Bhutan National Bank

Your Relationship Bank

Annual Report 2022

Bhutan National Bank

ISO 9001 : 2015 & ISO 27001 : 2013 Certified

Your Relationship Bank

Annual Report

2022

Contents

Corporate Overview

This section is an informational statement about the bank providing readers with some important data about BNB and its operations. It is designed to familiarize readers with the company background, provides a snapshot of the company's performance as well as its products and services.

Who we are

This section provides information on who we are and the set up of our leadership teams. It also provides readers information on some of the key issues that were discussed in 2022.

Message to the Shareholders

This section contains a message from the Chairperson and the Chief Executive Officer to the shareholders providing a snapshot of the significant developments in the past year, company initiatives and a brief summary of the financials.

Statutory Reports

The purpose of the statutory audit is to provide an independent opinion to the shareholders on the truth and fairness of the financial statements, whether they have been properly prepared in accordance to the regulations, and to report by exception to the shareholders on the other requirements of company law such as where, in the auditors' opinion, proper accounting records have not been kept.

Performance 2022

This section of financial statements are the most important part of the annual report that allows current and future investors, shareholders, employees and other business stakeholders to determine how well the company has performed in the past year.

Our Purpose, Values and Vision

PURPOSE

We were created by order of the throne to "To provide financial choice through innovation", This defines us and is our purpose. Since inception, we have endeavored to meet that trust by pioneering;

- Public ownership of banks;
- Tapping technology to bring in global banking tools such as CBS, ATMs, cards, PoS machines, and mobile banking; and
- Continuously learning and improving through thoughtful interactions with our customers.

VALUES

Our purpose is guided by a set of values that help us make the right choice over a profitable one. They spell the word DELIGHT to underline the importance of our clients.

- Discipline: in the way we do business
- Entrepreneurship: by encouraging creativity and empowering our people.
- Learning: by continuously seeking to improve ourselves
- Integrity: by doing the right thing even when no one is looking.
- Grit: persevering through difficulty together.
- Humility: in our interactions with all our stakeholders
- Teamwork: through individual respect, underpinned by a united purpose

VISION

"BNB in every Bhutanese pocket"

In the next five years, we aim to have every banking Bhutanese using our products extensively, from payment systems to loans.

Business Highlights

4.03 billion
Interest Income on loans & advances to customers

2.56 billion
Interest Expenses on Deposits

1.21 billion
Net Profit

95.74 billion
Total Business (bn)

17.13%
ROE

0.23%
Net NPA ratio *

Board of **Directors**

The Board is committed to helping the Group achieve long-term success. The Board provides direction to management by setting the Group's strategy and overseeing its implementation. It ensures risks and rewards are appropriately balanced.

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1. **Dasho Karma Tshiteem**
   Chairperson
2. **Karma Wangdi**
   Independent Director
3. **Passang Dorji**
   Independent Director
4. **Dago Beda**
   Director
5. **Tenzing Yonten**
   Director
6. **Karma Choden**
   Director
7. **Sonam Tobgay**
   Chief Executive Officer

Executive

1. **Hem Kumar Acharya**
   Director Of Banking Operations
2. **Dorji**
   Director of Corporate Services & Officiating Chief Finance Officer
3. **Sonam Tobgay**
   CEO
4. **Dorji Namgyal Rinchhen**
   Director of Customer Experience & Officiating Company Secretary

Senior **Management**

Bidah Dorji
Chief of Human Resources and Administration

Karma Deki
Chief Operations Officer

Deki Wangmo
Chief Remedial Officer

Sonam Tobgay
Chief Strategy Officer

Purna Bahadur Mongar
Chief Risk Officer

Norbu Wangchuk
Chief Customer Service Officer

Mann Bahadur Rai
Chief Digital Transformation Officer

Yonten Jamtsho
Chief Information Technology Officer

Tenzing Gyaltshen
Chief Internal Audit Officer

Branch **Managers**

Dellay Phuntshok
Thimphu Corporate Office

Namgyal Wangdra
Wangdue Branch

Kinley Jamtsho
Trashigang Branch

Tshering Dorji
Thimphu Branch

Chencho Tshering
Paro Branch

Shyam Kumar Tamang
Samtse Branch

Pema Jamtsho
Tsirang Branch

Mahindra Timsina
Gelephu Branch

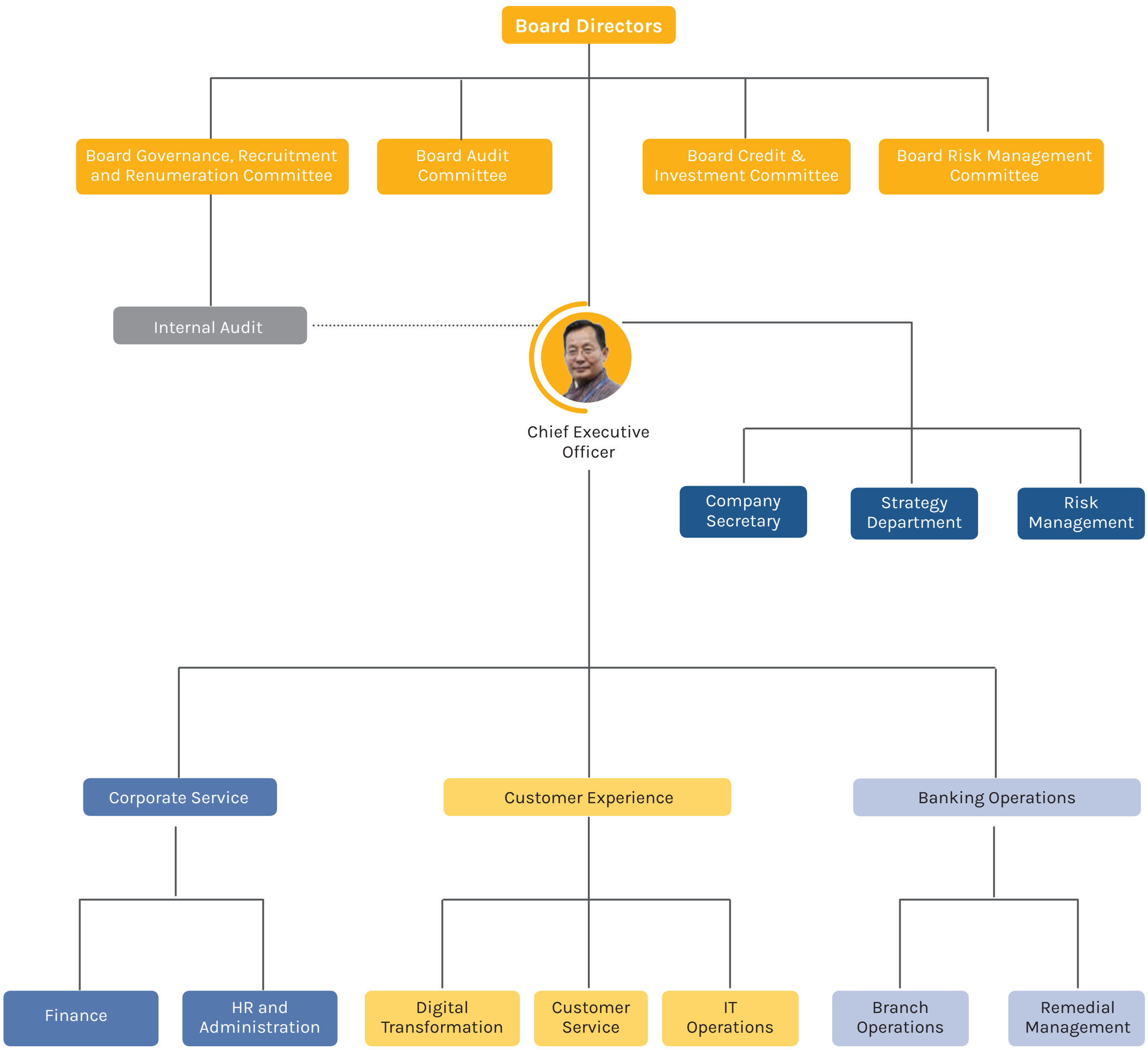
Chhoe Dhen
Mongar Branch

Dorji Wangchuk
Phuntsholing Branch

Karma Tshering
Bumthang Branch

Yeshey Norbu
Samdrup Jongkhar Branch

Organization Chart



THE YEAR THAT **went by...**

Director's Report

Dear Shareholders,

As the Chairman of the bank, it gives me great pleasure to present the Director's Report for the financial year ending on 31.12.2022. As always, we are grateful for your continued support, and we remain committed to creating value for all our stakeholders.

Overview

2022 has been a challenging one for the banking industry as a whole, with the ongoing COVID-19 pandemic causing significant economic disruption around the world. However, despite these difficulties, I am pleased to report that our bank has remained strong and resilient, thanks to the hard work and dedication of our staff and management team.

In the face of unprecedented challenges, we have continued to provide our customers with the highest levels of service and support. We have adapted quickly to changing circumstances, implementing new technology and processes to ensure that our operations remain efficient and secure.

Operational Performance

Our financial performance over the past year has been impressive, with solid growth in both deposits and loans. Our profits have remained strong, and our balance sheet continues to be well capitalized, reflecting our commitment to sound financial management and risk mitigation.

Our net credit growth was Nu. 7,372.92 million, a 20% increase from the previous

We have focused on providing innovative and personalized solutions to our customers, such as digital banking services, mobile apps, and enhanced online banking capabilities.

Our risk management framework is designed to identify, assess, monitor, and mitigate various risks to our business.

We believe that businesses have a responsibility to give back to society and contribute to its well-being.

As we look ahead to the future, we remain committed to delivering long-term value to our shareholders.

year. Our gross NPL for the year was 5.77% as compared to 7.99% in 2021. The above figures are in GAAP.

Our profit after tax for the year is Nu. 831.42 million, reflecting a 57% increase from the previous year. This was driven by solid revenue growth, effective cost management, and strong credit quality. In addition, we continued to maintain a strong capital position, with a capital ratio of 21.73%.

We are also proud to report that we have continued to expand our customer base and product offerings. We have focused on providing innovative and personalized solutions to our customers, such as digital banking services, mobile apps, and enhanced online banking capabilities. We believe that these efforts have helped us to differentiate ourselves in a highly competitive industry.

Corporate Governance

As a responsible corporate citizen, we are committed to upholding the highest standards of corporate governance. In the past year, we have made several changes to our policies and practices to ensure that we continue to meet these standards. The bank has been in compliance to the regulatory requirements and we will continue to ensure that the bank upholds the highest standard of corporate governance.

Governance Structure

In 2022, the bank embarked on its new Long Term Strategy plan. Under the new long term plan, the new governance structure was introduced aimed at enhancing the banks performance, accountability, and transparency. We have reduced the number of verticals from 5 to 3 with a reduction in department from 14 to 11. The new structure is designed to improve the bank's ability to respond to changing market conditions, strengthen risk management, and better serve the needs of its customers and stakeholders.

This new governance structure represents a significant step forward for our bank. We recognize the importance of having robust systems of governance and oversight in place to ensure that we are delivering the best possible outcomes for our customers and stakeholders."

Our new governance structure will enable us to be more responsive, more agile, and more effective in meeting the challenges of today's rapidly changing financial landscape. It will also help us to build a culture of accountability, transparency, and performance, which is essential for our long-term success."

In June 2022, the bank announced the vacancy position of 3 directors. We had a total of 18 applicants applying for 3 positions. The board was assisted by human resource professionals from the RCSC. As the Chairman of the bank, it is my great pleasure to report to you today that we welcomed three new directors of the bank in September 2022. I am pleased to say that I have every confidence in their abilities and expertise, and I believe that they will make a significant contribution to the success of our bank.

I want to assure all of our shareholders that the new directors have been carefully selected based on their track records of success and their alignment with our values and goals. I am confident that our new directors will work diligently to uphold our bank's reputation for excellence and to drive sustainable growth for our shareholders.

Risk Management

Our bank maintains a strong focus on risk management, and we continuously review our risk management policies and processes. Our risk management framework is designed to identify, assess, monitor, and mitigate various risks to our business. In 2022, we have made significant investments in risk management and compliance, ensuring that we remain in compliance with regulatory requirements and maintaining the trust of our stakeholders.

Customer Service:

Our bank remains committed to providing high-quality customer service. We have implemented various initiatives to improve the customer experience, including upgrading our digital banking platforms, launching new products and services, and enhancing our customer service channels. During the year, we continued to focus on financial education initiatives to promote financial literacy among our customers. We also implemented various measures to promote financial inclusion, including launching new products for underserved segments of the market.

Corporate Social Responsibility:

Our bank is committed to being a responsible corporate citizen. Giving back to the community has been a guiding principle of our business ever since we commenced operations. The bank's

Corporate Social Responsibility (CSR) Policy was developed in 2015 with the purpose to actively participate in community development programs and give back to the society that we exist. In 2022, the bank provided televisions and accessories worth Nu. 146,700 to Jigme Losel Primary School, Thimphu and contributed Nu. 30,000 to the Dzongkhag Kidu Fund, Gelephu.

We believe that businesses have a responsibility to give back to society and contribute to its well-being. In the coming year, we will continue to invest in various social responsibility initiatives and programs, which will make a positive impact on the lives of people and the communities.

Outlook

Looking ahead, we remain optimistic about the future. Despite the challenging economic environment, we remain committed to pursuing our growth strategy while maintaining a strong focus on risk management and customer service. We are confident that our business model, coupled with our strong financial position, will enable us to weather any storms that may come our way.

We will continue to invest in our people, processes, and technology to enhance our operational efficiency and customer service capabilities and explore new opportunities for growth and expansion. We also remain committed to maintaining a strong capital base to ensure our long-term sustainability.

Reappointment of CEO's Term

The 154th Board Meeting held on 28.06.2022 approved the renewal of CEO's contract for the second term of 4 years. All regulatory approvals and clearance have been obtained for CEO's contract renewal. On behalf of the board and shareholders, I congratulate CEO for his successful first term and wish him all the very best for the coming term.

Conclusion

Looking ahead, we recognize that the banking industry will continue to face significant challenges in the coming year. However, we are confident that we are well-positioned to navigate these challenges and emerge even stronger than before.

As Chairman of our company, I am proud of what we have achieved together. We have overcome many challenges and have emerged stronger than ever. Our company has continued to grow and prosper, and we have delivered impressive returns to our shareholders.

None of this would have been possible without your trust and confidence in our company. Your belief in our vision, strategy, and management team has enabled us to make the right decisions, take calculated risks, and pursue new opportunities.

As we look ahead to the future, we remain committed to delivering long-term value to our shareholders. We will continue to invest in our business, innovate, and adapt to changes in the market to ensure that we remain competitive and sustainable.

Once again, I want to thank you for your continued support and confidence in our company. We look forward to the opportunities that lie ahead and to delivering on our commitment to create long-term value for our shareholders.

In conclusion, I would like to place on record my thanks to the senior executive team, management and staff for their outstanding efforts during the year.

We have some of the best people in the industry working at BNB and their efforts will continue to place the company in a strong position to capture the opportunities ahead. I would also like to thank my fellow board members for their support during the year. We have had a solid year. The outlook is positive. The conditions are favorable. And the business is well positioned to continue to prosper into the future. I look forward to the year ahead with confidence.

Thank you and Tashi Delek.

Dasho Karma Tshiteem
Chairperson

Chief Executive Officer's Report

Dear Stakeholders,

I am privileged to present a comprehensive appraisal of our performance during the fiscal year of 2022. Navigating through the year, having just come out of the pandemic, our path was strewn with challenges, yet we emerged not just unscathed but stronger and more resilient. This outcome is a testament to the relentless dedication and tenacity of our team and your enduring trust.

Setting our journey against the broader global context, it is apparent that the world economy has weathered the persisting effects of the pandemic for a stretch of over two years. This adversity was compounded by a rise in geo-political tensions, a turmoil that spared no corner of the globe. Amidst this formidable backdrop, the Bhutanese economy and its financial sector admirably managed to maintain a trajectory of growth in 2022. This robust performance can be attributed to the efficacious containment of the COVID-19 pandemic and a measured return to a state of normalcy, a commendable feat that underscores the prudent leadership of His Majesty the Druk Gyalpo.

Our profound gratitude extends to His Majesty the Druk Gyalpo for his visionary leadership and sagacious guidance in these trying times. The Kidu support programs, implemented under His Majesty's directives, served as a crucial factor that restored hope and fostered resilience among our people, bolstering the economy and invigorating the financial sector of Bhutan.

The Royal Government of Bhutan and the RMA also facilitated an in-depth assessment of Non-Performing Loans (NPLs) for rehabilitation and/or foreclosure from July 2020 and three levels of committees were instituted.

This was initiated as a counter cyclical policy response to Covid-19 pandemic with the objective of decongesting the balance sheet of the financial institutions by temporarily transferring the NPLs as "asset pending foreclosure" (APF).

These measures, under the enlightened leadership of His Majesty the King, have not only brought succor to our customers during these challenging times but have also effectively forestalled a potential financial crisis akin to those experienced in other neighboring countries.

OPERATIONAL HIGHLIGHTS

2022 was a period of steady progress, with our bank cautiously and gradually returning to standard operations, and registering a consistent level of growth with minimal setbacks. This outcome is a testament to the strategic guidance provided by our Board, its effective execution by our management, and the unwavering dedication of our employees, particularly in this period of recovery following the COVID-19 pandemic.

In an effort to mitigate the adverse impacts of the pandemic, the Royal Monetary Authority (RMA) launched three phases of monetary measures spanning from April 2020 to June 2022. This initiative, in line with His Majesty's wisdom, was aimed at providing adequate and inclusive relief measures to counter business disruptions and resulting income losses.

For the period, deferment of loan repayment was carried out for 407 term loans and 31 OD/WC eligible loan clients. The eligibility criteria were based on targeted support framework.

All loans outstanding as of June 30 2022 whose repayment status was "performing" were considered eligible for the targeted support measures. Under this framework the sectors and sub sectors were classified into three risk categories namely, High, Moderate and Low.

The Bank received a total of Nu. 671.188 million as Interest Payment Support (IPS) from the Druk Gyalpo's Relief Kidu (DGRK) for the period Jan 2022 to June 2022. The actual IPS for year 2022 after plough back of Nu. 100.965 million was Nu 570.223 Million. The IPS amount has been paid to the respective loan accounts.

As for the 1% Interest Rebate, the Bank disbursed Nu. 36.772 million for 3702 accounts, as an incentive for those borrowers who paid their loan installments fully and regularly during the period July 2020 to June 2021. The amount was disbursed by crediting to their loan accounts for active loans and to CASA accounts for closed loans. The eligibility criteria, amount calculation, and disbursement were based on RMA directives.

FINANCIAL HIGHLIGHTS

Shifting focus to our financial performance, the Bank demonstrated a robust resilience in the face of adversities and showcased commendable growth in 2022.

Our total assets registered a significant surge, growing from Nu. 52.82 billion in 2021 to Nu. 60.13 billion million in 2022. This rise was chiefly fueled by noteworthy increases in cash & cash equivalents, loans & advances to customers, and debt instruments.

Our loan portfolio grew significantly by 19.73% from Nu. 37.35 billion in 2021 to Nu. 44.72 billion in 2022, an increase of Nu. 7.37 billion. The majority of this growth was driven by the Housing, Services, and Trade

& Commerce sectors, which made up over 73.12% of total loans. We also saw steady growth in other portfolios throughout the year. During 2022, the bank sanctioned a total of Nu. 7.37 billion and disbursed Nu 6.80 billion.

Asset quality also improved over the year, with the gross Non-Performing Loans (NPL) and net NPL decreasing to 3.44% and 0.23% respectively, compared to 7.99% and 1.51% in the previous year. The NPL figures include cases currently under arbitration and litigation. The sectors with the highest share of NPL were Agriculture (14.81%), Trade and Commerce (6.95%), and Production and Manufacturing (6.31%), comprising 28.07% of the total NPL.

On the liabilities and equity side, we recorded healthy growth as well. The Bank's total equity saw a steady rise from Nu. 6.96 billion to Nu. 7.06 million.

Our Income Statement for 2022 paints an encouraging picture of rising income and well-managed expenses. Our net interest income registered a notable increase from Nu. 1.18 billion million to Nu. 1.61 billion.

Other operating income for the Group also recorded a significant increase, from Nu. 66.90 million in 2021 to Nu. 336.99 million in 2022. Total operating income mirrored this trend, with considerable growth recorded both for the Bank and the Group.

Interest income on loans witnessed a 14.84% growth, increasing by Nu. 522.37 million from Nu. 3.52 billion in 2021 to Nu 4.04 billion in 2022. The growth was primarily due to increased interest income from the housing and services sector loans.

BNBL Launched EducAid loan on 14th November and sanctioned loans amounting to Nu 2.49 billion which is 5.5% of total loan outstanding as of December 2022.

The yield on loans decreased slightly by 4.24%, from 9.43% in 2021 to 9.03% in 2022. Our market share in credit experienced a slight uptick, increasing to 21.2% in 2022 from 20.86% in the previous year.

Total operating expenses for the Bank rose to Nu. 712.35 million, up from Nu. 374.76 million in 2021, reflecting our ongoing investments in bolstering growth and resilience. Despite these necessary investments, our profit before tax from continuing operations recorded a significant rise for both the Bank and the Group, underscoring our effective financial strategy.

Our profit for the year stood at Nu. 1.21 billion for the Bank and Nu. 1.27 billion for the Group, marking substantial progress from 2021 figures. Total comprehensive income for the year followed the upward trend, closing at Nu. 1.21 billion for the Bank and Nu. 1.27 billion for the Group.

OTHER INITIATIVES

The year 2022 witnessed several strategic and innovative initiatives, designed to solidify our position as a leading banking institution in Bhutan while delivering enhanced value to our customers and stakeholders.

One of the key highlights was the appointment of three new directors to our Board. The diverse experiences and unique insights brought by our new members have significantly enriched our decision-making process and strategic direction. Their guidance will undoubtedly help us navigate the ever-changing banking landscape and further our mission to provide the best financial services to our customers.

In our bid to support the educational pursuits of our customers, we launched EducAID, a special loan product tailored for prospective students. This initiative has been designed keeping in mind the financial challenges faced by students and their families. By offering these customized loans, we aim to foster a bright future for our youth and contribute to the development of human capital in our nation.

Further extending our network for greater accessibility and convenience, we inaugurated a new MLCP extension in the heart of Thimphu city. This strategic move has not only enhanced our physical presence but also enabled us to deliver superior customer service, underpinning our commitment to be a customer-centric bank.

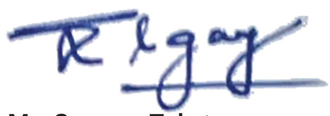
Recognizing the power of engaging marketing campaigns, we introduced an exciting initiative in the form of a World Cup lucky draw. This was a strategic move to market our rapidly expanding MPay customer base and increase awareness about our digital banking services. It was gratifying to witness the overwhelming response from our customers, which reflects the growing acceptance and enthusiasm for our digital banking solutions.

In retrospect, each initiative of 2022 was a step forward in strengthening our market position, building customer trust, and driving operational excellence.

As we set our sights on the future, our commitment to sustainable growth and resilience amidst changing market dynamics remains unwavering. The foundation we have meticulously built over the years is solid, and we will continue to innovate and adapt our strategies and operations to cater optimally to our customers, shareholders, and stakeholders.

In closing, I extend my heartfelt gratitude to our dedicated team, our customers, our shareholders, and all other stakeholders who have played a part in our journey and this remarkable performance. I assure you of our steadfast commitment to creating value and paving the path for sustainable growth in the years to come.

Thank you for your trust in us.



Mr. Sonam Tobgay
Chief Executive Officer, BNB
Place: Thimphu

Independent Auditor's Report on the Financial Statements for year ended 31 December 2022

To the Shareholder(s) of Bhutan National Bank Limited, Thimphu

Opinion

We have audited the financial statements of Bhutan National Bank Limited (the 'Bank'), which comprises the Statement of Financial Position as at 31 December 2022, 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 respect, of the financial position of the Bank as at 31 December 2022, and of 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 of the period under audit. 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

JIGMI Audit & Financial Pvt. Ltd. Thimphu

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 the 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, the 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 the management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Bank's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements

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or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
c. The Bank's 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 are in agreement with the books of accounts; and
d. The Bank has complied with other legal and regulatory requirements to the extent applicable to the company.

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 24/05/2023

Appendix

Minimum Audit Examination and Reporting Requirements

In compliance with the ISA as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB), and as required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Bank has maintained proper records of the property, plant & equipment in the Assets Register to show full particulars including quantitative details and situation of the assets. As explained to us, the property, plant & equipment have been physically verified by the management during the year in a phased/ periodical manner which in our opinion is reasonable having regard to the size of Bank and nature of its assets. As informed, no material discrepancies were noted during the physical verification.

2. None of the property, plant & equipment have been revalued during the year.

3. The Bank has not availed any loans, secured or unsecured, therefore the clause regarding the rate of interest and the other terms and conditions of loans availed, and whether the same are prima facie not prejudicial to the interest of the Bank, is not applicable.

4. The Bank has not granted any loans to other companies, firms or other parties, except the loans given in the normal course of its business of banking, therefore the said clause is not applicable.

5. Loans and advances granted by the Bank to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive/frequent advances or accumulation of large advance against particular individual has been noted during our test verification.

6. In our opinion, there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the rules/regulations, system and procedures. The Bank has adopted, and following, the policies and system and procedures, as approved by the Board or the other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Bank.

7. In our opinion, there is adequate system of competitive biddings, commensurate with the size of the Bank and nature of its business, for the purchase of property, plant & equipment and other items, such as, stationeries and related expendable items, etc.

8. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to

the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties.

9. To the best of our knowledge, expenses charged to the Bank's accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules.

10. In our opinion, the Bank is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable Taxation laws, and has been appropriately disclosed in the financial statements.

11. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the yearend other than tax deducted at source (TDS) which was paid later on within the stipulated time period.

12. Considering the Bank's fund requirements for the normal banking business, management of the Bank's liquid resources, particularly, cash/bank and short-term deposits etc. are adequate and no excessive amount is lying idle in non-interest-bearing accounts.

13. In our opinion, the Bank has a reasonable system of periodical review of lending and deposits rates, and based on such review and considering the market and economic conditions, the interest rates are determined and approved by the Bank.

14. In our opinion, the agency commission structure is in accordance with the industry norms/market conditions. Additionally, the Bank has a proper system of evaluating performance of each agent on a periodical basis.

15. In our opinion and to the best of our knowledge, the activities carried out by the Bank are lawful and intra vires to the Articles of Incorporation of the Bank.

16. The Bank has system and procedures for obtaining approvals of the Board/delegated authority for all capital investment and also for investments in bonds, treasury bills, commercial papers, and equity etc. made in the normal banking business and the investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

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

18. In our opinion, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement under Note 34.

19. Directives of the Board have been found to be complied with by the Bank.

20. Price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Bank, unauthorized to any other person with intent to benefit themselves.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

21. In our opinion and to the best of our knowledge, proper records are kept for inter unit/ branch transactions and services.
22. In our opinion and to the best of our knowledge, the Bank has generally maintained adequate documents and records for the loans and advances granted, and has also drawn up adequate agreements for the same.
23. In our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.
24. In our opinion and to the best of our knowledge, reasonable records have been maintained by the Bank for deposits of customers and interest payments thereof.
25. In our opinion, provisions towards permanent diminution, in the value of investments is made wherever, required and considered necessary.
26. To the best of our information, the Bank has complied with the requirements of Financial Services Act of Bhutan 2011, and other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA).
27. In our opinion, the Bank has generally complied with the requirements relating to provisioning for the non-performing assets including loans and advances.
28. In our opinion, the assets hypothecated and mortgaged against loans and advances is generally physically verified by the Bank, valued and Mortgage Deeds executed, wherever required, and the Bank has ensured that the assets are free of any prior lien or charges.
29. To the best of our information, the Bank has a system of monitoring of Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
30. To the best our information, the Bank has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.
31. In our opinion, rescheduling of loans are carried out in accordance with the provisions of Prudential Regulations issued by RMA.
32. In our opinion, the Bank has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.
33. Loans are written off after following proper procedures and after receipt of the approval from the designated authorities. During the year, loans of Nu.5.569 million have been written off.

Computerized Accounting Environment:

1. In our opinion, size and nature of IT (Computer) system and installations are adequate for organizational and system development and other relevant internal control.
2. In our opinion, the Bank has adequate safeguard measures and back-up facilities.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

3. In our opinion, there are back-up facilities of keeping files at different and remote locations.
4. In our opinion, operational controls are adequate to ensure correctness and validity of input data and output information.
5. In our opinion, measures to prevent unauthorized access over the computer installation and files are in existence and adequate.

General

1. Going Concern Problems

Based on the net asset position reflected in the Statement of Financial Position as at 31 December 2022, audited by us in accordance with the International Auditing Standards and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Bank is not a Going Concern on the date of Statement of Financial Position and is not likely to become sick in near future.

2. Ratio Analysis (attached separately)

Significant ratios indicating the financial health and performance of the Bank are provided under Annexure-I of this Report.

3. Compliance with the Companies Act of the Kingdom of Bhutan

The Bank has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist are given under Annexure-II of this Report.

4. Adherence to Laws, Rules and Regulations

The audit of the Bank is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management.

In the course of the audit, we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable Bhutanese Accounting Standards.

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 24/05/2023

Bhutan National Bank Limited

Statement of Financial Position as at 31 December 2022

Particulars	Note	BANK (Nu)		GROUP (Nu)	
		2022	2021	2022	2021
ASSETS					
Cash & cash Equivalents	12	6,491,922,316	2,009,037,357	6,491,922,316	2,009,037,357
Cash & Balances with Central Bank	13	6,438,288,018	13,129,994,406	6,438,288,018	13,129,994,406
Placement with other Banks	14	201,252,954	-	201,252,954	-
Loans & Advances to Customers	15	40,626,939,378	33,051,812,737	40,626,939,378	33,051,812,737
Investments in Associates	16	85,976,269	91,463,480	168,696,378	91,769,312
Equity Instruments at FVTPL	17	119,918,026	135,967,478	119,918,026	135,967,478
Equity Instruments at FVTOCI		39,561,000	39,561,000	39,561,000	39,561,000
Debt Instruments at Amortized Cost	18	3,604,921,302	1,832,325,941	3,604,921,302	1,832,325,941
Defined Benefit Assets	19	92,712,136	46,745,145	92,712,136	46,745,145
Other Financial Assets	20	599,009,224	784,980,090	599,009,224	784,980,090
Other Assets	21	422,836,725	428,334,082	422,836,725	428,334,082
Property & Equipment	22	994,214,046	1,031,179,206	994,214,046	1,031,179,206
Intangible Assets	23	69,203,752	82,509,781	69,203,752	82,509,781
Right-to-use Assets	23	11,766,057	22,589,417	11,766,057	22,589,417
Deferred tax assets		330,042,416	133,947,497	307,990,586	133,871,039
TOTAL ASSETS		**60,128,563,619**	**52,820,447,616**	**60,189,231,898**	**52,820,676,990**
LIABILITIES AND EQUITY					
Liabilities					
Due to Banks and Financial Institution	24	16,878,060,442	13,276,859,881	16,878,060,442	13,276,859,881
Due to Customers	25	34,320,222,708	31,381,018,659	34,320,222,708	31,381,018,659
Debts Issued & Other Borrowed Funds	26	522,027,397	522,027,397	522,027,397	522,027,397
Current Tax Liabilities	27	284,581,088	184,377,877	284,581,088	184,377,877
Unclaimed Balances		40,163,538	36,001,851	40,163,538	36,001,851
Deferred Income		138,236,161	133,818,376	138,236,161	133,818,376
Provisions	30	33,861,762	33,677,644	33,861,762	33,677,644
Other Liabilities	31	852,207,068	295,317,567	852,207,068	295,317,567

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Total Liabilities (A)		**53,069,360,164**	**45,863,099,252**	**53,069,360,164**	**45,863,099,252**
Equity					
Share Capital					
Paid-Up Share Capital (B)	32	3,950,323,110	3,950,323,110	3,950,323,110	3,950,323,110
Reserves					
Revenue Reserve		(473,931,079)	39,338,969	(413,262,800)	39,568,343
General Reserve		2,438,050,975	2,230,195,815	2,438,050,975	2,230,195,815
Statutory Reserve		217,566,970	187,058,213	217,566,970	187,058,213
Specific Reserves		475,000,000	-	475,000,000	-
AFS Reserve		66,439,493	78,476,582	66,439,493	78,476,582
Revaluation Reserve		149,839,705	149,839,705	149,839,705	149,839,705
Asset Pending Foreclosure Reserve		235,914,281	322,115,971	235,914,281	322,115,971
Total Reserves (C)		3,108,880,345	3,007,025,254	3,169,548,624	3,007,254,628
Total equity (D=B+C)		**7,059,203,455**	**6,957,348,364**	**7,119,871,734**	**6,957,577,738**
TOTAL LIABILITIES AND EQUITY (A+D)		**60,128,563,619**	**52,820,447,617**	**60,189,231,898**	**52,820,676,990**

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

Date: 24/05/2023

For Bhutan National Bank Limited

Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Dasho Karma Tshiteem
Chairperson

Bhutan National Bank Limited

Income Statement for the year ended 31 December 2022

Particulars	Note	BANK (Nu)		GROUP (Nu)	
		2022	2021	2022	2021
Interest & Similar Income	4	4,233,763,419	3,659,950,815	4,233,763,419	3,659,950,815
Interest & Similar Expense	5	2,624,752,238	2,480,321,232	2,624,752,238	2,480,321,232
Net interest income (E=4-5)		**1,609,011,180**	**1,179,629,583**	**1,609,011,180**	**1,179,629,583**
Fee and commission income	6i	180,309,670	146,250,941	180,309,670	146,250,941
Fee and commission expenses	6ii	34,559,777	28,541,254	34,559,777	28,541,254
Net fee and commission income (F=6i-6ii)		**145,749,893**	**117,709,687**	**145,749,893**	**117,709,687**
Other Operating Income	7	256,261,576	82,207,477	256,261,576	82,207,477
Share of Profit/(Loss) from Associates		-	-	80,727,142	(15,307,214)
Total operating income (G)		**2,011,022,650**	**1,379,546,748**	**2,091,749,792**	**1,364,239,534**
Operating Expenses					
Personnel Expenses	8	411,069,684	363,358,941	411,069,684	363,358,941
Depreciation on Property Plant & Equipment	22	73,554,255	96,539,436	73,554,255	96,539,436
Amortization of Intangible Assets	23	39,616,620	27,516,590	39,616,620	27,516,590
Other Operating Expenses	9	160,021,016	178,613,431	160,021,016	178,613,431
Impairment charges/(reversal) for loans and other losses	10	28,084,931	(291,269,928)	28,084,931	(291,269,928)
Total Operating Expenses		**712,346,506**	**374,758,470**	**712,346,506**	**374,758,470**
Profit Before Tax from Continuing Operations		**1,298,676,144**	**1,004,788,278**	**1,379,403,286**	**989,481,064**
Income Tax Expense	11	89,106,340	236,608,490	111,415,442	233,211,528
Profit For the Year		**1,209,569,804**	**768,179,788**	**1,267,987,843**	**756,269,536**

For JIGMI Audit & Financials Pvt. Ltd.

Jigmi Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

Date: 24/05/2023

For Bhutan National Bank Limited

Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Dasho Karma Tshiteem
Chairperson

Bhutan National Bank Ltd

Statement of Other Comprehensive Income for the year ended 31 December 2022

Particulars	BANK (Nu.)		GROUP (Nu.)	
	2022	2021	2022	2021
Profit for the year	**1,209,569,804**	**768,179,788**	**1,267,987,843**	**756,269,536**
Items which will not be reclassified to PL				
Gains /(losses) on re-measuring AFS financial assets	(16,049,452)	34,306,326	(16,049,452)	34,306,326
Re-measurement Gain/(Loss) on Defined Benefit Plan	13,568,766	(29,092,232)	13,568,766	(29,092,232)
Share of undistributed OCI of Associates	-	-	1,687,135	3,022,058
Total other comprehensive income before tax	**(2,480,686)**	**5,214,094**	**(793,552)**	**8,236,152**
Income tax charged/(reversal) relating to components of OCI	(620,172)	(2,432,175)	(953,902)	(2,736,052)
OCI for the year net of tax	**(1,860,515)**	**7,646,269**	**160,351**	**10,972,204**
Total comprehensive income for the year, net of tax	**1,207,709,289**	**775,826,057**	**1,268,148,194**	**767,241,740**
Basic Earnings Per Share	3.10	1.96	3.21	1.91
Diluted Earnings Per Share	3.10	1.96	3.21	1.91

For JIGMI Audit & Financials Pvt. Ltd.

For Bhutan National Bank Limited

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

Date: 24/05/2023

Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Dasho Karma Tshiteem
Chairperson

Bhutan National Bank Ltd

CASH FLOW STATEMENT for the year ended 31 December 2022

Particulars	BANK (Nu.)		GROUP (Nu.)	
	2022	2021	2022	2021
Cash flows from operating activities				
Profit Before Tax	**1,298,676,144**	**1,004,788,278**	**1,379,403,286**	**989,481,064**
Adjustment for:				
Depreciation and Amortization	113,170,875	124,056,026	113,170,875	124,056,026
Prior Period adjustment	(1,019,652,509)	(307,546,864)	(1,019,652,509)	(307,546,864)
Profit on Sale of Property, Plant & Equipment	(665,713)	170,000	665,713	(170,000)
Income from RGOB Bonds	(183,531,889)	(121,909,347)	(183,531,889)	(121,909,347)
Provisions for gratuity	42,010,495	27,178,381	42,010,495	27,178,381
Income From AFS Financial Investments	-	-	-	-
Income From Investments in Associates	(115,574,349)	(21,153,685)	(115,574,349)	(21,153,685)
Interest paid for Borrowings	30,000,000	30,060,184	30,000,000	30,060,184
Impairment Charges for Loans and advances and other write-offs	28,084,931	(291,269,928)	28,084,931	(291,269,928)
Movement in Provisions (Lease encashment and Off-balance sheet provisions)	(184,118)	(2,467,705)	(184,118)	(2,467,705)
Operating profit before changes in operating assets & liabilities (i)	**192,333,868**	**441,905,342**	**274,392,435**	**426,258,128**
(Increase)/decrease in operating assets				
DBO Movement	(87,977,486)	(15,704,214)	(87,977,486)	(15,704,214)
Balances with RMA	-	-	-	-
Placement with other Banks	(201,252,954)	452,317,744	(201,252,954)	452,317,744
Loans & receivables from customers	(7,603,211,572)	(2,242,187,183)	(7,603,211,572)	(2,242,187,183)
Loans & receivables from banks	-	-	-	-
Other loans & receivables (Transferred to APF)	(86,201,689)	322,115,971	(86,201,689)	322,115,971
Deferred Tax Assets	-	-	-	-
Other assets	202,291,583	(523,339,483)	202,291,583	(523,339,483)
Net (Increase)/decrease in operating assets (ii)	**(7,776,352,118)**	**(2,006,797,165)**	**(7,776,352,118)**	**(2,006,797,165)**
Increase/(decrease) in operating liabilities				

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

Tax Liabilities	-	-	-	-
Due to customers	2,939,204,049	4,886,366,685	2,939,204,049	4,886,366,685
Due to banks & Financial Institutions	3,601,200,561	1,015,792,718	3,601,200,561	1,015,792,718
Other liabilities	556,889,501	(107,380,985)	556,889,501	(107,380,985)
Deferred Tax Liability	-	-	-	-
Unclaimed Balances	4,161,686	18,397,351	4,161,686	18,397,351
Deferred Income	4,417,785	106,703,924	4,417,785	106,703,924
Provisions	368,235	4,935,410	368,235	4,935,410
Net Increase/(decrease) in operating liabilities (iii)	7,106,241,818	5,924,815,103	7,106,241,818	5,924,815,103
Net cash flow from changes in operating activities before income tax (i+ii+iii)	**(477,776,433)**	**4,359,923,280**	**(395,717,865)**	**4,344,276,066**
Income tax paid	(184,377,877)	(18,894,846)	(184,377,877)	(18,894,846)
Net cash flow from changes in operating activities (A)	**(662,154,309)**	**4,341,028,435**	**(580,095,742)**	**4,325,381,220**
Cash flows from investing activities				
Investment in Bonds	(1,772,595,361)	(727,379,914)	(1,772,595,361)	(727,379,914)
Net proceeds from sale, maturity and purchase of available for sale investments	16,049,452	(34,306,326)	16,049,452	(34,306,326)
Income from investments	-	-	-	-
Income from Investment is subsidiaries/Associates	121,061,560	21,153,685	38,647,283	33,438,840
Revaluation of AFS	(2,480,686)	5,214,094	(793,552)	8,236,152
Investment in Subsidiary	-	-	-	-
Purchase of property plant and equipment	(35,923,382)	(43,151,966)	(36,589,094)	(42,981,966)
Purchase of intangible assets	(26,310,591)	54,920	(26,976,304)	224,921
Income from RGOB Bonds	183,531,889	121,909,347	183,531,889	121,909,347
Net cash flow from investing activities (B)	**(1,516,667,120)**	**(656,506,161)**	**(1,598,725,687)**	**(640,858,946)**
Cash flows from financing activities				
Interest Paid on borrowings	(30,000,000)	(30,060,184)	(30,000,000)	(30,060,184)
Movement in Debt and other Borrowed Funds	-	60,184	-	60,184
Issuance of Share capital and Changes in Share premium	-	-	-	-

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Dividend paid	-	-	-	-
Increase/(Decrease) in Debentures	-	-	-	-
Increase/(Decrease) due to banks	-	-	-	-
Decrease in Derivative Financial Instruments	-	-	-	-
Increase/(Decrease) in Commercial papers	-	-	-	-
Increase/(Decrease) in borrowed funds	-	-	-	-
Buyback of Shares	-	(147,135,945)	-	(147,135,945)
Net cash flow from financing activities (C)	**(30,000,000)**	**(177,135,945)**	**(30,000,000)**	**(177,135,945)**
Net cash flow during the year (A+B+C)	**(2,208,821,429)**	**3,507,386,329**	**(2,208,821,429)**	**3,507,386,329**
Cash and cash equivalents at the beginning of the year	14,033,638,172	10,394,637,786	14,033,638,172	10,394,637,786
Net Foreign exchange difference	(1,077,548,362)	131,614,058	(1,077,548,362)	131,614,058
Cash and cash equivalents at the end of the year	**10,747,268,382**	**14,033,638,172**	**10,747,268,382**	**14,033,638,172**

RECONCILIATION OF CASH & CASH EQUIVALENT

Particulars	Bank		Group	
	2022	2021	2022	2021
Cash & Cash equivalent (LCY)	4,311,460,161	906,115,678	4,311,460,161	906,115,678
Balances with Central Bank of Bhutan (RMA)	6,438,288,018	13,129,994,406	6,438,288,018	13,129,994,406
Allowance for Expected Credit Loss	(2,479,798)	(2,471,912)	(2,479,798)	(2,471,912)
Cash & cash equivalent	**10,747,268,382**	**14,033,638,172**	**10,747,268,382**	**14,033,638,172**

For JIGMI Audit & Financials Pvt. Ltd. ***For Bhutan National Bank Limited***

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Date: 24/05/2023

Dasho Karma Tshiteem
Chairperson

Bhutan National Bank Ltd

Statement of Changes in Equity for the year ended 31 December 2022

FOR THE BANK *(All in Ngultrum)*

Particulars	Stated Capital	Share Premium	Retained Earnings	Statutory Reserve	General Reserve	Specific Reserve	Available for Sale	APF Reserve	Revaluation Reserve	Total Shareholders' Funds
Balance as at 1 January 2021	**3,950,323,110**	**-**	**(586,881,590)**	**175,169,618**	**2,097,627,163**	**479,000,000**	**49,230,382**	**-**	**149,620,462**	**6,314,089,145**
Adjustments:										
Net profit for the year			768,179,788							768,179,788
Tax Impact on OCI			7,273,058				(5,060,126)		219,243	2,432,175
Tax Impact on Share of undistributed profit in Associates										-
Re-measurement of Gains/Losses on AFS							34,306,326			34,306,326
Re-measurement Gains/Losses on DBO			(29,092,232)							(29,092,232)
Transfer to APF reserve from opening balance of provision against loans			(288,839,308)							(288,839,308)
Tax paid for earlier period			(9,603,180)							(9,603,180)
Other Prior Period Adjustments			(9,104,376)							(9,104,376)
Dividend Paid (Out of 2020 Profits)			-							-
Transfers during the year			334,542,753	11,888,595	132,568,652	(479,000,000)		322,115,971		322,115,971
Sub-total	**3,950,323,110**	**-**	**186,474,914**	**187,058,213**	**2,230,195,815**	**-**	**78,476,582**	**322,115,971**	**149,839,705**	**7,104,484,309**
Less: Treasury Share, shares at cost, etc.			(147,135,945)							(147,135,945)
Balance as at 31 December 2021	**3,950,323,110**	**-**	**39,338,969**	**187,058,213**	**2,230,195,815**	**-**	**78,476,582**	**322,115,971**	**149,839,705**	**6,957,348,364**
Adjustments:										
Net profit for the year			1,209,569,804							1,209,569,804
Tax Impact on other Comprehensive Income			(3,392,192)				4,012,363		-	620,172
Tax Impact on Share of undistributed profit in Associates										-
Re-measurement Gains/Losses on AFS							(16,049,452)			(16,049,452)
Re-measurement Gains/Losses on DBO			13,568,766							13,568,766
Transfer to LOBs from opening balance of provision against loans			(1,105,783,750)							(1,105,783,750)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Excess Tax for earlier period received			4,490,480							4,490,480
Write-back of APF			81,640,761							81,640,761
Dividend Paid (Out of 2021 Profits)			-							-
Transfers during the year			(713,363,917)	30,508,758	207,855,160	475,000,000		(86,201,689)		(86,201,689)
Sub-total	**3,950,323,110**	**-**	**(326,795,134)**	**217,566,970**	**2,438,050,975**	**475,000,000**	**66,439,493**	**235,914,281**	**149,839,705**	**7,206,339,400**
Less: Treasury Share, shares at cost, etc.	-		(147,135,945)							(147,135,945)
Balance as at 31 December 2022	**3,950,323,110**	**-**	**(473,931,079)**	**217,566,970**	**2,438,050,975**	**475,000,000**	**66,439,493**	**235,914,281**	**149,839,705**	**7,059,203,455**

FOR THE GROUP (All in Ngultrum)

Particulars	Stated Capital	Share Premium	Retained Earnings	Statutory Reserve	General Reserve	Specific Reserve	Available for Sale	APF Reserve	Revaluation Reserve	Total Shareholders' Funds
Balance as at 1 January 2021	**3,950,323,110**	**-**	**(578,067,898)**	**175,169,618**	**2,097,627,163**	**479,000,000**	**49,230,382**	**-**	**149,620,462**	**6,322,902,837**
Adjustments:										
Net profit for the year			756,269,536							756,269,536
Tax Impact on OCI			7,576,935				(5,060,126)		219,243	2,736,052
Revaluation for the year										-
Re-measurement Gains/Losses on AFS			-				34,306,326			34,306,326
Re-measurement Gains/Losses on DBO			(29,092,232)							(29,092,232)
Transfer to APF reserve from opening balance of provision against loans			(288,839,308)							(288,839,308)
Tax paid for earlier period			(9,603,180)							(9,603,180)
Other Prior Period Adjustments			(9,104,376)							(9,104,376)
Adjustment of actuarial valuation for PY										-
Dividend Paid (Out of 2020 Profits)			-							-
Accumulated share of profit in associates (OCI)			3,022,058							3,022,058
Transfers during the year			334,542,753	11,888,595	132,568,652	(479,000,000)		322,115,971		322,115,971
Sub-total	**3,950,323,110**	**-**	**186,704,288**	**187,058,213**	**2,230,195,815**	**-**	**78,476,582**	**322,115,971**	**149,839,705**	**7,104,713,683**
Less: Treasury Share, shares at cost, etc.			(147,135,945)							(147,135,945)

Balance as at 31 December 2021	**3,950,323,110**	**-**	**39,568,343**	**187,058,213**	**2,230,195,815**	**-**	**78,476,582**	**322,115,971**	**149,839,705**	**6,957,577,738**
Adjustments:										
Net profit for the year			1,267,987,843							1,267,987,843
Tax Impact on OCI			(3,058,461)				4,012,363		-	953,902
Revaluation for the year										-
Re-measurement Gains/Losses on AFS							(16,049,452)			(16,049,452)
Re-measurement Gains/Losses on DBO			13,568,766							13,568,766
Transfer to APF reserve from opening balance of provision against loans			(1,105,783,750)							(1,105,783,750)
Excess Tax for earlier period received			4,490,480							4,490,480
Other Prior Period Adjustments										-
Write-back of APF			81,640,761							81,640,761
Dividend Paid (Out of 2021 Profits)			-							-
Accumulated share of profit in associates (OCI)			1,687,135							1,687,135
Transfers during the year			(713,363,917)	30,508,758	207,855,160	475,000,000		(86,201,689)		(86,201,689)
Sub-total	**3,950,323,110**	**-**	**(266,126,855)**	**217,566,970**	**2,438,050,975**	**475,000,000**	**66,439,493**	**235,914,281**	**149,839,705**	**7,267,007,679**
Less: Treasury Share, shares at cost, etc.	-		(147,135,945)							(147,135,945)
Balance as at 31st December 2022	**3,950,323,110**	**-**	**(413,262,800)**	**217,566,970**	**2,438,050,975**	**475,000,000**	**66,439,493**	**235,914,281**	**149,839,705**	**7,119,871,734**

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

Date: 24/05/2023

For Bhutan National Bank Limited

Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Dasho Karma Tshiteem
Chairperson

Note 1. Corporate Information

Bhutan National Bank (the 'Bank') is a domestic bank incorporated under the Companies Act of the Kingdom of Bhutan, 1989 *(Amendments, 2000 and 2016)* vide Certificate of Incorporation Registration No. L19960902THI0096 dated 2 September 1996 and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 439, Head Office, Norzin Lam Wog, Thim Throm, Thimphu. It is a Licensed Commercial Bank under the Financial Institutions' Act of Bhutan 1992 *(Amendment: The Financial Services Act of Bhutan 2011)*. The bank provides Commercial Banking services in various parts of the Kingdom of Bhutan.

The Bank does not have an identifiable parent on its own. Bhutan National Bank is the ultimate parent of the Group.

The consolidated financial statements for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the directors on 9 February 2022.

Note 2. Accounting Policies

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale (AFS) investments, Land & Buildings, defined benefit plan, and financial assets & liabilities, which are recognized at fair value. The consolidated financial statements are presented in Bhutanese Ngultrum rounded (Nu.)

2.1.1 Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards (BAS).

2.1.2 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current).

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.1.3 Basis of consolidation

The consolidated financial statements comprise of financial statements of the Bank, and its associate for the year ended 31 December 2022.

All intra-group balances, transactions, income and expenses are eliminated in full.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.2. Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards and interpretations

In these financial statements, the Bank has applied BFRS 16 with initial application date of 1 January 2022. The entity has applied modified retrospective transition method. The entity has elected to present right-of-use (ROU) assets separately and lease liabilities are included under other liabilities in the statement of financial position. BFRS 16 is more focused on who controls the ROU assets, linking with *BFRS 15 - Revenue from Contracts with Customers*, whereas BAS 17 is focused on whether lessee or lessor carries the risk and reward.

The group is a party to lease contract for:

- Land for office building and parking space; and
- Building for office space and ATM space.

The leases are recognized, measured and presented in line with BFRS 16.

2.2.1.1 Changes to classification and measurement

BFRS 16 prescribes single model of accounting for every lease for the lessees, where right-of-use asset and corresponding liability is recognized in statement of financial position and an asset is depreciated and liability amortized over the lease term. Under BFRS 16, for the lessees, once an arrangement meets the definition of lease, they are all recognized in the same manner, except for practical exception for short-term leases and low-value leases. According to BAS 17, leases are classified at the inception of the lease as a finance lease or an operating lease, based on whether or not substantially all the risks and rewards incidental to ownership are transferred. BFRS 16 provides an option to lessees with short term lease to account for as operating leases, as were accounted for under BAS 17.

BAS 17 requires recognition of an asset and an assumption of an obligation (to pay future lease payments) based on the lesser of either the present value of the minimum lease payments or the fair value of the leased asset. Subsequent to initial recognition, the asset is amortized over the period of expected use/useful life on a basis that is consistent with the lessee's depreciation policy for other similar assets. Lease payments are allocated between a finance charge and a reduction of the outstanding liability. Minimum lease payments, from the perspective of the lessee, are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, along with any amounts guaranteed by the lessee.

Under BFRS 16 finance leases do not exist from the perspective of lessees. All leases (with limited exception) are recorded on balance sheet, similar to finance lease treatment under BAS 17. Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental

JIGMI Audit & Financials Pvt. Ltd. Thimphu

rate of borrowing. In subsequent periods, the right-of-use asset is depreciated and accounted for similarly to a purchased asset, following either the cost or revaluation model *under BAS 16 - Property, Plant and Equipment.* The lease liability is accounted for similarly to a financial liability. Accordingly, the lease liability is accounted for under the effective interest method. Lease payments are allocated between interest expense and a reduction of the lease obligation

2.3 First-time adoption of BFRS

The financial statements, for the year ended 31 December 2014 were the first, the Group had prepared in accordance with BAS. For periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Bhutan.

Accordingly, the Group has prepared financial statements which comply with applicable BAS for period ending 31 December 2022, together with the comparative period data as at and for the year ended 31 December 2021, as described in the summary of significant accounting policies. Note 3 explains the principal adjustments made by the Bank in restating its GAAP financial statements.

2.4 Significant accounting judgements, estimates and assumptions

Preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions, if and when they occur.

Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved

2.4.1 Going concern

The Group's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential and etc.

For the purpose of valuing the quoted equity, Bank used the Dividend Growth Model and in certain circumstances, the growth was anticipated to be in line with the GDP growth/Business sector of the economy. However, the Bank for the year has measured based on the weighted average quoted price in the active market.

2.4.3 Impairment losses on financial assets

Measurement of impairment losses both under BFRS 9 and BAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing, if there has been a significant increase in credit risk and allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.5 Summary of Significant Accounting Policies

2.5.1 Recognition of income

2.5.1.1 Effective interest rate method

Under both BFRS 9 and BAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments

JIGMI Audit & Financial Pvt. Ltd. Thimphu

designated at FVTPL. Interest income on interest bearing financial assets measured at FVTOCI under BFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under BAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

2.5.1.2 Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets (as set out in **Note 2.5.6.1**), the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

2.5.1.3 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Fee income can be divided into the following two categories:

- ***Fee income earned from services that are provided over a certain period of time (Deferred Income)***
  Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income from Bills discounted, Guarantees and Letter of credits.

  Fees received in advances are not considered as income until they are earned. Therefore, they are not reported in the income statement, instead it is reported in the Statement of Financial Position as a liability.

- ***Fee income from providing transaction services***
  Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

2.5.1.4 Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

2.5.1.5 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

2.5.1.6 Foreign currency translation

The consolidated financial statements are presented in Bhutanese Ngultrum (Nu) which is the functional currency of the Bank and its Associates.

Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to Other operating income in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.5.2 Financial instruments – initial recognition and subsequent measurement

i. Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

ii. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in **Notes 2.5.3.1.1** and **2.5.3.1.2.** Financial instruments are initially measured at their fair value (as defined in **Note 2.5.3.6**), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

iii. 'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

iv. Measurement categories of financial assets and liabilities

From 1 January 2018, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in **Note 2.5.3.1;** or
- FVTOCI, as explained in **Notes 2.5.3.3 and 2.5.3.4;** and
- FVTPL.

The Bank classifies and measures its trading portfolio at FVTPL as explained in **Note 2.5.3.2.** The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in **Note 2.5.3.6.**

Before 1 January 2018, the Bank classified its financial assets as loans and receivables

JIGMI Audit & Financials Pvt. Ltd. Thimphu

(amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in **Note 2.5.3.1.**

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in **Note 2.5.3.6.**

2.5.3 Financial Assets & Liabilities

2.5.3.1 Placements with other banks, Loans and advances to customers, Financial investments at amortised cost

Before 1 January 2018, *Due from bank and Loans and advances to customers,* included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market are measured at amortised cost, other than those:

- That the Bank intended to sell immediately or in the near term;
- That the Bank, upon initial recognition, designated as at FVTPL or as available for sale;
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available for sale.

From 1 January 2018, the Bank only measures *Placement with other banks, Loans and advances to customers and other financial investments* at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The 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.

The details of these conditions are outlined below.

2.5.3.1.1 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher-level aggregated portfolio and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.5.3.1.2 The SPPI Test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

2.5.3.2 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.5.3.3 Debt instruments at FVTOCI

The Bank applies the new category under BFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by

JIGMI Audit & Financials Pvt. Ltd. Thimphu

both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under BAS 39.

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in **Note 2.5.1.6.** The ECL calculation for Debt instruments at FVTOCI is explained in **Note 2.5.6.3.** Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.5.3.4 Equity instruments at FVTOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVTOCI when they meet the definition of Equity under BAS 32 - *Financial Instruments:* Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

2.5.3.5 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by considering any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

When establishing the accounting treatment for these non-derivative instruments (financial instruments with equity conversion rights, write-down and call options), the Bank first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with BAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders.

When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded

JIGMI Audit & Financials Pvt. Ltd. Thimphu

in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for. The Bank has not issued any non-derivative instruments as of the reporting date.

2.5.3.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under BFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

OR

- The liabilities (and assets under BAS 39) are part of a group of financial liabilities (or financial assets, or both under BAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

OR

- The liabilities (and assets under BAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, considering any discount/ premium and qualifying transaction costs being an integral part of instrument.

Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate as explained in **Note 2.5.1.2.** Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2.5.3.7 Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under

JIGMI Audit & Financials Pvt. Ltd. Thimphu

each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under BAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under BFRS 9 – an ECL provision as set out in **Note 37.1.8.1.** The premium received is recognised in the income statement in *Net fees and commission income* on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under BAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in **Note 37.1.8.**

2.5.4 Reclassification of Financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2021 and 2022.

2.5.5 De-recognition

2.5.5.1 De-recognition due to substantial modification of terms and conditions

The Bank de-recognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to de-recognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.5.5.2 De-recognition other than for substantial modification

2.5.5.2.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Bank also de-recognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, **either**

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.

or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

'Pass-through' arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if, **either:**

- The Bank has transferred substantially all the risks and rewards of the asset

or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated

JIGMI Audit & Financials Pvt. Ltd. Thimphu

liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.5.5.2.2 Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. Where 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 a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.5.6 Impairment of financial assets

2.5.6.1 Overview of the ECL principles

The adoption of BFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing BAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under BFRS 9.

ECL allowance is based on the credit losses expected to arise over the life of the assets (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in **Note 2.5.6.2.** The Bank's policies for determining if there has been a significant increase in credit risk are set out in **Note 37.1.9.4.**

The 12mECL is the portion of Life-Time ECLs (LTECL) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in **Note 37.1.9.5.**

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial

JIGMI Audit & Financials Pvt. Ltd. Thimphu

recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This has been further explained in **Note 37.1.9.4.**

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in **Note 37.1.9**). The bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Bank does not have any POCI assets as of the reporting date.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

2.5.6.2 The calculation of ECLs

The Bank calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio. The concept of PDs is further explained in **Note 37.1.9.1.**
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in **Note 37.1.9.2.**
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual

cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in **Note 37.1.9.3.**

When estimating the ECLs, the Bank considers three scenarios base case, worst case, and worst case. Each of these is associated with different PDs, EADs and LGDs, as set out in **Note 37.1.10.** When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in **Note 2.5.6.5,** the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in **Note 37.1.8.1.** The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in **Note 2.5.6.5.**

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired (as defined in Note 37.1.9), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR. The Bank does not have any POCI assets as of the reporting date.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

- **Loan commitments and letters of credit:** When estimating LTECLs for Letter of Credit, the Bank estimates the expected portion of the LCs that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the LC is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- **Financial Guarantee contracts:** The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantees contracts are recognized within provisions.

2.5.6.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon de-recognition of the assets.

2.5.6.4 Purchased or originated credit impaired (POCI) financial assets

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

2.5.6.5 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year due to the credit mitigating actions bank have enforced on a continuous basis.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.5.6.6 Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth;
- Interest Rates;
- Unemployment rates.
- Inflation rate;
- Exchange Rate US$:Ngultrum; and

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Therefore, bank also considers the following qualitative factors:

- Average LTV;
- Status of the Industry Business; and
- Government Policies;
- Regulatory impact.

2.5.7 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under BFRS 9 is the same as it was under BAS 39.

2.5.8 Collateral repossessed

The Bank's accounting policy under BFRS 9 remains the same as it was under BAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

2.5.9 Write-offs

The Bank's accounting policy under BFRS 9 remains the same as it was under BAS 39. Financial assets are written off either partially or in their entirety only when the Bank has

JIGMI Audit & Financials Pvt. Ltd. Thimphu

stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.5.10 Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not de-recognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in **Note 37.1.9.4.** The Bank also considers whether the assets should be classified as Stage 3.

2.5.11 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded (but quoted equity in Royal Security Exchange of Bhutan) in an active market, the fair value is determined by using the dividend growth model.

An Active Market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

2.5.12 Off-setting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise

JIGMI Audit & Financials Pvt. Ltd. Thimphu

the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of financial position.

2.5.13 Leasing

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in **Note 23** and right-of-use assets and are subject to impairment in line with the Bank's policy as described in **Note 2.5.17.**

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement

JIGMI Audit & Financials Pvt. Ltd. Thimphu

of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5.14 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

2.5.15 Property, Plant and Equipment

Property, plant and equipment (PPE) are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Group applies the requirements of *BAS 16 - Property, Plant and Equipment* in accounting for these assets.

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued on a roll over basis at every three to five years interval as may be considered appropriate to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in Equity, under the Revaluation Reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement.

In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited in the Other Comprehensive Income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under revaluation reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

PPE (including equipment under operating leases where the Group is the lessor and excluding Land & Buildings) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of PPE to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Asset Type	Useful Life
Buildings	10 - 60 Years (Component Based)
Furniture & Fitting	3 - 20 Years
Office Equipment	2 - 20 Years
Motor Vehicles	7 - 10 Years
Computer Hardware	1 - 10 Years
Security Equipment	3 - 10 Years
Electrical Equipment	2 - 10 Years
Carpet & Soft Furnishing	2 - 15 Years

PPEs are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is de-recognised.

2.5.16 Intangible assets

The Group's intangible assets include the value of computer software and licenses.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful live as:

Computer Software - 1-5 years

2.5.17 Impairment of non–financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

2.5.18 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in Credit loss expense. The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

2.5.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.5.20 Employee Benefits

The Group measures the present value of the Pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit method (PUC) as required by *BAS 19 - Employee Benefits.*

An actuarial valuation has been carried out at every year end starting from the year 2012 to ascertain the full liability under the Fund.

Recognition of Actuarial Gains and Losses: Actuarial gains and losses occur when the actual plan experience differs from the assumed. The Bank recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Short-term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within the 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term benefit obligation

The liabilities for the annual leave are not expected to be settled wholly within 12 months

JIGMI Audit & Financials Pvt. Ltd. Thimphu

after the end of the period in which the employees render related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and period of service. The expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in the actuarial assumptions are recognised in profit or loss.

The obligation is presented as current liabilities in the balance sheet if the entity does not have unconditional right to defer settlement for at least twelve months after the reporting period regardless of when the actuarial settlement is expected to occur.

2.5.21 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date **(Note 35).**

2.5.22 Equity reserves

The reserves recorded in equity (Other Comprehensive Income) on the Group's statement of financial position include:

i. Available-for-sale (AFS) reserve, which comprises changes in fair value of available-for-sale investments; and
ii. Revaluation reserve, comprises changes in fair value of land and building.

2.5.23 Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted in the country where the Bank and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected

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to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.5.24 Earnings Per share

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.5.25 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Bhutan National Bank Limited has mandated the executives (CEO, and Directors), who has been identified as chief operating decision maker to assess the financial performance of the group and make strategic decisions.

2.5.26 Investment in Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the Share of profit method of accounting, after initially being recognised at cost.

2.5.27 *BFRS 15 - Revenue from contracts with customers*

2.5.27.1 Identify the contract

An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

JIGMI Audit & Financials Pvt. Ltd. Thimphu

- the parties to the contract have approved the contract;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance; and
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

2.5.27.2 Identify the Performance Obligations

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

2.5.27.3 Determine the Transaction Price

An entity shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The standard deals with the uncertainty relating to variable consideration by limiting the

JIGMI Audit & Financials Pvt. Ltd. Thimphu

amount of variable consideration that can be recognised. Specifically, variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. However, a different, more restrictive approach is applied in respect of sales or usage-based royalty revenue arising from licenses of intellectual property. Such revenue is recognised only when the underlying sales or usage occur.

2.5.27.4 Allocate the Transaction Price

The objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. A contractually stated price or a list price for a good or service may be (but shall not be presumed to be) the stand-alone selling price of that good or service.

2.5.27.5 Recognize Revenue

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; **or**
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

At the date of reporting period, banks revenue includes fees and commission-based income within the scope of BFRS 15, the impact of which appeared to be immaterial.

2.5.28 Contingent liability

Contingent liabilities are not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present

JIGMI Audit & Financials Pvt. Ltd. Thimphu

obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Note 3: Principal Adjustments made in Reinstating the GAP

(A) Property, Plant and Equipment

According to BAS 16, depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Currently, the Group uses rate established by the tax authorities to calculate depreciation of each asset. Therefore, the useful life of the assets is revised to match with the requirement of BAS 16 and recalculated the depreciation.

BAS 16 requires significant component parts of an item of property, plant and equipment to be depreciated separately, the cost of major inspections/components is capitalized and depreciated separately over the period of the useful life. Further the group adopts revaluation model for land and buildings in line with BAS 16.

(B) Intangible assets

BAS 38 recognizes assets as intangible assets if it is identifiable non-monetary asset without physical substance. Further, depreciable amount of an intangible assets should amortize over its use full life time. Currently, the Group recognized intangible assets as Fixed Assets. Therefore, to comply with BAS 38 all assets which meet the recognition criteria in BAS 38 are recognized as intangible assets and amortized over the useful life time.

(C) Loans and receivables

The provisions made by the group (Specific and General) under GAAP is different from the BFRS 9 requirement which requires an entity to assess the Expected Credit Loss (ECL) based on the 12 months ECL and Lifetime ECL. Therefore, impairment for individually significant loans (similar to BAS 39) and ECL for others have been done in respect of loans and receivables in compliance with BFRS 9.

(D) Staff loan fair-valuation

The Group has provided concessionary rate loans to employees and as per BFRS 9, the benefit that the employees are getting from the reduced interest rate has to be quantified and presented in financial statement. For this purpose, the staff loans have been fair valued using the market interest rate.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

(E) Available-for-sale financial assets

Currently, the Group measured investments in unquoted and quoted equity shares at cost. Under BAS/BFRS, investments in quoted and unquoted shares have been designated as available-for-sale (AFS) investments. BAS 39/BFRS 9 requires AFS investments to be measured at fair value. Fair valuation of the investment in quoted shares has been done using the Level 3 technique as per *BFRS 13 - Fair Value Measurement* in line with the BFRS.

(F) Defined benefit obligation

Under GAAP, the Group recognised the contributions made to the fund as an expense. Gratuity liability has been recognised based on projected unit credit method as per *BAS 19 - Employee Benefits.*

(G) Deferred tax

Various transitional adjustments lead to different temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity as per *BAS 12 - Income Tax.*

(H) Refundable deposits

The Group has provided security deposits on refundable basis and recognized at cost. On transition to BAS, the group had fair valued the refundable deposits kept/received in line with *BFRS 9 - Financial Instruments'* **Recognition & Measurement** in order to adjust the time value of money.

(I) Fixed Deposit EIR Adjustment

The Group allocated interest for fixed deposit on straight line basis. With the transition to BAS, the group measures interest expenses on Effective Interest Basis (EIR) on compounding basis in line with *BFRS 9 - Financial Instruments.*

(J) Investments in Associates

Under Old GAAP, the group did not account for the investments in Associates. On transition to BAS, the group measures investments in associates using share of profit method of accounting as per *BAS 28 - Investments in Associates and Joint Ventures.*

(K) Leasing

The Group recognises lease expenses as Operating Expenses. With the transition to BAS, the group measures lease payments based on Right to Use of the underlying assets. However, lease incomes are recognised as Other Incomes. With the transition to BAS, rental incomes are accounted for on a straight-line basis over the lease term.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 3.1(a): Reconciliation of Balance Sheet as at 31 December 2022 - BANK

Particulars	Note	Local GAAP Reclassified	Re-measurement	BAS/BFRS
ASSETS:				
Cash & Cash Equivalents		6,494,402,114	(2,479,798)	6,491,922,316
Cash & Balances with Central Bank		6,438,288,018	-	6,438,288,018
Placement with other Banks		201,265,753	(12,799)	201,252,954
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	3(C/D)	42,805,368,260	(2,178,428,883)	40,626,939,378
Investments in Subsidiaries		-	-	-
Investments in Associates		85,976,269	-	85,976,269
Equity Instruments at FVTPL	3(E)	31,332,035	88,585,991	119,918,026
Equity Instruments at FVTOCI		39,561,000	-	39,561,000
Debt Instruments at Amortized Cost		3,604,923,530	(2,228)	3,604,921,302
Defined Benefit Assets	3(F)	-	92,712,136	92,712,136
Other Financial Assets		598,928,034	81,190	599,009,224
Other Assets	3(H)	314,106,358	108,730,367	422,836,725
Property, Plant & Equipment	3(A)	880,519,405	113,694,642	994,214,046
Intangible Assets	3(B)	92,567,661	(23,363,909)	69,203,752
Right to use Assets		-	11,766,056.82	11,766,057
Deferred Tax Assets	3(G)	-	330,042,416	330,042,416
TOTAL ASSETS		**61,587,238,436**	**(1,458,674,817)**	**60,128,563,619**
LIABILITIES AND EQUITY:				
Liabilities:				
Due to Banks and Financial Institution		16,878,060,442	-	16,878,060,442
Due to Customers	3(I)	34,465,749,012	(145,526,304)	34,320,222,708
Debts Issued & Other Borrowed Funds		522,027,397	-	522,027,397
Current Tax Liabilities		284,581,088	-	284,581,088
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		40,163,538	-	40,163,538
Deferred Income		138,236,161	-	138,236,161
Provisions		574,285,177	(540,423,415)	33,861,762
Other Liabilities	3(H)	841,207,389	10,999,680	852,207,068
Total Liabilities		**53,744,310,204**	**(674,950,040)**	**53,069,360,164**
Equity – Share Capital:				
Share Capital		3,950,323,110	-	3,950,323,110

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Share Premium		-	-	-
Equity – Reserves:				
Revenue Reserve		1,001,072,896	(1,000,003,975)	1,068,921
General Reserve		2,438,050,975	-	2,438,050,975
Statutory Reserve		217,566,970	-	217,566,970
Specific Reserves		-	-	-
Available-For-Sale Reserve		-	66,439,493	66,439,493
Revaluation Reserve		-	149,839,705	149,839,705
Asset Pending Foreclosure		235,914,281	-	235,914,281
Total Equity		**7,842,928,233**	**(783,724,777)**	**7,059,203,456**
TOTAL LIABILITIES AND EQUITY		**61,587,238,436**	**(1,458,674,817)**	**60,128,563,619**

Note 3.1(b): Reconciliation of Balance Sheet as at 31 December 2022 - GROUP

Particulars	Note	Local GAAP Reclassified	Re-measurement	BAS/BFRS
ASSETS:				
Cash & cash Equivalents		6,494,402,114	(2,479,798)	6,491,922,316
Cash & Balances with Central Bank		6,438,288,018	-	6,438,288,018
Placement with other Banks		201,265,753	(12,799)	201,252,954
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	3(C/D)	42,805,368,260	(2,178,428,883)	40,626,939,378
Investments in Subsidiaries		-	-	-
Investments in Associates		85,976,269	82,720,109	168,696,378
Equity Instruments at FVTPL	3(E)	31,332,035	88,585,991	119,918,026
Equity Instruments at FVTOCI		39,561,000	-	39,561,000
Debt Instruments at Amortized Cost		3,604,923,530	(2,228)	3,604,921,302
Defined Benefit Assets	3(F)	-	92,712,136	92,712,136
Other Financial Assets		598,928,034	81,190	599,009,224
Other Assets	3(H)	314,106,358	108,730,367	422,836,725
Property, Plant & Equipment	3(A)	880,519,405	113,694,642	994,214,046
Intangible Assets	3(B)	92,567,661	(23,363,909)	69,203,752
Right to use Assets		-	11,766,057	11,766,057
Deferred tax assets	3(G)	-	307,990,586	307,990,586
TOTAL ASSETS		**61,587,238,436**	**(1,398,006,538)**	**60,189,231,898**
LIABILITIES AND EQUITY:				
Liabilities:				

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Due to Banks and Financial Institution		16,878,060,442	-	16,878,060,442
Due to Customers	3(I)	34,465,749,012	(145,526,304)	34,320,222,708
Debts Issued & Other Borrowed Funds		522,027,397	-	522,027,397
Current Tax Liabilities		284,581,088	-	284,581,088
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		40,163,538	-	40,163,538
Deferred Income		138,236,161	-	138,236,161
Provisions		574,285,177	(540,423,415)	33,861,762
Other Liabilities	3(H)	841,207,389	10,999,680	852,207,068
Total Liabilities		**53,744,310,204**	**(674,950,040)**	**53,069,360,164**
Equity – Share Capital:				
Share Capital		3,950,323,110	-	3,950,323,110
Share Premium		-	-	-
Equity – Reserves:		**-**	**-**	**-**
Revenue Reserve		1,001,072,896	(939,335,696)	61,737,200
General Reserve		2,438,050,975	-	2,438,050,975
Statutory Reserve		217,566,970	-	217,566,970
Specific Reserves		-	-	-
Available-For-Sale Reserve		-	66,439,493	66,439,493
Revaluation Reserve		-	149,839,705	149,839,705
Asset Pending Foreclosure Reserve		235,914,281	-	235,914,281
Total equity		**7,842,928,233**	**(723,056,498)**	**7,119,871,734**
TOTAL LIABILITIES AND EQUITY		**61,587,238,436**	**(1,398,006,538)**	**60,189,231,898**

Note 3.2(a): Reconciliation of Income Statement for the year ended 31 December 2022 – BANK

Particulars	Note	Local GAAP Reclassified	Re-measurement	BAS/BFRS
Interest & Similar Income	3(D)	4,243,738,087	(9,974,669)	4,233,763,419
Interest & Similar Expense	3(I)	2,673,749,474	(48,997,236)	2,624,752,238
Net interest income		**1,569,988,613**	**39,022,567**	**1,609,011,180**
Fee and commission income		180,309,670	-	180,309,670
Fee and commission expenses		34,559,777	-	34,559,777
Net fee and commission income		**145,749,893**	**-**	**145,749,893**
Other Operating Income		256,261,576	-	256,261,576
Share of Profit/(Loss) from Associates	3(J)			-
Total operating income		**1,972,000,083**	**39,022,567**	**2,011,022,650**

Personnel Expenses	3(D)	453,509,005	(42,439,322)	411,069,684
Depreciation on Property Plant & Equipment	3(A)	84,980,061	(11,425,807)	73,554,255
Amortization of Intangible Assets	3(B)	25,157,122	14,459,498	39,616,620
Other Operating Expenses		173,511,915	(13,490,899)	160,021,016
Impairment charges/(reversal) for loans and other losses	3(C)	118,840,252	(90,755,320)	28,084,931
Total Operating Expenses		**855,998,356**	**(143,651,850)**	**712,346,506**
Profit Before Tax from Continuing Operations		**1,116,001,727**	**182,674,417**	**1,298,676,144**
Income Tax Expense	3(G)	284,581,088	(195,474,748)	89,106,340
Profit For the Year		**831,420,639**	**378,149,165**	**1,209,569,804**
Other Comprehensive Income:				
Profit For the Year		831,420,639	378,149,165	1,209,569,804
Gains/(losses) on re-measuring AFS financial assets	3(E)	-	(16,049,452)	(16,049,452)
Re-measurement Gain/(Loss) on Defined Benefit Plan	3(F)	-	13,568,766	13,568,766
Net loss on available for sale financial assets		-	-	-
Share of OCI of Associates		-	-	-
Total other comprehensive income before tax		**-**	**(2,480,686)**	**(2,480,686)**
Income tax income/(expense) relating to components of OCI		-	(620,172)	(620,172)
OCI for the year net of tax	**-**		**(1,860,515)**	**(1,860,515)**
Total comprehensive income for the year net of tax		**831,420,639**	**376,288,650**	**1,207,709,289**

Note 3.2(b): Reconciliation of Income Statement for the year ended 31 December 2022 – GROUP

Particulars	Note	Local GAAP Reclassified	Re-measurement	BAS/BFRS
Interest & Similar Income	3(D)	4,243,738,087	(9,974,669)	4,233,763,419
Interest & Similar Expense	3(I)	2,673,749,474	(48,997,236)	2,624,752,238
Net interest income		**1,569,988,613**	**39,022,567**	**1,609,011,180**
Fee and commission income		180,309,670	-	180,309,670
Fee and commission expenses		34,559,777	-	34,559,777
Net fee and commission income		**145,749,893**	**-**	**145,749,893**
Other Operating Income		256,261,576	-	256,261,576
Share of Profit/(Loss) from Associates	3(J)	-	80,727,142	80,727,142

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Total operating income		**1,972,000,083**	**119,749,709**	**2,091,749,792**
Personnel Expenses	3(D)	453,509,005	(42,439,322)	411,069,684
Depreciation on Property Plant & Equipment	3(A)	84,980,061	(11,425,807)	73,554,255
Amortization of Intangible Assets	3(B)	25,157,122	14,459,498	39,616,620
Other Operating Expenses		173,511,915	(13,490,899)	160,021,016
Impairment charges/(reversal) for loans and other losses	3(C)	118,840,252	(90,755,320)	28,084,931
Total Operating Expenses		**855,998,356**	**(143,651,850)**	**712,346,506**
Profit Before Tax from Continuing Operations		**1,116,001,727**	**263,401,559**	**1,379,403,286**
Income Tax Expense	3(G)	284,581,088	(173,165,645)	111,415,442
Profit For the Year		**831,420,639**	**436,567,204**	**1,267,987,843**
Other Comprehensive Income				
Profit For the Year		831,420,639	436,567,204	1,267,987,843
Gains /(losses) on re-measuring AFS financial assets	3(E)	-	(16,049,452)	(16,049,452)
Re-measurement Gain/(Loss) on Defined Benefit Plan	3(F)	-	13,568,766	13,568,766
Net loss on available for sale financial assets		-	-	-
Share of OCI of Associates		-	1,687,135	1,687,135
Total other comprehensive income before tax		**-**	**(793,552)**	**(793,552)**
Income tax income/(expense) relating to components of OCI		-	(953,902)	(953,902)
OCI for the year net of tax		**-**	**160,351**	**160,351**
Total comprehensive income for the year net of tax		**831,420,639**	**436,727,555**	**1,268,148,194**

NOTE 4: INTEREST AND SIMILAR INCOME

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Loans & Advances to customers	4,030,672,111	3,520,868,075	4,030,672,111	3,520,868,075
Cash & Short-term funds	6,948,181	4,076,648	6,948,181	4,076,648
Placements with other banks	12,296,728	12,624,886	12,296,728	12,624,886
Income from Government securities	183,531,889	121,909,347	183,531,889	121,909,347
Other Income	314,510	471,860	314,510	471,860
Total Interest and Similar Income	**4,233,763,419**	**3,659,950,815**	**4,233,763,419**	**3,659,950,815**

JIGMI Audit & Financials Pvt. Ltd Thimphu

NOTE 5: INTEREST AND SIMILAR EXPENSES

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Due to customers	2,556,722,633	2,449,863,232	2,556,722,633	2,449,863,232
Debt issued and other borrowed funds	30,000,000	30,060,184	30,000,000	30,060,184
Others	36,060,653	397,815	36,060,653	397,815
Interest expenses on lease liabilities	1,968,952	-	1,968,952	-
Total Interest and Similar Expenses	**2,624,752,238**	**2,480,321,232**	**2,624,752,238**	**2,480,321,232**

NOTE 6: NET FEES & COMMISSION INCOME

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Note 6i: Fees & Commission Income				
Banking services	145,463,496	118,718,489	145,463,496	118,718,489
Foreign remittance related services	32,509,015	24,886,903	32,509,015	24,886,903
Brokering Commission	2,337,159	2,645,550	2,337,159	2,645,550
Total fees and commission income	**180,309,670**	**146,250,941**	**180,309,670**	**146,250,941**
Note 6ii: Fees and commission expenses				
Brokerage Fees	-	882,816	-	882,816
Trading Fees	-	-	-	-
Other Bank charges & fees	34,559,777	27,658,439	34,559,777	27,658,439
Total fees and commission Expense	**34,559,777**	**28,541,254**	**34,559,777**	**28,541,254**
Net Fees & Commission Income	**145,749,893**	**117,709,687**	**145,749,893**	**117,709,687**

NOTE 7: OTHER OPERATING INCOME

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Income From AFS Financial Investments	-	-	-	-
Income From Investments in Subsidiaries	-	-	-	-
Income From Investments in Associates	115,574,349	21,153,685	115,574,349	21,153,685
Exchange Gain	122,035,030	47,554,378	122,035,030	47,554,378
Profit on Disposal of Fixed Assets	665,713	(170,000)	665,713	(170,000)
Recoveries of charge off loans	2,785,998	-	2,785,998	-
Operating lease income	1,711,434	1,654,086	1,711,434	1,654,086
Charges Recovered	2,431,393	1,960,931	2,431,393	1,960,931
Others	11,057,659	10,054,398	11,057,659	10,054,398
Total Other Operating Income	**256,261,576**	**82,207,477**	**256,261,576**	**82,207,477**

JIGMI Audit & Financial Pvt. Ltd. Thimphu

NOTE 8: PERSONNEL EXPENSES

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Wages & Salaries	439,717,447	367,265,028	439,717,447	367,265,028
Amortization of Pre-paid employment benefits	(10,041,097)	2,569,683	(10,041,097)	2,569,683
Defined Benefit plan	(32,398,225)	(17,618,065)	(32,398,225)	(17,618,065)
HRD Cost	5,061,162	3,218,907	5,061,162	3,218,907
Other Benefits	8,730,396	7,923,388	8,730,396	7,923,388
Total Personnel Expenses	**411,069,684**	**363,358,941**	**411,069,684**	**363,358,941**

NOTE 9: OTHER OPERATING EXPENSES

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Advertising & Marketing	10,215,559	6,931,241	10,215,559	6,931,241
Corporate Social Responsibilities	176,700	410,000	176,700	410,000
Administrative	100,673,505	102,234,703	100,673,505	102,234,703
Professional Fees	3,924,826	3,338,569	3,924,826	3,338,569
Rent Paid under operating leases	19,074,273	16,714,283	19,074,273	16,714,283
Other	25,956,154	48,984,635	25,956,154	48,984,635
Total Other Operating Expenses	**160,021,016**	**178,613,431**	**160,021,016**	**178,613,431**

NOTE 10: IMPAIRMENT (CHARGES)/REVERSAL FOR LOANS AND OTHER LOSSES

(Reconciliation of impairment allowance account-individual and collective impairment)

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Individual Impairment				
Opening Balance as at 1 January	26,173,293	37,476,515	26,173,293	37,476,515
Charge/(Reversal) for the Years	(26,173,293)	(11,303,221)	(26,173,293)	(11,303,221)
Closing Balance as at 31 December	**-**	**26,173,293**	**-**	**26,173,293**
Collective Impairment				
Movement in Provision for Impairment Losses				
Opening Balance as at 1 January	3,756,088,460	4,055,092,625	3,756,088,460	4,055,092,625
Charge/(Reversal) for the Years	54,258,225	(279,966,706)	54,258,225	(279,966,706)
Write-offs	(5,569,139)	(19,037,458)	(5,569,139)	(19,037,458)
Closing Balance as at 31 December	**3,804,777,546**	**3,756,088,460**	**3,804,777,546**	**3,756,088,460**
Total Charge or Reversal for Loans and Advances	**28,084,931**	**(291,269,928)**	**28,084,931**	**(291,269,928)**
Inventory write-offs	-	-	-	-
Total Charge/(Reversal)	**28,084,931**	**(291,269,928)**	**28,084,931**	**(291,269,928)**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 11: INCOME TAX EXPEN SES (Taxation)

The major components of income tax expense for the years ended 31 December are as follows:

Statement of Comprehensive Income	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Current Income Tax				
Income Tax for the year	284,581,088	184,377,877	284,581,088	184,377,877
Assessed Tax of earlier period	-	-	-	-
Deferred Tax	(195,474,748)	52,230,613	(173,165,645)	48,833,652
Deferred Taxation Charge/ (Reversal)	**89,106,340**	**236,608,490**	**111,415,442**	**233,211,528**
Statement of Other Comprehensive Income				
Deferred Tax				
Deferred Taxation Charge/(Reversal) **(Refer Note 29)**	(620,172)	(2,432,175)	(953,902)	(2,736,052)
Property Plant and Equipment	-	-	-	-
	(620,172)	**(2,432,175)**	**(953,902)**	**(2,736,052)**
Total Tax Expense/(Reversal) for the financial year	**88,486,168**	**234,176,315**	**110,461,540**	**230,475,477**

NOTE 12: CASH AND CASH EQUIVALENTS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Local Currency in Hand	532,110,337	614,881,597	532,110,337	614,881,597
Foreign Currency In hand	60,424,381	24,373,380	60,424,381	24,373,380
Balances with Local Banks	1,253,192,798	291,234,081	1,253,192,798	291,234,081
Balances with Foreign Banks	2,122,517,572	1,081,020,211	2,122,517,572	1,081,020,211
Money at Call and Short Notice	2,526,157,026	-	2,526,157,026	-
Allowance for ECL	(2,479,798)	(2,471,912)	(2,479,798)	(2,471,912)
Total Cash & Cash Equivalents	**6,491,922,316**	**2,009,037,357**	**6,491,922,316**	**2,009,037,357**

NOTE 13: BALANCES WITH CENTRAL BANK (RMA)

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
RMA Current Account	2,883,709,991	10,027,026,119	2,883,709,991	10,027,026,119
RMA BFS settlement Account	(39,179,405)	25,280,891	(39,179,405)	25,280,891
CRR with RMA	3,647,162,942	2,994,048,363	3,647,162,942	2,994,048,363
RMA Currency Chest	(50,498,000)	84,215,000	(50,498,000)	84,215,000
RMA PG settlement account	(1,315,641)	(744,360)	(1,315,641)	(744,360)
RMA Rupay & BHIM Settlement	(1,521,400)	(117,254)	(1,521,400)	(117,254)
RMA VISA Settlement account	(607,438)	13,870	(607,438)	13,870
RMA Remittance Settlement	536,970	271,778	536,970	271,778
Total Balances with RMA	**6,438,288,018**	**13,129,994,406**	**6,438,288,018**	**13,129,994,406**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 14: PLACEMENTS WITH OTHER BANKS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Placements with other banks	201,265,753	-	201,265,753	-
Allowance for ECL	(12,799)	-	(12,799)	-
Total Placements with Other Banks	**201,252,954**	**-**	**201,252,954**	**-**

NOTE 15: LOANS & ADVANCES TO CUSTOMERS (Gross Loans and Receivables)

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Gross loans & receivables	44,538,064,823	36,916,867,977	44,538,064,823	36,916,867,977
Less: Staff loan FV adjustment	(108,842,724)	(85,267,627)	(108,842,724)	(85,267,627)
	44,429,222,099	**36,831,600,350**	**44,429,222,099**	**36,831,600,350**
Less: Impairment				
Individual impairment	-	(26,173,293)	-	(26,173,293)
Collective impairment	(3,802,282,721)	(3,753,614,320)	(3,802,282,721)	(3,753,614,320)
Total Impairment	**(3,802,282,721)**	**(3,779,787,613)**	**(3,802,282,721)**	**(3,779,787,613)**
Net Loans and Receivables	**40,626,939,378**	**33,051,812,737**	**40,626,939,378**	**33,051,812,737**

Note 15.1: Loans & Advances to Customers

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Term Loan	35,923,312,837	28,836,432,864	35,923,312,837	28,836,432,864
Overdrafts and Working Capital	8,157,527,232	7,167,783,637	8,157,527,232	7,167,783,637
Bills & Cheques	73,106,851	51,623,621	73,106,851	51,623,621
Credit cards' outstanding	3,565,762	2,884,843	3,565,762	2,884,843
Suspended loans	380,552,141	858,143,012	380,552,141	858,143,012
	44,538,064,823	**36,916,867,977**	**44,538,064,823**	**36,916,867,977**
Less: Staff Loans Unamortized Day One Difference	(108,842,724)	(85,267,627)	(108,842,724)	(85,267,627)
Less: Allowance for Impairment	(3,802,282,721)	(3,779,787,613)	(3,802,282,721)	(3,779,787,613)
Total Loans & Advances to Customers	**40,626,939,378**	**33,051,812,737**	**40,626,939,378**	**33,051,812,737**

NOTE 16: INVESTMENTS IN ASSOCIATES

(Fair valuation is done on the basis of latest available audited financials i.e., as of 31.12.22 (PY 31.12.21)

Associates	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
DFAL (Quoted Investment)	85,976,269	91,463,480	168,696,378	91,769,312
Total	**85,976,269**	**91,463,480**	**168,696,378**	**91,769,312**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 17: EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

(Financial Investments Available for Sale)

Investments	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Quoted Investments				
Equities (Fair Valued)	117,418,026	133,467,478	117,418,026	133,467,478
Sub-Total	**117,418,026**	**133,467,478**	**117,418,026**	**133,467,478**
Fair valuation is done on the basis of latest available audited financials i.e., as of 31.12.22 (PY 31.12.21)				
Unquoted Investments				
Equities	2,500,000	2,500,000	2,500,000	2,500,000
	2,500,000	**2,500,000**	**2,500,000**	**2,500,000**
Sub-total	**119,918,026**	**135,967,478**	**119,918,026**	**135,967,478**
Statutory Investments				
Investment in RSEB	19,811,000	19,811,000	19,811,000	19,811,000
Investment in FITI	18,000,000	18,000,000	18,000,000	18,000,000
Investment in CIB	1,750,000	1,750,000	1,750,000	1,750,000
Sub-total	**39,561,000**	**39,561,000**	**39,561,000**	**39,561,000**
Total Equity Instruments at FVTPL	**159,479,026**	**175,528,478**	**159,479,026**	**175,528,478**

Note 17.1: Investment available for sale: 31 December 2022

Name of the Company	No. of Shares	Cost	Market Price*	Market Value
Quoted				
Penden Cement Authority Ltd.	609,550	21,686,278	99.36	60,562,592
Bhutan Board Products Ltd.	14,000	141,400	37.86	530,043
Bhutan Carbide & Chemicals Ltd.	500,000	5,000,000	39.17	19,582,528
Bhutan Polymers Co. Ltd.	127,140	1,271,400	49.06	6,237,797
Royal Insurance Corp. of Bhutan	442,500	732,957	68.94	30,505,066
Total Quoted		**28,832,035**		**117,418,026**
Unquoted				
Bhutan Development Bank Limited	2,500	2,500,000		
** Market price is the weighted average price*				

Note 17.2: Investment available for sale: 31 December 2021

Name of the Company	No. of Shares	Cost	Market Price	Market Value
Quoted				
Penden Cement Authority Ltd.	609,550	21,686,278	121.00	73,753,398
Bhutan Board Products Ltd.	14,000	141,400	31.09	435,228
Bhutan Carbide & Chemicals Ltd.	500,000	5,000,000	44.37	22,186,667
Bhutan Polymers Co. Ltd.	127,140	1,271,400	40.77	5,184,106
Royal Insurance Corp. of Bhutan	442,500	732,957	72.11	31,908,079
Total Quoted		**28,832,035**		**133,467,478**
Unquoted				
Bhutan Development Bank Limited	2,500	2,500,000		

JIGMI Audit & Financial Services Pvt. Ltd. Thimphu

NOTE 18: Debt Instruments at Amortized Cost

(Financial Assets - Loans & Receivables as at 31 December)

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Investment in Bonds	3,604,923,530	1,832,328,169	3,604,923,530	1,832,328,169
Allowance for Expected Credit Loss	(2,228)	(2,229)	(2,228)	(2,229)
Total Investment	**3,604,921,302**	**1,832,325,941**	**3,604,921,302**	**1,832,325,941**

Note 18.1: Details of Loans & Receivable

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Face Value	3,603,331,000	1,803,331,000	3,603,331,000	1,803,331,000
Interest receivable	1,592,530	28,997,169	1,592,530	28,997,169
Allowance for Expected Credit Loss	(2,228)	(2,229)	(2,228)	(2,229)
Total Loans and Receivables	**3,604,921,302**	**1,832,325,941**	**3,604,921,302**	**1,832,325,941**

NOTE 19: Defined Benefit Assets (Retirement benefit plans)

Defined benefit Plan

A defined benefit plan/(gratuity) defines an amount of benefit that an employee is entitled to receive on (a) retirement/resignation or (b) on superannuation or (c) on death or disablement due to accident or disease as per the terms and conditions specified in the service rule of the bank. The benefit is dependent on factors such as age, number of years served and salary. The maximum amount an employee is entitled to receive is 2 million in 2022 reporting period. A full actuarial valuation by a qualified independent actuary is carried out every year.

As required under BAS 19, valuation of scheme benefits is done using projected Unit Credit Method. Under this method, only benefits accrued till the date of valuation (i.e. based on service till date of valuation) is to be considered for valuation. Present value of Defined Benefit Obligation is calculated by projecting future salaries, exits due to death, resignation and other decrements (if any) and benefit payments made during each year till the time of retirement of each active member, using assumed rates of salary escalation, mortality and employee turnover rates. The expected benefit payments are then discounted back from the expected future date of payment to the date of valuation using the assumed discount rate.

BAS 19 also requires that "Service Cost" be calculated separately in respect of the benefit accrued during the current period. Service Cost is calculated using the same method as described above.

Net cost for the year recognized in profit or loss (recognised under personnel expense)

Particulars	2022	2021
Current Service Cost	18,773,315	18,773,315
Interest cost on benefit obligation	(5,185,644)	(5,185,644)
Immediate recognition of (gains)/losses - other long term employee benefit plans	16,962,849	16,962,849
Past service cost	-	-
Net cost for the year recognized in profit or loss	**30,550,520**	**30,550,520**

Actual return/(deficit) on plan assets	44,608,443	(7,452,185)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Retirement Benefit Asset

Particulars	2022	2021
Present Value of Defined Benefit Obligation	(231,197,516)	(214,654,020)
Fair Value of Scheme Assets	323,916,707	261,399,165
Funded Status [Surplus/(Deficit)]	92,719,192	46,745,145
Retirement Benefit Asset	**92,719,192**	**46,745,145**

Retirement benefit asset is recorded as separate line item in Statement of Financial Position.

Changes in the present values of the defined benefit obligation are as follows:

Particulars	2022	2021
Opening Defined Benefit Obligation	231,197,516	214,654,020
Current service cost	20,604,481	15,401,176
Interest cost	14,912,337	16,061,156
Past service cost – plan amendments	-	-
Benefits paid from plan assets	(21,144,291)	(9,941,659)
Actuarial (gain)/loss due to scheme experience	32,077,152	10,260,285
Actuarial (gain)/loss - financial assumptions	5,449,147	7,095,811
11 Benefits paid directly by the Company	(35,355,330)	(19,888,133)
Closing Defined Benefit Obligation	**247,741,012**	**233,642,656**

Change in the fair value of plan assets are as follows:

Particulars	2022	2021
Fair value of assets at end of prior period	261,399,165	253,884,696
Interest income on plan assets	21,628,297	21,246,800
Employer contributions	39,053,390	24,908,313
Benefits paid	(21,144,291)	(9,941,659)
Return on plan assets greater or (less) than discount rate	22,980,146	(28,698,985)
Closing fair value of plan asset	**323,916,707**	**261,399,165**

A. Expected benefit payments for the year ending

31 December 2022		11,903,003
31 December 2023	11,542,605	11,753,140
31 December 2024	10,586,352	15,309,754
31 December 2025	16,130,587	11,401,380
31 December 2026	13,440,405	21,509,336
31 December 2027 *(PY: 31.12.2027-31.12.2031)*	17,081,469	124,546,699
31 December 2028 – 31 December 2031	95,165,457	

B. Expected employer contributions for the period ending 31.12.2023	NIL	NIL
C. Weighted average duration of defined benefit obligation	15 years	12 years
D. Accrued benefit Obligation at 31 December 2022	113,160,089	109,181,231

JIGMI Audit & Financials Pvt. Ltd. Thimphu

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	2022 (%)	2021 (%)
Term Deposits with Banks	0%	0%
Current Account	100%	100%
	100%	**100%**

The amount has been kept with Bhutan Insurance Limited, which provides 7% interest and the interest income is tax exempted. Principal assumptions used in determining Defined Benefit Obligations for the bank's plan for 2022 and 2021 are shown below:

Particulars	2022	2021
Discount Rates	8.00%	8.20%
Salary Escalation Rates	8.00%	8.00%
Employee Turnover Rates	3.00%	3.00%
Mortality Rates	100% of IALM (2012-14)	100% of IALM (2006-08)

Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment defined benefit assets measurement for 2022 reporting period.

Sensitivity Analyses

A Discount Rate	2022	2021
Discount rate as at 31 December:	8.00%	8.50%
1. Effect on DBO due to 1% increase in Discount rate	(13,268,636.98)	(22,289,023.00)
2. Effect on DBO due to 1% decrease in Discount rate	14,511,955.38	26,578,010.00

B Carriage inflation Rate	2022	2021
Carriage inflation Rate as at 31 December:	5.00%	5.00%
1. Effect on DBO due to 1% increase in carriage cost inflation rate	1,348,124.39	15,301,883.00
2. Effect on DBO due to 1% decrease in carriage cost inflation rate	(1,125,057.42)	(15,487,674.00)

NOTE 20: OTHER FINANCIAL ASSETS

Particulars	Bank (Nu)		Group(Nu)	
	2022	2021	2022	2021
Sundry Receivables	473,271,680	403,625,193	473,271,680	403,625,193
Security Deposits	1,964,867	1,844,867	1,964,867	1,844,867
Others	123,772,677	379,510,031	123,772,677	379,510,031
Total Other Financial Assets	**599,009,224**	**784,980,090**	**599,009,224**	**784,980,090**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 21: OTHER ASSETS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Assets acquired in satisfaction of debts	-	-	-	-
Asset pending foreclosure	235,914,281	322,184,079	235,914,281	322,184,079
Others	13,492,837	13,995,741	13,492,837	13,995,741
Prepaid Staff Cost	108,842,724	85,267,627	108,842,724	85,267,627
Prepaid Cost on Refundable Deposits	(112,356)	(44,566)	(112,356)	(44,566)
Advance Tax Paid and Tax Deducted at Source	64,699,239	6,931,201	64,699,239	6,931,201
Total Other Assets	**422,836,725**	**428,334,082**	**422,836,725**	**428,334,082**

Movement in Pre-Paid Staff cost/Unamortized Day One Difference (Bank & Group)

Bank/Group	2022	2021
As at 1 January	85,267,627	79,994,471
Add/(Less): Adjustment for new grants and settlements	13,534,000	7,842,839
Less: charge to Personnel cost	10,041,097	(2,569,683)
As at 31 December	**108,842,724**	**85,267,627**

Movement in Advance rentals on Refundable Deposits (Bank & Group)

Bank / Group	2022	2021
As at 1 January	(44,566)	(19,841)
Add / (Less): Adjustment for new Deposits & settlements	-	-
Less: Charge to Operating Expenses	67,790	24,726
As at 31 December	**(112,356)**	**(44,566)**

Asset Pending Foreclosure	No of Accounts	Amount (Nu.)
At the beginning of the year	109	322,184,079
Addition during the year	-	203,307
Liquidated during the year	14	8,391,661
Transferred during the year	8	74,588,182
Write offs during the year	4	228,679
Repayment During the Year	-	3,264,584
At the end of the year	**83**	**235,914,281**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 22: PROPERTY, PLANT & EQUIPMENT (*All in Ngultrum*)

Particulars	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipment	Computer hardware's	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
Cost/Revalued Amount:											
At 1 January 2021	419,522,228	445,339,389	149,808,835	83,717,994	80,658,851	246,344,225	23,318,001	4,193,538	19,095,240	159,990	**1,472,158,291**
Additions	8,458,281	533,300	3,478,628	742,092	6,124,634	23,337,100	83,130	-	777,706	(159,990)	**43,374,882**
Disposals	-	-	(341,940)	(129,794)	(147,973)	(2,080,297)	(246,298)	(4,283)	-	-	**(2,950,585)**
At 31 December 2021	**427,980,509**	**445,872,689**	**152,945,523**	**84,330,292**	**86,635,512**	**267,601,028**	**23,154,833**	**4,189,255**	**19,872,946**	**-**	**1,512,582,588**
Accumulated Depreciation:											
At 1 January 2021	-	33,772,561	67,915,392	41,672,355	48,331,986	171,009,403	13,614,754	1,725,213	9,379,951	-	**387,421,615**
Charge for the year	-	9,514,888	33,883,980	8,867,155	9,873,606	29,732,821	3,270,825	375,974	1,020,188	-	**96,539,436**
Disposals	-	-	(341,932)	(129,426)	(143,952)	(1,692,124)	(245,952)	(4,282)	-	-	**(2,557,669)**
At 31 December 2021	**-**	**43,287,449**	**101,457,440**	**50,410,083**	**58,061,639**	**199,050,100**	**16,639,627**	**2,096,905**	**10,400,139**	**-**	**481,403,382**
Cost/Revalued Amount:											
At 1 January 2022	427,980,509	445,872,689	152,945,523	84,330,292	86,635,512	267,601,028	23,154,833	4,189,255	19,872,946	-	**1,512,582,588**
Additions/ Reclassification/ Capitalization	-	-	786,295	1,707,518	1,946,135	32,485,312	260,204	16,000	-	-	**37,201,464**
Disposals	-	-	-	(606,779)	-	(16,961,755)	(1,761,250)	-	-		**(19,329,783)**
At 31 December 2022	**427,980,509**	**445,872,689**	**153,731,818**	**85,431,032**	**88,581,647**	**283,124,586**	**21,653,787**	**4,205,255**	**19,872,946**	**-**	**1,530,454,269**
Accumulated Depreciation:											
At 1 January 2022	**-**	**43,287,449**	**101,457,440**	**50,410,083**	**58,061,639**	**199,050,100**	**16,639,627**	**2,096,905**	**10,400,139**	**-**	**481,403,382**
Charge for the year	-	9,515,723	14,400,393	8,362,713	8,309,623	28,540,533	3,139,006	311,750	974,515	-	**73,554,255**
Disposals	-	-	-	(606,771)	-	(16,349,458)	(1,761,185)	-	-	-	**(18,717,414)**
At 31 December 2022	**-**	**52,803,172**	**115,857,833**	**58,166,025**	**66,371,263**	**211,241,174**	**18,017,448**	**2,408,655**	**11,374,653**	**-**	**536,240,223**
Net Block Value:											
31 December 2021	**427,980,509**	**402,585,240**	**51,488,084**	**33,920,210**	**28,573,873**	**68,550,929**	**6,515,206**	**2,092,350**	**9,472,807**	**-**	**1,031,179,206**
31 December 2022	**427,980,509**	**393,069,517**	**37,873,986**	**27,265,007**	**22,210,385**	**71,883,411**	**3,636,339**	**1,796,601**	**8,498,292**	**-**	**994,214,046**

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

NOTE 23: INTANGIBLE ASSETS (Bank & Group)

Particulars	Software	Right-to-use Assets
Cost:		
At 1 January 2021	**228,841,061**	**22,589,417**
Additions	(54,920)	-
Disposals	-	-
At 31 December 2021	**228,786,141**	**22,589,417**
Amortization and impairment:		
At 1 January 2021	**118,759,770**	-
Amortization	27,516,590	-
Disposals	-	-
At 31 December 2021	**146,276,360**	-
Cost:		
At 1 January 2022	**228,786,141**	**22,589,417**
Additions/Reclassification/Capitalization	15,487,254	-
Disposals	(29,388,826)	-
At 31 December 2022	**214,884,570**	**22,589,417**
Amortization and impairment:		
At 1 January 2022	**146,276,360**	-
Amortization	28,793,260	10,823,360
Disposals	(29,388,803)	
At 31 December 2022	**145,680,818**	**10,823,360**
Net book value:		
At 31 December 2021	**82,509,781**	**22,589,417**
At 31 December 2022	**69,203,752**	**11,766,057**

NOTE 24: DUE TO BANKS AND FINANCIAL INSTITUTIONS

Particulars	Bank (Nu.)		Group (Nu.)	
	2022	2021	2022	2021
Banks	1,574,907,911	237,038,396	1,574,907,911	237,038,396
Non-Bank Financial Institutions	15,303,152,531	13,039,821,486	15,303,152,531	13,039,821,486
Total	**16,878,060,442**	**13,276,859,881**	**16,878,060,442**	**13,276,859,881**

NOTE 25: DUE TO CUSTOMERS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Fixed Deposit	14,209,909,667	13,570,054,515	14,209,909,667	13,570,054,515
Recurring Deposit	843,014,618	790,420,106	843,014,618	790,420,106
Savings Deposits	15,318,064,432	14,396,888,532	15,318,064,432	14,396,888,532
Current Accounts	3,949,233,992	2,623,655,505	3,949,233,992	2,623,655,505
Total Due to Customers	**34,320,222,708**	**31,381,018,659**	**34,320,222,708**	**31,381,018,659**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 25.1: Total Deposits *(Due to Banks & FIs and Customers segregated into Local Currency and Foreign Currency – Refer NOTE 24 and NOTE 25 above)*

Deposits	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Local Currency Deposits:				
Fixed Deposit	30,523,820,039	26,240,261,666	30,523,820,039	26,240,261,666
Recurring Deposit	843,014,618	790,420,106	843,014,618	790,420,106
Savings Deposits	15,393,306,513	14,445,563,768	15,393,306,513	14,445,563,768
Current Accounts	3,114,997,976	2,738,812,999	3,114,997,976	2,738,812,999
Total Local Currency Deposits	**49,875,139,146**	**44,215,058,538**	**49,875,139,146**	**44,215,058,538**
Foreign Currency Deposits:				
Fixed Deposit	-	-	-	-
Recurring Deposit	-	-	-	-
Current Accounts	10,897,401	20,808,915	10,897,401	20,808,915
Savings Deposits	1,312,246,603	422,011,087	1,312,246,603	422,011,087
Total Foreign Currency Deposits	**1,323,144,004**	**442,820,002**	1,323,144,004	442,820,002

NOTE 26: DEBTS ISSUED & BORROWED FUNDS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Subordinated Bonds	522,027,397	522,027,397	522,027,397	522,027,397
	522,027,397	**522,027,397**	**522,027,397**	**522,027,397**

Number of Bonds	Face Value	2022	2021	Allotment Date	Maturity Date	Rate of Interest
500,000 numbers of Certificates issued to RGoB	1,000	522,027,397	522,027,397	09.04.2014	08.04.2024	6%
		522,027,397	**522,027,397**			

NOTE 27: CURRENT TAX LIABILITIES

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Balance as at 1 January	184,377,877	30,520,249	184,377,877	30,520,249
Current year provision	284,581,088	184,377,877	284,581,088	184,377,877
Tax refund for Current Year	-	-	-	-
Less: Payment of tax	184,377,877	30,520,249	184,377,877	30,520,249
Balance as at 31 December	**284,581,088**	**184,377,877**	**284,581,088**	**184,377,877**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 28: ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in IAS/BAS 39 (*Financial Instruments: Recognition & Measurement)* under headings of the Statement of Financial Position.

Analysis of Financial Instruments by Measurement Basis as at 31-Dec-2022 (Bank)

Particulars	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	6,491,922,316	-	-	6,491,922,316
Cash & Balances with Central Bank	-	6,438,288,018	-	-	6,438,288,018
Placement with other Banks	-	201,252,954	-	-	201,252,954
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	40,626,939,378	-	-	40,626,939,378
Equity Instruments at FVTPL	-	-	-	119,918,026	119,918,026
Equity Instruments at FVTOCI	-	-	-	39,561,000	39,561,000
Debt Instruments at Amortized Cost	-	3,604,921,302	-	-	3,604,921,302
Other Financial Assets	-	599,009,224	-	-	599,009,224
Financial Liabilities					
Due to Banks and Financial Institution	-	16,878,060,442	-	-	16,878,060,442
Due to Customers	-	34,320,222,708	-	-	34,320,222,708
Debts Issued & Other Borrowed Funds	-	522,027,397	-	-	522,027,397
Unclaimed Balances	-	40,163,538	-	-	40,163,538
Other Liabilities	-	10,737,029	-	-	10,737,029

Analysis of Financial Instruments by Measurement Basis as at 31-Dec-2022 (Group)

Particulars	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	6,491,922,316	-	-	6,491,922,316
Cash & Balances with Central Bank	-	6,438,288,018	-	-	6,438,288,018
Placement with other Banks	-	201,252,954	-	-	201,252,954
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	40,626,939,378	-	-	40,626,939,378
Equity Instruments at FVTPL	-	-	-	119,918,026	119,918,026
Equity Instruments at FVTOCI	-	-	-	39,561,000	39,561,000
Debt Instruments at Amortized Cost	-	3,604,921,302	-	-	3,604,921,302
Other Financial Assets	-	599,009,224	-	-	599,009,224
Financial Liabilities					

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Due to Banks and Financial Institution	-	16,878,060,442	-	-	16,878,060,442
Due to Customers	-	34,320,222,708	-	-	34,320,222,708
Debts Issued & Other Borrowed Funds	-	522,027,397	-	-	522,027,397
Unclaimed Balances	-	40,163,538	-	-	40,163,538
Other Liabilities	-	10,737,029	-	-	10,737,029

Analysis of Financial Instruments by Measurement Basis as at 31-Dec-2021 (Bank)

Particulars	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	2,009,037,357	-	-	2,009,037,357
Cash & Balances with Central Bank	-	13,129,994,406	-	-	13,129,994,406
Placement with other Banks	-	-	-	-	-
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	33,051,812,737	-	-	33,051,812,737
Equity Instruments at FVTPL	-	-	-	135,967,478	135,967,478
Equity Instruments at FVTOCI	-	-	-	39,561,000	39,561,000
Debt Instruments at Amortized Cost	-	1,832,325,941	-	-	1,832,325,941
Other Financial Assets	-	784,980,090	-	-	784,980,090
Financial Liabilities					
Due to Banks and Financial Institution	-	13,276,859,881	-	-	13,276,859,881
Due to Customers	-	31,381,018,659	-	-	31,381,018,659
Debts Issued & Other Borrowed Funds	-	522,027,397	-	-	522,027,397
Unclaimed Balances	-	36,001,851	-	-	36,001,851
Other Liabilities	-	39,282,628	-	-	39,282,628

Analysis of Financial Instruments by Measurement Basis as at 31-Dec-2021 (Group)

Particulars	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	2,009,037,357	-	-	2,009,037,357
Cash & Balances with Central Bank	-	13,129,994,406	-	-	13,129,994,406
Placement with other Banks	-	-	-	-	-
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	33,051,812,737	-	-	33,051,812,737
Equity Instruments at FVTPL	-	-	-	135,967,478	135,967,478
Equity Instruments at FVTOCI	-	-	-	39,561,000	39,561,000

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Debt Instruments at Amortized Cost	-	1,832,325,941	-	-	1,832,325,941
Other Financial Assets	-	784,980,090	-	-	784,980,090
Financial Liabilities					
Due to Banks and Financial Institution	-	13,276,859,881	-	-	13,276,859,881
Due to Customers	-	31,381,018,659	-	-	31,381,018,659
Debts Issued & Other Borrowed Funds	-	522,027,397	-	-	522,027,397
Unclaimed Balances	-	36,001,851	-	-	36,001,851
Other Liabilities	-	39,282,628	-	-	39,282,628

NOTE 29: DEFERRED TAX LIABILITY (Bank and the Group)

Deferred Tax Assets, Liabilities and Income Tax relates to the followings:

Deferred Tax (Bank)	Reflected in SFP		Reflected in IS		Reflected in OCI	
	2022	2021	2022	2021	2022	2021
PPE and Intangibles	(23,678,896)	(21,731,479)	(1,947,417)	9,542,636	-	-
FV change of AFS Financial Assets - Equity Securities	(22,146,498)	(26,158,861)	-	-	4,012,363	(5,060,126)
Revaluation	(1,096,213)	(1,096,213)	-	-	-	219,243
Share of undistributed profit in Associates (IS)						
Share of undistributed profit in Associates (OCI)						
Deposit EIR	(36,381,576)	(23,640,029)	(12,741,547)	16,862,038	-	-
Defined Benefit Assets	(104,013,628)	(80,835,594)	(23,178,034)	(11,686,286)	-	-
Defined Benefit Liabilities	4,991,903	4,991,903	-	-	-	-
Defined Benefit Assets (OCI)	(5,029,214)	(1,637,023)	-	-	(3,392,192)	7,273,058
Impairment Charges	517,396,540	284,054,793	233,341,746	(66,949,001)	-	-
DT Assets/(Liabilities)	**330,042,416**	**133,947,497**	**195,474,748**	**(52,230,613)**	**620,172**	**2,432,175**
Deferred Tax has been determined based on the enacted tax rate of 25%						
DIT Reversal/(Charge)	**-**	**-**	**195,474,748**	**(52,230,613)**	**620,172**	**2,432,175**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Deferred Tax (Group)	Reflected in SFP		Reflected in IS		Reflected in OCI	
	2022	2021	2022	2021	2022	2021
PPE and Intangibles	(23,678,896)	(21,731,479)	(1,947,417)	9,542,636		
FV change of AFS of Financial Assets - Equity Securities	(22,146,498)	(26,158,861)	-	-	4,012,363	(5,060,126)
Revaluation	(1,096,213)	(1,096,213)	-	-	-	219,243
Share of undistributed profit in Associates (IS)	(21,630,046)	679,057	(22,309,103)	3,396,962	-	-
Share of undistributed profit in Associates (OCI)	(421,784)	(755,514)	-	-	333,731	303,877
Deposit EIR	(36,381,576)	(23,640,029)	(12,741,547)	16,862,038	-	-
Defined Benefit Assets	(104,013,628)	(80,835,594)	(23,178,034)	(11,686,286)	-	-
Defined Benefit Liabilities	4,991,903	4,991,903	-	-	-	-
Defined Benefit Assets (OCI)	(5,029,214)	(1,637,023)	-	-	(3,392,192)	7,273,058
Impairment Charges	517,396,540	284,054,793	233,341,746	(66,949,001)	-	-
Deferred Tax Assets/ (Liabilities)	**307,990,586**	**133,871,039**	**173,165,645**	**(48,833,652)**	**953,902**	**2,736,052**
Deferred Tax has been determined based on the enacted tax rate of 30%						
DIT Reversal/(Charge)	**-**	**-**	**173,165,645**	**(48,833,652)**	**953,902**	**2,736,052**

NOTE 30: PROVISIONS

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Provisions for Leave Encashment	33,412,811	32,633,854	33,412,811	32,633,854
Provisions for Other Losses	448,950	1,043,790	448,950	1,043,790
Additional Provision for Leave as per actuarial valuation	-	-	-	-
Total Provisions	**33,861,762**	**33,677,644**	**33,861,762**	**33,677,644**
Movements:				
Provisions for Leave Encashment	778,957	2,467,705	-	-
Provisions for Off Balance sheet items & other losses	(594,840)	-	-	-
P/L Impact	**(184,118)**	**(2,467,705)**	**-**	**-**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 31: OTHER LIABILITIES

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Financial				
Accounts payable & Sundry creditors	10,737,029	39,282,628	10,737,029	39,282,628
Lease Liabilities	10,999,680	22,589,417	10,999,680	22,589,417
Non-Financial				
Margin Money	114,315,463	108,879,401	114,315,463	108,879,401
Other	716,154,896	124,566,120	716,154,896	124,566,120
Total Other Liabilities	**852,207,068**	**295,317,567**	**852,207,068**	**295,317,567**

NOTE 32: SHARE CAPITAL AND SHARE PREMIUM

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Share Capital	3,950,323,110	3,950,323,110	3,950,323,110	3,950,323,110
Share Premium	-	-	-	-
Total	**3,950,323,110**	**3,950,323,110**	**3,950,323,110**	**3,950,323,110**

Share Capital	2022	2021
Opening balance (1 January)	3,950,323,110	3,950,323,110
Issue of Bonus shares during the year	-	-
Buyback of shares	-	-
Closing Balance (31 December)	**3,950,323,110**	**3,950,323,110**

NOTE 33: COMMITMENT AND CONTINGENCIES

To meet the financial needs of customers in the ordinary course of business, the Bank enters into various irrevocable commitments and incurs certain contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank. Letters of credit & guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. No material losses are anticipated as a result of these commitments and contingencies.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 33.1: Commitment and Contingencies

Particulars as at 31 December	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Commitments:				
Commitment for unutilized facilities (direct advances)	16,628,587	69,185,723	16,628,587	69,185,723
Total Commitments	**16,628,587**	**69,185,723**	**16,628,587**	**69,185,723**
Contingent Liabilities:				
Guarantees	4,923,365,643	4,229,391,926	4,923,365,643	4,229,391,926
Letter of Credits	529,756,225	670,586,058	529,756,225	670,586,058
Other	7,368,582,255	6,389,801,380	7,368,582,255	6,389,801,380
Total Contingent Liabilities	**12,821,704,122**	**11,289,779,363**	**12,821,704,122**	**11,289,779,363**
Total Commitment and Contingencies	**12,838,332,709**	**11,358,965,086**	**12,838,332,709**	**11,358,965,086**

Note 33.2: Other Contingent Liabilities

Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. During the year there is no claim against the Bank.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 33.3: Capital commitments for which provisions have not been made in these accounts, amounts approximately to:

	Bank (Nu)		Group (Nu)	
As at 31 December	**2022**	**2021**	**2022**	**2021**
Approved & contracted for	533,300	533,300	533,300	533,300
	533,300	**533,300**	**533,300**	**533,300**

NOTE 34: RELATED PARTY DISCLOSURES

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the *BAS 24-Related Party Disclosures*, the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

Note 34.1: Parent and Ultimate Controlling Party

The Bank does not have an identifiable parent of its own.

Note 34.2: Transactions with Key Managerial Personnel (KMPs)

According to *BAS 24-Related Party Disclosures*, Key Managerial Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity (Bank). Such KMPs include the Board of Directors of the Bank (including both Executive and Non-Executive Directors) and key employees who are holding directorship in Subsidiary Companies of the Bank.

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMP's domestic partner and children of the KMP's domestic partner and dependants of the KMP and the KMP's domestic partner.

Note 34.3: Related Party Disclosures

Note 34.3.1 Transactions with Key Managerial Personnel (KMPs)

Particulars	Bank (Nu)		Group (Nu)	
	2022	**2021**	**2022**	**2021**
Short term employee benefits	5,288,346	4,834,818	5,288,346	4,834,818
Separation benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Directors' fees & expenses	1,721,754	1,703,707	1,721,754	1,703,707
Total	**7,010,100**	**6,538,525**	**7,010,100**	**6,538,525**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 34.3.2 Short-term employee benefits to CEO

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Salary & Other Benefits	4,738,177	4,451,008	4,738,177	4,451,008
Vehicle Expenses	550,169	383,810	550,169	383,810
Travel - Local/Foreign	-	-	-	-
Total	**5,288,346**	**4,834,818**	**5,288,346**	**4,834,818**

Note 34.4: Transactions, Arrangements and Agreements Involving KMPs and Their CFMs

Note 34.4.1: Loans and Advances to KMPs and their CFMs are detailed below:

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Loans and Receivables outstanding	114,533,913	6,687,982	114,533,913	6,687,982
Total	**114,533,913**	**6,687,982**	**114,533,913**	**6,687,982**

Note 34.4.2: Credit Card Facilities to KMPs and their CFMs are detailed below:

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Credit Card outstanding	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 34.4.3: Deposits and Investments from KMPs and their CFMs are detailed below:

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Deposits	39,801,958	17,001,383	39,801,958	17,001,383
Investment in Equity shares of BNBL	456,859,282	24,465,960	456,859,282	24,465,960
Total	**496,661,240**	**41,467,342**	**496,661,240**	**41,467,342**

Note 34.4.4: Dividend paid to KMPs and their CFMs are detailed below:

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Dividend (PY paid in CY)	-	-	-	-

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 34.5: Transactions, Arrangements and Agreements involving Entities which are controlled and/or jointly controlled by KMPs or their CFMs are detailed below:

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Loans & Receivables	251,343,960	199,633,238	251,343,960	199,633,238
Deposits	7,754,672	24,366,667	7,754,672	24,366,667
Total	**259,098,632**	**223,999,905**	**259,098,632**	**223,999,905**

Note 34.6: Transactions with Associate Companies of the Bank:

The aggregate amount of incomes and expenses arising from the transactions during the year and Balances in the Statement of Financial Position at the year-end are summarised below:

(a) Items in Statement of Profit or Loss

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Dividend income & Capital Gain	109,264,349	21,153,685	109,264,349	21,153,685
Total	**109,264,349.04**	**21,153,684.50**	**109,264,349.04**	**21,153,684.50**

(b) Items in Statement of Financial Position and Off-Balance sheet

Particulars	Bank (Nu)		Group (Nu)	
	2022	2021	2022	2021
Assets:				
Investments in Associates	85,976,269	91,463,480	168,696,378	91,769,312
Liabilities:				
Off-Balance Sheets	-	-	-	-
Total	**85,976,269.04**	**91,463,480.00**	**168,696,377.54**	**91,769,311.91**

NOTE 35: EVENTS AFTER THE REPORTING PERIOD

The Board in the 157th meeting held on 9 February 2023 had decided to declare dividend of 13.80% for the income year 2022. The same was endorsed by the shareholders in the 27th AGM held on 15 March 2023.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 36: FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Investments Available for sale (AFS)

Available for sale financial assets (primarily consist of quoted equities and Government debt securities) are valued using valuation techniques or pricing models. These assets are valued using models that use observable data.

Trading Assets and Other Assets Measured at Fair Value

Trading assets and other assets measured at fair value are the Government debt securities and quoted equities. Government debt securities and quoted equities the Bank uses quoted market prices in the active market as at the reporting date.

Determination of Fair Value and Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy

Level 1 - Quoted Market Price (unadjusted): financial instruments with quoted prices for identical instruments in active markets.

Level 2 - Valuation Technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - Valuation Technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

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

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Particulars	Bank (Nu)			Group (Nu)		
	Level I	Level II	Level III	Level I	Level II	Level III
31 December 2022						
Financial Investment AFS (Quoted)	-	-	117,418,026	-	-	117,418,026
Staff Loan	-	-	360,616,126	-	-	360,616,126
31 December 2021						
Financial Investment AFS (Quoted)	-	-	133,467,478	-	-	133,467,478
Staff Loan	-	-	339,238,678	-	-	339,238,678

A. Determination of fair value hierarchy

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements. Assets for which Fair Value Approximates Carrying Value for financial assets and liabilities that have short term maturity is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and saving deposits which do not have a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets & liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those not issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized. Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Particulars as at 31 December	Bank (Nu)			
	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	6,491,922,316	6,491,922,316	2,009,037,357	2,009,037,357
Balances with Central Bank	6,438,288,018	6,438,288,018	13,129,994,406	13,129,994,406
Placements with Banks	201,252,954	201,252,954	-	-
Loans & Advances to Customers	40,626,939,378	40,808,101,883	33,051,812,737	33,981,645,894
Investments in Subsidiaries	-	-	-	-
Investments in Associates	85,976,269	85,976,269	91,463,480	91,463,480
Equity Instruments at FVTPL	119,918,026	119,918,026	135,967,478	135,967,478
Equity Instruments at FVTOCI	39,561,000	39,561,000	39,561,000	39,561,000
Debt Instruments at Amortized Cost	3,604,921,302	3,634,763,771	1,832,325,941	1,850,887,038
Other Financial Assets	599,009,224	599,009,224	784,980,090	784,980,090
Financial Liabilities				
Due to Banks	16,878,060,442	16,878,060,442	13,276,859,881	13,276,859,881
Due to Customers	34,320,222,708	32,163,476,293	31,381,018,659	30,868,327,643
Debts Issued & Other Borrowed Funds	522,027,397	481,081,770	522,027,397	485,682,573
Unclaimed Balances	40,163,538	40,163,538	36,001,851	36,001,851
Other Liabilities	10,737,029	10,737,029	39,282,628	39,282,628

Particulars as at 31 December	Group (Nu)			
	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash & cash equivalents	6,491,922,316	6,491,922,316	2,009,037,357	2,009,037,357
Balances with Central Bank (RMA)	6,438,288,018	6,438,288,018	13,129,994,406	13,129,994,406
Placements with Banks	201,252,954	201,252,954	-	-
Loans & Advances to Customers	40,626,939,378	40,808,101,883	33,051,812,737	33,981,645,894
Investments in Associates	168,696,378	168,696,378	91,769,312	91,769,312
Equity Instruments at FVTPL	119,918,026	119,918,026	135,967,478	135,967,478
Equity Instruments at FVTOCI	39,561,000	39,561,000	39,561,000	39,561,000
Debt Instruments at Amortized Cost	3,604,921,302	3,634,763,771	1,832,325,941	1,850,887,038
Other Financial Assets	599,009,224	599,009,224	784,980,090	784,980,090
Financial Liabilities				
Due to Banks	16,878,060,442	16,878,060,442	13,276,859,881	13,276,859,881
Due to Customers	34,320,222,708	32,163,476,293	31,381,018,659	30,868,327,643
Debts Issued & Other Borrowed Funds	522,027,397	481,081,770	522,027,397	485,682,573
Unclaimed Balances	40,163,538	40,163,538	36,001,851	36,001,851
Other Liabilities	10,737,029	10,737,029	39,282,628	39,282,628

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 37: RISK MANAGEMENT

The Bank has an integrated risk management policy in place which provides a robust framework for risk identification, measurement, controlling, monitoring, mitigating and reporting through proper tools and methodologies. The major categories of risks that the policy emphasizes are credit risk, market risk, operational risk and the liquidity risk. These risks are addressed through board approved policies and tolerance limits which are monitored and reported regularly.

The risk governance structure is defined in three tiers, namely the Board level Committee, Management Level Committee and Functional Risk Organization. Under Functional Risk Organization, the Bank has Risk Management Department (RMD), which consists of three sub units, namely, Credit Risk Management Unit, Market Risk Management Unit and Operational Risk Management Unit. While presently these Units are not created in the Bank separately but managed together under RMD, the Bank will be instituting independent units for dedicated and focused risk management in the near future.

Credit Risk forms the major risk of the Bank. The Bank has a robust credit approval process in place to assess the worthiness of a client to receive credit. A state-of-the-art credit scoring model has been developed and is in use to capture both quantitative and qualitative risk factors of both corporate and retail clients of the Bank. The credit scoring model will generate a final score for the client which will enable the Bank to take a prudent lending decision.

Under Credit Risk we monitor the concentration risks such as single borrower limit, group borrower limit, sector limit, the prohibited industry/sector or product, related party exposures and non-performing loans (NPL) on regular basis.

Under Market risk, the Bank monitors the net foreign exchange position, movement of equity/commodity prices and Interest rate risk. A tolerance limit for net FX position has been set by the Board. Currently there is no tolerance limit defined for equity/commodity risk and the Interest rate risk.

Operational Risk Management

The Operational Risk of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy Framework, which consists of monitoring and responding to potential risks such as segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. The Risk Management Department reports to Interim Chief Risk Officer and the Board Risk Management Committee, which maintains a high-level overall supervision of managing Operational Risks of the Bank.

The main risk evaluation and assessment documents contain the Risk Control and Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Loss Data Reports that are developed in context of the seven Risk Categories pertinent to the functions of the various daily operations. These reports are prepared and compiled at the Department/Branch level, and are submitted

JIGMI Audit & Financials Pvt. Ltd. Thimphu

to Risk Department on monthly/quarterly basis. Based on the reports received from these reporting Units, the Risk Team compile, assess, analyses them and consolidates at bank level. After consolidation of these reports at Bank level, it is presented to Executive Risk Management Committee (ERMC) and subsequently to Board Risk Management Committee (BRMC) on monthly or quarterly basis as applicable for deliberation and directives. These reports enable bank to evaluate residual risks and develop corrective measures based on the evaluation and findings. Under circumstance that there are gaps in system or process improvement requirement, subsequent controls and mitigating controls/measures are suggested or recommended for its development and compliance wherever applicable.

Note 37.1: Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending: mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for Business use.
The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Financial Assets	Bank (Nu.)			Group (Nu)		
	Maximum Exposure to Credit Risk	Net Collateral	Net Exposure	Maximum Exposure to Credit Risk	Net Collateral	Net Exposure
As at 31 December 2022						
Cash & Cash Equivalents	6,491,922,316		6,491,922,316	6,491,922,316		6,491,922,316
Cash & Balances with RMA	6,438,288,018		6,438,288,018	6,438,288,018		6,438,288,018
Placement with other Banks	201,252,954		201,252,954	201,252,954		201,252,954
Loans & Advances to Customers	40,626,939,378	39,257,356,076	1,369,583,302	40,626,939,378	39,257,356,076	1,369,583,302
Equity Instruments at FVTPL	119,918,026		119,918,026	119,918,026		119,918,026
Equity Instruments at FVTOCI	39,561,000		39,561,000	39,561,000		39,561,000

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Debt Instruments at Amortized Cost	3,604,921,302		3,604,921,302	3,604,921,302		3,604,921,302
Other Financial Assets	599,009,224		599,009,224	599,009,224		599,009,224
As at 31 December 2021						
Cash & Cash Equivalents	2,009,037,357		2,009,037,357	2,009,037,357	-	2,009,037,357
Cash & Balances with RMA	13,129,994,406		13,129,994,406	13,129,994,406	-	13,129,994,406
Placement with other Banks	-	-	-	-	-	-
Loans & Advances to Customers	33,051,812,737	31,954,423,741	1,097,388,995	33,051,812,737	31,954,423,741	1,097,388,995
Equity Instruments at FVTPL	135,967,478		135,967,478	135,967,478		135,967,478
Equity Instruments at FVTOCI	39,561,000		39,561,000	39,561,000		39,561,000
Debt Instruments at Amortized Cost	1,832,325,941		1,832,325,941	1,832,325,941		1,832,325,941
Other Financial Assets	784,980,090		784,980,090	784,980,090		784,980,090

Note 37.1.1: Credit quality by class of financial asset

The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

Definition of Past Due

The Bank considers that any amounts uncollected one day or more beyond their contractual due date as 'past due'.

31 December 2022	Group (Nu)			
	Neither past due nor individually impaired	Past due but not Individually impaired	Individually Impaired	Total
Cash & cash Equivalents	6,491,922,316			6,491,922,316
Cash & Balances with Central Bank	6,438,288,018			6,438,288,018
Placement with other Banks	201,252,954			201,252,954
Loans & Advances to Customers	36,094,646,960	8,629,825,527	-	44,724,472,487
Investments in Associates	168,696,378			168,696,378
Equity Instruments at FVTPL	119,918,026			119,918,026
Equity Instruments at FVTOCI	39,561,000			39,561,000
Debt Instruments at Amortized Cost	3,604,921,302			3,604,921,302
Other Financial Assets	599,009,224			599,009,224
	53,758,216,178	**8,629,825,527**	**-**	**62,388,041,705**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

31 December 2022	Bank (Nu)			
	Neither past due nor individually impaired	Past due but not Individually impaired	Individually Impaired	Total
Cash & cash Equivalents				-
Cash & Balances with Central Bank	6,491,922,316			6,491,922,316
Placement with other Banks	6,438,288,018			6,438,288,018
Loans & Advances to Customers	36,094,646,960	8,629,825,527	-	44,724,472,487
Investments in Associates	85,976,269			85,976,269
Equity Instruments at FVTPL	119,918,026			119,918,026
Equity Instruments at FVTOCI	39,561,000			
Debt Instruments at Amortized Cost	3,604,921,302			3,604,921,302
Other Financial Assets	599,009,224			599,009,224
	53,474,243,115	**8,629,825,527**	**-**	**62,064,507,642**

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets					
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	Total
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	2,456,106,975	2,319,794,496	1,229,444,875	2,624,479,181	8,629,825,527

31 December 2021	Bank (Nu)			
	Neither past due nor individually impaired	Past due but not Individually impaired	Individually Impaired	Total
Cash & cash Equivalents	2,009,037,357			2,009,037,357
Cash & Balances with RMA	13,129,994,406			13,129,994,406
Placement with other Banks	-			-
Loans & Advances to Customers	32,049,817,334	5,259,589,702	42,143,667	37,351,550,703
Investments in Associates	91,463,480			91,463,480
Equity Instruments at FVTPL	135,967,478			135,967,478

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Equity Instruments at FVTOCI	39,561,000			39,561,000
Debt Instruments at Amortized Cost	1,832,325,941			1,832,325,941
Other Financial Assets	784,980,090			784,980,090
	50,073,147,086	**5,259,589,702**	**42,143,667**	**55,374,880,455**

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets					
	Less than 30 Days	**31-60 Days**	**61-90 Days**	**More than 90 days**	**Total**
Loans & receivables to banks					-
Loans & receivables to other customers	678,220,744	-	1,640,619,223	2,940,749,736	5,259,589,702

31 December 2021	**Group (Nu)**			
	Neither past due nor individually impaired	**Past due but not Individually impaired**	**Individually Impaired**	**Total**
Cash & cash Equivalents	2,009,037,357			2,009,037,357
Cash & Balances with RMA	13,129,994,406			13,129,994,406
Placement with other Banks	-			-
Loans & Advances to Customers	32,049,817,334	5,259,589,702	42,143,667	37,351,550,703
Investments in Associates	91,769,312			91,769,312
Equity Instruments at FVTPL	135,967,478			135,967,478
Equity Instruments at FVTOCI	39,561,000			39,561,000
Debt Instruments at Amortized Cost	1,832,325,941			1,832,325,941
Other Financial Assets	784,980,090			784,980,090
	50,073,452,918	**5,259,589,702**	**42,143,667**	**55,375,186,287**

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets					
	Less than 30 Days	**31-60 Days**	**61-90 Days**	**More than 90 days**	**Total**
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	678,220,744	-	1,640,619,223	2,940,749,736	5,259,589,702

Note 37.1.2: Analysis of Risk Concentration

Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements. The Concentration risk is monitored/managed through borrower/group, Sector, product etc. The following tables show the maximum exposure to credit risk for the components of the Statement of Financial Position, including geography of counterparty, and sector.

Country Risk - Geographical Analysis as at 31 Dec 2022	Bank & Group (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	4,311,427,484	1,429,757,366	63,465,127	687,272,339	6,491,922,316
Balances with Central Bank	6,438,288,018				6,438,288,018
Placement with other Banks	201,252,954				201,252,954
Loans & Advances to Customers	40,626,939,378				40,626,939,378
Investments in Associates	85,976,269				85,976,269
Equity Instruments at FVTPL	119,918,026				119,918,026
Equity Instruments at FVT OCI	39,561,000				39,561,000
Debt Instruments at Amortized Cost	3,604,921,302				3,604,921,302
Other Financial Assets	599,009,224				599,009,224
	56,027,293,655	**1,429,757,366**	**63,465,127**	**687,272,339**	**58,207,788,487**

As at 31 December 2022:

Regional Break Down of Loans	Nu.
Corporate Office	21,706,278,479
Thimphu	6,061,981,515
Phuntsholing	3,578,619,959
Samdrupjongkhar	861,558,431
Trashigang	768,298,747
Gelephu	1,974,939,194
Paro	1,870,290,406
Monggar	749,545,378
Wangdue	877,034,791
Bumthang	650,399,349
Gomtu	1,134,316,002
Tsirang	393,677,125
	40,626,939,376

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Country Risk - Geographical Analysis as at 31 Dec 2021	Bank & Group (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	906,085,581	745,980,155	61,886,400	295,085,222	2,009,037,357
Balances with Central Bank	13,129,994,406				13,129,994,406
Placement with other Banks	-				-
Loans & Advances to Customers	33,051,812,737				33,051,812,737
Investments in Associates	91,463,480				91,463,480
Equity Instruments at FVTPL	135,967,478				135,967,478
Equity Instruments at FVTOCI	39,561,000				39,561,000
Debt Instruments at Amortized Cost	1,832,325,941				1,832,325,941
Other Financial Assets	784,980,090				784,980,090
	49,972,190,712	**745,980,155**	**61,886,400**	**295,085,222**	**51,075,142,489**

As at 31 December 2021:

Regional Break Down of Loans	Nu.
Regional Break Down of Loans	Nu.
Corporate Office	18,160,619,891
Thimphu	3,689,426,927
Phuntsholing	3,178,884,283
Samdrupjongkhar	804,128,014
Trashigang	675,217,527
Gelephu	1,811,131,646
Paro	1,402,016,945
Monggar	674,234,809
Wangdue	803,139,873
Bumthang	601,840,657
Gomtu	870,605,142
Tsirang	**380,567,022**
	33,051,812,737

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.3: Industry Analysis

As at 31 December 2022	Bank (Nu.)												
	Product & Manufacturing	Services	Trade & Commerce	Housing Loans	Transport Loans	Personal Loans	Agriculture	Others	ODWC	Credit Card	Bills	Suspended	Total
Cash and Cash Equivalents	-	5,899,387,598	-	-	-	-	-	592,534,718	-	-	-	-	**6,491,922,316**
Balances with RMA	-	-	-	-	-	-	-	6,438,288,018	-	-	-	-	**6,438,288,018**
Placement with other Banks	-	201,252,954	-	-	-	-	-	-	-	-	-	-	**201,252,954**
Loans & Advances to Customers	3,292,542,439	7,270,174,351	2,464,384,319	13,481,680,671	1,769,568,286	1,386,305,699	191,394,535	4,871,366,168	5,898,994,158	3,196,950	37,259,352	(39,927,551)	**40,626,939,378**
Investments in Associates	85,976,269	-	-	-	-	-	-	-	-	-	-	-	**85,976,269**
Equity Instruments at FVTPL	133,467,478	2,500,000						-	-	-	-	-	**135,967,478**
Equity Instruments at FVTOCI	-	39,561,000	-	-	-	-	-	-	-	-	-	-	**39,561,000**
Debt Instruments at Amortized Cost	115,763,294	-	-	-	-	-	-	3,519,000,477	-	-	-	-	**3,634,763,771**
Other Financial Assets	-	-	-	-	-	-	-	599,009,224	-	-	-	-	**599,009,224**

As at 31 December 2022	Group (Nu.)												
	Product & Manufacturing	Services	Trade & Commerce	Housing Loans	Transport Loans	Personal Loans	Agriculture	Others	ODWC	Credit Card	Bills	Suspended	Total
Cash and Cash Equivalents	-	5,899,387,598	-	-	-	-	-	592,534,718	-	-	-	-	6,491,922,316
Balances with RMA	-	-	-	-	-	-	-	6,438,288,018	-	-	-	-	6,438,288,018
Placement with other Banks	-	201,252,954	-	-	-	-	-	-	-	-	-	-	201,252,954
Loans & Advances to Customers	3,292,542,439	7,270,174,351	2,464,384,319	13,481,680,671	1,769,568,286	1,386,305,699	191,394,535	4,871,366,168	5,898,994,158	3,196,950	37,259,352	(39,927,551)	40,626,939,378
Investments in Associates	168,696,378	-	-	-	-	-	-	-	-	-	-	-	168,696,378
Equity Instruments at FVTPL	133,467,478	2,500,000	-	-	-	-	-	-	-	-	-	-	135,967,478
Equity Instruments at FVTOCI	-	39,561,000	-	-	-	-	-	-	-	-	-	-	39,561,000
Debt Instruments at Amortized Cost	115,763,294	-	-	-	-	-	-	3,519,000,477	-	-	-	-	3,634,763,771
Other Financial Assets	-	-	-	-	-	-	-	599,009,224	-	-	-	-	599,009,224

As at 31 December 2021	Bank (Nu.)												
	Product & Manufacturing	Services	Trade & Commerce	Housing Loans	Transport Loans	Personal Loans	Agriculture	Others	ODWC	Credit Card	Bills	Suspended	Total
Cash and Cash Equivalents	-	1,369,782,381	-	-	-	-	-	639,254,976	-	-	-	-	**2,009,037,357**
Balances with RMA	-	-	-	-	-	-	-	13,129,994,406	-	-	-	-	**13,129,994,406**
Placement with other Banks	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Loans & Advances to Customers	3,398,381,734	6,454,093,933	2,003,147,891	11,456,714,222	1,935,982,724	1,171,626,267	187,525,968	1,239,961,055	5,315,965,210	1,574,451	6,340,086	(119,500,806)	**33,051,812,737**
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	-	-	-	**91,463,480**
Equity Instruments at FVTPL	133,467,478	2,500,000	-	-	-	-	-	-	-	-	-	-	**135,967,478**
Equity Instruments at FVTOCI	-	39,561,000	-	-	-	-	-	-	-	-	-	-	**39,561,000**
Debt Instruments at Amortized Cost	115,687,622	-	-	-	-	-	-	1,735,199,416	-	-	-	-	**1,850,887,038**
Other Financial Assets	-	-	-	-	-	-	-	784,980,090	-	-	-	-	**784,980,090**

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

As at 31 December 2021	Group (Nu.)												
	Product & Manufacturing	Services	Trade & Commerce	Housing Loans	Transport Loans	Personal Loans	Agriculture	Others	ODWC	Credit Card	Bills	Suspended	Total
Cash and Cash Equivalents	-	1,369,782,381	-	-	-	-	-	639,254,976	-	-	-	-	2,009,037,357
Balances with RMA	-	-	-	-	-	-	-	13,129,994,406	-	-	-	-	13,129,994,406
Placement with other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans & Advances to Customers	3,398,381,734	6,454,093,933	2,003,147,891	11,456,714,222	1,935,982,724	1,171,626,267	187,525,968	1,239,961,055	5,315,965,210	1,574,451	6,340,086	(119,500,806)	33,051,812,737
Investments in Associates	91,769,312	-	-	-	-	-	-	-	-	-	-	-	91,769,312
Equity Instruments at FVTPL	133,467,478	2,500,000	-	-	-	-	-	-	-	-	-	-	135,967,478
Equity Instruments at FVTOCI	-	39,561,000	-	-	-	-	-	-	-	-	-	-	39,561,000
Debt Instruments at Amortized Cost	115,687,622	-	-	-	-	-	-	1,735,199,416	-	-	-	-	1,850,887,038
Other Financial Assets	-	-	-	-	-	-	-	784,980,090	-	-	-	-	784,980,090

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.4: Credit loss expense

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective	Individual/ Collective	
2022:				
Cash & cash Equivalents	2,479,798	-	-	2,479,798
Placement with other Banks	12,799	-	-	12,799
Loans & Advances to Customers	-	516,574,144	1,866,867,448	2,383,441,593
Debt instruments at amortized cost	2,228	-	-	2,228
Off-balance sheet items	**-**	**-**	**-**	**-**
Financial guarantees	-	19,064,227	-	19,064,227
Letters of credit	-	2,385,459	-	2,385,459
Total Impairment Loss	**2,494,825**	**538,023,831**	**1,866,867,448**	**2,407,386,104**
2021:				
Cash & cash Equivalents	2,471,912	-	-	2,471,912
Placement with other Banks	-	-	-	-
Loans & Advances to Customers	1,612,551,635	286,362,317	1,822,420,957	3,721,334,909
Debt instruments at amortized cost	2,229	-	-	2,229
Off-balance sheet items	**-**	**-**	**-**	**-**
Financial guarantees	-	24,507,802	26,173,293	50,681,095
Letters of credit	-	7,771,609	-	7,771,609
Total Impairment Loss	**1,615,025,775**	**318,641,728**	**1,848,594,250**	**3,782,261,754**

JIGMI Audit & Financials Pvt. Ltd
Thimphu

Note 37.1.5: Loans and advances to customers

Particulars	2022	2021
OD & Working Capital	8,159,587,728	7,167,768,518
Housing Loans	13,787,715,676	11,519,613,385
Services	8,270,469,730	7,154,672,950
Product & Manufacturing	2,892,205,255	2,819,922,690
Transport Loans	1,959,410,240	2,017,086,517
Trade & Commerce	4,090,224,273	3,313,377,961
Personal Loans	1,427,390,540	1,192,211,155
Others	2,487,525,670	84,959,872
Credit Card	3,563,972	2,882,866
Agriculture	62,964,013	66,548,192
Suspended Loan	380,552,141	858,143,012
Bills	73,106,851	51,623,621
Staff loan	464,333,730	339,218,577
Loan against TDs	370,172,280	243,571,031
Total Loans and Advances to customers	**44,429,222,099**	**36,831,600,350**
Less: Allowance for ECL/impairment losses (Individual and Collective)	(3,802,282,721)	(3,779,787,613)
	40,626,939,378	**33,051,812,737**

JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

Note 37.1.5.1: Impairment allowance for loans and advances to customers

Note 37.1.5.1.1: OD & Working Capital

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	4,341,538,739			**4,341,538,739**	5,945,145,297			**5,945,145,297**
1-30 Days Passed Due	1,742,403,631			**1,742,403,631**	412,633,245			**412,633,245**
31-60 Days Passed Due		741,641,404		**741,641,404**		-		**-**
61-90 Days Passed Due		238,341,496		**238,341,496**		288,287,363		**288,287,363**
90 Days & Above			1,095,662,459	**1,095,662,459**			521,702,612	**521,702,612**
Individually impaired				**-**				**-**
Total	**6,083,942,370**	**979,982,899**	**1,095,662,459**	**8,159,587,728**	**6,357,778,542**	**288,287,363**	**521,702,612**	**7,167,768,518**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to **corporate lending** is as follows:

	Stage1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**5,305,045,247**	**786,181,671**	**1,334,870,996**	**7,426,097,915**
New assets originated	336,006,951	57,473,875	1,045,861	**394,526,686**
Assets derecognized or repaid	135,028,172	109,145,943	(897,030,199)	**(652,856,084)**
Transfers to Stage 1	(117,174,578)	41,206,562	75,968,016	**-**
Transfers to Stage 2	698,872,751	(705,720,689)	6,847,938	**(0)**
Transfers to Stage 3	-	-		**-**
At 31 December 2021	**6,357,778,542**	**288,287,363**	**521,702,612**	**7,167,768,517**
Gross carrying amount as at 1 January 2022	**6,357,778,542**	**288,287,363**	**521,702,612**	**7,167,768,517**
New assets originated				-
Assets de-recognized or repaid	(273,836,173)	698,543,474	565,051,413	989,758,714
Transfers to Stage 1	-			-
Transfers to Stage 2		(6,847,938)	8,908,434	2,060,496
Transfers to Stage 3	-	-		-
At 31 December 2022	**6,083,942,370**	**979,982,899**	**1,095,662,459**	**8,159,587,728**

Note 37.1.5.1.2: Housing

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	13,130,460,529	-	-	**13,130,460,529**	10,747,655,330	-	-	**10,747,655,330**
1-30 Days Passed Due	237,756,166	-	-	**237,756,166**	154,820,996	-	-	**154,820,996**
31-60 Days Passed Due	-	219,866,744	-	**219,866,744**	-	-	-	**-**
61-90 Days Passed Due	-	102,084,886	-	**102,084,886**	-	375,067,655	-	**375,067,655**
90 Days & Above	-	-	97,547,352	**97,547,352**	-	-	242,069,404	**242,069,404**
Individually impaired	-	-	-	**-**	-	-	-	**-**
Total	**13,368,216,695**	**321,951,630**	**97,547,352**	**13,787,715,676**	**10,902,476,326**	**375,067,655**	**242,069,404**	**11,519,613,385**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is, as follows:

	Stage1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**9,674,684,123**	**746,576,906**	**578,518,828**	**10,999,779,857**
New assets originated	1,648,025,417	35,505,193	11,860,950	**1,695,391,560**
Assets de-recognised or repaid	(750,218,072)	171,499	(425,484,874)	**(1,175,531,446)**
Transfers to Stage 1	(155,265,000)	85,050,717	70,214,283	**-**
Transfers to Stage 2	485,249,857	(492,236,661)	6,960,218	**(26,585)**
Transfers to Stage 3	-	-	-	**-**
At 31 December 2021	**10,902,476,326**	**375,067,655**	**242,069,404**	**11,519,613,385**
Gross carrying amount as at 1 January 2022	**10,902,476,326**	**375,067,655**	**242,069,404**	**11,519,613,385**
New assets originated	2,465,740,369	(53,116,025)	(144,522,052)	2,268,102,292
Assets de-recognized or repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2022	**13,368,216,695**	**321,951,630**	**97,547,352**	**13,787,715,676**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.5.1.3: Production and Manufacturing

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	1,277,146,553	-	-	1,277,146,553	2,226,036,091	-	-	2,226,036,091
1-30 Days Passed Due	283,247,852	-	-	283,247,852	12,204,361	-	-	12,204,361
31-60 Days Passed Due	-	828,338,955	-	828,338,955	-	-	-	-
61-90 Days Passed Due	-	164,814,642	-	164,814,642	-	238,535,300	-	238,535,300
90 Days & Above	-	-	338,657,253	338,657,253	-	-	343,146,938	343,146,938
Individually impaired	-	-	-	-	-	-	-	-
Total	**1,560,394,405**	**993,153,597**	**338,657,253**	**2,892,205,255**	**2,238,240,452**	**238,535,300**	**343,146,938**	**2,819,922,690**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**1,502,931,939**	**392,557,847**	**842,342,177**	**2,737,831,963**
New assets originated	202,769,499	19,606,774	2,670,091	**225,046,364**
Assets de-recognized or repaid	325,672,505	53,414,585	(522,042,727)	**(142,955,637)**
Transfers to Stage 1	(17,883,037)	13,261,015	4,622,021	**-**
Transfers to Stage 2	224,749,547	(240,304,922)	15,555,375	**0**
Transfers to Stage 3	-	-	-	**-**
At 31 December 2021	**2,238,240,452**	**238,535,300**	**343,146,937**	**2,819,922,690**
Gross carrying amount as at 1 January 2022	**2,238,240,452**	**238,535,300**	**343,146,937**	**2,819,922,689**
New assets originated	-	-	-	-
Assets de-recognized or repaid	(677,846,047)	754,618,296	(4,489,685)	72,282,565
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2022	**1,560,394,405**	**993,153,597**	**338,657,252**	**2,892,205,255**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.5.1.4: Transport

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37.1.9.1 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	1,265,718,083	-	-	**1,265,718,083**	1,592,080,120	-	-	**1,592,080,120**
1-30 Days Passed Due	53,153,670	-	-	**53,153,670**	32,647,969	-	-	**32,647,969**
31-60 Days Passed Due	-	244,767,832	-	**244,767,832**	-	-	-	**-**
61-90 Days Passed Due	-	226,995,163	-	**226,995,163**	-	253,575,639	-	**253,575,639**
90 Days & Above	-	-	169,046,259	**169,046,259**	-	-	138,782,789	**138,782,789**
Individually impaired	-	-	-	**-**	-	-	-	**-**
Total	**1,318,871,753**	**471,762,995**	**169,046,259**	**1,959,681,007**	**1,624,728,090**	**253,575,639**	**138,782,789**	**2,017,086,517**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**1,203,365,141**	**340,764,274**	**321,501,266**	**1,865,630,681**
New assets originated	418,814,414	25,974,842	3,349,312	**448,138,568**
Assets de-recognized or repaid	(145,674,071)	55,915,896	(206,924,557)	**(296,682,732)**
Transfers to Stage 1	(38,097,231)	28,172,447	9,924,784	**-**
Transfers to Stage 2	186,319,837	(197,251,821)	10,931,984	**0**
Transfers to Stage 3	-			**-**
At 31 December 2021	**1,624,728,089**	**253,575,639**	**138,782,789**	**2,017,086,517**
Gross carrying amount as at 1 January 2022	**1,624,728,089.30**	**253,575,638.97**	**138,782,788.62**	**2,017,086,516.89**
New assets originated				**0.00**
Assets de-recognized or repaid	(305,856,336.98)	218,187,356.65	29,992,703.48	**(57,676,276.85)**
Transfers to Stage 1	0.00			**0.00**
Transfers to Stage 2		0.00		**0.00**
Transfers to Stage 3	0.00			**0.00**
At 31 December 2022	**1,318,871,752.32**	**471,762,995.62**	**168,775,492.10**	**1,959,410,240.04**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.5.1.5: Trade & Commerce

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual and Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual and Collective	Total
Current	3,194,171,450	-	-	**3,194,171,450**	2,612,846,931	-	-	**2,612,846,931**
1-30 Days Passed Due	99,097,553	-	-	**99,097,553**	103,574,892	-	-	**103,574,892**
31-60 Days Passed Due	-	208,820,675	-	**208,820,675**	-	-	-	**-**
61-90 Days Passed Due	-	341,887,320	-	**341,887,320**	-	336,365,473	-	**336,365,473**
90 Days & Above	-	-	246,247,275	**246,247,275**	-	-	260,590,666	**260,590,666**
Individually impaired	-	-	-	**-**	-	-	-	**-**
Total	**3,293,269,003**	**550,707,995**	**246,247,275**	**4,090,224,273**	**2,716,421,823**	**336,365,473**	**260,590,666**	**3,313,377,961**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 1anuary 2021	**1,856,461,258**	**531,642,235**	**467,220,670**	**2,855,324,163**
New assets originated	751,100,449	109,134,925	42,158,045	**902,393,419**
Assets derecognized or repaid	(192,718,030)	3,710,989	(255,332,579)	**(444,339,620)**
Transfers to Stage 1	(52,313,273)	48,180,322	4,132,951	**-**
Transfers to Stage 2	353,891,419	(356,302,998)	2,411,579	**-**
Transfers to Stage 3	-	-	-	**-**
At 31 December 2021	**2,716,421,823**	**336,365,473**	**260,590,666**	**3,313,377,962**
Gross carrying amount as at 1 January 2022	**2,716,421,823**	**336,365,473**	**260,590,666**	**3,313,377,962**
New assets originated	-	-	-	**-**
Assets derecognized or repaid	576,847,180	214,342,522	(14,343,390)	**776,846,311**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
At 31 December 2022	**3,293,269,003**	**550,707,995**	**246,247,275**	**4,090,224,273**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.5.1.6: Personal

The table below shows the credit quality and the maximum exposure to credit risk based on the passed due status of the borrowers. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies about whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	1,285,860,678			**1,285,860,678**	1,080,745,230			**1,080,745,230**
1-30 Days Passed Due	14,175,139			**14,175,139**	10,214,873			**10,214,873**
31-60 Days Passed Due		56,306,863		**56,306,863**		-		**-**
61-90 Days Passed Due		27,151,122		**27,151,122**		59,632,507		**59,632,507**
90 Days & Above			43,896,737	**43,896,737**			41,618,546	**41,618,546**
Individually impaired	-	-	-	**-**	-	-	-	**-**
Total	**1,300,035,818**	**83,457,985**	**43,896,737**	**1,427,390,540**	**1,090,960,103**	**59,632,507**	**41,618,546**	**1,192,211,155**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**865,039,764**	**57,622,198**	**34,481,331**	**957,143,293**
New assets originated	483,605,732	32,225,949	10,442,279	**526,273,960**
Assets derecognized or repaid	(266,737,960)	(10,821,599)	(13,646,538)	**(291,206,098)**
Transfers to Stage 1	(16,895,952)	9,751,009	7,144,944	-
Transfers to Stage 2	25,948,519	(29,145,050)	3,196,531	-
Transfers to Stage 3				-
At 31 December 2021	**1,090,960,103**	**59,632,507**	**41,618,546**	**1,192,211,155**
Gross carrying amount as at 1 January 2022	**1,090,960,103**	**59,632,507**	**41,618,546**	**1,192,211,155**
New assets originated				-
Assets derecognized or repaid	209,075,715.21	23,825,478.96	2,278,190.64	**235,179,385**
Transfers to Stage 1				-
Transfers to Stage 2				-
Transfers to Stage 3				-
At 31 December 2022	**1,300,035,818**	**83,457,985**	**43,896,737**	**1,427,390,540**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.5.1.7: Credit Card

The table below shows the credit quality and the maximum exposure to credit risk based on the passed due status of the borrowers. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies about whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Delinquency Grades	2022				2021			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual & Collective	Total
Current	-	-	-	-	1,170,821	-	-	1,170,821
1-30 Days Passed Due	-	-	-	-	-	-	-	-
31-60 Days Passed Due	-	-	-	-	-	-	-	-
61-90 Days Passed Due	-	-	-	-	-	-	-	-
90 Days & Above	-	-	3,563,972	3,563,972	-		1,712,045	1,712,045
Individually impaired	-	-	-	-	-	-	-	-
Total	**-**	**-**	**3,563,972**	**3,563,972**	**1,170,821**	**-**	**1,712,045**	**2,882,866**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**537,759**	**290,264**	**1,403,196**	**2,231,219**
New assets originated	1,049,684	-	-	**1,049,684**
Assets de-recognized or repaid	414,450	(76,977)	(751,309)	**(413,836)**
Transfers to Stage 1	(1,988)	-	1,988	**-**
Transfers to Stage 2	220,600	(213,287)	8,487	**15,799**
Transfers to Stage 3				**-**
At 31 December 2021	**2,220,505**	**-**	**662,361**	**2,882,866**
Gross carrying amount as at 1 January 2022	**2,220,505**	**-**	**662,361**	**2,882,866**
New assets originated				**-**
Assets de-recognized or repaid	(2,220,505.17)	0.00	2,901,611.88	**681,107**
Transfers to Stage 1				**-**
Transfers to Stage 2				**-**
Transfers to Stage 3				**-**
At 31 December 2022	**-**	**-**	**3,563,973**	**3,563,973**

JIGMI Audit & Financial Services Pvt. Ltd. Thimphu

Note 37.1.5.2: Impairment allowance as at 31 December 2022

An analysis of the allowance for impairment losses under BFRS 9 for loans and advances, by class is as follows:

All in Nu.	ODWC	Housing	Services	Production and manufacturing	Transport	Trade and commerce	Personal	Others	Credit card	Agriculture	Total
At 1 January 2022	**1,825,645,133**	**60,978,368**	**304,195,876**	**167,353,481**	**80,196,498**	**200,786,595**	**20,582,210**	**1,090,280,572**	**1,310,392**	**4,780,019**	**3,756,109,144**
Charge/Reversal for the year - Collective impairment	459,061,234	10,743,861	(22,551,816)	135,914,392	22,122,712	65,733,523	330,769	(594,129,177)	(943,369)	(1,440,434)	**74,841,695**
Charge/Reversal for the year - Individual Impairment	(26,173,293)	-	-	-	-	-	-	-	-	-	**(26,173,293)**
At 31 December 2022	**2,258,533,073**	**71,722,228**	**281,644,060**	**303,267,873**	**102,319,210**	**266,520,119**	**20,912,979**	**496,151,396**	**367,023**	**3,339,585**	**3,804,777,546**
Made up of:											
Individual impairment											-
Collective impairment	2,258,533,073	71,722,228	281,644,060	303,267,873	102,319,210	266,520,119	20,912,979	496,151,396	367,023	3,339,585	**3,804,777,546**
Total Impairment	**2,258,533,073**	**71,722,228**	**281,644,060**	**303,267,873**	**102,319,210**	**266,520,119**	**20,912,979**	**496,151,396**	**367,023**	**3,339,585**	**3,804,777,546**
Gross amount of loans individually determined to be impaired											-
At 1 January 2021	**2,373,720,317**	**143,972,260**	**210,537,063**	**270,203,827**	**120,293,509**	**252,693,978**	**25,420,076**	**649,411,843**	**2,271,678**	**6,568,074**	**4,055,092,625**
Charge/Reversal for the year - Collective impairment	(563,805,055)	(82,993,892)	93,658,813	(102,850,346)	(40,097,011)	(51,907,383)	(4,837,866)	440,868,730	(961,286)	(1,788,056)	**(314,713,352)**
Charge/Reversal for the year - Individual Impairment	15,729,871										**15,729,871**
At 31 December 2021	**1,825,645,133**	**60,978,368**	**304,195,876**	**167,353,481**	**80,196,498**	**200,786,595**	**20,582,210**	**1,090,280,572**	**1,310,392**	**4,780,019**	**3,740,379,273**
Made up of:											
Individual impairment	26,173,293										**26,173,293**
Collective impairment:	1,825,645,133	60,978,368	304,195,876	167,353,481	80,196,498	200,786,595	20,582,210	1,090,280,572	1,310,392	4,780,019	**3,756,109,144**
Total Impairment	**1,851,818,426**	**60,978,368**	**304,195,876**	**167,353,481**	**80,196,498**	**200,786,595**	**20,582,210**	**1,090,280,572**	**1,310,392**	**4,780,019**	**3,782,282,438**
Gross amount of loans individually determined to be impaired	42,143,667										**42,143,667**

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Note 37.1.6: Financial investments other than those measured at FVTPL

Below is an analysis of the Bank's financial investments other than those measured at FVTPL:

	2022	2021
Financial investments - Available-for-sale (not pledged as collateral)		
Equities	119,918,026	135,967,478
Total	**119,918,026**	**135,967,478**
Available for sale investments pledged as collateral	**-**	**-**
Equities	-	-
Total	**-**	**-**
Debt instruments at amortized cost	**-**	**-**
Corporate bonds	3,604,921,302	1,832,325,941
Total	**3,604,921,302**	**1,832,325,941**
Total financial investments other than those measured at FVTPL	**3,724,839,328**	**1,968,293,419**

Note 37.1.7: Impairment losses on financial investments subject to impairment assessment continued

Note 37.1.7.1: Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the external credit ratings. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in **Note 37.1.9.1** and policies on whether ECL allowances are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Debt instruments measured at amortised cost

Internal rating grade Performance	2022				2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
High grade	3,604,921,302			3,604,921,302	1,832,325,941			**1,832,325,941**
Standard grade				-				-
Sub-standard grade				-				-
Past due but not impaired				-				-
Non-performing				-				-
Individually impaired				-				-
Total	**3,604,921,302**	**-**	**-**	**3,604,921,302**	**1,832,325,941**	**-**	**-**	**1,832,325,941**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows:

	2022				2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 Jan.	**1,832,325,941**			**1,832,325,941**				-
New assets purchased				-				-
Assets derecognized or matured (excluding write-offs)	1,772,595,361			**1,772,595,361**	1,832,325,941			**1,832,325,941**
Transfers to Stage 1				-				-
Transfers to Stage 2				-				-
Transfers to Stage 3				-				-
At 31 December	**3,604,921,302**	-	-	**3,604,921,302**	**1,832,325,941**	-	-	**1,832,325,941**

	2022				2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January	2,229			**2,229**				-
New assets purchased				-				-
Charge /Reversal	(1.08)			**(1)**	2,229			**2,229**
Transfers to Stage 1				-				-
Transfers to Stage 2				-				-
Transfers to Stage 3				-				-
At 31 December	**2,228**	-	-	**2,228**	**2,229**	-	-	**2,229**

Note 37.1.8: Contingent liabilities, commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain 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 customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below:

Particulars	2022	2021
Financial guarantees	5,567,134,503	4,229,391,926
Letters of credit	696,601,651	670,586,058
Other undrawn commitments	7,368,429,255	6,389,801,380
Total	**13,632,165,409**	**11,289,779,363**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.8.1: Impairment losses on guarantees and other commitments

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to guarantees and other commitments is, as follows:

Note 37.1.8.1.1: Financial guarantees

The table below shows the credit quality and the maximum exposure to credit risk based on the customer passed due days Details of the Bank's internal credit risk management policies are in **Note 37.1** and policies on whether ECLs are calculated on an individual or collective basis are set out in **Note 37.1.9.5.**

Outstanding exposure

Delinquency Grades	2022				2021
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual/ Collective	Total	Total
Current				-	-
1-30 Days Passed Due				-	-
31-60 Days Passed Due		5,567,134,503		**5,567,134,503**	**4,229,391,926**
61-90 Days Passed Due				-	-
90 Days & Above				-	-
Total	-	**5,567,134,503**	-	**5,567,134,503**	**4,229,391,926**

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

	2022				2021
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
Outstanding exposure as at 1 January 2021		4,229,391,926		4,229,391,926	2,792,640,364
New exposures		3,328,878,643		3,328,878,643	5,808,803,612
Exposure derecognized or matured/lapsed (excluding		(1,991,136,066)		(1,991,136,066)	(4,372,052,050)
write offs)		-		-	-
Transfers to Stage 1		-		-	-
Transfers to Stage 2		-		-	-
Transfers to Stage 3		-		-	-
At 31 December 2021	-	**5,567,134,503**	-	**5,567,134,503**	**4,229,391,926**

JIGMI Audit & Financials Pvt. Ltd ★ Thimphu ★

Note 37.1.8.1.2: Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the customer passed due days. Details of the Bank's internal credit risk management policies are in Note 37.1 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 37.1.9.5.

Outstanding exposure

Delinquency Grades	2022				2021
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual / Collective	Total	Total
Current				-	-
1-30 Days Passed Due				-	-
31-60 Days Passed Due				-	-
61-90 Days Passed Due		696,601,651		696,601,651	670,586,058
90 Days & Above				-	-
Total	**-**	**696,601,651**	**-**	**696,601,651**	**670,586,058**

An analysis of changes in the outstanding exposures and the corresponding ECLs is as follows:

	2022				2021
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
Outstanding exposure as at 1 January 2021		670,586,058		670,586,058	323,614,371
New exposures		609,329,713		609,329,713	1,564,908,478
Exposure derecognized or matured/lapsed		(583,314,120)		(583,314,120)	(1,217,936,791)
(excluding write-offs)		-		-	-
Transfers to Stage 1		-		-	-
Transfers to Stage 2		-		-	-
Transfers to Stage 3		-		-	-
At 31 December 2021	**-**	**696,601,651**	**-**	**696,601,651**	**670,586,058**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.8.1.3: Other undrawn commitments

Outstanding exposure

Delinquency Grades	2022				2021
	Stage 1 Collective	Stage 2 Collective	Stage 3 Individual/ Collective	Total	Total
Current	7,368,429,255			7,368,429,255	6,389,801,380
1-30 Days Passed Due				-	-
31-60 Days Passed Due				-	-
61-90 Days Passed Due				-	-
90 Days & Above				-	-
Total	**7,368,429,255**	**-**	**-**	**7,368,429,255**	**6,389,801,380**

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	2022				2021
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
Outstanding exposure as at 1 January 2021	6,389,801,380			**6,389,801,380**	**5,198,986,812**
New exposures	5,844,925,409			**5,844,925,409**	**958,546,454**
Exposure de-recognized or matured/lapsed	(4,866,297,535)			**(4,866,297,535)**	**232,268,114**
(excluding write-offs)	-			**-**	**-**
Transfers to Stage 1	-			**-**	**-**
Transfers to Stage 2	-			**-**	**-**
Transfers to Stage 3	-			**-**	**-**
At 31 December 2022	**7,368,429,254**	**-**	**-**	**7,368,429,254**	**6,389,801,380**

Note 37.1.9: Impairment Assessment *(Policy applicable from 1 January 2018)*

The Bank considers a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances as defaulted and takes immediate action when the required payments are not settled by the close of the business as outlined in the individual agreements. As part of qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such event occurs, the Bank carefully considers a whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculation.

It is in the Bank's policy to consider a financial instrument as 'Cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive

JIGMI Audit & Financials Pvt. Ltd. Thimphu

months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit status, at the time of the cure, and whether this indicates there has been significant increase in the credit risk compared to initial recognition.

Note 37.1.9.1: Bank's internal rating process

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Good Rating Agency, and assigns the internal rating, as shown in the table below

Corporate and small business lending

For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on the behaviour of the customer and the RMA classification based on the past due status. Further bank considers following when assessing the risk of a customer:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- *Consumer lending products:* use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing; and
- *Retail mortgages:* GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Bank's Delinquency status

Delinquency status	Description
Stage 1	
Regular	**Performing**
1 - 30 days	**Performing**
Stage 2	
31-60 days	**Under Performing**
61-90 days	**Under Performing**
Stage 3	
Above 90 days	**Non- performing**

Note 37.1.9.2: Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit cards and other revolving facilities is set out in **Note 2.5.6.5.**

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The BFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Note 37.1.9.3: Loss given default

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine

JIGMI Audit & Financials Pvt. Ltd. Thimphu

the BFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios.

Note 37.1.9.4: Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

Note 37.1.9.5: Grouping financial assets measured on a collective basis

As explained in **Note 2.5.6** dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis all customers above the individually significant threshold 25% of the total exposure.

Asset classes where the Bank calculates ECL on a collective basis include Customers below the Individually Significant threshold of 25%

The Bank groups these exposures into smaller homogeneous portfolios described below:

- Product Type;
- Collateral Type;
- Nature of Business;
- Utilisation/Revolving Amount;
- Income/Repayment source;
- Loan Amount;
- LTV;
- LTI; and
- Repayment history.

Note 37.1.10: Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in **Note 2.5: Summary of significant accounting policies** and in **Note 2.4: Significant accounting judgements, estimates and assumptions.** To ensure completeness and accuracy, the Bank obtains the data used from third party sources (RMA Published data, NSB published data, IMF & World Bank.) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for each of the four geographical segments, as at 31 December 2021 and 2022.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

31 December 2022

Key drivers	ECL Scenario	Assigned Probabilities (%)	2021	2022	2023	2024	2025	Subsequent years
GDP growth %	Base Case	20	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
	Best Case	20	3.70%	0.71%	6.22%	7.65%	6.17%	6.12%
	Worse Case	60	3.70%	0.73%	0.00%	0.00%	0.00%	0.00%
Inflation Rates %	Base Case	30	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%
	Best Case	30	6.87%	6.63%	6.57%	6.51%	6.45%	6.31%
	Worse Case	40	6.87%	7.04%	7.19%	7.34%	7.50%	7.57%
Interest Rate %	Base Case	30	10.97%	10.97%	10.97%	10.97%	10.97%	10.97%
	Best Case	30	10.97%	10.82%	10.74%	10.61%	10.43%	10.25%
	Worse Case	40	10.97%	11.36%	11.57%	11.73%	11.83%	11.86%
Exchange rates (USD $ to Ngultrum BTN)	Base Case	30	73.70	75.55	77.45	79.39	81.39	83.43
	Best Case	30	73.70	74.92	76.16	77.42	78.70	80.00
	Worse Case	40	73.70	78.36	83.32	88.59	94.19	100.00
Unemployment rates %	Base Case	30	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Best Case	30	5.00%	4.94%	4.91%	4.87%	4.80%	4.73%
	Worse Case	40	5.00%	5.15%	5.22%	5.28%	5.32%	5.33%

31 December 2021

Key drivers	ECL Scenario	Assigned Probabilities (%)	2020	2021	2022	2023	2024	Subsequent years
GDP growth %	Base Case	20	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%
	Best Case	20	-0.06%	6.86%	6.22%	7.65%	6.17%	6.12%
	Worse Case	60	-6.10%	-3.21%	-1.40%	0.25%	1.76%	0.23%
Inflation Rates %	Base Case	30	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
	Best Case	30	4.50%	4.29%1	4.24%	4.19%	4.14%	4.03%
	Worse Case	40	4.50%	4.64%	4.77%	4.91%	5.04%	5.10%
Interest Rate %	Base Case	30	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
	Best Case	30	11.50%	11.24%	11.10%	10.88%	10.57%	10.27%
	Worse Case	40	11.50%	12.20%	12.57%	12.86%	13.04%	13.10%
Exchange rates (USD $ to Ngultrum BTN)	Base Case	30	72.50	74.86	77.31	79.83	82.43	85.12
	Best Case	30	72.50	76.64	81.03	85.66	90.55	95.73
	Worse Case	40	72.50	77.09	81.96	87.15	92.66	98.52
Unemployment rates %	Base Case	30	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
	Best Case	30	2.70%	2.69%	2.68%	2.67%	2.66%	2.64%
	Worse Case	40	2.70%	2.73%	2.75%	2.76%	2.77%	2.77%

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Note 37.1.11: Credit risk exposure analysis

December 31 2022	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual & Collective	Total
Per portfolio						
Cash & cash Equivalents		2,479,798				**2,479,798**
Placement with other Banks		12,799				**12,799**
Debt Instruments at Amortized Cost		2,228				**2,228**
Loans & Advances to Customers		1,397,391,442		516,574,144	1,866,867,448	**3,780,833,035**
Financial guarantees				19,064,227		**19,064,227**
Letters of credit				2,385,459		**2,385,459**
Per industry segment(*)						
OD & Working Capital		952,276,842		294,685,302	1,011,570,929	**2,258,533,073**
Housing Loans		37,013,161		10,127,820	24,581,247	**71,722,228**
Services		242,250,353		14,975,171	24,418,537	**281,644,060**
Product & Manufacturing		54,541,600		92,954,982	155,771,292	**303,267,873**
Transport Loans		19,122,254		30,502,284	52,694,671	**102,319,210**
Trade & Commerce		77,053,390		53,934,487	135,532,242	**266,520,119**
Personal Loans		3,497,778		3,163,051	14,252,151	**20,912,979**
Others		2,068,579		664,088	-	**2,732,668**
Credit Card					367,023	**367,023**
Agriculture		2,184,531		35,847	1,119,207	**3,339,585**
Suspended Loan					420,479,692	**420,479,692**
Bills		7,382,953		2,384,087	26,080,459	**35,847,499**
Devolved LC				13,147,026		**13,147,026**

(*) Includes financial assets measured at FVTOCI and also financial assets measured amortised cost.

December 31 2021	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Individual & Collective	Total
Per portfolio						
Cash & cash Equivalents		2,471,912				**2,471,912**
Placement with other Banks		-				**-**
Debt Instruments at Amortized Cost		2,229				**2,229**
Loans & Advances to Customers		1,612,551,635		286,362,317	1,822,420,957	**3,721,334,909**
Financial guarantees				25,693,371		**25,693,371**
Letters of credit				11,044,484		**11,044,484**
Per industry segment(*)						
OD & Working Capital		1,199,186,938		160,057,541	466,400,653	**1,825,645,133**

Housing Loans		31,081,452		3,698,230	26,198,686	**60,978,368**
Services		181,564,341		41,236,671	81,394,864	**304,195,876**
Product & Manufacturing		78,574,853		7,935,106	80,843,523	**167,353,481**
Transport Loans		15,866,828		20,223,108	44,106,561	**80,196,498**
Trade & Commerce		58,162,386		17,874,110	124,750,099	**200,786,595**
Personal Loans		2,216,580		2,160,797	16,204,834	**20,582,210**
Others		1,619,546		839,687	-	**2,459,232**
Credit Card		699,265		-	611,127	**1,310,392**
Agriculture		1,026,782		1,255,909	2,497,329	**4,780,019**
Suspended Loan		-		-	977,643,819	**977,643,819**
Bills		42,552,665		961,408	1,769,462	**45,283,535**
Devolved LC				30,119,751		**30,119,751**

(**) Includes financial assets measured at FVTOCI and also financial assets measured amortised cost.

Note 37.2: Liquidity Risk & Funding management

Note 37.2.1: Maturity Profile of Undiscounted Cash flow

The Tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31 December 2022. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

As at 31 December 2022	Bank (Nu)					
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Undiscounted Assets:						
Cash & cash Equivalents	6,491,922,316					**6,491,922,316**
Cash & Balances with RMA	6,438,288,018					**6,438,288,018**
Placement with other Banks		201,252,954				**201,252,954**
Due From Banks						**-**
Loans & Advances to Customers	5,203,537,878	9,946,405,722	13,379,460,316	8,308,261,956	43,270,653,722	**80,108,319,594**
Investments in Associates					85,976,269	**85,976,269**
Equity Instruments at FVTPL					119,918,026	**119,918,026**
Equity Instruments at FVTOCI					39,561,000	**39,561,000**

Debt Instruments at Amortized Cost	-	191,459,815	1,505,840,755	1,122,720,000	2,136,440,000	**4,956,460,570**
Other Financial Assets					599,009,224	**599,009,224**
Total undiscounted Assets	**18,133,748,212**	**10,339,118,492**	**14,885,301,071**	**9,430,981,956**	**46,251,558,241**	**99,040,707,972**
Undiscounted Liabilities:						
Due to Banks	1,912,014,117	34,458,372	988,654,934	2,860,411,726	11,082,521,293	**16,878,060,442**
Due to Customers	17,353,509,390	2,918,022,888	5,840,628,946	1,479,603,929	4,571,711,141	**32,163,476,293**
Debts Issued & Other Borrowed Funds	-	30,000,000	530,000,000	-	-	**560,000,000**
Unclaimed Balances	40,163,538	-	-	-	-	**40,163,538**
Other Liabilities	10,737,029	-	-	-	-	**10,737,029**
Total undiscounted Liabilities	**19,316,424,073**	**2,982,481,261**	**7,359,283,879**	**4,340,015,654**	**15,654,232,434**	**49,652,437,302**
Net Undiscounted Financial Assets/ (Liabilities)	**(1,182,675,861)**	**7,356,637,231**	**7,526,017,192**	**5,090,966,302**	**30,597,325,806**	**49,388,270,670**

As at 31 December 2022	**Group (Nu)**					
	up to 3 months	**3 to 12 months**	**1 to 3 years**	**3-5 Years**	**Over 5 years**	**Total**
Undiscounted Assets:						
Cash & cash Equivalents	6,491,922,316	-	-	-	-	**6,491,922,316**
Cash & Balances with RMA	6,438,288,018	-	-	-	-	**6,438,288,018**
Placement with other Banks	-	201,252,954	-	-	-	**201,252,954**
Due From Banks	-	-	-	-	-	**-**
Loans & Advances to Customers	5,203,537,878	9,946,405,722	13,379,460,316	8,308,261,956	43,270,653,722	**80,108,319,594**
Investments in Associates	-	-	-	-	168,696,378	**168,696,378**
Equity Instruments at FVTPL	-	-	-	-	119,918,026	**119,918,026**
Equity Instruments at FVTOCI	-	-	-	-	39,561,000	**39,561,000**
Debt Instruments at Amortized Cost	-	191,459,815	1,505,840,755	1,122,720,000	2,136,440,000	**4,956,460,570**
Other Financial Assets	-	-	-	-	599,009,224	**599,009,224**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Total undiscounted Assets	**18,133,748,212**	**10,339,118,492**	**14,885,301,071**	**9,430,981,956**	**46,334,278,349**	**99,123,428,080**
Undiscounted Liabilities:						
Due to Banks	1,912,014,117	34,458,372	988,654,934	2,860,411,726	11,082,521,293	**16,878,060,442**
Due to Customers	17,353,509,390	2,918,022,888	5,840,628,946	1,479,603,929	4,571,711,141	**32,163,476,293**
Debts Issued & Other Borrowed Funds	-	30,000,000	530,000,000	-	-	**560,000,000**
Unclaimed Balances	40,163,538	-	-	-	-	**40,163,538**
Other Liabilities	10,737,029	-	-	-	-	**10,737,029**
Total undiscounted Liabilities	**19,316,424,073**	**2,982,481,261**	**7,359,283,879**	**4,340,015,654**	**15,654,232,434**	**49,652,437,302**
Net Undiscounted Financial Assets/ (Liabilities)	**(1,182,675,861)**	**7,356,637,231**	**7,526,017,192**	**5,090,966,302**	**30,680,045,915**	**49,470,990,778**

As at 31 December 2021	Bank (Nu)					
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Undiscounted Assets:						
Cash & cash Equivalents	2,009,037,357					**2,009,037,357**
Cash & Balances with RMA	13,129,994,406					**13,129,994,406**
Placement with other Banks		-				**-**
Due From Banks						**-**
Loans & Advances to Customers	931,495,080	9,861,916,564	11,861,929,492	6,874,704,587	32,483,433,221	**62,013,478,945**
Investments in Associates					91,463,480	**91,463,480**
Equity Instruments at FVTPL					135,967,478	**135,967,478**
Equity Instruments at FVTOCI					39,561,000	**39,561,000**
Debt Instruments at Amortized Cost	-	106,431,183	1,250,319,785	57,886,165	844,636,166	**2,259,273,300**
Other Financial Assets					784,980,090	**784,980,090**
Total undiscounted Assets	**16,070,526,844**	**9,968,347,747**	**13,112,249,278**	**6,932,590,752**	**34,380,041,435**	**80,463,756,056**
Undiscounted Liabilities:						
Due to Banks	1,011,534,368	1,079,812,897	973,180,001	5,751,054	10,206,581,561	**13,276,859,881**
Due to Customers	19,045,289,684	2,625,605,646	4,817,087,204	1,130,045,693	3,250,299,415	**30,868,327,643**

Debts Issued & Other Borrowed Funds		30,000,000	560,000,000	-	-	**590,000,000**
Unclaimed Balances	36,001,851					**36,001,851**
Other Liabilities	39,282,628					**39,282,628**
Total undiscounted Liabilities	**20,132,108,532**	**3,735,418,543**	**6,350,267,205**	**1,135,796,747**	**13,456,880,976**	**44,810,472,004**
Net Undiscounted Financial Assets/ (Liabilities)	**(4,061,581,688)**	**6,232,929,203**	**6,761,982,073**	**5,796,794,005**	**20,923,160,459**	**35,653,284,052**

As at 31 December 2021	Group (Nu)					
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Undiscounted Assets:						
Cash & cash Equivalents	2,009,037,357	-	-	-	-	**2,009,037,357**
Cash & Balances with RMA	13,129,994,406	-	-	-	-	**13,129,994,406**
Placement with other Banks	-	-	-	-	-	**-**
Due From Banks	-	-	-	-	-	**-**
Loans & Advances to Customers	931,495,080	9,861,916,564	11,861,929,492	6,874,704,587	32,483,433,221	**62,013,478,945**
Investments in Associates					91,769,312	**91,769,312**
Equity Instruments at FVTPL					135,967,478	**135,967,478**
Equity Instruments at FVTOCI					39,561,000	**39,561,000**
Debt Instruments at Amortized Cost	-	106,431,183	1,250,319,785	57,886,165	844,636,166	**2,259,273,300**
Other Financial Assets	-	-	-	-	784,980,090	**784,980,090**
Total undiscounted Assets	**16,070,526,844**	**9,968,347,747**	**13,112,249,278**	**6,932,590,752**	**34,380,347,267**	**80,464,061,888**
Undiscounted Liabilities:						
Due to Banks	1,011,534,368	1,079,812,897	973,180,001	5,751,054	10,206,581,561	**13,276,859,881**
Due to Customers	19,045,289,684	2,625,605,646	4,817,087,204	1,130,045,693	3,250,299,415	**30,868,327,643**
Debts Issued & Other Borrowed Funds	-	30,000,000	560,000,000	-	-	**590,000,000**
Unclaimed Balances	36,001,851	-	-	-	-	**36,001,851**
Other Liabilities	39,282,628	-	-	-	-	**39,282,628**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Total undiscounted Liabilities	**20,132,108,532**	**3,735,418,543**	**6,350,267,205**	**1,135,796,747**	**13,456,880,976**	**44,810,472,004**
Net Undiscounted Financial Assets/ (Liabilities)	**(4,061,581,688)**	**6,232,929,203**	**6,761,982,073**	**5,796,794,005**	**20,923,466,291**	**35,653,589,884**

Note 37.2.2: Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2022	Bank (Nu)						
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies:							
Financial guarantees	252,771	946,132,270	2,229,511,896	386,553,690	-	1,360,915,016	4,923,365,643
Letter of Credits	191,455,724	298,369,279	39,931,221	-	-	-	529,756,225
Total Contingencies	**191,708,495**	**1,244,501,549**	**2,269,443,117**	**386,553,690**	**-**	**1,360,915,016**	**5,453,121,867**
Commitments:							
Undrawn credit card limits	153,000	-	-	-	-	-	153,000
Undrawn OD	19,966,066	768,348,870	2,316,109,101	66,246,652	-	-	3,170,670,689
Undisbursed other loans & advances	5,009,234	25,501,233	65,147,511	16,384,855	71,452,839	4,014,262,894	4,197,758,566
Total Commitments	**25,128,300**	**793,850,103**	**2,381,256,612**	**82,631,507**	**71,452,839**	**4,014,262,894**	**7,368,582,255**

As at 31 December 2022	Group (Nu)						
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies:							
Financial guarantees	252,771	946,132,270	2,229,511,896	386,553,690	-	1,360,915,016	4,923,365,643
LCs	191,455,724	298,369,279	39,931,221	-	-	-	529,756,225
Total Contingencies	**191,708,495**	**1,244,501,549**	**2,269,443,117**	**386,553,690**	**-**	**1,360,915,016**	**5,453,121,867**
Commitments:							
Undrawn credit card limits	153,000	-	-	-	-	-	153,000
Undrawn OD	19,966,066	768,348,870	2,316,109,101	66,246,652	-	-	3,170,670,689
Undisbursed other loans & advances	5,009,234	25,501,233	65,147,511	16,384,855	71,452,839	4,014,262,894	4,197,758,566
Total Commitments	**25,128,300**	**793,850,103**	**2,381,256,612**	**82,631,507**	**71,452,839**	**4,014,262,894**	**7,368,582,255**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

As at 31 December 2021	Bank (Nu)						
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies:							
Financial guarantees	-	1,026,315,461	1,583,742,592	537,795,463	275,476,911	806,061,499	4,229,391,926
LCs	133,655,286	431,185,593	105,745,178	-	-	-	670,586,058
Total Contingencies	**133,655,286**	**1,457,501,055**	**1,689,487,769**	**537,795,463**	**275,476,911**	**806,061,499**	**4,899,977,984**
Commitments:							
Undrawn credit card limits	6,262,871	995,600	2,661,385	20,114,509	4,429,100	-	34,463,464
Undrawn OD	3,439,554	15,013,629	1,802,164,909	1,177,431,530	-	-	2,998,049,623
Undisbursed other loans & advances	13,742,730	479,286	15,098,961	17,965,838	71,018,841	3,238,982,637	3,357,288,293
Total Commitments	**23,445,154**	**16,488,515**	**1,819,925,255**	**1,215,511,877**	**75,447,941**	**3,238,982,637**	**6,389,801,380**

Note 37.2.3: Maturity Profile of Cash flow

Maturity Gap Analysis

As at 31 December 2022	Bank (Nu)		Group (Nu)	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Assets:				
Cash & cash Equivalents	6,491,922,316	-	6,491,922,316	-
Cash & Balances with RMA	6,438,288,018	-	6,438,288,018	-
Placement with other Banks	201,252,954	-	201,252,954	-
Due From Banks	-	-	-	-
Loans & Advances to Customers	15,149,943,600	64,958,375,994	15,149,943,600	64,958,375,994
Investments in Associates	-	85,976,269	-	168,696,378
Equity Instruments at FVTPL	-	119,918,026	-	119,918,026
Equity Instruments at FVTOCI	-	39,561,000	-	39,561,000
Debt Instruments at Amortized Cost	191,459,815	4,956,460,570	191,459,815	4,765,000,755
Other Financial Assets	-	599,009,224	-	599,009,224
Other Assets	-	422,836,725	-	422,836,725
Property & Equipment	-	994,214,046	-	994,214,046
Intangible Assets	-	69,203,752	-	69,203,752
Deferred tax assets	-	330,042,416	-	307,990,586
Total Assets	**28,472,866,704**	**72,575,598,022**	**28,472,866,704**	**72,444,806,486**
Liabilities:				
Due to Banks	1,946,472,489	14,931,587,953	1,946,472,489	14,931,587,953
Due to Customers	20,271,532,278	11,891,944,015	20,271,532,278	11,891,944,015
Debts Issued & Other Borrowed Funds	30,000,000	530,000,000	30,000,000	530,000,000
Current Tax Liabilities	284,581,088	-	284,581,088	-
Retirement benefit plans	-	-	-	-
Proposed Dividend				
Provisions	33,861,762	-	33,861,762	-
Deferred Income	-	-	138,236,161	-
Unclaimed Balances	40,163,538	-	40,163,538	-

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Other Liabilities	852,207,068	-	852,207,068	-
Total Liabilities	**23,458,818,223**	**27,353,531,968**	**23,597,054,384**	**27,353,531,968**
Maturity Gap	**5,014,048,481**	**45,222,066,054**	**4,875,812,320**	**45,091,274,518**
Cumulative Gap	**5,014,048,481**	**50,236,114,535**	**4,875,812,320**	**49,967,086,838**

As at 31 December 2021	Bank (Nu)		Group (Nu)	
	Within 12 Months	**After 12 Months**	**Within 12 Months**	**After 12 Months**
Assets:				
Cash & cash Equivalents	2,009,037,357	-	2,009,037,357	-
Cash & Balances with RMA	13,129,994,406	-	13,129,994,406	-
Placement with other Banks	-	-	-	-
Due From Banks	-	-	-	-
Loans & Advances to Customers	10,793,411,644	51,220,067,301	10,793,411,644	51,220,067,301
Investments in Associates	-	91,463,480	-	91,769,312
Equity Instruments at FVTPL	-	135,967,478	-	135,967,478
Equity Instruments at FVTOCI	-	39,561,000	-	39,561,000
Debt Instruments at Amortized Cost	106,431,183	2,259,273,300	106,431,183	2,152,842,116
Other Financial Assets	-	784,980,090	-	784,980,090
Other Assets	-	428,334,082	-	428,334,082
Property & Equipment	-	1,031,179,206	-	1,031,179,206
Intangible Assets	-	82,509,781	-	82,509,781
Deferred tax assets	-	133,947,497	-	133,871,039
Total Assets	**26,038,874,590**	**56,207,283,214**	**26,038,874,590**	**56,101,081,405**
Liabilities:				
Due to Banks	2,091,347,265	11,185,512,616	2,091,347,265	11,185,512,616
Due to Customers	21,670,895,330	9,197,432,313	21,670,895,330	9,197,432,313
Debts Issued & Other Borrowed Funds	30,000,000	560,000,000	30,000,000	560,000,000
Current Tax Liabilities	184,377,877	-	184,377,877	-
Retirement benefit plans	-	-	-	-
Proposed Dividend		-	-	-
Provisions	33,677,644	-	33,677,644	-
Deferred Income	-	-	133,818,376	-
Unclaimed Balances	36,001,851	-	36,001,851	-
Other Liabilities	272,728,150	-	272,728,150	-
Total Liabilities	**24,319,028,117**	**20,942,944,929**	**24,452,846,493**	**20,942,944,929**
Maturity Gap	**1,719,846,473**	**35,264,338,285**	**1,586,028,097**	**35,158,136,476**
Cumulative Gap	**1,719,846,473**	**36,984,184,758**	**1,586,028,097**	**36,744,164,573**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

NOTE 38: RISK MANAGEMENT

Currency Risk

The table below indicates the currencies to which the bank had significant exposure as at 31 December. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngultrum (Nu).

Currency	Effect on profit before tax/Equity		
	Change in currency rate (%)	**2022**	**2021**
EUR	(+/-) 1%	302,651	235,870
USD	(+/-) 1%	(3,522,390)	(7,285,165)
GBP	(+/-) 1%	289,549	338,878
AUD	(+/-) 1%	650,115	56,519
JPY	(+/-) 1%	4,530	18,670
SGD	(+/-) 1%	8,064	5,405
HKD	(+/-) 1%	12,803	2,087
CHF	(+/-) 1%	1,215	12,628
NOK	(+/-) 1%	30,100	126
SEK	(+/-) 1%	-	107
DKK	(+/-) 1%	1,090	-
CAD	(+/-) 1%	-	145
		(2,222,272)	**(6,614,729)**

Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Reputational Risks are not covered in Operational Risk.

Operational Risks of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Group Chief Risk Officer and the Board Risk Management Committee maintains a high-level overall supervision of managing Operational Risks of the Bank.

NOTE 39: RMA DISCLOSURES

39.1 Qualitative Disclosures

39.1.1 Capital Adequacy Ratio

The capital structure of bank is rigorously regulated by the RMA in view of the systemic risk that a bank failure carries and loss it can cause to the depositors and the consequent cost of bail-outs by the government.

In line with the Basel Framework, our Bank focuses on risk management linking the business profile of the Bank to the actual risk profile and subsequently to the regulatory capital. There is thus an automatic calibration of the business profile to the Regulatory Capital. The Bank has in place risk appetite and tolerance limits for capital adequacy and a rigorous process for assessing and monitoring the CAR ratio in line with the statutory requirements. Bank adopts the Basel I in computing the capital adequacy ratio as prescribed by the RMA.

The Bank maintains a capital adequacy ratio of not less than 12.5% (as prescribed by RMA) in relation to total risk weighted assets. Also, the bank maintains a core capital adequacy ratio of at least 7.5% as required in the RMA Prudential Regulations. The Risk Department of the Bank monitors and Compliance Department computes the ratio as at the end of each quarter, and ensure timely reporting to the Senior Management, Board and the RMA.

The capital of the bank consists of Tier 1, which forms a core capital and Tier 2, which is a supplementary capital. Tier 1 capital constitutes of paid-up capital; general reserves and retained earnings, which has increased by 17.64% over previous year (PY increased by 13.42%). The increase is due to transfer of regulatory requirements to general reserves and residual profit after appropriation.

The Tier 2 capital consists of Exchange Fluctuation Reserve, Research and Development Fund, General Provisions and Subordinated Debts. Tier 2 capital decreased by 5.46% (PY decreased by of 13.20%) due to transfer of specific reserves to retained earnings and adjustment of reduction in subordinated term debt as per the regulation. The capital adequacy ratio as on the reporting date stands at 20.93% as compared to 18.20% in the previous year.

The Bank also started the computation of capital for market risk (forex risk) as per Basel II approach for bank's internal purposes in addition to credit and operational risk by adopting a framework which was implemented since early 2020. Bank is in the process of adopting a suitable framework for the implementation of Pillar II Risks (Concentration, Liquidity, IRRBB, etc.) and develop an ICAAP (Internal Capital Adequacy Assessment Process) and carry it out in accordance with the nature, size and complexity.

39.1.2 Risk Governance Structure

The Risk Governance structure has been developed with more specific focus on Risk Management separate from functions such as compliance and Internal Audit. Bank believes that Risk Management is the process of measuring and managing risks, while Internal Audit

JIGMI Audit & Financials Pvt. Ltd. Thimphu

is more focused on auditing and assuring the Board on the process and implementation issues of relevant risk management policies and procedures.

The bank has adopted a three-tiered risk governance structure as below:

- Board of Directors (BoD) and Board-level Committees which Lays down the broad guidelines on the bank's risk appetite, the risk-return trade-offs, and ensuring compliance with policies and guidelines, etc. The committee meets at least once in a quarter or more frequently, if required.
- Senior Management and Senior Management Committees which is responsible for establishing comprehensive written policies and procedures for the risks inherent in bank's business. This committee meets at least once in a quarter or more frequently, if required.
- Functional Divisions (RMD) is responsible to Identify, measure, monitor and report on the Credit, Market, Operational, Liquidity and other important types of risks faced by the bank.

39.1.2.1 Credit Risk Management

Credit Risk is the risk of loss, arising from a borrower's or counterparty's inability to meet its obligations (both principal and interest) in accordance with the agreed terms and conditions of the credit, both on and off-balance sheet.

Deterioration of counterparty credit quality and/or market volatility can lead to potential credit risk related losses for the Bank.

Bank assesses credit risk at the portfolio level as well as at the exposure/counterparty level. The Credit Risk Management efforts are directed at maximizing the Bank's risk-adjusted rate of return, by monitoring credit risk exposure within acceptable limits. A separate Credit Manual outlining the Credit Policy and Procedures of the Bank exists for use by the staff engaged in credit review and approval activities.

The Bank has adopted adequate credit risk management tools and techniques, to mitigate likely adverse impacts of credit risk. A well-defined credit approval processes and approval hierarchy have been carefully designed and implemented which deals with all activities and steps that should be adopted in order to ensure that the credit principles and standards are met. The bank has also developed and implemented a comprehensive internal credit rating system, which form an important part of credit origination and monitoring process. The internal credit rating system assesses the client's credit worthiness to receive loans by capturing/assessing the client's four major risks such as financial risk, management risk, business risk and industry risk.

The credit approval process including sanction authorities and documentation requirements, pre and post sanction review, disbursement and post disbursement monitoring process has been detailed and clearly spelt out in the Credit Manual (Policies and Procedures) and approved by the Senior Management and Board (Credit & Investment Committee) from time to time.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

The bank accepts various type of collateral and mortgages such as deposits, securities/ shares, land & building, plant, machineries and equipment, vehicles, inventory, accounts receivables and jewelry. The Bank ensure that we abide with the Moveable and Immovable Property Act of the Kingdom of Bhutan, 1999, and RMA Prudential Guidelines 2017 while accepting any property as mortgages.

Non-performing Loans & Provisioning

Loans and advances of the Bank has been classified under non-performing as per the definition provided in Section 4.5 of the RMA Prudential Regulation 2017 and implemented the Standard Operating Procedures of Monetary Measures issued by RMA. In the current year, the gross NPL stands at 3.44% (PY - 7.99%) and net NPL stands at 0.23% (PY - 0.85%). The gross non-performing loan has decreased by 48.44% as against the decrease of 34.64% in the previous period.

General provisions of 1% and 1.5% are allocated against exposures classified under Standard and Watch respectively. Specific provisions of 20%, 50% and 100% are provided for term and Overdraft/working capital classified under sub-standard, doubtful and Loss/litigation/ suspended respectively an additional 10% for asset classified under Sub0standard and Doubtful for the highest exposed sector. The general provision provided by the Bank has increased by 24.28% (PY decreased by 23.58%) and specific provision has decreased by 44.57% (PY - decreased by 13.50%) over the previous year.

39.1.2.2 Operational Risk Management

A comprehensive operational risk management framework as per Basel II has been adopted and implemented since 2019. The framework will ensure that all critical functional areas of the Bank are aware of operational risks and follow proper operational risk management guidelines and processes.

Operational risks being pervasive, are carefully assessed and analysed in the entire activities of Bank and required mitigating measures are put in place to minimize the risks resulting from “inadequate or failed internal processes, people and systems or from external events”.

Various tools and techniques are designed for operational risks evaluation and assessment, such as ‘risk & control self-assessment’ (RCSA), ‘loss data & near miss data’ compilation and analysis, ‘scenario analysis’ etc. All departments and branches are required to do the risk assessment on regular basis and submit the reports to risk department for further analysis and submission to the senior management and board committee.

The Bank also manages its Information Technology Risk through the approved IT policy which takes care of daily operational activities, processing, cyber security threat etc. The BNB is also ISO 9001-2015 and ISO 27001:2013 certified Bank.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

39.1.2.3 Market Risk Management

The Basel Committee on Banking Supervision defines market risk as the risk of losses in, on or off-balance sheet positions that arise from movement in market prices. In other words, market risk is the risk of losses on financial investment caused by adverse price movement. Market risk is the most prominent risk for bank present in investment banking.

Currently, the main driver of market risk for BNBL is foreign currency exposure. The Bank has set a tolerance limit for 'forex net open positions' which is monitored on regular basis. The Bank has adopted capital computation methodology for market risk as per Basel II approach by implementing a framework on market risk.

39.1.2.4 Liquidity Risk Management

The Bank manages and monitors liquidity risk through board approved tolerance limits for key risk indicators such as credit to deposit ratio, statutory liquidity ratio, ratio of top ten depositors to total depositors and liquidity gap ratios for different maturities of time buckets (inflow and outflow of funds). Monitoring of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirement as prescribed by RMA. A tolerance limit of 21.5% has been set for SLR over and above the RMA requirement of 20% while CRR remains same at 10% (reduced to 8% by RMA in the wake of COVID 19 pandemic). The Bank also has mechanism in place for on-going monitoring to ensure adherence to the liquidity ratios.

39.2 Quantitative Disclosure

The disclosures are as per the Regulation 4 of Macro-prudential Rules and Regulations and the figures are under GAAP presented in '000' (thousands) Ngultrum unless specified.

Item 1: Tier 1 Capital and its sub-components

Sl. No.	Particulars	Current Period	COPPY
Total Tier 1 Capital		7,388,714	7,123,735
a	Paid-Up Capital	3,950,323	3,950,323
B	General Reserves	2,438,051	2,230,196
C	Share Premium Account	-	-
D	Retained Earnings	1,148,209	1,091,085
Less:			
E	Losses for the Current Year	-	-
F	Buyback of FI's own shares	(147,136)	(147,136)
g	Holdings of Tier 1 instruments issued by FIs	(733)	(733)

Item 1: Tier 2 Capital and its sub-components

Sl. No.	Particulars	Current Period	COPPY
Total Tier II Capital		**1,062,670**	**1,124,086**
a	Capital Reserve		-
b	Fixed Assets Revaluation Reserve		-
c	Exchange Fluctuation Reserve	217,567	187,058
d	Bond Redemption Reserve		
e	Research and Development Fund		
f	Reserve for Loan Loss	235,914	322,116
g	General Provision	482,614	388,336
h	Capital Grants		
i	Subordinated Debt	500,000	500,000
j	*Less:* Amount of subordinated debt to be reduced from Tier II capital	(373,425)	(273,425)
k	Profit for the Year		

Item 3: Risk-weighted Assets (CURRENT YEAR AND COPPY)

CURRENT YEAR

Sl. No.	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	26,804,113	0%	-
2	20% Risk Weighted Assets	1,858,529	20%	371,706
3	50% Risk Weighted Assets	3,374,393	50%	1,687,196
4	100% Risk Weighted Assets	35,722,919	100%	35,722,919
5	150% Risk Weighted Assets	-	100%	-
6	Operational Risk	2,486,286		2,486,286

JIGMI Audit & Financials Pvt. Ltd. Thimphu

COPPY

Sl. No.	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	15,740,979	0%	-
2	20% Risk Weighted Assets	954,835	20%	190,967
3	50% Risk Weighted Assets	1,912,335	50%	956,167
4	100% Risk Weighted Assets	41,261,242	100%	41,261,242
5	150% Risk Weighted Assets	293,142	150%	439,713
6	Operational Risk	2,324,632		2,324,632

Item 4: Capital Adequacy Ratio

Sl. No.	Particulars	Current Period	COPPY
1	**Tier 1 Capital**	**7,388,714**	**7,123,735**
a	*Of which Counter-cyclical Capital Buffer (CcyCB) (if applicable)*		
b	*Of which Sectoral Capital Requirements (SCR) (if applicable)*		
i	Sector 1		
ii	Sector 2		
iii	Sector 3		
2	**Tier 2 Capital**	**1,062,670**	**1,124,086**
3	Total Qualifying capital	8,426,381	8,194,037
4	Core CAR	18.35%	15.82%
a	*Of which CcyCB (if applicable) expressed as % of RWA*		
b	*Of which SCR (if applicable) expressed as % of Sectoral RWA*		
i	Sector 1		
ii	Sector 2		
iii	Sector 3		
5	CAR	20.93%	18.20%
6	Leverage Ratio	10.90%	11.84%

Item 5: Loans and NPL by Sectoral Classifications

Sl. No.	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	72,608	10,756	74,558	13,792
b.	Manufacturing/Industry	4,336,264	273,897	4,355,398	743,999
c.	Service & Tourism	9,200,698	215,615	8,243,517	313,335
d.	Trade & Commerce	10,274,489	714,795	8,688,591	1,133,410
e.	Housing	13,826,995	188,852	11,874,674	581,732
f.	Transport	1,987,644	68,959	2,041,251	133,553

JIGMI Audit & Financials Pvt. Ltd. Thimphu

g.	Loans to Purchase Securities	96,447	-	84,960	-
h.	Personal Loan/LDCL/CC	1,437,618	51,968	1,208,500	56,736
i.	Education Loan	2,485,707	-	-	-
j.	Loan Against Term Deposit	446,722	3,693	283,731	887
k.	Loans to FI(s)	-	-	16,311	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff Loan (incentive)	480,928	4,212	427,415	5,475
n.	Loans to Govt. Owned Corporation	-	-	-	-
o.	Consumer Loan (GE)	-	-	-	-
p.	Others	78,350	5,243.37	51,597	(27)
		44,724,471	***1,537,991***	***37,350,501***	***2,982,893***

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

Sl. No.	Counter- party	Current Period	COPPY
1	**Overdrafts**	**8,445,230**	**7,609,241**
a	Governments	-	-
b	Governments Corporation	47,172	-
c	Public Companies	-	-
d	Private Companies	8,294,868	7,504,087
e	Individuals	103,190	105,154
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	-	-
2	**Term Loans**	**36,279,240**	**29,742,310**
a	Governments	-	-
b	Governments Corporation	-	-
c	Public Companies	111	137
d	Private Companies	11,610,562	10,291,392
e	Individuals	24,657,536	19,434,279
f	Commercial Banks	153	191
g	Non-Bank Financial Institutions	10,878	16,311

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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

As of period ending 31.12.2022	On demand	1-30 days	31- 90 days	91- 180 days	181- 270 days	271- 365 days	Over 1 year	Total
Cash in hand	9,770,682	-	-	-	-	-	-	9,770,682
Govt. Securities	-	-	-	2,493,053	1,004,714	-	2,516,389	6,014,156
Investment securities	-	-	-	837,119	-	-	234,233	1,071,352
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	13,028	515,622	3,462,958	1,779,236	1,681,486	2,776,663	33,058,988	43,287,981
Other assets	629,995	1,919	37,127	44,503	-	64,753	1,147,385	1,925,682
TOTAL	**10,413,704**	**517,541**	**3,500,085**	**5,153,912**	**2,686,200**	**2,841,417**	**36,956,995**	**62,069,853**
Amounts owed to other banks ***	419,461	901,985	400,422	-	-	-	6,217	1,728,085
Demand deposits	4,007,784	-	-	-	-	-	-	4,007,784
Savings deposits	15,404,204	-	-	-	-	-	-	15,404,204
Time deposits	(13,510)	249,401	475,794	742,465	861,689	1,403,370	26,484,527	30,203,737
Bonds & other negotiable instruments	-	-	-	-	-	-	522,027	522,027
Other liabilities	1,019,744	289,711	34,359	17,754	17,144	27,742	8,797,562	10,204,016
TOTAL	**20,837,683**	**1,441,097**	**910,575**	**760,219**	**878,833**	**1,431,112**	**35,810,334**	**62,069,853**
Assets/ Liabilities	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Net Mismatch in each Time Interval	(10,423,979)	(923,557)	2,589,510	4,393,693	1,807,366	1,410,305	1,146,661	0
Cumulative Net Mismatch	(10,423,979)	(11,347,536)	(8,758,025)	(4,364,332)	(2,556,966)	(1,146,661)	0	0

As of period ending 31.12.2021	On demand	1-30 days	31- 90 days	91- 180 days	181- 270 days	271- 365 days	Over 1 year	Total
Cash in hand	14,849,907	-	-	-	-	-	-	14,849,907
Govt. Securities	-	-	-	-	-	-	1,715,347	1,715,347
Investment securities	74,462	-	-	217,134	-	-	239,777	531,373
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	1,690	60,350	72,419	196,727	1,747,973	2,487,523	30,044,866	34,611,548
Other assets	627,041	1,688	458,768	300	-	6,960	1,104,028	2,198,785
TOTAL	**15,553,100**	**62,038**	**531,187**	**414,162**	**1,747,973**	**2,494,483**	**33,104,018**	**53,906,960**
Amounts owed to other banks ***	307,534	-	-	-	-	-	5,791	313,325
Demand deposits	2,853,290	-	-	-	-	-	-	2,853,290
Savings deposits	14,466,373	-	-	-	-	-	-	14,466,373
Time deposits	(8,492)	566,873	1,867,020	1,592,142	1,128,505	1,100,973	20,872,431	27,119,451
Bonds & other negotiable instruments	-	-	-	-	-	-	522,027	522,027
Other liabilities	442,558	193,565	739	2,143	17,146	23,962	7,952,382	8,632,494
TOTAL	**18,061,263**	**760,439**	**1,867,759**	**1,594,285**	**1,145,650**	**1,124,934**	**29,352,630**	**53,906,960**
Assets/ Liabilities	0.9	0.1	0.3	0.3	1.5	2.2	1.1	1.0
Net Mismatch in each Time Interval	(2,508,162)	(698,401)	(1,336,572)	(1,180,123)	602,322	1,369,548	3,751,387	(0)
Cumulative Net Mismatch	(2,508,162)	(3,206,563)	(4,543,135)	(5,723,258)	(5,120,936)	(3,751,387)	(0)	(0)

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

As of period ending 31.12.2022	On demand	1-30 days	31- 90 days	91- 180 days	181- 270 days	271- 365 days	Over 1 year	Total
Cash in hand	9,770,682	-	-	-	-	-	-	9,770,682
Govt. Securities	-	-	-	2,493,053	-	-	3,521,103	6,014,156
Investment securities	-	-	-	635,853	201,266	-	234,233	1,071,352
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	512,360	527,195	3,471,070	1,783,424	1,681,825	2,719,424	32,592,682	43,287,980
Other assets	629,995	1,919	37,127	44,503	-	64,753	1,147,386	1,925,683
TOTAL	**10,913,037**	**529,113**	**3,508,197**	**4,956,834**	**1,883,091**	**2,784,177**	**37,495,404**	**62,069,853**
Amounts owed to other banks ***	419,461	1,302,407	-	-	-	-	6,217	1,728,085
Demand deposits	4,007,784	-	-	-	-	-	-	4,007,784
Savings deposits	15,404,204	-	-	-	-	-	-	15,404,204
Time deposits	(13,869)	49,809	-	50,224	121,271	1,492,758	28,503,544	30,203,737
Bonds & other negotiable instruments	-	-	-	-	-	-	522,027	522,027
Other liabilities	1,019,611	285,312	21,808	375	4,633	9,932	8,862,344	10,204,016
TOTAL	**20,837,191**	**1,637,528**	**21,808**	**50,599**	**125,904**	**1,502,690**	**37,894,133**	**62,069,853**
Assets/ Liabilities	0	0	0	0	0	0	0	0
Net Mismatch in each Time Interval	(9,924,154)	(1,108,414)	3,486,389	4,906,235	1,757,186	1,281,487	(398,729)	0
Cumulative Net Mismatch	(9,924,154)	(11,032,568)	(7,546,179)	(2,639,944)	(882,758)	398,729	0	0

JIGMI Audit & Financials Pvt. Ltd. Thimphu

As of period ending 31.12.2021	On demand	1-30 days	31- 90 days	91- 180 days	181- 270 days	271- 365 days	Over 1 year	Total
Cash in hand	14,849,907	-	-	-	-	-	-	14,849,907
Govt. Securities	-	-	-	-	-	-	1,715,347	1,715,347
Investment securities	-	-	-	291,596	-	-	239,777	531,373
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	429,584	60,345	54,099	190,673	1,820,368	2,494,165	29,562,315	34,611,548
Other assets	627,041	1,688	458,768	300	-	6,960	1,104,028	2,198,785
TOTAL	**15,906,532**	**62,032**	**512,867**	**482,569**	**1,820,368**	**2,501,125**	**32,621,467**	**53,906,960**
Amounts owed to other banks ***	307,534	-	-	-	-	-	5,791	313,325
Demand deposits	2,853,290	-	-	-	-	-	-	2,853,290
Savings deposits	14,466,373	-	-	-	-	-	-	14,466,373
Time deposits	(8,860)	8,296	-	1,334,924	109,821	1,490,410	24,184,860	27,119,451
Bonds & other negotiable instruments	-	-	-	-	-	-	522,027	522,027
Other liabilities	442,548	193,472	45	343	115	3,807	7,992,164	8,632,494
TOTAL	**18,060,885**	**201,769**	**45**	**1,335,266**	**109,936**	**1,494,217**	**32,704,842**	**53,906,960**
Assets/ Liabilities	1	0	11,307	0	17	2	1	1
Net Mismatch in each Time Interval	(2,154,353)	(139,736)	512,822	(852,697)	1,710,432	1,006,908	(83,376)	(0)
Cumulative Net Mismatch	(2,154,353)	(2,294,089)	(1,781,267)	(2,633,965)	(923,533)	83,376	(0)	(0)

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Item 9: Assets and Liabilities by time-to-re-pricing December 2022

- Intentionally not reported as it is not mandatory under the RMA regulations.

Item 10: Non-Performing Loans and Provisions

Sl. No.		Particulars	Current Period	COPPY
1		**Amount of NPLs (Gross)**	**1,537,991**	**2,982,893**
	a	Substandard	154,064	814,020
	b	Doubtful	56,741	54,316
	c	Loss	1,327,187	2,114,557
2		**Specific Provisions**	**1,250,083**	**2,255,232**
	a	Substandard	32,257	156,174
	b	Doubtful	29,416	24,397
	c	Loss	1,188,409	2,074,661
3		**Interest - in –Suspense**	**186,408**	**434,683**
	a	Substandard	5,781	88,884
	b	Doubtful	3,457	7,568
	c	Loss	177,169	338,231
	4	**Net NPLs**	**101,500**	**292,979**
	a	Substandard	116,025	568,962
	b	Doubtful	23,867	22,351
	c	Loss	(38,392)	(298,335)
5		**Gross NPLs to Gross Loans**	3.44%	7.99%
6		**Net NPLs to Net Loans**	0.23%	0.85%
7		**General Provision**	**482,614**	**388,336**
	a	Standard	468,760	365,653
	b	Watch	13,853	22,683

Item 11: Assets and Investments

Sl. No		Investment	Current Period	COPPY
1		**Marketable Securities (Interest Earning)**		
	a	RMA Securities	2,479,161	-
	b	RGOB Bonds/Securities	3,487,999	1,687,999
	c	Corporate Bonds	115,332	115,332
	d	Others		
		Sub-total	**6,082,492**	**1,803,331**
2		**Equity Investments**		

JIGMI Audit & Financials Pvt. Ltd. Thimphu

	Public Companies	114,075	119,563
	Private Companies		-
	Commercial Banks	2,500	2,500
	Non-Bank Financial Institutions	40,294	40,294
	Less:		
i	Specific Provisions	-	-
3	**Fixed Assets**		
j	Fixed Assets (Gross)	1,594,402.92	1,590,433
	Less:		
k	Accumulated Depreciation	621,316	559,285
l	Fixed Assets (Net Book Value)	973,087	1,031,148

Item 12: Foreign Exchange assets and liabilities (Current period & Copy)

CURRENT PERIOD

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week)			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	964,889	1,321,346	356,457	182,105		182,105	538,562	7.29
SGD	1,280	0	-1,280			-	-1,280	(0.02)
EURO	33,749	3,505	-30,244			-	-30,244	(0.41)
AUD	899	451	-448			-	-448	(0.01)
CAD	122	-	-122			-	-122	(0.00)
HKD	3,010	-	-3,010			-	-3,010	(0.04)
GBP	28,801	0.01	-28,801			-	-28,801	(0.39)
NOK	-	-	0			-	-	-
DKK	-	-	0			-	-	-
CHF	806	-	-806			-	-806	(0.01)
JPY	65,012	-	-65,012			-	-65,012	(0.88)
INR	975,265	995	-974,270			-	-974,270	(13.19)
SEK	109.02	-	-109			-	-109	

COPPY

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week))			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	688,825	439,305	249,520	89,340		89,340,000	89,589,520	1,257.62
SGD	541	0	541			0	541	0.01
EURO	26,713	3,126	23,587			0	23,587	0.33
AUD	6,063	411	5,652			0	5,652	0.08
CAD	14	0	14			0	14	0.00
HKD	209	0	209			0	209	0.00
GBP	33,888	0	33,888			0	33,888	0.48
NOK	13	0	13			0	13	0.00
DKK	0	0	0				0	0.00
CHF	1,263	0	1,263			0	1,263	0.02
JPY	3,250	0	3,250			0	3,250	0.05
INR	306,889	723	306,166			0	306,166	4.30
SEK	11	0	11			0	11	

Item 13: Geographical Distribution of Exposures

Particulars	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits held with other banks	800,781	88,990	942,647	289,111	996,429	702,557
Time deposits held with other banks	6,488,788	202,244			183,442	89,352
Borrowings	522,027	522,027				

Item 14: Credit Risk Exposures by collaterals

Sl. No.	Particular	Current Period	COPPY
1	**Secured Loans**	**44,556,111**	**37,350,501**
a	Loans secured by physical/real estate collateral	43,939,835	35,837,380
b	Loans secured by financial collateral	616,276	1,513,121
c	Loans secured by guarantees		
2	**Unsecured Loans**	**168,360**	**-**
3	**Total Loans**	**44,724,471**	**37,350,501**

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Item 15: Earnings Ratios

Sl. No.	Ratio	Current Period	COPPY
1	Interest Income as a percentage of Average Assets	7.32%	7.27%
2	Non-interest income as a percentage of Average Assets	0.75%	0.45%
b.	Operating Profit as a percentage of Average Assets	3.46%	2.80%
c.	Return on Assets	1.34%	0.98%
2	Business (Deposits plus advances) per employee	184,392	147,069
3	Profit per employee	1,596	968

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

Sl. No.	Current Period (Year for which the disclosure is being made)		COPPY	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	Penalty imposed vide RMA/LSD-GO/2022/682	150,000.00	Nil	
2	Penalty imposed for violation of Section 13 of Rules and Regulation on Foreclosure & Write-off of NPL 2022 vide RMA/ LSD-GO/2022/1135 dated 09/09/2022	1,948,926.24		
3	Penalty imposed for violation in accordance with Appendix B -Section 3(a) of the Penalty Rules and Regulations 2022 vide RMA/LSD-GO/2022/1162 dated 13/09/2022	566,306.29		
4	Penalty imposed for violation of Section 9 and Appendix B, Section 2(a) of Penalty Rules and Regulation 2022 vide RMA/LSD -GO/2022/1394 dated 26/09/2022	1,948,946.24		
5	Penalty imposed for violation of Section 9 of the Penalty Rules and Regulation 2022 vide RMA/LSD-GO/2022/1608 dated 11/10/2022	3,897,852.47		
6	Penalty imposed for the violation in accordance with Section 6 of the Penalty Rules and Regulations 2019 vide RMA/LSDGO/2022/ 2565 dated 12/12/2022	300,000.00		
7	Penalty paid to CIB for late payment of CIR fee	228.30		
8	Penalty paid to CIB for penalty for late deposit of CIR fees.	2,149.27		

Item 17: Customer Complaints

Sl. No	Current Period	Current Period	COPPY
1	No. of complaints pending at the beginning of the year		
2	No. of complaints received during the year		4
3	No. of complaints redressed during the year		4
4	No. of complaints pending at the end of the year		

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Item 18: Provisioning Coverage Ratio

- *Intentionally not reported as it is not mandatory under the RMA regulations.*

Item 19: Concentration of Credit and Deposits

Sl. No.	Particular	End of Current Period	COPPY
1	Total Loans to 10 Largest borrowers	7,699,779	6,107,018
2	*As % of total loans*	17.22%	16.35%
3	Total deposits of the 10 Largest depositors	25,702,122	23,929,512
4	*As % of total deposits*	51.70%	55.34%

Item 20: Exposure of five largest NPL Accounts

Sl. No.	Particular	End of Current Period	COPPY
1	Five Largest NPL Accounts	312,530	463,052
2	*As % of total NPLs*	20.32%	15.52%

JIGMI Audit & Financials Pvt. Ltd. Thimphu

RATIO ANALYSIS

Ratios	Local GAAP		BAS	
	2022	2021	2022	2021
Deposit (bn)	51.34	44.75	51.20	44.66
Gross Loans & Advances (bn)	44.72	37.35	44.54	36.92
Gross Loans & Advances including charge off loans (bn)	45.83	37.35	45.64	36.92
Total Business (bn)	96.07	82.10	95.74	81.57
Deposit Growth	14.73%	15.07%	14.65%	15.23%
Loan Growth	19.74%	6.23%	20.64%	6.42%
CD Ratio	87.11%	83.46%	86.99%	82.67%
Interest income on loans & advances to Customers (bn)	4.05	3.52	4.03	3.52
Interest Expenses on deposits	2.61	2.41	2.56	2.45
Interest Expenses/Deposits	5.08%	5.38%	4.99%	5.49%
Interest Income/Loans	9.05%	9.43%	9.05%	9.54%
Interest Spread	3.97%	4.05%	4.06%	4.05%
Earnings per Share (With Split) in Nu.	2.13	1.36	3.10	1.96
ROA	1.31%	0.94%	2.01%	1.45%
ROE	10.60%	6.95%	17.13%	11.04%
CAR *	21.73%	18.20%	21.73%	18.20%
Gross NPA ratio including charge off loans*	5.77%	7.99%	5.77%	7.99%
Gross NPA ratio excluding charge off loans *	3.44%	0.00%	3.44%	0.00%
Net NPL ratio *	0.23%	0.85%	0.23%	0.85%
Book Value	19.85	19.32	18.07	17.61
Dividend per Share (with Split) **	1.368	0.000	1.368	0.000

Previous year figures and/ratios have been changed accordingly.

** Ratios are considered the same under Local GAAP and BAS*

*** Dividend is declared based on the profit under Local GAAP*

JIGMI Audit & Financial Services Pvt. Ltd. Thimphu

COMPLIANCE CALENDAR

Sl. No.	Activity	Section		Remarks
1 a) b)	Submission of Annual Return Companies listed with Royal Securities Exchange of Bhutan Limited All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balance sheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report vi) Directors' report.	**267**	On or before 31 May On or before 31 July	Duly authenticated and filed on 9 May 2022 and acknowledged by the Company Registrar.
2 a) b) c)	Annual General Meeting Listed Companies Unlisted Companies Government Companies	**177**	On or before 30 April On or before 30 June Same timing	Conducted on 29.04.2022
3	**Notice Calling General Meetings**	**185**	21 days before the AGM	Notice for calling AGM was served on 15 March 2022.
4	**Payment of Dividend**	**204**	Within 30 days of declaration in AGM	None
5	**Presentation of B/S, P&L A/c and Cash Flow Statement at every AGM**	**244**		Complied
6	**Filing of Documents with Register**	**267**		Duly authenticated and filed on 9 May 2022
7	Appointment of Auditor GCC & GC Reappointment Removal Resignation	**251** **260-262**	AGM Notify the Registrar within 15 days from the passing of the resolution. Convene the EGM within 14 days to discuss resignation.	Reappointment of auditors, M/s JIGMI Audit & Financials Pvt. Ltd. was approved by the AGM on 29.04.2022.
8	**Consent to act as directors**	**140**	Within 30 days of appointment or reappointment with the registrar	No new Directors were appointed.
9	Board Meetings 156th BM 155th BM 154th BM 153th BM 152th BM 151rd BM	**146 & 149**	Gap between any of the meetings have not exceeded more than 3 months	30.12.2022 21.09.2022 28.06.2022 12.05.2022 22.04.2022 29.03.2022
10	**Appointment of CEO**	**210**	Every 5 years	Complied (every 3 years)
11	**Power of Regulatory Authority to accord approval**	**412**	Approval of Regulatory Authority	Complied
12	**Appointment of Company Secretary**	**213**	As prescribed by the Companies Act of Bhutan 2016	Complied
13	**Statutory Record and Inspection**	**228**	All times	Complied

JIGMI Audit & Financials Pvt. Ltd. Thimphu

COMPLIANCE CHECKLIST

Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

Certificate of Incorporation Registration No. L19960902THI0096 dated 2 September 1996

Sl. #.	Ss.	INCORPORATION OF A COMPANY AND SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval			✔	No Change
2	47	Change of name/Approval			✔	No change of name during the year.
3	123	Increase or consolidation of share capital			✔	No increase/consolidation of share capital or conversion
4	124	Reduction of share capital			✔	No Change
5	82	License Copy and Share Certificate filing			✔	No license obtained or share certificates filed
6	107	Public offer of shares & Debentures-ROC Approval			✔	No Public offer of shares & Debentures during the year
MANAGEMENT & ADMINISTRATION						
7	217	Registered Office of Company			✔	No change
		(Postal Address & Contact Number)			✔	
8	221	Publication of name by Company			✔	Complied
		(Letter Head, Seals and Sign Board)				
9	241	Financial Year of Companies as of 31st Dec	✔			The Corporation's financial year closes on 31 December each year.
	242	Extension up to 15 months - ROC approval			✔	
	243	Extension up to 18 months - Authority's approval			✔	
10	245	Financial Statements to follow BAS	✔			As provided in Audit Report
11	267	Annual Return Submission On/before 31 May for listed; Others 31 July	✔			Duly filed
12	177	Annual General Meeting (Minutes)	✔			AGM for the FY 2021 was held on 29 April 2022
13	180	Extraordinary General Meeting (Minutes)			✔	
14	185	Notice for calling general meeting	✔			Complied
15	187	Listed Co. - written as well as in media	✔			Complied
		Public Co/Private Co. - Written Notice				
16	190	Chairman of meeting (CEO cannot chair)	✔			Dasho Karma Tshiteem
17	192	Representation of corporations at meetings (appointed by Board Directors)			✔	We have representation in the Board of DFAL
18	193	Ordinary and special resolutions (Minutes)	✔			Complied

JIGMI Audit & Financials Pvt. Ltd. Thimphu

19	195	Minutes of Annual General Meeting and Board Meetings (maintained Ss.195-198)	✔			All the proceedings of the meetings of Board and the General meeting are minutes and signed by the Directors.
20	199	Declaration and payment of dividend (199-209)		✔		None
21	232	Books of account to be kept by company (location & time)	✔			Complied
22		Board's report (signed by Chairman)	✔			Complied
23	252	Appointment and removal of Auditors	✔			Auditors (empaneled by RAA) have been duly reappointed by the board and endorsed by the shareholders in the AGM.
		Need to re-appoint annually (251-259)	✔			The auditors are annually reappointed for a maximum period of 3 years.
24	260	Resignation of Auditors from office (Annual Resignation)			✔	NA
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	✔			BAS is being followed by the auditors
26	133	Number of directors	✔			At the end of Financial Year 2022, there were seven directors.
27	134	One third of all Public Companies shall be independent	✔			Complied.
28	138	(Minimum No. & retirement on rotation)	✔			Complied.
29	139	Additional directors	✔			No Additional Director Appointed
30	140	Consent to act as directors	✔			No new Directors were appointed
31	141	Certain persons not to be appointed as Directors	✔			All the conditions under section 141 are duly fulfilled.
32	142	Resignation by a director			✔	
33	143	Removal of directors		✔		No directors were removed during the year.
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	✔			Six (6) Board meetings were conducted during the year.
35	152	General powers of the board	✔			Properly adhered.
36	156	Restriction on powers of Board	✔			Properly adhered.
37	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	✔			Mr. Sonam Tobgay continued as the CEO. He was appointed for three years w.e.f. 1 September 2019.

38	213	Company Secretary required in all Public Companies	✔			Mr. Dorji Namgyal Rinchhen is the Company Secretary of BNBL and was appointed in August 2011.
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)	✔			Non-Bhutanese agents are properly appointed.
40	157	No loans to directors (only for Public Co.)	✔			Yes, to Dasho Tenzing Yonten (Exalt Pvt Ltd).
41	53	Inter-corporate investments (investments to be disclosed) apply old rule			✔	Nil
42	158	Conflict of Interest Transactions by Board	✔			Complied. No directors were interested in the contracts executed by the Company.
43	161	Standard of care required by directors (Reckless decision)	✔			As appeared from the minutes of the Board Meetings, other documents and information provided, the Directors seemed to have acted with due care, diligence and prudence in the discharge of their duties.
STATUTORY RECORD AND INSPECTION						
44	228	Statutory record and inspection				
	(a)	Register of buy-back of shares	✔			Complied
	(b)	Register of transfers	✔			No transfer during the year.
	(c)	Register of charges	✔			Maintained
	(d)	Register of inter-corporate loans			✔	
	(e)	Register of inter-corporate investments	✔			
	(f)	Register of contracts in which directors are interested	✔			No contracts in which directors are interested during the year.
	(g)	Register of directors	✔			Maintained
	(h)	Register of directors' shareholding	✔			Maintained

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No.0283308)
Partner

For Bhutan National Bank Limited

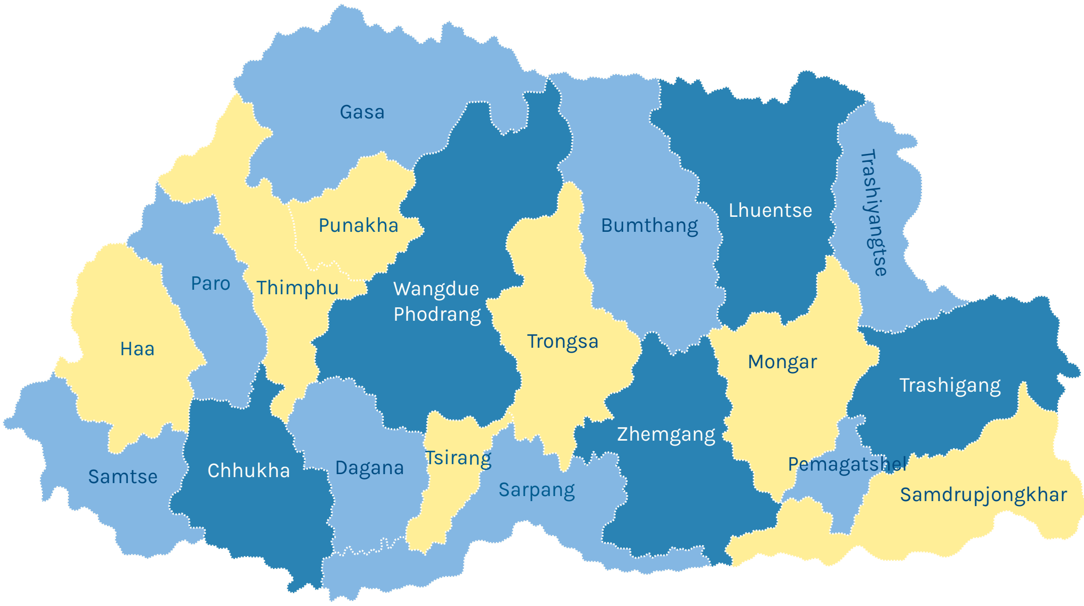
Dorji
Director, Corporate Services

Sonam Tobgay
Chief Executive Officer

Dasho Karma Tshiteem

Chairperson

Date: 24/05/2023



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Design & Print : **TJ Colours**
Contact : 17907989