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ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

ANNUAL REPORT
2022

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

RICB

"Your partner for growth and security"

Annual Report 2022

Table of Content

48 Years

COMPANY PROFILE

For the last 48 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.

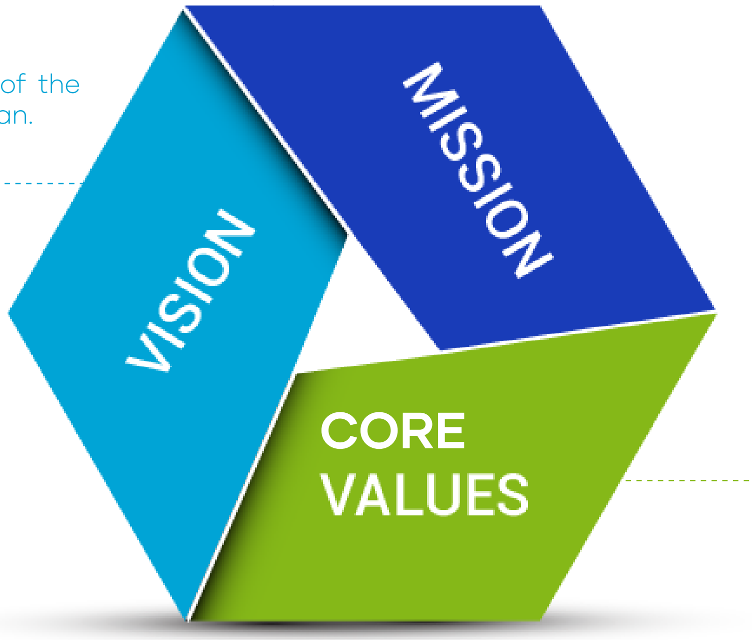
Taking a dynamic and empathetic approach towards the financial well-being of the Bhutanese people, RICB shall continue to strive towards the realisation of the national goal of Gross National Happiness.

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.

Vision

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



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

INDEPENDENT DIRECTOR

YESHEY SELDEN

Yeshey Selden is the Independent Director on the RICB Board. She is the former Chief Executive Officer of the State Trading Corporation of Bhutan Ltd. She holds a Master's Degree in Public Administration (Economic Policy) from the School of International & Public Affairs, Columbia University, New York, USA. She graduated with a B.Com (Honours) from Lady Shri Ram's College New Delhi, India, in 1994.

INDEPENDENT DIRECTOR

BHANU B. CHHETRI

Mr. Bhanu B. Chhetri is the Independent Director on RICB Board. He worked at the RAA as a Senior Audit Specialist. Before that he also worked as a Consultant under the World Bank project for Accounting and Auditing Standards Board of Bhutan. He began his career in 1978 as a Trainee Officer with the erstwhile Office of the Auditor General (Now Royal Audit Authority). Mr. Bhanu is a fellow member of Association of Chartered Certified Accountants, UK and has a Bachelor of Commerce from St. Joseph's College, Darjeeling, India.

BOARD OF DIRECTORS

DIRECTOR

PEMPA TSHERING

Pempa Tshering serves as a Director on the RICB Board. He is the Associate Director for Planning & Monitoring Division, DHI. He holds a Master of Business Administration/Master of Human Resource from the University of Newcastle, NSW, Australia. He graduated with a BCA from Sherubtse College, Trashigang, Bhutan.

DIRECTOR

UGYEN DORJI

Ugyen Dorji sits on the RICB Board as the Director. He currently holds the position of HR and Administration Manager for Save the Children International – Bhutan Country Office. He has a Master of Business Administration from Griffith Business School, Griffith University, Queensland, Australia. In 2007, Ugyen Dorji graduated from Dav College, Panjab University Chandigarh, India, with a Bachelor of Arts (English) Honours.

DIRECTOR

KARMA
CEO, RICB

Karma is the CEO of RICB. Prior to joining RICB, Karma was the founding CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco National 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.

Keep Your Business Afloat

With our Contractors Plant & Machinery, Contractors can recover damage & loss of their construction equipment like heavy-duty cranes, compressors, bulldozers & excavators, from accidental risks, earthquakes, landslides, lightning, floods, storm, fire, negligence & more...

Other terms & conditions apply.

Royal Insurance Corporation of Bhutan Limited-RICB

ricb_insurance

MANAGEMENT TEAM

KARMA

CEO, RICB

Prior to joinining RICB, Karma was the founding CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco National 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
GENERAL INSURANCE
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 NPPF. Kinga Thinley has MBA in International Business from University of Thai Chamber of Commerce in Bangkok, Thailand.

K K ADHIKARI

HEAD
CREDIT INSURANCE DEPARTMENT

Kushma Khar Adhikari is the Offgt. General Manager, CID. He joined RICB in 2006 as a Development Officer under GID. Since then, he worked in various capacity in GID, in branch offices as Branch Manager. He has B.Com Honours from North Bengal University, West Bengal, India and AIII (Associate diploma in insurance) from Insurance Institute of India.

MANAGEMENT TEAM

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.

TASHI TENZIN

HEAD
REINSURANCE DEPARTMENT

Tashi Tenzin currently serves as the Head of the Reinsurance Department. He joined RICB in 2009 as an Assistant Manager. Since then, he worked in various capacities under the General Insurance Department. He also served as Branch Manager of the Phuentsholing Main Branch. Tashi has a Master of Business Administration from the University of Canberra, Australia, and a Bachelor in Electrical Engineering from the College of Science and Technology, Bhutan. He is a fellow of the Insurance Institute of India.

PEMA THINLEY

HEAD
FINANCE DEPARTMENT

Pema Thinley was appointed as the Head of the Finance & Accounts Department from June 2022. Pema Thinley had been working in Finance & Accounts Department shouldering different roles since his appointment in the year 2007. Besides the Head, Finance & Accounts Department, he also serves as the Company Secretary. He is a member of CPA Australia and has an Master of Commerce from Curtin University, Australia.

MANAGEMENT TEAM

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.

PARSURAM TIRWA

HEAD
GENERAL ADMINISTRATION DEPARTMENT

Parsuram Tirwa is the Head of General Administration Department. He joined the RICB on March 01, 1996, as a Development Officer in the Credit Department. Since then, he has worked in the Credit Department of Regional and Corporate Offices in various capacities, including as the Head of the Credit Department. Parsuram has a B.A. Honours in Political Science from the University of Delhi, India.

Gaki Pelzom Life Policy

Benefits of Gaki Pelzom Life Policy
for a Sum Assured of **Nu 100,000**
at the age of **33** for a **15-year** term.

You Pay
Only **Nu 711/month** for **15 years**

Benefits
Nu 100,000 + Bonus by the end of **15 years**.
Tax rebate worth **Nu 63,990**.

Free Risk Coverage till 97 years
without having to pay a single penny.
Nu 100,000 guaranteed
upon death before **97 years**.

Entry Age 18 – 55 years | **Sum Assured** Nu 50,000 – 500,000
Term 5 – 52 years | **Loan** Eligible after 3 years

Drukyul Life Insurance Plan

For you and your family, always

Nu 100,000 for every family member for just Nu 700/member

Nu 1.91 per day ends your need to look for money during a family member's death

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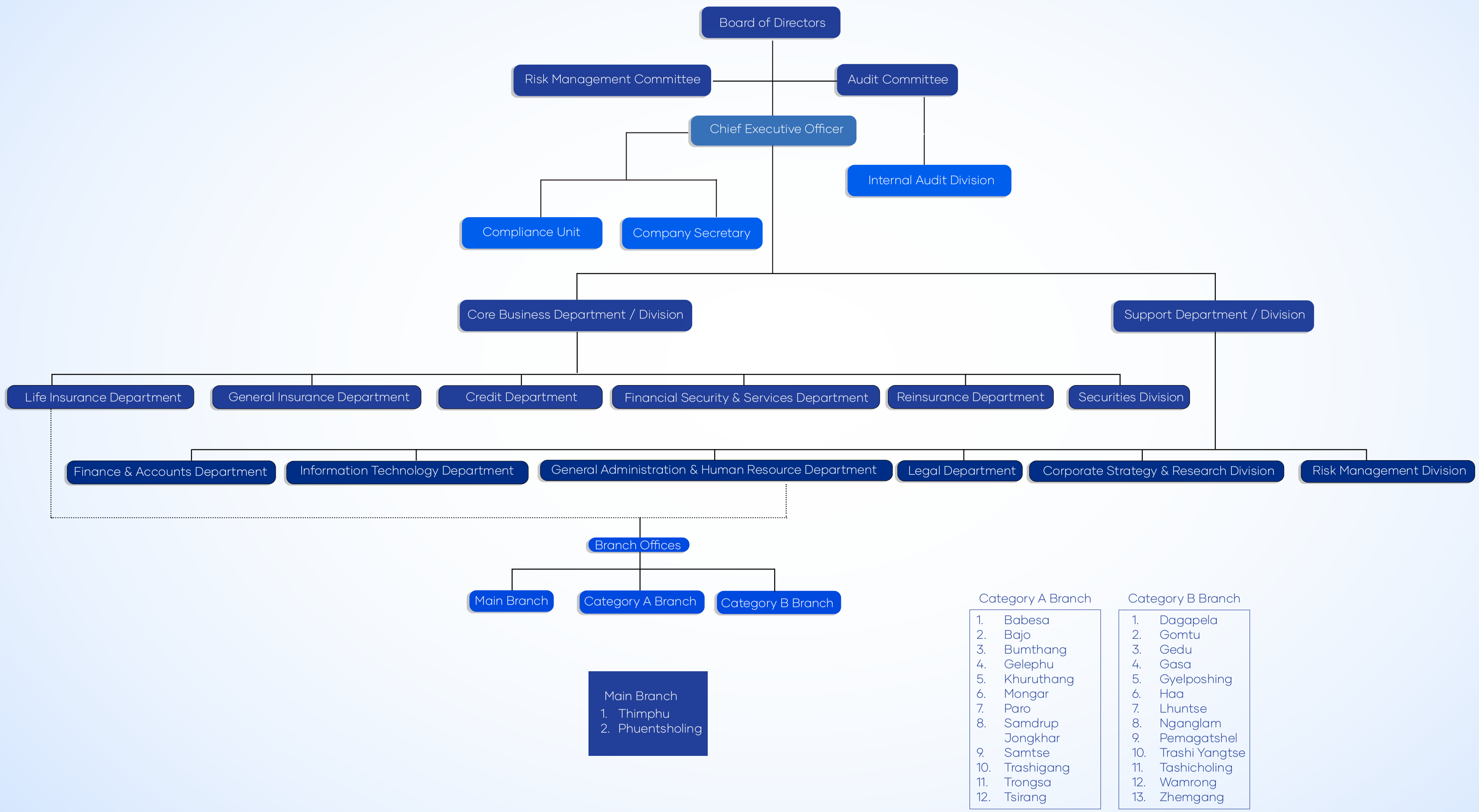
Organogram

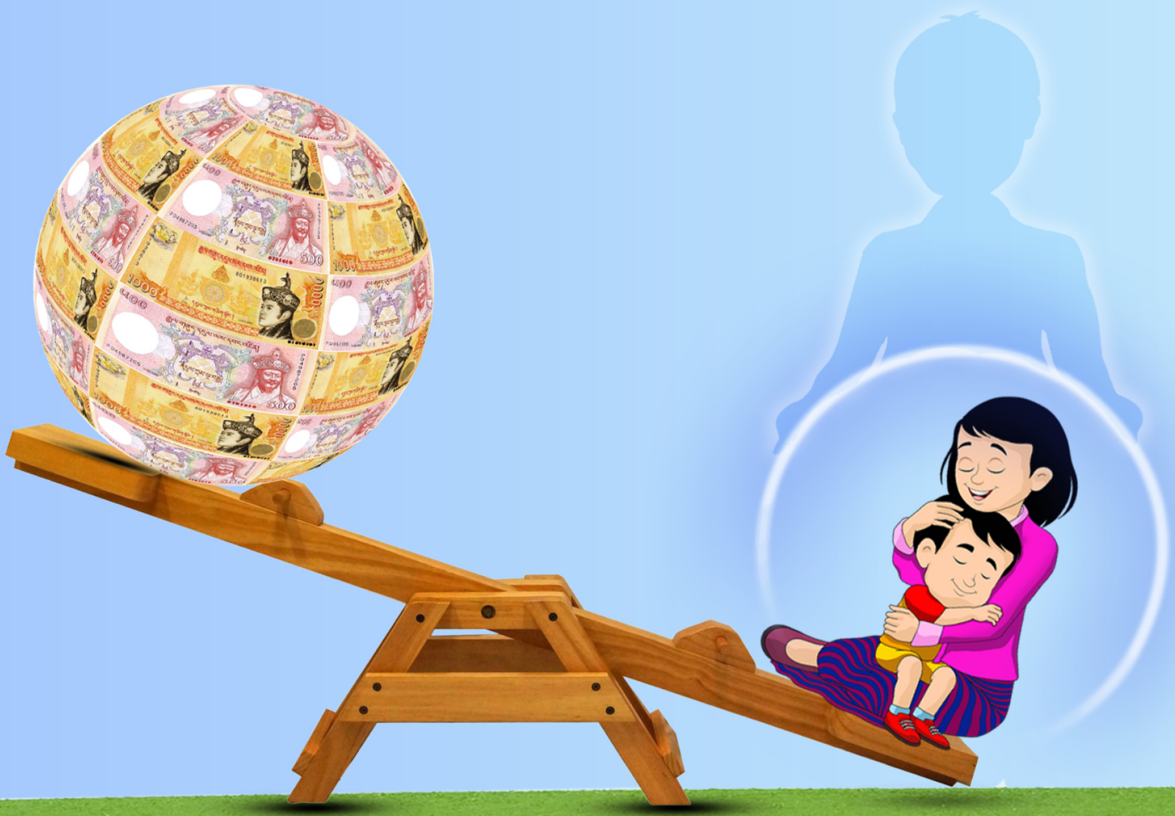


Board of Directors
Risk Management Committee
Audit Committee
Chief Executive Officer
Internal Audit Division
Compliance Unit
Company Secretary
Core Business Department / Division
Support Department / Division
Life Insurance Department
General Insurance Department
Credit Department
Financial Security & Services Department
Reinsurance Department
Securities Division
Finance & Accounts Department
Information Technology Department
General Administration & Human Resource Department
Legal Department
Corporate Strategy & Research Division
Risk Management Division
Branch Offices
Main Branch
Category A Branch
Category B Branch
Main Branch
1. Thimphu
2. Phuentsholing
Category A Branch
1. Babesa
2. Bajo
3. Bumthang
4. Gelephu
5. Khuruthang
6. Mongar
7. Paro
8. Samdrup Jongkhar
9. Samtse
10. Trashigang
11. Trongsa
12. Tsirang
Category B Branch
1. Dagapela
2. Gomtu
3. Gedu
4. Gasa
5. Gyelposhing
6. Haa
7. Lhuntse
8. Nganglam
9. Pemagatshel
10. Trashi Yangtse
11. Tashicholing
12. Wamrong
13. Zhemgang

Quendue NGENSUNG Life Policy

How does Loan Care Policy help your family clear your loan?

If you've got a loan balance at the time of your death, Loan Care Policy repays your loan outstanding balance of up to **Nu 500,000** just for a single premium of **Nu 5,129** or a yearly payment of **Nu 2,466**.



Eligibility Loan Clients | **Entry Age** 18 – 55 years
Sum Assured Nu 30,000 – 1,000,000 | **Term** 5 – 25 years

Directors Report

On behalf of the Board of Directors and my own, I present the 48th Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st of December 2022.

Financial Year 2022 has been a landmark year with the successful pandemic containment and gradual return to normalcy. The shareholders and employees of RICB offer our most humble gratitude to His Majesty the King for the selfless leadership during unprecedented times during the pandemic. The people of Bhutan are most fortunate to be blessed with a leader who undertook the sole responsibility of protecting people's lives and livelihoods. We extend our deepest gratitude to all those who have worked hard throughout this pandemic.


Image: Google

Macroeconomic outlook

Like many other countries, Bhutan is still recovering from the Covid-19 pandemic. The economy contracted for two consecutive fiscal years, with the non-hydro industry and services sectors adversely affected by supply chain disruptions, shortages of foreign labor, and the sharp fall in tourism-related activity as the country relaxed its quarantine restrictions since September 23, 2022. Macroeconomic vulnerabilities have increased amid the pandemic and global ramifications of the war in Ukraine. Labor shortages during the pandemic resulted in delays in hydro projects and expected delays in additional hydro revenue flows, weakening the country's ability to strengthen fiscal and external balances.

The government has reopened tourism activity to international and regional visitors since September 23, 2022. The tourism industry has remained largely inactive since the beginning of the Covid-19 pandemic. The economy has grown by 4.95 percent, supported by easing social distancing and quarantine restrictions in the second half of FY21/22 and high vaccination rates. Capital expenditures increased, reflecting continued fiscal support to boost economic activity through accelerated implementation of the Twelfth Five Year Plan (FYP). Total revenues declined even more because of lower hydro revenues and external grants.

The rising imports and cost of external borrowing at the time of soaring prices and tightening financial conditions in the global market are increasing the vulnerability of small open economies, particularly Bhutan, which largely depend on imports and external grants and loans. Most importantly, a sign of rising inflation continues to negate a moderate level of growth and income expectations. Moreover, the heightening of the global interest rate against rising inflation will further exert downward pressure on the exchange rate, making import bills and debt service more expensive, and impacting foreign exchange reserves. The government issued a moratorium on the import of non-essential vehicles from August 2022 to ensure adequate foreign reserves.

Economic Outlook

The economy is expected to grow by 4.1 percent in FY22/23. The relaxing of quarantine restrictions in September 2022 is expected to support growth in the industry and services sector. While output gradually returns to pre-pandemic levels, slower domestic demand recovery due to high inflation and lower hydro investments are expected to decelerate growth in FY 22/23.

Industry and service sectors are expected to rebound faster and stronger in 2023 with a pick-up in domestic private consumption, investment demand and trade performance in the economy. The industry sector is projected to grow at 4.1 percent in 2022, with favorable performance in the construction and manufacturing sector, which has witnessed negative growth during the pandemic. The construction sector, which contributed around 12 percent of GDP, is projected to grow by 17.1 percent in 2022, the manufacturing sector at 4.1 percent in 2022 on the resumption of economic activities, a pick-up in trade performance and a rise in domestic demand as the pandemic situation improves.

Similarly, the performance of the service sector, which largely depends on tourist arrivals, is projected at 4.9 percent in 2022 from 3.1 percent in 2021. Nevertheless, with increasing economic activity, demand for domestic credit from the government and private sector is expected to rise. The Royal Monetary Authority, in collaboration with the Royal Government of Bhutan, has formulated to roll- out Phase IV Monetary Measures to revitalize and reinforce the existing policy measures to support the economic recovery.

Operational and Financial Highlights

The Interest Payment Support granted by His Majesty and the monetary measures extended by the RMA provided the required support for RICB to maintain the financial stability during the year. The company incurred loss of Nu. 956.06 million (Previous Year Profit of Nu. 1,035.53 million). The profit as per the accounts prepared under GAAP recorded at Nu. 443.56 million (Previous Year Nu. 1,143.02 million) where the provision against non-performing loans is accounted for as per the Prudential Regulations. The difference in the financial performance is caused mainly due to the difference in computation of impairment against loans and advances. All the regulatory compliance requirements are assessed as per the accounts prepared in line with GAAP.

Significant Financial indicator:

The financial statements for 2022 of the company have been prepared as per the BAS/BFRS. Important financial indicators are shown in the table below:

Indicators	2022 (Nu. in millions)	2021 (Nu. in millions)
Profit Before Tax (PBT) (Nu.)	(956.06)	1,035.53
Total Turnover (Nu.)	5,528.10	5,948.86
Return on Core Equity (%)	(53.20)	53.47
Earnings per share (Nu.)	(5.32)	5.35
Book Value per Share (Nu.)	26.04	31.35

Net-worth (Nu.)	3,645.81	4,389.61
Paid up Capital (Nu.)	1,400.00	1,400.00
Cash/Bank Balance (Nu.)	459.57	1,107.66
Balance Sheet (Nu.)	22,816.90	24,180.36

The company went through a significant financial restructuring with RMA placing RICB under the Prompt Corrective Action (PCA) framework. Under the PCA framework a Financial Institution will stop sanctioning new loans till the NPL is reduced to 7.50% or lower. For RICB being placed under PCA framework the only option available, according to RMA directive, is to charge off NPLs as an Off-Balance Sheet item (OBS). The company charged off loan amounting to Nu. 6,172,671,820 as OBS. Since loans moved to OBS had to be fully provided for, RICB had to make a net additional provision of Nu. 1,356,441,760.64 accounted under the provision expenses in the books of accounts. Further impact to the financial performance were brought in with the requirement to refund the IPS provided to the NPL loan accounts from April 2020 till June 2022. RICB refunded Nu. 440,014,691 net of Nu. 15,146,031 already refunded during the year. But the FSPs are allowed to recoup the same amount from the NPL borrowers at the time of foreclosure of the loan accounts. After adjusting for subsequent recoveries of Nu. 48,912,447 from the borrowers a net amount of Nu. 440,014,691 has been expensed off as Refund of Interest Payment Support, netted off from the interest income, in the book of accounts.

The gross interest earned during the year, including the interest from fixed deposits, amounts to Nu. 2,217.06 million. The interest income decreased with the transfer of loans to OBS and the maturity of the fixed deposits during the year. The loan repayment deferment provided under the monetary measure provided the relief from growing NPL. However due to charging off loans to OBS, the total impairment against loans and advances amounting to Nu. 2,097.94 million (total provision charged as per Prudential Regulation Nu. 672.02 million) had to be charged as impairment expenses. The impairment expenses increased significantly owing to the need to provide 100% provision against loans charged off resulting in loss from the credit business amounting to Nu. 1,535.83 million. The NPL ratio reduced to 5.22% from 29.75% during the previous year with the transfer of loans to OBS. The recovery of the OBS loans is one of the top priorities of the management while ensuring that the NPL of the active loan accounts are maintained within the tolerance limit of 5.00% set by RMA. After the transfer of loans to OBS on 23rd October 2022, loan amounting to Nu. 523.66 million was recovered by the year end. The recoveries were made both through foreclosure of loans and repayment by the borrower.

From the loans transferred to Asset Pending Foreclosure amounting to Nu. 341.51 million during the year 2021, loans amounting to Nu. 14.07 million was recovered from the borrowers, Nu. 1.56 million was written off as bad debts and Nu. 1.99 million adjusted on account of ineligible IPS received. The monetary measure requires that the interest accrued and unpaid during the deferment period shall be converted into 'Fixed Equated Installment Facility (FEIF) payable in equal installments for a period up to five years. The amount transferred to FEIF shall not be charged any interest. RICB created 679 FEIF accounts during the year with an outstanding balance of Nu. 257,608,632.42 as on 31st December 2022. The directives for treatment of FEIF requires to maintain separate provision on the FEIF created for NPL accounts under 'Provision against FEIF'. Accordingly, provision amounting to Nu. 49,461,864 is maintained under provisions against 124 FEIF accounts.

The insurance business continues to maintain steady performance and retain the market share with General Insurance business contributing Nu. 683.99 million to the profit despite challenges faced in the broader financial services market and restrictive fiscal measures imposed. The net premium, after affecting the re-insurance premiums amounted to Nu. 619.29 million surpassing the previous year achievement. Correspondingly, the net claims after considering reinsurance recoveries posted at Nu. 285.21 million. The overall net claim ratio during the financial year 2022 stands at 46.05% as against 38.65% in the previous year. The reinsurance business continued to incur loss which amounted to Nu. 126.93 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. 1,333.19 million as premium income for the year 2022. The contribution for Annuity business recorded at Nu. 180.56 million and Nu. 463.28 million from Private Provident Fund business.

Business Income for the Period ended 31/12/2022

DEPARTMENT	2022 (Nu.)	2021 (Nu.)
Interest Income (Credit)	1,684,261,425	2,561,863,121
Commission, Dividend & Others (Credit)	604,264,413	27,913,080
General Insurance Premium	1,080,054,864	1,173,697,810
Life Insurance Premium	1,333,199,514	1,403,458,177
Group Insurance Premium	84,816,000	83,165,580
Reinsurance Premium	78,172,258	148,136,249
Annuity Contribution during the year	180,564,804	103,071,642
PPF Contribution during the year	463,281,411	430,052,396
Rent & Others	11,469,228	11,300,132
Broker Commission	8,021,437	6,808,850
TOTAL	**5,528,105,354**	**5,949,467,037**

Profitability for the year 2022

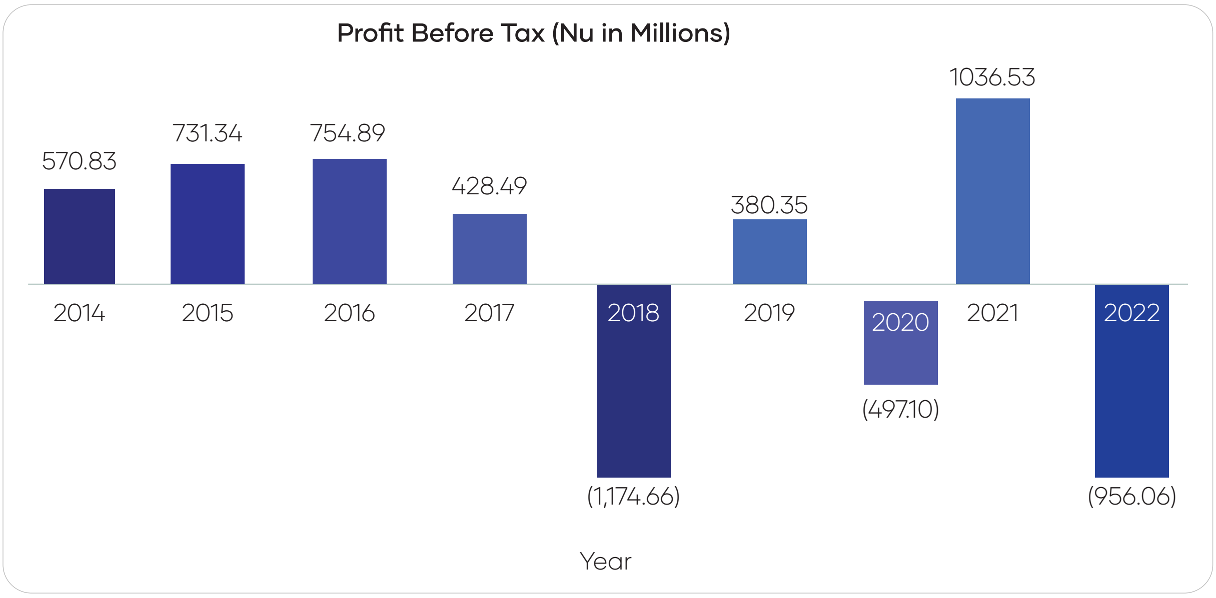
Particulars	2022 (Nu. in millions)	2021 (Nu. in millions)	Variance '22 &'21 %
Income			
Net Premium Earned	2,116.34	2,032.58	4.12
Net Fee & Commission Income	216.19	249.22	(13.25)
Net Interest Income	1,085.32	1,689.27	(35.75)
Other Operating Income	617.24	37.47	1,547.29
Total Revenue (I)	**4,035.09**	**4,008.57**	**0.66**
Expenses			
Net Claims	2,324.49	2,227.95	4.33
Other Operating Expenses (Net)	572.53	550.97	3.91
Impairment	2,094.13	194.10	978.89

Total Expenses (II)	**4,991.15**	**2,973.02**	**67.88**
Profit Before Tax (I) – (II)	**(956.06)**	**1,035.53**	**(192.32)**
Tax Expense	211.23	(286.93)	(173.62)
Profit After Tax	**(744.83)**	**748.62**	**(199.49)**
Earnings Per Share	(5.32)	5.35	(199.44)
Book Value Per Share	26.04	31.35	(16.94)
Net-worth of the Company	3,645.81	4,389.61	(16.94)
Return on Core Equity (%)	(53.20)	53.47	(199.50)

The net worth of the company as on 31.12.2022 was valued at Nu. 3,645.81 million, and the book value per share recorded at Nu. 26.04, due to decrease in reserves after transfer of loss to retain earnings. Considering the financial performance for the year the return to core equity recorded at (53.20) percent compared to 53.47 percent during the last financial year.

Performance Highlights (Gross Profit) from 2014-2022

	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
	2022	(956.06)	(192.33)



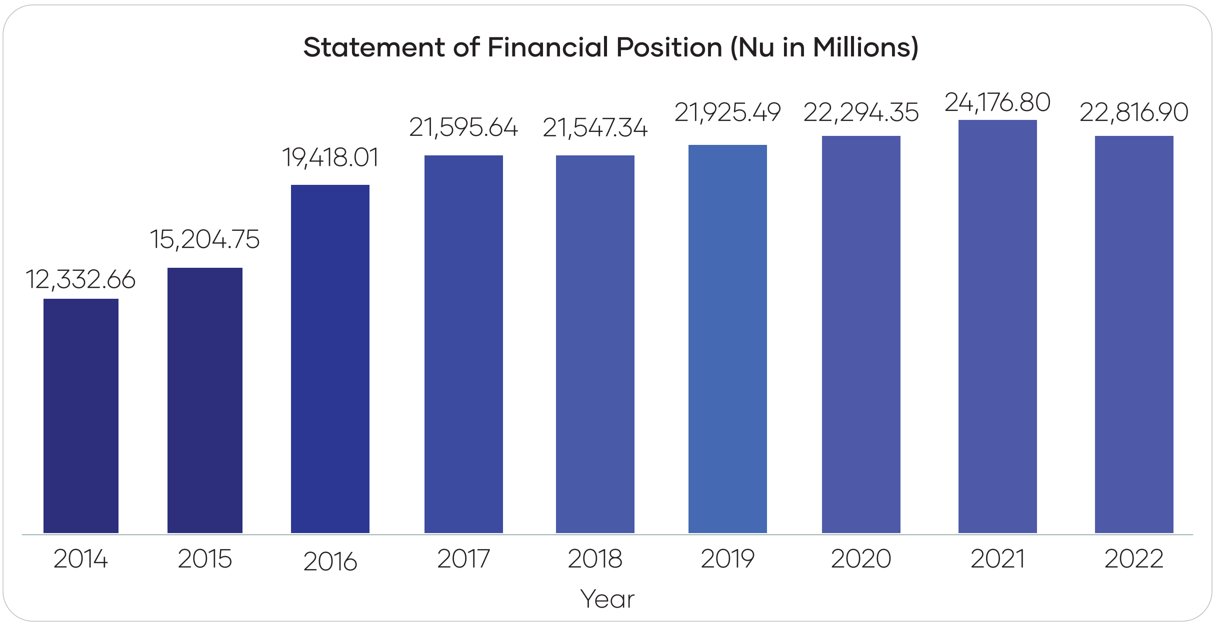
Financial Position of the Company

The total asset of the company has decreased by 5.64% amounting to Nu. 22.81 billion during the year, from Nu. 24.18 billion in the previous financial year. The decrease in the asset is mainly due to charging off loans amounting to Nu. 6.17 billion to OBS. With the transfer of loans to OBS, the active loans on the Balance Sheet is reduced to Nu. 14.46 billion from Nu. 20.79 billion during the previous year.

The net insurance fund balance has increased to Nu. 13.09 billion from Nu. 12.57 billion in the previous year. With the redemption of the bond series IV the external borrowings reduced by Nu. 250 million. The Corporation will not be paying any Corporate Income Tax for the financial year 2022 considering the loss incurred during the financial year.

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
	2022	22,816.90	(5.62)



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 2022.

Statutory Auditors

M/s. KASG & Co, Chartered Accountants (Firm registration number 002228C) was appointed as the Statutory Auditors of RICB for the financial year 2022 during the 47th Annual General Meeting held on 7th October 2022.

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 2022. 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 six meetings during the year (five during the previous board). All the members attended the meetings convened during the year.
2. Board Risk Management Committee comprising of three directors and chaired by Ms. Yeshey Selden, an Independent Director. The committee held five meeting during the year (four during the previous board). All the members attended the meetings except for Director Ugyen Dorji who missed one meeting.
3. Board Human Resource and Governance Committee comprising of three directors and chaired by Mr. Pempa Tshering, a Non-Executive Director. The committee held six meeting during the year (five during the previous board) 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 2022, the Board of Directors consisted of 5 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. During the current year four Directors, Dasho Wangchuk Dorji, Mr. Dubthob Wangchug, Mr. Sangay Tenzin and Mr. Ugyen Wangdi, resigned from the Directorship. Three Directors, Ms. Yeshey Selden, Mr. Pempa Tshering and Mr. Ugyen Dorji were appointed as new Board directors. The previous board held nine board meetings, five Board Audit Committee meetings, five Board Risk Management Committee meetings and six Board Human Resource and Governance Committee meetings.

After the constitution of the new Board, 5 meetings were convened. 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
Ms. Yeshey Selden	5 of 5
Mr. Bhanu B. Chhetri	5 of 5
Mr. Pempa Tshering	5 of 5
Mr. Ugyen Dorji	5 of 5
Mr. Karma	5 of 5

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.

Risk management is at the core of an organization's strategic and operational objective. It is a structured process that enables RICB to address risks emanating from its various activities and functions. In order to make the process of risk management more effective, the components of the risk management process have been defined, to befit the RICB's business model and strategies, organizational structure, culture, risk appetite and staffing.

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 fulfillment of the requirement of the RMA's CGRR 2020.

Future Outlook

The RICB has the audacious vision of becoming the crown jewel of the financial sector of Bhutan within the next five years. RICB will be agile to ride and benefit from the changes in technology and the business environment in Bhutan. RICB's core aim is to achieve superior financial performance and the well-being of the institution and its employees.

The primary focus of the Five-year Roadmap is to return 35% on equity and a 15 % return on capital every year. RICB will continue to use return on equity and capital as key financial indicators across all its business segments. Going forward, RICB will continue to actively adapt our investment strategy to changing market conditions. The company will continue to pursue profitable growth and improve capital-efficient products- always with a strong customer focus- while exploring new market opportunities and building on product innovation. In addition, we will continue to actively manage both our new and our in-force business through continuous price reviews, expense management, asset/liability management, credit strategies and reinsurance solutions.

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. RICB will uphold its mission of being a partner for the growth and security of Bhutan's economy and to the Bhutanese people.

Acknowledgment

On behalf of the Board of Directors, and on my own, I thank all our business partners and valued clients, for your trust and confidence in the Board and management. The Board offer our heartfelt gratitude to His Majesty for the selfless support, guidance and compassion provided 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 Chairman Dasho Wangchuk Dorji, Mr. Dubthob Wangchug, Mr. Ugyen Wangdi and Mr. Sangay Tenzin for their guidance and support to the management.

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 despite difficult conditions. I extend my good wishes for the success of the corporation in the years ahead.

Tashi Delek

(Yeshey Selden)
Chairman on behalf of Directors

INDEPENDENT AUDITOR'S REPORT

KASG & Co.
Chartered Accountants

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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"/ "RICB"), which comprise the Statement of Financial Position as at December 31, 2022, Income statement and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year 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. 51 (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. 384,798,949 (Previous Year Nu. 483,514,159) and Nu. 313,139,930 (Previous Year Nu. 239,568,792) respectively. Claims payable under reinsurance business aggregating to Nu. 366,535,275 (Previous Year Nu. 471,433,894) 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.

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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
1. Evaluation of Property & Equipment and Investment Property In terms of the policies framed by the corporation, it revalues its Property & Equipment and Investment Property at certain interval of years. The Property & Equipment and Investment Property were revalued last year in 2021. The fair value of the same were based on a valuation performed by an independent valuer. 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 at Thimphu, Phuentsholing and other cities as also extensive enquiry with local real estate operators on the prevailing capital values. As observed last year, the estimate uncertainty related to the valuation was significant. Therefore, we considered the valuation of investment property as a key audit matter. However, there is no revaluation done during the current year i.e. 2022.	As the assets continue to be reported at the amount revalued last year and no revaluation has been done in the current year, no separate audit procedures were required. We refer to note 2 Summary of significant accounting policies, note - 22 'Investment Properties', and note-23 'Property and Equipment' in the financial statements for detailed information of the same.

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2. Valuation of properties acquired against settlement of Non-Performing Loans The Corporation has foreclosed the non-performing Loans by taking over the mortgaged assets valued at Nu. 513,880,000 from the borrower in settlement of Off-Balance Sheet (OBS) loans amounting to Nu. 469,123,789 and Interest Payment Support (IPS) recouped amounting to Nu. 44,756,210. The Fair value of property acquired is based on the valuation of the collateral at mutually agreeable rate between the borrowers and the Corporation. As the valuation was mainly performed by negotiation with borrower due to non-availability of independent valuer in Bhutan, the estimation uncertainty related to the valuation of the property acquired is significant. The Valuation of the property acquired was done on the basis of Guidelines for Managing Non-Performing Loans issued by Royal Monetary Authority of Bhutan.	• We have obtained and verified internal valuation report of the Management and mutual agreement letters in respect of consideration agreed. • The management contends that in absence of the registered independent valuer in the country makes it difficult to avail the service. Moreover, the management also states that the Board and management would have a better insight of the property values in the country than any professional valuers brought from outside the country. Hence, the management is of the view that their internal experts are the best available resources to value such properties. Further, it is given to understand that management ensures utmost due diligence on valuation of the properties taken over against loans.
3. Valuation of Technical Provisions 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 judgment. 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 behavior). 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, judgments and estimations, the valuation of these liabilities was significant to our audit.	**We assessed management's calculations of the technical reserves by performing the following procedures:** • 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.

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4. Recoverability of insurance receivable from policy holders, insurance companies and reinsurance companies The Corporation in its normal course of business is exposed to risks of non-recoverability from policyholders, 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.	• 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.
5. Impairment of loans and advances to customers and other parties The allowance of loan losses are significant as they represent a substantial amount of impairment recognized in the Financial Statements. The same is considered as a KAM since it relates to an accounting estimate which implies a high level of judgment on part of the management and are requirements applicable as per 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 geographic allocations in the calculation methodology. Management assessed these key assumptions on a periodic basis and made adjustments.	• The calculation of impairment of loans and advances requires high level of judgment and expertise in the subject matter since it is based on multiple assumptions and models. • As given to understand by the management, in the absence of the subject matter expert within the organization, the work has been outsourced to and carried out by EY, Sri Lanka. • As such, we have relied on 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. • We have relied on the appropriateness of the design and logic of the models employed by EY, Sri Lanka. We have verified on test check basis the input data in respect of the loans and advances details.

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6. Categorization of Loan Accounts into Performing and Non-Performing With respect to the categorization of loan accounts into Performing and Non-Performing, RMA has issued Prudential Regulations read with the directives issued from time to time. RICB has migrated from the existing software to e-FIMO towards the end of the previous year. However, certain instances have been noted wherein the overdue balances and overdue days migrated from the existing software to e-FIMO were not in consonance with the existing software. In this respect, it was observed that the overdue days have not been computed based on the overdue amounts as reflected in the existing software and instead the overdue days were adjusted based on the current overdue taking into account the amount of EMIs deposited by the borrower.	The said instances were identified through comprehensive review of underlying loan documentation and detailed overdue calculations on a test check basis which involved significant effort. Though the financial impact on the samples tested were not found to be material, however, undertaking similar exercise for all loan accounts in course of our audit remained impracticable and hence we could not determine the aggregate financial impact that it may have on the whole population. The management based on its own assessment has represented to us that this matter shall not have a material impact on the financial statements. Also, the management has assured us that necessary steps shall be taken to resolve the matter at the earliest.
7. Assessment of Incurred and Outstanding Claims The Company has significant outstanding claims including claims relating to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER). Estimating outstanding claims and probable future claims is based on critical judgments and is a key source of estimation of the uncertainty which is again the basis of estimating incurred claims during a given period. The methodologies and assumptions utilized to develop IBNR and IBNER involve a significant degree of judgment. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods are used to determine these provisions. The claims estimation uses an actuarial modeling process that involves complex and subjective actuarial methodologies, judgments, and assumptions about future events and developments, both within and external to the Company, and for which small changes can have significant implications to the quantification. The estimation of claims at year-end relies on the integrity of the underlying data, including claim payments and individual estimates of unsettled claims.	Our audit approach is to understand the systems, procedures and control over the claims registered at different operating offices and evaluate the implementation design of these essential elements. We focused on these areas because underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are subject to critical judgment. We further assessed the control over – (i) segregation of claims amongst different business segments broadly fire, marine and miscellaneous in respect of the general insurance business. (ii) segregation of claims between risk booked and non-risk booked for the purpose of claim cession as per the reinsurance underwriting policy of the Company; (iii) recording revision of estimated claim amount; and (iv) computation of incurred claims based on claims paid, outstanding registered claims, and IBNR and IBNER. We relied upon the management-engaged independent actuarial expert's report for determining the value of IBNR and IBNER. We broadly reviewed the work of actuarial reports including their independence, experience, and objectivity. The valuation of liabilities for outstanding claims reserves contained in the financial statements of the Company is based on the actuary's certificate.

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

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

EMPHASIS OF MATTER

1. We draw attention to Note No. 42 to the financial statements in respect of the validation conducted by RMA in respect of Interest Payment Support (IPS) provided to the Financial Institutions from 1st April 2020 till 31st December, 2021. In the validation report, the RMA noted discrepancies/ errors amounting to Nu. 21,109,077.95 towards IPS received on loans transferred to APF, interest suspended loan accounts, ineligible accounts, closed loans and difference in amounts. A sum of Nu. 12,225,680.85 was refunded by debiting Interest Lost account expenses, netted off from the interest income, as the same was earned as income in the past years. The remaining amount of Nu. 8,883,397.10 was refunded by debiting the loan accounts or suspense deposit (grouped as Other Payables under Other Liabilities) where the IPS was not adjusted to the loan accounts.

2. We further draw attention to Note No. 39 (Monetary Measure phase – IV) to the financial statements in respect of 'Fixed Equated Installment Facility (FEIF)' wherein interest accrued and unpaid during the deferment period shall be converted into a separate FEIF payable in equally monthly installments for a period up to five years. Further, there is a requirement to create equal amount of 'Provision against FEIF' towards FEIF accounts created for NPL accounts. As such, provision amounting to Nu. 49,461,864 is maintained under Provision against FEIF which is netted off as Provisions from Loans and Advances under the head Loans and Investments in Balance Sheet.

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3. We also draw attention to Note No. 40 to the financial statements in respect of the RMA directive on Prompt Corrective Action (PCA) to the financial institutions with high NPLs. Under PCA, a financial institution is not allowed to sanction new loans till the NPL is reduced to 7.50% or lower. RICB has been placed under PCA w.e.f. 10th May, 2022 and is not allowed to sanction new loans from that date. The Corporation has requested the RMA for lifting the restriction on fresh loan sanction, however, no relief has been provided till date.

4. We also draw attention to Note No. 40 to the financial statements in respect of the Charge-off and transfer of NPLs to Off-Balance Sheet (OBS). Under this framework, the financial institution has to fully provide for an NPL account and then charge off the same against each of the accounts to be transferred to OBS. RICB has charged off loans with outstanding balance amounting to Nu. 6,172,671,820 under OBS. In this regard, the Corporation had to make a net additional provision of Nu. 1,356,441,760.64.

5. We also draw attention to Note No. 48 (i) to the financial statements in respect of the two cases of official misconducts that were detected during the year on account of issuing fake Bank Guarantees and using RICB's letter head to issue valuation certificates and collecting fees for personal gains. The cases are reported to the Anti-Corruption Commission and are under investigation. The financial liability involved, if any, on RICB cannot be identified till date.

6. We also draw attention to Note No. 54 to the financial statements towards Interest on Employees' Contribution and the Employers' contribution for Private Provident Fund and Group Insurance Saving for the year ended 31st December, 2022. Effective from the year 2022, interest have been accounted for @ 7.00% per annum on simple daily product basis. Until the year 2021, RICB has been calculating interest on yearly compounded basis. As such, there is change in policy for calculation of interest on Employees' Contribution and the Employers' contribution for Private Provident Fund and Group Insurance Saving for which the customers have not been duly intimated.

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,

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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. Roshan Kumar Bajaj
Partner
Membership No.: 068523

UDIN : 23068523BGYJTJ5432

Place: Kolkata
Date : 21-04-2023

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 2022).

Responsibilities for Audit of Financial Statements

[Audit Report of Royal Insurance Corporation of Bhutan Limited for the year ended on31st December 2022]

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, error or design and performed audit procedures responsive to those risks, and obtained evidences that are 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

KASG & CO. Kolkata Chartered Accountants

CA. Roshan Kumar Bajaj
Partner
Membership No.: 068523

Place : Kolkata
Date : 21-04-2023

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, 2022)

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. Therefore, we are unable to comment on any material discrepancies that may have been noticed on physical verification.

2. The Corporation has not revalued Land & Building grouped under Property, Plant & Equipment (PPE) during the year 2022.

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

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the information and explanations provided to us, the Corporation has not granted loans to companies under the same management.

5. The Monetary Measure IV was designed as a targeted support measure for the performing loans to provide support measures as per the severity of impact of the pandemic and the affordability of the borrowers. Under the Monetary Measure IV, RICB provided loan deferment to 2,359 loan accounts with an outstanding balance of Nu. 10,153,418,879.79 as of December 31, 2022. Interest accrued during deferment will be converted into a Fixed Equated Installments Facility (FEIF) payable in equal installments for up to five years. RICB created 679 FEIF accounts with an outstanding balance of Nu. 257,608,632.42 as of December 31, 2022, and maintained provisions of Nu. 49,461,864 for 124 FEIF accounts. Interest waiver support of Nu. 502,034,404.83 was receivable for January to June 2022, and a net amount of Nu. 13,107,266.25 was received from RMA after recouping Interest Payment Support for NPL borrowers during the Monetary period. Interest rebate of Nu. 2,778,230.66 was provided to 170 loan accounts that made regular repayments during deferment. 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.1,120,229,545 (P.Y. Nu.3,963,910,025) towards provision of Impaired Loans or advances in accordance with BFRS-9, as against Nu.481,669,313 (P.Y Nu. 4,549,708,147) provided as per RMA Prudential Norms excluding Interest in Suspense of Nu. 59,030,098 (P.Y. Nu.1,261,945,926). Further, we cannot comment on the compliances of other conditions mentioned 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 especially in view of the fact that fraud/ embezzlement of funds have taken place as disclosed in the note no. 48 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.

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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 corporation 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 2022.

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 past lapses and make efforts to recover outstanding amount from the borrowers even though the same has been charged off to Off-Balance Sheet.

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 but the same offers further scope for improvement. Also,

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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.

22. 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. 38.3.2 to the financial statements.

23. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued have been complied with.

24. 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.

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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. However, this is subject to our report in Sl. No. 6 – 'Categorization of Loan Accounts into Performing and Non-Performing' in Key Audit Matters.

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.

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13. According to the information and explanations given to us, the corporation has written off loan as bad debts amounting to Nu. 1,605,794.

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. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

6. Though the Overdue days are being captured by the system, calculation of provisions as per IFRS 9 requirements is being carried out manually.

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

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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

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.

4. 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 2022.

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

KASG & CO. Kolkata Chartered Accountants

Chartered Accountants
Partner
Membership No.: 068523

Place : Kolkata
Date : 21-04-2023

STATEMENT OF SIGNIFICANT RATIOS

REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (to The Companies Act of Bhutan, 2016) Exhibit A FOR THE YEAR ENDED 31ST DECEMBER, 2022 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

STATEMENT OF SIGNIFICANT RATIOS

FINANCIAL RATIOS:			2022	2021
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	17.19	**19.29**
2	Net Worth to Total Liabilities	(%)	15.98	18.16
3	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.89	3.47

B	PROFITABILITY RATIOS:			
1	Operating Income to Net worth -Net	(%)	110.68	91.32
2	Operating Income to Total Assets	(%)	**17.68**	**16.58**
3	Net Profit (After Tax) to Net Worth	(%)	(20.43)	17.05
4	Net Profit (After Tax) to Total Assets	(%)	(3.26)	3.10
5	Return on Core Equity (Profit After Tax)	(%)	(53.20)	53.47
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio	(%)	18.64	131.03
2	Long Term Debt to Net Worth	(%)	**7.16**	**41.79**
3	Net Fixed Assets* to Long Term Debt	(%)	959.77	108.18
4	Net Fixed Assets* to Net Worth	(%)	68.70	45.21
	*includes Investment Property			

Financial Data		2022	2021
Face Value of share	(Nu.)	10.00	10.00
Earning per Share	(Nu.)	(5.32)	5.35
Book Value per Share	(Nu.)	26.04	31.35
Market Price per Share	(Nu.)	66.00	71.00
Dividend per share	(Nu.)	-	-
No. of Shareholders		15,645	15,743
Shareholding pattern: No of shares		140,000,180	140,000,180
National Kidu Fund	(%)	-	-
Druk Holding & Investment	(%)	18.41	18.41
Private & Public Holders	(%)	81.59	81.59

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

Chartered Accountants
Partner
Membership No.: 068523

KASG & CO. Kolkata Chartered Accountants

Place : Kolkata
Date : 21-04-2023

KASG & Co.
Chartered Accountants

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			

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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 rquired by directors	Yes			

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

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

for **KASG & Co.**
Firm Registration No.: 002228C

Chartered Accountants
CA. Roshan Kumar Bajaj

Partner
Membership No. : 068523

Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS AS PER BAS/BFRS
For the year ended 31 December 2022

1. 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.

2. 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.

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Royal Insurance Corporation of Bhutan Thimphu

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.

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Royal Insurance Corporation of Bhutan Thimphu

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.

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Royal Insurance Corporation of Bhutan Thimphu

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.

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Royal Insurance Corporation of Bhutan Thimphu

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

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Royal Insurance Corporation of Bhutan Thimphu

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.

KASG & CO. Chartered Accountants Kolkata

Royal Insurance Corporation of Bhutan Thimphu

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.

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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 o 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.

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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

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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:

- Amortised cost
- FVOCI
- 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;

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- 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;
- 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.

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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

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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

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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.

j. 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.

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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.

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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, canceled 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.

k. 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 12mECL 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 12mECLs 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 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- **Stage 2**: When a loan has shown a significant increase in credit risk since origination, the 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.

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- **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

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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

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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 is 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.

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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

l. 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.

m. 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.

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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.

n. 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.

o. 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

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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.

p. 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.

q. 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

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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.

r. 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.

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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.

s. 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 canceled.

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 canceled.

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.

t. 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.

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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 modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is canceled. For a contract that can be canceled 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.

u. 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.

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v. 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:

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 canceled 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.

w. 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, canceled or expired.

x. 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.

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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.

y. 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.

z. 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.

(aa) 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.

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(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.

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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.

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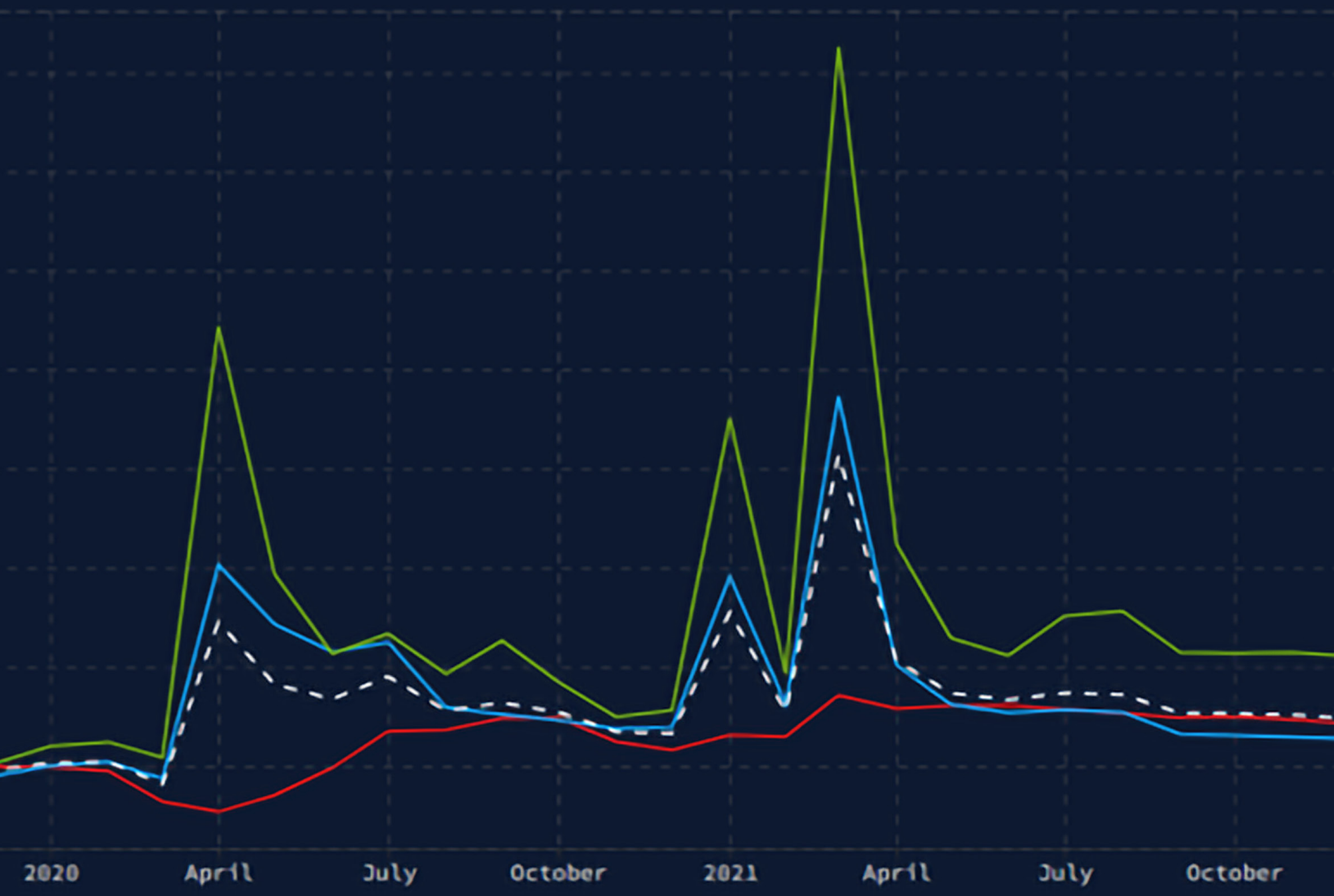
INCOME STATEMENT

For the year ended 31st December 2022



INCOME STATEMENT

		Consolidated		Company	
	Notes	31st December 2022	31st December 2021	31st December 2022	31st December 2021
		Nu.	Nu.	Nu.	Nu.
Revenues					
Gross written premiums	4	2,576,637,887	2,815,007,524	2,576,637,887	2,815,007,524
Less: Premiums ceded to reinsurers	4.1	(515,698,122)	(730,215,305)	(515,698,122)	(730,215,305)
Net written premiums		2,060,939,765	2,084,792,219	2,060,939,765	2,084,792,219
Less: Net change in unearned premium provision		55,407,846	(52,203,872)	55,407,846	(52,203,872)
Net earned premium		2,116,347,611	2,032,588,347	2,116,347,611	2,032,588,347
Finance Income	5	210,894,813	241,846,256	210,894,813	241,846,256
Fee and commission income	6	122,640,823	111,798,847	122,640,823	111,798,847
Less: Fee and commission expense	7	(117,339,647)	(104,419,820)	(117,339,647)	(104,419,820)
Net fee and commission income		216,195,989	249,225,283	216,195,989	249,225,283
Interest income on financial services	8	1,520,332,312	2,324,016,865	1,520,332,312	2,324,016,865
Less : Interest expense on financial services	9	(435,008,325)	(634,737,259)	(435,008,325)	(634,737,259)
Net interest income		1,085,323,987	1,689,279,606	1,085,323,987	1,689,279,606
Total revenue		**3,417,867,587**	**3,971,093,235**	**3,417,867,587**	**3,971,093,235**
OBS Recovery		523,662,091	-	523,662,091	-
Other operating income	10	93,581,462	37,477,564	93,581,462	37,477,564
Total Operating Income		**4,035,111,140**	**4,008,570,799**	**4,035,111,140**	**4,008,570,799**
Gross benefits and claims paid	11(a)	(1,504,581,710)	(1,473,406,791)	(1,504,581,710)	(1,473,406,791)
Claims ceded to reinsurers	11(b)	(20,737,033)	101,207,737	(20,737,033)	101,207,737
Change in contract liabilities	11(c)	(799,178,452)	(855,756,334)	(799,178,452)	(855,756,334)
Net benefits and claims		**(2,324,497,195)**	**(2,227,955,389)**	**(2,324,497,195)**	**(2,227,955,389)**
Expenses relating to private provident fund		(134,705,606)	(156,395,559)	(134,705,606)	(156,395,559)
Other operating and administrative expenses	12	(437,831,885)	(394,582,856)	(437,831,885)	(394,582,856)
Impairment gain / (loss)	13	(2,094,137,424)	(194,105,597)	(2,094,137,424)	(194,105,597)
Share of profit of an associate	19	39,834,171	30,922,625	-	-
Net income/(loss) before income taxes		**(916,226,800)**	**1,066,454,023**	**(956,060,970)**	**1,035,531,398**

Income tax (expense) / benefit	14	211,237,500	(286,934,991)	211,237,500	(286,934,991)
Net income/(loss) after taxes		**(704,989,299)**	**779,519,032**	**(744,823,470)**	**748,596,407**
Earnings per share					
Basic profit for the year attributable to ordinary equity holders of the parent	15	(5.04)	5.57	(5.32)	5.35

The accounting policies and above notes forms an integral part of the Financial Statements.
As per our report of even date

For **KASG & Co.**

Chartered Accountants
Firm Registration No.: 002228C

for and on behalf of Board of Directors

CA. Roshan Kumar Bajaj **Chief Executive Officer** **Director** **Chairman**

Partner
Membership No. : 068523

Place: Kolkata
Date: 21-04-2023

STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated		Company	
		31st December 2022	31st December 2021	31st December 2022	31st December 2021
		Nu.	Nu.	Nu.	Nu.
Comprehensive income/(loss) for the period		**(704,989,299)**	**779,519,032**	**(744,823,470)**	**748,596,407**
Other comprehensive income / (expenses)					
Net gain /(loss) on available for sale assets		62,215,990	(32,409,649)	62,215,990	(32,409,649)
Income tax effect on available for sale assets		(15,553,998)	9,722,895	(15,553,998)	9,722,895
Increase/(Decrease) on fair value of PPE & IP		-	361,029,340	-	361,029,340
Income tax effect on fair value of PPE & IP		-	-	-	-
Gains (losses) on defined benefit plans		(36,510,683)	(3,759,560)	(36,510,683)	(3,759,560)
Income tax effect on defined benefit plans		(9,127,671)	(1,127,868)	(9,127,671)	(1,127,868)
Total other comprehensive income/(loss)		**1,023,639**	**333,455,158**	**1,023,639**	**333,455,158**
Total comprehensive income for the year net of tax		**(703,965,661)**	**1,112,974,190**	**(743,799,831)**	**1,082,051,565**

The accounting policies and above notes forms an integral part of the Financial Statements.
As per our report of even date

For **KASG & Co.**

Chartered Accountants
Firm Registration No.: 002228C

for and on behalf of Board of Directors

CA. Roshan Kumar Bajaj | **Chief Executive Officer** | **Director** | **Chairman**

Partner
Membership No. : 068523

Place: Kolkata
Date: 21-04-2023

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated		Company	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
		Nu.	Nu.	Nu.	Nu.
Assets					
Cash and cash equivalents	16	459,576,602	1,107,664,195	459,576,602	1,107,664,195
Investment in equity, bonds & others	17	5,246,630,759	4,107,312,588	5,246,630,759	4,107,312,588
Loans and receivables	18	13,152,902,356	15,566,826,266	13,152,902,356	15,566,826,266
Investment in associate	19	106,776,472	66,942,302	24,311,650	24,311,650
Insurance receivables	20	402,458,893	498,381,756	402,458,893	498,381,756
Deferred tax asset (net)	30	181,993,288	-	181,993,288	-
Other assets	21	844,310,977	891,463,258	844,310,977	891,463,258
Investment property	22	1,636,950,578	1,151,560,851	1,636,950,578	1,151,560,851
Property and equipment	23	773,356,724	749,752,044	773,352,551	749,747,871
Capital work-in-progress		87,140,296	73,691,561	87,140,296	73,691,562
Other intangible assets	24	7,281,392	9,408,235	7,281,392	9,408,235
Total Assets		**22,899,378,337**	**24,223,003,055**	**22,816,909,342**	**24,180,368,231**
Liabilities					
Investment contract liabilities	25	4,544,061,685	4,730,963,051	4,544,061,685	4,730,963,051
Contribution received by private provident fund		2,573,225,818	2,493,184,143	2,573,225,818	2,493,184,143
Insurance contract liabilities	26	8,553,663,198	7,843,103,820	8,553,663,198	7,843,103,820
Reinsurance contract liabilities		30,836,369	36,365,685	30,836,369	36,365,685
Insurance payable	27	1,605,110,772	1,315,217,997	1,605,110,772	1,315,217,997
Debt issued and other borrowed funds	28	260,972,603	1,834,439,168	260,972,603	1,834,439,168
Employee benefit obligation	29	96,831,098	53,242,913	96,831,098	53,242,913
Deferred tax Liability (net)	30	-	4,562,543	-	4,562,543
Provisions	31	90,262,620	126,431,441	90,262,620	126,431,441
Trade and other payables	32	1,416,130,751	1,353,243,210	1,416,130,751	1,353,243,210
Total liabilities		**19,171,094,914**	**19,790,753,970**	**19,171,094,914**	**19,790,753,970**
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		188,907,795	142,245,803	188,907,795	142,245,803
Revaluation reserve		1,248,508,638	1,248,508,638	1,248,508,638	1,248,508,638
Retained earnings		662,931,460	1,413,559,113	580,462,466	1,370,924,290
Other reserves		227,933,729	227,933,729	227,933,729	227,933,729
Shareholder's equity		**3,728,283,423**	**4,432,249,084**	**3,645,814,429**	**4,389,614,261**
Total equity		**3,728,283,423**	**4,432,249,084**	**3,645,814,429**	**4,389,614,261**
Total liabilities and equity		**22,899,378,337**	**24,223,003,055**	**22,816,909,342**	**24,180,368,231**

KASG & CO. Chartered Accountants Kolkata

Royal Insurance Corporation of Bhutan Thimphu

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

As per our report of even date

For **KASG & Co.**

Chartered Accountants
Firm Registration No.: 002228C

for and on behalf of Board of Directors

CA. Roshan Kumar Bajaj | **Chief Executive Officer** | **Director** | **Chairman**

Partner
Membership No. : 068523

Place: Kolkata
Date: 21-04-2023

CASH FLOW & RECONCILIATION STATEMENT

As at 31st December, 2022

CASH FLOW & RECONCILIATION STATEMENT

	Note	Consolidated		Company	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
		Nu.	Nu.	Nu.	Nu.
Cash flows from operating activities					
Profit/(Loss) Before Tax		(916,226,800)	1,066,454,023	(956,060,970)	1,035,531,398
Adjustment for:					
Depreciation of property and equipment	23	20,439,162	20,270,414	20,439,162	20,270,414
Depreciation of investment property	22	(3,972,530)	1,062,589	(3,972,530)	1,062,589
Amortization of intangible assets	24	2,422,342	2,498,333	2,422,342	2,498,333
Defined benefit Cost		7,077,502	32,679,037	7,077,502	32,679,037
Provision written back		(36,168,821)	(710,894)	(36,168,821)	(710,894)
Share of profit of an associate	19	(39,834,171)	(30,922,625)	-	-
Impairment Expenses	13	2,171,927,105	194,105,597	2,171,927,105	194,105,597
Impairment of Cash and Cash Equivalent		-	(123,497)	-	(123,497)
Loss on Sales of Assets		1,201,481	-	1,201,481	-
Transfer to APF		-	(341,510,755)	-	(341,510,755)
Operating profit before changes in operating assets & liabilities		**1,206,865,271**	**943,802,222**	**1,206,865,271**	**943,802,222**
(Increase)/Decrease in operating assets					
Loans and advance to customers	18	157,022,977	203,781,357	157,022,977	203,781,357
Insurance receivables	20	99,745,195	(30,359,725)	99,745,195	(30,359,725)
Other assets	21	307,745,928	(506,461,410)	307,745,928	(506,461,410)
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	26	710,559,378	889,362,340	710,559,378	889,362,340
Reinsurance contract liabilities		(5,529,316)	2,297,430	(5,529,316)	2,297,430
Investment contract liabilities	25	(186,901,366)	(206,050,607)	(186,901,366)	(206,050,607)
Insurance payable	27	289,892,775	456,471,970	289,892,775	456,471,970
Contribution received by private provident fund		80,041,675	261,314,826	80,041,675	261,314,826
Trade and other payables	31	62,864,346	463,176,903	62,864,346	463,176,903
Net cash flow from operating activities before income tax		**1,515,441,592**	**1,533,533,083**	**1,515,441,592**	**1,533,533,083**
Income tax paid		(179,430,090)	-	(179,430,090)	-
Net cash flow from operating activities		**1,336,011,502**	**1,533,533,083**	**1,336,011,502**	**1,533,533,083**

Cash flow from Investing activities					
Purchase of Equity investment	17	-	(99,495,000)	-	(99,495,000)
Long term investments in Bonds	19	(39,685,481)	-	(39,685,481)	-
Investment in fixed deposits		(1,037,416,701)	(390,711,575)	(1,037,416,701)	(390,711,575)
Purchase of property & equipment		(9,155,685)	(18,793,583)	(9,155,685)	(18,793,583)
Purchase of intangible assets		(295,499)	(1,118,327)	(295,499)	(1,118,327)
Disposal of investment property		885,483	731,979	885,483	731,979
Purchase of investment property		(518,381,185)	(403,906,184)	(518,381,185)	(403,906,184)
Expenses incurred for Capital WIP		(13,448,734)	(8,292,625)	(13,448,734)	(8,292,625)
Net cash flow from investing activities		**(1,617,497,802)**	**(921,585,315)**	**(1,617,497,802)**	**(921,585,315)**
Cash flow from financing activities					
Borrowings during the year	28	(1,499,000,000)	(1,000,000,000)	(1,499,000,000)	(1,000,000,000)
Interest Payment		(74,466,565)	(91,106,557)	(74,466,565)	(91,106,557)
Net cash flow from financing activities		**(1,573,466,565)**	**(1,091,106,557)**	**(1,573,466,565)**	**(1,091,106,557)**
Net increase/(decrease) in cash and cash equivalents		(648,087,593)	464,643,433	(648,087,593)	464,643,433
Cash and cash equivalents at the beginning of the year	16	1,107,664,195	643,020,762	1,107,664,195	643,020,762
Cash and cash equivalents at the end of the year		**459,576,602**	**1,107,664,195**	**459,576,602**	**1,107,664,195**
Balance as per Statement of Financial Position		459,576,602	1,107,664,195	459,576,602	1,107,664,195

The accounting policies and above notes forms an integral part of the Financial Statements.
As per our report of even date

For **KASG & Co.**

Chartered Accountants
Firm Registration No.: 002228C

CA. Roshan Kumar Bajaj **Chief Executive Officer** **Director** **Chairman**

Partner
Membership No. : 068523

Place: Kolkata
Date: 21-04-2023

STATEMENT OF CHANGES IN EQUITY

Consolidated							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 2020	**26**	**1,400,001,800**	**164,932,557**	**887,479,298**	**638,927,509**	**227,933,729**	**3,319,274,894**
Net profit/(loss) for the year		-	-	-	779,519,032	-	779,519,032
Other comprehensive income		-	(22,686,754)	361,029,340	(4,887,428)	-	333,455,158
Other adjustment		-	-	-	-	-	-
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**
Net profit/(loss) for the year		-	-	-	(704,989,299)	-	(704,989,299)
Other comprehensive income		-	46,661,992	-	(45,638,354)	-	1,023,639
Balances as at 31st December 2022		**1,400,001,800**	**188,907,796**	**1,248,508,638**	**662,931,460**	**227,933,729**	**3,728,283,423**
Company							**In Nu**
	Note	**Share capital**	**Net unrealized gains/(losses) on available-for-sale investments**	**Revaluation reserve**	**Retained earnings**	**Other reserves**	**Total Shareholders' Funds**
Balance as at 1st January 2016	**26**	**1,200,000,000**	**150,453,279**		**1,506,487,682**	**193,933,729**	**3,050,874,690**
Net profit for the year		-	-		474,285,381	-	474,285,381
Increase in Reinsurance Reserve		-	-		6,374,224	-	6,374,224
Balances as at 31st December 2020		**1,400,001,800**	**164,932,557**	**887,479,298**	**627,215,310**	**227,933,729**	**3,307,562,694**
Net profit for the year		-	-	-	748,596,407	-	748,596,407
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**
Net profit for the year		-	-	-	(744,823,470)	-	(744,823,470)
Other comprehensive income		(22,686,754)	46,661,992	-	(45,638,354)	-	1,023,639
Balances as at 31st December 2022		**1,400,001,800**	**188,907,795**	**1,248,508,638**	**580,462,466**	**227,933,729**	**3,645,814,428**

The guy who had no **MOTOR INSURANCE**
CRASHED his car into another
Took a loan of **Nu 150,000** to fix his car
Then borrowed **Nu 100,000** to fix the other car

We're not joking!

INSURE NOW!

We help you@1818

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

R I C B

"Your partner for growth and security"

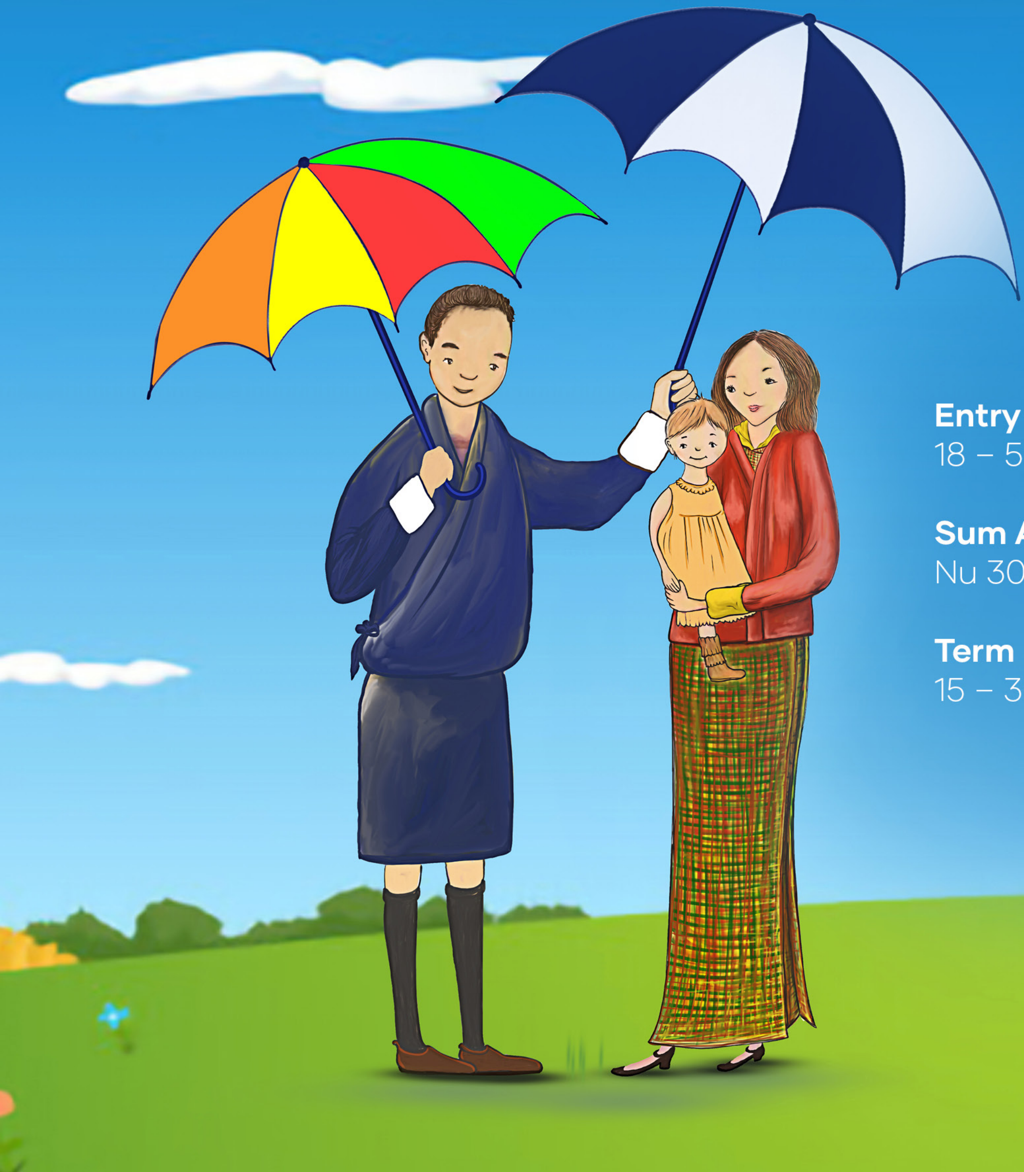
DOUBLE COVER ENDOWMENT PLAN WITH PROFIT

If you take Double Cover Endowment Plan at the age of **38** for **20** year-term & Sum Assured of **Nu 100,000**, Your -

Monthly Payment
Nu 528

Maturity Benefits
Nu 100,000 + Bonus

Benefit upon Demise
Nu 100,000 + Nu 100,000 + Bonus



Entry Age
18 – 55 years

Sum Assured
Nu 30,000 – 1,000,000

Term
15 – 30 years

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2022

(3) Operating segment Information

Operating segment Income statement for the year ended 31st December 2022

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Reinsurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Subsidiary/ Associate	Consolidated
Gross written premiums	1,080,054,864	1,333,199,514	84,816,000	395,251	78,172,258	-	-	-	-	-	2,576,637,887	-	2,576,637,887
Premiums ceded to reinsurers	(460,763,886)	(633,986)	(516,214)	-	(53,784,036)	-	-	-	-	-	(515,698,122)	-	(515,698,122)
Net written premiums	619,290,977	1,332,565,528	84,299,786	395,251	24,388,222	-	-	-	-	-	2,060,939,765	-	2,060,939,765
Net change in reserve for unearned premium	62,817,314	-	-	-	(7,409,468)	-	-	-	-	-	55,407,846		55,407,846
Net earned premium	**682,108,292**	**1,332,565,528**	**84,299,786**	**395,251**	**16,978,754**	**-**	**-**	**-**		**-**	**2,116,347,611**	**-**	**2,116,347,611**
Finance Income	325,259,201	578,263,603	195,936,852	291,716,872	6,768,502	200,318,302	210,894,813	-	925,270	(1,599,188,601)	210,894,813	-	210,894,813
Fee and commission income - External	80,493,464	-	-	-	-	-	34,125,922	-	8,021,437	-	122,640,823	-	122,640,823
Fee and commission expense - External	(19,254,619)	(63,903,589)	-	(607,669)	(33,573,769)	-	-	-		-	(117,339,647)	-	(117,339,647)
Net fee & commission income	**386,498,045**	**514,360,014**	**195,936,852**	**291,109,202**	**(26,805,267)**	**200,318,302**	**245,020,736**	**-**	**8,946,706**	**(1,599,188,601)**	**216,195,989**	**-**	**216,195,989**
Interest Income - External	-	-	-	-	-	-	1,520,332,312	-	-	-	1,520,332,312	-	1,520,332,312
Less : Interest expense - External	-	(69,022,538)	(115,403,562)	(175,816,981)	-	-	(1,658,953,845)	(15,000,000)	-	1,599,188,601	(435,008,325)	-	(435,008,325)
Net interest income	**-**	**(69,022,538)**	**(115,403,562)**	**(175,816,981)**	**-**	**-**	**(138,621,533)**	**(15,000,000)**	**-**	**1,599,188,601**	**1,085,323,987**	**-**	**1,085,323,987**
Total revenue	**1,068,606,336**	**1,777,903,004**	**164,833,075**	**115,687,473**	**(9,826,513)**	**200,318,302**	**106,399,203**	**(15,000,000)**	**8,946,706**	**-**	**3,417,867,587**	**-**	**3,417,867,587**
Recovery from OBS Loans	-	-	-	-	-	-	523,662,091	-	-	-	523,662,091	-	523,662,091
Other operating income	543,654	1,506,198	1,765,543	1,626,868	1,154,640	19,571	75,495,609	11,469,228	151	-	93,581,462	-	93,581,462
Total operating income	**1,069,149,991**	**1,779,409,202**	**166,598,618**	**117,314,341**	**(8,671,873)**	**200,337,874**	**705,556,902**	**(3,530,772)**	**8,946,857**	**-**	**4,035,111,140**	**-**	**4,035,111,140**

Gross benefits and claims paid	(295,035,593)	(1,121,085,323)	(50,900,000)	-	(37,560,794)	-	-	-	-	-	(1,504,581,710)	-	(1,504,581,710)
Claims ceded to reinsurers	9,822,210	-	-	-	(30,559,243)	-	-	-	-	-	(20,737,033)	-	(20,737,033)
Gross change in contract liabilities	-	(577,951,634)	(72,020,554)	(112,474,887)	(36,731,377)	-	-	-	-	-	(799,178,452)	-	(799,178,452)
Net benefits and claims	**(285,213,383)**	**(1,699,036,957)**	**(122,920,554)**	**(112,474,887)**	**(104,851,414)**	**-**	**-**	**-**	**-**	**-**	**(2,324,497,195)**	**-**	**(2,324,497,195)**
Expenses relating to private provident fund	-	-	-	-	-	(134,705,606)	-	-	-	-	(134,705,606)	-	(134,705,606)
Other operating and administrative expenses	(103,322,126)	(80,372,244)	(43,678,064)	(4,839,454)	(13,847,231)	(8,723,078)	(143,430,472)	(6,080,038)	(7,572,701)	(25,966,476)	(437,831,885)	-	(437,831,885)
Impairment gain / (loss) on loans and advances	3,385,257	-	-	-	437,075	-	(2,097,959,757)	-	-	-	(2,094,137,424)	-	(2,094,137,424)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	-	39,834,171	39,834,171
Profit before tax	**683,999,738**	**-**	**-**	**-**	**(126,933,443)**	**56,909,190**	**(1,535,833,327)**	**(9,610,811)**	**1,374,156**	**(25,966,476)**	**(956,060,970)**	**39,834,171**	**(916,226,800)**
Income tax expense	-	-	-	-	-	-	-	-	-	211,237,500	211,237,500	-	211,237,500
Profit for the year	**683,999,738**	**-**	**-**	**-**	**(126,933,443)**	**56,909,190**	**(1,535,833,327)**	**(9,610,811)**	**1,374,156**	**185,271,025**	**(744,823,470)**	**39,834,171**	**(704,989,299)**
Other comprehensive income / (expenses)													
Net gain /loss on available for sale assets	-	-	-	-	-	-	62,215,990	-	-	-	62,215,990	-	62,215,990
Income tax effect	-	-	-	-	-	-	(15,553,998)	-	-	-	(15,553,998)	-	(15,553,998)
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	(36,510,683)	(36,510,683)	-	(36,510,683)
Income tax effect	-	-	-	-	-	-	-	-	-	(9,127,671)	(9,127,671)	-	(9,127,671)
Total other comprehensive income	-	-	-	-	-	-	46,661,993	-	-	(45,638,354)	1,023,639	-	1,023,639
Income tax(charge) / credit relating to components of other comprehensive income													
Other comprehensive income net of tax	-	-	-	-	-	-	46,661,993	-	-	(45,638,354)	1,023,639	-	1,023,639
Total comprehensive income for the year net of tax	**683,999,738**	**-**	**-**	**-**	**(126,933,443)**	**56,909,190**	**(1,489,171,335)**	**(9,610,811)**	**1,374,156**	**139,632,671**	**(743,799,831)**	**39,834,171**	**(703,965,660)**

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st 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	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Subsidiary/ Associate	Consolidated
Gross written premiums	1,173,697,810	1,403,458,177	83,165,580	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)	-	-	-	-	-	(730,215,305)	-	(730,215,305)
Net written premiums	599,996,643	1,402,742,724	82,562,167	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**	**82,562,167**	**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	9,705,191	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	-	-	-	77,125	-	24,144,830	-	6,808,850	-	111,798,847	-	111,798,847
Fee and commission expense - External	(14,085,829)	(60,806,207)	-	(661,366)	(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)	-	-	(1,622,437,195)	(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**
Other operating income	91,689	2,327,538	589,348	4,421,965	17,196,799	186	1,548,550	11,300,132	1,357	37,477,564	37,477,564		
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**	**-**	**3,971,093,236**	**-**	**3,971,093,236**
Other operating income	91,689	2,327,538	589,348	4,421,965	17,196,799	186	1,548,550	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	71,868,248	183,263,371	969,119,307	(3,699,868)	7,680,458	-	4,008,570,800	-	4,008,570,800
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)	-	(156,395,559)
Other operating and administrative expenses	(89,969,762)	(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
10% Surplus of Life Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before tax	549,458,034	-	-	-	(137,663,328)	19,368,376	666,689,153	(9,774,110)	3,963,646	(56,510,373)	1,035,531,399	30,922,625	1,066,454,024
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**	**(9,774,110)**	**3,963,646**	**(343,445,364)**	**748,596,408**	**30,922,625**	**779,519,033**
Other comprehensive income / (expenses)													
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	-	-	-	-	-	-	-	-	-	(1,127,868)	(1,127,868)	-	(1,127,868)
Total other comprehensive income	-	-	-	-	-	-	(22,686,754)	-	-	(4,887,428)	333,455,158	-	333,455,158
Income tax(charge) / credit relating to components of other comprehensive income													
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**	**(9,774,110)**	**3,963,646**	**(348,332,792)**	**1,082,051,566**	**30,922,625**	**1,112,974,191**

KASG & Co. Chartered Accountants Kolkata

Royal Insurance Corporation of Bhutan Thimphu

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2022

(3) Operating segment statement of financial position as at 31 December 2022

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Reinsurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Consolidated
Assets													
Cash and Cash Equivalents	70,835,902	73,917,054	19,604,350	14,759,129	17,299,455	10,560,043	242,719,745	3,554,347	6,462,134	(135,557)	459,576,602	-	459,576,602
Investment in equity, bonds & others	-	-	-	-	-	-	5,246,630,759	-	-	-	5,246,630,759	-	5,246,630,759
Loans and receivables	-	4,694,208	-	-	-	-	13,148,208,149	-	-	-	13,152,902,356	-	13,152,902,356
Investment in associate							24,311,650	-	-	-	24,311,650	82,464,822	106,776,472
Insurance Receivables	251,398,593	17,410,927	566,220	-	133,083,153	-	-	-	-	-	402,458,893	-	402,458,893
Deferred tax asset	-	-	-	-	-	-	-	-	-	181,993,288	181,993,288	-	181,993,288
Other Assets	1,881,149	523,054	-	-	18,823,150	-	508,643,393	311,580,515	2,859,715	-	844,310,977	-	844,310,977
Investment properties	-	-	-	-	-	-	-	-	-	1,636,950,578	1,636,950,578	-	1,636,950,578
Property and equipment	-	-	-	-	-	-	-	-	-	773,352,551	773,352,551	4,170	773,356,721
Capital work-in-progress	-	-	-	-	-	-	-	87,140,296	-	-	87,140,296	-	87,140,296
Intangible assets	-	-	-	-	-	-	-	-	-	7,281,392	7,281,392	-	7,281,392
Total Assets	**324,115,645**	**96,545,243**	**20,170,570**	**14,759,129**	**169,205,758**	**10,560,043**	**19,170,513,696**	**402,275,158**	**9,321,849**	**2,599,442,252**	**22,816,909,342**	**82,468,992**	**22,899,378,335**

Liabilities													
Investment contract liabilities	-	-	2,456,972,770	2,087,088,915	-	-	-	-	-	-	4,544,061,685	-	4,544,061,685
Contribution received by private provident fund						2,573,225,818	-	-	-	-	2,573,225,818	-	2,573,225,818
Insurance contract liabilities	391,574,270	7,476,838,867	177,729,104	471,830,753	35,690,204	-	-	-	-	-	8,553,663,198	-	8,553,663,198
Reinsurance contract liabilities		-	-	-	30,836,369	-	-	-	-	-	30,836,369	-	30,836,369
Insurance Payable	428,461,033	699,736,793	4,400,000	-	472,512,946	-	-	-	-	-	1,605,110,772	-	1,605,110,772

Debt issued and other borrowed funds	-	-	-	-	-	-	17,607,525,573	260,972,603	-	(17,607,525,573)	260,972,603	-	260,972,603
Employee benefit obligation	-	-	-	-	-	-	-	-	-	96,831,098	96,831,098	-	96,831,098
Deferred tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions					18,823,150		71,439,470			-	90,262,620	-	90,262,620
Trade and other payables	108,928,627	944,282,159	1,437,231	316,243	380,057	1,556,620	1,907,127,635	50,273,356	1,017,422	(1,599,188,601)	1,416,130,751	-	1,416,130,751
Total Liabilities	**928,963,929**	**9,120,857,819**	**2,640,539,105**	**2,559,235,912**	**558,242,726**	**2,574,782,438**	**19,586,092,679**	**311,245,959**	**1,017,422**	**(19,109,883,077)**	**19,171,094,914**	**-**	**19,171,094,914**

Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	1,400,001,800	-	-	1,400,001,800	-	1,400,001,800
Available For Sale reserve			-	-	-	-	188,907,794	-		-	188,907,794		188,907,794
Revaluation Reserve	-	-	-	-	-	-	-	-	-	1,248,508,638	1,248,508,638	-	1,248,508,638
Retained earnings	-	-	-	-	-	-	-	-		580,462,466	580,462,466	82,468,992	662,931,459
Other reserves	-	-	-	-	-	-	-	-		227,933,729	227,933,729	-	227,933,729
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**188,907,794**	**1,400,001,800**	**-**	**2,056,904,835**	**3,645,814,428**	**82,468,992**	**3,728,283,421**
Shareholders' Equity & Liabilities	**928,963,929**	**9,120,857,819**	**2,640,539,105**	**2,559,235,912**	**558,242,726**	**2,574,782,438**	**19,775,000,473**	**1,711,247,759**	**1,017,422**	**(17,052,978,242)**	**22,816,909,342**	**82,468,992**	**22,899,378,334**

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2021

(3) Operating segment statement of financial position as at 31 December 2021

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Consolidated
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
Net defined benefit assets	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	1,151,560,851
Property and equipment	-	-	-	-	-	-	-	-	-	749,747,871	749,747,871	4,170	749,752,041
Capital work-in-progress	-	-	-	-	-	-	-	73,691,562	-	-	73,691,562	-	73,691,562
Intangible assets	-	-	-	-	-	-	-	-	-	9,408,235	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**	**1,910,593,460**	**24,180,368,231**	**42,634,822**	**24,223,003,054**

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Consolidated
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	-	-	-	-	-	7,843,103,820	-	7,843,103,820
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	-	53,242,913
Deferred tax Liability	-	-	-	-	-	-	-	-	-	4,562,543	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	107,122,215	829,961,740	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	**-**	**-**	**-**	**-**	**-**	**-**	**142,245,803**	**1,400,001,800**	**-**	**2,847,366,659**	**4,389,614,260**	**42,634,822**	**4,432,249,082**
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**	**1,728,620,962**	**1,134,187**	**(15,430,890,567)**	**24,180,368,232**	**42,634,822**	**24,223,003,054**

4. GROSS WRITTEN PREMIUM

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Non life insurance		1,080,054,864	1,173,697,810	1,080,054,864	1,173,697,810
Life insurance		1,333,199,514	1,403,458,177	1,333,199,514	1,403,458,177
Group life insurance		84,816,000	83,165,580	84,816,000	83,165,580
Annuity insurance		395,251	442,747	395,251	442,747
Reinsurance		78,172,258	154,243,211	78,172,258	154,243,211
Total gross written premium		**2,576,637,887**	**2,815,007,524**	**2,576,637,887**	**2,815,007,524**

4.1. Premiums ceded to reinsurance

Non-life Insurance		(460,763,886)	(573,701,167)	(460,763,886)	(573,701,167)
Life insurance		(633,986)	(715,453)	(633,986)	(715,453)
Group life insurance		(516,214)	(603,413)	(516,214)	(603,413)
Re insurance		(53,784,036)	(155,195,273)	(53,784,036)	(155,195,273)
Total premium ceded to reinsurance		**(515,698,122)**	**(730,215,305)**	**(515,698,122)**	**(730,215,305)**
Total net premium		**2,060,939,765**	**2,084,792,219**	**2,060,939,765**	**2,084,792,219**

5. FINANCE INCOME

Income from investment securities		210,894,813	241,846,256	210,894,813	241,846,256
		210,894,813	**241,846,256**	**210,894,813**	**241,846,256**

6. FEES AND COMMISSION INCOME

Agent commission		80,493,464	80,768,041	80,493,464	80,768,041
Reinsurance commission		-	77,125	-	77,125
Guarantee fee		33,636,622	23,913,080	33,636,622	23,913,080
Credit related fees and commissions		489,300	231,750	489,300	231,750
Broking Fees and Commission		8,021,437	6,808,850	8,021,437	6,808,850
Other		-	-	-	-
Total fees and commission income		**122,640,823**	**111,798,847**	**122,640,823**	**111,798,847**

7. FEES AND COMMISSION EXPENSE

Commission expense on Re insurance accepted		(33,573,769)	(28,866,418)	(33,573,769)	(28,866,418)
Agent commission		(83,765,878)	(75,553,402)	(83,765,878)	(75,553,402)
Total fees and commission expense		**(117,339,647)**	**(104,419,820)**	**(117,339,647)**	**(104,419,820)**

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Royal Insurance Corporation of Bhutan Thimphu

8. INTEREST INCOME ON FINANCIAL SERVICES

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Loans & receivables from customers		1,960,347,003	2,324,016,865	1,960,347,003	2,324,016,865
Less: IPS Plough Back	43	(440,014,691)	-	(440,014,691)	-
Total interest income		**1,520,332,312**	**2,324,016,865**	**1,520,332,312**	**2,324,016,865**

9. INTEREST EXPENSE ON FINANCIAL SERVICES

Interest on group life insurance		(115,403,562)	(169,490,359)	(115,403,562)	(169,490,359)
Interest on annuity contribution		(175,816,981)	(235,344,055)	(175,816,981)	(235,344,055)
Interest on bank borrowings		(181,604)	(288,525)	(181,604)	(288,525)
Debt issued and borrowed funds		(74,583,640)	(161,298,443)	(74,583,640)	(161,298,443)
Interest on TMN policies (Life Insurance)		(69,022,538)	(68,315,878)	(69,022,538)	(68,315,878)
Total interest expense		**(435,008,325)**	**(634,737,259)**	**(435,008,325)**	**(634,737,259)**

10. OTHER OPERATING INCOME

Rental income		11,241,919	10,401,677	11,241,919	10,401,677
Securities business		151	1,357	151	1,357
Other		82,339,392	27,074,530	82,339,392	27,074,530
Total other operating income		**93,581,462**	**37,477,564**	**93,581,462**	**37,477,564**

*other income includes provision write back of Nu. 50,260,340 under credit department

11. NET BENEFITS AND CLAIMS

11. (a) Gross benefits and claims paid

Non Life Insurance		(295,035,593)	(331,634,810)	(295,035,593)	(331,634,810)
Life Insurance		(1,121,085,323)	(935,378,942)	(1,121,085,323)	(935,378,942)
Group Life Insurance		(50,900,000)	(42,600,000)	(50,900,000)	(42,600,000)
Re insurance		(37,560,794)	(163,793,040)	(37,560,794)	(163,793,040)
Total gross benefit and claims paid		**(1,504,581,710)**	**(1,473,406,791)**	**(1,504,581,710)**	**(1,473,406,791)**

11. (b) Claims ceded to reinsurers

Non Life Insurance		9,822,210	148,766,149	9,822,210	148,766,149
Re insurance		(30,559,243)	(47,558,412)	(30,559,243)	(47,558,412)
Total claims to reinsurers		**(20,737,033)**	**101,207,737**	**(20,737,033)**	**101,207,737**

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11 (c) Change in contract liabilities

Life Insurance		(577,951,634)	(778,495,579)	(577,951,634)	(778,495,579)
Group Life Insurance		(72,020,554)	(12,350,329)	(72,020,554)	(12,350,329)
Annuity Insurance		(112,474,887)	(80,493,323)	(112,474,887)	(80,493,323)
Re insurance		(36,731,377)	15,582,897	(36,731,377)	15,582,897
Total change in contract liabilities ceded to reinsurers		**(799,178,452)**	**(855,756,334)**	**(799,178,452)**	**(855,756,334)**
Net benefit and claims paid		**(2,324,497,195)**	**(2,227,955,389)**	**(2,324,497,195)**	**(2,227,955,389)**

12. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Amortization of intangible assets		(2,422,342)	(2,498,333)	(2,422,342)	(2,498,333)
Depreciation on property and equipment		(20,439,162)	(20,270,414)	(20,439,162)	(20,270,414)
Depreciation on investment property		3,972,530	(1,062,589)	3,972,530	(1,062,589)
Professional & legal expenses		(403,810)	(440,510)	(403,810)	(440,510)
Bank Charges		(690,591)	(1,150,665)	(690,591)	(1,150,665)
Management expenses		(127,419,003)	(76,212,604)	(127,419,003)	(76,212,604)
Employee benefits expense	12.1	(237,626,875)	(254,100,056)	(237,626,875)	(254,100,056)
Bad Debts		(1,605,794)	-	(1,605,794)	-
Securities business		(5,743,890)	(2,133,981)	(5,743,890)	(2,133,981)
Loss on sale of Assets		(1,201,481)	-	(1,201,481)	-
Other		(44,251,467)	(36,713,704)	(44,251,467)	(36,713,704)
Total other operating and administrative expenses		**(437,831,885)**	**(394,582,856)**	**(437,831,885)**	**(394,582,856)**

12.1. Employee benefits expense

Salaries and bonus		(193,940,111)	(184,679,634)	(193,940,111)	(184,679,634)
Staff welfare and expenses		(3,050,904)	(2,653,275)	(3,050,904)	(2,653,275)
Leave travel concession		(5,876,037)	(5,951,670)	(5,876,037)	(5,951,670)
Defined benefit costs		(7,077,502)	(32,679,037)	(7,077,502)	(32,679,037)
Leave encashment		(14,394,271)	(14,828,847)	(14,394,271)	(14,828,847)
Contribution to private provident fund		(13,288,050)	(13,307,593)	(13,288,050)	(13,307,593)
Total employee benefit expense		(237,626,875)	(254,100,056)	(237,626,875)	(254,100,056)

13. IMPAIREMENT GAIN /(LOSS)

Impairment gain/(loss) on reinsurance receivables		3,822,332	(1,346,700)	3,822,332	(1,346,700)
Impairment loss on loans and receivables		(2,097,947,696)	(192,822,401)	(2,097,947,696)	(192,822,401)
Impairment loss on cash and cash equivalent		(12,060)	63,504	(12,060)	63,504
Total impairment gain /loss on loans and advances		**(2,094,137,424)**	**(194,105,597)**	**(2,094,137,424)**	**(194,105,597)**

14. INCOME TAX EXPENSES

(a)	Current tax charge					
	Current income tax		-	-	-	-
	Deferred tax					
	Relating to origination and reversal of temporary differences		211,237,500	(286,934,991)	211,237,500	(286,934,991)
	Total income tax expense		**211,237,500**	**(286,934,991)**	**211,237,500**	**(286,934,991)**
(b)	**Tax recorded in other comprehensive income (see note 30)**					
	Current tax		-	-	-	-
	Deferred tax		(24,681,668)	8,595,027	(24,681,668)	8,595,027
	Total tax charge to the other comprehensive income		**(24,681,668)**	**8,595,027**	**(24,681,668)**	**8,595,027**

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		(704,989,299)	779,519,032	(744,823,470)	748,596,407
Nominal Value of Equity Shares		10	10	10	10
Number of Shares		140,000,180	140,000,180	140,000,180	140,000,180
		(5.04)	**5.57**	**(5.32)**	**5.35**

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

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16. CASH AND CASH EQUIVALENTS

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Local currency in hand		9,600	519,080	9,600	519,080
Balances with local banks		452,816,282	1,060,610,349	452,816,282	1,060,610,349
Balances with foreign banks		6,886,278	46,658,263	6,886,278	46,658,263
Allowance for expected credit loss		(135,557)	(123,497)	(135,557)	(123,497)
		459,576,602	**1,107,664,195**	**459,576,602**	**1,107,664,195**

17. Investments

Quoted investments (Equity instrument measured at fair value through OCI)

Equity investment		556,731,927	494,515,937	556,731,927	494,515,937
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		213,385,481	173,700,000	213,385,481	173,700,000
Investment in Fixed Deposits		4,382,452,329	3,345,035,628	4,382,452,329	3,345,035,628
Total investments		**5,246,630,759**	**4,107,312,588**	**5,246,630,759**	**4,107,312,588**

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

	31st December, 2022			31st December, 2021		
	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	91,484,000	800,000	8,100,000	72,304,000
Penden Cement Authority Ltd.	183,150	3,169,400	8,123,435	183,150	3,169,400	9,230,760
Bhutan National Bank Ltd	12,960,000	203,018,000	300,114,720	12,960,000	203,018,000	266,392,800
State Trading Corporation of Bhutan Ltd.	882,000	980,000	34,322,148	882,000	980,000	31,390,380
Bhutan Board Products Ltd.	118,300	1,229,250	4,974,633	118,300	1,229,250	5,528,514
GIC Bhutan Re Ltd	5,500,000	55,000,000	94,358,000	5,500,000	55,000,000	87,191,500
Royal Securities Exchange of Bhutan Limited	162,000	19,811,000	23,354,991	162,000	19,811,000	22,477,984
Total	**20,605,450**	**291,307,650**	**556,731,927**	**20,605,450**	**291,307,650**	**494,515,937**

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. The valuation was carried out based on 30% of the market value as on 31/12/2022 and book value of the shares as on 31/12/2021.

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

	31st December, 2022			31st December, 2021		
	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, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Financial Institution Training Institute	12,000,000	12,000,000	12,000,000	12,000,000
Tara Dolma Ghardara Mines	6,950,000	6,950,000	6,950,000	6,950,000
Less: Provison 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, 2022	31st December, 2021	31st December, 2022	31st December, 2021
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
Commercial Paper (90 Days @ 3.50%)	39,685,481	-	39,685,481	-
	213,385,481	**173,700,000**	**213,385,481**	**173,700,000**

17.5. Investment in Fixed Deposits

	31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Bhutan National Bank	700,000,000	500,000,000	700,000,000	500,000,000
T Bank	1,200,000,000	500,000,000	1,200,000,000	500,000,000
Bank of Bhutan	850,000,000	1,250,000,000	850,000,000	1,250,000,000
Druk PNB Bank	1,380,000,000	730,000,000	1,380,000,000	730,000,000
Interest Receivable on Fixed Deposit	252,452,329	365,035,628	252,452,329	365,035,628
	4,382,452,329	**3,345,035,628**	**4,382,452,329**	**3,345,035,628**

18. LOANS AND RECEIVABLES

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Loans and receivable from customers		14,463,450,970	20,793,145,767	14,463,450,970	20,793,145,767
Less: Fair value of employee loans		(81,627,107)	(463,551)	(81,627,107)	(463,551)
Less: Interest suspense		**(108,491,962)**	**(1,261,945,926)**	**(108,491,962)**	**(1,261,945,926)**
Less: Provision for impairment losses		(1,120,429,545)	(3,963,910,025)	(1,120,429,545)	(3,963,910,025)
		13,152,902,356	**15,566,826,266**	**13,152,902,356**	**15,566,826,266**

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 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**
At 1st January 2022	**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**
Charges/Reversal for the year	(724,081,698)	(49,560,045)	(469,486,774)	(35,619,258)	(1,500,332,516)	(56,660,825)	(5,884,920)	1,854,445	**(2,839,771,591)**
Recoveries	-	-	-	-	-	-	-	-	**-**
Additions	-	-	-	-	-	-	-	-	**-**
At 31st December 2022	**564,393,873**	**80,485,290**	**36,623,817**	**6,094,398**	**417,924,927**	**11,625,409**	**2,213,342**	**1,068,488**	**1,120,429,545**
Individual impairment	-	-	-	-	-	-	-	-	**-**
Collective impairment	564,393,873	80,485,290	36,623,817	6,094,398	417,924,927	11,625,409	2,213,342	1,068,488	1,120,429,545

19. (i) INVESTMENT IN ASSOCIATES

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

	Consolidated		Company	
	Nu	Nu	Nu	Nu
	31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Opening balance	66,942,302	36,019,677	24,311,650	24,311,650
For the year profit	39,834,171	30,922,625	-	-
Less	-	-	-	-
Dividend received	-	-	-	-
	106,776,472	**66,942,302**	**24,311,650**	**24,311,650**

20. INSURANCE RECEIVABLES

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Due from policyholders		17,977,147	19,007,132	17,977,147	19,007,132
Due from reinsurers		384,798,949	483,514,159	384,798,949	483,514,159
Impairment of insurance receivables		(317,203)	(4,139,535)	(317,203)	(4,139,535)
Total insurance receivables		**402,458,893**	**498,381,756**	**402,458,893**	**498,381,756**

21. OTHER ASSETS

Advances, Deposits & Prepayments		384,479,403	121,318,678	384,479,403	121,318,678
Interest, Rent and Other Receivables		107,435,712	404,620,068	107,435,712	404,620,068
Other		352,395,862	365,524,513	352,395,862	365,524,513
		844,310,977	**891,463,258**	**844,310,977**	**891,463,258**

22. INVESTMENT PROPERTY (Stated at Cost)

Cost					
At 1 January		1,160,435,822	599,671,987	1,160,435,822	599,671,987
Additions		518,381,185	403,906,184	518,381,185	403,906,184
Disposals/Adjustment		(869,596)	(3,028,940)	(869,596)	(3,028,940)
Revaluation		-	159,886,591	-	159,886,591
Reclassification		(40,996,833)		(40,996,833)	
		1,636,950,578	1,160,435,822	1,636,950,578	1,160,435,822
Accumulated depreciation					
At 1 January		8,874,971	16,674,026	8,874,971	16,674,026
For the year		-	1,062,589	-	1,062,589
Adjustments		(3,972,530)	(8,861,643)	(3,972,530)	(8,861,643)
Reclassification		(4,902,441)	-	(4,902,441)	-
		-	8,874,971	-	8,874,971
At 31 December		**1,636,950,578**	**1,151,560,851**	**1,636,950,578**	**1,151,560,851**

"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.

Certain assets are reclassified from Investment Property to Plant Property & Equipment as the use of the assets had changed and some were wrongly reclassifed in the past. "

23. PROPERTY AND EQUIPMENT

Consolidated							In Nu.
	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
Cost/ Revalued Amount:							
At 1 January 20201	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	-	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
At 1 January 2022	536,470,495	230,267,934	29,694,779	57,332,952	11,065,892	63,073,428	927,905,481
Additions	-	-	1,794,759	6,682,213	-	678,713	9,155,685
Disposals/Adjustments	-	(2,636,419)	(31,324)	(12,747)	-	(12,780)	(2,693,270)
Reclassification	-	40,996,833	-	-	-	-	40,996,833
At 31 December 2022	**536,470,495**	**268,628,348**	**31,458,214**	**64,002,418**	**11,065,892**	**63,739,361**	**975,364,729**
Depreciation and impairment:							
At 31st 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
At 1 January 2022	-	67,058,301	20,633,871	35,540,284	7,381,653	47,539,328	178,153,437
Disposals/adjustments	-	(1,434,938)	(29,936)	(11,741)	-	(10,420)	(1,487,035)
Depreciation charge for the year	-	5,372,567	2,683,199	6,269,146	1,659,884	4,454,367	20,439,162
Reclassification	-	4,902,441	-	-	-	-	4,902,441
At 31 December 2022	**-**	**75,898,371**	**23,287,134**	**41,797,688**	**9,041,537**	**51,983,275**	**202,008,005**
Net book value:							
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**
At 31 December 2022	536,470,495	192,729,977	8,171,080	22,204,730	2,024,355	11,756,086	**773,356,724**

Company							In Nu.
Cost/ Revalued Amount:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 31st 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
At 1 January 2022	536,470,495	230,267,934	29,694,779	57,328,782	11,065,892	63,042,721	927,870,603
Additions	-	-	1,794,759	6,682,213	-	678,713	9,155,685
Disposals/Adjustment	-	(2,636,419)	(31,324)	(12,747)	-	(12,780)	(2,693,270)
Reclassification	-	40,996,833	-	-	-	-	40,996,833
At 31 December 2022	**536,470,495**	**268,628,348**	**31,458,214**	**63,998,248**	**11,065,892**	**63,708,654**	**975,329,852**
Depreciation and impairment:							
At 31st 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
At 1 January 2022	-	67,058,301	20,633,871	35,540,284	7,381,653	47,508,623	178,122,733
Disposals/Adjustments	-	(1,434,938)	(29,936)	(11,741)	-	(10,420)	(1,487,035)
Depreciation charge for the year	-	5,372,567	2,683,199	6,269,146	1,659,884	4,454,367	20,439,162
Reclassification	-	4,902,441	-	-	-	-	4,902,441
At 31 December 2022	**-**	**75,898,371**	**23,287,134**	**41,797,688**	**9,041,537**	**51,952,570**	**201,977,301**
Net book value:							
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**
At 31 December 2022	536,470,495	192,729,977	8,171,080	22,200,560	2,024,355	11,756,083	**773,352,551**

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.

Certain assets are reclassified from Investment Property to Plant Property & Equipment as the use of the assets had changed and some were wrongly reclassifed in the past.

24. OTHER INTANGIBLE ASSETS

	Consolidated	Company
Cost:	**Nu**	**Nu**
At 1 January 2021	52,452,415	52,452,415
Additions	1,118,327	1,118,327
Disposals	-	-
At 31st December 2021	53,570,742	53,570,742
At 1 January 2022	53,570,742	53,570,742
Additions	295,499	295,499
Disposals/adjustments	-	-
At 31 December 2022	**53,866,241**	**53,866,241**
Amortization and impairment:		
At 1 January 2021	41,664,174	41,664,174
Disposals	-	-
Amortization	2,498,333	2,498,333
At 31 December 2021	44,162,507	44,162,507
At 1 January 2022	44,162,507	44,162,507
Disposals/Adjustments	-	-
Amortization	2,422,342	2,422,342
At 31 December 2022	**46,584,849**	**46,584,849**
Net book value:		
At 31 December 2021	9,408,235	9,408,235
At 31 December 2022	7,281,392	7,281,392

25. INVESTMENT CONTRACT LIABILITIES

	Consolidated		Company	
	Nu	Nu	Nu	Nu
	31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Group life insurance	2,456,972,770	2,334,201,316	2,456,972,770	2,334,201,316
Annuity insurance	2,087,088,915	2,396,761,736	2,087,088,915	2,396,761,736
	4,544,061,685	**4,730,963,051**	**4,544,061,685**	**4,730,963,051**

Investment contract liabilities with a DPF and without DPF are represent above, i.e- Ten-Tsai Mangul Ngenchoel Policy II which has the features of an investment contract have been classified accordingly.

As permitted by BFRS 7, the Group has not disclosed fair values for investment contract liabilities with a DPF as estimated. There is no active market for these course of business

26. INSURANCE CONTRACT LIABILITIES

	Note	Consolidated			Company		
		Nu			Nu		
		31st December, 2022			31st December, 2022		
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non life insurance	**26.1**	336,252,730	55,321,539	391,574,270	336,252,730	55,321,539	391,574,270
Re insurance	**26.2**	35,690,204	-	35,690,204	35,690,204	-	35,690,204
Life insurance		7,476,838,867	-	7,476,838,867	7,476,838,867	-	7,476,838,867
Group life insurance		177,729,104	-	177,729,104	177,729,104	-	177,729,104
Annuity insurance		471,830,753	-	471,830,753	471,830,753	-	471,830,753
		8,498,341,659	**55,321,539**	**8,553,663,198**	**8,498,341,659**	**55,321,539**	**8,553,663,198**

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		-	55,321,539	55,321,539	-	55,321,539	55,321,539
Reinsurance share of claims		-	-	-	-	-	-
IBNR		50,524,562	-	50,524,562	50,524,562	-	50,524,562
Provision for unearned premiums		296,861,233	-	296,861,233	296,861,233	-	296,861,233
Deferred acquisition cost		(11,133,065)	-	(11,133,065)	(11,133,065)	-	(11,133,065)
		336,252,730	**55,321,539**	**391,574,270**	**336,252,730**	**55,321,539**	**391,574,270**

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 2022 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 2022. No additional provision was required against the LAT as at 31st December 2022.

26.2. Insurance contract liabilities - Re Insurance

Provision for reported claims by policyholders		-	-	-	-	-	-
IBNR		36,731,377	-	36,731,377	36,731,377	-	36,731,377
Provision for unearned premiums		21,004,802	-	21,004,802	21,004,802	-	21,004,802
Deferred commission		(22,045,975)	-	(22,045,975)	(22,045,975)	-	(22,045,975)
		35,690,204	**-**	**35,690,204**	**35,690,204**	**-**	**35,690,204**

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 2022 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 2022. No additional provision was required against the LAT as at 31st December 2022.

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 2021 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 2022 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 2022. No additional provision was required against the LAT as at 31st December 2022.

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 2022 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 2022. No additional provision was required against the LAT as at 31st December 2022.

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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 2022 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 2022. No additional provision was required against the LAT as at 31st December 2022.

26. INSURANCE CONTRACT LIABILITIES

	Note	Consolidated			Company		
		Nu			Nu		
		31st December, 2022			31st December, 2022		
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non life insurance	27.1	404,368,874	51,733,159	456,102,033	404,368,874	51,733,159	456,102,033
Re insurance	27.2	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**

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 2021 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, 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.

26.1. 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 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 31 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, 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.

26.4 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.

27. INSURANCE PAYABLE

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	**31st December, 2021**	**31st December, 2022**	**31st December, 2021**
Non life insurance		428,461,033	394,118,242	428,461,033	394,118,242
Life insurance		699,736,793	361,368,683	699,736,793	361,368,683
Group life insurance		4,400,000	804,215	4,400,000	804,215
Re insurance		472,512,946	558,926,857	472,512,946	558,926,857
		1,605,110,772	**1,315,217,997**	**1,605,110,772**	**1,315,217,997**

The carrying amounts disclosed above approximate fair value at the reporting date.

28. DEBT ISSUED AND OTHER BORROWED FUNDS

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Long term bond (@6.00% per annum)		260,972,603	1,834,439,168	260,972,603	1,834,439,168
Total debt issued and other borrowed funds		**260,972,603**	**1,834,439,168**	**260,972,603**	**1,834,439,168**
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 RICB 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								
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
		260,972,603			**10,972,603**	**250,000,000**	-	**260,972,603**

29. EMPLOYEE BENEFITS OBLIGATION

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Net defined benefit assets/ (liabilities)		45,030,038	13,483,336	45,030,038	13,483,336
Leave encashment liability		28,489,302	30,445,417	28,489,302	30,445,417
Travel benefits		9,828,422	9,314,160	9,828,422	9,314,160
		83,347,762	**53,242,913**	**83,347,762**	**53,242,913**

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	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Current service cost		8,973,391	8,523,167	8,973,391	8,523,167
Interest cost on behalf obligation (net)		(454,036)	1,200,609	(454,036)	1,200,609
Total amount recognized in PL		**8,519,355**	**9,723,776**	**8,519,355**	**9,723,776**

The amounts recognised in other comprehensive income:

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Acturial (gain)/losse recognized for the period					
- due to financial assumption		(2,654,637)	3,321,309	(2,654,637)	3,321,309
- due to change in demographic assumptions		3,227,901	-	3,227,901	
- due to experience		1,503,210	(6,414,675)	1,503,210	(6,414,675)
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		30,674,649	6,688,527	30,674,649	6,688,527
Unrecognized acturial (gain)/losse from previos period		3,759,560	164,399	3,759,560	164,399
Total acturial (gain)/losse recognized in OCI		**36,510,683**	**3,759,560**	**36,510,683**	**3,759,560**

Movement in the net defined benefit obligation:

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Opening balance		94,334,564	86,845,952	94,334,564	86,845,952
Interest cost on benefit obligation		6,513,788	6,833,065	6,513,788	6,833,065
Current service cost		8,973,391	8,523,167	8,973,391	8,523,167
Past service cost		-	-	-	-
Payments made during the year		(12,226,148)	(4,774,254)	(12,226,148)	(4,774,254)
Net actuarial loss recognized in the year		2,076,474	(3,093,366)	2,076,474	(3,093,366)
Acturial (gains)/losses due to change in demographic assumptions		**-**	**-**	**-**	**-**
Closing balance		**99,672,069**	**94,334,564**	**99,672,069**	**94,334,564**

Movement in the net defined benefit obligation:

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Opening balance		94,334,564	86,845,952	94,334,564	86,845,952
Interest cost on benefit obligation		6,513,788	6,833,065	6,513,788	6,833,065
Current service cost		8,973,391	8,523,167	8,973,391	8,523,167
Past service cost		-	-	-	-
Payments made during the year		(12,226,148)	(4,774,254)	(12,226,148)	(4,774,254)
Net actuarial loss recognized in the year		2,076,474	(3,093,366)	2,076,474	(3,093,366)
Acturial (gains)/losses due to change in demographic assumptions		-	-	-	-
Closing balance		**99,672,069**	**94,334,564**	**99,672,069**	**94,334,564**

Movement in the fair value of plan assets:

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Opening balance		99,540,344	75,099,416	99,540,344	75,099,416
Opening adjustments		-	-	-	-
Interest income		6,967,824	5,632,456	6,967,824	5,632,456
Return on plan assets excluding interest income		(30,674,649)	(6,688,527)	(30,674,649)	(6,688,527)
Contributions by employer		11,746,536	30,271,253	11,746,536	30,271,253
Benefits paid		(12,226,148)	(4,774,254)	(12,226,148)	(4,774,254)
Closing balance		**75,353,907**	**99,540,344**	**75,353,907**	**99,540,344**

The amounts recognised in the statement of financial position at the reporting date:

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Present value of the defined benefit obligation		(99,672,069)	(94,334,564)	(99,672,069)	(94,334,564)
Fair value of plan assets		75,353,907	99,540,344	75,353,907	99,540,344
Net defined benefit obligation		**(24,318,162)**	**5,205,780**	**(24,318,162)**	**5,205,780**
Total net defined benefit obligation		**(24,318,162)**	**5,205,780**	**(24,318,162)**	**5,205,780**
Funded Status		**(24,318,162)**	**5,205,780**	**(24,318,162)**	**5,205,780**

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Royal Insurance Corporation of Bhutan Thimphu

Sensitivity analysis	
Discount rate as at 31 December 2022	6.75%
Effect on DBO due to 1% increase in discount	98,675,348
Effect on DBO due to 1% decrease in discount	100,668,790
Salary escalation rate as at 31 December 2022	5.00%
Effect on DBO due to 1% increase in escalation	100,668,790
Effect on DBO due to 1% decrease in escalation	98,675,348
Expected pay out	
First year	20,536,221
Second year	10,531,484
Third year	9,888,017
Fourth year	11,021,122
Fifth year	8,170,825
Six to ten years	38,408,905

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 - 5%, (2021: 6%)
Discount rate - 7.00%, (2021: 6.75%)
Attrition Rate - 8%, (2021: 6%)
Normal Retirement age - 60 years for the Executives and 58 years for the rest
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2021: IALM-2012-2014).

29.3. Leave encashment liability

Change in defined benefit obligation (DBO)

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Change in defined benefit obligation (DBO)					
DBO at the beginning of the current period		17,914,643	12,704,557	17,914,643	12,704,557
Current service cost		7,510,677	13,039,504	7,510,677	13,039,504
Past service cost		-	-	-	-
Interest cost		1,444,422	1,396,961	1,444,422	1,396,961
Benefits paid by the plan		-	-		
Benefits paid by the employer		(12,548,313)	(12,530,774)	(12,548,313)	(12,530,774)
Actuarial (gains)/losses due to plan experience		1,619,560	3,304,395	1,619,560	3,304,395

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		**15,940,989**	**17,914,643**	**15,940,989**	**17,914,643**

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
The amounts recognised in the statement of profit and loss:					
Current service cost		11,987,107	13,039,504	7,510,677	13,039,504
Past service cost		-	3,304,395	1,619,560	3,304,395
Net interest cost on net DB liability/(asset)		767,888	1,396,961	1,444,422	1,396,961
Total amount recognized in PL		**12,754,995**	**17,740,860**	**10,574,659**	**17,740,860**
The amounts recognised in other comprehensive income:					
Acturial (gain)/losse recognized for the period					
- due to financial assumption		-		-	
- due to experience		-	-	-	-
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		-	-	-	-
Unrecognized acturial (gain)/losse from previos period		-	-	-	-
Total acturial (gain)/losse recognized in OCI		-	-	-	-

	Note	Consolidated		Company	
		Nu		Nu	
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Development of net financial position					
Defined benefit obligation		(15,940,989)	(17,914,643)	(15,940,989)	(17,914,643)
Fair value of plan assets		-	-	-	-
Funded status - (deficit)/surplus		(15,940,989)	(17,914,643)	(15,940,989)	(17,914,643)
Net defined benefit asset/(liability)		**(15,940,989)**	**(17,914,643)**	**(15,940,989)**	**(17,914,643)**
Reconciliation of net financial position					
Net defined benefit liability/(asset) at the beginning of current period		17,914,643	12,704,557	17,914,643	12,704,557
Amount recognized in the income statement		12,754,995	17,740,860	10,574,659	17,740,860
Contributions paid into the plan		-	-	-	-
Benefits paid by employer		-	-	-	-
Net defined benefit liability/(asset) at the end of current period		**30,669,638**	**30,445,417**	**28,489,302**	**30,445,417**

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 - 5%, (2021: 6%)
Discount rate - 6.75%, (2021: 7.00%)
Attrition Rate - 8%, (2021: 6%)
Normal Retirement age - 60 years for the Executives and 58 years for the rest
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2021: IALM-2012-2014).

29.4. Travel benefit liability

The amounts recognised in the statement of profit and loss:

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Current service cost		399,848	358,286	399,848	358,286
Net interest		591,950	306,139	591,950	306,139
Past service cost		(171,197)	5,882,002	(171,197)	5,882,002
Total amount recognized in PL		**820,601**	**6,546,427**	**820,601**	**6,546,427**
The amounts recognised in other comprehensive income:					
Acturial (gain)/losse recognized for the period		-	-	-	-
- due to financial assumption		-	-	-	-
- due to experience		-	-	-	-
Asset limit effect		-	-	-	-
Return on plan asset excluding net interest		-	-	-	-
Unrecognized acturial (gain)/losse from previous period		-	-	-	-
Total acturial (gain)/losse recognized in OCI		-	-	-	-

Movement in the net defined benefit obligation:					
Opening balance		9,314,160	4,137,725	9,314,160	4,137,725
Interest cost		399,848	358,286	399,848	358,286
Current service cost		591,950	306,139	591,950	306,139
Past service cost		(306,339)	(1,369,992)	(306,339)	(1,369,992)
Benefits paid by the plan		-	-	-	-
Benefits paid by the employer		-	-	-	-
Actuarial (gains)/losses due to plan experience		(171,197)	5,882,002	(171,197)	5,882,002

Actuarial (gains)/losses due to change in demographic assumptions		-	-	-	-
Actuarial (gains)/losses due to change in financial assumptions		-	-	-	-
Closing balance		**9,828,422**	**9,314,160**	**9,828,422**	**9,314,160**
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		(9,828,422)	(9,314,160)	(9,828,422)	(9,314,160)
Fair value of plan assets		(1)	(1)	-	-
Funded status - (deficit)/surplus		(9,828,422)	(9,314,160)	(9,828,422)	(9,314,160)
Net defined benefit asset/(liability)		**(9,828,422)**	**(9,314,160)**	**(9,828,422)**	**(9,314,160)**
Liability					
Current		2,498,105	2,115,311	2,498,105	2,115,311
Non-current		7,330,317	7,198,849	7,330,317	7,198,849

Travel benefit 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

Rate of increase in Frieght - 5.00%, (2021 : 5.00%)
Discount rate - 6.75%, (2021 : 7.00%)
Attrition Rate - 8%, (2021 : 6%)
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2021: IALM-2012-2014).

30. DEFERRED TAX LIABILITY (NET)

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Deferred tax assets					
Carry forward of losses		302,039,809	72,541,062	229,498,747	(322,451,476)
		302,039,809	**72,541,062**	**229,498,747**	**(322,451,476)**
Deferred tax liability					
Property and equipment		(20,775,567)	(14,636,941)	6,138,626	43,747,856
Investment property		43,468,664	14,805,187	(28,663,477)	(173,968,771)
Net defined benefit assets		20,836,941	15,972,874	4,263,604	(6,279,750)
Available for sale assets		76,516,484	60,962,486		
		120,046,521	77,103,605		
Deferred income tax charge/ (reversal)				**211,237,500**	**(458,952,143)**
Deferred income tax charge/ (reversal) - OCI					
Net defined benefit assets				(9,127,671)	(1,127,868)
Available for sale assets				(15,553,998)	9,722,895
Property and equipment				-	-
Investment property				-	-
				(24,681,668)	**8,595,027**
Net deferred tax liability or assets		**181,993,288**	**(4,562,544)**		

31. PROVISIONS

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Provision for loss		90,262,620	126,431,441	90,262,620	126,431,441
		90,262,620	**126,431,441**	**90,262,620**	**126,431,441**

32. TRADE AND OTHER PAYABLES

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
Policyholders payment in advance		90,928,271	116,152,663	90,928,271	116,152,663
Agency commission payable		24,697,190	28,260,470	24,697,190	28,260,470
Bonus payables		640,984,560	577,896,353	640,984,560	577,896,353

Deposits		36,646,957	43,354,081	36,646,957	43,354,081
Other		622,873,773	587,579,643	622,873,773	587,579,643
Total trade and other payables		**1,416,130,751**	**1,353,243,210**	**1,416,130,751**	**1,353,243,210**

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

a. 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.

	Note	Consolidated		Company	
		Nu	Nu	Nu	Nu
		31st December, 2022	31st December, 2021	31st December, 2022	31st December, 2021
As at					
Commitments					
Contracts remaining to be executed on Capital accounts		33,597,944	53,940,094	33,597,944	40,607,770
Contingent Liabilities					
Guarantees		956,533,538	1,779,613,043	956,533,538	1,779,613,043
		990,131,482	**1,833,553,137**	**990,131,482**	**1,820,220,813**

b) Contingent Assets not provided for (as certified by the management):

The contingent assets include the loans charged off during the year and maintained as Off-Balance Sheet as per the details below:

	Number of accounts	Amount
Loans charged off as OBS on 23rd October 2022	916 (including 396 FEIF accounts)	6,172,671,820
Recovery made during the Year including Foreclosure*	81 (including 20 FEIF accounts)	523,662,090
Interest written off during Foreclosure	23	4,754,073
Interest charged on OBS loans as on 31st December 2022		91,089,911
OBS balance as on 31st December 2022	876	5,735,344,946

* Recovery includes partial recovery from the borrowers

35. FINANCIAL RISK MANAGEMENT

Insurance and financial risk

35. (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

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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 judgment 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.

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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.

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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
Canopius Syndicate	A-	AM Best
AIG 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

35. FINANCIAL RISK MANAGEMENT (Contd..)

35. (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.

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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 hightened 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.

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.

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35. FINANCIAL RISK MANAGEMENT (Contd..)

35. (c) Fair value of Financial Instruments

A. Determination of fair value hierarchy

	Consolidated				Company			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
31 December 2022								
Financial Investments Available for sale								
Quoted Equities	-	-	556,731,927	**556,731,927**	-	-	556,731,927	**556,731,927**
Loans & Receivables								
Loans & Advances to Employees	-	277,115,014	-	**277,115,014**	-	277,115,014	-	**277,115,014**
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**

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.

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	Consolidated				Company			
	2022		2021		2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets								
Financial Investments available for sale	598,754,153	5,246,630,759	559,068,672	4,107,312,588	598,754,153	5,246,630,759	559,068,672	4,107,312,588
Loans and advances to customers	14,463,450,970	13,152,902,356	20,793,145,767	15,566,826,266	14,463,450,970	13,152,902,356	20,793,145,767	15,566,826,266
Insurance Receivables	402,776,095	402,458,893	502,521,291	498,381,756	402,776,095	402,458,893	502,521,291	498,381,756
Other Assets	844,310,977	844,310,977	891,463,258	891,463,258	844,310,977	844,310,977	891,463,258	891,463,258
Cash and Cash Equivalents	459,712,160	459,576,602	1,107,787,692	1,107,664,195	459,712,160	459,576,602	1,107,787,692	1,107,664,195
	16,769,004,355	**20,105,879,587**	**23,853,986,680**	**22,171,648,062**	**16,769,004,355**	**20,105,879,587**	**23,853,986,680**	**22,171,648,062**

Financial Liabilities								
Insurance contract liabilities	8,553,663,198	8,553,663,198	7,843,103,820	7,843,103,820	8,553,663,198	8,553,663,198	7,843,103,820	7,843,103,820
Reinsurance contract liabilities	30,836,369	30,836,369	36,365,685	36,365,685	30,836,369	30,836,369	36,365,685	36,365,685
Investment contract liabilities	4,544,061,685	4,544,061,685	4,730,963,051	4,730,963,051	4,544,061,685	4,544,061,685	4,730,963,051	4,730,963,051
Insurance Payable	1,605,110,772	1,605,110,772	1,315,217,997	1,315,217,997	1,605,110,772	1,605,110,772	1,315,217,997	1,315,217,997
Debt issued and other borrowed funds	260,972,603	260,972,603	1,834,439,168	1,834,439,168	260,972,603	260,972,603	1,834,439,168	1,834,439,168
Provisions	90,262,620	90,262,620	126,431,441	126,431,441	90,262,620	90,262,620	126,431,441	126,431,441
Trade and other payables	1,416,130,751	1,416,130,751	1,353,243,210	1,353,243,210	1,416,130,751	1,416,130,751	1,353,243,210	1,353,243,210
	16,501,037,998	**16,501,037,998**	**17,239,764,372**	**17,239,764,372**	**16,501,037,998**	**16,501,037,998**	**17,239,764,372**	**17,239,764,372**

35. FINANCIAL RISK MANAGEMENT (Contd..)

35. (d) Credit Risk

Maximum Exposure to Credit Risk/Type of collateral or credit enhancement

			Fair value of Collateral or credit enhancement held		
31st December 2022	**Maximum Exposure to credit Risk (Nu)**	**Cash**	**Properties**	**Net Collateral**	**Net Exposure**
Financial Assets					
Due from banks	4,589,702,560	-	-	4,589,702,560	4,589,702,560
Loans & advances to customers	14,463,450,970	-	63,468,384,429	63,468,384,429	(49,004,933,459)
Financial Liabilities					
Long term bond	260,972,603	-	-	-	260,972,603
Term borrowings	-	-	-	-	-

			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	-	-	-	-	-

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

	Consolidated				Company			
31st December 2022	**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	-	-	4,589,702,560	4,589,702,560	-	-	4,589,702,560	**4,589,702,560**
Loans & Advances to Customers	-	-	14,463,450,970	14,463,450,970	-	-	14,463,450,970	**14,463,450,970**

	Consolidated				Company			
31st December 2021	**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**

35. FINANCIAL RISK MANAGEMENT (Contd..)

Liquidity Risk & Funding management

Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2022	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	459,702,560	-	600,000,000	3,782,452,329	-	**4,842,154,889**
Loans & Advances to Customers	24,568,840	348,639,358	1,769,333,442	3,126,012,231	9,190,202,890	**14,458,756,760**
Financial Investments Available for Sale	864,178,430	-	-	-	-	**864,178,430**
Total undiscounted Assets	**1,348,449,830**	**348,639,358**	**2,369,333,442**	**6,908,464,560**	**9,190,202,890**	**20,165,090,079**
Debts Issued & Other Borrowed Funds	-	-	10,972,603	250,000,000	-	**260,972,603**
Total Undiscounted Liabilities	**-**	**-**	**10,972,603**	**250,000,000**	**-**	**260,972,603**
Net Undiscounted Financial Assets/(Liabilities)	1,348,449,830	348,639,358	2,358,360,840	6,658,464,560	9,190,202,890	**19,904,117,476**
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	762,276,959	-	-	-	-	**762,276,959**
Total undiscounted Assets	**2,511,285,997**	**5,169,557**	**3,600,168,781**	**7,674,546,656**	**12,214,052,427**	**26,005,223,418**
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)	**2,511,285,997**	**5,169,557**	**3,514,729,613**	**5,925,546,656**	**12,214,052,427**	**24,170,784,250**

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 2022	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	408,796,924	482,793,388	64,943,226	-	956,533,538
	-	**408,796,924**	**482,793,388**	**64,943,226**	**-**	**956,533,538**
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**

MARKET RISK

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

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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 2022 has summarized below.

35. FINANCIAL RISK MANAGEMENT (Contd..)

Market Risk - Interest Rate Risk

31 December 2022			
Currency of Borrowing/ Advance	**Increase/(decrease) in basis points**	**Sensitivity of Profit/(Loss)**	**Sensitivity of Equity**
Nu	+10%	108,532,399	108,532,399
Nu	-10%	(108,532,399)	(108,532,399)
31 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
Nu	-10%	(295,875,412)	(295,875,412)

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 2022	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	459,702,560	-	600,000,000	3,782,452,329	-	-	**4,842,154,889**
Loans & Advances to Customers	24,568,840	348,639,358	1,769,333,442	3,126,012,231	9,190,202,890	-	**14,458,756,760**
Financial Investments Available for Sale	864,178,430	-	-	-	-	-	**864,178,430**
Total Assets	**1,348,449,830**	**348,639,358**	**2,369,333,442**	**6,908,464,560**	**9,190,202,890**	**-**	**20,165,090,079**
Debts Issued & Other Borrowed Funds	-	-	10,972,603	250,000,000	-	-	**260,972,603**
Total Liabilities	**-**	**-**	**10,972,603**	**250,000,000**	**-**	**-**	**260,972,603**
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	762,276,959	-	-	-	-	-	**762,276,959**
Total Assets	**2,511,285,997**	**5,169,557**	**3,600,168,781**	**7,674,546,656**	**12,214,052,427**	**-**	**26,005,223,418**
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**

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.

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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.

	2022					
Financial Assets	**Thimphu**	**Chukha**	**Punakha**	**Samdrup Jongkhar**	**Others**	**Total**
Loans & Advances to Customers	8,716,855,270	2,484,002,754	183,512,170	241,688,648	2,832,697,919	14,458,756,760
	8,716,855,270	**2,484,002,754**	**183,512,170**	**241,688,648**	**2,832,697,919**	**14,458,756,760**
	2021					
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**

36. LOANS AND ADVANCES TO CUSTOMERS

	2022	2021
Card Loan	688,230,732	919,134,939
Overdraft	3,154,267,658	6,042,135,465
Housing	2,065,827,230	2,944,848,454
Personal	391,401,513	514,100,886
Service,T&C,P&M	6,907,577,817	8,798,679,351
Transport	848,244,260	1,112,095,703
Others	126,092,536	139,315,944
Employee Loans	277,115,014	320,331,476
At 31 December	**14,458,756,760**	**20,790,642,219**
Less: Interest Suspense	108,491,962	1,261,945,926
Less: Allowance for ECL/impairment losses (Individual & Collective)	1,120,429,545	3,963,910,025
	13,229,835,254	**15,564,786,268**

36 (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).

	2022				2021			
	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	1,081,355,478			1,081,355,478	1,436,312,624			1,436,312,624
1-30 Days Passed Due	483,767,368			483,767,368	393,589,992			393,589,992
31-60 Days Passed Due		230,393,510		230,393,510		283,000,670		283,000,670
61-90 Days Passed Due		150,206,416		150,206,416		258,773,484		258,773,484
90 Days & Above			120,104,457	120,104,457			573,171,683	573,171,683
Individually impaired								-
Total	**1,565,122,847**	**380,599,926**	**120,104,457**	**2,065,827,230**	**1,829,902,617**	**541,774,155**	**573,171,683**	**2,944,848,454**

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 2022	**1,829,902,617**	**541,774,155**	**573,171,683**	**2,944,848,454**
New assets originated	24,482,178	11,987,422	8,752,794	45,222,394
Assets derecognised or repaid	(213,587,130)	(135,907,800)	(574,748,688)	(924,243,618)
Transfers from Stage 1	(217,335,108)	170,797,319	46,537,790	-
Transfers from Stage 2	141,660,291	(208,051,168)	66,390,878	-
Transfers from Stage 3	-	-	-	-
At 31 December 2022	**1,565,122,847**	**380,599,926**	**120,104,457**	**2,065,827,230**

36. (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).

	2022				2021			
	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	181,296,505			181,296,505	197,113,283			197,113,283
1-30 Days Passed Due	31,517,931			31,517,931	53,060,281			53,060,281
31-60 Days Passed Due		10,127,900		10,127,900		22,983,706		22,983,706
61-90 Days Passed Due		135,794,552		135,794,552		150,437,621		150,437,621
90 Days & Above			32,664,624	32,664,624			90,505,995	90,505,995
Individually impaired								-
Total	**212,814,436**	**145,922,452**	**32,664,624**	**391,401,513**	**250,173,564**	**173,421,327**	**90,505,995**	**514,100,886**

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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 2022	**250,173,564**	**173,421,327**	**90,505,995**	**514,100,886**
New assets originated	27,939,295	2,333,383	2,960,126	33,232,804
Assets derecognised or repaid	(52,764,364)	(10,309,306)	(92,858,508)	(155,932,178)
Transfers from Stage 1	(25,334,686)	11,092,045	14,242,642	-
Transfers from Stage 2	12,800,628	(30,614,997)	17,814,369	-
Transfers from Stage 3	-	-	-	-
At 31 December 2022	**212,814,436**	**145,922,452**	**32,664,624**	**391,401,513**

36. (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).

	2022				2021			
	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	**2,639,219,758**			**2,639,219,758**	**2,688,500,287**			**2,688,500,287**
1-30 Days Passed Due	1,553,741,331			1,553,741,331	1,068,942,323			1,068,942,323
31-60 Days Passed Due		326,577,009		326,577,009		688,154,156		688,154,156
61-90 Days Passed Due		2,109,752,352		2,109,752,352		3,498,914,913		3,498,914,913
90 Days & Above			278,287,366	278,287,366			854,167,673	854,167,673
Individually impaired	-	-	-					
Total	**4,192,961,089**	**2,436,329,361**	**278,287,366**	**6,907,577,817**	**3,757,442,610**	**4,187,069,068**	**854,167,673**	**8,798,679,351**

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 2022	**3,757,442,610**	**4,187,069,068**	**854,167,673**	**8,798,679,351**
New assets originated	174,316,727	30,151,062	18,180,435	222,648,224
Assets derecognised or repaid	77,566,465	(1,345,232,323)	(846,083,900)	(2,113,749,757)
Transfers from Stage 1	(392,667,307)	229,362,917	163,304,390	-
Transfers from Stage 2	576,302,595	(665,021,364)	88,718,769	-
Transfers from Stage 3	-	-	-	-
At 31 December 2022	**4,192,961,089**	**2,436,329,361**	**278,287,366**	**6,907,577,817**

36. (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)

	2022				2021			
	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	464,866,751			464,866,751	345,578,939			345,578,939
1-30 Days Passed Due	166,915,799			166,915,799	224,730,303			224,730,303
31-60 Days Passed Due		78,005,034		78,005,034		219,106,544		219,106,544
61-90 Days Passed Due		121,772,707		121,772,707		135,831,789		135,831,789
90 Days & Above			16,683,969	16,683,969			186,848,128	186,848,128
Individually impaired								
Total	**631,782,551**	**199,777,741**	**16,683,969**	**848,244,260**	**570,309,242**	**354,938,333**	**186,848,128**	**1,112,095,703**

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 2022	**570,309,242**	**354,938,333**	**186,848,128**	**1,112,095,703**
New assets originated	17,658,095	2,767,763	1,359,359	21,785,218
Assets derecognised or repaid	(15,902,625)	(88,662,664)	(181,071,372)	(285,636,661)
Transfers from Stage 1	(29,399,082)	24,946,342	4,452,739	-
Transfers from Stage 2	89,116,920	(94,212,034)	5,095,113	-
Transfers from Stage 3	-	-	-	-
At 31 December 2022	**631,782,551**	**199,777,741**	**16,683,969**	**848,244,260**

36. (e) Impairment allowance for loans and advances to customers

Overdraft

	2022				2021			
	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	2,304,599,254			2,304,599,254	2,627,981,862			2,627,981,862
1-30 Days Passed Due	458,160,155			458,160,155	455,393,469			455,393,469
31-60 Days Passed Due		219,329,584		219,329,584		78,360,676		78,360,676
61-90 Days Passed Due		34,602,844		34,602,844		13,362,806		13,362,806
90 Days & Above			137,575,820	137,575,820			2,867,036,652	2,867,036,652
Individually impaired								
Total	**2,762,759,409**	**253,932,429**	**137,575,820**	**3,154,267,658**	**3,083,375,331**	**91,723,482**	**2,867,036,652**	**6,042,135,465**

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 2022	**3,083,375,331**	**91,723,482**	**2,867,036,652**	**6,042,135,465**
New assets originated	43,382,372	15,518,992	9,374,269	68,275,634
Assets derecognised or repaid	(103,211,431)	(10,143,492)	(2,842,788,517)	(2,956,143,440)
Transfers from Stage 1	(317,134,462)	213,949,938	103,184,525	-
Transfers from Stage 2	56,347,599	(57,116,491)	768,891	(0)
Transfers from Stage 3			-	-
At 31 December 2022	**2,762,759,409**	**253,932,429**	**137,575,820**	**3,154,267,658**

36. (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).

	2022				2021			
	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	557,112,108			557,112,108	671,606,792			671,606,792
1-30 Days Passed Due	82,557,963			82,557,963	73,865,541			73,865,541
31-60 Days Passed Due		36,219,861		36,219,861		21,020,094		21,020,094
61-90 Days Passed Due		7,116,454		7,116,454		15,242,272		15,242,272
90 Days & Above			5,224,347	5,224,347			137,400,240	137,400,240
Individually impaired								
Total	**639,670,071**	**43,336,315**	**5,224,347**	**688,230,732**	**745,472,334**	**36,262,366**	**137,400,240**	**919,134,939**

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 2022	**745,472,334**	**36,262,366**	**137,400,240**	**919,134,939**
New assets originated	3,686,732	1,258,925	306,025	5,251,681
Assets derecognised or repaid	(91,605,979)	(9,621,120)	(134,928,789)	(236,155,888)
Transfers from Stage 1	(26,883,656)	24,436,784	2,446,872	-
Transfers from Stage 2	9,000,640	(9,000,640)	-	-
Transfers from Stage 3	-	-	-	-
At 31 December 2022	**639,670,071**	**43,336,315**	**5,224,347**	**688,230,732**

36. (g) Impairment allowance as at 31 December 2022

An analysis of the allowance for impairment losses under BFRS 9 for loans and advances, by class, for the year to

31 December 2022 is, as follows:									
	Overdraft	**Card Loan**	**Housing**	**Transport**	**STP**	**Personal**	**Others**	**Guarantees**	**Total**
At 1 January 2022	**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**
Charge/ Reversal for the year	(724,081,698)	(49,560,045)	(469,486,774)	(35,619,258)	(1,500,332,516)	(56,660,825)	(5,884,920)	1,854,445	(2,839,771,591)
At 31 December 2022	**564,393,873**	**80,485,291**	**36,623,816**	**6,094,398**	**417,924,927**	**11,625,409**	**2,213,342**	**1,068,489**	**1,120,429,545**
Made up of:									
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment:	564,393,873	80,485,291	36,623,816	6,094,398	417,924,927	11,625,409	2,213,342	1,068,489	1,120,429,545
	564,393,873	**80,485,291**	**36,623,816**	**6,094,398**	**417,924,927**	**11,625,409**	**2,213,342**	**1,068,489**	**1,120,429,545**
Gross amount of loans individually determined to be impaired	-	-	-	-	-	-	-	-	-

36. (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	2022	2021
Contracts remaining to be executed on Capital accounts	40,607,770	40,607,770
	40,607,770	40,607,770
Contingent Liabilities		
	2022	**2021**
Financial guarantees	956,533,538	1,779,613,043
Other undrawn commitments	-	-
Total	956,533,538	1,779,613,043

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					
	2022				**2021**
	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		956,533,538		956,533,538	1,779,613,043
90 Days & Above					
Total	-	956,533,538	-	956,533,538	1,779,613,043

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 2022			1,779,613,043	-	**1,779,613,043**
New exposures			(823,079,505)	-	(823,079,505)
Exposure derecognised or matured/ lapsed (excluding				-	-
write offs)				-	-
Transfers to Stage 1		-	-	-	-
Transfers to Stage 2		-	-	-	-
Transfers to Stage 3		-	-	-	-
At 31 December 2022		-	956,533,538	-	956,533,538

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, 2022 is the Service, Trade & Commerce, Production and Manufacturing followed by Housing Loans, Transport loan and Card loans.

Sector wise portfolios

1. Service, T & C , P&M carries the highest sectorial loan concentration with 47.77% as of December 31, 2022. Housing Loan consists of Home loan and Commercial loans.
2. Trade and Commerce: Loans provided for business purposes; retail, wholesale and others.
3. This has 2nd highest credit concentration.
4. Services: Loans against Hotel and tourism, schools, ICT, Health services and loans to service sectors fall under this category.
5. 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. Hydro-power, mining, manufacturing industries, handicrafts, wood based products, etc.
6. Transport Loan. Loans provided for transportation be it public or private are classified under this sector with concentration of 5.87% of the total portfolio.

Project loans (Services, Manufacturing and Industry loans)

For project loans, the apprisal process is different from other loans. The credit risk assessment is based on the behavior 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 modeling 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.

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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.

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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)) dependent 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 threshhold 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 judgment, 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 2022 and 2023.

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-22								
Key drivers	ECL Scenario	Assigned Probabilities	2022	2023	2024	2025	2026	Subsequent years
		%	%	%	%	%	%	%
GDP growth %								
	Base Case	50	4.47	4.32	4.37	4.46	4.57	4.50
	Best Case	25	4.47	4.75	5.17	5.61	6.10	6.32
	Worse Case	25	4.47	3.97	3.81	3.65	3.50	3.24

Inflation Rates %			-	-	-	-	-	-
	Base Case	50	5.15	5.11	5.08	5.05	5.02	5.06
	Best Case	25	5.15	4.94	4.86	4.78	4.70	4.62
	Worse Case	25	5.15	5.31	5.37	5.42	5.47	5.61
Interest Rate %			-	-	-	-	-	-
	Base Case	50	14.00	14.00	13.96	13.93	13.90	13.93
	Best Case	25	14.00	13.89	13.78	13.68	13.58	13.52
	Worse Case	25	14.00	14.15	14.20	14.25	14.30	14.41
Exchange rates (USD $ to Ngultrum BTN)			-	-	-	-	-	-
	Base Case	50	81.83	84.60	87.47	90.44	93.50	96.67
	Best Case	25	81.83	82.19	82.55	82.91	83.27	83.64
	Worse Case	25	81.83	90.14	99.30	100.00	100.00	100.00
Unemployment rates %			-	-	-	-	-	-
	Base Case	50	4.80	4.80	4.77	4.75	4.73	4.75
	Best Case	25	4.80	4.72	4.64	4.57	4.49	4.45
	Worse Case	25	4.80	4.91	4.95	4.99	5.02	5.11

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-22								
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

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.

During the current year four directors, Dasho Wangchuk Dorji, Mr. Dubthob Wangchug, Mr. Ugyen Wangdi and Mr. Sangay Tenzin, resigned from the directorship upon completion of three years.

Name of Board of Directors:

1. Ms. Yeshey Selden
2. Mr. Bhanu B Chhetri
3. Mr. Pempa Tshering
4. Mr. Ugyen Dorji
5. Mr. Karma

38.3. Transactions, Arrangements and Agreements Involving KMPs and Their CFMs

None of the Directors had availed loan from the company nor any of the directors own any business entities which has business transaction with the company.

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

Insurance:

	2022	2021
Ms. Yeshey Selden	990	-
Mr. Bhanu B Chhetri	1,080	-
Mr. Ugyen Dorji	43,500	-
Mr. Karma	139,229	140,302
	184,799	**140,302**

38.3.2. Remuneration of KMP

Key Management Personnel Expenses Include

	2022	2021
Mr. Karma:		
Remuneration	6,553,906	4,974,601
Other Benefits (sitting fees)	300,000	180,000
Total CEO remunerations	**6,853,906**	**5,154,601**
Directors Sitting Fee	2,370,000	2,415,000
	9,223,906	**7,569,601**

39. The Royal Government of Bhutan and the Royal Monetary Authority issued two phases of monetary measures in response to COVID-19 during the financial year 2020 which were aimed at providing short term monetary relief to sectors facing financial distress in addition to assisting business and local production. The Monetary measures were extended till June 2022 through the issuance of Monetary Measure III during the year 2021. Considering that the economy and the business requires more time to navigate through the current circumstances, the RMA issued Monetary Measure IV 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

- 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).
- 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 was calculated based on the loan outstanding balance as on 10th of April 2020. The cost of the interest waiver was shared equally between the Government and the Financial Service Providers. 50% of the interest was provided as compensation from the Government and the remaining 50% was waived off by the Financial Service Providers. The corresponding amount of interest waiver provided by RICB amounted to Nu. 288,139,897.96 which was netted off from the total interest income.
- No penal interest/late fees were charged during the deferment period.

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- Soft working capital facilities for tourism related business were 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

- In Continuation to monetary measure phase I, all loan repayments are deferred until 30th of June 2021.
- 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.

- No penal interest/late fees were charged during the deferment period.
- Financial Service Providers offered one percent interest rate reduction to borrowers who repay their EMIs (after necessary adjustment of interest waiver) regularly and fully as per the agreed repayment schedule during the entire deferment period. Since the loan borrowers qualified for interest rebate only upon regular repayment till the end of the deferment period, the expenses on account of the same were not accounted for during the year 2020.
- Soft term loan to businesses (Bridging loans) were provided at concessional interest rate of 5% per annum for a period of one year which was to be treated as gestation period. At the end of gestation period the interest accrued was 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:

- All loans sanctioned till 30th June 2020 shall be eligible for the deferment of loan repayment till June 2022.
- Late fees/penal interest shall not be charged on all the loans including new loans sanctioned after 30th June 2020.
- The FSPs shall continue to provide one percent interest rate reduction (rebate) on term loans for another one year from July 2021 lo June 2022 to the borrowers who service their loan

installments regularly and fully as per the agreed repayment schedule (after adjustment of 50 percent interest payment support) during the deferment period.

- The total 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.
- 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.

Monetary measure phase - IV

The Monetary Measure IV was designed as a targeted support measure for the performing loans to provide support measures as per the severity of impact of the pandemic and the affordability of the borrowers. The features of the Monetary Measures are as under:

- Based on the risk and impact assessment, the sectors and sub-sectors are classified into three different risk categories viz, High, Moderate and Low. Based on these risk classification and affordability of the borrowers, the Financial Institutions were allowed to provide one or more loan restructuring measures.
- The loan restructuring measures includes, deferment of loan repayment, partial repayment, extension of maturity period for term loans, change in repayment frequency, conversion of OD/WC facility to term loan, loan splitting, transfer of loans to third party and extension of gestation period.
- Under the Monetary Measure IV, RICB provided loan deferment to 2,359 loan accounts with an outstanding balance of Nu. 10,153,418,879.79 as on 31st December 2022.
- The interest accrued and unpaid during the deferment period shall be converted into 'Fixed Equated Installment Facility (FEIF)'payable in equal installments for a period up to five years. The amount transferred to FEIF shall not be charged any interest. RICB created 679 FEIF accounts during the year with an outstanding balance of Nu. 257,608,632.42 as on 31st December 2022. The directives for treatment of FEIF requires to maintain separate provision on the FEIF created for NPL accounts under 'Provision against FEIF'. Accordingly, provision amounting to Nu. 49,461,864 is maintained under provisions against 124 FEIF accounts.
- Interest waiver support amounting to Nu. 502,034,404.83 for the period January 2022 to June 2022 was receivable. With the recouping of the Interest Payment Support provided to the NPL borrowers during the Monetary period, the net amount of Nu. 13,107,266.25 was received from RMA.
- In line with the Monetary Measures, interest rebate amounting to Nu. 2,778,230.66 was provided to 170 loan accounts where regular repayments were made during the deferment period.

40. In May 2022, the RMA issued the directive of Prompt Corrective Action (PCA) to those Financial Institutions who had high NPLs. Since RICB's NPL as on 31st December 2021 was 27.65 percent, the company was placed under PCA with the issuance of the PCA Framework. Under PCA a Financial Institution will stop sanctioning new loans till the NPL is reduced to

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7.50% or lower. For those Financial Institutions placed under PCA the only option available, according to RMA directive, is to charge off NPLs as an Off-Balance Sheet item (OBS). In compliance with RMA's directives RICB charged off Nu. 6,172,671,820 as OBS. Since loans moved to OBS had to be fully provided for, RICB had to make a net additional provision of Nu. 1,356,441,760.64 accounted under the provision expenses in the books of accounts. The company recovered as sum of Nu. 523,662,091 from the OBS loans during the year. The recovery amounting to Nu. 455,250,835 was made through foreclosure of mortgaged assets and the remaining amount of Nu. 68,411,256 was recovered through loan transfers and cash payments.

41. The mode of calculation of interest on loans was revised as per Royal Monetary Authority of Bhutan Circular No. FISD/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.

42. The RMA conducted the validation of the IPS provided to the Financial Institutions from 1st April 2020 till 31st December 2021. The final validation report noted discrepancies/errors amounting to Nu. 21,109,077.95. The discrepancies were noted on IPS received for loans transferred to APF, interest suspended loan accounts, ineligible accounts, IPS received on closed loans and differences in amounts. A sum of Nu. 12,225,680.85 was refunded by debiting Interest Lost account expenses, netted off from the interest income, as the same was earned as income in the past years. The remaining amount of Nu. 8,883,397.10 was refunded by debiting the loan accounts or suspense deposit where the IPS was not adjusted to the loan accounts.

43. The RMA vide its directive no. RMA/DFRS/34/2021-2022/2508 dated 7th December 2022 asked the Financial Service Providers (FSPs) to refund the IPS provided to the NPL loan accounts from April 2020 till June 2022. But the FSPs are allowed to recoup the same amount from the NPL borrowers at the time of foreclosure of the loan accounts. RICB refunded Nu. 440,014,691 net of Nu. 15,146,031 already refunded during the year. After adjusting for subsequent recoveries of Nu. 48,912,447 from the borrowers a net amount of Nu. 440,014,691 has been expensed off as Refund of Interest Payment Support, netted off from the interest income, in the book of accounts. The summary of the IPS plough back is as follows:

IPS plough back for January to June 2022	92,322,236.93
IPS plough back for April 2020 to December 2021	411,750,933.20
TOTAL IPS PLOUGH BACK	**504,073,170.13**
IPS already refunded	15,146,031.54
Net IPS Plough back	**488,927,138.59**
LESS: IPS recovered during the year	48,912,447.31
Net IPS write off on NPL Loan Accounts	**440,014,691.27**

44. 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' (APF) under Interest, Rent and Other Receivables during the Financial Year 2021. The total provisions amounting to Nu. 301,315,212 maintained against the loans as on 31st December 2020 were transferred to 'Reserve for loan losses grouped under other payables on the Balance sheet. During the current year recovery amounting to Nu. 14,071,569 was made from the borrowers, Nu. 1,566,596 written off as bad debts and Nu. 1,999,191 adjusted on account of ineligible IPS received. The net APF balance amounts to Nu. 323,873,397 as on the balance sheet date. On account of the amounts recovered during the year total provision amounting to Nu. 14,091,483 was written back as income. The remaining provision amount of Nu. 287,223,728 is retained in the books as provision against APF loans.

45. The management during the year through negotiated settlement took over assets amounting to Nu. 513,880,000 from a borrower in settlement of OBS loans amounting to Nu. 469,123,789 and IPS amounting to Nu. 44,756,210. In absence of an independent valuer in the country, the price of the properties was mutually agreed between the borrowers and the company. The rate for the valuation of the properties is lower as compared to the revised compensation rates issued by the Royal Government of Bhutan effective from 7th November 2022.

46. During the Financial Year, Investment Properties amounting to Nu. 40,996,833 has been reclassified as Plant Property & Equipment. Corresponding depreciation amount of Nu. 4,902,441 has also been transferred from IP to PPE. The depreciation amounting to Nu. 3,972,530 on the Investment Property is reversed during the year.

47. Certain loan assets are restructured/re-scheduled during the year with loan outstanding amount of Nu. 62,114,974. The loan restructured/rescheduled during the year are carried out as per the Prudential Regulations.

48. Embezzlement of Funds

a. 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. 1,289,608.95 was recovered until the year 2021 against the embezzled amount and adjustments made in the accounts. During the year a sum of Nu. 920,438.75 is recovered and adjustments made accordingly.

b. 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.

c. In 2011, a fraud amounting to Nu. 1,472,000 has been reported at Head Office Thimphu, in the General Insurance Department. An amount of Nu. 261,387.10 was recovered until the year 2021 and the same is accordingly adjusted. During the year a sum of Nu. 90,000 was received and the adjustments made accordingly.

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d. 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. The recovered amount until the financial year 2021 amounts to Nu. 415,133. During the year a sum of Nu. 40,000 is received and adjusted accordingly.

e. 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.

f. In 2015, misappropriation of Nu. 3,993,791 have been reported in the Head Office, Thimphu. The mentioned amount has been adjusted in the accounts and provision of Nu. 1,985,651 was 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 year 2021 a sum of Nu. 195,760.69 is received and adjusted. Further amount of Nu. 1,154,170.74 was recovered during the current financial year and adjusted accordingly.

g. In 2015, misappropriation of Nu. 93,249,102 had been reported in the Paro branch, in the Credit and Investment Department. Accordingly, provision of Nu. 60,000,000 had been created in the year 2015. Further, remaining provision of Nu. 33,249,102 had been provided during the financial year 2016. During the year 2020 a sum of Nu. 100,000/- is recovered. In line with the verdict of the court total sum of Nu. 34,054,211.10 was recovered during the current year from the defendants of the case and adjusted accordingly.

h. During 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 fraudsters 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.

i. During the current year two cases of official misconducts were detected on account of issuing fake Bank Guarantees and using RICB's letter head to issue valuation certificates and collecting fees for personal gains. Both the cases are reported to the Anti-Corruption Commission and are under investigation. RICB is not exposed to any financial liabilities in both the cases till date.

49. Unadjusted deposits in respect of Life Insurance policies aggregating to Nu. 1,732,887 (Previous Year Nu. 6,527,948) have been reported in the accounts; the total amount in the underwriting accounts at Nu. 1,697,015 (Previous Year Nu. 6,431,403). The difference amount of Nu. 35,872 (Previous Year Nu. 96,546) remain to be reconciled during the current year.

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50. The carry forward loss from the financial year 2018 was fully adjusted against the profit during the year 2021. The carry forward loss from the financial year 2020 as per the tax assessment report amounting to Nu. 252,098,264 shall be adjusted with the profit of the financial year 2022. 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.

51. Reinsurance Payables and Receivables in Non-Life Policies

a. The balances outstanding, both receivable and payable, as at the Balance Sheet date from/ to various re-insurers aggregating to Nu. 384,798,949 (Previous Year Nu. 483,514,159) and Nu. 313,139,930 (Previous Year Nu. 239,568,792) respectively and claim payable to reinsurers in reinsurance business amounting to Nu. 366,535,275 (Previous Year Nu. 471,433,894) are pending for final reconciliation process/confirmation and acceptance of the re-insurers. Any further adjustments thereof are not ascertainable at this stage.

b. The balance due from and to the different re-insurers have not been netted-off in the books of accounts.

c. 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.

d. Reserves for Accepted amounting to Nu. 1,161,299 (Previous Year Nu. 27,395,045), adjusted under insurance receivables, in respect of Reinsurance business is pending reconciliation with the reinsurance partners.

e. Reserves for un-expired risks amounting to Nu. 296,861,233 (Previous Year Nu. 359,678,547) created in the Revenue Accounts in respect of General Insurance business and Nu. 21,004,802 (Previous Year Nu. 13,595,334) in respect of Reinsurance Insurance business using 1/24th method, which have been duly reflected as Insurance Funds in the respective Balance sheet.

f. The corporation projects the life and Group insurance business through a catastrophic cover. No claims have been raised from the reinsurer during the year. All the premium on reinsurance arrangements are paid.

52. 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.

53. Difference of Nu. 136,431 (Previous Year Nu. 520,106) has been observed between the accounting and underwriting records for Annuity contributions. The same is pending reconciliation.

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54. Interest on Employees' Contribution and the Employers' contribution of Private Provident Fund and Group Insurance Saving for the year ended 31stDecember, 2022 have been accounted for @ 7.00% per annum on simple daily product basis. Till 2021, the interest was being calculated on compounded daily product basis. With effect from the year 2022, there is a change in methodology for computing interest on Employees' Contribution and the Employers' contribution of Private Provident Fund and Group Insurance Saving.

55. The company paid three months' salary as performance bonus to the employees amounting to Nu. 45,524,110 during the year 2022.

56. The company paid penalty amounting to Nu. 7,656,810 as imposed by Royal Monetary Authority.

57. The Corporation centrally manages through its Credit & Investment Department, the investible/borrowed funds comprising of Banking and Non-Banking borrowings, Annuity Fund, Private Sector Provident Fund, Group Insurance-cum-Savings Fund and Insurance Funds. Interests/returns on such funds are credited to the respective entities/departments at the rates decided by the management from time to time /as per contractual obligation.

58. Interest on borrowed funds of Credit & Investment Department is charged to Credit & Investment Revenue account during the year at the following rates on simple daily product method on the principal outstanding balances:

a) Internal Funds	
Life Insurance Fund	7.00% p.a.
General Insurance Fund	7.00% p.a.
GAD Investment Fund	7.00% p.a.
Group Insurance Fund	8.00% p.a.
Annuity Fund	11.75% p.a.
Private Provident Fund	6.00% p.a.
Private Provident Fund1	9.00% p.a.
Gratuity Fund	10.00% p.a
Securities Fund	8.00% p.a.
Reinsurance Fund	7.00% p.a.

b) External Funds:	
Druk PNB Bank Limited	9.00% p.a. Nu. (3,722.17)
Bhutan National Bank Limited	11.00% p.a. Nu. (82,333.11)
T Bank Limited	7.50% p.a. Nu. (2,116.94)
Ministry of Finance, Royal Government of Bhutan, Subordinate Debt	6.00% p.a. Nu. 250,000,000

59. In the opinion of management, there is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.

60. The investment in equity includes long term investments in public and private companies. In the opinion of management, there is no permanent diminishing in the value of the investments.

61. The common management expenses are allocated to different Revenue accounts during the year in the following proportion as decided by the management:

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	2022	2021
Life Insurance Revenue	25%	25%
GIS Insurance Revenue	15%	15%
General Insurance Revenue	25%	25%
Credit & Investment Revenue	30%	30%
Reinsurance Revenue	2%	2%
Annuity Revenue Fund	1.50%	1.50%
Private Provident Fund	1.50%	1.50%

62. Actuarial Valuation of Life, Group Insurance and Annuity Fund

a. TransValue Consultants, Consulting Actuary has carried out the annual actuarial valuation of the Life and Group Insurance policies, based on the final audited accounts for the year 2021 and unaudited financial statement for the year 2022. The valuation assumptions (interest factor, mortality, morbidity, expenses, commission, bonus etc.) conform with the professional guidance notes issued by the Actuarial Society of India (ASI) and accordingly vested bonus amounting to Nu. 640,984,560 (Previous Year Nu. 577,896,353) has been accounted-for. An amount of Nu. 40,331,061 (Previous year Nu. 33,758,043) has been paid to the policy holders whose policies matured during the year.

b. During the current year, the actuarial valuation has been carried out for Life Insurance & Group insurance. The actuarial surplus to the shareholders from life insurance for the year is determined at Nu. 5,262,184 (Previous Year Nu. 5,076,607). However, the same is not distributed to the shareholders to improve the solvency of life insurance business.

c. As per Actuarial valuation carried out by actuary of the corporation, no surplus has been declared during the year 2022. Therefore, the excess of revenue over expenditure of Annuity fund amounting to Nu. 112,474,887 (Previous year Nu. 80,493,322) has not been considered for consolidated Profit and Loss account of the corporation and the same has been adjusted against Annuity fund.

63. In the opinion of the management, acquisition costs for the new and renewal long duration insurance and reinsurance contracts have been expensed out, as and when incurred and not deferred, since the same do not vary materially in a constant relationship to premium or insurance in force or are level or recurring in nature.

64. Consequent upon delinking of Government Employees Provident Fund with effect from 30thJune, 2000, Provident Fund Management for Private Companies and Non-Government Organizations remained with Royal Insurance Corporation of Bhutan Limited (RICB) as per the Government Directives, vide Letter No. MOF/Pension/4841 dated 30th March 2000 and the letter dated 23rdJune 2000 from the Ministry of Finance, Royal Government of Bhutan.

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65. Ratios computed as per the Prudential Regulations of RMA

a. The overall Capital Adequacy Ratio as at 31st December,2022 is 19.29% (Previous Year 16.81%) and the Core Capital adequacy Ratio as on that date comes to 11.87% (Previous Year 9.62%) against at least 12.50% and 7.50% respectively, as laid down in the Prudential Regulations of Royal Monetary Authority of Bhutan. The RMA through its directive RMA/DFRS/34/2022-2023/1182 dated 12th September 2022 reinstated the Capital Conservation Buffer (CCB) of 2.50% increasing the Capital Adequacy requirement to the original limit of 12.50%.

b. The total exposure to a single borrower as at 31st December, 2022 amounted to 19.23% (Previous Year 32.48%) of Tier I capital, as compared to 25% limit prescribed as per the directives issued by Royal Monetary Authority of Bhutan.

c. The total of top ten large advances extended as at 31st December, 2022 aggregated to 18.79% (Previous Year 20.26%) of total advances as against 30% maximum limit laid down in the Prudential Regulation of Royal Monetary Authority of Bhutan.

d. The liquidity ratio as at 31st December 2022 is 24.00% (Previous Year 20.74%) as against 10% minimum, as prescribed in Prudential Regulations of Royal Monetary Authority of Bhutan.

66. Figures of financial statements of previous year have been regrouped/rearranged/recasted wherever necessary.

67. 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 48th Annual General Meeting held on 21st day of April 2023.

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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 (COPPY)
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	1,249,901	854,203
Less:-			
e.	Losses for the Current Year	-	-

Item 2: Tier 2 Capital and its sub-components

S.No		Current Period	COPPY
1	**Tier II Capital**		
a.	Capital Reserve	-	-
b.	Fixed Assets Revaluation Reserve	1,280,319	1,280,319
c.	Exchange Fluctuation Reserve	-	-
d.	Investment Fluctuation Reserve	-	-
e.	Research and Development Fund	-	-
f.	General Provision	142,047	151,900
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 COPPY2)3

S.No	Assets	Balance Sheet Amount	Risk Weight %
1	Zero-Risk Weighted Assets	98,809	0.00%
2	20% Risk Weighted Assets	4,906,689	20.00%
3	50% Risk Weighted Assets	1,890,497	50.00%
4	100% Risk Weighted Assets	16,636,126	100.00%
5	150% Risk weighted Assets	-	150.00%
6	200% Risk Weighted Assets	-	-
7	250% Risk weighted Assets	-	-
8	300% Risk Weighted Assets	-	-
Grand Totals		**23,532,121**	

Item 4: Capital Adequacy ratios			
S.N		**Current Period**	**COPPY**
1	**Tier 1 Capital**	2,649,901	2,254,203
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**	1,672,366	1,682,219
3	**Total qualifying capital**	4,322,267	3,936,422
All items reported in 000' Ngultrum			

S.No		Current Period	COPPY
4	**Core CAR**	11.87%	9.62%
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**	19.29%	16.81%
6	**Leverage ratio**	11.49%	8.82%

Item 5: Loans and NPL by Sectoral Classification4					
S.No	**Sector**	**Current Period**		**COPPY**	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	38,360	-	56,608	539
b.	Manufacturing/Industry	2,250,708	14,891	3,337,491	1,176,490
c.	Service & Tourism	5,355,204	276,089	7,397,590	2,873,302
d.	Trade & Commerce	2,456,068	240,046	3,924,850	832,948
e.	Housing	2,004,357	120,746	2,848,592	708,970
f.	Transport	860,020	34,094	705,845	95,232
g.	Loans to Purchase Securities	17,143	9,206	15,277	-
h.	Personal Loan	1,155,153	39,683	2,124,287	497,794
i.	Education Loan	45,137	12,711	59,766	-
j.	Loan Against Term Deposit	-	-	-	-
k.	Loans to FI(s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff loan (incentive)	276,602	7,685	320,331	-
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**	**COPPY**
1	**Overdrafts**		
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	813,904	1,742,605
e.	Individuals	2,981,658	5,169,862
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
2	**Term Loans**	**-**	**-**
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	3,250,518	4,262,392
e.	Individuals	7,412,674	9,615,781
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-

Item 7: Non performing Loans and Provisions			
S.No		**Current Period**	**COPPY**
1	**Amount of NPLs (Gross)**		
a.	Substandard	468,045	744,414
b.	Doubtful	58,310	314,888
c.	Loss	228,799	3,586,014
2	**Specific Provisions**		
a.	Substandard	99,536	325,636
b.	Doubtful	28,225	185,997
c.	Loss	211,860	2,637,765
d.	Additional Provision	-	700,265
3	**Interest-in-Suspense**		
a.	Substandard	37,991	155,801
b.	Doubtful	4,100	24,889
c.	Loss	16,938	1,081,254
4	**Net NPLS**		
a.	Substandard	330,518	262,977
b.	Doubtful	25,985	104,002
c.	Loss	-	-
5	**Gross NPLs to Gross Loans**	5.22%	29.75%
6	**Net NPLs to Net loans**	2.88%	2.49%
7	**General Provisions**		
a.	Standard	93,460	103,421
b.	Watch	43,804	48,479
All items reported in 000' Ngultrum			

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Item 8: Non performing Loans and Provisions			
S.No		**Current Period**	**COPPY**
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**	**COPPY**
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	39,685	-
	Sub-total	213,385	173,700
2	**Equity Investments**		
e.	Public Companies	57,600	57,600
f.	Private Companies	95,920	95,920
g.	Commercial Banks	208,109	208,109
h.	Non-Bank Financial Institutions	55,000	55,000
Less			
i.	Specific Provisions	6,950	6,950
3	**Fixed Assets**		
j.	Fixed Assets (Gross)	2,696,345	2,172,076
Less			
k.	Accumulated Depreciation	282,093	235,239
l.	Fixed Assets (Net Book Value)	2,414,252	1,936,837

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Item 10: Foreign exchange assets and liabilities (Current Period and COPPY10)								
S.No	**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	Liabilitie s in Foreign Currency	Net Short Term Position	Assets in Foreign Currenc y	Liabilitie s in Foreign Currency	Long Term Net Position	OVERALL NET POSITIO N	Overall Net Position*/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	51	-	51	-	-	-	3,548	3,548
10 COPPY 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	**COPPY**	**Current Period**	**COPPY**	**Current Period**	**COPPY**
Demand deposits held with other banks	452,825	1,061,129	6,886	46,658	-	-
Time deposits held with other banks	4,130,000	2,980,000	-	-	-	-
Borrowings	250,000	1,749,000	-	-	-	-

Item 12: Credit Risk Exposures by collateral			
S. No	**Particular**	**Current Period**	**COPPY**
1	Secured Loans	14,463,450	20,793,145
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	14,463,450	20,793,145
All items reported in 000' Ngultrum			

Item 13: Earnings Ratios (%)			
S. No	**Ratio**	**Current Period**	**COPPY**
1	Interest Income as a percentage of Average Assets	7.31%	11.02%
2	Non-interest income as a percentage of Average Assets	12.50%	9.50%
3	Operating Profit as a percentage of Average Assets	1.92%	4.92%
4	Return on Assets	9.71%	4.81%
5	Business (Deposits plus advances) per employee		
4	Profit per employee	1,071	2,671

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 (COPPY)	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	Observation during the onsite inspection	700	Sanctioning of loans to NPL borrowers	150.00
2	Incorrect computation of IPS	4,587		
3	Missing loan files	2369		

Item 15: Customer Complaints			
S. No	**Particular**	**Current Period**	**COPPY**
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			

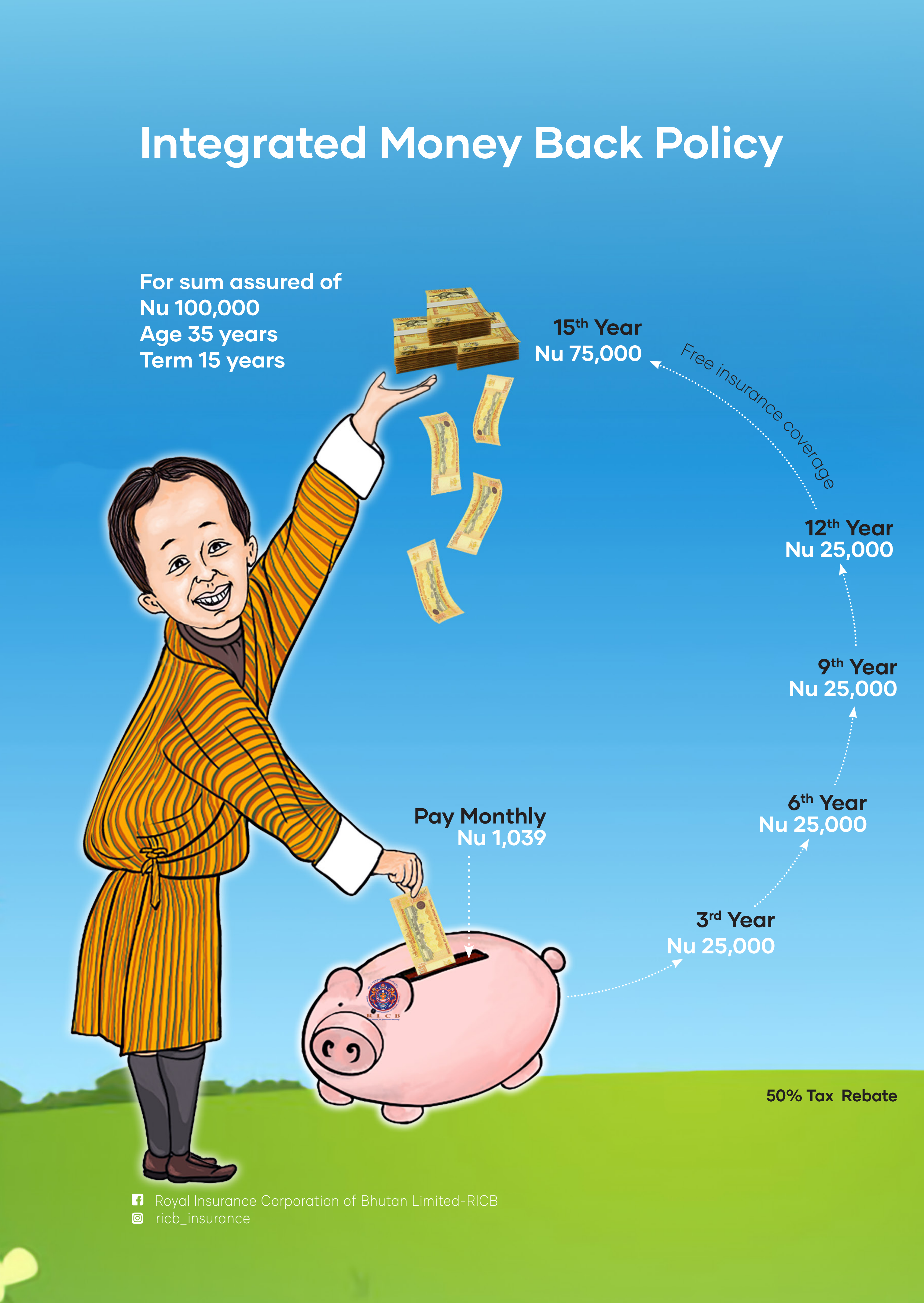
Item 16: Provisioning Coverage Ratio							
Year	**Gross NPL**	**Additional NPL**	**Additional specific provisions**	**Additional Interest-in-suspense A/C**	**Required PCR (60% of Additional NPL)**	**Accretion to the buffer**	**Countercyclical provisioning buffer (Stock)**
1	2	3	4	5	6= (60%* Col. 3)	7 = (6-5-4)	8
COPPY	6,185,278	(2,865,314)	(234,617)	-117,389	-1,719,188	(1,367,182)	
Current Year	755,154	(5,430,124)	(627,819)	(22,519)	(3,258,074)	(2,607,736)	

Item 17: Concentration of Credit and Deposits			
S. No	**Particular**	**End of Current Period**	**COPPY**
1	Total loans to 10 largest borrowers	2,716,952	4,213,219
2	As % of total Loans	18.79%	20.26%
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**	**COPPY**
1	Five largest NPL accounts	181,392	1,188,428
2	As % of total NPLs	24.02%	19.21%
All items reported in 000' Ngultrum			

KASG & CO. Chartered Accountants Kolkata

Royal Insurance Corporation of Bhutan Thimphu


Integrated Money Back Policy
For sum assured of
Nu 100,000
Age 35 years
Term 15 years
15th Year
Nu 75,000
Free insurance coverage
12th Year
Nu 25,000
9th Year
Nu 25,000
6th Year
Nu 25,000
3rd Year
Nu 25,000
Pay Monthly
Nu 1,039
RICB
50% Tax Rebate
Royal Insurance Corporation of Bhutan Limited-RICB
ricb_insurance

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