



BOB BANK OF BHUTAN འབྲུག་གི་དངུལ་ཁང་། A GHI Company

THIMPHU MAIN BRANCH



Annual REPORT

2022

Registered Office

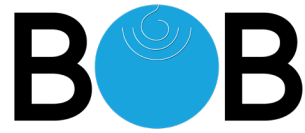
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BANK OF BHUTAN

A **dfi** Company

Annual Report

2022



The Year in Review

During the year 2022, the country's economy began its journey towards recovery following the adverse effects of the COVID-19 pandemic. The Bank intensified its efforts to achieve improved performance, aligning with the governing policies of the country. Additionally, the Bank celebrated its 54th year of dedicated service to the nation.

In summary, some major highlights of the Bank for 2022 were:

- 1. Efficient Management of Non-Performing Assets** - With the anticipation of contributing to the recovery of the economy, the Bank demonstrated improved performance and successfully kept its Gross Non-Performing Assets (GNPA) at a steady rate of 2.65% as of December 31, 2022.
- 2. Credit Growth** - In the year 2022, the Bank experienced a notable expansion in its credit portfolio, with a growth rate of 22.75%. This represents a significant increase compared to the credit growth rate of 7.68% observed in 2021. Out of the total growth of 22.75%, normal loans accounted for 93.28%, while special education loans contributed 7.2%.
- 3. Profit After Tax** - The Bank demonstrated improved performance in the year 2022 compared to 2021. During 2022, the Bank recorded a Net Profit of Nu. 676.57 million, surpassing the Net Profit of Nu. 481.98 million achieved in 2021. This represents a significant increase of 40.37% in Net Profit compared to the previous year.
- 4. New Products** - On June 24, 2022, the Bank introduced "BoBit," a platform for transferring money aimed at Bhutanese residents in Australia. BoBit enables customers to conveniently submit payment instructions and conduct transactions online through our website. Funds will be directly deposited into the beneficiary's account held with our Bank, as well as with other local banks. Additionally, on November 14, the Bank launched a new loan product called the "Special Education Loan." This loan was designed to assist ambitious students in financing their studies abroad, covering expenses such as tuition fees and living costs.

- 5. Security** – To ensure security, the bank undertook a comprehensive review of its Policies and Procedures, and conducted an awareness program and training for all employees. Additionally, the bank implemented a Security Operations Center (SOC) Solution to strengthen its security measures. Furthermore, the bank obtained re-certification for ISO 27001 Compliance and PCI DSS Compliance, demonstrating its commitment to maintaining high standards of security. As part of its ongoing efforts to enhance security, the bank conducted internal audits of Information Security (IS) and Core Banking System (CBS) processes.
- 6. Additional Services and Improvements** – The Bank made consistent efforts to enhance its services for improved efficiency. Various features were introduced and revamped on the mBoB (Bank’s mobile banking App) to enhance convenience for users. In 2022, notable additions to the app included Pre-login Scan & Pay, Fast Cash from Cardless Withdrawal, Enable & Disable Account functionality, and Quick Transfer on the login page. Additionally, several modifications were made at the app level for goBoB, ensuring a user-friendly experience.
- 7. Employee Engagement** – At the end of 2022, the Bank’s total employee count stood at 751. Throughout the year, employees had the opportunity to participate in a range of short-term training programs, most of which were conducted online by institutes both domestic and international. These training initiatives were specifically designed to enhance employees’ knowledge, skills, and attitude, while also fostering greater motivation and commitment. Additionally, in 2022, one employee commenced higher studies at the Royal Institute of Management in Thimphu.
- 8. Reforms** – In the process of undertaking a transformation initiative, the DHI group carried out an Organizational Development Exercise (ODE) and implemented measures to enhance financial prudence. The Bank adopted the new organizational structure recommended by the ODE while maintaining the overall workforce size, as well as the number of departments and branches. Furthermore, the Bank has significantly reduced its expenditures based on the findings outlined in the Financial Prudence report.
- 9. Challenges** – In 2022, attrition emerged as a significant obstacle for the Bank. A total of 107 employees were lost, including 72 individuals who resigned voluntarily from various positions, resulting in a detrimental effect on service delivery efficiency, as well as the Turn-Around-Time and overall quality. Nevertheless, the remaining employees have shouldered additional tasks and responsibilities to ensure uninterrupted and seamless services are provided.



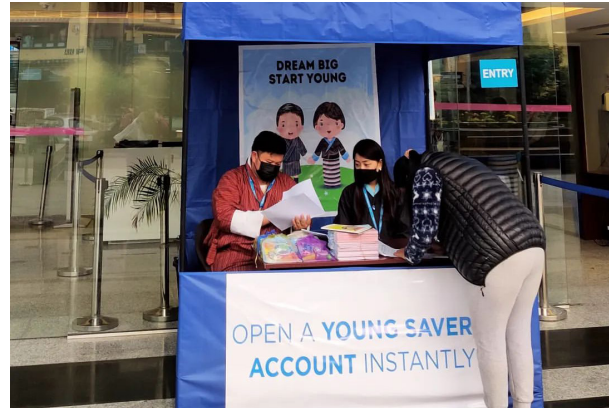
(Dorji Kadin)
CHIEF EXECUTIVE OFFICER

The Year 2022



January 3rd

Children from Thimphu visited the Thimphu Main Branch to chant Loyal to welcome the new year.



May 16th

Celebrated Global Money Week by installing a Young Saver's Account opening booth in front of the TMB.



May 28th

Celebration of the 54th Foundation Day of BoB.



June 4th

Coinciding with Her Majesty The Gyalsuen's 32nd Birth Anniversary, BoB launched BoBit, a money transferring platform designed for Bhutanese residing in Australia



June 14th

The TMB hosted a remarkable blood donation drive, witnessing an enormous crowd in honor of World Blood Donor Day.



July 29th

The goBoB mascot walks among a huge crowd during a goBoB marketing road show.



August 16th

Soft Launch of the SOC (Security Operations Center) Project.



September 16th

In preparation for the reopening of tourism in Bhutan, the trolleys at the arrival terminal of Paro International Airport were adorned with goBoB promotion stickers.



September 23rd

On the day tourism in Bhutan reopened, our employees were at Paro International Airport actively promoting goBoB to the visitors.



September 29th

BoB received the Certification of ISO 9001 : 2015



October 23rd

At the 5th Royal Highland Festival held in Laya, BoB participated by promoting goBoB and facilitating the opening of accounts for the residents of the highland community.



November 14th

Start of banking services at Thimphu Main Branch during lunch hours.



BANKER TO THE NATION

— SINCE 1968 —

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Our Vision

To be the Nation's leading premier financial institution, recognized for exceptional customer service, innovative solutions, and sustainable growth.



Our Mission

To provide our customers with a comprehensive range of financial products and services, tailored to meet their individual needs. We aim to build long-term relationships based on trust, transparency, and integrity. By leveraging technology and fostering a culture of continuous improvement, we strive to deliver excellence in customer experience and drive the Nation's economic growth. Our commitment to social and environmental responsibility guides our decisions as we work towards a sustainable future for all stakeholders.

Our Values

The Bank of Bhutan's core values can be represented by the acronym I-CARE, which reflects the Bank's commitment to caring for its stakeholders, including employees, customers, community, shareholders, and the nation as a whole. Each term within I-CARE holds significant meaning, as follows:

I

Innovation

Achieving organizational growth through innovation is key to staying afloat in today's highly competitive world.

C

Customer Centric

The customer is the priority, and all steps, processes, and decisions are to be customer centric.

A

Accountability

Resolute for transparency, integrity and accountability through ethical, transparent, honest & sincere ownership of every action.

R

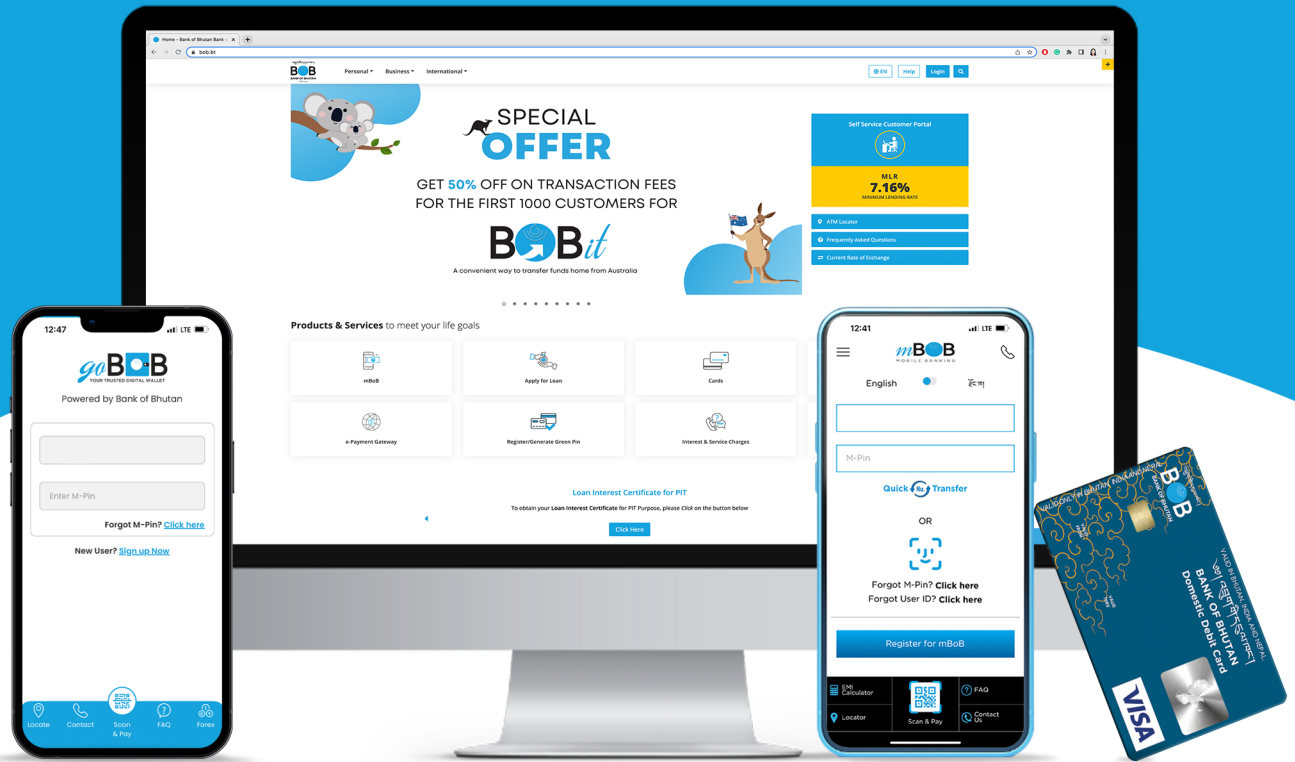
Relationship

Fulfilling relationships through building mutual respect and trust within the organization, with clients, and other stakeholders

E

Excellence

Excellence in service through customer friendly culture, diligent processes and professional systems and efficient delivery of services



ALWAYS WITH YOU ANYWHERE, ANYTIME

Extending facilities to serve you with no bank visits!

ATM

mBoB

goBoB

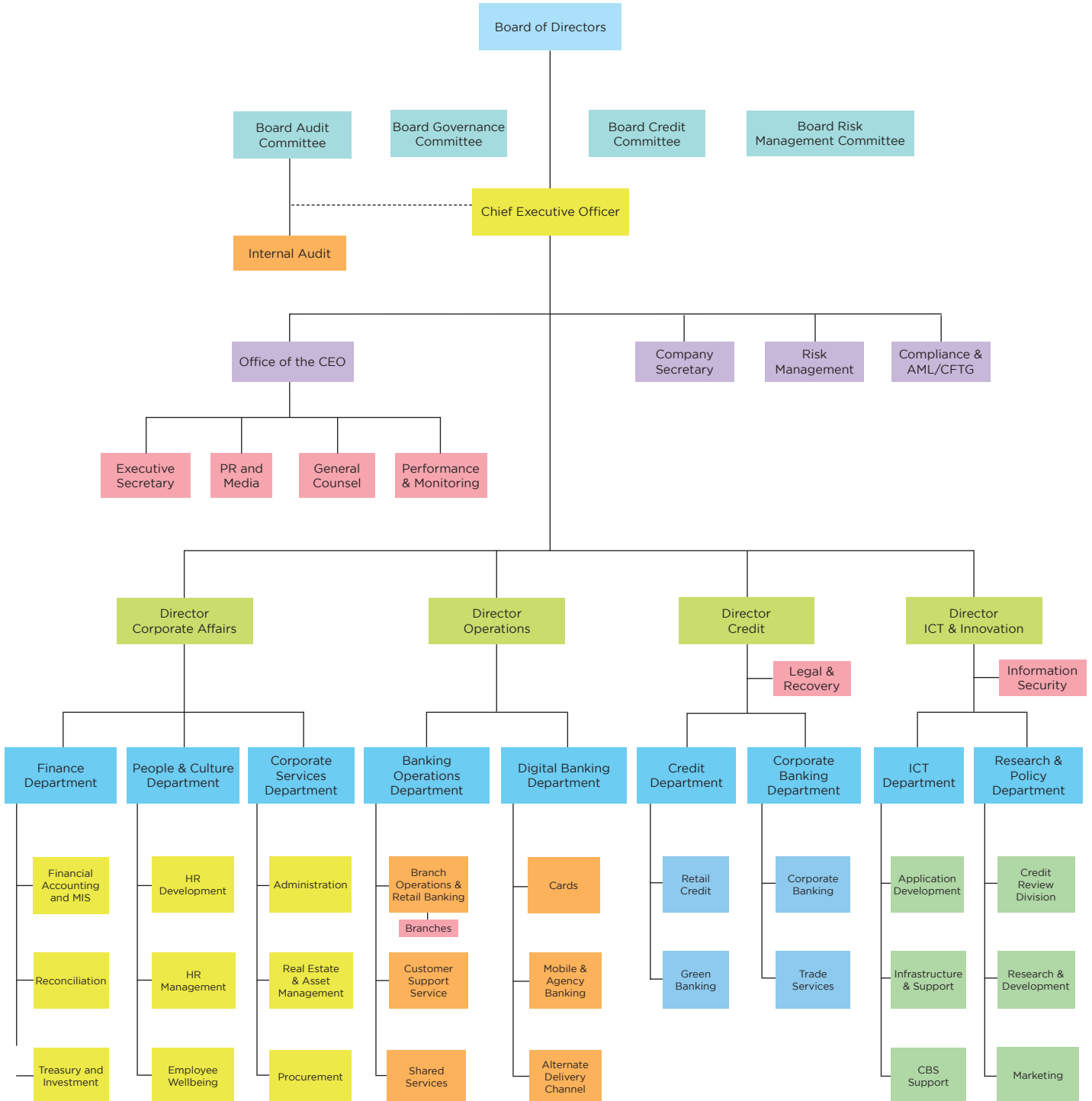
Cards

BoBit

Internet Banking

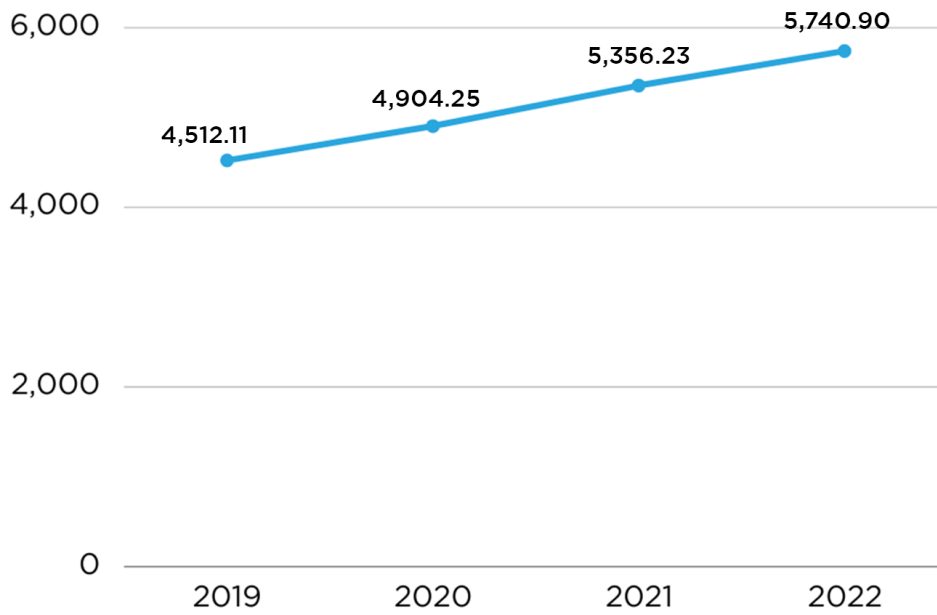
BoBConnect

Organization Structure

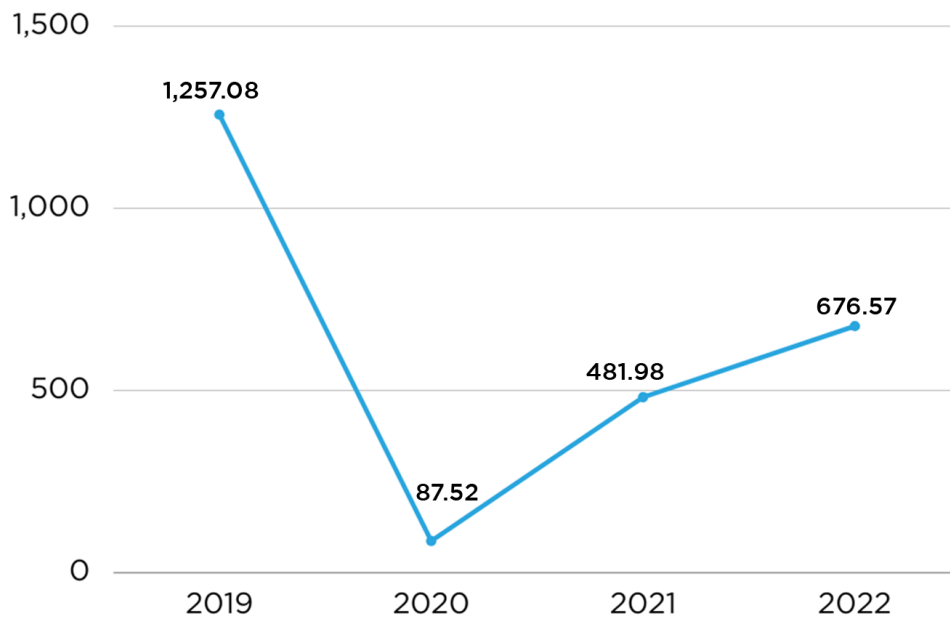


Performance 2022

Revenue in Million (Nu.)

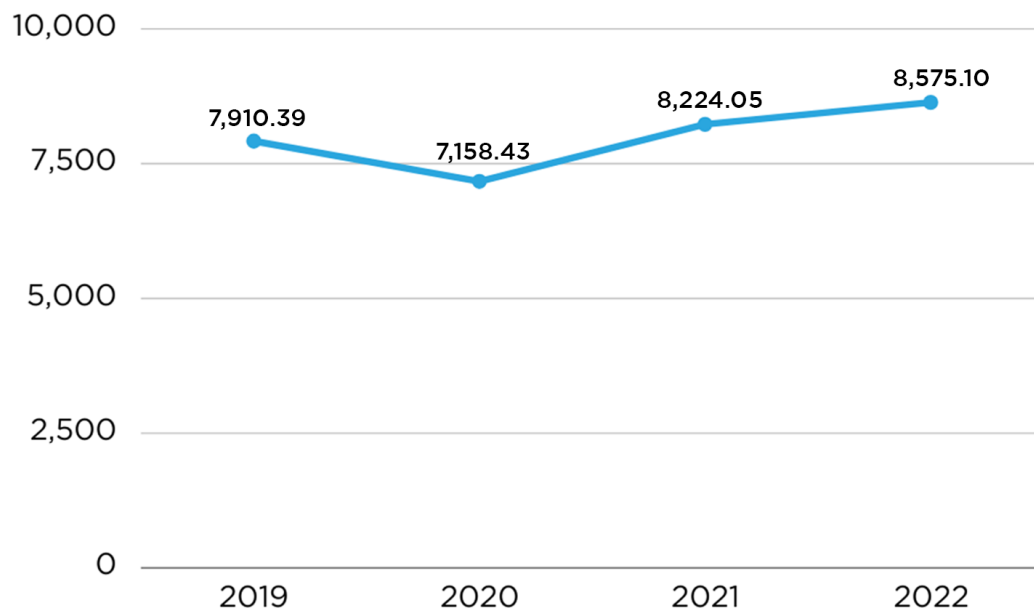


Net Profit in Million (Nu.)

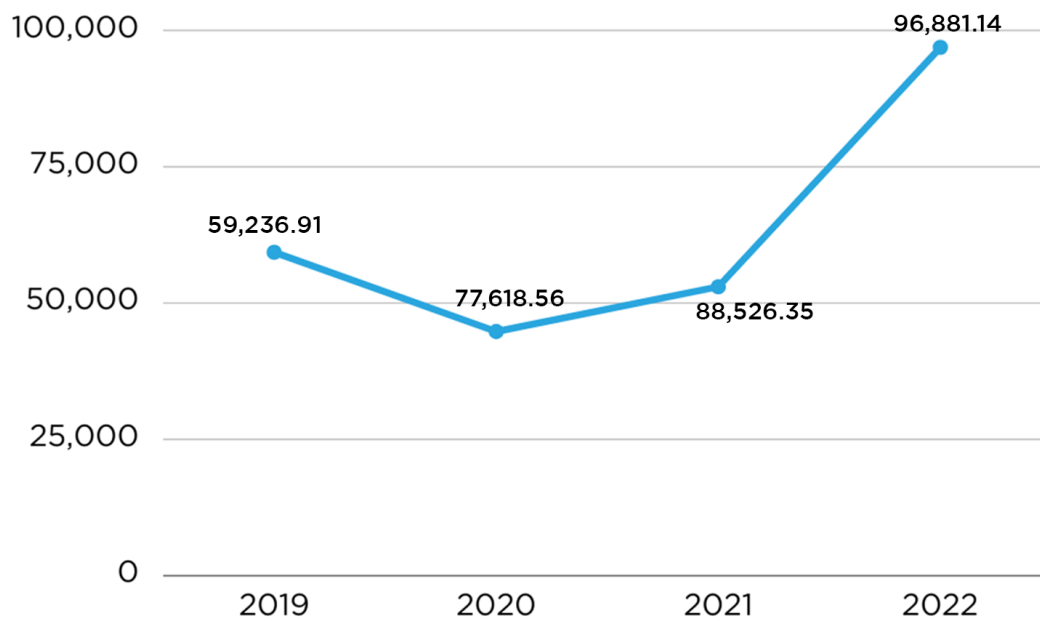


Performance 2022

Total Capital in Million (Nu.)



Deposits in Million (Nu.)



Board Directors



Mr. Karma Yonten

Mr. Karma Yonten (Chairman) heads the Office of Performance Management under His Majesty's Secretary and brings more than twenty-five years of experience with the Royal Government of Bhutan, the Private and the Corporate Sector. He received his Electrical Engineering Degree as a Fulbright scholar from the University of Kansas, USA, and his Master's in Business Administration Degree from Hitotsubashi University, Japan. He started his career as a Civil Servant in the Department of Power and Energy in the then Ministry of Trade and Industry. He served as the founding Chief Executive Officer of the Bhutan Electricity Authority before his retirement from the civil service. He worked as a Consultant with Ongdi Consulting Services before his appointment as the founding Chief Executive Officer of Druk Holding and Investments Limited in 2007. He currently serves on the Boards of The JSW School of Law and Bhutan Agro Industries Limited. He also served as the Chairman of Thimphu Tech Park Limited. He is a member of the COVID-19 Taskforce, the De-suup Steering Committee for the De-suup Skilling Program and Royal Commission for Urban Development.



Mr. Vinod Kumar

Mr. Vinod Kumar is the General Manager (Credit) in International Banking Group, State Bank of India (SBI) with over thirty-five years of work experience. He has a Bachelor Degree in Science, from Osmania University and Masters in Business Administration from SP Jain Institute, India. He is a Certified Associate of Indian Institute of Bankers. His area of work has mainly been on formulation and execution of key business strategies in the International Banking Group which comprises of international operations of the Bank spread across 299 offices in 31 countries, Corporate Clients Group and Retail Banking. He also served as Branch Head of three Branches which included the Overseas Branch Mumbai and the Industrial Finance Branch, Mumbai in India and the Chief Executive Officer of SBI, Osaka, Japan. Besides he was also heading the Commercial Clients Group Regional Office New Delhi.



Mr. Tshering Dorji

Mr. Tshering Dorji is the former Director of Department of Treasury and Accounts, Ministry of Finance with over twenty-three years of experience with the Ministry. He holds a Bachelor Degree in Commerce (Honors) from Sherubtse College, Bhutan; Masters in Business Administration from Asian Institute of Technology, Thailand; and is a member of CPA Australia. He has also served as the Board Director on the Board of Bhutan National Bank Limited (BNB), Dagachu Hydro Power Project (DHPP), Menjong Sorig Pharmaceutical Corporation Limited (MSPCL) and Bhutan Trust Fund for Environmental Conservation (BT FEC). He currently serves on the Board of Royal Institute of Management (RIM) and Accounting and Auditing Standard Board of Bhutan (AASBB).



Ms. Choni Ome

Ms. Choni Ome is the Associate Director of the Investment Abroad Division under the Department of Investment at Druk Holding and Investments Limited (DHI). She has over fourteen years of experience in the field of business development, project implementation, and investment in both domestic and overseas markets. She holds a Bachelor of Arts in Economics and Pre-Medical Studies from Wellesley College, Massachusetts, United States of America; and Masters in Business Administration from ESSEC Business School, Paris, France. She had served as a Director on the Board of Natural Resources Development Corporation Limited (NRDCL) and the Dugsum Polymers Limited (DPL).



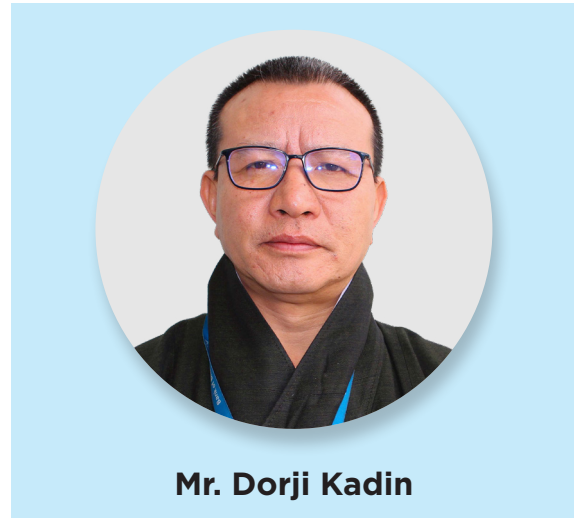
Mr. Tshering Kezang

Mr. Tshering Kezang served as the Auditor General of Royal Audit Authority from 2015 to 2020 and has over thirty years of experience in the civil service. He holds a Bachelor of Commerce from Sherubtse College in Bhutan and Masters in Professional Accounting from Edith Cowan University, Western Australia. His areas of expertise are mainly in finance and corporate governance. He has many years of diverse work experience with the Royal Government under the Ministry of Education, Ministry of Home and Cultural Affairs and Royal Audit Authority. He served as the Dzongdag of Lhuntse and Pema Gatshel prior to his appointment as Auditor General. He also served as a Chairman of the Accounting and Auditing Standards Board of Bhutan (AASBB) and Director on the Board of Dugsum Cement Corporation Limited (DCCL).



Mr. Tshering Norbu

Mr. Tshering Norbu is the Founder and Managing Director of NANO, a Category 'A' Intranet Service Provider in Bhutan. He has twenty-three years of work experience with the corporate and private sector. He possesses a Bachelor of Engineering in Telecommunications from University of New South Wales, Australia and Masters in Business Administration (Management of Technology) from Asian Institute of Technology, Thailand. His areas of expertise are in Internet and its operational technologies, telecommunications, Information Technology and cyber security. He worked in various capacities as Head of Technology with the roles of Chief Technology Officer and prior to that, as General Manager of Internet and Enterprise IT service of Bhutan Telecom Limited. He also served as a Director on the Board of Thimphu Tech Park Limited and led the DHI Group's IT CXO. He also served as the Chairman of South Asian Network Operations Group from 2013 to 2017. He is involved in the Cable TV industry and its business, and was a consultant in drawing up Bhutan's digitization roadmap of Cable TV and oversaw migration to it. He recently co-founded and operates Bhutan's largest OTT service as the Co-CEO mainly looking after the matters relating to operations, technology and finance.



Mr. Dorji Kadin

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 (Hons.) 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 Limited and Financial Institutions Training Institute. He currently serves on the Board of Royal Securities Exchange of Bhutan Limited and Bhutan Carbide and Chemicals Limited.

Management Team



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. Tsewang Dorji, Director, ICT & Innovation

Mr. Tsewang Dorji has a Masters in Business Administration (MBA) from Bangkok, Thailand, and a Bachelor's in Computers Application (BCA) from Sherubtse College, Kanglung, Bhutan. He worked in various financial institutions under different business and IT functions prior to joining the Bank of Bhutan as Director, ICT & Innovation in December 2021. He started his career in 2003 and has experience of over 18 years in the banking industry.

**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 Serubtse 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

To the Shareholders,

As the Chairman of the Board of Directors of the Bank of Bhutan Limited (BoB), and on behalf of the Board of Directors and the management, I have the honour to present the Directors' Report for the year 2022.

Operational Highlights

The year 2022 continued to see emergence of new variants of COVID-19. Despite the looming risk and challenge, the Bank and the country started to focus on the recovery of the economy from the 2nd quarter. Further, the people of Bhutan continued to receive "Druk Gyalpo's Relief kidu" which included the Loan Interest Payment Support and Loan repayment deferment till June 2022.



The Bank maintained the implementation of its Business Continuity Plan to ensure continuous service delivery to the customers while ensuring the well beings of the employees. During the lockdown in the first quarter of 2022, the Bank continued to provide essential banking services to customers based on the approval from the Dzongkhag and Thromde Task Forces. The Bank carried on to promote and enhance its digital channels to its clients through aggressive marketing and awareness programs.

The Bank extensively promoted its digital payments through its mBoB & goBoB applications and QR systems to provide ease of payments to its clients thereby advocating cashless transactions in the country. This initiative helped to increase the number of mBoB users from 236,026 in 2021 to 293,394 (24% growth), in 2022, and also saw a remarkable increase in transaction value from Nu. 310 billion in 2021 to Nu.392 billion (27% growth) in 2022. This also led to an increase in the number of merchants using the National Quick Response (NQR) code from 23,200 in 2021 to 36,160 (56% growth) in 2022 facilitating payments of Nu. 49 billion in 2022 from Nu. 31 billion in 2021 (58% growth). The Bank also saw an increase in goBoB users by 82,418 in 2022 from 71,964 in 2021, achieving a total of 154,382 (115% growth) users by year-end 2022 which again helped achieve a massive increase in transaction value from 98.43 million in 2021 to 932.98 million (848% growth) in 2022.

The Bank continued to provide accessible and inclusive banking across the country through its 36 Branches, 11 Extension Branches, 82 ATMs and 262 active agents. The Agency Banking facilitated a transaction of Nu. 23 billion in 2022 as compared to Nu. 9.8 billion (135% growth) in 2021.

The Bank introduced "BoBit" – a foreign inward remittance services on 4th June. This facilitated an inward remittance of AUD 658,304.00.

The Bank also introduced a new loan product – "Special Education Loan" on 14th November. This loan product helped finance aspiring students to study abroad covering their tuition fees and living expenses. The Bank financed Nu. 4,364 million worth of Special Education Loan as of December 2022.

The Bank implemented 'Security Operations Center' (SOC) and 'Applications Monitoring Tools' during the year to improve and strengthen its Information Technology and Information Security.

In terms of customer service, the Bank achieved a customer satisfaction index of 4.08 in 2022 as compared to 3.97 in 2021. The complaint resolution rate within two working days was also maintained at 96.74 percent on an average throughout the year.

In order to inculcate continuous learning and development of its Human Resources, the Bank instituted leadership feedback system. Further, the Bank also instituted mandatory monthly training programs across all functions in addition to continuous in-house formal training sessions to selected groups.

In terms of the Compact Plus (Annual Board - Management Compact), BoB has achieved a score of 97.45%, 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 2022 of the Bank have been prepared as per the Bhutan Accounting Standards (BAS). In terms of financial performance, the year 2022 showed a better performance as compared to the year 2021. The Bank registered a Net Profit of Nu. 676.57 million in the year 2022, against a Net Profit of Nu. 481.98 million in 2021. This reflected an increase of 40.37% in Net Profit compared to 2021.

The loan portfolio has increased by 22.75% from Nu. 52.92 billion in 2021 to Nu. 64.96 billion in 2022. The normal loan growth was 14.51% excluding the special education loan which was introduced later into the year which indicates that the special education loan contributed to more than 8% credit growth. The non-performing assets decreased from 3.34% in 2021 to 2.65% in 2022. The Bank has borne an interest rebate of Nu. 41.76 million in 2022 covering 5,273 accounts 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. 88.59 billion in 2021 to Nu. 94.45 billion in 2022, resulting in 6.61% increase. 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. 3,603.37 million in 2021 to Nu. 3,750.66 million in 2022, resulting in 4.08% increase. The Bank had huge deposits due to which the Bank's expenses increased in a ratio more than the income, due to which the Bank had to reduce the rates for Saving Deposits and Fixed Deposits offered to the retail customers from October 2022.

The total Shareholders' fund increased by 4.2% in 2022 from Nu. 8,224.05 million in 2021 to Nu. 8,575.10 million in 2022, before declaring dividend.

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.

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 2022 was the Blood donation campaign in collaboration with Ministry of Health and contribution to the revival of the Trans Bhutan Trail.

Transformation Initiative

Based on His Majesty the Druk Gyalpo's recent address regarding "Transformational Change" the Bank has been actively trying to make transformational changes which includes the Organizational Development Exercise (ODE) and implementation of financial prudence.

The Bank implemented the new organization structure proposed by the ODE. The number of departments has decreased from four to three i.e Corporate Services, ICT & Digital Banking, and Credit Department and Operations Department. The ODE recommended the Bank to maintain a total staff strength of 720. With these major changes, the recruitment of members at the Chief and Manager level through an internal recruitment process has been completed. One Branch office and two extension offices were closed based on the report and two of the Branch offices were converted to extension offices from a fully operational Branch. The recruitment of new employees has been on hold since the start of the ODE. The implementation will be completed by 2023.

Statutory Audit

M/s. Rinzing Financial Private Limited, a firm based in Thimphu, was appointed to audit the books of accounts of Bank of Bhutan Ltd. (BoB) for the financial year 2022 by the 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 business growth. Considering this, a dividend of 15% which amounts to Nu. 72.89 million is proposed from the PAT of 2022.

Challenges and Way Forward

The economy and the financial institutions are still 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.

Staff attrition has always been a challenge and the Bank continues to lose promising people in various positions. The Bank lost 107 employees in 2022 with 72 voluntarily resignations. The Bank is working on policies and strategies to manage talent and succession planning for business continuity.

Information Technology (IT) plays a critical and central role in the Bank. This year, the Bank saw the IT system facing issues which led to the entire banking system in the country going down for

almost two days. In order to ensure that the banking activities are synchronized, updated, and secured, the Bank must build the capacity of IT employees to provide seamless, convenient and safe services to the customers.

Acknowledgements

The Directors of the Board, Management and employees of BoB expresses appreciation for the continued guidance and assistance rendered by the Royal Government, Druk Holding and Investments, State Bank of India, the Royal Audit Authority, statutory Auditors, other Regulatory Authorities, Agencies, and correspondent banks. The Board also conveys their sincerest gratitude to the shareholders, clients, investors, and well-wishers for their continued goodwill, patronage, and support. The Bank of Bhutan remains committed to work together to build an inclusive and resilient economy.

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 as well as during COVID-19 pandemic 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 nationwide and region wise continued lock downs.

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 Limited, The Companies Act of Bhutan 2016, Financial Service Act of Bhutan 2011 and other statutory requirements for the Financial Year 2022.

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 2022

| Name of Director | Category | Address | Date of Appointment /Retirement (Present Term) | Current Term of the Board Director | No. of BM attended in 2022 | No. of Directorship on other DHI Owned/ Controlled companies |
|--|--|--|---|------------------------------------|----------------------------|--|
| Total Number of Board Meetings (BM) conducted in 2022 | | | | | 10 | |
| Mr. Karma Yonten | Chairman Non-Independent Non-Executive | Office of Performance Management, HM's Secretariat | Re-appointed on 05th May 2021 | Second Term | 10 | Thimphu Tech Park Limited |
| Mr. Vinod Kumar | Board Director Non-Independent Non-Executive | General Manager (Credit), international Banking Group, State Bank of India | Appointed on 9th February 2022 and retired on 30th August, 2022 | First Term | 3 | None |
| Mr. Tshering Dorji | Board Director Non-Independent Non-Executive | Director, Department of Public Accounts, MoF | Appointed on 05th May 2021 | First Term | 8 | None |
| Ms. Choni Ome | Board Director Non-Independent Non-Executive | Associate Director Department of Investment, DHI | Appointed on 05th May 2021 | First Term | 10 | None |
| Mr. Tshering Kezang | Board Director Non-Independent Non-Executive | Former Auditor General | Appointed on 05th May 2021 | First Term | 10 | None |
| Dr. Phuntsho Choden | Board Director Non-Independent Non-Executive | | Appointed on 04th April 2019 and retired on 13th March 2022 | First Term | 1 | None |
| Mr. Dorji Kadin | Board Director/CEO Executive Non-Independent | CEO, Bank of Bhutan Ltd. | Appointed 01st April 2019 | First Term | 10 | None |

| New Board of Directors appointed in 2022 | | | | | | |
|--|--|--|---------------------------------|------------|---|------|
| Mr. Tshering Norbu | Board Director Independent Non-Executive | Managing Director, NANO | Appointed on 03rd June 2022 | First Term | 9 | |
| Mr. Biranchi Narayan Rath | Board Director Non-Independent Non-Executive | General Manager (Credit), international Banking Group, State Bank of India | Appointed on 28th November 2022 | First Term | 0 | None |

Board Meetings

A total of ten Board Meetings were held in 2022. 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 |
|-------------------|---------------------|--|--------------------|
| 277th | 28th March 2022 | 1. Mr. Karma Yonten 2. Mr. Vinod Kumar 3. Mr. Tshering Dorji 4. Ms. Choni Ome 5. Dr. Phuntsho Choden 6. Mr. Tshering Kezang 7. Mr. Dorji Kadin | None |
| 278th | 13th June 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Tshering Kezang 5. Mr. Tshering Norbu 6. Mr. Dorji Kadin | 1. Mr. Vinod Kumar |
| 279th | 16th June 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Tshering Kezang 5. Mr. Tshering Norbu 6. Mr. Dorji Kadin | 1. Mr. Vinod Kumar |
| 280th | 30th June 2022 | 1. Mr. Karma Yonten 2. Mr. Vinod Kumar 3. Mr. Tshering Dorji 4. Ms. Choni Ome 5. Mr. Tshering Kezang 6. Mr. Tshering Norbu | None |
| 281st | 22nd August 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Tshering Kezang 5. Mr. Tshering Norbu 6. Mr. Dorji Kadin | 1. Mr. Vinod Kumar |
| 282nd | 30th August 2022 | 1. Mr. Karma Yonten 2. Mr. Vinod Kumar 3. Mr. Tshering Dorji 4. Ms. Choni Ome 5. Mr. Thsering Kezang 6. Mr. Tshering Norbu 7. Mr. Dorji Kadin | None |
| 283rd | 14th September 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Tshering Kezang 5. Mr. Tshering Norbu 6. Mr. Dorji Kadin | None |

| | | | |
|-------|--------------------|---|------------------------------|
| 284th | 10th October 2022 | 1. Mr. Karma Yonten 2. Ms. Choni Ome 3. Mr. Tshering Kezang 4. Mr. Tshering Norbu 5. Mr. Dorji Kadin | 1. Mr. Tshering Dorji |
| 285th | 25th October 2022 | 1. Mr. Karma Yonten 2. Ms. Choni Ome 3. Mr. Tshering Kezang 4. Mr. Tshering Norbu 5. Mr. Dorji Kadin | 1. Mr. Tshering Dorji |
| 286th | 13th December 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Tshering Kezang 5. Mr. Tshering Norbu 6. Mr. Dorji Kadin | 1. Mr. Biranchi Narayan Rath |

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 278th Board meeting held on 13th June 2022 with the appointment of a new Board Director. A total of six Board Governance Committee meetings were held in 2022.

Details of the BGC held in 2022 are as follows:

| Name of Director | Category | No. of BGC Attended |
|---------------------|---|---------------------|
| Mr. Tshering Dorji | Chairperson | 5 |
| Mr. Tshering Kezang | Board Director (Independent) | 6 |
| Dr. Phuntsho Choden | Board Director (Independent) retired on 13th March, 2022 | 1 |
| Mr. Tshering Norbu | Board Director (Independent) appointed on 03rd June, 2022 | 6 |
| Mr. Dorji Kadin | Board Director/ CEO | 6 |

| BGC No. | Dates | Members Present | Leave of Absence |
|---------|-------------------|---|------------------|
| 49th | 25th January 2022 | 1. Mr. Tshering Dorji 2. Dr. Phuntsho Choden 3. Mr. Tshering Kezang 4. Mr. Dorji Kadin | None |
| 50th | 12th July 2022 | 1. Mr. Tshering Dorji 2. Mr. Tshering Kezang 3. Mr. Tshering Norbu 4. Mr. Dorji Kadin | None |
| 51st | 06th August 2022 | 1. Mr. Tshering Dorji 2. Mr. Tshering Kezang 3. Mr. Tshering Norbu 4. Mr. Dorji Kadin | None |

| | | | |
|------|---------------------|--|------|
| 52nd | 17th September 2022 | 1. Mr. Tshering Dorji 2. Mr. Tshering Kezang 3. Mr. Tshering Norbu 4. Mr. Dorji Kadin | None |
| 53rd | 14th November 2022 | 1. Mr. Tshering Dorji 2. Mr. Tshering Kezang 3. Mr. Tshering Norbu 4. Ms. Choni Ome 5. Mr. Dorji Kadin | None |
| 54th | 21st November 2022 | 1. Ms. Choni Ome 2. Mr. Tshering Kezang 3. Mr. Tshering Norbu 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 278th Board meeting held on 13th June 2022 with the appointment of a new Board Director. A total of three Board Credit Committee meetings were held in 2022.

Details of the BCC held in 2022 are as follows:

| Name of Director | Category | No. of BCC attended |
|--------------------|---------------------|---------------------|
| Mr. Karma Yonten | Chairman | 2 |
| Mr. Tshering Dorji | Board Director | 1 |
| Ms. Choni Ome | Board Director | 1 |
| Mr. Dorji Kadin | Board Director/ CEO | 2 |

| BCC No. | Dates | Members Present | Leave of Absence |
|---------|--------------------|--|------------------|
| 40th | 14th April 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Dorji Kadin | None |
| 41st | 17th August 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 4. Mr. Dorji Kadin | None |
| 42nd | 19th December 2022 | 1. Mr. Karma Yonten 2. Mr. Tshering Dorji 3. Ms. Choni Ome 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 278th Board meeting held on 13th June 2022 with the appointment of a new Board Director. A total of three Board Risk Management Committee meetings were held in 2022

Details of the BRMC held in 2022 are as follows:

| Name of Director | Category | No. of BRMC attended |
|---------------------|---|----------------------|
| Dr. Phuntsho Choden | Board Director (Independent) – Chairperson retired on 13th March, 2022 | 2 |
| Mr. Tshering Norbu | Board Director (Independent) – Chairperson appointed on 03rd June, 2022 | |
| Ms. Choni Ome | Board Director | 1 |
| Mr. Dorji Kadin | Board Director/CEO | 2 |

| BRMC No. | Dates | Members Present | Leave of Absence |
|----------|---------------------|--|-----------------------|
| 24th | 26th February, 2022 | 1. Dr. Phunthso Choden 2. Ms. Choni Ome 3. Mr. Dorji Kadin | None |
| 25th | 30th June 2022 | 1. Mr. Tshering Norbu 2. Ms. Choni Ome 3. Mr. Dorji Kadin | None |
| 26th | 30th December 2022 | 1. Ms. Choni Ome 2. Mr. Dorji Kadin | 1. Mr. Tshering Norbu |

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 278th Board meeting held on 13th June 2022 with the appointment of new Board Directors. A total of three Board Audit Committee meetings were conducted in 2021.

Details of the BAC held in 2022 are as follows:

| Name of Director | Category | No. of BAC attended |
|---------------------|---|---------------------|
| Mr. Tshering Kezang | Chairperson (Independent) - Chairperson | 3 |
| Dr. Phuntsho Choden | Board Director (Independent) retired on 13th March, 2022 | 1 |
| Ms. Choni Ome | Board Director | 3 |
| Mr. Tshering Norbu | Board Director (Independent) appointed on 03rd June, 2022 | 2 |

| BAC No. | Dates | Members Present | Leave of Absence |
|---------|--------------------|--|------------------|
| 72nd | 7th March, 2022 | 1. Mr. Tshering Kezang 2. Dr. Phuntsho Choden 3. Ms. Choni Ome | None |
| 73rd | 22nd July 2022 | 1. Mr. Tshering Kezang 2. Ms. Choni Ome 3. Mr. Tshering Norbu | None |
| 74th | 23rd December 2022 | 1. Mr. Tshering Kezang 2. Ms. Choni Ome 3. Mr. Tshering Norbu | None |

Board Remuneration:

The following table contains the details of the remuneration paid to the Chief Executive Officer, Direct and the Board Directors during the year 2022:

| Sl. No. | Particulars | 31st December 2021 |
|-----------|--|---------------------|
| a. | Remuneration, allowances, etc. paid to Chief Executive Officer: | |
| i. | Salary, Allowances, Bonus and Encashment of Leave | 2,995,925.00 |
| ii. | Contribution to Provident Fund | 209,465.00 |
| iii. | Sitting Fee | 140,000.00 |
| | TOTAL | 3,345,390.00 |
| b. | Executive Directors: | |
| i. | Salary, Allowances, Bonus and Encashment of Leave | 8,360,303.00 |
| ii. | Contribution to Provident Fund | 563,242.00 |
| iii. | Sitting Fee | |
| | TOTAL | 8,923,545.00 |
| c. | Non-Executive Directors: | |
| i. | Sitting Fees paid to other Directors | 604,000.00 |
| | TOTAL | 604,000.00 |

Annual General Meeting:

The 55th Annual General Meeting (AGM) was held on 27th March 2023 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 continues to 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 through its Risk Register. The Risk Register is an evolving document that is being reviewed and updated on an annual basis

This is further administrated through 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 (the Bank), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



| Key Audit Matter | How the Matter was addressed |
|---|---|
| <p>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, 2022, loans and advances to customers amounted to Nu. 63,893 million, representing 59% 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 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> |



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.

Our Results:

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



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 a 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 auditor's 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, actions taken to eliminate threats or safeguards applied.

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

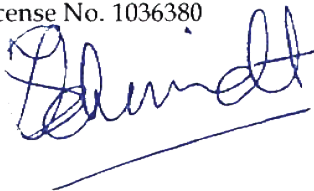
Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as a separate section "*report on minimum audit examination requirements*"

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

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

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762

Date: *April 13, 2023*
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 with Bhutanese Accounting Standards.
7. On the basis of verification of records, information and explanations given to us, non-performing assets were noted and the requirements relating to provisioning have been complied with during the current year.
8. On the basis of verification of records, information and explanations given to us, the Bank has assets hypothecated against loans.
9. On the basis of verification of records, information and explanations given to us, the Bank has a system of monitoring projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. On the basis of verification of records, information and explanations given to us, disposed assets are sold through open/sealed bids.
11. On the basis of records, information and explanations given to us, we noted instances of re-phasing/rescheduling of loans.
12. On the basis of records, information and explanations given to us, we noted no additional loans granted to those who have defaulted on payments of previous advances.
13. On the basis of records, information and explanations given to us, we noted write -off of loans during the year based on high level committee decision.

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.

Other Requirements:

1. 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.

2. Ratio Analysis

Relevant ratio analysis has been carried out and the details are under Section **“Ratio Analysis.”**

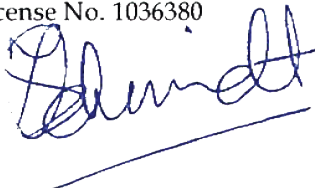
3. Compliance with the Companies Act of Bhutan 2016

The company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section “compliance calendar & checklist.”

4. Adherence to Laws, Rules and Regulations

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

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762

Date: April 13, 2023
Place: Thimphu, Bhutan

Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

(Amount in Nu.)

| ASSETS | Note No. | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|---|----------|---------------------------|---------------------------|---------------------------|
| Cash and Cash Equivalents | 5.1 | 2,803,696,556.07 | 2,546,846,131.32 | 2,546,846,131.32 |
| Balances with Central Bank | 5.2 | 19,486,760,228.66 | 29,855,260,739.57 | 29,855,260,739.57 |
| Placements with other Banks | 5.3 | 1,602,155,104.00 | 1,432,377,600.00 | 1,432,377,600.00 |
| Loans & Advances to Customers | 5.4 | 63,893,107,915.79 | 51,599,085,309.03 | 51,809,256,672.98 |
| Investments - Held to Maturity | 5.5 | 16,458,218,492.00 | 11,743,289,351.98 | 11,743,289,351.98 |
| Investments - Available for sale | 5.6 | 464,051,338.00 | 474,699,649.00 | 474,699,649.00 |
| Investments in Associates | 5.7 | 45,164,160.00 | 44,779,500.00 | 44,779,500.00 |
| Other Financial Assets | 5.8 | 704,648,136.06 | 1,134,686,023.39 | 1,134,686,023.39 |
| Other Assets | 5.9 | 70,342,448.20 | 56,348,240.63 | 56,348,240.63 |
| Property, Plant & Equipment | 5.10 | 1,473,579,697.18 | 1,570,433,927.56 | 1,237,101,938.10 |
| Right of Use Assets/Leashold Properties | 5.11 | 22,394,064.15 | 10,709,272.69 | - |
| Intangible Assets | 5.12 | 256,816,244.87 | 264,358,577.79 | 264,358,577.79 |
| Capital Work-in-Progress | 5.13 | 322,978,081.13 | 80,693,455.93 | 80,693,455.93 |
| TOTAL ASSETS | | 107,603,912,464.31 | 100,813,567,779.25 | 100,679,697,881.06 |
| LIABILITIES | | | | |
| Due to Banks | 5.14 | 3,519,838.88 | 18,760,406.32 | 18,760,406.32 |
| Due to Customers | 5.15 | 96,881,141,524.29 | 88,526,349,604.07 | 88,526,349,604.07 |
| Current Tax Liabilities | 5.16 | 129,430,793.80 | 103,194,110.76 | 103,194,110.76 |
| Other Financial Liabilities | 5.17 | 78,937,091.88 | 2,167,963,279.48 | 2,167,963,279.48 |
| Provision for Liabilities & Charges | 5.18 | 9,091,736.79 | 9,116,736.79 | 9,116,736.79 |
| Retirement Benefit Obligations | 5.19 | 243,868,833.00 | 243,756,704.00 | 243,756,704.00 |
| Other Liabilities | 5.20 | 1,524,842,442.03 | 1,735,278,623.95 | 1,279,809,132.10 |
| Deferred Tax Liabilities | 5.21 | 133,549,628.59 | 106,702,016.59 | 106,702,016.59 |
| Lease Liability | 5.22 | 24,425,712.71 | 11,753,688.84 | - |
| TOTAL LIABILITIES | | 99,028,807,601.97 | 92,922,875,170.80 | 92,455,651,990.11 |
| EQUITY | | | | |
| Share Capital | 5.23 | 3,000,000,000.00 | 3,000,000,000.00 | 3,000,000,000.00 |
| Reserve Fund | 5.24 | 2,539,018,185.44 | 2,310,179,262.68 | 2,310,179,262.68 |
| Exchange Fluctuation Reserve | 5.24 | 323,032,517.09 | 318,197,898.97 | 318,197,898.97 |
| Fixed Assets Revaluation Reserve | 5.24 | 333,331,989.46 | 333,331,989.46 | - |
| Asset Pending Foreclosure Reserve | 5.24 | - | - | 455,469,491.85 |
| Retained Earnings | 5.24 | 2,379,722,170.35 | 1,928,983,457.34 | 2,140,199,237.45 |
| TOTAL EQUITY | | 8,575,104,862.34 | 7,890,692,608.45 | 8,224,045,890.95 |
| TOTAL LIABILITIES & EQUITY | | 107,603,912,464.31 | 100,813,567,779.25 | 100,679,697,881.06 |
| Contingent liabilities | 5.25 | 1,633,263,021.96 | 1,351,674,621.51 | 1,351,674,621.51 |
| Bills for Collection | 5.26 | - | 1,489,600.00 | 1,489,600.00 |
| 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.

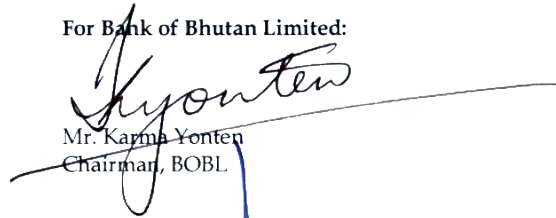
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: April 13, 2023
Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
Chairman, BOBL

Mr. Tshering Kezang
Chairman, Board Audit Committee, BOBL



Mr. Dorji Kadin
Chief Executive Officer & Director, BOBL



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

(Amount in Nu.)

| Particulars | Note No. | December 31, 2022 | December 31, 2021 |
|--|------------|-------------------------|-------------------------|
| Interest Income | 6.1 | 5,092,022,477.75 | 4,704,833,243.63 |
| Interest Expenses | 6.2 | (3,750,658,851.35) | (3,603,367,752.11) |
| Net Interest Income | | 1,341,363,626.40 | 1,101,465,491.52 |
| Fees & Commission Income | 6.3 | 502,747,459.24 | 445,096,302.22 |
| Fees & Commission Expenses | 6.4 | (113,902,389.47) | (98,595,374.78) |
| Net Gains from Trading of Foreign Exchange | 6.5 | 19,338,472.47 | 103,778,660.54 |
| Other Operating Income | 6.6 | 126,788,240.04 | 102,524,398.51 |
| Net Non-interest Income | | 534,971,782.28 | 552,803,986.49 |
| Total Operating Income | | 1,876,335,408.68 | 1,654,269,478.01 |
| Staff Costs | 6.7 | (634,804,766.64) | (664,263,799.46) |
| Premises Costs | 6.8 | (54,530,615.53) | (64,158,632.21) |
| General Administrative Expenses | 6.9 | (263,203,532.47) | (145,151,581.78) |
| Depreciation on Property, plant & equipment | 6.10 | (137,362,481.54) | (65,300,759.27) |
| Amortization of Intangible Assets | 6.11 | (63,962,533.99) | (54,761,793.78) |
| Impairment reversal on loans and advances | 5.4 & 6.14 | 259,464,244.63 | 52,375,319.52 |
| Total Operating Expenses/(Loss) | | (894,399,685.54) | (941,261,246.98) |
| Profit before Taxation | | 981,935,723.14 | 713,008,231.03 |
| Tax Expenses | 6.12 | | |
| - Current tax | | (270,669,560.00) | (179,970,888.00) |
| - Current tax - earlier year's | | (7,844,145.18) | (25,002,931.91) |
| - Deferred tax | | (26,847,612.00) | (26,054,834.00) |
| Net Profit for the year | | 676,574,405.96 | 481,979,577.12 |
| Other Comprehensive Income - Items that will not be reclassified to P&L (BAS 1.82a) | | | |
| Actuarial Gains/(Losses) on Retirement Benefits | | (4,900,128.00) | 9,403,928.52 |
| Net Gains/(Losses) from Financial Instruments designated at Fair Value through OCI | | (3,664,092.00) | 118,794,672.00 |
| Changes in revaluation surplus/ (deficit) | | 333,331,989.46 | |
| Total Other Comprehensive Income | | 324,767,769.46 | 128,198,600.52 |
| Total Comprehensive Income for the year | | 1,001,342,175.42 | 610,178,177.64 |
| Basic & Diluted Earnings Per Share | 6.13 | 22.55 | 16.07 |

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

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: April 13, 2023
 Place: Thimphu, Bhutan


For Bank of Bhutan Limited:

Mr. Karma Yonten
 Chairman, BOBL

Mr. Tshering Kezang
 Chairman, Board Audit Committee, BOBL

Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL



T.S.

(Amount in Nu.)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

| Particulars | Share Capital | Reserve Fund | Exchange Fluctuation Reserve | Retained Earnings | Fixed Asset Revaluation Reserve | Asset Pending Fore-closure Reserve | Total |
|---|-------------------------|-------------------------|------------------------------|-------------------------|---------------------------------|------------------------------------|-------------------------|
| As at January 01, 2021 | 3,000,000,000.00 | 2,189,684,368.40 | 292,253,233.84 | 1,676,490,619.23 | - | - | 7,158,428,221.47 |
| Transfer of APF provision to Reserve | - | - | - | - | - | 455,469,491.85 | 455,469,491.85 |
| Profit for the year 2021 | - | - | - | 481,979,577.12 | - | - | 481,979,577.12 |
| Refund on old Cash Warrants | - | - | - | (30,000.00) | - | - | (30,000.00) |
| Transfer from other Comprehensive Income | - | - | - | 128,198,600.52 | - | - | 128,198,600.52 |
| Transfer to Reserve Fund | - | 120,494,894.28 | - | (120,494,894.28) | - | - | - |
| Transfer to Exchange Fluctuation Reserve | - | - | 25,944,665.14 | (25,944,665.14) | - | - | - |
| As at December 31, 2021 | 3,000,000,000.00 | 2,310,179,262.68 | 318,197,898.97 | 2,140,199,237.46 | - | 455,469,491.85 | 8,224,045,890.95 |
| Adjustment of IFRS 16 Lease | - | - | - | (1,044,416.16) | - | - | (1,044,416.16) |
| Adjustment for excess Interest Impairment | - | - | - | (2,859,749.24) | - | - | (2,859,749.24) |
| Adjustment for excess Loan Impairment | - | - | - | (207,311,614.71) | - | - | (207,311,614.71) |
| Transfer from Other Comprehensive Income | - | - | - | - | 333,331,989.46 | - | 333,331,989.46 |
| As at January 01, 2022 | 3,000,000,000.00 | 2,310,179,262.68 | 318,197,898.97 | 1,928,983,457.35 | 333,331,989.46 | - | 7,890,692,608.45 |
| Transfer to Reserve Fund | - | 169,143,601.49 | - | (169,143,601.49) | - | - | - |
| Dividend transferred to Reserve Fund | - | 59,695,321.27 | - | (59,695,321.27) | - | - | - |
| Transfer to Exchange Fluctuation Reserve | - | - | 4,834,618.12 | (4,834,618.12) | - | - | - |
| Prior Period Adjustments to Retained Earnings | - | - | - | 16,402,067.93 | - | - | 16,402,067.93 |
| Other Comprehensive Income | - | - | - | (8,564,220.00) | - | - | (8,564,220.00) |
| Profit for the year | - | - | - | 676,574,405.96 | - | - | 676,574,405.96 |
| As at December 31, 2022 | 3,000,000,000.00 | 2,539,018,185.44 | 323,032,517.09 | 2,379,722,170.36 | 333,331,989.46 | - | 8,575,104,862.35 |

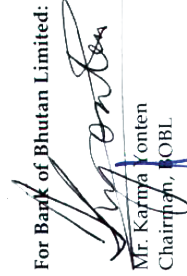
For Rinzing Financial Private Limited:



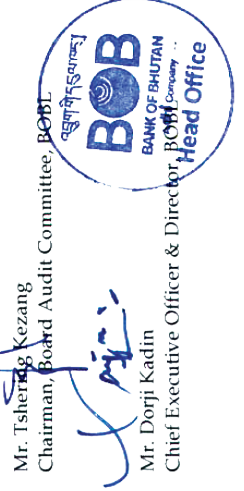
Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: April 13, 2023
Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
Chairman, BOBL



Mr. Tshering Kezang
Chairman, Board Audit Committee, BOBL

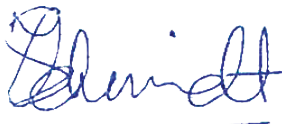
Mr. Dorji Kadin
Chief Executive Officer & Director, BOBL

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

(Amount in Nu.)

| Particulars | December 31, 2022 | December 31, 2021 |
|---|----------------------------|---------------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 981,935,723.14 | 713,008,231.03 |
| Add: Depreciation on Property, Plant & Equipment | 127,921,709.40 | 65,300,759.27 |
| Add: Amortization of Intangible Assets | 63,962,533.99 | 54,761,793.78 |
| Add: Depreciation on Right of Use Assets | 9,440,772.14 | - |
| Add: Interest Expense on Lease Liability | 2,708,848.91 | - |
| Operating profit before changes in operating assets & liabilities | 1,185,969,587.58 | 833,070,784.08 |
| (Increase)/Decrease in operating assets | | |
| Balance with RMA in CRR Account | (1,054,847,799.49) | (807,152,084.64) |
| Loans & Advances to Customers | (12,083,851,242.81) | (4,326,626,641.81) |
| Other Financial Assets | 430,037,887.33 | (823,658,223.05) |
| Other Assets | (13,994,207.57) | 185,282,735.91 |
| Sub Total (Operating Assets) | (12,722,655,362.54) | (5,772,154,213.59) |
| Increase/(Decrease) in operating liabilities | | |
| Due to Banks | (15,240,567.44) | (6,627,147.95) |
| Due to Customers | 8,354,791,920.22 | 10,933,177,159.23 |
| Other Financial Liabilities | (2,089,026,187.60) | 617,435,903.53 |
| Other Liabilities | 331,083,986.41 | 883,747,953.19 |
| Sub Total (Operating Liabilities) | 6,581,609,151.59 | 12,427,733,868.00 |
| Net cash (used in)/generated from operating activities before income tax | (4,955,076,623.37) | 7,488,650,438.49 |
| Income taxes paid | (305,361,317.18) | (231,028,653.91) |
| Net cash (used in)/generated from operating activities | (5,260,437,940.55) | 7,257,621,784.58 |
| Cash Inflows from investing activities | | |
| Investments | (4,704,665,489.02) | (8,296,258,495.03) |
| Purchase of PPE (Excl. ROU Asset) | (663,104,293.76) | (356,728,959.77) |
| Acquisition of PPE-ROU Asset | (31,834,836.27) | - |
| Net cash generated from/(used in) investing activities | (5,399,604,619.05) | (8,652,987,454.80) |
| Cash Outflows from financing activities | | |
| Dividend Paid | - | - |
| Other Adjustments from Retained Earnings | (325,515,434.57) | 583,638,092.37 |
| Payments of Lease Liability | (8,453,539.73) | - |
| Cash payment for interest portion of Lease Liability | (2,708,848.91) | - |
| Net cash used in financing activities | (336,677,823.21) | 583,638,092.37 |
| Net Cash generated/(used) during the year | (10,996,720,382.81) | (811,727,577.85) |
| Cash and cash equivalents at the beginning of the year | 27,875,866,484.43 | 28,687,594,062.18 |
| Cash and cash equivalents at the end of the year | 16,879,146,102.78 | 27,875,866,484.43 |
| Cash and cash equivalents at the end of the year | | |
| Cash and Cash Equivalents | 2,803,696,556.07 | 2,546,846,131.32 |
| Balances with Central Bank | 12,473,294,442.71 | 23,896,642,753.11 |
| Placements with other Banks | 1,602,155,104.00 | 1,432,377,600.00 |
| Total Cash & cash equivalents at the end of the year | 16,879,146,102.78 | 27,875,866,484.43 |

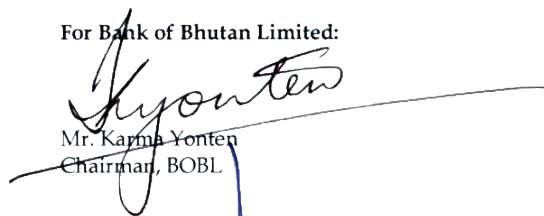
For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: April 13, 2023
 Place: Thimphu, Bhutan



For Bank of Bhutan Limited:



Mr. Karma Yonten
 Chairman, BOBL

Mr. Tshering Kezang
 Chairman, Board Audit Committee, BOBL

Mr. Dorji Kadin
 Chief Executive Officer & Director, BOBL



Accounting Policies & Notes to Accounts

SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. Corporate Information

- a. Bank of Bhutan Limited (“the Bank”) is established under the Royal Charter in May 1968 and it is the only banking institute in the country until 1997. It acted as the Central Bank of Bhutan till the Royal Monetary Authority of Bhutan was set up in 1982. The registered office of the Bank is located at Norzin Lam, PO Box No. 102, Thimphu, Bhutan.
- b. The Bank is a controlled company of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Bank has been incorporated and registered under The Companies Act of Bhutan, 2016 with limited liability.
- c. The Bank is governed by the Companies Act of Bhutan, 2016. Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including Prudential Regulations issued by the Royal Monetary Authority of Bhutan (RMA).
- d. Today, the Bank being the largest commercial bank in Bhutan, has its presence in every Dzongkhag, and major towns through a network of 54 branch offices and few extension offices. The Bank first rolled out Flex-cube Core Banking Solution (CBS) in 2009; hence banking operations were fully automated. Subsequently on April 1, 2016, The Bank migrated into BaNCS CBS of Tata Consultancy Services. This paved a way for customers to use the cutting-edge technologies for banking services.
- e. The financial statements of the Bank for the year ended December 31, 2022, were authorized for issue in accordance with the resolution of the Board of Directors dated March 21, 2023.

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, 2020, issued by the Ministry of Economic Affairs of Royal Government of Bhutan.

2.1 Application of Bhutanese Accounting Standards (BAS)

Until financial year ended December 31, 2013, the Bank prepared its financial statements in accordance with generally accepted accounting principles (GAAP) and the provisions of the Companies Act of the Kingdom of Bhutan, 2016.

The Accounting and Auditing Standard Board of Bhutan (AASBB) decided to adopt IFRS and IAS in phases with minor changes. These standards are referred to as Bhutanese Accounting Standards (BAS). The prescribed standard for Phase I was adopted with effect from January 1, 2014 and applicable standards for Phase II was adopted effective January 2016. The final phase, phase III was adopted effective from 2018 with the exception to Expected Credit Loss (ECL) modelling under BFRS 9. However, in FY 2022, The AASBB decided to adopt ECL modelling under BFRS 9. The following applicable standards were adopted:

| BAS Phase I (Effective Date: January 1, 2014) | BAS Phase II (Effective Date: January 1, 2016) |
|--|---|
| BAS 1 – Presentation of Financial Statements BAS 7 – Statement of Cash Flows BAS 8 – Accounting Policies, Changes in Accounting Estimates & Errors BAS 10 – Events after Reporting Period BAS 12 – Income Taxes BAS 16 – Property, Plant & Equipment BAS 18 – Revenue BAS 21 – The effects of Changes in Foreign Exchange Rates BAS 24 – Related Party Disclosures BAS 33 – Earning Per Share BAS 37 – Provisions, Contingent Liabilities and Contingent Assets BFRS 8 – Operating Segments | BAS 17 – Leases BAS 19 – Employee Benefits (early adopted in Phase I) BAS 36 – Impairment of Assets BAS 38 – Intangible Assets BAS 40 – Investment Property |
| BAS Phase III (Effective Date: January 1, 2018) | |
| BAS 32- Financial Instruments: Presentation BAS 39- Financial Instruments: Recognition and Measurement BFRS 1-First-time adoption of Bhutanese Financial Reporting Standards BFRS 7- Financial Instruments: Disclosures BFRS 9- Financial Instruments BFRS 13- Fair Value Measurement BFRS 15- Revenue from Contracts with Customers | |

The Financial Statements for the year ended December 31, 2022, have been prepared in line with first, second and third phases of the Bhutanese Accounting Standards (BAS).

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

The fair value measurement of a financial asset or liability on the date of reporting is the amount for which it could be settled between the parties in an arm’s length transaction under market conditions. The most objective and common reference for the fair value of a financial asset or liability is the price that would be paid for it on an organized, transparent and deep market (“quoted price” or “market price”).

While measuring the fair value of financial asset or liability, the Bank has taken into the consideration the characteristics such as market condition, economic situation and restriction if any on the sale or hold of such 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

At each reporting date, the Bank assess whether the credit risk on a financial instrument

has increased significantly since initial recognition. The Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. However, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The impairment provisions of financial assets are based on the BFRS 9 “Expected Credit Loss Model” (ECL), 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.

When measuring the ECL, the Bank considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit losses occur, even if the possibility of a credit loss occurring is very low and also considered the maximum contractual period over which the Bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

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. 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. Revaluation of Land

Revaluation model is applied on the entire class of freehold land. The revaluation is done as per the Group Accounting Policies. The Market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use are taken into account in measuring the fair value of the freehold land. The detailed revaluation of freehold land is also disclosed as required by the standard.

f. Lease Accounting

BFRS 16 introduces single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

g. Retirement benefit obligations

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

i. Discount Rate

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

ii. Salary Growth Rate

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

iii. Mortality Rate

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

iv. Employee Turnover Rate

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

4. Summary of Significant Accounting Policies

4.1 Basis of Preparation

4.1.1 Statement of Compliance

- a. These financial statements are the general-purpose financial statements that have been prepared in accordance with and to comply with the Bhutanese Accounting Standards (BAS), the Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2015, the Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA). Further, as these financial statements have been prepared in accordance with and are compliant with the Bhutanese Accounting Standards (BAS), to the extent as applicable, as detailed 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 'BFRS 9 – Financial Instruments.
- 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.

- c. The format used in the preparation and presentation of Financial Statements as per BAS and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Bhutan, Royal Monetary Authority of Bhutan (RMA).
- d. The assets and liabilities in the financial statements have been presented in decreasing order of liquidity to provide information, which are more relevant to the financial statements of the Bank, than the current/non-current presentation. The same is as per the exemption given to the financial institution in 'BAS 1: Presentation of Financial Statements'. However, the status of current/non-current assets and liabilities on the basis of residual maturity is given in the Note 7.9 as disclosure.
- e. The accounting policies based on BAS have been applied consistently for the years presented in these financial statements. There were no changes in the accounting policies applied compared to the previous year, except otherwise stated.

4.1.2 Basis of Measurement

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

- a. The financial investments that are classified as "available for sale" are measured at fair valued as required by BFRS 7 (Note 7.5) and recognised through Other Comprehensive Income (OCI).
- b. The Loans and Advances are tested for impairment on periodic basis and recognised through profit or loss less the impairment charges.
- c. Defined benefit obligations are actuarially valued and recognised at the present value of the defined benefit obligation.
- d. The Fixed Deposit placed by customer are measured at fair value. The fair value for fixed deposits with the interest earning at the maturity, estimated using discounted cash flows, applying market rates and effective interest rate on the expired periods. The difference between the FV at MIR and FV at EIR is the additional interest to be booked.
- e. The incentive loans provided to employees of the Bank are measured at fair value. In order to determine fair value of staff loan needs to determine the market interest rate for similar instruments and discount all cash flows from the loan with the market interest rate to arrive at their present value. The difference between the present values at given rate on the remaining loan instalments and the present value at market rate on the remaining loan instalments is deferred employment cost.

4.2 Presentation of Financial Statement

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

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

4.2.1 Foreign Currency Translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

4.2.2 Going Concern

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

4.2.3 Accrual Basis of Accounting

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

4.2.4 Materiality and Aggregation

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

4.2.5 Offsetting

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

4.2.6 Frequency of Reporting

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

4.2.7 Comparative Information

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

4.3 Operating Segments

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

4.4 Property, Plant and Equipment

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

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

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

4.5 Depreciation and Amortisation Methods, Estimated Useful Lives and Residual Value

On other tangible assets

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

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

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

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

4.6 Intangible Assets

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

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

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

| Asset | Useful Life (No. of years) |
|----------|----------------------------|
| Software | 7 |

An intangible asset is derecognized when disposed off or when no future benefits are expected to arise from the continued use of the asset. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

4.7 Cash and Cash Equivalent

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

4.11 Provisions, Contingent Liabilities and Contingent Assets

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

- b. A disclosure for a contingent liability is made when there is a present obligation arising as a result of past event that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

4.12 Revenue recognition

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

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

i. Interest income

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

ii. Other Income

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

4.13 Mandatory Cash Reserve with RMA

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

4.14 Financial Instruments

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

(i) Financial Assets

(a) Initial recognition and measurement

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

(b) Classification and subsequent measurement

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

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

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

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

(1) Financial assets measured at amortized cost:

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

(d) De-recognition of Financial Assets

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

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

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

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

(ii) Financial Liabilities

Initial Recognition and Measurement

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

Subsequent Measurement

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

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

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

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

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

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

Borrowings and Deposits

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

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

Financial Guarantee Contract

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

De-recognition

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

(iii) Off-setting of financial instruments:

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

4.15 Impairment of Non-Financial Assets

The Bank assesses, at each reporting date, using external and internal sources, whether there is an indication that a non-financial asset may be impaired and also whether there is an indication of reversal of impairment loss recognised in the previous period/s. If any indication exists, or when annual impairment testing for an asset is required, the Bank determines the recoverable amount and impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The recoverable amount is determined:

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

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

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

4.16 Earnings Per share

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

4.17 Dividend Distribution

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

Notes forming part of the Statement of Financial Position as at December 31, 2022

NOTE 5.1 - CASH AND CASH EQUIVALENTS

Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|---|-------------------------|-------------------------|-------------------------|
| i. Cash in Hand | | | |
| - Local Currency | 1,071,869,601.25 | 1,066,879,774.36 | 1,066,879,774.36 |
| - Foreign Currency | 22,590,042.35 | 29,213,742.25 | 29,213,742.25 |
| ii. Balances in Current Accounts | | | |
| - Local Banks | 200,000.00 | 200,000.00 | 200,000.00 |
| - Foreign Banks | 1,709,036,912.47 | 1,450,552,614.71 | 1,450,552,614.71 |
| TOTAL | 2,803,696,556.07 | 2,546,846,131.32 | 2,546,846,131.32 |

NOTE 5.2 - BALANCES WITH CENTRAL BANK

Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|---|--------------------------|--------------------------|--------------------------|
| Balances with Royal Monetary Authority (RMA) | | | |
| - Cash Reserve | 7,013,465,785.95 | 5,958,617,986.46 | 5,958,617,986.46 |
| - Current Account | 12,473,294,442.71 | 23,896,642,753.11 | 23,896,642,753.11 |
| TOTAL | 19,486,760,228.66 | 29,855,260,739.57 | 29,855,260,739.57 |

NOTE 5.3 - PLACEMENTS WITH OTHER BANK

Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| On Deposit Accounts | | | |
| - Local Banks | 1,343,756,704.00 | 1,200,000,000.00 | 1,200,000,000.00 |
| - Foreign Banks (Refer note 7.4) | 258,398,400.00 | 232,377,600.00 | 232,377,600.00 |
| TOTAL | 1,602,155,104.00 | 1,432,377,600.00 | 1,432,377,600.00 |

NOTE 5.4 - LOANS & ADVANCES TO CUSTOMERS
Amount in Ngultrum

| | Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|--|--------------------------|--------------------------|--------------------------|
| | Gross Loans & Advances | 64,964,366,539.33 | 52,922,796,987.35 | 52,922,796,987.35 |
| | Less: Interest in Suspense | (159,617,909.85) | (146,702,657.33) | (143,842,908.09) |
| | Gross Loans & Advances after adjustment | 64,804,748,629.48 | 52,776,094,330.02 | 52,778,954,079.26 |
| | Less: Allowance for Impairment Loss | | | |
| | - Individually assessed* | 34,866,437.36 | 134,232,815.32 | 32,662,879.63 |
| | - Collectively assessed | 876,774,276.33 | 1,044,265,805.67 | 938,524,126.65 |
| | Total Allowance for Impairment Loss | 911,640,713.69 | 1,178,498,620.99 | 971,187,006.28 |
| | Net Loans & Advances | 63,893,107,915.79 | 51,597,595,709.03 | 51,807,767,072.98 |
| | Bills discounted & purchased | - | 1,489,600.00 | 1,489,600.00 |
| | TOTAL | 63,893,107,915.79 | 51,599,085,309.03 | 51,809,256,672.98 |

*Individually assessed includes additional provision (Letter of Credit Nu. 9,189,602.02 & Bank Guarantee Nu.7,441,815.46)

| | Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|----|---------------------|--------------------------|--------------------------|--------------------------|
| a. | Current portion | 6,051,360,011.31 | 4,761,648,343.35 | 4,694,413,781.55 |
| b. | Non-Current portion | 57,841,747,904.48 | 46,837,436,965.68 | 47,114,842,891.43 |
| | TOTAL | 63,893,107,915.79 | 51,599,085,309.03 | 51,809,256,672.98 |

| | Particulars of Advances | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|-----|---|--------------------------|--------------------------|--------------------------|
| i | Debts considered good in respect of which Bank is fully secured | 52,082,804,066.01 | 46,685,727,665.88 | 46,685,727,665.88 |
| ii | Debts considered good for which Bank holds no other security than the Debtor's personal security | 10,907,452,348.92 | 5,455,139,227.39 | 5,455,139,227.39 |
| iii | Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors | 1,974,110,124.40 | 781,930,094.08 | 781,930,094.08 |
| | TOTAL | 64,964,366,539.33 | 52,922,796,987.35 | 52,922,796,987.35 |
| | Debts due by directors, managers or officers of Bank or any of them either severally or jointly with any other person | 973,485,490.49 | 889,847,654.25 | 889,847,654.25 |
| iv | 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 | 316,761,966.82 | 535,206,893.68 | 535,206,893.68 |
| v | Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members | 333,948,350.90 | 360,971,793.83 | 360,971,793.83 |

NOTE 5.5 - FINANCIAL INVESTMENTS - HELD TO MATURITY**Amount in Ngultrum**

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|--------------------------|--------------------------|--------------------------|
| 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 | 115,332,000.00 | 1,314,917,000.00 | 1,314,917,000.00 |
| 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 | 102,270,000.00 |
| Bonds & Treasury Bills - Fully paid up - Unlisted | | | |
| DHI Seed Fund | - | 2,761,451.98 | 2,761,451.98 |
| RGoB Bond | 5,737,829,000.00 | 987,999,000.00 | 987,999,000.00 |
| Royal Monetary Authority (RMA) Treasury Bill | 10,029,395,700.00 | 9,335,341,900.00 | 9,335,341,900.00 |
| Commercial Paper | 473,391,792.00 | - | - |
| TOTAL | 16,458,218,492.00 | 11,743,289,351.98 | 11,743,289,351.98 |

NOTE 5.6 - FINANCIAL INVESTMENTS - AVAILABLE FOR SALE**Amount in Ngultrum**

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|-----------------------|-----------------------|-----------------------|
| 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 | 51,582,080.00 | 77,804,120.00 | 77,804,120.00 |
| 1,584,500 (Previous Year: 1,584,500) Equity Shares of Bhutan Carbide & Chemicals Limited of Face Value of Nu. 10 each | 54,015,605.00 | 71,445,105.00 | 71,445,105.00 |
| 503,800 (Previous Year: 503,800) Equity Shares of Bhutan Ferro Alloys Limited of Face Value of Nu. 10 each | 42,183,174.00 | 57,297,174.00 | 57,297,174.00 |
| 37,950 (Previous Year: 37,950) Equity Shares of Penden Cement Authority Limited of Face Value of Nu. 10 each | 3,377,550.00 | 3,984,750.00 | 3,984,750.00 |
| 1,182,720 (Previous Year: 1,182,720) Equity Shares of Druk Ferro Alloys Limited of Face Value of Nu. 10 each | 166,763,550.00 | 109,992,960.00 | 109,992,960.00 |
| 1,270,440 (Previous Year: 1,270,440) Equity Shares of State Trading Corp. of Bhutan Limited of Face Value of Nu. 10 each | 78,767,280.00 | 77,496,840.00 | 77,496,840.00 |
| 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 | 62,344,674.00 | 72,220,050.00 | 72,220,050.00 |
| 17,500 (Previous Year: 17,500) Equity Shares of Credit Information Bureau of Face Value of Nu. 100 each | 5,017,425.00 | 4,458,650.00 | 4,458,650.00 |
| TOTAL | 464,051,338.00 | 474,699,649.00 | 474,699,649.00 |

NOTE 5.7 - INVESTMENTS IN ASSOCIATES
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|----------------------|----------------------|----------------------|
| Equity Shares - Fully Paid Up - Unlisted | | | |
| 162,000 (Previous Year: 162,000) Equity Shares of Royal Securities Exchange of Bhutan Ltd. of Face Value of Nu. 100 each | 28,136,160.00 | 27,013,500.00 | 27,013,500.00 |
| 1,800,000 (Previous Year: 1,800,000) Equity Shares of Financial Training Institution of Face Value of Nu. 10 each | 17,028,000.00 | 17,766,000.00 | 17,766,000.00 |
| TOTAL | 45,164,160.00 | 44,779,500.00 | 44,779,500.00 |

NOTE 5.8 - OTHER FINANCIAL ASSETS
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|---|-----------------------|-------------------------|-------------------------|
| Accrued Interest on Investments and Deposits | 121,350,482.63 | 41,303,996.59 | 41,303,996.59 |
| Balances relating to Visa/Mastercard/BFS etc. | 607,034,700.12 | 623,829,510.44 | 623,829,510.44 |
| Stamps, Sundry Deposits and Amounts Recoverable | 83,171,417.48 | 49,129,741.83 | 49,129,741.83 |
| CP-Interest Receivable | (106,908,464.17) | 420,422,774.53 | 420,422,774.53 |
| TOTAL | 704,648,136.06 | 1,134,686,023.39 | 1,134,686,023.39 |

NOTE 5.9 - OTHER ASSETS
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--------------------------------|----------------------|----------------------|----------------------|
| Prepaid Expenses | 27,602,182.57 | 18,799,172.89 | 18,799,172.89 |
| Stationery | 36,556,240.98 | 29,598,424.27 | 29,598,424.27 |
| Advances to Suppliers & Others | 6,184,024.65 | 7,950,643.47 | 7,950,643.47 |
| TOTAL | 70,342,448.20 | 56,348,240.63 | 56,348,240.63 |

NOTE 5.10 - PROPERTY, PLANT AND EQUIPMENT

As at December 31st, 2022

| Particulars | Amount in Ngultrum | | | | | | | Total (as at December 31, 2021) |
|--|-----------------------|------------------------------|------------------------|--------------------------------|------------------------|-------------------------|---------------------------------|---------------------------------|
| | Freehold Land | Buildings & Civil Structures | Furniture & Fixtures | Office Equipment & Machineries | Vehicle | Computer & IT Equipment | Total (as at December 31, 2022) | |
| Gross Block | | | | | | | | |
| Balance as at January 1, 2022 | 166,181,409.78 | 582,553,004.44 | 84,760,437.98 | 577,129,593.02 | 47,761,669.45 | 297,196,462.99 | 1,755,582,577.66 | 904,628,210.07 |
| Additions/ Revaluation | 333,331,989.46 | 2,571,490.38 | 1,803,793.90 | 19,035,273.83 | 133,372.00 | 7,527,393.01 | 364,403,312.58 | 852,335,649.59 |
| Deletions/ Adjustments/ Reclassification | (3,845.08) | (1,418,100.51) | | | | | (1,421,945.59) | (1,381,282.00) |
| Closing Balance as at December 31, 2022 | 499,509,554.16 | 583,706,394.31 | 86,564,231.88 | 596,164,866.85 | 47,895,041.45 | 304,723,856.00 | 2,118,563,944.65 | 1,755,582,577.65 |
| Accumulated Depreciation | | | | | | | | |
| Balance as at January 1, 2022 | - | (56,841,563.26) | (30,882,644.67) | (177,765,391.39) | (26,545,825.78) | (226,445,213.48) | (518,480,638.58) | (454,561,161.31) |
| Depreciation on deletions/ adjustments/ reclassification | | 1,418,100.51 | | | | | 1,418,100.51 | 1,381,282.00 |
| Depreciation for the year | - | (19,210,006.36) | (8,809,619.94) | (68,021,210.75) | (3,725,981.99) | (28,154,890.36) | (127,921,709.40) | (65,300,759.27) |
| Balance as at December 31, 2022 | - | (74,633,469.11) | (39,692,264.61) | (245,786,602.14) | (30,271,807.77) | (254,600,103.84) | (644,984,247.47) | (518,480,639.55) |
| Net Book Value as at December 31, 2022 | 499,509,554.16 | 509,072,925.20 | 46,871,967.27 | 350,378,264.71 | 17,623,233.68 | 50,123,752.16 | 1,473,579,697.18 | 1,237,101,938.10 |

NOTE 5.11 - RIGHT OF USE ASSET
Amount in Ngultrum

| Particulars | December 31, 2022 |
|---|----------------------|
| Right of Use Assets/Leasehold Properties | 31,834,836.29 |
| Less: Accumulated Depreciation | (9,440,772.14) |
| Net Book value of right of use assets/leasehold properties | 22,394,064.15 |
| Gross Block | |
| Balance as at 1 January, 2022 | 10,709,272.69 |
| Additions during the year | 21,125,563.60 |
| Balance as at 31 December, 2022 | 31,834,836.29 |
| Accumulated Depreciation | |
| Balance as at 1 January, 2022 | |
| Depreciation during the year | 9,440,772.14 |
| Balance as at 31 December, 2022 | 9,440,772.14 |

NOTE 5.12 - INTANGIBLE ASSETS
Amount in Ngultrum

| Particulars | December 31, 2022 |
|--|-------------------------|
| Gross Block | |
| Balance as at January 1, 2022 | 505,647,992.85 |
| Additions | 56,420,201.07 |
| Deletions/Adjustments/Reclassification | |
| Closing Balance as at December 31, 2022 | 562,068,193.92 |
| Accumulated Amortization | |
| Balance as at January 1, 2022 | (241,289,415.06) |
| Amortization for the year | (63,962,533.99) |
| Deletions/Adjustments/Reclassification | |
| Balance as at December 31, 2022 | (305,251,949.05) |
| Net Book Value as at December 31, 2022 | 256,816,244.87 |
| Gross Block | |
| Balance as at January 1, 2021 | 397,128,741.93 |
| Additions | 108,519,250.92 |
| Deletions/Adjustments/Reclassification | |
| Closing Balance as at December 31, 2021 | 505,647,992.85 |
| Accumulated Amortization | |
| Balance as at January 1, 2021 | (186,527,621.28) |
| Amortization for the year | (54,761,793.78) |
| Deletions/Adjustments/Reclassification | |
| Balance as at December 31, 2021 | (241,289,415.06) |
| Net Book Value as at December 31, 2021 | 264,358,577.79 |

NOTE 5.13 - CAPITAL WORK IN PROGRESS**Amount in Ngultrum**

| Particulars | December 31, 2022 |
|--|-----------------------|
| Balance as at January 1, 2022 | 80,693,455.93 |
| Additions | 242,284,625.20 |
| Adjustments/Capitalization during the year | |
| Balance as at December 31, 2022 | 322,978,081.13 |
| Balance as at January 1, 2021 | 684,819,395.67 |
| Additions | (597,431,978.61) |
| Adjustments/Capitalization during the year | (6,693,961.13) |
| Balance as at December 31, 2021 | 80,693,455.93 |

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

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|------------------|---------------------|----------------------|----------------------|
| Current Deposits | 3,519,838.88 | 18,760,406.32 | 18,760,406.32 |
| TOTAL | 3,519,838.88 | 18,760,406.32 | 18,760,406.32 |

NOTE 5.15 - DUE TO CUSTOMERS**Amount in Ngultrum**

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|----------------------------|--------------------------|--------------------------|--------------------------|
| i. DEMAND DEPOSITS | | | |
| Current Accounts | 32,741,094,496.65 | 27,772,742,842.98 | 27,772,742,842.98 |
| Savings Bank Accounts | 29,301,375,006.91 | 28,548,724,144.78 | 28,548,724,144.78 |
| Interest Accrued on SB | - | - | - |
| | 62,042,469,503.56 | 56,321,466,987.76 | 56,321,466,987.76 |
| ii. TERM DEPOSITS | | | |
| Fixed Deposits (Net) | 32,230,017,925.74 | 29,741,097,138.29 | 29,741,097,138.29 |
| Fixed Deposits | 30,009,034,379.42 | 29,800,591,346.32 | 29,800,591,346.32 |
| Less: Fair Value FD-Staff | (544,478.76) | (570,702.64) | (570,702.64) |
| Less: Fair Value FD-Public | (57,590,189.46) | (58,923,505.39) | (58,923,505.39) |
| Interest Accrued on FD | 2,279,118,214.54 | - | - |
| Recurring Deposits | 2,401,306,473.62 | 2,463,785,478.02 | 2,463,785,478.02 |
| Interest Accrued on RD | 207,347,621.37 | - | - |
| | 34,838,672,020.73 | 32,204,882,616.31 | 32,204,882,616.31 |
| TOTAL | 96,881,141,524.29 | 88,526,349,604.07 | 88,526,349,604.07 |
| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
| a. Current portion | 76,534,347,981.91 | 66,703,095,422.83 | 66,703,095,422.83 |
| b. Non-Current portion | 20,346,793,542.38 | 21,823,254,181.24 | 21,823,254,181.24 |
| TOTAL | 96,881,141,524.29 | 88,526,349,604.07 | 88,526,349,604.07 |

NOTE 5.16 - CURRENT TAX LIABILITIES**Amount in Ngultrum**

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| Income Tax Payable | 270,669,560.00 | 179,970,888.00 | 179,970,888.00 |
| Less: Advance Tax | (121,840,029.36) | (66,270,242.40) | (66,270,242.40) |
| Tax Deducted at Source (TDS) | (19,398,736.84) | (10,506,534.84) | (10,506,534.84) |
| TOTAL | 129,430,793.80 | 103,194,110.76 | 103,194,110.76 |

NOTE 5.17 - OTHER FINANCIAL LIABILITIES
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--------------------------------------|----------------------|-------------------------|-------------------------|
| Interest Accrued & Due | - | 2,095,251,250.51 | 2,095,251,250.51 |
| Balances relating to Visa/Mastercard | 3,825,738.63 | 2,928,338.59 | 2,928,338.59 |
| Unearned Commission Income | 75,111,353.25 | 69,783,690.38 | 69,783,690.38 |
| TOTAL | 78,937,091.88 | 2,167,963,279.48 | 2,167,963,279.48 |

NOTE 5.18 - PROVISION FOR LIABILITIES & CHARGES
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|---------------------------------|---------------------|---------------------|---------------------|
| Provision towards frauds/thefts | 9,091,736.79 | 9,116,736.79 | 9,116,736.79 |
| TOTAL | 9,091,736.79 | 9,116,736.79 | 9,116,736.79 |

NOTE 5.19 - RETIREMENT BENEFIT OBLIGATIONS
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|-----------------------|-----------------------|-----------------------|
| Provisions for Employee Benefits: | | | |
| - Gratuity * | 186,924,815.00 | 180,180,379.00 | 180,180,379.00 |
| - Leave Encashment * | 37,197,266.00 | 41,957,091.00 | 41,957,091.00 |
| - Separation & Travel Allowance * | 19,746,752.00 | 21,619,234.00 | 21,619,234.00 |
| TOTAL | 243,868,833.00 | 243,756,704.00 | 243,756,704.00 |
| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
| a. Current portion | 27,652,116.00 | 27,312,443.00 | 27,312,443.00 |
| b. Non-Current portion | 216,216,717.00 | 216,444,261.00 | 216,444,261.00 |
| TOTAL | 243,868,833.00 | 243,756,704.00 | 243,756,704.00 |

*Refer note 7.1

NOTE 5.20 - OTHER LIABILITIES
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|-------------------------|-------------------------|-------------------------|
| Drafts & Cash Warrants issued & outstanding | 258,148,714.17 | 254,858,555.02 | 254,858,555.02 |
| Others (including provisions for operating expenses) | 1,266,693,727.86 | 1,480,420,068.93 | 1,024,950,577.08 |
| TOTAL | 1,524,842,442.03 | 1,735,278,623.95 | 1,279,809,132.10 |

NOTE 5.21 - DEFERRED TAX LIABILITIES
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--------------------------|-----------------------|-----------------------|-----------------------|
| Deferred Tax Liabilities | 133,549,628.59 | 106,702,016.59 | 106,702,016.59 |
| TOTAL | 133,549,628.59 | 106,702,016.59 | 106,702,016.59 |

NOTE 5.22 - LEASE LIABILITY
Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|-------------------------------|----------------------|----------------------|-------------------|
| Balance as at 1 January 2022 | 11,753,688.84 | 11,753,688.84 | |
| Additions | 21,125,563.60 | | |
| Accretion of Interest | 2,708,848.90 | | |
| Lease payment during the year | (11,162,388.63) | | |
| TOTAL | 24,425,712.71 | 11,753,688.84 | |

NOTE 5.23 - SHARE CAPITAL

Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|------------------------------------|-------------------|-------------------|-------------------|
| AUTHORISED CAPITAL | | | |
| 100,000,000 Shares of Nu. 100 each | 10,000,000,000.00 | 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 | 3,000,000,000.00 |

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

| Name of equity shareholder | December 31, 2022 | | December 31, 2021 | |
|---|--------------------|-----------------------------------|--------------------|-----------------------------------|
| | 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, 2022 | | December 31, 2021 | |
|-------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | 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 5.24 - RESERVES & SURPLUS

Amount in Ngultrum

| Particulars | December 31, 2022 | January 1, 2022 | December 31, 2021 |
|--|-------------------------|-------------------------|-------------------------|
| Reserve Fund | | | |
| Opening Balance | 2,310,179,262.68 | 2,310,179,262.68 | 2,189,684,368.40 |
| Add: Transfer from P & L | 169,143,601.49 | | 120,494,894.28 |
| Add: Transfer from Retained Earnings (Dividend for 2022) | 59,695,321.27 | | |
| | 2,539,018,185.44 | 2,310,179,262.68 | 2,310,179,262.68 |
| Exchange Fluctuation Reserve | | | |
| Opening Balance | 318,197,898.97 | 318,197,898.97 | 292,253,233.84 |
| Add: Transfer from P & L | 4,834,618.12 | | 25,944,665.14 |
| | 323,032,517.09 | 318,197,898.97 | 318,197,898.97 |
| Retained Earnings | | | |
| Opening Balance | 1,928,983,457.34 | 2,140,199,237.45 | 1,676,490,619.23 |
| Less: Transfer to Reserve Fund | (169,143,601.49) | | (120,494,894.28) |
| Less: Dividend transferred to Reserve Fund | (59,695,321.27) | | - |
| Less: Transfer to Exchange Fluctuation Reserve | (4,834,618.12) | | (25,944,665.14) |
| Less: Adjustment for loan Closure during the year | (252,573.07) | | |
| Less: Refund of old cash warrants to Kuensel | (23,762.00) | | (30,000.00) |
| Less: Refund of unclaimed FDR to MR. Kinley Namgay | (48,400.00) | | |
| Less: Adjustment of advances to ModeFin | (91,428.00) | | |
| Less: Adjustment of IFRS 16 Lease | | (1,044,416.16) | |
| Less: Adjustment for excess Interest Impairment | | (2,859,749.24) | |
| Less: Adjustment for excess Loan Impairment | | (207,311,614.71) | |
| Add: Other Comprehensive Income | (8,564,220.00) | | 128,198,600.52 |
| ADD: Additional in OCI (buyback shares of BFAL) | 16,818,231.00 | | |
| Add: Profit for the year | 676,574,405.96 | | 481,979,577.12 |
| | 2,379,722,170.35 | 1,928,983,457.34 | 2,140,199,237.45 |
| Fixed Asset Revaluation Reserve | | | |
| Opening Balance | 333,331,989.46 | | |
| | 333,331,989.46 | 333,331,989.46 | |
| Asset Pending Foreclosure Reserve | | | |
| | | | 455,469,491.85 |
| TOTAL | 5,575,104,862.34 | 4,890,692,608.45 | 5,224,045,890.95 |

NOTE 5.25 - CONTINGENT LIABILITIES
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-------------------------|-------------------------|
| Constituents' Liabilities for Acceptances, Endorsements and Other Obligations | 885,042,926.75 | 907,187,820.52 |
| Guarantees Issued & Outstanding (Refer Note 7.8.a)* | 748,220,095.21 | 444,486,800.99 |
| TOTAL | 1,633,263,021.96 | 1,351,674,621.51 |

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

NOTE 5.26 - BILLS FOR COLLECTION
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------|---------------------|
| Payable outside Bhutan | - | 1,489,600.00 |
| TOTAL | - | 1,489,600.00 |

Notes forming part of the Statement of Comprehensive Income as at December 31, 2022
NOTE 6.1 - INTEREST INCOME
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-------------------------|-------------------------|
| On Customer Loans (Net of Interest Suspense)* | 4,647,905,608.57 | 4,425,444,301.84 |
| On Bills Discounted & Purchased | 226,392.92 | 455,587.63 |
| On Investments | 385,557,877.77 | 217,387,439.57 |
| On Inter-Bank Deposits | 58,332,598.49 | 61,545,914.59 |
| TOTAL | 5,092,022,477.75 | 4,704,833,243.63 |

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

NOTE 6.2 - INTEREST EXPENSES
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------------|-------------------------|
| On Customer Deposits | 3,711,948,043.58 | 3,450,750,131.35 |
| CP Interest Expenses | 38,710,807.77 | 152,617,620.76 |
| On Inter-Bank Deposits | - | - |
| TOTAL | 3,750,658,851.35 | 3,603,367,752.11 |

NOTE 6.3 - FEES & COMMISSION INCOME
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-----------------------|-----------------------|
| Commission | 112,149,928.27 | 107,967,845.41 |
| SB Maintenance Fee | 47,333,178.62 | 47,295,406.30 |
| Exchange - Fund Transfer/Drafts | 92,179,867.14 | 80,805,476.02 |
| Debit Card Issuance & Usage Fees | 8,137,817.45 | 7,315,305.40 |
| Visa/Master Card POS Acquiring Commission | 5,686,896.49 | 10,029.90 |
| Visa Debit Card ATM Charges | 1,286,669.00 | 2,757,559.00 |
| BFS ATM Interchange Fee Income | 435,857.00 | 937,232.00 |
| International ATM Access Fees | 2,344,800.00 | 748,500.00 |
| Income From Visa Credit Cards | 6,336,956.21 | 5,427,274.45 |
| Prepaid card Load/Reload Fee | 10,157,300.00 | 4,227,750.00 |
| M-BoB Service Charge/Commission | 5,007,745.94 | 10,728,456.80 |
| Electronic Wallet Transaction Commission | 752,440.00 | 1,470,710.00 |
| E-Acquiring Commission | 3,861,376.86 | 2,432,725.20 |
| Airtime Top Up Commission-BT | 137,767,683.56 | 113,995,664.01 |
| Airtime Top Up Commission-T-Cell | 58,359,566.42 | 44,456,915.86 |
| AMEX ATM Access Fee Acc | 3,900.00 | 3,900.00 |
| Other miscellaneous income | 10,945,476.28 | 14,515,551.87 |
| TOTAL | 502,747,459.24 | 445,096,302.22 |

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

| Particulars | December 31, 2021 | December 31, 2020 |
|--------------------------------|-----------------------|----------------------|
| Visa & Master Card Fee | 70,452,651.15 | 54,217,054.87 |
| BFS Interchange Fee Expenses | 1,513,852.00 | 4,407,619.00 |
| BT Share on Bwallet Commission | 17,995,623.28 | 782,766.36 |
| Securities Trading Fee Expense | 106,390.90 | 460,664.79 |
| goBoB Expenses Account | - | 71,000.00 |
| Agency Banking Comm. Payout | 21,603,957.73 | 36,720,762.49 |
| AMEX Reg Fee Charges Acc | 1,970,773.29 | 1,935,462.46 |
| AMEX POS Reimbursement Ac Dr | 214,420.87 | 20.77 |
| AMEX ATM FCY Loss Acc | 1,500.19 | 0.16 |
| AMEX POS FCY Loss Acc | 43,220.06 | 23.88 |
| TOTAL | 113,902,389.47 | 98,595,374.78 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|--|----------------------|-----------------------|
| Gains on trading of Foreign Currency (net) | 19,338,472.47 | 103,778,660.54 |
| TOTAL | 19,338,472.47 | 103,778,660.54 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-----------------------|-----------------------|
| Dividend on Equity Investments | 36,529,600.00 | 6,835,928.00 |
| Rental Income | 11,613,118.64 | 12,948,567.78 |
| Profit on sale of property, plant & equipment | 9,413,443.30 | 1,574,716.77 |
| Other Income including recoveries for charges | 69,232,078.10 | 81,165,185.96 |
| TOTAL | 126,788,240.04 | 102,524,398.51 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-----------------------|-----------------------|
| Employment Cost-Salaries | 259,608,676.64 | 264,866,486.77 |
| Employment Cost-Allowances | 129,989,731.00 | 130,279,706.27 |
| Employment Cost-PBVA | 83,025,676.00 | 39,507,786.39 |
| Employment Cost-PF-Employer's Contribution | 39,289,917.00 | 38,807,341.00 |
| Employment Cost-Leave Encashment (Refer note 7.1) | 19,388,756.00 | 27,610,653.00 |
| Staff Welfare-Medical Expenses | 699,670.27 | 402,059.00 |
| Employment Cost-Gratuity (Refer note 7.1) | 26,165,559.00 | 26,780,558.00 |
| Employment Cost-Leave Travel Concession (LTC) | 11,504,250.43 | 11,612,179.00 |
| Staff Welfare-Tea Expenses/Pantry | 354,753.00 | 490,606.40 |
| Uniform Expenses | 244,719.00 | 1,437,700.00 |
| HRD-Training Expenses | 2,684,835.59 | 5,516,328.98 |
| Employment Cost-Separation | 3,291,129.00 | 4,184,607.00 |
| Employment Cost-Transfer Grant | 999,169.92 | 1,137,413.88 |
| Recreation & Sports | 364,106.00 | 1,676,150.00 |
| Prices & Awards | - | 45,000.00 |
| HRD-Long Term Trainings/Scholarships | 4,110,451.71 | 6,330,244.64 |
| Entertainment Allowance | 2,348,103.00 | - |
| Employment Cost-Fringe Benefits-Staff Loan | 50,608,583.08 | 103,578,979.13 |
| Staff Welfare-Staff Engagement Costs | 21,860.00 | - |
| Staff Welfare-Trendrel Ceremony | 2,870.00 | - |
| Staff Welfare-Funeral Expenses (Semso) | 20,000.00 | - |
| Employment Cost-Temporary Staff & Intern Charges | 81,950.00 | - |
| TOTAL | 634,804,766.64 | 664,263,799.46 |

NOTE 6.8 - PREMISES COSTS
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|---|----------------------|----------------------|
| Rent | 5,542,528.61 | 12,426,480.34 |
| ATM Rent | 728,311.56 | 5,151,378.15 |
| Insurance Building | 941,604.05 | 633,701.72 |
| Equipment & Machineries Insurance | 325,898.98 | 503,097.40 |
| Electricity & Lightings | 5,206,123.25 | 5,757,925.67 |
| Rates & Taxes | 397,308.55 | 386,138.56 |
| Water & Sewerage | 253,839.70 | 242,362.30 |
| Running & Maintenance Cost-Office Building | 2,421,418.19 | 261,452.42 |
| Motor Vehicle-Repair & Maintenance | 533,400.57 | 722,430.38 |
| Repair & Maintenance Cost-Furniture & Fixtures | 7,000.00 | 41,265.00 |
| Repair & Maintenance Cost-Office Equipment | 680,924.23 | 115,185.00 |
| ATM Expenses | 5,171,644.66 | 5,491,173.81 |
| House Keeping Expenses | 4,500,428.83 | 4,411,410.30 |
| Motor Vehicle-Fuel | 1,931,828.07 | 1,552,619.28 |
| Security Services Costs-Outsourced Security Service | 25,750,749.28 | 26,462,011.88 |
| Security Services Costs-Other Security Cost | 137,607.00 | - |
| TOTAL | 54,530,615.53 | 64,158,632.21 |

NOTE 6.9 - GENERAL ADMINISTRATIVE EXPENSES
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|--|-----------------------|-----------------------|
| Travelling Expenses | 3,803,235.85 | 1,524,721.20 |
| Directors' Sitting Fees | 836,000.00 | 580,080.00 |
| Postage & Stamps | 27,529,543.16 | 22,218,742.18 |
| Audit Fees | 275,000.00 | 275,000.00 |
| Audit Expenses | 1,500,372.63 | 1,388,172.96 |
| Annual Maintenance Charges - Computers, equipment & Machineries & Software | 83,311,410.35 | 52,009,531.15 |
| Stationery, Printing, Advertisement etc | 30,445,261.44 | 25,585,203.30 |
| Charity and Donations | 125,000.00 | 135,000.00 |
| Property, Plant & Equipment written off | 3,845.08 | - |
| Brand & management fees | 8,162,731.81 | 1,514,782.12 |
| Other Miscellaneous Expenditure | 107,211,132.15 | 39,920,348.87 |
| TOTAL | 263,203,532.47 | 145,151,581.78 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Depreciation on Vehicle | 3,725,981.99 | 4,395,121.26 |
| Depreciation on Furniture & Fixtures | 8,809,619.94 | 3,626,435.62 |
| Depreciation on Office Equipment | 68,021,210.75 | 29,536,174.07 |
| Depreciation on Computer & It's Peripherals | 28,154,890.36 | 22,673,870.25 |
| Depreciation on Buildings | 19,210,006.36 | 5,069,158.07 |
| Depreciation on Right of use Asset | 9,440,772.14 | - |
| TOTAL | 137,362,481.54 | 65,300,759.27 |

NOTE 6.11 - AMORTIZATION OF INTANGIBLE ASSETS
Amount in Ngultrum

| Particulars | December 31, 2022 | December 31, 2021 |
|--------------|----------------------|----------------------|
| On Software | 63,962,533.99 | 54,761,793.78 |
| TOTAL | 63,962,533.99 | 54,761,793.78 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|------------------------------|-----------------------|-----------------------|
| Current Income Tax | | |
| Current tax | 270,669,560.00 | 179,970,888.00 |
| Current tax - earlier year's | 7,844,145.18 | 25,002,931.91 |
| Deferred tax | 26,847,612.00 | 26,054,834.00 |
| TOTAL | 305,361,317.18 | 231,028,653.91 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|---|-------------------|-------------------|
| Profit after Tax | 676,574,405.96 | 481,979,577.12 |
| Weighted average number of Ordinary Shares in issue | 30,000,000.00 | 30,000,000.00 |
| Basic and Diluted Earnings per Share | 22.55 | 16.07 |

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

| Particulars | December 31, 2022 | December 31, 2021 |
|--|-------------------|------------------------|
| Other Impairment loss Provision (Tashi Air Bond) | - | (10,523,290.60) |
| TOTAL | - | (10,523,290.60) |

7. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022**7.1 Employee Benefits**

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

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

| Particulars | Gratuity | | Leave Encashment | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Present Value of obligation at the beginning of year | 180,180,379.00 | 168,133,117.00 | 41,957,091.00 | 33,226,218.00 |
| Interest cost | 13,429,918.00 | 13,281,752.00 | 1,424,681.00 | 1,147,715.00 |
| Past Service Cost | | | | |
| Current Service Cost | 12,735,641.00 | 13,498,805.00 | (4,759,825.00) | 8,730,873.00 |
| Benefit Paid | (24,612,796.00) | (4,222,425.00) | (24,148,581.00) | (18,879,780.00) |
| Net actuarial Loss on obligation | 5,191,673.00 | (10,510,871.00) | 22,723,900.00 | 17,732,065.00 |
| Present value of the defined benefit at the end of year | 186,924,815.00 | 180,180,379.00 | 37,197,266.00 | 41,957,091.00 |
| Current Liability | 19,673,931.00 | 15,266,551.00 | 3,883,441.00 | 6,006,884.00 |
| Non-current Liability | 167,250,883.00 | 164,913,827.00 | 33,313,825.00 | 35,950,207.00 |

(Amount in Nu.)

| Particulars | Separation Grant | | Travel Allowance | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Present Value of obligation at the beginning of year | 10,395,855.00 | 7,956,067.00 | 6,624,762.00 | 5,508,557.00 |
| Interest cost | 735,418.00 | 618,471.00 | 452,639.00 | 426,031.00 |
| Current Service Cost | 836,572.00 | 1,447,702.00 | 552,031.00 | 813,239.00 |
| Benefit Paid | (2,406,264.00) | (450,360.00) | (1,933,550.00) | (366,327.00) |
| Net actuarial Loss on obligation | (173,962.00) | 823,975.00 | 670,057.00 | 243,262.00 |
| Present value of the defined benefit at the end of year | 9,387,619.00 | 10,395,855.00 | 6,365,938.00 | 6,624,762.00 |
| Current Liability | 1,991,544.00 | 2,903,926.00 | 1,211,578.00 | 1,850,527.00 |
| Non-current Liability | 7,396,075.00 | 7,491,929.00 | 5,154,360.00 | 4,774,235.00 |

(Amount in Nu.)

| Particulars | Carriage Charges | |
|---|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 |
| Present Value of obligation at the beginning of year | 4,598,617.00 | 3,814,448.00 |
| Interest cost | 325,309.00 | 299,768.00 |
| Current Service Cost | 389,161.00 | 579,396.00 |
| Benefit Paid | (532,252.00) | (134,700.00) |
| Net actuarial Loss on obligation | (787,640.00) | (39,705.00) |
| Present value of the defined benefit at the end of year | 3,993,195.00 | 4,598,617.00 |
| Current Liability | 891,622.00 | 1,284,554.00 |
| Non-current Liability | 3,101,573.00 | 3,314,063.00 |

ii. Expenses recognized in the Statement of Comprehensive Income

(Amount in Nu.)

| Particulars | Gratuity | | Leave Encashment | |
|--|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Interest cost | 13,429,918.00 | 13,281,752.00 | 1,424,681.00 | 1,147,715.00 |
| Current Service Cost | 12,735,641.00 | 13,498,805.00 | (4,759,825.00) | 8,730,873.00 |
| Past Service Cost | - | - | - | - |
| Net actuarial Loss recognized in the year | 5,191,673.00 | (10,510,871.00) | - | - |
| Expenses recognized in Statement of Comprehensive Income | 26,165,559.00 | 26,780,557.00 | 19,388,756.00 | 27,610,653.00 |

(Amount in Nu.)

| Particulars | Separation Grant | | Travel Allowance | |
|--|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Interest Cost | 735,418.00 | 618,471.00 | 452,639.00 | 426,031.00 |
| Current Service cost | 836,572.00 | 1,447,702.00 | 552,031.00 | 813,239.00 |
| Net actuarial Loss recognized in the year | (173,962.00) | 823,975.00 | 670,057.00 | 243,262.00 |
| Expenses recognized in Statement of Comprehensive Income | 1,571,990.00 | 2,066,173.00 | 1,004,670.00 | 1,239,270.00 |

(Amount in Nu.)

| Particulars | Carriage Charges | |
|--|-------------------|-------------------|
| | December 31, 2022 | December 31, 2021 |
| Interest Cost | 325,309.00 | 299,768.00 |
| Current Service cost | 389,161.00 | 579,396.00 |
| Net actuarial Loss recognized in the year | (787,640.00) | 39,705.00 |
| Expenses recognized in Statement of Comprehensive Income | 714,470.00 | 879,164.00 |

iii. Year-end Expected Benefit Payments

(Amount in Nu.)

| Particulars | Amount in (Nu.) |
|--|-----------------|
| December 31, 2023 (Retirement Benefit Obligations) | 29,864,284.00 |
| December 31, 2024 | 22,451,569.00 |
| December 31, 2025 | 32,166,180.00 |
| December 31, 2026 | 19,045,151.00 |
| December 31, 2027 | 30,709,426.00 |
| December 31, 2028 to December 31, 2032 | 168,989,146.00 |
| December 31, 2033 to December 31, 2042 | 478,199,668.00 |

iv. Sensitivity Analysis**a. Gratuity**

(Amount in Nu.)

| Particulars | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| i) Discount Rate | | |
| Discount Rate as at Year end | 8.00% | 8.00% |
| Effect on DBO due to 0.5% increase in Discount Rate | (8,926,938.00) | (8,914,564.00) |
| Effect on DBO due to 0.5% decrease in Discount Rate | 9,713,582.00 | 9,704,703.00 |
| 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 | 10,359,151.00 | 10,322,389.00 |
| Effect on DBO due to 0.5% decrease in Salary Escalation Rate | (9,588,491.00) | (9,548,044.00) |

b. Leave Encashment

(Amount in Nu.)

| Particulars | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| i) Discount Rate | | |
| Discount Rate as at Year end | 8.00% | 8.00% |
| Effect on DBO due to 0.5% increase in Discount Rate | (1,917,195.00) | (2,094,979.00) |
| Effect on DBO due to 0.5% decrease in Discount Rate | 2,107,832.00 | 2,306,268.00 |
| 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 | 2,241,560.00 | 2,460,401.00 |
| Effect on DBO due to 0.5% decrease in Salary Escalation Rate | (2,053,572.00) | (2,251,899.00) |

c. Separation and Travel allowance
(Amount in Nu.)

| Particulars | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| i) Discount Rate | | |
| Discount Rate as at Year end | 8.00% | 8.00% |
| Effect on DBO due to 0.5% increase in Discount Rate | (823,515.00) | (866,050.00) |
| Effect on DBO due to 0.5% decrease in Discount Rate | 893,911.00 | 941,300.00 |
| 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 | 964,365.00 | 1,018,432.00 |
| Effect on DBO due to 0.5% decrease in Salary Escalation Rate | (895,252.00) | (944,775.00) |

7.2 Related Party Transactions

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

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

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

Related Party Disclosure as on December 31, 2022
(Amount in Nu.)

| Sl. No | Name of Primary Party | Relationship | Nature of Transaction with related Party | Amount Outstanding as of December 31, 2022 | Transaction during the year |
|--------|-------------------------------------|---------------------------|--|--|---|
| 1 | Royal Government of Bhutan | Ultimate Holding | Bond | 5,737,829,000.00 | 5,737,829,000.00 |
| 2 | Druk Holding and Investment Limited | Holding Company | Payment of Brand & Management Fee | 8,162,731.81 | 8,162,731.81 |
| 3 | Bhutan Board Product Limited | Fellow Subsidiary Company | WCL - Manufacturing & Industry | 10,000,000.00 | Total Debit Nu. 135,262.90 & Total Credit Nu. 136,387,243.46 |
| | | | Letter of Credit | 1 No of letter of credit from Corporate | 3,235,618.16 |
| 4 | Druk Green Power Corporation Ltd | Fellow Subsidiary Company | Service Loan | 759,853,479.02 | Total Debit of Nu. 46,605,547.50 & Credit of Nu. 7,661,556. |
| 5 | Bhutan Carbide and Chemical | BoBL Shareholding | WCL - Manufacturing & Industry | 160,000,000.00 | Total Debit of Nu. 400,243,427.27 & Credit of Nu. 401,541,244.53 |
| | | | Manufacturing loan (CP-19) | 28,573,902.74 | Total Debit of Nu. 1,858,321.17 & Credit of Nu. 20,852,400.00 |
| 6 | Bhutan Ferro Alloys Ltd. | Fellow Subsidiary Company | WCL - Manufacturing & Industry Bank Guarantee | 250,000,000.00 | Total Debit of Nu. 3,401,262,729.74 & Credit of Nu. 3,339,259,700.69 47,507.20 |

Continued....

| | | | | | |
|----|---|--|---|------------------|--|
| 7 | Dungsam Cement Corporation Limited | Fellow Subsidiary Company | Industrial Loan | 555,983,437.76 | Total Debit of Nu. 43,473,637.30 & Credit of Nu. 60,348,202.79 |
| | | | Industrial Loan (CP-19) | 525,193,160.68 | Total Debit of Nu. 41,542,534.59 & Credit of Nu. 87,639,154.20 |
| | | | Bank Guarantee | 3,644,500.00 | Four Bank Guarantee issued for Nu. 601,500 Nu. 601,500 Nu.601,500 & Nu. 1,840,000.00 |
| 8 | Dungsam Polymers Ltd | Fellow Subsidiary Company | WCL - Manufacturing & Industry Industrial Loan (Covid Loan) | 13,400,000.00 | Total Debit of Nu. 171,315,187.22 & Credit of Nu. 175,115,939.89 |
| | | | | 2,829,801.17 | Total Debit of Nu. 205,697.88& Total Credit of Nu. 1,494,826.11 |
| 9 | State Trading Corporation of Bhutan Limited | Fellow Subsidiary Company | Service Loan | 72,731,019.24 | Total Debit of Nu. 6,078,253.12 & Total Credit of Nu. 15,107,690.19 |
| | | | Service Loan | 3,077,192.31 | Total Debit of Nu. 260,910.77 & Total Credit of Nu. 745,054.21 |
| | | | WCL- Service | 150,000,000.00 | Total Debit of Nu.3,648,293,089.17 & Total Credit of Nu. 3,481,886.576.15 |
| 10 | Bhutan Power Corporation Limited | Fellow Subsidiary Company | WCL - Service | 500,000,000.00 | Total Debit of Nu. 950,728,629.06 & Total Credit of Nu. 950,728,627.69 |
| | | | WCL - Service | 227,300,000.00 | Total Debit of Nu. 748,784,561.96 & Total Credit of Nu. 748,784,560.58 |
| 11 | Azista Bhutan Healthcare Ltd | Fellow Subsidiary Company | WCL - Manufacturing & Industry | 37,500,000.00 | Total Debit of Nu 41,414,830.88 & Total Credit of Nu. 35,726,125.25 |
| | | | Industrial Loan | 182,064,451.83 | Total Debit of Nu. 12,172,935.71 & Total Credit of Nu. 3,394,694.47 |
| 12 | Natural Resources Development Corporation | Fellow Subsidiary Company | WCL - Manufacturing | 60,000,000.00 | Total Debit of Nu. 414,471,808.68 & Total Credit of Nu. 428,063,127.20 |
| 13 | Druk Air Corporation Limited | Fellow Subsidiary Company | Service Loan (CP-19) | 257,894,021.00 | Total Debit of Nu. 11,489,999.25 & Total Credit of Nu. nill |
| | | | Service Loan (CP-19) | 250,922,710.95 | Total Debit of Nu. 11,489,999.25& Total Credit of Nu. nill |
| | | | WCL-Service & Tourism | 1,020,640,000.00 | Total Debit of Nu. 176,968,703.85 & Total Credit of Nu. 548,431,713.87 |
| 14 | Koufuku International Limited | Fellow Subsidiary Company | WCL- Agriculture | 12,000,000.00 | Total Debit of Nu. 78,486,242.10& Total Credit of Nu. 78,318,623.59 |
| 15 | Penden Cement Authority Limited | Fellow Subsidiary Company | WCL-Manufacturing & Industry | 100,000,000.00 | Total Debit of Nu. 76,749,442.26& Total Credit of Nu. 41,695,838.50 |
| 16 | Karma Yonten | Director | Housing Loan | 10,451,369.32 | Total Debit of Nu. 439,608.00 & Total Credit of Nu. 849,245.52.00 |
| 17 | Tshering Dorji | Director | Housing Loan (Director Tshewang Dorji is the guarantor) | 10,913,215.80 | Total Debit of Nu. 11,869,021.80 & Total Credit of Nu. 955,806.00 |
| 18 | Tashi Wangdi | Director (Independent Board of Director) | Consumer Loan (Director Tshering Norbu is the guarantor) | 221,618.08 | Total Debit of Nu. 21,233.72.00 & Total Credit of Nu. 80,600.00 |
| 19 | Sonam Rinchen | Director (Independent Board of Director) | Consumer Loan (Director Tshering Norbu is the guarantor) | 376,430.56 | Total Debit of Nu. 456,530.56 & Total Credit of Nu. 80,100.00 |
| 20 | Tshering Kezang | Director (Independent Board of Director) | Housing (Director Tshering Norbu is the guarantor) | 1,389,507.71 | Total Debit of Nu. 103,669.77 & Total Credit of Nu. 197,504.81 |
| 21 | Kezang Yuden | Director (Independent Board of Director) | Housing (Director Tshering Norbu is the guarantor) | 1,392,683.03 | Total Debit of Nu. 114,323.48 & Total Credit of Nu. 210,430.79 |
| 22 | Samten Wangchuk | Director (Independent Board of Director) | Housing (Director Tshering Norbu is the guarantor) | 1,366,761.54 | Total Debit of Nu. 112,594.31 & Total Credit of Nu. 209,965.34 |

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

Key Management Personnel ('KMP')

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

Summary of the compensation paid to KMPs are given below:

(Amount in Nu.)

| Particulars | December 31, 2022 | December 31, 2021 |
|--|---------------------|---------------------|
| Remuneration, allowances, etc. paid to Chief Executive Officer: | | |
| Salary, Allowances, Bonus and Encashment of Leave | 2,995,925.00 | 2,962,654.00 |
| Contribution to Provident Fund | 209,465.00 | 189,006.00 |
| Sitting Fee | 140,000.00 | 104,000.00 |
| Total | 3,345,390.00 | 3,255,660.00 |
| Executive Directors: | | |
| Salary, Allowances, Bonus and Encashment of Leave | 8,360,303.00 | 7,046,381.00 |
| Contribution to Provident Fund | 563,242.00 | 433,599.00 |
| Sitting Fee | | 2,000.00 |
| Total | 8,923,545.00 | 7,350,100.00 |
| Non-Executive Directors: | | |
| Sitting Fees paid to other Directors | 604,000.00 | 428,000.00 |
| Total | 604,000.00 | 428,000.00 |

7.3 Confirmation / Reconciliation

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

(Amount in Nu.)

| Account | Maintained with | Unidentified / un-reconciled | Unidentified / un-reconciled |
|--|----------------------------|------------------------------|------------------------------|
| | | Debit Entries (Nu.) | Credit Entries (Nu.) |
| Cover fund Account, Draft Cover Account and Principal Account | State Bank of India, India | 11,626,161.00 | 258,401,528.21 |
| Nostro Accounts (20 Accounts (including 15 FCY accounts)) | Various Foreign Banks | 224,005,783.36 | 138,637,201.30 |
| Global Interchange for Financial Transactions (GIFT) Account (Nostro Statement Balance - GL Balance) | Royal Monetary Authority | | 0.00 |
| Global Interchange for Financial Transactions (GIFT) Difference Account | BoB | - | - |

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

7.4 Assets under Lien

Balances in the Placements with Other Banks (Note 5.3) include USD 3.120 million equivalents to Nu. 258,398,400.00 (Previous Year: USD 3.120 million equivalent to Nu. 232,377,600.00), 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, 2022 | | | |
| Investments available for sale (Quoted shares) | 396,689,239.00 | - | - |
| Investments (Unquoted Shares) | - | - | 112,526,259.00 |
| As at 31st December, 2021 | | | |
| Investments available for sale (Quoted shares) | 398,020,949.00 | - | - |
| Investments (Unquoted Shares) | - | - | 121,458,200.00 |

7.6 Consolidation of Accounts

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

7.7 Capital Commitments

The capital commitment as of December 31, 2022, stood at Nu. 3,267,200.00, for purchase of fixed assets. (Previous year Nu. 20,555,050.83 as at December 31, 2021 on account of capital expenditures for purchase of other assets.

7.8 Contingent Liabilities

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 recognized but they contain the credit risk and therefore form part of the overall risk of the Bank. Letters of Credit and Guarantees (including standby letters of credit) commit the Bank to make payments on behalf of the customers in the event of a specific act, generally related to the import or export of the goods. The value of these commitments is given in the Note 5.23.

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.)

| ASSETS | December 31, 2022 | December 31, 2021 |
|--|---------------------------|---------------------------|
| Current Assets | | |
| Cash and Cash Equivalents | 2,803,696,556.07 | 2,546,846,131.32 |
| Balances with Central Bank | 19,486,760,228.66 | 29,855,260,739.57 |
| Placements with other Banks | 1,602,155,104.00 | 1,432,377,600.00 |
| Loans & Advances to Customers | 6,051,360,011.31 | 4,694,413,781.55 |
| Financial Investments - Held to Maturity | 10,029,395,700.00 | 9,335,341,900.00 |
| Other Financial Assets | 704,648,136.06 | 1,134,686,023.39 |
| Other Assets | 70,342,448.20 | 56,348,240.63 |
| Total Current Assets | 40,748,358,184.30 | 49,055,274,416.46 |
| Non-Current Assets | | |
| Loans & Advances to Customers | 57,841,747,904.48 | 47,114,842,891.43 |
| Financial Investments - Held to Maturity | 6,428,822,792.00 | 2,407,947,451.98 |
| Financial Investments - Available for sale | 464,051,338.00 | 474,699,649.00 |
| Investments in Associates | 45,164,160.00 | 44,779,500.00 |
| Property, Plant & Equipment | 1,473,579,697.18 | 1,237,101,938.10 |
| Right of Use Assets/Leasehold Properties | 22,394,064.15 | |
| Intangible Assets | 256,816,244.87 | 264,358,577.79 |
| Capital Work-in-Progress | 322,978,081.13 | 80,693,455.93 |
| Total Non-Current Assets | 66,855,554,281.81 | 51,624,423,464.23 |
| TOTAL ASSETS | 107,603,912,464.31 | 100,679,697,880.69 |

(Amount in Nu.)

| ASSETS | December 31, 2022 | December 31, 2021 |
|---------------------------------------|---------------------------|---------------------------|
| Current Liabilities | | |
| Due to Banks | 3,519,838.88 | 18,760,406.32 |
| Due to Customers | 76,534,347,981.91 | 66,703,095,422.83 |
| Current Tax Liabilities | 129,430,793.80 | 103,194,110.76 |
| Other Financial Liabilities | 78,937,091.88 | 2,167,963,279.48 |
| Provision for Liabilities & Charges | 9,091,736.79 | 9,116,736.79 |
| Retirement Benefit Obligations | 27,652,116.00 | 27,312,443.00 |
| Other Liabilities | 1,524,842,442.03 | 1,279,809,132.10 |
| Deferred Tax Liabilities | 133,549,628.59 | 106,702,016.59 |
| Lease Liability | 24,425,712.71 | - |
| Total Current Liabilities | 78,465,797,342.59 | 70,415,953,547.87 |
| Due to Customers | 20,346,793,542.38 | 21,823,254,181.24 |
| Retirement Benefit Obligations | 216,216,717.00 | 216,444,261.00 |
| Total Non-Current Liabilities | 20,563,010,259.38 | 22,039,698,442.24 |
| TOTAL LIABILITIES | 99,028,807,601.97 | 92,455,651,990.11 |
| Share Capital | 3,000,000,000.00 | 3,000,000,000.00 |
| Reserve Fund | 2,539,018,185.44 | 2,310,179,262.68 |
| Fixed Asset Revaluation Reserve | 333,331,989.46 | - |
| Exchange Fluctuation Reserve | 323,032,517.09 | 318,197,898.97 |
| Asset Pending Foreclosures Reserve | - | 455,469,491.85 |
| Retained Earnings | 2,379,722,170.35 | 2,140,199,237.45 |
| TOTAL EQUITY | 8,575,104,862.34 | 8,224,045,890.95 |
| TOTAL LIABILITIES & EQUITY | 107,603,912,464.31 | 100,679,697,880.69 |

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, 2022 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, 2022 | December 31, 2021 |
|--------------------------|----------------------|----------------------|
| Unclaimed Cash Warrants | 5,202,401.92 | 5,288,803.92 |
| Unclaimed Drafts | 8,360,442.04 | 8,390,442.04 |
| Unclaimed Term Deposits | 8,855.60 | 20,052.60 |
| Other Unclaimed Balances | 82,315,459.35 | 76,090,229.35 |
| TOTAL | 95,887,158.91 | 89,789,527.91 |

b. Income Tax Assessment

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

c. 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, 2022 |
|--|-----------------------|
| 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 | 106,702,016.59 |
| Deferred tax liabilities to be recovered within 12 months | 26,847,612.00 |
| Deferred tax assets / (liabilities) (net) | 133,549,628.59 |

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

(Amount in Nu.)

| Particulars | December 31, 2022 | |
|--|----------------------|--------|
| | Amount | Amount |
| At January 1, 2022 | | |
| Charged (credited) to the income statement | 26,847,612.00 | |
| Charged (credited) to other comprehensive income | - | |
| Charged (credited) directly to equity | - | |
| Acquisition of subsidiary | - | |
| Exchange differences | - | |
| At December 31, 2022 | 26,847,612.00 | |

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 | December 31, 2022 | | |
|--|---------------------|----------------------|----------------------|
| | Depreciation | Fair Value Gains | Total |
| At January 1, 2022 | | | |
| Charged (credited) to the income statement | 4,105,118.77 | 85,386,922.21 | 89,492,040.98 |
| Charged (credited) to other comprehensive income | - | - | - |
| Charged (credited) directly to equity | - | - | - |
| Acquisition of subsidiary | - | - | - |
| Exchange differences | - | - | - |
| At December 31, 2022 | 4,105,118.77 | 85,386,922.21 | 89,492,040.98 |

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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Income Tax Act of Bhutan, 2001.

The current income tax expenses calculation is in below table:

(Amount in Nu.)

| Particulars | December 31, 2022 | |
|------------------------------|-------------------|-----------------------|
| | Amount | Amount |
| Profit Before Tax | | 981,935,723.14 |
| Add: Penalty | 9,663,184.63 | |
| Add: Donations | 125,000.00 | |
| | | 9,788,184.63 |
| Sub Total | | 991,723,907.77 |
| Total Taxable Income | | 991,723,907.77 |
| Tax @ 30% | | 297,517,172.00 |
| Less: Deferred Tax liability | | (26,847,612.00) |
| Total Tax | | 270,669,560.00 |

e. Asset Pending Foreclosures

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

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

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

The following categories of NPLs are:

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

Details of Asset Pending Foreclosure as of December 31, 2022

(Amount in Nu.)

| S.No | Account Type | No.of Accounts | Amount outstanding |
|--------------|-------------------------------|----------------|-----------------------|
| 1 | Deceased | 3 | 3,335,903.40 |
| 2 | Deficit | 9 | 41,405,199.38 |
| 3 | Foreclosure | 3 | 1,038,642.93 |
| 4 | Imprisoned | 9 | 3,881,947.28 |
| 5 | Law Enforcement Investigation | 8 | 258,558,036.74 |
| 6 | Unable to Auction | 19 | 79,316,241.24 |
| 7 | Untraceable | 3 | 7,842,229.16 |
| Total | | 54 | 395,378,200.13 |

f. Reconciliation between previous BAS 39 and BFRS 9 (after adoption of BFRS 9 - ECL modelling for Financial Assets)

As required by BFRS 1, first-time adoption of BFRS, estimates in accordance with BASs (Phase I & II) at the date of transition to BASs (Phase III-BFRS 9 & BFRS 16) shall be consistent with estimates made for the same date in accordance with previous BAS (BAS-39) and (BAS 17) (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

BAS estimates as at January 1, 2022 are consistent with the estimates as at the same date made in conformity with previous BAS 39 and BAS 17.

The Bank has presented and disclose the financial statements including at least three statements of financial position re-statement using modified retrospective, two statements of Profit or Loss and other comprehensive income, two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented. The restated financial statements are prepared in pursuance of the new BAS standard release by Accounting and Auditing Standard Board of Bhutan and subsequent guidelines issued by Royal Monetary Authority of Bhutan.

Reconciliation of total Equity as on January 1, 2022

(Amount in Nu.)

| Particulars | Amount |
|---|-------------------------|
| Balances as on January 1, 2022 | 7,768,576,399.10 |
| Adjustments: | |
| Revaluation of Land | (333,331,989.46) |
| Excess Interest Impairment due to change in policy | 2,859,749.24 |
| Excess Individual Impairment due to change in policy | 101,569,935.69 |
| Excess Collective Impairment due to change in policy | 105,741,679.02 |
| Adjustment relating to implementation of BFRS 16 | 1,044,416.16 |
| Balance of Equity as per BFRS 9 before tax impact on adjustments | 7,890,692,608.45 |

Reconciliation of Total Comprehensive Income as per previous BAS 39 as on January 1, 2022

(Amount in Nu.)

| Particulars | Amount |
|--|-----------------------|
| Balances as on January 1, 2022 (Comprehensive Income) | 610,178,177.64 |
| Adjustments: | |
| Changes in Interest Impairment as per BFRS 9 | 2,859,749.24 |
| Changes in Individual Impairment as per BFRS 9 | 101,569,935.69 |
| Changes in Collective Impairment as per BFRS 9 | 105,741,679.02 |
| Adjustment relating to implementation of BFRS 16 | 1,044,416.16 |
| wBalance of Total Comprehensive Income | 398,962,397.53 |

g. Right of Use Assets / Lease Liability**Initial Recognition and Measurement**

Lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the Statement of Financial Position.

Lessee measures right-of-use assets similarly to other non-financial assets (such as Property, Plant and Equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognizes amortization of the right-of-use asset and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial lease asset equals the lease liability in most cases.

At lease commencement, a lessee accounts for two elements:

1. Right-of-use asset: Initially, a right-of-use asset is measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.
2. Lease liability: The lease liability is in fact all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease or incremental borrowing rate if the implicit rate cannot be determined. These payments may include fixed payments, variable payments, payments under residual value guarantees, purchase price if purchase option will be exercised.

Subsequent Measurement

After commencement date, lessee needs to adjust both elements recognized initially. Lessee accretes the lease liability to reflect interest and reduce the liability to reflect lease payments made.

Right-of-Use Asset: Lessee shall measure the right-of-use asset using a cost model under BAS 16 - "Property, Plant and Equipment" and to depreciate the asset over the lease term on a straight-line basis. The resulted depreciation amount is charged to the Profit or Loss.

Lease Liability: Lessee shall recognize an interest on the lease liability and the lease payments are recognized as a reduction of the lease liability. Interest on lease liability is charged to the Profit or Loss.

Right of use asset included in Note 5.11 and the movement during the years is as follows:

| (Amount in Nu.) | |
|---|----------------------|
| Particulars | December 31, 2022 |
| Right of Use Assets/Leasehold Properties | 31,834,836.28 |
| Less: Accumulated Depreciation | (9,440,772.14) |
| Net Book value of right of use assets/leasehold properties | 22,394,064.15 |
| Balance as at January 1, 2022 | 10,709,272.69 |
| Additions during the year | 21,125,563.60 |
| Balance as at December 31, 2022 | 31,834,836.28 |
| Accumulated Depreciation | |
| Balance as at January 1, 2022 | - |
| Depreciation during the year | 9,440,772.14 |
| Balance as at December 31, 2022 | 9,440,772.14 |
| Net Book value as at December 31, 2022 | 22,394,064.15 |

Lease liability included in Note 5.22 and the movement during the years is as follows:

| (Amount in Nu.) | |
|--|----------------------|
| Particulars | December 31, 2022 |
| Balance as at January 1, 2022 | 11,753,688.84 |
| Additions | 21,125,563.60 |
| Accretion of interest | 2,708,848.90 |
| Lease Payments | (11,162,388.63) |
| Balance as at December 31, 2022 | 24,425,712.71 |

Maturity Analysis of Lease Liability

| (Amount in Nu.) | |
|------------------------------|----------------------|
| Particulars | December 31, 2022 |
| Less than 1 year | 916,761.93 |
| 1 to 5 years | 17,774,981.83 |
| More than 5 years | 5,733,968.95 |
| Total Lease Liability | 24,425,712.71 |

a. Freehold Land Re-valuation

In line with new standards issued by AASBB for implementation of BAS 2020 which was issued in January 2022 and as per the Group accounting policy, the Bank has applied revaluation model for entire class of freehold land under property, plant and equipment to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The change from cost model to revaluation model for freehold land is due to the fact that it will provide relevant and reliable value of land. As required by the standard, the revalued amount was maintained in the Fixed Asset Revaluation Reserve in the statement of Financial Position. While standard does not require to engage independent valuer for revaluation purpose, the Bank engaged National Land Commission (NLC) to do the valuation based on the rate published by Ministry of Finance (MoF) which is known as PAVA rate (Property Assessment and Valuation Agency) and shall be reviewed whenever MoF revises the PAVA rate

The detailed freehold land owned by the Bank and the fair value based on the PAVA rate is as under.

Land Revaluation as per PAVA Land Compensation Rate - 2022

| Sl. No. | Asset Name | Land in Acre | Land in Decimal | Land in sq. ft. | Rate per PAVA (in sq. ft.) | Total Amount Per PAVA rate (Nu.) | Book Value |
|--------------|--|--------------|-----------------|---------------------|----------------------------|----------------------------------|-----------------------|
| 1 | Land-Lower Market Plot no. 2995 Phuntsholing | 0.038 | 3.845 | 1,674.88 | 5,104.53 | 8,549,486.93 | 1,891,144.00 |
| 2 | Land-Tsimaka-Chhukha Dzongkhag | 3.000 | 300.000 | 130,680.00 | 24.31 | 3,176,361.00 | 1,152,181.00 |
| 3 | Land-Bank Land-Damphu-Plot no.151 | 0.130 | 13.000 | 5,662.80 | 308.54 | 1,747,228.60 | 5,992.00 |
| 4 | Land-Bank Land-Menbi-Lhuntse | 0.874 | 87.400 | 38,071.44 | 7.47 | 284,520.21 | 56,533.00 |
| 5 | Land-Bank Land-Monggar-Plot no.28 | 0.195 | 19.492 | 8,490.72 | 1,000.00 | 8,490,715.20 | 90,000.00 |
| 6 | Land-Bank Land-Paro-Plot no. 4586 | 0.220 | 22.000 | 9,583.20 | 68.62 | 657,554.26 | 318,867.00 |
| 7 | Land-Bank Land-Phuensholing-Plot no. 602 | 0.406 | 40.551 | 17,664.02 | 1,678.50 | 29,648,982.34 | 1,006.00 |
| 8 | Land-Bank Land-Phuensholing-Plot no. 577 | 0.621 | 62.126 | 27,062.09 | 1,407.12 | 38,079,641.95 | 3,533.00 |
| 9 | Land-Bank Land-Punakha-Plot no. 147 | 1.009 | 100.908 | 43,955.52 | 282.00 | 12,395,458.00 | 93,400.00 |
| 10 | Land-Bank Land-Samtse-Plot no. 329 | 0.407 | 40.675 | 17,718.03 | 650.00 | 11,516,691.19 | 71,795.00 |
| 11 | Land-Bank Land-Semtokha-Plot no.2033 | 5.000 | 500.000 | 217,800.00 | 97.46 | 21,227,715.00 | 102,721,261.00 |
| 12 | Land-Bank Land-S/Jongkhar-Plot no.75 | 0.343 | 34.311 | 14,945.87 | 434.97 | 6,500,949.70 | 5,364.00 |
| 13 | Land-Bank Land-Thimphu-Thram no. 1744 Chagedaphu | 0.693 | 69.335 | 30,202.33 | 1,825.86 | 55,145,199.01 | 22,733,501.00 |
| 14 | Land-Bank Land-Thimphu-Plot no. 127 Norzin Lam | 0.815 | 81.494 | 35,498.79 | 6,198.76 | 220,048,308.15 | 42,898.00 |
| 15 | Land-Bank Land-Thimphu-Plot no. 415 Chubachu | 0.230 | 22.957 | 10,000.07 | 5,668.87 | 56,689,134.99 | 2,026,077.00 |
| 16 | Land-Bank Land-Trashigang-Plot no. 227 | 0.162 | 16.203 | 7,058.03 | 693.45 | 4,894,370.10 | 222,035.00 |
| 17 | Land-Bank Land-T/Yangtse-Plot no. 54 | 0.102 | 10.248 | 4,464.03 | 97.69 | 436,088.12 | 50,128.00 |
| 18 | Land-Bank Land-Zamsa-Paro-Thram no. 1015 | 13.740 | 1,374.000 | 598,514.40 | 11.90 | 7,122,301.04 | 34,350,000.00 |
| 19 | Land-Dovan Geog-Sarpang-Thram no. 230 | 8.000 | 800.000 | 348,480.00 | 6.35 | 2,213,864.00 | 341,849.00 |
| 20 | Gelephu BO | 0.077 | 7.700 | 3,354.12 | 1,402.83 | 4,705,259.54 | - |
| 21 | Gelephu stq Fishery | 0.111 | 11.146 | 4,855.20 | 641.37 | 3,113,964.68 | - |
| 22 | Haa BO | 0.456 | 45.640 | 19,880.78 | 116.96 | 2,325,182.45 | - |
| 23 | Trongsa BO | 0.041 | 4.121 | 1,795.11 | 139.99 | 251,300.00 | - |
| 24 | Zhemgang | 0.113 | 11.256 | 4,903.11 | 59.00 | 289,277.00 | - |
| Total | | | | 1,602,314.52 | | 499,509,553.46 | 166,177,564.00 |

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 1, stage2 and stage 3 as per the Expected Credit Loss Model as below.

| Classifications | December 31, 2022 | December 31, 2021 |
|------------------------------|-----------------------|-------------------------|
| Individual Impairment | 34,866,437.36 | 134,232,815.32 |
| Stage 1 | 16,773,383.28 | 115,086,682.92 |
| Stage 2 | 20,037.44 | 406,369.72 |
| Stage 3 | 18,073,016.64 | 18,739,763.69 |
| Collective Impairment | 876,774,276.33 | 1,044,265,805.67 |
| Stage 1 | 222,904,981.14 | 117,967,325.56 |
| Stage 2 | 15,567,749.65 | 16,695,992.61 |
| Stage 3 | 638,301,545.54 | 909,602,487.50 |
| Total Impairment | 911,640,713.69 | 1,178,498,620.99 |
| Interest impairment | 159,617,909.85 | 146,702,657.33 |

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:

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

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

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

vii. Risk Management Governance

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

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

Coverage of Risk Management Framework

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

Strategic Risks

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

Operational Risks

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

Information Technology

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

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

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

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

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

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

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

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

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

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

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

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

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

Fraud and Corruption

The Bank has no appetite for any fraud or corruption perpetrated by its employees. The Bank takes all allegations of suspected fraud or corruption, misuse of public properties, abuse of

power, very seriously and responds fully and fairly as set out in the Code of Conduct for its employees.

Compliance

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

Information Management

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

People and Culture Risks

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

- **Caliber 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 behaviors, 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 behaviors that lead to staff being harmed while at work. A grievance re-dressal system has been put in place for the employees to address their issues if any, and resolves it amicably with a minimum reputational damage to the bank and its employees.

Risk Exposures

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

- **Discount rate risk**

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

- **Salary growth risk**

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

- **Employer turnover risk**

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

- **Demographic risk**

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

- **Regulatory risk**

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

- **Liquidity risk**

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

Bank's Risk Appetite & ICAAP policy

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

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

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

(Amount in Nu.)

| Sl. No | Particulars | December 31, 2022 | December 31, 2021 |
|-----------|--|-------------------------|-------------------------|
| 1. | Total Tier 1 Capital | 7,918,740,355.80 | 7,450,378,499.76 |
| a. | Paid-Up Capital | 3,000,000,000.00 | 3,000,000,000.00 |
| b. | General Reserves (After profit appropriation) | 2,539,018,185.44 | 2,310,179,262.68 |
| c. | Share Premium Account | - | - |
| d. | Retained Earnings | 2,379,722,170.35 | 2,140,199,237.08 |
| | Less:- | | |
| e. | Losses for the Current Year (other Comprehensive Loss) | - | - |
| f. | Buyback of FI's own shares | - | - |
| g. | Holdings of Tier 1 instruments issued by FIs | - | - |

Item 2: Tier 2 Capital and Its Sub-components**(Amount in Nu.)**

| Sl. No | Particulars | December 31, 2022 | December 31, 2021 |
|-----------|---|-----------------------|-----------------------|
| 1. | Tier II Capital | 656,364,506.55 | 773,667,390.83 |
| a. | Capital Reserve | - | - |
| b. | Fixed Asset Revaluation Reserve | 333,331,989.46 | - |
| c. | Exchange Fluctuation Reserve (After Profit Appropriation) | 323,032,517.09 | 318,197,898.98 |
| d. | Investment Fluctuation Reserve | - | - |
| e. | Research & Development Reserve | - | - |
| f. | General Provision | - | - |
| g. | Asset Pending Foreclosure Reserve | - | 455,469,491.85 |
| h. | Capital Grants | - | - |
| i. | Subordinated Debt | - | - |
| j. | Other Comprehensive Income/(Loss) | - | - |
| k. | Profit for the Year (After profit is appropriate) | - | - |

Item 3: Risk Weighted Exposure Table (Current Period & COPY)**(Amount in Nu.)**

| Sl. No | Assets | Risk Weight % | December 31, 2022 | | December 31, 2021 | |
|--------|---------------------------|---------------|---------------------------|--------------------------|---------------------------|--------------------------|
| | | | Balance Sheet Amount* | Risk Component | Balance Sheet Amount# | Risk Component |
| 1. | Zero-Risk Weighted Assets | 0% | 37,257,058,698.21 | - | 41,803,025,609.65 | - |
| 2. | 20% Risk Weighted Assets | 20% | 3,809,581,623.21 | 761,916,324.64 | 4,123,141,970.58 | 824,628,394.12 |
| 3. | 50% Risk Weighted Assets | 50% | 8,540,273,334.23 | 4,270,136,667.12 | 4,326,360,134.82 | 2,163,180,067.41 |
| 4. | 100% Risk Weighted Assets | 100% | 59,630,261,830.42 | 59,630,261,830.42 | 50,831,927,616.20 | 50,831,927,616.20 |
| 5. | 150% Risk Weighted Assets | 150% | - | - | 946,917,170.96 | 1,420,375,756.44 |
| 6. | 200% Risk Weighted Assets | 200% | - | - | - | - |
| 7. | 250% Risk Weighted Assets | 250% | - | - | - | - |
| 8. | 300% Risk Weighted Assets | 300% | - | - | - | - |
| | Grand Totals | | 109,237,175,486.08 | 64,662,314,822.18 | 102,031,372,502.21 | 55,240,111,834.16 |

includes total assets of Nu.107,793,117,477.92 and Contingent Liabilities of Nu.1,633,263,021.96

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

Item 4: Capital Adequacy Ratios
(Amount in Nu.)

| Sl. No | Particulars | December 31, 2022 | December 31, 2021 |
|--------|---|-------------------|-------------------|
| 1. | Tier 1 Capital | 7,918,740,355.80 | 7,450,378,499.76 |
| 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 | 656,364,506.55 | 773,667,390.83 |
| 3. | Total qualifying Capital | 8,575,104,862.34 | 8,224,045,890.59 |
| 4. | Core CAR | 11.70% | 12.70% |
| 5. | BIA | 2,993,396,480.33 | 3,404,276,741.33 |
| 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 | | - |
| 6. | CAR | 12.67% | 14.02% |
| 7. | Leverage Ratio | 7.25% | 7.30% |

Item 5: Loans and NPL by Sectoral Classification
(Amount in Nu.)

| Sl. No | Sector | December 31, 2022 | | December 31, 2021 | |
|--------|---------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | | Total Loans* | NPL | Total Loans# | NPL |
| a. | Agriculture | 336,916,227.01 | 16,751,328.37 | 237,918,299.18 | 9,915,727.95 |
| b. | Manufacturing/Industry | 6,603,613,399.76 | 72,221,179.82 | 5,646,744,479.74 | 361,730,298.61 |
| c. | Service & Tourism | 16,274,654,917.49 | 207,266,288.94 | 14,521,769,611.56 | 192,999,151.42 |
| d. | Trade & Commerce | 2,991,675,554.22 | 329,696,548.04 | 2,704,579,080.42 | 329,073,263.19 |
| e. | Housing | 19,899,156,171.87 | 148,715,221.41 | 16,312,179,795.72 | 142,983,596.48 |
| f. | Transport | 2,079,508,578.87 | 339,134,133.42 | 1,863,190,970.86 | 400,216,195.11 |
| g. | Loans to Purchase Securities | 366,189,150.51 | - | 359,122,116.99 | - |
| h. | Personal Loan | 845,382,285.99 | 106,119,427.83 | 768,459,934.06 | 77,528,087.74 |
| i. | Education Loan | 6,216,479,447.93 | 25,891,464.22 | 708,866,157.81 | 37,069,836.97 |
| j. | Loan against Term Deposits | 534,106,706.60 | 416,889.26 | 374,061,506.20 | - |
| k. | Loans to FI (s) | 2,895,137.98 | - | 2,895,137.98 | - |
| l. | Infrastructure Loans | - | - | - | - |
| m. | Staff Loans (incentives) | 902,012,075.09 | 403,464.32 | 802,880,634.17 | 82,758,438.48 |
| n. | Loans to Govt Owned Corporation | 2,572,776,888.64 | - | 3,628,373,554.39 | - |
| o. | Consumer Loan (GE) | 5,338,999,997.37 | 57,390,164.63 | 4,993,245,308.27 | 70,573,370.80 |
| | TOTAL | 64,964,366,539.33 | 1,304,006,110.26 | 52,924,286,587.35 | 1,704,847,966.75 |

includes gross loans and advance of Nu.64,964,366,539.33 and Bills discounted & purchased of Nu.0

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

Item 6: Loans (Overdraft and Term Loans) by type of Counter-Party

| Sl. No | Counter Party | December 31, 2022 | December 31, 2021 |
|-----------|---------------------------------|--------------------------|--------------------------|
| 1. | Overdrafts | 8,095,106,731.64 | 6,966,116,548.81 |
| a. | Government | - | - |
| b. | Government Corporations | 629,773,471.53 | 1,152,693,348.21 |
| c. | Public Companies | 299,238,615.06 | 172,218,812.93 |
| d. | Private Companies | 6,378,838,133.82 | 4,900,233,079.93 |
| e. | Individuals | 784,361,373.25 | 738,076,169.76 |
| f. | Commercial Banks | - | - |
| g. | Non-Bank Financial Institutions | 2,895,137.98 | 2,895,137.98 |
| 2. | Term Loans | 56,842,733,133.79 | 45,924,605,085.00 |
| a. | Government | | |
| b. | Government Corporations | 1,943,003,417.11 | 2,475,680,206.18 |
| c. | Public Companies | 308,208,546.23 | 356,291,875.20 |
| d. | Private Companies | 17,423,828,697.29 | 15,911,611,517.72 |
| e. | Individuals | 37,167,692,473.16 | 27,181,021,485.90 |
| f. | Commercial Banks | - | - |
| g. | Non-Bank Financial Institutions | - | - |
| | Total | 64,937,839,865.43 | 52,890,721,633.81 |
| | Bills | - | 1,489,600.00 |
| | Credit Cards | 26,526,673.90 | 32,075,353.54 |
| | Total Loan Outstanding | 64,964,366,539.33 | 52,924,286,587.35 |

Item 7: Assets (net of provisions) and Liabilities by Residual Maturity (Amount in Nu.)

| December 31, 2022 | On Demand | 1-30 days | 31-90 days | 91-180 days | 181-270 days | 271-365 days | Over 1 year | TOTAL |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| Cash in hand | 1,094,459,643.60 | - | - | - | - | - | - | 1,094,459,643.60 |
| Gov't Securities | - | 5,277,555,700.00 | 5,751,840,000.00 | - | 987,999,000.00 | - | 3,749,830,000.00 | 15,767,224,700.00 |
| Investment securities | - | 79,309,592.00 | 394,082,200.00 | - | - | - | 726,817,498.00 | 1,200,209,290.00 |
| Loans & advances to banks | 1,801,995,312.47 | 965,640,000.00 | 300,000,000.00 | - | - | - | 243,756,704.00 | 3,311,392,016.47 |
| Loans & advances to customers | 633,830,362.02 | 1,166,656,140.71 | 1,233,939,791.90 | 845,761,768.33 | 895,328,934.47 | 1,681,594,662.40 | 57,435,996,255.96 | 63,893,107,915.79 |
| Other assets | - | 20,261,750,812.92 | - | - | - | - | 2,075,768,085.53 | 22,337,518,898.45 |
| TOTAL ASSETS | 3,530,285,318.09 | 27,750,912,245.63 | 7,679,861,991.90 | 845,761,768.33 | 1,883,327,934.47 | 1,681,594,662.40 | 64,232,168,543.49 | 107,603,912,464.31 |
| Amounts owed to other banks | 3,519,838.88 | - | - | - | - | - | - | 3,519,838.88 |
| Demand deposits | 7,127,752,713.27 | 6,141,984,513.02 | 5,511,891,173.17 | 4,905,319,417.27 | 4,716,196,378.61 | 4,337,950,301.30 | - | 32,741,094,496.65 |
| Savings deposits | 5,401,175,116.48 | 5,122,474,480.47 | 5,032,814,973.54 | 4,865,378,544.93 | 4,652,572,245.34 | 4,226,959,646.16 | - | 29,301,375,006.91 |
| Time deposits | 166,359,009.55 | 1,014,591,213.06 | 1,486,784,354.91 | 4,014,428,513.62 | 3,118,698,822.41 | 4,691,016,564.80 | 20,346,793,542.38 | 34,838,672,020.73 |
| Bonds & other negotiable instruments | - | - | - | - | - | - | - | 0.00 |
| Other liabilities | - | - | - | - | - | - | 10,719,251,101.14 | 10,719,251,101.14 |
| TOTAL LIABILITIES | 12,698,806,678.18 | 12,279,050,206.55 | 12,031,490,501.62 | 13,785,126,475.82 | 12,487,467,446.36 | 13,255,926,512.25 | 31,066,044,643.52 | 107,603,912,464.31 |
| Assets/Liabilities | 0.28 | 2.26 | 0.64 | 0.06 | 0.15 | 0.13 | 2.07 | 1.00 |
| Net Mismatch in each Time Interval | (9,168,521,360.09) | 15,471,862,039.07 | (4,351,628,509.72) | (12,939,364,707.49) | (10,604,139,511.89) | (11,574,331,849.85) | 33,166,123,899.97 | - |
| Cumulative Net Mismatch | (9,168,521,360.09) | 15,471,862,039.07 | 11,120,233,529.35 | (1,819,131,178.13) | (12,423,270,690.02) | (23,997,602,539.88) | 9,168,521,360.09 | 9,168,521,360.09 |

Item 7: Assets (net of provisions) and Liabilities by Residual Maturity (Amount in Nu.)

| December 31, 2021 | On Demand | 1-30 days | 31-90 days | 91-180 days | 181-270 days | 271-365 days | Over 1 year | TOTAL |
|---|----------------------------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| Cash in hand | 1,096,093,516.61 | - | - | - | - | - | - | 1,096,093,516.61 |
| Gov't Securities | - | 5,998,983,100.00 | 3,336,358,800.00 | - | - | - | 987,999,000.00 | 10,323,340,900.00 |
| Investment securities | - | - | - | 1,199,585,000.00 | - | - | 739,842,600.98 | 1,939,427,600.98 |
| Loans & advances to banks | - | 848,960,000.00 | 500,000,000.00 | - | - | 83,417,600.00 | - | 1,432,377,600.00 |
| Loans & advances to customers | 347,151,934.94 | 66,263,927.81 | 142,443,214.28 | 277,112,669.19 | 2,888,662,976.98 | 1,395,381,870.67 | 46,692,240,079.11 | 51,809,256,672.98 |
| Other assets | - | 34,079,201,590.13 | - | - | - | - | - | 34,079,201,590.13 |
| TOTAL ASSETS | 1,443,245,451.55 | 40,993,408,617.94 | 3,978,802,014.28 | 1,476,697,669.19 | 2,888,662,976.98 | 1,478,799,470.67 | 48,420,081,680.09 | 100,679,697,880.70 |
| Amounts owed to other banks | 18,760,406.32 | - | - | - | - | - | - | 18,760,406.32 |
| Demand deposits | 27,772,742,842.98 | - | - | - | - | - | - | 27,772,742,842.98 |
| Savings deposits | 28,548,724,144.78 | - | - | - | - | - | - | 28,548,724,144.78 |
| Time deposits | - | 1,002,552,776.96 | 1,456,115,312.82 | 3,354,992,871.54 | 2,795,226,387.03 | 1,772,741,086.72 | 21,823,254,180.87 | 32,204,882,615.94 |
| Bonds & other negotiable instruments | - | - | - | - | - | - | - | 0.00 |
| Other liabilities | - | 12,134,587,870.68 | - | - | - | - | - | 12,134,587,870.68 |
| TOTAL LIABILITIES | 56,340,227,394.08 | 13,137,140,647.64 | 1,456,115,312.82 | 3,354,992,871.54 | 2,795,226,387.03 | 1,772,741,086.72 | 21,823,254,180.87 | 100,679,697,880.70 |
| Assets/Liabilities | 0.03 | 3.12 | 2.73 | 0.44 | 1.03 | 0.83 | 2.22 | 1.00 |
| Net Mismatch in each Time Interval | (54,896,981,942.53) | 27,856,267,970.30 | 2,522,686,701.46 | (1,878,295,202.35) | 93,436,589.95 | (293,941,616.05) | 26,596,827,499.22 | - |
| Cumulative Net Mismatch | (54,896,981,942.53) | 27,856,267,970.30 | 30,378,954,671.76 | 28,500,659,469.41 | 28,594,096,059.36 | 28,300,154,443.31 | 54,896,981,942.53 | 54,896,981,942.53 |

Item 8: Assets (net of provisions) and Liabilities by Original Maturity (Amount in Nu.)

| December 31, 2022 | On Demand | 1-30 days | 31-90 days | 91-180 days | 181-270 days | 271-365 days | Over 1 year | TOTAL |
|---|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| Cash in hand | 1,094,459,643.60 | - | - | - | - | - | - | 1,094,459,643.60 |
| Govt. Securities | - | 3,291,555,700.00 | 6,737,840,000.00 | - | - | - | 5,737,829,000.00 | 15,767,224,700.00 |
| Investment securities | - | - | 79,309,592.00 | 394,082,200.00 | - | - | 726,817,498.00 | 1,200,209,290.00 |
| Loans & advances to banks | 1,801,995,312.47 | - | 500,000,000.00 | 600,000,000.00 | - | 165,640,000.00 | 243,756,704.00 | 3,311,392,016.47 |
| Loans & advances to customers | - | 103,505,900.14 | 60,651,994.50 | 274,499,460.09 | 77,745,939.45 | 250,850,633.84 | 63,125,853,987.77 | 63,893,107,915.79 |
| Other assets | - | 20,261,750,812.92 | - | - | - | - | 2,075,768,085.53 | 22,337,518,898.45 |
| TOTAL ASSETS | 2,896,454,956.07 | 23,656,812,413.06 | 7,377,801,586.50 | 1,268,581,660.09 | 77,745,939.45 | 416,490,633.84 | 71,910,025,275.30 | 107,603,912,464.31 |
| Amounts owed to other banks | 3,519,838.88 | - | - | - | - | - | - | 3,519,838.88 |
| Demand deposits | 7127,752,713.27 | 6,141,984,513.02 | 5,511,891,173.17 | 4,905,319,417.27 | 4,716,196,378.61 | 4,337,950,301.30 | - | 32,741,094,496.65 |
| Savings deposits | 5,401,175,116.48 | 5,122,474,480.47 | 5,032,814,973.54 | 4,865,378,544.93 | 4,652,572,245.34 | 4,226,959,646.16 | - | 29,301,375,006.91 |
| Time deposits | - | - | 500,000,000.00 | 447,648,849.39 | 109,965,951.19 | 2,773,712,224.77 | 31,007,344,995.38 | 34,838,672,020.73 |
| Bonds & other negotiable instruments | - | - | - | - | - | - | - | 0.00 |
| Other liabilities | - | - | - | - | - | - | 10,719,251,101.14 | 10,719,251,101.14 |
| TOTAL LIABILITIES | 12,532,447,668.63 | 11,264,458,993.49 | 11,044,706,146.71 | 10,218,346,811.59 | 9,478,734,575.14 | 11,338,622,172.22 | 41,726,596,096.52 | 107,603,912,464.31 |
| Assets/Liabilities | 0.23 | 2.10 | 0.67 | 0.12 | 0.01 | 0.04 | 1.72 | 1.00 |
| Net Mismatch in each Time Interval | (9,635,992,712.56) | 12,392,353,419.56 | (3,666,904,560.21) | (8,949,765,151.50) | (9,400,988,635.69) | (10,922,131,538.38) | 30,183,429,178.78 | - |
| Cumulative Net Mismatch | (9,635,992,712.56) | 12,392,353,419.56 | 8,725,448,859.35 | (224,316,292.14) | (9,625,304,927.83) | (20,547,436,466.22) | 9,635,992,712.56 | 9,635,992,712.56 |

| Item 8: Assets (net of provisions) and Liabilities by Original Maturity | | (Amount in Nu.) | | | | | | | | |
|---|--|--------------------------|--------------------------|-------------------------|-------------------------|-----------------------|-------------------------|--------------------------|---------------------------|-------------------|
| | | December 31, 2021 | On Demand | 1-30 days | 31-90 days | 91-180 days | 181-270 days | 271-365 days | Over 1 year | TOTAL |
| Cash in hand | | 1,096,093,516.61 | - | - | - | - | - | - | - | 1,096,093,516.61 |
| Govt. Securities | | - | 999,945,600.00 | 5,836,144,900.00 | 2,499,251,400.00 | - | - | - | 987,999,000.00 | 10,323,340,900.00 |
| Investment securities | | - | - | - | - | - | - | - | 1,939,427,600.98 | 1,939,427,600.98 |
| Loans & advances to banks | | - | - | 500,000,000.00 | 848,960,000.00 | - | 83,417,600.00 | - | - | 1,432,377,600.00 |
| Loans & advances to customers | | - | 32,075,353.54 | 3,563,116.31 | 46,718,693.00 | 64,109,667.72 | 89,460,931.43 | 51,573,328,910.98 | - | 51,809,256,672.98 |
| Other assets | | - | 34,079,201,590.13 | - | - | - | - | - | - | 34,079,201,590.13 |
| TOTAL ASSETS | | 1,096,093,516.61 | 35,111,222,543.67 | 6,339,708,016.31 | 3,394,930,093.00 | 64,109,667.72 | 172,878,531.43 | 54,500,755,511.96 | 100,679,697,880.70 | |
| Amounts owed to other banks | | 18,760,406.32 | - | - | - | - | - | - | - | 18,760,406.32 |
| Demand deposits | | 27,772,742,842.98 | - | - | - | - | - | - | - | 27,772,742,842.98 |
| Savings deposits | | 28,548,724,144.78 | - | - | - | - | - | - | - | 28,548,724,144.78 |
| Time deposits | | - | - | 500,000,000.00 | 441,323,164.81 | 221,929,996.62 | 4,098,250,923.53 | 26,943,378,530.98 | - | 32,204,882,615.94 |
| Bonds & other negotiable instruments | | - | - | - | - | - | - | - | - | 0.00 |
| Other liabilities | | - | 12,134,587,870.68 | - | - | - | - | - | - | 12,134,587,870.68 |
| TOTAL LIABILITIES | | 56,340,227,394.08 | 12,134,587,870.68 | 500,000,000.00 | 441,323,164.81 | 221,929,996.62 | 4,098,250,923.53 | 26,943,378,530.98 | 100,679,697,880.70 | |
| Assets/Liabilities | | 0.02 | 2.89 | 12.68 | 7.69 | 0.29 | 0.04 | 2.02 | 1.00 | |
| Net Mismatch in each Time Interval | | (55,244,133,877.47) | 22,976,634,672.99 | 5,839,708,016.31 | 2,953,606,928.19 | (157,820,328.90) | (3,925,372,392.10) | 27,557,376,980.98 | - | |
| Cumulative Net Mismatch | | (55,244,133,877.47) | 22,976,634,672.99 | 28,816,342,689.30 | 31,769,949,617.49 | 31,612,129,288.59 | 27,686,756,896.49 | 55,244,133,877.47 | | |

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

(Amount in Nu.)

| December 31, 2022 | Time to re-pricing | | | | | | Non-interest bearing | TOTAL | |
|--------------------------------------|---------------------------|---------------------------|----------------------------|--------------------------|----------------------------|---------------------------|----------------------|-------|-------|
| | 0-90 days | | 91-180 days | | 181-365 days | | | | 366<= |
| | 0-3 months | 3-6 months | 6-12 months | More than 12. months | | | | | |
| Assets | | | | | | | | | |
| Cash and Balances with Banks | - | - | - | - | - | - | 20,581,219,872.26 | | |
| Treasury Bills | 5,277,555,700.00 | 5,751,840,000.00 | - | - | - | - | 11,029,395,700.00 | | |
| Loans and Advances | 6,102,061,607.10 | 845,761,768.33 | 2,576,923,596.87 | 57,679,752,959.96 | - | - | 67,204,499,932.26 | | |
| Investment Securities | 473,391,792.00 | - | 987,999,000.00 | 3,967,432,000.00 | - | 509,215,498.00 | 5,938,038,290.00 | | |
| Other Assets | - | - | - | - | - | 2,850,758,669.95 | 2,850,758,669.95 | | |
| Total financial assets | 11,853,009,099.10 | 6,597,601,768.33 | 3,564,922,596.87 | 61,647,184,959.96 | 23,941,194,040.05 | 107,603,912,464.31 | | | |
| Liabilities | | | | | | | | | |
| Deposits | 18,224,199,148.01 | 8,879,807,058.55 | 16,689,247,278.70 | 20,346,793,542.38 | - | 32,744,614,335.53 | 96,884,661,363.17 | | |
| Borrowings | - | - | - | - | - | - | - | | |
| Other Liabilities | - | - | - | - | - | 10,719,251,101.14 | 10,719,251,101.14 | | |
| Total financial liabilities | 18,224,199,148.01 | 8,879,807,058.55 | 16,689,247,278.70 | 20,346,793,542.38 | 43,463,865,436.67 | 107,603,912,464.31 | | | |
| Total interest Re-pricing gap | (6,371,190,048.91) | (2,282,205,290.22) | (13,124,324,681.83) | 41,300,391,417.58 | (19,522,671,396.62) | 0.00 | | | |

Item 9: Assets and Liabilities by time-to-re-pricing (Amount in Nu.)

| December 31, 2021 | Time to re-pricing | | | | | | Non-interest bearing | TOTAL | |
|--------------------------------------|----------------------------|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|----------------------|-------|-------|
| | 0-90 days | | 91-180 days | | 181-365 days | | | | 366<= |
| | 0-3 months | 3-6 months | 6-12 months | More than 12. months | | | | | |
| Assets | | | | | | | | | |
| Cash and Balances with Banks | - | - | - | - | - | - | 32,402,106,870.89 | | |
| Treasury Bills | 9,335,341,900.00 | - | - | - | - | - | 9,335,341,900.00 | | |
| Loans and Advances | 1,904,819,077.03 | 277,112,669.19 | 4,367,462,447.65 | 46,692,240,079.11 | - | - | 53,241,634,272.98 | | |
| Investment Securities | - | 1,199,585,000.00 | - | 1,727,841,600.98 | - | - | 2,927,426,600.98 | | |
| Other Assets | - | - | - | - | - | 2,773,188,235.84 | 2,773,188,235.84 | | |
| Total financial assets | 11,240,160,977.03 | 1,476,697,669.19 | 4,367,462,447.65 | 48,420,081,680.09 | 35,175,295,106.74 | 100,679,697,880.70 | | | |
| Liabilities | | | | | | | | | |
| Deposits | 31,007,392,234.56 | 3,354,992,871.54 | 4,567,967,473.75 | 21,823,254,180.87 | - | - | 88,545,110,010.02 | | |
| Borrowings | - | - | - | - | - | - | - | | |
| Other Liabilities | - | - | - | - | - | 12,134,587,870.68 | 12,134,587,870.68 | | |
| Total financial liabilities | 31,007,392,234.56 | 3,354,992,871.54 | 4,567,967,473.75 | 21,823,254,180.87 | 39,926,091,119.97 | 100,679,697,880.70 | | | |
| Total interest Re-pricing gap | (19,767,231,257.53) | (1,878,295,202.35) | (200,505,026.10) | 26,596,827,499.22 | (4,750,796,013.24) | 0.00 | | | |

Item 10: Non performing Loans and Provisions

| December 31, 2022 | | | | | | |
|---|-------------------------|--------------------------------|-------------------------------|----------------------------|-----------------------|--|
| Stage | Amount of NPL's (Gross) | Principal Impairment Provision | Interest Impairment Provision | Total Impairment Provision | Net NPL's | |
| Stage 1 | - | 222,904,981.14 | - | 222,904,981.14 | - | |
| Stage 2 | 372,599,842.85 | 15,567,749.65 | - | 15,567,749.65 | 357,032,093.20 | |
| Stage 3 | 802,386,915.79 | 638,301,545.54 | 159,617,909.85 | 797,919,455.39 | 4,467,460.40 | |
| Total Collective Impairment# | 1,174,986,758.64 | 876,774,276.33 | 159,617,909.85 | 1,036,392,186.18 | 361,499,553.60 | |
| Individual Impairment* | 129,019,351.62 | 34,866,437.36 | - | 34,866,437.36 | 94,152,914.26 | |
| Total Impairment (Collective+Individual) | 1,304,006,110.26 | 911,640,713.69 | 159,617,909.85 | 1,071,258,623.54 | 232,747,486.72 | |
| Gross NPL's to Gross Loans | | | | | 2.01% | |
| Net NPLs to net Loans | | | | | 0.92% | |

* Individually impairment includes additional provision (Letter of credit Nu.9,189,602.02 & bank Guarantee Nu.7,441,815.46)

| As at December 31, 2021 | | | | | | |
|---|-------------------------|--------------------------------|-------------------------------|----------------------------|-----------------------|--|
| Stage | Amount of NPL's (Gross) | Principal Impairment Provision | Interest Impairment Provision | Total Impairment Provision | Net NPL's | |
| Stage 2 | 355,402,055.27 | 28,921,639.15 | 788,154.57 | 29,709,793.72 | 325,692,261.55 | |
| Stage 3 | 1,052,657,241.02 | 909,602,487.50 | 143,054,753.52 | 1,052,657,241.02 | 0.00 | |
| Total Collective Impairment | 1,408,059,296.29 | 938,524,126.65 | 143,842,908.09 | 1,082,367,034.74 | 325,692,261.55 | |
| Individual Impairment* | 296,788,670.46 | 32,662,879.63 | - | 32,662,879.63 | 264,125,790.83 | |
| Total Impairment (Collective+Individual) | 1,704,847,966.75 | 971,187,006.28 | 143,842,908.09 | 1,115,029,914.37 | 589,818,052.38 | |
| Gross NPL's to Gross Loans | | | | | 2.62% | |
| Net NPLs to net Loans | | | | | | |

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

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

Item 11: Assets and Investments**(Amount in Nu.)**

| Sl. No | Investment | December 31, 2022 | December 31, 2021 |
|-----------|---|--------------------------|--------------------------|
| 1. | Marketable Securities (Interest Earning) | | |
| a. | RMA Securities | 10,029,395,700.00 | 9,335,341,900.00 |
| b. | RGOB Bonds/Securities | 5,737,829,000.00 | 987,999,000.00 |
| c. | Corporate Bonds | 115,332,000.00 | 1,417,187,000.00 |
| d. | Others | 575,661,792.00 | 2,761,451.98 |
| | Sub-Total | 16,458,218,492.00 | 11,743,289,351.98 |
| 2. | Equity Investments | | |
| a. | Public Companies | 396,689,239.00 | 420,245,599.00 |
| b. | Private Companies | - | - |
| c. | Commercial Banks | 62,344,674.00 | 72,220,050.00 |
| d. | Non-Bank Financial Institutions | 50,181,585.00 | 27,013,500.00 |
| e. | Less: Specific Provisions | - | - |
| | Sub-Total | 509,215,498.00 | 519,479,149.00 |
| 3. | Fixed Assets | | |
| a. | Fixed Assets (Gross) | 3,026,004,285.82 | 2,341,924,026.43 |
| b. | Less: Accumulated Depreciation | 950,236,198.49 | 759,770,054.61 |
| c. | Fixed Assets (Net Book Value) | 2,075,768,087.33 | 1,582,153,971.82 |

Item 12: Foreign exchange assets and liabilities as at December 31, 2022 (Amount in Nu.)

| Currency | Liquid Foreign Currency Holdings (up to one Week) | | Long Term Foreign Currency Holdings (More than one Week) | | | Nu. In Millions | | |
|--------------|---|-------------------------|--|----------------------|----------|----------------------|------------------------|---------------|
| | 1 | 2 | 3=1-2 | 4 | 5 | 6=4-5 | 7=3+6 | 8 |
| USD | 1,042,594,142.19 | 1,285,528,384.36 | (242,934,242.17) | 54,488,210.55 | - | 54,488,210.55 | (188,446,031.62) | (2.38) |
| SGD | 39,787,881.93 | 209,966,996.91 | (170,179,114.98) | - | - | - | (170,179,114.98) | (2.15) |
| EURO | 147,737,656.56 | 46,766,236.99 | 100,971,419.57 | - | - | - | 100,971,419.57 | 1.28 |
| AUD | 98,742,335.07 | 48,682,507.00 | 50,059,828.07 | - | - | - | 50,059,828.07 | 0.63 |
| CAD | 9,766,486.09 | - | 9,766,486.09 | - | - | - | 9,766,486.09 | 0.12 |
| HKD | 769,693.65 | - | 769,693.65 | - | - | - | 769,693.65 | 0.01 |
| GBP | 34,129,140.66 | 6,479.85 | 34,122,660.81 | - | - | - | 34,122,660.81 | 0.43 |
| CHF | 98,461,932.84 | 629,856.14 | 97,832,076.70 | - | - | - | 97,832,076.70 | 1.24 |
| JPY | 33,345,298.00 | - | 33,345,298.00 | - | - | - | 33,345,298.00 | 0.42 |
| DKK | - | - | - | - | - | - | - | - |
| SEK | - | - | - | - | - | - | - | - |
| NOK | - | - | - | - | - | - | - | - |
| TOTAL | 1,505,334,566.99 | 1,591,580,461.25 | (86,245,894.25) | 54,488,210.55 | - | 54,488,210.55 | (31,757,683.70) | (0.40) |

Item 12: Foreign exchange assets and liabilities as at December 31, 2021 (Amount in Nu.)

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

Item 13: Geographical Distribution of Exposures

| Particular | (Amount in Nu.) | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Domestic | | India | | Other | |
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Demand Deposits held with other banks | 200,000.00 | 200,000.00 | 485,912,385.39 | 533,136,187.96 | 1,223,124,527.08 | 917,416,426.75 |
| Time deposits held with other banks | 1,343,756,704.00 | 1,200,000,000.00 | - | - | 258,398,400.00 | 232,377,600.00 |
| Borrowings | - | - | - | - | - | - |

Item 14: Credit Risk Exposure by Collateral

| Sl. No | Particular | December 31, 2022 # | December 31, 2021 * |
|-----------|--|--------------------------|--------------------------|
| 1. | Secured Loans | 63,917,721,123.33 | 52,921,806,100.63 |
| a. | Loans secured by physical/real estate collateral | 52,082,804,066.01 | 46,685,727,665.88 |
| b. | Loans Secured by financial collateral | 927,464,708.40 | 780,939,207.36 |
| c. | Loans secured by guarantees | 10,907,452,348.92 | 5,455,139,227.39 |
| 2. | Unsecured Loans | 1,046,645,416.00 | 2,480,486.72 |
| | Total Loans | 64,964,366,539.33 | 52,924,286,587.35 |

includes gross loans and advance of Nu. 64,964,366,539.33 and Bills discounted & purchased of Nil

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

Item 15: Earnings Ratios**(Amount in Nu.)**

| Sl. No | Ratio | December 31, 2022 |
|--------|---|-------------------|
| 1. | Interest Income as a percentage of Average Assets | 1.29% |
| 2. | Non-interest income as a percentage of Average Assets | 0.51% |
| 3. | Operating Profit as a percentage of Average Assets | 0.94% |
| 4. | Return on Assets | 0.63% |
| 5. | Business (Deposits plus Advances) per employee (Nu. In million) | 209.62 |
| 6. | Profit per employee (Nu. In million) | 0.88 |

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

| Sl. No | December 31, 2021 | | December 31, 2020 | |
|--------|---|---------------------|----------------------------|-----------------|
| | Reason for Penalty Imposed | Penalty Imposed | Reason for Penalty Imposed | Penalty Imposed |
| 1. | Disruption of critical banking services | 6,199,340.56 | NIL | NIL |
| | Cash Reserve Ratio figure mismatch | 150,000.00 | | |
| | Failed to generate CIB Report | 150,000.00 | | |
| | Failed to generate CIB Report | 3,099,670.23 | | |
| | RAA Audits (IPS) | 63,691.29 | | |
| | Total | 9,662,702.08 | | |

Item 17: Customer Complaints**(Amount in Nu.)**

| Sl. No | Particular | December 31, 2022 | December 31, 2021 |
|--------|--|-------------------|-------------------|
| 1. | No. of complaints pending at the beginning of the year | 29.00 | 51 |
| 2. | No. of complaints received during the year | 11,949.00 | 15,129 |
| 3. | No. of complaints redressed during the year | 11,943.00 | 15,151 |
| 4. | No. of complaints pending at the end of the year | 35.00 | 29 |

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) |
| 31.12.2021 | 1,304,006,110.26 | 400,841,856.49 | [(59,546,292.59) | 15,775,001.76 | (3.77) |
| 31.12.2020 | 1,704,847,966.75 | (1,808,701,395.02) | (497,321,520.77) | (61,526,485.22) | 8.08 |

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

| Sl. No | Particulars | December 31, 2022 | December 31, 2021 |
|--------|---|-------------------|-------------------|
| 1. | Total loans to 10 largest borrowers | 10,241,496,859.90 | 10,147,609,611.91 |
| 2. | As % of total loans | 15.76% | 19.17% |
| 3. | Total deposits of the 10 largest depositors | 13,975,664,060.87 | 15,438,048,187.21 |
| 4. | As % of total deposits | 14.43% | 17.44% |

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

| Sl. No | Particulars | December 31, 2022 | December 31, 2021 |
|--------|---------------------------|-------------------|-------------------|
| 1. | Five largest NPL accounts | 499,601,349.43 | 256,573,850.91 |
| 2. | % of Total NPLs | 38.31% | 15.05% |

Ratio Analysis

| Ratios | December 31, 2022 | December 31, 2021 |
|--|-------------------|-------------------|
| Return on Equity (PAT/Shareholders Equity) | 7.89% | 5.86% |
| Return on Assets (PAT/Total Assets) | 0.63% | 0.48% |
| Capital Adequacy Ratio (Tier 1+ Tier 2 Capital)/ (Risk Weighted Assets + Operation Risk) | 12.67% | 14.02% |
| Credit to Deposit Ratio (Total Loans/Total Deposits) | 67.07% | 59.78% |
| Statutory Liquidity Ratio (Quick assets/Total liabilities excluding capital fund and RMA liabilities) | 33.18% | 41.06% |
| Gross Non-Performing Assets (Non-performing Assets/Total Loans) | 2.65% | 3.34% |
| Earnings per share (PAT/No. of Shares) | 22.55 | 16.07 |
| Net interest margin (Total Interest Income-Interest Expenses)/ Total earning assets (Total Loans to customer + Loans to banks) | 1.62% | 1.67% |
| Leverage Ratio (Tier 1 /total balance sheet Amount including off balance sheet item) | 7.25% | 7.23% |
| Debt to Equity Ratio (Total Liabilities/Shareholder's Equity) | 11.55 | 11.24 |



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