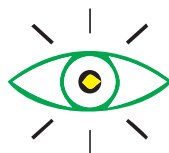




ANNUAL REPORT 2020

**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.



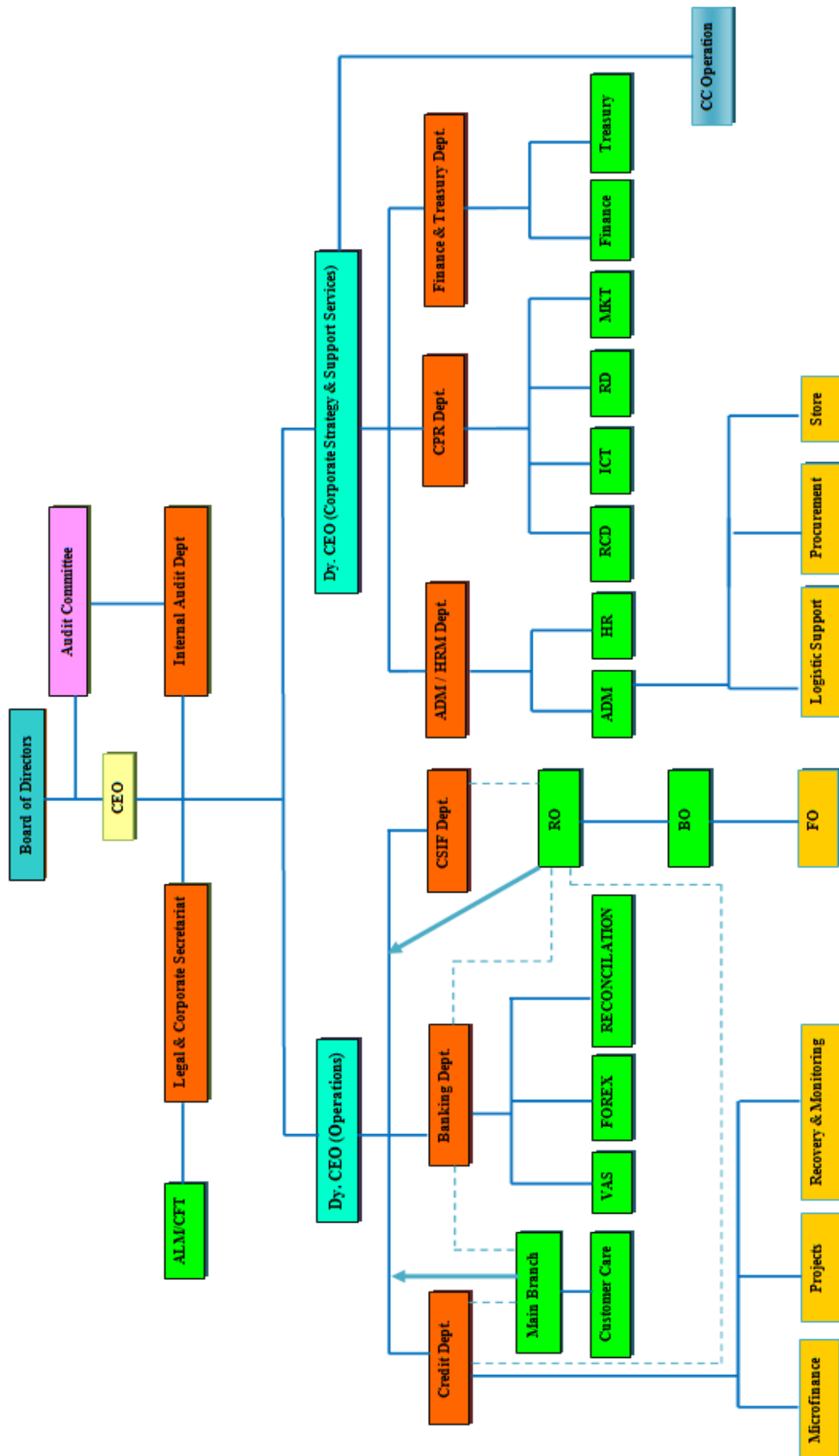
CORE VALUES

P rofessionalism	-	Give your Best
E xcellence	-	Aim for higher ideals
O wnership	-	Own your Bank and care for your customers
P artnership	-	Work together for growth
L oyalty	-	Be true to oneself and stakeholders
E fficiency	-	Deliver prompt services

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ORGANIZATIONAL STRUCTURE



BHUTAN DEVELOPMENT BANK LIMITED
HEAD OFFICE, THIMPHU
Post Box: 256, Norzin Lam
Contact Center Toll free No. 1424

REGIONAL OFFICES

Sl #	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

Sl #	Branch Managers/Chief Manager	Location	Phone 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
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.	Ms. Sonam Lhadon	Tashi Choling	77106774

Central Region

1.	Mr. Younten Tharchen	Dagana	06-481106
2.	Mr. Sonam Wangchuk	Bumthang	03-631111
3.	Mr. Penjor	Trongsa	03-521147
4.	Ms. Dawa Dem	Zhemgang	03-741127
5.	Mr. Ugyen Tshewang	Panbang	03-742017
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/Chief Manager	Location	Phone 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
5.	Mr. Tshewang	Trashigang	04-521122
6.	Mr. Jigme Sonam Tenzin	Trashy Yangtse	04-781105
7.	Mr. Thinlay Wangchuk	Wamrong	04-571148/751164
8.	Mr. Namgay Doenyan	Nganglam	07-481190
9.	Mr. Norbu Dendup	Jomotsangkha	07-264023
10.	Mr. Nima Choezang	Yadi	17290334
11.	Ms. Tashi Wangmo	Samdrupcholing	17700475

Thimphu Main Branch, Chief Manager

1.	Mr. Cheda	Main Branch, Thimphu	02-323852
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BOARD OF DIRECTORS



CHAIRMAN

Mr. Lekzang Dorji
Director General
Department of Macroeconomic Affairs



DIRECTOR

Mr. Nima Wangdi
Former Health Secretary
Gadhen Khangzang



DIRECTOR

Mr. Ugyen Penjore
Director General
Dept. of Consumer Protection
MOEA



DIRECTOR

Mr. Phub Tshering
Former Secretary General
BCCI



DIRECTOR

Mr. Pema Wangdi
Former 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. Dorji Wangdi

Company Secretary



Mr. Karma Jigme

General Manager
ADM/HR Dept.



Mr. Tshering Dukpa

General Manager
Credit Dept.



Mr. Nidup Tshering

General Manager
Finance & Treasury Dept.



Mr. Samdrup Kinlay

Offtg. General Manager
ICT Department



Mr. Pema Wangdi

General Manager
R & D Department



Mr. Bhawani Shankar

General Manager
Internal Audit
Department



Mr. Kuenzang Thinley

General Manager
Banking Department

CHAIRMAN'S REPORT

On behalf of the Board Directors, Management, staff and customers of the Bhutan Development Bank I would like to extend a warm welcome to all the esteemed shareholders for attending the 29th Annual General Meeting of the Bank.

It may be appropriate for me to recall and remind ourselves of the year 2020, an extraordinary year that shook everybody around the globe. The COVID-19 Pandemic, which entered our country in March 2020, changed the landscape of the financial sector. It caused widespread disruptions affecting individuals and business units. Some lost jobs, businesses shut down, tenantless buildings, hotels without guests, tour operators without tourists, etc. virtually rendering businesses standstill.

Despite all odds, Bhutan Development Bank (BDB), however, with close supervision and guidance of the Board, Regulatory Bodies and other oversight agencies managed to pull through, meeting almost all major targets set for the year. The Bank has secured Annual Performance Compact 2020 rating of 92.43%, which is commendable.

I take this opportunity to make a mention here that our Kingdom, a unique country, blessed with supreme leadership from the Throne that took extreme care for everybody's wellbeing including payment of interest on loans relieving the borrowers of financial burden during this tiring times.

Monetary Measures I & II rolled out by the Central Bank (RMA)

With the COVID-19 pandemic negatively impacting individuals and businesses, RMA (Royal Monetary Authority of Bhutan) came up with Monetary Measures I & II. In line with MM I the bank had waived off 50% interest amounting to Nu. 259,560,008.84 (April 2020 to June 2020) and Nu. 749,011,868.56 MM II (July 2020 to December 2020) is received as compensation from the Government under the Druk Gyalpo's Relief Kidu support from the National Resilience Fund. The total interest waived off worked out to Nu. 1,268,131,886.40 benefiting more than 54 thousand borrowers.

Corporate Governance

BDB as a development bank strives to balance between its dual objectives of achieving its financial goals and fulfilling the strong social mandate. The bank is committed to achieving a high standard of corporate governance and continue to uphold the highest standard of service delivery, competency and efficiency through adoption of best practices, sound management system, stable performance, consistent review and guidance from the Board and other oversight bodies.

The bank has 7 Board Directors (including incumbent CEO) all appointed by the Government (Cabinet) and duly endorsed by the shareholders. The bank had 4 board meetings during the financial year 2020. The 3 Sub-board Committees, namely Board Governance & Risk Committee, Board Credit Committee and Board Audit Committee as required have met, reviewed and recommended important policy, credit, risk and system related issues to the Board that endorsed and issued necessary directives.

It is important to also report that the bank level committees such as the Management Committee, Human Resource Committee, Tender Evaluation Committee and Awarding Committee have undertaken important business decisions during the year as per their specific ToR for each committee.

BDB as a State-owned Enterprise is being supervised, controlled or regulated more than any other SoEs. For instance, the bank is required to comply with the provisions of the Corporate Governance Rules and Regulations 2020 issued by the Royal Monetary Authority as well as the Corporate Governance Guidelines for State Enterprises 2019 of the Ministry of Finance. Additionally, the oversight inspection carried out by the Central Bank (RMA) known as RMA Onsite Inspection done biannually apart from external and internal audit are all regular exercises carried out to enhance and strengthen working system of the bank.

Statutory Auditors

The Statutory Auditors M/s Yoganandh & Ram LLP , Chartered Accountants, Chennai, India audited the Bank for the financial year 2020.

I am pleased to share the auditors' opinion on the Bank made after examination of all relevant books and records. The auditors reported that proper books of accounts as required by law as stated in the Companies Act of Bhutan 2016, have been kept by the Bank. The auditors added that the proper returns adequate for the purposes of their audit have been received from all the branches not visited by them.

The audit stated that the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow are in agreement with the books of accounts. They reaffirmed that the Bank has complied with all other legal and regulatory requirements.

Financial Highlights

As reported by the Statutory Auditors, the Bank's financial statements present fairly, in all aspects, the financial position, financial performance and its cash flows for the year ended 31 December 2020 in accordance with the Bhutanese Accounting Standards (BAS) and Bhutanese Financial Reporting Standards (BFRS).

Bank's Financial Position

Total Assets: The Bank's total assets grew by 8.28% from Nu. 25,759.34 million to Nu. 27,893.23 million. The increase in assets are largely due to investments made in Treasury Bills, loans to borrowers and Government Bonds.

Total Equity: The total equity decreased by 6.9% (from Nu. 2,733.67 million to 2,544.79 million) due to no returns on share investments and loss suffered by the bank.

Total Liabilities: The liabilities for the year rose by 10.09% (from Nu. 23,025.66 million to Nu. 25,348.45 million) mainly due to increase in the deposits made by savers and actuarial valuation for Retirement Benefits Plans of employees assessed by a qualified independent actuary.

Bank's Financial Performance

Total Operating Income: The operating income for the year reduced by 20.46% (from Nu. 1,185.15 million to Nu. 943.52 million). The dip in the income is attributed to reduced fees and commission income and other operating income.

Total Operating Expenses: Alongside reduction in the income the bank managed to control expenses reducing by 31.95% (from Nu. 1,080.83 to Nu. 735.46 million)

Profit Before Tax for Continuing Operations:

Although the bank had projected a loss of Nu. 59 million for the year, the loss however, reduced to Nu. 51 million registering an improvement of 13.56%. The situation would have been much better had the interest waiver of Nu. 259.56 million due to the COVID pandemic did not happen.

Net Loss: With Nu. 259.56 million and Community Center expense of Nu. 7.16 million the bank suffered a loss of Nu. 66.89 million.

Operational Highlights

The bank disbursed a total of Nu. 4,269.85 million to 9,751 borrowers during the financial year 2020. The total loan outstanding as at the year end stood at Nu. 20,914.46 million. Likewise, the bank's deposits as of 31 December 2020 stood at Nu. 23,165.99 million with total of 243,173 savers (cumulative).

Soft term loans (Subordinated Debt from the Government)

With limited capital base the bank was not able to further its lending sphere. With the support of the Government the bank acquired a subordinated debt of Nu.550,500,000/- from the Asian Development Bank (ADB) at the coupon rate of 5% for 10 years.

The bank will work towards meeting the conditions set by the ADB to draw the second tranche of same amount due in 2023. The bank has drawn plans to diversify its lending to reach out to unbanked population in the nooks and corners of the country.

Alongside the ADB Line of Credit, the Accreditation process with the Green Climate Fund is progressing well which in due course of time will benefit the bank immensely.

Enhanced service delivery mechanism

The deployment of Point of Sales machines in the Branch Offices has not only improved the service delivery system significantly but also has reduced fund misuse and delayed processing or transactions carried out in the field.

With the objective to facilitate convenient banking for customers and also to encourage general public to go for digital banking, the bank continues to install ATMs in strategic locations taking the total machines to 55 as of date.

Improved internal control systems

The bank has developed various SOPs, Manuals and Operational Guidelines to improve service delivery and strengthen internal control system. Around 7 Manuals and SOPs will be developed during the 2021 financial year, which is expected to enhance responsibility and accountability.

Plans and strategies to reduce cost and improve financial health

The bank had been relying heavily on public deposits for on-lending to its credit customers that continues to erode significant portion of its revenue through interest payouts to savers. With the aim to control its high cost of funds, the bank will work on some measures such as revision of deposit interest rates, declining renewal of matured term deposits and phasing out interbank deposits. Rationalizing training budget by over 50% is another move to curtail the cost. The bank is also prepared to bring down the current NPL of 25.94% to 20% during the financial year 2021.

Activities in the pipeline to expand credit coverage and broaden financial inclusion program

Befitting to its mandate of reaching out to needy farmers, the bank has drawn action plans to spread out its wings further by extending credit to CSI, women groups and other mixed groups, which will secure its position as the lead bank in the country with maximum clientele base.

Other Core activities

Digitalization: Embracing the nation's drive to promote digitalization, the Board endorsed budget provision of Nu. 22.46 million to develop ICT infrastructure and digitalize essential banking services.

Bank Restructuring: Among various strategies adopted to address the bank's NPL issues, the most recent coordinated effort involving various institutions spearheaded by the Central Bank (RMA) is expected to bear fruits. The focus will be on problematic NPLs broadly classified as clients Absconded, Imprisoned, Deceased, Untraceable and Loans under Enforcement.

The bank will set up a Training of Trainers' Unit and Project Rehabilitation Unit to study, train, monitor, recover and rehabilitate viable projects.

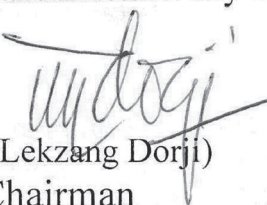
The Board has approved appointment of one Director (in place of 2 Dy.CEOs retired in 2019) to look after the operations of the bank.

Conclusion

The Board is committed to continue providing support and guidance to meet the bank's targets and objectives. As always, the focus is more on agriculture sector and CSI, which is predominantly a rural phenomena followed by reduction of NPL by 23% from 25.94% to 20%, which is challenging given the clientele background, type and size of businesses the BDB clients are into. Also in the line is the digitalization and ICT development works.

Representing the Board of Directors, Management, Customers and Employees of the Bank, I would like to place on record our sincere appreciation and gratitude to the RGoB, Ministry of Finance (shareholder) and other three shareholders (Bank of Bhutan, Royal insurance Corporation of Bhutan and Bhutan National Bank), ADB and other international agencies for their kind unwavering support, patronage, assistance, guidance, cooperation rendered to BDB.

Tahshidelek!!! My wishes and sincere prayers for a successful year 2021.



(Lekzang Dorji)
Chairman

BDB Board of Directors

OPERATIONAL HIGHLIGHTS FROM 2016- 2020

Sl #	Particulars	2016	2017	2018	2019	2020
I	Assets (Million)	22,649	24,148	25,222	25,759	27,893
II	Profits/(Loss) (Million)	325	(880)	322	127	(140)
III	Disbursement (Million)	7,327	6,036	5,330	5,776	3,790
	Main Branch	1,719	1,184	595	652	275
	Branch Office	5,609	4,852	4,735	5,124	3,515
IV	Loan Outstanding (Million)	16,547	18,836	18,924	19,920	21,166
	Main Branch	5,970	6,830	6,475	6,426	6,384
	Branch Office	10,577	12,007	12,448	13,494	14,782
V	Portfolio At Risk	12.48%	22.72%	20.73%	23.16%	25.94%
	Main Branch	17.56%	33.42%	30.29%	36.52%	51.04%
	Branch Office	9.44%	18.67%	15.75%	16.80%	15.10%
VI	Number of Active Clients	56,192	57,414	55,241	57,319	52,287
	Main Branch	4,163	4,563	4,295	3,968	3,283
	Branch Office	52,029	52,851	50,946	53,351	49,004
VII	Cumulative Nos. of Beneficiary	219,182	237,068	234,895	236,973	289,260
	Main Branch	13,073	14,249	13,981	13,654	16,937
	Branch Office	206,109	222,819	220,914	223,319	272,323
VIII	Deposit Amount (Million)	17,479	19,689	20,085	21,045	23,174
	Main Branch	12,322	13,523	12,490	12,815	12,092
	Branch Office	5,156	6,165	7,595	8,230	11,082
IX	No.of Depositors	159,576	178,386	203,018	223,886	231,049
	Main Branch	11,186	15,101	18,386	21,702	23,642
	Branch Office	148,390	163,285	184,632	202,184	207,407
X	Number of Employess	452	563	572	644	622
	Head Office	144	152	164	222	184
	Main Branch	39	45	43	61	50
	Branch Office	269	366	365	422	388
XI	Active Clients/Employee Ratio					
	Main Branch	107	101	100	65	66
	Branch Office	193	144	140	126	126
XII	Loans /Employee Ratio					
	Main Branch	153	152	151	105	128
	Branch Office	39	33	34	32	38



AUDITORS' REPORTS

2020

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 virtually audited the financial statements of Bhutan Development Bank Limited (the Bank), which comprise the statement of financial position as at December 31, 2020, 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, 2020 of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) and Bhutanese Financial reporting standards (BFRS).

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:

1. Due to the COVID-19 pandemic, RMA (Royal Monetary Authority of Bhutan) issued monetary measures to financial service providers (FSP's) ; Phase I from Apr-2020 to June 2020 (dt.14th April 2020) and Phase II from July-2020 to Dec-2020 (dt.10th July 2020). In line with the monetary measures, 50% of interest (Nu.259,560,008.84 under Phase I and Nu.749,011,868.56 under phase II) is paid as compensation by Government of Bhutan under Druk Gyalpo's Relief Kidu - Support from the National Resilience Fund to the bank. Balance 50% of the interest waived under phase I (April to June 2020) is recognized as interest waiver expenses by the bank.

RMA of Bhutan has issued monetary relief measures with respect to deferment of loan repayment from 1st April 2020 to 30th June 2021. In line with the relief measures issued by RMA, the bank has deferred loan repayment for 27,309 borrowers and partially deferred (minimum interest portion) for 3,519 borrowers till June 30, 2021.

Further, as the RMA provided exemption on the loan loss provisioning requirement for the current year, to reclassify regular loans (under standard & watch category) into 'Substandard' category, even through 50 percent of total exposure is in other categories bucket and also granted exemption to provide additional provision on highest exposure sector of bank.

On account of the above reasons, there is a decrease in making provision for non -performing loans during the year.

The above mentioned waiver has been disclosed in note 35 to the financial statements.

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
Email: reachus@yaEmailndr.in

2. The current account maintained with RMA has been reconciled during the year. However, there were adjustments pertaining to the years 2014 and 2015 amounting to Nu.22,10,015, which are yet to be given effect to in the bank's books of accounts.

Our opinion is not modified in respect of these matters.

Other Matters:

1. The Bank has 35 branches, out of which 11 branches (Including Thimphu main branch) were audited by us. For the remaining 24 branches, accounts as prepared by the management have been incorporated in the financial statements.
2. Due to the onset of COVID-19 pandemic during 2020, we were only able to carry out our audit procedures through virtual means. Therefore, for areas like cash, inventory, and fixed assets, we had to rely on the physical verification done by the management.

Responsibilities of Management and those Charged 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 Bhutanese Financial reporting standards (BFRS) 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.

Yoganandh & Ram LLP
CHARTERED ACCOUNTANTS

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Phone: 044 – 22432030
Email: reachus@yandr.in
Email: reachus@yaEmailndr.in

- ❖ 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: 2021.04.30
12:46:09 +05'30'

T Manoj Kumar Jain
Partner
Membership No.: 218610
UDIN: 21218610AAAJA2485

Place: Chennai
Date: 30.04.2021

Exhibit II

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Bank has maintained proper records of the property, plant & equipment in the assets register to show full particulars including quantitative details and situation of the assets. Physical verification of the assets was done in the year 2018.
2. According to the information and explanations given to us, none of the property, plant & equipment have been revalued during the year.
3. Physical verification of various stores items was carried out by the internal audit department during the year. Discrepancies noticed on such verification as compared to book records have not been dealt with in the books of account.
4. As per the information and explanations provided to us, in our opinion, rate of interest and other terms and conditions of secured/unsecured loans availed by the bank are prima facie not prejudicial to the interest of the Bank.
5. The loans and advances granted by the Bank to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted during our test verification.
6. *In our opinion and according to the information and explanations given to us, the internal controls of the bank need to be strengthened to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the rules/ regulations and system and procedures.*
7. In our opinion and according to the information and explanations given to us there is adequate system of competitive biddings, commensurate with the size of the Bank and nature of its business, for the purchase of property, plant & equipment and other items such as stationery etc.
8. As per the information and explanations given to us, in our opinion, fund or non-fund based facilities provided to the directors or to companies or firms in which the director was directly or indirectly interested were under similar terms and conditions as were applied to other parties and were not prime facie prejudicial to the interest of the bank.
9. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc., to the best of our knowledge, the expenses charged to the Bank's accounts represent legitimate business expenses and no personal expenses have been debited other than those payable under contractual obligations / service rules.
10. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic intervals.
11. The Bank is maintaining reasonable records for disposal of scrap.
12. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Bank is regular in depositing rates, taxes, duties, royalties, provident

Yoganandh & Ram LLP
CHARTERED ACCOUNTANTS

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Phone: 044 – 22432030
Email: reachus@yandr.in
Email: reachus@yaEmailndr.in

- funds, and other statutory dues with the appropriate authorities. Provision for corporate tax is not applicable for the current year as the bank has incurred a loss.
13. Based on test verification of the records and as per the information and explanations given to us, there was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year end.
 14. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
 15. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc., considering the requirements of the funds in the normal banking business, the management of the Bank's liquid resources particularly cash/bank and short term deposits etc. is to be strengthened and in a few branches we found that excessive amount is lying idle in the form of cash in hand.
 16. According to the information and explanations given to us, and on the basis of test examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Bank are lawful and intra vires to the Articles of Incorporation of the Bank.
 17. On the basis of our test verification and according to the information and explanations given to us, the Bank has system and procedures for obtaining the approval of the Board/delegated authority for all capital investment and also for the investment in bonds, treasury bills, commercial papers and equity etc. made in the normal banking business and the investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.
 18. In our opinion, the Bank has established an effective budgetary control system.
 19. In our opinion and according to the information and explanations given to us, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement.
 20. As per the information and explanations given to us and based on our review of the transactions, the directives of the Board have been found to be complied with by the Bank.
 21. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Bank, unauthorizedly to any other person with intent to benefit themselves.
 22. On the basis of our test verification and as per the information and explanations given to us, in our opinion, proper records are kept for inter unit transactions/services and arrangements.
 23. As per information and explanations given to us, in our opinion, proper lease agreements are executed and that the terms and conditions of leases are reasonable.

In Case of Finance and Investment Bank

1. On the basis of test examination of books and records, there are lapses in the documentation of loans and this area requires further improvement.

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CHARTERED ACCOUNTANTS

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2. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.
3. On the basis of test examination of books and records, in our opinion and to the best of our knowledge, reasonable records have been maintained by the Bank for deposits of customers and interest payment thereof.
4. As per information and explanations given to us, Investments made by the Bank and outstanding in its books as on 31st December 2020 have not undergone any permanent diminution in value.
5. To the best of our information and according to the information and explanations given to us, the Bank has complied with the requirements of Financial Services Act of Bhutan, 2011 and other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA).
6. Provisioning for non- performing assets including loans and advances has been carried out as per accounting policy of the Bank and the directives given by RMA in this regard have been complied with.
7. Interest on non- performing loans has not been recognized as interest income as per the accounting policy of the Bank.
8. On the basis of our test verification and as per the information and explanations given to us, in our opinion, the assets hypothecated against loans and advances is generally physically verified by the Bank, valued and Mortgage Deeds executed, wherever required, and the Bank has ensured that the assets are free of any prior lien or charges.
9. To the best of our information and according to the explanations given to us, the Bank has a system of monitoring of the Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily. To ensure the timely and required disbursement and its utilization it is suggested that the progress of the project be monitored more closely and documented, and site inspection be conducted more frequently depending on the amount of loan, the risk involved and the moratorium period, for which a policy be formulated.
10. To the best our information and according to the explanations given to us, the Bank has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.
11. On the basis of our test verification, in our opinion and to the best of our knowledge, the rescheduling of loans was carried out in accordance with the provisions of Prudential Regulations 2016 after a detailed study and analysis of the requirements of the borrowers.
12. On the basis of our test verification, in our opinion and to the best of our knowledge, the Bank has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances; however, the said system needs to be further strengthened as in some cases additional loans have been given to customers having NPLs in the bank.
13. According to the information and explanations given to us, the loans are written off after following the proper procedures and after receipt of the approval from the designated authorities. During the year loans of Nu. 5.75 million have been written off.

Yoganandh & Ram LLP **CHARTERED ACCOUNTANTS**

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Computerized Accounting Environment

1. The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.
2. Adequate safeguard measures and backup facilities exist in the Bank.
3. Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place. However no testing of the same has been carried out during the year.
4. The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information. However, the same needs to be strengthened with respect to deposits and loans.
5. Adequate measures are in place to control unauthorized access over computer installations and files.
6. As informed, wherever there is data migration during change over to new system, it is managed effectively to ensure completeness and integrity of data as well as smooth operation of the system.

General

1. Going Concern Presumption

Based on the Bank's financial statements for the year ended 31st December 2020, we are of the opinion that the going concern assumption is appropriate.

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** Digitally signed by
MANOJ KUMAR JAIN
Date: 2021.04.30
12:46:09 +05'30'

T Manoj Kumar Jain
Partner
Membership No.: 218610
UDIN: 21218610AAAJA2485

Place: Chennai
Date: 30.04.2021

Yoganandh & Ram LLP
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1. Ratio Analysis

RATIOS	2020	2019
A. Ratios for assessing Financial health		
Capital Turnover Ratio (As per BAS)	1.33	1.28
(Income/Capital Employed)		
Current Ratio (As per BAS)	8.66	9.84
(Current Assets/Current Liabilities)		
Fixed Asset Turnover Ratio (As per BAS)	6.19	6.60
(Income/Fixed Asset)		
B. Ratios for assessing Profitability		
Profit on Capital Employed Ratio (As per BAS)	-0.09	-0.03
(PAT/Capital Employed)		
Profit Turnover Ratio (As per BAS)	-0.07	-0.02
(NP / Total Income)		
Operating ratio (As per BAS)	0.27	0.44
(All Expenses - Finance Charges) / Total Income * 100		
Total Expense to total Income ratio (As per BAS)	0.94	1.01
(Total Expenses / Total Income) * 100		



ANNUAL ACCOUNTS 2020

Yoganandh & Ram LLP

Chartered Accountants

Chennai

India

BHUTAN DEVELOPMENT BANK LIMITED
FINANCIAL STATEMENTS
31st DECEMBER 2020

NOTES TO 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 31st December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on April 03, 2021.

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 31.12.2020 are prepared in accordance with BAS 1 on presentation of financial statements in line with BAS.

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:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Going concern

The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant

doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

For the purpose of valuation of quoted equity the Bank considers dividend growth model. Wherever the growth cannot be estimated reasonably Bank assumes a positive correlation on growth at par with the sector/GDP growth.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan type, etc.) and judgement on the effect of economic and market conditions.

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 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 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.

(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.

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.

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of property and equipment are recognised in profit or loss as incurred.

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.

Land, work in progress, and paintings and other artworks and objects are 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
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.

The residual values of property, plant and equipments are estimated at nil except vehicles based on the trend. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

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.

Employee Benefits

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

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

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

Short-term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within the 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up

to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term benefit obligation

The liabilities for the annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and period of service. The expected future payments are discounted using market yields at the end of the reporting period of high- quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Re-measurements as a result of experience adjustments and changes in the actuarial assumptions are recognised in profit or loss.

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

2.3.15 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.

INCOME TAX

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

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

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

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

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

2.3.18 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.

3. 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.

Bhutan Development Bank Limited
STATEMENT OF FINANCIAL POSITION

AS AT	Note	Dec-20 Nu	Dec-19 Nu
Assets			
Cash & Cash Equivalent	11	1,122,133,425	1,131,976,066
Balances with Central Bank	12	5,518,981,121	4,146,607,979
Due from Banks	13	2,108,196,322	2,712,274,841
Loans & Advances to Customers	14	17,790,203,659	16,692,511,368
Equity Instruments at FVOCI	15	27,726,645	44,326,514
Debt Instruments at Amortised Cost	16	627,263,493	292,178,885
Other Assets	17	361,257,624	412,040,665
Property, Plant & Equipment	18	235,149,775	227,592,104
Intangible Assets	19	102,321,125	99,828,092
Total Assets		27,893,233,192	25,759,336,517
Liabilities			
Due to Banks	20	1,646,666,493	1,196,992,368
Due to Customers	21	23,320,472,116	21,637,135,425
Retirement Benefit Plans	22	30,748,527	6,420,117
Deferred Tax Liability	23	144,302,926	71,532,458
Other Liabilities	24	206,256,542	113,582,512
Total Liabilities		25,348,446,604	23,025,662,880
Equity			
Share Capital		600,317,000	600,317,000
Retained Earnings		715,001,981	880,483,047
Other Reserves		1,246,182,790	1,246,988,904
FVOCI Reserve		(16,715,183)	5,884,686
Total Equity		2,544,786,588	2,733,673,637
Total Liabilities and Equity		27,893,233,192	25,759,336,517

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
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Date: 2021.04.30
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T Manoj Kumar Jain

Partner

Membership No. 218610

UDIN: 21218610AAAJA2485

Date: 30.04.2021

Place : Chennai

Chief Executive Officer

Chairman

Bhutan Development Bank Limited

INCOME STATEMENT

FOR THE YEAR ENDING

	Note	Dec-20 Nu	Dec-19 Nu
Interest & Similar Income	4	2,293,719,957	2,365,256,846
Interest & Similar Expense	5	(1,398,988,857)	(1,244,936,927)
Net interest income		894,731,100	1,120,319,920
Fee and commission income	6	34,037,550	46,298,531
Fee and commission expenses		-	-
Net fee and commission income		34,037,550	46,298,531
Other Operating Income	7	14,751,401	18,531,659
Total operating income		943,520,050	1,185,150,110
Personnel Expenses	8	(326,980,715)	(294,740,552)
Depreciation on Property Plant & Equipment	18	(49,236,701)	(52,758,745)
Amortization of Intangible Assets	19	(16,253,284)	(13,251,891)
Other Operating Expenses	9	(176,173,739)	(182,755,697)
Impairment (charges)/reversal for loans and other losses	14.1	(166,817,069)	(537,321,286)
Total Operating Expenses		(735,461,509)	(1,080,828,171)
Profit Before Tax from Continuing Operations		208,058,541	104,321,938
Less : 50% Interest waiver by the bank		(259,560,009)	-
		(51,501,467)	104,321,938
"Less : Expenditure on Community Centers (net of Income Nu.7,164,297)")"	10	(15,397,999)	(30,042,140)
		(66,899,466)	74,279,799
Income Tax Expense	23	(72,770,469)	53,220,016
Profit For the year ending		(139,669,935)	127,499,816

Note 1 to 39 form an integral part of Financial Statements

In terms of our attached report of even date.

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Chartered Accountants

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Chief Executive Officer



Chairman

T Manoj Kumar Jain

Partner

Membership No. 218610

UDIN: 21218610AAAJA2485

Date: 30.04.2021

Place : Chennai

Bhutan Development Bank Limited

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Dec-20 Nu	Dec-19 Nu
Profit for the year ending	(139,669,935)	127,499,816
Gains /(losses) on re-measuring available for sale financial assets	(22,599,868)	(9,545,482)
Impairment during the year - Available for sale investments	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	(25,811,131)	4,898,026
Total comprehensive income for the year, net of tax	(188,080,934)	122,852,360

Note 1 to 39 form an integral part of Financial Statements

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Chartered Accountants

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T Manoj Kumar Jain

Partner

Membership No. 218610

UDIN: 21218610AAAJA2485

Date: 30.04.2021

Place : Chennai



Chief Executive Officer



Chairman

Bhutan Development Bank Limited

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	"Retained Earnings"	General Reserves	Reserve for Land And Building	IT Development Reserve	"Staff Development Fund"	FVOCI	Total Shareholders' Funds
Balance as at January 1 2019	600,317,000	833,236,106	1,036,819,149	40,000,000	48,945,654	46,739,817	15,430,168	2,621,487,895
Adjustments/Additional		(8,651,012)						(10,666,617)
Actuarial Gains/(Losses)		4,898,026				(2,015,605)	(9,545,482)	(4,647,456)
Net profit for the year		127,499,816						127,499,816
Transfers during the year		(76,499,889)	50,999,926	12,749,982		12,749,982		(0)
Balance as at 31st December 2019	600,317,000	880,483,047	1,087,819,076	52,749,982	48,945,654	57,474,193	5,884,686	2,733,673,637
Balance as at January 1 2020	600,317,000	880,483,047	1,087,819,076	52,749,982	48,945,654	57,474,193	5,884,686	2,733,673,637
Adjustments/Additional	-	-	-	-	-	(806,114)		(806,114)
Actuarial Gains/(Losses)		(25,811,131)					(22,599,868)	(48,410,999)
Net profit for the year		(139,669,935)						(139,669,935)
Transfers during the year								
Balance as at 31st March 2020	600,317,000	715,001,981	1,087,819,076	52,749,982	48,945,654	56,668,079	(16,715,183)	2,544,786,589

Note 1 to 39 form an integral part of Financial Statements

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For Yoganandh & Ram LLP

Chartered Accountants

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T Manoj Kumar Jain
Partner

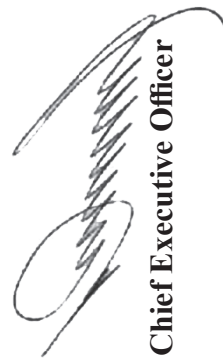
Membership No. 218610

UDIN: 21218610AAAJA2485

Date: 30.04.2021

Place : Chennai


Chairman


Chief Executive Officer

Bhutan Development Bank Limited

STATEMENT OF CASH FLOWS

AS AT

Operating Activities

Profit Before Tax from Continuing Operations

Adjustments for;

Dividend received

Depreciation of Property, plant and equipment

Movement in Impairment of Loans & Advances

(Gain)/loss on Disposal of PPE

Operating profit before changes in operating assets & liabilities

(Increase)/Decrease in operating assets

Balance with Royal Monetary Authority

Loans & Advances to Customers

Placement with other Banks

Financial Investments

Other assets

Increase/(Decrease) in operating liabilities

Movement in gov't Grant

Movement in Share Capital

Movement in other reserve

Retirement Benefit Plans

Other liabilities

Due to banks

Due to customers

Net cash flow from operating activities

Cash flow from investing activities

Dividend received

Purchase of property & equipment

Cash flow from financing activities

Net cash flow from financing activities

Net increase/(decrease) in cash and cash equivalents

Cash the beginning of the year

Cash at the end of the year

	Dec-20 Nu	Dec-19 Nu
	(66,899,466)	74,279,799
	(531,720)	(531,720)
	65,489,986	66,010,636
	166,817,069	537,321,286
	160,720	(1,506,902)
	165,036,589	675,573,099
	(1,372,373,142)	411,922,711
	(1,264,509,360)	(1,051,030,599)
	604,078,519	(485,756,833)
	(341,084,609)	143,797,737
	50,783,042	(9,932,252)
	-	-
	-	-
	(806,114)	(2,015,605)
	(1,482,721)	(64,794,497)
	92,674,030	10,917,317
	449,674,125	(125,007,577)
	1,683,336,692	624,508,457
	(99,709,538)	(547,391,141)
	531,720	531,720
	(75,701,410)	(30,528,569)
	(75,169,690)	(29,996,849)
	-	-
	-	-
	(9,842,640)	98,185,110
	1,131,976,065	1,033,790,954
	1,122,133,425	1,131,976,065

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

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Date: 2021.04.30
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T Manoj Kumar Jain
Partner

Membership No. 218610

UDIN: 21218610AAAJA2485

Date: 30.04.2021

Place : Chennai

Chief Executive Officer

Chairman

Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

4 INTEREST AND SIMILAR INCOME	Dec-20	Dec-19
	Nu	Nu
Loans & Advances to customers	2,149,920,319	2,226,140,276
Due from Banks	101,885,162	76,946,763
Notional Interest on Staff Loans	6,111,829	9,233,180
Other short term investments	35,802,647	52,936,628
	2,293,719,957	2,365,256,846
5 INTEREST & SIMILAR EXPENSE	Dec-20	Dec-19
	Nu	Nu
Due to customers	1,333,225,912	1,176,048,492
Due to banks	65,762,945	68,888,435
	1,398,988,857	1,244,936,927
6 NET FEES & COMMISSION INCOME	Dec-20	Dec-19
	Nu	Nu
Fees & Commission Income		
Commission on Guarantee	17,272,835	14,114,034
Other fees Received	16,764,715	32,184,496
Total fees and commission income	34,037,550	46,298,531
 Fees & Commission Expense	 -	 -
Net Fees & Commission Income	34,037,550	46,298,531
7 OTHER OPERATING INCOME	Dec-20	Dec-19
	Nu	Nu
Operating lease income	4,817,039	4,747,378
Profit/(Loss)on disposal of Property, Plant & Equipment (Net)	-	1,506,902
Other	9,934,362	12,277,380
	14,751,401	18,531,659
8 PERSONNEL EXPENSES	Dec-20	Dec-19
	Nu	Nu
Wages & Salaries	301,412,327	234,328,801
Training & Seminars Expenses	3,535,774	33,486,183
Amortization of Pre-paid employment benefits	6,111,829	9,233,180
Current Period Service cost/Interest Expense	12,199,000	11,879,000
Leave Encashment	3,721,785	5,813,388
	326,980,715	294,740,552

Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

9	OTHER OPERATING EXPENSES	Dec-20	Dec-19
		Nu	Nu
	Advertising and marketing	4,213,825	6,660,181
	Administrative	122,084,221	133,830,451
	Professional fees	2,598,328	1,745,886
	Bank levy	103,047	127,409
	Other	44,236,404	40,391,770
	Provision on receivables	-	-
	FINAP project Fund Contribution	2,937,914	-
		176,173,739	182,755,697
10	Community Center Operations	Dec-20	Dec-19
		Nu	Nu
	Expenditure on Community Centers (net of Income)	15,397,999	30,042,140
		15,397,999	30,042,140
11	CASH & CASH EQUIVALENT	Dec-20	Dec-19
		Nu	Nu
	Cash on hand/Bank Balance	1,122,133,425	1,131,976,066
	Allowance for Expected Credit Losses	-	-
		1,122,133,425	1,131,976,066
12	BALANCE WITH CENTRAL BANK	Dec-20	Dec-19
		Nu	Nu
	Balance in Cash Reserve Ratio	2,099,686,386	2,046,515,110
	Balance in Current Deposit	3,352,809,335	2,100,092,869
	Short Term Investment - Treasury Bill	66,485,400	-
		5,518,981,121	4,146,607,979
13	DUE FROM BANKS	Dec-20	Dec-19
		Nu	Nu
	Placements with other banks	2,108,196,322	2,712,274,841
		2,108,196,322	2,712,274,841
14	LOANS & ADVANCES TO CUSTOMERS	Dec-20	Dec-19
		Nu	Nu
	Loans & Receivables	20,914,462,931	19,655,714,675
		20,914,462,931	19,655,714,675
	Less: Allowance for Impairment (Collective)	(3,124,259,272)	(2,963,203,307)
		17,790,203,659	16,692,511,368
14.1	Impairment (charges)/reversal		
	Impairment (charges)/reversal for loans	166,810,824	529,001,430
	Impairment (charges)/reversal for other assets	6,245	-
	Write Offs/Interest waiver	259,560,009	8,319,856
		426,377,079	537,321,286

Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

15 Equity Instruments at FVOCI

Quoted Investments

Quoted Equities (15.1)			
Unquoted Equities (15.2)			
	165,645	16,765,514	
	27,561,000	27,561,000	
	27,726,645	44,326,514	

No. of Shares

(15.1) Quoted Equities

Bhutan Carbide and Chemical Limited
 Penden Cement Authority Limited
 Bhutan National Bank Limited
 GIC Bhutan Reinsurance Limited

25,000	-	676,282
38,100	-	3,048,000
178,120	165,645	10,252,657
600,000	-	2,788,575

165,645 **16,765,514**

(15.2) Unquoted Equities

Royal Securities Exchange of Bhutan
 Financial Institution Training Institute
 Credit Information Bureau

162,000	19,811,000	19,811,000
600,000	6,000,000	6,000,000
137,500	1,750,000	1,750,000
-	27,561,000	27,561,000

16 Debt Instruments at Amortised Cost

Investments in RICBL Bonds
 Investments in DCCL Bonds
 Investments in RSA Bonds
 Investments in Tbank Bonds
 Investments in Govt Bonds

Dec-20 Nu	Dec-19 Nu
108,979,452	108,953,425
116,981,406	116,981,406
10,894,015	10,891,452
55,366,164	55,352,603
335,042,456	-
627,263,493	292,178,885

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 its Financial Asset Classification as Loans & Receivables in Line with BAS 39 Financial Instrument Recognition & Measurement.

Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

17 OTHER ASSETS

	Dec-20 Nu	Dec-19 Nu
Loans & Advances to Employees	148,906,625	159,728,485
Advances & Pre-payments	19,440,288	54,768,574
Pre-paid Employment Benefits	108,563,038	115,545,205
Stock of Stationeries and Spares	8,512,950	13,094,543
Accounts/Other receivables	713,605	834,884
Pre-Paid Tax	61,222,918	56,064,556
ATM - Receivable (Net)	13,898,200	12,004,417
Others	-	-
	361,257,624	412,040,665

18 PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and Fixtures	Arts & Art Effects	Office, Electrical & other Equipments	Motor Vehicles	Security Equipments	Network Equipments	Computer Hardware	"Capital Wip"	Total
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)	(429,683)	(1,800,307)	(5,900)	(1,607,347)	(877,514)		(5,450,170)
At 31st Dec 2019	2,588,622	98,175,364	46,043,521	1,174,408	59,071,887	17,848,685	35,581,005	64,158,383	175,150,115	4,281,389	504,073,380
At 1 January 2020	2,588,622	98,175,364	46,043,521	1,174,408	59,071,887	17,848,685	35,581,005	64,158,383	175,150,115	4,281,389	504,073,380
Movement During the Period	-	9,373,971	2,050,631	44,970	4,487,539	-	45,740	9,010,551	13,098,117	18,924,555	57,036,074
Disposals			650,916		490,690			317,496	1,098,917		2,558,019
At 31st Dec 2020	2,588,622	107,549,336	47,443,236	1,219,378	63,068,736	17,848,685	35,626,745	72,851,438	187,149,315	23,205,944	558,551,435
At 1 January 2020	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	28,263,574	21,935,516	-	46,828,362	5,267,052	20,138,359	47,750,741	106,297,675		276,481,279
Assets Disposed		2,681,216	4,330,672		2,089,629	1,207,253	6,381,860	7,047,223	25,498,848		49,236,701
Amortization to the Grants			602,997		474,284			293,541	945,498		2,316,320
At 31st Dec 2020	-	30,944,790	25,663,191	-	48,443,707	6,474,305	26,520,219	54,504,423	130,851,026		323,401,660
			25,663,191								
Net book value:											
At 31st Dec 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
At 31st Dec 2020	2,588,622	76,604,546	21,780,045	1,219,378	14,625,029	11,374,380	9,106,526	18,347,015	56,298,288	23,205,944	235,149,774

There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year.
No depreciation charged on Art and Artifacts

Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

19	INTANGIBLE ASSETS		Softwares
	At 1 January 2019		156,679,337
	Movement During the Period		5,449,866
	Disposals		
	At 31st Dec 2019		162,129,203
	At 1 January 2020		162,129,203
	Movement During the Period		18,746,318
	Disposals		
	At 31st Dec 2020		180,875,521
	Accumulated Amortization		
	At 1 January 2019		49,049,220
	Movement During the Period		-
	Disposals		-
	Amortisation		13,251,891
	At 31st Dec 2019		62,301,111
	At 1 January 2020		62,301,111
	Movement During the Period		-
	Amortisation		16,253,284
	At 31st Dec 2020		78,554,396
	Net book value:		
	At 31st Dec 2019		99,828,092
	At 31st Dec 2020		102,321,125
20	DUE TO BANKS	Dec-20	Dec-19
		Nu	Nu
	Unsecured Loans	144,763,582	153,002,123
	Secured Loans	502,306,433	595,046,684
	Subordinated Term Debt	999,596,478	448,943,562
		1,646,666,493	1,196,992,368
21	DUE TO CUSTOMERS	Dec-20	Dec-19
		Nu	Nu
	Fixed Deposit	13,967,352,287	15,359,440,181
	Recurring Deposit	567,887,612	388,487,567
	Savings Deposits	7,901,149,267	5,453,677,716
	Current Deposit	884,082,950	435,529,960
		23,320,472,116	21,637,135,425

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-20	Dec-19
	Nu	Nu
Defined benefit liability at the beginning of the period	90,717,213	67,313,950
Current service cost	6,388,000	6,645,000
Interest cost on benefit obligations	5,811,000	5,234,000
Actuarial Gains/(Losses) recognized in the year	(14,596,748)	6,620,008
Liability Settlement/Adjustment During the period	1,830,371	4,904,255
	90,149,836	90,717,213
Defined Benefit Obligation (Gratuity)	92,634,064	67,668,687
Fair Value of Plan assets	(74,470,962)	(69,586,558)
Defined Benefit Obligation (Leave Encashment)	12,585,425	8,337,988
	30,748,527	6,420,117

"The principal assumptions used in determining Defined Benefit Obligation."

Discount Rates	8.85%	8.85%
Salary Escalation Rates	6%	6.00%

23 Deferred Tax Liability

Deferred Tax Liability	144,302,926	71,532,458
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Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

24(i) OTHER LIABILITIES

	Dec-20 Nu	Dec-19 Nu
Accounts payable & Sundry creditors	165,086,737	70,178,934
Provisions	728,900	1,098,243
	165,815,637	71,277,177

24(ii) Revolving Funds

	Dec-20 Nu	Dec-19 Nu
Credit - Bio-Gas	39,386,000	39,386,000
Rudolf Fund - Credit	153,832	718,262
Rudolf (Monitoring and Supervision A/C)	178,984	178,984
Rudolf Fund - Subsidy	149,161	149,161
BCCI - SME Development Revolving FUND RLP -II	-	1,300,000
Coop.Revolving (DAMC) Fund	572,928	572,928
Subsidy - Bio-Gas	40,440,905	42,305,335

24(iii) 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.964,064,388.3 (PY Nu.1,145,262,163) 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).

Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

25 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.

25.1 Parent and Ultimate Controlling Party

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

25.2 Transactions with Key Managerial Personnel (KMPs)

According to BAS 24 (Related Party Disclosures) Key Managerial Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. 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.

25.2.1 Transactions with Key Managerial Personnel (KMPs)	Dec-20 Nu	Dec-19 Nu
Pay and Allowances to Managing Director	2,111,950	2,246,325
Director's Sitting Fee	465,500	564,500
Reimbursement of Travelling Expenses	48,246	852,982
	2,625,696	3,663,807
25.3 Transactions, Arrangements and Agreements Involving KMPs and their CFMs	Dec-20 Nu	Dec-19 Nu
25.3.1 Loans and Advances to KMPs and their CFMs are detailed below:	2,835,719	3,278,649
	2,835,719	3,278,649
25.3.3 Deposits and Investments from KMPs and their CFMs are detailed below:	Dec-20 Nu	Dec-19 Nu
Deposits & investments	187,125	390,095
	187,125	390,095

Bhutan Development Bank Limited

NOTES TO THE 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

	Dec-20			Dec-19		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial Assets						
Quoted Equities	-	-	165,645			16,806,582
Loans & Advances to Employees	-	-	148,906,625			159,728,485
	-	-	149,072,271	-	-	176,535,067

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-20		Dec-19	
	"Carrying Value" Nu	"Fair Value" Nu	"Carrying Value" Nu	"Fair Value" Nu
Financial Assets				
Cash and cash equivalents	1,122,133,425	1,122,133,425	1,131,976,066	1,131,976,066
Balances with Royal Monetary Authority of Bhutan	5,518,981,121	5,518,981,121	4,146,607,979	4,146,607,979
Placements with Banks	2,182,667,284	2,108,196,322	2,712,274,841	2,712,274,841
Loans & Advances to Customers	16,753,504,656	17,790,203,659	15,699,336,066	16,692,511,368
Other Financial Assets	671,705,320	654,990,139	330,620,713	336,505,399
	26,248,991,807	27,194,504,666	24,020,815,664	25,019,875,652
Financial Liabilities				
Due to banks	1,646,666,492	1,646,666,492	1,196,992,368	1,196,992,368
Due to other customers	23,418,920,126	23,320,472,116	21,714,208,835	21,637,135,425
Other Financial Liabilities	206,256,542	206,256,542	113,582,512	113,582,512
	25,271,843,160	25,173,395,151	23,024,783,715	22,947,710,305

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 loans and advances to customers/other Banks and 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, which would carry similar credit risk.

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 Management. Maximum Exposure to Credit Risk/Type of 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 its overall risk management, the bank obtains various types 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 any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

	Dec-20		"Net Exposure"	Dec-19	
	Maximum Exposure to credit Risk Nu	Properties Nu		Maximum Exposure to credit Risk Nu	Properties Nu
Financial Assets					
Placements with Banks	2,108,196,322	-	2,108,196,322	2,712,274,841	-
Loans & advances to customers	17,790,203,659	17,790,203,659	-	-	-
				16,692,511,368	16,692,511,368
Equity Instruments at FVOCI	27,726,645	-	27,726,645	44,326,514	-
Other assets	671,705,320	-	671,705,320	330,620,713	-
	20,597,831,947	17,790,203,659	2,807,628,288	19,779,733,436	16,692,511,368
				3,087,222,067	

Bhutan Development Bank Limited

RISK MANAGEMENT (Contd...)

29 (i) Liquidity Risk & Funding management

Contractual maturities & undiscounted cashflows of financial assets & liabilities

2019	On Demand Nu	Less than 3 month Nu	3 to 12 months Nu	1 to 5 year Nu	More than 5 year Nu	Total 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	2,712,274,841					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	336,498,124					336,498,124
Total undiscounted Assets	10,013,342,688	665,510,590	2,465,645,183	10,491,007,842	4,611,657,182	28,247,163,485
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
Total Undiscounted Liabilities	59,243,058	3,355,463,573	3,590,185,817	5,451,047,345	3,427,157,475	15,883,097,268
2020	On Demand Nu	Less than 3 month Nu	3 to 12 months Nu	1 to 5 year Nu	More than 5 year Nu	Total Nu
Cash & Cash Equivalent	1,122,133,425					1,122,133,425
Balances with Central Bank	5,518,981,121					5,518,981,121
Due from Banks	2,182,667,284					2,182,667,284
Loans & Advances to Customers	2,681,664,309	272,915,139	1,470,673,355	10,785,570,934	5,703,639,194	20,914,462,931
Financial Investments Available for Sale	671,705,320					671,705,320
Total undiscounted Assets	12,177,151,459	272,915,139	1,470,673,355	10,785,570,934	5,703,639,194	30,409,950,082
Due to Customers	9,520,596,048	1,548,296,805	3,224,961,398	5,918,509,227	2,961,623,929	23,173,987,406
Total Undiscounted Liabilities	9,520,596,048	1,548,296,805	3,224,961,398	5,918,509,227	2,961,623,929	23,173,987,406

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 2019	On Demand Nu	Less than 3 month Nu	3 to 12 months Nu	1 to 5 year Nu	More than 5 year Nu	Total 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
31 December 2020	On Demand Nu	Less than 3 month Nu	3 to 12 months Nu	1 to 5 year Nu	More than 5 year Nu	Total Nu
Financial Guarantees		307,242,530	519,188,672	137,555,933	77,254	964,064,388
	-	307,242,530	519,188,672	137,555,933	77,254	964,064,388

Bhutan Development Bank Limited

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.

Financial Assets	2019					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	6,425,794,634	1,185,400,645	666,305,965	545,201,922	10,833,011,510	19,655,714,675
	6,425,794,634	1,185,400,645	666,305,965	545,201,922	10,833,011,510	19,655,714,675
Financial Assets	2020					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	6,650,613,130	1,362,063,454	889,600,958	785,515,716	11,226,669,674	20,914,462,931
	6,650,613,130	1,362,063,454	889,600,958	785,515,716	11,226,669,674	20,914,462,931

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, 2019 and 2020, 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. In line with the Annual General Meeting (AGM) resolution dated May 29, 2020 and as approved by the Registrar of Companies vide letter # MoEA/CR-04/2021/30 dated February 02, 2021, the authorized capital of the Bank was increased from Nu. 1,000 million to Nu. 5,000 million.
34. 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. 19,621,079 (PY 37,206,436) and income of Nu. 4,223,080 (PY 7,164,297) during the year 2020 leaving a deficit of Nu. 15,397,999 (PY 30,042,139) 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.
35. In response to the COVID-19 pandemic impact, the Central Bank issued monetary measures for interest waiver and deferment of loan repayment during the year 2020. The monetary measure I issued in April 14, 2020 granted full interest waivers on loans and deferment of loan repayment from April to June 2020. The cost of the interest waiver to be shared equally between the Government and the Financial Service Providers (FSP). 50% of the interest to be provided as compensation from the Government and the remaining 50% shall be waived of by the FSP.

The monetary measure II issued in July 10, 2020 waived of 100 percent of the interest payment from July 01, 2020 to September 30, 2020 (3 months) and from October 01, 2020 to March 31, 2021 (6 months), 50 percent of the interest payment is waived off and the remaining 50 percent to be paid by the borrowers. All the interest waived off by the Government are reimbursed from the Druk Gyalpo's Relief Kidu from the National Resilience Fund.

Besides, all loans are granted deferment of their loan repayment for one year, i.e. until 30th June 2021 as per the monetary measure II directives.

In line with the central bank's monetary measure I directives, the Bank thereby has to bear Nu. 259,560,008.84 as interest waiver expenses being the 50% of the interest receivables for 3 months from April 01, 2020 to June 30, 2020. On the other hand, the bank received reimbursement of Nu. 1,008,571,877.40 as interest waiver from the Druk Gyalpo's Relief Kidu from the National Resilience Fund. As such, the total interest waived off comes to Nu. 1,268,131,886.40.

The Bank deferred loan repayment for 27,309 clients and partial deferment to 3,519 clients till June 30, 2021 as per the monetary measure directives.

36. Detail of remuneration and expenditure paid/reimbursed to the Chief Executive Officer and other directors is as under:

Chief Executive Officer

Sl #	Particulars	2020 (Nu.)	2019 (Nu.)
1	Pay & Allowances	1,997,890	1,813,515
2	Leave Travel Concession	20,000	20,000
3	Leave Encashment	94,060	87,125
4	Bonus	-	325,685
5	Travel Expense (In country)	48,246	112,431
6	Travel Expense (Aboard)	-	740,551
7	Provident Fund	168,910	113,463
8	Board Sitting Fees	68,000	81,000
	Total	2,397,106	3,293,770

Other Directors

Sl #	Particulars	2020 (Nu.)	2019 (Nu.)
1	Board Sitting Fees	465,500	564,500

37. 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	2020 (Nu.)	2019 (Nu.)
1	Audit Fees	108,900	108,900
2	Power and Water	2,879,622	2,822,936
3	Rent	15,657,410	14,667,747
4	Repairs & maintenance of buildings	1,303,181	2,887,359
5	Repairs & maintenance of computer hardware	4,439,812	493,927
6	Salaries and bonus	265,864,499	212,384,087
7	Contribution to Provident Fund	23,017,809	12,464,191
8	Insurance	4,786,761	4,327,047
9	Rates & taxes excluding Income tax	138,972	73,528
10	Other expenses exceeding 1% of total revenue:		
10.1	Staff training	2,977,763	26,565,772
10.2	Travel expenses	41,821,459	56,553,926
10.3	Depreciation	65,489,986	66,010,636

38. Chetruns have been rounded to the nearest Ngultrum.

39. 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: 2021.04.30
12:46:09 +05'30'

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

Chief Executive Officer

Chairman

RMA DISCLOSURES



RMA Disclosure as on December 31, 2020

* All items in '000' Ngultrum

Item 01: Tier 1 Capital and its sub-components

Sl No		31-12-2020	31-12-2019
1	Total Tier 1 Capital	1,515,252	1,653,419
a	Paid up Capital	600,317	600,317
b	General Reserves	886,754	886,754
c	Share premium Account		
d	Retained Earnings	176,348	228,950
	Less:-		
e	Losses for the Current Year	(143,166)	(52,602)
f	Holdings of Tier 1 instruments issued by other FIs	5,000	10,000

Item 02: Tier 2 Capital and its sub-components

Sl No		31-12-2020	31-12-2019
1	Total Tier II Capital	1,002,846	678,398
a	Capital Reserve		
b	Fixed Assets Revaluation Reserve		
c	Exchange Fluctuation Reserve		
d	Investment Fluctuation Reserve		
e	Research and Development Fund	83,918	84,724
f	General Provision	161,301	163,673
g	Capital Grants		
h	Subordinated Debt	757,626	430,000
i	Profit for the Year		

Item 03: Risk Weighted Assets (Current Year and Previous Year)

31-12-2020				
SI No	Assets	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
1	Zero - Risk Weighted Assets	6,707,005	0%	-
2	20% - Risk Weighted Assets	2,622,221	20%	524,444
3	50% - Risk Weighted Assets	6,882	50%	3,441
4	100% - Risk Weighted Assets	16,760,010	100%	16,760,010
5	150% - Risk Weighted Assets	1,490,854	150%	2,236,280
6	200% - Risk Weighted Assets		200%	
7	250% - Risk Weighted Assets		250%	
8	300% - Risk Weighted Assets		300%	
	Add: Risk Weighted Assets for Operational Risk			1,250,585
		9		
	Grand Total	27,586,973		20,774,761

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%	
	Add: Risk Weighted Assets for Operational Risk			1,376,699
	Grand Total	25,558,255		19,932,137



Item 04: Capital Adequacy Ratios

Sl No		31-12-2020	31-12-2019
1	Tier 1 Capital	1,515,252	1,653,419
a	Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)		
b	Of which sectoral Capital Requirements (SCR) (if applicable)	519,369	498,303
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
2	Tier 2 Capital	1,002,846	678,398
3	Total qualifying capital	2,492,039	2,304,084
	Less: Total NPLs of related parties	26,059	27,733
4	Core CAR	7.29%	8.91%
a	Of which CCyB (if applicable) expressed as % of RWA	2.50%	2.50%
b	Of which SCR(if applicable) expressed as % of Sectoral RWA		
	i Sector 1		
	ii Sector 2		
	iii Sector 3		
5	CAR	12.00%	11.56%
6	Leverage ratio	5.40%	6.32%



Item 05: Loans and NPL by Sectoral Classification

SL No	Sector	31-12-2020		31-12-2019	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture	6,017,958	1,195,180	5,904,462	1,234,523
b	Production & Manufacturing	1,039,838	612,386	1,028,760	421,109
c	Service	3,511,090	1,676,207	3,242,758	1,268,970
d	Trade & Commerce	1,948,600	581,461	1,636,766	429,175
e	Loans to FI (s)				
f	Housing	4,535,803	649,325	4,010,087	581,645
g	Transport	1,197,658	252,116	961,497	216,682
h	Personal loan	2,229,929	389,861	2,209,588	437,392
i	Staff Loan	253,501	10,061	293,812	22,275
j	Education Loan	263,221	84,421	414,367	2,187
k	Loan Against Fixed Deposit	81,530	2,132	143,340	193
l	Loan to Govt. owned Corporation				
m	Others	86,829	37,360	75,804	22
	Total	21,165,959	5,490,510	19,921,241	4,614,173

Item 06: Loans (Over-drafts and term Loans) by types of counter-party

Sl No	Counter party	31-12-2020	31-12-2019
1	Overdrafts		
a	Government	3,670,309	3,544,531
b	Government Corporation	20,775	
c	Public Companies		
d	Private Companies	471,558	445,506
e	Individuals	3,177,976	3,099,026
f	Commercial Banks		
g	Non-Bank Financial Institutions		
2	Term Loans	17,495,650	16,386,457
a	Government		
b	Government Corporation		
c	Public Companies		
d	Private Companies	659,681	501,998
e	Individuals	16,835,969	15,884,459
f	Commercial Banks		
g	Non-Bank Financial Institutions		





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

31-12-2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in hand	777,160	0	0	0	0	0	0	777,160
Govt Securities	0	0	0	0	0	0	0	0
Investment Securities	0	0	66,485	0	0	0	654,108	720,593
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers(net)	130,823	47,955	250,002	399,168	393,594	642,822	15,307,912	17,172,276
Others Assets	3,697,783	2,315,363	547,242	868,495	89,485	126,710	800,808	8,445,885
Total	4,605,766	2,363,318	863,730	1,267,663	483,079	769,532	16,762,828	27,115,915
Amounts Owed to Others Bank	0	26,934	8,082	32,131	35,934	33,066	502,282	638,429
Demand Deposits	884,083	0	0	0	0	0	0	884,083
Savings Deposits	7,900,224	0	0	0	0	0	0	7,900,224
Time Deposit	157,441	365,633	1,182,712	1,417,865	835,655	1,012,742	8,839,077	13,811,124
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	980,500	980,500
Other Liabilities	266,275	146,764	19,748	27,645	32,504	28,389	2,380,230	2,901,554
Total	9,208,023	539,331	1,210,543	1,477,641	904,093	1,074,196	12,702,088	27,115,915
Assets/Liabilities	50.02%	438.19%	71.35%	85.79%	53.43%	71.64%	131.97%	100%
Net Mismatch in Each Time Interval	4,602,257	(1,823,987)	346,813	209,978	421,014	304,665	(4,060,740)	0
Cumulative Net Mismatch	4,602,257	2,778,270	3,125,083	3,335,061	3,756,075	4,060,740	0	0

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	318,774	318,774
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
Total	3,238,613	1,452,067	91,075	1,729,454	1,225,535	162,572	17,050,932	24,950,248
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
Total	6,092,621	547,294	721,142	1,360,555	958,474	147,782	15,122,381	24,950,248
Assets/Liabilities	53.16%	265.32%	12.63%	127.11%	127.86%	110.01%	112.75%	100%
Net Mismatch in Each Time Interval	2,854,007	(904,773)	630,067	(368,898)	(267,061)	(14,790)	(1,928,551)	0
Cumulative Net Mismatch	2,854,007	1,949,234	2,579,301	2,210,403	1,943,341	1,928,551	0	0



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

31-12-2020	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	777,160	0	0	0	0	0	0	777,160
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	720,593	720,593
Loans & Advances to Customers	0	0	0	0	0	0	0	0
Others Assets	7,279	1,568	28,488	7,689	11,222	185,333	16,930,697	17,172,276
Total	3,697,783	1,447,928	10,292	1,310,953	915,595	8,686	1,054,648	8,445,885
Amounts owed to Others Bank	4,482,222	1,449,496	38,779	1,318,643	926,817	194,019	18,705,938	27,115,915
Demand Deposits	0	26,934	8,082	32,131	35,934	33,066	502,282	638,429
Savings Deposits	884,083	0	0	0	0	0	0	884,083
Time Deposit	7,900,224	0	0	0	0	0	0	7,900,224
Bonds & Others Negotiable Instruments	0	0	203,091	507,913	566,779	171,396	12,361,945	13,811,124
Other liabilities	261,740	137,406	1,953	5,719	7,505	5,834	2,481,397	2,901,554
Total	9,046,048	164,340	213,126	545,763	610,218	210,296	16,326,123	27,115,915
Assets/Liabilities	49.55%	882.01%	18.20%	241.61%	151.88%	92.26%	114.58%	100%
Net Mismatch in each Time Interval	4,563,826	(1,285,156)	174,347	(772,880)	(316,599)	16,277	(2,379,815)	0
Cumulative Net Mismatch	4,563,826	3,278,670	3,453,017	2,680,137	2,363,538	2,379,815	0	0

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	(145,361)	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
Total	3,086,688	2,322,382	1,510,124	1,793,244	799,827	967,755	14,470,228	24,950,248
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
Total	6,154,314	1,302,154	2,093,937	1,593,030	1,067,943	879,341	11,859,530	24,950,248
Assets/Liabilities	50.15%	178.35%	72.12%	112.57%	74.89%	110.05%	122.01%	100%
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

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

31-12-2020	Time to re-pricing				Non Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
Asset						
Cash and Balance with Banks	1,308,791	785,536	74,471	0	1,122,133	3,290,932
Treasury Bills	66,485	0	0	0	0	66,485
Loans and Advances	428,780	399,168	1,036,415	15,307,912	0	17,172,276
Investment Securities	0	0	0	654,108	0	654,108
Others Assets	912,084	142,862	172,680	821,374	3,883,115	5,932,114
Total Financial Assets	2,716,140	1,327,566	1,283,566	16,783,394	5,005,248	27,115,915
Liabilities						
Deposit	9,606,010	1,417,865	1,848,396	8,839,077	884,083	22,595,431
Borrowings	35,016	32,131	69,000	502,282	0	638,429
Other liabilities	52,098	37,914	82,388	1,745,263	1,964,392	3,882,054
Total Financial Liabilities	9,693,124	1,487,910	1,999,785	11,086,621	2,848,475	27,115,915
Total Interest Re-pricing Gap	33.40%	117.00%	89.86%	144.20%	157.39%	100.00%

31-12-2019	Time to re-pricing				Non Interest bearing	Total
	0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
Asset						
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
Total Financial Assets	2,965,173	1,874,506	1,774,721	14,555,249	3,780,600	24,950,248
Liabilities						
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
Total Financial Liabilities	8,877,076	1,602,128	1,974,997	10,094,016	2,402,031	24,950,248
Total Interest Re-pricing Gap	33.40%	117.00%	89.86%	144.20%	157.39%	100.00%



Item 10: Non Performing Loans and Provisions

Sl No		31-12-2020	31-12-2019
1	Amount of NPLs (Gross)	5,490,510	4,614,173
a	Substandard	1,605,442	722,211
b	Doubtful	640,761	642,344
c	Loss	3,244,307	3,249,618
2	Specific Provisions	3,133,333	3,124,808
a	Substandard	303,541	146,787
b	Doubtful	276,690	297,348
c	Loss	2,553,102	2,680,673
3	Interest-in-Suspense	866,324	663,132
a	Substandard	87,737	31,150
b	Doubtful	87,382	63,037
c	Loss	691,205	568,944
4	Net NPLs	1,490,854	826,234
a	Substandard	1,214,164	544,275
b	Doubtful	276,690	281,959
c	Loss	-	-
5	Gross NPLs to Gross Loans	25.94%	23.16%
6	Net NPLs to Net Loans	8.68%	5.12%
7	General Provisions	156,481	163,673,407
a	Standard	140,244	125,429,808
b	Watch	16,237	38,243,599

Item 11: Assets and Investments

Sl No	Investment	31-12-2020	31-12-2019
1	Marketable Securities (Interest Earning)		
a	RMA securities	66,485	
b	RGOB Bonds/Securities	329,334	
c	Corporate Bonds	280,332	280,332
d	Others		
	Sub-total	676,151	280,332
2	Equity Investments		
e	Public Companies	28,442	28,442
f	Private Companies		
g	Commercial Banks	5,000	5,000
h	Non- Bank Financial Institutions	11,000	5,000
	Less		
i	Specific Provisions		
3	Fixed Assets		
j	Fixed Assets (Gross)	739,427	666,203
	Less		
k	Accumulated Depreciation	395,063	326,943
l	Fixed Assets (Net Book Value)	344,364	339,259



Item 17: Customers Complaints

Sl. No.	Particulars	31-12-20	31-12-19
1	No. of complaints pending at the beginning of the year	0	0
2	No. of complaints received during the year	3	5
3	No. of complaints redressed during the year	3	5
4	No. of complaints pending at the end of the year	0	0

Item 19: Concentration of Credit and Deposits

Sl. No	Particulars	31-12-2020	31-12-2019
1	Total Loans to 10 Largest Borrowers	1,214,052	1,105,109
2	As % of Total Loans	5.74%	5.55%
3	Total Deposit of the 10 Largest Depositors	5,813,303	10,689,938
4	As % of Total Deposits	25.73%	50.93%

Item 20: Exposure to 5 Largest NPL Accounts

Sl. No	Particulars	31-12-2020	31-12-2019
1	Five Largest NPL Accounts	419,136	156,205
2	As % of Total NPLs	7.63%	3.39%



Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Demand Deposits Held With others banks	338,091	396,129	6,882	9,717		
Time deposits held with others banks	2,094,328	2,698,512				
Borrowings	422,803	506,759			215,626	236,950

Item 14: Credit Risk Exposure by Collateral

Sl. No.	Particulars	31-12-2020	31-12-2019
1	Secured Loans		
a	Loans Secured by Physical/Real Estate collateral	19,057,446	17,645,206
b	Loans Secured by Financial Collateral	1,436,657	183,990
c	Loan Secured by Guarantees	671,856	2,092,045
2	Unsecured Loans		
3	Total Loans	21,165,959	19,921,241

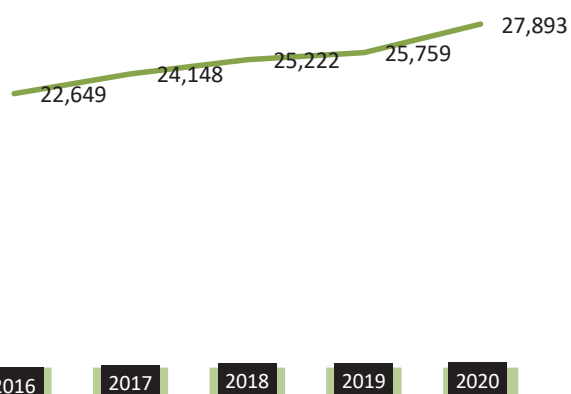
Item 15: Earning Ratios (%)

Sl. No.	Ratio	31-12-2020	31-12-2019
1	Interest Income as a Percentage of Average Assets	8.05%	8.84%
2	Non-Interest Income as a Percentage of Average Assets	0.19%	0.26%
3	Operating Profit as a Percentage of Average Profit	-134.64%	-46.24%
4	Return on Assets	-0.55%	-0.21%
5	Business (Deposits plus advances) per employee	36,327	32,594
6	Profit Per employee	(230.17)	(35.03)

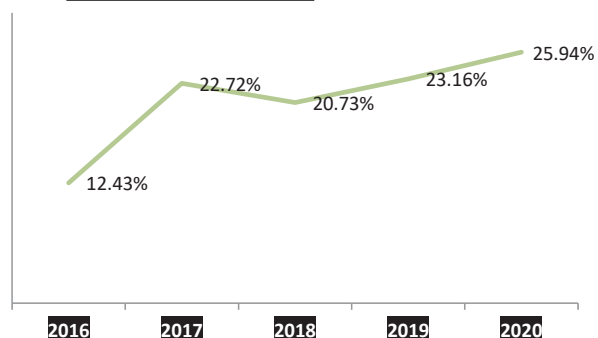


PERFORMANCE INDICATORS

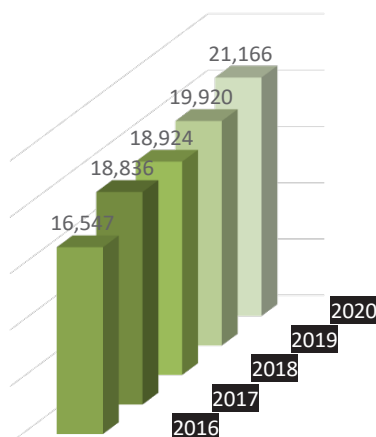
Assets Position (in million)



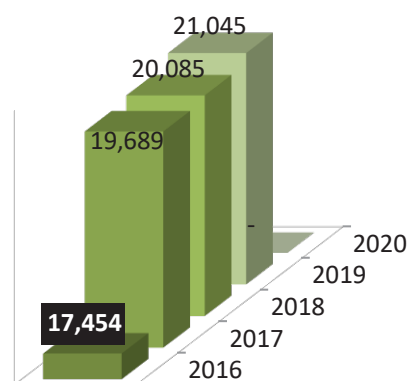
Portfolio At Risk



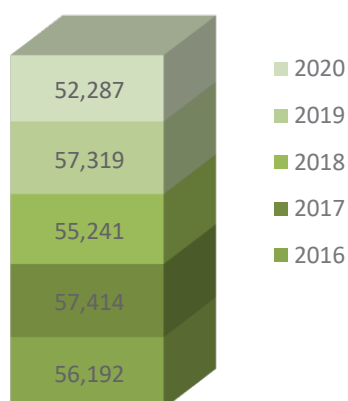
Loans Receivables (in million)



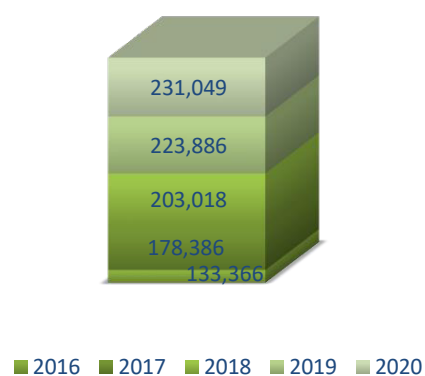
Deposits Amounts (in million)



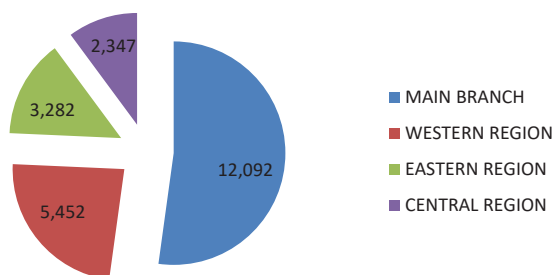
No. of Loan Accounts



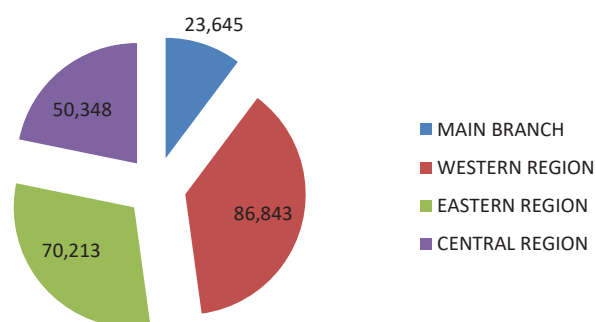
No. of Deposit Accounts



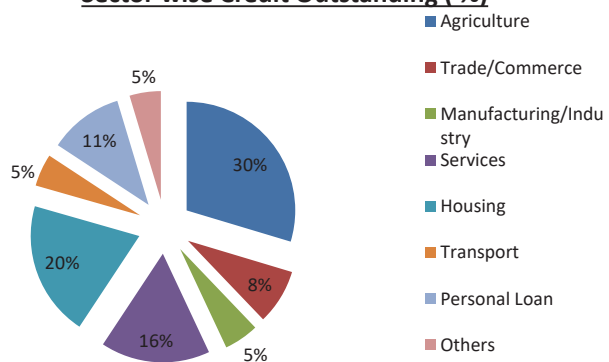
Region - Wise Deposit Amount



Region - Wise Deposit Accounts



Sector wise Credit Outstanding (%)



Sector wise Credit Accounts (%)

