY
CDM TSHONGDREL NGOTSHAB ATM SAVINGS &
RECURRING DEPOSIT & FIXED DEPOSIT CURRENT DEPOSIT
LOANS INTERNET BANKING BOBCONNECT

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Company Profile

Vision

The Nation’s Premier Financial Institution.

Missions

Provide Efficient, Transparent, Comprehensive and Secure Financial Services through Continuous Innovation, Contributing to the Nation’s Economic Growth.

Values

Bank of Bhutan’s core values can be abbreviated as **CARES** which signifies that the Bank cares for all its stake holders, be its employees, customers, community, shareholders and the nation at large, along with the significance of each term explained below:

C Courage for Change -

For continuous Learning & Growth, embrace diversity, suggestion from others, have a sense of competition to create innovation & creative change.

A Accountability -

For ethical conduct through transparent, honest & sincere ownership of every transaction.

R Relationship -

For building relationships based on mutual respect and trust within the organization, with clients, and other stakeholders.

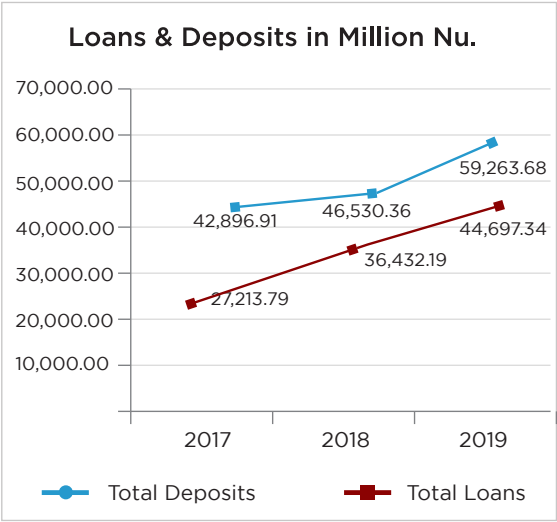
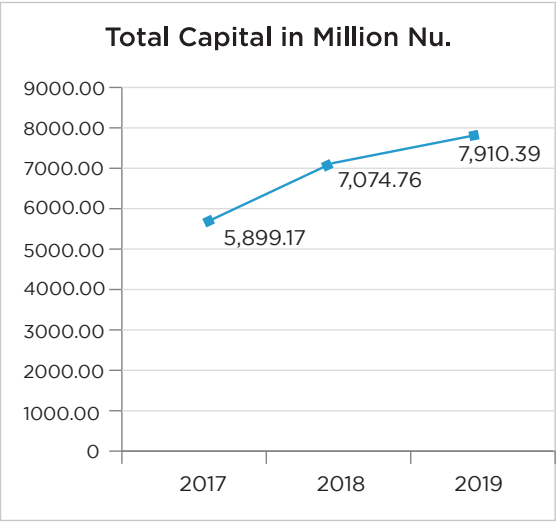
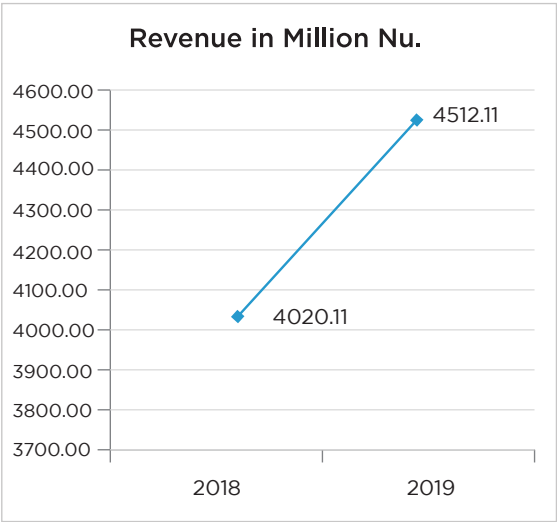
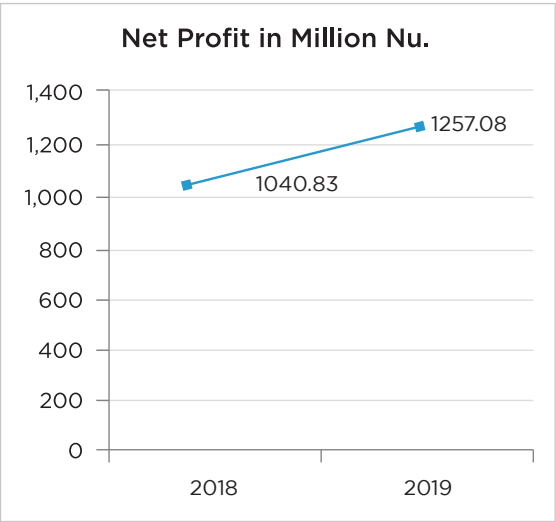
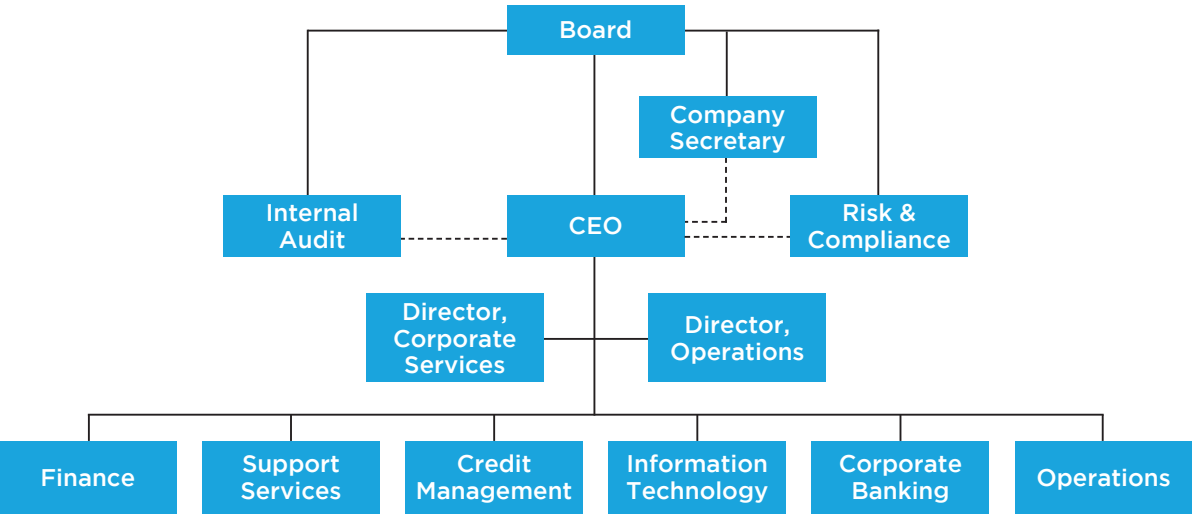
E Excellence in Service -

For excellence in a customer friendly culture, diligent and courteous environment and superior performance.

S Social Responsibility -

For meeting community needs through beneficial partnership to support community growth.

Organization Chart



Board Directors



Mr. Karma Yonten (Chairman) heads the Office of Performance Management under His Majesty's Secretary and brings more than twenty-five years of experience with the Royal Government of Bhutan, the Private and the Corporate Sector. He received his Electrical Engineering Degree as a Fulbright scholar from the University of Kansas, USA, and his Master's in Business Administration Degree from Hitotsubashi University, Japan. He started his career as a Civil Servant in the Department of Power and Energy in the then Ministry of Trade and Industry. He served as the founding Chief Executive Officer of the Bhutan Electricity Authority before his retirement from the civil service. He worked as a Consultant with Ongdi Consulting Services before his appointment as the founding Chief Executive Officer of DHI in 2007. He currently serves on the Boards of The Royal Academy, The JSW School of Law, Thimphu Tech Park and Bhutan Agro Industries Ltd.



Mr. Subbaramaiah Ramesh Rajapur is the General Manager (Operations) in International Banking Group, State Bank of India (SBI) with over thirty-three years of work experience. He has a Bachelor degree in Science and Certified Associate of Indian Institute of Bankers. He serves as the Chairman on the Board of Bank SBI Botswana Ltd., and as Non-Executive Director on the Board of Commercial Indo Bank LLC (CIBL) Moscow and SBI (Mauritius) Ltd. His area of work has mainly been on formulation and execution of key business strategies in market analysis, product innovation, international banking, correspondent relationship & retail Banking and stressed asset resolution.



Mr. Pemba Wangchuk is the Director General of Road Safety and Transport Authority, Ministry of Information and Communication with over twenty-eight years of experience in the Civil Service. He holds a Bachelor Degree in Economics from Sherubtse College in Bhutan and Masters in Health Management, Planning and Policy from University of Leeds, United Kingdom. He has served over eleven years in various capacities in the Ministry of Health before his appointment as the Dzongdag of Haa in 2006, Tsirang in 2009 and Chhukha from 2012 to 2017. He also served as a Militia Officer in the Royal Bhutan Army from 1991 to 1995. He currently serves as the Chairman on the Board of Bhutan Civil Aviation Authority.



Ms. Tashi Lhamo is the Director of Department of Finance at Druk Holding and Investments Ltd with over fifteen years of experience in Banking and Finance. She has served as the Head of Finance and Accounts Department of Bhutan National Bank for seven years and joined the erstwhile Business Opportunity and Information Center (BOiC) in 2013 as Director, Revolving Fund Management and Operations. She holds a Bachelor of Commerce (Honors) from Sherubtse College, Bhutan; Bachelor of Business (Major in Accounting) from University of South Australia; MBA (Advanced) from the Graduate School of Business, Curtin University, Perth, Western Australia; and CPA from CPA Australia. She also was a recipient of the Hubert H. Humphrey Fellowship to attend a Banking and Finance Program at the Boston University, MA, USA in 2007. She currently serves as the Vice-Chair in the Technical Working Committee at the Accounting and Auditing Standard Board of Bhutan (AASBB) and on the Board of Druk Green Power Corporation Limited (DGPC).



Dr. Phuntsho Choden is an independent consultant and researcher. Her sector expertise is diverse, in development economics, development evaluation, business, and social capital. She holds a Bachelor of Economic from Sherubtse College in Bhutan, Master of Arts in International and Development Economics from University of Applied Sciences in Berlin, Master of Business by Research and a PhD from Business School in Queensland University of Technology, Australia. She is with over 20 years of experience having worked in various sectors in Bhutan including public sector, academia and private sector. She started her career as a civil servant and worked over a decade, honing her skills through practical implementation of public finance and fiscal policies, and gained exposure to a range of public policies. She has also worked in the academia and has teaching and research experience at the Queensland University of Technology in Australia, as a visiting resource in Royal Institute of Management, and Gaeddu College of Business Studies under Royal University of Bhutan (RUB). She has worked as an economic researcher for private sector development in Bhutan for ADB Resident Mission Office. She also serves as the Chair to the Board of Evaluation Association of Bhutan, and is a member of networks of evaluators in the region.



Mr. Kezang is the Chief Executive Officer of the Institute for Management Studies Limited and has many years of diverse work experience with the Royal Government, corporate and private sector and civil society. He holds a Bachelor of Engineering (Electronics and Communication) from University of Roorkee, India and Master of Communications Management from University of Strathclyde, Glasgow, United Kingdom. His areas of expertise are mainly in information and communication technologies, business development, strategy, policy and planning. He served as the Chief Planning Officer of the Policy and Planning Division, Deputy Director and Executive Director of IT/TES Program Implementing Agency, Department of IT & Telecom under Ministry of Information and Communications from 2005 to 2012. He also served as a technical advisor and mentor on numerous projects and agencies within the country besides serving as a Director on the Board of Bhutan Telecom. He also spent three years in Chandigarh, India working as a Chief Researcher for a multinational health and wellbeing company.



Mr. Dorji Kadin is the Chief Executive Officer of Bank of Bhutan with over twenty-four years of work experience with the Royal Government and corporate sector. He has a Bachelor of Commerce (Honors) from Sherubtse College in Bhutan and Masters in Business Administration from Asian Institute of Management, Philippines. In addition, he also has Post Graduate Diploma in International Business from Flinders University of South Australia. He worked for more than sixteen years in Bhutan Telecom in various positions including, Head of Billing & International Affairs Division, Manager of Corporate Planning and Business Development, Manager of Wangdue Exchange and General Manager of Personnel and Administration Division. He joined the Bank of Bhutan as Chief Strategy Officer in October, 2013 and was appointed as the Chief Financial Officer in April 2016. He was appointed as the Director of Corporate Services in December 2016 and was later appointed as the Chief Executive Officer in April 2019. He served as a Board Director in State Trading Corporation of Bhutan and Financial Institutions Training Institute. He currently serves on the Board of Royal Securities Exchange of Bhutan Ltd. and Bhutan Carbide and Chemicals Ltd.

Management Team



Standing left to right - **Ms. Kencho Pemo** (Chief, Corporate, Private and Relationship Banking Department), **Mr. Prem Bdr. Moktan** (Chief, Corporate Financial Department), **Mr. Namgay Wangchuk** (Chief, Corporate Support Services Department), **Mr. Tenzin Dorji** (Chief, Banking Operations Department), **Mr. Dorji Wangchuk** (Chief, Information Technology Department), **Ms. Kritika Pradhan** (Chief, Credit Management and Research Department). Seated left to right - **Ms. Karma Dema** (Director, Operations), **Mr. Dorji Kadin** (Chief Executive Officer), **Mr. Tshering Tenzin** (Director, Corporate Services).

Mr. Dorji Kadin, Chief Executive Officer

Mr. Dorji Kadin has MBA from Asian Institute of Management, Post Graduate Diploma in International Business from Flinders University of South Australia, and B. Com (Hons.) from Sherubtse College. He has worked 17 plus years in various business functions of Bhutan Telecom. He joined the Bank in 2013 and worked as Director, Corporate Services until he was appointed as CEO of Bank of Bhutan in April 2019.

Ms. Karma Dema, Director, Operations

Ms. Karma Dema has a Bachelor's Degree in Arts from Osmania University, Hyderabad. She joined Bank of Bhutan in 1988 and has experience in various banking operations. She worked as the Head, Credit Department and served as Chief Credit Officer before her appointment as Director, Operations in December 2016.

Mr. Tshering Tenzin, Director, Corporate Services

Mr. Tshering Tenzin has a Bachelor of Commerce (Honors) from Sherubtse College, Bachelors of Business from South Australia and CPA from CPA Australia. He was the Chief Executive Officer of Hiraka Ventures Pvt. Ltd. and has over twenty-four years of work experience with the Royal Government and the corporate sector. His area of works is mainly in Finance and Accounting.

He served as a Senior Program Coordinator for Department of Aid and Debt Management and Department of Public Accounts under Ministry of Finance before joining Dungsam Cement Corporation Limited (DCCL) as a General Manager (Commercial). He left DCCL in 2016 to venture into the private sector. He served as the Independent Director of Bank of Bhutan prior to his appointment as Director, Corporate Affairs in 2019.

Mr. Dorji Wangchuk, Chief, Information Technology Department

Mr. Dorji Wangchuk has a Bachelor's Degree in Commerce from St. Joseph College, North Point, Dajeeling, India. He joined the bank in 1984 and since then he has been working in the bank in various portfolios. He has served as the branch manager, headed the Central Accounts Division, Zonal Manager of South Zone, Chief Banking Officer and General Manager before his appointment as the Chief Information Officer in 2019.

Mr. Prem Bdr. Moktan, Chief, Corporate Financial Department

Mr. Prem Bdr. Moktan has MBA (Banking & Finance) from University of Canberra, Australia and B. Com (Hons.) from Sherubtse College. He is Certified Trade Finance Professional (CTFP) certified by International Chamber of Commerce (ICC) Academy. He has worked 17 plus years in various business functions of Bank of Bhutan. He worked as Head, Compliance & Risk Management Division before he was appointed as Chief Financial Officer.

Mr. Tenzin Dorji, Chief, Banking Operations Department

Mr. Tenzin Dorji has B. Com (Hons.) from Sherubtse College, Kanglung. He joined Bank of Bhutan in January 1991. He has worked as Branch Manager in various Branch offices of the Bank and served as Head, Financial Control Division. He was serving as General Manager of Thimphu Main Branch before his appointment as Chief Banking Operations in 2017.

Mr. Namgay Wangchuk, Chief, Corporate Support Services Department

Mr. Namgay Wangchuk has a Master of Human Resource Management from Edith Cowen University, Western Australia, Post-graduate Certificate in Development Management from the Royal Institute of Management and B. Com (Hons.) from Sherubtse College. He started his career in the Civil Service in 2002 till 2016. He last served as the Chief Human Resource Officer in the Ministry of Health from where he resigned and joined the Bank of Bhutan in May 2017.

Ms. Kritika Pradhan, Chief, Credit Management and Research Department

Ms. Kritika Pradhan has a Professional Master's degree in Banking and Finance from Asian Institute of Technology, Thailand, Post Graduate Diploma in financial Management from Maastricht School of Management, Netherlands and B.A in Economics from Sherubtse College. She started her career in 2002 and has worked for 16 plus years in various functions of the Bank. She's worked as Head, Marketing and Customer Service Division before she was appointed as Chief Credit Officer.

Ms. Kencho Pemo, Chief, Corporate, Private and Relationship Banking Department

Ms. Kencho Pemo has a Master degree in Management from Queensland University of Technology, Brisbane, Australia. She started her career in 2005 and has worked in the Credit Department in the Bank of Bhutan Limited prior to joining as the Chief, Corporate in September, 2018.

Directors' Report

Introduction

To the Shareholders,

As the Chairman of the Board of Directors of the Bank of Bhutan (BoB), and on behalf of the Board of Directors and the management, I have the honour to present the Directors' Report for the year ending 2019.

Operational Highlights

The year 2019 was an eventful year for your bank and its stakeholders. To mark the end of Golden Jubilee celebration, BoB officially closed the activities on 28th May which marked the 51st anniversary of the Bank. During the event, BoB launched the Dzongkha version of the mBoB application and website beside launching the keyboard banking services. BoB launched e-PEMs in collaboration with Ministry of Finance and the Royal Monetary Authority. BoB also saw a change in management with a new Chief Executive Officer.

To increase reach across the country, BoB opened a bank branch in Dorokha, Samtse on 8th March. BoB participated in the Royal Highlander Festival in Laya, for the fourth year and Jomolhari Mountain Festival for the first time in 2019 during which BoB added four BoBConnect Agents in these areas where access to banking services was difficult.

To improve service reliability, BoB conducted five Disaster Recovery drills. This exercise was to ensure that the Disaster Recovery site will be able to function seamlessly in case of any disaster at the primary Data Center.

In order to improve the internal process and risk management, BoB implemented a Credit Scoring System and Anti Money Laundering/ Countering Financial Terrorism (AML/CFT) system.

In terms of customer service, the customer satisfaction index of BoB has increased from

3.78 to 3.95. The weekly complaint resolution rate was maintained at 96.43 percent on an average throughout the year.

In terms of the Board-Management Annual Compact, BoB has done outstandingly well and achieved a score of 95.76%, and we hope that after the evaluation of the DHI-Board Annual Compact, the scores will be as good.

Financial Position and Key Financial Performance Highlights

The financial statements for 2019 of the Bank have been prepared as per the Bhutan Accounting Standards (BAS).

In terms of financial performance, the year 2019 was an excellent year for the Bank even though the Bhutanese financial market in general did not perform well.

The Bank registered a record Net Profit of Nu. 1,257.08 million in the year 2019, against a Net Profit of Nu. 1,040.83 million in 2018. This reflected an increase of 20.78% in Net Profit compared to 2018.

The loan portfolio has increased by 23.30% from 35.51 billion in 2018 to 43.79 billion in 2019. The non-performing assets was at 3.61%.

Deposits from customers continued to grow and has increased from Nu. 46.48 billion in 2018 to Nu. 59.24 billion in 2019. This confirms the people's continued confidence and trust in the Bank. The higher deposit increased interest expenses from Nu. 1,471.73 million in 2018 to Nu. 1,778.59 million in 2019.

The total capital and reserves of the bank increased by 11.81% in 2019, an increase from Nu. 7,074.76 million in 2018 to Nu. 7,910.39 million in 2019, before declaring dividend.

Statutory Audit

M/s. S.P. Chopra and Co., a firm from Delhi was appointed to audit the books of accounts

of Bank of Bhutan and its subsidiary for the financial year ended 2019 by Royal Audit Authority with approval from the Royal Monetary Authority.

Board's Recommendation on Dividend

BoB has been adopting a consistent dividend policy of balancing the twin objectives of providing good returns to its shareholders, and retaining sufficient capital to maintain a healthy capital adequacy ratio to support future growth. With these objectives in mind, and in recognition of good performance in the year 2019, the Board has approved a dividend of Nu. 21.25 per share amounting to Nu. 637.37 million to its shareholders. However, with the Bank's plan to establish its Wholly Owned Subsidiary (WOS) office in India in 2020, the Board recommends retaining all the profit of the year in order to build the reserve for opening and implementation of the WOS office in India. This will reduce the burden on the shareholders of injecting Nu. 5 billion, which is the estimated capital fund requirement for opening the WOS in India.

Corporate Governance

Your bank is in adherence to the Corporate Governance Rules and Regulations (CGRR) 2018 issued by the Royal Monetary Authority, the Financial Services Act 2011, the Companies Act of Bhutan 2016, and the DHI Corporate Governance Code. The Bank has fully implemented all the directives of the Board. The Board Audit Committee, Board Credit Committee, Board Risk Committee and Board Governance Committee held their own minimum meetings as required by their Rules of Procedures. The internal Service Rules and Regulations are also in line with the provisions of the Labour & Employment Act.

Recruitments were carried out in the most transparent manner with well-established systems put in place. The Human Resources Committee (HRC), Board Governance Committee and the Board, as per delegation

of power, addressed all human resource issues properly. Grievance redressal rules and procedures have been put in place so that employees could express their views either against individual employees, supervisors or the Management. The Management conducts regular management meetings to monitor activities being executed on time as per the annual compacts of Departments and directives of the Management and the Board. BoB is following the requirements stipulated by the Registrar of Companies, Ministry of Economic Affairs.

Corporate Social Responsibility

Your Bank continued its commitment towards social responsibility and engaged in social activities that touched lives of many across all corners of the country. Following the CSR policy for all DHI Owned Companies, your Bank focused its activities in various sectors of culture, education, health, environment, entrepreneur development, youth development, assistance to the poor and underprivileged, among others.

The major CSR initiatives of the Bank in 2019 were:

- Blood donation campaign;
- Tree plantation in collaboration with NRDCL at Debsi, Thimphu;
- Construction of public toilet at Wangsisina; and
- Volunteering to assist in the reconstruction of Wangdue Phodrang Dzong.

Challenges and Way Forward

Some major challenges the Bank faced in 2019 were managing the expected growth in profit due to slowdown in the economy. The country's GDP didn't grow as expected and it was one of the lowest at around 3.03% In addition, national credit growth was only

13.09%. The Bank also had to manage its liquidity by increasing its deposit interest rates which increased the cost of fund. All these will continue to be some of the major challenges for the Bank in the coming year too. Given the alarming levels of Non Performing Assets (NPA) in the other financial institutions this year, there is concern about the economy and its impact on NPAs in the coming year. Management has been asked to closely monitor the loans and develop early warning systems so that appropriate measures can be taken in case the situation deteriorates.

Staff attrition has always been a challenge and the Bank continues to lose promising people in various positions. However, with the recent increase in salary, and efforts to continually improve the work environment we are hopeful that we will be able to reduce staff attrition.

Technology has become a crucial part of the banking business, and huge investments are required in order to ensure that the technology underpinning various banking activities are well-synchronized, regularly updated, and highly secure in order to provide seamless, convenient and safe services to our customers. In this connection the bank is finalizing a digital strategy, which is to be rolled out in the coming year.

Acknowledgements

The Directors of the Board of BoB expresses appreciation for the continued guidance and assistance rendered by the Royal Government, the Royal Monetary Authority of Bhutan, Druk Holding and Investments, State Bank of India, the Royal Audit Authority, Statutory Auditors, other Regulatory Authorities, Agencies, and correspondent banks. The Board also conveys their sincerest gratitude to the shareholders, clients, investors, and well-wishers for their continued goodwill, patronage, and support. The Board would like to thank members of the

Board and the Chairman who resigned during the past year for their valuable guidance. The Board would also like to thank the previous CEO, Mr. Pema Nadik, for his hard work and contributions. The Board would like to particularly acknowledge that it was under his leadership that BoB was able to achieve a PAT exceeding Nu. 1 billion in 2018, and we are pleased to note that this trend continues under the new CEO.

Last and most importantly, the Board also conveys its sincere appreciation to the Management of the Bank of Bhutan for its leadership and the excellent results over the last year and to all the employees for their dedication, hard work and commitment to the Bank.

The Board of Directors would like to take this opportunity to pledge their commitment and dedication to the growth and development of the Bank. The Directors look forward to the continued support from all stakeholders in the years ahead.

Tashi Delek!

For and on behalf of the Board



(Karma Yonten)
CHAIRMAN

Report on Corporate Governance

Corporate Governance (CG) is a set of systems and procedures that enable and ensure companies are being managed in the most accountable, transparent, and fair manner while meeting the expectations of shareholders and other stakeholders. Sound CG practices are critical for effective use of company resources with the highest ethical standards.

Bank of Bhutan aims to achieve high standards of CG and ensures compliance with legislation, regulation and the CG codes to ensure sustainability of the business.

BoB is compliant with the provisions of the RMA Corporate Governance Rules and Regulation 2018, the Corporate Governance Code and the Ownership Policy developed

by the Druk Holding and Investments Ltd., the Companies Act of Bhutan 2016, Financial Service Act of Bhutan 2011 and other statutory requirements for the Financial Year 2019.

Board of Directors

The Board of Directors is entrusted with the ultimate responsibility for guiding the strategic direction and performance of BoB to achieve the targets. All appointments made was submitted to the BoB's Annual General Meeting and Extra-ordinary General Meeting for endorsement. The BoB Board consists of seven Directors, including the Chairman and the Chief Executive Officer (CEO) for the management of day to day affairs of the Company.

Composition of the Board and attendance in 2019

Name of Director	Category	Address	Date of Appointment (Present Term)	Current Term of the Board Director	No. of BM attended in 2019	No. of Directorship on other DHI Owned/ Controlled companies
Total Number of Board meetings (BM) conducted in 2019					9	
Dasho Ugen Chewang	Chairman Non-Independent Non-Executive	Chairman, DHI	Appointed on 19th June 2018 and retired on 13th March 2019	First Term	2	1. Bhutan Power Corporation Ltd.
Mr. Pemba Wangchuk	Board Director Non-Independent Non-Executive	Director, Department of Investment, DHI	Appointed on 19th June 2018	First Term	6	1. Bhutan Civil Aviation Authority
Ms. Tashi Lhamo	Board Director Non-Independent Non-Executive	Director, Royal Civil Service Commission	Appointed on 19th June 2018	First Term	8	1. Druk Green Power Corporation Ltd.
Mr. Subbar-maiah Ramesh Rajapur	Board Director Non-Independent Non-Executive	General Manager-Operations, International Banking Group, State Bank of India	Appointed 19th June 2018 and retired on 13th November 2019	First Term	3	1. SBI Botswana 2. SBI Mauritius 3. Indo Bank LLC (CIBL) Moscow
Mr. Tara Nidhi Chimorya Sharma	Board Director Independent Non-Executive	Specialist, Department of Budget, Ministry of Finance	Reappointed on 13th July 2018 and retired on 13th March 2019	Second Term	2	None

Name of Director	Category	Address	Date of Appointment (Present Term)	Current Term of the Board Director	No. of BM attended in 2018	No. of Directorship on other DHI Owned/ Controlled companies
Mr. Tshering Tenzin	Board Director Independent Non-Executive		Appointed on 13th July 2018 and retired on 08th July 2019	First Term	4	None
Mr. Pema N. Nadik	Board Director/ CEO Executive Non-Independent	CEO, Bank of Bhutan Ltd.	Re-appointed on 01st April 2016 and retired on 31st March 2019	Second Term	2	None
New Board of Directors appointed after 12th March, 2019						
Mr. Karma Yonten	Chairman Non-Independent Non-Executive	Chairman, DHI	Appointed on 19th March 2019	First Term	7	1. The Royal Academy 2. The JSW School of Law 3. Bhutan Agro Industries Ltd.
Dr. Phuntsho Choden	Board Director Independent Non-Executive	Director General, Road Safety and Transport Authority, Ministry of Information & Communication	Appointed on 19th March 2019	First Term	7	None
Mr. Kezang	Board Director Independent Non-Executive	Director, Department of Finance, DHI	Appointed on 14th October 2019	First Term	2	None
Mr. Dorji Kadin	Board Director/ CEO Executive Non-Independent	CEO, Bank of Bhutan Ltd.	Appointed 01st April 2019	First Term	6	None

Board Meetings

A total of nine Board Meetings were held in 2019. The meetings were held as frequently as required and the gap between any two meetings never exceeded three months as required by “The Companies Act of Bhutan 2016”. The details of the Board attendance are as follows:

Composition of the Board and attendance in 2019

Board Meeting No.	Date	Members Present	Leave of Absence
254th	26th February 2019	1. Dasho Ugen Chewang 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Tara Nidhi Chimorya Sharma 5. Mr. Tshering Tenzin 6. Mr. Pema N. Nadik	1. Mr. Subbaramaiah Ramesh Rajapur

Board Meeting No.	Date	Members Present	Leave of Absence
255th	12th March 2019	1. Dasho Ugen Chewang 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Subbaramaiah Ramesh Rajapur 5. Mr. Tara Nidhi Chimorya Sharma 6. Mr. Tshering Tenzin 7. Mr. Pema N. Nadik	None
256th	12th April 2019	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Tshering Tenzin 5. Dr. Phuntsho Choden	1. Mr. Subbaramaiah Ramesh Rajapur
257th	24th May 2019	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Tshering Tenzin 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Subbaramaiah Ramesh Rajapur 2. Mr. Pemba Wangchuk
258th	8th July 2019	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Subbaramaiah Ramesh Rajapur 2. Mr. Tshering Tenzin
259th	14th August 2019	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Subbaramaiah Ramesh Rajapur 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
260th	3rd September 2019	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Subbaramaiah Ramesh Rajapur
261st	30th October 2019	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Subbaramaiah Ramesh Rajapur 4. Dr. Phuntsho Choden 5. Mr. Kezang 6. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
262nd	09th December 2019	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Dr. Phuntsho Choden 4. Mr. Kezang 5. Mr. Dorji Kadin	1. Ms. Tashi Lhamo

Board Committee Meetings and Procedures

Board Governance Committee (BGC)

The Board Governance Committee was established to make decision on HR related issues which are beyond the authority of the management.

The Board Governance Committee was reconstituted during the 256th Board meeting held on 12th April 2019 and 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of five Board Governance Committee meetings were held in 2019.

Details of the BGC held in 2019 are as follows:

Name of Director	Category	No. of BGC Attended
Dr. Phuntsho Choden	Chairperson (Independent) appointed on 12th April 2019	2
Mr. Pemba Wangchuk	Board Director	3
Ms. Tashi Lhamo	Board Director	4
Mr. Tshering Tenzin	Board Director (Independent) retired on 08th July 2019	1
Mr. Kezang	Board Director (Independent) appointed on 14th October 2019	1
Mr. Dorji Kadin	Board Director/ CEO appointed on 01st April 2019	5

BGC No.	Dates	Members Present	Leave of Absence
37th	22nd May 2019	1. Dr. Phuntsho Choden 2. Ms. Tashi Lhamo 3. Mr. Tshering Tenzin 4. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
38th	05th August 2019	1. Dr. Phuntsho Choden 2. Mr Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Dorji Kadin	None
39th	13th August 2019	1. Mr. Karma Yonten 2. Dr. Phuntsho Choden 3. Mr. Pemba Wangchuk 4. Ms. Tashi Lhamo 5. Mr. Dorji Kadin	None
40th	23rd October 2019	1. Dr. Phuntsho Choden 2. Mr Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Dorji Kadin	None
41st	02nd December 2018	1. Dr. Phuntsho Choden 2. Mr. Kezang 3. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk

Board Credit Committee (BCC)

The Board Credit Committee was established to make decision on credit related issues which are beyond the authority of the management.

The Board Credit Committee was reconstituted during the 256th Board meeting held on 12th April 2019 and 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of four Board Credit Committee meetings were held in 2019.

Details of the BCC held in 2019 are as follows:

Name of Director	Category	No. of BCC attended
Mr. Tshering Tenzin	Chairperson retired on 08th July 2019	2
Mr. Tara Nidhi Chimorya Sharma	Board Director (Independent) retired on 13th March 2019	1
Mr. Pema N. Nadik	Board Director/ CEO retired on 31st March 2019	1
Mr. Karma Yonten	Chairman- appointed on 12th April 2019	3
Ms. Tashi Lhamo	Board Director	4
Mr. Dorji Kadin	Board Director/ CEO	3

BCC No.	Dates	Members Present	Leave of Absence
33rd	13th February 2019	1. Mr. Tshering Tenzin 2. Mr. Tara Nidhi Chimorya Sharma 3. Ms. Tashi Lhamo 4. Mr. Pema N. Nadik	None
34th	17th May 2019	1. Mr. Karma Yonten 2. Mr. Tshering Tenzin 3. Ms. Tashi Lhamo 4. Mr. Dorji Kadin	None
35th	06th August 2019	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Dorji Kadin	None
36th	24th October 2019	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Dorji Kadin	None

Board Risk Management Committee (BRMC)

The Board Risk Management Committee was established to monitor the key risk indicators of the Bank besides making decision on risk related issues and activities.

The Board Risk Management Committee was reconstituted during the 256th Board meeting held on 12th April 2019 and 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of three Board Risk Management Committee meetings and a Joint Board Audit and Risk Management Committee were held in 2019.

Details of the BRMC held in 2019 are as follows:

Name of Director	Category	No. of BRMC attended
Ms. Tashi Lhamo	Chairperson appointed on 12th April 2019	2
Mr. Tara Nidhi Chimorya Sharma	Board Director (Independent) retired on 13th March 2019	3
Mr. Pemba Wangchuk	Board Director	4
Dr. Phuntsho Choden	Board Director (Independent) appointed on 12th April 2019	1
Mr. Pema N. Nadik	Board Director/ CEO retired on 31st March 2019	1
Mr. Dorji Kadin	Board Director/ CEO appointed on 01st April 2019	5

BRMC No.	Dates	Members Present	Leave of Absence
Joint Board Audit and Board Risk Management Committee Meeting	28th February 2019	1. Ms. Tashi Lhamo 2. Mr. Tara Nidhi Chimorya Sharma	1. Mr. Pema N. Nadik
17th	17th May 2019	1. Ms. Tashi Lhamo 2. Mr. Pemba Wangchuk 3. Mr. Dorji Kadin	1. Dr. Phuntsho Choden
18th	06th August 2019	1. Ms. Tashi Lhamo 2. Mr. Pemba Wangchuk 3. Dr. Phuntsho Choden 4. Mr. Dorji Kadin	None
19th	25th October 2019	1. Ms. Tashi Lhamo 2. Mr. Pemba Wangchuk 3. Dr. Phuntsho Choden 4. Mr. Dorji Kadin	None

Board Audit Committee (BAC)

The Board Audit Committee was established to monitor the internal control systems and internal audit activities of the Bank.

The Board Audit Committee was reconstituted during the 256th Board meeting held on 12th April 2019 and 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of five Board Audit Committee meetings were conducted in 2019

Details of the BAC held in 2019 are as follows:

Name of Director	Category	No. of BAC attended
Mr. Tara Nidhi Chimorya Sharma	Chairperson (Independent) retired on 13th March 2019	2
Mr. Tshering Tenzin	Board Director (Independent) appointed on 12th April 2019	3
Mr. Pemba Wangchuk	Board Director	4
Dr. Phuntsho Choden	Board Director (Independent)	2

BAC No.	Dates	Members Present	Leave of Absence
61st	08th February 2019	1. Mr. Tara Nidhi Chimorya Sharma 2. Mr. Tshering Tenzin 3. Mr. Pemba Wangchuk	None
Joint Board Audit and Board Risk Management Committee Meeting	28th February 2019	1. Mr. Tara Nidhi Chimorya Sharma 2. Mr. Tshering Tenzin	1. Mr. Pemba Wangchuk
62nd	16th May 2019	1. Mr. Tshering Tenzin 2. Mr. Pemba Wangchuk	2. Dr. Phuntsho Choden
63rd	05th August 2019	1. Dr. Phuntsho Choden 2. Mr. Pemba Wangchuk	None

Board Project Steering Committee- Thimphu Corporate Office (Board PSC- TCO)

The Board Project Steering Committee – Thimphu Corporate Office was established to make decision and approve the works and procurement for the construction of the Thimphu Corporate Office which are beyond the management's authority.

The Board Project Steering Committee was reconstituted during the 256th Board meeting held on 12th April 2019 and 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of three Board Project Steering Committee meetings for Thimphu Corporate Office were held in 2019.

Details of the Board PSC- TCO held in 2019 are as follows:

Name of Director	Category	No. of Board PSC-TCO
Dasho Ugen Chewang	Chairperson of PSC retired on 13th March 2019	1
Mr. Tshering Tenzin	Board Director retired on 08th July 2019	1
Mr. Pemba Wangchuk	Chairperson of PSC appointed on 12th April 2019	3
Mr. Pema N. Nadik	Board Director/ CEO retired on 31st March 2019	1
Mr. Dorji Kadin	Board Director/ CEO appointed on 01st April 2019	3

Board PSC-TCO No.	Dates	Members Present	Leave of Absence
13th	30th January 2019	1. Dasho Ugen Chewang 2. Mr. Pemba Wangchuk 3. Mr. Pema N. Nadik 4. Mr. Dorji Kadin	None
14th	16th May 2019	1. Mr. Pemba Wangchuk 2. Mr. Tshering Tenzin 3. Mr. Dorji Kadin	None
15th	22nd October 2019	1. Mr. Pemba Wangchuk 2. Mr. Dorji Kadin	None

Board Remuneration:

The following table contains the details of the remuneration paid to the Chief Executive Officer and the Board Directors during the year 2019:

Sl. No.	Particulars	For the year ended 31.12.2019
1	Remunerations, Allowances, etc... paid to Chief Executive Officer:	
1.1	Mr. Pema N. Nadik (01.01.2019 to 31.03.2019)	
a	Salary	258,153.00
b	Allowance	273,153.00
c	Bonus	64,539.00
d	Encashment	-
e	Contribution to Provident Fund	64,539.00
f	Sitting fees	4000.00
	TOTAL	628,243.00
1.2	Mr. Dorji Kadin (01.04.2019 to 31.12.2019)	
a	Salary	722,960.00
b	Allowance	904,972.00
c	Bonus	-
d	Encashment	-
e	Contribution to Provident Fund	95,926.00
f	Sitting Fees	100,000.00
	TOTAL	1,823,858.00
2	Sitting fees paid to other Directors	768,000.00

Annual General Meeting:

The 52nd Annual General Meeting (AGM) was held on 05th March 2020 at the Seseshamu Restaurant of Le Meridien Hotel in Thimphu and the AGM was attended by the shareholders, Board Directors and the key members of the management team.

Extra-ordinary General Meeting:

The 8th Extra-ordinary General Meeting (EGM) was held on 09th December 2019 at the Conference Hall of Norkhil Boutique Hotel, Thimphu and the EGM was attended by the shareholders and the CEO.

Risk Management Systems:

The Risk Management Framework of BoB is an exposition of the Bank's approach to Risk Management and seeks to put in place a comprehensive monitoring, management and reporting framework that allows risk to be identified, managed and overseen in a timely and efficient manner. The framework also seeks to set up systems and procedures to actively mitigate associated risks and optimize resources not only to protect the Bank but also to provide a return commensurate with the risk profiles adopted.

The framework is administrated by various risk management policies, activities and exercise, which are updated to the management and board periodically.

Board and CEO Evaluation:

DHI conducts an annual online questionnaire-based evaluation whereby feedback is collected from the Chairman and CEO on the performance of the individual board directors in the DHI Owned Companies. The key issues covered include the board directors' dedication and preparedness for the meeting, professional and ethical attributes, team work and their contribution in the meeting.

The annual performance evaluation of the CEOs of DHI Owned Companies is based on two parts:

1. A questionnaire-based leadership assessment which accounts for 20% weight of the overall evaluation; and
2. An annual compact performance which accounts for 80% weight.

The leadership assessment which is administered online by DHI is undertaken by all the directors. The combined score is used to pay out the CEO's performance linked incentives and is also considered during the renewal of contracts of the CEO.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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, 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, 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, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with Bhutanese Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with 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 responsibilities 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.

Emphasis of Matter

We draw attention to the Note No. 7.3 to the financial statements, regarding reconciliation of the accounts maintained with the State Bank of India, Foreign banks

and Royal Monetary Authority (RMA), which are under reconciliation, and non-receipt of the confirmation /reconciliation from other parties including customers. The impact, if any, subsequent to the reconciliation / confirmation of these accounts, will be taken in the year of reconciliation, which in view of Bank's management, will not be material.

Our opinion is not qualified in respect of the said matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether due to fraud or error) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarize below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



Key Audit Matters	How our matter was addressed in the audit
<p>Impairment of Loans and Advances to Customers</p> <p>The assessment of impairment of loans and advances to customers involves significant judgement. 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 of loans without collateral or guarantees, or loans that are not adequately collateralized, are subject to higher uncertainties.</p> <p>Since loan impairment assessment involves judgement and assumptions, and in view of the significance of the amount (as at December 31, 2019, loans and advances to customers amounted to Nu. 43,790 million, representing 63% of total asset), it is Key Audit Matter in our audit</p>	<p>Our Audit Procedure:</p> <p>We evaluated and tested the effectiveness of 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.</p> <p>We adopted a risk-based sampling approach in our loan review procedures. We assessed the borrowers' repayment capacity and evaluated the Bank's loan classification, taking into consideration post-lending investigation reports, borrowers' financial information, collateral valuation reports and other available information.</p> <p>Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.</p> <p>Our Results:</p> <p>The results of our audit process were found to be adequate and reliable considering the materiality of the transactions and the observations.</p>



Fair Value measurement of Financial Instruments

(Refer to Note 4.15 to the financial statements)

Fair value of financial assets and financial liabilities has been measured using valuation techniques including the Adjusted Net Asset Method etc. where the financial instruments are not quoted in active market. 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. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility, which involve high degree of the estimation and judgement and could affect the reported fair value of financial instruments.

Our Audit Procedure:

The Bank has developed a valuation process / procedure, based on the report / advice / working of an external expert engaged by the Bank in the earlier year/s, for Fair Value measurement of Financial Instruments, and the Bank has carried out the valuation of its Financial Instruments as per the said process after applying their latest judgment and estimates. We have conducted the verification, of valuation process, with respect to its correctness and completeness, as compared to the financial accounts / records of the Bank, and has held closed interaction with the management to understand their process and results and the implementation and usage of valuation models. This included the review of the controls over adjustments to mitigate model limitations and assumptions. We have particularly focused more on the loans and advances, by adopting audit programmes and process to ensure the coverage of each significant loan individually so as to ensure its correct stage wise classification as per prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA), and then has reviewed the reasonableness of the assumption and technique model used by the Bank for their fair valuation.

Our Results:

The results of our testing were satisfactory and we considered the fair value of the financial instruments (assets and liabilities) recognised to be acceptable.



Reliability & Security of IT System

The financial reporting process is highly dependent on information technology and the availability of complete and accurate electronic data due to the size and the complexity of the Bank. The inadequate / in correct data feeding or inappropriate granting of or ineffective monitoring of access rights to IT systems, or inadequate security of the IT system and electronic data, if any, therefore, could present a risk to the accuracy of financial reporting, and could have a material effect on the completeness and accuracy of the financial statements.

Our Audit Procedure:

We obtained an understanding of the Bank's business IT related control environment. Furthermore, we conducted a risk assessment and identified IT applications, databases and operating systems that are relevant to our audit.

For relevant IT-dependent controls within the financial reporting process (so-called IT application controls) we identified supporting general IT controls and evaluated their design, implementation, and operating effectiveness. We tested key controls particularly in the area of access protection and linkage of such controls to the completeness and accuracy of financial reporting.

Our Results:

Based on the results of our key controls testing and substantive audit procedures, we consider the IT access management in the financial reporting process, generally address the requirements for completeness and accuracy of financial reporting relevant data. In cases where we identified control deficiencies, we found that compensating controls were in place and tested other compensating evidence to address the risk of material misstatement over the financial statements.



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

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

We also:

- 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 a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



ANNEXURE - 'A' TO THE INDEPENDENT AUDITORS' REPORT

- 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.
- 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.

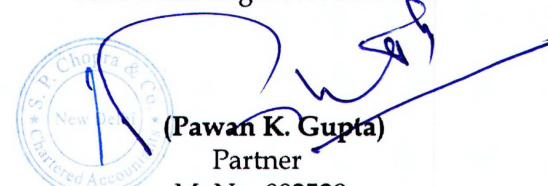
Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016, we enclose in the Annexure - A hereto statement on the 'Minimum Audit Examination and Reporting Requirements' to the extent applicable to the Bank.

As required by Section 265 of the Companies Act of Bhutan, 2016, we report that:

- i. 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;
- ii. in our opinion, proper books of accounts have been kept by the Bank so far as appears from our examination of those books;
- iii. the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of account.
- iv. based on the information, explanations and management representations received during the course of our audit, the Bank has complied with all the applicable and relevant legal and regulatory requirements.

For S.P. CHOPRA & CO.
Chartered Accountants
ICAI Firm Regn. No. 000346N


(Pawan K. Gupta)
Partner
M. No. 092529
UDIN: 20092529AAAAAV9688

Report On 'Minimum Audit Examination and Reporting Requirements'

1. The Bank has maintained proper records of the property, plant & equipment in the assets register to show full particulars including quantitative details and situation of the assets. As explained to us, the property, plant & equipment have been physically verified by the management during the year in a phased/periodical manner which in our opinion is reasonable having regard to the size of Bank and nature of its assets. As informed, no material discrepancies were noted in the physical verification.
2. None of the property, plant & equipment have been revalued during the year.
3. The Bank has not availed any loans, secured or unsecured, therefore the clause regarding the rate of interest and the other terms and conditions of loans availed, and whether the same are prima facie not prejudicial to the interest of the Bank, is not applicable.
4. The Bank has not granted any loans to other companies, firms or other parties, except the loans given in the normal course of its business of banking, therefore the said clause is not applicable.
5. The loans and advances granted by the Bank to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted during our test verification.
6. In our opinion and according to the information and explanations given to us there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank

as well as to ensure adherence to the rules/regulations and system and procedures. The Bank has adopted and is following the policies and system and procedures, as approved by the Board or the other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Bank.

7. In our opinion and according to the information and explanations given to us there is adequate system of competitive biddings, commensurate with the size of the Bank and nature of its business, for the purchase of property, plant & equipment and other items such as stationery etc.

8. As per the information and explanations given to us, the transactions of advancing of the loans and for the purchase of the services etc. made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates / prices for such loans or services or at rates / prices at which the transactions for similar loans or services have been made with other parties. However, as the Bank is owned by the Royal Government of Bhutan and there are some transactions with other Government Companies/Agencies, which were generally found to be as per the directives, sanctions, rules and regulations of the Government.

9. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc., to the best of our knowledge, the expenses charged to the Bank's accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations / service rules.



10. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Bank is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable Taxation laws, and has been appropriately disclosed in the financial statements.

11. Based on test verification of the records and as per the information and explanations given to us, there was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the yearend other than tax deducted at source (TDS) which was later on paid within the stipulated time period.

12. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc., considering the requirements of the funds in the normal banking business, the management of the Bank's liquid resources particularly cash/bank and short term deposits etc. are adequate and no excessive amount is lying idle in non-interest bearing accounts.

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

14. On the basis of our test verification and according to the information and explanations given to us, the Bank has system and procedures for obtaining the approval of the Board/delegated authority for all capital investment and also for the investment in bonds, treasury bills, commercial papers

and equity etc. made in the normal banking business and the investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

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

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

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

18. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Bank, unauthorisedly to any other person with intent to benefit themselves.

19. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, proper records are kept for inter unit/branch transactions and services.

20. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, the Bank has generally maintained adequate documents and records for the loans and advances granted, and has also drawn up adequate agreements for the same.

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

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

23. On the basis of test examination of books and records, in our opinion, the provisions towards permanent diminution, in the value of investments is made wherever, required and considered necessary.

24. To the best of our information and according to the information and explanations given to us, the Bank has complied with the requirements of Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA).

25. In our opinion and according to the information and explanations given to us, the Bank has generally complied with the requirements relating to provisioning for the non-performing assets including loans and advances.

26. On the basis of our test verification and as per the information and explanations given to us, in our opinion, the assets hypothecated against loans and advances is generally physically verified by the Bank, valued and Mortgage Deeds executed, wherever required, and the Bank has ensured that the assets are free of any prior lien or charges. However, the system of post disbursement inspection of the hypothecated assets (primary and collateral securities) needs to be strengthened by

regular and timely inspection and proper documentation of such inspection, as in most of the cases verified by us no report / documentation, in support of such inspection, if any, conducted were found on record. Further, in the case of working capital limits, the system of receipt of the stock / debtors statements needs to be further strengthened to ensure their regular and timely receipts and also the system of documentation of the review of these statements by the Bank's officials needs to be introduced to have a robust control over such statements, to avoid the possibility of avilment of excess drawing power.

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

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

29. On the basis of our test verification, in our opinion and to the best of our knowledge, the rescheduling of loans was carried out in accordance with the provisions of Prudential Regulations 2016 after a detailed study and analysis of the requirements of the borrowers, however, the said system needs to be further strengthened as in some cases the rescheduling / re-phasing was permitted based on the letter of the party and study and

analysis of the requirements and its viability, if any conducted was not found documented.

30. On the basis of our test verification, in our opinion and to the best of our knowledge, the Bank has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances, however, the said system needs to be further strengthened as in some cases the loans have been given to customers whose Credit Information Bureau (CIB) reflects that the borrower or guarantor were having NPA account/s at the time of sanction of loan or past history of the payments was not satisfactory.

31. According to the information and explanations given to us, the loans are written off after following the proper procedures and after receipt of the approval from the designated authorities. During the year loans of Nu. 0.48 million have been written off.

32. Computerized Accounting Environment:

- a. The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.
- b. Adequate safeguard measures and backup facilities exist in the Bank.
- c. Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place.
- d. The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information.
- e. Adequate measures are in place to

control unauthorized access over computer installations and files.

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

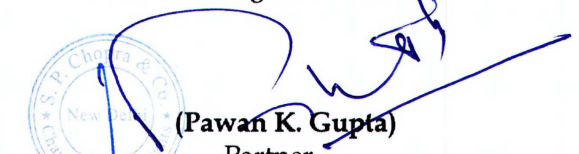
33. General:

- a. Based on the net asset position reflected by the Statement of Financial Position as at December 31, 2019 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Bank is not a going concern on the Statement of Financial Position date.
- b. According to the information and explanations given to us and based on the Compliance Checklist compiled by the Bank, the Bank has complied with the provisions of The Companies Act of Bhutan, 2016, including the maintenance of the statutory records wherever required under said Act including as prescribed under Section 228.
- c. The audit of the Bank conducted by us 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). Our scope of work is limited to the examination and

review of the Financial Statements as provided to us by the management. In the course of audit, we have considered the compliance of the provisions of these Acts. It is not possible for us to comment as regards adherence to all Laws, Rules and Regulations, System, Procedures and Practices by the Bank, as comprehensive Compliance Reporting and Recording System of the Bank in this regard is currently not in place. However, any non-compliance or departure from accepted practice and approved systems / procedures having effect on financial statements that came to our notice during the course of our audit is properly impacted / disclosed in the financial statements.

- d. According to the information and explanations given to us, the Bank has followed the Corporate Governance, which is in accordance and compliant of the provisions of the RMA Corporate Governance Regulations 2018, the Corporate Governance Code and the Ownership Policy developed by the Druk Holding and Investments Ltd., Financial Services Act of Bhutan, 2011, the Companies Act of Bhutan, 2016 and other statutory requirements, to the extent as applicable to the Bank.
- e. Financial and Operational Resume of the Bank has been given in enclosed Exhibit-I.

For S.P. CHOPRA & CO.
Chartered Accountants
ICAI Firm Regn. No. 000346N


(Pawan K. Gupta)
Partner
M. No. 092529
UDIN: 20092529AAAAV9688



STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

ASSETS	Note No.	As at 31.12.2019	As at 31.12.2018
Cash and Cash Equivalents	5.1	2,962,591,202.70	2,684,074,343.83
Balances with Central Bank	5.2	10,547,832,781.82	6,888,505,302.20
Placements with other Banks	5.3	4,462,406,350.00	1,288,666,700.00
Loans & Advances to Customers	5.4	43,790,038,014.27	35,513,876,731.44
Financial Investments			
- Held to Maturity	5.5	5,570,901,301.56	7,708,343,550.00
- Available for sale	5.6	424,129,307.00	339,453,419.52
Investments in Associates	5.7	43,551,180.00	41,223,409.27
Other Financial Assets	5.8	325,406,072.01	338,494,453.63
Other Assets	5.9	199,058,269.00	249,945,003.95
Property, Plant & Equipment	5.10	357,780,446.56	388,599,987.23
Intangible Assets	5.11	165,240,513.47	121,485,491.55
Capital Work-in-Progress	5.12	700,025,489.07	249,300,610.33
TOTAL ASSETS		69,548,960,927.46	55,811,969,002.95
LIABILITIES			
Due to Banks	5.13	26,774,191.45	49,906,617.31
Due to Customers	5.14	59,236,907,657.12	46,480,451,966.31
Current Tax Liabilities	5.15	288,580,285.14	262,681,527.47
Other Financial Liabilities	5.16	1,255,743,531.92	1,364,622,126.98
Provision for Liabilities & Charges	5.17	12,015,690.85	12,015,690.85
Retirement Benefit Obligations	5.18	206,177,920.00	152,295,170.00
Other Liabilities	5.19	550,651,408.16	365,372,360.74
Deferred Tax Liabilities	5.20	61,724,493.59	49,860,487.11
TOTAL LIABILITIES		61,638,575,178.23	48,737,205,946.77
EQUITY			
Share Capital	5.21	3,000,000,000.00	3,000,000,000.00
Reserve Fund	5.22	2,167,805,168.84	1,853,534,689.42
Exchange Fluctuation Reserve	5.22	256,931,397.83	236,607,530.61
Retained Earnings	5.22	2,483,607,324.04	2,034,660,069.84
Other Comprehensive gain/loss	5.22	2,041,858.52	(50,039,233.69)
TOTAL EQUITY		7,910,385,749.23	7,074,763,056.18
TOTAL LIABILITIES & EQUITY		69,548,960,927.46	55,811,969,002.95
Contingent liabilities	5.23	1,332,489,598.28	3,791,935,061.82
Bills for Collection	5.24	1,509,065.00	193,305.00
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.


 Mr. Karma Yonten
 Chairman


 Mr. Kezang
 Chairman, Board Audit Committee


 Mr. Dorji Kadin
 Chief Executive Officer & Director



As per our report of even date attached
 For S.P. Chopra & Co.
 Chartered Accountants
 ICAI Firm Registration No. 000346N



 (Pawan K. Gupta)
 Partner
 Membership No. 092529


Place: Thimphu / New Delhi
 Dated: 19.02.2020 / 27.02.2020


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019


Particulars	Note No.	For the year ended 31.12.2019	For the year ended 31.12.2018
Interest Income	6.1	4,015,561,581.77	3,464,847,469.47
Interest Expenses	6.2	(1,778,590,226.99)	(1,471,733,570.78)
NET INTEREST INCOME		2,236,971,354.78	1,993,113,898.69
Fees & Commission Income	6.3	346,148,793.55	323,524,701.59
Fees & Commission Expense	6.4	(112,074,419.02)	(112,342,778.61)
Net Gains from Trading of Foreign Exchange	6.5	81,295,468.86	123,503,251.47
Other Operating Income	6.6	69,107,544.45	108,229,797.59
NET NON-INTEREST INCOME		384,477,387.84	442,914,972.04
TOTAL OPERATING INCOME		2,621,448,742.62	2,436,028,870.73
Staff Costs	6.7	(472,610,253.00)	(358,745,521.37)
Premises Costs	6.8	(92,435,342.58)	(88,036,049.49)
General Administrative Expenses	6.9	(149,881,520.27)	(181,150,634.63)
Depreciation on Property, plant & equipment	6.10	(45,884,062.73)	(56,116,134.61)
Amortization of Intangible Assets	6.11	(31,789,692.80)	(24,265,913.39)
Impairment reversal on loans and advances	5.4	(33,742,674.07)	(250,369,937.30)
TOTAL OPERATING EXPENSES/(LOSS)		(826,343,545.45)	(958,684,190.79)
PROFIT BEFORE TAXATION		1,795,105,197.17	1,477,344,679.94
Tax Expenses	6.12		
- Current tax		(534,920,471.97)	(433,511,548.19)
- Current tax - earlier year's		-	(12,697,221.34)
- Deferred tax		(3,102,807.52)	9,691,855.82
NET PROFIT FOR THE YEAR		1,257,081,917.68	1,040,827,766.23
Other Comprehensive Income (Loss)			
Actuarial (Loss) on Retirement Benefits		(49,889,380.00)	(10,391,210.00)
Net Gains from Financial Instruments designated at Fair Value through OCI		87,003,658.21	46,538,303.25
Other Comprehensive Income Before Tax		37,114,278.21	36,147,093.25
Tax impact on Other Comprehensive Income	6.12	14,966,814.00	3,117,363.00
Other Comprehensive Income, net of Tax		52,081,092.21	39,264,456.25
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,309,163,009.89	1,080,092,222.48
Basic & Diluted Earnings Per Share	6.13	41.90	34.69

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

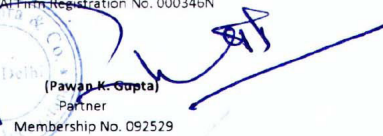

 Mr. Karma Yonten
 Chairman


 Mr. Kezang
 Chairman, Board Audit Committee


 Mr. Dorji Kadin
 Chief Executive Officer & Director



As per our report of even date attached
 For S.P. Chopra & Co.
 Chartered Accountants
 ICAI Firm Registration No. 000346N





 (Pawan K. Gupta)
 Partner
 Membership No. 092529

Place: Thimphu / New Delhi
 Dated: 19.02.2020 / 27.02.2020

STATEMENT OF CHANGES TO EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	Share Capital	Reserve Fund	Exchange Fluctuation Reserve	Retained Earnings	Other Comprehensive Income / (loss)	Total
As at January 01, 2018	3,000,000,000.00	1,333,120,806.30	205,731,717.74	1,889,829,963.43	(89,303,689.94)	6,339,378,797.53
Profit for the year	-	-	-	1,040,827,766.23	-	1,040,827,766.23
Dividends Paid	-	-	-	(344,707,963.83)	-	(344,707,963.83)
Transfer from Other Comprehensive Income	-	-	-	-	39,264,456.25	39,264,456.25
Transfer to Reserve Fund	-	520,413,883.12	-	(520,413,883.12)	-	-
Transfer to Exchange Fluctuation Reserve	-	-	30,875,812.87	(30,875,812.87)	-	-
As at December 31, 2018	3,000,000,000.00	1,853,534,689.42	236,607,530.61	2,034,660,069.84	(50,039,233.69)	7,074,763,056.18
Profit for the year	-	-	-	1,257,081,917.68	-	1,257,081,917.68
Dividends Paid	-	-	-	(473,540,316.84)	-	(473,540,316.84)
Transfer from Other Comprehensive Income	-	-	-	-	52,081,092.21	52,081,092.21
Transfer to Reserve Fund	-	314,270,479.42	-	(314,270,479.42)	-	-
Transfer to Exchange Fluctuation Reserve	-	-	20,323,867.22	(20,323,867.22)	-	-
As at December 31, 2019	3,000,000,000.00	2,167,805,168.84	256,931,397.83	2,483,607,324.04	2,041,858.52	7,910,385,749.23


The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.






Mr. Kema Ronten
Chairman

Mr. Kezang
Chairman, Board Audit Committee

Mr. Dorji Kadin
Chief Executive Officer & Director

As per our report of even date attached
For S.P. Chopra & Co.
Chartered Accountants
ICAI Firm Registration No. 000346N






Place: Thimphu / New Delhi
Dated: 19.02.2020 / 24.02.2020


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	For the year ended 31.12.2019	For the year ended 31.12.2018
Cash flows from operating activities		
Profit Before Taxation	1,795,105,197.17	1,477,344,679.94
Add: Depreciation on property, plant & equipment	45,884,062.73	56,116,134.61
Add: Amortization of Intangible Assets	31,789,692.80	24,265,913.39
Add: Impairment loss/(gain) on Loans and advances	33,742,674.07	250,369,937.30
Add: Gain on revaluation of foreign currency assets and liabilities	(81,295,468.86)	(123,503,251.47)
Less: Net (Gains) from Financial Instruments designated at FVTOCI	(87,003,658.21)	(46,538,303.25)
Adjustments to Cash Flows from Operating activities (Taken as Cash Flows from Investing Activities)		
(Gain) on Sale of Property Plant and Equipment	(609.34)	-
Property Plant and Equipment written off	647,741.12	39,447.63
Income from Dividends	(24,288,724.00)	(20,486,600.00)
Interest Received on Investments and FDRs	(424,312,455.04)	(543,869,621.65)
Operating profit before changes in operating assets & liabilities	1,290,268,452.44	1,073,738,336.50
Increase in operating assets		
Balance with RMA in CRR Account	(767,967,376.81)	(835,228,876.59)
Loans & Advances to customers	(8,309,903,956.90)	(9,310,885,451.24)
Other Financial Assets	58,702,661.32	(1,143,837.15)
Other Assets	50,886,734.94	(200,139,694.79)
Sub-Total	(8,968,281,937.45)	(10,347,397,859.77)
Increase/(Decrease) in operating liabilities		
Due to Customers	12,756,455,690.81	3,642,264,789.61
Due to Banks	(23,132,425.86)	(8,819,601.87)
Other Financial Liabilities	(108,878,595.06)	(1,929,973.11)
Other Liabilities & Provisions	289,051,177.42	(57,193,799.19)
Sub-Total	12,913,495,847.31	3,574,321,415.44
	3,945,213,909.86	(6,773,076,444.33)
Net cash generated from/(used in) operating activities before income tax	5,235,482,362.30	(5,699,338,107.83)
Income Tax paid	(498,068,803.12)	(250,907,378.68)
Net cash generated from/(used in) operating activities	4,737,413,559.18	(5,950,245,486.51)

Cash Inflows from investing activities		
Sale of Investment in Commercial Papers	-	98,235,616.44
Sale of Investment in Bonds	346,945,000.00	-
Sale of Investment in RMA Treasury Bills	1,791,417,100.00	1,191,438,800.00
Income from Dividends	24,288,724.00	20,486,600.00
Interest Received on Investments and FDRs	459,073,792.64	560,541,570.64
Purchase of property plant and equipment and capital work in progress (net)	(466,436,532.58)	(155,804,495.12)
Purchase of Intangible assets	(75,544,714.72)	(19,435,538.56)
Net cash generated from investing activities	2,079,743,369.34	1,695,462,553.40
Cash Outflows from financing activities		
Dividend Paid	(473,540,316.84)	(344,707,963.84)
Net cash used in financing activities	(473,540,316.84)	(344,707,963.84)
Net Cash generated/(used) during the year	6,343,616,611.68	(4,599,490,896.95)
Cash and cash equivalents at the beginning of the year	5,899,071,866.08	10,498,562,763.03
Cash and cash equivalents at the end of the year	12,242,688,477.76	5,899,071,866.08
Cash and cash equivalents at the end of the year		
Cash in Hand	975,987,241.81	866,748,643.45
Balance with Central Bank in Current Account	4,817,690,925.06	1,926,330,822.25
Placement with other Banks in Deposit Accounts	4,462,406,350.00	1,288,666,700.00
Balance with Other Banks in Current Account	1,986,603,960.89	1,817,325,700.38
Total Cash & cash equivalents at the end of the year	12,242,688,477.76	5,899,071,866.08

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

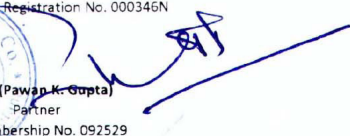





Mr. Karma Yonten
Chairman

Mr. Kezang
Chairman, Board Audit Committee

Mr. Dorji Kadin
Chief Executive Officer & Director

As per our report of even date attached
 For S.P. Chopra & Co.
 Chartered Accountants
 (ICAI Firm Registration No. 000346N)



(Pawan K. Gupta)
 Partner
 Membership No. 092529

Place: Thimphu / New Delhi
 Dated: 19.02.2020 / 27.02.2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. General Information

- Bank of Bhutan Limited ("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. The registered office of the Bank is located at Thimphu, Bhutan.
- 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).
- The financial statements of the Bank for the year ended December 31, 2019 were authorized for issue in accordance with the resolution of the Board of Directors dated February 19, 2020.

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, 2012, 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.

4. Summary of Significant Accounting Policies

4.1 Basis of preparation

- 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, 2012, 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.

- 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.

- 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.

4.2 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.

4.3 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 operating results are regularly reviewed by the Bank's chief operating decision maker about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating Segments have been identified based on the information provided to the chief operating decision maker and are reported separately. The Bank operates in single segment of Commercial Banking.

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 derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Land and buildings acquired/constructed, not intended to be used in the operations of the Bank are categorised as investment property.

4.5 Depreciation and amortisation methods, estimated useful lives and residual value

Leasehold land

Premium on leasehold land is amortised over the period of lease.

On other tangible assets

- 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.
- 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.
- Useful life of assets is determined by the management based on the internal technical assessments as follows:

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.

- 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	5

An intangible asset is derecognized when disposed of 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, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent which are subject to insignificant risk of charges in value.

4.8 Leases

A Lease is an agreement whereby the Lessor conveys to the Lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A lease is classified either as Finance Lease or Operating Lease.

Under Finance Lease, Lessee transfers substantially all the risks and rewards incidental to ownership of the asset, though the title may or may not eventually be

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

transferred. The Bank currently has no finance lease arrangement either as Lessor or Lessee.

Under Operating Lease, the Lessee does not transfer substantially all the risks and rewards incidental to ownership. The Bank has taken certain assets on operating lease as Lessee. The Bank under operating lease recognizes the cost (rental expenses) as an expense in the period in which they are incurred in the Comprehensive Income on a straight-line basis over the lease term. Any fixed cost incurred on the leased assets by the Bank is depreciated or amortized over the initial lease period.

4.9 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 card-holder accounts are also treated as customer deposits.

4.10 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.

4.11 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 en-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 Allowance. 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.

4.12 Provisions, Contingent Liabilities and Contingent Assets

- 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.
- 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.



4.13 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.

4.14 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.

4.15 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 deposits with banks, security deposits, cash and cash equivalents, 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:

- The rights to receive cash flows from the asset have been expired/transferred, or
- 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.



4.16 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.

4.17 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.

4.18 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.

4.19 Comparative information

The previous year's figures have been regrouped/ rearranged wherever considered necessary, to conform to the current year's presentation.

Notes forming part of the Statement of Financial Position as at December 31, 2019

NOTE 5.1 - CASH AND CASH EQUIVALENTS

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
CASH IN HAND		
- Local Currency	938,195,076.51	818,759,818.61
- Foreign Currency	37,792,165.30	47,988,824.84
Balances in Current Accounts		
- Local Banks	16,493,197.18	200,000.00
- Foreign Banks (Refer Note 7.3.a)	1,970,110,763.71	1,817,125,700.38
TOTAL	2,962,591,202.70	2,684,074,343.83

NOTE 5.2 - BALANCES WITH CENTRAL BANK

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
Balances with Royal Monetary Authority (RMA)		
- Cash Reserve	5,730,141,856.76	4,962,174,479.95
- Current Account (Refer Note 7.3.a)	4,817,690,925.06	1,926,330,822.25
TOTAL	10,547,832,781.82	6,888,505,302.20

NOTE 5.3 - PLACEMENTS WITH OTHER BANKS

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
On Deposit Accounts		
- Local Banks	3,750,000,000.00	800,000,000.00
- Foreign Banks (Refer note 7.4)	712,406,350.00	488,666,700.00
TOTAL	4,462,406,350.00	1,288,666,700.00



NOTE 5.4 - LOANS & ADVANCES TO CUSTOMERS

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
Gross Loans & Advances	44,697,336,248.93	36,432,194,226.47
Less: Interest in Suspense	(98,227,815.71)	(122,390,214.50)
Less: Fair Value adjustment of Staff loans	(10,663,165.18)	(29,946,940.83)
Gross Loans & Advances after adjustment	44,588,445,268.04	36,279,857,071.14
Less: Allowance for Impairment Loss		
- Individually assessed	127,368,222.25	33,302,588.20
- Collectively assessed	672,548,096.52	732,871,056.50
Total Allowance for Impairment Loss	799,916,318.77	766,173,644.70
Net Loans & Advances	43,788,528,949.27	35,513,683,426.44
Bills discounted & purchased	1,509,065.00	193,305.00
TOTAL	43,790,038,014.27	35,513,876,731.44
Current/Non-Current Portion		
a. Current portion	5,854,256,586.95	5,130,026,069.86
b. Non-Current portion	37,935,781,427.32	30,383,850,661.58
TOTAL	43,790,038,014.27	35,513,876,731.44
PARTICULARS OF ADVANCES		
i Debts considered good in respect of which Bank is fully secured	39,005,856,643.54	31,292,454,866.78
ii Debts considered good for which Bank holds no other security than the Debtor's personal security	5,013,485,453.87	4,598,456,226.15
iii Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors	677,994,151.52	541,283,133.54
TOTAL	44,697,336,248.93	36,432,194,226.47
iv Debts due by directors, managers or officers of Bank or any of them either severally or jointly with any other person	471,308,737.98	581,597,811.53
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	4,015,391.23	15,936,000.00
v Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members	983,838,461.20	1,025,699,808.92
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	983,110,081.54	1,025,699,808.92

NOTE 5.5 - FINANCIAL INVESTMENTS - HELD TO MATURITY

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
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	1,414,917,000.00
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	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
Nil (Previous Year: 2,469,450) Bonds of Zimdra Food Private Limited of Face Value of Nu. 100 each	-	246,945,000.00
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	300,000,000.00	300,000,000.00
DHI Seed Fund	7,999,201.56	7,079,350.00
Royal Monetary Authority (RMA) Treasury Bills	3,688,165,100.00	5,479,582,200.00
TOTAL	5,570,901,301.56	7,708,343,550.00

NOTE 5.6 - FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
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	30,911,320.00	19,739,800.00
1,584,500 (Previous Year: 1,584,500) Equity Shares of Bhutan Carbide & Chemicals Limited of Face Value of Nu. 10 each	102,596,375.00	110,915,000.00
503,800 (Previous Year: 503,800) Equity Shares of Bhutan Ferro Alloys Limited of Face Value of Nu. 10 each	59,816,174.00	30,228,000.00
37,950 (Previous Year: 37,950) Equity Shares of Penden Cement Authority Limited of Face Value of Nu. 10 each	4,648,875.00	3,491,400.00
1,182,720 (Previous Year: 1,182,720) Equity Shares of Druk Ferro Alloys Limited of Face Value of Nu. 10 each	86,338,560.00	66,989,260.80
1,270,440 (Previous Year: 1,270,440) Equity Shares of State Trading Corpn. of Bhutan Limited of Face Value of Nu. 10 each	81,308,160.00	43,830,180.00
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	54,950,868.00	61,090,196.22
17,500 (Previous Year: 17,500) Equity Shares of Credit Information Bureau of Face Value of Nu. 100 each	3,558,975.00	3,169,582.50
TOTAL	424,129,307.00	339,453,419.52



NOTE 5.11 - INTANGIBLE ASSETS**Amount in Ngultrum**

	Software
Gross Block	
Balance as at January 1, 2019	204,779,127.78
Additions	57,725,166.30
Deletions/Adjustments/Reclassification	54,276,455.30
Closing Balance as at December 31, 2019	316,780,749.38
Accumulated Amortization	
Balance as at January 1, 2019	(83,293,636.23)
Amortization for the year	(31,789,692.80)
Deletions/Adjustments/Reclassification	(36,456,906.88)
Balance as at December 31, 2019	(151,540,235.91)
Net Book Value as at December 31, 2019	165,240,513.47
Net Book Value as at January 01, 2019	121,485,491.55

NOTE 5.12 - CAPITAL WORK IN PROGRESS**Amount in Ngultrum**

Balance as at January 1, 2019	249,300,610.33
Additions	463,302,558.89
Adjustments/Capitalization during the year	(12,577,680.15)
Balance as at December 31, 2019	700,025,489.07
Net Book Value as at January 01, 2019	249,300,610.33

NOTE 5.13 - DUE TO BANKS**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Current Deposits	26,774,191.45	49,906,617.31
TOTAL	26,774,191.45	49,906,617.31

NOTE 5.14 - DUE TO CUSTOMERS**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
i. DEMAND DEPOSITS		
- Current Accounts	19,679,187,544.26	20,307,918,179.25
- Savings Bank Accounts	17,211,605,773.28	15,553,389,348.67
	36,890,793,317.54	35,861,307,527.92
ii. TERM DEPOSITS		
- Fixed Deposits	21,100,848,552.01	9,639,077,357.46
- Recurring Deposits	1,245,265,787.57	980,067,080.93
	22,346,114,339.58	10,619,144,438.39
TOTAL	59,236,907,657.12	46,480,451,966.31
Current/Non-Current Portion		
a. Current portion	48,626,876,127.88	39,903,648,728.13
b. Non-Current portion	10,610,031,529.24	6,576,803,238.18
TOTAL	59,236,907,657.12	46,480,451,966.31

NOTE 5.15 - CURRENT TAX LIABILITIES**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Income Tax Payable	532,285,114.87	430,394,185.19
Less: Advance Tax	(226,233,561.00)	(146,874,226.97)
Tax Deducted at Source (TDS)	(17,471,268.73)	(20,838,430.75)
TOTAL	288,580,285.14	262,681,527.47

NOTE 5.16 - OTHER FINANCIAL LIABILITIES**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Interest Accrued & Due	1,143,585,326.17	1,242,427,519.06
Balances relating to Visa/Mastercard	66,688,659.81	66,521,565.27
Unearned Commission Income	45,469,545.94	55,673,042.65
TOTAL	1,255,743,531.92	1,364,622,126.98

NOTE 5.17 - PROVISION FOR LIABILITIES & CHARGES**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Provision towards frauds/thefts	12,015,690.85	12,015,690.85
TOTAL	12,015,690.85	12,015,690.85

NOTE 5.18 - RETIREMENT BENEFIT OBLIGATIONS**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Provisions for Employee Benefits:		
- Gratuity*	157,642,609.00	112,172,280.00
- Leave Encashment*	29,298,754.00	27,012,970.00
- Separation & Travel Allowance*	19,236,557.00	13,109,920.00
TOTAL	206,177,920.00	152,295,170.00
Current/Non-Current Portion		
a. Current portion	10,253,477.00	8,688,690.00
b. Non-Current portion	195,924,443.00	143,606,480.00
TOTAL	206,177,920.00	152,295,170.00

*Refer note 7.1

NOTE 5.19 - OTHER LIABILITIES**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Drafts & Cash Warrants issued & outstanding	308,640,429.85	238,691,588.46
Others (including provisions for operating expenses)	242,010,978.31	126,680,772.28
TOTAL	550,651,408.16	365,372,360.74

NOTE 5.20 - DEFERRED TAX LIABILITIES**Amount in Ngultrum**

	As at 31.12.2019	As at 31.12.2018
Deferred Tax Liabilities (net)	61,724,493.59	49,860,487.11
TOTAL	61,724,493.59	49,860,487.11



NOTE 5.21 - SHARE CAPITAL

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
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

* Out of these, 27,000,000 shares of Nu. 100 each were issued as fully paid Bonus shares by way of capitalization of Reserves.

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

Amount in Ngultrum

	As at 31.12.2019		As at 31.12.2018	
Name of equity shareholder	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 Ngultrum

	As at 31.12.2019		As at 31.12.2018	
Name of equity shareholder	No. of Shares held	Amount	No. of Shares held	Amount
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 Ngultrum

	As at 31.12.2019	As at 31.12.2018
Reserve Fund		
Opening Balance	1,853,534,689.42	1,333,120,806.30
Add: Transfer from Retained Earnings	314,270,479.42	520,413,883.12
	2,167,805,168.84	1,853,534,689.42
Exchange Fluctuation Reserve		
Opening Balance	236,607,530.61	205,731,717.74
Add: Transfer from Retained Earnings	20,323,867.22	30,875,812.87
	256,931,397.83	236,607,530.61
Retained Earnings		
Opening Balance	2,034,660,069.84	1,889,829,963.43
Less: Dividend Paid	(473,540,316.84)	(344,707,963.83)
Less: Transfer to Reserve Fund	(314,270,479.42)	(520,413,883.12)
Less: Transfer to Exchange Fluctuation Reserve	(20,323,867.22)	(30,875,812.87)
Add: Profit for the year	1,257,081,917.68	1,040,827,766.23
	2,483,607,324.04	2,034,660,069.84
Other Comprehensive Income/(Loss)		
Opening Balance	(50,039,233.69)	(89,303,689.94)
Add: Other Comprehensive Income	52,081,092.21	39,264,456.25
	2,041,858.52	(50,039,233.69)
TOTAL	4,910,385,749.23	4,074,763,056.18

NOTE 5.23 - CONTINGENT LIABILITIES

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	821,707,231.52	771,379,690.66
Guarantees Issued & Outstanding (Refer Note 7.8.a)	510,782,366.76	3,020,555,371.16
TOTAL	1,332,489,598.28	3,791,935,061.82

NOTE 5.24 - BILLS FOR COLLECTION

Amount in Ngultrum

	As at 31.12.2019	As at 31.12.2018
Payable outside Bhutan	1,509,065.00	193,305.00
TOTAL	1,509,065.00	193,305.00

Notes forming part of the Statement of Comprehensive Income as at December 31, 2019**NOTE 6.1 - INTEREST INCOME**

Amount in Ngultrum

	For the year ended 31.12.2019	For the year ended 31.12.2018
On Customer Loans (Net of Interest Suspense)	3,591,168,796.73	2,919,886,302.82
On Bills Discounted & Purchased	80,330.00	1,091,545.00
On Investments	334,187,757.30	426,434,825.88
On Inter-Bank Deposits	90,124,697.74	117,434,795.77
TOTAL	4,015,561,581.77	3,464,847,469.47

NOTE 6.2 - INTEREST EXPENSES

Amount in Ngultrum

	For the year ended 31.12.2019	For the year ended 31.12.2018
On Customer Deposits	1,778,590,226.99	1,470,289,658.19
On Inter-Bank Deposits	-	1,443,912.59
TOTAL	1,778,590,226.99	1,471,733,570.78



NOTE 6.3 - FEES & COMMISSION INCOME**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Commission	107,483,839.87	90,298,344.50
SB Maintenance Fee	31,977,640.51	35,321,271.03
Exchange - Fund Transfer/Drafts	59,062,952.75	58,736,647.98
Debit Card Issuance & Usage Fees	2,986,876.94	11,065,184.92
Visa/Master Card POS Acquiring Commission	19,342,382.17	20,126,608.04
Visa Debit Card ATM Charges	9,047,359.00	12,002,354.00
BFS ATM Interchange Fee Income	3,357,320.14	4,041,062.00
International ATM Access Fees	6,511,375.00	8,681,380.00
Income From Visa Credit Cards	3,340,525.74	1,808,043.84
Prepaid card Load/Reload Fee	3,656,488.00	1,602,580.00
M-BoB Service Charge/Commission	16,293,450.00	10,586,335.00
Electronic Wallet Transaction Commission	2,511,350.00	2,696,660.00
E-Acquiring Commission	23,516,049.35	19,876,556.19
Airtime Top Up Commission-BT	36,485,746.58	32,145,866.36
Airtime Top Up Commission-T-Cell	15,858,806.76	11,676,345.77
Other miscellaneous income	4,716,630.74	2,859,461.96
TOTAL	346,148,793.55	323,524,701.59

NOTE 6.4 - FEES & COMMISSION EXPENSES**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Visa & Master Card Fee	84,914,543.77	82,394,709.16
BFS Interchange Fee Expenses	14,029,993.69	13,179,316.00
BT Share on Bwallet Commission	1,795,677.00	1,905,641.44
Securities Trading Fee Expense	261,129.17	588,609.98
Chharo Expenses Account	908,398.35	1,043,473.21
Tshongdrel Ngotshab Comm. Payout Ac	248,865.00	520,616.40
Tshongdrel Ngotshab Bonus Payout Ac	90,000.00	40,000.00
Agency Banking Comm. Payout	9,825,812.04	12,670,412.42
TOTAL	112,074,419.02	112,342,778.61

NOTE 6.5 - NET GAINS FROM TRADING OF FOREIGN EXCHANGE**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Gains on trading of Foreign Currency (net)	81,295,468.86	123,503,251.47
TOTAL	81,295,468.86	123,503,251.47

NOTE 6.6 - OTHER OPERATING INCOME**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Dividend on Equity Investments	24,288,724.00	20,486,600.00
Rental Income	4,657,968.41	4,844,058.25
Unwinding of discount on staff loans	6,710,725.45	21,114,126.00
Profit on sale of property, plant & equipment	609.34	-
Other Income including recoveries for charges	33,449,517.25	61,785,013.34
TOTAL	69,107,544.45	108,229,797.59

NOTE 6.7 - STAFF COSTS**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Employee Salaries	194,759,325.95	153,580,675.26
Employee Allowances	124,057,797.06	91,683,334.98
Bank's Contribution to Employee Provident Fund	22,066,172.53	15,556,446.00
Leave Encashment (Refer note 7.1)	3,472,169.00	12,310,548.00
Medical Expenditure	260,366.00	143,813.00
Employee Bonus	39,010,410.79	16,595,311.43
Employee Gratuity (Refer note 7.1)	22,948,790.00	17,168,000.03
Leave Travel Concession	9,864,133.35	9,572,222.00
Staff Amenities	497,055.67	512,177.99
Uniform Expenses	960,799.00	104,400.00
Training Expenses	34,171,877.15	20,854,269.78
Separation Cost (including Travel Allowance) (Refer note 7.1)	3,680,542.00	2,706,000.00
Staff Relocation Expenses	943,251.44	1,101,771.00
Sports & Recreational Expenses	2,027,000.00	1,950,200.00
Prizes & Awards	199,000.00	201,000.00
BoB scholarship	13,691,563.06	14,705,351.90
TOTAL	472,610,253.00	358,745,521.37



NOTE 6.8 - PREMISES COSTS**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Rent	27,140,447.06	25,028,253.00
Insurance - Building	230,773.58	241,144.40
Insurance - Office Equipment	830,716.96	431,505.74
Light & Fuel	4,398,660.89	4,399,395.04
Rates & Taxes	292,832.65	529,677.12
Water & Sewerage	146,773.75	158,596.46
Repairs & Maintenance - Building	791,224.06	5,574,574.74
Repairs & Maintenance - Vehicle	980,696.08	1,364,816.93
Repairs & Maintenance - Furniture & Fixtures	139,676.49	573,019.91
Repairs & Maintenance - Equipment & Machineries	207,288.08	864,703.00
AMC- Equipment and Machineries	22,232,292.95	17,039,656.74
ATM Expenses	6,541,054.84	4,251,889.41
Housekeeping	2,734,951.25	2,568,470.72
Fuel & Lubricants	1,688,757.94	1,652,488.48
Security Expenses	24,079,196.00	23,357,857.80
TOTAL	92,435,342.58	88,036,049.49

NOTE 6.9 - GENERAL ADMINISTRATIVE EXPENSES**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Travelling Expenses	13,377,144.14	14,310,922.57
Directors' Sitting Fees	904,000.00	664,908.00
Postage & Stamps	30,998,658.66	27,988,348.76
Audit Fees	275,625.00	275,625.00
Audit Expenses	1,240,126.64	808,604.00
Annual Maintenance Charges - Computers & Software	25,789,342.93	17,980,781.57
Stationery, Printing, Advertisement etc	26,804,514.42	29,650,596.41
Charity and Donations	318,000.00	286,000.00
Property, plant & equipment written off	647,741.12	39,447.63
Golden Jubilee Celebration	563,259.00	47,268,384.71
Brand & management fees	15,577,267.28	10,956,019.46
Other Miscellaneous Expenditure	33,385,841.08	30,920,996.52
TOTAL	149,881,520.27	181,150,634.63

NOTE 6.10 - DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
On Vehicles	4,084,016.60	3,983,745.38
On Furniture & Fixtures	3,312,085.46	3,793,969.48
On Office Equipments & Machineries	17,476,515.08	15,297,754.97
On Computer & IT Equipment	17,261,407.06	29,296,275.49
On Buildings & Civil structures	3,750,038.53	3,744,389.29
TOTAL	45,884,062.73	56,116,134.61

NOTE 6.11 - AMORTIZATION OF INTANGIBLE ASSETS**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
On Software	31,789,692.80	24,265,913.39
TOTAL	31,789,692.80	24,265,913.39

NOTE 6.12 - TAX EXPENSES**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Current Income Tax		
Current tax	534,920,471.97	433,511,548.19
Current tax - earlier year's	-	12,697,221.34
Deferred tax	3,102,807.52	(9,691,855.82)
Tax on Other Comprehensive Income		
Tax Impact on Other Comprehensive Income	(14,966,814.00)	(3,117,363.00)
TOTAL	523,056,465.48	433,399,550.71

NOTE 6.13 - EARNINGS PER SHARE**Amount in Ngultrum**

	For the year ended 31.12.2019	For the year ended 31.12.2018
Profit after Tax	1,257,081,917.68	1,040,827,766.23
Weighted average number of Ordinary Shares in issue	30,000,000.00	30,000,000.00
Basic and Diluted Earnings per Share	41.90	34.69



7. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

7.1 Employee Benefits

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

i. Change in present value of obligation: (in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2019	Year ended 31st December, 2018	Year ended 31st December, 2019	Year ended 31st December, 2018
Present Value of obligation at the beginning of year	112,172,280.00	96,545,000.00	27,012,970.00	25,056,520.00
Interest cost	8,618,176.00	7,995,000.00	1,186,385.00	2,063,000.00
Past Service Cost	1,772,256.00	-	-	-
Current Service Cost	12,558,358.00	9,173,000.00	2,285,784.00	5,751,000.00
Benefit Paid	(8,890,148.00)	(10,588,870.00)	(12,183,153.00)	(10,403,360.00)
Net actuarial Loss on obligation	31,411,687.00	9,048,150.00	10,996,768.00	4,545,810.00
Present value of the defined benefit at the end of year	157,642,609.00	112,172,280.00	29,298,754.00	27,012,970.00
Current Liability	6,813,437.00	5,820,570.00	2,675,185.00	1,514,020.00
Non-current Liability	150,829,172.00	106,351,710.00	26,623,569.00	25,498,950.00

Particulars	Separation and Travel Allowance	
	Year ended 31st December, 2019	Year ended 31st December, 2018
Present Value of obligation at the beginning of year	13,109,920.00	11,939,700.00
Interest cost	780,270.00	958,000.00
Current Service Cost	2,900,272.00	1,748,000.00
Benefit Paid	(5,034,830.00)	(2,878,840.00)
Net actuarial Loss on obligation	7,480,925.00	1,343,060.00
Present value of the defined benefit at the end of year	19,236,557.00	13,109,920.00
Current Liability	764,855.00	1,354,100.00
Non-current Liability	18,471,702.00	11,755,820.00

ii. Expenses recognized in the Statement of Comprehensive Income. (in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2019	Year ended 31st December, 2018	Year ended 31st December, 2019	Year ended 31st December, 2018
Interest cost	8,618,176.00	7,995,000.00	1,186,385.00	2,063,000.00
Current Service Cost	12,558,358.00	9,173,000.00	2,285,784.00	5,751,000.00
Past Service Cost	1,772,256.00	-	-	-
Net actuarial Loss recognized in the year	31,411,687.00	9,048,150.00	10,996,768.00	4,545,810.00
Expenses recognized in Statement of Comprehensive Income	22,948,790.00	17,168,000.00	3,472,169.00	12,310,548.00

Particulars	Separation and Travel Allowance	
	Year ended 31st December, 2019	Year ended 31st December, 2018
Interest cost	780,270.00	958,000.00
Current Service Cost	2,900,272.00	1,748,000.00
Net actuarial Loss recognized in the year	7,480,925.00	1,343,060.00
Expenses recognized in Statement of Comprehensive Income	3,680,542.00	2,706,000.00

iii) Year-end Expected Benefit Payments (in Nu.)

Particulars	
31-Dec-20 (Retirement Benefit Obligations – Current)	18,447,659.00
31-Dec-21	23,204,537.00
31-Dec-22	18,856,954.00
31-Dec-23	26,013,532.00
31-Dec-24	15,845,210.00
31-Dec-25 to 31-Dec-29	139,301,179.00



iv) Sensitivity Analysis

a. Gratuity

Particulars	31-Dec- 2019	31-Dec- 2018
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5%/1% increase in Discount Rate	(7,109,286.00)	(9,812,400.00)
Effect on DBO due to 0.5%/1% decrease in Discount Rate	7,700,214.00	11,464,590.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5%/1% increase in Salary Escalation Rate	8,228,445.00	12,338,950.00
Effect on DBO due to 0.5%/1% decrease in Salary Escalation Rate	(7,651,563.00)	(11,217,230.00)

b. Leave Encashment

Particulars	31-Dec- 2019	31-Dec- 2018
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5%/1% increase in Discount Rate	(1,516,520.00)	(2,849,990.00)
Effect on DBO due to 0.5%/1% decrease in Discount Rate	1,666,413.00	3,429,580.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5%/1% increase in Salary Escalation Rate	1,770,954.00	3,430,650.00
Effect on DBO due to 0.5%/1% decrease in Salary Escalation Rate	(1,623,190.00)	(15,266,060.00)

c. Separation and Travel allowance

Particulars	31-Dec- 2019	31-Dec- 2018
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5%/1% increase in Discount Rate	(709,163.00)	(973,920.00)
Effect on DBO due to 0.5%/1% decrease in Discount Rate	766,435.00	1,126,640.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5%/1% increase in Salary Escalation Rate	834,844.00	1,140,560.00
Effect on DBO due to 0.5%/1% decrease in Salary Escalation Rate	(778,782.00)	(996,360.00)

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, 2019, 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:

Sl. No	Primary Party	Relationship	Nature of Transaction with related Party	Amount Outstanding as of 31.12.2019 (Amount in Nu.)	Transaction during the year (Amount in Nu.)
1	Royal Government of Bhutan	Ultimate Holding	-	-	No Transaction during the year
2	Druk Holding and Investment Limited	Holding Company	Payment of Brand & Management Fee	-	Nu. 15,577,267.28
			Payment of Dividend	-	Nu. 473,540,316.84
3	Bhutan Board Products Limited	Fellow Subsidiary Company	WCL - Manufacturing & Industry	10,000,000.00	Total Debit Nu. 770,666,027.50 & Total Credit Nu. 798,163,634.16
			Issuance of Letter of Credit	3,616,236.00	Two Letter of Credit issued for Nu. 3,030,300.00 & Nu. 987,936.00 each against Margin money of Nu. 303,000.00 & Nu. 99,000.00 respectively.
4	Bhutan Telecom Limited	Fellow Subsidiary Company	Service Loan	269,888,113.10	Total Credit of Nu. 107,551,424.00 & Total Debit of Nu. 22,598,848.41
5	Druk Green Power Corporation Ltd	Fellow Subsidiary Company	Service Loan	671,020,120.26	Total Debit of Nu. 41,726,853.50 and Credit of Nil
6	Bhutan Carbide and Chemical	BoBL Share-holding	WCL - Manufacturing & Industry	160,000,000.00	Total Credit Nu. 344,453,190.79 & Total Debit of Nu. 332,711,463.60
			Bank Guarantee	3,969,000.00	One BG issued for Nu. 3,969,000.00
7	Bhutan Ferro Alloys Ltd.	Fellow Subsidiary Company	WCL - Manufacturing & Industry	250,000,000.00	Total Credit of Nu. 2,157,418,436.19 & Total Debit of Nu. 2,278,703,242.00
			Letter of Credit	48,102,894.00	One LC issued for Nu. 48,102,894.00 (net of Margin Money)
			Bank Guarantee	204,823.60	Two BG issued for Nu. 195,582.00 & Nu. 9,241.60



8	Dungsam Cement Corporation	Fellow Subsidiary Company	Industrial Loan	582,919,711.65	Total Credit of Nu. 21,198,666.23 & Total Debit of Nu. 604,118,377.88.-
9	Dungsam Polymers Ltd	Fellow Subsidiary Company	Industrial loan	13,400,000.00	Total Debit of Nu. 637,220,324.73 & Total Credit of Nu. 634,731,856.26
			Issuance of Letter of Credit	9,305,835.00	1 Letter of Credit Issued for Nu. 9,305,835.00
			Service Loan	4,321,659.57	Total Credit of Nu. 664,800.00 & Total Debit of Nu. 352,009.44
			Service loan	96,302,526.28	Total Debit of Nu. 7,789,396.61 & Total Credit Nu. 13,258,962.36
			WCL – Service	150,000,000.00	Total Credit of Nu. 8,971,706,896.69 & Total Debit of Nu. 9,034,059,697.56.
10	State Trading Corporation of Bhutan Limited	Fellow Subsidiary Company	Letter of Credit	25,055,659.28	Two LC issued for Nu. 25,055,659.28 (net of Margin Money of Nu. 6,265,000)
			Issuance of Bank Guarantee	557,716.79	9 Nos of Bank Guarantee Issued for Nu. 85,367.00, Nu. 11,483.00, Nu. 2,899.00, Nu. 50,000.00, Nu. 3,052.60, Nu. 339,197.59, Nu. 45,947.60, Nu. 9,770.00 & Nu. 10,000.00.
11	Thimphu Techpark Ltd.	Fellow Subsidiary	Service Loan	14,232,684.62	Total Credit of Nu. 5,819,158.92 & Total Debit of Nu. 1,360,233.22.
12	Bhutan Power Corporation Limited	Fellow Subsidiary Company	WCL - Service	500,000,000.00	Total Credit of Nu. 718,000,000.00 & Total Debit of Nu. 1,175,491,143.43
13	Azista Bhutan Healthcare Ltd	Fellow Subsidiary Company	Industrial Loan	107,894,279.75	Total Credit of Nil & Total Debit of Nu. 107,894,279.75
14	Druk Air Corporation	Fellow Subsidiary Company	Letter of Credit	215,580,000.00	DHI UNDERTAKING
15	Penden Cement Authority Limited	Fellow Subsidiary Company	Bank Guarantee	2,012,400.00	Four BG issued for Nu. 14,732.80, Nu. 59,339.52, Nu. 93,952.00 & Nu. 2,012,400.00 against margin money for Nu. 14,732.80 & Nu. 59,339.52 & Nu. 93,952.00
16	Bhutan Future Fund	Project of Holding Company	OD against Term Deposit-Public	223,000,000.00	Total Debit of Nu. 207,226,669.74 & Total Credit of Nu. Nil
17	Dasho Pemba Wangchuk	Director	Housing Loan	7,897,286.82	Total Credit of Nu. 881,666.00 & Total Debit of Nu. 4,167,761.38
18	Karma Yonten	Director	Housing Loan	9,642,689.67	Total Credit of Nu. 1,039,200.00 & Total Debit of Nu. 862,003.75

19	Tashi Choden	Guaranteed Loan by Director – Karma Yonten	Housing Loan	5,614,572.72	Total Credit of Nu. 622,000.00 & Total Debit of Nu. 452,844.05
20	Dr. Phuntsho Choden	Director	Housing Loan	3,029,313.22	Total Credit of Nu. 343,476.00 & Total Debit of Nu. 243,757.49
21	Kezang	Independent Director	Transport	726,742.14	Total Credit of Nu. 203,500.00 & Total Debit of Nu. 930,242.14
22	Tashi Pem	Spouse of Independent Director	Consumer Loan	416,553.17	Total Credit of Nu. 123,600.00 & Total Debit of Nu. 39,443.85
			Education	2,827,303.52	Total Credit of Nu. 328,300.00 & Total Debit of Nu. 3,155,603.52.

All transactions between the Bank and above related parties fall under “Related Party Transactions”. However, all transactions in 2019 have been carried out at an “arms-length” and no benefit has accrued to either party as a result of the relationship except Brand and Management fee which has been paid as per Board decision.

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:

Sl. No.	Particulars	For the year ended 31.12.2019	For the year ended 31.12.2018
a.	Remuneration, Allowances, etc. paid to Chief Executive Officer:		
i.	Salary, Allowances, bonus and Encashment of leave	2,223,777.00	2,587,260.73
ii.	Contribution to Provident Fund	124,324.00	111,936.00
iii.	Sitting fee	104,000.00	116,000.00
	TOTAL	2,452,101.00	2,815,196.73
b.	Sitting Fees paid to other Directors	768,000.00	548,908.00

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.

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.

Account	Maintained with	Unidentified / un-reconciled Debit Entries (Nu.)	Unidentified / un-reconciled Credit Entries (Nu.)
Cover fund Account, Draft Cover Account and Principal Account	State Bank of India, India	176,673,436.13	137,724,505.22
Nostro Accounts (21 Accounts (including FCY accounts))	Various Foreign Banks	72,840,288.86	251,113,017.61
Global Interchange for Financial Transactions (GIFT) Account	Royal Monetary Authority	3,389,703.34 (Net Debit)	

7.4 Assets under Lien

Balances in the Placements with Other Banks (Note 5.3) include USD 9.970 million equivalent to Nu. 712,406,350.00 (Previous Year: USD 6.970 million equivalent to Nu. 488,666,700), 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 Company 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.

(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 counter party 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 Ngultrum		
	LEVEL I	LEVEL II	LEVEL III
As at 31st December, 2019			
Investments available for sale (Quoted shares)	365,619,464.00	-	-
Investments (Unquoted Shares)	-	-	102,061,023.00
As at 31st December, 2018			
Investments available for sale (Quoted shares)	275,193,640.80	-	-
Investments (Unquoted Shares)	-	-	105,483,187.99

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 Bank has capital commitments of Nu. 215,050,000.00 (net of advances) as at December 31, 2019 (Nu. 514,970,000.00 as at December 31, 2018), on account of capital expenditures for the construction of the Bank's Corporate Office in Thimphu and Punakha Branch.

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 are given in the Note 5.23.

b. Income tax assessment

Income Tax assessment has been completed upto the financial year 2017. For the financial year 2018, field assessment by the tax authorities is yet to be conducted. Management is of the view that there will be no further demand after the field assessment/final assessment order.

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:

Particulars	As at 31-12-2019	As at 31-12-2018
Current Assets		
Cash and Cash Equivalents	2,962,591,202.70	2,684,074,343.83
Balances with Central Bank	10,547,832,781.82	6,888,505,302.20
Placements with other Banks	4,462,406,350.00	1,288,666,700.00
Loans & Advances to Customers	5,854,256,586.95	5,130,026,069.86
Financial Investments - Held to Maturity	3,688,165,100.00	5,479,582,200.00
Other Financial Assets	325,406,072.01	338,494,453.63
Other Assets	199,058,269.00	249,945,003.95
Total Current Assets	28,039,716,362.48	22,059,294,073.47
Non-Current Assets		
Loans & Advances to Customers	37,935,781,427.32	30,383,850,661.58
Financial Investments - Held to Maturity	1,882,736,201.56	2,228,761,350.00
Financial Investments - Available for sale	424,129,307.00	339,453,419.52
Investments in Associates	43,551,180.00	41,223,409.27
Property, Plant & Equipment	357,780,446.56	388,599,987.23
Intangible Assets	165,240,513.47	121,485,491.55
Capital Work-in-Progress	700,025,489.07	249,300,610.33
Total Non-Current Assets	41,509,244,564.98	33,752,674,929.48
TOTAL ASSETS	69,548,960,927.46	55,811,969,002.95

LIABILITIES	As at 31-12-2019	As at 31-12-2018
Current Liabilities		
Due to Banks	26,774,191.45	49,906,617.31
Due to Customers	48,626,876,127.88	39,903,648,728.13
Current Tax Liabilities	288,580,285.14	262,681,527.47
Other Financial Liabilities	1,255,743,531.92	1,364,622,126.98
Provision for Liabilities & Charges	12,015,690.85	12,015,690.85
Retirement Benefit Obligations	10,253,477.00	8,688,690.00
Other Liabilities	550,651,408.16	365,372,360.74
Deferred Tax Liabilities	61,724,493.59	49,860,487.11
Total Current Liabilities	50,832,619,205.99	42,016,796,228.59
Non-Current Liabilities		
Due to Customers	10,610,031,529.24	6,576,803,238.18
Retirement Benefit Obligations	195,924,443.00	143,606,480.00
Total Non-Current Liabilities	10,805,955,972.24	6,720,409,718.18
TOTAL LIABILITIES	61,638,575,178.23	48,737,205,946.77
EQUITY		
Share Capital	3,000,000,000.00	3,000,000,000.00
Reserve Fund	2,167,805,168.84	1,853,534,689.42
Exchange Fluctuation Reserve	256,931,397.83	236,607,530.61
Retained Earnings	2,483,607,324.04	2,034,660,069.84
Other Comprehensive loss	2,041,858.52	(50,039,233.69)
TOTAL EQUITY	7,910,385,749.23	7,074,763,056.18
TOTAL LIABILITIES & EQUITY	69,548,960,927.46	55,811,969,002.95

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, 2019 have a value equal to the amount at which they are stated therein.

7.11 Disclosure Related to Abandoned Property

As per Section 245 of the Financial Services Act of Bhutan, 2011, any money or article shall be deemed “abandoned property” if the owner fails to claim the money or the

article within three years from the last date of transaction.

Accordingly, the Bank has identified such abandoned property 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.



Category	2019	2018
Unclaimed Cash Warrants	6,902,962.63	3,943,140.98
Unclaimed Drafts	11,262,986.04	5,361,069.50
Unclaimed Term Deposits	20,052.60	3,521,243.38
Other Unclaimed Balances	3,797,215.69	-
TOTAL	21,983,216.96	12,825,453.86

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	31.12.2019	31.12.2018
Stage 2	40,164,112.80	64,277,035.00
Stage 3	632,383,983.72	668,594,021.50
TOTAL	672,548,096.52	732,871,056.50
Individual Impairment	127,368,222.25	33,302,588.20
TOTAL PROVISION	799,916,318.77	766,173,644.70

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:

- Valuation/Estimation of collateral security being offered (Estimated by Real Estate Division of the Bank in case of Housing Loans).
- Place of locations and its feasibility of Business.
- Verifications and valuations of available stock and book debt at the time of availing loan.
- 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.

- 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).
- 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.

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.

Bank's Risk Appetite & ICAAP policy

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

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

Disclosures required as per Macro-prudential rules and regulations

Item 1: Tier 1 Capital and Its Sub-components

S. No		31.12.2019	31.12.2018
1.	Total Tier 1 Capital	6,728,924,921.83	6,398,656,689.02
a.	Paid-Up Capital	3,000,000,000.00	3,000,000,000.00
b.	General Reserves	2,167,805,168.84	1,853,534,689.42
c.	Share Premium Account	-	-
d.	Retained Earnings	1,561,119,752.99	1,545,121,999.60
	Less:-	-	-
e.	Losses for the Current Year (other Comprehensive Loss)	-	-
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

S. No		31.12.2019	31.12.2018
1.	Tier II Capital	1,181,460,827.39	765,410,057.10
a.	Capital Reserve	-	-
b.	Fixed Asset Revaluation Reserve	-	-
c.	Exchange Fluctuation Reserve	256,931,397.83	236,607,530.61
d.	Investment Fluctuation Reserve	-	-
e.	Research & Development Reserve	-	-
f.	General Provision	-	-
g.	Capital Grants	-	-
h.	Subordinated Debt	-	-
i.	Profit for the Year (Including OCI and net of appropriations)	924,529,429.56	528,802,526.49



Disclosures required as per Macro-prudential rules and regulations

Item 3: Risk Weighted Assets

S. No.	Assets	Risk Weight %	31.12.2019		31.12.2018	
			Balance Sheet Amount*	Risk Component	Balance Sheet Amount#	Risk Component
1.	Zero-Risk Weighted Assets	0%	15,211,985,123.63	-	13,362,517,024.06	-
2.	20% Risk Weighted Assets	20%	7,206,354,951.90	1,441,270,990.38	4,340,939,121.17	868,187,824.23
3.	50% Risk Weighted Assets	50%	565,571,560.55	282,785,780.28	644,599,629.20	322,299,814.60
4.	100% Risk Weighted Assets	100%	47,137,084,235.27	47,137,084,235.27	41,128,999,441.73	41,128,999,441.73
5.	150% Risk Weighted Assets	150%	760,454,654.59	1,140,681,981.89	126,848,848.62	190,273,272.92
6.	200% Risk Weighted Assets	200%	-	-	-	-
7.	250% Risk Weighted Assets	250%	-	-	-	-
8.	300% Risk Weighted Assets	300%	-	-	-	-
	Grand Totals		70,881,450,525.95	50,001,822,987.81	59,603,904,064.77	42,509,760,353.48

* includes total assets of Nu. 69,548,960,927.46 and Contingent Liabilities of Nu.1,332,489,598.38

includes total assets of Nu. 55,811,969,002.95 and Contingent Liabilities of Nu. 3,791,935,061.82.

Disclosures required as per Macro-prudential rules and regulations

Item 4: Capital Adequacy Ratios

S. No		31.12.2019	31.12.2018
1.	Tier 1 Capital	6,728,924,921.83	6,398,656,689.02
a.	Of which Counter-Cyclical Capital Buffer (CCyB) (If applicable)	-	-
b.	Of which Sectoral Capital Requirements (SCR) (If applicable)	-	-
i.	Sector 1	-	-
ii.	Sector 2	-	-
iii.	Sector 3	-	-
2.	Tier 2 Capital	1,181,460,827.39	765,410,057.10
3.	Total qualifying Capital	7,910,385,749.22	7,164,066,746.12
4.	Core CAR	13.46%	15.05%
a.	Of which CCyB (If applicable) expressed as % of RWA	-	-
b.	Of which SCR (If applicable) expressed as % of Sectoral RWA	-	-
i.	Sector 1	-	-
ii.	Sector 2	-	-
iii.	Sector 3	-	-
5.	BIA	3,076,240,704.14	2,693,516,356.74
6.	CAR	14.90%	15.85%
7.	Leverage Ratio	9.49%	10.74%

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

S. No	Sector	31.12.2019		31.12.2018	
		Total Loans*	NPL	Total Loans#	NPL
a.	Agriculture	211,766,020.93	12,748,697.46	153,757,485.64	4,363,814.45
b.	Manufacturing/Industry	4,449,685,036.21	26,120,420.23	3,616,611,647.02	14,282,335.95
c.	Service & Tourism	12,197,658,795.86	30,902,442.90	9,729,859,973.16	238,467,813.56
d.	Trade & Commerce	2,753,158,596.19	296,043,387.13	2,331,237,623.67	296,732,314.67
e.	Housing	14,221,677,516.20	668,111,825.28	10,331,651,406.41	934,593,023.85
f.	Transport	1,885,365,003.85	454,266,840.84	2,020,875,150.53	478,131,254.43
g.	Loans to Purchase Securities	297,994,103.97	528,903.13	381,552,540.70	700,403.75
h.	Personal Loan	844,381,350.93	172,385,974.13	1,022,440,353.43	189,826,837.08
i.	Education Loan	711,652,394.31	77,196,886.26	498,799,843.85	42,699,930.78
j.	Loan against Term Deposits	346,575,982.40	-	124,483,888.20	11,750,733.84
k.	Loans to FI (s)	3,436,084.98	-	-	-
l.	Infrastructure Loans	-	-	-	-
m.	Staff Loans (incentives)	374,244,700.91	16,378,781.04	459,778,658.41	15,748,286.08
n.	Loans to Govt Owned Corporation	1,771,807,402.05	-	1,693,342,045.36	-
o.	Consumer Loan (GE)	4,629,442,325.14	124,793,415.42	4,067,996,915.09	100,947,208.73
	TOTAL	44,698,845,313.93	1,879,477,573.82	36,432,387,531.47	2,328,243,957.17

* includes gross loans and advance of Nu. 44,697,336,248.93 and Bills discounted & purchased of Nu. 1,509,065.00.

includes gross loans and advance of Nu. 36,432,194,226.47 and Bills discounted & purchased of Nu. 193,305.00.



Disclosures required as per Macro-prudential rules and regulations

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

S. No	Counter Party	31.12.2019	31.12.2018
1.	Overdrafts	6,701,186,226.84	5,530,615,333.46
a.	Government	-	-
b.	Government Corporations	147,150,427.65	144,669,449.52
c.	Public Companies	427,298,758.16	391,767,611.41
d.	Private Companies	5,442,930,650.16	4,557,096,241.99
e.	Individuals	680,370,305.89	437,082,030.54
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	3,436,084.98	-
2.	Term Loans	37,979,513,776.01	30,885,263,089.61
a.	Government	-	-
b.	Government Corporations	1,624,656,974.40	1,548,672,595.84
c.	Public Companies	343,399,401.75	293,237,246.11
d.	Private Companies	11,081,157,822.21	9,713,266,152.81
e.	Individuals	24,930,299,577.65	19,330,087,094.85
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
7.	TOTAL	44,680,700,002.85	36,415,878,423.07
	Credit Cards	16,636,246.08	16,315,803.40
	Gross Loans and Advances	44,697,336,248.93	36,432,194,226.47
	Bills	1,509,065.00	193,305.00
	Total Loan Outstanding	44,698,845,313.93	36,432,387,531.47

Disclosures required as per Macro-prudential rules and regulations

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

As at 31.12.2019	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	975,987,241.81	-	-	-	-	-	-	975,987,241.81
Gov't Securities	-	3,688,165,100.00	-	-	-	-	-	3,688,165,100.00
Investment securities	-	-	-	-	-	-	2,350,416,688.56	2,350,416,688.56
Loans & advances to banks	1,000,000,000.00	2,312,406,350.00	1,150,000,000.00	-	-	-	-	4,462,406,350.00
Loans & advances to customers	462,658,170.58	116,833,545.77	1,658,776,164.06	2,010,302,746.23	1,835,965,307.41	520,368,473.96	37,185,133,606.26	43,790,038,014.27
Other assets	-	12,859,842,814.72	199,058,269.00	-	-	-	1,223,046,449.04	14,281,947,532.77
TOTAL ASSETS	2,438,645,412.39	18,977,247,810.49	3,007,834,433.06	2,010,302,746.23	1,835,965,307.41	520,368,473.96	40,758,596,743.86	69,548,960,927.46
Amounts owed to other banks	26,774,191.45	-	-	-	-	-	-	26,774,191.45
Demand deposits	19,679,187,544.26	-	-	-	-	-	-	19,679,187,544.26
Savings deposits	17,211,605,773.28	-	-	-	-	-	-	17,211,605,773.28
Time deposits	-	3,089,332,485.63	3,662,874,693.24	2,044,590,524.70	2,102,979,377.51	836,305,729.26	10,610,031,529.24	22,346,114,339.58
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	1,533,050,142.07	-	-	-	-	8,752,228,936.77	10,285,279,078.84
TOTAL LIABILITIES	36,917,567,508.99	4,622,382,627.70	3,662,874,693.24	2,044,590,524.70	2,102,979,377.51	836,305,729.26	19,362,260,466.01	69,548,960,927.46
Assets/ Liabilities	0.07	4.11	0.82	0.98	0.87	0.62	2.11	1.00
Net Mismatch in each Time Interval	(34,478,922,096.60)	14,354,865,182.79	(655,040,260.18)	(34,287,778.47)	(267,014,070.10)	(315,937,255.30)	21,396,336,277.86	(0.00)
Cumulative Net Mismatch	(34,478,922,096.60)	14,354,865,182.79	13,699,824,922.61	13,665,537,144.14	13,398,523,074.04	13,082,585,818.74	34,478,922,096.60	34,478,922,096.59



As at 31.12.2018	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	866,748,643.45	-	-	-	-	-	-	866,748,643.45
Gov't Securities	-	5,479,582,200.00	-	-	-	-	-	5,479,582,200.00
Investment securities	-	-	-	-	-	-	2,609,438,178.79	2,609,438,178.79
Loans & advances to banks	-	800,000,000.00	-	-	-	488,666,700.00	-	1,288,666,700.00
Loans & advances to customers	-	204,752,792.61	1,556,657,272.97	1,030,719,825.12	1,533,938,575.92	811,518,369.61	30,376,289,895.22	35,513,876,731.44
Other assets	-	9,044,325,456.21	249,945,003.95	-	-	-	759,386,089.11	10,053,656,549.27
TOTAL ASSETS	866,748,643.45	15,528,660,448.81	1,806,602,276.92	1,030,719,825.12	1,533,938,575.92	1,300,185,069.61	33,745,114,163.11	55,811,969,002.95
Amounts owed to other banks	49,906,617.31	-	-	-	-	-	-	49,906,617.31
Demand deposits	20,307,918,179.25	-	-	-	-	-	-	20,307,918,179.25
Savings deposits	15,553,389,348.67	-	-	-	-	-	-	15,553,389,348.67
Time deposits	43,343,086.28	205,142,792.29	1,358,010,763.94	887,295,685.95	804,549,069.25	743,999,802.50	6,576,803,238.18	10,619,144,438.39
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	35,954,557,231.51	205,142,792.29	1,358,010,763.94	887,295,685.95	804,549,069.25	743,999,802.50	15,858,413,657.51	55,811,969,002.95
Assets/Liabilities	0.02	75.70	1.33	1.16	1.91	1.75	2.13	1.00
Net Mismatch in each Time Interval	(35,087,808,588.06)	15,323,517,656.52	448,591,512.98	143,424,139.17	729,389,506.67	556,185,267.11	17,886,700,505.61	(0.00)
Cumulative Net Mismatch	(35,087,808,588.06)	15,323,517,656.52	15,772,109,169.50	15,915,533,308.68	16,644,922,815.34	17,201,108,082.45	35,087,808,588.06	35,087,808,588.06



Disclosures required as per Macro-prudential rules and regulations

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

As at 31.12.2019	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	975,987,241.81	-	-	-	-	-	-	975,987,241.81
Gov't Securities	-	-	3,688,165,100.00	-	-	-	-	3,688,165,100.00
Investment securities	-	-	-	-	-	-	2,350,416,688.56	2,350,416,688.56
Loans & advances to banks	-	1,300,000,000.00	1,300,000,000.00	1,862,406,350.00	-	-	-	4,462,406,350.00
Loans & advances to customers	-	22,935,843.89	5,837,587.59	373,156,370.08	54,051,564.70	185,027,400.17	43,149,029,247.84	43,790,038,014.27
Other assets	-	12,859,842,814.72	199,058,269.00	-	-	-	1,223,046,449.04	14,281,947,532.77
TOTAL ASSETS	975,987,241.81	14,182,778,658.61	5,193,060,956.59	2,235,562,720.08	54,051,564.70	-	46,722,492,385.44	69,548,960,927.46
Amounts owed to other banks	26,774,191.45	-	-	-	-	-	-	26,774,191.45
Demand deposits	19,679,187,544.26	-	-	-	-	-	-	19,679,187,544.26
Savings deposits	17,211,605,773.28	-	-	-	-	-	-	17,211,605,773.28
Time deposits	-	1,300,000,000.00	1,650,000,000.00	2,206,933,000.00	1,096,805,750.00	157,792,820.29	15,934,582,769.29	22,346,114,339.58
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	1,533,050,142.07	-	-	-	-	8,752,228,936.77	10,285,279,078.84
TOTAL LIABILITIES	36,917,567,508.99	2,833,050,142.07	1,650,000,000.00	2,206,933,000.00	1,096,805,750.00	157,792,820.29	24,686,811,706.06	69,548,960,927.46
Assets/Liabilities	0.03	-	-	1.01	0.05	1.17	1.89	1.00
Net Mismatch in each Time Interval	(35,941,580,267.18)	11,349,728,516.54	3,543,060,956.59	28,629,720.08	(1,042,754,185.30)	27,234,579.88	22,035,680,679.39	(0.00)
Cumulative Net Mismatch	(35,941,580,267.18)	11,349,728,516.54	14,892,789,473.13	14,921,419,193.21	13,878,665,007.91	13,905,899,587.79	35,941,580,267.18	35,941,580,267.17



As at 31.12.2018	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	866,748,643.45	-	-	-	-	-	-	866,748,643.45
Gov't Securities	-	5,479,582,200.00	-	-	-	-	-	5,479,582,200.00
Investment securities	-	-	-	-	-	-	2,609,438,178.79	2,609,438,178.79
Loans & advances to banks	-	800,000,000.00	-	-	-	488,666,700.00	-	1,288,666,700.00
Loans & advances to customers	-	15,412,963.01	5,636,633.24	128,144,492.60	61,188,322.33	481,715,965.74	34,821,778,354.52	35,513,876,731.44
Other assets	-	9,044,325,456.21	249,945,003.95	-	-	-	759,386,089.11	10,053,656,549.27
TOTAL ASSETS	866,748,643.45	15,339,320,619.22	255,581,637.19	128,144,492.60	61,188,322.33	970,382,665.74	38,190,602,622.42	55,811,969,002.95
Amounts owed to other banks	49,906,617.31	-	-	-	-	-	-	49,906,617.31
Demand deposits	20,307,918,179.25	-	-	-	-	-	-	20,307,918,179.25
Savings deposits	15,553,389,348.67	-	-	-	-	-	-	15,553,389,348.67
Time deposits	-	-	-	13,667,878.08	10,919,000.00	1,351,979,475.91	9,242,578,084.40	10,619,144,438.39
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	9,281,610,419.33	9,281,610,419.33
TOTAL LIABILITIES	35,911,214,145.23	-	-	13,667,878.08	10,919,000.00	1,351,979,475.91	18,524,189,503.73	55,811,969,002.94
Assets/Liabilities	0.02	-	-	9.38	5.60	0.72	2.06	1.00
Net Mismatch in each Time Interval	(35,941,580,267.18)	15,339,320,619.22	255,581,637.19	114,476,614.52	50,269,322.33	(381,596,810.17)	19,666,414,118.70	0.00
Cumulative Net Mismatch	(35,941,580,267.18)	15,339,320,619.22	15,594,902,256.41	15,709,378,870.93	15,759,648,193.26	15,378,051,383.08	35,044,465,501.78	35,044,465,501.78



Disclosures required as per Macro-prudential rules and regulations

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

As of period ending 31.12.19	Time to re-pricing					Non-interest bearing	TOTAL
	Assets	0-3 months	3-6 months	6-12 months	More than 12. months		
Cash and Balances with Banks	-	-	-	-	-	13,510,423,984.52	13,510,423,984.52
Treasury Bills	3,688,165,100.00	-	-	-	-	-	3,688,165,100.00
Loans and Advances	6,700,674,230.41	2,010,302,746.23	2,356,333,781.37	37,185,133,606.26	-	-	48,252,444,364.28
Investment Securities	-	-	-	-	1,874,737,000.00	475,679,688.56	2,350,416,688.56
Other Assets	-	-	-	-	-	1,747,510,790.10	1,747,510,790.10
Total financial assets	10,388,839,330.41	2,010,302,746.23	2,356,333,781.37	39,059,870,606.26	15,733,614,463.19	69,548,960,927.46	
Liabilities							
Deposits	23,963,812,952.15	2,044,590,524.70	2,939,285,106.77	10,610,031,529.24	-	19,705,961,735.71	59,263,681,848.57
Borrowings	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	10,285,279,078.89	10,285,279,078.90
Total financial liabilities	23,963,812,952.15	2,044,590,524.70	2,939,285,106.77	10,610,031,529.24	29,991,240,814.60	69,548,960,927.46	
Total interest Re-pricing gap	(13,574,973,621.74)	(34,287,778.47)	(582,951,325.40)	28,449,839,077.02	(14,257,626,351.41)		(0.00)



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

As of period ending 31.12.18	Time to re-pricing					Non-interest bearing	TOTAL
	Assets	0-3 months	3-6 months	6-12 months	More than 12. months		
	Cash and Balances with Banks	866,748,643.45	-	-	-	8,705,831,002.58	9,572,579,646.03
	Treasury Bills	5,479,582,200.00	-	-	-	-	5,479,582,200.00
	Loans and Advances	2,061,410,065.58	1,030,719,825.12	3,334,123,645.53	30,376,289,895.30	-	36,802,543,431.53
	Investment Securities	-	-	-	2,609,438,178.79	-	2,609,438,178.79
	Other Assets	193,305.00	-	-	-	1,347,632,241.60	1,347,825,546.60
	Total financial assets	8,407,934,214.03	1,030,719,825.12	3,334,123,645.53	32,985,728,074.09	10,053,463,244.18	55,811,969,002.95
	Liabilities						
	Deposits	1,606,496,642.51	887,295,685.95	1,548,548,871.75	6,576,803,238.18	35,911,214,145.23	46,530,358,583.62
	Borrowings	-	-	-	-	-	-
	Other Liabilities	-	-	-	-	9,281,610,419.33	9,281,610,419.33
	Total financial liabilities	1,606,496,642.51	887,295,685.95	1,548,548,871.75	6,576,803,238.18	45,192,824,564.56	55,811,969,002.95
	Total interest Re-pricing gap	6,801,437,571.52	143,424,139.17	1,785,574,773.78	26,408,924,835.91	(35,139,361,320.37)	(0.00)



Disclosures required as per Macro-prudential rules and regulations

Item 10: Non performing Loans and Provisions

As at 31.12.2019					
Stage	Amount of NPL's (Gross)	Principal Impairment Provision	Interest Impairment Provision	Total Impairment Provision	Net NPL's
Stage 2	990,867,789.75	39,524,054.43	640,058.37	40,164,112.80	950,703,676.95
Stage 3	632,719,983.72	534,796,226.38	97,587,757.34	632,383,983.72	336,000.00
Total Collective Impairment	1,623,587,773.47	574,320,280.81	98,227,815.71	672,548,096.52	951,039,676.95
Individual Impairment	255,889,800.35	127,368,222.25		127,368,222.25	128,521,578.10
Total Impairment (Collective+Individual)	1,879,477,573.82	701,688,503.06	98,227,815.71	799,916,318.77	1,079,561,255.05
Gross NPL's to Gross Loans					4.20%
Net NPLs to net Loans					2.47%

As at 31.12.2018					
Stage	Amount of NPL's (Gross)	Principal Impairment Provision	Interest Impairment Provision	Total Impairment Provision	Net NPL's
Stage 2	1,380,656,272.91	63,484,810.38	792,224.62	64,277,035.00	1,316,379,237.91
Stage 3	668,594,021.50	553,697,618.50	114,896,403.00	668,594,021.50	0.00
Total Collective Impairment	2,049,250,294.41	617,182,428.88	115,688,627.62	732,871,056.50	1,316,379,237.91
Individual Impairment	278,993,662.76	33,302,588.20	-	33,302,588.20	245,691,074.56
Total Impairment (Collective+Individual)	2,328,243,957.17			766,173,644.70	1,562,070,312.47
Gross NPL's to Gross Loans					6.39%
Net NPLs to net Loans					4.40%



Disclosures required as per Macro-prudential rules and regulations

Item 11: Assets and Investments

S. No	Investment	31.12.2019	31.12.2018
1.	Marketable Securities (Interest Earning)		
a.	RMA Securities	3,688,165,100.00	5,479,582,200.00
b.	RGOB Bonds/Securities		-
c.	Corporate Bonds	1,882,736,201.56	2,228,761,350.00
d.	Others	-	-
	Sub-Total	5,570,901,301.56	7,708,343,550.00
2.	Equity Investments		
a.	Public Companies	388,042,439.00	297,931,333.36
b.	Private Companies		-
c.	Commercial Banks	54,950,868.00	61,090,196.22
d.	Non-Bank Financial Institutions	24,687,180.00	21,655,299.21
	Less:		
e.	Specific Provisions	-	-
	Sub-Total	467,680,487.00	380,676,828.79
3.	Fixed Assets		
a.	Fixed Assets (Gross)	1,823,171,227.95	1,282,689,280.81
	Less:		
b.	Accumulated Depreciation	600,124,778.83	523,303,191.70
c.	Fixed Assets (Net Book Value)	1,223,046,449.12	759,386,089.11

Disclosures required as per Macro-prudential rules and regulations
Item 12: Foreign exchange assets and liabilities as at 31.12.2019

Item 12: Foreign exchange assets and liabilities as at 31.12.2019								
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	1,820,758,094.18	802,202,299.35	1,018,555,794.83	41,072,317.56	-	41,072,317.56	1,059,628,112.39	15.75
SGD	73,903,288.84	381,227,356.16	(307,324,067.32)	-	-	-	(307,324,067.32)	(4.57)
EURO	64,147,730.13	15,717,998.21	48,429,731.92	-	-	-	48,429,731.92	0.72
AUD	71,609,600.03	46,324,594.37	25,285,005.66	-	-	-	25,285,005.66	0.38
CAD	8,447,968.15	-	8,447,968.15	-	-	-	8,447,968.15	0.13
HKD	23,946.75	-	23,946.75	-	-	-	23,946.75	0.00
GBP	14,117,769.29	-	14,117,769.29	-	-	-	14,117,769.29	0.21
CHF	46,897,406.76	504,748.73	46,392,658.03	-	-	-	46,392,658.03	0.69
JPY	32,501,269.65	-	32,501,269.65	-	-	-	32,501,269.65	0.48
DKK	26,269,872.81	-	26,269,872.81	-	-	-	26,269,872.81	0.39
SEK	-	-	-	-	-	-	-	-
NOK	25,936.00	-	25,936.00	-	-	-	25,936.00	0.00
TOTAL	2,158,702,882.59	1,245,976,996.82	912,725,885.78	41,072,317.56	-	41,072,317.56	953,798,203.34	14.17



Item 12: Foreign exchange assets and liabilities as at 31.12.2018

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	973,550,377.24	684,988,850.99	288,561,526.25	38,087,130.60	-	38,087,130.60	326,648,656.85	5.15			
SGD	139,556,799.59	433,844.95	139,122,954.64	-	-	-	139,122,954.64	2.20			
EURO	41,860,677.13	13,972,617.87	27,888,059.26	-	-	-	27,888,059.26	0.44			
AUD	465,096,730.65	50,060,219.36	415,036,511.29	-	-	-	415,036,511.29	6.55			
CAD	9,933,425.86	-	9,933,425.86	-	-	-	9,933,425.86	0.16			
HKD	1,019,258.10	-	1,019,258.10	-	-	-	1,019,258.10	0.02			
GBP	6,619,353.02	-	6,619,353.02	-	-	-	6,619,353.02	0.10			
CHF	27,000,336.53	312,398.58	26,687,937.95	-	-	-	26,687,937.95	0.42			
JPY	34,286,271.07	-	34,286,271.07	-	-	-	34,286,271.07	0.54			
DKK	19,994,296.45	-	19,994,296.45	-	-	-	19,994,296.45	0.32			
SEK	10,179.00	-	10,179.00	-	-	-	10,179.00	0.00			
NOK	124,310.00	-	124,310.00	-	-	-	124,310.00	0.00			
TOTAL	1,719,052,014.64	749,767,931.75	969,284,082.89	38,087,130.60	-	38,087,130.60	1,007,371,213.49	15.90			


Disclosures required as per Macro-prudential rules and regulations
Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Demand Deposits held with other banks	16,493,197.18	200,000.00	565,571,560.55	644,599,629.21	1,404,539,203.16	1,172,526,071.17
Time deposits held with other banks	3,750,000,000.00	800,000,000.00	-	-	712,406,350.00	488,666,700.00
Borrowings	-	--	-	-	-	-

Item: 14 Credit Risk Exposure by Collateral

S. No	Particular	31.12.2019*	31.12.2018#
1.	Secured Loans		36,417,107,315.62
a.	Loans secured by physical/real estate collateral		31,292,454,866.78
b.	Loans Secured by financial collateral		526,196,222.69
c.	Loans secured by guarantees		4,598,456,226.15
2.	Unsecured Loans		15,280,215.85
	Total Loans		36,432,387,531.47

* includes gross loans and advance of Nu. 44,697,336,248.93 and Bills discounted & purchased of Nu. 1,509,065.00.

#includes gross loans and advance of Nu. 36,432,194,226.47 and Bills discounted & purchased of Nu. 193,305.00.



Item 15: Earnings Ratios

S. No	Ratio	31.12.2019
1.	Interest Income as a percentage of Average Assets	6.41%
2.	Non-interest income as a percentage of Average Assets	0.79%
3.	Operating Profit as a percentage of Average Assets	2.86%
4.	Return on Assets	1.81%
5.	Business (Deposits plus Advances) per employee (Nu. In million)	125.98
6.	Profit per employee (Nu. In million)	1.54%

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

S. No	31.12.2019		31.12.2018	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1.	Non-Compliance to RMA PR	300,000.00	NIL	NIL

Item 17: Customer Complaints

S. No	Particular	31.12.2019	31.12.2018
1.	No. of complaints pending at the beginning of the year	390	623
2.	No. of complaints received during the year	38,971	53,716
3.	No. of complaints redressed during the year	39,233	53,958
4.	No. of complaints pending at the end of the year	128	390

Item 18: Provision Coverage Ratio (PCR)

Year	Gross NPL	Additional NPL	Additional Specific Provisions	Additional Interest in Suspense A/c	PCR
1	2	3	4	5	6= (4/5)
31.12.2019	1,879,477,573.82	834,117,923.81	12,765,914.66	(138,921,163.64)	(0.09)
31.12.2018	1,045,359,650.01	191,005,710.26	120,069,140.66	54,303,031.78	2.21

Item 19: Concentration of Credit and Deposits

S. No	Particular	31.12.2019	31.12.2018
1.	Total loans to 10 largest borrowers	6,817,291,670.53	6,268,325,202.32
2.	As % of total loans	15.25%	17.21%
3.	Total deposits of the 10 largest depositors	12,319,441,377.90	12,522,728,615.97
4.	As % of total deposits	20.79%	26.91%

Item 20: Exposure to 5 Largest NPL accounts

S. No	Particulars	31.12.2019	31.12.2018
1.	Five largest NPL accounts	377,878,260.32	436,597,123.45
2.	% of Total NPLs	23.43%	41.77%

RATIO ANALYSIS

Ratio	2019	2018
Return on Equity (PAT/Shareholders Equity)	15.89%	14.71%
Return on Assets (PAT/Total Assets)	1.81%	1.94%
Capital Adequacy Ratio (Tier 1+ Tier 2 Capital)/(Risk Weighted Assets+Operation Risk)	14.90%	15.71%
Credit to Deposit Ratio (Total Loans/Total Deposits)	75.42%	78.23%
Statutory Liquidity Ratio (Quick assets/Total liabilities excluding capital fund and RMA liabilities)	24.69%	21.32%
Gross Non-Performing Assets (Non-performing Assets/Total Loans)	3.61%	2.87%
Earnings per share (PAT/No. of Shares)	41.90%	34.69%
Net interest margin (Total Interest Income-Interest Expenses)/ Total earning assets (Total Loans to customer + Loans to banks)	4.55%	5.29%
Leverage Ratio (Tier 1 /total balance sheet Amount including off balance sheet item)	13.46%	16.20%
Debt to Equity Ratio (Total Liabilities/Shareholder's Equity)	7.79%	6.89%





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