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ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED



ANNUAL REPORT 2021





Annual Report 2021

Table of Content

Company Profile.....	1
Vision, Mission & Core Values.....	2
Board of Directors.....	3
Management Team.....	7
Share holding Pattern.....	11
Organogram.....	12
Directors' Report for the Year 2021.....	14
Independent Auditor's Report.....	27
Annexure to Auditor's Report I.....	33
Annexure to Auditor's Report II.....	34
Statement of Significant Ratios.....	41
Compliance Checklist.....	42
Notes to the Financial Statement as per BAS/BFRS.....	44
Income Statement.....	75
Statement of Comprehensive Income.....	77
Statement of Financial Position.....	78
Cash Flow & Reconciliation Statement.....	80
Statement of Changes in Equity.....	82
Notes to the Financial Statements.....	83
Annual Disclosure.....	135

47 Years

COMPANY PROFILE

For the last 47 years, the Royal Insurance Corporation of Bhutan Limited (RICB) has been fulfilling the insurance and financial needs of the people to improve their financial well-being and protect from the unpredictability of their lives.

Instituted under the Royal Charter of His Majesty the Fourth Druk Gyalpo Jigme Singye Wangchuck on the 7th of January 1975, RICB has positively impacted lives and contributed immensely to the overall socio-economic development of the country by generating domestic revenue through its diverse insurance, credit and investment avenues.

Taking a dynamic and empathetic approach towards the financial well-being of the Bhutanese people, RICB shall continue to strive towards the realisation of the national goal of Gross National Happiness.



Our Vision



Vision

To be the crown jewel of the financial sector of Bhutan.



Mission

We will excel in securing and enhancing the financial well-being of our clients by maintaining the highest professional standards with innovation, resilience, agility, inclusion and compliance as the cornerstones of our activities.



CORE VALUES

Core values define RICB and are the crux of the beliefs that the corporation operates with. Our core values will act as a code to guide us as a company or an employee in our relationship and interaction with customers, stakeholders, partners, and shareholders.

Resilience – RICB will not just withstand any form of adversity but learn to evolve with renewed energy, transforming challenges into opportunities as we serve the people.

Inclusion – RICB will leave no one behind as we venture towards insurance for all.

Competence – RICB will be competent and foster the development of a strong corporate culture, with workforce that is more aligned, while establishing vital competitive edge over competitors.

Bold – RICB will be bold and audacious in taking calculated risks to gain a competitive edge over competitors; leverage technology and new opportunities, to stay a step ahead in the industry.

BOARD OF DIRECTORS



CHAIRMAN

DASHO WANGCHUK DORJI
BHUTAN AIRLINES & TASHI
INFOCOMM

Dasho Wangchuk Dorji is the Vice Chairman of Tashi Group of Companies. The group is the largest private business in Bhutan. The conglomerate has diverse lines of business including airline, telecom, bank, ferro silicon, beverages, hotels, construction, and others. Dasho Wangchuk Dorji sits as the chairman in most of the business entities. Dasho has Degree in Business Finance, Economics, Financial Accounting & Administration from New Hampshire College, Manchester, USA.



DIRECTOR

DUBTHOB WANGCHUG
CONSULTANT

Former CEO of NPPF and RSEB, Dubthob Wangchug currently works as a Consultant. Dubthob also served as the Deputy CEO with the Bhutan National Bank. He began his career in the financial sector from the RMA as the Department Chief in 1984. Dubthob has a Master's Degree in Economics from Sydney University, Australia and B.A. in Economics from Punjab University in India.



DIRECTOR

UGYEN WANGDI
SENIOR ANALYST, DHI

Ugyen Wangdi is the Senior Analyst & Head, Performance Improvement Division under the Corporate Performance Department, DHI. Since joining the DHI in March 2008, Ugyen Wangdi has worked under an analyst capacity with DHI's arms like Planning & Monitoring and Performances Improvement Divisions. For education, Ugyen Wangdi has a Master of Business Administration from Australian National University, Canberra, Australia. He graduated with BSc Majoring in Maths from the Sherubtse College.



INDEPENDENT DIRECTOR

SANGAY TENZIN

Sangay Tenzin is an Independent Director. Before venturing into the private sector, Sangay Tenzin served as the Senior Analyst in DHI and with the Ministry of Finance. He has also served under the Office of Gyalpoi Zimpon. Sangay Tenzin has a Master's Degree in Public Policy from NUS, Singapore. He graduated from Sherubtse College with B. Com Honours in 2001.



INDEPENDENT DIRECTOR

BHANU B. CHHETRI
CONSULTANT

Mr. Bhanu B. Chhetri was with the RAA as a Senior Audit Specialist. Before that he also worked as a Consultant in the Accounting and Auditing Standards Board of Bhutan with the World Bank Project. He began his career in 1978 as a Trainee Officer with the erstwhile Office of the Auditor General (now Royal Audit Authority). Mr. Bhanu has a Bachelor of Commerce from St. Joseph's College, Darjeeling, India.



DIRECTOR

KARMA
CEO, RICB

Prior to joining RICB, Karma was the founding CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco Nacional De Commercial De Timor Leste, Bhutan National Bank and Royal Monetary Authority of Bhutan. He has a Master's and Bachelor's Degree in Economics from New York University, USA.

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MANAGEMENT TEAM



KARMA

CEO, RICB

Prior to joining RICB, Karma was the founding CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco Nacional De Commercial De Timor Leste, Bhutan National Bank and Royal Monetary Authority of Bhutan. He has a Master's and Bachelor's Degree in Economics from New York University, USA.



KINGA THINLEY

GENERAL MANAGER
CREDIT & INVESTMENT
DEPARTMENT

Kinga Thinley is the Head of the Credit & Investment Department. Before holding his current position, Kinga Thinley served as the General Manager for Phuentsholing Main Branch. Prior to joining the RICB in 2014, he led the Credit and Internal Audit Departments in NPPE. Kinga Thinley has MBA in International Business from University of Thai Chamber of Commerce in Bangkok, Thailand.



UGYEN TSHEWANG

GENERAL MANAGER
GENERAL INSURANCE
DEPARTMENT

Ugyen Tshewang began his career with the National Pension & Provident Fund. He joined RICB in April 2013 and now heads the General Insurance Department. His expertise includes investment analyses & management, social security benefit design, financing & valuations; insurance pricing & valuations and other actuarial applications. Ugyen holds BSc in Statistics, MSc in Social Protection Financing and Master of Actuarial Statistics. He is the Fellow of the Insurance Institute of India (AIII).



LUNGTEN

HEAD
LIFE INSURANCE
DEPARTMENT

Lungten is the Life Insurance Department (LID) Head. Before joining the LID, he headed the Information and Technology Department. Lungten has Master of Business Administration (MBA) from National Institute of Business Management, Chennai, India. He graduated from the Sherubtse College, Bhutan with BSc General.



KARMA SONAM TSHERING

GENERAL MANAGER
REINSURANCE
DEPARTMENT

Karma Sonam Tshering graduated with a B.A. Eco/Maths Degree from Sherubtse College. He received a Fellow of Insurance Institute of India on Life Insurance from the Insurance Institute of India in Mumbai, India. He also served as Branch Manager in Mongar.



ZARNA MOKTAN

HEAD
FINANCE & ACCOUNTS
DEPARTMENT

Zarna Moktan has MBA from Hague University of Applied Sciences, Netherlands. She graduated with Bachelors in Commerce from St. Joseph College, North Bengal University, India. With 15 years of service with the corporation, she has various experience in the fields of Finance, Accounting, Customer Service, Life Insurance and Auditing.



PHUB DORJI

HEAD
LEGAL DEPARTMENT

Phub Dorji is heading the Legal Department. In 2014, he joined RICB as the Company Secretary and Head of the then Legal Division. Phub Dorji served in the Judiciary for nine years. Before joining the RICB, he was a Drangpon Rabjam in the Judiciary. He also served as the Personal Secretary to Her Royal Highness Princess Sonam Dechan Wangchuck, the President of Bhutan National Legal Institute (BNLI). Phub Dorji has a Master of Laws (LL.M) from the University of Canberra, Australia. He graduated with B.S.L. LL.B Degree from the Pune University, Maharashtra, India, in 2004.



JAMBAY WANGCHUK

HEAD
GAD & HRD

Jambay Wangchuk leads the GAD & HRD. Since joining RICB in 1998, he has headed the Credit Department as the second-in-command and was the Branch Manager of Paro Branch Office. Jambay Wangchuk has B.A. in Economics (Hons) from Sherubtse College, Kanglung, Bhutan.

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240

but his stiff legs would not support him. The mail was too heavy and he was too fat besides, and too weak, and too tired.

“Back on your feet, Piggy,” someone growled as he went past his eyes. It wouldn’t be so bad, dying here. He couldn’t possibly be any colder, and after a little while he wouldn’t be able to feel the snow on his lower back or the terrible pain in his shoulders, no more than he could feel his feet. *I won’t be the first to die* they all around him. Hundreds had died on the Fist, they had died, they had died, more had died after, he’d seen them. Shivering, Sam released his grip on the tree and eased himself down in the snow. It was cold and wet, he knew, but he could scarcely feel it through all his clothing. He stared upward at the pale white sky as snowflakes drifted down upon his stomach and his chest and his eyelids. *The snow will cover me like a thick white blanket. It will be warm under the snow, and if they speak of me they’ll have to say I died a man of the Night’s Watch. I did. I did. I did my duty. No one can say I forswore myself. I’m just and I’m weak and I’m craven, but I did my duty.*

The ravens had been his responsibility. That was why they had brought him along. He hadn’t wanted to go, he’d told them so, he’d told them all what a big coward he was. But Master Aemon was very old and blind besides, so they had to send Sam to tend to the ravens. The Lord Commander had given him his orders when they made their camp on the Fist. “You’re no fighter. We both know that, boy. If it happens that we’re attacked, don’t go trying to prove otherwise, you’ll just get in the way. You’re to send a message. And don’t come, send one bird to Castle Black and another to the Shadow Tower.” Old Bear pointed a gloved finger right in Sam’s face. “If you’re so scared you’re so scared you foul your breech—”

willdawns are coming
those birds

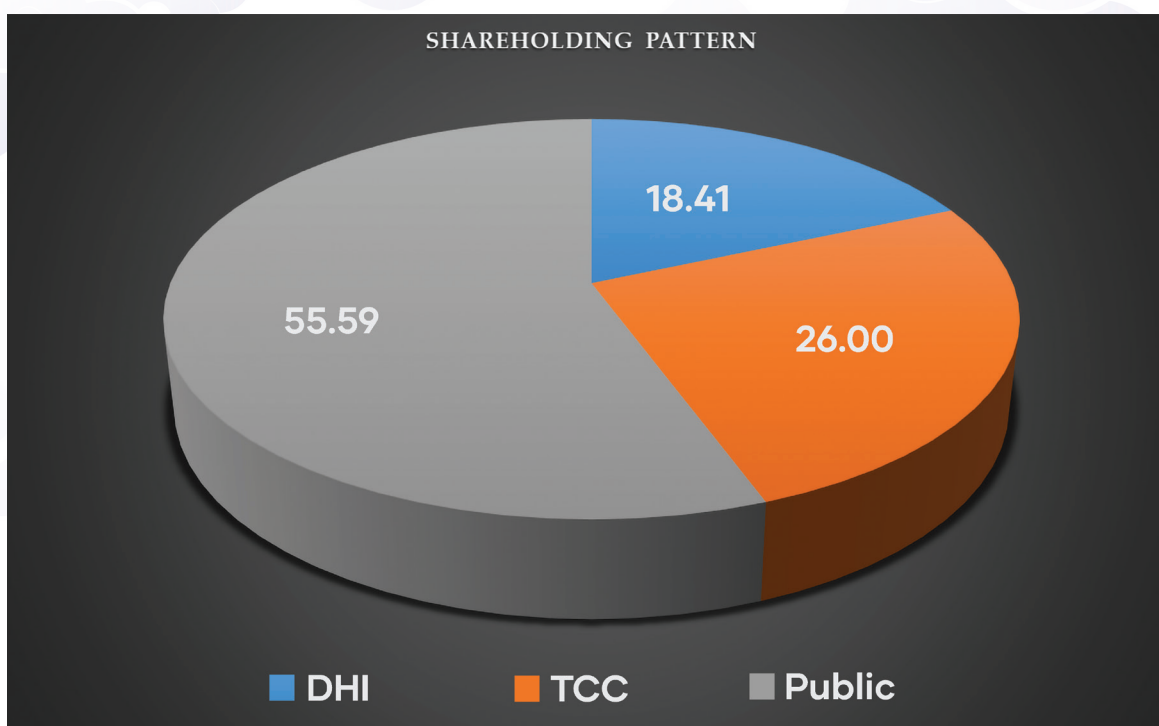
241

A STORM OF SWORDS, STEEL AND SNOW

...to Dickson and the girls. He was sorry to die too, but better
...had died on the Fist, good men and true, not sneaking fat boys
...thought, for the birds off. I did that right, at least. He had written
...the messages ahead of time, short messages and simple, telling
...an attack on the Fist of the First Men, and then he had tucked
...them away safe in his parchment pouch, hoping he would never need
...to send them.

...when the horns blew, Sam had been sleeping. He thought he was
...waking them at first, but when he opened his eyes snow was falling
...on the camp and the black brothers. Chett was the only one nearby,
...and running toward the ringwall. Chett was the only one nearby,
...Master Aemon's old steward with the face full of boils and the big
...on his neck. Sam had never seen so much fear on a man's face
...as he saw on Chett's when that third blast came moaning through
...the trees. "Help me get the birds off," he pleaded, but the other steward
...had turned and run off, dagger in hand. He has the dogs to care for
...Sam remembered. Probably, the Lord Commander had given him
...some orders as well.

His fingers had been so stiff and clumsy in the gloves, and he was
...shaking from fear and cold, but he found the parchment pouch and
...dug out the messages he'd written. The ravens were shrieking fu
...ously, and when he opened the Castle Black cage one of them f
...right in his face. Two more escaped before Sam could catch one,
...when he did it pecked him through his glove, drawing blood
...somehow he held on long enough to attach the little roll of
...ment. The warhorn had fallen silent by then, but the Fist ran
...his commands and the clatter of steel. "Fly!" Sam call
...the air. The cage was screaming and the door, by



SHAREHOLDING PATTERNS

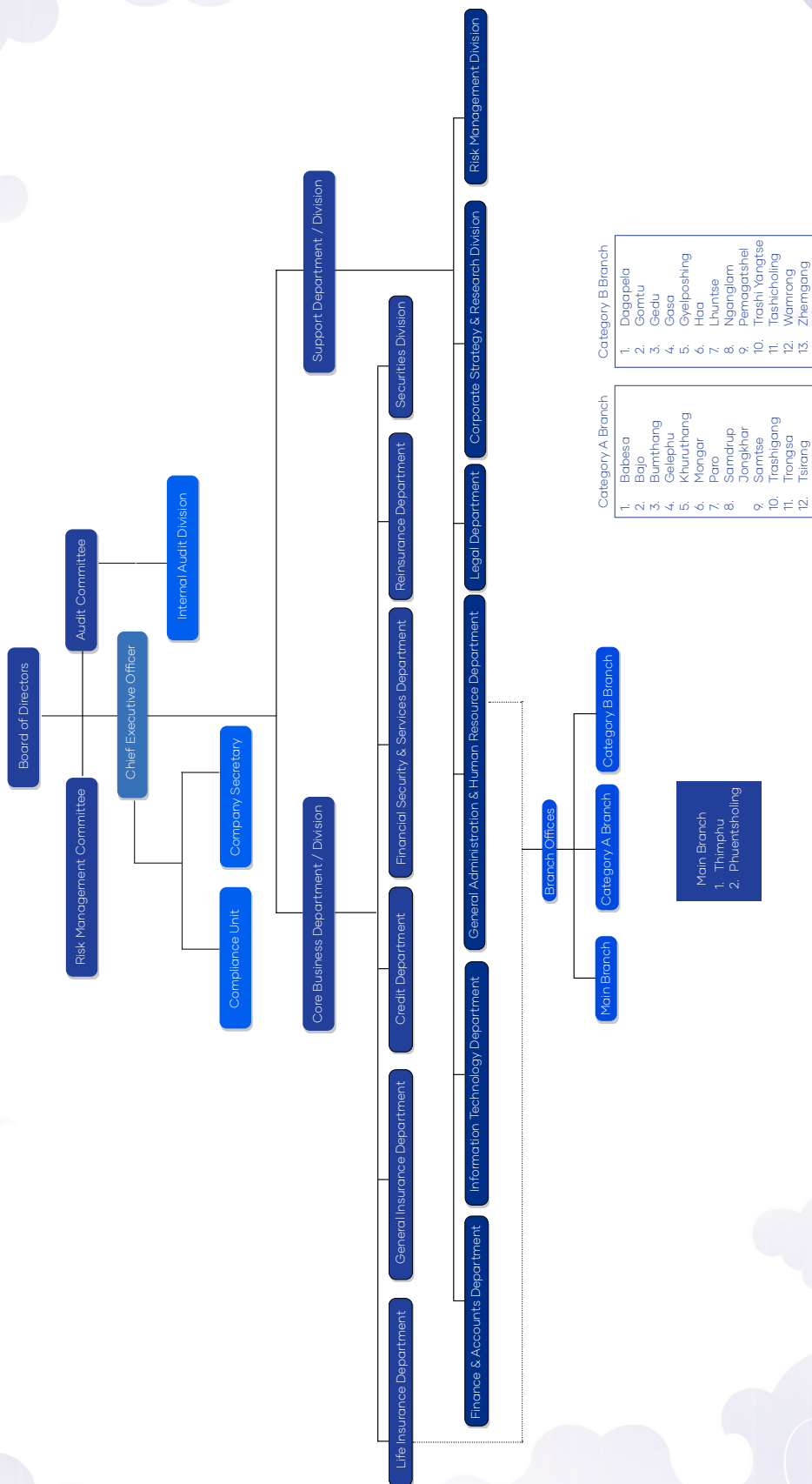
The shareholding patterns of RICB have undergone considerable change since its inception 47 years ago on the 7th of January 1975 under the Royal Charter of the Fourth Druk Gyalpo His Majesty Jigme Singye Wangchuck and more so during the year 2021.

When the company was established then, with a paid up capital of Nu 1 million (M) against an authorized capital of Nu 2 M, the royal government of Bhutan invested 51 percent of the seed capital. Dasho Ugyen Dorji, a renowned businessman and reputed industrialist of Bhutan, and the general public, financed the remaining 49 percent.

A metamorphosis of sort took place on the 11th of October 1991, when RICB was incorporated as a public limited company. Two years later, the company was listed on the securities exchange following the establishment of the Royal Securities Exchange of Bhutan in 1993. The government disinvested parts of its equity to the public so as to enable private sector growth, and thereby empower the private sector to play a pivotal role in the economic growth of the country.

During the year 2021, the 22.34 percent of shares held by National Kidu Fund was sold through public auction. The shares were disposed off to finance the Interest Payment Support (IPS) granted by His Majesty to the borrowers of the Financial Institutions. Today 81.59 percent of the company is owned by individuals, public and private organizations. The government holding, Druk Holding & Investments Ltd. owns 18.41 percent and Tashi Commercial Corporation is the largest shareholder with 26 percent of the total paid-up capital. The total authorized capital of the company is Nu. 5,000.00 million and the paid-up capital at Nu 1,400.00 million as of the 31st of December 2021.

Organogram



OVERSEAS TRAVEL INSURANCE

Leave your worries behind

COVERAGE

Illness

Loss of passport

Loss of baggage

Damage/loss to another person

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DIRECTORS REPORT



On behalf of the Board of Directors and my own, I present the 47th Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st of December 2021.

The shareholders and employees of RICB offer our most humble gratitude to His Majesty the King for the selfless leadership during unprecedented times in 2021. The people of Bhutan are most fortunate to be blessed with a leader who undertook the sole responsibility of protecting his people's lives and livelihoods. We extend our deepest gratitude to all those who have worked hard throughout this pandemic.

Macroeconomic outlook

Like other countries around the world, Bhutan's economy also faced challenges from the protracted COVID-19 pandemic. Bhutan has been successful in fighting the COVID-19 pandemic, thanks to stringent containment measures and speedy vaccinations with over 90 percent of the eligible population fully vaccinated by August 2021. Yet, it came with high economic costs. The international border continued to remain closed in FY 2021. Tourism activities did not resume since March 2020, and non-hydro economic activities were adversely impacted by foreign labor shortages. His Majesty and the Government provided various relief measures, to stimulate the economic growth, prevent any financial sector vulnerabilities and support livelihood of the individual citizens who were affected by the pandemic.

The overall economy further contracted by 1.2 percent in FY 2021. Services sector output fell by 3.6 percent, as the tourism industry remained closed. While the hydro sector supported industry growth, construction and manufacturing were adversely affected by labor shortages and high input prices. Average inflation increased from 3.0 percent in FY 19/20 to 8.2 percent in FY 20/21. The fiscal deficit widened to 8.1 percent of GDP in FY 20/21.

On the fiscal front, the total government revenue declined sharply because of weak economic activity. Total expenditures increased, driven by an increase in capital expenditure and COVID-19 relief measures from the Druk Gyalpo's Relief Kidu program, which includes temporary income support and a partial interest rate waiver.

Economic Outlook

The economy is expected to gradually recover in FY 2022, with output gradually returning to pre-pandemic levels in



real terms. Construction activity is expected to normalize, with improved availability of foreign laborers and an expansion of public infrastructure projects. With tourism likely to recover gradually, services sector growth is expected to pick up in FY 22/23.

The government plans to frontload capital expenditure during the second half of the 12th Five-Year Plan to support a robust economic recovery. The fiscal deficit is expected to narrow from FY 22/23 onwards as revenues from the tourism sector recover. Public debt is projected to remain elevated as a share of GDP in FY 21/22 due to low economic growth and high fiscal deficit, and to increase further in FY 22/23 with an expansion of investments in the power sector.

In order to ease the pressure, the timely interventions of His Majesty The Druk Gyalpo and the Government through the Druk Gyalpo's Relief Kidu (DGRK), accelerated De-suung Training Programs and Economic Contingency Plan, have helped to support the affected individuals and businesses and also mitigate the rising issues of unemployment.

In response to the pandemic, the RMA initiated and implemented several monetary and financial policy measures starting from immediate relief measures to long term policy support. Given the continued uncertainties posed by the pandemic, the DGRK and the other monetary measures will continue until June 2022 for all eligible borrowers. To stimulate economic growth, the government has fast tracked the priority economic activities during the pandemic. Despite adequate liquidity in the banking sector in FY 2021 the credit to the private sector has been slowed down. The slowdown in credit supply is attributed to lower private investment and consumption as compared to pre-COVID period. The credit to tourism and construction sector, which accounted for more than 50 percent in 2020, decreased significantly, owing to disruptions in the economic activities.

Complementing the interest payment support measures, the financial institutions have provided deferment of loan repayments, starting from 30th June 2020, with one percent rebate for regular repayment of Equated Monthly Installment (EMI) for one year to all borrowers.

Operational and Financial Highlights

Although the year 2021 has been a challenging year with the pandemic slumping economic growth, the monetary measures, and Druk Gyalpo's Relief Kidu has helped maintain the stability of the financial sector during these unprecedented times. The insurance business has been able to maintain a steady performance and the credit business has also been able to recover from the distress of the previous year with the continued support from Druk Gyalpo Relief Kidu and monetary measures extended by the RMA. To reduce the economic impact of the pandemic the company continued with various discount schemes for its Life and General Insurance policyholders to ensure that the insurance business remains afloat. In solidarity and as a token of gratitude to our frontline workers who are working tirelessly to combat COVID-19, the company offered a free life insurance scheme of Nu.100,000.00 to those who may lose their lives fighting COVID-19. For the year 2021, the company have paid Nu. 300,000.00 as compensation under the life insurance scheme to the affected frontline workers and their families.

RICB's financial performance for the FY 2021 has been greatly helped by Interest Payment Support granted by His Majesty and the monetary measures initiated by the RMA. Further, the Board and the management's efforts to resolve the NPL has resulted in superior financial performance. The company generated record profit of Nu. 1,035.53 million (Previous Year with loss of Nu. 497.10 million). The profit as per the accounts prepared under GAAP recorded at Nu. 1,143.02 million

(Previous Year Nu. 81.82 million) where the provision against non-performing loans is accounted for as per the Prudential Regulations. All the regulatory compliance requirements are assessed as per the accounts prepared in line with GAAP.

The General Insurance business continued to perform well during the year and has contributed Nu. 549.45 million to the profit despite challenges faced in the broader financial services market. The reinsurance business continued to incur loss which amounted to Nu. 137.66 million during the year. The lack of company rating and loss from the previous reinsurance contracts continued to hamper the reinsurance business. The Life insurance business has achieved Nu. 1,403.45 million as premium income for the year 2021. The overall insurance business continued to grow even during the pandemic. The NPL reduced from 43.11% at the end of 2020 to 29.75% in December 2021. The reduction in NPL is commendable. But resolving the long overdue and non-viable non-performing loans will continue to be the focus and priority for the company. As an important part of the Monetary Measures, the Government has also emphasized the need for an inter-governmental effort to resolve the pending NPLs and in promoting and ensuring clean new loan schemes during and after the pandemic period.

Given the loan repayment deferment, NPL recovery and transfer of loans to Asset Pending Foreclosure, the total impairment against loans and advances amounted to Nu. 192.82 million. Even after adjusting the impairments on loans, the credit business earned a profit of Nu. 666.68 million. With the high NPL at the national level, the RMA and the financial institutions initiated different strategies to resolve the NPL. One of the outcomes through the initiative was the implementation of the transfer of NPLs to Asset Pending Foreclosure (APF). RICB transferred loans amounting to Nu. 341.51 million to APF and provision amounting to Nu. 301.31 million against these loans to other liabilities. The Board and the management also foreclosed loans amounting to Nu. 399.72 million during the year by taking over the assets in full and final settlement of the loans.

Significant Financial Indicator:

The financial statements for 2021 of the company have been prepared as per the BAS/IFRS. Important financial indicators are shown in the table below:

Indicators	2021 (Nu. in millions)	2020 (Nu. in millions)
Profit Before Tax (PBT) (Nu.)	1,035.53	(497.10)
Total Turn over (Nu.)	5,948.86	5,896.59
Return on Core Equity (%)	53.47	(25.38)
Earnings per share (Nu.)	5.35	(2.54)
Book Value per Share (Nu.)	31.35	23.63
Net-worth (Nu.)	4,389.61	3,307.56
Paid up Capital (Nu.)	1,400.00	1,400.00
Cash/Bank Balance (Nu.)	4452.69	3,597.34
Balance Sheet (Nu.)	24,180.36	22,294.35

The gross interest earned during the year, including the interest from fixed deposits, amounts to Nu. 2,533.99 million. The increase in the interest income is attributed to receipt of interest support on NPL loans, reduction in NPL and increased interest from Fixed Deposits. The loan repayment deferment provided under the monetary measure provided the relief from growing NPL. The total impairment of Nu. 192.82 million is provided during the year. The NPL ratio calculated as per the Prudential Regulation reduced from 43.11% during the previous year to 29.75% for the current year. Though the reduction in NPL would have resulted in writing back of the loan loss provisions, the RMA did not allow the write back of any provisions during the year. Therefore, additional provision of Nu. 700.26 million is retained in the accounts. The total NPL loans amounted to Nu. 6.18 billion against which provision of Nu. 5.96 million including interest in suspense is maintained.

In spite of the turbulent year the insurance business continues to maintain steady performance and retain the market share mainly due to discounts offered during the hard times faced by our customers. The net revenue from the general insurance business is Nu. 549.45 million which is transferred to the Income Statement of the Company. The net premium, after affecting the re-insurance premiums amounted to Nu. 473.08 million maintaining the business as in the past year. Correspondingly, the net claims after considering reinsurance recoveries posted at Nu. 182.86 million. The overall net claim ratio during the financial year 2021 stands at 38.65% as against 60.90% in the previous year. The reinsurance business also contributed Nu. 73.75 million to the gross income of company through international reinsurance business accepted.

It is significant to note that life insurance has also earned premium income of Nu.1,403.45 million despite the slowdown in economy. The contribution for Annuity business recorded at Nu. 103.07 million and Nu. 430.05 million from Private Provident Fund business.

Business Income for the Period ended 31.12.2021

Department	2021 (Nu.)	2020 (Nu.)
Interest Income (Credit)	2,561,863,121	1,868,295,360
Commission, Dividend & Others (Credit)	27,913,080	34,765,651
General Insurance Premium	1,173,697,810	1,072,246,622
Life Insurance Premium	1,403,458,177	1,921,241,949
Group Insurance Premium	83,165,580	80,812,350
Reinsurance Premium	148,136,249	303,115,098
Annuity Contribution during the year	103,071,642	173,427,098
PPF Contribution during the year	430,052,396	425,447,066
Rent & Others	11,300,132	12,129,967
Broker Commission	6,808,850	5,115,943
TOTAL	5,949,467,037	5,896,597,104

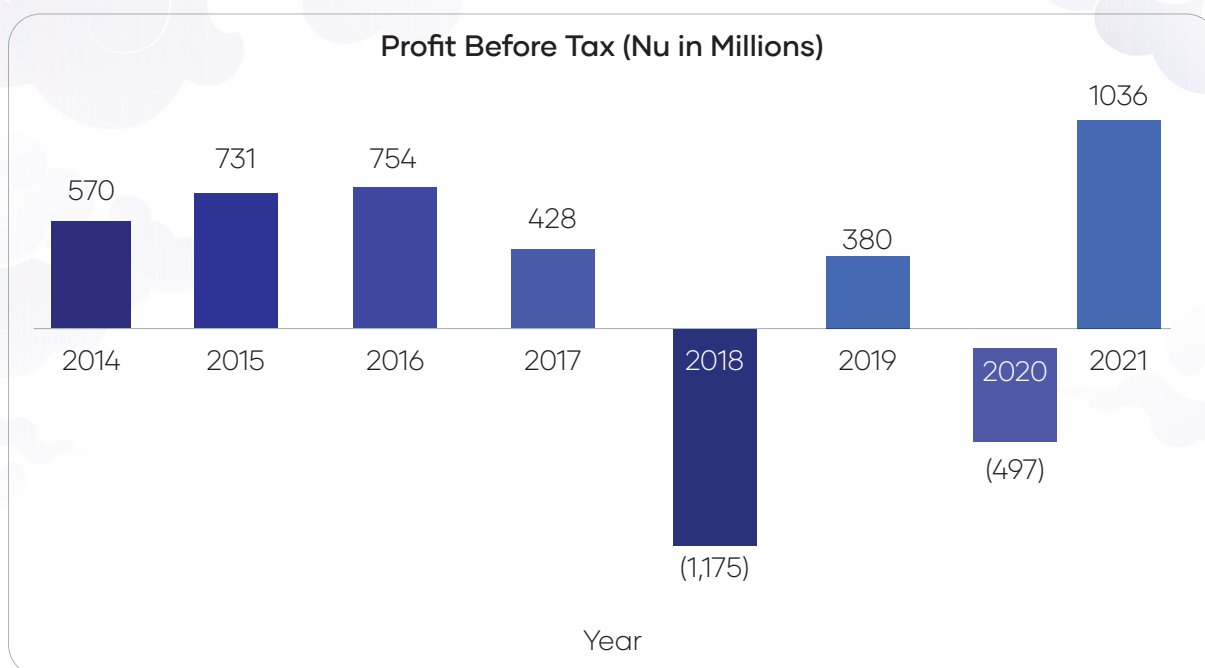
Profitability for the year 2021

Particulars	2021 (Nu. in millions)	2020 (Nu. in millions)	Variance '21 & '20 %
Income			
Net Premium Earned	2,032.58	3,003.81	(32.33)
Net Fee & Commission Income	249.22	70.33	254.36
Net Interest Income	1,689.27	1,008.60	67.49
Other Operating Income	37.47	21.81	71.80
Total Revenue (I)	4,008.57	4,104.55	(2.34)
Expenses			
Net Claims	2,227.95	3,160.38	(29.50)
Other Operating Expenses (Net)	745.08	1,441.28	(48.30)
Total Expenses (II)	2,973.03	4,601.67	(35.39)
Profit Before Tax (I) – (II)	1,035.53	(497.10)	308.31
Tax Expense	(286.93)	141.85	302.28
Profit After Tax	748.59	(355.25)	310.72
Earnings Per Share	5.35	(2.54)	302.63
Book Value Per Share	31.35	23.63	32.67
Net-worth of the Company	4,389.61	3,307.56	32.71
Return on Core Equity (%)	53.47	(25.38)	310.68

The net worth of the company as on 31.12.2021 was valued at Nu. 4,389.61 million, and the book value per share recorded at Nu. 31.35, due to increase in reserves after transfer of profit. Considering the financial performance for the year the return to core equity recorded at 53.47 percent compared to negative figure of 25.38 percent during the last financial year.

Performance Highlights (Gross Profit) from 2014 - 2021

	Year	Nu. in Millions	%
AS PER BAS/BFRS	2014	570.38	6.04
	2015	731.34	28.22
	2016	753.89	3.09
	2017	428.49	(43.16)
	2018	(1,174.66)	(374.13)
	2019	380.35	131.95
	2020	(497.10)	(230.70)
	2021	1,035.53	308.31



The profit from credit business increased significantly as compared to the previous years. The growth in profit resulted from increased interest income and reduction in NPL. The insurance business continued to be resilient during the year contributing to the overall profitability of the company.

Financial Position of the Company

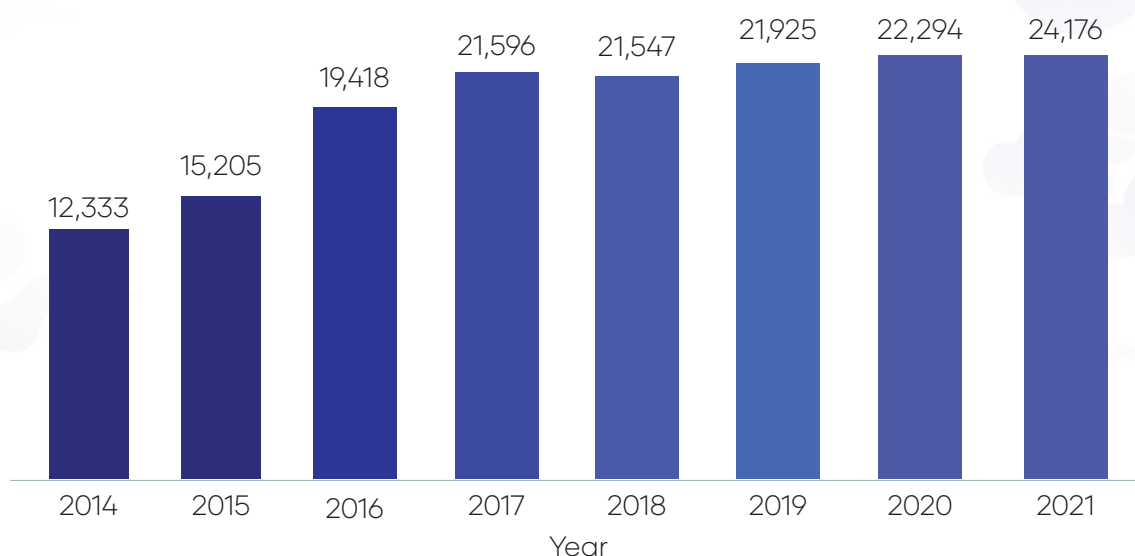
The total asset of the company has increased by 8.44% amounting to Nu. 24.17 billion during the year, from Nu. 22.29 billion in the previous financial year. The increase in the asset is mainly due to the increase in net loans, fixed assets and other assets. The company had also invested Nu. 99.49 million in the shares of BNBL during the public auction of shares.

The net insurance fund balance has increased to Nu. 12.57 billion from Nu. 11.89 billion in the previous year. With the redemption of the bond series III the external borrowings reduced by Nu. 1.09 billion. The Corporation will not be paying any Corporate Income Tax for the financial year 2021 considering the carry forward of loss incurred during the financial year 2018.

Statement of Financial Position

	Year	Nu. in Millions	%
AS PER BAS/BFRS	2014	12,332.66	35.85
	2015	15,204.75	23.29
	2016	19,418.01	27.71
	2017	21,595.64	11.28
	2018	21,547.34	(0.22)
	2019	21,925.49	4.22
	2020	22,294.35	1.68
	2021	24,175.80	8.44

Statement of Financial Position (Nu in Millions)



Dividend and Transfer to Reserves

The company shall not declare any dividend or bonus shares for the financial year 2021 as directed by RMA.

Statutory Compliances

Royal Monetary Authority

All the provisions of the Prudential Regulations of RMA have been complied with during the financial year except for the solvency requirement for life insurance business.

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2019.

Statutory Auditors

M/s. KASG & Co, Chartered Accountants (Firm registration number 002228C) was appointed as the Statutory Auditors of RICB for the financial year 2021 during the 46th Annual General Meeting held on 27th September 2021.

Company Registrar

All the regulatory filings required as per the Companies Act of Bhutan 2016 have been made with the Registrar of Companies and no adverse comments have been noted.

Corporate Governance

The company has complied with the principles of good corporate governance in accordance with the applicable laws and regulations to publicly listed companies. The Company endeavors to achieve operational excellence and positive customer experience in every sphere of business

operation through constant awareness about its responsibility in relation to stakeholders, customers, government, employees and society at large. The Board regularly monitors the company's corporate governance practices in full compliance with the requirements of the Companies Act of Bhutan 2016, Rules Governing Official Listing of Shares and Corporate Governance Rules and Regulations 2020. The company has various committees which have been constituted as a part of the best corporate governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Committees deliberate and decide on the issues falling within their terms of reference and make recommendations to the Board wherever necessary. The company has following committees of the Board:

1. Board Audit Committee comprising of three directors and chaired by Mr. Bhanu B. Chhetri, an Independent Director. The committee convened seven meetings during the year. All the members attended the meetings convened during the year.
2. Board Risk Management Committee comprising of two directors and chaired by Mr. Dubthob Wangchug, a Non-Executive Director. The committee held seven meeting during the year and all the members attended the meetings.
3. Board Human Resource and Governance Committee comprising of four directors and chaired by Mr. Dubthob Wangchug, a Non-Executive Director. The committee held four meeting during the year and all the members attended the meetings.

Composition of the Board of Directors

The company has an appropriate mix of executive, non-executive and independent directors on our Board. This helps to maintain its independence and clear delineation of functions of governance and management.

As on 31st of December 2021, the Board of Directors consisted of 6 members with a wide range of knowledge and experience in compliance with the Corporate Governance Rules. Two of the Directors are Independent Directors to ensure that the interest of the minority shareholders is protected and to provide balanced views during Board's deliberations. With the auctioning of the shares held by National Kidu Fund, Dasho Kunzang Wangdi, representative of Kidu Fund, resigned from the Board. During the year the Board convened 12 meetings. The names of the Directors and the details of their attendance at the Board Meeting are set out as below:

Name of the Member	No. of Board Meetings attended
Dasho Wangchuk Dorji	12 of 12
Dasho Kunzang Wangdi (resigned during the year)	7 of 7
Mr. Dupthob Wangchug	12 of 12
Mr. Bhanu B. Chhetri	12 of 12
Mr. Ugyen Wangdi	12 of 12
Mr. Sangay Tenzin	12 of 12
Mr. Karma	11 of 12

Risk Management

The Risk Management Division (RMD) was formed in the year 2019 both as RICB's initiative for structural changes to achieve operational efficiency, strengthen financial soundness and institutional integrity.

With the objective to exercise fundamental standards for risk management practices and help improve financial soundness and stability of the company, risk management at RICB aims towards being embedded as an integral part of its corporate governance arrangements and business processes.

As part of the organizational framework in delivering continuous improvement and promote better risk culture at all levels of the RICB's line of business, risk management process at the RICB primarily began through development of Key Risk Indicators with set Tolerance Limits. Since then, it has evolved into a systematic approach in identification, evaluation and control of those risks which could endanger the quality of assets and organizational wellbeing.

RICB follows the 3 lines of defense risk governance model with adequate oversight framework across all operations containing a key rule that every unit must manage, mitigate and reduce risk. The first line of defense comprising of the business management are the risk owners responsible for day-to-day risk management. The Risk Management Division as second line of defense supports the Board and its committees by developing risk management policies, systems and processes to facilitate a consistent approach to the identification, assessment and management of risks. The third line of defense comprises of internal audit function that provides assurance to the Board and its committees that RICB complies with Risk Management Framework.

The company maintains a risk reporting system and a risk register to help make informed policy decisions and to take early action to prevent or mitigate risk.

The Enterprise Risk Management of RICB has incorporated procedures embracing best practices of ISO 31000 and in fulfilment of the requirement of the RMA's CGRR 2020.

Challenges

As the gusts of the pandemic quietens, the economies have been left fragile and are facing headwind in their recovery. As the support measures unwinds from July 2022 the vulnerabilities in the financial sector can resurface. The forecast of the economy rebounding in 2022 is expected to be moderate. While the economy is predicted to gradually recover from the pandemic the consumers continue to face challenges of unemployment and income loss, impacting their ability keeping their insurance payments and the appetite to buy new insurance products. An elevated NPL, limited investment avenues and stiff competition in insurance business make RICB's road ahead challenging. The changes in the regulatory requirements and the restriction imposed on lending business would impose short term challenges to the company.

Although Covid-19 is casting a longer shadow than initially anticipated, RICB is adjusting its strategies accordingly, and preparing to adapt to a rapidly changing environment. RICB will continue to reinvent itself to meet our stakeholders' needs.

Future Outlook

The RICB's Five-year Roadmap embodies our commitment to creating long term value to shareholders, customer, staff, and society. Digitalization is increasingly transforming the markets, and the continuous changes in customer behavior are demanding greater flexibility in providing access, coverage, and solutions, as well as in RICB's underlying internal structures. Driving digital transformations therefore remains RICB's one of the primary strategic priorities and is part of our Five-Year Roadmap.

The primary focus of Five-year Roadmap aims for a return on equity of 35% every year. This will be achieved by automating as much as possible across all processes and units. The company is continuously adjusting internal structures and processes to reduce complexity and costs, while at the same time seizing the opportunities that digital transformations offer. RICB shall deliver what the customers expect in terms of quality, speed, and security while continuing to increase efficiency. The company is also working on increasing digital products in its research and development activities. In doing so, RICB intends to make the processes and operations more efficient and intelligent. Together with clients, RICB will improve the resilience and financial wellbeing of the people of Bhutan. The company also have adopted an audacious vision of RICB being the crown jewel of the financial sector of Bhutan.

The monetary measures and moratorium provided by His Majesty and RMA gave the company breathing room to reduce our NPAs and improve the quality of our loan assets. RICB will continue to deliver efficient services to its customers under any and all circumstances. The company remain poised for better times ahead, paving the way for a sustainable future through resilient performance. RICB will continue to uphold its mission of facilitating "growth with security" to the economy of Bhutan.

Acknowledgment

On behalf of the Board of Directors, and on my own, I thank all our business partners and valued clients, for enduring confidence and faith in the Board and management. The Board extends our heartfelt gratitude to His Majesty for the selfless support, guidance and compassion during these challenging times. The Board also places on record its deep appreciation to the Royal Government and its various agencies for continued support and cooperation provided to the Royal Insurance Corporation of Bhutan Limited. The Board also extends appreciation to the outgoing Director Dasho Kunzang Wangdi for his guidance and support to the company for the last three years.

The Directors are also pleased to convey their sincere appreciation to all the agents who are our 'feet on the street' and reinsurance partners and surveyors.

I congratulate the CEO, management and staff of RICB for their hard work and dedicated service rendered during the year against all odds. I extend my good wishes for the success of the corporation in the years ahead.

Tashi Delek



(Wangchuk Dorji)

Chairman on behalf of Directors



Endowment Plan for

SENIOR CITIZEN

Supposing a baby boomer, Jangchub Dorji, 64, takes our Senior Citizen Plan for a Sum Assured (SA) of Nu 100,000 for 20 years term.

His life policy will work out as:

Monthly Premium

Nu 552

Yearly Premium

Nu 552 X 12 = Nu 6,624

Maturity Benefits

Nu 8,000 (Bonus) x 20 years

= Nu 160,000 + Nu 100,000 (SA)

= Nu 260,000

Death Benefits

Nu 100,000 (SA) or the Premium,
whichever is higher

Eligibility: Age 55 - 70 years

SA: 100,000 - 1,000,000

Term: 5 - 20 years

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e-mail : bharatgoel@kasgca.com
Website : www.kasgca.com

INDEPENDENT AUDITOR'S REPORT

To
The Shareholders
Royal Insurance Corporation of Bhutan Limited

Qualified Opinion

We have audited the financial statements of **Royal Insurance Corporation of Bhutan Limited** (referred to as "the Corporation"), which comprise the statement of financial position as on **December 31, 2021**, Income statement 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the corporation, its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS/BFRS).

Basis for Qualified Opinion

- a. Note no. 46(d) to the financial statement, regarding Reserves for Accepted amounting to Nu. 27,395,045 (Previous Year Nu. 23,530,033), included under insurance receivables, in respect of reinsurance business is pending reconciliation with the reinsurance partners, against which eventual adjustment are not ascertainable at this stage, therefore, impact on the financial statements, if any, cannot be commented upon.
- b. Note no. 46(a) to the financial statements, regarding pending confirmation/reconciliation of balances and non-receipt of statement of account of both receivables and payables from/to various re-insurers aggregating to Nu. 483,514,159 (Previous Year Nu. 457,779,074) and Nu. 239,568,792 (Previous Year Nu. 317,569,793) respectively. Claims payable under reinsurance business aggregating to Nu. 471,433,894 (Previous Year Nu. 577,951,369) are also pending confirmation/reconciliation with the re-insurance counterparty. Against these items eventual adjustment is not ascertainable at this stage, therefore, impact on the financial statements, if any, cannot be commented upon.

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 Corporation within the meaning of IESBA Code and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.

Why the matter was determined to be a Key Audit Matter	How the matter was addressed in the audit
<p>1. Revaluation of Plant, Property & Equipment, and Investment Property</p> <p>The fair value of Plant, Property & Equipment and Investment Property is based on a valuation performed by an independent appraiser. The Valuation of all the building and structures located in core areas of Bhutan were made based on BSR 2021 after adjustment of superior construction and amenities based on specification of individual assets for establishing Net Replacement Values (NRV) of the building components. The NRV thus established was depreciated in terms of different components of building & structures and the roofing as per international norms of valuation to get the Market Values (FMV) or the Depreciated Replacement Cost (DRC). The Value of land that are integral part of buildings and structures were based on study of various media report, publications on land prices on Thimbu, Phuentsholing and other cities as also extensive enquiry with local real estate operators on the prevailing capital values.</p> <p>As the number of comparable transactions has been low for the last years and the valuation was performed using the above-mentioned model, the estimate uncertainty related to the valuation is significant. We considered the valuation of investment property as a key audit matter because of the estimate uncertainty and the significance of the value.</p>	<p>Our audit procedures related to estimates of efforts to revalue the Plant, Property & Equipment and Investment Property includes following:</p> <ul style="list-style-type: none"> • We discussed the property related data and the movements in value of the properties with management. • We refer to note 2 Summary of significant accounting policies, note - 22 'Investment Properties', and note-23 'Property and Equipment' in the financial statements about the valuation model, key assumptions and estimate uncertainty.
<p>2. Valuation of properties acquired against settlement of Non-Performing Loans</p> <p>The Company has foreclosed the non-performing Loans taking over the mortgaged assets having value of Nu. 415,728,240. The Fair value of property acquired is based on a valuation of the collateral through mutually agreeable rate between the borrowers and the company. As the valuation was mainly performed by negotiation with borrowers due to non-availability of independent valuer in Bhutan, the estimate uncertainty related to the valuation of the property acquired is significant. The Valuation of the property acquired was done one the basis of guidelines for managing non-performing Loans issued by Royal Monetary Authority of Bhutan.</p>	<ul style="list-style-type: none"> • We have obtained and verified internal valuation report of the Management and mutual agreement letters in respect of consideration agreed. • We refer to note 43 of notes to accounts, note no. 22 for Investment Properties and note no. 23 for Property & Equipment of financial statements about the valuation model, key assumptions and estimate uncertainty.

<p>3. Valuation of Technical Provisions</p> <p>The estimation of liabilities arising from insurance contracts such as unearned premium reserve, deferred commission reserve, incurred but not reported reserve, deferred acquisition cost reserve as disclosed in the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policy holder behaviour). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.</p>	<p>We assessed management's calculations of the technical reserves by performing the following procedures:</p> <ul style="list-style-type: none"> • Using our team members, we applied our industry knowledge and experience, and we compared the methodology, data, models, and assumptions used against recognized actuarial practices. • Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework; and • We also evaluated the methodology and assumptions or performed a diagnostic check to identify and follow up any anomalies.
<p>4. Recoverability of insurance receivable from policy holders, insurance companies and reinsurance companies</p> <p>The Corporation in its normal course of business is exposed to risks of non-recoverability from policy holders, insurance companies and reinsurance companies due to disputes / litigations or due to deterioration of financial conditions of the counter party. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.</p>	<ul style="list-style-type: none"> • We reviewed the past trend of actual amounts written off and the credit ratings of the counter parties (where available) to assess the provision held as at year-end. We also discussed with management and reviewed correspondence, to identify any disputes and assessed whether such matters had been considered in the bad debt provision.

<p>5. Impairment of loans and advances to customers and other parties</p> <p>The allowance of loan losses are significant as they represent a substantial amount of impairment recognized in Financial Statements. The same is considered as a KAM since it relates to an accounting estimate which implies a high level of judgement on part of the management and are requirements in applicable BAS/BFRS, Royal Monetary Authority (RMA) Directions and other relevant regulations. Impairment of loans and advances to customers and others are either calculated on individual basis or a collective basis. The Corporation had established a policy to perform an assessment, at the end of 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. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macroeconomic factors, and special considerations for high-risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis and made adjustments.</p>	<ul style="list-style-type: none"> • We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers and other parties, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cashflows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). • We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors, and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. • For those loans and advances to customers and other parties which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations.
<p>6. Future performance of the Corporation</p> <p>The extent to which the COVID-19 pandemic will impact the Corporation's financial performance and position will depend on future developments, which are highly uncertain.</p>	<p>Our audit procedures considered the guidance laid down by the 'ICAI Accounting & Auditing Advisory March 2020 - Impact of Corona virus on Financial Reporting and the Auditors Consideration' highlighting few important areas which require particular attention in respect of the audit of the financial statements for the year 2021 including:</p> <ul style="list-style-type: none"> • Impairment of Non-financial Assets; • Impairment Losses (ECL, Bad debts etc.); • Going Concern Assessment; • Post Balance Sheet Events; • Presentation of Financial Statements; • Changes in Internal Controls; • External Confirmations; and • Audit evidence through electronic mode. <p>We considered the above guidance and appropriately applied to our response to modification of our audit procedures to obtain sufficient appropriate audit evidence on the significant audit areas and reached appropriate conclusions thereon.</p>

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards (BAS/BFRS) 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 International Standards on Auditing 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.

Our additional responsibilities are provided in **Annexure - I**.

OTHER MATTERS

1. We have audited the financial statement of Royal Insurance Corporation of Bhutan Limited for the financial year 2021. We have applied our audit procedures on remote basis due to impact of Covid -19 pandemic at global level. The situation of COVID19 Pandemic and the resultant lockdown and travel restrictions in Bhutan led us to perform the audit procedures in remote mode taking help of IT enabled techniques. We have collected sufficient and appropriate audit evidence on remote basis to express our opinion on financial statement. We have planned and performed alternative audit procedures wherever physical presence was required. We have communicated and collected the audit evidence by the designated email-id.
2. The Internal Audit Manual of Royal Insurance Corporation of Bhutan specifies that, the internal auditing should be carried out on a half-yearly basis, however, most of the branches were audited after one and a half years due to pandemic. The Internal Audit Department completed auditing for 20 Branch Offices during the year 2021 and 13 Internal audit points were pending to be closed.

Our opinion is not modified in respect of these matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- a. We have obtained, except for matters described in the Basis for Qualified Opinion section, all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.
- b. Except for the effects of matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, proper books of account as required by law have been kept by the Corporation so far as appear from our examination of the books, proper returns adequate for purpose of our audit have been received.
- c. The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.
- d. Based on the information, explanation and management representation received during the course of our audit, the company has complied with all the applicable and relevant legal regulatory requirements.



for **KASG & Co.**

Firm Registration Number: 002228C
Chartered Accountants

CA. Bharat Goel

Partner

Membership No.: 060069

UDIN : 22060069BBUQOW8301

Place : Kolkata

Date : 7th day of October 2022

ANNEXURE - I

(To Independent Auditor's report of even date on the financial statements of Royal Insurance Corporation of Bhutan Limited for the year ended 31st December 2021).

Responsibilities for Audit of Financial Statements

[Audit Report of Royal Insurance Corporation of Bhutan Limited for the year ended on 31st December 2021]

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

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidences 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 omission, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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 Corporation'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 audit's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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.

for KASG & Co.

Firm Registration Number: 002228C
Chartered Accountants





CA. Bharat Goel

Partner

Membership No.: 060069

Place : Kolkata

Date : 7th day of October 2022

ANNEXURE - II

(To Independent Auditor's report of even date on the financial statements of Royal Insurance Corporation of Bhutan Limited for the year ended 31st December 2021).

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

[referred to in para under the heading "report on other legal and regulatory requirements" of our report of even date]

To the best of our information and according to the explanations provided to us by the company and the books of accounts and records produced before and examined by us in the normal course of audit, we state that:

GENERAL:

- a. The Corporation adhere to the corporate Governance Guidelines and Regulations as applicable to them.
- b. As observed during the course of audit, the Corporation pursue a prudent and sound financial management practice in managing the affairs of the Corporation.
- c. The financial statements are prepared in accordance with the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d. The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e. The adequate records as specified under Section 228 of the Companies Act of Bhutan, 2016 have been maintained.
- f. The mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
- g. The amount of tax is computed correctly and reflected in the financial statements.

TO THE EXTENT APPLICABLE IN THE CASE OF FINANCE AND INVESTMENT COMPANY

1. The Corporation has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As explained to us, the fixed assets have not been physically verified by the management during the year in a phased/ periodical manner, in all branches and head office due to COVID and travel restrictions. Therefore, we are unable to comment on any material discrepancies noticed on physical verification.
2. The Corporation during the year 2021 has revalued Land & Building of the Property, Plant and Equipment (PPE) refer Note no. 23 of the financial statement.
3. The Corporation has borrowed money from various organizations and the terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Corporation. According to information and explanations provided to us, there is no Company under the same management.
4. The Corporation, in normal course of its operations, has granted loan to other companies, firms or other parties wherein the rate of interest and the other terms and conditions of loans availed are not, prima facie, prejudicial to the interest of the Corporation. According to

the information and explanations provided to us, the Corporation has granted loans to the related parties, but the same are not prejudicial to the interest of the Corporation.

5. The monetary measure issued by the Royal Monetary Authority was extended into phase III effective from 30th of June 2021 till 30th of June 2022. Under the monetary measure all loans sanctioned till 30th June 2020 were eligible for loan deferment till June 2022. The loans were provided with 50% interest waiver through His Majesty's Kidu Fund till June 2022. Since the monetary measures were extended the company was required to consider the overdue days of the loans as on 31st March 2020 for the purpose of loan impairment. Accordingly certain parties in which cases, the outstanding loan balances as on 31st March 2020 comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2017 of the 'Royal Monetary Authority of Bhutan' and for which accrued interest as recognized have been reversed and provisioning for impaired loan or advances have been done in accordance with BFRS-9. The Corporation has provided Nu. 3,963,910,025 (PY. Nu. 3,982,884,839) towards provision of Impaired Loans or advances in accordance with BFRS-9, as against Nu. 4,549,708,147 (PY Nu. 4,784,325,516) provided as per RMA Prudential Norms excluding Interest in Suspense of Nu. 1,261,945,926 (PY. Nu. 1,379,335,168). Further, we cannot comment on the compliances of other conditions mention in prudential norms related with identification of non-performing assets due to the worsened of debtor's financial position and declining trend in borrower's conditions due to non-availability of information with the Corporation.
6. The advances to officers/staff are generally granted in keeping with the applicable provisions of service rules and no excessive/frequent advances are generally granted and accumulation of large advances against any particular individual is generally avoided.
7. In our opinion and according to the information and explanations given to us in course of the audit, the Corporation has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Corporations well as to ensure adherence to the applicable rules / regulations and systems and procedures. However, loan appraisal, processing, claim settlement, bank reconciliation and internal control requires periodical review and improvement considering that fraud/ embezzlement of funds have taken place in the past as disclosed in the note no. 40 to the financial statement.

The following is required as per Prudential Regulation 2017, which is not done:

- A. Internal Audit department is under process to keep a track of ensuring compliances relating to policies, resolutions and rules approved by the Board of Directors of RICB.
 - B. Internal audit team is under process to keep a track of compliances of relevant laws, regulations and notifications issued by RMA.
 - C. Transfer of unpaid dividend for more than 10 years to RMA under Abandoned Property Rules and Regulations and disclosures thereof.
8. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable

alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including plant and machinery, equipment and other assets. Since, the Corporation is in insurance business and financial services, it is not engaged in the purchase of stores and raw materials and sale of goods.

9. The transactions entered into by the Corporation wherein director(s) are directly or indirectly interested are not prejudicial to the interest of the shareholder and Corporation. Further, records under Section 228 of the Companies Act of Bhutan, 2016 are updated by the Corporation.
10. As informed to us, the Corporation, in general, has a system of ascertaining and identifying unserviceable or damaged stores and loss, if any, on the sale of the same, which are duly accounted /charged in these accounts.
11. The Corporation is maintaining reasonable records for sale and disposal of realizable scrap.
12. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the corporation is regular in depositing its rates and taxes, provident fund and other statutory dues with the appropriate authorities. Further, the income tax was found to be adequately computed in accordance with the current applicable Taxation laws and has been appropriately disclosed in the financial statements.
13. According to the information and explanations provided to us and so far, it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, provident fund, and other statutory dues as on the last day of Financial Year 2021.
14. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Income Statement nor have we been informed about such cases by the management.
15. According to information and explanation given to us, in our opinion, the credit appraisal process followed by the Corporation is reasonable. However, the management should take actions to correct the past lapses given that the company has high NPL mostly related to loans sanctioned in the past.
16. The Corporation is engaged in insurance business and its system of screening commission agents is generally adequate, although the Corporation is yet to formulate a structured documented procedure to this effect. The agency commission structure is in keeping with the industry norms/ market conditions, as we have been given to understand by the management. As informed to us, the Corporation has, in general, a system of evaluating performance of each agent on a periodic basis.
17. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts. Referring to the basis of our qualified opinion and the high NPL the same requires improvement to resolve the long pending issues. Also, age-wise analysis of outstanding amounts is generally not been carried out for management information and follow-up actions.
18. On the basis of examination of the books of account and according to the information

and explanations provided to us, the management of liquid resources particularly cash/ bank and short-term deposits, etc., are prima-facie appears to be adequate and as such no excessive amounts are lying idle in non-interest bearing accounts. Withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amount is withdrawn leading to avoidable interest burden on the Corporation.

19. Based on the information and explanations / representations given to us and on the basis of the examination of the books of accounts in accordance with the generally accepted auditing practices, the activities carried out by the Corporation are lawful and intra-vires to its Articles of Incorporation.
20. The Corporation has a system of approval of the board for all capital investment decisions and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
21. According to the information and explanation given to us, there has been an effective budgetary control system for the Corporation, as a whole. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Corporation, directly or indirectly, are disclosed. The details of remuneration of the directors of the Corporation are disclosed in the Note no. 38.3.3 to the financial statements.
22. In our opinion and on the basis of examination of the minutes of the Board, books and records, generally the directives of the Board issued have been complied with.
23. According to the information and explanations given to us, the officials of the corporation have not transmitted any price sensitive information, which are not made publicly available, unauthorized to their relatives/ friends/ associates or close persons which directly or indirectly benefit themselves. We have, however, relied on the management assertion on the same and cannot independently verify the same.

IN THE CASE OF FINANCE AND INVESTMENT COMPANY

1. The minimum audit examination and reporting requirements considered clause no. 1-2, 12-15, 17-20, 23-25, 29-35, 37-41 from the manufacturing, mining or processing company requirement, as found relevant and applicable to finance and investment company is disclosed above.
2. In our opinion and on the basis of examination of books and records, adequate documents and records are generally maintained in respect of loans and advances and those agreements have been drawn up and timely entries have been made therein.
3. In our opinion and on the basis of examination of books and records, proper records of the transactions have been maintained by the Corporation which have been timely updated for investments made in equity shares of the companies, both quoted and unquoted.
4. In our opinion and on the basis of examination of books and records, reasonable records are generally maintained for funds collected from depositors and for interest payment.
5. In our opinion and on the basis of examination of books and records, the Corporation follows the accounting policy of making provisions for diminution, other than temporary, if any, in the value of investment in shares.

6. In our opinion and on the basis of examination of books and records, the Corporation has generally complied with the requirements of Financial Services Act, 2011, Prudential Regulations 2017, BAS & BFRS, The Companies Act of Bhutan 2016 and other applicable laws, rules and regulations and guidelines issued by the appropriate authorities. In our opinion and according to the information and explanations furnished to us, the requirements prescribed by the 'Royal Monetary Authority' relating to provisioning for the non-performing assets including loans and advances have been complied with generally.
7. On the basis of examination of books and records, recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations 2017.
8. According to the information and explanations provided to us, assets hypothecated against loans and advances, the Corporation, in general has a system of performing physical verification, proper valuation and execution of mortgage deeds at disbursement stage and the corporation also insures that at that stage such assets are free of any prior lien or charges. However, there is scope for improvement with regard to the same.
9. According to the information and explanations given to us, the Corporation has, in general, 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. However, in case of loans where there is moratorium period for payment of principal and gestation of interest, the branch needs to keep a register to keep track of progress of project, timely disbursement request by customer, cost overrun, site inspection at regular interval may be quarterly/ half yearly or annual for individual projects, when the loan or interest moratorium of gestation is ending.
10. According to the information and explanations given to us, the Corporation, in general, has a system of disposing assets taken over through open auction/sealed bids.
11. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performance loans). On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, rephrasing has generally not been permitted in respect of non-performing loans.
12. On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, the Corporation, in general, has the system to ensure that additional loans are not granted to those who have defaulted in repayment of previous advances.
13. According to the information and explanations given to us, the corporation has not written off a loan during the year.

IN CASE OF OTHER SERVICE SECTOR COMPANIES

1. According to the information and explanations given to us, the Corporation maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.
2. In our opinion and based on the examination of books and records, proper records are kept for inter unit transactions/ services and arrangement for services made with other agencies engaged in similar activities.

3. According to explanation and information provided to us, the corporation has not acquired any machinery/equipment on lease or leased out to others.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. According to the information and explanations provided to us, the organizational and system development controls and other internal controls are generally adequate commensurate with size and nature of computer installations except at few instances which has been reported elsewhere.
2. According to information and explanations provided to us, back-up is stored at third party location. The back-up, restoration process and other safeguard measures appear to be adequate.
3. The Corporation has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Corporation.
4. The operational controls in the Corporation are generally adequate to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorized access to the computer installation and files are adequate.
6. Tracking of NPA is half manually and half system driven. It is advisable to make a module as per RMA prudential norms so that the entire system of NPA tracking becomes system driven. As informed by the management, only additional provisioning is done manually and all other financial institutions are doing the same in Bhutan and also it requires approval from the RMA for the same.

OTHER REQUIREMENTS:

1. Going Concern:

On the basis of attached financial statements, the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report and we state that the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance.

2. Ratio Analysis:

Financial and Operational Results of the Corporation has been given in **Exhibit-A** to this report.

3. Compliances with the Companies Act of Bhutan, 2016

1. According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Corporation Officials, the Corporation has generally complied with the provisions of the Companies Act of Bhutan, 2016. Details are given in **Exhibit-B** to this report.
2. Adherence to Laws, Rules and Regulations

Audit of the Corporation is governed by "The Companies Act of Bhutan, 2016" and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act. The Corporation does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures, and practices. Under the circumstances, we are unable to comment on the compliance of the same by the Corporation during the year 2021.

for **KASG & Co.**

Firm Registration Number: 002228C

Chartered Accountants



CA. Bharat Goel

Partner

Membership No.: 060069

Place : Kolkata

Date : 7th day of October 2022

REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (to The Companies Act of Bhutan, 2016) FOR THE YEAR ENDED 31ST DECEMBER, 2021 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED:

STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		2021	2020
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	19.29	14.39
2	Net Worth to Total Liabilities	(%)	18.16	14.84
3	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.47	3.43

B	PROFITABILITY RATIOS:			
1	Operating Income to Net worth -Net	(%)	91.32	124.10
2	Operating Income to Total Assets	(%)	16.58	18.41
3	Net Profit (After Tax) to Net Worth	(%)	17.05	(10.74)
4	Net Profit (After Tax) to Total Assets	(%)	3.10	(1.59)
5	Return on Core Equity (Profit After Tax)	(%)	53.47	(25.38)

C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio	(%)	1.31	2.09
2	Long Term Debt to Net Worth	(%)	0.42	0.83
3	Net Fixed Assets* to Long Term Debt	(%)	1.08	0.44
4	Net Fixed Assets* to Net Worth	(%)	0.45	0.37
	*includes Investment Property			

Financial Data			2021	2020
Face Value of share		(Nu.)	10.00	10.00
Earning per Share		(Nu.)	5.35	(2.54)
Book Value per Share		(Nu.)	31.35	23.63
Market Price per Share		(Nu.)	71.00	68.00
Dividend per share		(Nu.)	-	-
No. of Shareholders			15,743	1,997
Shareholding pattern: No of shares			140,000,180	140,000,180
	National Kidu Fund	(%)	-	22.34
	Druk Holding & Investment	(%)	18.41	18.41
	Private & Public Holders	(%)	81.59	59.25

Place : Kolkata
Date : 7th day of October 2022



for **KASG & Co.**
Firm Registration Number: 002228C
Chartered Accountants

CA. Bharat Goel
Partner
Membership No.: 060069

Compliance Checklist : (Extracts from the Companies Act of Bhutan 2016) Exhibit- B

INCORPORATION OF COMPANY & MATTERS INCIDENTAL THERETO

No.	Ss.		YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval		No.		
2	47	Change of name/Approval			N.A.	
3	123	Increase or consolidation of share capital		No.		
4	124	Reduction of share capital			N.A.	
5	82	License Copy and Share Certificate filing			N.A.	
6	107	Public offer of shares & Debentures-ROC Approval			N.A.	

		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	Yes			
8	221	Publication of name by Company	Yes			
9	241	Financial Year of Companies as of 31st Dec.	Yes			
10	245	Financial Statements to follow BAS	Yes			
11	267	Annual Return Submission	Yes			
12	177	Annual General Meeting (Minutes)	Yes			
13	180	Extraordinary General Meeting (Minutes)			N.A.	
14	185	Notice for calling general meeting	Yes			
16	190	Chairman of meeting	Yes			
17	192	Representation of corporations at meetings	Yes			
18	193	Ordinary and special resolutions (Minutes)	Yes			
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	Yes			
20	199	Declaration and payment of dividend(199-209)	Yes			
21	232	Books of account to be kept by company	Yes			
22	238	Inspection of Books of account	Yes			
23	244	Annual Accounts & Balance Sheets	Yes			
24	247	Filing of Balance Sheets etc. with the Registrar	Yes			
25	249	Board's report (signed by Chairman) (249 & 250)	Yes			
26	252	Appointment and removal of Auditors	Yes			
27	260	Resignation of Auditors from office (Annual Resignation)	Yes			
28	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	Yes			
29	133	Number of directors	Yes			
30	134	One third of all Public Companies shall be independent	Yes			
31	138	(Minimum No. & retirement on rotation)	Yes			
32	139	Additional directors			N.A.	
33	140	Consent to act as directors	Yes			
34	141	Certain persons not to be appointed as Directors	Yes			
35	142	Resignation by a director	Yes			
36	143	Removal of directors			N.A.	

37	146	Board meetings	Yes			
38	152	General powers of the board	Yes			
39	156	Restriction on powers of Board	Yes			
40	210	Appointment of Chief Executive Officer			N.A.	
41	213	Company Secretary required in all Public Companies	Yes			
42	414	Appointment of selling or buying agents	Yes			
43	157	No loans to directors (only for Public Co.)		No		
44	53	Inter-corporate investments	Yes			
45	161	Standard of care required by directors	Yes			

		STATUTORY RECORD AND INSPECTION				
46	228	Statutory record and inspection	Yes			
	(a)	Register of buy-back of shares			N.A.	
	(b)	Register of transfers	Yes			Soft Copy
	(c)	Register of charges	Yes			Soft Copy
	(d)	Register of inter-corporate loans	Yes			Soft Copy
	(e)	Register of inter-corporate investments	Yes			Soft Copy
	(f)	Register of contracts in which directors are interested	Yes			Soft Copy
	(g)	Register of directors	Yes			Soft Copy
	(h)	Register of directors' shareholding	Yes			Soft Copy

		OTHERS				
47	229	Inspection of Statutory Registers	Yes			
48	85	Register of Shareholders/Members	Yes			Soft Copy

Place : Kolkata
Date : 7th day of October 2022



for **KASG & Co.**
Firm Registration Number: 002228C
Chartered Accountants

CA. Bharat Goel
Partner
Membership No.: 060069

NOTES TO THE FINANCIAL STATEMENTS AS PER BAS/BFRS

For the year ended 31st December 2021

Corporate information

1.1. General

Royal Insurance Corporation of Bhutan Limited ('the Company') is a public limited company incorporated and domiciled in the Kingdom of Bhutan and listed on the Royal Securities Exchange of Bhutan. The registered office of the Company is at P.O. Box 315, Thimphu, Bhutan. The Company and its associates collectively referred as 'the Group'.

1.2. Consolidated Financial Statements

The Consolidated Financial Statements of the group comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity, Notes to the Financial Statements and Significant Accounting Policies for the year ended 31st December each year.

1.3. Principal Activities and nature of operations

The principle activities of the Company continued to be carrying on insurance business (life, non-life and reinsurance), Private Provident Fund, Annuity business, Group Insurance, brokerage services and lending business.

Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with Bhutanese Financial Reporting Standards (BFRS), as issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).

2.2. Basis of measurement

The consolidated financial statements have been prepared on an historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

As permitted by BFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies that were applied prior to the adoption of BFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts and investment contracts with a discretionary participation feature (DPF).

2.3. Functional and Presentation currency

The consolidated financial statements values are presented in Bhutan Ngultrum rounded (Nu.) unless otherwise indicated.

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



2.4. Materiality and Aggregation

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously.

2.5. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

2.6. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated 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. In the process of applying the Company's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. The reliance upon estimates and assumptions used in the accompanying financial statements are based on management evaluation of the relevant facts and circumstances as on the date of financial statement. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Difference between actual and estimates are recognised in the period in which actual results materialise or are known. Any revision to accounting estimates is recognised prospectively in current and future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated 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 Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

The management of the Group has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable



future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Defined benefit plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the actual returns earned from the gratuity fund. The mortality rate is based on publicly available mortality tables. Mortality – Indian Assured Lives Mortality (IALM-2006-2008). Future salary increases and pension increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Useful life time of the Property, Plant and Equipment

The Group review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7. Summary of significant accounting policies

a. Product classification

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without **Discretionary participation features** (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on;

- The performance of a specified pool of contracts or a specified type of contract;
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer;
- The profit or loss of the company, fund or other entity that issues the contract.

b. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives of Intangible Assets are as follows:

Computer Software – 10 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

c. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group should estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change

in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

d. Deferred expenses

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for life insurance and investment contracts with DPF are amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Deferred expenses-Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

e. Property and equipment

Freehold and leasehold land and buildings are carried in the balance sheet on the basis of fair value method. All other Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset

previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The gross carrying amount of the asset and accumulated depreciation at the revaluation date is adjusted proportionately and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Asset Type	Useful Life
Buildings	50 years
Furniture & Fitting	6-7 years
Office Equipment	6-7 years
Computer Equipment	6-7 years
Motor Vehicle	7 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f. Investment properties

Investment properties are carried in the balance sheet on the basis of the fair value method. Fair value represents the amount at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

Investment properties are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued investment properties does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The gross carrying amount of the investment properties and accumulated depreciation at the revaluation date is adjusted proportionately and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

g. Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

h. BFRS 9 and BFRS 7 implemented effective from 1 January 2018 interpretations

In these financial statements, the Company has applied BFRS 9 and BFRS 7, effective for annual periods beginning on or after 1 January 2018, for the first time. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. The Company have restated comparative information for 2017 for financial instruments in the scope of BFRS 9.

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 amortised cost) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- 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.

Changes to the impairment calculation

The adoption of BFRS 9 has fundamentally changed the Company's accounting for loan loss impairments by replacing BAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. BFRS 9 requires the Company 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.

To reflect the differences between BFRS 9 and BAS 39, BFRS 7 Financial Instruments: Disclosures was updated, and the Company has adopted it, together with BFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 36, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 38.

Recognition of interest income:

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

The EIR (and therefore, the amortised 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 Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

Interest and similar income:

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

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

i. Financial assets

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Company 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 marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.



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. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company 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 Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

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

1. Amortised cost
2. FVOCI
3. FVPL

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Before 1 January 2018, the Company classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost). Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

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

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

- That the company intended to sell immediately or in the near term;
- That the company, upon initial recognition, designated as at FVPL or as available-for-sale;
- For which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale;
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

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

The Company'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 Company'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 realised in a way that is different from the Company's original expectations, the Company 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 Company 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 amortisation of the premium/discount).

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

In contrast, contractual terms that introduce a more than the minimum 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.

Financial assets or financial liabilities held for trading

The company classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair

value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

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

Debt instruments at FVOCI

The Company applies the new category under BFRS 9 of debt instruments measured at FVOCI 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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company 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.

Debt issued and other borrowed funds

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

The company has issued financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with BAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option



will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

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 one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
Or
- The liabilities (and assets until 1 January 2018 under BAS 39) are part of a group of financial liabilities (or financial assets, or both under BAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
Or
- The liabilities (and assets until 1 January 2018 under BAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate, Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments. Financial guarantees are obligation that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a customer fails to fulfil his or her obligations.



Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under BAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under BFRS 9. The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

d. Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterpart

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

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Company 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 Company 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 company 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 company cannot sell or pledge the original asset other than as security to the eventual recipients
- The company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company 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 derecognition if either:

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

The Company 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 Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

Financial liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

e. Impairment of financial assets

Overview of the ECL principles

As described above, the adoption of BFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing BAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the company 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.

The 12m ECL is 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.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained below.

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

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

- **Stage 1:** When loans are first recognised, the Company recognises an allowance based on 12m ECLs. 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 Company 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 Company records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The company does not have any POCI assets as of the reporting date.

For financial assets for which the Company 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) derecognition of the financial asset.

The calculation of ECLs

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

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

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio.
- 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, either scheduled by contract or otherwise, expected drawdowns 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 realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

The mechanics of the ECL method are summarised below:

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

Company only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR. The Company does not have any POCI assets as of the reporting date.

- **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. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Forward looking information

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

- GDP growth
- Inflation rate
- Interest Rates
- Exchange Rate US\$:Nu
- Unemployment rates

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 Company also considers the following qualitative factors:

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

Collateral valuation

To mitigate its credit risks on financial assets, the Company 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 Company's accounting policy for collateral assigned to it through its lending arrangements under BFRS 9 is the same as it was under BAS 39.

Collateral repossessed

The Company's accounting policy under BFRS 9 remains the same as it was under BAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its



internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the company's policy.

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

Write-offs

The Company'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 Company 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.

Forborne and modified loans:

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

From 1 January 2018, when the loan has been renegotiated or modified but not derecognised, the company also reassesses whether there has been a significant increase in credit risk. The company also considers whether the assets should be classified as Stage 3.

Impairment losses on financial assets:

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

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



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

f. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

g. Fair value of financial instruments

The financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.



h. Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognised as revenue or expenses on receipt of the Statement of Accounts from the ceding companies/brokers on account of treaty business and as and when incurred for other reinsurance business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

i. Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in clause – 'h' above, have been met.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash at Company and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding Company overdrafts.

k. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:



- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

I. Foreign currency translation

The Group's consolidated financial statements are presented in Ngultrum which is also the parent Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items other than fixed assets, which are recognised at fair

value or other similar valuation are reported using exchange rate at the date when such value was determined.

Exchange differences either on settlement or on translation are recognised in the Revenue Account or Profit and Loss Account, as the case may be.

m. Insurance contract liabilities

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Gross change in contract liabilities. Profits originated from margins of adverse deviations on run-off contracts are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF and DAC, by using an existing liability adequacy test in accordance with BFRS. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied. Aggregation levels and the level of prudence applied in the test are consistent with BFRS requirements. Any inadequacy is recorded in the income statement, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under BFRS.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision

is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with BFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

n. Investment contract liabilities (Annuity Contracts)

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the consolidated income statement.

Fair value adjustments are performed at each reporting date and are recognised in the income statement in "gross change in contract liabilities". Fair value is determined through the use of prospective discounted cash flow techniques.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.



The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

For deferred annuities, actuarial liability has been taken as actuarial present value of all future payments less present value of future premiums net of commissions subject to a minimum surrender value.

For immediate annuity with return of purchase price the benefit has been valued as composed of life annuity and whole life assurance.

The liability for each immediate fixed term annuity policy is the actuarial present value of all future payments discounted at the valuation rate of interest.

For employee annuity, actuarial liability has been taken as actuarial present value of accumulated value of all premiums paid as of the valuation date.

The cover for rider death benefit has been valued as present value of future benefits less present value of future premium net of commissions subject to a minimum zero value.

o. Discretionary participation features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

p. Financial liabilities – initial recognition and subsequent measurement

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The Group's financial liabilities include investment contracts without DPF, trade and other payables, borrowings, insurance payables (see clause – 'u' below).

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

q. Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

r. Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

De-recognition insurance payables

Insurance payables are de-recognised when the obligation under the liability is settled, cancelled or expired.

s. Classification of financial instruments between debt and equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity
Or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

t. Deferred revenue

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, are deferred and recognised as revenue when the related services are rendered.



(aa) Provisions, Contingent Liability and Contingent Assets.**General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Contingent Assets are recorded in the financial statements when it is virtually certain that future economic benefit will flow to the entity in respect of such contingencies.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(bb) Segment Reporting

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

(bb) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the Company's owners for the year by the weighted average number of equity shares outstanding during the year adjusted for treasury shares held. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

(cc) Equity movements**Ordinary share capital**

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.



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

(dd) Revenue recognition

Gross premiums

Gross recurring premiums on life, investment contracts with DPF and group insurance are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premium has been recognised in the statement of income on pro-rate basis (1/24th method) under BFRS 4 requirement.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on pro-rate basis (1/24th method) under BFRS 4 requirement. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

In general insurance, Liability adequacy test has been performed to allocate insurance provision for each year for Incurred But Not Report (IBNR) and for impairment of insurance receivables which is outstanding more than 365 days.

Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts on pro-rate basis (1/24th method) under BFRS 4 requirement.

In reinsurance, Liability adequacy test has been performed to allocate insurance provision for each year for Incurred But Not Report (IBNR) and for impairment of insurance receivables which is outstanding more than 365 days.



Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment 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 amortised 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 amortised 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 Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

Interest and similar income

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

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

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

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.



(ee) Benefits, claims and expenses recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Annuity payments are recorded when due and claims by maturity are accounted on the policy maturity date.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

(ff) Liability for life policies (Policy liabilities)

The actuarial liability of all the life insurance policies has been calculated by the Appointed Actuary in accordance with the Financial Service Act, Rules & Regulations for Insurance & Reinsurance Companies in Bhutan and guidelines issued from time to time by Royal Monetary Authority of Bhutan.

INCOME STATEMENT

For the year ended 31st December 2021

		Group		Company	
	Notes	31st December 2021	31st December 2020	31st December 2021	31st December 2020
		Nu.	Nu.	Nu.	Nu.
Revenues					
Gross written premiums	4	2,815,007,524	3,381,672,477	2,815,007,524	3,381,672,477
Less: Premiums ceded to reinsurers	4.1	(730,215,305)	(568,089,379)	(730,215,305)	(568,089,379)
Net written premiums		2,084,792,219	2,813,583,098	2,084,792,219	2,813,583,098
Less: Net change in unearned premium provision		(52,203,872)	190,229,383	(52,203,872)	190,229,383
Net earned premium		2,032,588,347	3,003,812,481	2,032,588,347	3,003,812,481
Finance Income	5	241,846,256	141,225,606	241,846,256	141,225,606
Fee and commission income	6	111,798,847	96,543,584	111,798,847	96,543,584
Less: Fee and commission expense	7	(104,419,820)	(167,431,705)	(104,419,820)	(167,431,705)
Net fee and commission income		249,225,283	70,337,485	249,225,283	70,337,485
Interest income on financial services	8	2,324,016,865	1,729,079,993	2,324,016,865	1,729,079,993
Less : Interest expense on financial services	9	(634,737,259)	(720,476,208)	(634,737,259)	(720,476,208)
Net interest income		1,689,279,606	1,008,603,786	1,689,279,606	1,008,603,786
Total revenue		3,971,093,235	4,082,753,751	3,971,093,235	4,082,753,751
Other operating income	10	37,477,564	21,810,964	37,477,564	21,810,964
Total Operating Income		4,008,570,799	4,104,564,715	4,008,570,799	4,104,564,715
Gross benefits and claims paid	11(a)	(1,473,406,791)	(1,765,764,717)	(1,473,406,791)	(1,765,764,717)
Claims ceded to reinsurers	11(b)	101,207,737	209,646,872	101,207,737	209,646,872
Change in contract liabilities	11(c)	(855,756,334)	(1,604,267,708)	(855,756,334)	(1,604,267,708)
Net benefits and claims		(2,227,955,389)	(3,160,385,553)	(2,227,955,389)	(3,160,385,553)
Expenses relating to private provident fund		(156,395,559)	(140,786,900)	(156,395,559)	(140,786,900)
Other operating and administrative expenses	12	(394,582,856)	(342,947,269)	(394,582,856)	(342,947,269)
Impairment gain / (loss)	13	(194,105,597)	(957,551,626)	(194,105,597)	(957,551,626)
Share of profit of an associate	19	30,922,625	(1,439,379)	-	-
10% Share of Life Fund Surplus		-	-	-	-
Net income before income taxes		1,066,454,023	(498,546,013)	1,035,531,398	(497,106,634)

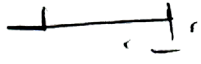

Income tax (expense) / benefit	14	(286,934,991)	141,853,546	(286,934,991)	141,853,546
Net income after taxes		779,519,032	(356,692,467)	748,596,407	(355,253,087)
Attributable to non-controlling interest		-	-	-	-
Profit attributable to equity holders of the parent		779,519,032	(356,692,467)	748,596,407	(355,253,087)
Earnings per share					
Basic profit for the year attributable to ordinary equity holders of the parent	15	5.57	(2.55)	5.35	(2.54)

The accounting policies and above notes forms an integral part of the Financial Statements.

For **KASG & Co.**

Chartered Accountants

Firm Registration No.: 002228C

CA. Bharat Goel

Partner

Membership No. : 060069



Chief Executive Officer



Director



Chairman

Place: Kolkata

Date: 7th day of October 2022



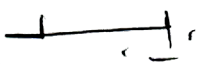
STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		Nu.	Nu.	Nu.	Nu.
Comprehensive income for the period		779,519,032	(356,692,467)	748,596,407	(355,253,087)
Other comprehensive income / (expenses)					
Net gain /loss on available for sale assets		(32,409,649)	99,977,281	(32,409,649)	99,977,281
Income tax effect on available for sale assets		9,722,895	(29,993,184)	9,722,895	(29,993,184)
Increase/Decrease on fair value of PPE & IP		361,029,340	-	361,029,340	-
Gains (losses) on defined benefit plans		(3,759,560)	8,128,524	(3,759,560)	8,128,524
Income tax effect on defined benefit plans		(1,127,868)	2,438,557	(1,127,868)	2,438,557
Total other comprehensive income		333,455,158	80,551,178	333,455,158	80,551,178
Total comprehensive income for the year net of tax		1,112,974,190	(276,141,289)	1,082,051,565	(274,701,909)

For **KASG & Co.**

Chartered Accountants

Firm Registration No.: 002228C



CA. Bharat Goel

Partner

Membership No. : 060069


Chief Executive Officer

Director

Chairman

Place: Kolkata

Date: 7th day of October 2022



STATEMENT OF FINANCIAL POSITION
As at 31st December 2021

		Group		Company	
	Notes	31st December, 2021	31st December, 2020	31st December, 2020	31st December, 2021
		Nu.	Nu.	Nu.	Nu.
Assets					
Cash and cash equivalents	16	1,107,664,195	643,020,762	1,107,664,195	643,020,762
Investment in equity, bonds & others	17	4,107,312,588	3,649,515,661	4,107,312,588	3,649,515,661
Loans and receivables	18	15,566,826,266	15,630,344,370	15,566,826,266	15,630,344,370
Investment in associate	19	66,942,302	36,019,677	24,311,650	24,311,650
Insurance receivables	20	498,381,756	469,368,730	498,381,756	469,368,730
Deferred tax asset	30	-	273,777,420	-	273,777,420
Other assets	21	891,463,258	388,901,044	891,463,258	388,901,044
Investment property	22	1,151,560,851	582,997,961	1,151,560,851	582,997,961
Property and equipment	23	749,752,044	555,930,422	749,747,871	555,926,250
Capital work-in-progress		73,691,562	65,398,937	73,691,562	65,398,937
Other intangible assets	24	9,408,235	10,788,241	9,408,235	10,788,241
Total Assets		24,223,003,055	22,306,063,225	24,180,368,231	22,294,351,026

Liabilities					
Investment contract liabilities	25	4,730,963,051	4,937,013,658	4,730,963,051	4,937,013,658
Contribution received by private provident fund		2,493,184,143	2,231,869,317	2,493,184,143	2,231,869,317
Insurance contract liabilities	26	7,843,103,820	6,953,741,482	7,843,103,820	6,953,741,482
Reinsurance contract liabilities		36,365,685	34,068,255	36,365,685	34,068,255
Insurance payable	27	1,315,217,997	858,746,027	1,315,217,997	858,746,027
Debt issued and other borrowed funds	28	1,834,439,168	2,925,545,725	1,834,439,168	2,925,545,725
Employee benefit obligation	29	53,242,913	28,550,852	53,242,913	28,550,852
Deferred tax Liability	30	4,562,543	-	4,562,543	-
Provisions	31	126,431,441	127,142,335	126,431,441	127,142,335
Trade and other payables	32	1,353,243,210	890,110,681	1,353,243,210	890,110,681
Total liabilities		19,790,753,971	18,986,788,331	19,790,753,971	18,986,788,331

Equity					
Share capital	33	1,400,001,800	1,400,001,800	1,400,001,800	1,400,001,800
Net unrealized gains/ (losses) on available-for- sale investments		142,245,803	164,932,557	142,245,803	164,932,557
Revaluation reserve		1,248,508,638	887,479,298	1,248,508,638	887,479,298
Retained earnings		1,413,559,113	638,927,509	1,370,924,290	627,215,310
Other reserves		227,933,729	227,933,729	227,933,729	227,933,729
Shareholder's equity		4,432,249,084	3,319,274,894	4,389,614,260	3,307,562,695
Non-controlling interests		-	-	-	-
Total equity		4,432,249,084	3,319,274,894	4,389,614,260	3,307,562,695
Total liabilities and equity		24,223,003,055	22,306,063,225	24,180,368,231	22,294,351,026

For **KASG & Co.**
Chartered Accountants
Firm Registration No.: 002228C







CA. Bharat Goel
Partner
Membership No. : 060069

Chief Executive Officer

Director

Chairman

Place: Kolkata
Date: 7th day of October 2022





CASH FLOW & RECONCILIATION STATEMENT

	Note	Group		Company	
For the year ended 31st December		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Cash flows from operating activities		Nu.	Nu.	Nu.	Nu.
Profit Before Tax		1,066,454,023	(498,546,013)	1,035,531,398	(497,106,634)
Adjustment for:					
Depreciation of property and equipment	23	20,270,414	20,826,082	20,270,414	20,826,082
Depreciation of investment property	22	1,062,589	1,093,833	1,062,589	1,093,833
Amortization of intangible assets	24	2,498,333	3,522,206	2,498,333	3,522,206
Defined benefit Cost		32,679,037	21,996,194	32,679,037	21,996,194
Provision written back		(710,894)	(200,000)	(710,894)	(200,000)
Share of profit of an associate	19	(30,922,625)	1,439,379	-	-
Impairment of loans and advances	13	194,105,597	1,337,979,902	194,105,597	1,337,979,902
Impairment of Cash and Cash Equivalent		(123,497)	(187,001)	(123,497)	(187,001)
Transfer to APF		(341,510,755)	-	(341,510,755)	-
Operating profit before changes in operating assets & liabilities		943,802,222	887,924,582	943,802,222	887,924,582
(Increase)/Decrease in operating assets					
Loans and advance to customers	18	203,781,357	(381,166,124)	203,781,357	(381,166,124)
Insurance receivables	20	(30,359,725)	17,597,830	(30,359,725)	17,597,830
Other assets	21	(506,461,410)	(103,372,269)	(506,461,410)	(103,372,269)
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	26	889,362,340	1,502,686,550	889,362,340	1,502,686,550
Reinsurance contract liabilities		2,297,430	20,787,236	2,297,430	20,787,236
Investment contract liabilities	25	(206,050,607)	142,000,491	(206,050,607)	142,000,491
Insurance payable	27	456,471,970	301,616,272	456,471,970	301,616,272
Contribution received by private provident fund		261,314,826	89,897,694	261,314,826	89,897,694
Trade and other payables	31	463,176,903	(840,956,264)	463,176,903	(840,956,264)
Net cash flow from operating activities before income tax		1,533,533,083	749,091,417	1,533,533,083	749,091,417
Gratuity paid		-	(7,029,760)	-	(7,029,760)
Income tax paid		-	-	-	-
Net cash flow from operating activities		-	(7,029,760)	-	(7,029,760)
Cash flow from Investing activities					
Purchase of Equity investment	17	(99,495,000)	-	(99,495,000)	-
Long term investments in Bonds	19	-	(118,800,000)	-	(118,800,000)
Investment in fixed deposits		(390,711,575)	(1,248,728,436)	(390,711,575)	(1,248,728,436)
Purchase of property & equipment		(18,793,583)	(9,492,167)	(18,793,583)	(9,492,167)
Purchase of intangible assets		(1,118,327)	(2,114,500)	(1,118,327)	(2,114,500)
Disposal of investment property		731,979	-	731,979	-
Purchase of investment property		(403,906,184)	-	(403,906,184)	-
Expenses incurred for Capital WIP		(8,292,625)	(15,133,086)	(8,292,625)	(15,133,086)

Net cash flow from investing activities		(921,585,315)	(1,394,268,189)	(921,585,315)	(1,394,268,189)
Cash flow from financing activities					
Borrowings during the year	28	(1,091,106,557)	(579,109,632)	(1,091,106,557)	(579,109,632)
Dividends paid		-	-	-	-
Issue of Shares		-	-	-	-
Net cash flow from financing activities		(1,091,106,557)	(579,109,632)	(1,091,106,557)	(579,109,632)
Net increase/(decrease) in cash and cash equivalents		464,643,433	(343,391,582)	464,643,433	(343,391,582)
Cash and cash equivalents at the beginning of the year	16	643,020,762	986,412,344	643,020,762	986,412,344
Cash and cash equivalents at the end of the year		1,107,664,195	643,020,762	1,107,664,195	643,020,762
Balance as per Statement of Financial Position		1,107,664,195	643,020,762	1,107,664,195	643,020,762

For **KASG & Co.**
Chartered Accountants
Firm Registration No.: 002228C







CA. Bharat Goel

Partner

Membership No. : 060069

Chief Executive Officer

Director

Chairman

Place: Kolkata

Date: 7th day of October 2022



STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2021

Group							In Nu.
	Note	Share capital	Net unrealized gains/(losses) on available-for-sale investments	Revaluation reserve	Retained earnings	Other reserves	Total Shareholders' Funds
Balances as at 31st December 2019	26	1,400,001,800	94,948,460	887,479,298	984,999,145	227,933,729	3,595,362,433
Net profit for the year		-	-	-	(356,692,467)	-	(356,692,467)
Other comprehensive income		-	69,984,097	-	10,567,081	-	80,551,178
Other adjustment		-	-	-	53,750	-	53,750
Balances as at 31st December 2020		1,400,001,800	164,932,557	887,479,298	638,927,509	227,933,729	3,319,274,894
Net profit for the year		-	-	-	779,519,032	-	779,519,032
Other comprehensive income		-	(22,686,754)	361,029,340	(4,887,428)	-	333,455,158
During the Year		-	-	-	-	-	-
Balances as at 31st December 2021		1,400,001,800	142,245,803	1,248,508,638	1,413,559,113	227,933,729	4,432,249,084
Company							In Nu
	Note	Share capital	Net unrealized gains/(losses) on available-for-sale investments	Revaluation reserve	Retained earnings	Other reserves	Total Shareholders' Funds
Balances as at 31st December 2019		1,400,001,800	94,948,460	887,479,298	971,847,566	227,933,729	3,582,210,854
Net profit for the year		-	-	-	(355,253,087)	-	(355,253,087)
Other comprehensive income		-	69,984,097	-	10,567,081	-	80,551,178
Other adjustment		-	-	-	53,750	-	53,750
Balances as at 31st December 2020		1,400,001,800	164,932,557	887,479,298	627,215,310	227,933,729	3,307,562,695
Net profit for the year		-	-	-	748,596,407	-	748,596,407
Other comprehensive income		-	(22,686,754)	361,029,340	(4,887,428)	-	333,455,158
During the Year		-	-	-	-	-	-
Balances as at 31st December 2021		1,400,001,800	142,245,803	1,248,508,638	1,370,924,290	227,933,729	4,389,614,260

Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

(3) Operating segment Information

Operating segment Income statement for the year ended 31st December 2021

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Reinsurance	PPF	Credit & Investment	GAD	Secur-ities	Adjustments	Company	Subsidiary/ Associate	Group
Gross written premiums	1,173,697,810	1,403,458,177	83,145,580	442,747	154,243,211	-	-	-	-	-	2,815,007,524	-	2,815,007,524
Premiums ceded to reinsurers	(573,701,167)	(715,453)	(603,413)	-	(155,195,273)	-	-	-	-	-	(730,216,305)	-	(730,216,305)
Net written premiums	599,996,643	1,402,742,724	82,542,167	442,747	(952,062)	-	-	-	-	-	2,084,792,219	-	2,084,792,219
Net change in reserve for unearned premium	(126,911,486)	-	-	-	74,707,614	-	-	-	-	-	(52,203,872)	-	(52,203,872)
Net earned premium	473,085,157	1,402,742,724	82,542,167	442,747	73,755,552	-	-	-	-	-	2,032,588,347	-	2,032,588,347
Finance income	283,404,406	505,479,705	177,337,237	315,790,253	9705,191	183,263,185	241,846,256	-	870,251	(1,475,850,227)	241,846,256	-	241,846,256
Fee and commission income - External	80,768,041	-	-	-	7,7125	-	24,144,830	-	6,808,850	-	111,798,847	-	111,798,847
Fee and commission expense - External	(14,085,829)	(60,806,207)	-	-	(28,866,418)	-	-	-	-	-	(104,419,820)	-	(104,419,820)
Net fee & commission income	350,086,618	444,673,498	177,337,237	315,128,887	(19,084,103)	183,263,185	265,991,086	-	7,679,101	(1,475,850,227)	249,225,283	-	249,225,283
Interest income - External	-	-	-	-	-	-	2,324,016,865	-	-	-	2,324,016,865	-	2,324,016,865
Less: Interest expense - External	-	(68,315,878)	(169,490,359)	(235,344,055)	-	-	(1,622,437,193)	(15,000,000)	-	1,475,850,227	(634,737,259)	-	(634,737,259)
Net interest income	-	(68,315,878)	(169,490,359)	(235,344,055)	-	-	701,579,670	(15,000,000)	-	1,475,850,227	1,689,279,606	-	1,689,279,606
Total revenue	823,171,775	1,779,100,344	90,409,045	80,227,579	54,671,450	183,263,185	967,570,756	(15,000,000)	7,679,101	-	3,971,093,235	-	3,971,093,235
Other operating income	91,689	2,327,538	589,348	4,421,945	17,964,799	186	1548,550	11,300,132	1,357	-	37,477,564	-	37,477,564
Total operating income	823,263,464	1,781,427,882	90,998,392	84,649,545	71,866,248	183,263,371	969,119,307	(3,699,868)	7,680,458	-	4,008,570,799	-	4,008,570,799
Gross benefits and claims paid	(331,634,810)	(935,378,942)	(42,600,000)	-	(163,793,040)	-	-	-	-	-	(1,473,406,791)	-	(1,473,406,791)
Claims ceded to reinsurers	148,766,149	-	-	-	(47,558,412)	-	-	-	-	-	101,207,737	-	101,207,737
Gross change in contract liabilities	-	(778,495,579)	(12,350,329)	(80,493,323)	15,582,897	-	-	-	-	-	(855,756,334)	-	(855,756,334)
Net benefits and claims	(182,868,661)	(1,713,874,521)	(54,950,329)	(80,493,323)	(195,768,555)	-	-	-	-	-	(2,227,955,389)	-	(2,227,955,389)
Expenses relating to private provident fund	-	-	-	-	-	-	-	-	-	-	(156,395,559)	-	(156,395,559)
Other operating and administrative expenses	(899,697,62)	(67,553,362)	(36,048,064)	(4,156,222)	(13,383,328)	(7,499,436)	(109,671,256)	(6,074,242)	(3,716,812)	(56,510,373)	(394,582,856)	-	(394,582,856)
Impairment gain / (loss) on loans and advances	(967,007)	-	-	-	(379,693)	-	(192,758,897)	-	-	-	(194,105,597)	-	(194,105,597)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	30,922,625	-	30,922,625
Profit before tax	549,458,034	-	-	-	(137,663,328)	19,368,376	666,689,153	(977,4110)	3,963,646	(56,510,373)	1,035,531,398	30,922,625	1,066,454,023
Income tax expense	-	-	-	-	-	-	-	-	-	(286,934,991)	(286,934,991)	-	(286,934,991)
Profit for the year	549,458,034	-	-	-	(137,663,328)	19,368,376	666,689,153	(977,4110)	3,963,646	(343,444,364)	748,596,407	30,922,625	779,519,032
Net gain / loss on available for sale assets	-	-	-	-	-	-	(32,409,649)	-	-	-	(32,409,649)	-	(32,409,649)
Income tax effect	-	-	-	-	-	-	9,722,895	-	-	-	9,722,895	-	9,722,895
Increase/Decrease on fair value of PPE & IP	-	-	-	-	-	-	-	-	-	-	361,029,340	-	361,029,340
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	(3,759,560)	(3,759,560)	-	(3,759,560)
Income tax effect	-	-	-	-	-	-	-	-	-	(112,1868)	(112,1868)	-	(112,1868)
Total other comprehensive income	-	-	-	-	-	-	(22,686,754)	-	-	(4,887,428)	333,455,158	-	333,455,158
Other comprehensive income net of tax	-	-	-	-	-	-	(22,686,754)	-	-	(4,887,428)	333,455,158	-	333,455,158
Total comprehensive income for the year net of tax	549,458,034	-	-	-	(137,663,328)	19,368,376	644,002,399	(977,4110)	3,963,646	(348,332,792)	1,082,051,565	30,922,625	1,112,974,190



Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

(3) Operating segment Information

Operating segment Income statement for the year ended 31st December 2020

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Sub-sidiary/ Associate	Group
Gross written premiums	1,072,246,622	1,921,241,949	80,812,350	445,279	306,926,277	-	-	-	-	-	3,381,672,477	-	3,381,672,477
Premiums ceded to reinsurers	(478,423,526)	(533,718)	(644,110)	-	(86,488,025)	-	-	-	-	-	(568,089,379)	-	(568,089,379)
Net written premiums	593,823,096	1,920,708,231	80,168,240	445,279	218,438,252	-	-	-	-	-	2,813,583,098	-	2,813,583,098
Net change in Reserve for unearned premium	19,634,522	-	-	-	170,594,860	-	-	-	-	-	190,229,383	-	190,229,383
Net Earned premium	613,457,618	1,920,708,231	80,168,240	445,279	389,033,112	-	-	-	-	-	3,003,812,481	-	3,003,812,481
Finance income	234,691,348	4,081,707,754	153,898,115	3,291,44,932	23,117,761	162,795,223	141,225,606	-	450,501	(1,312,268,654)	141,225,606	-	141,225,606
Fee and commission income - External	57,681,144	-	-	-	-	-	33,746,496	-	5,115,943	-	96,543,584	-	96,543,584
Fee and commission expense - External	(12,717,161)	(56,480,512)	-	(3,024,328)	(95,009,704)	-	-	-	-	-	(67,431,705)	-	(67,431,705)
Net fee & commission income	279,655,351	351,490,242	153,898,115	326,120,604	(71,891,943)	162,795,223	174,972,102	-	5,566,444	(1,312,268,654)	70,337,485	-	70,337,485
Interest income - External	-	-	-	-	-	-	1,729,079,993	-	-	-	1,729,079,993	-	1,729,079,993
Less: Interest expense - External	-	(59,184,877)	(149,094,348)	(24,926,446)	-	-	(1,559,789,171)	(15,000,000)	-	1,312,268,654	(720,476,208)	-	(720,476,208)
Net interest income	-	(59,184,877)	(149,094,348)	(24,926,446)	-	-	169,290,822	(15,000,000)	-	1,312,268,654	1,008,603,785	-	1,008,603,785
Total revenue	893,112,949	2,213,013,596	84,972,007	76,889,417	317,141,169	162,795,223	344,262,924	(15,000,000)	5,566,444	-	4,082,753,751	-	4,082,753,751
Other operating income	737,042	269,556	431,769	703,044	3,175,498	281	4,362,747	12,129,867	1,060	-	21,810,964	-	21,810,964
Total operating income	893,850,011	2,213,283,152	85,403,776	77,592,461	320,316,667	162,795,504	348,625,671	(2,870,033)	5,567,504	-	4,104,564,715	-	4,104,564,715
Gross benefits and claims paid	(305,345,953)	(634,121,481)	(446,300,000)	-	(777,997,283)	-	-	-	-	-	(1,765,764,717)	-	(1,765,764,717)
Claims ceded to reinsurers	(68,267,699)	-	-	-	277,914,571	-	-	-	-	-	209,646,872	-	209,646,872
Gross change in contract liabilities	-	(1,515,735,410)	(5,552,029)	(72,985,684)	(9,994,585)	-	-	-	-	-	(1,604,267,708)	-	(1,604,267,708)
Net benefits and claims	(373,613,652)	(2,151,856,891)	(51,852,029)	(72,985,684)	(510,077,297)	-	-	-	-	-	(3,160,385,553)	-	(3,160,385,553)
Expenses relating to private provident fund	-	-	-	-	-	-	(140,786,900)	-	-	-	(140,786,900)	-	(140,786,900)
Other operating and administrative expenses	(78,487,383)	(61,426,261)	(33,551,747)	(4,606,777)	(13,789,861)	(715,3391)	(86,487,160)	(6,911,782)	(2,674,491)	(47,438,316)	(342,947,269)	-	(342,947,269)
Impairment gain / (loss) on loans and advances	2,033,307	-	-	-	716,152	-	-	-	-	-	(957,551,626)	-	(957,551,626)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-
10% Surplus of Life Insurance	-	-	-	-	-	-	-	-	-	-	(1,439,379)	-	(1,439,379)
Profit before tax	443,782,283	-	-	-	(202,834,439)	14,435,213	(698,162,573)	(9781,815)	2,893,013	(47,438,316)	(497,106,633)	-	(498,546,012)
Income tax expense	-	-	-	-	-	-	-	-	-	141,853,546	141,853,546	-	141,853,546
Profit for the year	443,782,283	-	-	-	(202,834,439)	14,435,213	(698,162,573)	(9781,815)	2,893,013	94,415,230	(355,255,087)	-	(356,692,466)
Other comprehensive income / (expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gain /loss on available for sale assets	-	-	-	-	-	-	99977,281	-	-	-	99977,281	-	99977,281
Income tax effect	-	-	-	-	-	-	(29,993,184)	-	-	-	(29,993,184)	-	(29,993,184)
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	8,128,524	8,128,524	-	8,128,524
Income tax effect	-	-	-	-	-	-	-	-	-	2,438,557	2,438,557	-	2,438,557
Total other comprehensive income	-	-	-	-	-	-	69,984,097	-	-	10,567,081	80,551,178	-	80,551,178
Income tax/(charge) / credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	69,984,097	-	-	10,567,081	80,551,178	-	80,551,178
Total comprehensive income for the year net of tax	443,782,283	-	-	-	(202,834,439)	14,435,213	(628,176,476)	(9781,815)	2,893,013	104,982,311	(274,701,909)	-	(276,141,288)



Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2021
(3) Operating segment information

Operating segment statement of financial position as at 31st December 2021

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Reinsurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Group
Assets													
Cash and Cash Equivalents	39,387,979	13,201,209	9,668,768	6,121,559	47,370,797	4,806,110	978,960,450	2,586,099	5,684,720	(123,497)	1,107,664,195	-	1,107,664,195
Investment in equity, bonds & others	-	-	-	-	-	-	4,107,312,588	-	-	-	4,107,312,588	-	4,107,312,588
Loans and receivables	-	2,503,548	-	-	-	-	15,564,322,718	-	-	-	15,566,826,266	-	15,566,826,266
Investment in associate	-	-	-	-	-	-	24,311,650	-	-	-	24,311,650	42,630,652	66,942,302
Insurance Receivables	224,017,412	18,775,862	231,270	-	255,357,211	-	-	-	-	-	498,381,756	-	498,381,756
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	6,682,335	140,193	-	196,040	18,823,150	-	743,070,907	120,239,343	2,311,290	-	891,463,258	-	891,463,258
Investment properties	-	-	-	-	-	-	-	-	-	-	1,151,560,851	-	1,151,560,851
Property and equipment	-	-	-	-	-	-	-	-	-	-	749,747,871	-	749,747,871
Capital work-in-progress	-	-	-	-	-	-	-	73,691,562	-	-	73,691,562	4,710	73,691,562
Intangible assets	-	-	-	-	-	-	-	-	-	-	9,408,235	-	9,408,235
Total Assets	270,087,727	34,620,813	9,900,038	6,317,599	321,551,159	4,806,110	21,417,978,313	196,517,004	7,996,010	1,910,593,461	24,180,368,231	42,634,822	24,223,003,054
Liabilities													
Investment contract liabilities	-	-	2,334,201,316	2,396,761,736	-	-	-	-	-	-	4,730,963,051	-	4,730,963,051
Contribution received by private provident fund	-	-	-	-	-	2,493,184,143	-	-	-	-	2,493,184,143	-	2,493,184,143
Insurance contract liabilities	456,102,033	6,898,887,232	105,708,550	359,355,866	23,050,139	-	-	-	-	-	784,310,382	-	784,310,382
Reinsurance contract liabilities	-	-	-	-	36,365,685	-	-	-	-	-	36,365,685	-	36,365,685
Insurance Payable	394,118,242	361,368,683	804,215	-	558,926,857	-	-	-	-	-	1,315,217,997	-	1,315,217,997
Debt issued and other borrowed funds	-	-	-	-	-	-	18,433,679,020	260,972,603	-	(16,860,212,455)	1,834,439,168	-	1,834,439,168
Employee benefit obligation	-	-	-	-	-	-	-	-	-	-	53,242,913	-	53,242,913
Deferred tax Liability	-	-	-	-	-	-	-	-	-	-	4,562,543	-	4,562,543
Tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	18,823,150	-	107,608,291	-	-	-	126,431,441	-	126,431,441
Trade and other payables	10,712,215	82,996,1740	1,824,497	444,315	990,167	1,305,049	1,818,664,708	67,646,559	1,134,187	(1,475,850,227)	1,353,243,210	-	1,353,243,210
Total Liabilities	957,342,490	8,090,217,656	2,442,538,578	2,756,561,917	638,155,997	2,494,489,192	20,359,952,019	328,619,162	1,134,187	(18,278,257,228)	19,790,753,971	-	19,790,753,971
Equity & Liabilities													
Capital & Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Capital	-	-	-	-	-	-	-	1,400,001,800	-	-	1,400,001,800	-	1,400,001,800
Available For Sale reserve	-	-	-	-	-	-	142,245,803	-	-	-	142,245,803	-	142,245,803
Revaluation Reserve	-	-	-	-	-	-	-	-	-	1,248,508,638	1,248,508,638	-	1,248,508,638
Retained earnings	-	-	-	-	-	-	-	-	-	1,370,924,290	1,370,924,290	42,634,822	1,413,559,112
Other reserves	-	-	-	-	-	-	-	-	-	227,933,729	227,933,729	-	227,933,729
Total equity	-	8,090,217,656	2,442,538,578	2,756,561,917	638,155,997	2,494,489,192	20,502,197,821	1,728,620,902	1,134,187	(15,400,890,569)	24,180,368,231	42,634,822	24,223,003,054
Shareholders' Equity & Liabilities	957,342,490	8,090,217,656	2,442,538,578	2,756,561,917	638,155,997	2,494,489,192	20,502,197,821	1,728,620,902	1,134,187	(15,400,890,569)	24,180,368,231	42,634,822	24,223,003,054



Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2020
(3) Operating segment Information
Operating segment statement of financial position as at 31st December 2020

Assets	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re Insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Group
Cash and Cash Equivalents	35,025,543	30,223,316	15,596,998	8,235,443	77,057,964	16,161,292	3,404,255,079	2,272,623	8,703,558	(187,001)	3,597,344,815	-	3,597,344,815
Investment in equity, bonds & others	-	-	-	-	-	-	695,191,608	-	-	-	695,191,608	-	695,191,608
Loans and receivables	-	1,559,840	-	-	-	-	15,628,784,530	-	-	-	15,630,344,370	-	15,630,344,370
Investment in associate	-	-	-	-	-	-	24,311,650	-	-	-	24,311,650	11,708,027	36,019,677
Insurance Receivables	243,741,632	13,943,561	438,930	-	211,244,607	-	-	-	-	-	469,368,730	-	469,368,730
Net defined benefit assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	5,718,357	178,610	-	7,290,000	18,823,150	-	234,098,565	122,792,362	-	273,771,420	273,771,420	-	273,771,420
Investment properties	-	-	-	-	-	-	-	-	-	-	388,901,044	-	388,901,044
Property and equipment	-	-	-	-	-	-	-	-	-	-	582,997,961	-	582,997,961
Capital work-in-progress	-	-	-	-	-	-	-	-	-	-	555,926,250	4,170	555,930,420
Intangible assets	-	-	-	-	-	-	-	65,398,937	-	-	65,398,937	-	65,398,937
Total Assets	284,485,533	45,905,327	16,035,928	15,525,443	307,125,721	16,161,292	19,986,641,432	190,463,922	8,703,558	1,423,302,871	22,294,351,027	11,712,197	22,306,063,224
Liabilities													
Investment contract liabilities	-	-	2,075,756,237	2,861,257,421	-	-	-	-	-	-	4,937,013,658	-	4,937,013,658
Contribution received by private provident fund	-	-	-	-	-	2,231,869,317	-	-	-	-	2,231,869,317	-	2,231,869,317
Insurance contract liabilities	349,156,043	6,120,391,652	93,358,221	278,862,541	111,973,024	-	-	-	-	-	6,953,741,482	-	6,953,741,482
Reinsurance contract liabilities	-	-	-	-	34,068,255	-	-	-	-	-	34,068,255	-	34,068,255
Insurance Payable	408,137,839	217,799,63	804,215	-	428,024,010	-	-	-	-	-	858,746,027	-	858,746,027
Debt issued and other borrowed funds	-	-	-	-	-	-	18,113,269,854	240,972,603	-	(15,448,696,732)	2,925,545,725	-	2,925,545,725
Employee benefit obligation	-	-	-	-	-	-	-	-	-	-	28,550,852	-	28,550,852
Provisions	-	-	-	-	18,823,150	-	108,319,185	-	-	-	127,142,335	-	127,142,335
Trade and other payables	85,113,601	677,028,656	1,963,906	3,314,414	1,015,807	1,447,1532	1,341,242,099	89,282,311	1,998,135	(1,312,295,780)	890,110,682	-	890,110,682
Total Liabilities	842,407,483	6,819,200,271	2,171,882,579	3,143,434,376	593,904,246	2,233,316,849	19,562,831,138	350,254,914	1,998,135	(16,732,441,661)	18,986,788,332	-	18,986,788,332
Equity & Liabilities													
Capital & Reserves	-	-	-	-	-	-	-	1,400,001,800	-	-	1,400,001,800	-	1,400,001,800
Share Capital	-	-	-	-	-	-	-	-	-	-	627,215,311	-	627,215,311
Retained earnings	-	-	-	-	-	-	-	-	-	-	887,479,298	-	887,479,298
Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	227,933,729	-	227,933,729
Other reserves	-	-	-	-	-	-	-	-	-	-	164,932,556	-	164,932,556
Available For Sale reserve	-	-	-	-	-	-	-	-	-	-	1,742,628,340	-	1,742,628,340
Total equity	-	-	-	-	-	-	164,932,556	1,400,001,800	-	1,742,628,340	3,307,562,695	11,712,197	3,319,274,892
Shareholders' Equity & Liabilities	842,407,483	6,819,200,271	2,171,882,579	3,143,434,376	593,904,246	2,233,316,849	19,727,763,694	1,750,256,714	1,998,135	(14,989,813,319)	22,294,351,027	11,712,197	22,306,063,224



4. GROSS WRITTEN PREMIUM

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Non life insurance		1,173,697,810	1,072,246,622	1,173,697,810	1,072,246,622
Life insurance		1,403,458,177	1,921,241,949	1,403,458,177	1,921,241,949
Group life insurance		83,165,580	80,812,350	83,165,580	80,812,350
Annuity insurance		442,747	445,279	442,747	445,279
Re insurance		154,243,211	306,926,277	154,243,211	306,926,277
Total gross written premium		2,815,007,524	3,381,672,477	2,815,007,524	3,381,672,477

4.1. Premiums ceded to reinsurance

Non-life Insurance		(573,701,167)	(478,423,526)	(573,701,167)	(478,423,526)
Life insurance		(715,453)	(533,718)	(715,453)	(533,718)
Group life insurance		(603,413)	(644,110)	(603,413)	(644,110)
Re insurance		(155,195,273)	(88,488,025)	(155,195,273)	(88,488,025)
Total premium ceded to reinsurance		(730,215,305)	(568,089,379)	(730,215,305)	(568,089,379)
Total net premium		2,084,792,219	2,813,583,098	2,084,792,219	2,813,583,098

5. FINANCE INCOME

Income from investment securities		241,846,256	141,225,606	241,846,256	141,225,606
		241,846,256	141,225,606	241,846,256	141,225,606

6. FEES AND COMMISSION INCOME

Agent commission		80,768,041	57,681,144	80,768,041	57,681,144
Reinsurance commission		77,125	-	77,125	-
Guarantee fee		23,913,080	32,755,411	23,913,080	32,755,411
Credit related fees and commissions		231,750	468,800	231,750	468,800
Broking Fees and Commission		6,808,850	5,115,943	6,808,850	5,115,943
Other		-	522,285	-	522,285
Total fees and commission income		111,798,847	96,543,584	111,798,847	96,543,584

7. FEES AND COMMISSION EXPENSE

Commission expense on Re insurance accepted		(28,866,418)	(95,009,704)	(28,866,418)	(95,009,704)
Agent commission		(75,553,402)	(72,422,001)	(75,553,402)	(72,422,001)
Brokerage Fees		-	-	-	-
Total fees and commission expense		(104,419,820)	(167,431,705)	(104,419,820)	(167,431,705)

8. INTEREST INCOME ON FINANCIAL SERVICES

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Loans & receivables from customers		2,324,016,865	1,729,079,993	2,324,016,865	1,729,079,993
Interest income received from impaired loans		-	-	-	-
Total interest income		2,324,016,865	1,729,079,993	2,324,016,865	1,729,079,993

9. INTEREST EXPENSE ON FINANCIAL SERVICES

Interest on group life insurance		(169,490,359)	(149,094,348)	(169,490,359)	(149,094,348)
Interest on annuity contribution		(235,344,055)	(249,676,466)	(235,344,055)	(249,676,466)
Interest on bank borrowings		(288,525)	(10,048,819)	(288,525)	(10,048,819)
Debt issued and borrowed funds		(161,298,443)	(252,471,698)	(161,298,443)	(252,471,698)
Interest on TMN policies (Life Insurance)		(68,315,878)	(59,184,877)	(68,315,878)	(59,184,877)
Total interest expense		(634,737,259)	(720,476,208)	(634,737,259)	(720,476,208)

10. OTHER OPERATING INCOME

Rental income		10,401,677	9,805,490	10,401,677	9,805,490
Interest income on plan assets		-	-	-	-
Securities business		1,357	1,060	1,357	1,060
Other		27,074,530	12,004,414	27,074,530	12,004,414
Total other operating income		37,477,564	21,810,964	37,477,564	21,810,964

11. NET BENEFITS AND CLAIMS**11. (a) Gross benefits and claims paid**

Non Life Insurance		(331,634,810)	(305,345,953)	(331,634,810)	(305,345,953)
Life Insurance		(935,378,942)	(636,121,481)	(935,378,942)	(636,121,481)
Group Life Insurance		(42,600,000)	(46,300,000)	(42,600,000)	(46,300,000)
Re insurance		(163,793,040)	(777,997,283)	(163,793,040)	(777,997,283)
Total gross benefit and claims paid		(1,473,406,791)	(1,765,764,717)	(1,473,406,791)	(1,765,764,717)

11. (b) Claims ceded to reinsurers

Non Life Insurance		148,766,149	(68,267,699)	148,766,149	(68,267,699)
Re insurance		(47,558,412)	277,914,571	(47,558,412)	277,914,571
Total claims to reinsurers		101,207,737	209,646,872	101,207,737	209,646,872

11. (c) Change in contract liabilities

Life Insurance		(778,495,579)	(1,515,735,410)	(778,495,579)	(1,515,735,410)
Group Life Insurance		(12,350,329)	(5,552,029)	(12,350,329)	(5,552,029)
Annuity Insurance		(80,493,323)	(72,985,684)	(80,493,323)	(72,985,684)
Re insurance		15,582,897	(9,994,585)	15,582,897	(9,994,585)
Total change in contract liabilities ceded to reinsurers		(855,756,334)	(1,604,267,708)	(855,756,334)	(1,604,267,708)
Net benefit and claims paid		(2,227,955,389)	(3,160,385,553)	(2,227,955,389)	(3,160,385,553)

12. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Amortization of intangible assets		(2,498,333)	(3,522,206)	(2,498,333)	(3,522,206)
Depreciation on property and equipment		(20,270,414)	(20,826,082)	(20,270,414)	(20,826,082)
Depreciation on investment property		(1,062,589)	(1,093,833)	(1,062,589)	(1,093,833)
Professional & legal expenses		(440,510)	(380,280)	(440,510)	(380,280)
Bank Charges		(1,150,665)	(903,005)	(1,150,665)	(903,005)
Management expenses		(76,212,604)	(71,145,883)	(76,212,604)	(71,145,883)
Employee benefits expense	12.1	(254,100,056)	(223,329,741)	(254,100,056)	(223,329,741)
Bad Debts		-	(968,265)	-	(968,265)
Securities business		(2,133,981)	(1,240,164)	(2,133,981)	(1,240,164)
Other		(36,713,704)	(19,537,811)	(36,713,704)	(19,537,811)
Total other operating and administrative expenses		(394,582,856)	(342,947,269)	(394,582,856)	(342,947,269)

12.1. Employee benefits expense

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31 December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Salaries and bonus		(184,679,634)	(169,634,719)	(184,679,634)	(169,634,719)
Staff welfare and expenses		(2,653,275)	(1,454,786)	(2,653,275)	(1,454,786)
Leave travel concession		(5,951,670)	(5,766,320)	(5,951,670)	(5,766,320)
Defined benefit costs		(32,679,037)	(21,996,194)	(32,679,037)	(21,996,194)
Leave encashment		(14,828,847)	(12,719,973)	(14,828,847)	(12,719,973)
Contribution to private provident fund		(13,307,593)	(11,757,749)	(13,307,593)	(11,757,749)
Total employee benefit expense		(254,100,056)	(223,329,741)	(254,100,056)	(223,329,741)

13. IMPAIREMENT GAIN /(LOSS)

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Impairment loss on reinsurance receivables		(1,346,700)	2,749,459	(1,346,700)	2,749,459
Impairment loss on loans and receivables		(192,822,401)	(960,207,727)	(192,822,401)	(960,207,727)
Impairment loss on cash and cash equivalent		63,504	(93,358)	63,504	(93,358)
Total impairment gain /loss on loans and advances		(194,105,597)	(957,551,626)	(194,105,597)	(957,551,626)

14. INCOME TAX EXPENSES**(a) Current tax charge**

Current income tax			-		-
Deferred tax					
Relating to origination and reversal of temporary differences		(286,934,991)	141,853,546	(286,934,991)	141,853,546
Total income tax expense		(286,934,991)	141,853,546	(286,934,991)	141,853,546

(b) Tax recorded in other comprehensive income (see note 30)

Current tax		-	-	-	-
Deferred tax		8,595,027	(27,554,627)	8,595,027	(27,554,627)
Total tax charge to the other comprehensive income		8,595,027	(27,554,627)	8,595,027	(27,554,627)

15. EARNING PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the parent.					
Profits attributable to the equity holders of the parent		779,519,032	(356,692,467)	748,596,407	(355,253,087)
Nominal Value of Equity Shares		10	10	10	10
Number of Shares		140,000,180	140,000,180	140,000,180	140,000,180
		5.57	(2.55)	5.35	(2.54)

The primary EPS and diluted EPS will be same as the company did not issue any convertible securities

16. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Local currency in hand		519,080	12,911,175	519,080	12,911,175
Balances with local banks		1,060,610,349	564,729,123	1,060,610,349	564,729,123
Balances with foreign banks		46,658,263	65,567,465	46,658,263	65,567,465
Allowance for expected credit loss		(123,497)	(187,001)	(123,497)	(187,001)
		1,107,664,195	643,020,762	1,107,664,195	643,020,762

17. Investments

Quoted investments (Equity instrument measured at fair value through OCI)					
Equity investment		494,515,937	427,430,586	494,515,937	427,430,586
Unquoted investments (at cost or stated otherwise)					
Equity investment		80,311,022	80,311,022	80,311,022	80,311,022
Partnership firm & other institution		13,750,000	13,750,000	13,750,000	13,750,000
Others Financial Asset Investments					
Investment in Bond		173,700,000	173,700,000	173,700,000	173,700,000
Investment in Fixed Deposits		3,345,035,628	2,954,324,053	3,345,035,628	2,954,324,053
Total investments		4,107,312,588	3,649,515,661	4,107,312,588	3,649,515,661

17.1. Quoted equity securities (Equity instrument measured at fair value through OCI)

		31st December, 2021			31st December, 2020		
		No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
Bhutan Ferro Alloys Ltd.		800,000	8,100,000	72,304,000	800,000	8,100,000	72,306,555
Penden Cement Authority Ltd.		183,150	3,169,400	9,230,760	183,150	3,169,400	7,885,793
Bhutan National Bank Ltd		12,960,000	203,018,000	266,392,800	9,960,000	103,523,000	206,008,754
State Trading Corporation of Bhutan Ltd.		882,000	980,000	31,390,380	882,000	980,000	27,815,599
Bhutan Board Products Ltd.		118,300	1,229,250	5,528,514	118,300	1,229,250	4,423,457
GIC Bhutan Re Ltd		5,500,000	55,000,000	87,191,500	5,500,000	55,000,000	86,522,621
Royal Securities Exchange of Bhutan Limited		162,000	19,811,000	22,477,984	162,000	19,811,000	22,467,807
Total		20,605,450	291,307,650	494,515,937	17,605,450	191,812,650	427,430,585

Quoted equity securities do not have active market as defined in BFRS 9. Hence, fair value were arrived by using valuation model based on data available upto 31st December 2021.

17.2. Un-quoted equity securities (at cost or stated otherwise)

		31st December, 2021			31st December, 2020		
		No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
Bhutan Development Finance Corporation.		509,100	5,091,000	-	509,100	5,091,000	-
Zimdra Foods Private Limited		200,000	20,000,000	-	200,000	20,000,000	-
Neethsel Private Limited		213,729	25,220,022	-	213,729	25,220,022	-
Yang-Gang Pvt Ltd		300,000	30,000,000	-	300,000	30,000,000	-
Total		1,222,829	80,311,022	-	1,222,829	80,311,022	-

17.3. Partnership firm & other institution (at cost or stated otherwise)

		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Financial Institution Training Institute		12,000,000	12,000,000	12,000,000	12,000,000
Tara Dolma		6,950,000	6,950,000	6,950,000	6,950,000
Less: Provision for diminishing in value of shares		(6,950,000)	(6,950,000)	(6,950,000)	(6,950,000)
CIB		1,750,000	1,750,000	1,750,000	1,750,000
Total		13,750,000	13,750,000	13,750,000	13,750,000

17.4. Investment in Bond (at cost or stated otherwise)

		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
T Bank Bonds (7 Years @ 9.00%)		74,900,000	74,900,000	74,900,000	74,900,000
Government Bonds (3 Years @ 6.50%)		98,800,000	98,800,000	98,800,000	98,800,000
		173,700,000	173,700,000	173,700,000	173,700,000

17.5. Investment in Fixed Deposits

		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Bhutan National Bank		500,000,000	635,000,000	500,000,000	635,000,000
T Bank		500,000,000	650,000,000	500,000,000	650,000,000
Bank of Bhutan		1,250,000,000	1,150,000,000	1,250,000,000	1,150,000,000
Druk PNB Bank		730,000,000	250,000,000	730,000,000	250,000,000
Interest Receivable on Fixed Deposit		365,035,628	269,324,053	365,035,628	269,324,053
		3,345,035,628	2,954,324,053	3,345,035,628	2,954,324,053

18. LOANS AND RECEIVABLES

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Loans and receivable from customers		20,793,145,767	20,996,927,124	20,793,145,767	20,996,927,124
Less: Fair value of employee loans		(463,551)	(4,362,747)	(463,551)	(4,362,747)
Less: Interest suspense		(1,261,945,926)	(1,379,335,168)	(1,261,945,926)	(1,379,335,168)
Less: Provision for impairment losses		(3,963,910,025)	(3,982,884,839)	(3,963,910,025)	(3,982,884,839)
		15,566,826,266	15,630,344,370	15,566,826,266	15,630,344,370

Impairment Allowance for loans & advances to customers

A reconciliation of the allowance for impairment losses for loans & advances, by class, is as follows:

	Overdraft	Card Loan	Housing	Transport	Service,T&C,P&M	Personal	Others	Guarantees	Total
At 1st January 2020	1,297,062,097	97,075,249	401,742,246	29,908,173	1,034,698,040	40,967,460	120,597,422	626,425	3,022,677,113
Charges/Reversal for the year	248,169,205	27,384,749	99,620,385	53,879,727	615,388,907	29,408,418	(114,344,424)	700,758	960,207,726
Recoveries	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31st December 2020	1,545,231,303	124,459,998	501,362,631	83,787,900	1,650,086,947	70,375,878	6,252,998	1,327,183	3,982,884,839
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment	1,545,231,303	124,459,998	501,362,631	83,787,900	1,650,086,947	70,375,878	6,252,998	1,327,183	3,982,884,839
At 1st January 2021	1,545,231,303	124,459,998	501,362,631	83,787,900	1,650,086,947	70,375,878	6,252,998	1,327,183	3,982,884,839
Charges/Reversal for the year	(256,755,731)	5,585,337	4,747,960	(42,074,244)	268,170,496	(2,089,645)	1,845,264	1,595,750	(18,974,814)
Recoveries	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31st December 2021	1,288,475,571	130,045,335	506,110,590	41,713,656	1,918,257,443	68,286,233	8,098,262	2,922,933	3,963,910,025
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment	1,288,475,571	130,045,335	506,110,590	41,713,656	1,918,257,443	68,286,233	8,098,262	2,922,933	3,963,910,025

19. (i) INVESTMENT IN ASSOCIATES

(1,813,700 No. of Shares having Face Value of Nu. 10/- of Bhutan Carbide & Chemicals Ltd.)

	Group		Company	
	Nu	Nu	Nu	Nu
	31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Opening balance	36,019,677	37,459,056	24,311,650	24,311,650
For the year profit	30,922,625	(1,439,379)	-	-
Less	-	-	-	-
Dividend received	-	-	-	-
	66,942,302	36,019,677	24,311,650	24,311,650

20. INSURANCE RECEIVABLES

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Due from policyholders		19,007,132	14,382,491	19,007,132	14,382,491
Due from reinsurers		483,514,159	457,779,074	483,514,159	457,779,074
Impairment of insurance receivables		(4,139,535)	(2,792,835)	(4,139,535)	(2,792,835)
Total insurance receivables		498,381,756	469,368,730	498,381,756	469,368,730

21. OTHER ASSETS

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Advances, Deposits & Prepayments		121,318,678	122,012,490	121,318,678	122,012,490
Interest, Rent and Other Receivables		404,620,068	240,067,432	404,620,068	240,067,432
Other		365,524,513	26,821,122	365,524,513	26,821,122
		891,463,258	388,901,044	891,463,258	388,901,044

22. INVESTMENT PROPERTY (Stated at Cost)

Cost					
At 1 January		599,671,987	599,671,987	599,671,987	599,671,987
Additions		403,906,184	-	403,906,184	-
Disposals/Adjustment		(3,028,940)	-	(3,028,940)	-
Revaluation		159,886,591	-	159,886,591	-
		1,160,435,822	599,671,987	1,160,435,822	599,671,987
Accumulated depreciation					
At 1 January		16,674,026	15,580,193	16,674,026	15,580,193
For the year		1,062,589	1,093,833	1,062,589	1,093,833
Adjustments		(8,861,643)	-	(8,861,643)	-
Revaluation		-	-	-	-
		8,874,971	16,674,026	8,874,971	16,674,026
At 31 December		1,151,560,851	582,997,961	1,151,560,851	582,997,961

The fair value of the investment property are based on valuation performed by an accredited independent valuer as on 31/12/2021. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value measurement is categorised in Level 3 of fair value hierarchy. The management also performed impairment and market price analysis as on the date of the financials and found that there were no significant changes in the value of investment property.

23. PROPERTY AND EQUIPMENT

Group	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	In Nu. Total
Cost/ Revalued Amount:							
At 1 January 2020	325,901,235	228,968,572	27,942,358	49,700,434	11,065,892	52,601,530	696,180,021
Additions	-	-	251,820	5,551,641	-	3,688,706	9,492,167
Disposals	-	-	-	-	-	-	-
At 31 December 2020	325,901,235	228,968,572	28,194,178	55,252,075	11,065,892	56,290,236	705,672,188
At 1 January 2021	325,901,235	228,968,572	28,194,178	55,252,075	11,065,892	56,290,236	705,672,188
Additions	-	7,696,934	1,917,085	2,144,372	-	7,035,192	18,793,583
Disposals/Adjustments	-	3,028,940	(416,484)	(63,495)	-	(252,000)	2,296,961
Revaluation	210,569,260	(9,426,511)	-	-	-	-	201,142,749
At 31 December 2021	536,470,495	230,267,934	29,694,779	57,332,952	11,065,892	63,073,428	927,905,481
Depreciation and impairment:							
At 31st January 2020	-	48,960,524	14,600,903	21,698,895	4,061,885	39,593,476	128,915,683
Disposals/Adjustments	-	-	-	-	-	-	-

Depreciation charge for the year	-	4,579,371	3,397,915	7,091,076	1,659,884	4,097,836	20,826,082
At 31 December 2020	-	53,539,896	17,998,818	28,789,971	5,721,769	43,691,312	149,741,766
At 1 January 2021	-	53,539,896	17,998,818	28,789,971	5,721,769	43,691,312	149,741,766
Disposals/adjustments	-	8,861,644	(407,071)	(63,494)	-	(249,822)	8,141,257
Depreciation charge for the year	-	4,656,761	3,042,124	6,813,807	1,659,884	4,097,838	20,270,414
At 31 December 2021	-	67,058,301	20,633,871	35,540,284	7,381,653	47,539,328	178,153,437
Net book value:							
At 31 December 2020	325,901,235	175,428,676	10,195,360	26,462,104	5,344,123	12,598,924	555,930,422
At 31 December 2021	536,470,495	163,209,633	9,060,908	21,792,668	3,684,239	15,534,100	749,752,044
Company							In Nu.
Cost/ Revalued Amount:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 31st January 2020	325,901,235	228,968,572	27,942,358	49,696,264	11,065,892	52,570,823	696,145,144
Additions	-	-	251,820	5,551,641	-	3,688,706	9,492,167
Disposals/Adjustment	-	-	-	-	-	-	-
At 31 December 2020	325,901,235	228,968,572	28,194,178	55,247,905	11,065,892	56,259,529	705,637,311
At 1 January 2021	325,901,235	228,968,572	28,194,178	55,247,905	11,065,892	56,259,529	705,637,311
Additions	-	7,696,934	1,917,085	2,144,372	-	7,035,192	18,793,583
Disposals/Adjustment	-	3,028,940	(416,484)	(63,495)	-	(252,000)	2,296,961
Revaluation	210,569,260	(9,426,511)	-	-	-	-	201,142,749
At 31 December 2021	536,470,495	230,267,934	29,694,779	57,328,782	11,065,892	63,042,721	927,870,603
Depreciation and impairment:							
At 31st January 2020	-	48,960,524	14,600,903	21,698,895	4,061,885	39,562,771	128,884,979
Disposals/Adjustments	-	-	-	-	-	-	-
Depreciation charge for the year	-	4,579,371	3,397,915	7,091,076	1,659,884	4,097,836	20,826,082
At 31 December 2020	-	53,539,896	17,998,818	28,789,971	5,721,769	43,660,607	149,711,061
At 1 January 2021	-	53,539,896	17,998,818	28,789,971	5,721,769	43,660,607	149,711,061
Disposals/Adjustments	-	8,861,644	(407,071)	(63,494)	-	(249,822)	8,141,257
Depreciation charge for the year	-	4,656,761	3,042,124	6,813,807	1,659,884	4,097,838	20,270,414
At 31 December 2021	-	67,058,301	20,633,871	35,540,284	7,381,653	47,508,623	178,122,733
Net book value:							
At 31 December 2020	325,901,235	175,428,676	10,195,360	26,457,934	5,344,123	12,598,921	555,926,250
At 31 December 2021	536,470,495	163,209,633	9,060,908	21,788,498	3,684,239	15,534,097	749,747,871

The fair value of the property and equipment are based on valuation performed by an accredited independent valuer as on 31/12/2021. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value measurement is categorised in Level 3 of fair value hierarchy. The management also performed impairment and market price analysis as on the date of the financials and found that there were no significant changes in the value of property.

24. OTHER INTANGIBLE ASSETS

	Group	Company
Cost:	Nu	Nu
At 1 January 2020	50,337,915	50,337,915
Additions	2,114,500	2,114,500
Disposals	-	-
At 31 December 2020	52,452,415	52,452,415
At 1 January 2021	52,452,415	52,452,415
Additions	1,118,327	1,118,327
Disposals/adjustments	-	-
At 31 December 2021	53,570,742	53,570,742
Amortization and impairment:		

At 1 January 2020	38,141,968	38,141,968
Disposals	-	-
Amortization	3,522,206	3,522,206
At 31 December 2020	41,664,174	41,664,174
At 1 January 2021	41,664,174	41,664,174
Disposals/Adjustments	-	-
Amortization	2,498,333	2,498,333
At 31 December 2021	44,162,507	44,162,507
Net book value:		
At 31 December 2020	10,788,241	10,788,241
At 31 December 2021	9,408,235	9,408,235

25. INVESTMENT CONTRACT LIABILITIES

	Group		Company	
	Nu	Nu		Nu
	31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Group life insurance	2,334,201,316	2,075,756,237	2,334,201,316	2,075,756,237
Annuity insurance	2,396,761,736	2,861,257,421	2,396,761,736	2,861,257,421
	4,730,963,051	4,937,013,658	4,730,963,051	4,937,013,658

26. INSURANCE CONTRACT LIABILITIES

	Note	Group			Company		
		Nu			Nu		
		31st December, 2021			31st December, 2021		
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non life insurance	26.1	404,368,874	51,733,159	456,102,033	404,368,874	51,733,159	456,102,033
Re insurance	26.2	23,050,139	-	23,050,139	23,050,139	-	23,050,139
Life insurance		6,898,887,232	-	6,898,887,232	6,898,887,232	-	6,898,887,232
Group life insurance		105,708,550	-	105,708,550	105,708,550	-	105,708,550
Annuity insurance		359,355,866	-	359,355,866	359,355,866	-	359,355,866
		7,791,370,661	51,733,159	7,843,103,820	7,791,370,661	51,733,159	7,843,103,820

26.1. Insurance contract liabilities - Non Life Insurance

		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policyholders		-	51,733,159	51,733,159	-	51,733,159	51,733,159
Reinsurance share of claims		-	-	-	-	-	-
IBNR		54,639,330	-	54,639,330	54,639,330	-	54,639,330
Provision for unearned premiums		359,678,547	-	359,678,547	359,678,547	-	359,678,547
Deferred acquisition cost		(9,949,003)	-	(9,949,003)	(9,949,003)	-	(9,949,003)
		404,368,874	51,733,159	456,102,033	404,368,874	51,733,159	456,102,033
Liability Adequacy Testing (LAT)							

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by M/s. TransValue Consultants, Consulting Actuary as at 31st December 2021 as required by BFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2021. No additional provision was required against the LAT as at 31st December 2021.

26.2. Insurance contract liabilities - Re Insurance

Provision for reported claims by policyholders		-	-	-	-	-	-
IBNR		26,924,134	-	26,924,134	26,924,134	-	26,924,134
Provision for unearned premiums		13,595,334	-	13,595,334	13,595,334	-	13,595,334
Deferred commission		(17,469,329)	-	(17,469,329)	(17,469,329)	-	(17,469,329)
		23,050,139	-	23,050,139	23,050,139	-	23,050,139
Liability Adequacy Testing (LAT)							

A Liability Adequacy Test ("LAT") for Re insurance contract liability was carried out by M/s. TransValue Consultants, Consulting Actuary as at 31st December 2021 as required by BFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2021. No additional provision was required against the LAT as at 31st December 2021.

26.3. Insurance contract liabilities - Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product.

Mortality rates based on published mortality tables adjusted for actual experience.

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31st December 2020 was made by M/s. TransValue Consultants, Consulting Actuary.

Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by M/s. TransValue Consultants Actuary as at 31st December 2021 as required by BFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report,

assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2021. No additional provision was required against the LAT as at 31st December 2021.

26.4. Insurance contract liabilities - Group Life Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Group Life Insurance contract liability was carried out by M/s. TransValue Consultants, Consulting Actuary as at 31st December 2021 as required by BFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2021. No additional provision was required against the LAT as at 31st December 2021.

26.5. Insurance contract liabilities - Annuity Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Annuity Insurance contract liability was carried out by M/s. TransValue Consultants, Consulting Actuary as at 31st December 2021 as required by BFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2021. No additional provision was required against the LAT as at 31st December 2021.

26. INSURANCE CONTRACT LIABILITIES

	Note	Group			Company		
		Nu			Nu		
		31st December, 2020			31st December, 2020		
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non life insurance	271	320,518,794	28,637,249	349,156,043	320,518,794	28,637,249	349,156,043
Re insurance	272	111,973,024	-	111,973,024	111,973,024	-	111,973,024
Life Insurance		6,120,391,652	-	6,120,391,652	6,120,391,652	-	6,120,391,652
Group life insurance		93,358,221	-	93,358,221	93,358,221	-	93,358,221
Annuity insurance		278,862,541	-	278,862,541	278,862,541	-	278,862,541
		6,925,104,233	28,637,249	6,953,741,482	6,925,104,233	28,637,249	6,953,741,482

Insurance contract liabilities - Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product.

Mortality rates based on published mortality tables adjusted for actual experience.

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2020 was made by Mr. G .N. Agarwal, Consulting Actuary.

Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. When performing

the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

26.1. Insurance contract liabilities – Non Life Insurance

	Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policyholders	-	28,637,249	28,637,249	-	28,637,249	28,637,249
Reinsurance share of claims	-	-	-	-	-	-
IBNR	93,598,572	-	93,598,572	93,598,572	-	93,598,572
Provision for unearned premiums	232,767,060	-	232,767,060	232,767,060	-	232,767,060
Deferred acquisition cost	(5,846,838)	-	(5,846,838)	(5,846,838)	-	(5,846,838)
	320,518,794	28,637,249	349,156,043	320,518,794	28,637,249	349,156,043

Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. G .N. Agarwal as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

26.2. Insurance contract liabilities – Re Insurance

Provision for reported claims by policyholders	-	-	-	-	-	-
IBNR	42,507,031	-	42,507,031	42,507,031	-	42,507,031
Provision for unearned premiums	88,302,948	-	88,302,948	88,302,948	-	88,302,948
Deferred commission	(18,836,955)	-	(18,836,955)	(18,836,955)	-	(18,836,955)
	111,973,024	-	111,973,024	111,973,024	-	111,973,024

Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Re insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

26.3. Insurance contract liabilities – Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product.

Mortality rates based on published mortality tables adjusted for actual experience.

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2020 was made by Mr. G .N. Agarwal, Consulting Actuary.

Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. When performing

the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

26.4. Insurance contract liabilities - Group Life Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Group Life Insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

26.5. Insurance contract liabilities - Annuity Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Annuity Insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2020 as required by BFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

27. INVESTMENT CONTRACT LIABILITIES

	Group		Company	
	Nu	Nu	Nu	Nu
	31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
INSURANCE PAYABLE				
Non life insurance	394,118,242	408,137,839	394,118,242	408,137,839
Life insurance	361,368,683	21,779,963	361,368,683	21,779,963
Group life insurance	804,215	804,215	804,215	804,215
Re insurance	558,926,857	428,024,010	558,926,857	428,024,010
	1,315,217,997	858,746,027	1,315,217,997	858,746,027

28. DEBT ISSUED AND OTHER BORROWED FUNDS

Long term bond	1,834,439,168	2,925,545,725	1,834,439,168	2,925,545,725
Term borrowings	-	-	-	-
Total debt issued and other borrowed funds	1,834,439,168	2,925,545,725	1,834,439,168	2,925,545,725
Terms and Conditions				
Security guarantee	The loan shall be secured by the book debts of RICB			
Failure to pay principal & interest	Failure to pay two consecutive quarters, at any point of time, the lender shall have right to take appropriate action as deem fit as per law of the Kingdom			
Jurisdiction	If any dispute arise between RICBL and lender during the period of the loan, the Thimphu Dzongkhag Court shall have sole jurisdiction.			

Particulars	Outstanding Balance	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long Term Bonds							
Bond Series IV @ 9.50% p.a.	1,499,000,000	-	-	-	1,499,000,000	-	1,499,000,000
Interest on Series IV	74,466,565	-	-	74,466,565	-	-	74,466,565
Subordinate Debt @ 6% p.a.	250,000,000	-	-	-	250,000,000	-	250,000,000
Interest on Subordinate Debt	10,972,603	-	-	10,972,603	-	-	10,972,603
	1,834,439,168	-	-	85,439,168	1,749,000,000	-	1,834,439,168
Term borrowings							
Bhutan Development Bank Limited	-	-	-	-	-	-	-
Druk PNB Bank Limited	-	-	-	-	-	-	-
GIC Bhutan Re Limited	-	-	-	-	-	-	-
Bhutan National Bank Limited	-	-	-	-	-	-	-
T Bank Ltd.	-	-	-	-	-	-	-
Interest on above loans	-	-	-	-	-	-	-

29. EMPLOYEE BENEFITS OBLIGATION

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Net defined benefit assets/ (liabilities)		13,483,336	11,746,536	13,483,336	11,746,536
Leave encasement liability		30,445,417	12,704,557	30,445,417	12,704,557
Travel benefits		9,314,160	4,099,759	9,314,160	4,099,759
		53,242,913	28,550,852	53,242,913	28,550,852

29.1. Defined benefit Plan

A defined benefit plan defines, an amount of benefit that an employee is entitled to receive as per the terms and conditions specified in the service rule. The benefit is dependent on factors such as age, number of years served and salary. A full actuarial valuation by a qualified independent actuary is carried out every year in case of defined benefits.

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

29.2. Net defined benefit assets

The amounts recognised in the statement of profit and loss:

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Current service cost		8,523,167	8,440,240	8,523,167	8,440,240
Interest cost on behalf obligation (net)		1,200,609	191,681	1,200,609	191,681
Total amount recognized in PL		9,723,776	8,631,921	9,723,776	8,631,921

The amounts recognised in other comprehensive income:					
Actuarial (gain)/losse recognized for the period					
- due to financial assumption		3,321,309	-	3,321,309	-
- due to experience		(6,414,675)	411,777	(6,414,675)	411,777
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		6,688,527	2,702,838	6,688,527	2,702,838
Unrecognized actuarial (gain)/losse from previos period		164,399	-	164,399	-
Total actuarial (gain)/losse recognized in OCI		3,759,560	3,114,615	3,759,560	3,114,615
Movement in the net defined benefit obligation:					
Opening balance		86,845,952	77,227,301	86,845,952	77,227,301
Interest cost on benefit obligation		6,833,065	5,519,519	6,833,065	5,519,519
Current service cost		8,523,167	8,609,503	8,523,167	8,609,503
Past service cost		-	-	-	-
Payments made during the year		(4,774,254)	(4,922,148)	(4,774,254)	(4,922,148)
Net actuarial loss recognized in the year		(3,093,366)	411,777	(3,093,366)	411,777
Actuarial (gains)/losses due to change in demographic assumptions		-	-	-	-
Closing balance		94,334,564	86,845,952	94,334,564	86,845,952
Movement in the fair value of plan assets:					
Opening balance		75,099,416	70,197,541	75,099,416	70,197,541
Opening adjustments		-	169,263	-	169,263
Interest income		5,632,456	5,327,838	5,632,456	5,327,838
Return on plan assets excluding interest income		(6,688,527)	(2,702,838)	(6,688,527)	(2,702,838)
Contributions by employer		30,271,253	7,029,760	30,271,253	7,029,760
Benefits paid		(4,774,254)	(4,922,148)	(4,774,254)	(4,922,148)
Closing balance		99,540,344	75,099,416	99,540,344	75,099,416
The amounts recognised in the statement of financial position at the reporting date:					
Present value of the defined benefit obligation		(94,334,564)	(86,845,952)	(94,334,564)	(86,845,952)
Fair value of plan assets		99,540,344	75,099,416	99,540,344	75,099,416
Net defined benefit obligation		5,205,780	(11,746,536)	5,205,780	(11,746,536)
Total net defined benefit obligation		5,205,780	(11,746,536)	5,205,780	(11,746,536)
Funded Status		5,205,780	(11,746,536)	5,205,780	(11,746,536)

Sensitivity analysis	
Discount rate as at 31 December 2021	7.00%
Effect on DBO due to 1% increase in discount	87,911,112
Effect on DBO due to 1% decrease in discount	101,721,057
Salary escalation rate as at 31 December 2021	6.00%
Effect on DBO due to 1% increase in escalation	98,580,962
Effect on DBO due to 1% decrease in escalation	89,976,787
Expected pay out	
First year	11,931,176
Second year	11,356,239
Third year	8,953,577

Fourth year	9,555,814
Fifth year	8,938,744
Six to ten years	39,120,014

Gratuity measured using actuarial valuation of projected unit credit method as certified by M/s. TransValue Consultants, Consulting Actuary

The principle assumption used in determining the gratuity obligation was

Salary escalation rate - 6%, (2020: 6%)

Discount rate - 7.00%, (2020: 7.50%)

Attrition Rate - 6%, (2020: 6%)

Normal Retirement age - 60 years for the Executives and 58 years for the rest

Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2020: IALM-2012-2014).

29.3. Leave encashment liability

Change in defined benefit obligation (DBO)					
DBO at the beginning of the current period		12,704,557	10,806,818	12,704,557	10,806,818
Current service cost		13,039,504	11,987,107	13,039,504	11,987,107
Past service cost		-	-	-	-
Interest cost		1,396,961	767,888	1,396,961	767,888
Benefits paid by the plan		-	-	-	-
Benefits paid by the employer		(12,530,774)	-	(12,530,774)	-
Actuarial (gains)/losses due to plan experience		3,304,395	(10,857,256)	3,304,395	(10,857,256)
Actuarial (gains)/losses due to change in demographic assumptions		-	-	-	-
Actuarial (gains)/losses due to change in financial assumptions		-	-	-	-
DBO at the end of the current period		17,914,643	12,704,557	17,914,643	12,704,557
The amounts recognised in the statement of profit and loss:					
Current service cost		11,987,107	11,987,107	13,039,504	11,987,107
Past service cost		-	-	3,304,395	-
Net interest cost on net DB liability/(asset)		767,888	767,888	1,396,961	767,888
Total amount recognized in PL		12,754,995	12,754,995	17,740,860	12,754,995
The amounts recognised in other comprehensive income:					
Actuarial (gain)/losse recognized for the period					
- due to financial assumption		-	-	-	-
- due to experience		-	(10,857,256)	-	(10,857,256)
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		-	-	-	-
Unrecognized actuarial (gain)/losse from previos period		-	-	-	-
Total actuarial (gain)/losse recognized in OCI		-	(10,857,256)	-	(10,857,256)
Development of net financial position					
Defined benefit obligation		(17,914,643)	(12,704,557)	(17,914,643)	(12,704,557)
Fair value of plan assets		-	-	-	-
Funded status - (deficit)/surplus		(17,914,643)	(12,704,557)	(17,914,643)	(12,704,557)
Net defined benefit asset/(liability)		(17,914,643)	(12,704,557)	(17,914,643)	(12,704,557)
Reconciliation of net financial position					
Net defined benefit liability/(asset) at the beginning of current period		12,704,557	10,806,818	12,704,557	10,806,818
Amount recognized in the income statement		12,754,995	1,897,739	17,740,860	1,897,739
Contributions paid into the plan		-	-	-	-

Benefits paid by employer		-	-	-	-
Net defined benefit liability/(asset) at the end of current period		25,459,552	12,704,557	30,445,417	12,704,557

Leave Encashment measured using actuarial valuation of projected unit credit method as certified by M/s. TransValue Consultants, Consulting Actuary

The principle assumption used in determining the gratuity obligation was

Salary escalation rate - 6%, (2020: 6%)

Discount rate - 7.00%, (2020: 7.50%)

Attrition Rate - 6%, (2020: 6%)

Normal Retirement age - 60 years for the Executives and 58 years for the rest

Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2020: IALM-2012-2014).

29.4. Travel benefit liability

The amounts recognised in the statement of profit and loss:

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Current service cost		358,286	335,515	358,286	335,515
Net interest		306,139	273,763	306,139	273,763
Past service cost		5,882,002	-	5,882,002	-
Total amount recognized in PL		6,546,427	609,278	6,546,427	609,278
The amounts recognised in other comprehensive income:					
Actuarial (gain)/losse recognized for the period		-	-	-	-
- due to financial assumption		-	-	-	-
- due to experience		-	(385,882)	-	(385,882)
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		-	-	-	-
Unrecognized actuarial (gain)/losse from previos period		-	-	-	-
Total actuarial (gain)/losse recognized in OCI		-	(385,882)	-	(385,882)
Movement in the net defined benefit obligation:					
Opening balance		4,137,725	3,876,363	4,137,725	3,876,363
Interest cost		358,286	273,763	358,286	273,763
Current service cost		306,139	335,515	306,139	335,515
Past service cost		(1,369,992)	-	(1,369,992)	-
Benefits paid by the plan		-	-	-	-
Benefits paid by the employer		-	-	-	-
Actuarial (gains)/losses due to plan experience		5,882,002	(385,882)	5,882,002	(385,882)
Actuarial (gains)/losses due to change in demographic assumptions		-	-	-	-
Actuarial (gains)/losses due to change in financial assumptions		-	-	-	-
Closing balance		9,314,160	4,099,759	9,314,160	4,099,759
Movement in the fair value of plan assets:					
Opening balance		-	(1)	-	-
Contributions paid into the plan		-	(1)	-	-
Expected return on the plan assets		-	(1)	-	-
Benefits paid by the plan		-	(1)	-	-
Return on plan assets greater or (less) than discount rate		-	(1)	-	-
Closing balance		-	-	-	-
Development of net financial position					
Defined benefit obligation		(9,314,160)	(4,099,759)	(9,314,160)	(4,099,759)
Fair value of plan assets		(1)	(1)	-	-
Funded status - (deficit)/surplus		(9,314,160)	(4,099,759)	(9,314,160)	(4,099,759)
Net defined benefit asset/(liability)		(9,314,160)	(4,099,759)	(9,314,160)	(4,099,759)
Liability					
Current		2,115,311	509,719	2,115,311	509,719
Non-current		7,198,849	3,590,040	7,198,849	3,590,040

Effect on DBO due to 1% decrease in discount		4,379,766			
Salary escalation rate as at 31 December 2020		6.00%			
Effect on DBO due to 1% increase in escalation		4,388,516			
Effect on DBO due to 1% decrease in escalation		3,842,773			
Expected pay out					
First year		509,719			
Second year		531,693			
Third year		554,647			
Fourth year		453,429			
Fifth year		427,765			
Six to ten years		1,713,354			

Travel benefit measured using actuarial valuation of projected unit credit method as certified by M/s. Trans-value Consultants, Consulting Actuary

The principle assumption used in determining the gratuity obligation was

Rate of increase in Freight - 5.00%, (2020 : 5.00%)

Discount rate - 7.00%, (2020 : 7.50%)

Attrition Rate - 6%, (2020 : 6%)

Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2002: IALM-2012-2014).

30. DEFERRED TAX LIABILITY (NET)

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Deferred tax assets					
Carry forward of losses		72,541,062	388,105,960	(315,564,898)	146,354,710
		72,541,062	388,105,960	(315,564,898)	146,354,710
Deferred tax liability					
Property and equipment		(14,636,941)	23,672,621	38,309,562	(339,383)
Investment property		14,805,187	11,405,282	(3,399,905)	328,150
Net defined benefit assets		15,972,874	8,565,256	(6,279,750)	(4,489,930)
Available for sale assets		60,962,486	70,685,381		
		77,103,605	114,328,539		
Deferred income tax charge/(reversal)				(286,934,991)	141,853,546
Deferred income tax charge/(reversal) - OCI					
Net defined benefit assets				(1,127,868)	2,438,557
Available for sale assets				9,722,895	(29,993,184)
Property and equipment				-	-
Investment property				-	-
				8,595,027	(27,554,627)
Net deferred tax liability or assets		(4,562,543)	273,777,420		

31. PROVISIONS

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Provision for loss		126,431,441	127,142,335	126,431,441	127,142,335
		126,431,441	127,142,335	126,431,441	127,142,335

32. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		Nu	Nu	Nu	Nu
		31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
Policyholders payment in advance		116,152,663	103,621,533	116,152,663	103,621,533
Agency commission payable		28,260,470	32,225,715	28,260,470	32,225,715
Bonus payables		577,896,353	512,044,267	577,896,353	512,044,267
Deposits		43,354,081	22,988,588	43,354,081	22,988,588
Other		587,579,643	219,230,577	587,579,643	219,230,577
Total trade and other payables		1,353,243,210	890,110,681	1,353,243,210	890,110,681

33 SHARE CAPITAL

Authorized and issued share capital					
Authorized share capital					
Equity shares of Nu.10 (Previous year 10 each)		5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Equity shares issued and fully paid			-		
At beginning of the year		1,400,001,800	1,400,001,800	1,400,001,800	1,400,001,800
Rights share issued		-	-	-	-
Bonus share issued during the year		-	-	-	-
At end of the year		1,400,001,800	1,400,001,800	1,400,001,800	1,400,001,800
All Equity shares issued are fully paid.					

34. CONTINGENCIES AND COMMITMENTS

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

	31st December, 2021	31st December, 2020	31st December, 2021	31st December, 2020
As at				
Commitments				
Contracts remaining to be executed on Capital accounts	40,607,770	53,940,094	40,607,770	53,940,094
Contingent Liabilities				
Guarantees	1,779,613,043	1,694,060,896	1,779,613,043	1,694,060,896
	1,820,220,813	1,748,000,990	1,820,220,813	1,748,000,990

(35) FINANCIAL RISK MANAGEMENT**Insurance and financial risk****(a) Insurance risk**

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

The Group considered insurance risk to be a combination of the following components of risks:

- * Product design risk;
- * Underwriting and expense overrun risk;
- * Claims risk

Life Insurance contracts

Product design risk

Life insurance contracts offered by the Group include term assurance, endowment plans, annuity plans and group plans.

Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Endowment products acquire a surrender value upon completion of three years.

The main risks that the Company is exposed to under product design risk are as follows:

Mortality risk:	risk of loss arising due to policyholders' death experience being different from expected
Morbidity risk:	risk of loss arising due to policyholders' health experience being different from expected
Investment return risk:	risk of loss arising from actual returns being different from expected
Expense risk:	risk of loss arising from the expense experience being different from expected
Policyholder decision risk:	risk of loss arising due to policyholder's experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

Underwriting and expense overrun risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits.

Thus is largely achieved through prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions as well as detailed claims handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria.

The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, wider spread changes in lifestyle and natural disasters, resulting in earlier or more than expected.

Some of the specific actions by the Group to mitigate the underwriting risk are shown below.

Life Underwriting Risk Management

An in-house Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions. The company have also appointed an external consultant actuary M/s. TransValue Consultants to review the LAT of the business.

Claims risk

Risk arises due to the possibility that the frequency of claims arising from life insurance contracts exceeds the expected level when pricing the products.

Some of the specific actions by the Company to mitigate the underwriting risks are shown below.

Life Claims Risk Management

An in-house Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions. The company have also appointed an external consultant actuary M/s. TransValue Consultants to review the LAT of the business.

Claims are reserved immediately at intimation or on the availability of information of the death or injury of insured.

(35) FINANCIAL RISK MANAGEMENT (Contd..)

Key assumptions for valuation of liabilities in Life Insurance

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data used by the Consulting Acatuary.

Assumptions and prudent estimated are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on standard mortality tables which are used by the industry.

Longevity

Longevity is not applicable for the Group as the products offered are for a limited term.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders after acquiring surrender value.

An increase in lapse rates early in the life of the policy would tend to reduce profit for shareholders, but later increments are broadly neutral in effect.

Discount Rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash flows.

A decrease in the discount rate will increase the value of the insurance liabilities and therefore reduces profits for the shareholders.

Non- Life Insurance Contracts

Product design risk;

The Company principally issues the following main types of Non- Life Insurance contracts.

- Motor
- Fire
- Miscellaneous

The significant risk arising under the Non- Life Insurance portfolio emanates from changes in the climate leading to natural disasters, behavioural trends of people due to change in life styles and the steady escalation of costs in respect of spare parts in the auto industry.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Furthermore, a strict claim review process to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit exposure to catastrophic events (landslides, earthquakes, floods etc.)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes.

The Company uses its own risk management framework to a risk that the assumptions and techniques used in these assessments could fail or that claims arising from an unassessed event is greater than those arising from an assessed event.

Some of the specific actions by the Company to mitigate Non-Life Insurance Risks are shown below.

(35) FINANCIAL RISK MANAGEMENT (Contd..)**Reinsurance Risk**

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Company's net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

Premium ceded to the reinsurers is in accordance with the terms on the programmes already agreed based on the risks written by the Company. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company.

Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer. The Company's placement of reinsurance is arranged in a manner (particularly in Non-Life Insurance as the exposure is very high) that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract.

Some of the specific actions by the Company to mitigate Reinsurance Risk are shown below.

- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time
- Every close and professional relationship is maintained with all reinsurers
- No cover is issued without a confirmed reinsurance in place
- Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used

The following table show the credit ratings of the reinsurance companies with whom the Company has arrangements.

Reinsurer	Rating	Rating Agency
General Insurance Corporation of India Limited	A-	AM Best
National Insurance Company Limited	C++	ICRA Limited
Oriental Insurance Company Limited	B++	CRISIL Ratings Ltd.
United India Insurance Company Limited	No rating	
New India Assurance Company Limited	A-	AM Best
Asian Reinsurance Corporation Limited	B+	AM Best
Munich Re	A+	AM Best
Hannover Re	A+	AM Best
Asian Capital Reinsurance Group	No rating	
Swiss Re	AA-	S&P Ratings
XL CATLIN syndicate	No rating	
ARIG (Arab Reinsurance Group) RE	B-	AM Best

Trust Re	B+	
RSA Insurance Company	A	Fitch Ratings
Cathedral Syndicate	A+	S&P Ratings
Canopus Syndicate	A-	AM Best
AlG Europe Ltd	A2	Moody's Rating
Ironshore Europe Ltd	A-	AM Best
Kiln Syndicate	A	AM Best
Meacok Syndicate	No rating	
AIG Asia Pacific Insurance Pte. Ltd.	A	AM Best
HDI Global SE	No rating	
Kuwait Re	A-	AM Best
Blenheim Syndicate	AA-	Fitch Ratings
Inter Hannover XIS	A	AM Best
AMTRUST Syndicate	No rating	
Skuld Syndicate	A	S&P Ratings
Korean Reinsurance Company	A	AM Best
Allianz Global corporate & specialty	A+	AM Best
Eurasia Insurance Company JSC	B++	AM Best
SOGAZ	No rating	
Misr Insurance Company	No rating	
Zep Re	No rating	

(35) FINANCIAL RISK MANAGEMENT (Contd..)

(b) Financial Risk Management

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is mainly exposed to;

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk
- Interest Rate Risk

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated its authority to the Management Committee (MC) which is responsible for developing and monitoring Group's risk management policies. The MC consists of Chief Executive Officer and all Departmental General Managers. Meetings of MC are held regularly, and the Board of Directors are duly updated of its activities. The management has also established Risk Management Division. The key risk indicators are identified and reported to the Board Risk Management Committee on regular basis.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Integrated Risk Management Unit

The Business units (i.e. Departments & Branches Offices etc.) have primary responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the second line of defense and reports to the Group Risk Officer.(GRO) who, in turn, directly reports to the Board Risk Management Committee.(BRMC).

ALCO Committee

ALCO is Chaired by the Chief Executive Officer and the members includes General Managers from business departments. The Committee meets regularly to monitor and manage the overall liquidity position to keep the Group's liquidity at healthy levels, whilst satisfying regulatory requirements.

Risk Measurement & Reporting

The Group's Risks are measured using appropriate techniques based on the type of risk, and industry best practices.

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept (Risk Appetite).

Risk Mitigation

As part of its overall risk management, the Group obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Group and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

Credit risk

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. During the current year the company faced heightened credit risk with the economy affected with the COVID pandemic.

The Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The Concentration risk is monitored/managed through borrower/group, Sector etc.. Maximum exposure to a Company and group as at the balance sheet date was Nu. xx & Nu xx. respectively. The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including geography of counterparty, and sector .

LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence the Group may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Royal Insurance Corporation of Bhutan Limited maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow.

The Group also has committed lines of credit that could be utilized to meet liquidity needs. Further, the Group maintains a statutory deposit with the various banks in Bhutan. In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Group. The most important of these is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement. Liquid assets consist of cash, short-term Group deposits and liquid debt securities available for immediate sale.

35. FINANCIAL RISK MANAGEMENT (Contd..)

(c) Fair value of Financial Instruments

A. Determination of fair value hierarchy								
	Group				Company			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
31 December 2021								
Financial Investments Available for sale								
Quoted Equities	-	-	494,515,937	494,515,937	-	-	494,515,937	494,515,937
Loans & Receivables								
Loans & Advances to Employees	-	320,331,476	-	320,331,476	-	320,331,476	-	320,331,476
31 December 2020								
Financial Investments Available for sale								
Quoted Equities	-	-	427,430,586	427,430,586	-	-	427,430,586	427,430,586
Loans & Receivables								
Loans & Advances to Employees	-	222,575,058	-	222,575,058	-	222,575,058	-	222,575,058

A. Determination of fair value hierarchy (contd.,)

Set out below is a comparison, by class of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements.

This table does not include the fair value of non-financial assets & non financial liabilities.

	Group				Company			
	2021		2020		2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets								
Financial Investments available for sale	559,068,672	4,107,312,588	459,573,672	695,191,608	559,068,672	4,107,312,588	459,573,672	695,191,608
Loans and advances to customers	20,793,145,767	15,566,826,266	20,996,927,124	15,630,344,370	20,793,145,767	15,566,826,266	20,996,927,124	15,630,344,370
Statutory investment	-	-	-	-	-	-	-	-
Long term investment	-	-	-	-	-	-	-	-
Insurance Receivables	502,521,291	498,381,756	472,161,565	469,368,730	502,521,291	498,381,756	472,161,565	469,368,730
Other Assets	891,463,258	891,463,258	388,901,044	388,901,044	891,463,258	891,463,258	388,901,044	388,901,044
Cash and Cash Equivalents	1,107,787,692	1,107,664,195	3,597,531,816	3,597,344,815	1,107,787,692	1,107,664,195	3,597,531,816	3,597,344,815
	23,853,986,680	22,171,648,062	25,915,095,221	20,781,150,568	23,853,986,680	22,171,648,062	25,915,095,221	20,781,150,568
Financial Liabilities								
Insurance contract liabilities	7,843,103,820	7,843,103,820	6,953,741,482	6,953,741,482	7,843,103,820	7,843,103,820	6,953,741,482	6,953,741,482
Reinsurance contract liabilities	36,365,685	36,365,685	34,068,255	34,068,255	36,365,685	36,365,685	34,068,255	34,068,255
Investment contract liabilities	4,730,963,051	4,730,963,051	4,937,013,658	4,937,013,658	4,730,963,051	4,730,963,051	4,937,013,658	4,937,013,658
Insurance Payable	1,315,217,997	1,315,217,997	858,746,027	858,746,027	1,315,217,997	1,315,217,997	858,746,027	858,746,027
Debt issued and other borrowed funds	1,834,439,168	1,834,439,168	2,925,545,725	2,925,545,725	1,834,439,168	1,834,439,168	2,925,545,725	2,925,545,725
Provisions	126,431,441	126,431,441	127,142,335	127,142,335	126,431,441	126,431,441	127,142,335	127,142,335
Trade and other payables	1,353,243,210	1,353,243,210	890,110,681	890,110,681	1,353,243,210	1,353,243,210	890,110,681	890,110,681
	17,239,764,372	17,239,764,372	16,726,368,162	16,726,368,162	17,239,764,372	17,239,764,372	16,726,368,162	16,726,368,162

35. FINANCIAL RISK MANAGEMENT (Contd..)

(d) Credit Risk

Maximum Exposure to Credit Risk/Type of collateral or credit enhancement								
Fair value of Collateral or credit enhancement held								
31st December 2021	Maximum Exposure to credit Risk (Nu)	Cash	Properties		Net Collateral		Net Exposure	
Financial Assets								
Due from banks	4,087,268,612	-	-		4,087,268,612		4,087,268,612	
Loans & advances to customers	20,793,145,767	-	65,630,963,000		65,630,963,000		(44,837,817,233)	
Financial Liabilities								
Long term bond	1,834,439,168	-	-		-		1,834,439,168	
Term borrowings	-	-	-		-		-	
Fair value of Collateral or credit enhancement held								
31st December 2020	Maximum Exposure to credit Risk (Nu)	Cash	Properties		Net Collateral		Net Exposure	
Financial Assets								
Due from banks	3,315,296,588	-	-		3,315,296,588		3,315,296,588	
Loans & advances to customers	20,996,927,124	-	95,532,315,971		95,532,315,971		(74,535,388,847)	
Financial Liabilities								
Long term bond	2,925,545,725	-	-		-		2,925,545,725	
Term borrowings	-	-	-		-		-	
Credit quality by class of financial asset								
The table below shows the credit quality by class of assets for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowance								
31st December 2021	Group				Company			
	Neither past due nor Individually impaired	Past due but not impaired individually	Individually Impaired	Total	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Due from Banks	-	-	4,087,268,612	4,087,268,612	-	-	4,087,268,612	4,087,268,612
Loans & Advances to Customers	-	-	20,793,145,767	20,793,145,767	-	-	20,793,145,767	20,793,145,767

	Group				Company			
31st December 2020	Neither past due nor Individually impaired	Past due but not impaired individually	Individually Impaired	Total	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Due from Banks	-	-	3,315,296,588	3,315,296,588	-	-	3,315,296,588	3,315,296,588
Loans & Advances to Customers	-	-	20,996,927,124	20,996,927,124	-	-	20,996,927,124	20,996,927,124

35. FINANCIAL RISK MANAGEMENT (Contd..)

Liquidity Risk & Funding management MARKET RISK

Maturity analysis (Contractual undiscounted cash flow basis)						
31st December 2021	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	1,107,268,612	-	1,350,000,000	1,995,035,628	-	4,452,304,240
Loans & Advances to Customers	641,740,426	5,169,557	2,250,168,781	5,679,511,028	12,214,052,427	20,790,642,219
Financial Investments Available for Sale	4,107,312,588	-	-	-	-	4,107,312,588
Total undiscounted Assets	5,856,321,625	5,169,557	3,600,168,781	7,674,546,656	12,214,052,427	29,350,259,046
Debts Issued & Other Borrowed Funds	-	-	85,439,168	1,749,000,000	-	1,834,439,168
Total Undiscounted Liabilities	-	-	85,439,168	1,749,000,000	-	1,834,439,168
Net Undiscounted Financial Assets/ (Liabilities)	5,856,321,625	5,169,557	3,514,729,613	5,925,546,656	12,214,052,427	27,515,819,878
31st December 2020	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	630,296,588	735,000,000	-	2,219,324,053	-	3,584,620,641
Loans & Advances to Customers	412,149,234	(1,338)	3,259,146,798	5,291,918,126	12,032,154,464	20,995,367,284
Financial Investments Available for Sale	695,191,608	-	-	-	-	695,191,608
Total undiscounted Assets	1,737,637,430	734,998,662	3,259,146,798	7,511,242,179	12,032,154,464	25,275,179,533
Debts Issued & Other Borrowed Funds	-	-	176,545,725	2,749,000,000	-	2,925,545,725
Total Undiscounted Liabilities	-	-	176,545,725	2,749,000,000	-	2,925,545,725
Net Undiscounted Financial Assets/ (Liabilities)	1,737,637,430	734,998,662	3,082,601,073	4,762,242,179	12,032,154,464	22,349,633,808
Liquidity Risk & Funding management						
The table shows the contractual expiry by maturity of banks contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date.						
31st December 2021	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	10,513,570	1,129,828,583	631,660,712	7,610,178	1,779,613,043
	-	10,513,570	1,129,828,583	631,660,712	7,610,178	1,779,613,043
31st December 2020	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	3,731,682	1,247,279,094	440,439,943	2,610,178	1,694,060,896
	-	3,731,682	1,247,279,094	440,439,943	2,610,178	1,694,060,896

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 and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

MARKET RISK – NON-TRADING 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 Group's policy is to continuously monitor positions on a daily basis to ensure positions are maintained within prudential levels.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement and equity.

Interest rate sensitivity – interest rate risk analysis of assets and liabilities

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

Comments on Guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position. Commitments & Contingencies according to the remaining matures as 31 December 2021 has summarized below.

35. FINANCIAL RISK MANAGEMENT (Contd..)

Market Risk – Interest Rate Risk

31st December 2021			
Currency of Borrowing/Advance	Increase/ (decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	295,875,412	295,875,412
	-10%	(295,875,412)	(295,875,412)
31st December 2020			
Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/ (Loss)	Sensitivity of Equity
Nu	+10%	244,955,620	244,955,620
	-10%	(244,955,620)	(244,955,620)

Market Risk – Interest Rate Risk (Contd,)

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

31st December 2021	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Due from Banks	1,107,268,612	-	1,350,000,000	1,995,035,628	-	-	4,452,304,240
Loans & Advances to Customers	641,740,426	5,169,557	2,250,168,781	5,679,511,028	12,214,052,427	-	20,790,642,219
Financial Investments Available for Sale	4,107,312,588	-	-	-	-	-	4,107,312,588
Total Assets	5,856,321,625	5,169,557	3,600,168,781	7,674,546,656	12,214,052,427	-	29,350,259,046
Debts Issued & Other Borrowed Funds	-	-	85,439,168	1,749,000,000	-	-	1,834,439,168
Total Liabilities	-	-	85,439,168	1,749,000,000	-	-	1,834,439,168
31st December 2020	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Due from Banks	630,296,588	735,000,000	-	2,219,324,053	-	-	3,584,620,641
Loans & Advances to Customers	412,149,234	(1,338)	3,259,146,798	5,291,918,126	12,032,154,464	-	20,995,367,284
Financial Investments Available for Sale	695,191,608	-	-	-	-	-	695,191,608
Total Assets	1,737,637,430	734,998,662	3,259,146,798	7,511,242,179	12,032,154,464	-	25,275,179,533
Debts Issued & Other Borrowed Funds	-	-	176,545,725	2,749,000,000	-	-	2,925,545,725
Total Liabilities	-	-	176,545,725	2,749,000,000	-	-	2,925,545,725

CURRENCY RISK

Currency risk arises as a result of fluctuations in the value of a financial instruments due to changes in foreign exchange rates. The Company's Board has set limits on positions by currency. In accordance with the Company's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Nu., with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Nu. would have resulted in an equivalent but opposite impact.

EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. Investment Committee reviews and approves all equity investment decisions.

OPERATIONAL RISK

Operational risk is the risk of losses arising from 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. Strategic and Reputational Risks are not covered in Operational Risk.

Operational Risks of the Company are mitigated and managed through a control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Group Chief Risk

Officer, and the Board Risk Management Committee maintains a high level overall supervision of managing Operational Risks of the Company.

35. FINANCIAL RISK MANAGEMENT (Contd..)

Geographical Risk

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

Financial Assets	Thimphu	Chukha	Punakha	Samdrup Jongkhar	Others	Total
Loans & Advances to Customers	13,754,973,426	2,997,542,701	415,926,371	232,578,205	3,389,621,516	20,790,642,219
	13,754,973,426	2,997,542,701	415,926,371	232,578,205	3,389,621,516	20,790,642,219
2020						
Financial Assets	Thimphu	Chukha	Punakha	Samdrup Jongkhar	Others	Total
Loans & Advances to Customers	14,166,817,087	2,850,212,259	362,420,556	218,745,921	3,397,171,462	20,995,367,284
	14,166,817,087	2,850,212,259	362,420,556	218,745,921	3,397,171,462	20,995,367,284

36. LOANS AND ADVANCES TO CUSTOMERS

	2021	2020
Card Loan	919,134,939	969,097,660
Overdraft	6,042,135,465	6,442,703,987
Housing	2,944,848,454	2,817,466,031
Personal	514,100,886	595,167,111
Service,T&C,P&M	8,798,679,351	8,698,633,633
Transport	1,112,095,703	1,089,045,164
Others	139,315,944	91,134,781
Employee Loans	320,331,476	292,118,917
At 31 December	20,790,642,219	20,995,367,284
Less: Interest Suspense	1,261,945,926	1,379,335,168
Less: Allowance for ECL/impairment losses (Individual & Collective)	3,963,910,025	3,982,884,839
	15,564,786,268	15,633,147,277

(a) Impairment allowance for loans and advances to customers

Housing

The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the company's internal grading system are explained in Note 37.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 36(g).

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Collective	Collective	Ind/Coll	Total
Current	1,436,312,624			1,436,312,624	1,310,137,287			1,310,137,287
1-30 Days Passed Due	393,589,992			393,589,992	272,132,697			272,132,697
31-60 Days Passed Due		283,000,670		283,000,670		110,960,293		110,960,293
61-90 Days Passed Due		258,773,484		258,773,484		287,761,337		287,761,337
90 Days & Above			573,171,683	573,171,683			836,474,417	836,474,417
Individually impaired								-
Total	1,829,902,617	541,774,155	573,171,683	2,944,848,454	1,582,269,984	398,721,630	836,474,417	2,817,466,031

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

	Stage 1	Stage 2	Stage 3	
	Collective	Collective	Ind/Coll	Total
Gross carrying amount as at 1 January 2021	1,582,269,984	398,721,630	836,474,417	2,817,466,031
New assets originated	33,721,041	21,911,144	8,407,911	64,040,096
Assets derecognised or repaid	(104,547,361)	184,750,468	(16,860,780)	63,342,327
Transfers from Stage 1	(12,241,414)	12,241,414	-	-
Transfers from Stage 2	75,850,502	(75,850,502)		-
Transfers from Stage 3	254,849,865	-	(254,849,865)	-
At 31 December 2021	1,829,902,617	541,774,155	573,171,683	2,944,848,454

(b) Impairment allowance for loans and advances to customers

Personal

The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the company's internal grading system are explained in Note 37.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 36(g).

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Collective	Collective	Ind/Coll	Total
Current	197,113,283			197,113,283	226,557,780			226,557,780
1-30 Days Passed Due	53,060,281			53,060,281	58,482,012			58,482,012
31-60 Days Passed Due		22,983,706		22,983,706		18,506,034		18,506,034
61-90 Days Passed Due		150,437,621		150,437,621		175,926,280		175,926,280
90 Days & Above			90,505,995	90,505,995			115,695,006	115,695,006
Individually impaired								-
Total	250,173,564	173,421,327	90,505,995	514,100,886	285,039,792	194,432,314	115,695,006	595,167,111

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

	Stage 1	Stage 2	Stage 3	
	Collective	Collective	Ind/Coll	Total
Gross carrying amount as at 1 January 2021	285,039,792	194,432,314	115,695,006	595,167,111
New assets originated	11,799,003	7,847,209		19,646,211
Assets derecognised or repaid	(106,257,683)	9,506,872	(3,961,627)	(100,712,437)
Transfers from Stage 1	(822,635)	803,089	19,546	(0)
Transfers from Stage 2	36,970,939	(45,000,987)	8,030,048	-
Transfers from Stage 3	23,444,147	5,832,831	(29,276,978)	-
At 31 December 2021	250,173,564	173,421,327	90,505,995	514,100,886

**(c) Impairment allowance for loans and advances to customers
Service,T&C,P&M**

The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the company's internal grading system are explained in Note 37.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 36(g).

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Delinquency Grades	Collective	Collective	Ind/Coll		Collective	Collective	Ind/Coll	
Current	2,688,500,287			2,688,500,287	2,416,206,748			2,416,206,748
1-30 Days Passed Due	1,068,942,323			1,068,942,323	1,091,753,388			1,091,753,388
31-60 Days Passed Due		688,154,156		688,154,156		366,102,135		366,102,135
61-90 Days Passed Due		3,498,914,913		3,498,914,913		2,548,225,617		2,548,225,617
90 Days & Above			854,167,673	854,167,673			2,276,345,745	2,276,345,745
Individually impaired								
Total	3,757,442,610	4,187,069,068	854,167,673	8,798,679,351	3,507,960,136	2,914,327,752	2,276,345,745	8,698,633,633

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

	Stage 1	Stage 2	Stage 3	
	Collective	Collective	Ind/Coll	Total
Gross carrying amount as at 1 January 2021	3,507,960,136	2,914,327,752	2,276,345,745	8,698,633,633
New assets originated	39,475,313	26,190,702	33,561,258	99,227,273
Assets derecognised or repaid	(85,507,535)	165,420,020	(79,094,040)	818,445
Transfers from Stage 1	(347,088,784)	338,658,388	8,430,397	(0)
Transfers from Stage 2	240,644,883	(246,863,589)	6,218,706	-
Transfers from Stage 3	401,958,596	989,335,796	(1,391,294,392)	-
At 31 December 2021	3,757,442,610	4,187,069,068	854,167,673	8,798,679,351

**(d) Impairment allowance for loans and advances to customers
Transport**

The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system and year-end stage classification. The amounts

presented are gross of impairment allowances. Details of the company's internal grading system are explained in Note 37.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 36(g).

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Collective	Collective	Ind/Coll	Total
Current	345,578,939			345,578,939	264,740,637			264,740,637
1-30 Days Passed Due	224,730,303			224,730,303	199,686,569			199,686,569
31-60 Days Passed Due		219,106,544		219,106,544		104,303,472		104,303,472
61-90 Days Passed Due		135,831,789		135,831,789		229,459,844		229,459,844
90 Days & Above			186,848,128	186,848,128			290,854,642	290,854,642
Individually impaired								
Total	570,309,242	354,938,333	186,848,128	1,112,095,703	464,427,206	333,763,315	290,854,642	1,089,045,164

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

	Stage 1	Stage 2	Stage 3	
	Collective	Collective	Ind/Coll	Total
Gross carrying amount as at 1 January 2021	464,427,206	333,763,315	290,854,642	1,089,045,164
New assets originated	55,960,416	49,736,702	6,091,318	111,788,436
Assets derecognised or repaid	(93,457,709)	8,135,615	(3,415,803)	(88,737,897)
Transfers from Stage 1	(31,233,591)	31,233,591	-	-
Transfers from Stage 2	101,450,477	(101,995,706)	545,229	(0)
Transfers from Stage 3	73,162,443	34,064,815	(107,227,258)	-
At 31 December 2021	570,309,242	354,938,333	186,848,128	1,112,095,703

(e) Impairment allowance for loans and advances to customers Overdraft

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Collective	Collective	Ind/Coll	Total
Current	2,627,981,862			2,627,981,862	1,807,282,251			1,807,282,251
1-30 Days Passed Due	455,393,469			455,393,469	470,447,962			470,447,962
31-60 Days Passed Due		78,360,676		78,360,676		43,555,441		43,555,441
61-90 Days Passed Due		13,362,806		13,362,806		25,765,281		25,765,281
90 Days & Above			2,867,036,652	2,867,036,652			4,095,653,052	4,095,653,052
Individually impaired								
Total	3,083,375,331	91,723,482	2,867,036,652	6,042,135,465	2,277,730,213	69,320,722	4,095,653,052	6,442,703,987

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

	Stage 1	Stage 2	Stage 3	
	Collective	Collective	Ind/Coll	Total
Gross carrying amount as at 1 January 2021	2,277,730,213	69,320,722	4,095,653,052	6,442,703,987
New assets originated	41,388,337	15,677,195	3,887,841	60,953,374
Assets derecognised or repaid	764,863,158	6,119,188	(1,232,504,241)	(461,521,896)
Transfers from Stage 1	(8,365,913)	8,365,913	-	-

Transfers from Stage 2	7,759,536	(7,759,536)		-
Transfers from Stage 3				-
At 31 December 2021	3,083,375,331	91,723,482	2,867,036,652	6,042,135,465

(f) Impairment allowance for loans and advances to customers**Card Loan**

The table below shows the credit quality and the maximum exposure to credit risk based on the company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the company's internal grading system are explained in Note 37.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 36(g).

	2021				2020			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Collective	Collective	Ind/Coll	Total
Current	671,606,792			671,606,792	508,323,914			508,323,914
1-30 Days Passed Due	73,865,541			73,865,541	101,281,280			101,281,280
31-60 Days Passed Due		21,020,094		21,020,094		34,133,346		34,133,346
61-90 Days Passed Due		15,242,272		15,242,272		10,882,761		10,882,761
90 Days & Above			137,400,240	137,400,240			314,476,359	314,476,359
Individually impaired								
Total	745,472,334	36,262,366	137,400,240	919,134,939	609,605,194	45,016,108	314,476,359	969,097,660

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

	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective	Ind/Coll	
Gross carrying amount as at 1 January 2021	609,605,194	45,016,108	314,476,359	969,097,660
New assets originated			-	-
Assets derecognised or repaid	122,337,527	4,775,871	(177,076,119)	(49,962,721)
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	13,529,613	(13,529,613)		-
Transfers from Stage 3	-		-	-
At 31 December 2021	745,472,334	36,262,366	137,400,240	919,134,939

(g) Impairment allowance as at 31st December 2021

An analysis of the allowance for impairment losses under BFRS 9 for loans and advances, by class, for the year to 31st December 2021 is, as follows:

2021	Overdraft	Card Loan	Housing	Transport	STP	Personal	Others	Guarantees	Total
At 1 January 2021	1,545,231,302	124,459,999	501,362,630	83,787,900	1,650,086,947	70,375,878	6,252,998	1,327,184	3,982,884,839
Charge/ Reversal for the year	(256,755,731)	5,585,337	4,747,960	(42,074,244)	268,170,496	(2,089,645)	1,845,264	1,595,750	(18,974,814)
At 31 December 2021	1,288,475,571	130,045,335	506,110,590	41,713,656	1,918,257,443	68,286,234	8,098,262	2,922,934	3,963,910,025
Made up of:									
Individual impairment	-	-	-	-	-	-	-	-	-

Collective impairment:	1,288,475,571	130,045,335	506,110,590	41,713,656	1,918,257,443	68,286,234	8,098,262	2,922,934	3,963,910,025
	1,288,475,571	130,045,335	506,110,590	41,713,656	1,918,257,443	68,286,234	8,098,262	2,922,934	3,963,910,025
Gross amount of loans individually determined to be impaired	-	-	-	-	-	-	-	-	-

(h) Contingent liabilities, commitments

To meet the financial needs of customers, the company enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the company.

Letters of credit and guarantees (including standby letters of credit) commit the company 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. The nominal values of such commitments are listed below:

Commitments	2021	2020
Contracts remaining to be executed on Capital accounts	40,607,770	55,767,571
	40,607,770	55,767,571
Contingent Liabilities		
In Nu. million	2021	2020
Financial guarantees	1,779,613,043	1,694,060,896
Other undrawn commitments	-	-
Total	1,779,613,043	1,694,060,896

Other Contingent Liabilities

The pending court cases during the year includes recovery suits filed by RICB against the borrowers. The required provision against all such cases are being provided in the accounts. There are no other cases filed against the company for which the company will be held financially liable.

11.1. Impairment losses on guarantees and other commitments

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

11.1.1. Financial guarantees

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

Outstanding exposure

	2021				2020
	Stage 1	Stage 2	Stage 3		
Delinquency Grades	Collective	Collective	Ind/Coll	Total	Total
Current					
1-30 Days Passed Due					
31-60 Days Passed Due					
61-90 Days Passed Due		1,779,613,043		1,779,613,043	1,694,060,896
90 Days & Above					
Total	-	1,779,613,043	-	1,779,613,043	1,694,060,896

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

	Stage 1	Stage 2	Stage 3	
	Individual	Individual		Total
Outstanding exposure as at 1 January 2021		1,694,060,896	-	1,694,060,896
New exposures		85,552,147	-	85,552,147
Exposure derecognised or matured/ lapsed (excluding write offs)			-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31st December 2021	-	1,779,613,043	-	1,779,613,043

37.1. Risk Management continued**37.2. Credit risk continued****37.3. Impairment assessment (Policy applicable from 1 January 2018) continued****37.4. The company's internal rating process continued****Treasury, trading and interbank relationships**

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

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank (Royal Monetary Authority of Bhutan). Of the total of 13 sector classification, this report categories them in top major sectors, in accordance to the size of the portfolios. The highest sector under this classification as per the RICB's closing books, 2021 is the Service, Trade & Commerce, Production and Manufacturing followed by Housing Loans, Transport loan and Personal loans.

Sector wise portfolios

1. Service, T & C , P&M carries the highest sectorial loan concentration with 42.32% as of December 31, 2021. Housing Loan consists of Home loan and Commercial loans.
2. Trade and Commerce: Loans provided for business purposes; retail, wholesale and others. This has 2nd highest credit concentration.
3. Services: Loans against Hotel and tourism, schools, ICT, Health services and loans to service sectors fall under this category.
4. Production and Manufacturing: The top four in the credit exposure is occupied by this sector. Any production and manufacturing industries fall under this sector. E.g. Hydropower, mining, manufacturing industries, handicrafts, wood based products, etc.
5. Transport Loan. Loans provided for transportation be it public or private are classified under this sector with concentration of 5.35 % of the total portfolio.

Project loans (Services, Manufacturing and Industry loans)

For project loans, the appraisal process is different from other loans. The credit risk assessment is based on the behaviour of the customer and the RMA classification based on the past due status. Further, the RICB considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information bureau, Central Registry System, National Land Commission and other competent entities. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail loans

Consumer lending comprises PPF Loan, Personal Loan, Education loans and Transport Loans (private cars). These products along with retail mortgages and some of the less complex small business lending are assessed primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

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

The RICB's Delinquency status

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

37.1. Risk Management continued**37.2. Credit risk continued****37.3. Impairment assessment (Policy applicable from 1 January 2018) continued****37.4. Exposure at default**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

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

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

37.2.1. For all type of loans LGD values are assessed at least every months by Asst. credit officers in consultation with Credit Officers and reviewed and approved by the Credit Head/Branch Managers. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

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

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

37.2.2. Significant increase in credit risk

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

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

37.1. Risk Management continued**37.2. Credit risk continued****37.3. Impairment assessment (Policy applicable from 1 January 2018) continued****37.4. Grouping financial assets measured on a collective basis**

As explained in Note 2.7 (refer ECL, section 2.7 (k)) dependant on the factors below, the RICB calculates ECLs either on a collective or an individual basis.

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

Asset classes where the RICB calculates ECL on a collective basis include:

- Customers below the Individually Significant threshold of 25%

The RICB groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Collateral Type
- Sectors classification
- Loan Amount

37.1. Risk Management continued**37.2. Credit risk continued****37.5. Analysis of inputs to the ECL model under multiple economic scenarios per geographic Regions**

An overview of the approach to estimating ECLs is set out in Note 2.7 Summary of significant accounting policies and in Note 2.7 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (RMA Published data, IMF & World Bank.) and a team of economists within its CSR verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for each of the four geographical segments, as at 31 December 2021 and 2022.

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

31-Dec-21								
Key drivers	ECL Scenario	Assigned Probabilities	2021	2022	2023	2024	2025	Subsequent years
		%	%	%	%	%	%	%
GDP growth %								
	Base Case	30	3.30	3.30	3.30	3.30	3.30	3.30
	Best Case	30	3.30	3.64	3.96	4.31	4.68	4.86
	Worse Case	40	3.30	2.86	2.76	2.66	2.56	2.36
Inflation Rates %								
	Base Case	30	6.00	6.00	6.00	6.00	6.00	6.00
	Best Case	30	6.00	5.75	5.69	5.63	5.57	5.44
	Worse Case	40	6.00	6.17	6.33	6.48	6.64	6.71
Interest Rate %								
	Base Case	30	10.97	10.97	10.97	10.97	10.97	10.97
	Best Case	30	10.97	10.60	10.51	10.42	10.33	10.13
	Worse Case	40	10.97	11.22	11.45	11.68	11.92	12.02
Exchange rates (USD \$ to Ngultrum BTN)								
	Base Case	30	73.70	75.55	77.44	79.38	81.37	83.40
	Best Case	30	73.70	75.88	78.12	80.42	82.80	85.24
	Worse Case	40	73.70	78.16	82.88	87.89	93.21	98.84
Unemployment rates %								
	Base Case	30	4.70	4.70	4.70	4.70	4.70	4.70
	Best Case	30	4.70	4.58	4.55	4.52	4.49	4.42
	Worse Case	40	4.70	4.78	4.86	4.93	5.01	5.04

37.1. Risk Management continued**37.2. Credit risk continued****37.5. Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions**

1-Jan-21								
Key drivers	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024	Subsequent years
		%	%	%	%	%	%	%
GDP growth %								
	Base Case	30	5.45	5.45	5.45	5.45	5.45	5.45
	Best Case	30	5.45	5.59	5.71	5.83	5.96	6.02
	Worse Case	40	5.45	5.25	5.20	5.16	5.11	5.00
Inflation Rates %								
	Base Case	30	7.72	7.72	7.72	7.72	7.72	7.72
	Best Case	30	7.72	7.31	7.21	7.11	7.01	6.79
	Worse Case	40	7.72	8.01	8.27	8.54	8.82	8.94
Interest Rate %								
	Base Case	30	10.47	10.47	10.47	10.47	10.47	10.47
	Best Case	30	10.47	9.91	9.78	9.65	9.51	9.22
	Worse Case	40	10.47	10.86	11.22	11.58	11.95	12.12

Exchange rates (USD \$ to Ngultrum BTN)			-	-	-	-	-	-
	Base Case	30	74.39	77.14	79.99	82.94	86.01	89.18
	Best Case	30	74.39	76.59	78.85	81.18	83.57	86.04
	Worse Case	40	74.39	78.97	83.83	88.99	94.47	10.00
Unemployment rates %			-	-	-	-	-	-
	Base Case	30	5.00	5.00	5.00	5.00	5.00	5.00
	Best Case	30	5.00	4.89	4.86	4.83	4.80	4.74
	Worse Case	40	5.00	5.08	5.15	5.21	5.28	5.31

38. Related Party Transactions

The Company 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 of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

38.1. Parent and Ultimate Controlling Party

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

38.2. 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 Company (including both Executive and Non Executive Directors), key employees who are holding directorship in Subsidiary companies of the Company.

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 dependents of the KMPs and the KMPs domestic partner.

Name of Board of Directors:

1. Dasho Wangchuk Dorji
2. Mr. Dubthob Wangchug
3. Mr. Bhanu B Chhetri
4. Mr. Ugyen Wangdi
5. Mr. Sangay Tenzin
6. Mr. Karma

Name of the Companies where Directors/KMP are interested :

1. M/s Tashi Air Pvt. Ltd.
2. M/s Bhutan Silicon Metal (P) Ltd.
3. M/s Tashi commercial corporation
4. M/s Tashi Thuendel Lerig Pvt. Ltd.
5. M/s Bhutan Hyundai Motors
6. M/s Druk Petroleum Corporation Limited
7. M/s Bhutan International Company

38.3. Transactions, Arrangements and Agreements Involving KMPs and Their CFMs**38.3.1. Loans and Advances to KMPs and their CFMs are detailed below:**

		O/s as on 31.12.21	O/s as on 31.12.20
1	M/s Tashi Air Pvt. Ltd.	29,488,822	9,868,948
2	M/s Bhutan Silicon Metal (P) Ltd.	485,667,748	476,364,102
3	M/s Tashi commercial corporation	5,868,405	5,413,790
3	M/s Bhutan International Company	1,418,036	4,776,349
4	M/s Tashi Thuendel Lerig Pvt. Ltd.	3,429,030	3,693,423
5	M/s Bhutan Hyundai Motors	2,188	2,061
6	M/s Druk Petroleum Corporation Limited	4,185,563	4,946,870
		530,059,792	505,065,542

38.3.2. Insurance Policies on KMPs and their CFMs are detailed below:

		2021	2020
	Insurance:		
	Dasho Wangchuk Dorji	444,453	679,849
	Ugyen Wangdi	35,478	34,488
	Dubthob Wangchug	1,080	-
	Karma	140,302	24,231
		621,313	738,568

38.3.3. Remuneration of KMP

Key Management Personnel Expenses Include		
	2021	2020
Mr. Karma:		
Remuneration	4,974,601	4,358,327
Other Benefits (sitting fees)	180,000	210,000
Total CEO remunerations	5,154,601	4,568,327
Directors Sitting Fee	2,415,000	1,830,000
	7,569,601	6,398,327

39. The mode of calculation of interest on loans was revised as per Royal Monetary Authority of Bhutan Circular No. FIRD/03/96/648 & 649 of September 1996. Accordingly, the total outstanding amount as at 30th September 1996 is treated as opening principal balance as at 1st October 1996 for calculation of interest on simple daily product method. Interest is charged on the principal balance outstanding.

As the entire Nation is gearing towards combating Covid19 it has not only effected human life but also led to a disruption in the entire chain of business across the country. The Royal Government of Bhutan and the Royal Monetary Authority issued two phases of monetary measures in response to Covid19 during the financial year 2020 which are aimed at providing short term monetary relief to sectors facing such financial distress in addition to assisting business and local production. The

Monetary measures were further extended till June 2022 through the issuance of Monetary Measure III during the year. The interventions are guided by His Majesty's wisdom to ensure that relief measures are adequate and inclusive. Features of the monetary measures applicable to RICB are as under:

Monetary measure phase - I

1. Deferment of loan repayments were provided for three months (April 2020 – June 2020) to all loan accounts (except loans to Government, loans to financial institutions and staff incentive loans).
2. Interest waiver for all loan accounts (except loans to Government, loans to financial institutions and staff incentive loans) for three months (April 2020 – June 2020). The interest waiver is calculated based on the loan outstanding balance as on 10th of April 2020. The cost of the interest waiver will be shared equally between the Government and the Financial Service Providers. 50% of the interest shall be provided as compensation from the Government and the remaining 50% shall be waived off by the Financial Service Providers. The corresponding amount of interest waiver provided by RICB amounted to Nu. 288,139,897.96 which is netted off from the total interest income.
3. No penal interest/late fees have been charged during the deferment period.
4. Soft working capital facilities for tourism related business has been provided at concessional interest rate of 5% per annum to meet operational expenses. The Company had not provided any such facility during the monetary measure phase I.

Monetary measure phase - II

1. In Continuation to monetary measure phase I, all loan repayments are deferred until 30th of June 2021.
2. The Druk Gyalpo's relief kidu support for interest payment was extended for another nine months (July 2020 – March 2021). All loan accounts except loans to Government, loans to financial institutions and staff incentive loans) were provided with interest support. The interest waiver will be calculated on the outstanding balance as 10th of April 2020 and the interest payment shall be as under:

Interest Payment	Period
100 percent of the interest payment shall be granted as the Druk Gyalpo's Relief Kidu from the National Resilience Fund.	1st July – 30th September 2020
50 percent of the interest payment shall be granted as the Druk Gyalpo's Relief Kidu from the National Resilience Fund. The remaining 50 percent shall be paid by the borrowers.	1st October 2020 – 31st March 2021

The company received Nu. 1,149,348,551 as interest waiver under the Druk Gyalpo's Relief Kidu during the year for the period April – December 2020.

3. No penal interest/late fees have been charged during the deferment period.
4. Financial Service Providers shall offer one percent interest rate reduction to borrowers who repay their EMLs (after necessary adjustment of interest waiver) regularly and fully as per the agreed repayment schedule during the entire deferment period. Since the loan borrowers would qualify for interest rebate only upon regular repayment till the end of the deferment period, the expenses on account of the same has not been accounted for during the year 2020.
5. Soft term loan to businesses (Bridging loans) has been provided at concessional interest rate of 5% per annum for a period of one year which is treated as gestation period. At the end of gestation period the interest accrued shall be amortized/ repaid over the period of four years. The Company had not provided any such facility during the monetary measure phase II.

Monetary measure phase - III

The Monetary Measure were extended further with the issuance of Monetary Measure phase III as on 30th of June 2021 with the following features:

1. All loans sanctioned till 30th June 2020 shall be eligible for the deferment of loan repayment till June 2022.
2. Late fees/penal interest shall not be charged on all the loans including new loans sanctioned after 30th June 2020.
3. The FSPs shall continue to provide one percent interest rate reduction (rebate) on term loans for another one year from July 2021 to June 2022 to the borrowers who service their loan in installments regularly and fully as per the agreed repayment schedule (after adjustment of 50 percent interest payment support) during the deferment period.
4. The interest waiver amounting to Nu. 1,085,766,132 under the Druk Gyalpo's Relief Kidu has been adjusted to the respective loan account during the financial year and Nu. 1,119,747 received in excess from the Government is shown under Other Payables.
5. In line with the Monetary measures interest rebate amounting to Nu. 2,681,674 pertaining to financial year 2020 was adjusted to 286 loan accounts with regular repayment during the deferment period. The Interest rebate to the eligible borrower for the current financial year 2021 has not been accounted for.

40. In line with the Guidelines on reclassification of old non-performing loans issued by RMA, total of 72 loan accounts amounting to Nu. 341,510,755 has been transferred to 'Asset pending foreclosure' under Interest, Rent and Other Receivables on the Balance Sheet. The total provisions amounting to Nu. 301,315,212 maintained against the loans as on 31/12/2020 were transferred to 'Reserve for loan loss' grouped under other payables on the Balance sheet.

41. Embezzlement of Funds

- In 2009, a fraud amount of Nu. 11,263,659 have been reported at Thimphu Regional Bank Account No. 292. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect. An amount of Nu. 529,608.95 was recovered during the year 2015 and Nu. 260,000.00 during the year 2017 against the embezzled amount and adjustments made in the accounts. During the year a sum of Nu. 500,000 is recovered and adjustments made accordingly.
- In 2009, there was a burglary case at Paro Branch office and the office safe has been stolen containing cash of Nu. 299,795, blank cheque books and a digital camera. The case is still pending with the Royal Bhutan Police as no one could be held responsible. Accordingly, in reference to this case amount aggregated to the extent of Nu. 299,795 had been already provided in the accounts.
- In 2011, a fraud amounting to Nu. 1,472,000 has been reported at Head Office Thimphu, in the General Insurance Department. During the year 2019 the defendant deposited Nu. 60,000 against the embezzled amount and the same is accordingly adjusted. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect. In 2020 a sum of Nu. 25,000 is recovered. During the year a sum of Nu. 176,387.10 was recovered and the adjustments made accordingly.
- In 2014, a fraud amounting to Nu. 865,058 have been reported at Dagana Branch, in the General Insurance Department and Credit and Investment Department. The Court decreed the defendant to pay Nu. 789,989.10 to RICB. Therefore, the amount of Nu. 98,523.94 was written off during the year as per court verdict. He paid Nu. 300,000 during 2019 and remaining

amount to be paid overtime. A sum of Nu. 100,000/- was recovered during the year 2020. During the year a sum of Nu. 15,133 is recovered and adjusted accordingly.

- In 2015, misappropriation of Nu. 98,000 have been reported at Pema Gatshel Branch, in the Credit and Investment Department. During the year 2019 an amount of Nu. 62,089.81 was recovered and all accounting adjustments made accordingly. The remaining amount is due to be recovered.
- In 2015, misappropriation of Nu. 3,993,791 have been reported in the Head Office, Thimphu. The matter is pending with the Court of law. The mentioned amount has been adjusted in the accounts and provision of Nu.1,985,651 were provided during the year 2015. Further provision of Nu. 292,379.30 was provided during the year 2016. During the financial year 2017 additional provision of Nu. 1,715,760 was provided. During the current year a sum of Nu. 195,760.69 is recovered and adjusted.
- In 2015, misappropriation of Nu. 93,249,102 have been reported in the Paro branch, in the Credit and Investment Department. The matter is pending with the High Court. Accordingly, provision of Nu. 60,000,000 have been created in the year 2015. Further, remaining provision of Nu. 33,249,102 have been provided during the financial year 2016. During the year 2020 a sum of Nu. 100,000/- is recovered from one of the defendants and the adjustments accordingly made.
- During Financial Year 2019, a cyber fraud was reported in reinsurance business amounting to Nu.18,823,150.00. The act was committed through phishing email whereby the fund was transferred to the fraudster's bank account. The case has been registered with the Royal Bhutan Police and also with the Financial Crimes Enforcement Network (FinCEN). The case is also being pursued by the Royal Monetary Authority of Bhutan through Financial Intelligence Department. Necessary provisions have been made in the accounts in this respect.

42. Certain loan assets are restructured/re-scheduled during the year and the total amount of which have not been specified in the accounts. The loan restructured/rescheduled during the year are carried out as per the Prudential Regulations.

43. The management during the year undertook out of court settlement for loans given to 9 borrowers through 27 loan accounts. The total loan outstanding of Nu. 380,801,231.97 was foreclosed in full and final settlement by taking over the collaterals pledged against the loans. In absence of the independent valuer in the country, the price of the mortgaged properties was mutually agreed between the borrowers and the company. Further, in respect of loans amounting to Nu. 39,653,916.84 availed by a borrower was settled by taking over the mortgaged assets vide court verdict issued as on 21-05-2021 by Tsirang Dzongkhag Court. The out of court settlement of loans were guided by the Guidelines on Foreclosure and Write-off of Non-performing Loans 2021 issued by RMA and the Guidelines for Managing Non-performing Loans of RICB 2021 adopted by the company.

The ownership of the mortgaged properties could not be transferred in the name of RICB as the required procedures are to be completed and the difficulties posed by the lockdown during the first quarter of 2022.

44. Unadjusted deposits in respect of Life Insurance policies aggregating to Nu. 6,527,948 (Previous Year Nu. 10,751,834) have been reported in the accounts; the total amount in the underwriting accounts at Nu. 6,431,403. The difference amount of Nu. 96,546 remain to be reconciled during the current year.

45. Considering the financial performance of the company provision against corporate tax have not been provided during the year (Previous Year Nu. Nil). Advance Income Tax paid during the year is Nu. Nil (Previous year Nu. Nil) owing to the loss carried forward from the previous year.

46 Reinsurance Payables and Receivables in Non-Life Policies

- The balances outstanding, both receivable and payable, as at the Balance Sheet date from/to various re-insurers aggregating to Nu. 483,514,159 (Previous Year Nu. 457,779,074) and Nu. 239,568,792 (Previous Year Nu. 317,569,793) respectively and Claim payable to reinsurers in reinsurance business amounting to Nu. 471,433,894 (Previous Year Nu. 577,951,369) are pending for final reconciliation process/confirmation and acceptance of the re-insurers. Any further adjustments thereof are not ascertainable at this stage.
- The balance due from and to the re-insurers have not been netted-off in the books of accounts.
- The balances from and to the reinsurers and the brokers, where the transactions are being carried out in foreign currency (except INR), are re-instated based on the exchange rate as on the reporting date.
- Reserves for Accepted amounting to Nu. 27,395,045 (Previous Year Nu. 23,530,033), adjusted under insurance receivables, in respect of Reinsurance business is pending reconciliation with the reinsurance partners.

47. Certain debit/ credit balances included in Trade Receivable, Trade Payables, Short/Long Term Loan and Advances, Other Current Assets and Current Liabilities are pending for confirmations and consequential reconciliation.

48. Difference of Nu. 520,106 (Previous Year Nu. 820,850) has been observed between the accounting and underwriting records for Annuity contributions. The same is pending reconciliation.

49. The software for the credit department is changed from Integrated Credit & Investment Management System (ICIMS) to eFIMO during the financial year 2021 after approval by the management. The migration to the new system was effected from 1st of November 2021. The data and balances appearing in the ICIMS as on 31st of October was migrated to the new system i.e. eFIMO. The Transition period of 10 days was taken from 1st to 10th November to ensure complete data migration. All the data and balances as per accounts and credit were reconciled as on the closing date and also with the opening balances carried forward in the new system.

50. Events after the reporting Date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements. The Financial Statements are authorized for issue by the Shareholders during its 47 Annual General Meeting held on 7 day of October 2022.

Annexure. 1 Formats for Annual Disclosures 1

Item 1: Tier 1 Capital and its sub-components

S. No		Current Period	Corresponding Period of Previous Year (COPY)
1	Total Tier 1 Capital		
a.	Paid-Up Capital	1,400,000	1,400,000
b.	General Reserves	-	-
c.	Share Premium Account	-	-
d.	Retained Earnings	854,203	(288,820)
Less:			
e.	Losses for the Current Year	-	-

Item 2: Tier 2 Capital and its sub-components

S.No.		Current Period	COPY
1	Tier II Capital		
a.	Capital Reserve	-	-
b.	Fixed Assets Revaluation Reserve	1,280,319	913,632
c.	Exchange Fluctuation Reserve	-	-
d.	Investment Fluctuation Reserve	-	-
e.	Research and Development Fund	-	-
f.	General Provision	151,900	129,080
g.	Capital Grants	-	-
h.	Subordinated Debt	250,000	250,000
i.	Profit for the Year	-	-
All items reported in 000' Ngultrum			

Item 3: Risk weighted assets (Current Period and Copy2) 3

S.No.	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	100,220	0.00%	-
2	20% Risk Weighted Assets	3,161,955	20.00%	632,391
3	50% Risk Weighted Assets	76,273	50.00%	38,137
4	100% Risk Weighted Assets	15,760,753	100.00%	15,760,753
5	150% Risk weighted Assets	2,886,932	150.00%	4,330,398
6	200% Risk Weighted Assets	-	-	-
7	250% Risk weighted Assets	-	-	-
8	300% Risk Weighted Assets	-	-	-
Grand Totals		21,986,133		20,761,679

Item 4: Capital Adequacy ratios

S.No.		Current Period	COPY
1	Tier 1 Capital	2,254,203	1,111,180
a.	Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)	-	-
b.	Of which Sectoral Capital Requirements (SCR) (if applicable)	-	-
i.	Sector 1	-	-
ii.	Sector 2	-	-
iii.	Sector 3	-	-
2	Tier 2 Capital	1,682,219	1,292,712
3	Total qualifying capital	3,936,422	2,403,892

All items reported in 000' Ngultrum

2 COPY figures to be reported in parenthesis next to the figures for the current reporting period

3 (i) This format is subject to change in line with a change in Form M12 of the monthly returns submitted by financial institutions to the RMA.

(ii) In case of sector-specific risk-weights, loans to different sectors having the same risk weight can be summed together and reported under one risk weight heading. For example, if housing and transport loans are to receive the same 150% risk weight, then loans to the two sectors may be added together and reported as part of 'Loans and Advances' under the 150% risk-weight category.

S.No.		Current Period	COPY
4	Core CAR	9.62%	4.96%
a.	Of which CCyB (if applicable) expressed as % of RWA		
b.	Of which SCR (if applicable) expressed as % of Sectoral RWA		
i.	Sector 1		
ii.	Sector 2		
iii.	Sector 3		
5	CAR	16.81%	10.20%
6	Leverage ratio	8.82%	5.32%

Item 5: Loans and NPL by Sectoral Classification 4

S.No	Sector	Current Period		COPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	56,608	539	52,762	-
b.	Manufacturing/Industry	3,337,491	1,176,490	3,281,490	1,438,763
c.	Service & Tourism	7,397,590	2,873,302	7,506,276	4,127,042
d.	Trade & Commerce	3,924,850	832,948	4,066,625	1,574,819
e.	Housing	2,848,592	708,970	2,817,444	844,098

f.	Transport	705,845	95,232	620,687	150,200
g.	Loans to Purchase Securities	15,277	-	15,411	3,395
h.	Personal Loan	2,124,287	497,794	2,251,668	890,037
i.	Education Loan	59,766	-	70,626	1,707
j.	Loan Against Term Deposit	-	-	-	-
k.	Loans to FI(s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff loan (incentive)	320,331	-	312,373	20,526
n.	Loans to Govt. Owned Corporation	-	-	-	-
o.	Consumer Loan (GE)	-	-	-	-

4 The sectoral classification may be subject to change as directed by RMA time to time.

All items reported in 000' Ngultrum

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

S.No	Counter-party	Current Period	COPY
1	Overdrafts		
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	1,742,605	1,656,437
e.	Individuals	5,169,862	5,755,368
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
2	Term Loans	-	-
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	4,262,392	4,055,355
e.	Individuals	9,615,781	9,528,206
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-

Item 7: Non performing Loans and Provisions

		Current Period	COPY
1	Amount of NPLs (Gross)		
a.	Substandard	744,414	3,469,558
b.	Doubtful	314,888	597,878
c.	Loss	3,586,014	4,983,155

2	Specific Provisions		
a.	Substandard	325,636	656,102
b.	Doubtful	185,997	262,524
c.	Loss	2,637,765	3,865,699
d.	Additional Provision	700,265	-
3	Interest-in-Suspense		
a.	Substandard	155,801	189,048
b.	Doubtful	24,889	72,830
c.	Loss	1,081,254	1,117,456
4	Net NPLS		
a.	Substandard	262,977	2,624,408
b.	Doubtful	104,002	262,524
c.	Loss	-	-
5	Gross NPLs to Gross Loans	29.75%	43.11%
6	Net NPLs to Net loans	2.49%	13.75%
7	General Provisions		
a.	Standard	103,421	87,805
b.	Watch	48,479	41,275

Item 8: Non performing Loans and Provisions

		Current Period	COPY
1	Amount of NPLs (Gross)		
a.	Substandard	1,123,009	90,701
b.	Doubtful	903,314	87,801
c.	Loss	3,220,006	902,222
2	Specific Provisions		
a.	Substandard	255,490	18,785
b.	Doubtful	414,510	41,855
c.	Loss	2,747,066	734,112
3	Interest-in-Suspense		
a.	Substandard	75,791	3,573
b.	Doubtful	97,542	6,383
c.	Loss	472,939	168,109
4	Net NPLS		
a.	Substandard	791,728	68,343
b.	Doubtful	391,262	39,563
c.	Loss	-	-
5	Gross NPLs to Gross Loans	27.65%	6.21%
6	Net NPLs to Net loans	7.93%	1.64%
7	General Provisions		
a.	Standard	115,596	151,686
b.	Watch	27,397	34,415

Item 9: Assets and Investments

S.No	Investment	Current Period	COPY
1	Marketable Securities (Interest Earning)		
a.	RMA Securities	-	-
b.	RGOB Bonds/Securities	98,800	98,800
c.	Corporate Bonds	74,900	74,900
d.	Others	-	-
	Sub-total	173,700	173,700
2	Equity Investments		
e.	Public Companies	57,600	57,600
f.	Private Companies	95,920	95,920
g.	Commercial Banks	208,109	108,614
h.	Non-Bank Financial Institutions	55,000	55,000
Less			
i.	Specific Provisions	6,950	6,950
3	Fixed Assets		
j.	Fixed Assets (Gross)	2,172,076	1,382,304
Less			
k.	Accumulated Depreciation	261,920	235,239
l.	Fixed Assets (Net Book Value)	1,910,156	1,147,065

Item 10: Foreign exchange assets and liabilities (Current Period and Copy10)

	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than one week)			Nu. In millions	
CURRENCY	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position*/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	305,341	-	305,341	-	-	-	21.374	21.374

10 COPY figures to be reported in parenthesis next to the figures for the current reporting period
All items reported in 000' Ngultrum

Item 11: Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPY	Current Period	COPY	Current Period	COPY
Demand deposits held with other banks	1,061,129	566,934	46,658	76,273	-	-
Time deposits held with other banks	2,980,000	2,685,000	-	-	-	-
Borrowings	1,749,000	2,749,000	-	-	-	-

Item 12: Credit Risk Exposures by collateral

S. No	Particular	Current Period	COPY
1	Secured Loans	20,793,145	20,996,927
a.	Loans secured by physical/ real estate collateral	-	-
b.	Loans secured by financial collateral	-	-
c.	Loans secured by guarantees		
2	Unsecured Loans	-	-
3	Total Loans	20,793,145	20,996,927

All items reported in 000' Ngultrum

Item 13: Earnings Ratios (%)

S. no	Ratio	Current Period	COPY
1	Interest Income as a percentage of Average Assets	11.02%	6.35%
2	Non-interest income as a percentage of Average Assets	1.55%	9.97%
3	Operating Profit as a percentage of Average Assets	4.92%	3.20%
4	Return on Assets	7.96%	4.81%
5	Business (Deposits plus advances) per employee		
4	Profit per employee	2,671	205

Item 14: Penalties imposed by the RMA in the past period

S.No	Current Period (year for which the disclosure is being made)		Corresponding period of the previous year (COPY)	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	Sanctioning of loans to NPL borrowers	150	-	-

Item 15: Customer Complaints

S. No	Particular	Current Period	COPY
1	No. of complaints pending at the beginning of the year		
2	No. of complaints received during the year		
3	No. of complaints redressed during the year		
4	No. of complaints pending at the end of the year		

11 Average Assets is the average of the total assets at the beginning and closing of a particular accounting period

All items reported in 000' Ngultrum

	2021	2020
Operating Income	14,363,657,958	14,363,657,958
Interest Income	2,561,863,121	1,868,295,360
Other Profit	361,287,123	402,002,371
Other Profit	361,287,123	402,002,371
Total Asset	23,243,163,192	20,854,766,403
Profit	1,143,023,695	81,828,533
No. of Employees	428	400
	2,670,616.11	

Item 16: Provisioning Coverage Ratio

Year	Gross NPL	Additional NPL	Additional specific provisions	Additional Interest-in-suspense A/C	Required PCR (60% of Additional NPL)	Accretion to the buffer	Countercyclical provisioning buffer (Stock)
1	2	3	4	5	6 = (60% * Col. 3)	7 = (6-5-4)	8
Copy	9,050,592	2,640,342	510,064	380,428	1,584,205	693,713	
Current Year	6,185,278	(2,865,314)	(234,617)	(117,389)	(1,719,188)	(1,367,182)	

Item 17: Concentration of Credit and Deposits

S. No	Particular	End of Current Period	COPY
1	Total loans to 10 largest borrowers	4,213,219	4,357,265
2	As % of total Loans	20.26%	20.75%
3	Total deposits of the 10 largest depositors	-	-
4	As % of total deposits	-	-

Item 18: Exposure to 5 Largest NPL accounts

S. No	Particular	End of Current Period	COPY
1	Five largest NPL accounts	1,188,428	1,270,018
2	As % of total NPLs	19.21%	14.03%

All items reported in 000' Ngultrum

Millennium Education Scheme

If you insure your child at the age of one:

Till - 18 Years Your Monthly Premium
Nu 509 (Nu 6,108 per year)
18th Birthday Onwards
Your child gets Nu 20,000/year for 5 years

On 23rd Year

Your child receives
Nu 6,000 X 17 Years
= Nu 102,000 (Bonus)
Total Benefit for You Child
Nu 202,000 for the total premium of
Nu 103,768
Plus Nu 51,884 tax rebate for 17 years

Other terms & conditions apply

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GROUP PERSONAL ACCIDENT

There's more to employees' well-being

COVERAGE

Death

Permanent Disablement

Temporary Disablement

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Other terms & conditions apply

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