



**Annual Report 2022**

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## Our Vision

*“The most preferred bank driven by passion for service excellence.”*

## Our Mission

*“Pursue growth through innovative banking products and services with adoption of smart technologies.”*

# Board of Directors



Mr. Tshenchok Thinlay  
CHAIRPERSON



Gayatri Prasad Sharma  
INDEPENDENT DIRECTOR



Mr. Nawang Gyetse  
INDEPENDENT DIRECTOR



Mr. Tashi Tshering  
DIRECTOR



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

## Management Team

Mr. Pema Tshering	Chief Executive Officer
Mr. Gyam Agay Dorjee Namgyal	Chief, Banking Department
Mr. Laxmi Prasad Giri	Chief, Credit Department
Mr. Probin Pradhan	Chief, IT Department
Mr Sangay Dorji	Chief Financial Officer
Mr. Chencho Dorji	Head, ADM/HR Department
Mr. Tshering Tobgay	Company Secretary

## Branch Managers

Mr. Sonam Tobgay	Thimphu Branch
Mr. Nobin Sinchuri	Phuentsholing Branch
Mr. Jigme Chogyal	Wangdue Branch
Mr. Tsheltrim Dorjee	Gelephu Branch
Mrs. Sarda Pradhan	Paro Branch
Mr. Durga Prasad Subba	Mongar Branch
Mr. Rinchen Tshewang	Samdrup Jongkhar Branch
Mr. Pema Tshering Tamang	Samtse Branch
Mr. Saha Bahadur Biswa	Tashigang Branch
Mr. Bikash Subba	Trongsa Branch

## A BRIEF INFORMATION ON T BANK LIMITED

T Bank Limited was established as a commercial bank on 12 March 2010. It has ten branch offices spread across the country as on 31 December 2022.

The bank developed and adopted its Five -Years Corporate Strategy Plan 2022-2026 (CSP 2022-2026) in the beginning of 2022. This corporate strategy document of the T Bank aspires to provide with strategies for leading, managing, coordinating and decision making in times of complexities, changes and competitions faced by the bank.

The development of new corporate strategy document has defined new vision, mission and core values of the bank.

### **Vision Statement:**

*“The most preferred bank driven by passion for service excellence”.*

### **Mission Statement:**

*“Pursue growth through innovative banking products and services with adoption of smart technologies”.*

### **Core Values:**

- *Customer Centricity,*
- *Integrity (the quality of being honest and having strong moral principles) and,*
- *Innovation.*

## **OWNERSHIP**

The share holding pattern of the bank as of 31 December 2022:

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

## DIRECTORS' REPORT 2022

On behalf of the Board of Directors of T Bank Ltd., I have the privilege to present the bank's 13th Director's Report for the Financial Year 2022.

Despite the global economy being ravaged by the pandemic for more than two years and amidst current geo-political tension, Bhutanese economy and the financial sector maintained a successful level of growth in 2022, after the successful containment of the COVID-19 pandemic and gradual return to normalcy under the wise leadership of His Majesty the Druk Gyalpo. His Majesty the Druk Gyalpo's visionary and tireless leadership and guidance, and the kidu support programs were important factors that elevated hope and confidence of the people, economy and financial sector of the country.

Further, the year was filled with optimism and success in strengthening the resilience of financial sector and the bank through adoption and implementation of Non-performing Loans (NPLs) Management Strategy to address post COVID-19 NPLs, Guidelines on reclassification of old Non-performing Loans, the Rules and Regulations on Loan Restructuring, Guidelines on Foreclosure and Write-off, and framework for business continuity plan, along with strengthening of corporate governance practices of the bank, which were issued and implemented under the guidance of Royal Monetary Authority of Bhutan (RMA).

### OPERATIONAL HIGHLIGHTS

In 2022, the bank is able to gradually return its operations to normalcy and achieve steady level of growth with minimal impact. This is mainly due to appropriate and timely strategic guidance provided by the Board, its effective implementation by the management and unwavering commitment provided by the employees of the bank, especially during this post COVID-19 recovery period.

#### Monetary Measures

In line with His Majesty's wisdom to provide an adequate and inclusive relief measures against the backdrop of business disruptions and resulting losses of income caused by the COVID-19 pandemic, Royal Monetary Authority (RMA) rolled-out three phases of the monetary measures covering the period from April 2020 until June 2022.

In the first phase of the monetary measure (MM Phase-I), covering the period from April 2020 to June 2020, the loan repayment was deferred for a period of three months (April to June 2020) and also provided 100 % interest waiver for all loans till 30 June 2020. The government absorbed 50 % of the interest waiver amounting to Nu. 91.22 million and the balance 50 % of the interest waiver amounting to Nu. 91.22 million was borne by the bank, benefiting 6,061 account holders.

Under the Monetary Measure Phase II (MM Phase II), covering the period from July 2020 to June 2021, repayment of all loans covered under interest payment kidu were further deferred until 30 June 2021. Under MM Phase II, 100 % interest waiver was given for all loans for the months of July, August and September 2020 amounting to Nu. 177.37 million, and thereafter 50 % interest waiver amounting to Nu. 253.33 million was provided by RGoB from October 2020 to June 2021.

The Monetary Measures Phase III (MM Phase III) became effective from July 2021 and extended until June 2022. Under MM Phase III the RGoB provided 50% interest waiver amounting to Nu. 155.08 million from July to December 2021 and Nu. 146.54 million from January to June 2022 for the current reporting year 2022.

In summary, the total Interest Payment Support (IPS) of Nu. 916.00 million was provided as of June 2022, under these monetary measures from April 2020 till June 2022. Out of total IPS of Nu. 916.00 million, a sum of Nu. 824.78 million was borne by the RGoB from Druk Gyalpo's Relief Kidu (DGRK) and Nu. 91.22 million was borne by the bank.

Such unprecedented noble intervention and measures from the RGoB and RMA, under the enlightened leadership of His Majesty the King, have not only protected and supported the customers of the bank during such difficult trying times but have averted a foreseeable financial crisis in the wake of the COVID-19 pandemic experienced in other neighbouring countries.

In view of the above, the Board, management and the employees of the bank remains deeply grateful to His Majesty, the King, the Royal Government and RMA for providing such supports during such trying times.

### **1% Interest Rebate**

The bank provided 1 % interest rebate amounting to Nu. 25.17 million as of June 2022, as an incentive for regular repayment of loans during the deferment period to 1,714 account holders, benefitting about 28 % of the total 6,061 loan account holders.

### **Loans & Advances**

Considering the financial intermediation roles of the bank and dispensation of credit as a necessary prerequisite for investment, economic sustainability and growth, especially during recovery stage after adverse economic conditions brought about by the pandemic, the bank continued to provide essential financial services and ensured uninterrupted flow of credit in the economy. In 2022, the bank sanctioned new loans of Nu. 4.41 billion to 2,802 beneficiaries to support economic activities during the time of economic recovery after the pandemic.

### **Non-Performing Loans (NPLs)**

One of the core priorities of the bank is not only to increase the loan portfolio but also to maintain the quality of loans provided to the clientele. It is in the interest of both the clientele and bank to adequately study the viability of underlying businesses, projects and assets under consideration while sanctioning loans by the bank.

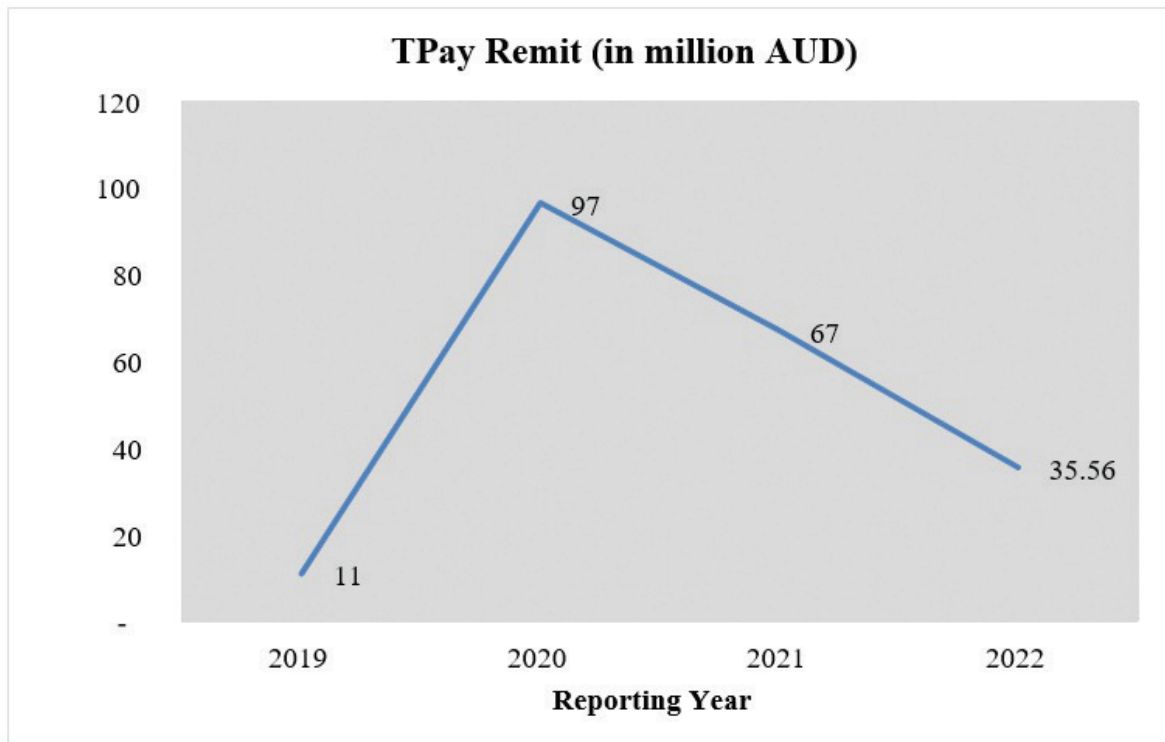
The NPL ratio of the bank improved from 4.45 % in December 2021 to 0.19 % in December 2022, reducing absolute NPL from Nu. 399.09 million in 2021 to Nu. 20.71 million in 2022.

### **International Remittances**

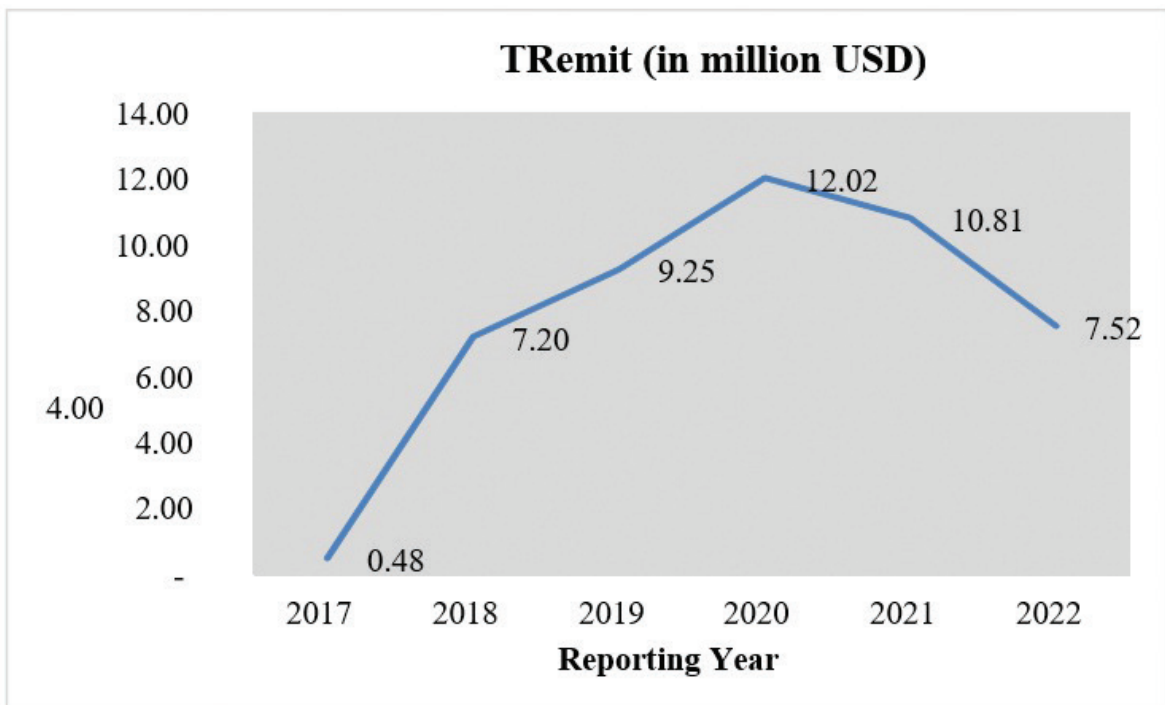
During the period of COVID-19 pandemic, the bank was able to facilitate transfer of a total sum of USD 84.09 million from abroad i.e. a sum of AUD 96.44 million (approximately USD 72.07 million) via remittances from Australia and further USD 12.02 million from Kuwait/USA/Japan/Qatar/Dubai through international remittance facilities in 2020. Similarly, in 2021, the bank was able to facilitate transfer of a total of USD 59.58 million, i.e. AUD 67.23 million (USD 48.77 million) from Australia and USD 10.81 million from Kuwait/USA/Japan/Qatar/Dubai. Despite decrease in the international remittances for the bank in 2021 the bank was still the major contributor in mobilizing the inflow of foreign currencies for the country.



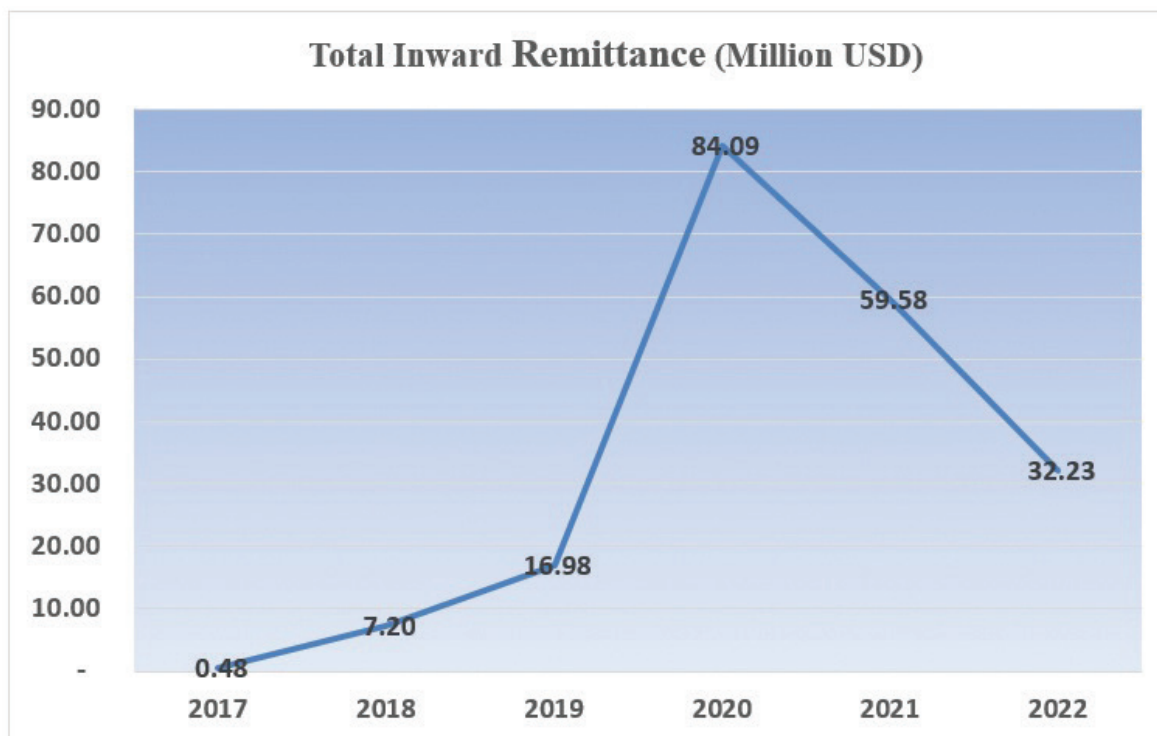
However, in 2022, the transfer of fund from abroad decreased significantly to USD 32.23 million only, i.e USD 24.71 million (AUD 35.56 million) from Australia and USD 7.52 million from Kuwait/USA/Japan/Qatar/Dubai.



*(The bank launched the TPayRemit in August 2019)*



*(The bank launched TRemit application in 2017)*



**Five Years Corporate Strategy Plan 2022-2026**

The bank developed and adopted its Five Years Corporate Strategy Plan 2022-2026 (CSP 2022-2026). It is a collaboratively developed in-house document intended to define what the future holds for the bank, which will serve the long-term interest of shareholders, customers, partners and other stakeholders. As bank transitioned into the post pandemic period, it is very timely for the bank to have the strategy document.

**T Bank and Modefin bagged Best Digital Channel/Platform Implementation Award in the IBSi Global FinTech Innovation Awards 2022**

T Bank is honored to be awarded the Best Program Governance Award, in association with Modefin, at the International Banking Systems intelligence (IBSi) Global FinTech Innovation Award 2022 for ensuring a smooth & effective implementation of the TPay Mobile App.

IBSi Global FinTech Innovation Awards recognizes and honors technology players and banks for their excellence in driving impact through banking technology implementations and innovations using emerging technologies. The Global FinTech Innovation Awards 2022 saw IBS Intelligence evaluate 151 nominations across 94 banks from 47 countries of 30 categories all over the globe. (<https://modefin.com/modefin-tbank-bags-best-digital-channel-platform-implementation-award-in-the-ibsi-global-fintech-innovation-awards-2022/>)

## Digitization of the Bank

The bank continuously strive to strategically enhance its digital capabilities via migration and up-gradation to smart digital and IT infrastructures to keep its products and processes relevant with the changing technological environment and support smart banking, and the latest being the start of up-gradation of its Core Banking Systems (CBS).

With our vision at the core of all our activities and as part of the digital transformation, the bank revamped and upgraded its TPay Mobile application with wide range of services incorporated to provide simple, reliable, convenient and efficient banking services to its valued customers. To improve the efficiency and reliability of data reporting and management systems, the bank completed implementation of the SAP ERP systems as of December 2022.

## Cyber Security

As part of strengthening information security from cyber threats, Bank completed ISO 27001 and PCI DSS (Payment Card Industry Data Security Standard) certifications in 2022.

## FINANCIAL PERFORMANCE

The financial statements of the bank for 2022 have been prepared in compliance with the Bhutanese Accounting Standards (BAS).

Although the financial sector of the country is yet to reach pre-pandemic normalcy, the bank recorded a very good financial performance for the year 2022. The profit before tax (PBT) increased by 79.76 % from Nu. 139.56 million in 2021 to Nu. 250.88 million in 2022.

The total operating income increased by 51.91 % from Nu. 393.61 million in 2021 to Nu. 597.93 million in 2022. On the other hand, the total operating expenses increased by 36.66 % from Nu. 254.05 million in 2021 to Nu.347.04 million in 2022. This increase in operating expenses is mainly due to increase in loan loss provision expenses on impairment of loans by 1,563.04 % from Nu. 3.40 million in 2021 to Nu. 56.59 million in 2022.

The total assets of the bank increased by 27.58 % from Nu. 13,575.59 million in 2021 to Nu. 17,319.39 million in 2022. This increase in assets is primarily due to growth in loans and advances by 25.42 % from Nu. 8,494.78 million in 2021 to Nu. 10,654.02 million in 2022.

On the other side, the total liabilities of the bank increased by 28.55 % from Nu. 12,490.26 million in 2021 to Nu. 16,055.83 million in 2022. It is primarily due to growth in customers' deposit by 25.06 % from Nu. 10,003.55 million in 2021 to Nu. 12,510.87 million in 2022.

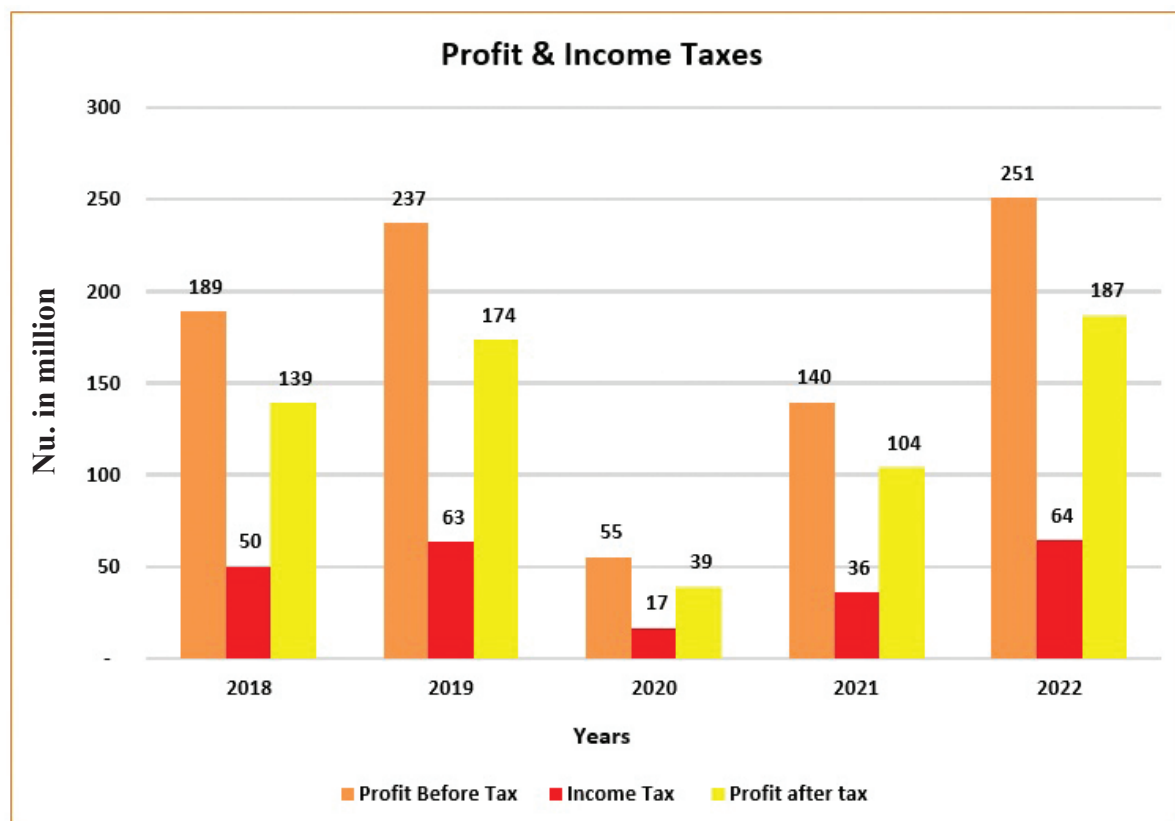
The bank has the total paid-up capital of Nu. 600,252,230.00 (60,025,223 shares of Nu. 10.00 per share fully paid-up). The total reserves and surplus increased by 36.77 % from Nu. 484.98 million in 2021 to Nu. 663.31 million in 2022, mainly due to transfer of PAT.

The total reserve also includes transfer of loan loss provisions and interest-in-suspense (IIS) of non-performing loans (NPLs) - transferred to Asset Pending Foreclosure (APF) - to the Asset Pending Foreclosure Reserve (APFR) in 2021, based on monetary measure (MM) implemented by RMA.

The total shareholder's fund increased by 16.43 % from Nu. 1,085.23 million in 2021 to Nu. 1,263.56 million in 2022.

## Profit and Income Taxes:

Despite being affected by the COVID-19 pandemic in 2020 and 2021, the bank recorded a very high financial performance in last five years with an average annual growth rate of profit before tax (PBT) of 49.57 % p.a during the period between the years 2018 to 2022.



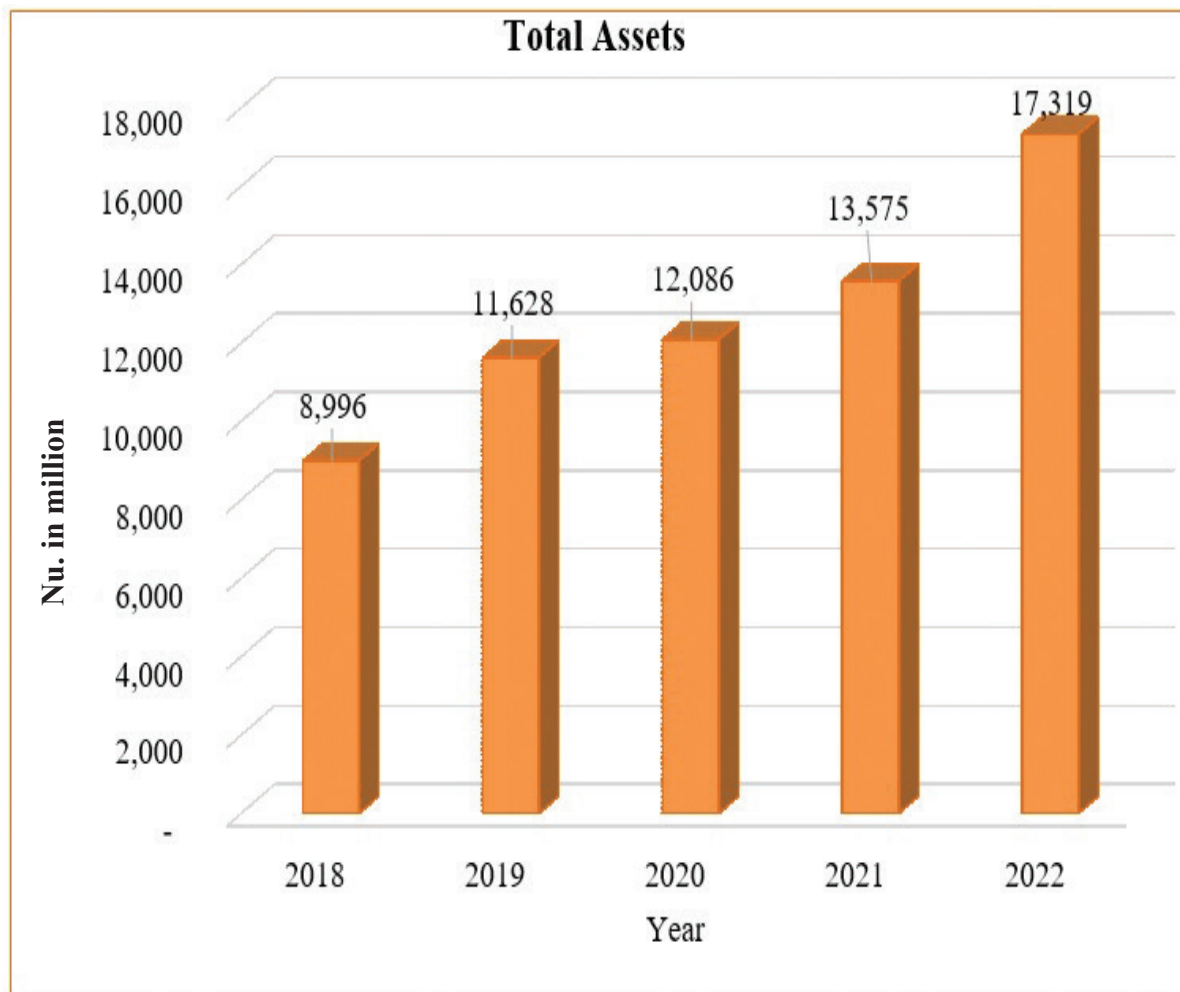
Accordingly, the bank's contribution of corporate income tax (CIT) to the country increased steadily over the years until the impact of COVID-19 pandemic in last two years, but has increased again in 2022 as presented in the table below.

	2018	2019	2020	2021	2022
Profit Before Tax	189	237	55	140	251
Income Tax	50	63	17	36	64
Profit after tax	139	174	39	104	187
<b>YoY Growth rate</b>	<b>47.66%</b>	<b>25.40%</b>	<b>-76.70%</b>	<b>152.72%</b>	<b>79.76%</b>

## Assets:

The total assets of the bank increased by 27.58 % from Nu. 13,575.49 million in 2021 to Nu. 17,319.39 million in 2022, which is primarily due to increase in loans & advances to the customers.

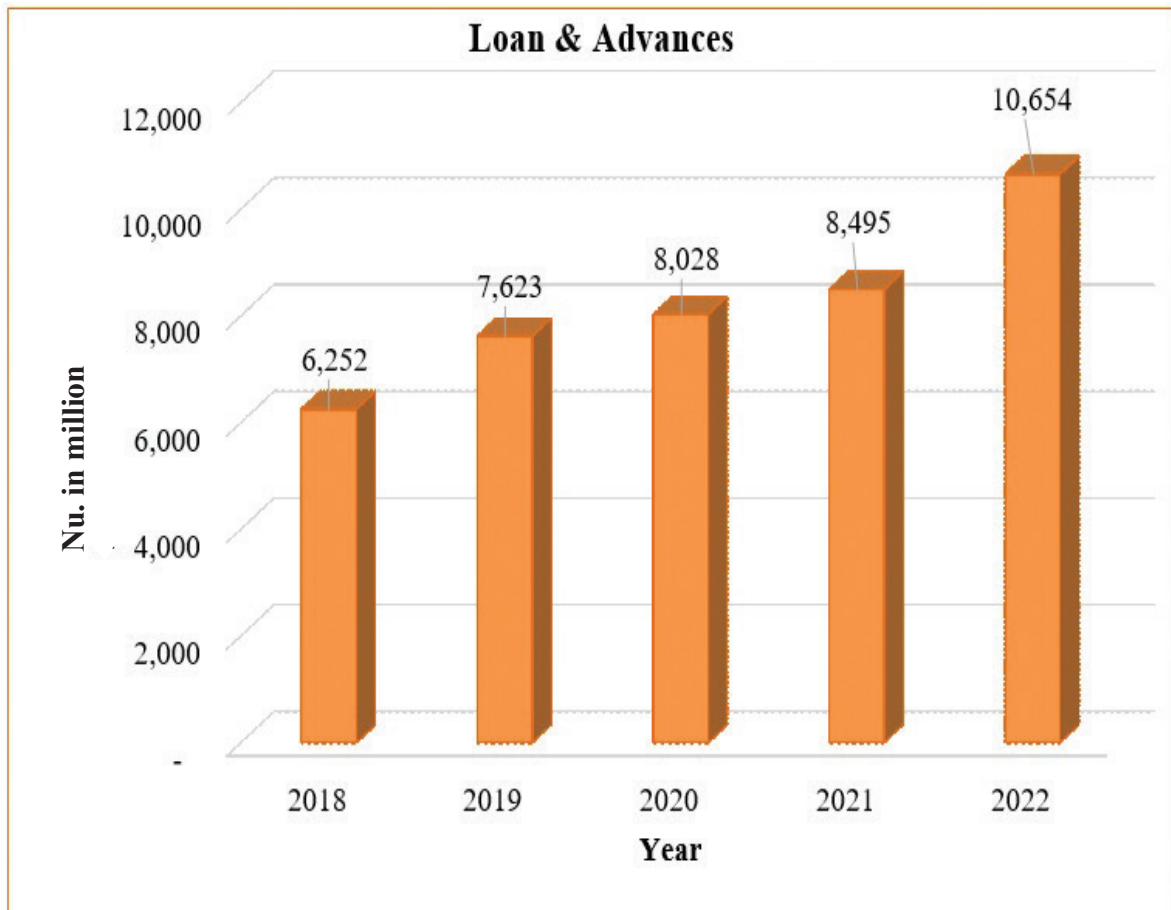
The graph below depicts the progressive growth in total value of assets of the bank over the years from 2018 – 2022.



**Loans & Advances:**

The total value of loans and advances increased by 25.42 % from Nu. 8,494.78 million in 2021 to Nu. 10,654.02 million in 2022.

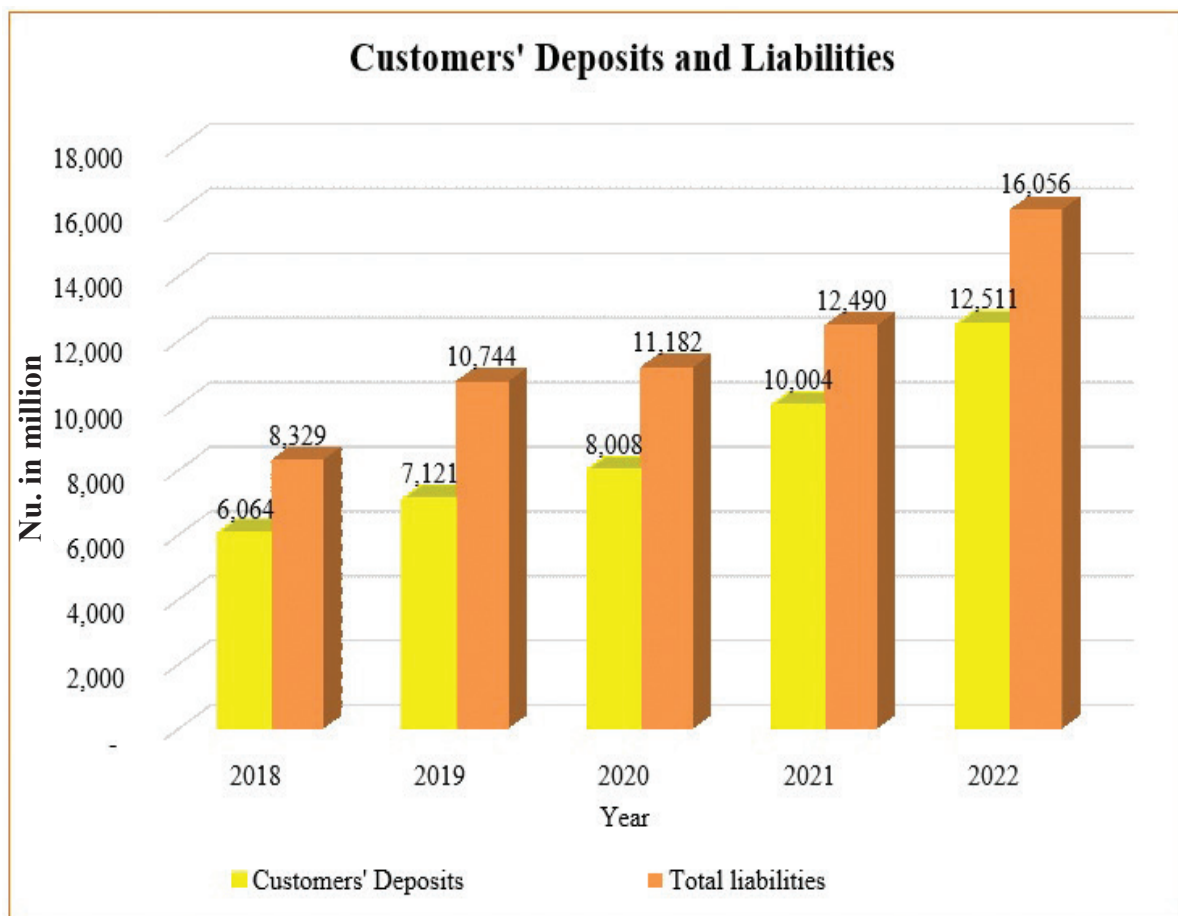
The graph below presents the growth pattern in total loans portfolio for the period 2018 – 2022.



**Liabilities:**

The total liabilities of the bank increased by 28.55 % from Nu. 12,490.26 million in 2021 to Nu. 16,055.83 million in 2022. This increase in liabilities is primarily due to growth in customers' deposit by 25.06 % from Nu. 10,003.55 million in 2021 to Nu. 12,510.57 million in 2022.

The graph below presents the changes in customers' deposit liabilities and total liabilities over the years (2018-2022).

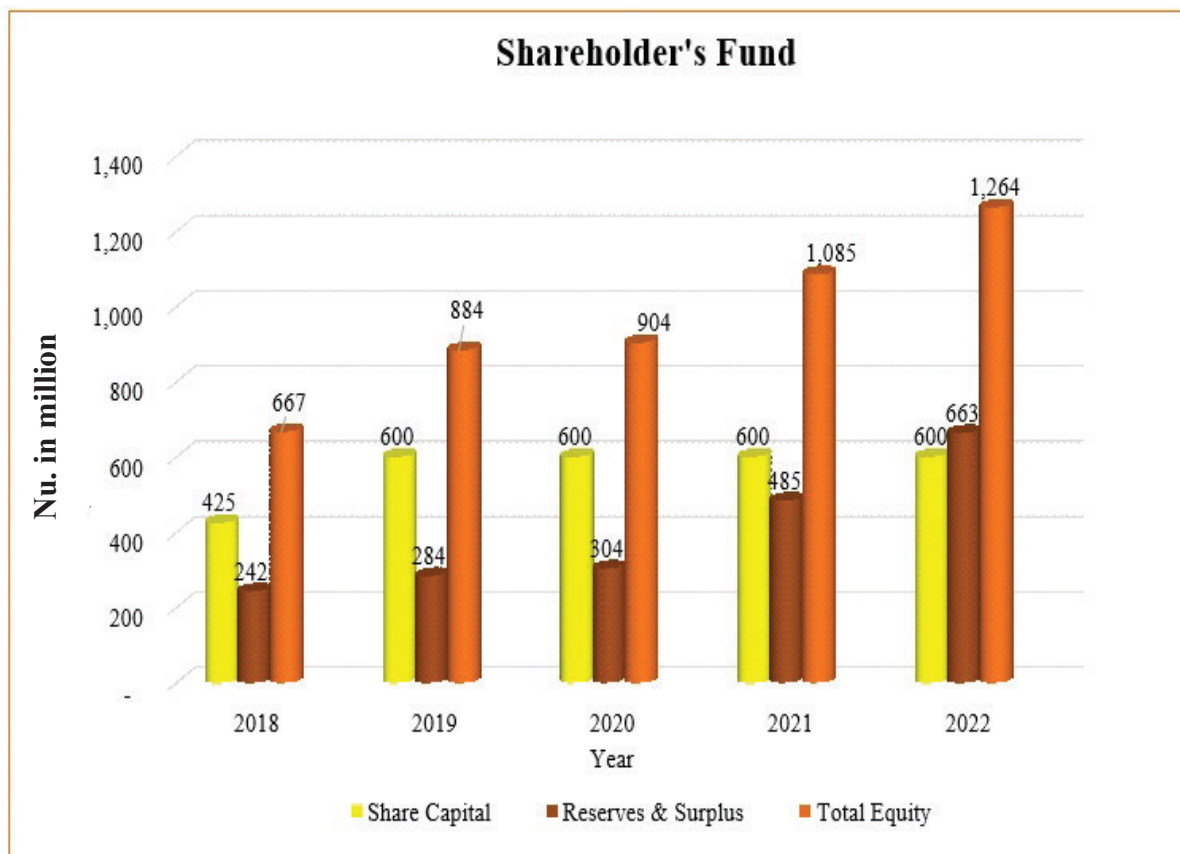


### Equity & Reserves

The bank has total paid-up capital of Nu. 600,252,230.00 (60,025,223 shares of Nu. 10.00 per share fully paid-up). The total reserves increased by 36.77 % from Nu. 484.98 million in 2021 to Nu. 663.31 million in 2022. The Foreign Exchange Fluctuation Reserves increased by 31.54 % from Nu. 32.56 million in 2021 to Nu. 42.82 million in 2022. To support the future growth of the bank with skilled and capable manpower, the bank created the human capital and research/digital development fund of Nu. 20 million as of 2022.

Overall, the total shareholder's fund increased by 16.43 % from Nu. 1,085.23 million in 2021 to Nu. 1,263.56 million in 2022.

The graph below presents the increase in shareholder's fund over the years.

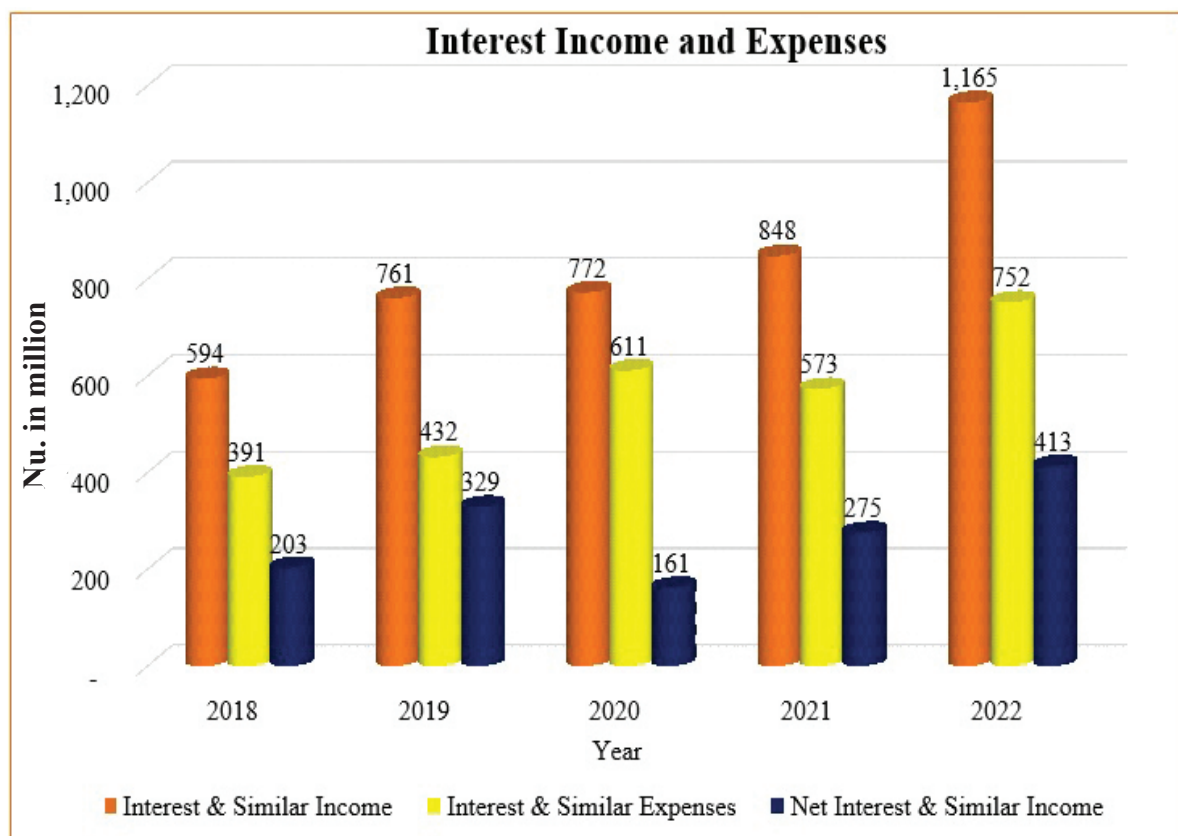


### Interest Income and Expense:

The interest and similar income increased by 37.40 % from Nu. 847.95 million in 2021 to Nu. 1,165.08 million in 2022. On the other hand, the interest and similar expenses also increased by 31.33 % from Nu. 572.57 million in 2021 to Nu. 751.93 million in 2022.

The graph below presents the changes in interest and similar income, interest and similar expense and net interest and similar income over the years.



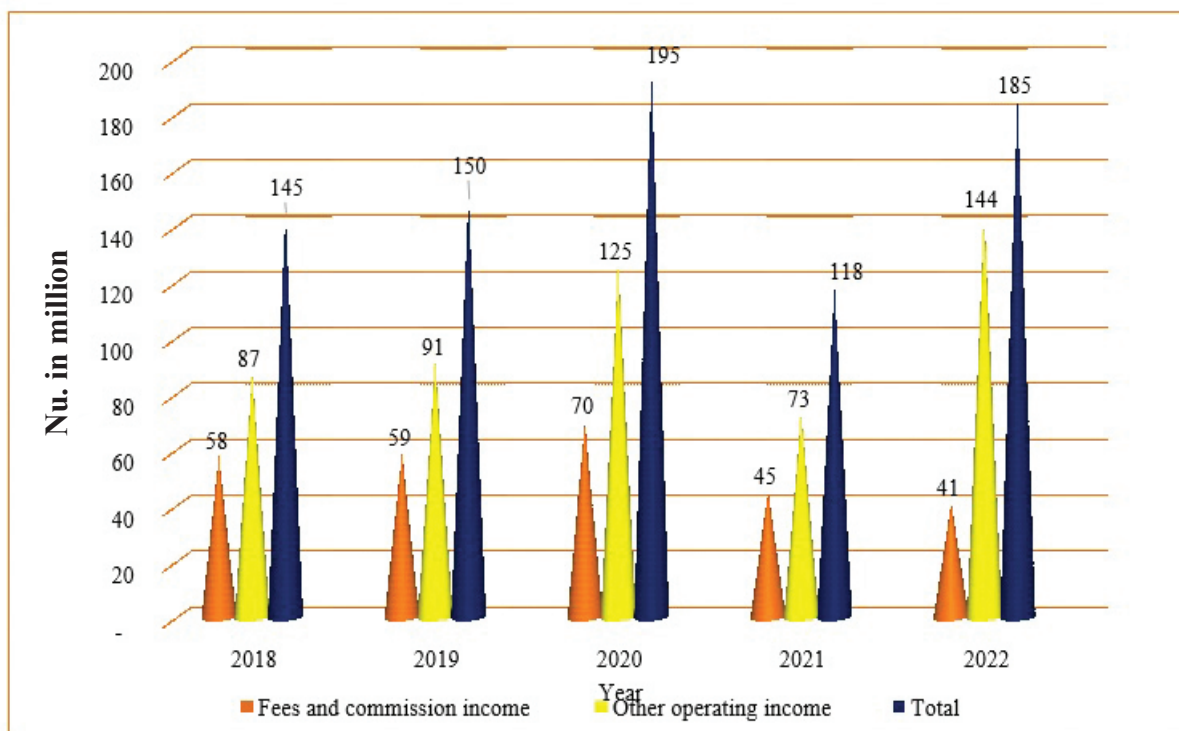


**Fee and Commission Income & Expense:**

The fees and commission income decreased by 9.17 % from Nu. 45.31 million in 2021 to Nu. 41.15 million in 2022. However, the other operating income increased by 96.95 % from Nu. 72.92 million in 2021 to Nu. 143.63 million in 2022. It is mainly due to increase in incomes from fixed deposits maintained with other banks as part of liquidity management of the bank, increase in income of forex fluctuation gain and increase in income from investment in short-term Treasury Bills and RGoB bonds.

The graph below presents the changes in fees and commission income, other operating income and total operating income over the years.

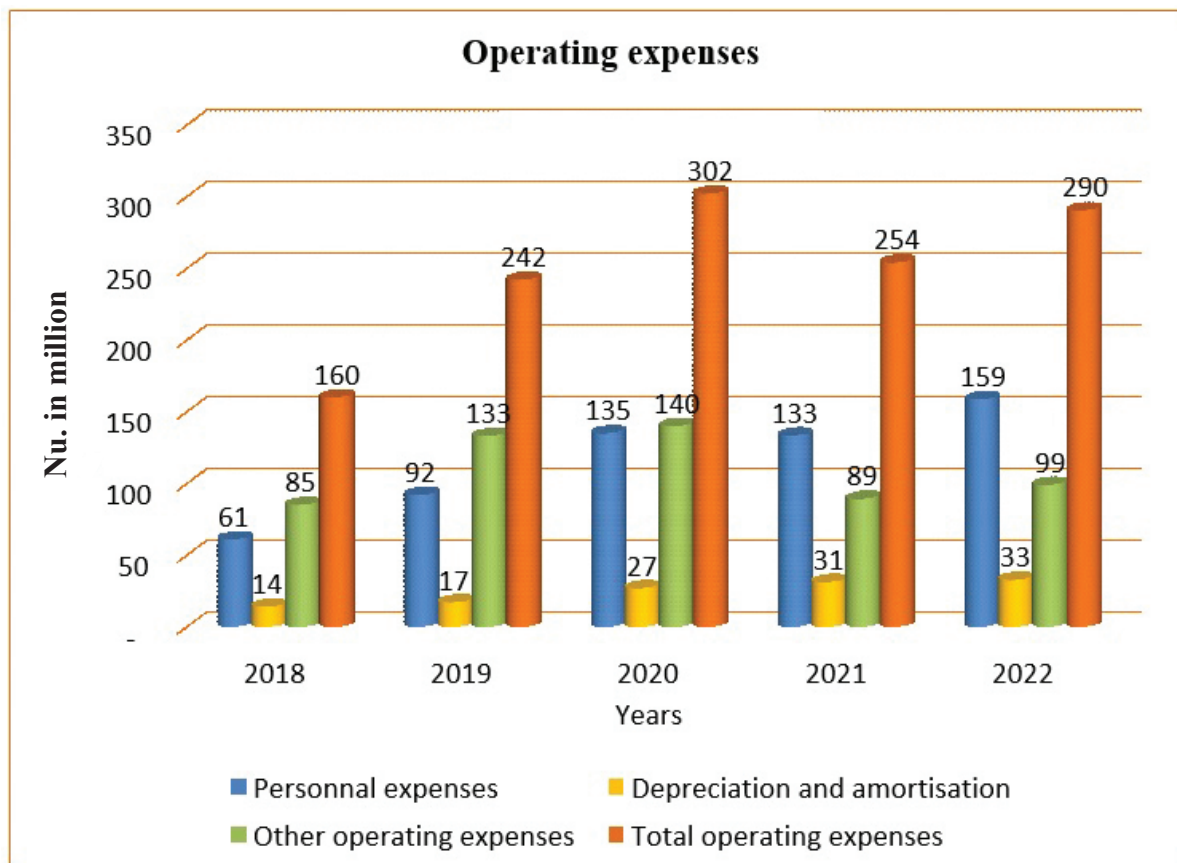
### Fees and commission income & Expenses



#### Personnel Expense/Operating Expense to Total Expense:

The total operating expense increased by 36.60 % from Nu. 254.05 million in 2021 to Nu. 347.04 million in 2022, which is mainly due to increase of impairment charges for loans and other losses. The personal expenses increased by 18.86 % from Nu. 133.48 million in 2021 to Nu. 158.66 million in 2022. The depreciation charges on property, plant and equipment (PPE), amortization of intangible assets and other operating expenses all increased by 4.58 %, 4.87 %, and 15.32 % respectively.

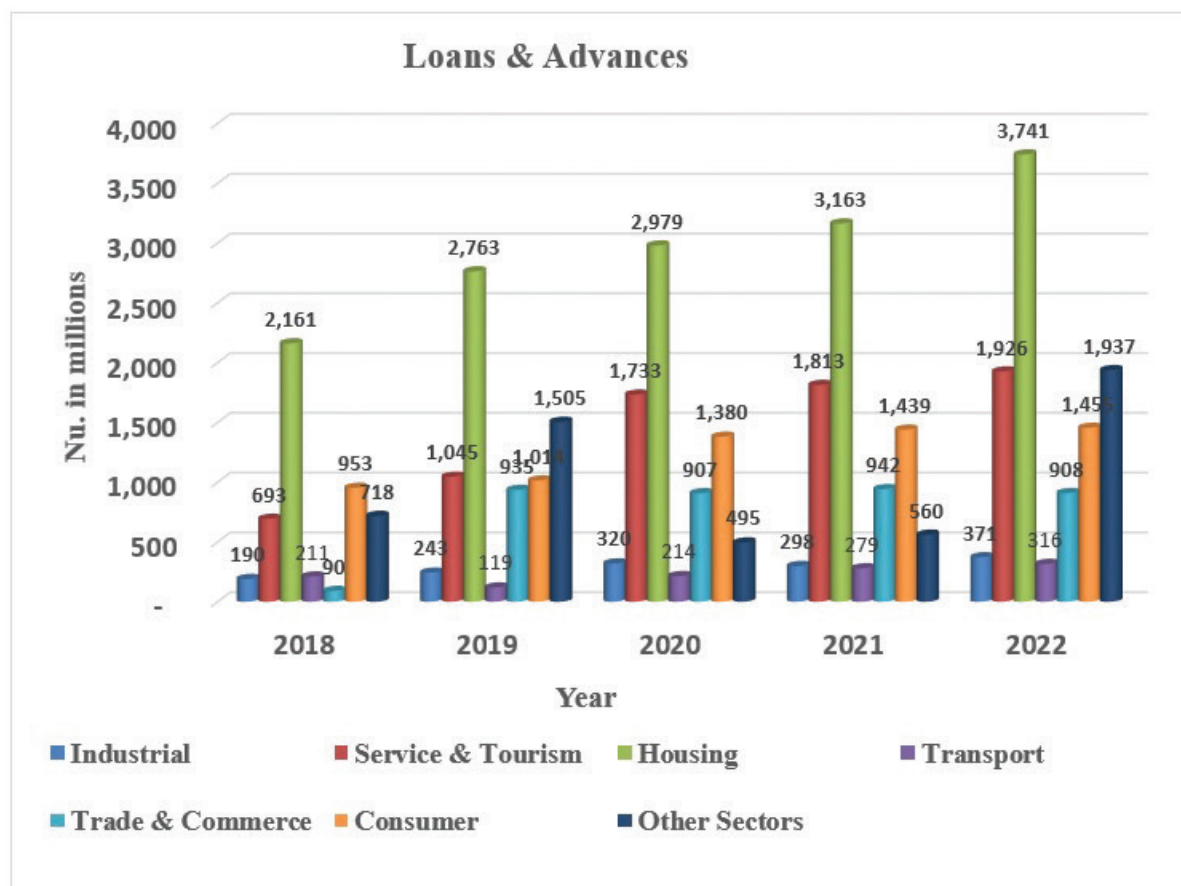
The graph below presents changes in operating expenses and its key components over the years.



### Classification of loans by sectors

The loan to the housing sector continue to dominate the loan portfolio of the bank with Nu. 3,740.53 million (35.11%) followed by the service and tourism sector with Nu. 1,925.92 million (18.08%). The remaining is spread across all other sectors under other sector such as education, transport, trade & commerce, manufacturing, share loan and loan against term deposits. Loans under other Sectors constitute Nu. 1,937.00 (18.18%).

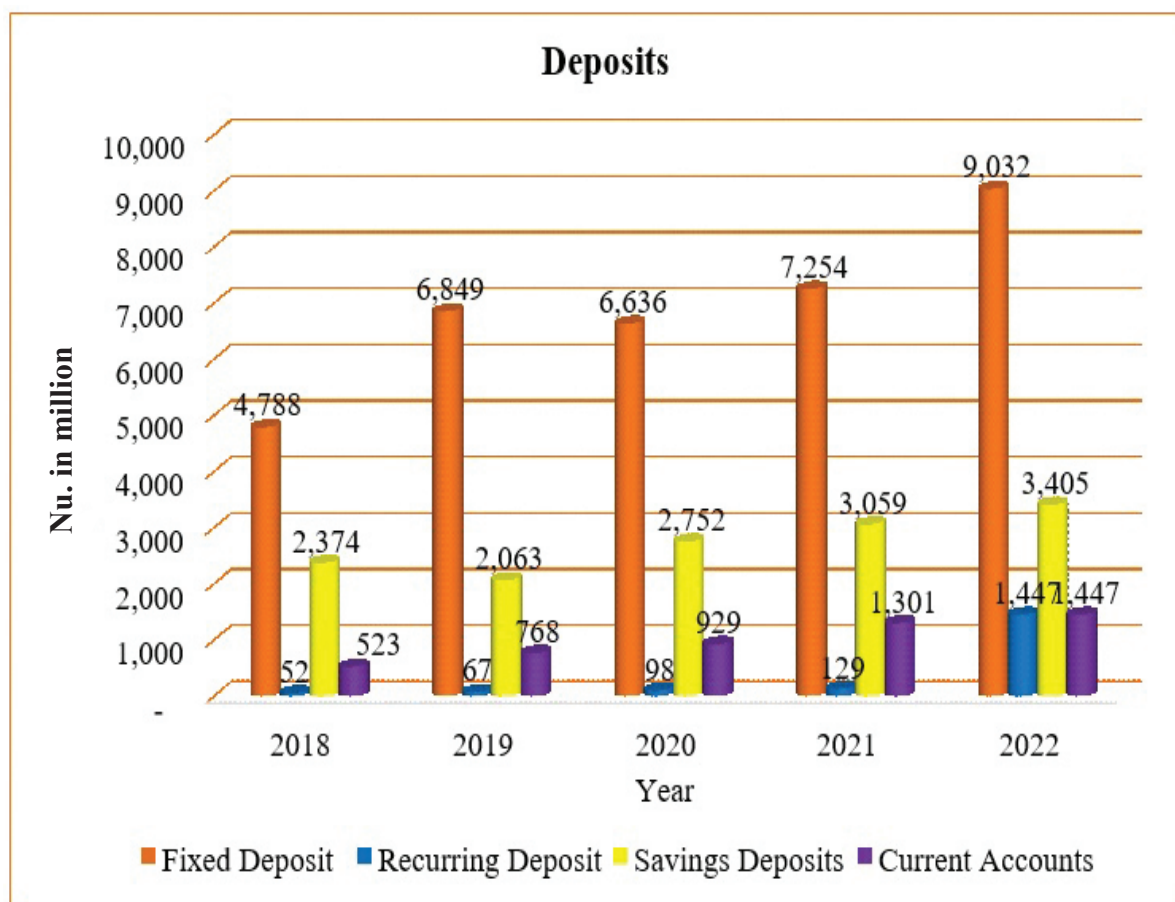
The graph below presents the changes in loan portfolio over the years.



**Deposits by Products:**

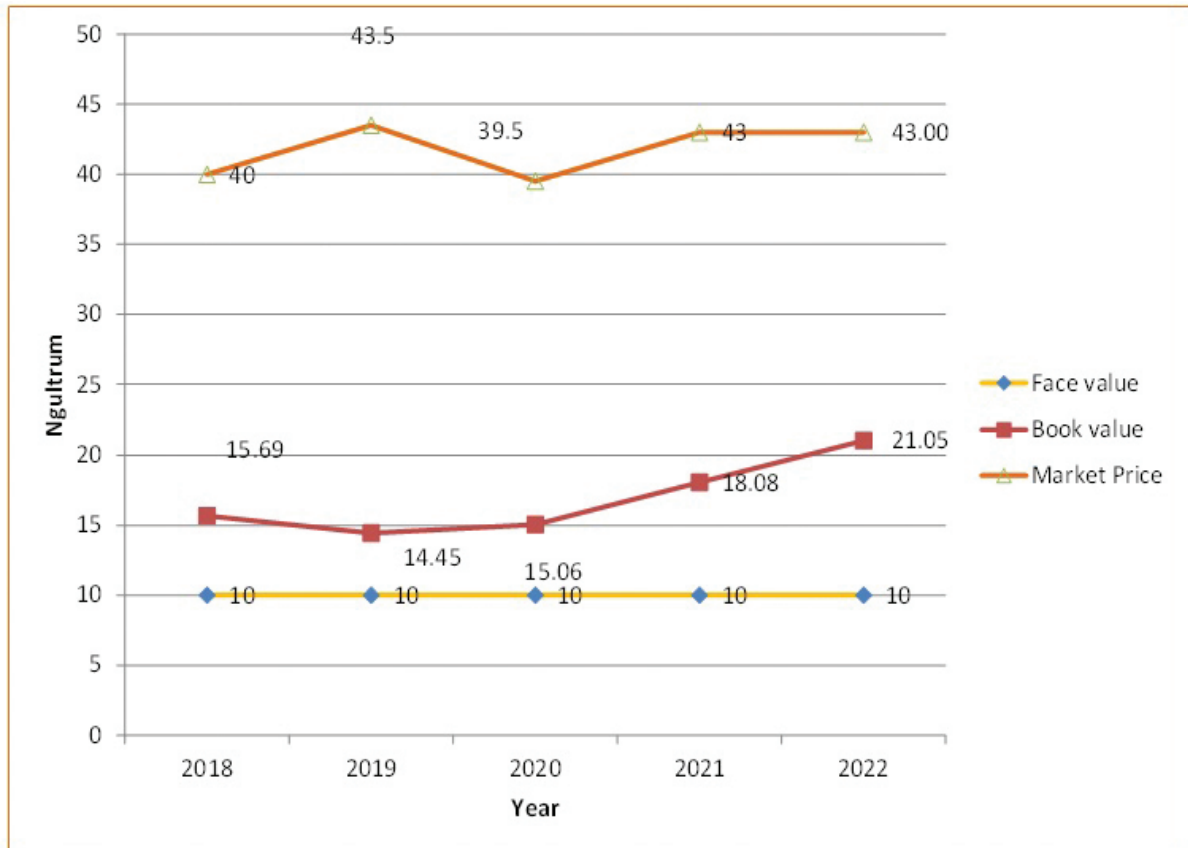
The fixed deposits increased by 24.52 % from Nu. 7,253.78 million in 2021 to Nu. 9,032.24 million in 2022. The savings deposits increased by 11.30 % from Nu. 3,054.29 million in 2021 to Nu. 3,404.85 million in 2022 and the current deposits also increased by 11.20 % from Nu. 1,301.48 million in 2021 to Nu. 1,447.25 million in 2022. The recurring deposits increased from Nu. 128.50 million in 2021 to Nu. 1,442.25 million in 2022.

The graph below presents the changes in deposits liability portfolio over the years.



**Market Price Information:**

The stock market indices also act as a barometer to gauge the performance of the bank as the bank's shares are listed with the Royal Securities Exchange of Bhutan (RSEBL). The bank's shares have been actively traded in the secondary market and bank's shares are considered as actively traded shares with the RSEBL in past years. During the year 2022, total volume of 231,761 shares worth Nu. 9.78 million has been traded with the market price increasing from Nu. 40 per share in 2018 to Nu. 43.00 per share in December 2022 against its face value of Nu.10.00 per share, thereby increasing the value of the share for the shareholders. The book value of the bank's share has also increased from Nu.15.69 per share in 2015 to Nu. 21.05 per share in 2022.

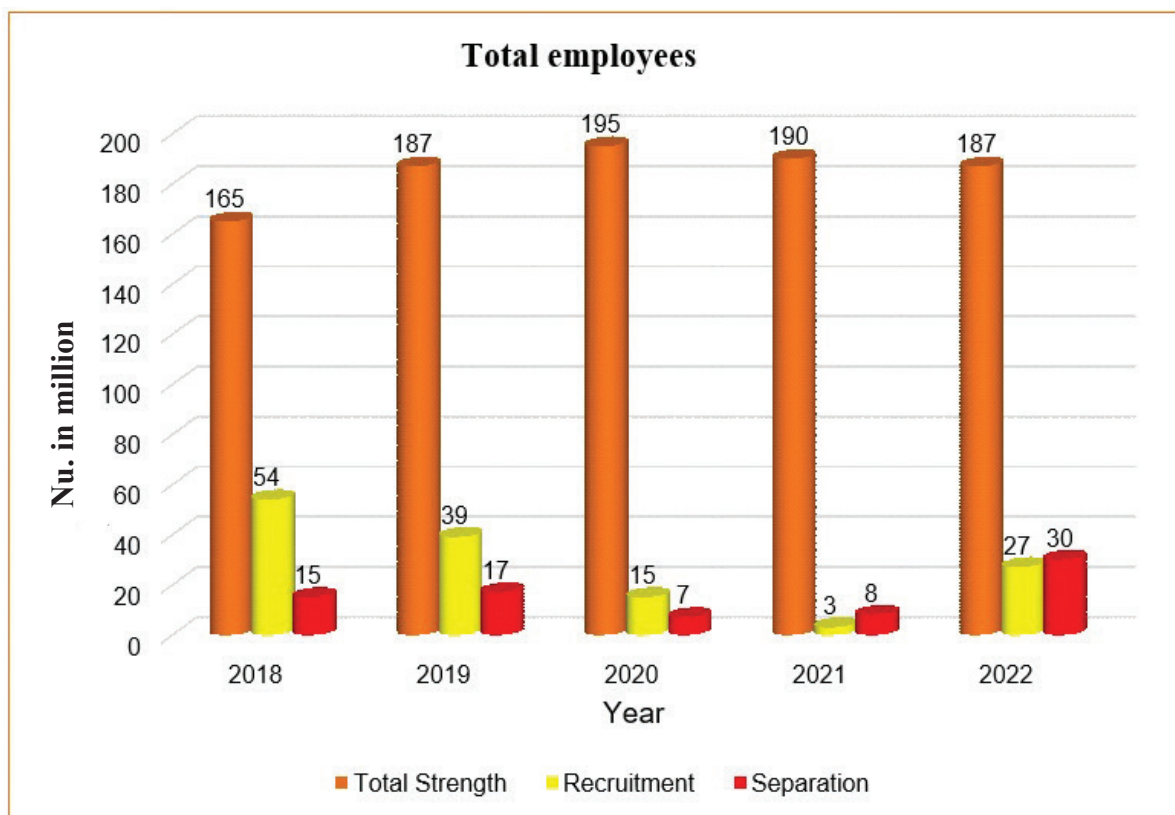


## HUMAN RESOURCES MANAGEMENT

### Recruitment and Separation:

In 2022, the bank recruited 27 employees to support the expansion of Branch offices, increase in volume of banking business and as replacement of those who have resigned. A total of 30 employees resigned during the year resulting in an average attrition rate of 15.73 % against the attrition rate of 4.20 % for the year 2021. The bank has 187 employees as on 31 December 2022.

The graph below presents the recruitment, separation and total staff strength of the bank.



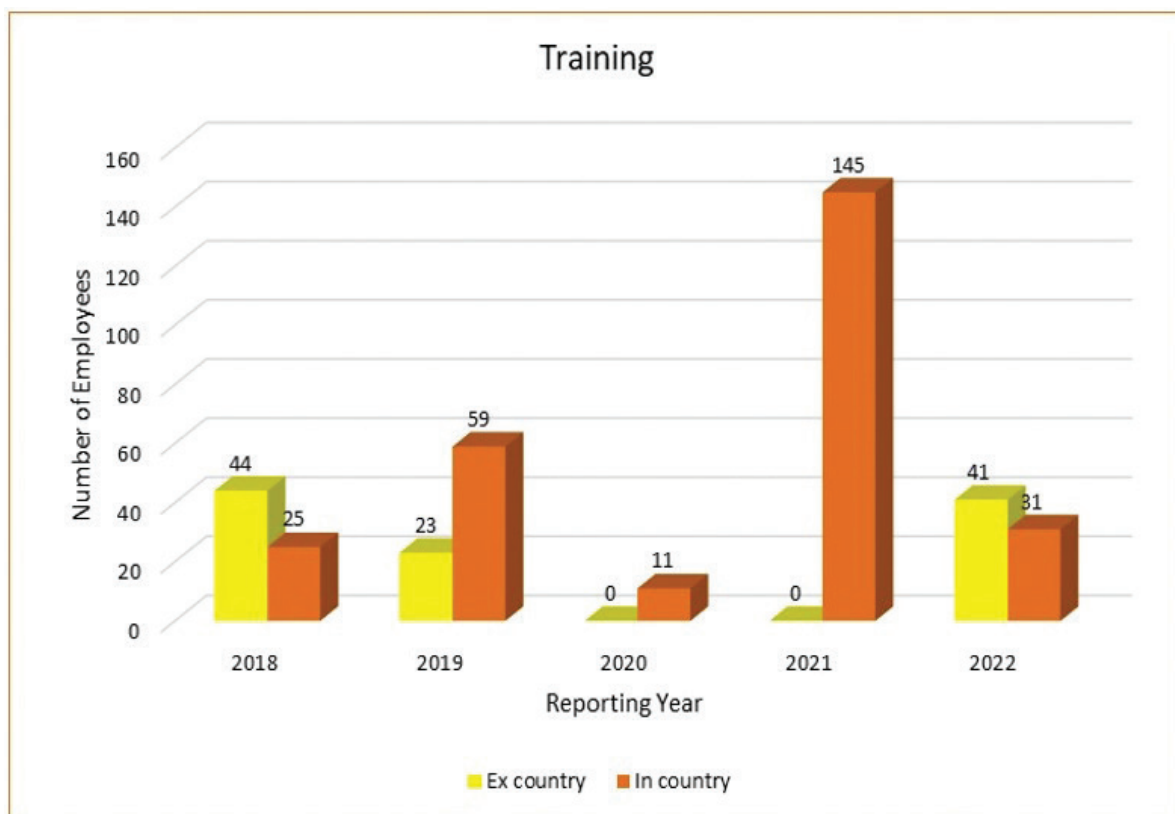
The bank currently has 86 female and 101 male employees working with the bank as of December 2022. It is a testament to the company's strong commitment in supporting and promoting gender equality in the society, and making work environment conducive to all the employees, as a socially conscious and responsible institution.

**Training and Development:**

To enhance skills and knowledge of the employees to keep abreast of various developments in the banking industry, it is essential for the bank to invest in human capacity development of the bank via various training programs.

In 2022, employees were provided with in-country trainings/workshops on Adaptive Leadership, Banking Program, Bhutanese Accounting Standards (BAS), CID user level trainings, and Syndicated and Consortium lending. To motivate and broaden the thinking horizons, the senior employees were also provided with ex-country trainings/workshops on Advance Futuristic Leadership Excellence, Training and Study Visit on Leadership and Management for Bank Executives, Leadership and Digital Transformation, and Financial Statement Analysis for Lending Decisions and Customers Relationship Management.

The graph below presents the trainings provided to employees of the bank over the years.



Further, many senior officials of the bank did attend several virtual programs online during the year to keep abreast of recent development in the banking and financial markets environment.

**CORPORATE GOVERNANCE:**

Corporate governance is about enabling organizations to achieve their goals, control risks and assuring compliance. Good corporate governance incorporates a set of rules that define the relationship between stakeholders, management and the Board of Directors of a Company and influence how the company is operating. The Board and the management 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 Promoters, Shareholders, Customers, Board, Management & Employees, Financiers, Government, Banking partners and Suppliers. Therefore, the bank is committed in achieving a high standard of corporate governance and has been implementing best practices in all areas of its banking operations.

To strengthen the good governance and provide appropriate policy directives to the company, 8 Board meetings were convened during the year. In all these meetings, quorum was maintained as per the Companies Act of the Kingdom of Bhutan 2016 and RMA’s Corporate Governance Rules & Regulations 2020.



During the year following Board Directors have attended the following Board Meetings:

Sl.No	Name	Designation	Board Meeting Attended	Sitting Fees	Remarks
1	Mr. Tshenchok Thinlay	Chairman	8	112,000	
2	Mr. Gayatri Prasad Sharma	Independent Director	7	98,000	
3	Mr. Nawang Gyetse	Independent Director	7	98,000	
4	Mr. Tashi Tshering	Director	7	98,000	
5	Mr. Pema Tshering	Director/CEO/ Member Secretary	8	112,000	

The 12th AGM was held on 28 April 2022, thereby complying with the Companies Act 2016. Besides these, (4) Board Audit Committee meetings, (4) Board Governance Meeting and (4) Board Risk Committee Meeting were convened during the year to discuss on the various aspects pertaining to governance, operations and risks 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 2022.

### 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:

- Mr. Tshenchok Thinlay - Chairperson
- Mr. Gayatri Prasad Sharma - Independent Director
- Mr. Nawang Gyetse - Independent Director
- Mr. Tashi Tshering - Director
- Mr. Pema Tshering - Director/Chief Executive Officer (Member Secretary)

### Board Audit Committee:

The bank established the Board Audit Committee during its 9th Board Meeting held on 01 December 2011, which is in compliance with Section 1, Schedule I of Prudential Regulation 2017.

The following Board Audit Committee Meetings have been conducted during the year.

Sl.No	Name	Designation (Sample)	Nos.	Sitting Fees	Remarks
1	Mr. Gayatri Prasad Sharma	Chairperson	4	28,000	
2	Mr. Ngawang Gyetse	Independent Director	4	28,000	
3	Mr. Tshering Dorjee	Member Secretary	4	14,000	

## Board Risk Committee:

Following Board Risk Committee meetings were also conducted during the year.

Sl.No.	Name	Designation (Sample)	Nos	Sitting Fees	Remarks
1	Mr. Nawang Gyetse	Chairperson	4	28,000	Independent Director
2	Mr. Tashi Tshering	Director	4	28,000	
3	Mr. Pema Tshering	Director/CEO	4	28,000	
4	Mr. L P Giri	Executive Member	4	28,000	
5	Mr. Surja Man Samal	Member Secretary	4	14,000	

## Board Governance Committee:

Following Board Governance Committee meetings were also conducted during the year.

Sl.No.	Name	Designation	Nos	Sitting Fees	Remarks
1	Mr. Tashi Tshering	Chairman	4	28,000	
2	Mr. Gayatri Prasad Sharma	Member/Independent Director	4	28,000	
3	Mr. Pema Tshering	Member/CEO	4	28,000	
4	Mr. Tshering Tobgay	Member	4	28,000	
5	Mr. Chenchu Dorji	Member Secretary	4	14,000	

## COMPLIANCE

The bank has complied with the RMA Prudential Regulations 2017, RMA Corporate Governance Rules & Regulations 2018 and the Companies Act of the Kingdom of Bhutan 2016. All prudential requirements stipulated by the RMA has been complied in 2022. As 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.

## Key Ratios (as per GAAP):

During the reporting year, there is no violation on any of the key financial ratio of the Bank as per RMA Regulation.

Sl. No.	Particulars	31.12.2022	31.12.2021
1	Credit to Deposit	73.16%	78.95%
2	Capital Adequacy Ratio	14.82%	15.04%
3	Statutory Liquidity Ratio	26.76%	22.14%
4	Single Largest Borrower	17.10%	20.59%
5	Ten Largest Borrower	11.88%	15.00%

## CORPORATE SOCIAL RESPONSIBILITIES (CSR)

The bank has a keen sense of Corporate Social Responsibility, the commitment to sustainability and welfare development of the community. In 2022, as part of its CSR, the bank made the following donation and contributions:

Sl.No.	Particulars	Amount (Nu.)
1	Zhung Dratshang: To commemorate 400 years of the establishment of Central Monastic Body of Bhutan.	100,000
2	Donation to Simtokha Dzong for Gold Plating of Choep-Ting in the main Altar of Simtokha Dzong.	50,000
3	ABS-To support the persons with disabilities	50,000
4	Autsho Namdroling Goenzin Dratshang, Lhuentse: To purchase one desktop to train monks from eastern Bhutan in the field of ICT	68,000
5	Conserving Natural Environments and Climate Changes	30,000
6	Printing of Poetry Book on our great Monarchs	15,000
7	Sponsorship on " Ngultrum Story of the year 2022 award"	12,000
	<b>Total</b>	<b>325,000</b>

The employees of the bank also voluntarily contributed a sum of **Nu. 2,286,398.00** (Ngultrum two million two hundred eighty six thousand three hundred ninety eight) only, to His Majesty's Kidu Fund in 2022.

The bank remains fully committed to similar CSR mandates in the future.

## ACKNOWLEDGEMENT

I, on behalf of the Board of Directors and on my own behalf, would like to take this opportunity to express my sincere gratitude to His Majesty the Druk Gyalpo for his magnanimous Royal Kidu, 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 Office of Bhutan, Auditors – M/s. A Ghosh & Co. Chartered Accountants for their valuable guidance and support in the times when the global economy and the Bhutanese economy have been hit hard by the pandemic and still under recovery stage. 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 amidst business disruptions and slowdown of the country's economy in the aftermath of the pandemic during the period 2020 and 2021, and ensuing global geo-political tension. The Board would also like to thank all the financial institutions in Bhutan and the correspondent banks for their continued cooperation and patronage. All the concerned stakeholders of the bank have been exceptionally supportive and helpful in maintaining the bank operations least affected by the economic disruption brought about by the pandemic.

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 service and contribution for the overall performance of the bank, especially during such trying times as evidenced in the year 2022.

**Tashi Delek!**



(Mr. Tshenchok Thinlay)  
**CHAIRPERSON**

## A GHOSH & COMPANY CHARTERED ACCOUNTANTS

Shelcon Plaza, 3rd Floor, "C" Block,  
Unit No. 13, Sevoke Road, P.O. Siliguri,  
Dist. Darjeeling, West Bengal, Pin-734001

### INDEPENDENT AUDITORS' REPORT

To the Shareholders  
T BANK Limited

#### Opinion

We have audited the financial statements of T Bank Limited (the Bank), which comprise the Statement of Financial Position as at December 31, 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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 in Bhutan, 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 statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



# AUDITORS' REPORT

Sl. No.	Key Audit Matters	Auditors Response
1	<p><b>Identification and provisioning for non-performing assets (loans) in accordance with the guidelines issued by Royal Monetary Authority of Bhutan ('RMA')</b></p> <p>The Royal Monetary Authority of Bhutan (RMA) has prescribed the 'Prudential norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning.</p> <p>The identification of performing and nonperforming advances involves establishment of proper mechanism and the Bank is required to apply significant degree of judgments to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations</p> <p>Significant judgments and estimates for NPA. identification and provisioning could give rise to material misstatements on: -</p> <ul style="list-style-type: none"> <li>• Completeness and timing of recognition of non-performing assets in accordance with criteria as prescribed by the RMA;</li> <li>• Measurement of the provision for nonperforming assets based on loan exposure, ageing and classification of the loan, realizable value of security;</li> </ul> <p>Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances:</p>	<p>We have checked the relevant Documents, Information, Reports, and Extracts of Accounts etc.</p> <p>In Particular:</p> <ul style="list-style-type: none"> <li>• The Advances have been checked on test basis based on records/ reports/ documents/ certificates made available to us by the Bank 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 to this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period.</li> <li>• These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank Officials.</li> <li>• The accuracy of the data input in the system for income recognition, classification into performing and non-performing Advances and provisioning in accordance with the Prudential Norms of RMA.</li> <li>• Evaluated the past trends of management judgment, governance process and review controls over impairment provision calculations and discussed the provisions made with the relevant Bank Officials in this respect.</li> </ul>



	<ul style="list-style-type: none"> <li>- Requires proper control mechanism and significant level of estimation by the Bank;</li> <li>- Has significant impact on the overall financial statements of the Bank;</li> <li>- Could not be entirely covered through personal visits / physical interaction with the relevant officials of the Bank.</li> </ul> <p>We have ascertained this area as a Key Audit Matter.</p>	
2	<p><b>Key Information technology (IT) systems used in financial reporting process.</b></p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems. There is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Thus in such a situation any gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.</p> <p>Due to the extensive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<p>We obtained an understanding of the Bank's IT related control environment as a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> <li>• We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</li> <li>• Based on the information and documents provided to us we have reviewed 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 exit cases being revoked in a timely manner and access of all active users in the system.</li> </ul>



## Responsibilities of management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintained professional skepticism throughout the audit. We also described our responsibilities in **Appendix-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 Bhutan, 2016, we enclose in the **Appendix-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 Companies 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 Changes in Equity and the Statement of Cash Flow dealt with by this report have been prepared in accordance with the generally accepted accounting principles and are in agreement with the books of account.
- d) The Bank has complied with other legal and regulatory requirements.

**For A GHOSH & CO.**  
**Chartered Accountants**  
Firm Registration No: 324196E



**BIMAL KUMAR PRASAD,**  
**Partner**  
Membership No. 306116  
UDIN: 23306116BGWZAL6829  
Place: Siliguri  
Date: 14th February, 2023



## Appendix-I

### **Appendix 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 December 31, 2022 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 throughout 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 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 governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Appendix-II

### Minimum Audit Examination and Reporting Requirements.

Appendix 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 maintaining Fixed Assets Register. As per information provided to us, physical verification of fixed assets was conducted for Thimphu and Phuentsholing offices, which hold 90% of the assets of the bank.
2. As informed to us, none of the fixed assets have been revalued during the year.
3. Physical verification of stationary items was conducted by the management at reasonable intervals and no material discrepancies were noticed on such verifications.
4. As informed to us, the procedures of Physical Verification of stationary items followed by the management are reasonable and adequate in relation to the size of the Bank and the nature if 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 (NPLs).
8. As per information provided to us, the bank grants loans / advances to the officers / staff 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. As explained 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. 35 of Notes to Financial Statements.
12. In respect of transactions referred to in clause 11 above, our examination has revealed that such transactions are prima facie not prejudicial to the interest of the other shareholders and the Bank.
  13. As per explanations given to us, there was no significant 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 the information provided to us, there is no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions as on the last day of the reporting period.
  16. According to the information and explanations given to us and on the basis of our test checking of the accounts and other records, we are of the opinion that no personal expenses has been charged to the accounts during the year other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practices.
  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 prima facie lawful and intra-vires to the Articles of Incorporation of the Bank.
  19. We were given to understand that 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 and according to the information and explanations given to us, the Bank has established an effective budgetary control system.
  21. According to the information and explanations given to us, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the Bank directly or indirectly are disclosed in Note No. 35.2.1 of Notes to the Financial Statements.



22. In our opinion and according to the information and explanations given to us, the directives of the Boards have been complied with.
23. As per information provided to us, the officials of the Company are refrained from transmitting any price sensitive information which is not made publicly available, unauthorized to their relatives / friends/ associates or close persons, who will 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. In our opinion proper records of the transactions and contracts have been maintained in a timely manner where the Bank have dealt with Shares and securities, details of which are adequately disclosed in Note No, 17, 18 and Note No. 19.
26. As per information provided to us, reasonable records are maintained by the Bank for funds collected from depositors and for interest payments.
27. As per our examination of records and information and explanation provided to us there is no major diminution in value of investments (share).
28. The Bank has generally complied with the requirements of Financial Services Act 2011 and other applicable rules and regulations issued by the appropriate Authorities.
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 (RMA).
30. As per information provided to us, recognition of interest income in respect of non-performing assets has been deferred.
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. As explained to us the Bank has not disposed the assets taken over for repayment of defaults through auction due to the Covid 19 pandemic.
34. As per information provided to us, there is no re-phasing / rescheduling of loans during the current reporting period.
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:

- i. The Bank has a computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of computer installations.
- ii. As explained adequate safeguard measures and back up facilities in relation to the computer facilities exist. However some variation has been observed. We found that internet is working in many computers and various website like any desk, Gmail etc is working. Also Pen Drive is accessible from various computers.
- iii. As per information and explanation provided to us, the back-up files of the Bank are kept in different locations as per ISO standards.
- iv. Generally the Bank has controls to ensure correctness and validity of input data and output information. As informed to us, presently the Bank has selected a vendor for the implementation of ISO 27001 and PCI DSS certification etc. for further improvement in this area.
- v. As informed to us, the Bank has preventive measures in place to prevent unauthorized access over the computer installation and files. For further improvement the implementation of ISO 27001 and PCI DSS certification work is under progress.

## 37. GENERAL

### i. Going Concern:

The financial position of the current reporting period indicates that the Bank is healthy and on an overall examination of financial and operational data, we have no reason to believe that the Bank is not a going concern as on date of the Statement of Financial Position.

### ii. Ratio Analysis:

Ratio Analysis on financial health and profitability of the Bank is given in Exhibit-1.



## EXHIBIT-1

### Ratio Analysis:

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

Sl. No.	RATIOS	2022	2021	REMARKS
1	Interest Expense / Deposits	4.64%	4.53%	Increase in interest expenses by 31.33%, whereas the deposits (including inter-bank placements of funds) increased by 30.56 % from the year 2021 to 2022.
2	Interest Income/Loans	10.94%	9.98%	Increase in interest income by 37.40%, whereas the Loans & Advances increased by 25.42% from the year 2021 to 2022.
3	Loan / Deposits	69.49%	72.34%	Increase in deposits higher than increase in loans & advances
4	Provision / Credit Exposure	3.18%	3.28%	Decrease in NPL ratio from 4.45 % in 2021 to 0.19 % in 2022.
5	Capital Adequacy Ratio (As per RMA return for the month of December)	14.75%	15.04%	Increase in risk weighted assets.
6	Statutory Liquidity Ratio as per RMA returns for the month of December.	26.74%	22.14%	Increase in quick assets.(Based on GAAP )
7	Current Ratio (CA:CL)	1:0.91	1:0.90	Increase in CL higher than increase in CA
8	Return on Investment (Return on opening investment)	17.21%	11.50%	Increase in profit for the year
9	Net Profit Ratio (Pre Tax)	18.59%	14.44%	Increase in profit for the year
10	Earnings Per Share (EPS) Nu.	3.11	1.73	Increase in profit for the year.
11	NPL / Total Loans & Advances (As per RMA return for Dec 2022)	0.19%	4.45%	Decrease in NPL from Nu. 399.09 million to Nu. 20.71 million (Based on GAAP)
12	Return on Assets (ROA)	1.45%	1.03%	Increase in net profit.
13	Book Value of Shares Nu.	21.05	18.13	Increase in reserves and retained earnings due to appropriation of the PAT



### iii. 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.

### iv. 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 Statements 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 **A GHOSH & CO.**  
**Chartered Accountants**  
Firm Registration No: 324196E



**BIMAL KUMAR PRASAD,**  
**Partner**  
Membership No. 306116  
UDIN: 23306116BGWZAL6829  
Place: Siliguri  
Date: 14th February, 2023





# FINANCIAL STATEMENTS

## Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	31-Dec-22 Nu	31-Dec-21 Nu
Interest & Similar Income	4	1,165,083,686	847,952,642
Interest & Similar Expense	5	(751,933,621)	(572,569,013)
<b>Net interest income</b>		<b>413,150,066</b>	<b>275,383,628</b>
Fee and commission income	6	41,149,426	45,305,823
Fee and commission expenses		-	-
<b>Net fee and commission income</b>		<b>41,149,426</b>	<b>45,305,823</b>
Other Operating Income	7	143,625,605	72,923,121
<b>Total operating income</b>		<b>597,925,096</b>	<b>393,612,572</b>
Personnel Expenses	8	(156,359,676)	(133,482,971)
Depreciation on Property Plant & Equipment	23	(21,455,221)	(20,515,176)
Amortization of Intangible Assets	24	(11,269,178)	(10,745,730)
Other Operating Expenses	9	(99,062,322)	(85,902,238)
Impairment (charges)/reversal for loans and other losses	10	(56,593,379)	(3,403,016)
<b>Total Operating Expenses</b>		<b>(344,739,776)</b>	<b>(254,049,131)</b>
<b>Profit Before Tax from Continuing Operations</b>		<b>253,185,320</b>	<b>139,563,441</b>
Income Tax Expense:			
Current tax	11	(66,555,405)	(36,967,095)
Deferred tax Income/(Expenses)	30	1,814,913	1,356,925
<b>Profit For the Year</b>		<b>188,444,828</b>	<b>103,953,271</b>
Assessed tax payable pertaining to earlier years	11	-	-
<b>Profit Available for Appropriation</b>		<b>188,444,828</b>	<b>103,953,271</b>

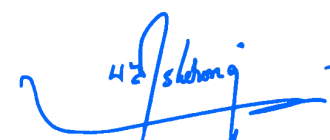
For A GHOSH & CO.  
CHARTERED ACCOUNTANTS  
FRN: 324196E



CA BIMAL KUMAR PRASAD  
PARTNER  
Membership Number: 306116  
UDIN: 23306116BGWZAL6829  
Place: Thimphu  
Date: 24 February 2023



Chairperson



Chief Executive Officer



Director



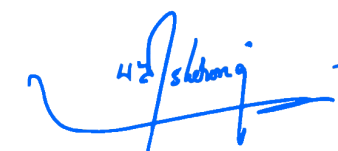
# FINANCIAL STATEMENTS

## Statement of Other Comprehensive Income For the Year Ended 31 December 2022

	Note	31-Dec-22 Nu	31-Dec-21 Nu
<b>Profit for the year</b>		<b>188,444,828</b>	<b>103,953,271</b>
Remeasurement Gain/(Loss) on Defined Benefit Plan		(2,521,668)	61,496
<b>Total other comprehensive income before tax</b>		<b>(2,521,668)</b>	<b>61,496</b>
Tax on income /(expense) relating to components of other comprehensive income		(630,417.0)	15,374
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,891,251)</b>	<b>46,122</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>186,553,577</b>	<b>103,999,393</b>
<b>Basic Earnings Per Share</b>	<b>12</b>	<b>3.14</b>	<b>1.73</b>

For A GHOSH & CO.  
CHARTERED ACCOUNTANTS  
FRN: 324196E


  
Chairperson

  
Chief Executive Officer

CA BIMAL KUMAR PRASAD  
PARTNER  
Membership Number: 306116  
UDIN: 23306116BGWZAL6829  
Place: Thimphu  
Date: 24 February 2023

  
Director


# FINANCIAL STATEMENTS

## Statement of Financial Position For the Year Ended 31 December 2022

	Note	31-Dec-22 Nu	31-Dec-21 Nu
<b>Assets</b>			
Cash & Cash Equivalents	13	1,558,413,591	2,200,058,314
Cash & Balances with Central Bank	14	1,447,392,262	777,311,025
Placement with other Banks	15	1,842,136,135	911,900,771
Loans & Advances to Customers	16	10,654,024,826	8,494,780,328
Equity Instruments (at amortized cost)	17	7,750,000	7,750,000
Equity Instruments (FVPL)	18	37,714,281	391,575,320
Debt Instruments	19	864,851,597	352,954,504
Defined Benefit Assets	20	5,737,961	5,689,653
Other Financial Assets	21	402,158,568	4,067,424
Other Assets	22	356,822,185	301,918,924
Property, Plant & Equipment	23	106,926,419	89,062,906
Intangible Assets	24	30,853,690	35,644,141
Deferred tax assets	30	4,606,328	2,779,338
<b>Total Assets</b>		<b>17,319,387,844</b>	<b>13,575,492,649</b>
<b>Liabilities</b>			
Due to Customers	25	12,510,870,844	10,003,552,996
Due to Banks	26	2,820,718,038	1,739,500,993
Debt issued and Other Borrowed Funds	27	410,000,000	440,000,000
Current Tax Liabilities (Net of advance paid)	28	54,114,899	34,777,395
Deferred Tax Liabilities	30	1,434,490	1,422,413
Defined Benefit Liability	20	-	-
Other Liabilities	31	256,961,759	271,010,007
<b>Total Liabilities</b>		<b>16,054,100,030</b>	<b>12,490,263,804</b>
<b>Equity</b>			
Share Capital	32	600,252,230	600,252,230
<b>Reserves</b>			
Retained Earnings	33	553,195,298	444,421,224
APFR		49,018,508	
Foreign Exchange Fluctuation Reserve		42,821,778	32,555,391
Human Capital Development Fund		20,000,000	8,000,000
<b>Total equity</b>		<b>1,265,287,813</b>	<b>1,085,228,845</b>
<b>Total liabilities and equity</b>		<b>17,319,387,844</b>	<b>13,575,492,649</b>

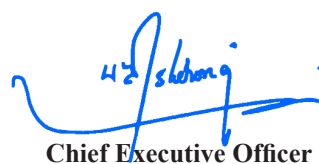
For A GHOSH & CO.  
CHARTERED ACCOUNTANTS  
FRN: 324196E



CA BIMAL KUMAR PRASAD  
PARTNER  
Membership Number: 306116  
UDIN: 23306116BGWZAL6829  
Place: Thimphu  
Date: 24 February 2023



Chairperson



Chief Executive Officer



Director



# FINANCIAL STATEMENTS

## Statement of Changes in Equity For the Year ended 31 December 2022

	In Nu						
	Share Capital	Retained Earnings	Exchange Fluctuation Reserve	APFR	HRD Reserve Fund	Research/Digital and Development fund	Total Shareholders' Funds
	Nu	Nu					Nu
<b>Balance as at 1 January 2021</b>	<b>600,252,230</b>	<b>271,160,240</b>	<b>32,501,276</b>				<b>903,913,745</b>
Net profit for the year		103,953,271					103,953,271
Adjustments (Bonus Shares issue)							-
Adjustments (Rights Shares issue)							-
Other Comprehensive Income for the year, net of tax		46,122					46,122
BFRS Adjustment		28,200,742					28,200,742
Share premium							-
Transfers during the year		(8,054,115)	54,115	8,000,000			-
APFR transferred under MM		49,114,965					49,114,965
<b>Balance as at 31 December 2021</b>	<b>600,252,230</b>	<b>444,421,225</b>	<b>32,555,391</b>		<b>8,000,000</b>		<b>1,085,228,845</b>
Adjustments (Bonus Shares issue)							
Adjustments (Rights Shares issue)							
Net profit for the year	188,444,828						188,444,828
Other Comprehensive Income for the year, net of tax							
BFRS Adjustment *		(8,933,159)					(8,933,159)
Share premium							
Net transfers during the year		(21,622,629)	10,266,386		4,000,000	8,000,000	643,757
Reclassification of APFR		(49,114,965)		49,018,508			(96,458)
Provision for dividend							-
<b>Balance as at 31 December 2022</b>	<b>600,252,230</b>	<b>553,195,299</b>	<b>42,821,777</b>	<b>49,018,508</b>	<b>12,000,000</b>	<b>8,000,000</b>	<b>1,265,287,813</b>

\* For detail on BFRS adjustment indicated above refer No. 33.1

**For A GHOSH & CO.**  
**CHARTERED ACCOUNTANTS**  
**FRN: 324196E**

  
**Chief Executive Officer**



**CA BIMAL KUMAR PRASAD**  
**PARTNER**  
**Membership Number: 306116**  
**UDIN: 23306116BGWZAL6829**  
**Place: Thimphu**  
**Date: 24 February 2023**

  
**Chairperson**

  
**Director**



# FINANCIAL STATEMENTS

## Statement of Cash Flow For the Year Ended 31 December 2022

	31.12.2022	31.12.2021
	Amount (Nu)	Amount (Nu)
<b>Cash flows from operating activities</b>		
Profit before Taxation	253,185,320	139,563,441
<b>Adjustments for:</b>	-	-
Depreciation and amortization	32,724,399	31,260,906
Impairment charges/(reversal) for Loans and advances	56,593,379	3,403,016
Loan write-off expenses	2,226,314	6,016,836
(Profit)/Loss on sale of Assets	(162,470)	245,337
Interest income	(87,211,533)	(53,385,045)
Finance expenses	40,500,000	40,500,000
<b>BFRS Adjustments</b>		-
BFRS Adjustment*	(8,385,859)	(12,549,372)
		-
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>289,469,550</b>	<b>155,055,119</b>
<b>(Increase) /decrease in assets</b>		
Net change in mandatory cash balances with central banks	(670,081,238)	671,878,801
Net change in due from other banks	(927,204,051)	86,944,982
Net change in loans and advances to customers	(2,218,064,191)	(395,012,085)
Net change in other assets	(53,134,780)	(156,642,386)
<b>Increase /(decrease) in liabilities</b>		-
Net change in customer accounts	2,507,317,848	(637,165,273)
Net change in due to other banks	1,081,217,045	1,894,988,242
Net change in other liabilities and provisions	(44,048,248)	844,313
<b>Net cash from operating activities before income tax</b>	<b>(34,528,064)</b>	<b>1,620,891,713</b>
Tax expenses	(47,217,901)	(38,895,904)
<b>Net cash generated from operating activities</b>	<b>(81,745,965)</b>	<b>1,581,995,808</b>
<b>Cash flow from Investing Activities</b>		
Financial Investments available for sale	(547,100,915)	(399,335,758)
Interest Received from Investments	73,337,148	56,374,880
Acquisition of Property, plant, equipment and intangibles	(46,244,783)	(13,166,307)
Proceeds from disposal of property, plant and equipment	609,792	0.00
<b>Net cash from investing activities</b>	<b>(519,398,758)</b>	<b>(356,127,184)</b>




# FINANCIAL STATEMENTS

<b>Cash flows from financing activities</b>		
Interest payments on borrowings	(40,500,000)	(40,500,000)
Debt issued and Other Borrowed Funds		-
Issue of Right Shares		-
Share premium		-
Dividend paid	-	-
<b>Net cash from financing activities</b>	<b>(40,500,000)</b>	<b>(40,500,000)</b>
Net increase/(decrease) in cash and cash equivalents	(641,644,723)	1,185,368,624
Cash and cash equivalents at the beginning of period	2,200,058,314	1,014,689,691
<b>Cash and cash equivalents at the end of period</b>	<b>1,558,413,591</b>	<b>2,200,058,314</b>

<b>Reconciliation of Cash &amp; cash equivalents</b>	<b>31-Dec-21</b>	<b>31-Dec-21</b>
Cash in Hand (As certified by the management)	232,171,392	268,984,110
Balance with RMA	431,433,597	1,251,851,065
Unutilised CRR account with RMA	156,883,000	156,883,000
Balance with Banks in India & Abroad	410,156,198	422,401,661
Balance with Banks in Bhutan	329,111,181	100,993,855
	<b>1,559,755,368</b>	<b>2,201,113,690</b>
<i>Less: Allowance for Expected Credit Loss</i>	<i>(1,341,776)</i>	<i>(1,055,376)</i>
<b>Cash and cash equivalents</b>	<b>1,558,413,591</b>	<b>2,200,058,314</b>

**For A GHOSH & CO.**  
**CHARTERED ACCOUNTANTS**  
**FRN: 324196E**  
**Officer**

  
**Chief Executive**



  
**Chairperson**

**CA BIMAL KUMAR PRASAD**  
**PARTNER**  
**Membership Number: 306116**  
**UDIN: 23306116BGWZAL6829**  
**Place: Thimphu**  
**Date: 24 February 2023**

  
**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 Ngultrum (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 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 2022 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 31 December 2022, together with the comparative period's data as at and for the year ended 31 December 2021.

## 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 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:



## NOTES TO FINANCIAL STATEMENTS

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

### 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:

Details of Asset	Useful Life (in years)	Rates (%)
Software	6.67	15

### 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 have 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.



## 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.

## 2.4.4 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.

## 2.4.5 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

## 2.4.6 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.

### 2.4.7 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.

### 2.4.8 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.





## 2.4.9 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.

## 2.4.10 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.

## 2.4.11 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 POCL.”

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 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 an 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.



## NOTES TO FINANCIAL STATEMENTS

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, recognize 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 the financial assets that are credit impaired on initial recognition. The bank only recognizes the cumulative changes in lifetime ECLs since initial recognition based on the 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.

# NOTES TO FINANCIAL STATEMENTS

## 3. Principal adjustment made:

### 3.1 Reconciliation of Statement of Comprehensive Income for the year ended 31 December 2022

	Local GAAP Reclassified	Re- measurement	BFRS
Interest & Similar Income	1,147,030,183	18,053,503	1,165,083,686
Interest & Similar Expense	(761,025,032)	9,091,411	(751,933,621)
<b>Net interest income</b>	<b>386,005,151</b>	<b>27,144,914</b>	<b>413,150,066</b>
Fee and commission income	41,149,426	-	41,149,426
Fee and commission expenses	-	-	-
<b>Net fee and commission income</b>	<b>41,149,426</b>	<b>-</b>	<b>41,149,426</b>
Other Operating Income	143,625,605	-	143,625,605
<b>Total operating income</b>	<b>570,780,183</b>	<b>27,144,914</b>	<b>597,925,096</b>
Personnel Expenses	(136,124,530)	(20,235,146)	(156,359,676)
Depreciation on Property Plant & Equipment	(21,455,221)	-	(21,455,221)
Amortization of Intangible Assets	(11,269,178)	-	(11,269,178)
Other Operating Expenses	(99,062,322)	-	(99,062,322)
Impairment (charges)/reversal for loans and other losses	(79,649,900)	23,056,521	(56,593,379)
<b>Total Operating Expenses</b>	<b>(347,561,151)</b>	<b>2,821,375</b>	<b>(344,739,776)</b>
<b>Profit Before Tax from Continuing Operations</b>	<b>223,219,032</b>	<b>29,966,289</b>	<b>253,185,320</b>
Income Tax	(66,555,405)	-	(66,555,405)
Deferred tax Income/(Expenses)		1,814,913	1,814,913
Assessed tax payable pertaining to earlier years			-
<b>Profit For the Year</b>	<b>156,663,627</b>	<b>31,781,202</b>	<b>188,444,828</b>
<b>Other Comprehensive Income</b>			
<b>Profit For the Year</b>	<b>156,663,627</b>	<b>31,781,202</b>	<b>188,444,828</b>
Remeasurment Gain/(Loss) on Defined Benefit Plan	-	(2,521,668)	(2,521,668)
<b>Total Comprehensive Income Before tax</b>	<b>156,663,627</b>	<b>29,259,534</b>	<b>185,923,160</b>
Tax on income /(expense) relating to components of other comprehensive income		630,417	630,417
<b>Total comprehensive income for the year, net of tax</b>	<b>156,663,627</b>	<b>29,889,951</b>	<b>186,553,577</b>



## 3.2 Reconciliation of Statement of Comprehensive Income for the year ended 31 December 2021

	Local GAAP Reclassified	Nu. Re-measurement	BFRS
Interest & Similar Income	835,599,891	12,352,750	847,952,642
Interest & Similar Expense	(586,873,254)	14,304,241	(572,569,013)
<b>Net interest income</b>	<b>248,726,637</b>	<b>26,656,991</b>	<b>275,383,628</b>
Fee and commission income	45,305,823	-	45,305,823
Fee and commission expenses	-	-	-
<b>Net fee and commission income</b>	<b>45,305,823</b>	<b>-</b>	<b>45,305,823</b>
Other Operating Income	72,923,121	-	72,923,121
<b>Total operating income</b>	<b>366,955,582</b>	<b>26,656,991</b>	<b>393,612,572</b>
Personnel Expenses	(121,722,991)	(11,759,979)	(133,482,971)
Depreciation on Property Plant & Equipment	(20,515,176)	-	(20,515,176)
Amortization of Intangible Assets	(10,745,730)	-	(10,745,730)
Other Operating Expenses	(85,902,238)	-	(85,902,238)
Impairment (charges)/reversal for loans and other losses	-	(3,403,016)	(3,403,016)
<b>Total Operating Expenses</b>	<b>(238,886,136)</b>	<b>(15,162,996)</b>	<b>(254,049,131)</b>
<b>Profit Before Tax from Continuing Operations</b>	<b>128,069,446</b>	<b>11,493,995</b>	<b>139,563,441</b>
Income Tax	(36,967,095)		(36,967,095)
Deferred tax Income/(Expenses)			1,356,925
Assessed tax payable pertaining to earlier years			-
<b>Profit For the Year</b>	<b>91,102,352</b>	<b>11,493,995</b>	<b>103,953,271</b>
<b>Other Comprehensive Income</b>			
<b>Profit For the Year</b>	<b>91,102,352</b>	<b>11,493,995</b>	<b>103,953,271</b>
Remeasurment Gain/(Loss) on Defined Benefit Plan		61,496	61,496
<b>Total Comprehensive Income Before tax</b>	<b>91,102,352</b>	<b>11,555,491</b>	<b>104,014,767</b>
Tax on income /(expense) relating to components of other comprehensive income		(15,374)	(15,374)
<b>Total comprehensive income for the year, net of tax</b>	<b>91,102,352</b>	<b>11,540,117</b>	<b>103,999,393</b>





# NOTES TO FINANCIAL STATEMENTS

## 3.3 Reconciliation of Financial Position as at 31st December 2022

	Local GAAP Reclassified	Nu Re-measurement	BFRS
<b>Assets</b>			
Cash & Cash Equivalents	1,559,755,368	(1,341,776)	1,558,413,591
Cash & Balances with Central Bank	1,447,392,262	-	1,447,392,262
Placement with other Banks	1,843,016,643	(880,508)	1,842,136,135
Due From Banks			
Loans & Advances to Customers	10,746,093,745	(92,068,918)	10,654,024,826
Equity instruments – at cost	7,750,000	-	7,750,000
Equity instruments (FVPL)	37,714,281	-	37,714,281
Debt Instruments at Amortized Cost	865,316,057	(464,460)	864,851,597
Defined Benefit Assets		5,737,961	5,737,961
Other Financial Assets	402,158,568	-	402,158,568
Other Assets	253,431,350	103,390,835	356,822,185
Property, Plant & Equipment	106,926,419	-	106,926,419
Intangible Assets	30,853,690	-	30,853,690
Deferred Tax Asset		4,606,328	4,606,328
<b>Total Assets</b>	<b>17,300,408,382</b>	<b>18,979,462</b>	<b>17,319,387,844</b>
<b>Liabilities</b>			
Due to Customers	12,519,962,255	(9,091,411)	12,510,870,844
Due to Banks and Financial Institutions	2,820,718,038	-	2,820,718,038
Debt issued and Other Borrowed Funds	410,000,000		410,000,000
Current Tax Liabilities	66,555,405	(12,440,506)	54,114,899
Deferred Tax Liability	-	1,434,490	1,434,490
Defined Benefit Liability	-	-	-
Other Liabilities	258,641,403	(1,679,643)	256,961,759
<b>Total Liabilities</b>	<b>16,075,877,100</b>	<b>(21,777,070)</b>	<b>16,054,100,030</b>
<b>Equity</b>			
Share Capital	600,252,230	-	600,252,230
<b>Reserves</b>			
Retained Earnings	512,438,767	40,756,532	553,195,298
AFPR	49,018,508		49,018,508
HRD Reserve Fund	12,000,000		12,000,000
Research/Digital and Development fund	8,000,000		8,000,000
Foreign Exchange Fluctuation Reserve	42,821,777	-	42,821,777
<b>Total equity</b>	<b>1,224,531,282</b>	<b>40,756,532</b>	<b>1,265,287,813</b>
<b>Total liabilities and equity</b>	<b>17,300,408,382</b>	<b>18,979,462</b>	<b>17,319,387,844</b>



## 3.4 Reconciliation of Financial Position as at 31st December 2021

	Local GAAP Reclassified	Nu Re-measurement	BFRS
<b>Assets</b>			
Cash & Cash Equivalents	2,201,113,690	(1,055,376)	2,200,058,314
Cash & Balances with Central Bank	777,311,025	-	777,311,025
Placement with other Banks	912,783,327	(882,556)	911,900,771
Due From Banks	-	-	-
Loans & Advances to Customers	8,683,725,038	(188,944,709)	8,494,780,328
Equity instruments – at cost	7,750,000	-	7,750,000
Equity instruments (FVPL)	399,335,758	(7,760,438)	391,575,320
Debt Instruments at Amortized Cost	356,289,774	(3,335,271)	352,954,504
Defined Benefit Assets		5,689,653	5,689,653
Other Financial Assets	4,067,424	-	4,067,424
Other Assets	209,621,271	92,297,653	301,918,924
Property, Plant & Equipment	89,062,906	-	89,062,906
Intangible Assets	35,644,141	-	35,644,141
Deferred Tax Asset	-	2,779,338	2,779,338
<b>Total Assets</b>	<b>13,676,704,354</b>	<b>(101,211,706)</b>	<b>13,575,492,649</b>
<b>Liabilities</b>			
Due to Customers	10,017,857,237	(14,304,241)	10,003,552,996
Due to Banks and Financial Institutions	1,739,500,993	-	1,739,500,993
Debt issued and Other Borrowed Funds	440,000,000		440,000,000
Current Tax Liabilities	36,967,095	(2,189,700)	34,777,395
Deferred Tax Liability	-	1,422,413	1,422,413
Defined Benefit Liability	-	-	-
Other Liabilities	375,058,674	(104,048,667)	271,010,007
<b>Total Liabilities</b>	<b>12,609,383,998</b>	<b>(119,120,195)</b>	<b>12,490,263,804</b>
<b>Equity</b>			
Share Capital	600,252,230	-	600,252,230
<b>Reserves</b>			
Retained Earnings	426,512,735	17,908,489	444,421,224
HRD Reserve Fund	8,000,000		8,000,000
Foreign Exchange Fluctuation Reserve	32,555,391	-	32,555,391
<b>Total equity</b>	<b>1,067,320,356</b>	<b>17,908,489</b>	<b>1,085,228,845</b>
<b>Total liabilities and equity</b>	<b>13,676,704,354</b>	<b>(101,211,706)</b>	<b>13,575,492,649</b>



# NOTES TO FINANCIAL STATEMENTS

		(Nu.)
<b>4. Interest and Similar Income</b>	<b>2022</b>	<b>2021</b>
Interest Income from Loans	1,162,006,336	845,140,228
Interest Income from Preferential Lending	3,077,350	2,812,414
<b>Total</b>	<b>1,165,083,686</b>	<b>847,952,642</b>

		(Nu.)
<b>5. Interest &amp; Similar Expense</b>	<b>2022</b>	<b>2021</b>
Interests on Saving Deposits	255,796,343	155,767,679
Interests on Fixed and Recurring Deposits	455,625,075	376,249,105
Interest on Govt. Bonds	40,500,000	40,500,000
1% Rebate and Interest Waiver on COVID-19	12,203	52,229
<b>Total</b>	<b>751,933,621</b>	<b>572,569,013</b>

		(Nu.)
<b>6. Net Fees &amp; Commission Income</b>	<b>2022</b>	<b>2021</b>
<b>Fees &amp; Commission Income</b>		
Commission Earnings	36,333,070	40,742,730
Commission on Forex	4,816,356	4,563,092
<b>Total fees and commission income</b>	<b>41,149,426</b>	<b>45,305,823</b>
<b>Fees &amp; Commission Expense</b>		
<b>Net Fees &amp; Commission Income</b>	<b>41,149,426</b>	<b>45,305,823</b>

		(Nu.)
<b>7. Other Operating Income</b>	<b>2022</b>	<b>2021</b>
Interest on FD with other banks	37,593,393	26,596,095
Foreign Exchange Gain	41,057,985	216,459
Income from Investments	49,618,140	26,788,949
Other Receipts	15,080,894	19,321,618
Profit on sale of assets	275,193	
Commission on Forex/ Commission on TT (abroad)		
<b>Total</b>	<b>143,625,605</b>	<b>72,923,121</b>

		(Nu.)
<b>8. Personnel Expenses</b>	<b>2022</b>	<b>2021</b>
Salaries, Wages and Bonus	105,148,175	100,648,770
Medical Expenses	1,096,660	228,137
Gratuity Expense	4,559,881	4,834,121
Earned Leave Encashment-Staff	5,963,050	4,894,611
Employee Termination Benefits	2,926,358	
Performance Based Variable Allowance (PBVA)	16,430,406	11,117,353
Prepaid costs	17,488,463	12,261,807
Current Service Cost	2,746,683	(501,828)
<b>Total</b>	<b>156,359,676</b>	<b>133,482,971</b>



## NOTES TO FINANCIAL STATEMENTS

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

9. Other Operating Expenses	(Nu.)	
	2022	2021
Advertising & Marketing	1,777,364	1,980,138
Administrative	12,616,502	15,895,542
Professional Fees	869,301	1,554,930
Rent Paid under operating leases	18,710,806	16,786,101
Other	65,088,349	49,685,528
<b>Total</b>	<b>99,062,322</b>	<b>85,902,238</b>

10. Impairment (charges)/reversal for loans and other losses	(Nu.)	
	2022	2021
<b>Impairment</b>		
Provision as per GAAP	(79,649,900)	-
Addition/(Reversal) for the Years	23,056,521	(3,403,016)
<b>Closing Balance as at 31 December</b>	<b>(56,593,379)</b>	<b>(3,403,016)</b>

With the adoption of BFRS 9 - Financial Instruments, the provision for loans and advances increased by Nu. 56,593,379.00 in 2022 and increased by Nu. 3,403,016.00 in 2021 compared to the provisions as per RMA's PR 2017.

### 11. Taxation

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

Statement of Comprehensive Income	(Nu.)	
Income Tax for the year	(66,555,405)	(36,967,095)
Assessed Tax paid/payable pertaining to earlier years	-	-
<b>Deferred Tax</b>		
Deferred Taxation Charge/(Reversal)	1,814,913	1,356,925
<b>Income Tax expense reported in the Statement of Profit or Loss</b>	<b>(64,740,492)</b>	<b>(35,610,170)</b>



# NOTES TO FINANCIAL STATEMENTS

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

	2022	2021
Accounting Profit before Income Tax	253,185,320	139,563,441
<b>Adjustment</b>	<b>Expenses</b>	<b>Limit</b>
Penalty Paid		4,908,761
Provision for PBVA 2022	18,425,312	18,425,312
Payment of PBVA 2021 paid in 2022	(10,809,095)	(25,318,532)
Donation and Contributions	511,322	-
Entertainment Expenses	1,751,755	5,063,706
Publicity & Advertisement	1,777,363	11,958,501
10% rebate for 100% Bhutanese employee for 2016	-	-
<b>Total adjustment</b>		<b>13,036,300</b>
<b>Taxable profit</b>	<b>266,221,620</b>	
Statutory Tax Rate	25%	25%
<b>Computed Tax Expenses</b>	<b>66,555,405</b>	<b>34,890,860</b>
Increase /(reduction) in the aforesaid computed tax expenses on account of :		
10% rebate for 100% Bhutanese employee		
Reversal of provision/rebate not considered in Income Tax Act		
Preferential Lending Income (Tax exempt)		(703,104)
PBVA tax deductible on cash basis		2,779,338
10% rebate for 100% Bhutanese employee for 2016		
Additional tax on increased Income/ (Expenses reduced)		
<b>Total</b>	<b>66,555,405</b>	<b>36,967,095</b>
Adjustment recognized in current year in relation to the current tax of prior years	-	-
<b>Current Tax</b>	<b>66,555,405</b>	<b>36,967,095</b>



# NOTES TO FINANCIAL STATEMENTS

	(Nu.)	
<b>12. Basic Earnings Per Share</b>	<b>2022</b>	<b>2021</b>
Total comprehensive income for the year, net of tax	188,444,828	103,953,271
Number of shares	60,025,223	60,025,223
<b>Basic Earnings Per Share</b>	<b>3.14</b>	<b>1.73</b>

	(Nu.)	
<b>13. Cash &amp; Cash Equivalents</b>	<b>2022</b>	<b>2021</b>
Local currency on hand	229,892,347	266,705,065
Balance with RMA	431,433,597	1,251,851,065
Foreign currency on hand	2,279,045	2,279,045
Balance with Banks in Bhutan	156,883,000	156,883,000
Balance with Banks in India & Abroad	410,156,198	422,401,661
<i>Balance with Banks in Bhutan</i>	329,111,181	100,993,855
	<b>1,559,755,368</b>	<b>2,201,113,690</b>
Less: Allowance for Expected Credit Loss	(1,341,776)	(1,055,376)
	<b>1,558,413,591</b>	<b>2,200,058,314</b>

	(Nu.)	
<b>14. Balances with Central Bank of Bhutan(RMA)</b>	<b>2022</b>	<b>2021</b>
Balance with RMA (Reclassified to Cash & Cash Equivalents)		
<i>Payment and Settlement Account with RMA</i>	262,772,678	
Cash Reserve Requirement with RMA	1,184,619,585	777,311,025
<b>Balances with Central Bank of Bhutan(RMA)</b>	<b>1,447,392,262</b>	<b>777,311,025</b>

	(Nu.)	
<b>15. Placements with other banks</b>	<b>2022</b>	<b>2021</b>
Fixed Deposits with banks in Bhutan & abroad	1,843,016,643	912,783,327
Less: Allowance for Expected Credit Loss	(880,508)	(882,556)
<b>Total</b>	<b>1,842,136,135</b>	<b>911,900,771</b>

	(Nu.)	
<b>16. Gross loans &amp; receivables</b>	<b>2022</b>	<b>2021</b>
Gross loans & receivables	11,108,342,108	8,868,246,406
<i>Less: Unamortized Staff loan</i>	(115,831,341)	(94,487,353)
	<b>10,992,510,767</b>	<b>8,773,759,053</b>
Less: Impairment on Loans and Advances		
Individual impairment	15,661,977	1,466,204
Collective impairment	307,161,986	277,512,520
Total Impairment	(338,485,940)	(278,978,725)
<b>Net Loans and Receivables</b>	<b>10,654,024,826</b>	<b>8,494,780,328</b>



## NOTES TO FINANCIAL STATEMENTS

<b>Loans &amp; Advances to Customers</b>	<b>2022</b>	<b>2021</b>
Term Loan	8,396,953,311	7,240,552,392
Overdrafts	2,017,302,435	1,183,804,025
Bills discounted		
Working Capital Loans	148,187,936	176,926,510
Loans Under Litigation	-	-
Charged off loans	245,719,538	
Interest Receivable	300,178,888	266,963,479
	<b>11,108,342,108</b>	<b>8,868,246,406</b>
Less: Unamortized Staff Loans	(115,831,341)	(94,487,353)
Less: Impairment allowance for loans and advances	(338,485,940)	(278,978,725)
<b>Total</b>	<b>10,654,024,826</b>	<b>8,494,780,328</b>

<b>17. Equity instruments - at cost</b>	<b>(Nu.)</b>	
<b>As at 31st December</b>	<b>2022</b>	<b>2021</b>
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
<b>Total</b>	<b>7,750,000</b>	<b>7,750,000</b>

Since the investments in FITI and 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.

<b>18. Equity instruments (FVPL)</b>	<b>(Nu.)</b>	
<b>As at 31st December</b>	<b>2022</b>	<b>2021</b>
BNBL	37,714,281	37,714,281
RICBL	-	361,621,477
Gain/(Loss) on fair valuation	-	(7,760,438)
<b>Total</b>	<b>37,714,281</b>	<b>391,575,320</b>

<b>19. Debt Instruments</b>	<b>(Nu.)</b>	
<b>As at 31st December</b>	<b>2022</b>	<b>2021</b>
Investment in Bonds	849,334,000	349,334,000
Add: Interest receivable reclassified	15,982,057	6,955,774
Less: Allowance for Expected Credit Loss	(464,460)	(3,335,271)
	<b>864,851,597</b>	<b>352,954,504</b>



## NOTES TO FINANCIAL STATEMENTS

	(Nu.)	
<b>20. Defined Benefit Asset (Liability)</b>	<b>2022</b>	<b>2021</b>
Net defined benefit asset at the beginning of current period	5,689,653	(601,929)
Current Service Cost	(2,746,683)	501,828
Amount recognized in the income statement	565,040	90,943
Amount recognized in the OCI	(2,521,668)	61,496
Contributions paid into the plan	4,751,619	5,637,315
Benefits paid by the employer	-	-
Acquisitions credit/ (cost)	-	-
<b>Net defined benefit asset at the end of current period</b>	<b>5,737,961</b>	<b>5,689,653</b>

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 was Nu 1.5 million until 2020 reporting period. The maximum ceiling is not applicable w.e.f 2021 but an employee has to fulfill regular service of 10 years to be eligible for gratuity payment. 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.

<b>Details of Fair Value of Plan Assets as on 31 December</b>	<b>2021</b>	<b>2022</b>
Fair Value of Assets at the beginning of the Current Period	14,422,592	16,169,034
Acquisition adjustment	(9,123,617)	(9,123,617)
Contribution Paid into the Plan	4,751,619	5,637,315
Expected return on Plan Assets	961,486	961,486
Benefits Paid	-	-
Return on Plan Assets greater or less than discount rate	778,374	778,374
	<b>11,790,454</b>	<b>14,422,592</b>





# NOTES TO FINANCIAL STATEMENTS

<b>Expected Benefit Payments for the year ending</b>	<b>2022</b>	<b>2021</b>
31st December 2021	1,871,731	1,871,731
31st December 2022	2,189,859	2,189,859
31st December 2023	2,647,207	2,647,207
31st December 2024	3,120,866	3,120,866
31st December 2025	2,830,103	2,830,103
31st December 2026 to 31st December 2030	17,695,094	17,695,094
<b>Scheme Asset Allocation</b>	<b>2022</b>	<b>2021</b>
Investment with BIL	2,000,000	2,000,000
Gratuity Payable Account	13,000,000	13,000,000
<b>Total</b>	<b>15,000,000</b>	<b>15,000,000</b>

## Sensitivity of assumption employed in actuarial valuation

<b>31.12.2022</b>	<b>Defined Benefit Obligation</b>	<b>Defined Benefit Obligation</b>
<b>1) Discount Rate</b>		
Base Discount Rate of 8.00%	19,597,232	
Discount Rate of 9.00% (+1%)	18,048,955	(1,548,277)
Discount Rate of 7.00% (-1%)	19,832,947	1,783,992
<b>2) Salary Escalation Rate</b>		
Base Salary Escalation Rate of 6%	19,597,232	
Salary Escalation Rate of 7%(+1%)	21,401,440	1,804,208
Salary Escalation Rate of 5%(-1%)	19,810,311	(1,591,129)
<b>31.12.2021</b>	<b>Defined Benefit Obligation</b>	<b>Defined Benefit Obligation</b>
<b>1) Discount Rate</b>		
Base Discount Rate of 8.40%	16,770,963	
Discount Rate of 9.40% (+1%)	15,601,441	(1,169,522)
Discount Rate of 7.30% (-1%)	16,946,697	1,345,256
<b>2) Salary Escalation Rate</b>		
Base Salary Escalation Rate of 6%	16,770,963	
Salary Escalation Rate of 7 % (+1%)	18,060,088	1,289,125
Salary Escalation Rate of 5%(-1%)	16,919,462	(1,140,626)
<b>Summary of Actuarial Assumptions</b>	<b>31.12.21</b>	<b>31.12.21</b>
Discount Rate (%)	8.4	8.4
Salary Escalation Rate (%)	6	6
Employee Turnover Rates (%)	8	8
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)



# NOTES TO FINANCIAL STATEMENTS

## 21. Other Financial Assets

As at 31st December	2022	2021
Sundry Receivables	3,711,840	2,713,357
Security Deposits	1,431,428	1,354,068
RGoB T Bills	397,015,300	
<b>Total</b>	<b>402,158,568</b>	<b>4,067,424</b>

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

## 22. Other Assets

(Nu.)

As at 31st December	2022	2021
Investment in banks	29,748,741	23,180,334
Advance Tax paid	-	-
Stock of Stationery	4,329,379	5,286,476
Asset Pending Foreclosure	50,540,783	50,637,241
BIPS Settlement Account (Inwards)	2,844,854	
Others (loan routine, settlement bridge)	95,280,586	76,305,748
Prepaid Staff Expense	48,608,075	47,243,120
Prepayments	125,469,766	99,266,006
	<b>356,822,185</b>	<b>301,918,924</b>

## The Movement in Pre-Paid Staff cost

2022

2021

As at 1st January	94,487,353	31,862,275
Add / (Less): Adjustment for new grants & settlements	38,832,451	74,886,886
Less: Charge to Personnel cost	(17,488,463)	(12,261,807)
<b>As at 31st December</b>	<b>115,831,341</b>	<b>94,487,353</b>



# NOTES TO FINANCIAL STATEMENTS

## 23. Property, Plant and Equipment

Cost/Revalued Amount:	Land	Vehicles	Computer hardware	Other Equipments	IT Equipment	ATM Machines & Switch	Fixture & Improvement of Bldg	Security Equipment	Furniture & fixtures	CWIP	Total
At 01 January 2021	639,667	4,679,732	39,721,582	29,016,901	54,109,265	17,077,754	20,143,710	2,557,808	19,243,806	-	187,190,225
Additions			2,498,348	517,202	363,880	3,230,008	346,720	994,467	4,487,094		12,437,719
Revaluation											-
Disposals									(631,200)		(631,200)
At 31 December 2021	639,667	4,679,732	2,219,930	29,534,103	54,473,145	20,307,762	20,490,430	3,552,275	23,099,701	-	198,996,744
Additions			10,564,677	217,900	1,490,889				633,384	26,859,206	39,766,056
Disposals		(1,085,594)	(425,329)	(1,065,311)	(83,739)				(237,211)		(2,897,184)
At 31 December 2022	639,667	3,594,138	52,359,278	28,686,692	55,880,295	20,307,762	20,490,430	3,552,275	23,495,874		235,865,617
Accumulated Depreciation		Vehicles	Computer hardware	Other Equipment	IT Equipment	ATM Machines & Switch	Fixture & Improvement of Bldg	Security Equipments	Furniture & fixtures		Total
At 01 January 2021	-	957,986	22,810,656	18,284,499	17,073,688	10,636,200	6,454,820	2,182,734	11,403,943		89,804,526
Charge for the year		701,960	3,968,483	2,614,146	6,627,506	1,858,244	2,686,861	151,391	1,906,586		20,515,176
Disposals									(385,863)		(385,863)
At 31 December 2021	-	1,659,946	26,779,139	20,898,645	23,701,194	12,494,443	9,141,681	2,334,125	12,924,665		109,933,839
Additions		539,121	3,988,314	2,552,338	6,841,743	2,184,783	2,725,549	293,205	2,157,101		21,282,154
Disposals		(667,140)	(302,043)	(1,037,632)	(83,733)				(186,247)		(2,276,795)
At 31 December 2022	-	1,531,927	30,465,410	22,413,351	30,459,204	14,679,226	11,867,230	2,627,330	14,895,519		128,939,198
Net Book Value											
2020 December		3,721,746	16,910,925	10,732,402	37,035,577	6,441,555	13,688,890	375,073	7,839,864		97,385,699
2021 December	639,667	3,019,786	15,440,790	8,635,458	30,771,951	7,813,319	11,348,749	1,218,150	10,175,035		89,062,906
2022 December		2,062,211	21,893,868	6,273,341	25,421,091	5,628,536	8,623,200	924,945	8,600,354		106,926,419

## 24. Intangible Assets (Bank)

Cost:	Software (Nu.)
At 31 December 2021	<b>92,393,127</b>
Additions	6,478,726
Disposals	
<b>At 31 December 2022</b>	<b>98,871,853</b>
Acc. Dep:	
At 31 December 2021	<b>56,748,987</b>
Additions	11,269,178
Disposals	
<b>At 31 December 2022</b>	<b>68,018,165</b>
Net book value:	
At 31 December 2020	45,661,282
At 31 December 2021	35,644,140
At 31 December 2022	30,853,688



## NOTES TO FINANCIAL STATEMENTS

	(Nu.)	
<b>25. Due to Customers</b>	<b>2022</b>	<b>2021</b>
Fixed Deposit	7,037,710,422	5,135,803,720
Recurring Deposit	140,347,898	128,502,451
Savings Deposits	3,404,848,665	3,059,294,696
Current Accounts	1,447,250,258	1,301,479,778
Interest Payable	489,805,011	392,776,592
Deposit EIR adjustment	(9,091,411)	(14,304,241)
<b>Total</b>	<b>12,510,870,844</b>	<b>10,003,552,996</b>

	(Nu.)	
<b>26. Due to Other Banks</b>	<b>2022</b>	<b>2021</b>
Bank of Bhutan Limited	843,756,704	700,000,000
Bhutan Development Bank Limited	1,353,461,334	416,000,993
Bhutan National Bank Limited	200,000,000	200,000,000
Druk PNB Limited	423,500,000	423,500,000
<b>Total</b>	<b>2,820,718,038</b>	<b>1,739,500,993</b>

	(Nu.)	
<b>27. Debts issued and Other Borrowed Funds</b>	<b>2022</b>	<b>2021</b>
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	410,000,000	440,000,000
<b>Total</b>	<b>410,000,000</b>	<b>440,000,000</b>

	(Nu.)	
<b>28. Current Tax Liabilities (Net of advance paid)</b>	<b>2022</b>	<b>2021</b>
Balance as at 1st January	34,777,395	38,359,049
Assessed tax paid/payable for earlier years		
Current year provision	66,555,405	36,967,095
Less: Payment of tax	(34,777,395)	(38,359,049)
Less: Advance tax paid	(12,440,506)	(2,189,700)
<b>Balance as at 31st December</b>	<b>54,114,899</b>	<b>34,777,395</b>
Deferred Tax Liabilities	1,434,490	1,422,413
<b>Total Tax Liability</b>	<b>55,549,389</b>	<b>36,199,808</b>

### 29. Analysis of Financial Instruments by Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortized 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.



# NOTES TO FINANCIAL STATEMENTS

## Analysis of Financial Instruments by Measurement Basis 2021

Financial Assets	Held for Trading	Amortized Cost	Held to maturity	AFS	Total
Cash & cash Equivalents		2,200,058,314			2,200,058,314
Cash & Balances with Central Bank		777,311,025			777,311,025
Placement with other Banks		911,900,771			911,900,771
Loans & Advances to Customers		8,494,780,328			8,494,780,328
Equity Instruments (at amortized cost)			7,750,000		7,750,000
Equity Instruments (FVPL)				391,575,320	391,575,320
Debt Instruments			352,954,504		352,954,504
<b>Other Financial Assets:</b>					-
Sundry Receivables		2,713,357			2,713,357
Security Deposits		1,354,068			1,354,068
<b>Financial Liabilities</b>					-
Due to Customers		10,003,552,996			10,003,552,996
Due to Banks		1,739,500,993			1,739,500,993
Other Financial Liabilities		440,000,000			440,000,000
Other Financial Liabilities		271,010,007			271,010,007

## Analysis of Financial Instruments by Measurement Basis 2022

Financial Assets	Held for Trading	Amortized Cost	Held to maturity	AFS	Total
Cash & cash Equivalents		1,558,413,591			1,558,413,591
Cash & Balances with Central Bank		1,447,392,262			1,447,392,262
Placement with other Banks		1,842,136,135			1,842,136,135
Loans & Advances to Customers		10,654,024,826			10,654,024,826
Equity Instruments (at amortized cost)			7,750,000		7,750,000
Equity Instruments (FVPL)				37,714,281	37,714,281
Debt Instruments			864,851,597		864,851,597
<b>Other Financial Assets:</b>					-
Sundry Receivables		3,711,840			3,711,840
Security Deposits		1,431,428			1,431,428
RGoB T Bills		397,015,300			397,015,300
<b>Financial Liabilities</b>					-
Due to Customers		12,510,870,844			12,510,870,844
Due to Banks		2,820,718,038			2,820,718,038
Other Financial Liabilities		410,000,000			410,000,000
Other Financial Liabilities		256,961,759			256,961,759



# NOTES TO FINANCIAL STATEMENTS

## 30. Deferred Taxation

Deferred Tax Assets, Liabilities and Income Tax relates to the followings	Reflected in Statement of Financial Position		Reflected in Statement of Comprehensive Income	
	2022	2021	2022	2021
<b>Deferred Tax Assets, Liabilities and Income Tax relates to the followings</b>				
Defined Benefit Asset	1,434,490	1,422,413	1,207	2,856,904
Deposit EIR	-	-	-	7,219,199
GAAP vs BFRS Loan Provision	-	-	-	(9,155,857)
PBVA	(4,606,328)	(2,779,338)	1,826,990	1,826,990
<b>Total</b>	<b>(3,171,838)</b>	<b>(1,356,925)</b>	<b>1,814,913</b>	<b>4,683,893</b>

Since, the DRC now requires bank to file tax based on the taxable income calculated as per the BAS Accounts the deferred tax is not applicable for deposit EIR and difference in amount of provision between GAAP and BFR

31. Other Liabilities	(Nu)	
	2022	2021
<b>Financial</b>		
Sundry Creditors	100,517,023	67,885,243
Provision Against Off-Balance Sheet items	301,199	39,313
Others	156,143,537	203,085,451
Provision for Dividend/Retained Earning	-	-
<b>Non Financial</b>		
Others	-	-
<b>Total</b>	<b>256,961,759</b>	<b>271,010,007</b>

32. Share Capital	(Nu)	
	2022	2021
<b>Share Capital (60,025,223 shares of Nu.10/- each fully paid)</b>	<b>600,252,230</b>	<b>600,252,230</b>
Bonus Shares issued	-	-
Right Shares issued	-	-
<b>Total Share Capital</b>	<b>600,252,230</b>	<b>600,252,230</b>

32.1 Reconciliation of Equity Share Capital	Number of shares	
As at 31st December 2020	60,025,223	60,025,223
Change during the year	-	-
<b>As at 31st December 2021</b>	<b>60,025,223</b>	<b>60,025,223</b>



# NOTES TO FINANCIAL STATEMENTS

	(Nu.)	
<b>33. Reserve &amp; Surplus</b>	<b>2022</b>	<b>2021</b>
<b>Retained Earnings</b>		
Opening Balance	444,421,224	271,160,239
Profit during the year as per Statement Comprehensive Income	188,444,828	103,953,271
Other Comprehensive Income, net of tax	-	46,122
Adjustments (Bonus Shares issue)	-	-
Add: Addition during the year to Exchange Fluctuation Reserve	(10,266,386)	(54,115)
Transfer during the year	(11,356,243)	(8,000,000)
Share Premium Account		-
Asset Pending Foreclosure Reserve (APFR)	(49,114,965)	49,114,965
Provision for dividend		
BFRS Adjustment (Ref -Note below 33.1)	(8,933,159)	28,200,742
<b>Balance as per BAS/BFRS</b>	<b>553,195,298</b>	<b>444,421,224</b>
<b>Exchange Fluctuation Reserve</b>		
Opening Balance	32,555,391	32,501,277
Addition during the year	10,266,386	54,115
<b>Closing Balance</b>	<b>42,821,778</b>	<b>32,555,391</b>
<b>Asset Pending Foreclosure Reserve (APFR)</b>		
Opening Balance	49,114,965	
Addition during the year	-	
Transfer during the year	(96,458)	
<b>Closing Balance</b>	<b>49,018,508</b>	
<b>HRD Fund</b>		
Opening Balance	8,000,000	-
Addition during the year	8,000,000	8,000,000
Transfer during the year	(4,000,000)	
<b>Closing Balance</b>	<b>12,000,000</b>	<b>8,000,000</b>
<b>Research/ Digital Development Fund</b>		
Opening Balance	-	-
Addition during the year	8,000,000	
<b>Closing Balance</b>	<b>8,000,000</b>	<b>-</b>
<b>Total Reserves &amp; Surplus</b>	<b>616,017,076</b>	<b>484,976,615</b>



## NOTES TO FINANCIAL STATEMENTS

The Company has adopted BFRS – 9 in the year 2018 and prepared the BAS complied financial statements for the year 2022. The BFRS Adjustment reconciliation is shown below:

Opening Balance (due to BFRS adoption from SOFP)	(17,908,489)	23,189,295
Addition during the year from SOFP:	40,756,532	16,551,564
Addition during the year from SOCI:	(31,781,202)	(11,540,117)
<b>Total</b>	<b>(8,933,159)</b>	<b>28,200,742</b>

### 34. 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 recognized 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.

<b>34.1 Commitment and Contingencies</b>	<b>(Nu.)</b>	
As at 31st December	<b>2022</b>	<b>2021</b>
<b>Contingent Liabilities</b>		
Performance Guarantees	58,560,430	70,502,563
Financial Guarantees	14,985,455	96,907,738
Import Letter of Credits	207,954,965	380,203,171
Other		
Income tax demand not acknowledged as debt		
<b>Commitment &amp; contingencies</b>	<b>281,500,849</b>	<b>547,613,472</b>

### 34.2 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.

### 35. 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.





## 35.1 Parent and Ultimate Controlling Party

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

## 35.2 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.

### 35.2.1 Transactions with Key Managerial Personnel (KMPs) (Nu.)

For the Year Ended 31st December	2022	2021
Remuneration paid to CEO	5,525,382	5,076,114
Sitting Fees paid to CEO	168,000	182,000
Directors' fees & expenses	908,507.60	1,061,135
<b>Total</b>	<b>6,601,890</b>	<b>6,319,249</b>

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

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

	2022		2021		Average Balance	
	Limit	Closing Balance	Limit	Closing Balance	Limit	Closing Balance
<b>Loans and Receivables</b>	9,383,664	7,424,705	7,424,705	7,424,706	8,404,185	7,424,706

\*As per the amendment to the directives on financial institutions' employee incentive loan issued vide letter No. RMA/DFRS/34/2020-2021/4152 dated 15 June 2021, the loan and receivable limit to the KMPs and CFMs are not applicable from 2021.

### 35.2.3 Deposits from KMPs and their CFMs are detailed below:

	2022	2021
<b>Deposits</b>	<b>560,226</b>	<b>294,714</b>



# NOTES TO FINANCIAL STATEMENTS

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

Loans & receivables:		2022	(Nu.)	2021
BCCL	Overdraft Facility	17,889,079		17,058,992
BCCL	Overdraft Facility	30,830,440		30,206,807
BCCL-OWMI	Overdraft Facility	69,475,630		69,479,457
Bhutan Fruit Products	Overdraft Facility	-		20,746,289
BHUTAN FRUIT PRIVATE LIMITED	Overdraft Facility	6,601,828.04		4,628,039
BHUTAN FRUIT PRIVATE LIMITED	Overdraft Facility	19,350,450		-
BFAL	Overdraft Facility	-		54,161
Druk Petroleum Corporation	Overdraft Facility	9,519,451		5,796,227
Druk Petroleum Corporation	Overdraft Facility	29,007,420		-
Tashi Thuendrei Lerig	Overdraft Facility	24,782,048		24,617,123
Tashi Metals Private Limited	Overdraft Facility	5,262,978		-
Tashi Metals Private Limited	Term Loan	61,785,474		72,016,106
Tashi Tours and Travel	Overdraft Facility	-		63,409
Tashi Tours and Travel	Term Loan	-		-
Bhutan Airlines	Term Loan	34,682,474		33,112,011
Tashi Air-OWST	Overdraft Facility	65,904,473		59,069,093
Tashi InfoComm Ltd.	Term Loan	24,879,433		55,504,764
Tashi Commercial Corporation	Overdraft Facility	794,298		1,496,536
Tashi Commercial Corporation Head office	Term Loan	11,338,541		-
Tashi Commercial Corporation	Overdraft Facility	25,004,965		-
Tashi Commercial Corporation Head office	Overdraft Facility	-		19,423,113
Tashi Beverages Limited	Term Loan	786,219		940,003
Tashi Beverages Limited	Term Loan	-		20,951,757
Tashi Beverages Limited	Term Loan	1,439,017		1,946,853
Tashi Beverages Limited	Term Loan	792,202		1,013,894
Tashi Beverages Limited	Term Loan	654,998		939,476
Tashi Beverages Limited	Term Loan	64,998,635		77,935,062
Tashi Commercial Complex	Overdraft Facility	23,655,067		22,724,048
Tashi Beverages Limited	Term Loan	12,327,840		-
Tashi Beverages Limited	Term Loan	1,205,000		-
Tashi Beverages Limited	Term Loan	7,059,549		-
Tashi Beverages Limited	Term Loan	19,009,890		-
Tashi Spare parts	Overdraft Facility			
Tashi Phuntsholing Complex	Term Loan			
Tashi Industries Corporation	Overdraft Facility	782,086		590,209
Tashi Industries Corporation	Overdraft Facility	12,425		-
RICBL	Overdraft Facility			



## NOTES TO FINANCIAL STATEMENTS

Bhutan Oil Distributors	Overdraft Facility	14,747,870	
SKW Tashi Metals & Alloys Pvt. Ltd.	Overdraft Facility		
TICMATHA	Overdraft Facility		
TRTI	Overdraft Facility		
Bhutan Hyundai Motors	Overdraft Facility	69,542,082	-
Hotel Druk	Overdraft Facility	508,097	
<b>Documentary Credits</b>			
Bhutan Hyundai Motors		68,474	110,143,744
Bhutan Hyundai Equipment		5,070,000	-
Bhutan Isuzu Motors		69,290,000	-
Tashi Commercial Corporation		4,877,232	-
<b>Guarantees</b>			
Bhutan Airlines		11,608,980	5,521,500
Tashi Infocomm Ltd.		9,424,612	3,373,588
Bhutan Isuzu		310,402	-
<b>Corporate Bonds</b>			
Tashi Air Pvt. Ltd.		20,000,000	20,000,000
<b>Total</b>		<b>775,279,671</b>	<b>679,352,262</b>

### 35.4 Goods and Services Purchased

<b>For the year ended 31st December</b>	<b>2022 (Nu.)</b>	<b>2021</b>
Tashi Real Estate Pvt. Ltd	7,058,044	6,574,418
Bhutan Brewery Pvt. Ltd.	360,000	360,000
Tashi InfoComm Ltd.	4,093,371	3,283,592
Hotel Druk	324,262	476,937
RICBL	463,664	278,495
	<b>12,299,340</b>	<b>10,973,444</b>

### 36. Events after the reporting period

#### a) Declaration of Dividend and Issue of Bonus shares

As per Section 9 Clause no. 9.3 of Prudential Regulations 2017, the management tabled the agenda no. 69.11 Dividend declaration, if any to the Board during its 69th Board Meeting held on held on 24th February 2023, after fulfilling all the conditions on dividend declaration (section 9.4 of PR 2017).

Based on the improved financial soundness and performance of the Bank during 2022, the Board endorsed to declare dividend of 9% amounting to Nu. 54.02 million and issuance of Bonus Shares in the ration of 1:10 ( One Share for every Ten shares held by the shareholders) amounting to Nu. 60.02 million (at face value Nu. 10 per share) for 6.02 million number of bonus shares. The bonus shares shall be issued from the total retained earnings of Nu. 458.41 million available with the bank as at 31 December 2022 (GAAP Accounts) after plough back of profit for the year. The shareholders also endorsed the proposal during its 13th AGM held on 24th February, 2022.

As the dividend was declared after the balance sheet date but before the financial statements were issued, it has been recognized as a non-adjusting event and no provision has been made in the financial statements as at 31 December 2022.



## 37. 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.

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.

<b>31st December 2022</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
Financial Investment	37,714,281		7,750,000
<b>31st December 2021</b>			
Financial Investment at cost	391,575,320		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.

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash & cash equivalents	1,558,413,591	1,558,413,591	2,200,058,314	2,200,058,314
Balances with Royal Monetary Authority of Bhutan	1,447,392,262	1,447,392,262	777,311,025	777,311,025
Placements with Banks	1,842,136,135	1,842,136,135	911,900,771	911,900,771
Loans & Advances to Customers	11,108,342,108	10,654,024,826	8,868,246,406	8,494,780,328
Equity Instruments (at amortized cost)	7,750,000	7,750,000	7,750,000	7,750,000
Equity Instruments (FVPL)	37,714,281	391,575,320	399,335,758	391,575,320
Debt Instruments	849,334,000	864,851,597	349,334,000	352,954,504
Other Financial Assets	402,158,568	402,158,568	4,067,424	4,067,424
<b>Financial Liabilities</b>				
Due to customers	12,519,962,255	12,510,870,844	10,017,857,237	10,003,552,996
Due to Banks	2,820,718,038	2,820,718,038	1,739,500,993	1,739,500,993
Debts Issued & Other Borrowed Funds	410,000,000	410,000,000	440,000,000	440,000,000
Other Financial Liabilities	256,961,759	256,961,759	271,010,007	271,010,007

## 38. Risk Management

### 38.1 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

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.

<b>31st December 2022</b>	<b>Maximum Exposure to credit Risk (Nu)</b>	<b>Net Collateral</b>	<b>Net Exposure</b>
<b>Financial Assets</b>			
Placement with other Banks	1,842,136,135		1,842,136,135
Loans & Advances to Customers	10,654,024,826	15,220,035,466	-
Financial Investments (Equity Instruments)	45,464,281		45,464,281
Investment's in Bonds	864,851,597		864,851,597
Other Financial Assets	402,158,568		402,158,568

<b>31st December 2021</b>	<b>Maximum Exposure to credit Risk (Nu)</b>	<b>Net Collateral</b>	<b>Net Exposure</b>
<b>Financial Assets</b>			
Placement with other Banks	1,002,529,767		1,002,529,767
Loans & Advances to Customers	8,028,499,326	11,469,284,751	-
Financial Investments Held to Maturity	7,750,000		7,750,000
Investment's in Bonds	354,829,528		354,829,528
Other Financial Assets	1,222,268		1,222,268

## 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'.



## NOTES TO FINANCIAL STATEMENTS

31 December 2022	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	1,558,413,591	-	-	1,558,413,591
Cash & Balances with Central Bank	1,447,392,262	-	-	1,447,392,262
Placement with other Banks	1,842,136,135	-	-	1,842,136,135
Loans & Advances to Customers	9,060,274,617	1,531,304,081	62,446,128	10,654,024,826
Equity Instruments	7,750,000	-	-	7,750,000
Debt Instruments	864,851,597	-	-	864,851,597
Other Financial Assets	5,143,268	-	-	5,143,268
<b>Total</b>	<b>14,785,961,471</b>	<b>1,531,304,081</b>	<b>62,446,128</b>	<b>16,379,711,680</b>

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

Loans & Advances	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
Personnel Loans	122,365,419	46,426,724	9,725,448	44,017,999	222,535,589
Other Loans	121,022,220	36,845,934	13,804,327	88,615,450	260,287,932
Service and Tourism Loans against shares	27,205,491	84,784,850	91,897,579	108,613,944	312,501,864
Overdraft	2,891,539	403,468,343	-	-	406,359,882
Housing Loans	180,606,953	129,467,868	12,512,939	7,031,054	329,618,813
<b>Loans &amp; receivables to other customers</b>	<b>454,091,622</b>	<b>700,993,718</b>	<b>127,940,293</b>	<b>248,278,448</b>	<b>1,531,304,081</b>

31 December 2021	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	2,200,058,314	-	-	2,200,058,314
Cash & Balances with Central Bank	777,311,025	-	-	777,311,025
Placement with other Banks	911,900,771	-	-	911,900,771
Loans & Advances to Customers	7,317,412,853	1,005,048,588	172,318,888	8,494,780,328
Equity Instruments	7,750,000	-	-	7,750,000
Debt Instruments	352,954,504	-	-	352,954,504
Other Financial Assets	4,067,424	-	-	4,067,424
<b>Total</b>	<b>11,571,454,891</b>	<b>1,005,048,588</b>	<b>172,318,888</b>	<b>12,748,822,366</b>



## 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.

Loans & Advances	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
Personnel Loans	42,907,110	14,617,074	5,035,605	44,789,384	107,349,173
Other Loans	119,234,871	27,099,372	4,181,345	95,090,742	245,606,330
Service and Tourism Loans against shares	65,985,501	-	6,276,980	76,017,613	238,280,094
Overdraft	100,000	92,289,874	26,790,698	146,929,418	266,109,990
Housing Loans	112,310,427	28,188,428	-	7,204,146	147,703,001
Loans & receivables to other customers	<b>340,537,910</b>	<b>162,194,747</b>	<b>132,284,629</b>	<b>370,031,303</b>	<b>1,005,048,588</b>

### 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-2022	Bhutan	Asia	Australia	America	Total
Cash & cash Equivalents	1,148,257,394	328,774,289	54,078,519	27,303,390	1,558,413,591
Cash & Balances with Central Bank	1,447,392,262				1,447,392,262
Placement with other Banks	1,304,607,826	412,367,193		125,161,116	1,842,136,135
Loans & Advances to Customers	10,654,024,826				10,654,024,826
Equity Instruments	45,464,281				45,464,281
Debt Instruments	864,851,597				864,851,597
Other Financial Assets	402,158,568				402,158,568

Regional Break-up of Loans(Net Loans)	Amount (Nu.)
Phuentsholing	1,156,084,093
Wangdue	578,590,373
Gelephu	453,564,102
Paro	593,748,224
Mongar	257,474,598
Sjongkhar	286,972,588
Trashigang	239,547,185
Thimphu	6,847,927,384
Samtse	138,645,634
Trongsa	101,470,640
<b>Total</b>	<b>10,654,024,826</b>





# NOTES TO FINANCIAL STATEMENTS

## Country Risk - Geographical Analysis

As at 31-Dec-2021	Bhutan	Asia	Australia	America	Total
Cash & cash Equivalents	1,777,656,653	264,373,340	98,769,130	59,259,191	2,200,058,314
Cash & Balances with Central Bank	777,311,025				777,311,025
Placement with other Banks	301,574,465	498,266,895		112,059,411	911,900,771
Loans & Advances to Customers	8,494,780,328				8,494,780,328
Equity Instruments	399,325,320				399,325,320
Debt Instruments	352,954,504				352,954,504
Other Financial Assets	4,067,424				4,067,424

Regional Break-up of Loans(Net Loans)	Amount
Phuentsholing	820,943,911
Wangdue	555,720,460
Gelephu	342,219,321
Paro	544,317,610
Mongar	216,744,159
Sjongkhar	33,081,639
Trashigang	162,626,843
Thimphu	5,425,817,100
Samtse	131,761,941
Trongsa	61,547,340
<b>Total</b>	<b>8,494,780,328</b>

## Industry Analysis

31st December 2022	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-	-
Balances with Central Bank									1,408,734,065	1,408,734,065
Placement with other Banks									1,002,529,767	1,002,529,767
Loans & Advances to Customers	371,479,772		1,925,923,329	212,967,666	-	315,826,191	908,360,355	1,454,751,957	5,464,715,557	10,654,024,826
Equity Instruments					391,575,320				7,750,000	399,325,320
Debt Instruments	21,208,219	843,643,378								864,851,597
Other Financial Assets									402,158,568	402,158,568
31st December 2021	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-	-
Balances with Central Bank									1,408,734,065	1,408,734,065
Placement with other Banks									1,002,529,767	1,002,529,767
Loans & Advances to Customers	298,101,926		1,813,008,450	3,163,403,196	-	279,394,231	941,589,284	1,438,836,501	560,446,740	8,494,780,328
Equity Instruments					391,575,320				7,750,000	399,325,320
Debt Instruments	17,877,212	335,077,292								352,954,504
Other Financial Assets									4,067,424	4,067,424



# NOTES TO FINANCIAL STATEMENTS

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

	31-Dec-22		31-Dec-21	
	Amount (Nu.)	%	Amount (Nu.)	%
Industrial	371,479,772	3.49%	298,101,926	3.51%
Government		0.00%		0.00%
Services & tourism	1,925,923,329	18.08%	1,813,008,450	21.34%
Construction	212,967,666	2.00%	3,163,403,196	37.24%
Financial Services		0.00%		0.00%
Transport	315,826,191	2.96%	279,394,231	3.29%
Trade & Commerce	908,360,355	8.53%	941,589,284	11.08%
Consumer	1,454,751,957	13.65%	1,438,836,501	16.94%
Others	5,464,715,557	51.29%	560,446,740	6.60%
<b>Total</b>	<b>10,654,024,826</b>	<b>100%</b>	<b>8,494,780,328</b>	<b>100%</b>

## 38.2 Liquidity Risk & Funding management

The tables below summarize the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2021. 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.

31-Dec-22	up to 3 months	3 to 12 months	1 to 3 years	3-5 years	Over 5 years	Total
Cash & cash Equivalents	1,558,413,591					1,558,413,591
Cash & Balances with Central Bank	1,447,392,262					1,447,392,262
Placement with other Banks	542,136,135	1,300,000,000				1,842,136,135
Loans & Advances to Customers	432,855,896	177,410,901	411,724,414	1,735,654,701	7,896,378,914	10,654,024,826
Equity Instruments (at amortized cost)					7,750,000	7,750,000
Equity Instruments (FVPL)					37,714,281	37,714,281
Debt Instruments		20,341,864		21,208,219	823,301,514	864,851,597
Other Financial Assets	3,711,840	1,431,428	397,015,300			402,158,568
<b>Total Assets</b>	<b>3,984,509,725</b>	<b>1,499,184,193</b>	<b>808,739,714</b>	<b>1,756,862,921</b>	<b>8,765,144,709</b>	<b>16,814,441,261</b>
Due to Banks	1,652,766,271	1,167,951,766				2,820,718,038
Due to Customers	2,426,049,462	5,310,918,386	2,966,933,094	1,303,515,901	503,454,001	12,510,870,844
Debts Issued & Other Borrowed Funds				60,000,000	350,000,000	410,000,000
Other Financial Liabilities	196,961,759			60,000,000		256,961,759
<b>Total Liabilities</b>	<b>4,275,777,493</b>	<b>6,478,870,153</b>	<b>2,966,933,094</b>	<b>1,423,515,901</b>	<b>853,454,001</b>	<b>15,998,550,641</b>
<b>Net Financial Assets/(Liabilities)</b>	<b>(291,267,768)</b>	<b>(4,979,685,959)</b>	<b>(2,158,193,380)</b>	<b>333,347,020</b>	<b>7,911,690,708</b>	<b>815,890,620</b>



# NOTES TO FINANCIAL STATEMENTS

31-Dec-21	up to 3 months	3 to 12 months	1 to 3 years	3-5 years	Over 5 years	Total
Cash & cash Equivalents	2,200,058,314					2,200,058,314
Cash & Balances with Central Bank	777,311,025					777,311,025
Placement with other Banks	535,764,672	376,136,099				911,900,771
Loans & Advances to Customers	448,133,981	1,289,103,955	357,818,906	1,354,993,517	5,044,729,970	8,494,780,328
Equity Instruments (at amortised cost)					7,750,000	7,750,000
Equity Instruments (FVPL)			391,575,320			391,575,320
Debt Instruments		9,498,793		21,208,219	325,578,233	356,285,245
Other Financial Assets	2,713,357	1,354,068				4,067,424
<b>Total Assets</b>	<b>3,963,981,349</b>	<b>1,676,092,914</b>	<b>749,394,226</b>	<b>1,376,201,736</b>	<b>5,378,058,202</b>	<b>13,143,728,427</b>
Due to Banks	1,652,766,271	86,734,721				1,739,500,993
Due to Customers	2,780,934,540	2,982,069,867	2,362,718,726	1,007,769,156	870,060,707	10,003,552,996
Debts Issued & Other Borrowed Funds				90,000,000	350,000,000	440,000,000
Other Financial Liabilities	211,010,007			60,000,000		271,010,007
<b>Total Liabilities</b>	<b>4,644,710,818</b>	<b>3,068,804,588</b>	<b>2,362,718,726</b>	<b>1,157,769,156</b>	<b>1,220,060,707</b>	<b>12,454,063,996</b>
<b>Net Financial Assets/(Liabilities)</b>	<b>(680,729,469)</b>	<b>(1,392,711,674)</b>	<b>(1,613,324,500)</b>	<b>218,432,580</b>	<b>4,157,997,495</b>	<b>689,664,431</b>

### 38.3 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.

	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
<b>As at 31 Dec 2022</b>						
<b>Contingencies</b>						
Performance Guarantees	26,437,200	24,596,569	7,526,661			58,560,430
Financial Guarantees		269,120	14,716,335			14,985,455
Import Letter of Credits	192,938,040	15,016,925				207,954,965
<b>Total Contingencies</b>	<b>219,375,240</b>	<b>39,882,613</b>	<b>22,242,995</b>	<b>-</b>	<b>-</b>	<b>281,500,849</b>



# NOTES TO FINANCIAL STATEMENTS

	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
<b>As at 31 Dec 2021</b>						
<b>Contingencies</b>						
Performance Guarantees	18,868,408	51,284,155	350,000			70,502,563
Financial Guarantees	44,365,617	43,008,803	9,533,318			96,907,738
Import Letter of Credits	344,134,215	36,068,956				380,203,171
<b>Total Contingencies</b>	<b>407,368,240</b>	<b>130,361,913</b>	<b>9,883,318</b>			<b>547,613,472</b>

## 38.4 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.

31-Dec-22	Upto 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Placement with other Banks	542,136,135	1,300,000,000	-	-	-	1,842,136,135
Loans & Advances to Customers	432,855,896	177,410,901	411,724,414	1,735,654,701	7,896,378,914	10,654,024,826
Debt Instruments	-	20,341,864	-	21,208,219	823,301,514	864,851,597
<b>Total Assets</b>	<b>974,992,031</b>	<b>1,497,752,766</b>	<b>411,724,414</b>	<b>1,756,862,921</b>	<b>8,719,680,428</b>	<b>13,361,012,558</b>
Due to Banks	1,652,766,271	1,167,951,766	-	-	-	2,820,718,038
Due to Customers	2,426,049,462	5,310,918,386	2,966,933,094	1,303,515,901	503,454,001	12,510,870,844
Debts Issued & Other Borrowed Funds	-	-	-	60,000,000	350,000,000	410,000,000
<b>Total Liabilities</b>	<b>4,078,815,733</b>	<b>6,478,870,153</b>	<b>2,966,933,094</b>	<b>1,363,515,901</b>	<b>853,454,001</b>	<b>15,741,588,881</b>
<b>Interest Rate sensitivity Gap</b>	<b>(3,103,823,702)</b>	<b>(4,981,117,387)</b>	<b>(2,555,208,680)</b>	<b>393,347,020</b>	<b>7,866,226,427</b>	<b>(2,380,576,323)</b>

31-Dec-21	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Placement with other Banks	535,764,672	376,136,099	-	-	-	911,900,771
Loans & Advances to Customers	448,133,981	1,289,103,955	357,818,906	1,354,993,517	5,044,729,970	8,494,780,328
Debt Instruments	-	9,498,793	-	21,208,219	325,578,233	356,285,245
<b>Total Assets</b>	<b>983,898,653</b>	<b>1,674,738,847</b>	<b>357,818,906</b>	<b>1,376,201,736</b>	<b>5,370,308,202</b>	<b>9,762,966,344</b>
Due to Banks	1,652,766,271	86,734,721	-	-	-	1,739,500,993
Due to Customers	2,780,934,540	2,982,069,867	2,362,718,726	1,007,769,156	870,060,707	10,003,552,996
Debts Issued & Other Borrowed Funds	-	-	-	90,000,000	350,000,000	440,000,000
<b>Total Liabilities</b>	<b>4,433,700,811</b>	<b>3,068,804,588</b>	<b>2,362,718,726</b>	<b>1,097,769,156</b>	<b>1,220,060,707</b>	<b>12,183,053,989</b>
<b>Interest Rate sensitivity Gap</b>	<b>(3,449,802,158)</b>	<b>(1,394,065,741)</b>	<b>(2,004,899,821)</b>	<b>278,432,580</b>	<b>4,150,247,495</b>	<b>(2,420,087,645)</b>



## 38.4.1 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.

## 38.4.2 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 2019 and 31st December 2020 to reasonable possible change in interest rates, with all other variables held constant.

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

Rate Sensitive Assets (RSA)*	13,361,012,558	9,762,966,344
Rate Sensitive Liabilities (RSL)*	15,741,588,881	12,183,053,989
GAP (RSA - RSL)	(2,380,576,323)	(2,420,087,645)

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

Interest Rate Shock	2022	2021
0.50%	(11,902,882)	(12,100,438)
1.00%	(23,805,763)	(24,200,876)
-0.50%	11,902,882	12,100,438
-1.00%	23,805,763	24,200,876

## 38.5 Currency Risk

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2022. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngultrum (Nu).

	2022			2021		
	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	1.50%	49,618,140	37,213,604	1.50%	216,459	162,344

## 38.5 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.



## NOTES TO FINANCIAL STATEMENTS

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.

### 38.7 Maturity Gap Analysis

As at 31 Dec 2022	Within 12 Months	After 12 Months	Total
<b>Assets</b>			
Cash & cash Equivalents	1,558,413,591	-	1,558,413,591
Cash & Balances with Central Bank	1,447,392,262	-	1,447,392,262
Placement with other Banks	1,842,136,135	-	1,842,136,135
Loans & Advances to Customers	610,266,797	10,043,758,029	10,654,024,826
Equity Instruments (at amortized cost)	-	7,750,000	7,750,000
Equity Instruments (FVPL)	-	37,714,281	37,714,281
Debt Instruments	20,341,864	844,509,733	864,851,597
Defined Benefit Assets	-	5,737,961	5,737,961
Other Financial Assets	5,143,268	397,015,300	402,158,568
Other Assets	356,822,185	-	356,822,185
Property, Plant & Equipment	-	106,926,419	106,926,419
Intangible Assets	-	30,853,689	30,853,689
Deferred tax assets	-	4,606,328	4,606,328
<b>Total Assets</b>	<b>5,840,516,103</b>	<b>11,478,871,740</b>	<b>17,319,387,843</b>
<b>Liabilities</b>			
Due to Customers	7,736,967,848	4,773,902,996	12,510,870,844
Due to Banks	2,820,718,038	-	2,820,718,038
Debt issued and Other Borrowed Funds	-	410,000,000	410,000,000
Current Tax Liabilities	54,114,899	-	54,114,899
Deferred Tax Liability	-	1,434,490	1,434,490
Other Liabilities	128,480,880	128,480,880	256,961,759
<b>Total Liabilities</b>	<b>10,740,281,664</b>	<b>5,313,818,366</b>	<b>16,054,100,030</b>
<b>Maturity Gap</b>	<b>(4,899,765,561)</b>	<b>6,165,053,374</b>	<b>1,265,287,812</b>
<b>Cumulative Gap</b>	<b>(4,899,765,561)</b>	<b>1,265,287,812</b>	

As at 31 Dec 2021	Within 12 Months	After 12 Months	Total
<b>Assets</b>			
Cash & cash Equivalents	2,200,058,314	-	2,200,058,314
Cash & Balances with Central Bank	777,311,025	-	777,311,025
Placement with other Banks	911,900,771	-	911,900,771
Loans & Advances to Customers	1,737,237,936	6,757,542,392	8,494,780,328
Equity Instruments (at amortized cost)	-	7,750,000	7,750,000
Equity Instruments (FVPL)	-	391,575,320	391,575,320
Debt Instruments	9,498,793	346,786,452	356,285,245

## NOTES TO FINANCIAL STATEMENTS

Defined Benefit Assets	-	5,689,653	5,689,653
Other Financial Assets	4,067,424	-	4,067,424
Other Assets	301,918,924	-	301,918,924
Property, Plant & Equipment	-	100,869,425	100,869,425
Intangible Assets	-	35,644,140	35,644,140
Deferred tax assets	-	2,779,338	2,779,338
<b>Total Assets</b>	<b>5,941,993,187</b>	<b>7,648,636,720</b>	<b>13,590,629,908</b>
<b>Liabilities</b>			
Due to Customers	5,763,004,407	4,240,548,590	10,003,552,996
Due to Banks	1,739,500,993	-	1,739,500,993
Debt issued and Other Borrowed Funds	-	440,000,000	440,000,000
Current Tax Liabilities	34,777,395	-	34,777,395
Deferred Tax Liability	-	1,422,413	1,422,413
Other Liabilities	135,505,004	135,505,004	271,010,007
<b>Total Liabilities</b>	<b>7,672,787,797</b>	<b>4,817,476,006</b>	<b>12,490,263,804</b>
<b>Maturity Gap</b>	<b>(1,730,794,610)</b>	<b>2,831,160,714</b>	<b>1,100,366,104</b>

### 39. 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.

	2022	2021
<b>Tier 1 Capital</b>		
Paid-up Share Capital	600,252,230	600,252,230
General Reserve	346,612,373	288,631,641
Share premium	3,424	3,424
Retained Earnings	44,212,149	
<b>Total</b>	<b>991,080,177</b>	<b>888,887,295</b>

## NOTES TO FINANCIAL STATEMENTS

### Tier 2 Capital

Foreign Exchange Fluctuation Reserve	32,555,391	31,218,171
General Provision as per RMA Prudential Norms	88,235,373	84,228,409
Asset Pending Foreclosures Reserve	49,114,965	
Subordinate debt	440,000,000	444,443,647
<b>Total</b>	<b>609,905,729</b>	<b>559,890,226</b>
<b>Total Capital</b>	<b>1,600,985,906</b>	<b>1,448,777,521</b>

*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 2021.

### 40. Segment Information

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

#### 31-Dec-22

	Thimphu	Phuentsholing	Others	Total
Interest & Similar Income	862,048,655	89,394,718	213,640,313	1,165,083,686
Interest & Similar Expense	559,605,325	84,418,873	107,909,423	751,933,621
<b>Net interest income</b>	<b>302,443,330</b>	<b>4,975,846</b>	<b>105,730,890</b>	<b>413,150,066</b>
<b>Fee and commission income</b>	21,259,534	8,593,417	11,296,476	41,149,426
<b>Fee and commission expenses</b>	-	-	-	-
<b>Net fee and commission income</b>	21,259,534	8,593,417	11,296,476	41,149,426
Other Operating Income	104,151,226	(42,294,498)	81,768,876	143,625,605
<b>Total operating income</b>	<b>427,854,090</b>	<b>(28,725,235)</b>	<b>198,796,242</b>	<b>597,925,096</b>
Personnel Expenses	81,390,463	8,943,716	66,025,497	156,359,676
Depreciation on Property Plant & Equipment	14,746,513	833,733	5,874,975	21,455,221
Amortization of Intangible Assets	11,269,178		-	11,269,178
Other Operating Expenses	80,442,385	6,646,055	11,973,881	99,062,322
Impairment charges/(reversal) for loans and other losses	44,244,625	4,179,570	8,169,184	56,593,379
<b>Total Operating Expenses</b>	<b>232,093,165</b>	<b>20,603,075</b>	<b>92,043,537</b>	<b>344,739,776</b>
<b>Segment Profits</b>	<b>195,760,925</b>	<b>(49,328,310)</b>	<b>106,752,705</b>	<b>253,185,320</b>
<b>Total Assets</b>	<b>13,540,273,439</b>	<b>1,279,082,397</b>	<b>2,500,032,007</b>	<b>17,319,387,844</b>
<b>Total Liabilities</b>	<b>13,300,319,406</b>	<b>1,324,231,157</b>	<b>2,694,837,281</b>	<b>17,319,387,844</b>



## NOTES TO FINANCIAL STATEMENTS

**31-Dec-21**

	<b>Thimphu</b>	<b>Phuentsholing</b>	<b>Others</b>	<b>Total</b>
Interest & Similar Income	597,355,047	73,393,278	177,204,317	847,952,642
Interest & Similar Expense	426,987,895	66,838,960	78,742,159	572,569,013
<b>Net interest income</b>	<b>170,367,152</b>	<b>6,554,318</b>	<b>98,462,158</b>	<b>275,383,628</b>
<b>Fee and commission income</b>	<b>28,909,586</b>	<b>6,269,615</b>	<b>10,126,621</b>	<b>45,305,823</b>
<b>Fee and commission expenses</b>	-	-	-	-
<b>Net fee and commission income</b>	<b>28,909,586</b>	<b>6,269,615</b>	<b>10,126,621</b>	<b>45,305,823</b>
Other Operating Income	25,515,952	(2,418,895)	49,826,064	72,923,121
<b>Total operating income</b>	<b>224,792,690</b>	<b>10,405,039</b>	<b>158,414,843</b>	<b>393,612,572</b>
Personnel Expenses	72,748,399	9,947,541	50,787,031	133,482,971
Depreciation on Property Plant & Equipment	15,900,896	740,097	14,619,913	31,260,906
Amortization of Intangible Assets	8,916,527		(8,916,527)	-
Other Operating Expenses	65,599,190	5,226,535	15,076,513	85,902,238
Impairment charges/(reversal) for loans and other losses	81,645		3,321,372	3,403,016
<b>Total Operating Expenses</b>	<b>163,246,657</b>	<b>15,914,173</b>	<b>74,888,302</b>	<b>254,049,131</b>
<b>Segment Profits</b>	<b>61,546,033</b>	<b>(5,509,134)</b>	<b>83,526,542</b>	<b>139,563,441</b>
<b>Total Assets</b>	<b>9,932,605,520</b>	<b>872,831,665</b>	<b>2,770,055,463</b>	<b>13,575,492,649</b>
<b>Total Liabilities</b>	<b>9,721,631,575</b>	<b>878,359,763</b>	<b>2,975,501,310</b>	<b>13,575,492,649</b>

### 41. 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 local categories calculated based on ECL approach using Delinquency Grades:

	<b>2022</b>	<b>2021</b>
<b>Individual Impairment</b>		
Overdrafts	15,661,977	1,466,204
Term Loans (Other + Service-Tourism Loans)	-	-
<b>Total (A)</b>	<b>15,661,977</b>	<b>1,466,204</b>
<b>Collective Impairment</b>		
Term Loans (Other + Service-Tourism Loans)	121,590,368	116,854,070
Personal Loans	16,133,045	20,420,629
Loans Against Shares	3,570,922	3,365,725
Overdrafts	109,967,605	95,877,484
Housing Loans	71,562,023	40,994,612
Loans on Litigation	-	-
<b>Total (B)</b>	<b>322,823,963</b>	<b>277,512,520</b>
<b>Total (A+B)</b>	<b>338,485,940</b>	<b>278,978,725</b>

# OUR BRANCHES



## THIMPHU BRANCH

TCC Complex Building,  
Opposite to Hotel Taj Tashi,  
Samten Lam, Thimphu : Bhutan  
Post Box No: 631  
PABX.+97577103077/77199199;  
+975-2-337282/83/84  
Fax No:+975-2-336236  
Email ID: [customercare@tbank.bt](mailto:customercare@tbank.bt)

## PHUENTSHOLING BRANCH

TCC Complex Building, near Zangdopelri.  
Samdrup Lam, Phuentsholing : Bhutan  
Post Box No: 118  
PABX. +975 77190210/77190211; +975-17110204;  
Fax No: +975-5-253157

## PARO BRANCH

Tshongdue Town, Paro : Bhutan  
Post Box No: 1318  
PABX. +975-7792077/77102078  
Fax No: +975-8-272077

## MONGAR BRANCH

1st Floor, Tshering Yangzom Building,  
Below Trashigang-Mongar Highway,  
Mongar: Bhutan.  
Post Box No: 149  
PABX. +975-77192031/+975-4-641255  
Fax No: +975-5-4-641255

## WANGDUE BRANCH

Opposite to Druk PNB and RICBL Office,  
Bajotown, Wangdue : Bhutan  
PABX. +975 77191215/+975-02-481018  
Fax No: +975-2-481733  
Post Box No: 1269

## SAMDRUP JONGKHAR BRANCH

1st Floor, Namgayling House,  
Samdrup Jongkhar: Bhutan  
Post Box No: 116  
PABX. +975-77192032/+975-7-251651/52  
Fax No: +975-7-251651

## GELEPHU BRANCH

Opposite Tashi Infocomm Ltd. Office,  
Gaden Lam, Gelephu, Sarpang: Bhutan  
Post Box No: 212  
PABX. +975 77190088/77190099  
Fax No: +975-6-252274

## TRASHIGANG BRANCH

Yeshey Samdrup Building ,  
Trashigang: Bhutan  
Post Box No: 104  
PABX. +975-77183131/77183132

## SAMTSE BRANCH

Phuntshok Building,  
Samtse : Bhutan  
Post Box No: 349  
PABX. +975-77192233/34

## TRONGSA BRANCH

Ugyen Dema Building (near roundabout, Choetse  
town, Trongsa)  
Ground Floor,  
Trongsa: Bhutan  
Post Box No: 556  
PABX. +975-77192030/03-521144

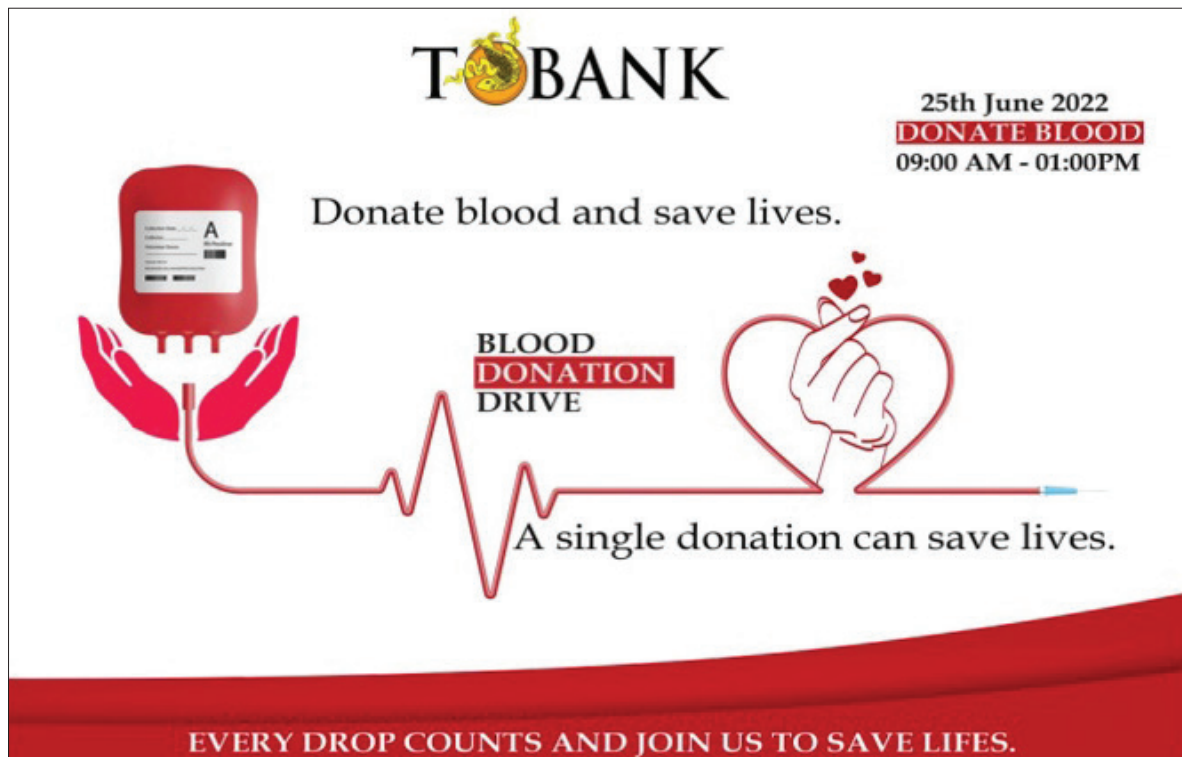
# LIST OF EVENTS

## 2022

Date: 25.06.2022

### Blood Donation Drive

As part of bank's Corporate Social Responsibility(CSR), the bank organized the annual blood donation drive and health check-up for the employees in collaboration with Jigme Dorji Wangchuck National Referral Hospital and Khesar Gyalpo University of Medical Sciences of Bhutan.



**Date: 31.12.2022**  
**Best Program Governance Award**

T Bank was awarded the Best Program Governance Award in association with Modefin at the International Banking Systems (IBS) intelligence Global FinTech Innovation Award 2022 for ensuring a smooth & effective implementation of the TPay Mobile App.



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*Your Personal Bank*

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**Convenient Fast and Easy**

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The advertisement features a hand holding a smartphone displaying the T Bank TPay app interface. The app screen shows a 'Welcome to T Bank' message, a 'LOGIN' button, and a 'REGISTER' button. Below the login/register options are six icons representing app features: 'SCAN & PAY', 'CONTACT US', 'LOCATION', 'OFFER', 'FOREX', and 'PAY'. The background is a vibrant yellow with various white icons representing digital banking and technology. The T Bank logo is in the top left, and the TPay logo is in the top right.

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