# Abridged Prospectus

## Name of the Company: Bank of Bhutan Limited

**A. General Information**

| | |
|---|---|
| Name of the company | Bank of Bhutan Limited |
| Registered Office | Bank of Bhutan, Corporate Office, Norzin Lam, Thimphu |
| Name of the auditor and banker | Auditor: Span & Associate, Kolkata, India<br>Banker: BNBL, DPNBL, T Bank Ltd, BDBL, RMA |
| Paid-up capital | Nu. 3,000 Million |

B. **Bank of Bhutan Limited**, hereby issues Subordinated Debt with the following terms and conditions:

| | |
|---|---|
| 1. (Name and Contact Number)Underwriter/Broker | Name: Sonam Peldon (77789206) |
| 2. Tenure | 10 Years |
| 3. Face value per unit | Nu. 1,000 |
| 4. Total number of units offered | 1,500,000 |
| 5. Total Value of bond | Nu. 1,500,000,000 |
| 6. Minimum bid size | 10 units for individuals and 100 units for institutions |
| 7. Mode of payment | Cash/Cheque/Draft/Others |
| 8. Coupon rate | 8.5% per annum from the date of allotment |
| 9. Coupon payments | Annually |
| 10. Listing | The bonds will be listed with Royal Securities Exchange of Bhutan within 15 working days from the date of the allotment. |
| 11. Opening date | 20/10/2025 |
| 12. Closing date | 03/11/2025 |
| 13. Allotment date | 04/11/2025 |
| 14. Tax | The coupon amount will be exempted for the purpose of Personal Income Tax (PIT) |

**C. Utilizaton of the Fund**

The subordinated debt is issued to enhance Capital Fund as prescribed by the Royal Monetary Authority of Bhutan and meet regulatory capital requirements prescribed therein by the RMA.

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D. **Risk factor**

Prospective investors should carefully consider all the information in this prospectus, including the risks described below before making investment in the Bond. Investors are expected to make their own assumption/analysis on the market conditions before deciding to invest in the script. The following are certain risks for the investor to consider before taking an investment decision in the offer:

1. Credit Risk

   The possibility of non-payment of loans (loan default) or risk of delayed payments by the borrowers due to improper management of the borrower's cash flows. The risk is minimized by the bank with structured financing with widespread loan portfolio, followed by risk-based credit assessment procedures and policies.

2. Operational Risk

   The Bank is required to perform a wide range of banking operations daily and failing to provide these services shall result in operational risk. The Bank has policies and skilled management/committees organized to formulate improved processes regularly and monitor competently. Moreover, comprehensive systems are put in place to meet the ever-changing requirements.

3. Interest Rate Risk

   Interest rate risk arises from the potential impact that changes in interest rates may have on future cash flow or the fair values of financial instruments. To manage this risk, the Bank implements a policy of continuous daily monitoring of its positions. Various strategies are employed to ensure that these positions remain within prudent levels.

4. Market Risk

   Risk is involved due to fall in company's share or decrease in the value of prices where the bank has invested in third-party companies. Any change in interest rate, equity prices and foreign exchange are also subjected to Market Risk. The risks are addressed by investing minimal funds in the category. In addition, the Bank is restructuring the investment portfolio and changing interest rates from time to time.

5. Liquidity Risk

   Liquidity risk arises when the Bank face potential inability to meet its liabilities as and when they become due. The Bank's obligations to its depositors and other creditors are managed by maintaining sufficient liquidity ratios at all times.

**E. Redemption**

BOBL shall create a Bond Redemption Reserve equivalent to 100% of the bond issue size at maturity. The reserve will be built up in annual installments of 20% during the last five years of the bond's tenure to ensure full redemption at maturity, in compliance with applicable regulations

**F. Private Placement**

The Bank of Bhutan will place Nu. 1,500 million subordinated debt through public offering. If the offering is undersubscribed, the bank may place the remaining securities through private placement.

**G. Condition for pre-mature redemption**

In the event of premature redemption of the subordinated debt, the investor shall be liable to pay a penalty of 1% per annum on principal amount of bond, for the entire period of the bond tenure and the same conditions to be applied to the issuer in case of premature redemption.

**H. Eligibility**

The following categories of investors may apply for the Bond:

- Companies/Institutions registered within the country
- Individuals holding Bhutanese Citizenship
- Trusts, Association, societies registered under the applicable laws in Bhutan

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I. **Financial highlights**

**Statement of Financial Position for Last Three Years (Audited) and Projected for Three Years:**

| Particulars (Nu. In millions) | Actual | | | Projected | | |
|---|---|---|---|---|---|---|
| | **31.12.22** | **31.12.23** | **31.12.24** | **31.12.25** | **31.12.26** | **31.12.27** |
| **Equity & Liabilities** | | | | | | |
| Share Capital | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Reserve & Surplus | 5,575 | 6,462 | 6,742 | 8,830 | 11,190 | 13,836 |
| Long-term Debt | - | - | - | - | - | - |
| Deposits | 96,885 | 99,885 | 107,211 | 116,260 | 127,886 | 140,675 |
| Other Liabilities | 2,144 | 2,261 | 2,948 | 4,708 | 4,859 | 4,982 |
| Subordinate Debt | - | 1,500 | 2,780 | 2,780 | 2,780 | 2,780 |
| **Total** | **107,604** | **113,108** | **122,681** | **135,579** | **149,715** | **165,273** |
| **Assets** | | | | | | |
| Cash & Balance with RMA | 22,290 | 17,183 | 22,419 | 26,756 | 31,322 | 36,345 |
| Balance with other Banks | 1,602 | 2,060 | 2,960 | 2,650 | 2,809 | 2,978 |
| Investments | 16,967 | 13,917 | 13,750 | 14,617 | 15,460 | 16,353 |
| Loans & Advances to customers | 63,893 | 76,539 | 79,847 | 87,831 | 96,614 | 106,276 |
| Fixed Assets | 2,076 | 2,014 | 2,238 | 2,241 | 2,026 | 1,837 |
| Other Assets | 775 | 1,396 | 1,467 | 1,484 | 1,484 | 1,484 |
| **Total** | **107,604** | **113,108** | **122,681** | **135,579** | **149,715** | **165,273** |

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**Statement of Comprehensive Income for the Last Three Years (Audited) and Projected for Next Three Years:**

| Particulars (Nu. In millions) | Actual | | | Projected | | |
|---|---|---|---|---|---|---|
| | 31.12.22 | 31.12.23 | 31.12.24 | 31.12.25 | 31.12.26 | 31.12.27 |
| **Income** | | | | | | |
| Interest Income | 5,092 | 6,885 | 7,713 | 8,082 | 8,858 | 9,709 |
| Other Income | 649 | 911 | 835 | 902 | 974 | 1,052 |
| **Total Income** | **5,741** | **7,796** | **8,549** | **8,985** | **9,833** | **10,762** |
| **Expenses** | | | | | | |
| Interest Expense | 3,751 | 3,566 | 3,894 | 4,229 | 4,628 | 5,069 |
| Operating Expense | 1,066 | 1,136 | 1,366 | 1,247 | 1,314 | 1,386 |
| Depreciation | 201 | 201 | 228 | 231 | 235 | 212 |
| Impairment on loans and advances | (259) | 1,383 | 833 | 408 | 285 | 314 |
| **Total Expenses** | **4,759** | **6,287** | **6,322** | **6,115** | **6,462** | **6,981** |
| **Profit Before Tax** | **982** | **1,509** | **2,227** | **2,870** | **3,371** | **3,781** |
| Corporate Tax | 305 | 506 | 687 | 861 | 1,011 | 1,134 |
| **Profit After Tax** | **677** | **1,002** | **1,540** | **2,009** | **2,360** | **2,647** |

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**J. Name and contact number of the company secretary**

Name: Sangay Zompa

Contact Number: 17438454

Email: sangay.zompa@bob.bt

**K. Declaration**

We hereby declare that we have complied with the relevant provisions of the Companies Act, the regulations of Royal Securities Exchange of Bhutan, and all prevailing rules and regulations. Furthermore, no statements made in the prospectus contradict the provisions of the Companies Act.

(Prem Bdr Moktan)
Officiating Chief Executive Officer
Place: Thimphu

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