

འབྲུག་གི་དངུལ་ཁང་།



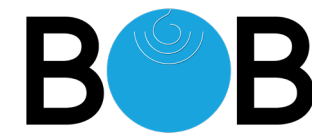
BANK OF BHUTAN

A GHI Company



ANNUAL REPORT 2020

འབྲུག་གི་དངུལ་ཁང་།



BANK OF BHUTAN

A dhi Company

Annual Report

2020

Registered Office

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

Fixed Line: +975-2-334333

Website: www.bob.bt

© bankofbhutan

The Year In Review

The year 2020 has been a challenging year to the Bank with global and local aggravations of COVID-19. However, with the continuous blessings and guidance of His Majesty the King and the Government, the bank witnessed courage, grace, unity, sacrifices and hope. The bank marked its 52nd year of service to the Nation.

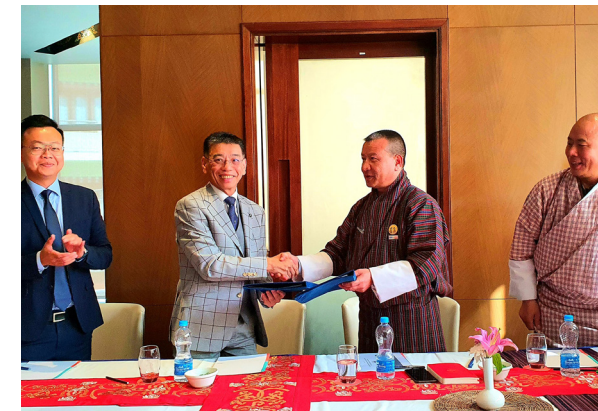
In summary, some major highlights of the Bank for 2020 are:

- 1. Efficient Management of Non-Performing Assets** – Due to the pandemic the country's economy was hugely affected. Livelihood depending on tourism and other private sectors experienced massive loss. To ensure that, his people stain during these difficult times, His Majesty the King granted kidu through loan interest waiver and loan repayments deferment. Due to these interventions from His Majesty, the Bank managed to maintain GNPA at 7.15 percent as on 31st December 2020.
- 2. Credit Growth** – In 2020, the Bank's credit portfolio saw a modest growth of 9.96 percent against the overall country's credit growth of 7.42 percent. Its credit growth was 23.30 percent in 2019.
- 3. Business Expansion** – The country experienced total nationwide lockdown twice in 2020, as a measure to control the spread of the disease, during these two lockdowns, the Bank established 21 BoB Connect Agents (Agency Banking) to enable undisrupted catering of financial services to the community. The Bank's network reach comprised of 54 branch offices (42 full-fledged branch offices and 12 Extension Offices), 115 ATM terminals and 621 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** – For the Security, the bank developed set of Policies and Procedures and got the approval from the ISSC. It covers People, Process and Technology and includes all legal, physical and technical controls involved in an organization's information cyber risk management processes. The bank also obtained provisional ISO 27001 certification in preparation for making its IT system fully secured. It also initiated Payment Card Industry- Data Security Standard (PCI DSS) project which is focused on providing the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information.
- 6. Additional Services and Improvements** – The Bank continued to improve on the existing services for efficiency. Monthly charges on mBoB was waived off and number of features were added to mBoB (Bank's mobile banking App). The additions done in 2020 are In-app notification, Referral Program, Forgot T-pin, Remittance to India, Drukair ticket payment, National QR Code, Instant Fixed and Recurring Deposit account premature, Instant Loan Account closure, Mobile Cheque Deposit facility- For Account Payee cheque only and Covid-19 feature for contribution to Royal Kidu Fund.
- 7. Employee Engagement** – The year 2020 closed with total of 820 employees. During the year, despite the country being hit by the pandemic of Covid-19, 291 employees had availed various short-term trainings which were mostly online from institutes both within and outside the country. All such trainings were facilitated towards enhancing knowledge, skills and attitude besides improving motivation and commitment. As in the close of 2020, 32 employees have completed various Masters' Degrees and returned after availing the BoB scholarship since 2011 to study in Thailand and Australia. In 2020, two more employees began their higher studies under the same scholarship in Australia while one has started CPA from Royal Institute of Management, Thimphu.
- 8. General** – One of the major highlights of the Bank in 2020 was its score on Anti-Corruption Committee's National integrity Assessment 2019 (NIA 2019) conducted by the Anti-Corruption Commission. The Bank scored 8.06 out of 10 and is the highest among the Financial Institutions in the country.



(Dorji Kadin)
Chief Executive Officer

Events during the year 2020



March 3rd

Contract signed with new switch vendor, CardZone.



March 7th

In addition to cleaning our ATMs, we provided sanitizers at all our ATM terminals.



June 9th

Received a Limited Edition print from His Majesty The King in appreciation for contribution to the COVID-19 Kidu Fund.



June 15th

Ministry of Health, as a token of gratitude for BoB's support as Blood Donor Organisation, presented a Tshepamay Ku & a certificate.



July 1st

Thimphu Main Branch relocated to BoB Corporate Head Office, Norzin Lam, Thimphu.



July 1st

Babesa Branch relocated to Samling Plaza (near Xpress Fitness/Car wash), Babesa, Thimphu



July 1st

City Branch relocated to top floor of Multi-Layer Car Park 2 (near Bhutan Oil Distributors), Thimphu



July 17th

Launched National Quick Response Code (NQRC) with RMA. One QR code for all banking apps.



August 10th

Inauguration of new ATM at Changangkha, Thimphu.



August 24th

Frontline employees received Soelra from Her Majesty the Gyaltsuen during the 1st Lockdown.



September 18th

The De-Suups of the Bank were awarded the COVID-19 pin for contributing in fighting against the pandemic.



September 24th

Inauguration of new ATMs at Thimphu Main Branch.



BANKER TO THE NATION

SINCE 1968



**BANK SMARTLY
AND SAFELY**

Joenpalekso!

ALWAYS WITH YOU, ANYWHERE, ANYTIME!

Extending facilities to serve you with no bank visits!

- ATM
- mBoB
- Internet Banking
- Cards
- BoBConnect

CONTENTS

COMPANY PROFILE	7
BOARD DIRECTORS	11
MANAGEMENT TEAM	13
DIRECTOR’S REPORT	15
CORPORATE GOVERNANCE REPORT	18
INDEPENDENT AUDITOR’S REPORT	25

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 stakeholders, be it employees, customers, community, shareholders and the nation at large.

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.

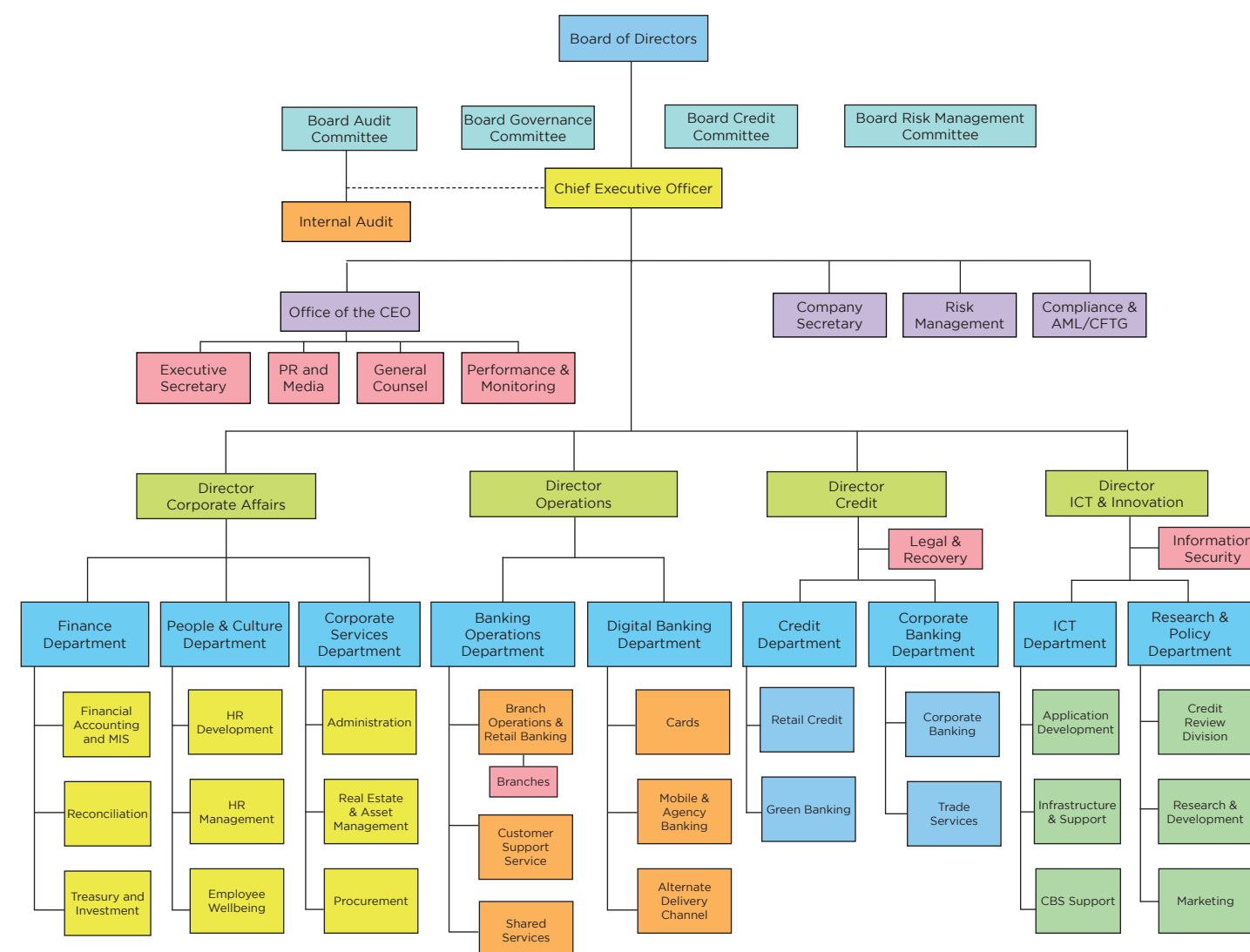
E Excellence in Service -

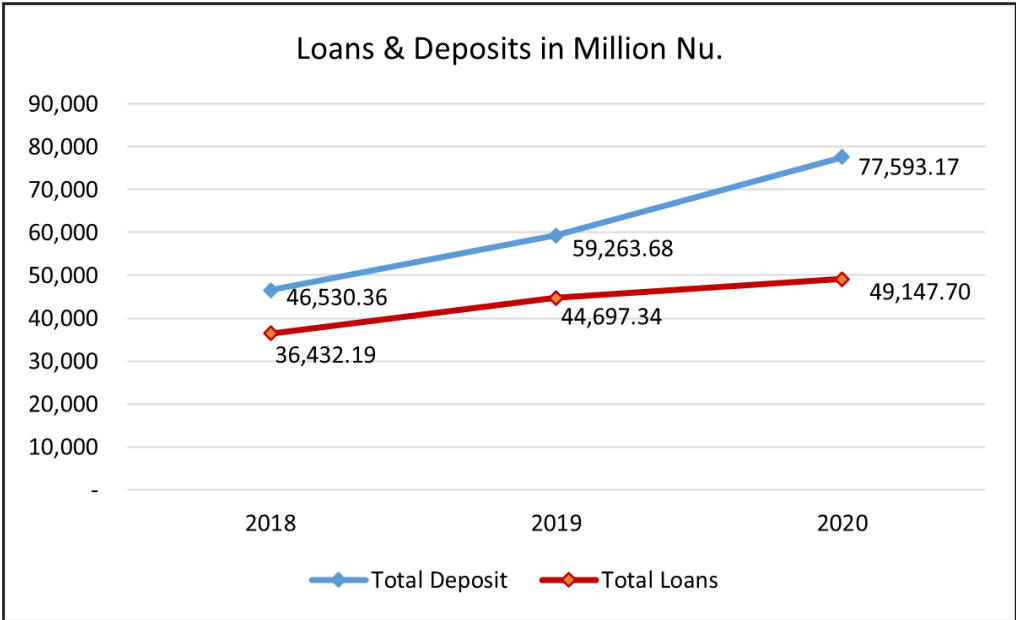
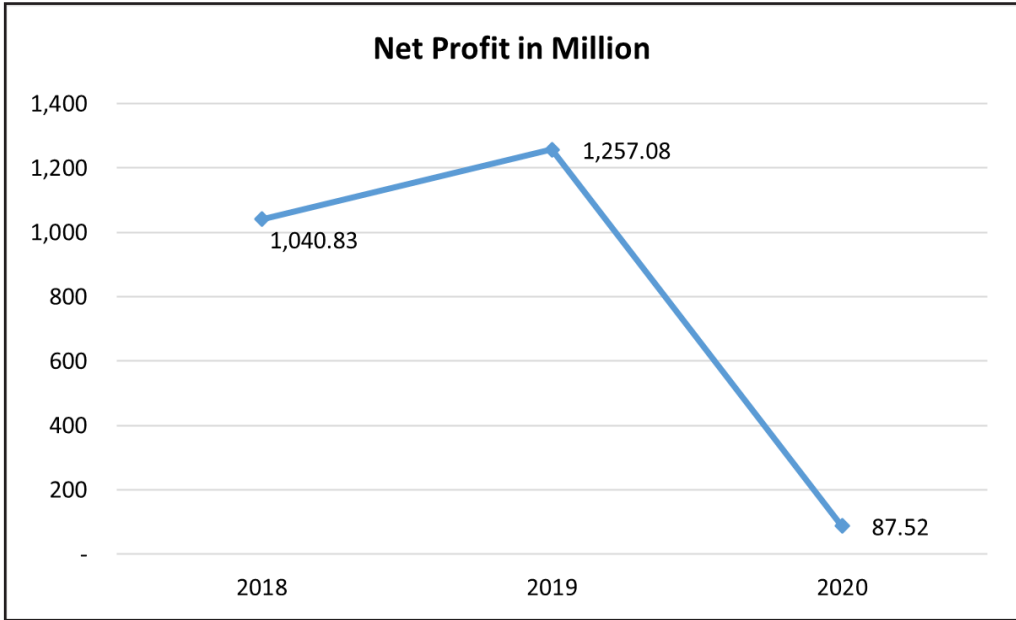
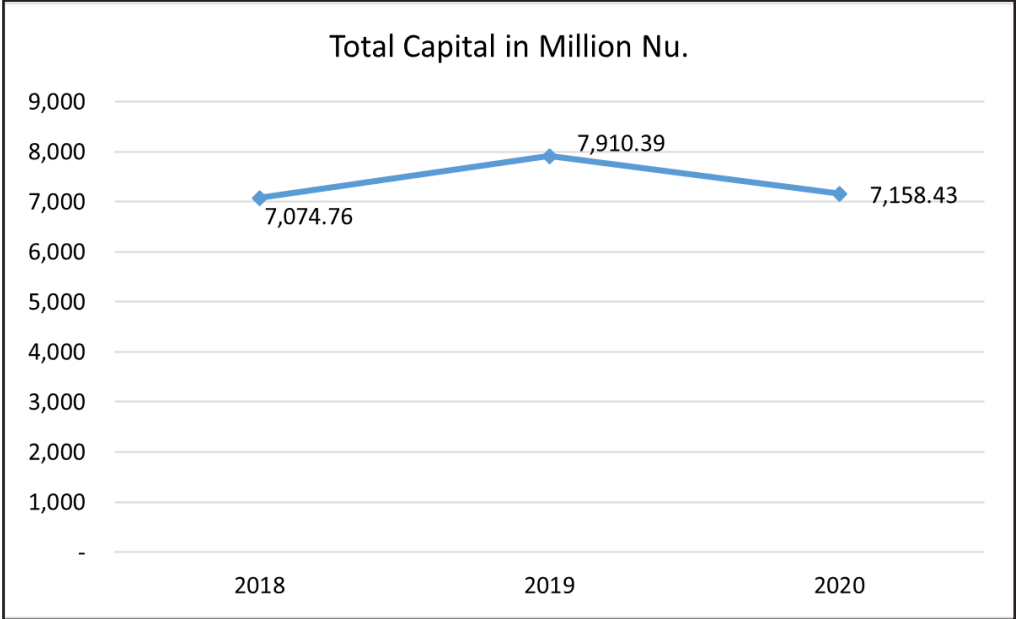
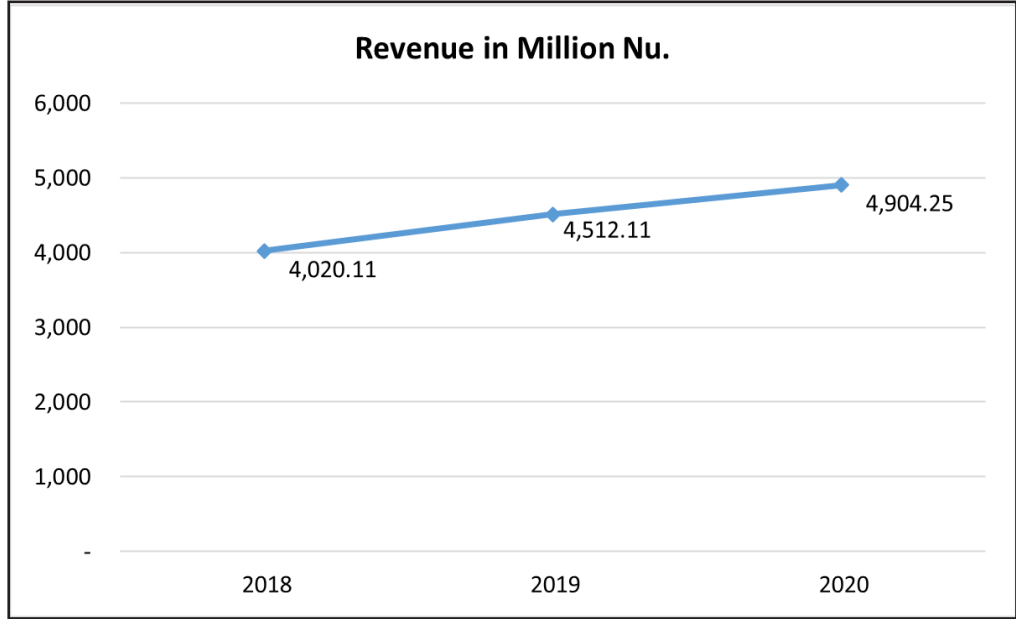
For excellence in a customer-friendly culture, diligent and courteous environment and superior performance.

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 Secretariat, 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 and retired from the civil service in 2005. Thereafter, he worked as a consultant with Ongdi Consulting Services for about a year before his appointment as the founding Chief Executive Officer of Druk Holding and Investments Limited in 2007. He currently serves on the Boards of The Royal Academy, The JSW School of Law, Thimphu Tech Park Limited and Bhutan Agro Industries Limited. He's a member of the National COVID-19 Taskforce.



Mr. Pemba Wangchuk is the Director General of Department of Traditional Medicine, Ministry of Health with over thirty 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 has also served as the Director General of Road Safety and Transport Authority under Ministry of Information and Communication and 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 Limited 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 Limited 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 Economics 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 at the School of Economics and Finance 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 within Bhutan and outside including the civil service, academia and private sector. Her recent works focuses on evaluation research and practice, organization development including theory of change. She also serves as the Chair to the Board of Evaluation Association of Bhutan, Boards of Community of Evaluator South Asia and the Centre for Research on Bhutanese Society. She is a member of various networks of evaluators in the region.



Mr. Kezang is the Country Director of the United Management & Consulting Group 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 and the Chief Executive Officer of the Institute for Management Studies Limited.



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) degree 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 Banking Department), **Mr. Tashi Tenzin** (Chief, Credit Department), **Mr. Namgay Wangchuk** (Chief, People & Culture Department), **Mr. Pasang Dorji** (Chief, Corporate Services Department), **Mr. Tenzin Dorji** (Chief, Banking Operations Department), **Mr. Dorji Wangchuk** (Chief, Information Technology Department), **Ms. Upahar Subedi** (Chief, Research & Policy Department), **Ms. Kritika Pradhan** (Chief, Digital Banking Department). Seated left to right - **Mr. Prem Bdr. Moktan** (Director, Credit), **Ms. Karma Dema** (Director, Operations), **Mr. Dorji Kadin** (Chief Executive Officer), **Mr. Tshering Tenzin** (Director, Corporate Affairs).

Mr. Dorji Kadin, Chief Executive Officer - Mr. Dorji Kadin has an MBA from the Asian Institute of Management, a Post Graduate Diploma in International Business from the Flinders University of South Australia, and a B. Com (Hons.) from Sherubtse College. He has worked for 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 the Bank of Bhutan in 1988 and has experience in various banking operations. She worked as Head, Credit Department and served as Chief Credit Officer before her appointment as Director, Operations in December 2016.

Mr. Tshering Tenzin, Director, Corporate Affairs - Mr. Tshering Tenzin has a Bachelor of Commerce (Honors) from Sherubtse College, Bachelor of Business from South Australia, and a CPA from CPA Australia. He was the Chief Executive Officer of Hiraoka Ventures Pvt. Ltd. and has over 24 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 the Department of Aid and Debt Management and Department of Public Accounts under the Ministry of Finance before joining Dungsam Cement Corporation Limited (DCCL) as the 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. Prem Bdr. Moktan, Director, Credit - Mr. Prem Bdr. Moktan has an MBA (Banking & Finance) from the University of Canberra, Australia, and B. Com (Hons.) from Sherubtse College. He is a Certified Trade Finance Professional (CTFP) certified by the International Chamber of Commerce (ICC) Academy and certified by CPA Canada with Advanced Certified Banking and Credit Analyst (CBCATM). He has worked 20 plus years in various business functions of the Bank of Bhutan. He worked as Chief, Financial Officer until he was appointed as the Director, Credit in March 2020.

Mr. Dorji Wangchuk, Chief, Information Technology Department - Mr. Dorji Wangchuk has a Bachelor's Degree in Commerce from St. Joseph College, North Point, Darjeeling, 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. Tenzin Dorji, Chief, Banking Operations Department - Mr. Tenzin Dorji has B. Com (Hons.) from Sherubtse College, Kanglung. He joined the 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 Officer in 2017.

Mr. Namgay Wangchuk, Chief, People & Culture Department - Mr. Namgay Wangchuk has a Master of Human Resource Management from Edith Cowen University, Western Australia, a Post-graduate Certificate in Development Management from the Royal Institute of Management, and a 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. He is a certified trainer for Search Inside Yourself (SIY), which is about skills on emotional intelligence and mindfulness.

Ms. Kritika Pradhan, Chief, Digital Banking Department - Ms. Kritika Pradhan has a Professional Master's degree in Banking and Finance from the 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 has worked as Head, Marketing & Customer Service and as Chief Credit Officer until she was appointed as Chief, Digital Banking Department in March 2020.

Ms. Kencho Pemo, Chief, Corporate Banking Department - Ms. Kencho Pemo has a Master's degree in Management from the 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 Banking Department in September 2018.

Ms. Upahar Subedi, Chief, Research & Policy Department - Ms. Upahar Subedi has a Masters in Business Administration from Symbiosis International University, India and a B. Sc (Hons) Computer Science from Sherubtse College. She joined the Bank in 2008 as Research Analyst and worked as Head, Planning & Monitoring until she was appointed as Chief, Research & Policy Department in March 2020.

Mr. Pasang Dorji, Chief, Corporate Services Department - Mr. Pasang Dorji has a Master's in Project Management from Curtin University, Western Australia, and a Bachelor of Technology (Civil Engineering) from the Indian Institute of Technology (IIT), Roorkee, India. He had worked for 21 years in the Ministry of Education. He joined the Bank in 2011 as Head, Real Estate Division and headed both Real Estate, Administration and Procurement Division of the Bank from 2017 until he was appointed as Chief, Corporate Services Department in March 2020.

Mr. Tashi Tenzin, Chief, Credit Department - Mr. Tashi Tenzin has a Professional Masters in Banking and Finance from the Asian Institute of Technology, Thailand, and B. Com (Gen) from St. Joseph's College, North Point, Darjeeling. He joined the Bank in 2006 as Credit Officer and then as Head, Credit until he was appointed as Chief, Credit Department in March 2020.

Director's 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 Director's Report for the year ending 2020.

Operational Highlights

The year 2020 was a tumultuous year with challenges that are unprecedented for not only the Bank and its stakeholders but for the Bhutanese economy as a whole due to the COVID - 19 pandemic. The country continues to deal with the economic downturn triggered by the impact of the COVID - 19 due to which the country's Gross Domestic Product experienced a negative growth of 6.8% in the year.

In order to alleviate the unprecedented economic difficulties of the people, His Majesty the King initiated the "Druk Gyalpo's Relief kidu" which continues to benefit thousands of people in Bhutan. Through His Majesty's Relief Kidu, the loan interest has been waived off since April of this year till March 2021, and at the same time deferred the loan payment from April 2020 to June, 2021.

The Bank during the year took steps to not only protect the health of its employees but also to provide continued essential banking services to the customers. The Bank implemented its Business Continuity Plan to ensure continuous service delivery to the customers. During the lockdown in the months of August 2020 and December 2020 which extended till January 31, 2021, the Bank continued to provide essential banking services to the customers based on the approval from the Dzongkhag and Thromde Task Forces. The Bank continued to promote and enhance its digital channels to its clients.

The Bank extensively promoted digital payments through its mBoB application and QR systems to provide ease of payments to its clients thereby promoting cashless transactions in the country. This initiative

triggered an increase of mBoB users from 72,371 in 2019 to 210,534 in 2020 and saw a drastic increase in transaction value of Nu. 122 billion in 2020 from Nu. 67 billion in 2019. This also led to an increase in the number of merchants using the National Quick Response (NQR) code from 2,907 in 2019 to 10,300 in 2020 facilitating payments of Nu. 4.48 billion.

During the year, BoB automated opening of Fixed and Recurring Deposit accounts through mBoB to encourage saving habits in the country. BoB in collaboration with Ministry of Finance and the Royal Monetary Authority of Bhutan launched the "National Credit Guarantee Scheme (NCGS)" to support and promote economic activities as part of its policy intervention in response to the COVID - 19 pandemic.

To increase reach across the country, BoB upgraded the Extension Branch to a full-fledged branch in Doksum, Trashiyangtse on 20th January. The Bank increased its Agency Banking services through its BoBConnect Agents from 381 in 2019 to 732 in 2020 to make banking more accessible and inclusive across the country. The Agency Banking facilitated a transaction of Nu. 4.25 billion in 2020.

The Bank also launched a new saving product - "Empower Saving" on 5th February. The Empower Saving product promotes cashless transaction and encourages customers to opt for digital banking through mBoB and internet banking.

To improve service reliability, BoB conducted two 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. The Bank continued to strengthen its Information Technology and Information Security related policies and processes besides maintaining a strong risk management practices in these changing times.

In terms of customer service, the customer satisfaction index of BoB has increased from 3.95 in 2019 to 3.98 in 2020. The complaint resolution rate within three working days was

maintained at 98.34 percent on an average throughout the year.

In terms of the Compact Plus (Annual Board - Management Compact), BoB has achieved a score of **93.72%**, and we hope that after the evaluation of the DHI Compact (Annual DHI - Board Compact), the scores will be as good.

Financial Position and Key Financial Performance Highlights

The financial statements for 2020 of the Bank have been prepared as per the Bhutan Accounting Standards (BAS).

In terms of financial performance, the year 2020 was a challenging year for the Bank.

The Bank registered a Net Profit of Nu. 87.52 million in the year 2020, against a Net Profit of Nu. 1,257.08 million in 2019. This reflected a decrease of 93% in Net Profit compared to 2019.

The loan portfolio has increased by 10% from Nu. 44.70 billion in 2019 to Nu. 49.15 billion in 2020. The non-performing assets increased from 3.61% in 2019 to 7.09% in 2020. The Bank has waived off an interest income of Nu. 496.97 million and an interest rebate of Nu. 7.58 million as part of the Monetary Relief Measures initiated by His Majesty the Druk Gyalpo.

Deposits from customers continued to grow and has increased from Nu. 59.24 billion in 2019 to Nu. 77.59 billion in 2020. This confirms the people's continued confidence and trust in the Bank. The increase in deposit resulted in the increase of interest expenses from Nu. 1,778.59 million in 2019 to Nu. 2,608.20 million in 2020.

The total capital and reserves of the Bank decreased by 9.51% in 2020, a decrease from Nu. 7,910.39 million in 2019 to Nu. 7,158.43 million in 2020, before declaring dividend.

Statutory Audit

M/s. Rinzing Financial Private Limited, a firm from Thimphu was appointed to audit the books of accounts of Bank of Bhutan for the financial year ended 2020 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. However, since 2020 was a year of crisis, the Board recommends retaining the profit of the year amounting to Nu. 87.52 million in order to build the reserve and the capital for absorption of future unanticipated disruptions in the business. This will reduce the burden on the shareholders of injecting additional capital.

Corporate Governance

The Bank is in adherence to the Corporate Governance Rules and Regulations (CGRR) 2020 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 Management 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

The 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, the 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 initiative carried out by the Bank in 2020 was the Blood donation campaign in collaboration with Ministry of Health.

Challenges and Way Forward

There will be significant challenges for the economy and the financial institutions in the coming year and regaining the momentum of economic growth and recovery may take some time. Under this circumstance, the Bank remains committed to the country and its customers in ensuring a seamless delivery of services and will participate in the relief activities to mitigate the impact of the COVID - 19 pandemic.

Given the increasing levels of Non-Performing Assets (NPA) in the financial institutions, there is concern on the economy in the coming year due to the COVID -19 disruptions. The management has been asked to closely monitor the loans and work on resolving the pending NPAs with the Royal Monetary Authority of Bhutan so that appropriate measures can be taken in case the situation deteriorates.

Technology has become a crucial part of the banking business in order to ensure that the banking activities are synchronized, updated, and secured in order to provide seamless, convenient and safe services to the customers. In order to improve the internal process and the digital infrastructure of the Bank, BoB hired international consultants to develop the "Digital Strategy" for the Bank which would be implemented in the coming years.

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, customers, investors, and well-wishers for their continued goodwill, patronage, and support.

Most importantly, the Board also conveys its sincere appreciation to the management of the Bank of Bhutan for its leadership over the year and to all the employees for their dedication, hard work and commitment to the Bank during this tumultuous period. The Board would like to particularly acknowledge the service rendered by the employees through its Branches in serving the nation during the time of crisis in the country through the two lockdowns.

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 2020, 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 2020.

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 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 2020

Name of Director	Category	Address	Date of Appointment (Present Term)	Current Term of the Board Director	No. of BM attended in 2020	No. of Directorship on other DHI Owned/ Controlled companies
Total Number of Board Meetings (BM) conducted in 2020					7	
Mr. Karma Yonten	Chairman Non-Independent Non-Executive	Office of Performance Management, HM's Secretariat	Appointed on 19th March 2019	First Term	7	Thimphu Tech Park Limited
Mr. Pemba Wangchuk	Board Director Non-Independent Non-Executive	Director General, Department of Traditional Medicine, MoH	Appointed on 19th June 2018	Second Term	5	None
Ms. Tashi Lhamo	Board Director Non-Independent Non-Executive	Director, Department of Finance, DHI	Appointed on 19th June 2018	Second Term	7	Druk Green Power Corporation Ltd.
Dr. Phuntsho Choden	Board Director Independent Non-Executive	Independent Consultant/ Researcher	Appointed on 19th March 2019	First Term	7	None
Mr. Kezang	Board Director Independent Non-Executive	Country Director, United Management & Consulting Group	Appointed on 14th October 2019	First Term	6	None
Mr. Dorji Kadin	Board Director CEO Executive Non-Independent	CEO, Bank of Bhutan Ltd.	Appointed on 01st April 2019	First Term	7	None
*SBI Nominee Director	Received the SBI nomination for the Director on the BoB Board in the month of October, 2019. However, the nomination process got delayed due to the COVID - 19 pandemic.					

Board Meetings

A total of seven Board Meetings were held in 2020. 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:

Board Meeting No.	Date	Members Present	Leave of Absence
263rd	19th February 2020	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Kezang
264th	27th March 2020	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Dr. Phuntsho Choden 4. Mr. Kezang 5. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
265th	24th April 2020	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Tshering Tenzin 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
266th	14th July 2020	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Dorji Kadin	None
267th	18th September 2020	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Kezang 6. Mr. Dorji Kadin	None
268th	13th October 2020	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Kezang 6. Mr. Dorji Kadin	None
269th	02nd December 2020	1. Mr. Karma Yonten 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Dr. Phuntsho Choden 5. Mr. Kezang 6. Mr. Dorji Kadin	None

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 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of four Board Governance Committee meetings were held in 2020.

Details of the BGC held in 2020 are as follows:

Name of Director	Category	No. of BGC Attended
Dr. Phuntsho Choden	Chairperson (Independent)	4
Mr. Pemba Wangchuk	Board Director	3
Mr. Kezang	Board Director (Independent)	3
Mr. Dorji Kadin	Board Director/ CEO	4

BGC No.	Dates	Members Present	Leave of Absence
42nd	24th January 2020	1. Dr. Phuntsho Choden 2. Mr. Kezang 3. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk
43rd	18th February 2020	1. Dr. Phuntsho Choden 2. Mr. Pemba Wangchuk 3. Ms. Tashi Lhamo 4. Mr. Dorji Kadin	1. Mr. Kezang
44th	14th July 2020	1. Dr. Phuntsho Choden 2. Mr. Pemba Wangchuk 3. Mr. Kezang 4. Mr. Dorji Kadin	None
45th	07th August 2020	1. Dr. Phuntsho Choden 2. Mr. Pemba Wangchuk 3. Mr. Kezang 4. Mr. Dorji Kadin	None

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 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of one Board Credit Committee meeting was held in 2020.

Details of the BCC held in 2020 are as follows:

Name of Director	Category	No. of BCC attended
Mr. Karma Yonten	Chairman	1
Ms. Tashi Lhamo	Board Director	1
Mr. Kezang	Board Director (Independent)	1
Mr. Dorji Kadin	Board Director/ CEO	1

BCC No.	Dates	Members Present	Leave of Absence
37th	9th October 2020	1. Mr. Karma Yonten 2. Ms. Tashi Lhamo 3. Mr. Kezang 4. 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 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of two Board Risk Management Committee meetings were held in 2020.

Details of the BRMC held in 2020 are as follows:

Name of Director	Category	No. of BRMC attended
Ms. Tashi Lhamo	Chairperson	2
Mr. Pemba Wangchuk	Board Director	Nil
Dr. Phuntsho Choden	Board Director (Independent)	2
Mr. Dorji Kadin	Board Director/ CEO	2

BRMC No.	Dates	Members Present	Leave of Absence
20th	3rd April 2020	1. Ms. Tashi Lhamo 2. Dr. Phuntsho Choden 3. Dorji Kadin	1. Mr. Pemba Wangchuk
21st	15th July 2020	1. Ms. Tashi Lhamo 2. Dr. Phuntsho Choden 3. Mr. Dorji Kadin	1. Mr. Pemba Wangchuk

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 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of four Board Audit Committee meetings were conducted in 2020

Details of the BAC held in 2020 are as follows:

Name of Director	Category	No. of BAC attended
Mr. Kezang	Chairperson (Independent)	3
Dr. Phuntsho Choden	Board Director (Independent)	4
Ms. Tashi Lhamo	Board Director	4

BAC No.	Dates	Members Present	Leave of Absence
65th	17th February 2020	1. Dr. Phuntsho Choden 2. Ms. Tashi Lhamo	1. Mr. Kezang
66th	08th May 2020	1. Mr. Kezang 2. Dr. Phuntsho Choden 3. Ms. Tashi Lhamo	None
67th	20th July 2020	1. Mr. Kezang 2. Dr. Phuntsho Choden 3. Ms. Tashi Lhamo	None
68th	18th December 2020	1. Mr. Kezang 2. Dr. Phuntsho Choden 3. Ms. Tashi Lhamo	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 261st Board meeting held on 30th October 2019 with the appointment of new Board Directors. A total of one Board Project Steering Committee meeting for Thimphu Corporate Office was held in 2020.

Details of the Board PSC- TCO held in 2020 are as follows:

Name of Director	Category	No. of Board PSC-TCO
Mr. Pemba Wangchuk	Chairperson	1
Ms. Tashi Lhamo	Board Director	1
Mr. Dorji Kadin	Board Director/ CEO	1

Board PSC-TCO No.	Dates	Members Present	Leave of Absence
16th	20th July 2020	1. Mr. Pemba Wangchuk 2. Ms. Tashi Lhamo 3. 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 2020:

Sl. No.	Particulars	For the year ended 31.12.2020
1.2	Mr. Dorji Kadin, Chief Executive Officer (01.01.2020 to 31.12.2020)	
a	Salary	1,227,000.00
b	Allowance	1,287,000.00
c	Bonus	322,718.87
d	Encashment	100,000.00
e	Contribution to Provident Fund	183,380.00
f	Sitting fees	104,000.00
	TOTAL	3,224,098.87
2	Sitting fees paid to other Directors	444,000.00

Annual General Meeting:

The 53rd Annual General Meeting (AGM) was held on 31st March 2021 at the Conference Hall of the Druk Holding & Investments Limited's office in Thimphu and the AGM was attended by the shareholders, Board Directors and the key members of the management team.

Risk Management Systems:

The Risk Management Framework of BoB 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

Report on the Audit of the Financial Statements

To the Members of the Bank of Bhutan Limited:

Opinion

We have audited the financial statements of Bank of Bhutan Limited ("Bank" or "BoBL"), which comprise the Statement of Financial Position as at December 31, 2020, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the Matter was addressed
<p>Impairment of Loans and Advances to Customers</p> <p>The assessment of impairment of loans and advances to customers involves significant judgment. The Bank adopts an individual impairment assessment approach for individually significant loans; and a collective impairment assessment approach for loans not individually significant or not individually impaired. Under the collective approach, assessment of future cash flows for loan portfolios is based on historical loss experience of loans with similar credit risk characteristics, with adjustments based on the impact from changes of and uncertainties in the macro-economic environment. The future cash flows for loans without collateral or guarantees, or loans that are not adequately collateralized, are subject to higher uncertainties.</p> <p>Since loan impairment assessment involves judgment and assumptions, and in view of the significance of the amount (as at December 31, 2020, loans and advances to customers amounted to Nu. 47,483 million, representing 54% of total asset), it is considered a Key Audit Matter in our audit.</p>	<p>Our Audit Procedure:</p> <p>We evaluated and tested the effectiveness of the design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment, including testing of relevant data quality and information systems. We adopted a combination of risk-based and random sampling approach in our loan review procedures. We assessed the borrowers' repayment capacity taking into account the impacts of COVID-19 and evaluated the Bank's loan classification, taking into consideration post-lending investigation reports, borrowers' financial information, collateral valuation reports and other available information.</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 loan impairment process followed by Bank were found to be adequate and reliable considering the materiality of transactions and the observations.</p>

T.S.

Fair Value measurement of Financial Instruments:

(Refer to Note 4.14 to the financial statements)

Fair value of financial assets and financial liabilities are measured using valuation techniques including the Adjusted Net Asset Method where the financial instruments are not quoted in active markets. The inputs to these models are taken from observable markets where possible. However, where this is not feasible, a degree of judgment is required in establishing fair values. This especially pertains to investments in non-listed private companies. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility that involve a high degree of estimation and judgment and could affect the reported fair value of the financial instruments.

Our Audit Procedure:

The Bank has carried out the valuation of its financial instruments per their policy which is consistent with prior years. Fair value estimation for their investments in unlisted companies was based on recent financial data received from the underlying investments.

We reviewed the valuation methodology of all of the Bank's financial instruments including a review of the controls over adjustments to mitigate model limitations and assumptions and made some recommendations to make the valuation policy more robust especially around the valuation of unlisted companies.

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.

T.S.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Our responsibilities are to:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures,

and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.

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

Report on Other Legal and Regulatory Requirements

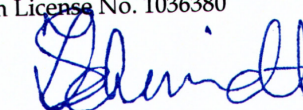
As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

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

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Bank insofar as it appears from our examination of those books;
- c. The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

Based on the information, explanations and management representations received during the course of our audit, the Bank has complied with other legal and regulatory requirements to the extent applicable to the Bank.

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt Audit Partner
CPA License No. 34762

Date: March 30, 2021
Place: Thimphu, Bhutan



Report on Minimum Audit Examination Requirements

1. The Bank fulfilled all matters specified in clause A except those pertaining to manufacturing activities and relative procurements, sales, marketing, etc.

2. Adequate documents and records have been maintained for loans and advances with timely entries.

3. Proper records of transactions and contracts have been maintained with timely entries in the books.

4. On the basis of verification of records, information and explanations given to us, we noted that reasonable records have been maintained for the funds collected from the depositors and interest payments.

5. On basis of the verification of records, information and explanations given to us, we noted no permanent diminutions during the current year.

6. The financial statements prepared are in accordance in Bhutanese Accounting Standards.

7. On the basis of verification of records, information and explanations given to us, non-performing assets were noted and the requirements relating to provisioning have been complied with during the current year.

8. On the basis of verification of records, information and explanations given to us, the Bank has assets hypothecated against loans.

9. On the basis of verification of records, information and explanations given to us, the Bank has a system of monitoring projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.

10. On the basis of verification of records, information and explanations given to us, disposed assets are sold through open/sealed bids.

11. On the basis of records, information and explanations given to us, we noted few instances of re-phasing/rescheduling of loans.

12. On the basis of records, information and explanations given to us, we noted no additional loans granted to those who have defaulted on payments of previous advances.

13. On the basis of records, information and explanations given to us, we noted few write-off of loans during the year.

Computerized Accounting Environment

1. During the course of our audit, we have neither come across nor have been informed of any failure or major weakness in the organizational and system development controls and other internal controls relative to size and nature of the computer installation.

2. According to information and explanation given to us, the Bank has adequate safeguard measures and back up facilities.

3. Based on the information and explanations given to us, the Bank has set up an offsite facility with Bhutan Telecom to store and back up files as a disaster recovery measure.

4. According to information and explanation given to us, the operational controls are adequate to ensure correctness and validity of input data and output information.

5. The Bank has adequate measures to prevent unauthorized access to the computer installation and files.

6. Based on the information and explanations given to us, the Bank manages to ensure that the new system are effectively managed to ensure completeness and integrity of data as well as smooth operation of the system during data migration.

Going Concern Problem

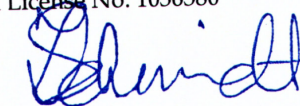
The Bank has been making adequate profits in the past years and the financial position as

on the date of this report is healthy. There are no potential going concern problems for the Bank as of the date of the audit report.

Adherence to Laws, Rules and Regulations

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

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt Audit Partner
CPA License No. 34762

Date: March 30, 2021
Place: Thimphu, Bhutan



FINANCIAL STATEMENTS

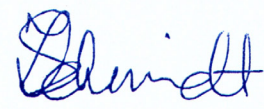
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Amount in Nu.)

ASSETS	Note No.	December 31, 2020	December 31, 2019
Cash and Cash Equivalents	5.1	3,609,845,434.02	2,962,591,202.70
Balances with Central Bank	5.2	28,400,237,730.08	10,547,832,781.82
Placements with other Banks	5.3	1,828,976,800.00	4,462,406,350.00
Loans & Advances to Customers	5.4	47,482,630,031.17	43,790,038,014.27
Financial Investments			
- Held to Maturity	5.5	3,565,825,528.95	5,570,901,301.56
- Available for sale	5.6	352,012,297.00	424,129,307.00
Investments in Associates	5.7	48,672,180.00	43,551,180.00
Other Financial Assets	5.8	311,027,800.34	325,406,072.01
Other Assets	5.9	241,630,976.54	199,058,269.00
Property, Plant & Equipment	5.10	450,067,048.78	357,780,446.56
Intangible Assets	5.11	210,601,120.65	165,240,513.47
Capital Work-in-Progress	5.12	684,819,395.67	700,025,489.07
TOTAL ASSETS		87,186,346,343.05	69,548,960,927.46
LIABILITIES			
Due to Banks	5.13	25,387,554.27	26,774,191.45
Due to Customers	5.14	77,593,172,444.84	59,236,907,657.12
Current Tax Liabilities	5.15	(48,046,219.44)	288,580,285.14
Other Financial Liabilities	5.16	1,550,527,375.95	1,255,743,531.92
Provision for Liabilities & Charges	5.17	13,100,194.95	12,015,690.85
Retirement Benefit Obligations	5.18	218,638,407.00	206,177,920.00
Other Liabilities	5.19	594,491,181.95	550,651,408.16
Deferred Tax Liabilities	5.20	80,647,182.59	61,724,493.59
TOTAL LIABILITIES		80,027,918,122.11	61,638,575,178.23
EQUITY			
Share Capital	5.21	3,000,000,000.00	3,000,000,000.00
Reserve Fund	5.22	2,189,684,368.40	2,167,805,168.84
Exchange Fluctuation Reserve	5.22	292,253,233.84	256,931,397.83
Retained Earnings	5.22	1,731,430,600.71	2,483,607,324.04
Other Comprehensive gain/loss	5.22	(54,939,981.48)	2,041,858.52
TOTAL EQUITY		7,158,428,221.47	7,910,385,749.23
TOTAL LIABILITIES & EQUITY		87,186,346,343.05	69,548,960,927.46
Contingent liabilities	5.23	674,088,374.51	1,332,489,598.28
Bills for Collection	5.24	8,805,332.20	1,509,065.00
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.

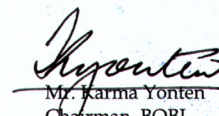
For Rinzing Financial Private Limited:



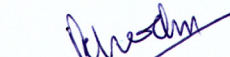
Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 30, 2021
Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
Chairman, BOBL



Dr. Phuntshe Choden
Chairperson, Board Audit Committee,
BOBL



Mr. Dorji Kadin
Chief Executive Officer & Director,
BOBL

T.S.

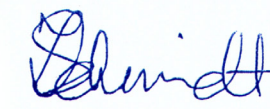
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

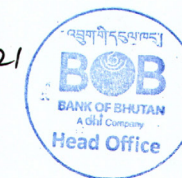
Particulars	Note No.	December 31, 2020	December 31, 2019
Interest Income	6.1	4,326,684,483.39	4,015,561,581.77
Interest Expenses	6.2	(3,112,363,030.37)	(1,778,590,226.99)
NET INTEREST INCOME		1,214,321,453.02	2,236,971,354.78
Fees & Commission Income	6.3	346,143,857.36	346,148,793.55
Fees & Commission Expense	6.4	(80,807,554.25)	(112,074,419.02)
Net Gains from Trading of Foreign Exchange	6.5	141,287,344.04	81,295,468.86
Other Operating Income	6.6	90,129,639.87	69,107,544.45
NET NON-INTEREST INCOME		496,753,287.02	384,477,387.84
TOTAL OPERATING INCOME		1,711,074,740.04	2,621,448,742.62
Staff Costs	6.7	(542,280,595.11)	(472,610,253.00)
Premises Costs	6.8	(66,807,513.07)	(92,435,342.58)
General Administrative Expenses	6.9	(216,270,899.75)	(149,881,520.27)
Depreciation on Property, plant & equipment	6.10	(47,237,317.50)	(45,884,062.73)
Amortization of Intangible Assets	6.11	(35,212,032.47)	(31,789,692.80)
Impairment reversal on loans and advances	5.4 & 6.14	(679,115,498.88)	(33,742,674.07)
TOTAL OPERATING EXPENSES/(LOSS)		(1,586,923,856.78)	(826,343,545.45)
PROFIT BEFORE TAXATION		124,150,883.26	1,795,105,197.17
Tax Expenses	6.12		
- Current tax		(17,711,396.00)	(534,920,471.97)
- Current tax - earlier year's		-	-
- Deferred tax		(18,922,689.00)	(3,102,807.52)
NET PROFIT FOR THE YEAR		87,516,798.26	1,257,081,917.68
Other Comprehensive Income- Items that will not be reclassified to P&L			
Actuarial (Loss) on Retirement Benefits		10,014,170.00	(49,889,380.00)
Net Gains from Financial Instruments designated at Fair Value through OCI		(66,996,010.00)	87,003,658.21
Other Comprehensive Income Before Tax		(56,981,840.00)	37,114,278.21
Tax impact on Other Comprehensive Income	6.12	-	14,966,814.00
Other Comprehensive Income, net of Tax		(56,981,840.00)	52,081,092.21
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		30,534,958.26	1,309,163,009.89
Basic & Diluted Earnings Per Share	6.13	2.92	41.90

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

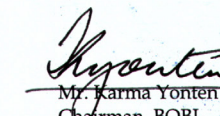
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 30, 2021
Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
Chairman, BOBL



Dr. Phuntshe Choden
Chairperson, Board Audit Committee,
BOBL



Mr. Dorji Kadin
Chief Executive Officer & Director,
BOBL

T.S.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

Particulars	Share Capital	Reserve Fund	Exchange Fluctuation Reserve	Retained Earnings	Other Comprehensive Income / (loss)	Total
As at January 01, 2019	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
Profit for the year	-	-	-	87,516,798.26	-	87,516,798.26
Exchange Fluctuation Adjustment	-	-	-	(142,547,735.82)	-	(142,547,735.82)
Refund on interest on loans	-	-	-	(2,573,366.34)	-	(2,573,366.34)
Dividends Paid	-	-	-	(637,371,384.32)	-	(637,371,384.32)
Transfer From Other Comprehensive Income	-	-	-	-	(56,981,840.00)	(56,981,840.00)
Transfer to Reserve Fund	-	21,879,199.56	-	(21,879,199.56)	-	-
Transfer to Exchange Fluctuation Reserve	-	-	35,321,836.01	(35,321,836.01)	-	-
As at December 31, 2020	3,000,000,000.00	2,189,684,368.40	292,253,233.84	1,731,430,600.71	(54,939,981.48)	7,158,428,221.47

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

For Rinzing Financial Private Limited:

T. Schmidt
 Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: March 30, 2021
 Place: Thimphu, Bhutan



For Bank of Bhutan Limited:

Karma Yonten
 Mr. Karma Yonten
 Chairman, BOBL
Phuntshe Choden
 Dr. Phuntshe Choden
 Chairperson, Board Audit Committee, BOBL
Dorji Kadin
 Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL

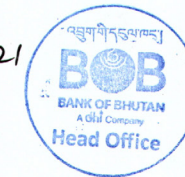


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Particulars	December 31, 2020	December 31, 2019
Cash flows from operating activities (indirect method)		
Profit Before Taxation	124,150,883.26	1,795,105,197.17
Adjustments for:		
Depreciation	82,449,349.97	77,673,755.53
Loss on sale of PPE	-	-
Interest expense	-	-
Cash from Operations before working capital changes	206,600,233.23	1,872,778,952.70
Increase in trade and other receivables	(1,070,038,715.22)	(11,891,889,432.79)
Increase in payables	9,889,899,357.76	8,876,592,759.55
Cash generated from operations	9,026,460,875.77	(1,142,517,720.56)
Interest paid	-	-
Dividends paid	(637,371,384.32)	(473,540,316.84)
Income taxes paid	(36,634,085.00)	(538,023,279.49)
Net cash from operating activities	8,352,455,406.45	(2,154,081,316.88)
Cash flows from investing activities		
Purchase of PPE	(204,890,465.95)	(541,334,115.52)
Net cash used in investing activities	(204,890,465.95)	(541,334,115.52)
Cash flows from financing activities		
Other adjustment from Retained Earnings	(145,121,102.13)	-
Proceeds from issue of share capital	-	-
Proceeds from long-term borrowings	8,442,461,746.15	4,076,857,563.65
Payments of finance lease liabilities	-	-
Net cash from financing activities	8,297,340,644.02	4,076,857,563.65
Net increase in cash and cash equivalents	16,444,905,584.52	1,381,442,131.73
Cash and cash equivalents at the beginning of period	12,242,688,477.76	10,861,246,346.03
Cash and cash equivalents at the end of period	28,687,594,062.28	12,242,688,477.76

For Rinzing Financial Private Limited:

T. Schmidt
 Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: March 30, 2021
 Place: Thimphu, Bhutan



For Bank of Bhutan Limited:

Karma Yonten
 Mr. Karma Yonten
 Chairman, BOBL
Phuntshe Choden
 Dr. Phuntshe Choden
 Chairperson, Board Audit Committee, BOBL
Dorji Kadin
 Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. General Information

- a. Bank of Bhutan Limited (“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 in Thimphu, Bhutan.
- b. 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).
- c. The financial statements of the Bank for the year ended December 31, 2020 were authorized for issue in accordance with the resolution of the Board of Directors dated March 26, 2021.

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

a. These financial statements are the general-purpose financial statements that have been prepared in accordance with and to comply with the Bhutanese Accounting Standards (BAS), the Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 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.

b. The financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis

except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Bank's accounting policies and if the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates, the differences between the actual results and the estimates are recognised in the period in which the results are known/ materialised. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 above.

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

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

On other tangible assets

- i. Depreciation is provided on pro rata basis on the straight-line method to allocate the cost, net of residual value over the estimated useful lives of the assets.
- ii. Where a significant component (in terms of cost) of an asset has an estimated economic useful life shorter than that of its corresponding asset, the component is depreciated over its shorter life.
- iii. Useful life of assets is determined by the management based on the internal technical assessments as follows: The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and/or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.
- iv. The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed-off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

4.6 Intangible assets

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

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

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

Asset	Useful Life (No. of years)
Software	7

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

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

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

4.7 Cash and cash equivalents

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

4.8 Customer Deposits

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

4.9 Income Tax

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

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities and assets are recognized for all taxable temporary differences except when the deferred income tax liability or asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Bank intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

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

4.10 Employee benefits

a. Short Term Employee Benefits

All Employee benefits payable within twelve months of rendering the services are classified as short-term benefits. Such benefits include salaries and allowances, performance-based incentive and

performance based variable allowance, etc., and the same are in the Statement of Comprehensive Income in the period in which the employee renders the related services.

b. Other Long-Term Benefit

The liability towards encashment of the employees' long term compensated absences, which are partly 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.

4.11 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.

4.12 Revenue recognition

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

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

i. Interest income

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

ii. Other Income

- 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.
- Dividend income on investments is recognized when the right to receive dividend is established.
- Interest income on investment is recognized on time proportion basis taking into account the amount outstanding and applicable interest rates

4.13 Mandatory Cash Reserve with RMA

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

4.14 Financial Instruments

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

(i) Financial Assets

a. Initial recognition and measurement

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

b. Classification and subsequent measurement

For the purpose of subsequent measurement,

financial assets are classified in the following categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- Financial assets measured at fair value through profit and loss (FVTPL)

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

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

1. Financial assets measured at amortized cost:

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

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium

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

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

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

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

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

3. Financial instruments measured at Fair Value Through Profit and Loss (FVTPL)

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

c. Impairment of financial assets

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

d. De-recognition of financial assets

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

- a. The rights to receive cash flows from the asset have been expired/transferred, or
- b. The Bank retains the contractual right to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients. Where the Bank has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the Bank has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized.

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

(ii) Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BAS 39 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in Other Comprehensive Income. These gains/ losses are not subsequently transferred to the Statement of Comprehensive Income. However, the Bank may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of comprehensive income. The Bank has not designated any financial liability as at fair value through the Statement of Comprehensive Income.

Borrowings and Deposits

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

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

Financial Guarantee Contract

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

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Comprehensive Income.

(iii) Off-setting of financial instruments:

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

4.15 Impairment of Non-Financial Assets

The Bank assesses, at each reporting date, using external and internal sources, whether there is an indication that a non-financial asset may be impaired and also whether there is an indication of reversal of impairment

loss recognised in the previous period/s. If any indication exists, or when annual impairment testing for an asset is required, the Bank determines the recoverable amount and impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The recoverable amount is determined:

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

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

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

4.16 Earnings Per share

The Bank presents the basic and diluted EPS data for its ordinary shares. Basic and diluted

EPS are computed by dividing the profit after tax for the year attributable to the ordinary shareholders of the Bank by the number of ordinary shares outstanding during the year.

4.17 Dividend Distribution

Dividend on ordinary shares is recognized as a liability and deducted from equity when it is approved by the Shareholders of the Bank. Interim Dividend is deducted from equity

when it is declared. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

4.18 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, 2020

NOTE 5.1 - CASH AND CASH EQUIVALENTS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
CASH IN HAND		
- Local Currency	1,288,483,990.45	938,195,076.51
- Foreign Currency	48,617,639.16	37,792,165.30
Balances in Current Accounts		
- Local Banks	200,000.00	16,493,197.18
- Foreign Banks (Refer Note 7.3.a)	2,272,543,804.41	1,970,110,763.71
TOTAL	3,609,845,434.02	2,962,591,202.70

NOTE 5.2 - BALANCES WITH CENTRAL BANK

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Balances with Royal Monetary Authority (RMA)		
- Cash Reserve	5,151,465,901.82	5,730,141,856.76
- Current Account (Refer Note 7.3.a)	23,248,771,828.26	4,817,690,925.06
TOTAL	28,400,237,730.08	10,547,832,781.82

NOTE 5.3 - PLACEMENTS WITH OTHER BANKS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
On Deposit Accounts		
- Local Banks	1,600,000,000.00	3,750,000,000.00
- Foreign Banks (Refer note 7.4)	228,976,800.00	712,406,350.00
TOTAL	1,828,976,800.00	4,462,406,350.00

NOTE 5.4 - LOANS & ADVANCES TO CUSTOMERS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Gross Loans & Advances	49,147,702,619.33	44,697,336,248.93
Less: Interest in Suspense	(205,369,393.31)	(98,227,815.71)
Less: Fair Value adjustment of Staff loans	-	(10,663,165.18)
Gross Loans & Advances after adjustment	48,942,333,226.02	44,588,445,268.04
Less: Allowance for Impairment Loss		
- Individually assessed*	128,761,911.53	127,368,222.25
- Collectively assessed	1,339,746,615.52	672,548,096.52
Total Allowance for Impairment Loss	1,468,508,527.05	799,916,318.77
Net Loans & Advances	47,473,824,698.97	43,788,528,949.27
Bills discounted & purchased	8,805,332.20	1,509,065.00
TOTAL	47,482,630,031.17	43,790,038,014.27

*Individually assessed includes additional provision (Letter of credit Nu.3,761,991.03 & bank Guarantee Nu.2,978,892.71) for 2020

Particulars	December 31, 2020	December 31, 2019
a. Current portion	6,542,514,728.88	5,854,256,586.95
b. Non-Current portion	40,940,115,302.29	37,935,781,427.32
TOTAL	47,482,630,031.17	43,790,038,014.27

Particulars of Advances	December 31, 2020	December 31, 2019
i Debts considered good in respect of which Bank is fully secured	43,387,893,843.53	39,005,856,643.54
ii Debts considered good for which Bank holds no other security than the Debtor's personal security	5,275,425,120.96	5,013,485,453.87
iii Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors	484,383,654.84	677,994,151.52
TOTAL	49,147,702,619.33	44,697,336,248.93
iv Debts due by directors, managers or officers of Bank or any of them either severally or jointly with any other person	428,023,265.34	471,308,737.98
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
v Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members	1,098,971,081.35	983,838,461.20
vi Maximum amount of advances, including temporary advances outstanding during the year to the companies or firms in which directors of Bank are interested as directors, partners or members	1,083,853,946.10	983,110,081.54

NOTE 5.5 - FINANCIAL INVESTMENTS - HELD TO MATURITY

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Bonds - Fully Paid Up - Listed		
1,314,917 (Previous Year: 1,414,917) Bonds of Dungsam Cement Corporation Limited of Face Value of Nu. 1,000 each	1,314,917,000.00	1,314,917,000.00
157,550 (Previous Year: 157,550) Bonds of Royal Insurance Corporation of Bhutan Limited of Face Value of Nu. 1,000 each	157,550,000.00	157,550,000.00
102,270 (Previous Year: 102,270) Bonds of Tashi Air Limited of Face Value of Nu. 1,000 each	102,270,000.00	102,270,000.00
Bonds & Treasury Bills - Fully paid up - Unlisted		
3,000,000 (Previous Year: 3,000,000) Bonds of Bhutan Telecom Limited of Face Value of Nu. 100 each	-	300,000,000.00
DHI Seed Fund	5,541,428.95	7,999,201.56
RGoB Bond	987,999,000.00	-
Royal Monetary Authority (RMA) Treasury Bill	997,548,100.00	3,688,165,100.00
TOTAL	3,565,825,528.95	5,570,901,301.56

NOTE 5.6 - FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
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	24,136,000.00	30,911,320.00
1,584,500 (Previous Year: 1,584,500) Equity Shares of Bhutan Carbide & Chemicals Limited of Face Value of Nu. 10 each	76,087,690.00	102,596,375.00
503,800 (Previous Year: 503,800) Equity Shares of Bhutan Ferro Alloys Limited of Face Value of Nu. 10 each	59,816,174.00	59,816,174.00
37,950 (Previous Year: 37,950) Equity Shares of Penden Cement Authority Limited of Face Value of Nu. 10 each	4,633,695.00	4,648,875.00
1,182,720 (Previous Year: 1,182,720) Equity Shares of Druk Ferro Alloys Limited of Face Value of Nu. 10 each	69,780,480.00	86,338,560.00
1,270,440 (Previous Year: 1,270,440) Equity Shares of State Trading Corp. of Bhutan Limited of Face Value of Nu. 10 each	60,345,900.00	81,308,160.00
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	52,914,708.00	54,950,868.00
17,500 (Previous Year: 17,500) Equity Shares of Credit Information Bureau of Face Value of Nu. 100 each	4,297,650.00	3,558,975.00
TOTAL	352,012,297.00	424,129,307.00

Amount in Ngultrum

NOTE 5.8 - OTHER FINANCIAL ASSETS

Amount in Ngultrum

NOTE 5.9 - OTHER ASSETS

Amount in Ngultrum

NOTE 5.10 - PROPERTY, PLANT AND EQUIPMENT



Head Office

NOTE 5.11 - INTANGIBLE ASSETS

Amount in Ngultrum

Particulars	December 31, 2020
Gross Block	
Balance as at January 1, 2020	316,780,749.38
Additions	80,575,590.55
Deletions/Adjustments/Reclassification	(227,598.00)
Closing Balance as at December 31, 2020	397,128,741.93
Accumulated Amortization	
Balance as at January 1, 2020	(151,540,235.91)
Amortization for the year	(35,212,032.47)
Deletions/Adjustments/Reclassification	224,647.10
Balance as at December 31, 2020	(186,527,621.28)
Net Book Value as at December 31, 2020	210,601,120.65
Net Book Value as at January 01, 2020	165,240,513.47

NOTE 5.12 - CAPITAL WORK IN PROGRESS

Amount in Ngultrum

Particulars	December 31, 2020
Balance as at January 1, 2020	700,025,489.07
Additions	(15,206,093.32)
Adjustments/Capitalization during the year	-
Balance as at December 31, 2020	684,819,395.67
Net Book Value as at January 01, 2020	700,025,489.07

NOTE 5.13 - DUE TO BANKS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Current Deposits	25,387,554.27	26,774,191.45
TOTAL	25,387,554.27	26,774,191.45

NOTE 5.14 - DUE TO CUSTOMERS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
i. DEMAND DEPOSITS		
- Current Accounts	25,319,426,479.26	19,679,187,544.26
- Savings Bank Accounts	24,979,838,092.88	17,211,605,773.28
	50,299,264,572.14	36,890,793,317.54
ii. TERM DEPOSITS		
- Fixed Deposits (Net)	25,328,411,421.58	21,100,848,552.01
- Fixed Deposits	25,371,828,049.97	21,100,848,552.01
Less: Fair Value FD-Staff	(433,384.49)	-
Less: Fair Value FD-Public	(42,983,243.90)	-
-Recurring Deposits	1,965,496,451.12	1,245,265,787.57
	27,293,907,872.70	22,346,114,339.58
TOTAL	77,593,172,444.84	59,236,907,657.12
Particulars	December 31, 2020	December 31, 2019
a. Current portion	58,548,449,072.45	48,626,876,127.88
b. Non-Current portion	19,044,723,372.39	10,610,031,529.24
TOTAL	77,593,172,444.84	59,236,907,657.12

NOTE 5.15 - CURRENT TAX LIABILITIES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Income Tax Payable	26,940,044.92	532,285,114.87
Less: Advance Tax	(64,153,695.35)	(226,233,561.00)
Tax Deducted at Source (TDS)	(10,832,569.01)	(17,471,268.73)
TOTAL	(48,046,219.44)	288,580,285.14

NOTE 5.16 - OTHER FINANCIAL LIABILITIES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Interest Accrued & Due	1,491,901,357.75	1,143,585,326.17
Balances relating to Visa/Mastercard	1,839,044.06	66,688,659.81
Unearned Commission Income	56,786,974.14	45,469,545.94
TOTAL	1,550,527,375.95	1,255,743,531.92

NOTE 5.17 - PROVISION FOR LIABILITIES & CHARGES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Provision towards frauds/thefts	13,100,194.95	12,015,690.85
TOTAL	13,100,194.95	12,015,690.85

NOTE 5.18 - RETIREMENT BENEFIT OBLIGATIONS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Provisions for Employee Benefits:		
- Gratuity*	168,133,117.00	157,642,609.00
- Leave Encashment*	33,226,218.00	29,298,754.00
- Separation & Travel Allowance*	17,279,072.00	19,236,557.00
TOTAL	218,638,407.00	206,177,920.00
Particulars	December 31, 2020	December 31, 2019
a. Current portion	14,944,061.00	10,253,477.00
b. Non-Current portion	203,694,346.00	195,924,443.00
TOTAL	218,638,407.00	206,177,920.00

*Refer note 7.1

NOTE 5.19 - OTHER LIABILITIES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Drafts & Cash Warrants issued & outstanding	277,490,787.81	308,640,429.85
Others (including provisions for operating expenses)	317,000,394.14	242,010,978.31
TOTAL	594,491,181.95	550,651,408.16

NOTE 5.20 - DEFERRED TAX LIABILITIES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Deferred Tax Liabilities (net)	80,647,182.59	61,724,493.59
TOTAL	80,647,182.59	61,724,493.59

NOTE 5.21 - SHARE CAPITAL**Amount in Ngultrum**

Particulars	December 31, 2020	December 31, 2019
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**

Name of equity shareholder	December 31, 2020		December 31, 2019	
	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**

Name of equity shareholder	December 31, 2020		December 31, 2019	
	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**

Particulars	December 31, 2020	December 31, 2019
Reserve Fund		
Opening Balance	2,167,805,168.84	1,853,534,689.42
Add: Transfer from Retained Earnings	21,879,199.56	314,270,479.42
	2,189,684,368.40	2,167,805,168.84
Exchange Fluctuation Reserve		
Opening Balance	256,931,397.83	236,607,530.61
Add: Transfer from Retained Earnings	35,321,836.01	20,323,867.22
	292,253,233.84	256,931,397.83
Retained Earnings		
Opening Balance	2,483,607,324.04	2,034,660,069.84
Less: Exchange fluctuation adjustment	(142,547,735.82)	-
Less: Refund of Interest on Loans	(2,573,366.34)	
Less: Dividend Paid	(637,371,384.32)	(473,540,316.84)
Less: Transfer to Reserve Fund	(21,879,199.56)	(314,270,479.42)
Less: Transfer to Exchange Fluctuation Reserve	(35,321,836.01)	(20,323,867.22)
Add: Profit for the year	87,516,798.26	1,257,081,917.68

	1,731,430,600.71	2,483,607,324.04
Other Comprehensive Income/(Loss)		
Opening Balance	2,041,858.52	(50,039,233.69)
Add: Other Comprehensive Income	(56,981,840.00)	52,081,092.21
	(54,939,981.48)	2,041,858.52
TOTAL	4,158,428,221.47	4,910,385,749.23

NOTE 5.23 - CONTINGENT LIABILITIES**Amount in Ngultrum**

Particulars	December 31, 2020	December 31, 2019
Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	376,199,103.16	821,707,231.52
Guarantees Issued & Outstanding (Refer Note 7.8.a)	297,889,271.36	510,782,366.76
TOTAL	674,088,374.51	1,332,489,598.28

NOTE 5.24 - BILLS FOR COLLECTION**Amount in Ngultrum**

Particulars	December 31, 2020	December 31, 2019
Payable outside Bhutan	8,805,332.20	1,509,065.00
TOTAL	8,805,332.20	1,509,065.00

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

Particulars	December 31, 2020	December 31, 2019
On Customer Loans (Net of Interest Suspense)	3,977,176,511.18	3,591,168,796.73
On Bills Discounted & Purchased	114,170.00	80,330.00
On Investments	225,064,012.78	334,187,757.30
On Inter-Bank Deposits	124,329,789.43	90,124,697.74
TOTAL	4,326,684,483.39	4,015,561,581.77

NOTE 6.2 - INTEREST EXPENSES**Amount in Ngultrum**

Particulars	December 31, 2020	December 31, 2019
On Customer Deposits	2,608,200,200.32	1,778,590,226.99
CP Interest Expenses	504,162,830.05	-
On Inter-Bank Deposits	-	-
TOTAL	3,112,363,030.37	1,778,590,226.99

NOTE 6.3 - FEES & COMMISSION INCOME

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Commission	86,383,106.53	107,483,839.87
SB Maintenance Fee	42,290,648.92	31,977,640.51
Exchange - Fund Transfer/Drafts	58,866,725.01	59,062,952.75
Debit Card Issuance & Usage Fees	9,042,254.35	2,986,876.94
Visa/Master Card POS Acquiring Commission	1,250,686.76	19,342,382.17
Visa Debit Card ATM Charges	4,917,995.00	9,047,359.00
BFS ATM Interchange Fee Income	2,003,863.50	3,357,320.14
International ATM Access Fees	1,555,725.00	6,511,375.00
Income From Visa Credit Cards	5,457,077.01	3,340,525.74
Prepaid card Load/Reload Fee	1,538,350.00	3,656,488.00
M-BoB Service Charge/Commission	9,764,479.41	16,293,450.00
Electronic Wallet Transaction Commission	1,918,370.00	2,511,350.00
E-Acquiring Commission	11,865,067.50	23,516,049.35
Airtime Top Up Commission-BT	73,129,365.80	36,485,746.58
Airtime Top Up Commission-T-Cell	30,582,703.02	15,858,806.76
AMEX ATM Access Fee Acc	600.00	-
Other miscellaneous income	5,576,839.55	4,716,630.74
TOTAL	346,143,857.36	346,148,793.55

NOTE 6.4 - FEES & COMMISSION EXPENSES

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Visa & Master Card Fee	49,423,930.43	84,914,543.77
BFS Interchange Fee Expenses	9,908,560.00	14,029,993.69
BT Share on Bwallet Commission	1,405,132.00	1,795,677.00
Securities Trading Fee Expense	67,808.35	261,129.17
Chharo Expenses Account	607,958.92	908,398.35
Tshongdrel Ngotshab Comm. Payout Ac	7,620.00	248,865.00
Tshongdrel Ngotshab Bonus Payout Ac	-	90,000.00
Agency Banking Comm. Payout	19,042,499.70	9,825,812.04
BFS RuPay POS Reimbursement Debit Account	65.20	-
AMEX REG-FEE-CHARGES ACC	343,968.62	-
AMEX POS REIMBURSEMENT AC DR	5.30	-
AMEX ATM FCY LOSS ACC	1.20	-
AMEX POS FCY LOSS ACC	4.53	-
TOTAL	80,807,554.25	112,074,419.02

NOTE 6.5 - NET GAINS FROM TRADING OF FOREIGN EXCHANGE

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Gains on trading of Foreign Currency (net)	141,287,344.04	81,295,468.86
TOTAL	141,287,344.04	81,295,468.86

NOTE 6.6 - OTHER OPERATING INCOME

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Dividend on Equity Investments	3,088,380.00	24,288,724.00
Rental Income	9,444,602.95	4,657,968.41
Unwinding of discount on staff loans	-	6,710,725.45
Profit on sale of property, plant & equipment	57,035.71	609.34
Other Income including recoveries for charges	77,539,621.21	33,449,517.25
TOTAL	90,129,639.87	69,107,544.45

NOTE 6.7 - STAFF COSTS

Amount in Ngultrum

Particulars	December 31, 2020	December 31, 2019
Employee Salaries	259,754,806.36	194,759,325.95
Employee Allowances	151,976,123.75	124,057,797.06
Bank's Contribution to Employee Provident Fund	37,133,008.00	22,066,172.53
Leave Encashment (Refer note 7.1)	22,537,817.67	3,472,169.00
Medical Expenditure	437,467.00	260,366.00
Employee Bonus	-	39,010,410.79
Employee Gratuity (Refer note 7.1)	24,738,147.00	22,948,790.00
Leave Travel Concession	11,245,263.92	9,864,133.35
Staff Amenities	452,160.50	497,055.67
Uniform Expenses	95,000.00	960,799.00
Training Expenses	1,290,661.35	34,171,877.15
Separation Cost (including Travel Allowance) (Refer note 7.1)	3,197,822.00	3,680,542.00
Staff Relocation Expenses	1,877,910.36	943,251.44
Sports & Recreational Expenses	1,892,400.00	2,027,000.00
Prizes & Awards	52,000.00	199,000.00
BoB scholarship	14,932,088.38	13,691,563.06
FV-Staff Loan Cost	10,667,918.82	-
TOTAL	542,280,595.11	472,610,253.00

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

Particulars	December 31, 2020	December 31, 2019
Rent	21,531,521.27	27,140,447.06
Insurance - Building	254,161.33	230,773.58
Insurance - Office Equipment	810,853.01	830,716.96
Light & Fuel	6,338,261.18	4,398,660.89
Rates & Taxes	554,749.63	292,832.65
Water & Sewerage	325,211.00	146,773.75
Repairs & Maintenance - Building	810,753.00	791,224.06
Repairs & Maintenance - Vehicle	754,963.98	980,696.08
Repairs & Maintenance - Furniture & Fixtures	39,925.00	139,676.49
Repairs & Maintenance - Equipment & Machineries	155,900.00	207,288.08
AMC- Computers, Equipment and Machineries and Softwares	-	22,232,292.95
ATM Expenses	4,161,010.49	6,541,054.84
Housekeeping	4,847,341.13	2,734,951.25
Fuel & Lubricants	1,170,413.29	1,688,757.94
Security Expenses	25,052,448.76	24,079,196.00
TOTAL	66,807,513.07	92,435,342.58

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

Particulars	December 31, 2020	December 31, 2019
Travelling Expenses	2,223,150.61	13,377,144.14
Directors' Sitting Fees	650,000.00	904,000.00
Postage & Stamps	30,155,791.11	30,998,658.66
Audit Fees	275,000.00	275,625.00
Audit Expenses	281,998.00	1,240,126.64
Annual Maintenance Charges - Computers, Equipment and Machineries and Software	57,399,312.02	25,789,342.93
Stationery, Printing, Advertisement etc	26,841,997.12	26,804,514.42
Charity and Donations	80,000.00	318,000.00
Property, plant & equipment written off	1,390,643.64	647,741.12
Golden Jubilee Celebration	-	563,259.00
Brand & management fees	18,534,951.77	15,577,267.28
Other Miscellaneous Expenditure	78,438,055.48	33,385,841.08
TOTAL	216,270,899.75	149,881,520.27

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

Particulars	December 31, 2020	December 31, 2019
On Vehicles	3,864,733.29	4,084,016.60
On Furniture & Fixtures	1,940,480.90	3,312,085.46
On Office Equipments & Machineries	19,181,327.56	17,476,515.08
On Computer & IT Equipment	16,754,059.25	17,261,407.06
On Buildings & Civil structures	5,496,716.50	3,750,038.53
TOTAL	47,237,317.50	45,884,062.73

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

Particulars	December 31, 2020	December 31, 2019
On Software	35,212,032.47	31,789,692.80
TOTAL	35,212,032.47	31,789,692.80

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

Particulars	December 31, 2020	December 31, 2019
Current Income Tax		
Current tax	17,711,396.00	534,920,471.97
Current tax - earlier year's	-	-
Deferred tax	18,922,689.00	3,102,807.52
Tax on Items of Other Comprehensive Income		
Tax Impact on Other Comprehensive Income	-	(14,966,814.00)
TOTAL	36,634,085.00	523,056,465.48

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

Particulars	December 31, 2020	December 31, 2019
Profit after Tax	87,516,798.26	1,257,081,917.68
Weighted average number of Ordinary Shares in issue	30,000,000.00	30,000,000.00
Basic and Diluted Earnings per Share	2.92	41.90

NOTE 6.14 - OTHER IMPAIRMENT LOSS PROVISION**Amount in Ngultrum**

Particulars	December 31, 2020	December 31, 2019
Other Impairment loss Provision (Tashi Air Bond)	10,523,290.60	-
Basic and Diluted Earnings per Share	10,523,290.60	-

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

7.1 Employee Benefits

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

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

Particulars	Gratuity		Leave Encashment	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Present Value of obligation at the beginning of year	157,642,609.00	112,172,280.00	29,298,754.00	27,012,970.00
Interest cost	12,312,447.00	8,618,176.00	855,072.00	1,186,385.00
Past Service Cost		1,772,256.00		-
Current Service Cost	12,425,700.00	12,558,358.00	3,927,464.00	2,285,784.00
Benefit Paid	(7,474,055.00)	(8,890,148.00)	(18,610,353.67)	(12,183,153.00)
Net actuarial Loss on obligation	(6,773,584.00)	31,411,687.00	17,755,281.67	10,996,768.00
Present value of the defined benefit at the end of year	168,133,117.00	157,642,609.00	33,226,218.00	29,298,754.00
Current Liability	10,361,335.00	6,813,437.00	1,854,430.00	2,675,185.00
Non-current Liability	157,771,782.00	150,829,172.00	31,371,788.00	26,623,569.00

Particulars	Separation and Travel Allowance	
	December 31, 2020	December 31, 2019
Present Value of obligation at the beginning of year	19,236,557.00	13,109,920.00
Interest cost	1,462,336.00	780,270.00
Current Service Cost	1,735,486.00	2,900,272.00
Benefit Paid	(1,914,721.00)	(5,034,830.00)
Net actuarial Loss on obligation	(3,240,586.00)	7,480,925.00
Present value of the defined benefit at the end of year	17,279,072.00	19,236,557.00
Current Liability	2,728,296.00	764,855.00
Non-current Liability	14,550,776.00	18,471,702.00

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

Particulars	Gratuity		Leave Encashment	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Interest cost	12,312,447.00	8,618,176.00	855,072.00	1,186,385.00
Current Service Cost	12,425,700.00	12,558,358.00	3,927,464.00	2,285,784.00
Past Service Cost		1,772,256.00		
Net actuarial Loss recognized in the year	(6,773,584.00)	31,411,687.00		10,996,768.00
Expenses recognized in Statement of Comprehensive Income	24,738,147.00	22,948,790.00	22,537,817.67	3,472,169.00

Particulars	Separation and Travel Allowance	
	December 31, 2020	December 31, 2019
Interest cost	1,462,336.00	780,270.00
Current Service Cost	1,735,486.00	2,900,272.00
Net actuarial Loss recognized in the year	(3,240,586.00)	7,480,925.00
Expenses recognized in Statement of Comprehensive Income	3,197,822.00	3,680,542.00

iii. Year-end Expected Benefit Payments

Particulars	Amount in (Nu.)
31-Dec-21 (Retirement Benefit Obligations – Current)	16,139,585.00
31-Dec-22	15,319,268.00
31-Dec-23	24,337,434.00
31-Dec-24	24,723,396.00
31-Dec-25	31,048,769.00
31-Dec-26 to 31-Dec-30	167,110,367.00

iv. Sensitivity Analysis

a. Gratuity

Particulars	December 31, 2020	December 31, 2019
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(8,566,718.00)	(7,109,286.00)
Effect on DBO due to 0.5% decrease in Discount Rate	9,323,660.00	7,700,214.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	9,896,006.00	8,228,445.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(9,154,319.00)	(7,651,563.00)

b. Leave Encashment

Particulars	December 31, 2020	December 31, 2019
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(1,908,288.00)	(1,516,520.00)
Effect on DBO due to 0.5% decrease in Discount Rate	2,102,665.00	1,666,413.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	2,222,016.00	1,770,954.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(2,030,105.00)	(1,623,190.00)

c. Separation and Travel allowance

Particulars	December 31, 2020	December 31, 2019
i) Discount Rate		
Discount Rate as at Year end	8.00%	8.00%
Effect on DBO due to 0.5% increase in Discount Rate	(820,394.00)	(709,163.00)
Effect on DBO due to 0.5% decrease in Discount Rate	891,281.00	766,435.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at Year end	6.00%	6.00%
Effect on DBO due to 0.5% increase in Salary Escalation Rate	949,935.00	834,844.00
Effect on DBO due to 0.5% decrease in Salary Escalation Rate	(880,570.00)	(778,782.00)

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, 2020, 24,000,000 equity shares (80%) are held by M/s Druk Holding and Investments Limited (DHI). The entire share capital of DHI is held by the Ministry of Finance, Royal

Government of Bhutan. The Bank considers that for the purpose of BAS 24, Related Party Disclosures, the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

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

Related Party Disclosure as on December 31, 2020

Sl. No	Name of Primary Party	Relationship	Nature of Transaction with related Party	Amount Outstanding as of December 31, 2020	Transaction during the year
1	Royal Government of Bhutan	Ultimate Holding	Investment in RGoB Bond	-	Nu. 987,999,000.00
2	Druk Holding and Investment Limited	Holding Company	Payment of Brand & Management Fee	-	Nu. 18,534,951.77
			Payment of Dividend	-	Nu. 509,897,107.45
3	Bhutan Board Products Limited	Fellow Subsidiary Company	WCL - Manufacturing & Industry	10,000,000.00	Total Debit Nu. 21,040,028.82 & Total Credit Nu. 33,658,828.03
4	Bhutan Telecom Limited	Fellow Subsidiary Company	Service Loan	166,160,522.88	Total Credit of Nu.3,547,445.50 & Total Debit of Nu. 1,945,271.99
5	Druk Green Power Corporation Ltd	Fellow Subsidiary Company	Service Loan	697,610,995.66	Total Debit of Nu. 7,767,966.92&Credit of Nu. 5,857,811.12
6	Bhutan Carbide and Chemical	BoBL Share-holding	WCL - Manufacturing & Industry	160,000,000.00	Total Credit Nu. 72,569,232.50& Total Debit of Nu. 66,784,786.16
			Industrial Loan (Covid Loan)	64,170,824.64	Total Credit of Nu. 529,356.38& Total Debit of Nu. 532,501.94
			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. 572,196,778.95 & Total Debit of Nu. 566,117,483.55
8	Dungsam Cement Corporation Ltd	Fellow Subsidiary Company	Industrial Loan	578,347,760.59	Total Credit of Nu. 5,472,058.80 & Total Debit of Nu. 7,256,425.80
			Industrial Loan (Covid Loan)	614,053,333.44	Total Credit of Nil & Total Debit of Nu. 614,053,333.44
			Bank Guarantee	1,804,500.00	Three BG issued for Nu.601,500.00, Nu. 601,500.00 & Nu. 601,500.00

9	Dungsam Polymers Ltd	Fellow Subsidiary Company	WCL, Manufacturing/ Industrial Loan	13,400,000.00	Total Debit of Nu. 24,067,763.59 & Total Credit of Nu. 25,531,085.26
			Industrial Loan (Covid Loan)	7,817,580.82	Total Credit of Nil & Total Debit of Nu. 64,732.67
			Service Loan	4,115,321.98	Total Credit of Nu. 152,146.47 & Total Debit of Nu. 54,549.89
			Service loan	92,493,473.40	Total Debit of Nu. 1,225,120.18 & Total Credit Nu. 3,138,199.97
			WCL - Service	150,000,000.00	Total Credit of Nu. 371,487,514.39 & Total Debit of Nu. 453,681,509.05
			Bank Guarantee	6,092,782.80	4 Number of Bank Guarantee Issued for Nu. 1,346.00, Nu. 991,436.80, Nu. 5,000,000.00 & Nu. 100,000.00
11	Thimphu Techpark Ltd.	Fellow Subsidiary	Service Loan	10,279,457.15	Total Credit of Nu. 1,575,475.22 & Total Debit of Nu. 156,284.02
12	Bhutan Power Corporation Limited	Fellow Subsidiary Company	WCL - Service	500,000,000.00	Total Credit of Nu. 235,856,793.10 & Total Debit of Nu. 235,201,299.69
			WCL - Service	227,300,000.00	Total Credit of Nu. 122,100,991.80 & Total Debit of Nu. 147,802,664.49
13	Azista Bhutan Healthcare Ltd	Fellow Subsidiary Company	Industrial Loan	185,082,680.01	Total Credit of Nu. 1,287,396.95 & Total Debit of Nu. 2,141,333.63
			WCL - Manufacturing	37,500,000.00	Total Credit of Nu. 37,495.00 & Total Debit of Nu. 14,757,949.01
14	Natural Resources Development Corporation Limited	Fellow Subsidiary Company	WCL - Manufacturing	60,000,000.00	Total Credit of Nil & Total Debit of Nu. 20,957,720.21
15	Druk Air Corporation	Fellow Subsidiary Company	WCL-Service & Tourism (Covid Loan)	1,020,640,000.00	Total Credit of Nu. 150.00 & Total Debit of Nu. 157,386,590.45
			Service Loan (Covid Loan)	234,916,689.18	Total Credit of Nil & Total Debit of Nu. 1,914,999.84
16	Penden Cement Authority Limited	Fellow Subsidiary Company	Bank Guarantee	2,012,400.00	Three BG issued for Nu. 670,800.00, Nu. 670,800.00 & Nu. 670,800.00
17	Dasho Pemba Wangchuk	Director	Housing Loan	7,615,228.79	Total Credit of Nu. 233,128.99 & Total Debit of Nu. 113,391.06
18	Karma Yonten	Director	Housing Loan	9,617,189.23	Total Credit of Nu. 106,740.71 & Total Debit of Nu. 141,547.45
19	Tashi Choden	Guaranteed Loan by Director - Karma Yonten	Housing Loan	5,571,969.65	Total Credit of Nu. 55,329.27 & Total Debit of Nu. 73,371.41
20	Dr. Phuntsho Choden	Director	Housing Loan	2,773,163.9	Total Credit of Nu. 85,160.32 & Total Debit of Nu. 36,886.40
21	Kezang	Independent Director	Transport	696,281.47	Total Credit of Nu. 8,164.08 & Total Debit of Nu. 10,826.28

22	Tashi Pem	Spouse of Independent Director	Consumer Loan	398,457.37	Total Credit of Nu. 4,211.76 & Total Debit of Nu. 5,585.16
			Education	2,722,000.21	Total Credit of Nu. 27,029.15 & Total Debit of Nu. 35,842.99
			Education	1,315,094.42	Total Credit of Nu. 27,029.15 & Total Debit of Nu. 35,842.99

All transactions between the Bank and above related parties fall under “Related Party Transactions”. However, all transactions in 2020 have been carried out at an “arms-length” and no benefit has accrued to either party as a result of the relationship.

Key Management Personnel (‘KMP’)

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

Summary of the compensation paid to KMPs are given below:

(Amount in Nu.)

Sl. No.	Particulars	December 31, 2020	December 31, 2019
a.	Remuneration, Allowances, etc. paid to Chief Executive Officer:		
i.	Salary, Allowances, bonus and Encashment of leave	2,936,718.87	2,223,777.00
ii.	Contribution to Provident Fund	183,380.00	124,324.00
iii.	Sitting fee	104,000.00	104,000.00
	TOTAL	3,224,098.87	2,452,101.00
b.	Sitting Fees paid to other Directors	444,000.00	768,000.00

7.3 Confirmation / Reconciliation

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

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	238,572,143.96	398,914,373.91
Nostro Accounts (21 Accounts (including FCY accounts))	Various Foreign Banks	158,288,644.85	269,955,688.84
Global Interchange for Financial Transactions (GIFT) Account (Nostro Statement Balance - GL Balance)	Royal Monetary Authority	5,892,319.43 (Net Credit)	

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

7.4 Assets under Lien

Balances in the Placements with Other Banks (Note 5.3) include USD 3.120 million equivalent to Nu. 228,976,800.00 (Previous Year: USD 9.970 million equivalent to Nu. 712,406,350.00), which is under lien with Standard Chartered Bank, Singapore and Commerzbank, Germany respectively with respect to Letters of Credit issued by the Bank and confirmed by Standard Chartered Bank and Commerzbank.

7.5 Fair Value Measurement of Equity Investments

(i) Fair value hierarchy

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

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

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

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

changes in the financial health of the unlisted companies. Hence, it is imperative that the bank uses data for valuation closest to the valuation/reporting date.

(ii) Valuation technique used to determine fair value

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

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

Financial assets at fair value - recurring fair value measurements

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

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

Significant estimates

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

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

	(Amount in Nu.)		
	LEVEL I	LEVEL II	LEVEL III
As at December 31, 2020			
Investments available for sale (Quoted shares)	294,799,939.00	-	-
Investments (Unquoted Shares)	-	-	105,884,538.00
As at 31st December, 2019			
Investments available for sale (Quoted shares)	365,619,464.00	-	-
Investments (Unquoted Shares)	-	-	102,061,023.00

7.6 Consolidation of Accounts

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

7.7 Capital Commitments

The Bank has capital commitments of Nu. 76,966,045.13 which comprises of Nu. 62,060,000 for TCO and Nu. 14,906,045.13 for other assets purchase as at December 31, 2020 (Nu. 215,050,000.00 as at December 31, 2019), on account of capital expenditures for the construction of the Bank's Corporate Office in Thimphu.

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 up to the financial year 2019. The assessment report for the income year 2018 and 2019 is due from the DRC as on this reporting date.

7.9 Current and Non-Current Classifications

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

(Amount in Nu.)

Particulars	December 31, 2020	December 31, 2019
Current Assets		
Cash and Cash Equivalents	3,609,845,434.02	2,962,591,202.70
Balances with Central Bank	28,400,237,730.08	10,547,832,781.82
Placements with other Banks	1,828,976,800.00	4,462,406,350.00
Loans & Advances to Customers	6,542,514,728.88	5,854,256,586.95
Financial Investments - Held to Maturity	997,548,100.00	3,688,165,100.00
Other Financial Assets	311,027,800.34	325,406,072.01
Other Assets	241,630,976.54	199,058,269.00
Total Current Assets	41,931,781,569.86	28,039,716,362.48
Non-Current Assets		
Loans & Advances to Customers	40,940,115,302.29	37,935,781,427.32
Financial Investments - Held to Maturity	2,568,277,428.95	1,882,736,201.56
Financial Investments - Available for sale	352,012,297.00	424,129,307.00
Investments in Associates	48,672,180.00	43,551,180.00
Property, Plant & Equipment	450,067,048.78	357,780,446.56
Intangible Assets	210,601,120.65	165,240,513.47
Capital Work-in-Progress	684,819,395.67	700,025,489.07
Total Non-Current Assets	45,254,564,773.34	41,509,244,564.98
TOTAL ASSETS	87,186,346,343.20	69,548,960,927.46

(Amount in Nu.)

Particulars	December 31, 2020	December 31, 2019
Current Liabilities		
Due to Banks	25,387,554.27	26,774,191.45
Due to Customers	58,548,449,072.45	48,626,876,127.88
Current Tax Liabilities	(48,046,219.44)	288,580,285.14
Other Financial Liabilities	1,550,527,375.95	1,255,743,531.92
Provision for Liabilities & Charges	13,100,194.95	12,015,690.85
Retirement Benefit Obligations	14,944,061.00	10,253,477.00
Other Liabilities	594,491,181.95	550,651,408.16
Deferred Tax Liabilities	80,647,182.59	61,724,493.59
Total Current Liabilities	60,779,500,403.72	50,832,619,205.99
Non-Current Liabilities		
Due to Customers	19,044,723,372.39	10,610,031,529.24
Retirement Benefit Obligations	203,694,346.00	195,924,443.00
Total Non-Current Liabilities	19,248,417,718.39	10,805,955,972.24
TOTAL LIABILITIES	80,027,918,122.11	61,638,575,178.23
EQUITY		
Share Capital	3,000,000,000.00	3,000,000,000.00
Reserve Fund	2,189,684,368.40	2,167,805,168.84
Exchange Fluctuation Reserve	292,253,233.84	256,931,397.83
Retained Earnings	1,731,430,600.71	2,483,607,324.04
Other Comprehensive loss	(54,939,981.48)	2,041,858.52
TOTAL EQUITY	7,158,428,221.45	7,910,385,749.23
TOTAL LIABILITIES & EQUITY	87,186,346,343.56	69,548,960,927.46

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, 2020 have a value equal to the amount at which they are stated therein.

7.11 Disclosures

a. Abandoned Property

As per Section 245 of the Financial Services Act of Bhutan, 2011, Notwithstanding anything contained in any other law, any money or articles shall be deemed to be abandoned property in terms of this Section

if the owner fails to claim the money or the articles within a stipulated period of time as may be prescribed in the regulations by the Authority.

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

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

(Amount in Nu.)

Category	December 31, 2020	December 31, 2019
Unclaimed Cash Warrants	6,918,693.61	6,902,962.63
Unclaimed Drafts	8,588,310.04	11,262,986.04
Unclaimed Term Deposits	20,052.60	20,052.60
Other Unclaimed Balances	56,623,224.42	3,797,215.69
TOTAL	72,150,280.67	21,983,216.96

b. Deferred Taxation

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

deferred tax assets are the amount of income taxes recoverable in future periods in respect of deductible temporary differences.

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

(Amount in Nu.)

Particulars	December 31, 2020
Deferred tax assets:	
Deferred tax asset to be recovered after more than 12 months	-
Deferred tax asset to be recovered within 12 months	-
Total Deferred tax assets	-
Deferred tax liabilities:	
Deferred tax liabilities to be recovered after more than 12 months	61,724,493.59
Deferred tax liabilities to be recovered within 12 months	18,922,689.00
Total Deferred tax liabilities	80,647,182.59
Deferred tax assets / (liabilities) (net)	80,647,182.59

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

(Amount in Nu.)

Particulars	December 31, 2020
At January 1, 2020	-
Charged (credited) to the income statement	18,922,689.00
Charged (credited) to other comprehensive income	-
Charged (credited) directly to equity	-
Acquisition of subsidiary	
Exchange differences	
At December 31, 2020	18,922,689.00

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

(Amount in Nu.)

Deferred tax liabilities	Depreciation	Fair Value Gains	Convertible bond	Investment in subsidiaries, associates, joint ventures	Total
At January 1, 2020					-
Charged (credited) to the income statement	7,953,610.40	55,122,020.96	-	-	63,075,631.36
Charged (credited) to other comprehensive income	-	-	-	-	-
Charged (credited) directly to equity	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
Exchange differences	-	-	-	-	-
At 31 December	7,953,610.40	55,122,020.96			63,075,631.36

c. Impact of COVID-19 Pandemic

Bhutan's economy has been severely affected by COVID-19 and the subsequent broader closure to contain the domestic outbreak of the pandemic. The Government outlined the comprehensive national response to COVID-19 in the form of fiscal Stimulus package and Monetary measures to boost the economy. The Bank has implemented the following policy intervention in line with the RMA's overall monetary relief measures.

- Financed concessional interest rate of 5% p.a for import of essential commodities amounting to Nu. 195.07 million; short-term working capital financing for tourism related businesses amounting to Nu. 514.30 million; and term based working capital financing to manufacturing industries for import of raw materials amounting to Nu. 463.52 million;
- Deferment of loan repayment from April 2020 to June 2021;

iii. Interest waiver on all loans amounting to Nu. 496.58 million; and

iv. Extension of gestation period for project under construction.

d. Current Income Tax

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

The current income tax expenses calculation is in below table:

(Amount in Nu.)

Current Tax	December 31, 2020
Current tax on profits for the year	17,711,396.00
Adjustment in respect of prior years	-
Total current tax	17,711,396.00

(Amount in Nu.)

Deferred Tax	December 31, 2020
Origination and reversal of temporary differences	18,922,689.00
Impact of changes in tax rates	-
Total deferred tax	18,922,689.00
Income Tax Expense for the Year	36,634,085.00

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 stage 2 and stage 3 as per the Incurred Loss Model as below.

Classifications	31.12.2020	31.12.2019
Stage 2	91,523,769.00	40,164,112.80
Stage 3	1,248,222,846.52	632,383,983.72
TOTAL	1,339,746,615.52	672,548,096.52
Individual Impairment	128,761,911.53	127,368,222.25
TOTAL PROVISION	1,468,508,527.05	799,916,318.77

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.

- 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.
- 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:

- Overall Corporate strategy;
- Risk Management strategy;
- 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:

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

of the risk inherent in the Bank's business and operations;

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

Types of risks covered under ICAAP policy are:

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

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

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

Reporting & Monitoring

The Bank has number of templates, models, matrices and other statistics calculation, for assisting and assessing whether outcomes are consistent with the Bank's risk appetite. Performance against these thresholds and tolerance is tracked and reported to the Risk Management Committee on a regular basis. Reporting systems are maintained to provide

assurance that the risk appetite is effectively incorporated into management decisions. Feedback on the implementation of the various policies and models are provided through the Risk Management Committee.

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

Disclosures required as per Macro-prudential rules and regulations

Item 1: Tier 1 Capital and Its Sub-components

Sl. No	Particulars	December 31, 2020	December 31, 2019
1.	Total Tier 1 Capital	6,866,174,987.14	6,728,924,921.83
a.	Paid-Up Capital	3,000,000,000.00	3,000,000,000.00
b.	General Reserves (After profit appropriation)	2,189,684,368.40	2,167,805,168.84
c.	Share Premium Account	-	-
d.	Retained Earnings	1,731,430,600.24	1,561,119,752.99
	Less:-	-	-
e.	Losses for the Current Year (other Comprehensive Loss)	(54,939,981.50)	-
f.	Buyback of FI's own shares	-	-
g.	Holdings of Tier 1 instruments issued by FIs	-	-

Item 2: Tier 2 Capital and Its Sub-components

Sl. No	Particulars	December 31, 2020	December 31, 2019
1.	Tier II Capital	292,253,233.84	1,181,460,827.39
a.	Capital Reserve	-	-
b.	Fixed Asset Revaluation Reserve	-	-
c.	Exchange Fluctuation Reserve (After Profit Appropriation)	292,253,233.84	256,931,397.83
d.	Investment Fluctuation Reserve	-	-
e.	Research & Development Reserve	-	-
f.	General Provision	-	-
g.	Capital Grants	-	-
h.	Subordinated Debt	-	-
i.	Profit for the Year (After trf to Exchange Fluctuation reserve & General Reserve)	-	924,529,429.56

Item 3: Risk Weighted Assets

Sl. No	Assets	Risk Weight %	December 31, 2020		December 31, 2019	
			Balance Sheet Amount*	Risk Component	Balance Sheet Amount#	Risk Component
1.	Zero-Risk Weighted Assets	0%	31,875,320,826.07	-	15,211,985,123.63	-
2.	20% Risk Weighted Assets	20%	4,923,042,096.21	984,608,419.24	7,206,354,951.90	1,441,270,990.38
3.	50% Risk Weighted Assets	50%	499,136,937.15	249,568,468.58	565,571,560.55	282,785,780.28
4.	100% Risk Weighted Assets	100%	48,651,962,108.92	48,651,962,108.92	47,137,084,235.27	47,137,084,235.27
5.	150% Risk Weighted Assets	150%	1,910,972,749.37	2,866,459,124.05	760,454,654.59	1,140,681,981.89
6.	200% Risk Weighted Assets	200%	-	-	-	-
7.	250% Risk Weighted Assets	250%	-	-	-	-
8.	300% Risk Weighted Assets	300%	-	-	-	-
Grand Totals			87,860,434,717.72	52,752,598,120.79	70,881,450,525.95	50,001,822,987.81

* includes total assets of Nu. 87,186,346,343.21 and Contingent Liabilities of Nu. 674,088,374.51

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

Item 4: Capital Adequacy Ratios

Sl. No	Particulars	December 31, 2020	December 31, 2019
1.	Tier 1 Capital	6,866,174,987.14	6,728,924,921.83
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	292,253,233.84	1,181,460,827.39
3.	Total qualifying Capital	7,158,428,220.98	7,910,385,749.22
4.	Core CAR	12.21%	13.46%
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	3,458,909,110.49	3,076,240,704.14
6.	CAR	12.73%	14.90%
7.	Leverage Ratio	7.81%	9.49%

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

Sl. No	Sector	December 31, 2020		December 31, 2019	
		Total Loans*	NPL	Total Loans#	NPL
a.	Agriculture	212,638,569.28	22,870,760.11	211,766,020.93	12,748,697.46
b.	Manufacturing/Industry	5,424,876,149.33	112,794,548.08	4,449,685,036.21	26,120,420.23
c.	Service & Tourism	12,930,882,163.25	277,488,043.74	12,197,658,795.86	30,902,442.90
d.	Trade & Commerce	2,760,330,059.20	758,341,139.96	2,753,158,596.19	296,043,387.13
e.	Housing	15,536,832,839.73	1,088,428,861.87	14,221,677,516.20	668,111,825.28
f.	Transport	1,780,856,945.33	783,598,495.13	1,885,365,003.85	454,266,840.84
g.	Loans to Purchase Securities	296,725,257.40	667,084.46	297,994,103.97	528,903.13
h.	Personal Loan	783,398,602.37	207,008,207.30	844,381,350.93	172,385,974.13
i.	Education Loan	686,500,996.90	92,623,824.88	711,652,394.31	77,196,886.26
j.	Loan against Term Deposits	166,739,477.16	2,884,302.05	346,575,982.40	-
k.	Loans to FI (s)	3,436,084.98	-	3,436,084.98	-
l.	Infrastructure Loans	-	-	-	-
m.	Staff Loans (incentives)	336,772,263.69	4,293,379.47	374,244,700.91	16,378,781.04
n.	Loans to Govt Owned Corporation	3,309,998,142.91	-	1,771,807,402.05	-
o.	Consumer Loan (GE)	4,926,520,400.00	162,550,714.72	4,629,442,325.14	124,793,415.42
TOTAL		49,156,507,951.53	3,513,549,361.77	44,698,845,313.93	1,879,477,573.82

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

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

T.S.

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

Sl. No	Counter Party	December 31, 2020	December 31, 2019
1.	Overdrafts	7,053,701,248.91	6,701,186,226.84
a.	Government	-	-
b.	Government Corporations	893,462,255.05	147,150,427.65
c.	Public Companies	524,694,369.65	427,298,758.16
d.	Private Companies	4,981,270,312.71	5,442,930,650.16
e.	Individuals	650,838,226.52	680,370,305.89
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	3,436,084.98	3,436,084.98
2.	Term Loans	42,087,978,343.57	37,979,513,776.01
a.	Government	-	-
b.	Government Corporations	2,416,535,887.86	1,624,656,974.40
c.	Public Companies	408,156,103.66	343,399,401.75
d.	Private Companies	13,185,041,718.56	11,081,157,822.21
e.	Individuals	26,078,244,633.49	24,930,299,577.65
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
7.	TOTAL	49,141,679,592.48	44,680,700,002.85
	Credit Cards	6,023,026.85	16,636,246.08
	Gross Loans and Advances	49,147,702,619.33	44,697,336,248.93
	Bills	8,805,332.20	1,509,065.00
	Total Loan Outstanding	49,156,507,951.53	44,698,845,313.93

T.S.

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

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

December 31, 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



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

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



December 31, 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	185,027,400.17	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

T.S.



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

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

T.S.



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

December 31, 2019	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	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	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	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	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)	(14,257,626,351.41)	-



T.S.

Item 10: Non performing Loans and Provisions

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

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

As at December 31, 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%



T.S.

Item 11: Assets and Investments (Amount in Nu.)			
Sl. No	Investment	December 31, 2020	December 31, 2019
1.	Marketable Securities (Interest Earning)		
a.	RMA Securities	997,548,100.00	3,688,165,100.00
b.	RGOB Bonds/Securities	987,999,000.00	
c.	Corporate Bonds	1,580,278,428.95	1,882,736,201.56
d.	Others	-	-
	Sub-Total	3,565,825,528.95	5,570,901,301.56
2.	Equity Investments		
a.	Public Companies	317,169,589.00	388,042,439.00
b.	Private Companies		
c.	Commercial Banks	52,914,708.00	54,950,868.00
d.	Non-Bank Financial Institutions	30,600,180.00	24,687,180.00
Less			
e.	Specific Provisions	-	-
	Sub-Total	400,684,477.00	467,680,487.00
3.	Fixed Assets		
a.	Fixed Assets (Gross)	1,986,576,347.51	1,823,171,227.95
Less:			
b.	Accumulated Depreciation	641,088,782.56	600,124,778.83
c.	Fixed Assets (Net Book Value)	1,345,487,564.95	1,223,046,449.12

Item 12: Foreign exchange assets and liabilities as at December 31, 2020 (Amount in Nu.)							
Currency	Liquid Foreign Currency Holdings (up to one Week)			Long Term Foreign Currency Holdings (More than one Week)			Nu. In Millions
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6
USD	1,716,552,821.67	1,531,184,552.41	185,368,269.26	42,426,745.79	-	42,426,745.79	8 3.32
SGD	9,211,579.99	25,350,761.44	(16,139,181.45)	-	-	-	(0.24)
EURO	45,006,036.65	1,025,599.82	43,980,436.83	-	-	-	0.64
AUD	159,707,163.51	73,718,523.68	85,988,639.83	-	-	-	1.25
CAD	4,404,647.27	-	4,404,647.27	-	-	-	0.06
HKD	1,536,737.40	-	1,536,737.40	-	-	-	0.02
GBP	19,884,086.07	-	19,884,086.07	-	-	-	0.29
CHF	21,545,272.48	260,642.86	21,284,629.62	-	-	-	0.31
JPY	47,690,655.11	-	47,690,655.11	-	-	-	0.69
DKK	30,908,282.41	-	30,908,282.41	-	-	-	0.45
SEK	-	-	-	-	-	-	-
NOK	-	-	-	-	-	-	-
TOTAL	2,056,447,282.56	1,631,540,080.21	424,907,202.36	42,426,745.79	-	42,426,745.79	6.81



T.S.

T.S.

Item 12 (continued): Foreign exchange assets and liabilities as at December 31, 2019

(Amount in Nu.)

Currency	Liquid Foreign Currency Holdings (up to one Week)			Long Term Foreign Currency Holdings (More than one Week)			Nu. In Millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	Overall Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
USD	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



T.S.

Item 13: Geographical Distribution of Exposures

(Amount in Nu.)

Particular	Domestic		India		Other	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Demand Deposits held with other banks	200,000.00	16,493,197.18	499,136,937.15	565,571,560.55	1,773,406,867.26	1,404,539,203.16
Time deposits held with other banks	1,600,000,000.00	3,750,000,000.00	-	-	228,976,800.00	712,406,350.00
Borrowings	-	-	-	-	-	-

Item 14: Credit Risk Exposure by Collateral

(Amount in Nu.)

Sl. No	Particular	December 31, 2020*	December 31, 2019#
1.	Secured Loans	49,141,427,735.68	44,683,765,098.08
a.	Loans secured by physical/real estate collateral	43,387,893,843.53	39,005,856,643.54
b.	Loans Secured by financial collateral	478,108,771.19	664,423,000.67
c.	Loans secured by guarantees	5,275,425,120.96	5,013,485,453.87
2.	Unsecured Loans	15,080,215.85	15,080,215.85
	Total Loans	49,156,507,951.53	44,698,845,313.93

* includes gross loans and advance of Nu. 49,147,702,619.33 and Bills discounted & purchased of Nu. 8,805,332.20.
#includes gross loans and advance of Nu. 44,697,336,248.93 and Bills discounted & purchased of Nu. 1,509,065.00.



T.S.

Item 15: Earnings Ratios (Amount in Nu.)

Sl. No	Ratio	31-Dec-20
1.	Interest Income as a percentage of Average Assets	5.52%
2.	Non-interest income as a percentage of Average Assets	0.74%
3.	Operating Profit as a percentage of Average Assets	2.18%
4.	Return on Assets	0.10%
5.	Business (Deposits plus Advances) per employee (Nu. In million)	151.45
6.	Profit per employee (Nu. In million)	0.11

Item 16: Penalties imposed by the RMA in the past period (Amount in Nu.)

Sl. No	December 31, 2020		December 31, 2019	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1.	NIL	NIL	Non-Compliance to RMA PR	300,000.00

Item 17: Customer Complaints (Amount in Nu.)

Sl. No	Particular	December 31, 2020	December 31, 2019
1.	No. of complaints pending at the beginning of the year	128	390
2.	No. of complaints received during the year	24,838	38,971
3.	No. of complaints redressed during the year	24,915	39,233
4.	No. of complaints pending at the end of the year	51	128

Item 18: Provision Coverage Ratio (PCR) (Amount in Nu.)

Year	Gross NPL	Additional NPL	Additional Impairment Provisions	Additional Interest in Suspense A/c	PCR
1	2	3	4	5	6= (4/5)
31.12.2020	3,513,549,361.77	1,634,071,787.95	766,820,023.99	107,141,577.60	7.16
31.12.2019	1,879,477,573.82	834,117,923.81	12,765,914.66	(138,921,163.64)	(0.09)

Item 19: Concentration of Credit and Deposits (Amount in Nu.)

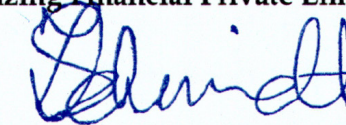
Sl. No	Particular	December 31, 2020	December 31, 2019
1.	Total loans to 10 largest borrowers	8,461,548,392.76	6,817,291,670.53
2.	As % of total loans	17.21%	15.25%
3.	Total deposits of the 10 largest depositors	14,006,946,002.47	12,319,441,377.90
4.	As % of total deposits	18.05%	20.79%

Item 20: Exposure to 5 Largest NPL accounts (Amount in Nu.)

Sl. No	Particulars	December 31, 2020	December 31, 2019
1.	Five largest NPL accounts	982,845,715.50	377,878,260.32
2.	% of Total NPLs	27.97%	23.43%

RATIO ANALYSIS

Ratio	2020	2019
Return on Equity (PAT/Shareholders Equity)	1.22%	15.89%
Return on Assets (PAT/Total Assets)	0.10%	1.81%
Capital Adequacy Ratio (Tier 1+ Tier 2 Capital)/(Risk Weighted Assets+Operation Risk)	12.73%	14.90%
Credit to Deposit Ratio (Total Loans/Total Deposits)	63.33%	75.42%
Statutory Liquidity Ratio (Quick assets/Total liabilities excluding capital fund and RMA liabilities)	36.80%	24.69%
Gross Non-Performing Assets (Non-performing Assets/Total Loans)	7.15%	3.61%
Earnings per share (PAT/No. of Shares)	2.92	41.90%
Net interest margin (Total Interest Income-Interest Expenses)/Total earning assets (Total Loans to customer + Loans to banks)	2.38%	4.55%
Leverage Ratio (Tier 1 /total balance sheet Amount including off balance sheet item)	7.81%	13.46%
Debt to Equity Ratio (Total Liabilities/Shareholder's Equity)	11.18	7.79%

**Rinzing Financial Private Limited:**


Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: March 30, 2021
 Place: Thimphu, Bhutan



To know more, log on to www.bob.bt,
visit your nearest **BoB Branch** or
dial our Toll Free Helpline No. **1095**.
Email: customer.care@bob.bt
WhatsApp: **+975-17120922**

Follow us on:  Bank of Bhutan |  @BankofBhutan |  @BankofBhutan