



Annual Report 2019

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Our Vision

To be a preferred bank providing personalized banking solutions with a passion for service excellence to all valued customers through use of smart technology by empowered employees.

Our Mission

To provide quality banking services with excellent customer care, create value for all stakeholders and continue delivering personalized banking services by connecting opportunities to growth through use of smart technology.

Board of Directors



Ashi S. Dorji
INTERIM CHAIRPERSON
(from 1st Oct 2018)



Mr. Tshenchok Thinlay
DIRECTOR



Mr. Lamkey Tshering
INDEPENDENT DIRECTOR



Mr. Gyem Tshering
INDEPENDENT DIRECTOR



Gayatri Prasad Sharma
INDEPENDENT DIRECTOR



Mr. Pema Tshering
DIRECTOR/MEMBER SECRETARY
(Chief Executive Officer)

Management Team

Mr. Pema Tshering	Chief Executive Officer
Mr. Laxmi Prasad Giri	Chief, Banking Operations
Mr. Tsewang Dorji	Chief, IT Department
Mr. Gyam A.D. Namgyal	Chief ADM/HR Department
Mr. Chencho Dorji	Company Secretary
Ms. Deki Choden	Offtg. Head, Finance & Accounts Dept.
Mr. Sonam Tobgay	Head, Credit Department

Branch Managers

Mr. Tshering Dorjee	Thimphu Branch
Mr. Jigme Chogyal	Phuentsholing Branch
Mr. Bikash Subba	Gelephu Branch
Mr. Namgay Dorji	Wangdue Branch
Mr. Tshering Tashi	Paro Branch
Mr. Rinchen Tshewang	Mongar Branch
Mr. Nobin Sinchuri	Samdrup Jongkhar Branch
Mr. Tshetrim Dorjee	Samtse Branch
Mr. Saha Bahadur Biswa	Trashigang Branch
Ms. Radhika Dahal	In-Charge, Trongsa Extension Office

I am delighted to present yet another good financial performance of T Bank Limited for the year 2019. Despite economic slowdown with GDP growth of 3 percent for the fiscal year 2018/19, we have further produced stronger financial returns, improved service standards for our customers, invested modestly in our human resource development and moved towards digitization of banking services in both domestic and international markets.

On behalf of the Board of Directors of T Bank Ltd., I have the privilege to present the Bank's 10th Director's Report for the Financial Year 2019.

A BRIEF INFORMATION ON T BANK LIMITED

T Bank Limited was established as a commercial bank on 10th March 2010 and as of date the bank has nine branches and one extension office.

With our vision "To be a preferred bank providing personalized banking solutions with a passion for service excellence to all valued customers through use of smart technology by empowered employees" at core of all our activities, the bank has launched the GL 11 (Micro ATM) in February 2019 and distributed 32 GL 11 machines to all the Bhutan Oil Distributors (BODs) in Bhutan and prominent merchants in 2019. Further, with the operationalization of the Global Interchange for Financial Transaction (GIFT) by the RMA, the bank also introduced the GIFT system and also supported the Electronic Public Expenditure Management System (EPEMS) of the Royal Government in the month of July 2019, the bank also launched the TPayRemit App for the Non-Resident Bhutanese residing in Australia during August 2019. The up-grade and updating of TPay App is under progress. On the international arena, the bank has opened accounts in USD, AUD and JPY with HDFC Bank, Hongkong and also initiated new account opening in USD with CBW Bank, USA. Next financial year bank proposes to upgrade and relocate its Phuentsholing branch to TCC complex; to upgrade Trongsa Extension Office to full-fledged Branch; and open new extension offices at Khuruthang, Punakha under the Wangdue branch. To further improve our digital banking activities, the management proposes to upgrade our Mobile Banking App called TPay App and also to introduce ERP system for effective management of human resources and fixed assets of the Bank.

FINANCIAL PERFORMANCE

With the adoption of BFRS 9 – Financial Instruments since 2018, the Bank had re-stated the Statement of Financial Position since 2016 and the Statement of Comprehensive Income for 2017 and 2018. The financial statements for 2019 have also been prepared in compliance with the relevant Bhutanese Accounting Standards applicable to the Bank and as applied to prepare the financial statements of 2017 and 2018.

The Bank has a strong and consistent financial performance with a statutory profit after tax of Nu. 173.61 million, a growth of 24.02% from that of Nu.139.99 million in 2018. The total operating income has increased by 37.31%, from Nu.348.75 million in 2018 to Nu.478.87 million in 2019. The total operating expenses has increased by 51.20 %, from Nu.159.96 million in 2018 to Nu.241.87 million in 2019, which is mainly due

to increase in provision for impairment charges and increase in employee costs owing to recruitment of new employees and salary revision provided during the year. The Bank has achieved a growth rate of 29.26% in the total size of assets, from Nu. 8,996.01 million in 2018 to Nu. 11,627.81 million in 2019. The loans and advances increased from Nu. 6,251.63 million in 2018 to Nu. 7,622.78 million in 2019, the growth rate of 21.93%. The deposits increased by 25.97 % from that of Nu.7,947.83 million in 2018 to Nu. 10,012.18 million in 2019.

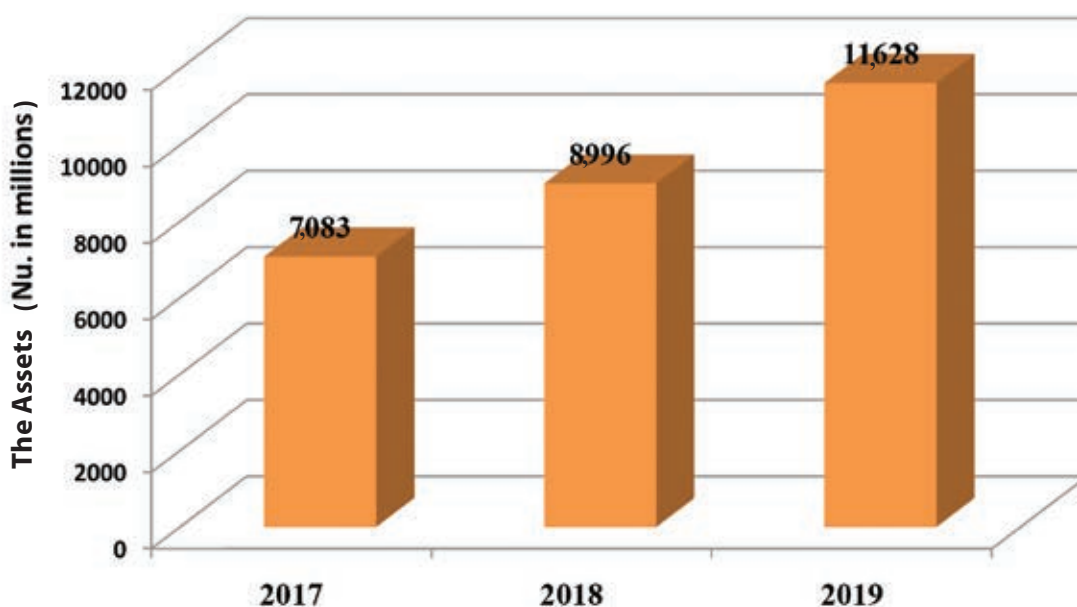
Ownership:

The share holding pattern of the bank as of 31st December 2019:

1.	Ashi S. Dorji	-	20%
2.	Dasho Wangchuk Dorji	-	20%
3.	Dasho Topgyal Dorji	-	20%
4.	General Public	-	40%

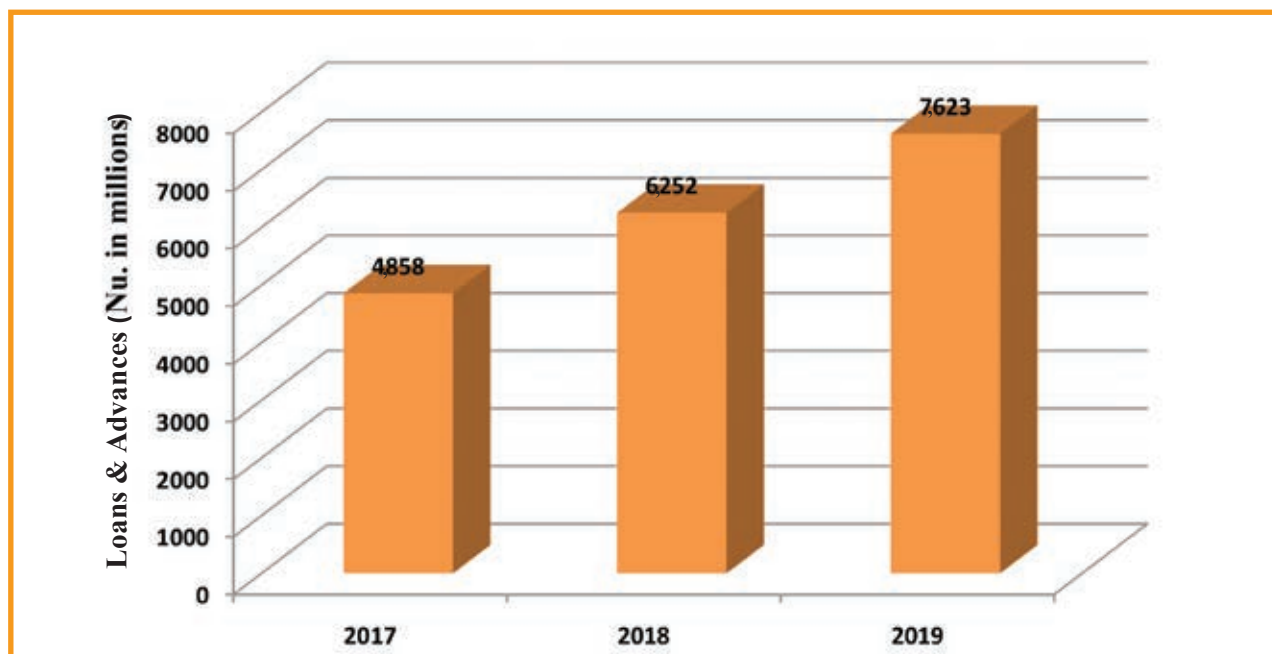
Assets:

As highlighted earlier, total assets of the bank have increased by 29.26%, from Nu. 8,996.01 million in 2018 to Nu.11,627.81 million in 2019. The increase in assets is primarily due to growth in loans and advances, which has attained the growth rate of 21.93%, from Nu. 6,251.63 million in 2018 to Nu. 7,622.78 million in 2019. The Other Assets has increased by 92.14% , from Nu. 53.16 million in 2018 to Nu. 102.14 million in 2019. The total value of Property, Plant and Equipment has increased by 32.03%, from Nu. 44.13 million in 2018 to Nu. 58.26 million in 2019 .



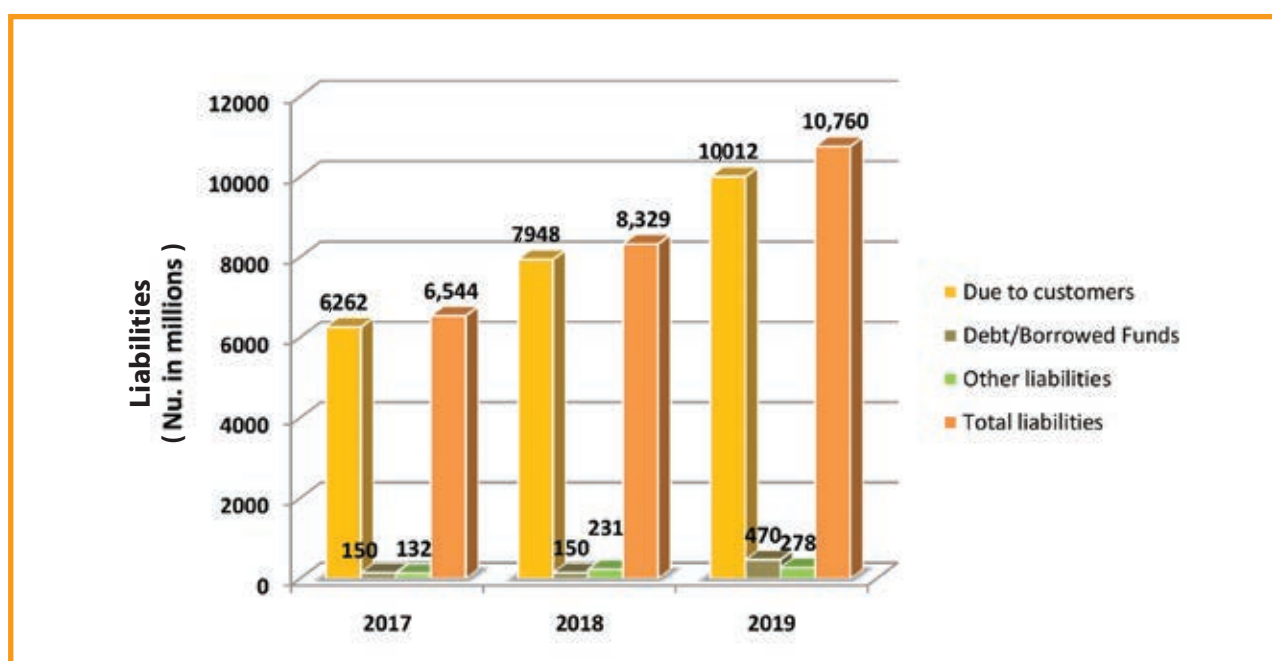
Loans & Advances:

During the year, the total value of loans and advances has increased from Nu. 6,251.63 million in 2018 to Nu. 7,622.78 million, resulting in the growth rate of 21.93%.



Liabilities:

The total liabilities of the bank have increased from Nu. 8,329.32 million in 2018 to Nu. 10,760.39 million as at 31st December 2019, recording a growth rate of 29.19 %. The increase in liabilities is primarily due to increase in deposit portfolio by 25.97%, from Nu. 7,947.83 million in 2018 to Nu. 10,012.18 million for the year.

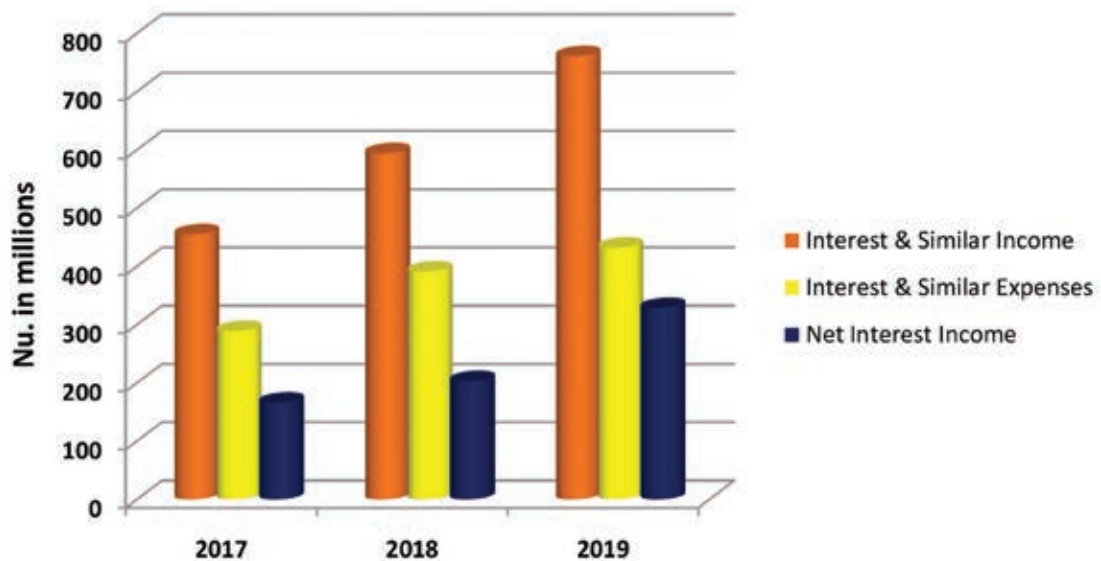


The total equity has increased by 32.62%, which is due to issue of 5,591,654 number of bonus shares of Nu.10/- each fully paid up, issue of 11,933,783 number of right shares of Nu.10/- each fully paid up and due to increase in Retained Earnings and Foreign Exchange Fluctuation Reserves by Nu.19.37 million and Nu.6.10 million respectively.

Interest Income and Expenses:

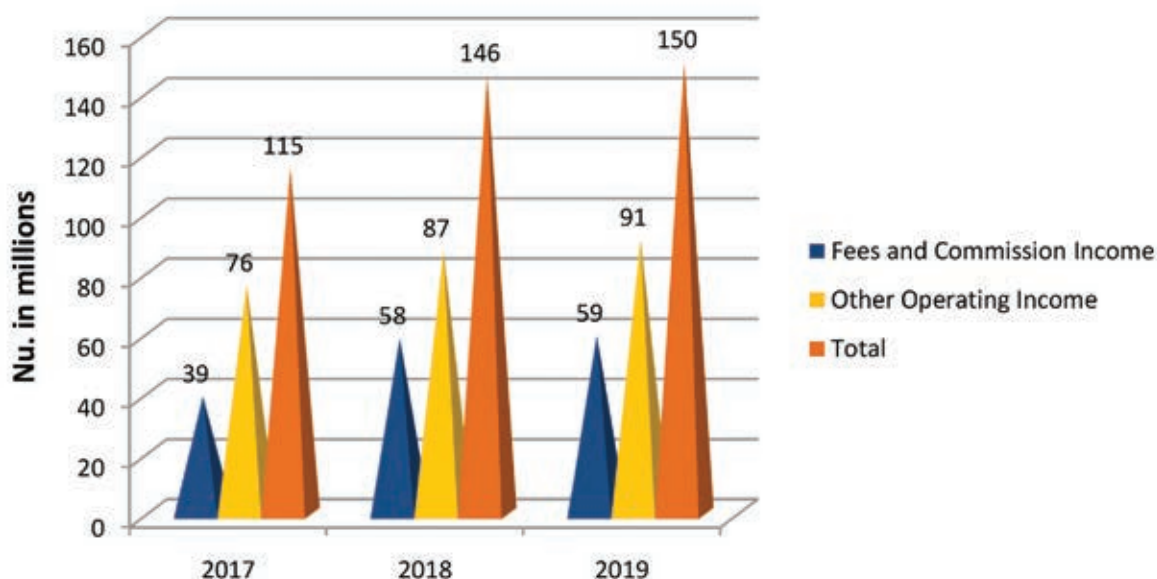
The total interest and similar income increased from Nu. 594.22 million in 2018 to Nu. 760.84 million in 2019, attaining a growth rate of 28.04%.

The total interest and similar expenses also increased from Nu. 391.30 million in 2018 to Nu. 432.25 million in 2019, an increase by 10.46%.



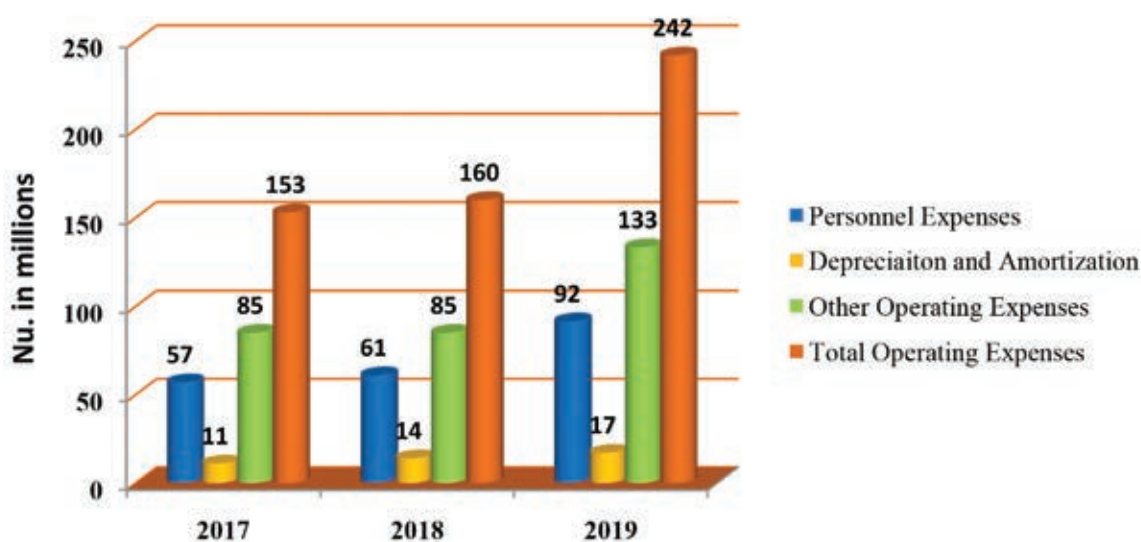
Fees & Commission Income & Expense:

The total fees and commission income has increased marginally from Nu. 58.48 million in 2018 to Nu. 59.30 million in 2019, registering a growth rate of 1.41 %. The income from other sources has increased to Nu. 90.98 million in 2019 from Nu. 87.35 million in 2018, an increase of 4.15%. Thus, the total income from fees and other sources has increased by 3.05%, from Nu 145.83 million in 2018 to Nu. 150.28 million in 2019.



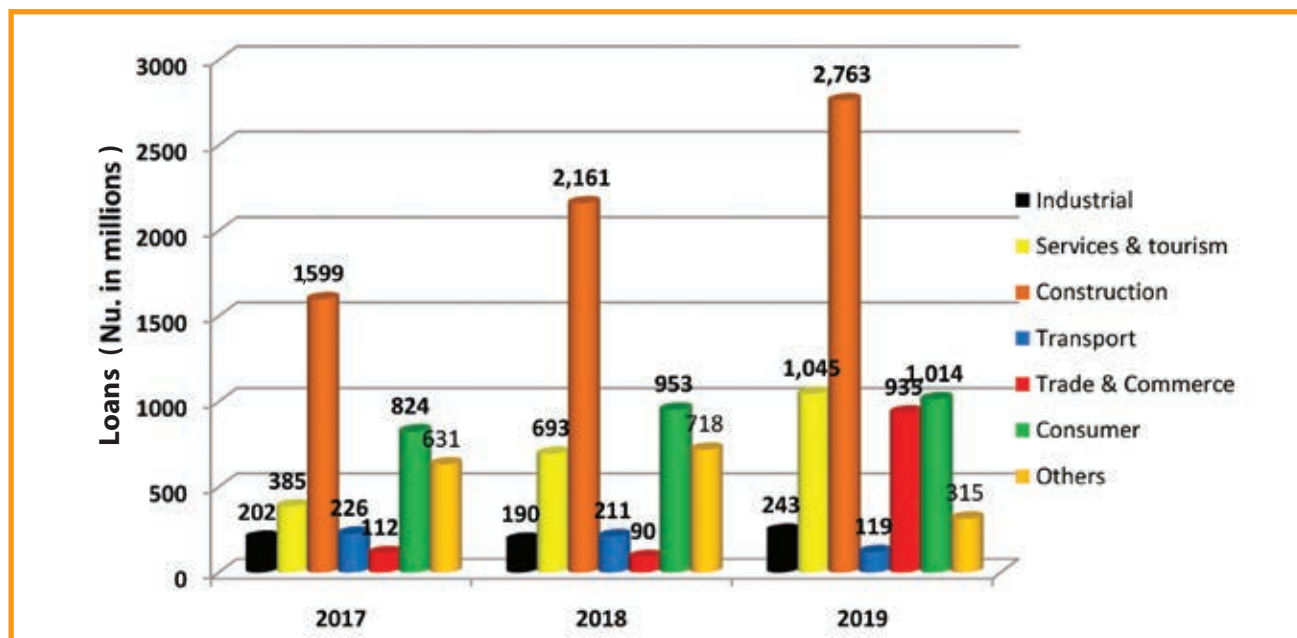
Personnel Expense/Operating Expense to Total Expense:

The total operating expense during the year was Nu. 241.87 million, out of which Nu. 91.53 million pertains to personnel costs. The total amount of personnel costs has increased by 50.57%, from Nu.60.79 million in 2018 to Nu. 91.53 million in 2019, due to increase in number of employees and 35% pay revision provided since September 2019.



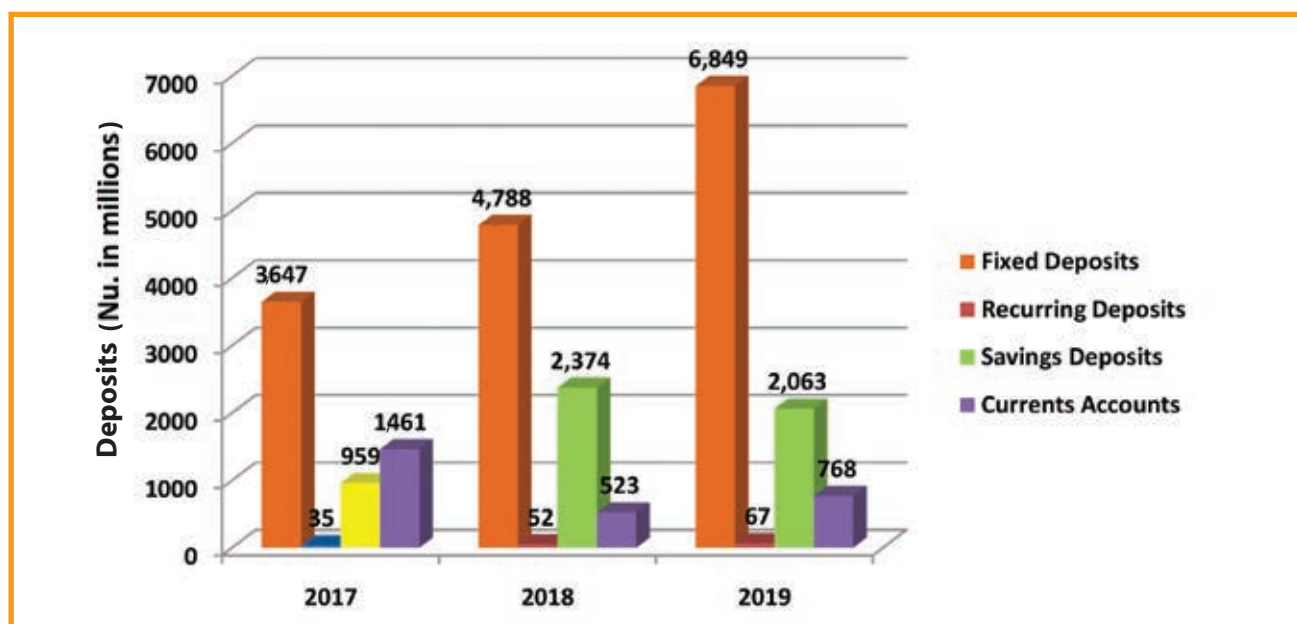
Classification of Loans by sectors

The Housing Loan constitutes highest sector with Nu. 2,762.51 million (42.94 % of gross loans and advances) followed by Service & Tourism loan of Nu 1,045. 84 million (16.24%) and closely followed by Consumer Loans of Nu. 1,014 million (15.76%).



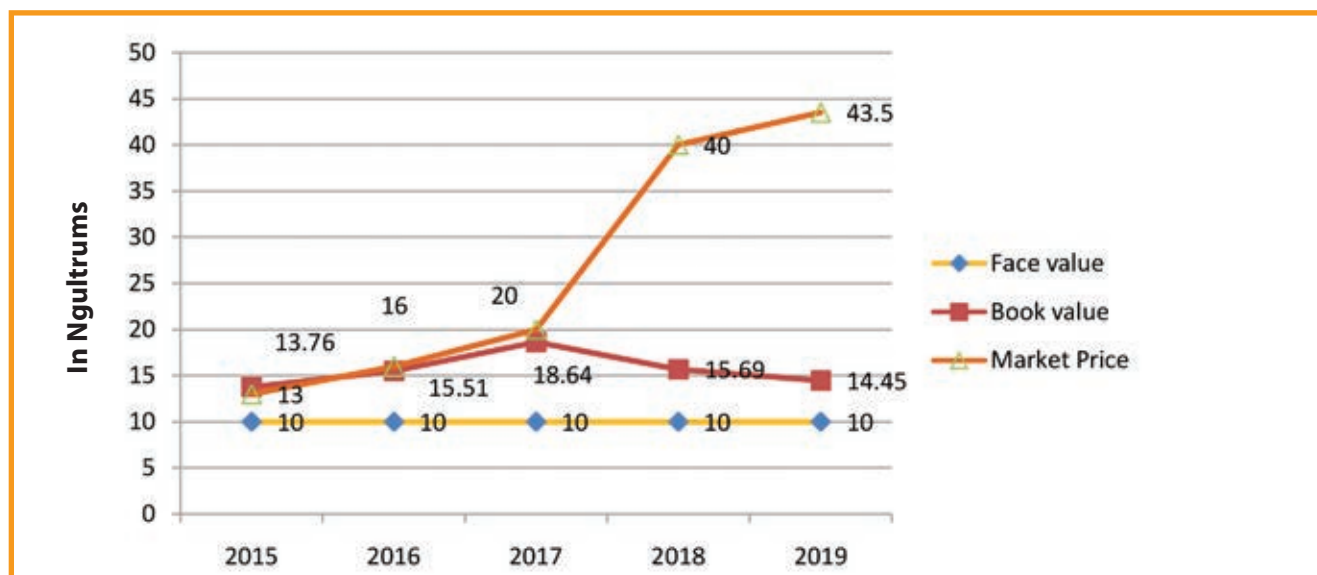
Deposits by Products:

The total value of fixed deposits has increased by 43.05% from Nu. 4,788.10 million in 2018 to Nu. 6,849.07 million in 2019 and the recurring deposits has increased by 29.11 % (from Nu.51.94 million in 2018 to Nu. 67.14 million in 2019). However, the total amount of saving deposits has decreased slightly by 13.12% (from Nu.2,373.76 million in 2018 to Nu. 2,062.62 million in 2019). In terms of percentage growth, current deposit has attained highest growth rate of 46.86 % (from Nu.523.45 million in 2018 to Nu.768.10 million in 2019).



Market Price information:

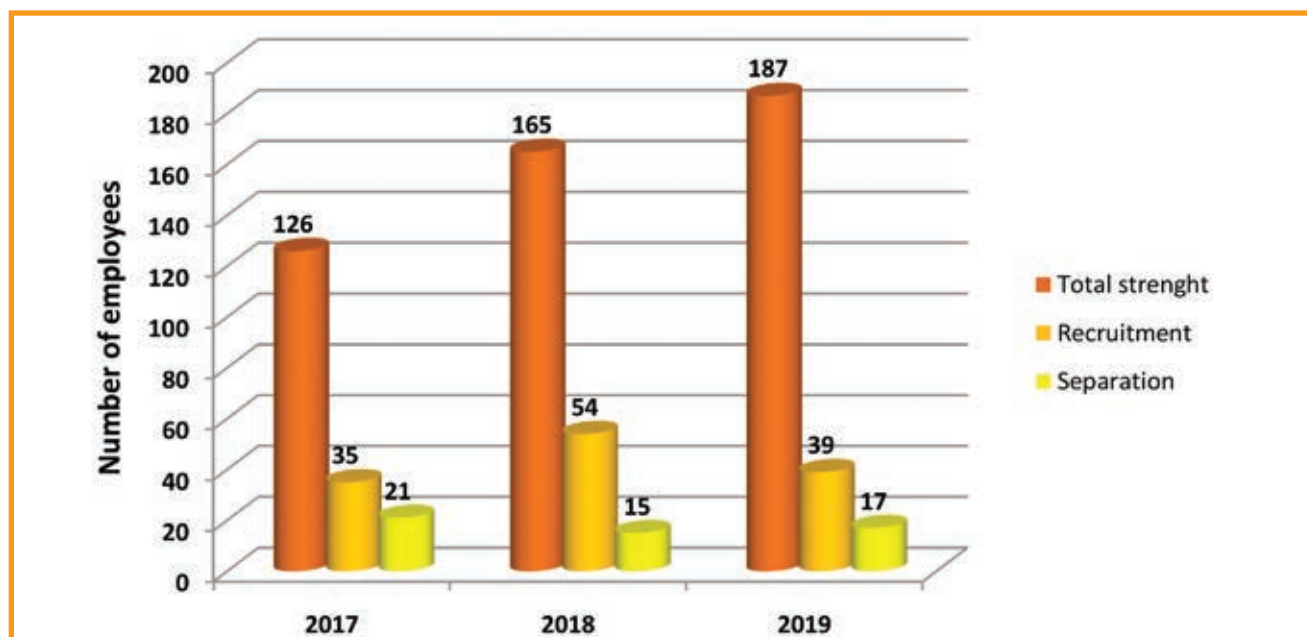
An indication of the Bank's performance is also gauged by the stock price of the bank since it is listed on the Stock Exchange. The Bank's shares has been actively traded in the secondary market with the market price increasing from Nu.20 per share in 2017 to Nu.43.50 per share against face value of Nu.10/- per share as of 31st December 2019. The book value of the bank's share as of 31st December 2019 stood at Nu.14.45 per share.



HUMAN RESOURCES MANAGEMENT

Recruitment and Separation:

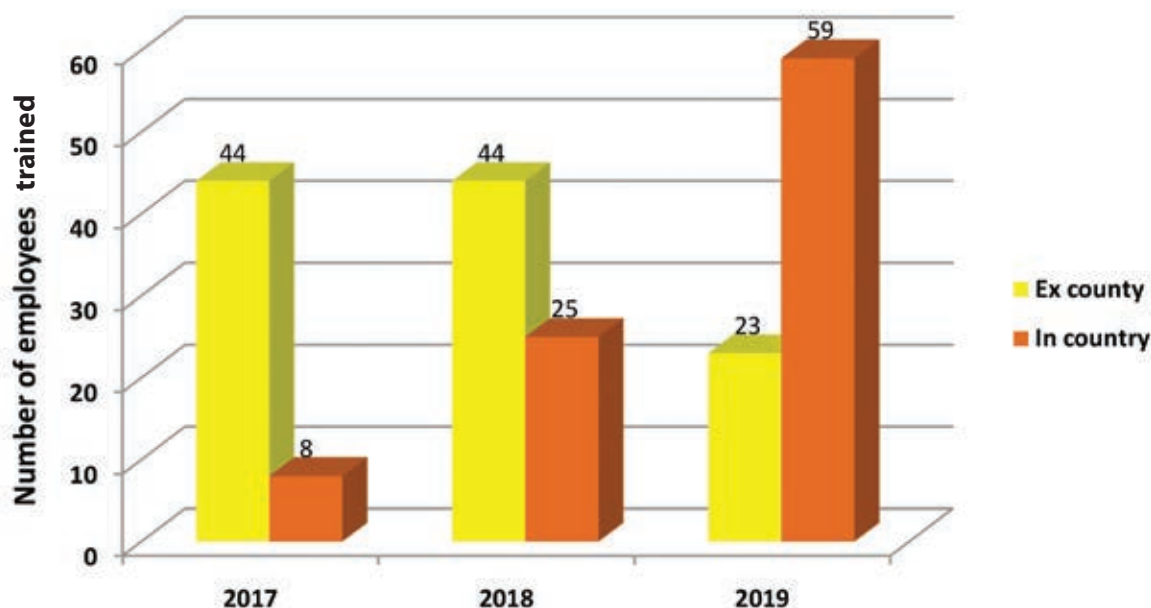
In 2019 the Bank has recruited 39 employees to support the expansion for branch offices, increase in volume of company's business and as replacement of those who have resigned. A total of 17 employees have resigned during the year resulting in an average attrition rate of 9.66% for the year.



The Bank currently has more female than male employees in terms of employees structure. It is a testament to the company's strong commitment in supporting and promoting gender equality in the society, and making working environment conducive to all the employees, as a socially conscious and responsible company.

Training and Development:

To enhance skills and knowledge of the employees and to keep abreast of various developments in the banking industry, the company has invested Nu. 3.80 million on training and development of employees during the year against Nu. 5.61 million spent in 2018. A total of 82 employees were trained on various skills such as building effective communication, customer relation management, anti-money laundering and terrorist financing prevention program, credit appraisal, project financing, information technology and accounting practices etc.



CORPORATE GOVERNANCE

The bank considers corporate governance as an important component in complying with the regulatory requirements and balancing the interests of a company's many Stakeholders, such as Shareholders, Customers, Board, Management & Employees, Financiers, Government, Banking partners and Suppliers. Hence, the bank is committed to achieving a high standard of corporate governance and has been implementing best practices in all areas of its banking operations.

To enhance the good governance and provide appropriate policy directives to the company, 5 Board meetings were convened during the year. In all these meetings, quorum was maintained as required as per the Companies Act of the Kingdom of Bhutan 2016 and RMA's Corporate Governance Rules & Regulations 2018. In 2019, the shareholders endorsed the appointment of two new directors. For the benefit of the new directors, the

management conducted orientation program for them covering the bank's nature of the business, corporate strategies, duties and responsibilities of the board, risk and risk management strategy, rules and regulations issued by the authority and other compliance requirements of the regulated entity. In order to enable the directors to perform their responsibilities effectively, the Bank in collaboration with Management Excellence Institute, Dubai organized a five day workshop on **Corporate Governance and Board Excellence** during the year.

During the year following Board Directors have attended the following Board Meetings and the remuneration paid to them:

Sl. No	Name	Designation	Board Meeting Attended	Sitting Fees	Remarks
1	Ashi S. Dorji	Chairman	40th, 41st, 42nd, 43rd & 44th	Nu.70,000.00	
2	Mr. Lamkey Tshering	Indenpendent Board Director	40th	Nu.14,000.00	<i>Mr. Lamkey Tshering resigned as the Chairman of Board Audit Committee & Director effective from 5th March 2019</i>
3	Mr. Tshenchok Thinlay	Director	41st, 42nd, 43rd & 44th	Nu.56,000.00	<i>New appointee as a Board Director</i>
4	Mr. Gyem Tshering	Indenpendent Board Director	40th, 41st, 42nd, 43rd & 44th	Nu.70,000.00	
5	Mr. Gayatri Prasad Sharma	Indenpendent Director	41st, 42nd, 43rd & 44th	Nu.56,000.00	<i>New appointee as a Board Director</i>
6	Mr. Pema Tshering	Member Secretary/CEO	40th, 41st, 42nd, 43rd & 44th	Nu.70,000.00	

The 9th AGM was held on 5th March 2019, thereby complying with the Companies Act 2016. Besides these, (5) Board Audit Committee meetings, (2) Board Governance Meeting and (2) Board Risk Committee Meetings were convened during the year to discuss on the various operational aspects of the bank.

In accordance with the Companies Act of the Kingdom of Bhutan 2016, all the documents have been duly maintained and the Bank has followed best practices of good corporate governance during the year 2019.

Board of Directors:

The directors have been providing effective leadership and guidance to the management for the growth of the Bank. The following are the present Board of Directors:

- | | | |
|---|---------------------------|---|
| 1 | Ashi S. Dorji | - Chairperson |
| 2 | Mr. Gyem Tshering | - Independent Director |
| 3 | Mr. Gayatri Prasad Sharma | - Independent Director |
| 4 | Mr. Tshenchok Thinlay | - Director |
| 5 | Mr. Pema Tshering | - Director/Chief Executive Officer (Member Secretary) |
| 6 | Mr. Chenchho Dorji | - Company Secretary |

Audit Committee:

In accordance with Section 1, Schedule I of Prudential Regulation 2017, the Bank has established the Audit Committee during its 9th Board Meeting.

COMPLIANCE

The bank has complied with the RMA Prudential Regulations 2017 and the Companies Act of the Kingdom of Bhutan 2016. All prudential requirements stipulated by the RMA has been complied in 2019. During the year, bank's Capital Adequacy Ratio (CAR) of minimum of 12.50% (including Capital Conservation Buffer of 2.50%) and Statutory Liquidity Ratio (SLR) of 20% of its total liabilities excluding capital fund was also complied with. As a part of the risk management system, the Bank will continue to improve its compliance requirements in line with the laws, by-laws and other related rules and regulations.

Therefore, during the reporting year, there was no violation on any of the key ratios of the Bank as per RMA Regulation.

Key Ratios (as per local GAAP):

Particulars	31.12.2019	31.12.2018
1. Credit to Deposit	83.00%	85.86%
2. Capital Adequacy Ratio	16.34%	13.62%
3. Statutory Liquidity Ratio	22.98%	20.09%
4. Single Largest Borrower	12.32%	11.79%
5. Ten Largest Borrower	11.69%	10.37%

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

As part of the bank's CSR activities, the employees of the bank participated in the Blood donation on 9th March 2019, the bank partnered with the Basketball Federation of Bhutan as part of Grass-root Youth Development program and conducted a mass cleaning campaign on 2nd May 2019 coinciding with the Birth Anniversary of Third Druk Gyalpo from Lungtenzampa bridge to Changjiji Bazam, Thimphu.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, and on my own behalf, I would like to take the opportunity to express our sincere gratitude to the Royal Government of Bhutan, Ministry of Finance, Royal Monetary Authority of Bhutan, Royal Audit Authority, Company Registry Division, Royal Securities Exchange of Bhutan Limited, Regional Revenue and Customs of Bhutan, Auditors – Ray and Ray Chartered Accountants for their valuable guidance and support. I would also like to thank all our business partners and valued clients whose enduring confidence and faith reposed in the Bank has made possible the results achieved during the year despite the slowdown in the economy. Board also thanks all the Financial Institutions in Bhutan, Correspondent Banks for their cooperation and patronage.

The Board acknowledges the unstinted support of its customers, Shareholders and also wishes to place on record its appreciation to the management and all the employees of the bank for their dedicated services and contribution for the overall performance of the bank.

Tashi Delek.

A handwritten signature in dark ink, appearing to be 'Ashi S. Dorji', written in a cursive style.

(ASHI S. DORJI)
CHAIRPERSON.

RAY & RAY CHARTERED ACCOUNTANTS

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Tel. :+91-33-4064 8107/ 8108/ 8109
E-mail: raynray@airtelmail.in

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
T Bank Limited

Opinion

We have audited the accompanying financial statements of T Bank Limited (hereinafter referred to as the Bank), which comprise the Statement of Financial Position as at 31st December 2019, the Statement of Comprehensive Income, Statement of Other Comprehensive Income for the year ended on that date, 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 respects the financial position of T Bank Limited as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.



Sl.No.	Key Audit Matters	Auditors Response
1	<p>Identification and provisioning for non-performing assets(loans) in accordance with guidelines (Refer Note 16 to the Financial Statements)</p> <p>The Bank has net advances amounting to Nu. 7,622,781,761 as at 31st December 2019. Identification and provisioning for non-performing assets (loans) in accordance with relevant norms issued by the Royal Monetary Authority of Bhutan (RMA) in respect of income recognition, asset classification and provisioning pertaining to advances is a key audit matters due to the current processes of Bank which requires manual intervention, management estimate and judgment and level of regulatory and other stake holders focus.</p> <p>Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances due to the materiality of the balances and associated impairment provisions.</p>	<p>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances.</p> <p>In particular:</p> <ul style="list-style-type: none"> We have evaluated and understood the Bank's internal control system in adhering to the relevant RMA guidelines regarding income recognition, asset classification and provisioning pertaining to advances; We have analysed and understood key IT systems/applications used and tested the design and implementation as well as operational effectiveness of relevant controls, including involvement of manual process and manual controls in relation to income recognition, asset classification and provisioning pertaining to advances; We have checked on test basis advances to examine the validity of the recorded amounts, loan documentation, examined the statement of accounts, indicators of impairment, impairment provision for non-performing assets, and compliance with income recognition, asset classification and provisioning pertaining to advances; and Evaluated the past trends of management judgement, governance process and review controls over impairment provision calculations and discussed the provisions made with senior management including the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Credit Officer.



2	<p>Key information technology (IT) systems used in financial reporting process.</p> <p>The Bank's operational and financial processes are dependent on IT systems due to large volume of transactions that are processed daily.</p> <p>Accordingly our audit was focused on key IT systems and controls due to pervasive impact on the financial statements.</p>	<p>We obtained an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant to our audit and treasury system primarily as relevant for financial reporting.</p> <p>For the key IT systems pertaining to treasury operations and other IT Dependent controls used to prepare accounting and financial information, our areas of audit focus included Access Security (including controls over privileged access), program change controls, database management and network operations.</p> <p>In particular:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Bank's IT control environment and key changes during the audit period that may be relevant to the audit. • We tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned/modified based on duly approved requests, access for exist cases being revoked in a timely manner and access of all users being recertified during the period of audit; • We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.
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Responsibilities of Management and those charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain responsible 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 the International Standards on Auditing (ISA) 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.

Further we exercised professional judgment and maintained professional skepticism through the audit and described our responsibilities in **Annexure-I** attached to this report as per the requirements of Paragraph 40(b) of the ISA 700.

Report on Other Legal and Regulatory Requirements

As required by section 266 of the Companies Act of Kingdom of Bhutan, 2016, we enclose in the **Annexure-II**, a statement on Minimum Audit Examination and Reporting Requirements matters specified therein to the extent applicable to the Bank.

As required by section 265 of the Act, we report that:

- a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by law have been kept by the Bank in so far as it appears from our examination of the books.



- c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Change in Equity and the State-ment of Cash flow dealt with by this report have been prepared in accordance with the accounting principles generally accepted and are in agreement with the books of account.
- d) Based on the information, explanation and management representations received during the course of our audit, the Bank has complied with other legal and regulatory requirements.

For **Ray & Ray**
Chartered Accountants
Firm Registration No.301072E



(Abhijit Neogi)
Partner
Membership No- 061380
Date: 5 March 2019
Place: Thimphu



Annexure to the Independent Auditor's Report paragraph of the Auditor's Responsibilities for the Audit of the Financial Statements of T Bank Limited for the year ended 31st December, 2019 and as per the requirement of the paragraph 40(b) of ISA 700.

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

- a) 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.
- b) 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 Bank's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with 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.



Minimum Audit Examination and Reporting Requirements.

Annexure referred to in our Audit Report of even date on Minimum Audit Examination and Reporting requirements

As required by section 266 of the Companies Act of Bhutan, 2016 and its enabling provisions relating to Clause II of Schedule XIV of the erstwhile Companies Act of Kingdom of Bhutan, 2000 thereto (the Minimum Audit Examination and Reporting Requirements) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Bank is maintaining Fixed Assets Register showing full particulars including quantitative details and situation of fixed assets. As explained to us, physical verification of fixed assets was conducted by the Management during the year and no material discrepancies were noticed.
2. None of the fixed assets have been revalued during the year.
3. Physical verification of stationery items was conducted by the management at reasonable intervals and no material discrepancies were noticed on such verifications.
4. The procedures of physical verification of stationery items followed by the management are reasonable and adequate in relation to the size of the bank and the nature of its business.
5. The bank has not availed any loans, secured or unsecured, from companies, firms or other parties and / or from the companies under the same management.
6. The bank has not granted any loans secured or unsecured, to companies, firms and other parties and / or to the companies under the same management except loan given in the normal course of banking business.
7. The parties to whom loans or advances have been given by the bank are generally repaying the principal amounts and interests as stipulated except in the cases of Non Performing Loans.
8. The bank has not granted any loans / advances to the officers / staff during the year other than those which are granted in course of normal banking business.
9. In our opinion and according to the information and explanation given to us during the course of the audit, the bank has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to safeguard the assets of the bank as well as to ensure adherence to the rules/regulations and systems and procedures.
10. As explained to us, there is a system of competitive bidding, commensurate with the size of the bank and the nature of its business, for the purchases of services, stores, equipment and other assets.
11. As explained to us, the bank has entered into transactions for purchase of goods and sale of



services with parties in which one or more Directors of the Bank are interested. Our examination has revealed that such purchase and sales transactions were made at prices which were reasonable having regard to the prevailing market prices for such goods and services or at prices at which the transactions for similar goods and services have been made with other parties. Details of such transactions and amounts thereof are adequately disclosed in Note No. 34 of Notes of Accounts.

12. In respect of transactions referred to in clause above, our examination has revealed that such transactions are not prejudicial to the interest of the other shareholders and the Bank.
13. As per information and explanations given to us and also examined by us, there was no case of any item in inventory having become damaged or unserviceable during the year.
14. As per information and explanation provided to us and according to our examination of records, the bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authorities. Provision for corporate tax for the year is adequate and necessary adjustments have been made to compute the amount of tax required under the Rules of the Income Tax of the Kingdom of Bhutan 2001.
15. As per information and explanations provided to us and according to our examination of records, there are no disputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions on the last day of the financial year.
16. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than contractual and / or as per customer business practices, which have been charged to the Statement of Comprehensive Income.
17. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash / bank etc. is reasonably adequate and excessive amounts are not lying idle in non-interest bearing accounts.
18. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the bank during the year are lawful and intra-vires to the Articles of Incorporation of the Bank.
19. Capital investment decisions are made with prior approval of the Board and investments in projects are made only after ascertaining the technical and economic feasibility of such new projects.
20. In our opinion, the bank has established an effective control system.
21. The details of remuneration paid to the Managing Director and sitting fees paid to other Directors are disclosed in Note No. 34 of notes to Accounts. While checking the minutes of the meetings, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the Directors and their relatives (including spouse(s) and child / children) by bank directly or indirectly.



22. As represented to us, the directives of the Board have been complied with.
23. As represented by the management, the officials of the bank have not transmitted any price sensitive information which is not made publicly, unauthorized to their relatives / friends / associates or close persons which would directly or indirectly benefit themselves.
24. The bank has generally maintained adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made therein.
25. As per our examination of records and information and explanation provided to us, the bank has not dealt or traded in shares, securities and other investments during the year.
26. The bank had adequate records for fund collected from depositors and for interest payments.
27. The Bank has made investments, details of which are adequately disclosed in Note No 17. As per our examination of records and information and explanation provided to us there is no diminution in value of such investments.
28. The bank has generally complied with the requirements for Financial Services Act 2011 and other applicable regulations.
29. The bank has complied with the requirements relating to provisioning for the non-performing assets including loans and advances as per Prudential Regulations 2017 of Royal Monetary Authority of Bhutan and Bhutan Financial Reporting Standards (BFRS) 9. To comply with BFRS-9, provision on loans has been reduced to Nu 320,401,906/- from RMA provision of Nu 323,617,990/- in the year 2019 and its impact on retained earnings as on 31st December, 2019 is Nu 32,16,084/-.
30. Accrued interest on non-performing loans has been recognized as interest income as per accounting policy of the bank revised upon adoption of BAS and has not been deferred. However, accrued interest has been taken into account while arriving at provision for impairment loss.
31. The assets hypothecated against loans and advances have generally been physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
32. The bank has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
33. The bank has disposed the assets taken over for repayment of defaults through auction conducted by a separate committee.
34. There is no re-phasing / rescheduling of loans during the year except in few cases where loans have been renewed and enhanced.
35. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.



36. COMPUTERISED ACCOUNTING ENVIRONMENT:

1. The Bank has a computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. Adequate safeguard measures and back up facilities exist.
3. As per information and explanation provide to us and according to our examination of records, the back-up files are kept in different locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. Adequate preventive measures have been taken by the bank to prevent unauthorized access over the computer installation and files.

37. GENERAL**1. Going Concern Problems**

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December, 2019 audited by us in accordance with the international standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the bank is not a going concern on the Balance Sheet date.

2. Ratio Analysis:

Ratio Analysis on financial health and profitability of the Bank is given below:

Sl. No	RATIOS	2019	2018	REMARKS
1	Interest Expense / Deposits	4.20%	4.81%	Increase in deposits
2	Interest Income/Loans	9.98%	9.51%	Increase in loans and advances
3	Loan / Deposits	76.14%	78.66%	Increase in deposits is higher than increase in loans
4	Provision / Credit Exposure	4.20%	4.32%	Increase in loans and advances proportionately higher than increase in provision



5	Capital Adequacy Ratio (As per RMA return for the month of December)	16.34%	13.62 %	Due to right issue and subordinated debt
6	Statutory Liquidity Ratio (As per RMA return for the month of December)	22.98%	20.09%	Increase in deposit is higher than increase in loan
7	Current Ratio (CA:CL)	1:1.14	01:01.6	Increase in CA higher than increase in CL
8	Return on Investment (Return on opening investment)	19.6%	25.98%	Increase in equity due to issue of bonus and right shares
9	Net Profit Ratio (Pre-Tax)	26.01%	25.51%	Increase in profit compared to previous year
10	Earnings Per Share (EPS)	2.89	3.29	Increase in number of shares due to issue of bonus and right shares
11	NPL / Total Loans & Advances	4.59%	5.48%	Increase in loan and advances proportionately higher than increase in NPL
12	Return on Assets (ROA)	2.04%	2.10%	Increase in assets proportionately higher than increase in net profit
13	Book Value of Shares Nu	14.73	15.69	Increase in number of shares proportionately higher than increase in reserve and surplus



3. Compliance with the Companies Act of Bhutan, 2016:

The bank has complied with the provisions of the Companies Act of Bhutan, 2016, concerning conducting of meetings, filing requirements and maintenance of records and issue of shares.

4. Adherence to Laws, Rules and Regulations:

The audit of the bank has been governed by the Companies Act of Bhutan, 2016, RMA Prudential Regulation 2017 (effective from 1st January, 2018), Financial Services Act, 2011 and Corporate Governance Rules and Regulations, 2018 (effective from 1st July, 2018). The scope of audit is limited to examination and review of the financial statement as produced to us by the management.

The bank has generally complied with the applicable laws, rules and regulations, systems, procedures and practices.

All corporate governance policies have not yet been fully documented as per the provisions of the Corporate Governance Rules and Regulations, 2018 in pursuant to Section 202 of the Financial Services Act of Bhutan 2011.

For Ray & Ray

Chartered Accountants

Firm Registration No.301072E



(Abhijit Neogi)

Partner

Membership No- 061380

Date: 5 March 2019

Place: Thimphu



Statement of Comprehensive Income For the year ended 31 December 2019

	Note	2019 Nu	2018 Nu
Interest & Similar Income	4	760,844,634	594,224,473
Interest & Similar Expense	5	(432,248,766)	(391,303,613)
Net interest income		328,595,868	202,920,860
Fee and commission income	6	59,300,292	58,478,005
Fee and commission expenses		-	-
Net fee and commission income		59,300,292	58,478,005
Other Operating Income	7	90,977,379	87,351,634
Total operating income		478,873,539	348,750,499
Personnel Expenses	8	(91,532,935)	(60,790,776)
Depreciation on Property Plant & Equipment	22	(10,534,030)	(8,301,980)
Amortization of Intangible Assets	23	(6,512,104)	(5,435,411)
Other Operating Expenses	9	(80,216,404)	(63,494,762)
Impairment (charges)/reversal for loans and other losses	10	(53,073,714)	(21,939,005)
Total Operating Expenses		(241,869,187)	(159,961,934)
Profit Before Tax from Continuing Operations		237,004,352	188,788,565

Income Tax Expense			
Current tax			
Assessed tax paid pertaining to earlier years	11	(64,733,499)	(49,143,601)
Deferred tax	29	1,343,452	347,540
Profit For the Year		173,614,305	139,992,504

For Ray & Ray
Chartered Accountants
FRN: 301072E



Chairperson



Chief Executive Officer



Partner: **(Abhijit Neogi)**
Membership No- 061380



Director

Place: Thimphu
Date: 12 March 2019

Statement of Other Comprehensive Income For the year ended 31 December 2019

	Note	2019 Nu	2018 Nu
Profit for the year		173,614,305	139,992,504
Remeasurment Gain/(Loss) on Defined Benefit Plan		(3,403,865)	(2,952,532)
		(3,403,865)	(2,952,532)
Total other comprehensive income before tax		(3,403,865)	(2,952,532)
Tax on income /(expense) relating to components of other comprehensive income		(1,021,160)	(885,760)
Other comprehensive income for the year, net of tax		(2,382,706)	(2,066,771)
Total comprehensive income for the year, net of tax		171,231,600	137,925,732
Basic Earnings Per Share	12	2.89	3.29

For Ray & Ray
Chartered Accountants
FRN: 301072E



Chairperson



Chief Executive Officer



Partner: **(Abhijit Neogi)**
Membership No- 061380



Director

Place: Thimphu
Date: 12 March 2019

Statement of Financial Position For the year ended 31 December 2019

	Note	2019 Nu	2018 Nu
Assets			
Cash & cash Equivalents	13	1,021,898,854	245,202,323
Cash & Balances with Central Bank	14	1,218,467,024	1,070,772,154
Placement with other Banks	15	1,543,307,210	1,244,031,590
Loans & Advances to Customers	16	7,622,781,761	6,251,631,180
Equity Instruments	17	7,750,000	7,750,000
Debt Instruments	18	21,208,042	41,631,934
Defined Benefit Assets	19	-	865,627
Other Financial Assets	20	2,183,362	2,945,611
Other Assets	21	102,140,422	53,159,456
Property, Plant & Equipment	22	58,260,697	44,128,478
Intangible Assets	23	29,811,139	33,897,414
Total Assets		11,627,808,511	8,996,015,767
Liabilities			
Due to Customers	24	7,121,075,953	6,064,279,010
Due to Banks	25	2,891,106,687	1,883,554,716
Debt issued and Other Borrowed Funds	26	470,000,000	150,000,000
Current Tax Liabilities	27	64,733,499	49,143,601
Deffered Tax Liabilities	29	5,366,989	5,689,282
Defined Benefit Liability	19	4,672,272	-
Other Liabilities	30	186,666,154	176,652,111
Total Liabilities		10,743,621,554	8,329,318,720

Equity			
Share Capital	31	600,252,230	424,997,860
Reserves			
Retained Earnings	32	265,476,903	229,343,717
Foreign Exchange Fluctuation Reserve		18,457,824	12,355,470
Total equity		884,186,957	666,697,047
Total liabilities and equity		11,627,808,511	8,996,015,767

For Ray & Ray
Chartered Accountants
FRN: 301072E



Partner: **(Abhijit Neogi)**
Membership No- 061380

Place: Thimphu
Date: 12 March 2019



Chairperson



Chief Executive Officer



Director

Statement of Changes in Equity for the year ended 31 December 2019

	Share Capital	In Nu Retained Earnings	Exchange Fluctuation Reserve	Total Shareholders' Funds
	Nu	Nu	Nu	Nu
	300,000,000	235,903,169	3,007,463	538,910,632
Net profit for the year		139,992,504		139,992,504
Adjustments (Bonus Shares issue)	124,997,860	(124,997,860)		
Other Comprehensive Income for the year, net of tax		(2,066,772)		(2,066,772)
BFRS Adjustment		(10,139,317)		(10,139,317)
Transfers during the year		(9,348,007)	9,348,007	-
Balance as at 31st December 2018	424,997,860	229,343,716	12,355,471	666,697,047
Adjustments (Bonus Shares issue)	55,916,540	(55,916,540)		-
Adjustments (Rights Shares issue)	119,337,830			119,337,830
Net profit for the year		173,614,305		173,614,305
Other Comprehensive Income for the year, net of tax		(2,382,706)		(2,382,706)
BFRS Adjustment *		(7,055,197)		(7,055,197)
Share premium		3,424		3,424
Transfers during the year		(72,130,098)	6,102,353	(66,027,745)
Balance as at 31st December 2019	600,252,230	265,476,904	18,457,824	884,186,958

* For detail on BFRS adjustmetn indicated above refer No. 32.1

For Ray & Ray
Chartered Accountants
FRN: 301072E

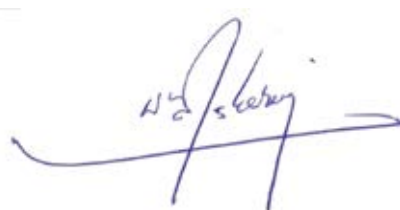


Partner: **(Abhijit Neogi)**
Membership No- 061380

Place: Thimphu
Date: 12 March 2019



Chairperson



Chief Executive Officer



Director

1. CORPORATE INFORMATION

T Bank Limited is a limited liability bank incorporated and domiciled in Bhutan. The address of its registered office is Post Box No. 631, TCC Complex Building, Samten Lam, Chubachu, Thimphu, Bhutan. The bank provides commercial banking services to different parts of the country. The principal activities of the bank comprise; Corporate and Investment banking, Retail banking and treasury operations within and outside Kingdom of Bhutan.

2. BASIS OF PREPARATION

The financial statements have been prepared on historical cost basis and are presented in Bhutanese Ngultrums (Nu) .

The following fundamental assumptions are followed in preparation of these financial statements:

- a) Accrual
- b) Going Concern
- c) Consistency

Statement of Compliance

The financial statements of the bank have been prepared in accordance with the requirements under Bhutanese Accounting Standards (BAS) and Bhutanese Financial Reporting Standards (BFRS).

Presentation of Financial Statements

The bank presents its financial statements in accordance with BAS 1 - Presentation of financial statements in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) or more than 12 months after the reporting date (non-current) are also carried out.

Change Impact

Financial Impact mainly emanated out of the adoption of BAS/BFRS is due to:

- a) Adoption of Expected Credit Loss approach for financial assets as per BFRS - 9;
- b) Adoption of Effective Interest Rate (EIR) for financial liabilities as per BFRS - 9;
- c) Valuation of Gratuity and Leave Encashment on the basis of Projected Unit Credit Method as stated in BAS-19;
- d) Recognition of Deferred Tax Assets/Liabilities owing to temporary timing differences as per BAS-12.

2.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, 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.



Judgments

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Bank based its assumptions and estimates on the parameters available when the 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 Banks' management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the 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. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential, etc.

Impairment Losses on Loans and Advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an Impairment Loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on the 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 expected loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes into account of data from the loan portfolio (such as levels of arrears, loan type etc) and judgment on the effect of economic and market conditions.



2.2 FIRST TIME ADOPTION OF BFRS

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

Accordingly, the Bank has prepared financial statements which comply with BAS applicable for the period ending 31st December, 2018, together with the comparative period's data as at and for the year ended 31st December, 2017 and 1st January, 2017. The Note No.3 explains the principal adjustments made by the Bank in restating its previous /local GAAP financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Transactions in Foreign Currency are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary Assets and Liabilities in foreign currencies are translated into functional currency at the exchange rates prevailing at the end of the reporting period. Exchange gains and losses on foreign currency translation are recorded in the Income Statement under Other Operating Income.

Cash & Cash Equivalents

Cash and Cash Equivalents referred to in the cash flow statement comprise Cash at Bank and in-hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

However, in line with BFRS 9, allowance for Expected Credit Loss is also calculated.

Mandatory Cash Balances with Central Bank

Mandatory cash balances with central bank is carried at historical cost and represent mandatory reserve deposits with the Royal Monetary Authority of Bhutan (RMA), which are not available to finance the Bank's day to day operations and hence are not considered as part of Cash and Cash Equivalents for the purposes of the Statement of Cash Flows.

Cash Flow Statement

Cash Flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

The Cash Flows from operating, investing & financing activities of the Bank are segregated based on the available information.

Loans & Advances to Customers

After initial measurement, Loans & Advances to Customers are subsequently measured at amortized cost, less allowance for impairment. Amortized 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 amortization is included in Interest and similar income in the Income Statement.



Placement with Other Banks

Amounts due from other banks are recorded under Placement with Other Banks and it includes mostly the fixed deposits maintained with counterparty banks. Amounts due from other banks are recorded at historical cost. However, in line with BFRS 9, allowance for Expected Credit Loss is calculated.

Lease

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases that do not transfer to the Bank substantially all the risks and rewards incidental to the ownership of the leased items are operating leases. Operating lease payments are recognized as expenses in the Income Statement on a straight line basis over the lease term.

Contingent Rental Payable is recognized as an expense in the period in which they are incurred.

Recognition of interest income - The effective interest rate method

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

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

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

Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset.

Fee & Commission Income

The Bank earns fees and commission income from a diverse range of services it provides to customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees



include commission income and income earned from foreign exchange transactions.

Dividend Income

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

Property, Plant & Equipment

After reorganization as an asset, an item of property, plant & equipment has been carried at cost less accumulated depreciation and any accumulated impairment losses. Management physically verified the assets and found them to be worthy of use till the absorption of full cost after charging depreciation on the basis of useful life as estimated by the management.

Historical Cost includes expenditure directly attributable to the acquisition of items. Subsequent Costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Income Statement in the financial period in which they are incurred. Depreciation has been calculated on straight-line basis as per the useful life estimated by the management and calculated on pro-rata basis from the date of purchase. The useful life of assets and rates of depreciation are as follows:

<i>Details of Assets</i>	<i>Useful Life (in years)</i>	<i>Rates(%)</i>
<i>Furniture</i>	<i>6.67</i>	<i>15</i>
<i>Office Equipment</i>	<i>6.67</i>	<i>15</i>
<i>Computer Equipment</i>	<i>6.67</i>	<i>15</i>
<i>Vehicle</i>	<i>6.67</i>	<i>15</i>

Intangible Assets

Intangible Assets are stated at cost less accumulated amortization and net of impairments, if any. An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Bank and its cost can be measured reliably. Intangible Assets having finite useful lives are amortized on straight-line basis over their estimated useful lives.

The useful life of the asset and rates of amortization is as follows:

<i>Details of Asset</i>	<i>Useful Life (in years)</i>	<i>Rates(%)</i>
<i>Software</i>	<i>6.67</i>	<i>15</i>

Share Capital

Ordinary Shares are classified as "Share Capital" in Equity.

Dividends

Dividends on ordinary shares shall be recognized as a liability and deducted from equity when it is approved by the shareholders of the Bank. If there are any interim dividends, it will be deducted from equity when they are declared.

If the dividends for the year are approved after the reporting date, it will be disclosed as an event after the reporting date.



Due to Other Banks

Amounts due to other banks are recorded when money has been transferred to the Bank by counter party banks.

Customer Accounts

Customer Accounts are non-derivative liabilities to individual, state or corporate customers and interest accrued on amounts due to customers has been calculated by using Effective Interest Rate.

Income Taxes

Income Taxes has been provided for in the financial statements in accordance with legislation enacted or substantively enacted by end of the reporting period.

The Income Tax charge comprising current tax is recognized in the Statement of Comprehensive Income for the year.

Current Tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for Income Tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Deferred Tax

The Bank calculates deferred taxation based on temporary timing difference that is the difference between the carrying amount of assets/liabilities and their tax base.

Staff costs and related contributions

The Bank measures the present value of the Gratuity obligation, which is a defined benefit plan with the advice of an independent professional actuary using the projected unit credit method.

Provisions, Contingent Assets & Contingent Liabilities

The Bank recognizes provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Contingent Liability is disclosed unless the possibility of an outflow of resources embodying economic is remote. Contingent Assets are not recognized in the financial statements.

Operating Segments

An Operating Segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information provided to the Chief Operating Decision maker and are reported separately.



With the introduction of BFRS 9 - Financial Instruments, the bank revised its accounting policies and disclosures as mentioned below:

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.4.1 New and amended standards and interpretations

In these financial statements, the Bank has applied BFRS 9 and BFRS 7, effective for annual periods beginning on or after 1 January 2018, for the first time. Although, the Bank has adopted other standards earlier, the Bank revised the accounting policies and disclosures in line with adoption of BFRS 9. The Bank has restated comparative information for 2016 and 2017 for financial instruments in the scope of BFRS 9.

2.4.2 Changes to classification and measurement

To determine their classification and measurement category, BFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The BAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortized cost) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on de-recognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under BAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

2.4.3 The impairment calculation

BFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

2.4.5 Financial instruments - initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or



sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below:

Day 1 profit or loss

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

2.4.6 Measurement categories of financial assets and liabilities

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

- Amortized cost
- FVOCI
- FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL.

2.4.7 Due from banks, Loans and advances to customers, Financial investments at amortized cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-



by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

The SPPI test

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

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

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

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

2.4.8 Debt instruments at FVPL (Policy applicable from 1 January 2018)

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

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

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



2.4.9 Equity instruments at FVOCI (Policy applicable from 1 January 2018)

Upon initial recognition, the Bank elects to classify its equity investments as equity instruments at FVOCI when they meet the definition of Equity under BAS 32 Financial Instruments: Presentation and are not held for trading. However, due to un-availability of data, the equity instruments are recognized at cost. Such classification is determined on an instrument-by-instrument basis.

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

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

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under BFRS 9. Management only designates an instrument at FVPL upon initial recognition when the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss.

2.4.11 Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognized in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and – under BAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under BFRS 9 – an ECL provision.

The premium received is recognized in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn commitments and letters of credits are in the scope of the ECL requirements.

2.4.12 Reclassification of financial assets and liabilities

From 1st January 2018, the Bank reclassified its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

2.5 De-recognition of financial assets and liabilities

De-recognition due to substantial modification of terms and conditions

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



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

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

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

De-recognition other than for substantial modification

a) Financial assets

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

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

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

Or

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

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

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

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

Or

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

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and



without imposing additional restrictions on the transfer.

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

b) Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, 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 recognized in profit or loss.

2.6 Impairment of financial assets (Policy applicable from 1 January 2018)

Overview of the Expected Credit Loss (ECL) principles

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

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

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

- a) The top 30 borrowers (comprising 20% of the total loan portfolio) are assessed individually for Objective Evidence of Impairment.
- b) The Loans and Advances that have been assessed individually and found not to be impaired are assessed together with all other loans under Collective Impairment.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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



Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired, the bank records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. The bank does not have such assets currently.

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

The calculation of ECLs

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

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

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognized and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw-downs on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios base case, worst case, and best case.



Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarized below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Financial Guarantee contracts: For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. However, the Bank does not provide credit card facilities at the moment. For loan commitments and letters of credit, the ECL is recognized within Provisions.

Forward looking information

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

- a) GDP growth
- b) Unemployment rates
- c) Interest Rate
- d) Inflation
- e) Exchange Rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays



are occasionally made as temporary adjustments when such differences are significantly material. Therefore, bank also considers the following qualitative factors:

- a) Government Policies
- b) Industry Business cycle
- c) Regulatory impact

Collateral valuation

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

Write-offs

The Bank's accounting policy under BFRS 9 remains the same as it was under BAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.



3 Principal adjustments made:

3.1 Reconciliation of Statement of Comprehensive Income for the year ended 31st Dec 2019

	Local GAAP Reclassified	(Nu) Re-measurement	BFRS
Interest & Similar Income	762,864,700	(2,020,066)	760,844,634
Interest & Similar Expense	(435,294,841)	3,046,074	(432,248,766)
Net interest income	327,569,859	1,026,008	328,595,868
Fee and commission income	59,300,292	-	59,300,292
Fee and commission expenses	-	-	-
Net fee and commission income	59,300,292	-	59,300,292
Other Operating Income	90,977,379	-	90,977,379
Total operating income	477,847,531	1,026,008	478,873,540
Personnel Expenses	(91,418,966)	(113,968)	(91,532,935)
Depreciation on Property Plant & Equipment	(10,534,030)	-	(10,534,030)
Amortization of Intangible Assets	(6,512,104)	-	(6,512,104)
Other Operating Expenses	(80,216,404)	-	(80,216,404)
Impairment (charges)/reversal for loans and other losses	(46,643,320)	(6,430,394)	(53,073,714)
Total Operating Expenses	(235,324,825)	(6,544,363)	(241,869,187)
Profit Before Tax from Continuing Operations	242,522,706	(5,518,354)	237,004,353
Income Tax Expense	(64,733,499)	1,343,452	(63,390,046)
Profit For the Year	177,789,207	(4,174,903)	173,614,306
	(171,635,370)		
Other Comprehensive Income			
Profit For the Year	177,789,207	(4,174,903)	173,614,306
Remeasurment Gain/(Loss) on Defined Benefit Plan		(3,403,865)	(3,403,865)
Total Comprehensive Income Before tax	177,789,207	(7,578,768)	170,210,441
Tax on income /(expense) relating to components of other comprehensive income	-	1,021,160	1,021,160
Total comprehensive income for the year, net of tax	177,789,207	(6,557,608)	171,231,600



3.2 Reconciliation of Statement of Comprehensive Income for the year ended 31st Dec 2018

		(Nu)	
	Local GAAP Reclassified	Re-measurement	BFRS
Interest & Similar Income	592,231,452	1,993,021	594,224,473
Interest & Similar Expense	(395,934,493)	4,630,880	(391,303,613)
Net interest income	196,296,959	6,623,901	202,920,860
Fee and commission income	58,478,005	-	58,478,005
Fee and commission expenses	-	-	-
Net fee and commission income	58,478,005	-	58,478,005
Other Operating Income	87,351,634	-	87,351,634
Total operating income	342,126,598	6,623,901	348,750,499
Personnel Expenses	(58,134,847)	(2,655,929)	(60,790,776)
Depreciation on Property Plant & Equipment	(8,301,980)	-	(8,301,980)
Amortization of Intangible Assets	(5,435,411)	-	(5,435,411)
Other Operating Expenses	(63,494,762)	-	(63,494,762)
Impairment (charges)/reversal for loans and other losses	(26,951,884)	5,012,879	(21,939,005)
Total Operating Expenses	(162,318,884)	2,356,950	(159,961,934)
Profit Before Tax from Continuing Operations	179,807,715	8,980,850	188,788,565
Income Tax Expense	(49,143,601)	347,540	(48,796,061)
Profit For the Year	130,664,114	9,328,390	139,992,504
Other Comprehensive Income			
Profit For the Year	130,664,114	9,328,390	139,992,504
Remeasurment Gain/(Loss) on Defined Benefit Plan	-	(2,952,532)	(2,952,532)
Total Comprehensive Income Before tax	130,664,114	6,375,858	137,039,972
Tax on income /(expense) relating to components of other comprehensive income	-	885,760	885,760
Total comprehensive income for the year, net of tax	130,664,114	7,261,618	137,925,732



NOTES TO FINANCIAL STATEMENTS

3.3 Reconciliation of Balance Sheet as at 31st December 2019

	Local GAAP Reclassified	(Nu) Re-measurement	BFRS
Assets			
Cash & cash Equivalents	1,022,261,641	(362,787)	1,021,898,854
Cash & Balances with Central Bank	1,218,467,024	-	1,218,467,024
Placement with other Banks	1,544,527,776	(1,220,566)	1,543,307,210
Loans & Advances to Customers	7,765,894,277	(143,112,516)	7,622,781,761
Equity instruments – at cost	7,750,000	-	7,750,000
Debt Instruments at Amortized Cost	21,208,219	(177)	21,208,042
Other Financial Assets	2,183,362	-	2,183,362
Other Assets	76,390,387	25,750,035	102,140,422
Property, Plant & Equipment	58,260,698	-	58,260,698
Intangible Assets	29,811,138	-	29,811,138
Differed Asset	-	-	-
Total Assets	11,746,754,523	(118,946,011)	11,627,808,511
Liabilities			
Due to Customers	7,137,207,794	(16,131,840)	7,121,075,953
Due to Banks and Financial Institutions	2,891,106,687	-	2,891,106,687
Debt issued and Other Borrowed Funds	470,000,000	-	470,000,000
Current Tax Liabilities	64,733,499	-	64,733,499
Differed Tax Liability	-	5,366,989	5,366,989
Defined Benefit Liability	-	4,672,272	4,672,272
Other Liabilities	299,181,771	(112,515,617)	186,666,154
Total Liabilities	10,862,229,751	(118,608,197)	10,743,621,554
Equity			
Share Capital	600,252,230	-	600,252,230
Reserves			
Retained Earnings	265,814,718	(337,815)	265,476,903
Foreign Exchange Fluctuation Reserve	18,457,824	-	18,457,824
Total Equity	884,524,772	(337,815)	884,186,958
Total Liabilities and Equity	11,746,754,523	(118,946,011)	11,627,808,511



3.4 Reconciliation of Balance Sheet as at 31st December 2018

	Local GAAP Reclassified	(Nu) Re-measurement	BFRS
Assets			
Cash & cash Equivalents	245,305,296	(102,973)	245,202,323
Cash & Balances with Central Bank	1,070,772,154	-	1,070,772,154
Placement with other Banks	1,245,318,993	(1,287,403)	1,244,031,590
Loans & Advances to Customers	6,365,883,367	(114,252,187)	6,251,631,180
Equity instruments – at cost	7,750,000	-	7,750,000
Debt Instruments at Amortized Cost	41,632,466	(532)	41,631,934
Other Financial Assets	2,945,611	-	2,945,611
Other Assets	40,894,533	12,264,923	53,159,456
Defined Benefit Asset	-	865,627	865,627
Property, Plant & Equipment	44,128,478	-	44,128,478
Intangible Assets	33,897,414	-	33,897,414
Total Assets	9,098,528,312	(102,512,545)	8,996,015,767
Liabilities			
Due to Customers	6,077,364,776	(13,085,766)	6,064,279,010
Due to Banks	1,883,554,716	-	1,883,554,716
Debt issued and Other Borrowed Funds	150,000,000	-	150,000,000
Current Tax Liabilities	49,143,601	-	49,143,601
Differed Tax Liability	-	5,689,282	5,689,282
Other Liabilities	285,043,162	(108,391,051)	176,652,111
Total Liabilities	8,445,106,255	(115,787,535)	8,329,318,720
Equity			
Share Capital	424,997,860	-	424,997,860
Reserves			
Retained Earnings	216,068,726	13,274,991	229,343,717
Foreign Exchange Fluctuation Reserve	12,355,470	-	12,355,470
Total Equity	653,422,056	13,274,991	666,697,047
Total Liabilities and Equity	9,098,528,312	(102,512,545)	8,996,015,767



NOTES TO FINANCIAL STATEMENTS

4) Interest and Similar Income		(Nu)
	2019	2018
Interest Income from Loans	758,075,627	590,509,482
Interest Income from Preferential Lending	2,769,007	3,714,991
Total	760,844,634	594,224,473
5) Interest & Similar Expense		(Nu)
	2019	2018
Interest on Saving Deposits	103,557,716	76,499,328
Interest on Fixed and Recurring Deposits	317,447,215	305,804,285
Interest on Govt. Bonds	11,243,836	9,000,000
Total	432,248,766	391,303,613
6) Net Fees & Commission Income		(Nu)
Fees & Commission Income	2019	2018
Commission Earnings	47,341,993	49,848,416
Commission on Forex	11,958,299	8,629,589
Total fees and commission income	59,300,292	58,478,005
Fees & Commission Expense	-	-
Net Fees & Commission Income	59,300,292	58,478,005
7) Other Operating Income		(Nu)
	2019	2018
Interest on FD with other banks	56,034,749	40,409,925
Foreign Exchange Gain	24,409,413	37,392,028
Income from Investments	4,596,712	3,996,767
Other Receipts	5,936,506	5,552,914
Total	90,977,379	87,351,634
8) Personnel Expenses		(Nu)
	2019	2018
Salaries, Wages and Bonus	80,568,104	54,916,516
Gratuity paid	7,547,599	714,461
Earned Leave Encashment-Staff	3,303,263	2,503,870
Pre-paid staff cost	(2,089,316)	1,679,346
Current Service Cost	2,203,284	976,583
	91,532,935	60,790,776

As per the requirement of Revenue and Customs Office, Thimphu the company is required to recognise bonus on cash basis since 2018.



NOTES TO FINANCIAL STATEMENTS

9) Other Operating Expenses

	(Nu)	
	2019	2018
Advertising & Marketing	3,497,410	2,799,376
Administrative	12,100,469	9,895,059
Professional Fees	1,266,189	1,979,448
Rent Paid under operating leases	11,935,963	10,142,559
Other	51,416,372	38,678,320
	80,216,404	63,494,762

10) Impairment (charges)/reversal for loans and other losses

	(Nu)	
Impairment	2019	2018
Provision as per GAAP	(46,643,320)	(26,951,884)
Addition/(Reversal) for the Years	(6,430,394)	5,012,879
Closing Balance as at 31 December	(53,073,714)	(21,939,005)

With adoption of BFRS 9 - Financial Instruments, the provision for loans and advances increased by Nu. 6,430,394.00 in 2019 and decreased by Nu. 5,012,879.00 in 2019 compared to RMA provision.

11) Taxation

The major components of income tax expense for the year ended 31st December are as follows.

Statement of Comprehensive Income

	(Nu)	
Current Income Tax	2019	2018
Income Tax for the year	(64,733,499)	(46,187,084)
Assessed Tax paid/payable pertaining to earlier years	-	(2,956,517)
Deferred Tax		
Deferred Taxation Charge/ (Reversal)	1,343,452	347,540
Income Tax expense reported in the Statement of Profit or Loss	(63,390,047)	(48,796,061)

11.1) A reconciliation between Tax Expense and the Product of Accounting Profit

	(Nu)	
	2019	2018
Accounting Profit before Income Tax	237,004,353	188,788,565
	237,004,353	188,788,565
Statutory Tax Rate	30%	30%
Computed Tax Expenses	71,101,305.92	56,636,569
Increase /(reduction) in the aforesaid computed tax expenses on account of :		
10% rebate for 100% Bhutanese employee	(7,110,131)	(5,663,657)
Reversal of provision not considered in Income Tax Act	83,070.21	(1,503,864)
Preferential Lending Income (Tax exempt)	(830,702)	(1,114,497)
Bonus for 2017 paid in 2018		(1,508,835)

NOTES TO FINANCIAL STATEMENTS

Additional tax on increased Income/ (Expenses reduced)	1,489,956	(1,006,172)
Total	64,733,499	45,839,544
Adjustment recognised in current year in relation to the current tax of prior years	-	2,956,517
Current Tax	64,733,499	48,796,061
	(Nu)	
12) Basic Earnings Per Share	2019	2018
Total comprehensive income for the year, net of tax	173,614,305	139,992,504
Number of shares	60,025,223	42,499,786
Basic Earnings Per Share	2.89	3.29
13) Cash & Cash Equivalents	(Nu)	
	2019	2018
Local currency on hand	158,476,614	127,190,824
Foreign currency on hand	6,453,898	4,855,951
Balance with Banks in Bhutan	88,734,390	88,828,832
Balance with Banks in India & Bhutan	768,596,738	24,429,689
	1,022,261,641	245,305,296
Less: Allowance for Expected Credit Loss	(362,787)	(102,973)
	1,021,898,854	245,202,323
14) Balances with Central Bank of Bhutan(RMA)	(Nu)	
	2019	2018
Balance with RMA	297,047,482	383,110,506
Cash Reserve Requirement with RMA	921,419,542	687,661,648
Balances with Central Bank of Bhutan(RMA)	1,218,467,024	1,070,772,154
15) Placements with other banks	(Nu)	
	2019	2018
Fixed Deposits with banks in Bhutan & abroad	1,544,527,776	1,245,318,993
Less: Allowance for Expected Credit Loss	(1,220,566)	(1,287,403)
	1,543,307,210	1,244,031,590
16) Loans and Advances to Customers	(Nu)	
	2019	2018
Gross loans & receivables	7,968,933,703	6,534,023,868
Less: Unamortised Staff loan	(25,750,035)	(12,264,923)
	7,943,183,668	6,521,758,945



NOTES TO FINANCIAL STATEMENTS

Less: Impairment on Loans and Advances		
Individual impairment	3,441,446	30,689,154
Collective impairment	316,960,461	239,438,611
Total Impairment	(320,401,907)	(270,127,765)
Net Loans and Receivables	7,622,781,761	6,251,631,180

	(Nu)	
Loans & Advances to Customers	2019	2018
Term Loan	6,433,018,628	5,275,016,752
Overdrafts	1,388,850,669	1,153,554,853
Bills discounted	2,005,733	331,870
Working Capital Loans	104,706,389	63,182,619
Loans Under Litigation	-	10,074,293
Interest Receivable	40,352,284	31,863,481
	7,968,933,703	6,534,023,868
Less: Unamortised Staff Loans	(25,750,035)	(12,264,923)
Less: Impairment allowance for loans and advances	(320,401,907)	(270,127,765)
Total	7,622,781,761	6,251,631,180

	(Nu)	
17) Equity instruments - at cost	2019	2018
Statutory Investments		
Investment in FITI (4.62% of Share Capital of FITI)	6,000,000	6,000,000
Investment in CIB (7% of Share Capital of CIB)	1,750,000	1,750,000
Total	7,750,000	7,750,000

Since the investments in Financial Institutions Training Institute Ltd (FITI) and Credit Information Bureau (CIB) are non-corporate investments with no dividends or returns paid on the investments and due to non-availability of fair value data, the fair value of the investments are not carried out. FITI and CIB are not listed on stock exchange.

	(Nu)	
18) Debt Instruments		
As at 31st December	2019	2018
Investment in Bonds	21,208,219	41,632,466
Less: Allowance for Expected Credit Loss	(177)	(532)
	21,208,042	41,631,934



NOTES TO FINANCIAL STATEMENTS

	(Nu)	
19) Defined Benefit Asset (Liability)	2019	2018
Net defined benefit asset at the beginning of current period	865,627	4,481,067
Current Service Cost	(2,203,284)	(1,226,883)
Amount recognized in the income statement	69,250	313,675
Amount recognized in the OCI	(3,403,865)	(2,952,532)
Contributions paid into the plan	-	
Benefits paid by the employer	-	250,300
Net defined benefit asset at the end of current period	(4,672,272)	865,627

Defined Benefit Plan:

A defined benefit plan/(gratuity) defines, an amount of benefit that an employee is entitled to receive on (a) retirement/resignation or (b) on superannuation or (c) on death or disablement due to accident or disease as per the terms and conditions specified in the service rule of the bank. The benefit is dependent on factors such as age, number of years served and salary. The maximum amount an employee is entitled to receive is Nu 0.9 million in 2018 reporting period. A full actuarial valuation by a qualified independent actuary is carried out every year.

As acquired under BAS-19, valuation of scheme benefits is done by 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.

Details of Fair Value of Plan Assets as on 31.12.19	2019	2018
Fair Value of Assets at the beginning of the Current Period	9,570,867	9,328,517
Contribution Paid into the Plan	-	
Expected return on Plan Assets	711,150	621,491
Benefits Paid	(1,715,140)	(396,760)
Return on Plan Assets greater or less than discount rate	(14,086)	17,619
	8,552,791	9,570,867

Expected Benefit Payments for the year ending	2019	2018
31st December 2018		
31st December 2019		1,362,981
31st December 2020	1,470,697	1,575,663
31st December 2021	1,766,465	1,743,039
31st December 2022	2,030,000	188,033
31st December 2023	2,434,000	2,089,903.00
31st December 2024	2,857,000.00	



NOTES TO FINANCIAL STATEMENTS

31st December 2025 to 31st December 2029	15,261,000	10,475,708
Scheme Asset Allocation	2019	2018
Investment with BIL	9,114,877	8,518,577
Gratuity Payable Account	3,233,883	9,953,905
Total	12,348,760	18,472,482

Sensitivity of assumption employed in actuarial valuation

31.12.2019	Defined Benefit Obligation	Net Effect on Defined Benefit Obligation
1) Discount Rate		
Base Discount Rate of 8%	13,225,063	
Discount Rate of 9% (+1%)	12,285,644	(939,419)
Discount Rate of 7% (-1%)	14,307,283	1,082,220
2) Salary Escalation Rate		
Base Salary Escalation Rate of 6%	13,225,063	
Salary Escalation Rate of 7%(+1%)	14,287,563	1,062,500
Salary Escalation Rate of 5%(-1%)	13,348,816	(938,747)
31.12.2018	Defined Benefit Obligation	Net Effect on Defined Benefit Obligation
1) Discount Rate		
Base Discount Rate of 7%	8,705,240	
Discount Rate of 7.50% (+0.5%)	8,223,442	(481,798)
Discount Rate of 6.50% (-0.5%)	9,246,513	541,273
2) Salary Escalation Rate		
Base Salary Escalation Rate of 12%	8,705,240	
Salary Escalation Rate of 13%(+1%)	9,253,144	547,904
Salary Escalation Rate of 11%(-1%)	8,757,409	(495,735)

Summary of Acturial Assumptions	31.12.19	31.12.2018
Discount Rate(%)	8.3	8
Salary Escalation Rate(%)	6	6
Employee Turnover Rates(%)	8	8
Mortality Rates (%)	100% of IALM (2006-08)	100% of IALM (2006-08)



20) Other Financial Assets

	(Nu)	
As at 31st December	2019	2018
Sundry Receivables	1,163,069	1,933,318
Security Deposits	1,020,293	1,012,293
	2,183,362	2,945,611

Sundry Receivables and Security Deposits were not measured at amortised cost or fair value since the figures were not material.

21) Other Assets

	(Nu)	
As at 31st December	2019	2018
Investment in banks	9,114,877	8,518,577
Advance Tax paid	15,589,553	12,140,308
Stock of Stationery	5,864,307	3,923,114
Others (loan routine, settlement bridge)	40,160,683	12,863,512
Prepaid Staff Expense	25,750,035	12,264,923
Prepayments	5,660,968	3,449,022
	102,140,422	53,159,456

The Movement in Pre-Paid Staff cost

	(Nu)	
	2019	2018
As at 1st January	12,264,923	10,520,685
Add / (Less): Adjustment for new grants & settlements	15,574,427	3,423,584
Less: charge to Personnel cost	(2,089,316)	(1,679,346)
As at 31st December	25,750,035	12,264,923



NOTES TO FINANCIAL STATEMENTS

22) Property, Plant and Equipment

Cost/Revalued Amount:	Vehicles	Computer hardware	Other Equipments	IT Equipments	ATM Machines & Switch	Fixture & Improvement of Bldg	Security Equipments	Furniture & fixtures	Total
At 1 January 2018	9,410,868	22,444,167	16,402,973	13,675,293	9,242,766	3,870,817	2,500,328	13,762,792	91,310,003
Additions	215,594	3,524,197	5,243,396	3,215,690	4,859,746	4,933,069	32,980	871,753	22,896,425
Disposals	-	(177,300)	(93,000)	(10,000)	-	-	-	-	(280,300)
At 31 December 2018	9,626,462	25,791,064	21,553,369	16,880,983	14,102,512	8,803,886	2,533,308	14,634,545	113,926,128
Additions	-	6,130,298	3,797,315	4,815,261	2,312,934	4,679,844	-	2,930,600	24,666,251
Disposals	(5,234,142)	(5,234,142)							(5,234,142)
At 31 December 2019	4,392,319	31,921,362	25,350,684	21,696,244	16,415,446	13,483,730	2,533,308	17,565,144	133,358,238
Accumulated Depreciation	Vehicles	Computer hardware	Other Equipments	IT Equipments	ATM Machines & Switch	Fixture & Improvement of Bldg	Security Equipments	Furniture & fixtures	Total
At 1 January 2018	6,090,458	15,024,779	12,267,649	10,144,685	6,799,716	2,477,245	1,637,921	7,275,541	61,717,995
Charge for the year	632,800	2,051,329	1,699,017	902,309	878,093	645,062	203,442	1,289,927	8,301,980
Disposals	-	(177,299)	(45,023)	-	-	-	-	-	(222,322)
At 31 December 2018	6,723,258	16,898,808	13,921,644	11,046,994	7,677,809	3,122,307	1,841,364	8,565,468	69,797,653
Additions	658,848	2,741,899	1,905,823	1,191,662	1,336,824	1,223,065	200,580	1,275,329	10,534,030
Disposals	(5,234,142)								(5,234,142)
At 31 December 2019	2,147,964	19,640,708	15,827,466	12,238,656	9,014,634	4,345,372	2,041,943	9,840,797	75,097,541
Net book value:									
2016 December	3,429,922	6,523,997	4,235,635	853,249	1,205,704	9	431,714	2,607,783	19,288,012
2017 December	3,320,409	7,419,388	4,135,324	3,530,608	2,443,050	1,393,571	862,406	6,487,251	29,592,008
2018 December	2,903,203	8,892,256	7,631,726	5,833,989	6,424,703	5,681,578	691,944	6,069,077	44,128,476
2019 December	2,244,355	12,280,654	9,523,218	9,457,588	7,400,813	9,138,358	491,364	7,724,347	58,260,697

23) Intangible Assets

Cost:	Softwares (Nu)
At 31 December 2018	63,692,079
Additions	2,425,828
Disposals	
At 31 December 2018	29,794,665
At 31 December 2018	29,794,665
Additions	6,512,104
Disposals	
At 31 December 2019	36,306,769
Net book value:	
At 31 December 2018	33,897,414
At 31 December 2019	29,811,139



NOTES TO FINANCIAL STATEMENTS

24) Due to Customers	(Nu)	
	2019	2018
Fixed Deposit	3,957,958,766	2,904,540,866
Recurring Deposit	67,139,730	51,941,069
Savings Deposits	2,062,624,378	2,373,761,690
Current Accounts	768,098,411	523,458,314
Interest Payable	281,386,509	223,662,837
Deposit EIR adjustment	(16,131,840)	(13,085,766)
Total	7,121,075,953	6,064,279,010

25) Due to Other Banks		
Bank of Bhutan Limited	300,000,000	
Bhutan Development Bank Limited	415,179,005	456,717,743
Bhutan National Bank Limited	1,650,000,000	900,000,000
Druk PNB Limited	525,927,683	526,836,973
Total	2,891,106,687	1,883,554,716

26) Debts issued and Other Borrowed Funds	(Nu)	
	2019	2018
Subordinate term debt (Bonds of RGoB) amounting to Nu.150,000,000 and Nu.350,000,000 issued for 10 years and 7 years @ coupon rate of 6% p.a and 9% p.a	470,000,000	150,000,000
Total	470,000,000	150,000,000

27) Current Tax Liabilities	(Nu)	
	2019	2018
Balance as at 1st January	49,143,601	26,644,957
Current year provision	64,733,499	49,143,601
Less: Payment of tax	(49,143,601)	(26,644,957)
Balance as at 31st December	64,733,499	49,143,601
Deferred Tax Liabilities	5,366,989	5,689,282
Total Tax Liability	70,100,487	54,832,883

28) Analysis of Financial Instruments By Measurement Basis

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

As at 31-Dec-2018-Bank	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Analysis of Financial Instruments by Measurement Basis					
Financial Assets					
Cash & cash Equivalents		245,202,323			245,202,323
Cash & Balances with Central Bank		1,070,772,154			1,070,772,154
Placement with other Banks		1,244,031,590			1,244,031,590
Loans & Advances to Customers		6,251,631,180			6,251,631,180
Equity Instruments			7,750,000		7,750,000
Debt Instruments			41,631,934		41,631,934



NOTES TO FINANCIAL STATEMENTS

Other Financial Assets:

Sundry Receivables	1,933,318	1,933,318
Security Deposits	1,012,293	1,012,293

Financial Liabilities

Due to Customers	6,064,279,010	6,064,279,010
Due to Banks	1,883,554,716	1,883,554,716
Debts issued and Other Borrowed Funds	150,000,000	150,000,000

Other Financial Liabilities	175,486,281	175,486,281
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Analysis of Financial Instruments by Measurement Basis 2019	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
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Financial Assets

Cash & cash Equivalents	1,021,898,854	1,021,898,854
Cash & Balances with Central Bank	1,218,467,024	1,218,467,024
Placement with other Banks	1,543,307,210	1,543,307,210
Loans & Advances to Customers	7,622,781,761	7,622,781,761
Equity Instruments	7,750,000	7,750,000
Debt Instruments	21,208,042	21,208,042

Other Financial Assets

Sundry Receivables	1,163,069	1,163,069
Security Deposits	1,020,293	1,020,293

Financial Liabilities

Due to Customers	7,121,075,953	7,121,075,953
Due to Banks	2,891,106,687	2,891,106,687
Debts issued and Other Borrowed Funds	470,000,000	470,000,000

Other Financial Liabilities	120,170,742	120,170,742
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	Reflected in Statement of Financial Position (Nu)		Reflected in Statement of Comprehensive Income (Nu)	
29) Deferred Taxation	2019	2018	2019	2018

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

Defined Benefit Asset	(1,401,682)	259,688	(1,141,994)	1,084,632
Deposit EIR	4,839,552	3,925,730	(913,822)	(1,389,264)
GAAP vs BFRS Provision	1,929,118	1,503,864	(425,254)	1,537,932
Total	5,366,989	5,689,282	(2,481,070)	1,233,300

Deferred Tax has been determined based on the enacted tax rate @ 30%

30) Other Liabilities	(Nu)	
	2019	2019
Financial		
Sundry Creditors	595,033	1,052,862
Provision Against Off-Balance Sheet items	8,062,947	443,118
Others	111,512,762	173,990,301
Provision for Dividend/Retained Earning	66,027,745	
Non Financial		
Others	467,667	1,165,830
Total	186,666,154	176,652,111



NOTES TO FINANCIAL STATEMENTS

31) Share Capital	(Nu)	
	2019	2018
Share Capital (42,499,786 shares of Nu.10/- each fully paid)	424,997,860	300,000,000
Bonus Shares issued (5,591,654 shares of Nu.10/- each fully paid)	55,916,540	124,997,860
Rights Shares issued (11,933,783 shares of Nu. 10/- each fully paid)	119,337,830	
Total Share Capital	600,252,230	424,997,860

31.1) Reconciliation of Equity Share Capital	Number of shares
As at 31st December 2018	42,499,786
Change during the year (Bonus shares issued-5,591,654) and Right Share issued-11,933,783)	17,525,437
As at 31st December 2019	60,025,223

32) Reserve & Surplus

Retained Earnings		
Opening Balance	229,343,717	235,903,169
Profit during the year as per Statement Comprehensive Income	173,614,304	139,992,504
Other Comprehensive Income, net of tax	(2,382,706)	(2,066,772)
Adjustments (Bonus Shares issue)	(55,916,540)	(124,997,860)
Add: Addition during the year to Exchange Fluctuation Reserve	(6,102,354)	(9,348,007)
Transfer during the year	(66,027,745)	
Share Premium Account	3,424	
BFRS Adjustment (Ref -Note below 32.1)	(7,055,197)	(10,139,317)
BFRS Adjustment (Ref -Note below 32.1)	(56,271,041)	43,443,161
Balance as per BAS/BFRS	265,476,903	229,343,717
Exchange Fluctuation Reserve		
Opening Balance	12,355,470	3,007,463
Addition during the year	6,102,354	9,348,007
Closing Balance	18,457,824	12,355,470
Total Reserves & Surplus	283,934,727	241,699,187

32.1) The Company has adopted BFRS – 9 in year 2018 and prepared the BAS complied financial statements for the year 2019. The BFRS Adjustment reconciliation is shown below:

Opening Balance (due to BFRS adoption)	(13,274,991)
Addition during the year from SOFP:	(337,815)
Addition during the year from SOCI:	6,557,608
Total	(7,055,197)

33) Commitment and Contingencies

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



NOTES TO FINANCIAL STATEMENTS

33.1) Commitment and Contingencies

As at 31st December	(Nu)	
	2019	2018
Contingent Liabilities		
Performance Guarantees	71,885,528	26,994,398
Financial Guarantees	27,299,984	10,582,738
Import Letter of Credits	268,982,308	276,005,744
Other		
Income tax demand not acknowledged as debt	-	166,146
Commitment & contingencies	368,167,819	313,749,026

33.2) Other Contingent Liabilities

Litigation against the Bank

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

34) Related Party Disclosures

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Bhutanese Accounting Standard - 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.

34.1) Parent and Ultimate Controlling Party

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

34.2) Transactions with Key Managerial Personnel (KMPs)

According to Bhutanese Accounting Standard - 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 partner and children of the KMPs domestic partner and dependants of the KMPs and the KMPs domestic partner.

Transactions with Key Managerial Personnel (KMPs)	(Nu)	
For the Year Ended 31st December	2019	2018
Remuneration paid to CEO	3,726,432.00	3,554,741.00
Sitting Fees paid to CEO	98,000.00	92,000.00
Directors' fees & expenses	903,827.28	700,396.00
Total	4,728,259.28	4,347,137.00

In addition to the above, the Bank has also paid non cash benefits such as fuel and medical benefits to KMPs in line with the approved benefit plans of the Bank.

34.3.1) Loans and Advances to KMPs and their CFMs are detailed below:

	2019		2018		Average Balance	
	Limit	Closing Balance	Limit	Closing Balance	Limit	Closing Balance
Loans and Receivables	17,181,400	11,575,415	7,939,325	6,660,521	12,560,363	9,117,968

34.3.2) Deposits from KMPs and their CFMs are detailed below:

	Closing Balance	Average Balance
	2019	2018
Deposits	842,902.94	2,635,804.00



34.4 Transactions, Arrangements and Agreements involving Entities which are controlled and /or jointly controlled by the KMPs:

		Average Balance	
Loans & receivables:		2019	2018
BCCL	Overdraft Facility	19,862,694	-
BCCL	Overdraft Facility	31,197,626	-
BCCL-OWMI	Overdraft Facility	92,703,391	-
Bhutan Fruit Products	Overdraft Facility	22,030,170	32,114,418
Dasho Wangchuk Dorji	Term Loan	-	-
Druk Petroleum Corporation	Overdraft Facility	22,383,735	-
Tashi Thuendrei Lerig	Overdraft Facility	26,730,758	29,886,229
Tashi Metals Private Limited	Overdraft Facility	10,796,424	7,438,801
Tashi Metals Private Limited	Term Loan	65,377,583	69,699,910
Tashi Tours and Travel	Overdraft Facility	226,990	-
Tashi Tours and Travel	Term Loan	615,524	363,958
Bhutan Airlines	Term Loan	1,340,880	1,652,059
Tashi InfoComm Ltd.	Overdraft Facility	-	10,075,945
Bhutan Hyundai Motors	Overdraft Facility	0.12	51,860
Dasho Topgyal Dorji	Overdraft Facility	46,567,903	47,201,076
Tashi Commercial Corporation	Overdraft Facility	1,662,194	1,870,659
Tashi Commercial Corporation Head office	Term Loan	60,061,644	-
Tashi Commercial Corporation Head office	Overdraft Facility	5,557,954	-
Tashi Beverages Limited	Term Loan	20,016,438	-
Tashi Beverages Limited	Term Loan	54,454,932	-
Tashi Commercial Complex	Overdraft Facility	22,451,133	29,360,403
Tashi Spare parts	Overdraft Facility	-	-
Tashi Phuntsholing Complex	Term Loan	-	-
Tashi Industries Corporation	Overdraft Facility	921,154	1,259,123
RICBL	Overdraft Facility	149,999,593	150,957,580
Bhutan Oil Distributors	Overdraft Facility	-	2,998,415
SKW Tashi Metals & Alloys Pvt. Ltd.	Overdraft Facility	19,764,809	17,769,625
TICMATHA	Overdraft Facility	-	-
TRTI	Overdraft Facility	-	-
Hotel Druk	Overdraft Facility	2,214,060	-
Documentary Credits			
Bhutan Hyundai Motors		54,373,905	6,446,469
Guarantees			



NOTES TO FINANCIAL STATEMENTS

Bhutan Airlines	27,551,845	7,799,500
Bhutan Hyundai Motors	3,200,000	-
Bhutan Oil Distributors	183,680	-
Bhutan Carbide and chemical limited	660,165	-
Corporate Bonds		
Tashi Air Pvt. Ltd.	20,000,000	20,000,000
Guarantees		
Bhutan Airlines	3,899,750	-
Corporate Bonds		
Tashi Air Pvt. Ltd.	20,000,000	20,000,000
Total	782,907,183.48	436,946,030

34.5) Goods and Services Purchased

During the year, the Bank purchased goods and services from entities where KMPs have either control and / or joint control.

	(Nu)	
	2019	2018
Tashi Real Estate Pvt. Ltd	6,042,633.60	5,160,241
Bhutan Brewery Pvt. Ltd.	360,000.00	480,000
Tashi InfoComm Ltd.	1,943,192	1,821,301
Hotel Druk	121,183.00	155,439
RICBL	914,406.00	1,172,553
Total	9,381,414.68	8,789,534

34.6) Transactions with Subsidiaries

The Bank has no subsidiaries.

35) Events After The Reporting Period

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

36) Fair value of Financial Instruments

Financial Instruments Recorded at Fair Value

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

Trading Assets and Other Assets Measured at Fair Value

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

Determination of Fair Value and Fair Value Hierarchy

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



Fair values are determined according to the following hierarchy:

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

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

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

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

31st December 2019	Level I	Level II	Level III
Financial Investment at cost	-	-	7,750,000
31st December 2018			
Financial Investment at cost	-	-	7,750,000

A. Determination of fair value hierarchy

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements. For Investment in equity instrument, the management has considered the value of the investment at cost. For financial assets and liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and saving deposits which do not have a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets & liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity.

For quoted debt issued.

The fair values are determined based on quoted market prices. For those not issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

For other variable rate instruments

An adjustment is also made to reflect the change in required credit spread since the instrument was first recognized. Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non financial assets and non financial liabilities.



NOTES TO FINANCIAL STATEMENTS

	(Nu) 2019		(Nu) 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash & cash equivalents	1,021,898,854	1,021,898,854	245,202,323	245,202,323
Balances with RMA	1,218,467,024	1,218,467,024	1,070,772,154	1,070,772,154
Placements with Banks	1,543,307,210	1,543,307,210	1,244,031,590	1,244,031,590
Loans & Advances to Customers	7,968,933,703	7,622,781,761	6,534,023,868	6,251,631,180
Equity Instruments	7,750,000	7,750,000	7,750,000	7,750,000
Debt Instruments	21,208,219	21,208,042	41,632,466	41,631,934
Other Financial Assets	2,183,362	2,183,362	2,945,611	2,945,611
Financial Liabilities				
Due to customers	7,137,207,794	7,121,075,953	6,077,364,776	6,064,279,010
Due to Banks	2,891,106,687	2,891,106,687	1,883,554,716	1,883,554,716
Debts Issued & Other Borrowed Funds	470,000,000	470,000,000	150,000,000	150,000,000
Other Financial Liabilities	120,170,742	120,170,742	175,486,281	175,486,281

37) Risk Management

37.1) Credit Risk

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

For commercial lending: charges over real estate properties, inventory and trade receivables.

For retail lending: mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.



NOTES TO FINANCIAL STATEMENTS

31st December 2019	Maximum Exposure to credit Risk	(Nu) Net Collateral	Net Exposure
Financial Assets			
Placement with other Banks	1,543,307,210	-	1,543,307,210
Loans & Advances to Customers	7,622,781,761	10,889,688,230	-
Investment's in Bonds	21,208,042	-	21,208,042
Other Financial Assets	2,183,362	-	2,183,362.00
31st December 2018			
Financial Assets			
Placement with other Banks	1,244,031,590	-	1,244,031,590
Loans & Advances to Customers	6,251,631,180	8,689,427,221	-
Investment's in Bonds	41,631,934	-	41,631,934
Other Financial Assets	2,945,611	-	2,945,611

Credit quality by class of financial asset

The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk.

The amounts presented are net of impairment allowances.

Definition of Past Due

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

31st December 2019	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	1,021,898,854	-	-	1,021,898,854
Cash & Balances with Central Bank	1,218,467,024	-	-	1,218,467,024
Placement with other Banks	1,543,307,210	-	-	1,543,307,210
Loans & Advances to Customers	5,615,676,105	1,780,688,097	226,417,559	7,622,781,761
Equity Instruments	7,750,000	-	-	7,750,000
Debt Instruments	21,208,042	-	-	21,208,042
Other Financial Assets	2,183,362	-	-	2,183,362
Total	9,430,490,596	1,780,688,097	226,417,559	11,437,596,252

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets:

Past due but not impaired					
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	Total
Loans & receivables to other customers	704,249,234	409,490,023	342,534,729	324,414,111	1,780,688,097

31st December 2018	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	245,202,323	-	-	245,202,323
Cash & Balances with Central Bank	1,070,772,154	-	-	1,070,772,154
Placement with other Banks	1,244,031,590	-	-	1,244,031,590
Loans & Advances to Customers	5,257,532,495	930,165,292	63,933,393	6,251,631,180
Equity Instruments	7,750,000	-	-	7,750,000
Debt Instruments	41,631,934	-	-	41,631,934
Other Financial Assets	2,945,611	-	-	2,945,611
Total	7,869,866,107	930,165,292	63,933,393	8,863,964,792



NOTES TO FINANCIAL STATEMENTS

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets:

Past due but not impaired

	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	Total
Loans & receivables to other customers	410,145,993	209,674,856	61,468,517	248,875,926	930,165,292

Analysis of Risk Concentration

Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements. The following tables show the maximum exposure to credit risk for the components of the Statement of Financial Position, including geography of counterparty.

Country Risk - Geographical Analysis

As at 31-Dec-2019	Bhutan	Asia	Americas	Total
Cash & cash Equivalents	253,606,694	768,292,159		1,021,898,854
Cash & Balances with Central Bank	1,218,467,024			1,218,467,024
Placement with other Banks	1,059,662,025	373,797,282	109,847,903	1,543,307,210
Loans & Advances to Customers	7,622,781,761			7,622,781,761
Equity Instruments	7,750,000			7,750,000
Debt Instruments	21,208,042			21,208,042
Other Financial Assets	2,183,362			2,183,362

Regional Break-up of Loans(Gross Loans)

Gelephu	254,709,408
Mongar	146,652,773
Paro	435,224,100
Phuentsholing	805,900,956
Samdrupjongkhar	159,039,301
Samtse	64,177,178
Thimphu	5,207,158,665
Trashigang	114,205,942
Wangdue	435,713,437
Total	7,622,781,761

Country Risk - Geographical Analysis

Regional Break-up of Loans(Gross Loans)

Gelephu	262,298,211
Mongar	102,618,654
Paro	293,375,670
Phuentsholing	605,215,525
Samdrupjongkhar	102,338,985
Samtse	26,875,416
Thimphu	4,441,493,368
Trashigang	36,197,373
Wangdue	381,217,978
Total	6,251,631,180



NOTES TO FINANCIAL STATEMENTS

37.1 Industry Analysis

31st Dec 2019	Industrial	Govt.	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Balances with Central Bank	-	-	-	-	-	-	-	-	1,218,467,024	1,218,467,024
Placement with other Banks	-	-	-	-	-	-	-	-	1,543,307,210	1,543,307,210
Loans & Advances to Customers	242,742,523	-	1,044,837,722	2,762,513,372	-	119,084,658	935,007,712	1,013,814,243	1,504,781,532	7,622,781,761
Equity Instruments	-	-	-	-	-	-	-	-	7,750,000	7,750,000
Debt Instruments	21,208,042	-	-	-	-	-	-	-	-	21,208,042
Other Financial Assets	-	-	-	-	-	-	-	-	2,183,362	2,183,362
31st Dec 2018	Industrial	Govt.	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Balances with Central Bank	-	-	-	-	-	-	-	-	1,070,772,154	1,070,772,154
Placement with other Banks	-	-	-	-	-	-	-	-	1,244,031,590	1,244,031,590
Loans & Advances to Customers	189,602,555	-	693,429,668	2,160,520,659	-	211,137,892	89,772,025	952,500,503	1,954,667,878	6,251,631,179
Equity Instruments	-	-	-	-	-	-	-	-	7,750,000	7,750,000
Debt Instruments	41,631,934	-	-	-	-	-	-	-	-	41,631,934
Other Financial Assets	-	-	-	-	-	-	-	-	2,945,611	2,945,611

Economic sector risk concentrations within the gross loans and advances to customers are as follows:

	31-Dec-19		As at 31-Dec-2018	
	Amount (Nu.)	%	Amount (Nu.)	%
Industrial	242,742,523	3.18%	189,602,555	3.03%
Services & tourism	1,044,837,722	13.71%	693,429,668	11.09%
Construction	2,762,513,372	36.24%	2,160,520,659	34.56%
Transport	119,084,658	1.56%	211,137,892	3.38%
Trade & Commerce	935,007,712	12.27%	89,772,025	1.44%
Consumer	1,013,814,243	13.30%	952,500,503	15.24%
Others	1,504,781,532	19.74%	1,954,667,878	31.27%
Total	7,622,781,761	100%	6,251,631,180	100%

37.2) Liquidity Risk & Funding management

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2018. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.



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31st December 2019	up to 3 months	3 to 12 months	1 to 3 years	3-5 years	Over 5 years	Total
Cash & cash Equivalents	1,021,898,854	-	-	-	-	1,021,898,854
Cash & Balances with Central Bank	1,218,467,024	-	-	-	-	1,218,467,024
Placement with other Banks	510,020,929	1,033,286,281	-	-	-	1,543,307,210
Loans & Advances to Customers	965,623,218	1,173,749,369	311,451,029	929,512,785	4,242,445,360	7,622,781,761
Equity Instruments	-	-	-	-	7,750,000	7,750,000
Debt Instruments	-	-	-	-	21,208,042	21,208,042
Other Financial Assets	-	2,183,362	-	-	-	2,183,362
Total Assets	3,716,010,024	2,209,219,012	311,451,029	929,512,785	4,271,403,402	11,437,596,253
Due to Banks	1,376,374,726	1,514,731,961	-	-	-	2,891,106,687
Due to Customers	3,130,722,789	842,143,109	1,943,967,568	605,316,059	598,926,429	7,121,075,954
Debts Issued & Other Borrowed Funds	-	-	-	-	470,000,000	470,000,000
Other Financial Liabilities	60,085,371	60,085,371	-	-	-	120,170,742
Total Liabilities	4,567,182,886	2,416,960,440	1,943,967,568	605,316,059	1,068,926,429	10,602,353,383
Net Financial Assets/(Liabilities)	(851,172,862)	(207,741,428)	(1,632,516,539)	324,196,726	3,202,476,973	835,242,869
31st December 2018	up to 3 months	3 to 12 months	1 to 3 years	3-5 years	Over 5 years	Total
Cash & cash Equivalents	245,202,323	-	-	-	-	245,202,323
Cash & Balances with Central Bank	1,070,772,154	-	-	-	-	1,070,772,154
Placement with other Banks	-	1,244,031,590	-	-	-	1,244,031,590
Loans & Advances to Customers	717,674,585	-	1,958,310	2,090,750,008	3,441,248,277	6,251,631,180
Equity Instruments	-	-	-	-	7,750,000	7,750,000
Debt Instruments	-	-	-	-	41,631,934	41,631,934
Other Financial Assets	-	2,945,611	-	-	-	2,945,611
Total Assets	2,033,649,062	1,246,977,201	1,958,310	2,090,750,008	3,490,630,211	8,863,964,792
Due to Banks	1,480,257,045	403,297,671	-	-	-	1,883,554,716
Due to Customers	2,897,220,005	455,224,121	1,330,731,801	882,083,851	499,019,232	6,064,279,010
Debts Issued & Other Borrowed Funds	-	-	-	-	150,000,000	150,000,000
Other Financial Liabilities	-	87,743,140	87,743,141	-	-	175,486,281
Total Liabilities	4,377,477,050	946,264,933	1,418,474,942	882,083,851	649,019,232	8,273,320,007
Net Financial Assets/(Liabilities)	(2,343,827,98)	300,712,268	(1,416,516,632)	1,208,666,157	2,841,610,979	590,644,785

37.3) Contractual Maturities of Commitments and Contingencies

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

As at 31 Dec 2019	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies							
Financial guarantees	-	15,500,420.00	46,037,241.90	10,347,866.00	-	-	71,885,528
Performance guarantees	-	15,363,368.50	10,970,503.70	966,111.58	-	-	27,299,984
Letter of Credits	-	147,626,428.28	121,355,879.35	-	-	-	268,982,308
Total Contingencies	-	-	-	-	-	-	368,167,819



NOTES TO FINANCIAL STATEMENTS

As at 31 Dec 2018	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies							
Financial guarantees	-	-	26,994,398	-	-	-	26,994,398
Letter of Credits	-	-	276,005,744	-	-	-	276,005,744
Total Contingencies	-	-	303,000,142	-	-	-	303,000,142

37.4 Market Risk - Interest Rate Risk

The below table analyses the bank interest rate risk exposure on non-trading financial assets and liabilities. The bank's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

31st December 2019	Upto 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Non-Interest Bearing	Total
Placement with other Banks	510,020,929	1,033,286,281	-	-	-	-	1,543,307,210
Loans & Advances to Customers	965,623,218	1,173,749,369	311,451,029	929,512,785	4,242,445,360	-	7,622,781,761
Debt Instruments	-	-	-	-	21,208,042	-	21,208,042
Other Financial Assets	-	-	-	-	-	-	-
Total Assets	1,475,644,147	2,207,035,650	311,451,029	929,512,785	4,263,653,402	-	9,187,297,013
Due to Banks	1,376,374,726	1,514,731,961	-	-	-	-	2,891,106,687
Due to Customers	3,130,722,789	842,143,109	1,943,967,58	605,316,059	598,926,429	-	7,121,075,954
Debts Issued & Other Borrowed Funds	-	-	-	-	470,000,000	-	470,000,000
Total Liabilities	4,507,097,515	2,356,875,070	1,943,967,58	605,316,059	1,068,926,429	-	10,482,182,641
Interest Rate sensitivity Gap	(3,031,453,368)	(149,839,420)	(1,632,516,539)	324,196,726	3,194,726,973	-	(1,294,885,628)

31st December 2018	Upto 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Non-Interest Bearing	Total
Placement with other Banks	-	1,244,031,590	-	-	-	-	1,244,031,590
Loans & Advances to Customers	717,674,585	-	1,958,310	2,090,750,008	3,441,248,277	-	6,251,631,180
Debt Instruments	-	-	-	-	41,631,934	-	41,631,934
Total Assets	717,674,585	1,244,031,590	1,958,310	2,090,750,008	3,482,880,211	-	7,537,294,704
Due to Banks	1,480,257,045	403,297,671	-	-	-	-	1,883,554,716
Due to Customers	2,897,220,005	455,224,121	1,330,731,801	882,083,851	499,019,232	-	6,064,279,010
Debts Issued & Other Borrowed Funds	-	-	-	-	150,000,000	-	150,000,000
Total Liabilities	4,377,477,050	858,521,792	1,330,731,801	882,083,851	649,019,232	-	8,097,833,726
Interest Rate sensitivity Gap	(3,659,802,465)	385,509,797	(1,328,773,491)	1,208,666,157	2,833,860,979	-	(560,539,024)

37.4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Bank classifies exposures to market risk into either trading or non trading portfolios and manages each of those portfolios separately.



NOTES TO FINANCIAL STATEMENTS

37.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank's policy is to continuously monitor positions on a daily basis and various strategies are used to ensure positions are maintained within prudential levels. The following tables demonstrate the sensitivity of the Bank's Statement of Comprehensive Income as at 31st December 2018 and 31st December 2019 to a reasonable possible change in interest rates, with all other variables held constant.

Rate Sensitive Assets (RSA) & Rate Sensitive Liabilities (RSL) as at 31st December

	2019	2018
Rate Sensitive Assets (RSA)*	9,187,297,013	7,537,294,704
Rate Sensitive Liabilities (RSL)*	10,482,182,641	8,097,833,726
GAP (RSA - RSL)	(1,294,885,628)	(560,539,023)

Impact on Income Statement due to Interest Rate Shocks as at 31st December

Interest Rate Shock	2019	2018
0.50%	(6,474,428)	(2,802,695)
1.00%	(12,948,856)	(5,605,390)
-0.50%	6,474,428	2,802,695
-1.00%	12,948,856	5,605,390

37.5) Currency Risk

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2019. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngutrum (Nu).

		2019			2018	
	Change in currency rate in %	Effect on profit before tax	Effect on Equity	Change in currency rate in %	Effect on profit before tax	Effect on Equity
USD	9.67%	24,409,413	17,086,588.80	9.67%	37,392,028.00	26,174,419.60

37.6) Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Reputational Risks are not covered in Operational Risk. Operational Risks of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy control framework which consists of monitoring and responding to potential risks.

37.7) Maturity Gap Analysis

As at 31 Dec 2019	Within 12 Months	After 12 Months	Total
Assets			
Cash & cash Equivalents	1,021,898,854	-	1,021,898,854
Cash & Balances with Central Bank	1,218,467,024	-	1,218,467,024
Placement with other Banks	1,543,307,210	-	1,543,307,210
Loans & Advances to Customers	2,139,372,588	5,483,409,174	7,622,781,761
Equity Instruments	-	7,750,000	7,750,000
Debt Instruments	-	21,208,042	21,208,042
Defined Benefit Assets	-	(4,672,272)	(4,672,272)
Other Financial Assets	2,183,362	-	2,183,362
Other Assets	102,140,422	-	102,140,422
Property, Plant & Equipment	-	58,260,697	58,260,697
Intangible Assets	-	29,811,139	29,811,139
Total Assets	6,027,369,459	5,595,766,780	11,623,136,239



NOTES TO FINANCIAL STATEMENTS

Liabilities

Due to Customers	3,972,865,898	3,148,210,056	7,121,075,954
Due to Banks	2,891,106,687	-	2,891,106,687
Debt issued and Other Borrowed Funds	-	470,000,000	470,000,000
Current Tax Liabilities	64,733,499	-	64,733,499
Differed Tax Liability	-	5,366,989	5,366,989
Other Liabilities	93,333,077	93,333,077	186,666,155
Total Liabilities	7,022,039,161	3,716,910,123	10,738,949,284
Maturity Gap	(994,669,702)	1,878,856,656	884,186,954
Cumulative Gap	(994,669,702)	884,186,954	

As at 31 Dec 2018	Within 12 Months	After 12 Months	Total
Assets			
Cash & cash Equivalents	245,202,323	-	245,202,323
Cash & Balances with Central Bank	1,070,772,154	-	1,070,772,154
Placement with other Banks	1,244,031,590	-	1,244,031,590
Loans & Advances to Customers	717,674,585	5,533,956,595	6,251,631,180
Equity Instruments	-	7,750,000	7,750,000
Debt Instruments	-	41,631,934	41,631,934
Defined Benefit Assets	-	865,627	865,627
Other Financial Assets	2,945,611	-	2,945,611
Other Assets	53,159,456	-	53,159,456
Property, Plant & Equipment	-	44,128,476	44,128,476
Intangible Assets	-	33,897,414	33,897,414
Total Assets	3,333,785,719	5,662,230,046	8,996,015,765

Liabilities

Due to Customers	3,352,444,126	2,711,834,884	6,064,279,010
Due to Banks	1,883,554,716	-	1,883,554,716
Debt issued and Other Borrowed Funds	-	150,000,000	150,000,000
Current Tax Liabilities	49,143,601	-	49,143,601
Differed Tax Liability	-	5,689,282	5,689,282
Other Liabilities	88,326,055	88,326,056	176,652,111
Total Liabilities	5,373,468,498	2,955,850,221	8,329,318,720
Maturity Gap	(2,039,682,780)	2,706,379,825	666,697,045
Cumulative Gap	(2,039,682,780)	666,697,045	



NOTES TO FINANCIAL STATEMENTS

38) Management of Capital

The Bank's main objectives of managing capital are:

- (i) to comply with the Capital Requirements set by the Royal Monetary Authority and debt covenants;
- (ii) to safeguard the Bank's ability to continue as a going concern; and
- (iii) to maintain a sufficient capital base to achieve a Capital Adequacy Ratio of the Bank based on Prudential Regulations 2017 issued by Royal Monetary Authority of Bhutan of at least 10%.

Capital Adequacy Ratio is monitored daily for compliance with the requirements set by the Royal Monetary Authority and monthly for other objectives of Capital Management.

The Bank's policy of Capital Management is designated to maintain the capital base sufficient to keep the confidence of stakeholders and to secure the future development of the Bank. The Royal Monetary Authority establishes and monitors capital adequacy limits for the Bank. The Bank performs medium and long term planning of growth in the asset side considering sufficiency of capital. When necessary, the Bank develops and implements measures to increase its capital base. To ensure compliance with the Capital Adequacy Ratio in the short run, the Bank monitors use of capital by business segments. Responsibility for approval procedures and monitoring of the Capital use is with the management of the Bank.

	2019 Nu	2018 Nu
Tier 1 Capital		
Paid-up Share Capital	600,252,230	424,997,860
General Reserve	249,046,789	
Share premium	3,424	
Retained Earnings		216,068,725
Total	849,302,443	641,066,585
Tier 2 Capital		
Foreign Exchange Fluctuation Reserve	18,457,824	12,355,470
General Provision as per RMA Prudential Norms	81,000,775	63,214,106
Subordinate debt	424,651,221	150,000,000
Total	524,109,820	225,569,575
Total Capital	1,373,412,262	866,636,160

(Above figures are based on local GAAP in compliance with RMA Prudential Regulations 2017)

The Bank complied with all the RMA Prudential Regulations 2017 requirements during 2019.

39) Segment Information

The following table presents Income & Expense and Assets & Liabilities information about the bank's operating segments:

31st December 2019	Thimphu	Phuentsholing	Others	Total
Interest & Similar Income	544,239,885	67,648,305	148,956,444	760,844,634
Interest & Similar Expense	343,875,177	33,871,624	54,501,964	432,248,766
Net interest income	200,364,707	33,776,681	94,454,479	328,595,868
Fee and commission income	37,025,561	13,820,919	8,453,812	59,300,292
Fee and commission expenses	-	-	-	-
Net fee and commission income	37,025,561	13,820,919	8,453,812	59,300,292
Other Operating Income	90,009,671	(254,727)	1,222,436	90,977,379
Total operating income	327,399,939	47,342,873	104,130,728	478,873,539
Personnel Expenses	59,163,685	8,716,779	23,652,471	91,532,935
Depreciation on Property Plant & Equipment	6,838,000	334,439	3,361,591	10,534,030
Amortization of Intangible Assets	5,083,156		1,428,948	6,512,104
Other Operating Expenses	63,120,866	3,516,751	13,578,787	80,216,404
Impairment (charges)/reversal for loans and other losses	53,073,714			53,073,714



NOTES TO FINANCIAL STATEMENTS

Total Operating Expenses	187,279,422	12,567,969	42,021,797	241,869,188
Segment Profits	140,120,517	34,774,903	62,108,931	237,004,351
Total Assets	9,010,222,376	796,842,257	1,820,743,878	11,627,808,511
Total Liabilities	8,990,403,788	816,280,306	1,821,124,417	11,627,808,511
31 December 2018	Thimphu	Phuentsholing	Others	Total
Interest & Similar Income	436,726,166	59,042,163	98,456,144	594,224,473
Interest & Similar Expense	292,317,914	64,795,286	34,190,413	391,303,613
Net interest income	144,408,252	(5,753,123)	64,265,731	202,920,860
Fee and commission income	33,795,521	17,278,799	7,403,685	58,478,005
Fee and commission expenses	-	-	-	-
Net fee and commission income	33,795,521	17,278,799	7,403,685	58,478,005
Other Operating Income	87,409,338	(203,832)	146,128	87,351,634
Total operating income	265,613,111	11,321,844	71,815,544	348,750,499
Personnel Expenses	15,479,895	6,067,391	39,243,490	60,790,776
Depreciation on Property Plant & Equipment	4,970,423	271,864	3,059,693	8,301,980
Amortization of Intangible Assets	4,311,075	-	1,124,336	5,435,411
Other Operating Expenses	49,297,695	3,279,620	10,917,447	63,494,762
Impairment (charges)/reversal for loans and other losses	21,939,005	-	-	21,939,005
Total Operating Expenses	95,998,093	9,618,875	54,344,966	159,961,934
Segment Profits	169,615,018	1,702,969	17,470,578	188,788,565
Total Assets	7,043,027,694	566,295,020	1,386,693,053	8,996,015,767
Total Liabilities	7,086,462,804	564,763,205	1,344,789,758	8,996,015,767

40) Impairment allowance for loans and advances to customers (as per BFRS 9)

The table below shows the impairment allowances (both individual and collective) for different loan categories calculated based on ECL approach using Delinquency Grades:

	(Nu)			
	2019	2018	2017	2016
Individual Impairment				
Overdrafts	3,441,446	30,689,154	34,291,320	13,116,111
Term Loans (Other + Service-Tourism Loans)	-	-	400,066	297,246
Total (A)	3,441,446	30,689,154	34,691,386	13,413,357
Collective Impairment				
Term Loans (Other + Service-Tourism Loans)	131,105,142	70,468,470	69,437,441	61,366,283
Personal Loans	17,417,920	16,510,087	17,827,501	10,710,345
Loans Against Shares	4,921,671	3,109,159	613,334	928,515
Overdrafts	97,422,613	102,616,344	84,091,304	32,428,749
Housing Loans	66,093,115	36,660,257	28,446,605	13,208,228
Loans on Litigation	-	10,074,294	4,465,704	12,481,763
Total (B)	316,960,461	239,438,611	204,881,889	131,123,883
Total (A+B)	320,401,906	270,127,765	239,573,275	144,537,240



OUR BRANCHES



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Fax No: +975-6-252274

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SAMTSE BRANCH

Phuntshok Building,
Samtse
Post Box No: 349
PABX. +975 77192232/77192233

TRONGSA EXTENSION OFFICE

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Trongsa
Post Box No: 556
PABX. +975-77192030

LIST OF EVENTS 2019

18.11.2019

Installation of three ATM terminals at following places



a. Paro Airport (Arrival), b. Paro Airport (Departure), c. 3 Sisters Building (Main town)



(07.10.2019)

Banking facilities through installation of stall during Tshechu at Wangduephodrang



LIST OF EVENTS 2019

(06.10 2019)

Stall at Clock Tower for instant open of Savings Account, avail ATM cards, withdraw cash from Micro ATM, register for TPAY to get access to all the digital banking services of T Bank.



24.08.2019

Launching of TPayRemit at Perth in Australia.



(02.05.2019)

Cleaning campaign along Wangchuk river between Lungtenzampa and Changjiji Bazaam coinciding with the birth anniversary of Third Druk Gyalpo Jigme Dorji Wangchuk



LIST OF EVENTS 2019

(02.04.2019)

Installation of ATM at new vegetable market, Phuentsholing



(9.3.2019)

Blood Donation Camp on 9.3.2019





(08.02.2019)

Launched Micro ATM at BOD





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