



# ANNUAL REPORT 2019

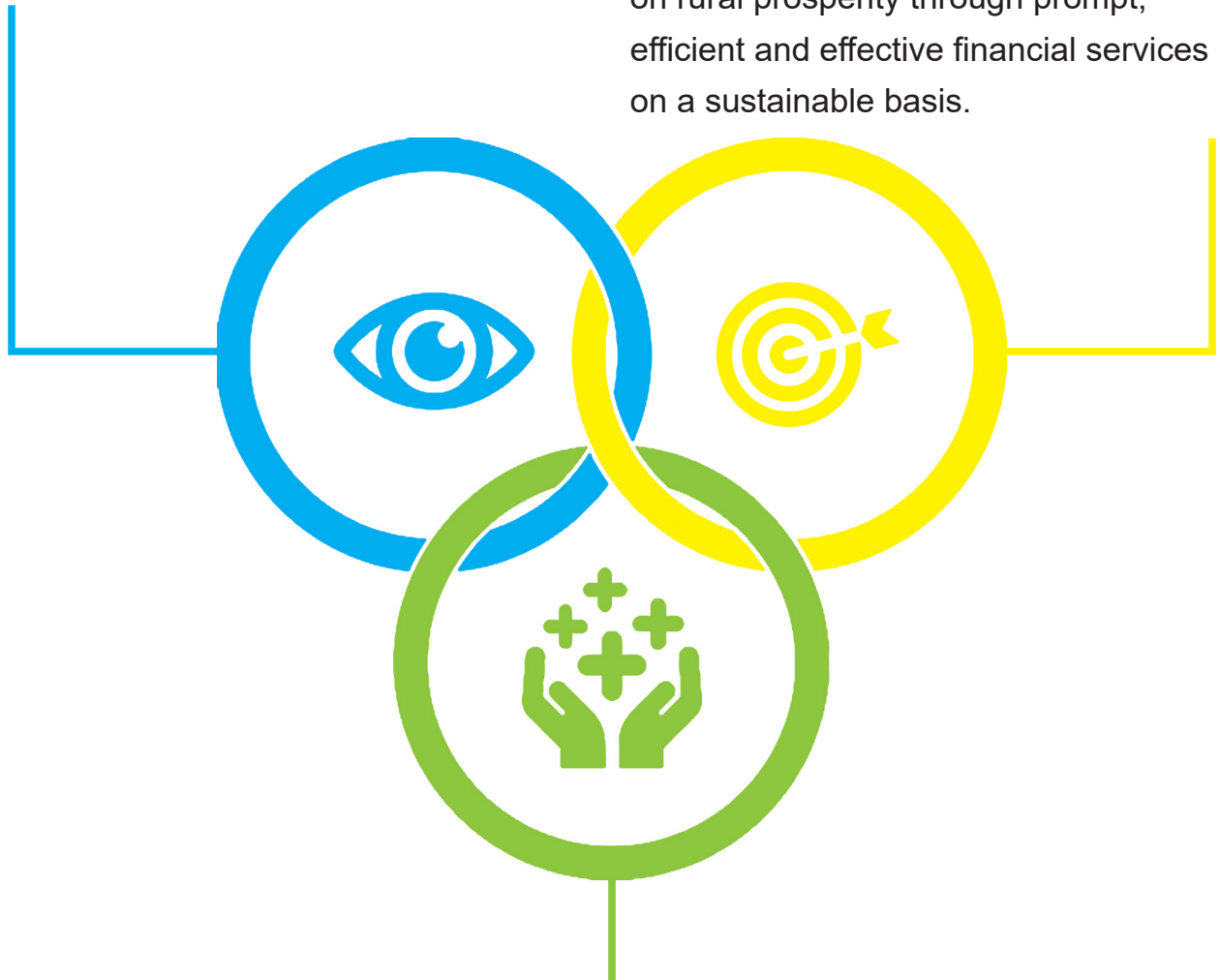
**BHUTAN  
DEVELOPMENT  
BANK  
LIMITED**

## VISION

To be strong, dependable, customer focused bank that contributes towards achievement of GNH.

## MISSION

A premier development bank with focus on rural prosperity through prompt, efficient and effective financial services on a sustainable basis.



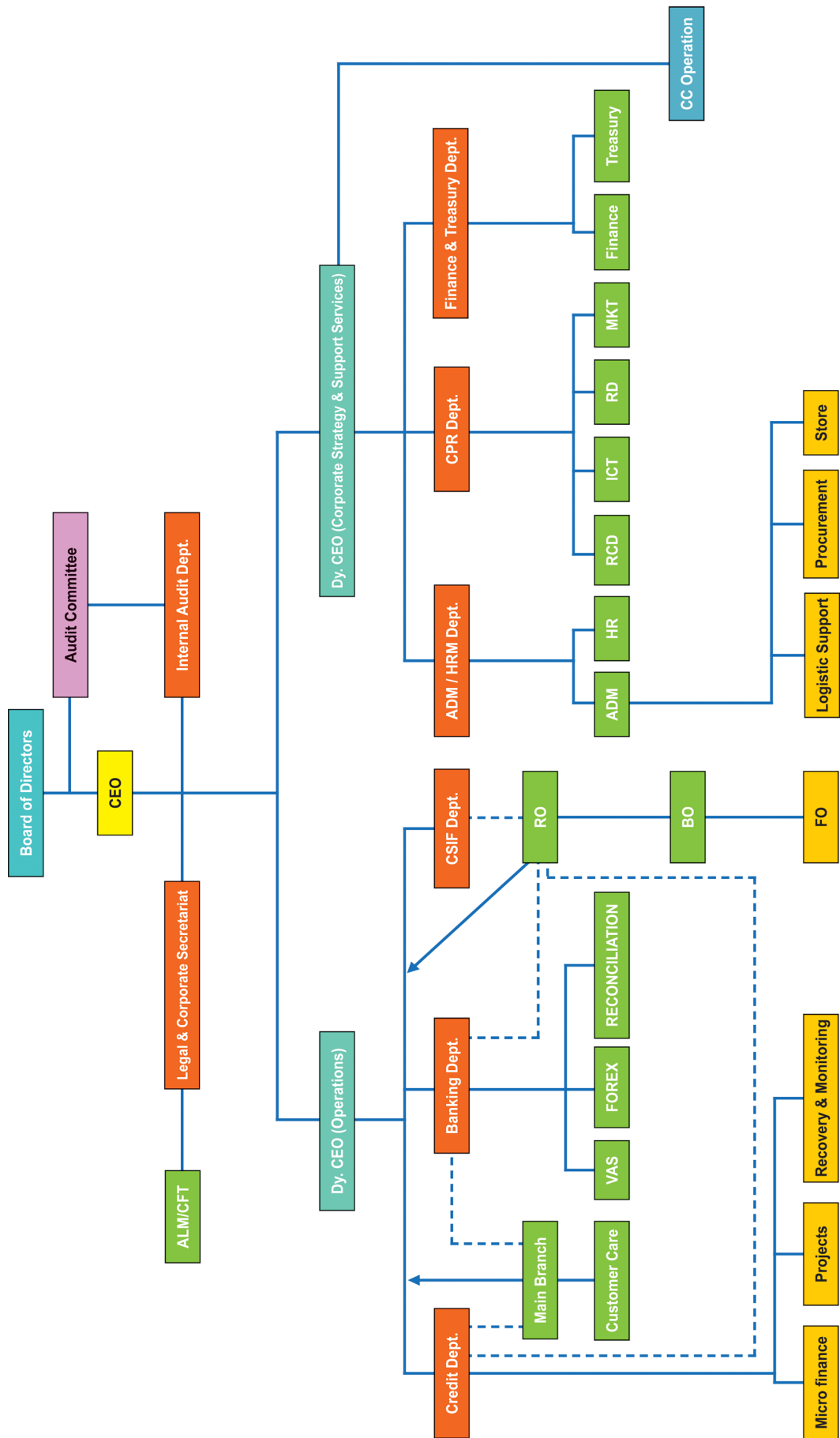
## CORE VALUES

|                        |   |   |
|------------------------|---|---|
| <b>Professionalism</b> | - | Give your Best                            |
| <b>Excellence</b>      | - | Aim for higher ideals                     |
| <b>Ownership</b>       | - | Own your Bank and care for your customers |
| <b>Partnership</b>     | - | Work together for growth                  |
| <b>Loyalty</b>         | - | Be true to oneself and stakeholders       |
| <b>Efficiency</b>      | - | Deliver prompt services                   |

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# ORGANIZATIONAL STRUCTURE





**BHUTAN DEVELOPMENT BANK LIMITED**  
**HEAD OFFICE, THIMPHU**  
**Post Box: 256, Norzin Lam**  
**Telephone PABX No: (00975-2) 322579, 323425, 324678, 333865 Fax 323428**  
**Toll free No. 1424**  
**Email: info@bdb.bt**

#### REGIONAL OFFICES

| SI # | Regional Managers          | Office Location | Telephone No.             |
|------|----------------------------|-----------------|---------------------------|
| 1.   | Mr. Tenzin Tashi (Western) | Paro            | 00975-08-272410/3004/0005 |
| 2.   | Mr. Pema Tashi (Central)   | Gelephu         | 00975-06-252137           |
| 3.   | Mr. Rinchen (Eastern)      | Trashigang      | 00972-04-521243           |

#### BRANCH OFFICES

| SI # | Branch Managers/<br>Chief Manager | Location | Phone No. | Fax No. |
|------|-----------------------------------|----------|-----------|---------|
|------|-----------------------------------|----------|-----------|---------|

##### Western Region

|     |                       |               |                  |           |
|-----|-----------------------|---------------|------------------|-----------|
| 1.  | Mr. Phub Dorji        | Thimphu       | 02-326853        |           |
| 2.  | Mr. Yeshi Samdrup     | Paro          | 08-271334        |           |
| 3.  | Mr. Sangay Wangdi     | Haa           | 08-375459        |           |
| 4.  | Ms. Yangchen Lhamo    | Punakha       | 02-584102/584157 |           |
| 5.  | Mr. Pema Tenzin       | Gasa          | 16288121         |           |
| 6.  | Mr. Jigme Norbu       | Wangdue       | 02-481261        | 02-481848 |
| 7.  | Mr. Karma Sherub      | Chukha        | 08-478243/478427 |           |
| 8.  | Mr. Yeshey K Tshering | Phuntsholing  | 05-252881        |           |
| 9.  | Mr. Janga Bdr Rai     | Samtse        | 05-365469        |           |
| 10. | Mr. Damcho Wangdi     | Dorokha       | 17160380         |           |
| 11. | Mr. Yonten            | Tashi Choling | 77106774         |           |

##### Central Region

|    |                    |          |           |           |
|----|--------------------|----------|-----------|-----------|
| 1. | Mr. Namgyel Dorji  | Dagana   | 06-481106 |           |
| 2. | Mr. Sonam Wangchuk | Bumthang | 03-631111 |           |
| 3. | Mr. Penjor         | Trongsa  | 03-521147 | 03-521515 |
| 4. | Ms. Dawa Dem       | Zhemgang | 03-741127 | 03-741107 |

|     |                      |                |           |           |
|-----|----------------------|----------------|-----------|-----------|
| 5.  | Mr. Ugyen Tshewang   | Panbang        | 03-742017 | 03-742018 |
| 6.  | Mr. Jhamba           | Tsirang        | 06-471206 |           |
| 7.  | Mr. Wangda           | Sarpang        | 06-365136 |           |
| 8.  | Mr. Pem Tashi        | Gelephu        | 06-252135 |           |
| 9.  | Mr. Lobzang Choiphel | Lhamoi Zingkha | 17160574  |           |
| 10. | Mr. BB Tamang        | Dagapela       | 06-483143 |           |

| Sl # | Branch Managers/<br>Chief Manager | Location | Phone No. | Fax No. |
|------|-----------------------------------|----------|-----------|---------|
|------|-----------------------------------|----------|-----------|---------|

| Eastern Region |                        |                  |                     |           |
|----------------|------------------------|------------------|---------------------|-----------|
| 1.             | Ms. Kunzang Tshomo     | Lhuntse          | 04-545106           |           |
| 2.             | Mr. Sonam Dhendup      | Mongar           | 04-641127/04-641177 |           |
| 3.             | Mr. Yeshey Jamtsho     | Pema Gatshel     | 07-471126/          |           |
| 4.             | Mr. Tenzin Wangdi      | Samdrup Jongkhar | 07-251118           | 74712605  |
| 5.             | Mr. Tshewang           | Trashigang       | 04-521122           |           |
| 6.             | Mr. Jigme Sonam Tenzin | Trashy Yangtse   | 04-781105           | 04-781239 |
| 7.             | Mr. Thinlay Wangchuk   | Wamrong          | 04-571148/751164    |           |
| 8.             | Mr. Namgay Doenyan     | Nganglam         | 07-481190           |           |
| 9.             | Mr. Samten Wangchuk    | Jomotshangkha    | 07-264023           | 7264023   |
| 10.            | Mr. Nima Choezang      | Yadi             | 17290334            |           |
| 11.            | Ms. Tashi Wangmo       | Samdrupcholing   | 17700475            |           |

### Thimphu Main Branch, General Manager

|    |                 |                      |           |           |
|----|-----------------|----------------------|-----------|-----------|
| 1. | Mr. Sonam Letho | Main Branch, Thimphu | 02-323852 | 02-323428 |
|----|-----------------|----------------------|-----------|-----------|

## BOARD OF DIRECTORS



### **CHAIRMAN**

Mr. Lekzang Dorji  
Director General

Department of Macro Economic Affairs



### **DIRECTOR**

Mr. Nima Wangdi  
Former Health Secretary  
Gadhen Khangzang



### **DIRECTOR**

Mr. Ugyen Penjore  
Director General  
Dept. of Agriculture & Forests  
MOAF



### **DIRECTOR**

Mr. Phub Tshering  
Former Secretary General  
BCCI



### **DIRECTOR**

Mr. Pema Wangdi  
Chief Executive Officer  
REDCL



### **DIRECTOR**

Mr. Dhak Tshering  
Director  
DoS, MOWHS



### **MEMBER SECRETARY**

Mr. Phub Dorji  
Chief Executive Officer  
BDB

## BDB MANAGEMENT TEAM



**Mr. Phub Dorji**

Chief Executive Officer



**Mr. Bhawani Shankar**

Company Secretary



**Mr. Nidup Tshering**

General Manager  
Finance & Treasury Dept.



**Mr. Karma Jigme**

General Manager  
ADM/HRM Dept.



**Mr. Pema Wangdi**

General Manager  
Internal Audit Dept.



**Mr. Tshering Dukpa**

General Manager  
CPRD



**Mr. Dorji Wangdi**

General Manager  
Credit Department



**Mr. Kuenzang Thinley**

General Manager  
Banking Dept.



**Mr. Sonam Letho**

General Manager  
Thimphu Main Branch



**Mr. Samdrup Kinlay**

Offg. General Manager  
ICT Dept.

**May 29, 2020****Director's Report**

I would like to extend a warm welcome to the esteemed Shareholders for attending the 28<sup>th</sup> Annual General Meeting of Bhutan Development Bank Ltd. (BDB). With the constant support and cooperation of the Board of Directors and the Shareholders, we have been able to guide the bank in fulfilling their social and commercial mandate as envisioned in the Royal Charter. The bank has made a profit of Nu. 127 million as compared to Nu. 218 in 2018.

On behalf of the Board of Directors and the Shareholders I would like to urge the Management and staff to keep working with the same enthusiasm and commitment. I am pleased to present, on behalf of the Board of Directors and the Management the 28<sup>th</sup> Annual Report for the year ended December 31, 2019.

**1. Governance:**

During 2019, 6 Board Meetings and 1 Annual General Meeting were conducted. The Board of Directors are supported by 3 Board sub-committees covering the areas of Governance and Risk Management, Audit and Credit. While the Board Audit Committee is mandated by the Corporate Governance Regulation (CGR) the other two Board Committees (Governance and Risk, and Credit) were established to improve the decision-making process of the Board. The Board Committees have met quarterly or biannually as per the requirement.

**2. Auditor's Report:**

The Statutory Auditors M/s Yoganandh & Ram LLP, Chartered Accountants, Chennai, India audited the Bank for the financial year 2019. This is their first year of audit engagement with BDB, and they have been appointed by the Royal Audit Authority for three years.

I am pleased to share the auditor's opinion that all the activities undertaken by the bank has complied with the applicable laws, rules and regulations. There was no qualified opinion and the emphasis of matter in the auditor's report.

The accounting policy, particularly loan impairment, was changed from expected credit loss (ECL) to incurred loss model (ILM) as instructed by the Accounting and Auditing Standard Board of Bhutan (AASBB). Due to change in policy, the accounts for the year 2018 and 2017 were also restated in ILM which were done in ECL earlier.

Some of the financial highlights for 2019 are as follows:







## **2.1 Financial Position:**

The Bank's total assets grew by 2% to Nu. 25,759 million in 2019 from Nu. 25,250 million in the previous year. The growth was mainly due to increase in investments and loans during the period.

The Capital and Reserves (Equity) grew by 2% from Nu. 2,621 million to Nu. 2,733 million. The growth in Equity was mainly due to increase in retained earnings. The Bank's liabilities also increased by 2% from Nu. 22,629 million to Nu. 23,025 million on account of increase in deposits.

## **2.2 Financial Performance**

The Bank made a profit of Nu. 127 million compared to Nu. 218 million in 2018. The total interest income, fees and commission grew by 11% from Nu. 2,140 million to Nu. 2,430 million in 2019. On the other hand, the interest expenses decreased by 12% from Nu. 1,413 million to Nu. 1,245 million in 2019 due to the downward revision in deposit interest rates.

The expenses on personnel increased by 10% from Nu. 269 million to Nu. 295 million mainly due to the salary revision in December 2019. However, the other operating expenses decreased by 2% from Nu. 187 million to Nu. 183 million by improving the procurement and inventory distribution system.

The loan impairment charges increased from Nu. 23 million in 2018 to Nu. 537 million due to the increase in non-performing loans (NPL) ratio from 20.73% in 2018 to 23.15% in 2019.

## **3. Operational Highlights:**

### **3.1 Credit Activities:**

To increase financial and allied services coverage the Bank manages 35 Branch Offices, 26 Gewog Field Offices (GFO), and 198 Gewog Banking Services (GBS) operating within the Community Centers across the 20 Dzongkhags and 14 Dungkhags. Additionally, the Farmers Outreach Banking (FOB) helps in taking the financial services to the doorstep of the people.

In line with the social mandate loans given to agriculture remains the largest sector with 29.6% and an amount of Nu. 5,904 million.

2019 saw an overall credit growth of 5% with the total loan outstanding of Nu. 19,921 million which grew from Nu. 18,922 million in 2018.

### 3.2 Banking Activities

The bank has been putting a lot of effort to continuously improve the counter, ATM, and mobile banking (ePay) services. Further, the FOB services have been strengthened to take banking services to the door steps of the far-flung areas to promote financial inclusion. The Youth Ethics Bank (YE) accounts for school going children have increased from 592 accounts with Nu. 455,843 in 2018 to 2,029 accounts with Nu. 2,358,909. 596 Choedhey Savings accounts for Nu. 3,404,655 from Dratshang and Shedras by distributing metal saving boxes was done in 2019.

The deposit mobilization initiated from 2010 onwards remains the largest and most reliable source of fund. Total deposits stand at Nu. 21,637 million with a total of 223,884 deposit accounts compared to Nu. 21,012 million with a total of 203,018 deposit accounts in 2018. The CD ratio of the bank is 93.21% and the retail deposits increased by 18.99% from Nu. 10,395 million in 2018 to Nu. 12,367 million in 2019.

The Bank has developed and deployed ten Merchant Point of Sale (POS) machines to facilitate cashless transactions. To decongest the Teller counters the Bank installed three new ATM machines taking the total number of ATMs to 53.

BDB's ATM and POS machines can now be accessed by Indian RuPay card holders. The Global Interface for Financial Transactions (GIFT) system have been introduced in all the Branch Offices to enable fund transfers on real time basis.

### 3.3 Investments

The main investments of the bank are in the form of loans and advances, efforts are made to diversify the investments to mitigate risk whenever opportunities arise. The Bank has been regularly participating in Government treasury bills to use the SLR funds to supplement its regular income and an income of Nu. 16.96 million was made from short term investment during the year. The bank also subscribed to Nu. 55 million worth of bonds issued by T bank during the year.

### 3.4. Human Resources Management

During the year an additional of 36 new employees were recruited, some on replacement taking to the total strength of 644 including 8 contract employees as of December 31, 2019. In addition, there are 221 employees working for the 200 Community Centers (CC). The overall staff strength including the CC employees are 865 spread across the country.

With the objective to enhance the qualification and knowledge of the employees, one employee was sent to pursue Master's degree in Development Management at Asian Institute of Management, Philippines and two employees to Gedu College of Business Studies to pursue







Bachelor's degree in Commerce. 155 officials were also sent for professional development courses during the year based on the training needs assessment.

#### **4. Key achievements during the year 2019**

In order to enhance the corporate governance system to improve the business operation and processes by amending, revising and developing policy tools, Standard Operating Procedure (SOP) for the ICT Department, revision of Credit and Banking Manuals, Internal Audit Operational Guidelines and Board Audit Charter were developed for implementation.

To leverage on the new Switch, 3 ATMs were procured and installed taking the total to 53 ATMs.

The construction of two storied office building at Trashiyangtse was completed and the bank now owns its first office building in the Eastern Region.

The employees' salary was also revised based on the guidelines provided by the Government and approved by the Board of Directors.

#### **5. Corporate Social Responsibilities**

BDB always attaches importance in upholding the age-old values of preserving our culture and tradition that binds the society together. Towards this end, the bank participated in the blood donation. The bank also made several small donations amounting to Nu. 1,174,092 to schools, health agencies, religious bodies and NGOs.

The Bank also participated in tree plantation around Ninzerkha Lhakhang in collaboration with the Forest Department to commemorate the 40<sup>th</sup> Birth Anniversary of His Majesty The King.

#### **6. Challenges and risks facing the bank**

The high rate of NPL and large number of bad book debts remains the biggest challenge faced by the bank. In 2019 nine additional Legal Assistants were recruited and many NPL cases were litigated. After the litigation and seizure of the properties the bank has not been able to find buyers for the rural properties despite conducting several rounds of open auctions.

While the bank is trying to keep up with the commercial banks in providing digital banking services, adoption of these services by the large rural clients remains a challenge. The introduction of the Priority Sector Lending (PSL) and establishment of Micro Financial Institutions in the same market may pose challenges in the near future.

The high operational costs to expand the financial services to the unbanked and unserved areas as part of the social mandate increases the Minimum Lending Rate (MLR). The overhead costs



**DIRECTOR'S REPORT**

of the Community Centers borne by the bank adds to the already high operation costs. Retaining employees after they have gained experience has been another big challenge.

**7. Way forward**

With the concerted effort to promote digital banking and other value-added services the bank is also pursuing ISO and PCI DSS certification to improve the cyber security. The bank is also introducing POS machine during Farmers Outreach Banking services to improve transparency and do financial transaction on real time basis. The internet banking and mobile (ePay) services are continuously being improved to cater to the needs of the clients.

The bank will continue to expand and promote the Group Guaranteed Lending Scheme (GGLS) to provide financial services to people without collateral. As a part of the ongoing financial inclusion, the bank will encourage and sensitize students, religious and monastic bodies to save through the special saving schemes.

The bank will develop a comprehensive NPL reduction strategy to improve the NPL during the year.

**8. Conclusion**

In conclusion, the Bank commits to remain a dominant player in providing financial services to the farmers who comprise close to 56% of Bhutan's population. The financial services are envisaged to not only improve the livelihoods of the farmers but contribute to the overarching goal of self-reliance.

In the capacity of the Chairman, I would like to acknowledge the contributions of the Board and Board Sub-Committees in providing the guidance and directives to the Bank. I would also like to acknowledge the support of Shareholders and the Government in making the Bank's visibility in the most rural part of the country and its coverage with various products.

On behalf of the Directors, I would like to express our appreciation to CEO, senior management and employees across the country for the commendable performance despite challenges faced by the Bank. I am sure that the Management and the employees will work even harder for better services. The Board will provide full support, guidance and direction to the management to improve the performance of the Bank. We are sure that the Government, Ministry of Finance, donors, and other stakeholders will continue to provide their supports to improve the financial services.



[ Lekzang Dorji ]  
Chairman

**Bhutan Development Bank Ltd.**



**OPERATIONAL HIGHLIGHTS FROM 2015-2019**

| SI # | Particulars                           | 2015           | 2016           | 2017           | 2018           | 2019           |
|------|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| I    | <b>Assets ( Million)</b>              | <b>19,073</b>  | <b>22,649</b>  | <b>24,148</b>  | <b>25,222</b>  | <b>25,759</b>  |
| II   | <b>Profits/(Loss) ( Million)</b>      | <b>409</b>     | <b>325</b>     | <b>(880)</b>   | <b>322</b>     | <b>127</b>     |
| III  | <b>Disbursement ( Million)</b>        | <b>6,321</b>   | <b>7,327</b>   | <b>6,036</b>   | <b>5,330</b>   | <b>5,776</b>   |
|      | Main Branch                           | 1,574          | 1,719          | 1,184          | 595            | 652            |
|      | Branch Office                         | 4,747          | 5,609          | 4,852          | 4,735          | 5,124          |
| IV   | <b>Loan Outstanding ( Million)</b>    | <b>13,920</b>  | <b>16,547</b>  | <b>18,836</b>  | <b>18,924</b>  | <b>19,920</b>  |
|      | Main Branch                           | 5,242          | 5,970          | 6,830          | 6,475          | 6,426          |
|      | Branch Office                         | 8,678          | 10,577         | 12,007         | 12,448         | 13,494         |
| V    | <b>Portfolio At Risk</b>              | <b>8.59%</b>   | <b>12.48%</b>  | <b>22.72%</b>  | <b>20.73%</b>  | <b>23.16%</b>  |
|      | Main Branch                           | 9.32%          | 17.56%         | 33.42%         | 30.29%         | 36.52%         |
|      | Branch Office                         | 8.12%          | 9.44%          | 18.67%         | 15.75%         | 16.80%         |
| VI   | <b>Number of Active Clients</b>       | <b>52,248</b>  | <b>56,192</b>  | <b>57,414</b>  | <b>55,241</b>  | <b>57,319</b>  |
|      | Main Branch                           | 3,730          | 4,163          | 4,563          | 4,295          | 3,968          |
|      | Branch Office                         | 48,518         | 52,029         | 52,851         | 50,946         | 53,351         |
| VII  | <b>Cumulative Nos. of Beneficiary</b> | <b>199,484</b> | <b>219,182</b> | <b>237,068</b> | <b>234,895</b> | <b>236,973</b> |
|      | Main Branch                           | 11,818         | 13,073         | 14,249         | 13,981         | 13,654         |
|      | Branch Office                         | 187,666        | 206,109        | 222,819        | 220,914        | 223,319        |
| VIII | <b>Deposit Amount ( Million)</b>      | <b>14,216</b>  | <b>17,479</b>  | <b>19,689</b>  | <b>20,085</b>  | <b>21,045</b>  |
|      | Main Branch                           | 10,575         | 12,322         | 13,523         | 12,490         | 12,815         |
|      | Branch Office                         | 3,641          | 5,156          | 6,165          | 7,595          | 8,230          |
| IX   | <b>No. of Depositors</b>              | <b>133,366</b> | <b>159,576</b> | <b>178,386</b> | <b>203,018</b> | <b>223,886</b> |
|      | Main Branch                           | 8,436          | 11,186         | 15,101         | 18,386         | 21,702         |
|      | Branch Office                         | 124,930        | 148,390        | 163,285        | 184,632        | 202,184        |
| X    | <b>Number of Employess</b>            | <b>416</b>     | <b>452</b>     | <b>563</b>     | <b>572</b>     | <b>644</b>     |
|      | Head Office                           | 117            | 144            | 152            | 164            | 222            |
|      | Main Branch                           | 31             | 39             | 45             | 43             | 61             |
|      | Branch Office                         | 268            | 269            | 366            | 365            | 422            |
| XI   | <b>Active Clients/Employee Ratio</b>  |                |                |                |                |                |
|      | Main Branch                           | 120            | 107            | 101            | 100            | 65             |
|      | Branch Office                         | 181            | 193            | 144            | 140            | 126            |
| XII  | <b>Loans /Employee Ratio</b>          | <b>33</b>      | <b>37</b>      | <b>33</b>      | <b>33</b>      | <b>31</b>      |
|      | Main Branch                           | 169            | 153            | 152            | 151            | 105            |
|      | Branch Office                         | 32             | 39             | 33             | 34             | 32             |



# **AUDITORS' REPORT 2019**

**Yoganandh & Ram LLP**

**Chartered Accountants**

**Chennai**

**India**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
BHUTAN DEVELOPMENT BANK LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of **Bhutan Development Bank Limited** (the Bank), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 aspects, the financial position of the Bank as at December 31, 2019 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 *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to the following:

- a) As discussed in Note 3.4 to the financial statements, the Bank has changed its method of valuation of financial instruments from Expected Credit Loss model to Incurred Loss Model in line with the regulatory requirement.

To give effect to the above change in the valuation of financial instruments, from Expected Credit Loss Model, the Bank's comparative information (i.e. Opening balances of 2018 and 2019, i.e. January 2018 and December 2018) relating to financial instruments have been re-instated to reflect the valuation using Incurred Loss Model.

Due to such reinstatement, the value of assets of the Bank have been restated from Nu. 15,971,251,657 To Nu. 16,083,019,436 (an increase of Nu. 111,811,412), and the retained earnings have been restated from Nu 624,419,708 to Nu. 736,231,120 (an increase of Nu. 111,811,412) as at 1<sup>st</sup> January 2018.

Due to such restatement, Profits have been restated from Nu. 300,087,745 to Nu. 217,703,387 (decrease by Nu. 82,384,359) for the year ended 31<sup>st</sup> December 2018 and increase in assets from Nu. 25,221,567,049 to Nu. 25,250,994,104 (Net increase of Nu. 29,427,054) as at 31<sup>st</sup> December 2018.

- b) As discussed in Note 12 to the financial statements, the Current account of the Bank with Royal Monetary Authority is under reconciliation as on 31.12.2019. An amount of Nu. 3,245,520.19 mentioned as “prior period adjustment” are pending for identification and reconciliation since 2016.
- c) As discussed in Note 17 to the financial statements, the current account of BFS with Royal Monetary Authority is under reconciliation, as on 31.12.2019. An amount of Nu. 15,661,437 mentioned as “As other adjustments” are pending for identification and reconciliation since 2017.

Our opinion is not modified in respect of these matters.

**Other Matter:**

- 1. The Bank has 35 branches, out of which 14 branches (in the western region) were audited by us. For the remaining 21 branches, accounts as prepared by the management have been incorporated in the financial statements.
- 2. From the review of the 14 branches carried out by us, in view of the various cases of misappropriation / Embezzlements and unauthorised sanctions & disbursements acts involving employees of the bank, overwriting of field receipts, back date errors in fields receipts, non-updating of field collections of funds by PSOs, reported in various branches, we recommend that the internal control systems and procedures of the bank relating to credit management need to be strengthened.
- 3. The financial statements of Bank for the year ended December 31, 2018, were audited by previous auditor who expressed an unmodified opinion on those statements. We have incorporated the re-instatements w.r.t the opening balances of 2018 and 2019, due to the change in policy of valuation of Financial Instruments. Our opinion is not modified in respect of this matter.

# Yoganandh & Ram LLP

## CHARTERED ACCOUNTANTS

G-1, Shree Vishnu Apartments,  
12, Twelfth Cross Street,  
Dhandeeswaram Nagar,  
Velachery, Chennai – 600 042.  
Phone: 044 - 22432030  
Email: [reachus@yandr.in](mailto:reachus@yandr.in)

### **Responsibilities of Management and those Charges with Governance for the financial Statements**

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

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

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

### **Auditors' Responsibilities for the audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 are required to



communicate with the Management 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 are also required to provide the management 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.

### **Report on Other Legal and Regulatory Requirements**

As required by Section 266 of The Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements), we enclose in the **Exhibit -II** a statement on the matters specified therein to the extent applicable.

Further, to our comments in the annexure as referred above, as required by Section 265 of the Companies Act of Bhutan 2016, we report that:

- a. We have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purpose of audit.
- b. In our opinion, proper books of accounts as required by law as stated in the Companies Act of Bhutan, 2016, have been kept by the Bank so far as it appears from our examination of those books. We also observed that proper returns adequate for the purposes of our audit have been received from all the branches not visited by us.
- c. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow with by this report are in agreement with the books of accounts.
- d. In our opinion, the Bank has complied with all other legal and regulatory requirements.

The engagement Partner on the audit resulting in this independent auditor's report is  
T Manoj Kumar Jain.

**For Yoganandh & Ram LLP**  
**Chartered Accountants**  
**FRN: 005157S/S200052**

MANOJ KUMAR JAIN  
Digitally signed by MANOJ KUMAR JAIN  
Date: 2020.07.27 14:11:47 +05'30'

**T Manoj Kumar Jain**  
**Partner**  
**Membership No.: 218610**  
**UDIN: 20218610AAAACE6774**

# **Yoganandh & Ram LLP**

**CHARTERED ACCOUNTANTS**

G-1, Shree Vishnu Apartments,  
12, Twelfth Cross Street,  
Dhandeeswaram Nagar,  
Velachery, Chennai – 600 042.  
Phone: 044 - 22432030  
Email: [reachus@yandr.in](mailto:reachus@yandr.in)

**Address:**

**G-1, Shree Vishnu Apartments,  
12, Twelfth Cross Street,  
Dhandeeswaram Nagar,  
Velachery,  
Chennai -600 042  
Tamil Nadu, India**

**Date: 27.07.2020**

**Place: Chennai**



**Exhibit II**

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The Bank is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. Physical verification of fixed assets of some of the branches were carried out by the Bank during the year 2018. Discrepancies noticed on such verification as compared to book records have not been dealt with in the books of accounts.
2. Fixed Assets have not been re-valued during the year and therefore, there is no profits/loss on revaluation.
3. Physical verification of various stores items were carried out by the internal audit during the year. Discrepancies noticed on such verification as compared to book records have not been dealt with in the books of account.
4. In our opinion, rate of interest and other terms and conditions of secured/unsecured loans availed by the Bank from banks, financial institutions or other parties are prima facie not prejudicial to the interest of the Bank.
5. According to the information and explanations given to us, no loan, secured or unsecured has been granted to other companies, firms or other parties under the same management. The loans granted by the Bank are prima facie not prejudicial to its interest. The advances granted to officers/staffs are in keeping with the provisions of service rule and no excessive and frequent advances are granted and accumulation of large advances against particular individual is avoided *except in some of the cases unauthorized loans have been granted by the branch officials to cover misappropriation/embezzlement of cash.*
6. Internal controls of the bank relating to credit management need to be strengthened as on review of reports of Internal Audit Department, it was observed that there were many cases of embezzlement/misappropriation, unauthorized sanctions & disbursements, irregularities in field receipts etc.
7. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of its business for the purchase of goods and services including stores, equipment and other assets. The Bank is not engaged in manufacturing or trading activities.
8. Fund based or non – fund - based facilities provided to the directors or to companies or firms in which any director was directly or indirectly interested, were under similar terms and conditions as were applied to other parties and were not prima facie prejudicial to the interest of the Bank.
9. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic intervals.

10. The Bank is maintaining reasonable records for sale and disposal of scrap.
11. According to the records, the Bank has been regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year.
12. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2019.
13. According to the information and explanations given to us, no personal expenses have been debited to the Income Statement other than those payable under contractual obligations/service rules of the Bank.
14. The Bank has a reasonable system of recording receipts, issues and consumption of stores items commensurate with the nature and size of its business.
15. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
16. Cash has been held time and again by the branches over and above their cash retention limits sanctioned by the Head office. This results in holding of idle cash with the defaulting branches.
17. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Bank are, in our opinion, lawful and intra-vires to the Articles of Incorporation of the Bank.
18. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
19. The Bank has established an effective budgetary control system.
20. The details of remuneration to the Directors and the CEO have been disclosed in Notes to Financial Statements.
21. The directives of the Board have generally been complied with.
22. According to the information and explanations given to us, the officials of the Bank have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

**In Case of Finance and Investment Bank**

1. There are lapses on the documentation part of loans granted by the Bank and this area requires further improvement.
2. Proper records of the transactions and contracts have been maintained and timely entries have been made for the investments made.
3. The Bank has maintained reasonable records for funds collected from depositors and for interest payment.
4. Investments made by the Bank and outstanding in its books as on 31<sup>st</sup> December, 2019 have not undergone any permanent diminution in value as per information and explanations given to us.
5. The Bank has complied with the requirements of the Financial Services Act of Bhutan, 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate authorities as explained by the management except otherwise mentioned elsewhere in the report or notes to the accounts.
6. Provisioning for non- performing assets including loans and advances has been carried out as per accounting policy of the Bank.
7. Interest on non- performing loans has not been recognized as interest income as per the accounting policy of the Bank.
8. As stated by the management, except for few cases, assets hypothecated against loans and advances have been physically verified and properly valued by the management and mortgage deeds have been executed and it has been ensured that the assets are free of any prior lien or charges.
9. The Bank has a system of monitoring of for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. Taking over of assets for repayment defaults are made through open/ sealed bids.
11. The Bank has complied with the guidelines for Prudential Regulations as issued by RMA for re - phasing/ rescheduling of loan accounts.
12. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances except for some instances.

### Computerized Accounting Environment

1. It was informed to us that the Migration audit was conducted by the Royal Audit Authority for which follow up action needs to be done at bank. In some of the branches, unidentified differences are lying as "Migration account" which requires proper identification and reconciliation of related accounts.
2. Adequate safeguard measures and back up facilities exist.
3. Back up facilities and disaster recovery measures include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

### General

#### 1. *Going Concern Presumption*

Based on the Bank's financial statements for the year ended 31<sup>st</sup> December 2019, we are of the opinion that the going concern assumption is appropriate.

#### 2. *Ratio Analysis*

Financial and operational ratio in respect of the Bank is given in the statement of Ratio Analysis.

| RATIOS   | 2019    | 2018    |
|--|---------|---------|
| <b>A. Ratios for assessing Financial health</b>      |         |         |
| <b>Capital Turnover Ratio (As per BAS)</b>           |         |         |
| (Income/Capital Employed)                            | 89.53%  | 83.22%  |
|  |         |         |
| <b>Current Ratio (As per BAS)</b>                    |         |         |
| (Current Assets/Current Liabilities)                 | 109.36% | 108.33% |
|  |         |         |
| <b>Fixed Asset Turnover Ratio (As per BAS)</b>       |         |         |
| (Income/Fixed Asset)                                 | 361.97% | 596.88% |
|  |         |         |
| <b>B. Ratios for assessing Profitability</b>         |         |         |
| <b>Profit on Capital Employed Ratio (As per BAS)</b> |         |         |
| (PAT/Capital Employed)                               | 4.73%   | 11.54%  |

# Yoganandh & Ram LLP

## CHARTERED ACCOUNTANTS

G-1, Shree Vishnu Apartments,  
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Email: [reachus@yandr.in](mailto:reachus@yandr.in)

| RATIOS  | 2019   | 2018   |
|---|--------|--------|
| <b>Profit Turnover Ratio (As per BAS)</b>               |        |        |
| (NP / Total Income)                                     | 3.06%  | 13.87% |
|   |        |        |
| <b>Operating ratio (As per BAS)</b>                     |        |        |
| (All Expenses - Finance Charges) / Total Income * 100   | 22.37  | 24.52  |
|   |        |        |
| <b>Total Expense to total Income ratio (As per BAS)</b> |        |        |
| (Total Expenses / Total Income) * 100                   | 73.60% | 90.02% |

Complaints of the Companies Act of Bhutan 2016

The bank has not complied with the following areas of the Companies Act of Bhutan 2016

The Bank has seven directors on its board. Article 46 describes appointment of minimum 3 directors. Article 50e states that “shall not any time exceed the Maximum strength fixed for the board by the articles”

The Bank has not fixed any maximum number of directors by the articles. In the absence of fixation of maximum numbers, appointment of directors exceeding 3 directors is not in conformity with articles of Incorporation

### Adherence to Laws, rules and regulations

Audit of the bank is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its article of incorporation and we are unable to state that the bank has been complying with the applicable laws (other than the Companies Act), rules and regulations, systems, procedures and practices.

**For Yoganandh & Ram LLP**

**Chartered Accountants**

**FRN: 005157S/S200052**

MANOJ

KUMAR JAIN

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MANOJ KUMAR JAIN  
Date: 2020.07.27  
14:14:23+05'30'

**T Manoj Kumar Jain Partner**

**Membership No.: 218610 UDIN:**

**20218610AAAACE6774**

**Date: 27.07.2020**

**Place: Chennai**





# **ANNUAL ACCOUNTS 2019**

**Yoganandh & Ram LLP**

**Chartered Accountants**

**Chennai**

**India**

**BHUTAN DEVELOPMENT BANK LIMITED**  
**FINANCIAL STATEMENTS**  
**31<sup>st</sup> DECEMBER 2019**





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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. CORPORATE INFORMATION**

Bhutan Development Bank Limited provides services to Small and Medium Enterprises (SME) and farmers' outreach in various parts of the Kingdom of Bhutan

Bhutan Development Bank Limited is a domestic development bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 256, Norzin Lam, Thimphu, Bhutan.

The financial statements for the year ended 31<sup>st</sup> December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on May 16, 2020.



## **2.1 BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, except for available-for sale investments. The financial statements are presented in Bhutan Ngultrum rounded (Nu.)

### **Statement of compliance**

The financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards /Bhutan Financial Reporting Standards (BAS/BFRS) and International Financial Reporting Standards (IFRS).

### **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) is considered when preparing the statement of Financial Position.

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

Audited Financial Statements for 31.12.2017 are prepared in accordance with BAS 1 on presentation of financial statements in line with BAS/BFRS and IFRS.

## **2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the 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.

### **Judgements**

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:



**Impairment of available-for-sale investments**

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.3.1 Foreign currency translation**

The financial statements are presented in Bhutan Ngultrum (Nu) which is the functional currency of the Bank

***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.

**2.3.2 Financial instruments – initial recognition and subsequent measurement****(i) Date of recognition**

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group 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.

**(ii) Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

### (iii) Financial assets or financial liabilities held for trading

Currently the Bank does not have any Financial Assets/Liabilities classified as held for trading.

### (iv) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

Currently the Bank does not have any Financial Instruments designated as Fair Value through Profit or Loss.

### (v) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

### (vi) Available-for-sale financial investments

Available-for-sale investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity

(Other comprehensive income) in the Available-for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in other operating income. 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. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

**(vii) Held-to-maturity financial investments**

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the Effective Interest Rate (EIR). The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment of such investments are recognised in the income statement line Credit loss expense.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

Currently the Bank does not have any Financial Instruments classified as Held to Maturity (HTM).

**(viii) Due from banks and loans and advances to customers**

Due from banks and Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, amounts due from banks and Loans and advances to customers are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The amortisation is included in Interest and similar income

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in the income statement. The losses arising from impairment are recognised in the income statement in Credit loss expense.

### (ix) Debt issued and other borrowed funds

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR).

### (x) Reclassification of financial assets

The Bank is permitted to reclassify, in certain circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. From this date, it was also permitted to reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

## 2.3.3 De-recognition of financial assets and financial liabilities

### (i) *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset.
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case,



the Bank also recognises an associated 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 that the Bank could be required to repay.

## **(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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.

### **2.3.4 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 in an active market, the fair value is determined by using appropriate valuation techniques.

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

### **2.3.5 Impairment of financial assets**

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current Effective Interest Rate (EIR). If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new Effective Interest Rate (EIR) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the product type.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

**(ii) Available-for-sale financial investments**

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

**(iii) Renegotiated loans**

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This 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 Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

**(iv) Collateral valuation**

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and as appropriate.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

**(v) Collateral repossessed**

The Bank's policy is to auction all repossessed collateral.

**2.3.6 Offsetting 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.3.7 Leasing

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

#### Group as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

### 2.3.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### (i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for- sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

#### (ii) Fee and commission income

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

Fee income can be divided into the following two categories:

#### **Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

**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.

**(iii) Dividend income**

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

**(iv) 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. This includes any ineffectiveness recorded in hedging transactions.

**2.3.9 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.

**2.3.10 Property, Plant and Equipment**

Property, Plant and Equipment (including equipment under operating leases where the Bank is the lessor) 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 property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

| <u>Asset Type</u>    | <u>Useful Life</u> |
|----------------------|--------------------|
| Buildings            | 20-50 years        |
| Furniture & Fitting  | 10 years           |
| Office Equipment     | 5 years            |
| Electrical Equipment | 10 years           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

|                    |          |
|--------------------|----------|
| Network Equipment  | 5 years  |
| Computer Hardware  | 5 years  |
| Motor Vehicle      | 10 years |
| Security Equipment | 5 years  |

Property and equipment is derecognised 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 derecognised.

### 2.3.11 Intangible assets

The Bank's other intangible assets include the value of computer software.

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 Bank.

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 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 lives as follows:

- Computer software 6-7 years

### 2.3.12 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's 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.



### **2.3.13 Guarantees**

In the ordinary course of business, the Bank gives guarantees, consisting of letters of credit/guarantees and acceptances.

### **2.3.14 Provisions**

Provisions are recognised when the Bank 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.

### **2.3.15 Grants**

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

Grants received by agencies are amortised to income over the period of a grant on straight line Basis and grants received during the period are assumed to be received by the end of the period for amortisation purpose.

### **2.3.16 Dividends on ordinary shares**

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

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

### **2.3.17 Equity reserves**

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include:

Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.4.18 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

#### **BFRS 9 Financial Instruments.**

BFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to BFRS 9 Mandatory Effective Date of BFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of BFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### **BFRS 15 Revenue from Contracts with Customers**

BFRS 15, as issued, reflects the first phase of IASB's initiative to replace IAS 18, the objective of which is to establish the principles that the company shall apply in reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application by the company is permitted. Contracts with customers will be presented in the company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.



**STATEMENT OF FINANCIAL POSITION**

| AS AT                               | Note | Dec/19<br>Nu          | Dec/18<br>Nu          | Jan/17<br>Nu          |
|-------------------------------------|------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                       |      |                       |                       |                       |
| Cash & Cash Equivalent              | 11   | 1,131,976,066         | 1,033,790,953         | 2,057,681,724         |
| Balances with Central Bank          | 12   | 4,146,607,979         | 4,558,530,690         | 3,145,623,910         |
| Due from Banks                      | 13   | 2,712,274,841         | 2,226,518,008         | 1,568,447,439         |
| Loans & Advances to Customers       | 14   | 16,692,511,368        | 16,178,802,055        | 16,083,019,436        |
| Equity Instruments at FVOCI         | 15   | 44,326,514            | 53,871,996            | 44,367,583            |
| Debt Instruments at Amortised Cost  | 16   | 292,178,886           | 435,976,623           | 421,272,000           |
| Other Assets                        | 17   | 412,040,665           | 402,108,414           | 433,111,233           |
| Property, Plant & Equipment         | 18   | 227,592,104           | 253,765,244           | 285,912,990           |
| Intangible Assets                   | 19   | 99,828,092            | 107,630,117           | 108,791,951           |
| <b>Total Assets</b>                 |      | <b>25,759,336,517</b> | <b>25,250,994,103</b> | <b>24,148,228,268</b> |
| <b>Liabilities</b>                  |      |                       |                       |                       |
| Due to Banks                        | 20   | 1,196,992,368         | 1,321,999,945         | 996,526,429           |
| Due to Customers                    | 21   | 21,637,135,425        | 21,012,626,967        | 20,548,704,715        |
| Retirement Benefit Plans            | 22   | 6,420,117             | 67,461,629            | 57,909,228            |
| Deferred Tax Liability              | 23   | 71,532,458            | 124,752,474           | 130,124,364           |
| Other Liabilities                   | 24   | 113,582,512           | 102,665,195           | 109,751,176           |
| <b>Total Liabilities</b>            |      | <b>23,025,662,880</b> | <b>22,629,506,210</b> | <b>21,843,015,913</b> |
| <b>Equity</b>                       |      |                       |                       |                       |
| Share Capital                       |      | 600,317,000           | 600,317,000           | 507,317,000           |
| Retained Earnings                   |      | 880,483,047           | 833,236,106           | 736,231,120           |
| Other Reserves                      |      | 1,246,988,904         | 1,172,504,620         | 1,055,738,480         |
| FVOCI Reserve                       |      | 5,884,686             | 15,430,168            | 5,925,755             |
| <b>Total Equity</b>                 |      | <b>2,733,673,637</b>  | <b>2,621,487,895</b>  | <b>2,305,212,355</b>  |
| <b>Total Liabilities and Equity</b> |      | <b>25,759,336,517</b> | <b>25,250,994,103</b> | <b>24,148,228,268</b> |

Note 1 to 38 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ  
KUMAR JAIN

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Date: 2020.07.27  
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T Manoj Kumar Jain

Partner

Membership No. 218610

Date:

Place : Chennai

Chief Executive Officer

Chairman

## INCOME STATEMENT

|  | Note | Dec/19<br>Nu           | Dec/18<br>Nu         |
|--|------|------------------------|----------------------|
| Interest & Similar Income  | 4    | 2,365,256,847          | 2,140,289,735        |
| Interest & Similar Expense   | 5    | (1,244,936,927)        | (1,412,902,694)      |
| <b>Net interest income</b>   |      | <b>1,120,319,921</b>   | <b>727,387,040</b>   |
| Fee and commission income  | 6    | 46,298,530             | 33,515,328           |
| Fee and commission expenses  |      | -                      | -                    |
| <b>Net fee and commission income</b>                                     |      | <b>46,298,530</b>      | <b>33,515,328</b>    |
| Other Operating Income   | 7    | 18,531,660             | 31,042,966           |
| <b>Total operating income</b>  |      | <b>1,185,150,111</b>   | <b>791,945,335</b>   |
| Personnel Expenses   | 8    | (294,740,552)          | (269,087,670)        |
| Depreciation on Property Plant & Equipment                               | 18   | (52,758,745)           | (60,594,580)         |
| Amortization of Intangible Assets  | 19   | (13,251,891)           | (12,339,032)         |
| Other Operating Expenses   | 9    | (182,755,697)          | (187,002,534)        |
| Impairment (charges)/reversal for loans and other losses                 | 14.1 | (537,321,286)          | (23,197,879)         |
| <b>Total Operating Expenses</b>  |      | <b>(1,080,828,171)</b> | <b>(552,221,696)</b> |
| <b>Profit Before Tax from Continuing Operations</b>                      |      | <b>104,321,939</b>     | <b>239,723,638</b>   |
| Less : Expenditure on Community Centers<br>(net of Income Nu.7,164,297 ) | 10   | (30,042,140)           | (27,392,142)         |
|  |      | <b>74,279,799</b>      | <b>212,331,497</b>   |
| Income Tax Expense   | 23   | 53,220,016             | 5,371,890            |
| <b>Profit For the year ending</b>  |      | <b>127,499,816</b>     | <b>217,703,388</b>   |

Note 1 to 38 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

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Chief Executive Officer



Chairman

T Manoj Kumar Jain  
Partner  
Membership No. 218610  
Date:  
Place : Chennai



**STATEMENT OF OTHER COMPREHENSIVE INCOME**

|   | <b>Dec/19<br/>Nu</b> | <b>Dec/18<br/>Nu</b> |
|---|----------------------|----------------------|
| <b>Profit for the year ending</b>   | <b>127,499,816</b>   | <b>217,703,388</b>   |
| Gains /(losses) on re-measuring available for sale financial assets               | (9,545,482)          | (511,965)            |
| Impairment during the year - Available for sale investments                       | -                    | -                    |
| Gain/(loss) on Actuarial valuation of defined benefit liability                   | 4,898,026            | (672,078)            |
| <b>Total other comprehensive income / (loss )</b>                                 | <b>122,852,360</b>   | <b>(1,184,043)</b>   |
| Income tax income /(expense) relating to components of other comprehensive income | -                    | -                    |
| <b>Total comprehensive income for the year, net of tax</b>                        | <b>122,852,360</b>   | <b>216,519,343</b>   |

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In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

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Date: 2020.07.27  
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Chief Executive Officer

Chairman

T Manoj Kumar Jain

Partner

Membership No. 218610

Date :

Place : Chennai

**STATEMENT OF CHANGES IN EQUITY**

|   | Stated Capital     | Retained Earnings  | General Reserves     | Other Reserves                | Staff Development Fund | FVOCI             | Total Shareholders' Funds |
|---|--------------------|--------------------|----------------------|-------------------------------|------------------------|-------------------|---------------------------|
|   |                    |                    |                      | Reserve for Land And Building | IT Development Reserve |                   |                           |
| <b>Balance as at January 1 2018</b>             | 507,317,000        | 624,419,708        | 946,792,826          | 20,000,000                    | 48,945,654             | 5,925,755         | 2,193,400,943             |
| <b>BAS 39 transitional Adjustment</b>           |                    | 111,811,412        |                      |                               |                        |                   | 111,811,412               |
| Adjustments/Additional Actuarial Gains/(Losses) | 93,000,000         | (672,078)          |                      |                               | -                      | 9,504,413         | 99,244,230                |
| Net profit for the year                         |                    | 217,703,387        |                      |                               |                        |                   | (672,078)                 |
| Transfers during the year                       |                    | (120,026,323)      | 90,026,323           | 20,000,000                    | -                      |                   | 217,703,387               |
| <b>Balance as at 31st December 2018</b>         | <b>600,317,000</b> | <b>833,236,106</b> | <b>1,036,819,149</b> | <b>40,000,000</b>             | <b>48,945,654</b>      | <b>15,430,168</b> | <b>2,621,487,895</b>      |
| <b>Balance as at January 1 2019</b>             | 600,317,000        | 833,236,106        | 1,036,819,149        | 40,000,000                    | 48,945,654             | 15,430,168        | 2,621,487,895             |
| Adjustments/Additional Actuarial Gains/(Losses) | -                  | (8,651,012)        |                      |                               |                        | (10,666,617)      | (10,666,617)              |
| Net profit for the year                         |                    | 4,898,026          |                      |                               | (2,015,605)            | (9,545,482)       | (4,647,456)               |
| Transfers during the year                       |                    | 127,499,816        |                      |                               |                        |                   | 127,499,816               |
|   |                    | (76,499,889)       | 50,999,926           | 12,749,982                    | -                      |                   | -                         |
| <b>Balance as at 31st December 2019</b>         | <b>600,317,000</b> | <b>880,483,047</b> | <b>1,087,819,075</b> | <b>52,749,982</b>             | <b>48,945,654</b>      | <b>5,884,686</b>  | <b>2,733,673,638</b>      |

Note 1 to 38 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ KUMAR JAIN  
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Date: 2020.07.27 14:14:57 +05'30'

T Manoj Kumar Jain  
Partner

Membership No. 218610

Date:

Place : Chennai



Chief Executive Officer



Chairman



**STATEMENT OF CASH FLOWS**

AS AT

|  | Dec/19<br>Nu         | Dec/18<br>Nu         | Dec/18<br>Nu           |
|--|----------------------|----------------------|------------------------|
| <b>Operating Activities</b>  |                      |                      |                        |
| Profit Before Tax from Continuing Operations                                 | 74,279,799           | (908,647,051)        | 212,331,497            |
| Adjustments for ;  |                      |                      |                        |
| Dividend received  | (531,720)            | (508,109)            | (795,428)              |
| Depreciation of Property, plant and equipment                                | 66,010,636           | 65,871,673           | 72,933,613             |
| Movement in Impairment of Loans & Advances                                   | 537,321,286          | 1,259,111,477        | 23,197,879             |
| (Gain)/loss on Disposal of PPE   | (1,506,902)          | 342,640              | 895,120                |
| <b>Operating profit before changes in operating assets &amp; liabilities</b> | <b>675,573,099</b>   | <b>416,170,630</b>   | <b>308,562,681</b>     |
| <b>(Increase)/Decrease in operating assets</b>                               |                      |                      |                        |
| Balance with Royal Monetary Authority  | 411,922,711          | 143,490,407          | (1,412,906,780)        |
| Loans & Advances to Customers  | (1,051,030,599)      | (1,952,365,426)      | (118,980,499)          |
| Funds advanced to banks  |                      |                      |                        |
| Financial Investments  | 143,797,737          | 3,787,948            | (14,704,623)           |
| Other assets   | (9,932,252)          | (39,135,846)         | 31,002,819             |
| <b>Increase/(Decrease) in operating liabilities</b>                          |                      |                      |                        |
| Movement in Share Capital  | -                    | -                    | 93,000,000             |
| Movement in other reserve  | (2,015,605)          | -                    | (3,260,183)            |
| Retirement Benefit Plans   | (64,794,497)         | 4,194,231            | 8,880,322              |
| Other liabilities  | 10,917,317           | 23,189,882           | (7,085,981)            |
| Due to banks   | (125,007,577)        | (139,662,965)        | 325,473,516            |
| Due to customers   | 624,508,457          | 2,519,306,584        | 463,922,252            |
| <b>Net cash flow from operating activities</b>                               | <b>(61,634,308)</b>  | <b>562,804,815</b>   | <b>(634,659,157)</b>   |
| <b>Cash flow from investing activities</b>                                   |                      |                      |                        |
| Placement with other Banks   | (485,756,833)        |                      | (658,070,569)          |
| Dividend received  | 531,720              | 508,109              | 795,428                |
| Purchase of property & equipment   | (30,528,569)         | (110,242,790)        | (40,519,153)           |
|  | <b>(515,753,682)</b> | <b>(109,734,681)</b> | <b>(697,794,294)</b>   |
| <b>Cash flow from financing activities</b>                                   |                      |                      |                        |
| <b>Net cash flow from financing activities</b>                               | <b>-</b>             | <b>-</b>             | <b>-</b>               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                  | <b>98,185,110</b>    | <b>869,240,764</b>   | <b>(1,023,890,770)</b> |
| <b>Cash the beginning of the year</b>  | <b>1,033,790,954</b> | <b>2,756,888,399</b> | <b>2,057,681,724</b>   |
| <b>Cash at the end of the year</b>   | <b>1,131,976,064</b> | <b>3,626,129,163</b> | <b>1,033,790,954</b>   |

Note 1 to 38 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ  
KUMAR JAIN

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Date: 2020.07.27  
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Chief Executive Officer

Chairman

T Manoj Kumar Jain  
Partner  
Membership No. 218610  
Date:  
Place : Chennai



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Reclassification and Re-measurement from BFRS 9 to BAS 39

3.1 Reconciliation to Statement of Financial Position As At

|                                     |      | With BFRS 9           |     | Re-measurement       | with BAS 39           |
|-------------------------------------|------|-----------------------|-----|----------------------|-----------------------|
|                                     |      | Dec/17                |     |                      | Dec/17                |
|                                     | Note | Nu                    | Ref |                      | Nu                    |
| <b>Assets</b>                       |      |                       |     |                      |                       |
| Cash & Cash Equivalent              | 11   | 2,057,664,062         | A   | (17,662)             | 2,057,681,724         |
| Balances with Central Bank          | 12   | 3,145,623,910         |     | -                    | 3,145,623,910         |
| Due from Banks                      | 13   | 1,568,427,036         | A   | (20,403)             | 1,568,447,439         |
| Loans & Advances to Customers       | 14   | 15,971,251,657        | B   | (111,767,779)        | 16,083,019,436        |
| Equity Instruments at FVOCI         | 15   | 44,367,583            |     | -                    | 44,367,583            |
| Debt Instruments at Amortised Cost  | 16   | 421,266,432           | A   | (5,568)              | 421,272,000           |
| Other Assets                        | 17   | 433,111,234           |     | -                    | 433,111,233           |
| Property, Plant & Equipment         | 18   | 285,912,990           |     | -                    | 285,912,990           |
| Intangible Assets                   | 19   | 108,791,951           |     | (0)                  | 108,791,951           |
| <b>Total Assets</b>                 |      | <b>24,036,416,856</b> |     | <b>(111,811,412)</b> | <b>24,148,228,266</b> |
| <b>Liabilities</b>                  |      |                       |     |                      |                       |
| Due to Banks                        | 20   | 996,526,429           |     | -                    | 996,526,429           |
| Due to Customers                    | 21   | 20,548,704,715        |     | -                    | 20,548,704,715        |
| Retirement benefit plans            | 22   | 57,909,228            |     | -                    | 57,909,228            |
| Deferred Tax Liability              | 23   | 130,124,364           |     | -                    | 130,124,364           |
| Other Liabilities                   | 24   | 109,751,177           |     | -                    | 109,751,176           |
| <b>Total Liabilities</b>            |      | <b>21,843,015,913</b> |     | <b>-</b>             | <b>21,843,015,912</b> |
| <b>Equity</b>                       |      |                       |     |                      |                       |
| Share Capital                       |      | 507,317,000           |     | -                    | 507,317,000           |
| Retained Earnings                   |      | 624,419,708           |     | (111,811,412)        | 736,231,120           |
| Other Reserves                      |      | 1,055,738,480         |     | -                    | 1,055,738,480         |
| AFS Reserve                         |      | 5,925,755             |     | -                    | 5,925,755             |
| <b>Total Equity</b>                 |      | <b>2,193,400,943</b>  |     | <b>(111,811,412)</b> | <b>2,305,212,355</b>  |
| <b>Total Liabilities and Equity</b> |      | <b>24,036,416,856</b> |     |                      | <b>24,148,228,266</b> |

Note 1 to 39 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ  
KUMAR JAIN

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MANOJ KUMAR JAIN  
Date: 2020.07.27  
14:14:57 +05'30'

T Manoj Kumar Jain  
Partner  
Membership No. 218610  
Date:  
Place : Chennai



Chief Executive Officer



Ch: Chairman



**3. Reclassification and Re-measurement from BAS 39 to BFRS 9**

**3.2 Reconciliation to Statement of Financial Position As At**

|                                     |             | <b>With BFRS 9</b>    |            |                       | <b>with BAS 39</b>    |
|-------------------------------------|-------------|-----------------------|------------|-----------------------|-----------------------|
|                                     |             | <b>Dec/18</b>         |            | <b>Re-measurement</b> | <b>Dec/18</b>         |
|                                     | <b>Note</b> | <b>Nu</b>             | <b>Ref</b> |                       | <b>Nu</b>             |
| <b>Assets</b>                       |             |                       |            |                       |                       |
| Cash & Cash Equivalent              | 11          | 1,033,785,150         | A          | (5,803)               | 1,033,790,953         |
| Balances with Central Bank          | 12          | 4,558,530,690         |            | -                     | 4,558,530,690         |
| Due from Banks                      | 13          | 2,226,479,604         | A          | (38,404)              | 2,226,518,008         |
| Loans & Advances to Customers       | 14          | 16,149,426,484        | B          | (29,375,571)          | 16,178,802,055        |
| Equity Instruments at FVOCI         | 15          | 53,871,996            |            | -                     | 53,871,996            |
| Debt Instruments at Amortised Cost  | 16          | 435,969,348           | A          | (7,275)               | 435,976,623           |
| Other Assets                        | 17          | 402,108,414           |            | -                     | 402,108,414           |
| Property, Plant & Equipment         | 18          | 253,765,244           |            | -                     | 253,765,244           |
| Intangible Assets                   | 19          | 107,630,117           |            | -                     | 107,630,117           |
| <b>Total Assets</b>                 |             | <b>25,221,567,049</b> |            | <b>(29,427,054)</b>   | <b>25,250,994,104</b> |
| <b>Liabilities</b>                  |             |                       |            |                       |                       |
| Due to Banks                        | 20          | 1,321,999,945         |            | -                     | 1,321,999,945         |
| Due to Customers                    | 21          | 21,012,626,967        |            | -                     | 21,012,626,967        |
| Retirement benefit plans            | 22          | 67,461,629            |            | -                     | 67,461,629            |
| Deferred Tax Liability              | 23          | 124,752,474           |            | -                     | 124,752,474           |
| Other Liabilities                   | 24          | 102,665,195           |            | -                     | 102,665,195           |
| <b>Total Liabilities</b>            |             | <b>22,629,506,210</b> |            | <b>-</b>              | <b>22,629,506,210</b> |
| <b>Equity</b>                       |             |                       |            |                       |                       |
| Share Capital                       |             | 600,317,000           |            | -                     | 600,317,000           |
| Retained Earnings                   |             | 803,809,051           |            | (29,427,055)          | 833,236,106           |
| Other Reserves                      |             | 1,172,504,620         |            | -                     | 1,172,504,620         |
| AFS Reserve                         |             | 15,430,168            |            | -                     | 15,430,168            |
| <b>Total Equity</b>                 |             | <b>2,592,060,839</b>  |            | <b>(29,427,055)</b>   | <b>2,621,487,895</b>  |
| <b>Total Liabilities and Equity</b> |             | <b>25,221,567,049</b> |            | <b>(29,427,055)</b>   | <b>25,250,994,105</b> |

**Note 1 to 39 form an integral part of Financial Statements**

**In terms of our attached report of even date.**

**For Yoganandh & Ram LLP**

**Chartered Accountants**

**FRN : 005157S/S200052**

**MANOJ KUMAR JAIN**  
Digitally signed by  
MANOJ KUMAR JAIN  
Date: 2020.07.27  
14:14:57 +05'30'



**Chief Executive Officer**



**Chairman**

**T Manoj Kumar Jain**

**Partner**

**Membership No. 218610**

**Date:**

**Place : Chennai**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. Reclassification and Re-measurement from BFRS 9 to BAS 39

## 3.3 Reconciliation to Statement of Financial Position As At

|   | Note | With BFRS 9<br>Dec/18<br>Nu | Ref | Re-measurement      | with BAS 39<br>Dec/18<br>Nu |
|---|------|-----------------------------|-----|---------------------|-----------------------------|
| Interest & Similar Income   | 4    | 2,092,539,811               | C   | (47,749,924)        | 2,140,289,735               |
| Interest & Similar Expense  | 5    | (1,412,902,694)             |     | -                   | (1,412,902,694)             |
| <b>Net interest income</b>  |      | <b>679,637,117</b>          |     | <b>(47,749,924)</b> | <b>727,387,040</b>          |
| Fee and commission income   | 6    | 33,515,328                  |     | -                   | 33,515,328                  |
| Fee and commission expenses                                       |      | -                           |     | -                   | -                           |
| <b>Net fee and commission income</b>                              |      | <b>33,515,328</b>           |     | <b>-</b>            | <b>33,515,328</b>           |
| Other Operating Income  | 7    | 31,042,966                  |     | -                   | 31,042,966                  |
| <b>Total operating income</b>                                     |      | <b>744,195,411</b>          |     | <b>(47,749,924)</b> | <b>791,945,335</b>          |
| Personnel Expenses  | 8    | (269,087,670)               |     | -                   | (269,087,670)               |
| Depreciation on Property Plant & Equipment                        | 18   | (60,594,580)                |     | -                   | (60,594,580)                |
| Amortization of Intangible Assets                                 | 19   | (12,339,032)                |     | -                   | (12,339,032)                |
| Other Operating Expenses  | 9    | (187,002,534)               |     | -                   | (187,002,534)               |
| Impairment (charges)/reversal for loans and other losses          | 14.1 | 106,936,403                 | B   | 130,134,282         | (23,197,879)                |
| <b>Total Operating Expenses</b>                                   |      | <b>(422,087,414)</b>        |     | <b>130,134,282</b>  | <b>(552,221,696)</b>        |
| <b>Profit Before Tax from Continuing Operations</b>               |      | <b>322,107,997</b>          |     | <b>82,384,359</b>   | <b>239,723,638</b>          |
| Less : Expenditure on Community Centers (net of Income 4,506,842) | 10   | (27,392,142)                |     | -                   | (27,392,142)                |
|   |      | <b>294,715,855</b>          |     | <b>82,384,359</b>   | <b>212,331,497</b>          |
| Income Tax Expense  | 23   | (5,371,890)                 |     | -                   | (5,371,890)                 |
| <b>Profit For the year ending</b>                                 |      | <b>300,087,745</b>          |     | <b>82,384,359</b>   | <b>217,703,387</b>          |
| Gain/(loss) on Actuarial valuation of defined benefit liability   | 22   | (2,046,862)                 |     | -                   | (2,046,862)                 |
| <b>Total other comprehensive income / (loss )</b>                 |      | <b>297,528,918</b>          |     | <b>-</b>            | <b>215,144,560</b>          |

Note 1 to 39 form an integral part of Financial Statements

In terms of our attached report of even date.

For Yoganandh &amp; Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ  
KUMAR JAIN

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MANOJ KUMAR JAIN  
Date: 2020.07.27  
14:14:57 +05'30'

T Manoj Kumar Jain  
Partner  
Membership No. 218610  
Date:  
Place : Chennai



Chief Executive Officer



Chairman



**4 INTEREST AND SIMILAR INCOME**

|                                  | <b>Dec/19</b>        | <b>Dec/18</b>        |
|----------------------------------|----------------------|----------------------|
|                                  | <b>Nu</b>            | <b>Nu</b>            |
| Loans & Advances to customers    | 2,226,140,276        | 2,009,843,279        |
| Due from Banks                   | 76,946,763           | 62,452,764           |
| Notional Interest on Staff Loans | 9,233,180            | 7,229,749            |
| Other short term investments     | 52,936,628           | 60,763,942           |
|                                  | <u>2,365,256,847</u> | <u>2,140,289,735</u> |

**5 INTEREST & SIMILAR EXPENSE**

|                  | <b>Dec/19</b>        | <b>Dec/18</b>        |
|------------------|----------------------|----------------------|
|                  | <b>Nu</b>            | <b>Nu</b>            |
| Due to customers | 1,176,048,492        | 1,345,200,560        |
| Due to banks     | 68,888,435           | 67,702,134           |
|                  | <u>1,244,936,927</u> | <u>1,412,902,694</u> |

**6 NET FEES & COMMISSION INCOME**

|   | <b>Dec/19</b>     | <b>Dec/18</b>     |
|---|-------------------|-------------------|
|   | <b>Nu</b>         | <b>Nu</b>         |
| <b>Fees &amp; Commission Income</b>     |                   |                   |
| Commission on Guarantee                 | 14,114,034        | 10,539,383        |
| Other fees Received                     | 32,184,496        | 22,975,945        |
| <b>Total fees and commission income</b> | <u>46,298,530</u> | <u>33,515,328</u> |
| <b>Fees &amp; Commission Expense</b>    | <u>-</u>          | <u>-</u>          |
| <b>Net Fees &amp; Commission Income</b> | <u>46,298,530</u> | <u>33,515,328</u> |

**7 OTHER OPERATING INCOME**

|   | <b>Dec/19</b>     | <b>Dec/18</b>     |
|---|-------------------|-------------------|
|   | <b>Nu</b>         | <b>Nu</b>         |
| Operating lease income  | 4,747,378         | 5,331,476         |
| Profit/(Loss) on disposal of Property, Plant & Equipment(Net) | 1,506,902         | -                 |
| Amortization of the Government Grants (Credit Related)        | -                 | -                 |
| Other   | 12,277,380        | 25,711,490        |
|   | <u>18,531,660</u> | <u>31,042,966</u> |

**8 PERSONNEL EXPENSES**

|  | <b>Dec/19</b>      | <b>Dec/18</b>      |
|--|--------------------|--------------------|
|  | <b>Nu</b>          | <b>Nu</b>          |
| Wages & Salaries                             | 234,328,801        | 207,006,854        |
| Training & Seminars Expenses                 | 33,486,183         | 33,769,460         |
| Amortization of Pre-paid employment benefits | 9,233,180          | 7,229,749          |
| Current Period Service cost/Interest Expense | 11,879,000         | 5,198,338          |
| Leave Encashment                             | 5,813,388          | 15,883,269         |
|  | <u>294,740,552</u> | <u>269,087,670</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENSES

|                           | Dec/19<br>Nu       | Dec/18<br>Nu       |
|---------------------------|--------------------|--------------------|
| Advertising and marketing | 6,660,181          | 6,677,994          |
| Administrative            | 133,830,451        | 127,601,292        |
| Professional fees         | 1,745,886          | 2,906,002          |
| Bank levy                 | 127,409            | 129,481            |
| Other                     | 40,391,770         | 46,333,054         |
| Provision on receivables  | -                  | 3,354,711          |
|                           | <u>182,755,697</u> | <u>187,002,534</u> |

|   | Dec/19<br>Nu        | Dec/18<br>Nu        |
|---|---------------------|---------------------|
| 10 Community Center Operations                      |                     |                     |
| Expenditure on Community Centers<br>(net of Income) | <u>(30,042,140)</u> | <u>(27,392,142)</u> |
|   | <u>(30,042,140)</u> | <u>(27,392,142)</u> |

11 CASH & CASH EQUIVALENT

|                                      | Dec/19<br>Nu         | Dec/18<br>Nu         | Dec/17<br>Nu         |
|--------------------------------------|----------------------|----------------------|----------------------|
| Cash on hand/Bank Balance            | 1,131,976,066        | 1,033,790,953        | 2,057,681,724        |
| Allowance for Expected Credit Losses | -                    | -                    | -                    |
|                                      | <u>1,131,976,066</u> | <u>1,033,790,953</u> | <u>2,057,681,724</u> |

12 BALANCE WITH CENTRAL BANK

|                                       | Dec/19<br>Nu         | Dec/18<br>Nu         | Dec/17<br>Nu         |
|---------------------------------------|----------------------|----------------------|----------------------|
| Balance in Cash Reserve Ratio         | 2,046,515,110        | 2,024,417,249        | 1,961,329,055        |
| Balance in Current Deposit            | 2,100,092,869        | 2,534,113,441        | 885,394,455          |
| Short Term Investment - Treasury Bill | -                    | -                    | 298,900,400          |
|                                       | <u>4,146,607,979</u> | <u>4,558,530,690</u> | <u>3,145,623,910</u> |

13 DUE FROM BANKS

|                                      | Dec/19<br>Nu         | Dec/18<br>Nu         | Dec/17<br>Nu         |
|--------------------------------------|----------------------|----------------------|----------------------|
| Placements with other banks          | 2,712,274,841        | 2,226,518,008        | 1,529,955,277        |
| Other                                | -                    | -                    | 38,492,162           |
| Allowance for Expected Credit Losses | -                    | -                    | -                    |
|                                      | <u>2,712,274,841</u> | <u>2,226,518,008</u> | <u>1,568,447,439</u> |

14 LOANS & ADVANCES TO CUSTOMERS

|   | Dec/19<br>Nu           | Dec/18<br>Nu           | Dec/17<br>Nu           |
|---|------------------------|------------------------|------------------------|
| Loans & Receivables                         | 19,655,714,675         | 18,613,003,932         | 18,498,524,932         |
|   | <u>19,655,714,675</u>  | <u>18,613,003,932</u>  | <u>18,498,524,932</u>  |
| Less: Allowance for Impairment (Collective) | <u>(2,963,203,307)</u> | <u>(2,434,201,877)</u> | <u>(2,415,505,496)</u> |
|   | <u>16,692,511,368</u>  | <u>16,178,802,055</u>  | <u>16,083,019,436</u>  |

14.1 Impairment (charges)/reversal

|   |                    |                   |
|---|--------------------|-------------------|
| Impairment (charges)/reversal for loans | 529,001,430        | 18,696,381        |
| Write Offs                              | 8,319,856          | 4,501,499         |
|   | <u>537,321,286</u> | <u>23,197,879</u> |



**15 Equity Instruments at FVOCI**

|  |               | <b>Dec/19<br/>Nu</b> | <b>Dec/18<br/>Nu</b> | <b>Dec/17<br/>Nu</b> |
|--|---------------|----------------------|----------------------|----------------------|
| <b>Quoted Investments</b>                |               |                      |                      |                      |
| Quoted Equities (15.1)                   |               | 16,765,514           | 26,310,996           | 16,806,583           |
| Unquoted Equities (15.2)                 |               | 27,561,000           | 27,561,000           | 27,561,000           |
|  |               | <u>44,326,514</u>    | <u>53,871,996</u>    | <u>44,367,583</u>    |
|  | No. of Shares |                      |                      |                      |
| <b>(15.1) Quoted Equities</b>            |               |                      |                      |                      |
| Bhutan Carbide and Chemical Limited      | 25,000        | 676,282              | 457,790              | 113,175              |
| Penden Cement Authority Limited          | 38,100        | 3,048,000            | 3,556,000            | 3,396,822            |
| Bhutan National Bank Limited             | 178,120       | 10,252,657           | 20,085,781           | 6,546,586            |
| GIC Bhutan Reinsurance Limited           | 500,000       | 2,788,575            | 2,211,425            | 6,750,000            |
|  |               | <u>16,765,514</u>    | <u>26,310,996</u>    | <u>16,806,583</u>    |
| <b>(15.2) Unquoted Equities</b>          |               |                      |                      |                      |
| Royal Securities Exchange of Bhutan      | 162,000       | 19,811,000           | 19,811,000           | 19,811,000           |
| BDB Securities                           | 50,000        | -                    | -                    | -                    |
| Financial Institution Training Institute | 600,000       | 6,000,000            | 6,000,000            | 6,000,000            |
| Credit Information Bureau                | 137,500       | 1,750,000            | 1,750,000            | 1,750,000            |
|  |               | <u>27,561,000</u>    | <u>27,561,000</u>    | <u>27,561,000</u>    |

**16 Debt Instruments at Amortised Cost**

|                                      |  | <b>Dec/19<br/>Nu</b> | <b>Dec/18<br/>Nu</b> | <b>Dec/17<br/>Nu</b> |
|--------------------------------------|--|----------------------|----------------------|----------------------|
| Investments in RICBL Bonds           |  | 108,953,425          | 108,953,425          | 100,000,000          |
| Investments in DCCL Bonds            |  | 116,981,406          | 316,167,581          | 311,272,000          |
| Investments in RSA Bonds             |  | 10,891,452           | 10,855,617           | 10,000,000           |
| Investments in Tbank Bonds           |  | 55,352,603           | -                    | -                    |
| Allowance for Expected Credit Losses |  | -                    | -                    | -                    |
|                                      |  | <u>292,178,886</u>   | <u>435,976,623</u>   | <u>421,272,000</u>   |

Bank has invested 100,000 scripts of RICBL bond at Nu.1,000 each, and 311,272 scripts of DCCL bonds at Nu. 1,000 each respectively. Such investments are intended to be held to maturity in order to recover the contractual cashflows (Principal + Interest). Although the bonds are listed in the Royal Securities Exchange it does not meet the definition of an Active Market. Hence bank has determined it's Financial Asset Classification as Loans & Recievables in Line with BAS 39 Financial Instrument Recognition & Measurement.



**17 OTHER ASSETS**

|                                  | Dec/19<br>Nu       | Dec/18<br>Nu       | Dec/17<br>Nu       |
|----------------------------------|--------------------|--------------------|--------------------|
| Loans & Advances to Employees    | 159,728,485        | 144,664,190        | 180,269,242        |
| Advances & Pre-payments          | 54,768,574         | 18,655,397         | 12,902,780         |
| Pre-paid Employment Benefits     | 115,545,205        | 164,601,715        | 153,051,292        |
| Stock of Stationeries and Spares | 13,094,543         | 11,582,170         | 6,609,146          |
| Accounts/Other receivables       | 834,884            | 687,524            | 26,763,018         |
| Pre-Paid Tax                     | 56,064,556         | 51,517,871         | 48,539,623         |
| ATM - Receivable (Net )          | 12,004,417         | 10,399,547         | -                  |
| Others                           | -                  | -                  | 4,976,132          |
|                                  | <u>412,040,665</u> | <u>402,108,414</u> | <u>433,111,233</u> |

**18 PROPERTY, PLANT AND EQUIPMENT**

| <b>Cost:</b>               | <b>Land<br/>Nu</b> | <b>Buildings<br/>Nu</b> | <b>Furniture<br/>and Fixtures<br/>Nu</b> | <b>Arts &amp; Art<br/>Effects<br/>Nu</b> | <b>Office, Electrica<br/>l &amp; other<br/>Nu</b> | <b>Motor<br/>Vehicles<br/>Nu</b> | <b>Security<br/>Equipments<br/>Nu</b> | <b>Network<br/>Equipments<br/>Nu</b> | <b>Computer<br/>Hardware<br/>Nu</b> | <b>Capital<br/>WIP<br/>Nu</b> | <b>Total<br/>Nu</b> |
|----------------------------|--------------------|-------------------------|--|--|---|----------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|-------------------------------|---------------------|
| At 1 January 2018          | 2,588,622          | 94,504,280              | 41,605,672                               | 941,908                                  | 49,894,557  | 19,948,339                       | 35,609,605                            | 61,115,129                           | 153,669,258                         | 3,735,867                     | 463,613,237         |
| Movement During the Period | -                  | 3,475,794               | 2,709,150                                | 10,420                                   | 5,592,155   | 95,261                           | 0                                     | 2,474,381                            | 12,997,648                          | 2,776,552                     | 30,131,360          |
| Disposals                  | -                  | (1,284,693)             | (1,970)                                  | (1,970)                                  | (2,184,475)                                       | (1,691,185)                      | (22,700)                              | (783,273)                            | (5,520,929)                         | -                             | (11,489,226)        |
| At 31st December 2018      | <u>2,588,622</u>   | <u>97,980,074</u>       | <u>43,030,128</u>                        | <u>950,358</u>                           | <u>53,302,237</u>                                 | <u>18,352,414</u>                | <u>35,586,905</u>                     | <u>62,806,237</u>                    | <u>161,145,977</u>                  | <u>6,512,419</u>              | <u>482,255,372</u>  |
| At 1 January 2019          | 2,588,622          | 94,504,280              | 41,605,672                               | 941,908                                  | 49,894,557  | 19,948,339                       | 35,609,605                            | 61,115,129                           | 153,669,258                         | 3,735,867                     | 463,613,237         |
| Movement During the Period | -                  | 3,671,084               | 5,166,238                                | 233,530                                  | 9,650,763   | (299,347)                        | (22,700)                              | 4,650,602                            | 22,358,371                          | 545,522                       | 45,954,063          |
| Disposals                  | -                  | (728,389)               | (1,030)                                  | (1,030)                                  | (429,683)   | (1,800,307)                      | (5,900)                               | (1,607,347)                          | (877,514)                           | -                             | (5,450,170)         |
| At 31st December 2019      | <u>2,588,622</u>   | <u>98,175,364</u>       | <u>46,043,521</u>                        | <u>1,174,408</u>                         | <u>59,071,887</u>                                 | <u>17,848,685</u>                | <u>35,581,005</u>                     | <u>64,158,383</u>                    | <u>175,150,115</u>                  | <u>4,281,389</u>              | <u>504,073,380</u>  |

**Accumulated Depreciation**

|                                  |          |                   |                   |          |                   |                  |                  |                   |                   |          |                    |
|----------------------------------|----------|-------------------|-------------------|----------|-------------------|------------------|------------------|-------------------|-------------------|----------|--------------------|
| At 1 January 2017                | -        | 15,549,148        | 12,004,706        | -        | 17,658,477        | 4,702,804        | 2,367,364        | 30,132,006        | 36,644,563        | -        | 119,059,070        |
| Depreciation charge for the year | -        | 4,116,416         | 2,937,218         | -        | 21,478,118        | 204,124          | 4,164,754        | 6,017,468         | 22,257,087        | -        | 61,175,185         |
| Assets Disposed                  | -        | (243,152)         | (322,742)         | -        | (322,742)         | -                | -                | (953,352)         | (1,006,153)       | -        | (2,525,399)        |
| At 31st December, 2017           | <u>-</u> | <u>19,665,564</u> | <u>14,698,773</u> | <u>-</u> | <u>38,813,853</u> | <u>4,906,929</u> | <u>6,532,119</u> | <u>35,196,121</u> | <u>57,895,497</u> | <u>-</u> | <u>177,708,856</u> |

|                                  |          |                   |                   |          |                   |                  |                   |                   |                   |          |                    |
|----------------------------------|----------|-------------------|-------------------|----------|-------------------|------------------|-------------------|-------------------|-------------------|----------|--------------------|
| At 1 January 2018                | -        | 19,665,564        | 14,698,773        | -        | 38,813,853        | 4,906,929        | 6,532,119         | 35,196,121        | 57,895,497        | -        | 177,708,855        |
| Depreciation charge for the year | -        | 4,427,629         | 4,475,647         | -        | 8,320,895         | 2,102,526        | 6,829,707         | 7,394,564         | 27,035,011        | -        | 60,594,580         |
| Assets Disposed                  | -        | 1,090,393         | 1,698,096         | -        | 1,698,096         | 1,691,184        | 13,800            | 690,352           | 4,620,880         | -        | 9,804,705          |
| At 31st December 2018            | <u>-</u> | <u>24,093,193</u> | <u>18,084,026</u> | <u>-</u> | <u>45,436,652</u> | <u>5,318,270</u> | <u>13,348,025</u> | <u>41,900,333</u> | <u>80,309,628</u> | <u>-</u> | <u>228,490,128</u> |

|                                  |          |                   |                   |          |                   |                  |                   |                   |                    |          |                    |
|----------------------------------|----------|-------------------|-------------------|----------|-------------------|------------------|-------------------|-------------------|--------------------|----------|--------------------|
| At 1 January 2019                | -        | 24,093,193        | 18,084,026        | -        | 45,436,652        | 5,318,270        | 13,348,025        | 41,900,333        | 80,309,628         | -        | 228,490,128        |
| Depreciation charge for the year | -        | 4,170,381         | 4,531,910         | -        | 1,742,103         | 1,749,088        | 6,794,693         | 6,975,848         | 26,794,721         | -        | 52,758,745         |
| Assets Disposed                  | -        | 680,421           | 350,393           | -        | 350,393           | 1,800,306        | 4,360             | 1,125,440         | 806,674            | -        | 4,767,593          |
| At 31st December 2019            | <u>-</u> | <u>28,263,574</u> | <u>21,935,516</u> | <u>-</u> | <u>46,828,362</u> | <u>5,267,052</u> | <u>20,138,359</u> | <u>47,750,741</u> | <u>106,297,675</u> | <u>-</u> | <u>276,481,276</u> |

**Net book value:**

|                        |           |            |            |           |            |            |            |            |            |           |             |
|------------------------|-----------|------------|------------|-----------|------------|------------|------------|------------|------------|-----------|-------------|
| At 31st December, 2017 | 2,588,622 | 74,838,716 | 26,906,899 | 941,908   | 11,080,704 | 15,041,410 | 29,077,486 | 25,919,008 | 95,773,761 | 3,735,867 | 285,904,384 |
| At 31st December 2018  | 2,588,622 | 73,886,882 | 24,946,102 | 950,358   | 7,865,585  | 13,034,144 | 22,238,880 | 20,905,903 | 80,836,348 | 6,512,419 | 253,765,244 |
| At 31st December 2019  | 2,588,622 | 69,911,790 | 24,108,006 | 1,174,408 | 12,243,525 | 12,581,633 | 15,442,647 | 16,407,642 | 68,852,440 | 4,281,389 | 227,592,104 |

There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year.

No depreciation charged on Art and Artifacts



**19 INTANGIBLE ASSETS**

|                            | <b>Softwares</b> |
|----------------------------|------------------|
| At 1 January 2017          | 89,574,843       |
| Movement During the Period | 55,927,296       |
| At 31st December 2017      | 145,502,139      |

|                            |             |
|----------------------------|-------------|
| At 1 January 2018          | 145,502,139 |
| Movement During the Period | 11,177,198  |
| At 31st December 2018      | 156,679,337 |

|                            |             |
|----------------------------|-------------|
| At 1 January 2019          | 156,679,337 |
| Movement During the Period | 5,449,866   |
| At 31st December 2019      | 162,129,203 |

**Accumulated Amortization**

|                       |            |
|-----------------------|------------|
| At 1 January 2017     | 32,013,700 |
| Amortisation          | 4,696,488  |
| At 31st December 2017 | 36,710,188 |

|                       |            |
|-----------------------|------------|
| At 1 January 2018     | 36,710,188 |
| Disposals             | -          |
| Amortisation          | 12,339,032 |
| At 31st December 2018 | 49,049,220 |

|                       |            |
|-----------------------|------------|
| At 1 January 2019     | 49,049,220 |
| Amortisation          | 13,251,891 |
| At 31st December 2019 | 62,301,111 |

**Net book value:**

|                       |             |
|-----------------------|-------------|
| At 31st December 2017 | 108,791,951 |
| At 31st December 2018 | 107,630,117 |
| At 31st December 2019 | 99,828,092  |

**20 DUE TO BANKS**

|                        | <b>Dec/19</b> | <b>Dec/18</b> |
|------------------------|---------------|---------------|
|                        | <b>Nu</b>     | <b>Nu</b>     |
| Unsecured Loans        | 153,002,123   | 161,290,250   |
| Secured Loans          | 595,046,684   | 711,766,134   |
| Subordinated Term Debt | 448,943,562   | 448,943,562   |
|                        | 1,196,992,368 | 1,321,999,945 |

**21 DUE TO CUSTOMERS**

|                   | <b>Dec/19</b>  | <b>Dec/18</b>  |
|-------------------|----------------|----------------|
|                   | <b>Nu</b>      | <b>Nu</b>      |
| Fixed Deposit     | 15,359,440,181 | 15,517,838,794 |
| Recurring Deposit | 388,487,567    | 310,546,510    |
| Savings Deposits  | 5,453,677,716  | 4,590,036,651  |
| Current Deposit   | 435,529,960    | 594,205,012    |
|                   | 21,637,135,425 | 21,012,626,967 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 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. 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.

|  | Dec/19<br>Nu      | Dec/18<br>Nu      |
|--|-------------------|-------------------|
| Defined benefit liability at the beginning of the period | 67,313,950        | 57,909,228        |
| Current service cost                                     | 6,645,000         | 1,723,784         |
| Interest cost on benefit obligations                     | 5,234,000         | 3,474,554         |
| Actuarial (Gains)/Losses recognized in the year          | 6,620,008         | 672,078           |
| Liability Settlement/Adjustment During the period        | 4,904,255         | (5,116,705)       |
|  | <u>67,668,687</u> | <u>58,662,939</u> |
| Defined Benefit Obligation ( gratuity )                  | 67,668,687        | 58,662,939        |
| Fair Value of Plan assets                                | (69,586,558)      | (65,034,165)      |
| Defined Benefit Obligation                               | <u>8,337,988</u>  | <u>8,798,690</u>  |
|  | <u>6,420,117</u>  | <u>2,427,464</u>  |
| Defined benefit Obligation - Gratuity                    | 6,420,117         | 58,662,939        |
| Defined benefit Obligation - Earned Leave                | 8,798,690         | 8,798,690         |
|  | <u>15,218,807</u> | <u>67,461,629</u> |

The principal assumptions used in determining Defined Benefit Obligation .

|                         |       |       |
|-------------------------|-------|-------|
| Discount Rates          | 8.85% | 8.00% |
| Salary Escalation Rates | 6%    | 6%    |

### 23 Deferred Tax Liability

|                        |            |             |             |
|------------------------|------------|-------------|-------------|
| Deferred Tax Liability | 71,532,458 | 124,752,474 | 130,124,364 |
|------------------------|------------|-------------|-------------|

### 24(i) OTHER LIABILITIES

|                                     | Dec/19<br>Nu      | Dec/18<br>Nu      | Dec/17<br>Nu      |
|-------------------------------------|-------------------|-------------------|-------------------|
| Accounts payable & Sundry creditors | 70,178,934        | 56,430,957        | 62,496,027        |
| Provisions                          | 1,098,243         | 925,108           | 800,000           |
| Intra Branch Balance                | -                 | -                 | -                 |
|                                     | <u>71,277,177</u> | <u>57,356,065</u> | <u>63,296,027</u> |

### 24(ii) Revolving Funds

|   | Dec/19<br>Nu      | Dec/18<br>Nu      | Dec/17<br>Nu      |
|---|-------------------|-------------------|-------------------|
| Credit - Bio-Gas                              | 39,386,000        | 39,386,000        | 39,386,000        |
| Rudolf Fund - Credit                          | 718,262           | 3,708,950         | 4,050,736         |
| Rudolf (Monitoring and Supervision A/C)       | 178,984           | 183,901           | 189,697           |
| Rudolf Fund - Subsidy                         | 149,161           | 149,161           | 937,359           |
| BCCI - SME Development Revolving Fund RLP -II | 1,300,000         | 1,300,000         | 1,300,000         |
| Coop.Revolving (DAMC) Fund                    | 572,928           | 581,117           | 591,357           |
|   | <u>42,305,335</u> | <u>45,309,130</u> | <u>46,455,149</u> |



## 25.1 COMMITMENT & 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 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.

Guarantees 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.

Bank is contingently liable as on for Nu.1,145,262,163 ( PY Nu. 674,701,109 ) towards guarantees issued to its constituents of which aging analysis are given in Note No. 29

Pending capital commitments (net of advance) as on 31.12.2019 are of Nu. Nil (PY Nu. Nil).

## 25.2 RELATED PARTY TRANSACTIONS

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.

### 25.3 Parent and Ultimate Controlling Party

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

### 25.4 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. Such KMPs include the Board of Directors of the Bank (including both Executive and Non Executive Directors), 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 KMPs/domestic partners and children of the KMPs/domestic partners and dependents of the KMPs/domestic partners.

#### 25.4.1 Transactions with Key Managerial Personnel (KMPs)

|   | Dec/19           | Dec/18           |
|---|------------------|------------------|
| Pay and Allowances to Managing Director | 2,246,325        | 1,764,306        |
| Director's Sitting Fee                  | 564,500          | 563,000          |
| Reimbursement of Travelling Expenses    | 852,982          | 571,455          |
|   | <u>3,663,807</u> | <u>2,898,761</u> |

#### 25.4.2 Transactions, Arrangements and Agreements Involving KMPs and their CFMs

| Dec/19 | Dec/18 |
|--------|--------|
| Nu     | Nu     |

#### 25.4.3 Loans and Advances to KMPs and their CFMs are detailed below:

|                  |                  |
|------------------|------------------|
| 3,278,649        | 3,018,202        |
| <u>3,278,649</u> | <u>3,018,202</u> |

#### 25.4.4 Deposits and Investments from KMPs and their CFMs are detailed below:

|                        | Dec/19         | Dec/18         |
|------------------------|----------------|----------------|
| Deposits & investments | 390,095        | 601,373        |
|                        | <u>390,095</u> | <u>601,373</u> |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

### 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### A. Determination of fair value hierarchy

|                               | Level I | Dec/19<br>Level II | Level III   | Level I | Dec/18<br>Level II | Level III   |
|-------------------------------|---------|--------------------|-------------|---------|--------------------|-------------|
| <b>Financial Assets</b>       |         |                    |             |         |                    |             |
| Quoted Equities               | -       | -                  | 16,765,514  | -       | -                  | 16,806,582  |
| Loans & Advances to Employees | -       | -                  | 159,728,485 | -       | -                  | 144,664,190 |
|                               | -       | -                  | 176,493,999 | -       | -                  | 161,470,772 |

Set out below is a comparison, by class of the carrying amounts and fair values of the bank's financial instruments. This table does not include the fair value of non-financial assets & non financial liabilities.

|  | Dec/19                  |                     | Dec/18                  |                     | Dec/17                  |                     |
|--|-------------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|
|  | Carrying<br>Value<br>Nu | Fair<br>Value<br>Nu | Carrying<br>Value<br>Nu | Fair<br>Value<br>Nu | Carrying<br>Value<br>Nu | Fair<br>Value<br>Nu |
| <b>Financial Assets</b>                          |                         |                     |                         |                     |                         |                     |
| Cash and cash equivalents                        | 1,131,976,066           | 1,131,976,066       | 1,033,790,953           | 1,033,790,953       | 2,057,681,724           | 2,057,681,724       |
| Balances with Royal Monetary Authority of Bhutan | 4,146,607,979           | 4,146,607,979       | 4,558,530,690           | 4,558,530,690       | 3,145,623,910           | 3,145,623,910       |
| Placements with Banks                            | 2,712,274,841           | 2,712,274,841       | 2,226,518,008           | 2,226,518,008       | 1,568,447,439           | 1,568,447,439       |
| Loans & Advances to Customers                    | 15,699,336,066          | 16,692,511,368      | 16,178,802,055          | 16,178,802,055      | 16,083,019,436          | 16,083,019,436      |
| Other Financial Assets                           | 330,620,713             | 336,505,400         | 474,418,451             | 489,848,619         | 474,395,517             | 465,639,583         |
|  | 24,020,815,665          | 25,019,875,653      | 24,472,060,158          | 24,487,490,325      | 23,329,168,026          | 23,320,412,092      |
| <b>Financial Liabilities</b>                     |                         |                     |                         |                     |                         |                     |
| Due to banks                                     | 1,196,992,368           | 1,196,992,368       | 1,321,999,945           | 1,321,999,945       | 996,526,429             | 996,526,429         |
| Due to other customers                           | 21,714,208,835          | 21,637,135,425      | 21,052,059,018          | 21,012,626,967      | 20,596,803,639          | 20,548,704,715      |
| Other Financial Liabilities                      | 113,582,512             | 113,582,512         | 102,665,195             | 102,665,195         | 109,751,176             | 109,751,176         |
|  | 23,024,783,715          | 22,947,710,305      | 22,476,724,159          | 22,437,292,108      | 21,703,081,244          | 21,654,982,320      |

The Fair Value and carrying value of Financial Assets and Liabilities have been assumed to be significantly similar.

### 28 RISK MANAGEMENT

#### Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's investments in debt securities. In addition to the credit risk from direct funding exposure, the bank would also be exposed to indirect liabilities such as Letters of Credit guarantees etc

The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk collateral or credit enhancement:

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including geography of counterparty, and sector. As part of of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and an approving authorities would take into account the availability of security only as the secondary source of repayment.

|                               | Dec/19                                      |                  |                       | Dec/18                                      |                  |                    |
|-------------------------------|---|------------------|-----------------------|---|------------------|--------------------|
|                               | Maximum<br>Exposure to credit<br>Risk<br>Nu | Properties<br>Nu | Net<br>Exposure<br>Nu | Maximum<br>Exposure to credit<br>Risk<br>Nu | Properties<br>Nu | Net Exposure<br>Nu |
| <b>Financial Assets</b>       |   |                  |                       |   |                  |                    |
| Placements with Banks         | 2,712,274,841                               | -                | 2,712,274,841         | 2,226,518,008                               | -                | 2,226,518,008      |
| Loans & advances to customers | 16,692,511,368                              | 16,692,511,368   | -                     | 16,178,802,055                              | 16,178,802,055   | -                  |
| Equity Instruments at FVOCI   | 44,326,514                                  | -                | 44,326,514            | 53,871,996                                  | -                | 53,871,996         |
| Other assets                  | 330,620,713                                 | -                | 330,620,713           | 489,848,619                                 | -                | 489,848,619        |
|                               | 19,779,733,436                              | 16,692,511,368   | 3,087,222,067         | 18,949,040,678                              | 16,178,802,055   | 2,770,238,622      |



### RISK MANAGEMENT (Contd...)

#### 29 (i) Liquidity Risk & Funding management

Contractual maturities & undiscounted cashflows of financial assets & liabilities

| 2017                                     | On Demand<br>Nu      | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu    | More than 5 years<br>Nu | Total<br>Nu           |
|--|----------------------|--------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| Cash & Cash Equivalent                   | 2,057,681,724        | -                        | -                    | -                     | -                       | 1,146,721,506         |
| Balances with Central Bank               | 3,145,623,910        | -                        | -                    | -                     | -                       | 3,289,114,317         |
| Due from Banks                           | 1,568,447,439        | -                        | -                    | -                     | -                       | 1,610,166,892         |
| Loans & Advances to Customers            | 1,256,572,879        | 565,530,207              | 2,408,733,838        | 10,677,580,358        | 3,590,107,650           | 18,498,524,932        |
| Financial Investments Available for Sale | 44,367,583           | -                        | -                    | -                     | -                       | 43,761,202            |
| <b>Total undiscounted Assets</b>         | <b>6,681,417,284</b> | <b>540,587,791</b>       | <b>2,558,007,272</b> | <b>10,415,989,749</b> | <b>2,440,426,810</b>    | <b>22,636,428,906</b> |
| Due to Customers                         | 4,806,796,808        | 2,138,878,806            | 6,026,681,498        | 4,176,660,328         | 3,399,687,276           | 20,548,704,714        |
| <b>Total Undiscounted Liabilities</b>    | <b>3,829,533,685</b> | <b>121,512,981</b>       | <b>5,184,732,709</b> | <b>6,389,044,121</b>  | <b>3,639,403,260</b>    | <b>19,165,587,524</b> |

| 2018                                     | On Demand<br>Nu      | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu    | More than 5 years<br>Nu | Total<br>Nu           |
|--|----------------------|--------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| Cash & Cash Equivalent                   | 1,131,970,263        | -                        | -                    | -                     | -                       | 1,131,970,263         |
| Balances with Central Bank               | 4,146,607,979        | -                        | -                    | -                     | -                       | 4,146,607,979         |
| Due from Banks                           | 2,781,822,995        | -                        | -                    | -                     | -                       | 2,781,822,995         |
| Loans & Advances to Customers            | 1,271,452,143        | 519,688,024              | 2,594,194,270        | 10,202,710,687        | 3,544,425,266           | 18,132,470,390        |
| Financial Investments Available for Sale | 336,498,124          | -                        | -                    | -                     | -                       | 336,498,124           |
| <b>Total undiscounted Assets</b>         | <b>9,668,351,503</b> | <b>519,688,024</b>       | <b>2,594,194,270</b> | <b>10,202,710,687</b> | <b>3,544,425,266</b>    | <b>26,529,369,750</b> |
| Due to Customers                         | 60,889,529           | 2,005,547,619            | 5,767,295,322        | 3,888,837,261         | 3,795,269,063           | 15,517,838,795        |
| <b>Total Undiscounted Liabilities</b>    | <b>60,889,529</b>    | <b>2,005,547,619</b>     | <b>5,767,295,322</b> | <b>3,888,837,261</b>  | <b>3,795,269,063</b>    | <b>15,517,838,795</b> |

| 2019                                     | On Demand<br>Nu       | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu    | More than 5 years<br>Nu | Total<br>Nu           |
|--|-----------------------|--------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| Cash & Cash Equivalent                   | 1,131,976,066         | -                        | -                    | -                     | -                       | 1,131,976,066         |
| Balances with Central Bank               | 4,146,607,979         | -                        | -                    | -                     | -                       | 4,146,607,979         |
| Due from Banks                           | 2,712,274,841         | -                        | -                    | -                     | -                       | 2,712,274,841         |
| Loans & Advances to Customers            | 1,685,991,482         | 665,510,590              | 2,465,645,183        | 10,491,007,842        | 4,611,657,182           | 19,919,812,279        |
| Financial Investments Available for Sale | 336,505,400           | -                        | -                    | -                     | -                       | 336,505,400           |
| <b>Total undiscounted Assets</b>         | <b>10,013,355,767</b> | <b>665,510,590</b>       | <b>2,465,645,183</b> | <b>10,491,007,842</b> | <b>4,611,657,182</b>    | <b>28,247,176,564</b> |
| Due to Customers                         | 59,243,058            | 3,355,463,573            | 3,590,185,817        | 5,451,047,345         | 3,427,157,475           | 15,883,097,268        |
| <b>Total Undiscounted Liabilities</b>    | <b>59,243,058</b>     | <b>3,355,463,573</b>     | <b>3,590,185,817</b> | <b>5,451,047,345</b>  | <b>3,427,157,475</b>    | <b>15,883,097,268</b> |

Net Undiscounted Financial Assets/(Liabilities)

#### 29(ii) Liquidity Risk & Funding management

The table shows the contractual expiry by maturity of banks contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn.

| 31 December 2017     | On Demand<br>Nu | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu | More than 5 years<br>Nu | Total<br>Nu   |
|----------------------|-----------------|--------------------------|----------------------|--------------------|-------------------------|---------------|
| Financial Guarantees | -               | 367,362,793              | 412,407,789          | 21,891,329         | -                       | 801,661,911   |
|                      | -               | 367,362,793              | 412,407,789          | 21,891,329         | -                       | 801,661,911   |
| 31 December 2018     | On Demand<br>Nu | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu | More than 5 years<br>Nu | Total<br>Nu   |
| Financial Guarantees | -               | 2,208,286                | 19,027,101           | 81,461,481         | 572,004,242             | 674,701,109   |
|                      | -               | 2,208,286                | 19,027,101           | 81,461,481         | 572,004,242             | 674,701,109   |
| 31 December 2019     | On Demand<br>Nu | Less than 3 months<br>Nu | 3 to 12 months<br>Nu | 1 to 5 years<br>Nu | More than 5 years<br>Nu | Total<br>Nu   |
| Financial Guarantees | -               | 275,138,809              | 775,368,921          | 94,473,033         | 281,400                 | 1,145,262,163 |
|                      | -               | 275,138,809              | 775,368,921          | 94,473,033         | 281,400                 | 1,145,262,163 |



**30 RISK MANAGEMENT (Contd....)**

**Geographical Risk**

The geographical risk is the risk that an occurrence within a geographical locations have an adverse effect on the bank directly by impairing the value through an obligors ability to meet its obligation to the bank.

|                               | 2017                |               |                |                     |                |
|-------------------------------|---------------------|---------------|----------------|---------------------|----------------|
|                               | Thimphu Main Branch | Paro Branch   | Wangdue Branch | Phuntsholing Branch | Others         |
| <b>Financial Assets</b>       |                     |               |                |                     |                |
| Loans & Advances to Customers | 6,823,327,363       | 987,529,424   | 791,186,459    | 528,583,933         | 9,367,897,754  |
|                               |                     |               |                |                     | 18,498,524,932 |
|                               |                     |               |                |                     |                |
|                               | 2018                |               |                |                     |                |
|                               | Thimphu Main Branch | Paro Branch   | Wangdue Branch | Phuntsholing Branch | Others         |
| <b>Financial Assets</b>       |                     |               |                |                     |                |
| Loans & Advances to Customers | 6,475,487,216       | 1,051,633,077 | 615,842,550    | 564,949,120         | 9,905,091,969  |
|                               | 6,475,487,216       | 1,051,633,077 | 615,842,550    | 564,949,120         | 9,905,091,969  |
|                               |                     |               |                |                     | 18,613,003,932 |
|                               |                     |               |                |                     | 18,613,003,932 |
|                               | 2019                |               |                |                     |                |
|                               | Thimphu Main Branch | Paro Branch   | Wangdue Branch | Phuntsholing Branch | Others         |
| <b>Financial Assets</b>       |                     |               |                |                     |                |
| Loans & Advances to Customers | 6,425,794,634       | 1,185,400,645 | 666,305,965    | 545,201,922         | 10,165,941,072 |
|                               | 6,425,794,634       | 1,185,400,645 | 666,305,965    | 545,201,922         | 10,165,941,072 |
|                               |                     |               |                |                     | 19,655,714,675 |
|                               |                     |               |                |                     | 19,655,714,675 |

31. Confirmations from various parties are not available in respect of loans, advances, receivables, payable etc. and therefore, their consequential impact, if any, is not ascertainable.
32. Up to the year 2016, Bank was exempt from corporate income tax. From the year 2017, Bank is under corporate income tax ambit. Accordingly, the Bank has paid advance tax of Nu. 48,000,000.00 during the year 2017 and also the parties have deducted TDS during the year 2017, 2018 and 2019, and in view of the excess of losses carried forward as compared to the current year income, no provision for taxation has been made.
33. The Bank has taken over the Community Center (CC) management from Bhutan Postal Corporation Limited effective from 01.03.2015, the task of operation and management of community centers spread across the country in terms of a transfer agreement entered into with Bhutan Postal Corporation Limited on 06.05.2015. Pursuance to this agreement, the bank has to manage and subsidize the operations of the CC Operations. Towards this end, the CC operations expenditure is Nu. 37,206,436 (PY 32,954,708) and income of Nu. 7,164,297 (PY 4,506,842) during the year 2019 leaving a deficit of Nu. 30,042,139 (PY 27,392,142) which has been borne by the Bank as directed by the Ministry of Finance vide their letter no. MoF/PED/19/2015/854 dated 29.09.2015.
34. In view of COVID 19 impact to the macro-economic and banking performance in the country in the immediate future, the bank provided additional provision of Nu. 110 million.
35. Detail of remuneration and expenditure paid/reimbursed to the Chief Executive Officer and other directors is as under:

**Chief Executive Officer**

| Sl # | Particulars                 | 2019 (Nu.)       | 2018 (Nu.)       |
|------|-----------------------------|------------------|------------------|
| 1    | Pay & Allowances            | 1,813,515        | 1,764,306        |
| 2    | Leave Travel Concession     | 20,000           | 20,000           |
| 3    | Leave Encashment            | 87,125           | 82,513           |
| 4    | Bonus                       | 325,685          | 82,513           |
| 5    | Travel Expense (In country) | 112,431          | 63,000           |
| 6    | Travel Expense (Aboard)     | 740,551          | 508,455          |
| 7    | Provident Fund              | 113,463          | 109,366          |
| 8    | Board Sitting Fees          | 81,000           | 107,000          |
|      | <b>Total</b>                | <b>3,293,770</b> | <b>2,737,153</b> |

**Other Directors**

| Sl # | Particulars        | 2019 (Nu.) | 2018 (Nu.) |
|------|--------------------|------------|------------|
| 1    | Board Sitting Fees | 564,500    | 456,000    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Additional information pursuant to the provision of Part II of Schedule XIII A of the Companies Act of the Kingdom of Bhutan 2000:

| Sl No. | Nature of expense                                    | 2019 (Nu.)  | 2018 (Nu.)    |
|--------|--|-------------|---------------|
| 1      | Audit Fees   | 108,900     | 108,900       |
| 2      | Power and Water                                      | 2,822,936   | 2,682,351     |
| 3      | Rent   | 14,667,747  | 13,538,171    |
| 4      | Repairs & maintenance of buildings                   | 2,887,359   | 353,767       |
| 5      | Repairs & maintenance of computer hardware           | 493,927     | 2,956,623     |
| 6      | Salaries and bonus                                   | 212,384,087 | 185,702,277   |
| 7      | Contribution to Provident Fund                       | 12,464,191  | 11,352,574    |
| 8      | Insurance  | 4,327,047   | 4,538,055     |
| 9      | Rates & taxes excluding Income tax                   | 73,528      | 128,142       |
| 10     | <b>Other expenses exceeding 1% of total revenue:</b> |             |               |
| 10.1   | Staff training                                       | 26,565,772  | 24,569,165    |
| 10.2   | Travel expenses                                      | 56,553,926  | 54,691,617.00 |
| 10.3   | Depreciation   | 66,010,636  | 72,933,613    |

37. Chetrumms have been rounded to the nearest Ngultrum.

38. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figures.

For Yoganandh & Ram LLP

Chartered Accountants

FRN : 005157S/S200052

MANOJ  
KUMAR JAIN

Digitally signed by  
MANOJ KUMAR JAIN  
Date: 2020.07.27  
14:14:57 +05'30'

T Manoj Kumar Jain

Partner

Membership No. 218610

Date :

Place : Dhandeeswaram Nagar, Velachery,  
Chennai - 600 042,  
India



Chief Executive Officer



Chairman



\*All items in 000' Ngultrum

**Item 1 : Tier 1 Capital and its sub-components**

| SI No    |  | 31-12-2019       | 31-12-2018       |
|----------|--|------------------|------------------|
| <b>1</b> | <b>Total Tier 1 Capital</b>                        | <b>1,653,419</b> | <b>1,662,075</b> |
| a        | Paid up Capital                                    | 600,317          | 600,317          |
| b        | General Reserves                                   | 886,754          | 886,754          |
| c        | Share premium Account                              | -                | -                |
| d        | Retained Earnings                                  | 228,950          | 180,004          |
|          | <b>Less:-</b>                                      |                  |                  |
| e        | Losses for the Current Year                        | (52,602)         | -                |
| f        | Holdings of Tier 1 instruments issued by other FIs | 9,999.83         | 4,999.83         |

**Item 2: Tier 2 Capital and its sub-components**

| SI No    |                                  | 31-12-2019     | 31-12-2018       |
|----------|----------------------------------|----------------|------------------|
| <b>1</b> | <b>Total Tier II Capital</b>     | <b>678,398</b> | <b>1,004,474</b> |
| a        | Capital Reserve                  | -              | -                |
| b        | Fixed Assets Revaluation Reserve | -              | -                |
| c        | Exchange Fluctuation Reserve     | -              | -                |
| d        | Investment Fluctuation Reserve   | -              | -                |
| e        | Research and Development Fund    | 84,724         | 135,685          |
| f        | General Provision                | 163,673        | 158,662          |
| g        | Capital Grants                   | -              | -                |
| h        | Subordinated Debt                | 430,000        | 430,000          |
| i        | Profit for the Year              | -              | 280,125.89       |



Item 3: Risk Weighted Assets (Current Year and Previous Year)

| 31-12-2019 |   |                      |                 |                     |
|------------|---|----------------------|-----------------|---------------------|
| SI No      | Assets  | Balance Sheet Amount | Risk Weight (%) | Risk Weighted Asset |
| 1          | Zero - Risk Weighted Assets                           | 4,877,311            | 0%              | -                   |
| 2          | 20% - Risk Weighted Assets                            | 3,164,228            | 20%             | 632,846             |
| 3          | 50% - Risk Weighted Assets                            | 9,717                | 50%             | 4,858               |
| 4          | 100% - Risk Weighted Assets                           | 16,685,532           | 100%            | 16,685,532          |
| 5          | 150% - Risk Weighted Assets                           | 821,468              | 150%            | 1,232,202           |
| 6          | 200% - Risk Weighted Assets                           | -                    | 200%            | -                   |
| 7          | 250% - Risk Weighted Assets                           | -                    | 250%            | -                   |
| 8          | 300% - Risk Weighted Assets                           | -                    | 300%            | -                   |
|            | <b>Add: Risk Weighted Assets for Operational Risk</b> |                      |                 | 1,376,699           |
|            | <b>Grand Total</b>                                    | <b>25,558,255</b>    |                 | <b>19,932,137</b>   |

| 31-12-2018 |   |                      |                 |                      |
|------------|---|----------------------|-----------------|----------------------|
| SI No      | Assets  | Balance Sheet Amount | Risk Weight (%) | Risk Weighted Asset  |
| 1          | Zero - Risk Weighted Assets                           | -                    | 0%              | -                    |
| 2          | 20% - Risk Weighted Assets                            | 2,541,377            | 20%             | 508,275              |
| 3          | 50% - Risk Weighted Assets                            | 15,767               | 50%             | 7,883                |
| 4          | 100% - Risk Weighted Assets                           | 15,956,681           | 100%            | 15,956,681           |
| 5          | 150% - Risk Weighted Assets                           | 740,644              | 150%            | 1,110,965            |
| 6          | 200% - Risk Weighted Assets                           | -                    | 200%            | -                    |
| 7          | 250% - Risk Weighted Assets                           | -                    | 250%            | -                    |
| 8          | 300% - Risk Weighted Assets                           | -                    | 300%            | -                    |
|            | <b>Add: Risk Weighted Assets for Operational Risk</b> |                      |                 | 1,182,216            |
|            | <b>Grand Total</b>                                    | <b>19,254,469</b>    |                 | <b>18,766,021.41</b> |





**Item 4: Capital Adequacy Ratios**

|          |   | 31-12-2019 | 31-12-2018 |
|----------|---|------------|------------|
| <b>1</b> | <b>Tier 1 Capital</b>   |            |            |
| a        | Of which Counter-Cyclical Capital Buffer (CCyB) (If applicable) | 1,653,419  | 1,662,075  |
| b        | Of which sectoral Capital Requirements (SCR) (if applicable)    | 41,335     | 41,552     |
| i        | Sector 1  | -          | -          |
| ii       | Sector 2  | -          | -          |
| iii      | Sector 3  | -          | -          |
| <b>2</b> | <b>Tier 2 Capital</b>   |            |            |
|          |   | 678,398    | 1,004,474  |
| <b>3</b> | <b>Total qualifying capital</b>                                 | 2,304,084  | 2,666,549  |
|          | Less: Total NPLs of related parties                             | 27,733     |            |
| <b>4</b> | <b>Core CAR</b>   | 8.91%      | 9.45%      |
| a        | Of which CCyB (if applicable) expressed as % of RWA             | 41,335     | 41,552     |
| b        | Of which SCR(if applicable) expressed as % of Sectoral RWA      |            |            |
| i        | Sector 1  | -          | -          |
| ii       | Sector 2  | -          | -          |
| iii      | Sector 3  | -          | -          |
| <b>5</b> | <b>CAR</b>  | 11.56%     | 10.40%     |
| <b>6</b> | <b>Leverage ratio</b>   | 6.32%      | 5.40%      |

**Item 5: Loans and NPL by Sectoral Classification**

| SL No | Sector                          | 31-12-2019           |                     | 31-12-2018        |                     |
|-------|---------------------------------|----------------------|---------------------|-------------------|---------------------|
|       |                                 | Total Loans          | NPL (Amount)        | Total Loans       | NPL (Amount)        |
| a     | Agriculture                     | 5,904,462.16         | 1,234,523.05        | 5,640,244.61      | 1,078,208.52        |
| b     | Production & Manufacturing      | 1,028,760.31         | 421,108.86          | 848,162.08        | 288,271.90          |
| c     | Service                         | 3,242,757.58         | 1,268,969.67        | 2,841,988.48      | 932,006.41          |
| d     | Trade & Commerce                | 1,636,766.39         | 429,175.29          | 1,414,999.70      | 401,417.32          |
| e     | Loans to FI (s)                 | -                    | -                   | 259,955.39        | -                   |
| f     | Housing                         | 4,010,086.86         | 581,644.79          | 3,359,189.08      | 517,520.79          |
| g     | Transport                       | 961,496.55           | 216,682.20          | 1,116,035.22      | 194,680.89          |
| h     | Personal loan                   | 2,209,587.98         | 437,391.76          | 2,553,595.90      | 409,717.77          |
| i     | Staff Loan                      | 293,812.35           | 22,274.68           | 314,921.25        | 16,219.46           |
| j     | Education Loan                  | 414,366.65           | 2,187.33            | 392,089.96        | 66,654.52           |
| k     | Loan Against Fixed Deposit      | 143,339.97           | 193.28              | 85,142.71         | 81.05               |
| l     | Loan to Govt. owned Corporation |                      |                     | -                 | -                   |
| m     | Others                          | 75,803.98            | 22.22               | 97,406.96         | 17,834.40           |
|       | <b>Total</b>                    | <b>19,921,240.78</b> | <b>4,614,173.15</b> | <b>18,923,731</b> | <b>3,922,613.04</b> |



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

| Sl#      | Counter party                   | 31-12-2019 | 31-12-2018 |
|----------|---------------------------------|------------|------------|
| <b>1</b> | <b>Overdrafts</b>               |            |            |
| a        | Government                      |            | -          |
| b        | Government Corporation          |            | -          |
| c        | Public Companies                |            | -          |
| d        | Private Companies               | 445,506    | 394,340    |
| e        | Individuals                     | 3,099,026  | 3,136,359  |
| f        | Commercial Banks                |            | -          |
| g        | Non-Bank Financial Institutions |            | 259,955    |
| <b>2</b> | <b>Term Loans</b>               |            |            |
| a        | Government                      |            | -          |
| b        | Government Corporation          |            | -          |
| c        | Public Companies                |            | -          |
| d        | Private Companies               | 501,998    | 479,300    |
| e        | Individuals                     | 15,884,459 | 14,652,315 |
| f        | Commercial Banks                |            | -          |
| g        | Non-Bank Financial Institutions |            | -          |







Item 7 : Assets (net of provisions) and liabilities by Residual Maturity (Current Year And Previous Year)

| 31-12-2019                                | On Demand        | 1-30 days        | 31-90 days       | 91-180 days      | 181-270 days     | 271-365 days     | Over 1 year        | Total             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
| Cash in Hand                              | 726,130          | 0                | 0                | 0                | 0                | 0                | 0                  | 726,130           |
| Govt Securities                           | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                 |
| Investment Securities                     | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                 |
| Loans & Advances to Bank                  | 0                | 0                | 0                | 0                | 0                | 0                | 0                  | 0                 |
| Loans & Advances to Customers             | 6,544            | 0                | 59,456           | 21,644           | 18,634           | 156,709          | 15,790,127         | 16,053,114        |
| Others Assets                             | 2,505,939        | 1,452,067        | 31,619           | 1,707,810        | 1,206,901        | 5,863            | 942,031            | 7,852,231         |
| <b>Total</b>                              | <b>3,238,613</b> | <b>1,452,067</b> | <b>91,075</b>    | <b>1,729,454</b> | <b>1,225,535</b> | <b>162,572</b>   | <b>17,050,932</b>  | <b>24,950,248</b> |
| Amounts Owed to Others Bank               | 0                | 1,779            | 15,564           | 10,911           | 17,343           | 10,911           | 687,203            | 743,710           |
| Demand Deposits                           | 435,530          | 0                | 0                | 0                | 0                | 0                | 0                  | 435,530           |
| Savings Deposits                          | 5,452,706        | 0                | 0                | 0                | 0                | 0                | 0                  | 5,452,706         |
| Time Deposit                              | 0                | 500,009          | 700,013          | 1,342,048        | 931,620          | 129,793          | 11,499,013         | 15,102,496        |
| Bonds & Others Negotiable Instruments     | 0                | 0                | 0                | 0                | 0                | 0                | 430,000            | 430,000           |
| Other Liabilities                         | 204,384          | 45,506           | 5,565            | 7,597            | 9,511            | 7,078            | 2,506,165          | 2,785,806         |
| <b>Total</b>                              | <b>6,092,621</b> | <b>547,294</b>   | <b>721,142</b>   | <b>1,360,555</b> | <b>958,474</b>   | <b>147,782</b>   | <b>15,122,381</b>  | <b>24,950,248</b> |
| <b>Assets/Liabilities</b>                 | <b>53.16%</b>    | <b>265.32%</b>   | <b>12.63%</b>    | <b>127.11%</b>   | <b>127.86%</b>   | <b>110.01%</b>   | <b>112.75%</b>     | <b>100.00%</b>    |
| <b>Net Mismatch in Each Time Interval</b> | <b>2,854,007</b> | <b>(904,773)</b> | <b>630,067</b>   | <b>(368,898)</b> | <b>(267,061)</b> | <b>(14,790)</b>  | <b>(1,928,551)</b> | <b>0</b>          |
| <b>Cumulative Net Mismatch</b>            | <b>2,854,007</b> | <b>1,949,234</b> | <b>2,579,301</b> | <b>2,210,403</b> | <b>1,943,341</b> | <b>1,928,551</b> | <b>0</b>           | <b>0</b>          |

| 31-12-2018                                | On Demand        | 1-30 days          | 31-90 days       | 91-180 days      | 181-270 days     | 271-365 days     | Over 1 year        | Total             |
|---|------------------|--------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
| Cash in hand                              | 686,262          | 0                  | 0                | 0                | 0                | 0                | 0                  | 686,262           |
| Govt Securities                           | 0                | 0                  | 0                | 0                | 0                | 0                | 0                  | 0                 |
| Investment Securities                     | 0                | 0                  | 0                | 0                | 0                | 0                | 459,714            | 459,714           |
| Loans & Advances to Bank                  | 0                | 0                  | 0                | 0                | 0                | 0                | 0                  | 0                 |
| Loans & Advances to Customers(net)        | (89,130)         | 62,767             | 416,913          | 642,409          | 1,075,927        | 861,078          | 12,978,013         | 15,947,978        |
| Others Assets                             | 2,881,643        | 2,140,465          | 575,089          | 1,009,465        | 155,711          | 63,565           | 789,713            | 7,615,651         |
| <b>Total</b>                              | <b>3,478,775</b> | <b>2,203,233</b>   | <b>992,001</b>   | <b>1,651,873</b> | <b>1,231,638</b> | <b>924,643</b>   | <b>14,227,440</b>  | <b>24,709,604</b> |
| Amounts Owed to Others Bank               | 0                | 1,931              | 16,896           | 11,845           | 18,827           | 11,845           | 807,374            | 868,717           |
| Demand Deposits                           | 594,205          | 0                  | 0                | 0                | 0                | 0                | 0                  | 594,205           |
| Savings Deposits                          | 4,580,204        | 0                  | 0                | 0                | 0                | 0                | 0                  | 4,580,204         |
| Time Deposit                              | 67,758           | 948,888            | 1,006,260        | 1,426,558        | 2,611,032        | 1,403,023        | 7,430,913          | 14,894,432        |
| Bonds & Others Negotiable Instruments     | 0                | 0                  | 0                | 0                | 0                | 0                | 430,000            | 430,000           |
| Other Liabilities                         | 186,889          | 67,635             | 39,537           | 36,344           | 203,979          | 60,194           | 2,747,468          | 3,342,045         |
| <b>Total</b>                              | <b>5,429,056</b> | <b>1,018,454</b>   | <b>1,062,693</b> | <b>1,474,746</b> | <b>2,833,839</b> | <b>1,475,061</b> | <b>11,415,754</b>  | <b>24,709,604</b> |
| <b>Assets/Liabilities</b>                 | <b>64.08%</b>    | <b>216.33%</b>     | <b>93.35%</b>    | <b>112.01%</b>   | <b>43.46%</b>    | <b>62.69%</b>    | <b>124.63%</b>     | <b>100.00%</b>    |
| <b>Net Mismatch in Each Time Interval</b> | <b>1,950,282</b> | <b>(1,184,779)</b> | <b>70,692</b>    | <b>(177,127)</b> | <b>1,602,200</b> | <b>550,418</b>   | <b>(2,811,687)</b> | <b>0</b>          |
| <b>Cumulative Net Mismatch</b>            | <b>1,950,282</b> | <b>765,503</b>     | <b>836,195</b>   | <b>659,068</b>   | <b>2,261,268</b> | <b>2,811,687</b> | <b>0</b>           | <b>0</b>          |



Item 8 : Assets (net of provisions) and liabilities by Original Maturity (Current Period and Previous Year)

| 31-12-2019                            | On Demand           | 1-30 days           | 31-90 days          | 91-180 days         | 181-270 days        | 271-365 days      | Over 1 year          | Total                |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|
| Cash in Hand                          | 726,130             | 0                   | 0                   | 0                   | 0                   | 0                 | 0                    | 726,130              |
| Govt Securities                       | 0                   | 0                   | 0                   | 0                   | 0                   | 0                 | 0                    | 0                    |
| Investment Securities                 | 0                   | 0                   | 0                   | 0                   | 0                   | 0                 | 0                    | 0                    |
| Loans & Advances to Bank              | 0                   | 0                   | 0                   | 0                   | 0                   | 0                 | 318,774              | 318,774              |
| Loans & Advances to Customers         | (145,381)           | 120,814             | 475,631             | 654,306             | 666,518             | 929,865           | 13,351,361           | 16,053,114           |
| Others Assets                         | 2,505,939           | 2,201,568           | 1,034,494           | 1,138,938           | 133,309             | 37,890            | 800,093              | 7,852,231            |
| <b>Total</b>                          | <b>3,086,687.96</b> | <b>2,322,381.79</b> | <b>1,510,124.46</b> | <b>1,793,243.72</b> | <b>799,827.46</b>   | <b>967,754.65</b> | <b>14,470,228.44</b> | <b>24,950,248.48</b> |
| Amounts owed to Others Bank           | 0                   | 1,779               | 15,564              | 10,911              | 17,343              | 10,911            | 687,203              | 743,710              |
| Demand Deposits                       | 435,530             | 0                   | 0                   | 0                   | 0                   | 0                 | 0                    | 435,530              |
| Savings Deposits                      | 5,452,706           | 0                   | 0                   | 0                   | 0                   | 0                 | 0                    | 5,452,706            |
| Time Deposit                          | 59,322              | 1,248,965           | 2,053,517           | 1,552,979           | 990,337             | 838,843           | 8,358,533            | 15,102,496           |
| Bonds & Others Negotiable Instruments | 0                   | 0                   | 0                   | 0                   | 0                   | 0                 | 430,000              | 430,000              |
| Other liabilities                     | 206,755             | 51,410              | 24,855              | 29,140              | 60,263              | 29,588            | 2,383,794            | 2,785,806            |
| <b>Total</b>                          | <b>6,154,313.69</b> | <b>1,302,154.37</b> | <b>2,093,936.51</b> | <b>1,593,029.52</b> | <b>1,067,943.21</b> | <b>879,341.19</b> | <b>11,859,529.98</b> | <b>24,950,248.48</b> |
| Assets/Liabilities                    | 50.15%              | 178.35%             | 72.12%              | 112.57%             | 74.89%              | 110.05%           | 122.01%              | 100.00%              |
| Net Mismatch in each Time Interval    | 3,067,626           | (1,020,227)         | 583,812             | (200,214)           | 268,116             | (88,413)          | (2,610,698)          | 0                    |
| Cumulative Net Mismatch               | 3,067,626           | 2,047,398           | 2,631,210           | 2,430,996           | 2,699,112           | 2,610,698         | 0                    | 0                    |

| 31-12-2-18                            | On Demand        | 1-30 days        | 31-90 days    | 91-180 days      | 181-270 days     | 271-365 days   | Over 1 year       | Total             |
|---------------------------------------|------------------|------------------|---------------|------------------|------------------|----------------|-------------------|-------------------|
| Cash in Hand                          | 686,262          | 0                | 0             | 0                | 0                | 0              | 0                 | 686,262           |
| Govt Securities                       | 0                | 0                | 0             | 0                | 0                | 0              | 0                 | 0                 |
| Investment Securities                 | 0                | 0                | 0             | 0                | 0                | 0              | 0                 | 0                 |
| Loans & Advances to Bank              | 0                | 0                | 0             | 0                | 0                | 0              | 459,714           | 459,714           |
| Loans & Advances to Customers         | 6,453            | (4)              | 2,198         | 3,898            | 303              | 742,038        | 15,193,091        | 15,947,978        |
| Others Assets                         | 2,881,643        | 1,393,456        | 181           | 1,333,437        | 941,559          | 30,405         | 1,034,970         | 7,615,651         |
| <b>Total</b>                          | <b>3,574,358</b> | <b>1,393,452</b> | <b>2,379</b>  | <b>1,337,335</b> | <b>941,862</b>   | <b>772,444</b> | <b>16,687,775</b> | <b>24,709,604</b> |
| Amounts owed to Others Bank           | 0                | 1,931            | 16,896        | 11,845           | 18,827           | 11,845         | 807,374           | 868,717           |
| Demand Deposits                       | 594,205          | 0                | 0             | 0                | 0                | 0              | 0                 | 594,205           |
| Savings Deposits                      | 4,580,204        | 0                | 0             | 0                | 0                | 0              | 0                 | 4,580,204         |
| Time Deposit                          | 0                | 0                | 3,995         | 391,358          | 981,872          | 671,114        | 12,846,093        | 14,894,432        |
| Bonds & Others Negotiable Instruments | 0                | 0                | 0             | 0                | 0                | 0              | 430,000           | 430,000           |
| Other liabilities                     | 181,724          | 43,810           | 5,105         | 6,447            | 13,135           | 22,268         | 3,069,556         | 3,342,045         |
| <b>Total</b>                          | <b>5,356,134</b> | <b>45,741</b>    | <b>25,996</b> | <b>409,650</b>   | <b>1,013,834</b> | <b>705,227</b> | <b>17,153,022</b> | <b>24,709,604</b> |
| Assets/Liabilities                    | 66.73%           | 3046.42%         | 9.15%         | 326.46%          | 92.90%           | 109.53%        | 97.29%            | 100.00%           |
| Net Mismatch in each Time Interval    | 1,781,776        | (1,347,711)      | 23,617        | (927,685)        | 71,972           | (67,217)       | 465,247           | 0                 |
| Cumulative Net Mismatch               | 1,781,776        | 434,065          | 457,682       | (470,002)        | (398,030)        | (465,247)      | 0                 | 0                 |

Note: Capital Fund /Equity not included

Item 9 : Assets & Liabilities by time-to re-pricing (Current Period and Previous Year)

| 31-12-1019                           | Time to re-pricing |                  |                  |                     | Non Interest bearing | Total             |
|--------------------------------------|--------------------|------------------|------------------|---------------------|----------------------|-------------------|
|                                      | 0-3 Months         | 3-6 Months       | 6-12 Months      | More than 12 Months |                      |                   |
| <b>Asset</b>                         |                    |                  |                  |                     |                      |                   |
| Cash and Balance with Banks          | 1,639,535          | 1,058,977        | 0                | 69,587              | 1,131,976            | 3,900,075         |
| Treasury Bills                       | 0                  | 0                | 0                | 0                   | 0                    | 0                 |
| Loans and Advances                   | 451,064            | 654,306          | 1,596,383        | 13,351,361          | 0                    | 16,053,114        |
| Investment Securities                | 0                  | 0                | 0                | 318,774             | 0                    | 318,774           |
| Others Assets                        | 874,574            | 161,223          | 178,338          | 815,527             | 2,648,624            | 4,678,286         |
| <b>Total Financial Assets</b>        | <b>2,965,173</b>   | <b>1,874,506</b> | <b>1,774,721</b> | <b>14,555,249</b>   | <b>3,780,600</b>     | <b>24,950,248</b> |
| <b>Liabilities</b>                   |                    |                  |                  |                     |                      |                   |
| Deposit                              | 8,814,511          | 1,552,979        | 1,829,180        | 8,358,533           | 435,530              | 20,990,733        |
| Borrowings                           | 17,343             | 10,911           | 28,253           | 687,203             | 0                    | 743,710           |
| Other liabilities                    | 45,222             | 38,239           | 117,564          | 1,048,281           | 1,966,501            | 3,215,806         |
| <b>Total Financial Liabilities</b>   | <b>8,877,076</b>   | <b>1,602,128</b> | <b>1,974,997</b> | <b>10,094,016</b>   | <b>2,402,031</b>     | <b>24,950,248</b> |
| <b>Total Interest Re-pricing Gap</b> | <b>33.40%</b>      | <b>117.00%</b>   | <b>89.86%</b>    | <b>144.20%</b>      | <b>157.39%</b>       | <b>100.00%</b>    |

| 31-12-1018                           | Time to re-pricing |                  |                  |                     | Non Interest bearing | Total             |
|--------------------------------------|--------------------|------------------|------------------|---------------------|----------------------|-------------------|
|                                      | 0-3 Months         | 3-6 Months       | 6-12 Months      | More than 12 Months |                      |                   |
| <b>Asset</b>                         |                    |                  |                  |                     |                      |                   |
| Cash and Balance with Banks          | 1,213,096          | 931,508          | 0                | 65,011              | 1,033,791            | 3,243,406         |
| Treasury Bills                       | 0                  | 0                | 0                | 0                   | 0                    | 0                 |
| Loans and Advances                   | 390,550            | 642,409          | 1,937,005        | 12,978,013          | 0                    | 15,947,978        |
| Investment Securities                | 0                  | 0                | 0                | 459,714             | 0                    | 459,714           |
| Others Assets                        | 683,432            | 157,227          | 404,912          | 750,514             | 3,062,421            | 5,058,506         |
| <b>Total financial assets</b>        | <b>2,287,079</b>   | <b>1,731,144</b> | <b>2,341,917</b> | <b>14,253,252</b>   | <b>4,096,212</b>     | <b>24,709,604</b> |
| <b>Liabilities</b>                   |                    |                  |                  |                     |                      |                   |
| Deposit                              | 6,603,111          | 1,426,558        | 4,014,055        | 7,430,913           | 594,205              | 20,068,841        |
| Borrowings                           | 18,827             | 11,845           | 30,672           | 807,374             | 0                    | 868,717           |
| Other liabilities                    | 83,996             | 43,296           | 318,769          | 1,054,665           | 2,271,320            | 3,772,045         |
| <b>Total financial liabilities</b>   | <b>6,705,934</b>   | <b>1,481,698</b> | <b>4,363,496</b> | <b>9,292,951</b>    | <b>2,865,525</b>     | <b>24,709,604</b> |
| <b>Total Interest Re-pricing gap</b> | <b>34.11%</b>      | <b>116.84%</b>   | <b>53.67%</b>    | <b>153.38%</b>      | <b>142.95%</b>       | <b>100.00%</b>    |

Note: Capital Fund /Equity not included







## Item 10 : Non Performing Loans and Provisions

|          |                                  | 31-12-2019         | 31-12-2018       |
|----------|----------------------------------|--------------------|------------------|
| <b>1</b> | <b>Amount of NPLs (Gross)</b>    | <b>4,614,173</b>   | <b>3,922,613</b> |
| a        | Substandard                      | 722,211            | 613,309          |
| b        | Doubtful                         | 642,344            | 623,551          |
| c        | Loss                             | 3,249,618          | 2,685,753        |
| <b>2</b> | <b>Specific Provisions</b>       | <b>3,124,808</b>   | <b>2,701,436</b> |
| a        | Substandard                      | 146,787            | 129,055          |
| b        | Doubtful                         | 297,348            | 297,401          |
| c        | Loss                             | 2,680,673          | 2,274,980        |
| <b>3</b> | <b>Interest-in-Suspense</b>      | <b>663,132</b>     | <b>480,534</b>   |
| a        | Substandard                      | 31,150             | 22,466           |
| b        | Doubtful                         | 63,037             | 47,295           |
| c        | Loss                             | 568,944            | 410,773          |
| <b>4</b> | <b>Net NPLs</b>                  | <b>826,234</b>     | <b>740,644</b>   |
| a        | Substandard                      | 544,275            | 461,788          |
| b        | Doubtful                         | 281,959            | 278,855          |
| c        | Loss                             | -                  | -                |
| <b>5</b> | <b>Gross NPLs to Gross Loans</b> | <b>23.16%</b>      | <b>20.73%</b>    |
| <b>6</b> | <b>Net NPLs to Net Loans</b>     | <b>5.12%</b>       | <b>4.85%</b>     |
| <b>7</b> | <b>General Provisions</b>        | <b>163,673,407</b> | <b>158,662</b>   |
| a        | Standard                         | 125,429,808        | 129,311          |
| b        | Watch                            | 38,243,599         | 29,351           |

## Item 11 : Assets and Investments

| Sl#      | Investment                                      | 31-12-2019     | 31-12-2018     |
|----------|---|----------------|----------------|
| <b>1</b> | <b>Marketable Securities (Interest Earning)</b> |                |                |
| a        | RMA securities                                  |                | -              |
| b        | RGOB Bonds/Securities                           |                | -              |
| c        | Corporate Bonds                                 | 280,332        | 421,272        |
| d        | Others  |                | -              |
|          | <b>Sub-total</b>                                | <b>280,332</b> | <b>421,272</b> |
| <b>2</b> | <b>Equity Investments</b>                       |                |                |
| e        | Public Companies                                | 28,442         | 28,442         |
| f        | Private Companies                               |                |                |
| g        | Commercial Banks                                | 5,000          | 5,000          |
| h        | Non- Bank Financial Institutions                | 5,000          | 5,000          |
|          | <b>Less</b>                                     |                |                |
| i        | Specific Provisions                             |                | -              |
| <b>3</b> | <b>Fixed Assets</b>                             |                |                |
| j        | Fixed Assets (Gross)                            | 666,203        | 638,935        |
|          | <b>Less</b>                                     |                |                |
| k        | Accumulated Depreciation                        | 326,943        | 263,409        |
| l        | Fixed Assets (Net Book Value)                   | 339,259        | 375,526        |



Item 13 : Geographical Distribution of Exposures

|  | Domestic   |            | India      |            | Other      |            |
|--|------------|------------|------------|------------|------------|------------|
|  | 31-12-2019 | 31-12-2018 | 31-12-2019 | 31-12-2018 | 31-12-2019 | 31-12-2018 |
| Demand Deposits Held With others banks | 396,129    | 331,762    |            |            |            |            |
| Time deposits held with others banks   | 415,179    | 456,718    |            |            |            |            |
| Borrowings                             | 743,710    | 868,717    |            |            |            |            |

Item 14 : Credit Risk Exposure by Collateral

| SL NO    | Particulars                                      | 31-12-2019           | 31-12-2018        |
|----------|--|----------------------|-------------------|
| <b>1</b> | <b>Secured Loans</b>                             |                      |                   |
| a        | Loans Secured by Physical/Real Estate collateral | 17,645,206           | 18,336,846        |
| b        | Loans Secured by Financial Collateral            | 183,990              | 338,869           |
| c        | Loan Secured by Guarantees                       | 2,092,045            | 248,047           |
| <b>2</b> | <b>Unsecured Loans</b>                           |                      |                   |
| <b>3</b> | <b>Total Loans</b>                               | <b>19,921,240.78</b> | <b>18,923,761</b> |

Item 15 : Earning Ratios (%)

| SL NO | Ratio   | 31-12-2019 | 31-12-2018 |
|-------|---|------------|------------|
| 1     | Interest Income as a Percentage of Average Assets     | 8.84%      | 8.77%      |
| 2     | Non Interest Income as a Percentage of Average Assets | 0.26%      | 0.27%      |
| 3     | Operating Profit as a Percentage of Average Profit    | -46.24%    | -59.21%    |
| 4     | Return on Assets                                      | -0.21%     | 1.18%      |
| 5     | Business (Deposits plus advances) per employee        | 32,594     | 31,630     |
| 6     | Profit Per employee                                   | (35)       | 441        |



**Item 17 : Customers Complaints**

| SI NO | Particulars  | 31-12-2019 | 31-12-2018 |
|-------|--|------------|------------|
| 1     | No. of complaints pending at the beginning of the year |            | 2          |
| 2     | No. of complaints received during the year             | 1          |            |
| 3     | No. of complaints redressed during the year            | 1          |            |
| 4     | No. of complaints pending at the end of the year       |            |            |

**Item 19 : Concentration of Credit and Deposits**

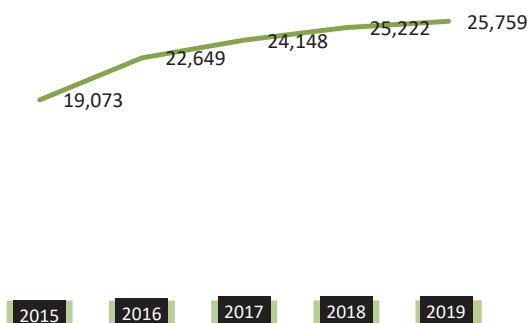
| Sl. No | Particulars                                | 31-12-2019 | 31-12-2018 |
|--------|--|------------|------------|
| 1      | Total Loans to 10 Largest Borrowers        | 1,105,109  | 920,329    |
| 2      | As % of Total Loans                        | 6%         | 5%         |
| 3      | Total Deposit of the 10 Largest Depositors | 10,689,938 | 8,247,908  |
| 4      | As % of Total Deposits                     | 50.93%     | 47.19%     |

**Item 20 : Exposure to 5 Largest NPL Accounts**

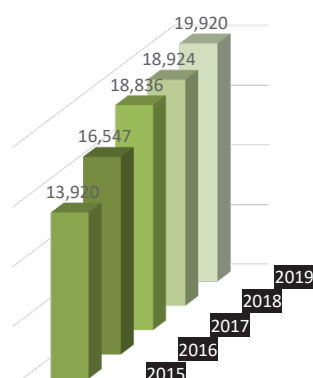
| Sl. No | Particulars               | 31-12-2019 | 31-12-2018 |
|--------|---------------------------|------------|------------|
| 1      | Five Largest NPL Accounts | 156,205    | 118,653    |
| 2      | As % of Total NPLs        | 3.98%      | 3.02%      |



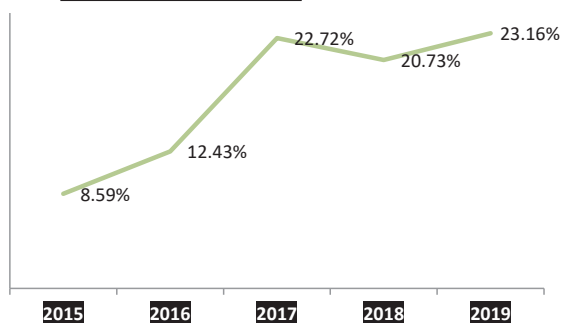
### Assets Position ( in million )



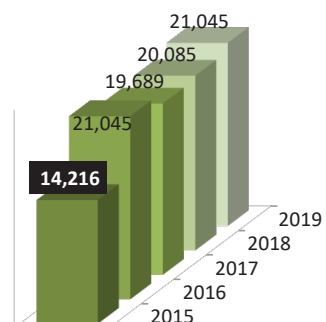
### Loans Receivables (in million )



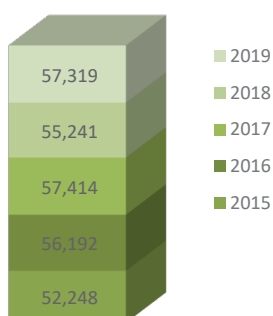
### Portfolio At Risk



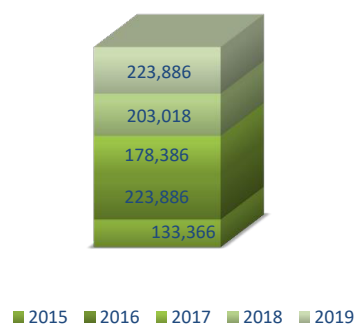
### Deposit Amounts ( in million)



### No. of Loan Accounts

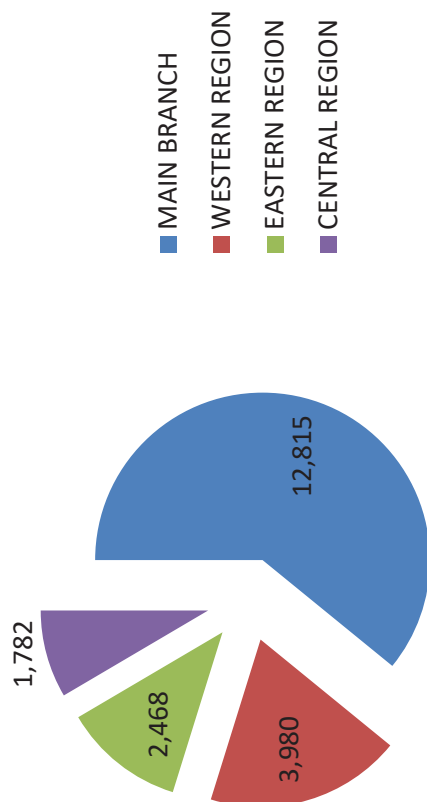


### No. of Deposit Accounts

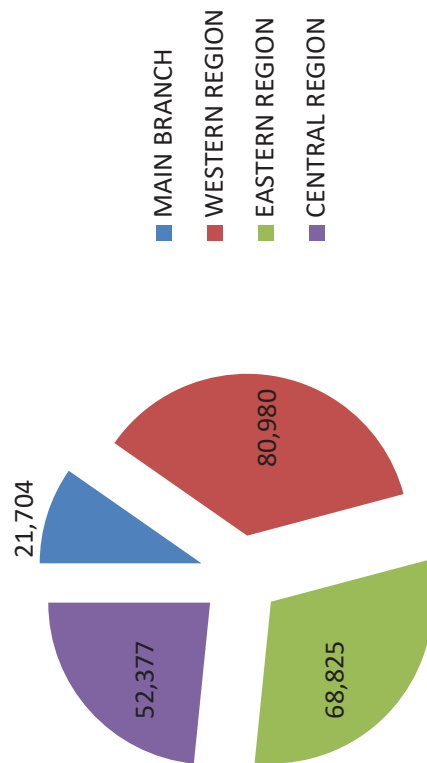




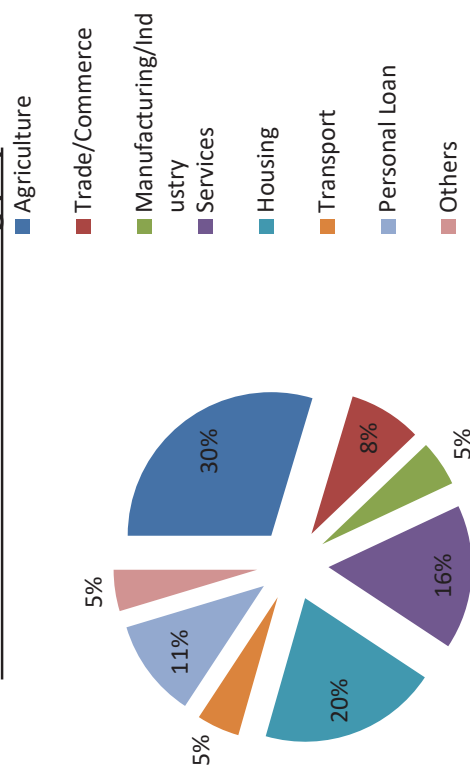
### Region - Wise Deposit Amount



### Region - Wise Deposit Accounts



### Sector wise Credit Outstanding (%)



### Sector wise Credit Accounts (%)

