ROYAL INSURANCE CORPORATION OF BHUTAN LTD.

"Your partner for growth and security"

R I C B

"Your partner for growth and security"

Annual Report
2025

Annual Report 2025

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COMPANY PROFILE

For 50 years, the Royal Insurance Corporation of Bhutan Limited (RICB) has served as a cornerstone of financial security, protecting lives and livelihoods through a range of insurance, credit and investment, reinsurance, and securities services. Established on January 7, 1975, under the Royal Charter of His Majesty the Fourth Druk Gyalpo Jigme Singye Wangchuck, RICB has consistently focused on safeguarding the Bhutanese people against life's uncertainties while promoting economic resilience. With innovation, inclusivity, and unwavering dedication at its core, the Company will continue to adapt to the evolving needs of individuals, families, and businesses. Grounded in its vision and mission and guided by the national goal of Gross National Happiness, the Company remains committed to moving forward with the same determination that has defined its past of always being open to build a financially better secured and prosperous future for generations to come.

Our Vision, Mission & Core Values

Vision

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

MISSION

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

CORE VALUES

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

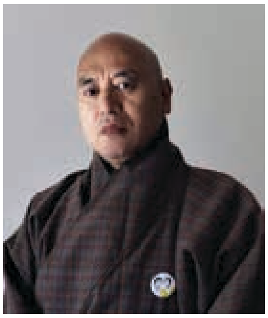
Resilience – RICB will not just withstand any form of adversity but learn to evolve with renewed energy, transforming challenges into opportunities as we serve the people.

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

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

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

Board of Directors



CHAIRMAN

PEMA NAMGYEL NADIK

Pema Namgyel Nadik is the Chairman of the RICB. He serves as the CEO of Bhutan Airlines Private Ltd. He holds a Bachelor of Commerce from Sherubtse College, Trashigang, Bhutan.

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.

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.

INDEPENDENT DIRECTOR

LAXMI PRASAD GIRI

He is the Managing Proprietor, L&N Financials Pvt Ltd., Thimphu, Bhutan. Laxmi Prasad Giri has a BA with a Major in Economics and Finance from Sherubtse College, Trashigang, Bhutan.

Board of Directors

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.

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.

INDEPENDENT DIRECTOR

SONAM LHUNDRUP

Sonam Lhundrup sits as an Independent Director on the RICB Board of Directors. Sonam Lhundrup has an MBA from the University of Canberra, Australia, and an LLM from George Washington University Law School, Washington DC, USA. He graduated from the University of Mumbai in 2002 with a Degree in Law.

Management Team

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.

SONAM TASHI

DIRECTOR
Corporate Services Department

Sonam Tashi serves as the Director of the Corporate Services Department. He has a bachelor's degree in commerce from Sherubtse College, Bhutan. He started his career as a journalist and later served as the Executive Director at the Guide Association of Bhutan. Before joining RICB, he was the Secretary General of one of the oldest political parties.

KINGA THINLEY

GENERAL MANAGER
General Insurance Division

Kinga Thinley is the Head of the General Insurance Division. Before holding his current position, he served as the General Manager for the Phuentsholing Main Branch, and later for the Credit & Investment Division. 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.

PEMA YANGCHEN

GENERAL MANAGER
Credit & Investment Division

Pema Yangchen is the General Manager for the Credit and Investment Division. She holds a Master's in Business Administration (Human Resources & Finance) from Bangalore University, India. Before joining RICB, Pema Yangchen worked with the Bank of Bhutan as the Head, Project Finance.

Management Team

KINLEY WANGMO

GENERAL MANAGER
GM, GA&HRD

Kinley Wangmo serves as the General Manager of GA&HRD. She has Masters of Human Resource Management from Murdoch University, Western Australia. Prior to joining RICB, she served in Human Resources and Administration Department, Bhutan Power Corporation Ltd for about 16 years as the Human Resource Officer and Manager. She also worked as an Associate Director in DrukSmart Private Ltd for 2 years.

DORJI WANGMO

CHIEF LEGAL OFFICER
Legal Division

Dorji Wangmo is the Head of the Legal Division. She joined the company after serving in the Judiciary, where she held positions as a lawyer and most recently as a Court Registrar at the Supreme Court. She has a bachelor's degree in business administration from the University of Texas at El Paso, a bachelor's degree in law from Campus Law Centre, Delhi University, and a Master's degree in law from George Washington University.

LUNGTEN

GENERAL MANAGER
Life Insurance Division

Lungten is the Head of the Life Insurance Division (LID). 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.

PEMA THINLEY

CHIEF FINANCIAL OFFICER
Finance & Accounts Division

Pema Thinley leads the Finance & Accounts Division. Prior to taking over as the CFO, Pema has been working in Finance & Accounts Division under different roles since joining RICB in 2007. He also served as the Company Secretary. He is a member of CPA Australia and has a Master of Commerce from Curtin University, Australia.

Your Choice: Dignity or Nu 1,100?

For just **Nu 1,100**, our motor third-party insurance: Repairs the damages to another car; pays for the damage to other person's life/property and covers an injury to a passenger/yourself. We help you@1818

PHO-MO JOINT LIFE

Let's say you & your spouse buy **Pho-Mo Joint Life** for a Sum Assured of **Nu 100,000** when you're **30** & your spouse **33 years**, for a Term of **20 years**. Your:

Monthly Premium

Nu 515

Benefits

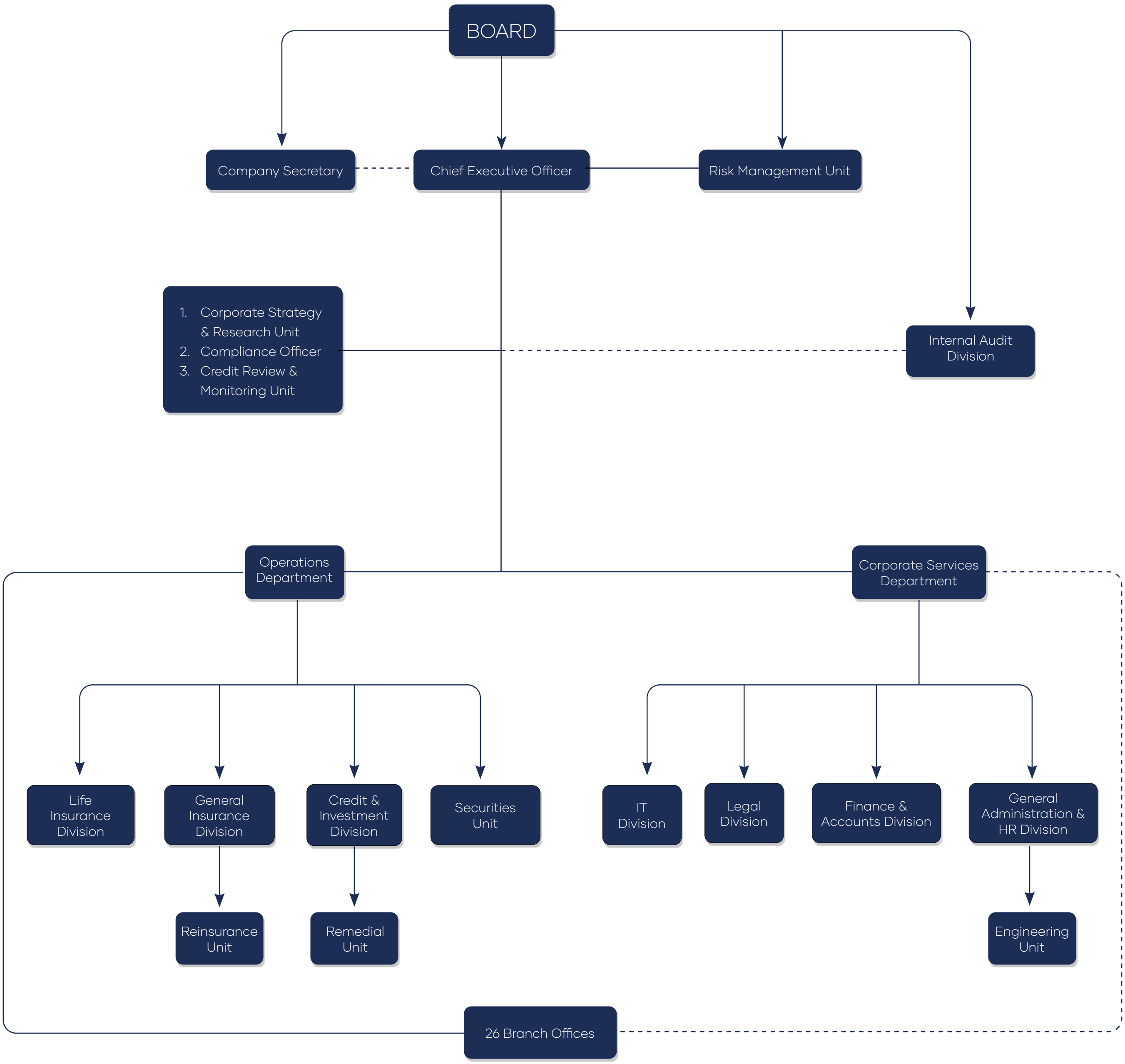
Nu 100,000 + bonus

Plus risk coverage Nu 100,000 for both husband & wife

Tax waiver Nu 61,800

Premium waiver during the death of a spouse

Organogram


BOARD
Company Secretary
Chief Executive Officer
Risk Management Unit
1. Corporate Strategy & Research Unit
2. Compliance Officer
3. Credit Review & Monitoring Unit
Internal Audit Division
Operations Department
Corporate Services Department
Life Insurance Division
General Insurance Division
Credit & Investment Division
Securities Unit
IT Division
Legal Division
Finance & Accounts Division
General Administration & HR Division
Reinsurance Unit
Remedial Unit
Engineering Unit
26 Branch Offices

Tourist Insurance

Budget friendly & hassle-free!

Covers

- Emergency medical & evacuation
- Trip delays & lost baggage
- Lost passport & third-party liability
- Repatriation & more

DIRECTORS REPORT

I, on behalf of the Board of Directors, present the 51st Annual Report along with the Audited Financial Statements of the Company for the year ended 31st of December 2025.

Operational and Financial Highlights

The Board and the management are pleased to present the financial performance report for the financial year 2025. This report provides a comprehensive overview of the Company's financial position, key achievements, and the principal factors influencing its performance during the year under review.

The year 2025 was especially significant as we commemorated the company's Golden Jubilee, marking 50 years of dedicated service to the nation. This milestone stands as a testament to our enduring legacy, institutional strength, and continued contribution to the advancement of Bhutan's financial sector. It also reinforces our commitment to adapting and evolving in an increasingly dynamic and competitive environment.

Throughout the year, we achieved progress across key areas of our business while remaining vigilant to emerging risks. We continued to take prudent and proactive measures to strengthen resilience and ensure long-term stability. The financial performance presented herein highlights the Company's ability to withstand pressures, including challenges faced by the insurance portfolio due to natural disasters and heightened regulatory oversight in the credit segment.

As the Company advances into the future, it remains well-positioned to build on its strong foundations and pursue sustainable growth in the years ahead.

The Company earned a Profit Before Tax of Nu. 393.38 million (Previous Year Profit of Nu. 1,144.98 million). The profit, as per the accounts prepared, under GAAP, is recorded at Nu. 584.23 million (Previous Year Nu. 1,287.40 million), where the provision against non-performing loans is accounted for as per the Prudential Regulations. The difference in financial performance is due to the differences in the computation of impairment against loans, advances, and the requirement to account for fair valuation of FEIF. All the regulatory compliance requirements were assessed as per the accounts prepared in line with GAAP.

Significant Financial Indicators

The financial statements for 2025 of the company have been prepared as per the BAS/BFRS. Important financial indicators are shown in the table below:

Indicators	2025 (Nu. in Millions)	2024 (Nu. in Millions)
Profit Before Tax (PBT) (Nu.)	393.38	1,144.98
Total Turnover (Nu.)	7,012.31	7,016.18
Return on Core Equity (%)	17.17	54.46
Earnings per share (Nu.)	1.72	5.45
Book Value per Share (Nu.)	27.54	31.47
Net-worth (Nu.)	4,407.20	5,035.10
Paid up Capital (Nu.)	1,600.00	1,600.00
Cash/Bank Balance (Nu.)	1,236.84	454.27
Balance Sheet (Nu.)	**28,969.56**	**26,888.06**

The Company pursued credit growth during the year to enhance returns on investment and strengthen overall financial stability, achieving a net loan growth of Nu. 1.79 billion. Total gross interest income, including interest earned from fixed deposits and bonds, amounted to Nu. 2,073.33 million. This increase was primarily driven by the sanctioning of new loans. After accounting for interest expenses on borrowings and insurance funds, the net interest margin stood at Nu. (86.66) million.

During the year, the Company also introduced relief measures for NPL borrowers by offering interest rebates on loan repayments. A total interest rebate of Nu. 42.98 million was granted, which reduced the net interest income. The Company recovered Nu. 416.61 million from offbalance sheet (OBS) loans and earned dividend income of Nu. 13.19 million from investments in various companies.

The NPL ratio increased to 3.50% from 3.08% in the previous year. In accordance with BFRS 9, the total impairment provision for nonperforming loans amounted to Nu. 975.22 million, resulting in an additional impairment charge of Nu. 542.90 million during the year. As per the Prudential Regulation, the total year-end provision requirement was Nu. 461.15 million, necessitating an additional provision of Nu. 463.21 million, including provisions for loans written off to OBS. The fair valuation of the FEIF accounts accounted for a fair valuation loss of Nu. 82.17 million during the current year.

The insurance business continued to demonstrate stable performance and maintained its market share, with the General Insurance segment contributing Nu. 852.40 million to the overall profit. However, the segment was adversely affected by a catastrophic event that occurred in October 2025. Net premium income amounted to Nu. 766.55 million, reflecting a 17.57% increase from the previous year's net premium of Nu. 651.95 million after accounting for reinsurance costs. Correspondingly, net claims after considering reinsurance recoveries stood at Nu. 243.70 million. This resulted in an overall net claim ratio of 31.79% for FY 2025, compared to 12.60% in the preceding year.

Profitability in the General Insurance business was supported by higher premium income and increased investment earnings, which reached Nu. 439.76 million, up from Nu. 424.29 million in the previous year. Nevertheless, total claims under General Insurance rose sharply to Nu. 871.51 million during the year. The reinsurance business generated a profit of Nu. 0.53 million, significantly lower than the Nu. 18.52 million recorded in the prior year.

Meanwhile, the Life Insurance business achieved a total premium income of Nu. 1,741.91 million in 2025. The year also recorded contributions of Nu. 127.38 million from the Annuity business and Nu. 724.94 million from the Private Provident Fund portfolio.

Business Income for the year ended 31/12/2025

DEPARTMENT	2025 (Nu)	2024 (Nu)
Interest Income (Credit)	1,943,665,374	1,906,990,022
Commission, Dividend & Others (Credit)	441,219,365	459,857,687
General Insurance Premium	1,886,646,738	1,529,379,894
Life Insurance Premium	1,741,912,835	2,035,290,619
Group Insurance Premium	89,281,842	85,187,042
Reinsurance Premium	33,797,193	51,931,470
Annuity Contribution during the year	127,389,554	193,459,844
PPF Contribution during the year	724,946,881	733,425,625
Rent & Others	19,625,025	14,789,716
Broker Commission	3,831,132	5,876,282
TOTAL	**7,012,315,939**	**7,016,188,201**

Profitability for the year ended 31/12/2025

Particulars	2025 (Nu in millions)	2024 (Nu in millions)	Variance '25 & '24 (%)
Income			
Net Premium Earned	2,569.49	2,778.49	(7.52)
Net Fee & Commission Income	451.99	510.17	(11.40)
Net Interest Income	1,135.15	1,159.27	(2.08)
Other Operating Income	574.81	491.29	17.00
Total Revenue (I)	4,731.45	4,939.22	(4.21)
Expenses			
Net Claims	2,873.55	2,887.75	(0.49)
Other Operating Expenses (Net)	920.79	716.66	28.48
Impairment	543.72	189.82	186.44
Total Expenses (II)	4,338.07	3,794.23	14.33
Profit Before Tax (I) – (II)	393.38	1,144.98	(65.64)
Tax Expense	118.59	273.68	(56.67)
Profit After Tax	274.78	871.31	(68.46)

The net worth of the Company as on 31.12.2025 was valued at Nu. 4,407.20 million, and the book value per share was recorded at Nu. 27.54, mainly due to restatement of accounts for the past years to affect the fair valuation of Fixed Equated Installment Facility (FEIF) as per BFRS 9. Considering the financial performance for the year, the return to core equity was recorded at 17.17 per cent compared to 54.46 per cent during the previous financial year.

Financial Position of the Company

The total assets of the Company have increased by 8.94%, amounting to Nu. 28.96 billion during the year, from Nu. 26.88 billion in the previous financial year. The increase in the assets is mainly due to an increase in investment in net loans, cash balance and fixed assets.

The net insurance fund balance has increased to Nu. 17.40 billion from Nu. 15.76 billion in the previous year.

Statutory Compliances

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the Company up to the financial year 2025.

Statutory Auditors

M/s. JIGMI Audit & Financials Pvt. Ltd., Thimphu, was appointed as the Statutory Auditors of RICB for the financial year 2025 during the 50th Annual General Meeting held on 7th April 2025.

Company Registrar

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

Corporate Governance

Corporate Governance remains fundamental to the long-term sustainability, credibility, and success of RICB. The Company is committed to ensuring that its business is directed and controlled in an ethical, transparent, and responsible manner, guided by the principles of integrity, accountability, fairness, and professionalism. The Board of Directors provides strategic leadership and oversight, ensuring that the Company operates in compliance with the applicable laws, regulatory requirements, and corporate governance standards of Bhutan. Supported by its Board Committees and Management, the Company continues to strengthen its governance practices to safeguard stakeholder interests and reinforce institutional resilience.

During the year, the Company further enhanced its governance and oversight environment by strengthening risk management, compliance, internal audit, and information security functions. The establishment of an independent Chief Information Security Officer function and the migration to secure cloud-based infrastructure have reinforced governance over information assets, business continuity, and operational reliability. At the same time, the Company continued to leverage technology and digital solutions to improve efficiency, transparency, and service delivery, ensuring that governance practices are aligned with evolving operational and regulatory expectations.

RICB also remains committed to fostering a culture of responsibility, ethical conduct, and continuous improvement across all levels of the Company. Employees are guided by established policies, code of conduct, and accountability frameworks, while oversight functions provide independent assurance on the effectiveness of internal controls and governance processes. As the Company marks its Golden Jubilee, it remains steadfast in its commitment to adopting agile and futuristic corporate governance practices that support sustainable growth, strengthen stakeholder confidence, and uphold its role as a trusted national institution.

The Board Committees are as follows:

The Board Audit Committee (BAC) held four meetings in 2025. The committee consists of four Directors and is chaired by Mr. Laxmi Prasad Giri. All members attended the meetings, with virtual participation in the first two meetings.

The Board Risk Management Committee (BRMC) conducted five meetings during the year, chaired by Ms. Yeshey Selden, an Independent Director. The committee comprises four Directors. All members attended the meetings, with one or two Directors participating virtually for the meeting. The Board Human Resource and Governance Committee (BHRGC) held six meetings in 2025.

The committee comprises four Directors and was chaired by Mr. Ugyen Dorji, Ordinary Director. Some Directors attended the three meetings virtually.

The Board Credit Committee (BCC) convened seven meetings in 2025. The committee comprises five Directors, including its Chair, Mr. Sonam Lhundrup, an Independent Director. All members attended the meetings, with some Directors joining virtually in the last four meetings.

Composition of the Board of Directors

The Board of Directors consists of seven Directors from diverse professional backgrounds. Chaired by Mr. Pema Namgyel Nadik, the Board consists of three Independent Directors, two Ordinary Directors, and the CEO. Ms. Yeshey Selden, Mr. Laxmi Prasad Giri, and Mr. Sonam Lhundrup serve as Independent Directors. Mr. Pema Namgyel Nadik, Mr. Pempa Tshering, and Mr. Ugyen Dorji serve as Ordinary Directors.

In 2025, the Board held eight Board Meetings, of which one was held as an emergency meeting. The details of the Board Meetings are provided in the following table:

Name of the Member	No. of Board Meetings attended	Joining Date
Mr. Pema N Nadik	8 of 8	21st of April 2023
Ms. Yeshey Selden	5 of 8	7th of October 2022
Mr. Pempa Tshering	8 of 8	7th of October 2022
Mr. Ugyen Dorji	8 of 8	7th of October 2022
Mr. Sonam Lhundrup	8 of 8	21st of April 2023
Mr. Laxmi Prasad Giri	7 of 8	24th of April 2024
Mr. Karma	8 of 8	10th of April 2018

Risk Management

In 2025, the RICB further strengthened its Enterprise Risk Management Framework by embedding risk considerations into strategic planning and day-to-day operations. Risk assessments were integrated across product design, underwriting, credit, investments, and operational activities to enhance financial stability, improve internal discipline, and ensure compliance with regulatory requirements, including AML/CFT obligations. Oversight functions, comprising the Risk Management Unit, Compliance Function, Internal Audit Division, and Credit Review and Monitoring Services, continued to operate as coordinated lines of defence, providing independent assurance and reinforcing accountability.

During the year, information security governance was further strengthened with the inclusion of the Chief Information Security Officer (CISO) function under the Risk Management Unit. The appointment of CISO enhanced oversight of technology-related risks across systems, networks, applications, and data as required by the standards of ISO 27001 and ISO 27701. The Risk Management Unit also advanced its role beyond compliance monitoring to actively supporting risk mitigation and informed decision-making. These efforts have strengthened the Company's overall risk culture, governance, and resilience, ensuring its continued ability to operate safely and responsibly in an evolving risk environment while serving the people of Bhutan with stability and confidence.

Key Initiatives Undertaken in 2025

During the year, the Company implemented several strategic and operational initiatives to strengthen service delivery and expand its offerings:

1. Developed and implemented a Customer Service Management System(CSMS) to improve customer engagement, service efficiency, and overall customer experience.
2. Completed AML/CFT risk assessments for both new and existing life insurance products.
3. Introduced new insurance products, including the Deferred Annuity Scheme, Kuenphen Tshesog Ngenchoel, and Group Medical Insurance.
4. Initiated online underwriting services for Motor Third Party Insurance to enhance customer convenience.
5. Migrated core infrastructure to cloud-based systems.
6. Provided special loan rebate initiatives to support borrowers with loans sanctioned before 2019.

These initiatives reflect the Company's commitment to innovation, delivering positive customer experience, and operational excellence.

Future Outlook

The RICB remains committed to its vision of becoming the crown jewel of the financial sector of Bhutan. As it enters the final phase of its Five-Year Strategic Plan (2022–2026), the Company will focus on four non-negotiable objectives: profit, liquidity, growth, and solvency to ensure sustained financial strength, long-term viability, and continued value creation for policyholders and stakeholders.

Profitability shall remain a mandatory target to strengthen the Company's capital base, while liquidity shall be managed prudently to meet obligations and support efficient investments. Growth shall be pursued to create real value beyond inflation and expand market presence. Above all, solvency shall remain the cornerstone of all strategic and operational decisions, ensuring the Company's ability to meet long-term commitments across Life Insurance, General Insurance, and Re-insurance businesses.

Risk management shall continue to serve as a central pillar of the Company's strategy, embedded across all business functions to enhance resilience and ensure compliance with evolving regulatory requirements, including AML/CFT standards. The establishment of an independent Chief Information Security Officer function will further strengthen information security governance in line with internationally recognized ISO standards. In addition, the introduction of the Organisational Health Index (OHI) and continued investment in employee development will enhance organisational capability and performance, while the Risk Management Unit will play a more proactive role in driving risk mitigation and informed decision-making.

At the same time, the Company will continue to advance its digital transformation initiatives to improve operational efficiency, service delivery, and data security. These efforts will position the Company to support emerging national initiatives, including opportunities arising from the development of Gelephu Mindfulness City, while strengthening its ability to serve a growing and evolving customer base.

As RICB advances into 2026, it remains steadfast in its commitment to financial discipline, innovation, and institutional resilience, and will continue to provide trusted financial protection while contributing to a secure and prosperous future for the nation and its people.

Acknowledgment

As we reflect on the year, the Board extends its sincere appreciation to the Royal Government of Bhutan for creating an enabling environment for the Company to thrive and fulfil its social and financial mandate through continued partnership, cooperation, and steadfast support.

I would also like to thank our valued clients, business partners, reinsurers, sales executives, and stakeholders for their continued trust and confidence in the Company.

My heartfelt appreciation goes to the Chief Executive Officer, Management, and employees for their unwavering dedication, hard work, and perseverance throughout the year. Their collective efforts have strengthened the Company and positioned it for a financially stable and sustainable future.

As we move forward, the Board remains confident in the Company's continued progress and success in the years ahead.

Pema Nadik

Tashi Delek

(Pema Namgyel Nadik)
Chairman on behalf of Directors

Overseas Travel Insurance Policy

MyRICB

Self

- ✓ Register/Log In
- ✓ Click general insurance
- ✓ Go to overseas travel insurance
- ✓ Enter your details
- ✓ Complete mandatory details
- ✓ Click on check plans
- ✓ Select the plan
- ✓ Click pay now
- ✓ Enter bank details
- ✓ Press make payment
- ✓ Enter the SMS OTP to proceed
- ✓ Check payment success notice & SMS

Note: You can also view the policy schedule by going to General Insurance or Report on the Homepage.

Others

- ✓ Register/Log In
- ✓ Go to pay for others
- ✓ Click general insurance deposit
- ✓ Go to overseas travel insurance
- ✓ Enter the proposer's CID/Identity No
- ✓ Enter the proposer's details
- ✓ Complete mandatory fields
- ✓ Click on check plans
- ✓ Select the plan
- ✓ Click pay now
- ✓ Enter bank details
- ✓ Press make payment
- ✓ Enter the SMS OTP to proceed
- ✓ Check payment success notice & SMS

Note: You can also view the policy schedule by going to General Insurance or Report on the Homepage.

INDEPENDENT AUDITOR'S REPORT

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JIGMI Audit & Financials

(A Private Limited Company)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2025

To the Shareholder(s) of Royal Insurance Corporation of Bhutan Limited.
Thimphu

Opinion

We have conducted an annual audit based on the financial statements of **Royal Insurance Corporation of Bhutan Limited (RICBL - the 'Company')**, which comprise the Statement of Financial Position as at 31 December 2025, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, of the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our Report, we invite your attention to the following matters, which are appropriately presented and disclosed in the financial statements. These matters are considered of such importance that they are fundamental to users' understanding of the Company's financial position, performance, and cash flows.

I. Restatement of Prior Period Financial Statements and Fair Valuation of FEIF Loan:

We draw attention to Note 47 to the financial statements, which describes the restatement of the comparative information for the year ended 31 December 2024 arising from the adoption of fair value measurement for Fixed Equated Instalment Facility (FEIF) loans in accordance with IFRS 9 (or the equivalent requirement under applicable Bhutanese Accounting Standards).

JIGMI Audit & Financials
Thimphu
Pvt. Ltd.

The restatement has the following effects on the 2024 financial statements:

i. **Impact on the Profit or Loss and the Tax for 2024:**
   a. Profit for the year decreased from Nu.836,473,841 to Nu.720,295,835 (reduction of Nu.116,178,006); and
   b. A deferred tax benefit of Nu.38,726,002 was recognized in respect of the adjustment.

ii. **Impact on the Statement of Financial Position as at 31 December 2024**
   a. Total assets decreased by Nu.297,993,259, from Nu.26,936,165,724 to Nu.26,638,172,465; and
   b. Loans and receivables decreased by Nu.297,993,258, from Nu.16,137,687,838 to Nu.15,839,694,580.

iii. **Impact on equity as at 31 December 2024**
   Total Retained Earnings decreased by Nu.259,267,257, from Nu.1,776,013,372 to Nu.1,516,746,115.

The restatement affects the opening balances for the year ended 31 December 2025, including the Retained Earnings and related line items. In addition, the application of fair value measurement to FEIF loans has resulted in a net loss on fair valuation of financial assets of Nu.82,174,827 recognized in the Statement of Profit or Loss for the year ended 31 December 2025 (2024 restated comparative: Nu.154,904,008).

II. General Insurance and Reinsurance Balances Awaiting Final Confirmation

We draw attention to Note 49(a) to the financial statements, which discloses reinsurance balances outstanding as at 31 December 2025 in the General Insurance portfolio. Reinsurance receivables from various reinsurers amount to Nu.225,972,102 (2024: Nu.244,112,384), and reinsurance payables to various reinsurers amount to Nu.403,953,630 (2024: Nu.291,854,565). These balances have been reconciled in the Company's records on the basis of available documentation. However, final confirmations and acceptances from the reinsurers are still awaited. Current-year transactions included within these balances comprise receivables of Nu.1,343,040 and payables of Nu.253,505,502.

Accordingly, the ultimate financial impact, if any, arising from differences identified upon receipt of final confirmations from reinsurers cannot be determined at this stage.

III. Reinsurance Business Balances Awaiting Confirmation

We draw attention to Note 49(b) to the financial statements, which discloses reinsurance balances outstanding as at 31 December 2025. Reinsurance receivables from various reinsurers amount to Nu.72,640,260 (2024: Nu.99,693,692), and reinsurance payables to various reinsurers amount to Nu.130,248,560 (2024: Nu.93,007,405). These balances have been reconciled with supporting documentation and submitted to the relevant reinsurance partners for confirmation. However, such confirmations remain pending as of the date of audit.

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Current-year transactions included within these balances comprise receivables of Nu.47,446,067 and payables of Nu.13,797,702.

Consequently, any adjustments or financial implications resulting from the final confirmations by reinsurers are not ascertainable at this stage.

IV. Deferred Loan Accounts and Associated Credit Risk

We draw attention to the disclosure in the financial statements regarding deferred loan accounts. As at 31 December 2025, the Company has 78 such accounts with an outstanding principal balance of Nu.2,878,688,603 (31 December 2024: Nu.7,116,683,580, including accumulated interest of Nu.1,924,570,967.34). These facilities represented approximately 42% of the total loan portfolio at the end of the prior year. The substantial reduction during 2025 is primarily attributable to restructuring arrangements.

Interest income recognised on the remaining deferred loans during the year is reflected in the Statement of Profit or Loss. Notwithstanding the progress achieved through restructuring, these accounts continue to carry elevated credit risk. Uncertainties persist in respect of full recoverability, and the possibility of future defaults, and their potential adverse effects on the Company's financial position, liquidity, and capital adequacy cannot be excluded as at the reporting date.

V. Non-Performing Loans and Charged-Off (Contingent) Exposures

We draw attention to Note 34(b) to the financial statements, which discloses non-performing loans (NPLs) of Nu.655,673,366.09 as at 31 December 2025, representing 3.49% of the active loan portfolio. In addition, the Company reports contingent assets relating to charged-off loans amounting to Nu.5,832,522,043. Although these charged-off exposures have already been recognized as a charge to profit or loss in prior periods, recoveries remain possible through ongoing legal proceedings, enforcement of collateral, out-of-court settlements, or restructuring.

When considered together with the Company's historical lending patterns, the combined stressed exposures (NPLs and charged-off loans) represent approximately 27% of total historical lending.

The management is urged to maintain robust monitoring of recovery efforts and to strengthen overall credit risk management practices.

Our opinion is not modified in respect of the above matters as the appropriateness of the financial statements as a whole is not affected.

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 period under audit. 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 separate opinion on these matters.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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), and for such internal control as the 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, the management is responsible for assessing the Company'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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion.

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The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. 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 purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit 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 report; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as *Appendix I* with statements on the matters specified therein to the extent applicable.

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Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c. The Company's Statement of Financial Position, Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts; and

d. Based on the information, explanation and management representation received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 4th April 2026

Appendix I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

In compliance with Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records of the property, plant & equipment (PPE) in the Assets Register to show full particulars including quantitative details and situation of the assets. As explained to us, physical verification of fixed asset has been completed by the management for some branches and there is a plan to carry out on phased manner for others. As informed, no material discrepancies were noted during the physical verification.

2. None of the PPE have been revalued during the year.

3. The Company has borrowed money from various organizations and the terms and conditions of such loans are, *prima facie*, not prejudicial to the interest of the Company. According to information and explanations provided to us, there is no Company under the same management.

4. The Company had a total year-end Overdraft (OD) outstanding of Nu.668,623,585.51 against the sanctioned amount of Nu.860 million. This OD outstanding comprised Nu.205,996,008.30 against the sanctioned OD of Nu.210 million from BoBL, Nu.6,069,829.37 against the sanctioned OD of Nu.150 million from TBank, and another outstanding of Nu.456,557,747.84 out of the sanctioned amount of Nu.500 million from BDBL.

5. The Company, 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 sanctioned are not, *prima facie*, prejudicial to the interest of the Company. According to the information and explanations provided to us, the Company has not granted loans to companies under the same management.

6. *Monetary Measure IV was introduced as a targeted support initiative for performing loans, enabling relief measures aligned with the severity of pandemic impact and borrowers' repayment capacity. As of 31 December 2025, the Company has 78 deferred loan accounts with an outstanding balance of Nu.2,878,688,603, a significant decrease from Nu.7,116,683,580 (including accumulated interest of Nu.1,924,570,967.34) as at 31 December 2024, which had constituted 42% of the total loan portfolio. The reduction is primarily attributed to the restructuring of these facilities. The Company also maintained 1,142 Fixed Equated Installment Facility (FEIF) accounts with an outstanding balance of Nu. 1,185,245,419.39 as of 31 December 2025. The audit review covered the status of deferred and FEIF accounts, assessment of restructuring measures, and evaluation of provisioning and compliance with applicable regulatory and financial reporting requirements.*

7. Loans and advances granted by the Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive/frequent advances or accumulation of large advance against particular individual has been noted during our test verification.

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8. In our opinion, there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations, systems and procedures. The Company has adopted, and followed, the policies, systems and procedures, as approved by the Board or other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Company. Further, steps have been taken to improve mechanism of loan appraisal, processing, claim settlements, bank reconciliation and internal control to mitigate the risk of fraud and embezzlement.

9. In our opinion, with 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 adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for purchase of goods and services including PPE and other items, such as, stationeries and related expendable items, etc.

10. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties. As such, such transactions, if any, are not prejudicial to the interest of the shareholders and the Company. Further, records required under Section 228 of the Companies Act of Bhutan 2016 are updated by the Company.

11. To the best of our knowledge, expenses charged to the Company's accounts represent legitimate business expenses and no personal expenses have been debited to the Income Statement other than those payable under contractual obligations/service rules.

12. In our opinion, the Company is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable Taxation laws, and has been appropriately disclosed in the financial statements.

13. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end other than tax deducted at source (TDS) which was paid later on within the stipulated time period.

14. Considering the Company's fund requirements for its normal business operations, management of the Company's liquid resources, particularly cash/bank and short-term deposits, etc. are adequate and no excessive amount is 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 Company.

15. In our opinion, the Company has a reasonable system of periodical review of lending rates, and based on such review and considering the market and economic conditions, the interest rates are determined and approved by the Company. Further, the Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

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16. The Company is engaged in insurance business and its system of screening commission agents is generally adequate. 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 Company has, in general, a system of evaluating performance of each agent on a periodic basis.

17. In our opinion and to the best of our knowledge, the activities carried out by the Company are lawful and *intra vires* to the Articles of Incorporation of the Company.

18. The Company has system and procedures for obtaining approvals of the Board/delegated authority for all capital investments decisions and investments in new projects/ventures are made after considering the technical and economic feasibility of such projects.

19. In our opinion, the Company has established an effective budgetary control system.

20. In our opinion, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. Remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement under ***Note 38.3.2***.

21. Directives of the Board have been found to be complied with by the Company.

22. Price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, unauthorized to any other person with intent to benefit themselves.

23. In our opinion and to the best of our knowledge, proper records are kept for inter-unit/branch transactions/services and arrangement for services made with other agencies engaged in similar activities.

24. In our opinion and to the best of our knowledge, the Company has generally maintained adequate documents and records for the loans and advances granted, and has also drawn up adequate agreements for the same. Further, the credit appraisal process followed by the Company is reasonable. *However, the management should continue with their efforts to recover outstanding amount from the borrowers even though the same has been charged off to Off-Balance Sheet.*

25. In our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.

26. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts but *age-wise analysis of outstanding amounts is generally not been carried out for management information and follow-up actions.*

27. In our opinion, provisions towards permanent diminution, in the value of investments is made, wherever required and considered necessary.

28. To the best of our information, the Company has complied with the requirements of Financial Services Act of Bhutan 2011, and other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan

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(RMA). The Company has generally complied with the provisioning requirements prescribed under IFRS 9 relating to provisioning for the non-performing assets including loans and advances.

29. In our opinion, the assets hypothecated and mortgaged against loans and advances is generally physically verified by the Company, valued and Mortgage Deeds executed, wherever required, and the Company has ensured that the assets are free of any prior lien or charges.
30. To the best of our information, the Company has a system of monitoring of Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.

31. To the best our information, the Company has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults. Further, as informed to us, the Company, 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. Reasonable records are maintained for sale and disposal of realizable scraps.

32. In our opinion, rescheduling/rephasing/restructuring of loans, including NPLs and recognition of interest income in respect of non-performing assets, are carried out in accordance with the provisions of Prudential Regulations issued by RMA and Accounting Standard.

33. In our opinion, the Company has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

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

35. Loans are written off after following proper procedures and after receipt of the approval from the designated authorities. *During the year, loans of Nu.7.66 million including OBS loans (Previous Year Nu.6.77 million) have been written off.*

Computerized 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.

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 Company 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 Company are generally adequate to ensure correctness and validity of input data and output information.

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

General

1. **Going Concern Problems**
   Based on the net asset position reflected in the Statement of Financial Position as at 31 December 2025, audited by us in accordance with the ISAs and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Company is not a *Going Concern* on the date of Statement of Financial Position and is not likely to become sick in near future.

2. **Ratio Analysis (attached separately)**
   Significant ratios indicating the financial health and performance of the Bank are provided under ***Appendix-II*** of this Report.

3. **Compliance with the Companies Act of the Kingdom of Bhutan**
   The Company has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist are given under ***Appendix-III*** of this Report.

4. **Adherence to Laws, Rules and Regulations**
   The audit of the Company is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management.

In the course of the audit, we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable BAS

For JIGMI Audit & Financials Pvt. Ltd.

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
(Membership No. 0283308)
Partner

Date: 4th April 2026

STATEMENT OF SIGNIFICANT RATIOS

Appendix II

REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (to The Companies Act of Bhutan, 2016) FOR THE YEAR ENDED 31ST DECEMBER, 2025 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED :

STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		2025	2024
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	15.49	19.55
2	Net Worth to Total Liabilities	(%)	15.21	18.73
3	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.13	3.40
B	PROFITABILITY RATIOS:			
1	Operating Income to Net worth -Net	(%)	107.36	98.10
2	Operating Income to Total Assets	(%)	16.33	18.37
3	Net Profit (After Tax) to Net Worth	(%)	6.23	17.30
4	Net Profit (After Tax) to Total Assets	(%)	0.95	3.24
5	Return on Core Equity (Profit After Tax)	(%)	17.17	54.46
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio	(%)	41.79	7.58
2	Long Term Debt to Net Worth	(%)	15.17	2.41
3	Net Fixed Assets* to Long Term Debt	(%)	442.76	2,293.17
4	Net Fixed Assets* to Net Worth	(%)	67.18	55.23

*includes Investment Property

Financial Data		2025	2024
Face Value of share	(Nu.)	10.00	10.00
Earning per Share	(Nu.)	1.72	5.45
Book Value per Share	(Nu.)	27.54	31.47
Market Price per Share	(Nu.)	76.41	86.00
Dividend per share	(Nu.)	-	3.31
No. of Shareholders		15,923	15,682
Shareholding pattern: No of shares		160,005,286	160,005,286
Druk Holding & Investment	(%)	18.41	18.41
Private & Public Holders	(%)	81.59	81.59

for JIGMI Audit & Financials Pvt. Ltd

JIGMI Audit & Financials Pvt. Ltd. JAF Thimphu

Jigmi Rinzin FCCA
Partner
Membership No. 0283308

Place : Thimphu
Date : 4th April 2026

Compliance Checklist : (Extracts from the Companies Act of Bhutan 2016) Appendix-III

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			N.A.	
36	143	Removal of directors			N.A.	
37	146	Board meetings	Yes			
38	152	General powers of the board	Yes			
39	156	Restriction on powers of Board	Yes			
40	210	Appointment of Chief Executive Officer			N.A.	
41	213	Company Secretary required in all Public Companies	Yes			
42	414	Appointment of selling or buying agents	Yes			
43	157	No loans to directors (only for Public Co.)	Yes			
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) Appendix-III

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 JIGMI Audit & Financials Pvt. Ltd

Jigmi Rinzin FCCA

Partner

Membership No. : 0283308

INCOME STATEMENT

Royal Insurance Corporation of Bhutan Limited

INCOME STATEMENT

For the year ended 31 December 2025

	Notes	Consolidated 31st December, 2025 Nu.	Consolidated 31st December, 2024 (Restated) Nu.	Company 31st December, 2025 Nu.	Company 31st December, 2024 (Restated) Nu.
Revenues					
Gross written premiums	4	3,782,478,699	3,730,204,231	3,782,478,699	3,730,204,231
Less: Premiums ceded to reinsurers	4.1	(1,137,719,040)	(890,202,088)	(1,137,719,040)	(890,202,088)
Net written premiums		2,644,759,659	2,840,002,143	2,644,759,659	2,840,002,143
Less: Net change in unearned premium provision		(75,267,933)	(61,506,495)	(75,267,933)	(61,506,495)
Net earned premium		2,569,491,726	2,778,495,648	2,569,491,726	2,778,495,648
Finance Income	5	408,754,112	480,546,509	408,754,112	480,546,509
Fee and commission income	6	173,077,524	138,963,805	173,077,524	138,963,805
Less: Fee and commission expense	7	(129,836,922)	(109,347,130)	(129,836,922)	(109,347,130)
Net fee and commission income		451,994,714	510,163,184	451,994,714	510,163,184
Interest income on financial services	8	1,548,103,301	1,466,102,956	1,548,103,301	1,466,102,956
Less : Interest expense on financial services	9	(330,771,284)	(306,833,126)	(330,771,284)	(306,833,126)
Net (Loss)/Gain on Fair Valuation of Financial Assets	47	(82,174,827)	(154,904,008)	(82,174,827)	(154,904,008)
Net interest income		1,135,157,190	1,004,365,822	1,135,157,190	1,004,365,822
Total revenue		**4,156,643,630**	**4,293,024,654**	**4,156,643,630**	**4,293,024,654**
OBS Recovery		416,617,415	409,575,958	416,617,415	409,575,958
Other operating income	10	158,194,066	81,715,681	158,194,066	81,715,681
Total Operating Income		**4,731,455,110**	**4,784,316,292**	**4,731,455,110**	**4,784,316,292**
Gross benefits and claims paid	11(a)	(2,115,902,169)	(1,208,313,812)	(2,115,902,169)	(1,208,313,812)
Claims ceded to reinsurers	11(b)	649,499,882	(53,555,451)	649,499,882	(53,555,451)
Change in contract liabilities	11(c)	(1,407,154,970)	(1,625,879,624)	(1,407,154,970)	(1,625,879,624)
Net benefits and claims		**(2,873,557,257)**	**(2,887,748,887)**	**(2,873,557,257)**	**(2,887,748,887)**
Expenses relating to private provident fund		(218,036,428)	(190,699,248)	(218,036,428)	(190,699,248)
Other operating and administrative expenses	12	(702,755,620)	(525,960,704)	(702,755,620)	(525,960,704)
Impairment gain / (loss)	13	(543,725,691)	(189,828,439)	(543,725,691)	(189,828,439)
Share of profit of an associate	19	788,273	(34,840,388)	-	-
Net income/(loss) before income taxes		**394,168,386**	**955,238,626**	**393,380,113**	**990,079,014**
Income tax (expense) / benefit	14	(118,595,198)	(234,942,791)	(118,595,198)	(234,942,791)
Net income/(loss) after taxes		**275,573,188**	**720,295,835**	**274,784,915**	**755,136,223**
Earnings per share					
Basic profit for the year attributable to ordinary equity holders of the parent	15	1.72	7.58	1.72	5.45

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

As per our report of even date
for JIGMI Audit & Financials Pvt. Ltd

For and on behalf of Board of Directors

Pema Wadd

Jigmi Rinzin FCCA
Partner
Membership No. : 0283308

Chief Executive Officer

Director

Chairman

Place: Thimphu
Date: 4th April 2026

STATEMENT OF COMPREHENSIVE INCOME

Royal Insurance Corporation of Bhutan Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	Consolidated		Company	
		31st December, 2025 Nu.	31st December, 2024 (Restated) Nu.	31st December, 2025 Nu.	31st December, 2024 (Restated) Nu.
Comprehensive income/(loss) for the period		**275,573,188**	**720,295,835**	**274,784,915**	**755,136,223**
Other comprehensive income / (expenses)					
Net gain /(loss) on available for sale assets		(23,580,850)	(119,810,821)	(23,580,850)	(119,810,821)
Income tax effect on available for sale assets		5,895,213	29,952,705	5,895,213	29,952,705
Gains (losses) on defined benefit plans		(37,356,150)	(30,802,604)	(37,356,150)	(30,802,604)
Income tax effect on defined benefit plans		(9,339,038)	(7,700,651)	(9,339,038)	(7,700,651)
Total other comprehensive income/(loss)		**(64,380,825)**	**(128,361,370)**	**(64,380,825)**	**(128,361,370)**
Total comprehensive income for the year net of tax		**211,192,362**	**591,934,465**	**210,404,089**	**626,774,853**

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

As per our report of even date
for JIGMI Audit & Financials Pvt. Ltd

For and on behalf of Board of Directors

Jigmi Rinzin FCCA
Partner
Membership No 0283308

Chief Executive Officer

Director

Chairman

Royal Insurance Corporation of Bhutan
Thimphu

Place: Thimphu
Date: 4th April 2026

STATEMENT OF FINANCIAL POSITION

Royal Insurance Corporation of Bhutan Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	Consolidated			Company		
		31st December, 2025	31st December, 2024 (Restated)	1st January, 2024 (Restated)	31st December, 2025	31st December, 2024 (Restated)	1st January, 2024 (Restated)
		Nu.	Nu.	Nu.	Nu.	Nu.	Nu
Assets							
Cash and cash equivalents	16	1,236,843,548	454,274,478	864,910,542	1,236,843,548	454,274,478	864,910,542
Investment in equity, bonds & others	17	6,685,863,694	6,373,415,092	6,659,763,281	6,685,863,694	6,373,415,092	6,659,763,281
Loans and receivables	18	17,251,644,954	15,839,694,580	13,341,522,549	17,251,644,954	15,839,694,580	13,341,522,549
Investment in associate	19	73,197,176	72,408,903	107,249,291	24,311,650	24,311,650	24,311,650
Insurance receivables	20	340,427,192	396,814,058	449,926,169	340,427,192	396,814,058	449,926,169
Other assets	21	469,720,534	720,656,237	742,577,381	469,720,534	720,656,237	742,577,381
Investment property	22	2,104,085,797	1,888,023,026	1,835,541,868	2,104,085,797	1,888,023,026	1,835,541,868
Property and equipment	23	806,085,667	768,279,563	767,445,453	806,081,494	768,275,390	767,441,280
Capital work-in-progress		7,605,074	90,431,094	73,539,233	7,605,074	90,431,094	73,539,233
Other intangible assets	24	42,978,158	34,175,435	21,696,342	42,978,158	34,175,435	21,696,342
Total Assets		29,018,451,794	26,638,172,465	24,864,172,108	28,969,562,096	26,590,071,040	24,781,230,295
Liabilities							
Investment contract liabilities	25	4,700,688,627	4,549,649,144	4,376,120,875	4,700,688,627	4,549,649,144	4,376,120,875
Contribution received by private provident fund		3,474,474,322	3,130,296,489	2,711,588,709	3,474,474,322	3,130,296,489	2,711,588,709
Insurance contract liabilities	26	12,700,575,243	11,212,811,027	9,509,769,041	12,700,575,243	11,212,811,027	9,509,769,041
Reinsurance contract liabilities		4,927,067	2,651,561	9,234,975	4,927,067	2,651,561	9,234,975
Insurance payable	27	1,139,726,319	945,842,188	1,322,114,806	1,139,726,319	945,842,188	1,322,114,806
Debt issued and other borrowed funds	28	668,710,266	121,268,953	260,972,603	668,710,266	121,268,953	260,972,603
Employee benefit obligation	29	180,452,084	131,545,621	133,289,015	180,452,084	131,545,621	133,289,015
Deferred tax Liability (net)	30	133,136,074	109,442,079	144,271,096	133,136,074	109,442,079	144,271,096
Tax payable		98,345,028	247,519,754	62,051,039	98,345,028	247,519,754	62,051,039
Provisions	31	65,581,087	65,741,087	66,531,087	65,581,087	65,741,087	66,531,087
Trade and other payables	32	1,395,736,461	1,297,467,903	1,379,871,059	1,395,736,461	1,297,467,903	1,379,871,059
Total liabilities		24,562,352,580	21,814,235,807	19,975,814,305	24,562,352,580	21,814,235,807	19,975,814,305
Equity							
Share capital	33	1,600,052,860	1,600,052,860	1,600,052,860	1,600,052,860	1,600,052,860	1,600,052,860
Net unrealized gains/(losses) on available-for-sale investments		213,009,679	230,695,316	320,553,432	213,009,679	230,695,316	320,553,432
Revaluation reserve		1,248,508,638	1,248,508,638	1,248,508,638	1,248,508,638	1,248,508,638	1,248,508,638
Retained earnings		1,166,594,309	1,516,746,115	1,491,309,143	1,117,704,611	1,468,644,690	1,408,367,331
Other reserves		227,933,729	227,933,729	227,933,729	227,933,729	227,933,729	227,933,729
Shareholder's equity		4,456,099,215	4,823,936,659	4,888,357,803	4,407,209,517	4,775,835,234	4,805,415,990
Non-controlling interests		-	-	-	-	-	-
Total equity		4,456,099,215	4,823,936,659	4,888,357,803	4,407,209,517	4,775,835,234	4,805,415,990
Total liabilities and equity		29,018,451,794	26,638,172,465	24,864,172,108	28,969,562,096	26,590,071,040	24,781,230,295

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

As per our report of even date
for JIGMI Audit & Financials Pvt. Ltd

For and on behalf of Board of Directors

Pema Wadd

Jigmi Rinzin FCCA
Partner
Membership No. : 0283308

Chief Executive Officer

Director

Chairman

JIGMI Audit & Financials Pvt. Ltd. JAF Thimphu

Royal Insurance Corporation of Bhutan Thimphu

Place: Thimphu
Date: 4th April 2026

CASH FLOW & RECONCILIATION STATEMENT

Royal Insurance Corporation of Bhutan Limited
CASH FLOW & RECONCILIATION STATEMENT
For the year ended 31 December 2025

For the year ended 31st December	Note	Consolidated		Company	
		31st December, 2025 Nu.	31st December, 2024 (Restated) Nu.	31st December, 2025 Nu.	31st December, 2024 (Restated) Nu.
Cash flows from operating activities					
Profit/(Loss) Before Tax		394,168,386	1,110,142,634	393,380,113	990,079,014
Adjustment for:					
Depreciation of property and equipment	23	21,046,303	18,928,600	21,046,303	18,928,600
Amortization of intangible assets	24	7,752,333	4,438,787	7,752,333	4,438,787
Defined benefit Cost		11,550,313	12,484,040	11,550,313	12,484,040
Provision written back		(160,000)	(790,000)	(160,000)	(790,000)
Share of profit of an associate	19	(788,273)	34,840,388	-	-
Impairment Expenses	13	543,725,691	189,828,439	543,725,691	189,828,439
Fair Valuation of Financial Assets		82,174,827	154,904,008	82,174,827	154,904,008
Profit/(Loss) on Sales of Assets		60,454	(38,040)	60,454	(38,040)
Operating profit before changes in operating assets & liabilities		1,059,530,034	1,524,738,855	1,059,530,034	1,369,834,847
(Increase)/Decrease in operating assets					
Loans and advance to customers	18	(2,091,082,004)	(2,874,154,361)	(2,091,082,004)	(2,874,154,361)
Insurance receivables	20	55,567,914	53,102,299	55,567,914	53,102,299
Other assets	21	293,870,675	10,090,149	293,870,675	10,090,149
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	26	1,487,764,216	1,703,041,986	1,487,764,216	1,703,041,986
Reinsurance contract liabilities		2,275,506	(6,583,414)	2,275,506	(6,583,414)
Investment contract liabilities	25	151,039,483	173,528,270	151,039,483	173,528,270
Insurance payable	27	193,884,132	(376,272,618)	193,884,132	(376,272,618)
Contribution received by private provident fund		344,177,833	418,707,780	344,177,833	418,707,780
Trade and other payables	31	99,223,117	(82,478,021)	99,223,117	(82,478,021)
Net cash flow from operating activities before income tax		536,720,871	(981,017,930)	536,720,871	(981,017,930)
Income tax paid		(285,800,655)	(154,599,319)	(285,800,655)	(154,599,319)
Net cash flow from operating activities		250,920,216	(1,135,617,249)	250,920,216	(1,135,617,249)
Cash flow from Investing activities					
Purchase of Equity investment	17	-	(1,813,185)	-	(1,813,185)
Long term investments in Bonds	19	20,548	148,464,218	20,548	148,464,218
Investment in fixed deposits		(336,050,000)	18,073,151	(336,050,000)	18,073,151
Purchase of property & equipment		(58,934,519)	(20,369,673)	(58,934,519)	(20,369,673)
Purchase of intangible assets		(16,555,056)	(16,917,880)	(16,555,056)	(16,917,880)
Disposal of investment property		330,823	645,005	330,823	645,005
Purchase of investment property		(216,062,771)	(52,481,158)	(216,062,771)	(52,481,158)
Expenses incurred for Capital WIP		82,826,020	(16,891,861)	82,826,020	(16,891,861)
Net cash flow from investing activities		(544,424,954)	58,708,616	(544,424,954)	58,708,616
Cash flow from financing activities					
Borrowings during the year	28	547,441,314	(139,703,650)	547,441,314	(139,703,650)
Interest Payment		-	-	-	-
Dividend Paid		(530,897,539)	(563,858,628)	(530,897,539)	(563,858,628)
Net cash flow from financing activities		16,543,775	(703,562,278)	16,543,775	(703,562,278)
Net increase/(decrease) in cash and cash equivalents		782,569,070	(410,636,065)	782,569,070	(410,636,065)
Cash and cash equivalents at the beginning of the year	16	454,274,478	864,910,542	454,274,478	864,910,542
Cash and cash equivalents at the end of the year		1,236,843,548	454,274,478	1,236,843,548	454,274,478
Balance as per Statement of Financial Position		1,236,843,548	454,274,478	1,236,843,548	454,274,478

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

As per our report of even date
for JIGMI Audit & Financials Pvt. Ltd

For and on behalf of Board of Directors

Jigmi Rinzin FCCA
Partner
Membership No. : 0283308

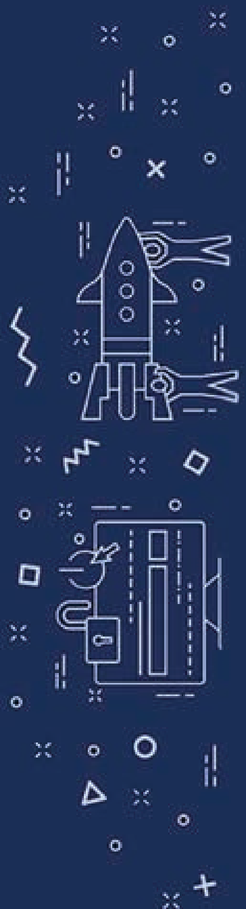
Chief Executive Officer

Director

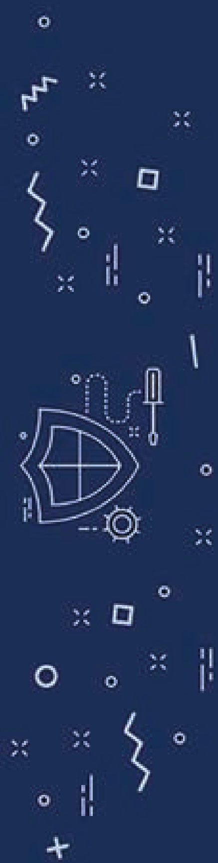
Pema Wadi

Chairman

Place: Thimphu
Date: 4th April 2026



STATEMENT OF CHANGES IN EQUITY



Royal Insurance Corporation of Bhutan Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

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 2023	26	1,600,052,860	320,553,433	1,248,508,638	1,634,398,394	227,933,729	5,031,447,054
Adjustment for previous Year *		-	-	-	(143,089,251)	-	(143,089,251)
Adjusted opening retained earnings on 1st January 2024		1,600,052,860	320,553,433	1,248,508,638	1,491,309,143	227,933,729	4,888,357,804
Net profit/(loss) for the year		-	-	-	720,295,835	-	720,295,835
Dividend paid					(563,858,628)		(563,858,628)
Adjustment for Tax		-	-	-	(92,496,980)	-	(92,496,980)
Other comprehensive income		-	(89,858,115)	-	(38,503,255)	-	(128,361,370)
Balances as at 31st December 2024		1,600,052,860	230,695,317	1,248,508,638	1,516,746,115	227,933,729	4,823,936,660
Net profit/(loss) for the year		-	-	-	275,573,188	-	275,573,188
Dividend Paid		-	-	-	(530,897,539)	-	(530,897,539)
Adjustment for Tax		-	-	-	(48,132,267)	-	(48,132,267)
Other comprehensive income		-	(17,685,638)	-	(46,695,188)	-	(64,380,825)
Balances as at 31st December 2025		1,600,052,860	213,009,680	1,248,508,638	1,166,594,309	227,933,729	4,456,099,216

Company — In Nu

	Note	Share capital	Net unrealized gains/(losses) on available-for-sale investments	Revaluation reserve	Retained earnings	Other reserves	Total Shareholders' Funds
Balances as at 31st December 2023		1,600,052,860	320,553,432	1,248,508,638	1,551,456,581	227,933,729	4,948,505,240
Adjustment for previous Year *		-	-	-	(143,089,251)	-	(143,089,251)
Adjusted opening retained earnings on 1st January 2024		1,600,052,860	320,553,432	1,248,508,638	1,408,367,331	227,933,729	4,805,415,990
Net profit for the year *		-	-	-	755,136,223	-	755,136,223
Dividend Paid					(563,858,628)		(563,858,628)
Adjustment for Tax		-	-	-	(92,496,980)	-	(92,496,980)
Other comprehensive income		-	(89,858,115)	-	(38,503,255)	-	(128,361,370)
Balances as at 31st December 2024		1,600,052,860	230,695,316	1,248,508,638	1,468,644,690	227,933,729	4,775,835,234
Net profit for the year		-	-	-	274,784,915	-	274,784,915
Dividend Paid		-	-	-	(530,897,539)	-	(530,897,539)
Adjustment for Tax		-	-	-	(48,132,267)	-	(48,132,267)
Other comprehensive income		-	(17,685,638)	-	(46,695,188)	-	(64,380,825)
Balances as at 31st December 2025		1,600,052,860	213,009,679	1,248,508,638	1,117,7[illegible]	227,933,729	4,407,209,517

* Fair Valuation of FEIF Loan accounts were computed and restated effective from 2022-2024


NOTES

NOTES TO THE FINANCIAL STATEMENTS AS PER BAS/BFRS

For the year ended 31 December 2025

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 Accounting Standards (BAS), as issued by the Accounting and Auditing Standard Board of Bhutan (AASBB)

2.2 Basis of measurement

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

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

2.3 Functional and Presentation currency

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

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

2.4 Materiality and Aggregation

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

2.5 Basis of consolidation

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

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements 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

JAF Jigmi Audit & Financial Consultancy Pvt. Ltd. Thimphu

Royal Insurance Corporation of Bhutan

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimates and assumptions

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

Going concern

The management of the Group has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Defined benefit plans

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

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

Useful life time of the Property, Plant and Equipment

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

2.7 Summary of significant accounting policies

(a) Product classification

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

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

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

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

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on;
- The performance of a specified pool of contracts or a specified type of contract;
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer;
- The profit or loss of the company, fund or other entity that issues the contract.

(b) Intangible assets

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

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

The estimated useful lives of Intangible Assets are as follows:
Computer Software - 7 years

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

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

(c) Impairment of non-financial assets

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

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is

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recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

(d) Deferred expenses

Deferred acquisition costs (DAC)

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

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

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

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

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

Deferred expenses-Reinsurance commissions

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

(e) Property and equipment

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency on roll over basis of three to five years interval as may be considered appropriate 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

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

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

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

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

(f) Investment properties

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

Investment properties are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency on roll over basis of three to five years interval as may be considered appropriate 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

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between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

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

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

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

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

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

Changes to classification and measurement

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

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

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

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

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interest bearing financial assets measured at FVOCI under BFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under BAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

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

Interest and similar income:
The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.
Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

(i) Financial assets

Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

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

- Amortised cost
- FVOCI

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- FVPL

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

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

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

- That the company intended to sell immediately or in the near term;
- That the company, upon initial recognition, designated as at FVPL or as available-for-sale;
- For which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale;
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- 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

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that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets or financial liabilities held for trading
The company classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

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

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

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

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

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

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

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

The company has issued financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with BAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

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Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under BFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities (and assets until 1 January 2018 under BAS 39) are part of a group of financial liabilities (or financial assets, or both under BAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities (and assets until 1 January 2018 under BAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

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

Financial guarantees, letters of credit and undrawn loan commitments
The Company issues financial guarantees, letters of credit and loan commitments. Financial guarantees are obligation that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a customer fails to fulfil his or her obligations.
Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the commission 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 commission 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.

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, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(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.

►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.

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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 from selling the asset.

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

The mechanics of the ECL method are summarised below:

►Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

►Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

►Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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

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► Financial Guarantee contracts: For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Debt instruments measured at fair value through OCI

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

Purchased or originated credit impaired financial assets (POCI)

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

Forward looking information

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

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

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Therefore Company also considers the following qualitative factors

► Average LTV

► Government Policies

► Status of the Industry Business

► Regulatory impact

Collateral valuation

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

Collateral repossessed

The Company's accounting policy under BFRS 9 remains the same as it was under BAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the company's policy.

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

Write-offs

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

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

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

Impairment losses on financial assets:
The measurement of impairment losses both under BFRS 9 and BAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The company's criteria for assessing if there has been a significant increase in credit risk
- 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.

(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.

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

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

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

(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 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

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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 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.

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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.

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 cancelled.

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

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

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

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

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

(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.

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

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

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

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

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled.

Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

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

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

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

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

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

(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.

(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 – 'w' 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 cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(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, cancelled 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.

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 and investment contracts with DPF recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. The premium on group insurance policy is recognized when paid by the remitting agencies.

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

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

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

Reinsurance premiums

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

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

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

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

Fees and commission income

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

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

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

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

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

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

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

Realised gains and losses
Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses 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 and survival are accounted on the policy maturity date.

General insurance and health claims include all claims occurring during the year, whether reported or not, related to 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.

Jigmi Audit & Financials Pvt. Ltd.
JAF
Thimphu

Royal Insurance Corporation of Bhutan
Thimphu

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2025

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Reinsurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Subsidiary/ Associate	Consolidated
Gross written premiums	1,886,640,718	1,741,912,835	89,872,770	335,357	63,710,999	-	-	-	-	-	1,782,478,699	-	3,782,478,699
Premiums ceded to reinsurers	(1,120,089,112)	(773,493)	(590,928)	-	(16,265,307)	-	-	-	-	-	(1,137,719,040)	-	(1,137,719,040)
Net written premiums	766,557,426	1,741,139,342	89,281,842	335,357	47,445,692	-	-	-	-	-	2,644,759,659	-	2,644,759,659
Net change in reserve for unearned premium	(84,763,975)	-	-	-	9,496,043	-	-	-	-	-	(75,267,933)		(75,267,933)
Net earned premium	**681,793,451**	**1,741,139,342**	**89,281,842**	**335,357**	**56,941,735**	-	-	-		-	**2,569,491,726**	-	**2,569,491,726**
Finance Income	439,764,206	827,245,082	241,017,425	258,950,992	(1,222,054)	242,619,460	408,754,112	-	826,364	(2,008,701,475)	408,754,112	-	408,754,112
Fee and commission income - External	153,954,181	-	-	-	-	-	15,295,211	-	3,831,132	-	173,077,524	-	173,077,524
Fee and commission expense - External	(33,314,377)	(83,131,443)	-	(473,362)	(12,917,740)	-	-	-		-	(129,836,922)	-	(129,836,922)
Net fee & commission income	**560,401,010**	**744,113,639**	**241,017,425**	**258,477,630**	**(14,639,794)**	**242,619,460**	**424,049,323**	-	**4,657,495**	**(2,008,701,475)**	**451,994,714**	-	**451,994,714**
Interest Income - External	-	-	-	-	-	-	1,548,103,301	-	-	-	1,548,103,301	-	1,548,103,301
Less Interest expense - External	-	(51,413,051)	(129,776,936)	(127,948,122)	-	-	(2,030,334,651)	-	-	2,008,701,475	(330,771,284)	-	(330,771,284)
Net (Loss)/Gain on Fair Valuation of Financial Assets	-	-	-	-	-	-	(82,174,827)	-	-	-	(82,174,827)	-	(82,174,827)
Net interest income	-	**(51,413,051)**	**(129,776,936)**	**(127,948,122)**	-	-	**(564,406,177)**	-	-	**2,008,701,475**	**1,135,157,190**	-	**1,135,157,190**
Total revenue	**1,242,194,460**	**2,433,839,930**	**200,522,331**	**130,864,865**	**42,301,941**	**242,619,460**	**(140,356,854)**	-	**4,657,495**	-	**4,156,643,630**	-	**4,156,643,630**
Recovery from OBS Loans	-	-	-	-	-	-	416,617,415	-	-	-	416,617,415	-	416,617,415
Other operating income	(289,111)	6,349,241	7,251,495	4,550	2,553,888	576,368	122,002,639	19,625,025	119,971	-	158,194,066	-	158,194,066
Total operating income	**1,241,905,349**	**2,440,189,171**	**207,773,827**	**130,869,415**	**44,855,829**	**243,195,828**	**398,263,200**	**19,625,025**	**4,777,466**	-	**4,731,455,110**	-	**4,731,455,110**
Gross benefits and claims paid	(876,513,675)	(1,136,123,008)	(55,800,000)	-	(47,265,485)	-	-	-	-	-	(2,115,902,169)	-	(2,115,902,169)
Claims ceded to reinsurers	632,807,648	-	-	-	16,692,214	-	-	-	-	-	649,499,882	-	649,499,882
Gross change in contract liabilities	-	(1,190,741,792)	(92,018,155)	(124,395,022)	-	-	-	-	-	-	(1,407,154,970)	-	(1,407,154,970)
Net benefits and claims	**(243,706,027)**	**(2,327,064,801)**	**(147,818,155)**	**(124,395,022)**	**(30,573,252)**	-	-	-	-	-	**(2,873,557,257)**	-	**(2,873,557,257)**
Expenses relating to private provident fund	-	-	-	-	-	(218,036,428)	-	-	-	-	(218,036,428)	-	(218,036,428)
Other operating and administrative expenses	(145,350,357)	(113,124,369)	(59,935,671)	(6,474,393)	(13,367,762)	(13,101,343)	(268,300,291)	(38,393,364)	(4,339,121)	(40,348,949)	(702,755,620)	-	(702,755,620)
Impairment gain / (loss) on loans and advances	(440,376)	-	-	-	(378,576)	-	(542,906,740)	-	-	-	(543,725,691)		(543,725,691)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	-	788,273	788,273
Profit before Tax	**852,408,589**	-	-	-	**536,240**	**12,058,057**	**(412,943,831)**	**(18,768,339)**	**438,345**	**(40,348,949)**	**393,380,113**	**788,273**	**394,168,386**
Income tax expense	-	-	-	-	-	-	-	-	-	(118,595,198)	(118,595,198)	-	(118,595,198)
Profit for the year	**852,408,589**	-	-	-	**536,240**	**12,058,057**	**(412,943,831)**	**(18,768,339)**	**438,345**	**(158,944,147)**	**274,784,915**	**788,273**	**275,573,188**
Other comprehensive income / (expenses)													
Net gain /loss on available for sale assets	-	-	-	-	-	-	(23,580,850)	-	-	-	(23,580,850)	-	(23,580,850)
Income tax effect	-	-	-	-	-	-	5,895,213	-	-	-	5,895,213	-	5,895,213
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	(37,356,150)	(37,356,150)		(37,356,150)
Income tax effect	-	-	-	-	-	-	-	-	-	(9,339,038)	(9,339,038)	-	(9,339,038)
Total other comprehensive income	-	-	-	-	-	-	(17,685,638)	-	-	(46,695,188)	(64,380,825)	-	(64,380,825)
Income tax(charge) / credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	(17,685,638)	-	-	(46,695,188)	(64,380,825)	-	(64,380,825)
Total comprehensive income for the year net of tax	**852,408,589**	-	-	-	**536,240**	**12,058,057**	**(430,629,469)**	**(18,768,339)**	**438,345**	**(205,639,335)**	**210,404,089**	**788,273**	**211,192,362**

Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

(3) Operating segment information
Operating segment Income statement for the year ended 31 December 2024

	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	1,529,179,894	2,035,290,619	85,697,850	335,137	79,500,731	-	-	-	-	-	1,730,204,231	-	1,730,204,231
Premiums ceded to reinsurers	(877,426,259)	(737,879)	(510,808)	-	(11,527,142)	-	-	-	-	-	(890,202,088)	-	(890,202,088)
Net written premiums	651,953,635	2,034,552,740	85,187,042	335,137	67,973,589	-	-	-	-	-	2,840,002,143	-	2,840,002,143
Net change in Reserve for unearned premium	(52,383,131)	-	-	-	(9,123,364)	-	-	-	-	-	(61,506,495)		(61,506,495)
Net Earned premium	**599,570,505**	**2,034,552,740**	**85,187,042**	**335,137**	**58,850,224**	-	-	-		-	**2,778,495,648**	-	**2,778,495,648**
Finance Income	424,294,002	693,089,670	221,865,536	264,191,120	(1,736,530)	234,211,126	480,546,509	-	828,433	(1,836,743,357)	480,546,509	-	480,546,509
Fee and commission income -External	119,910,438	-	-	-	10,000	-	13,167,085	-	5,876,282	-	138,963,805	-	138,963,805
Fee and commission expense - External	(23,687,121)	(70,916,555)	-	(507,371)	(14,236,083)	-	-	-		-	(109,347,130)	-	(109,347,130)
Net fee & commission income	**520,517,319**	**622,173,115**	**221,865,536**	**263,683,749**	**(15,962,613)**	**234,211,126**	**493,713,594**	-	**6,704,715**	**(1,836,743,357)**	**510,163,184**	-	**510,163,184**
Interest Income - External	-	-	-	-	-	-	1,466,102,956	-	-	-	1,466,102,956	-	1,466,102,956
Less Interest expense - External	-	(47,339,307)	(123,527,313)	(123,562,882)	-	-	(1,845,119,584)	(4,027,397)	-	1,836,743,357	(306,833,126)	-	(306,833,126)
Net (Loss)/Gain on Fair Valuation of Financial Asset	-	-	-	-	-	-	(154,904,008)	-	-		(154,904,008)	-	(154,904,008)
Net interest income	-	**(47,339,307)**	**(123,527,313)**	**(123,562,882)**	-	-	**(533,920,635)**	**(4,027,397)**	-	**1,836,743,357**	**1,004,365,822**	-	**1,004,365,822**
Total revenue	**1,120,087,824**	**2,609,386,547**	**183,525,265**	**140,456,003**	**42,887,612**	**234,211,126**	**(40,207,041)**	**(4,027,397)**	**6,704,715**	-	**4,293,024,654**	-	**4,293,024,654**
Recovery from OBS Loans	-	-	-	-	-	-	409,575,958	-	-	-	409,575,958	-	409,575,958
Other operating income	(483,443)	817,878	985,489	844,113	499,759	671	64,261,338	14,789,716	160	-	81,715,681	-	81,715,681
Total operating income	**1,119,604,381**	**2,610,204,426**	**184,510,754**	**141,300,116**	**43,387,370**	**234,211,797**	**433,630,254**	**10,762,319**	**6,704,875**	-	**4,784,316,292**	-	**4,784,316,292**
Gross benefits and claims paid	(29,017,392)	(1,118,729,611)	(47,400,000)	-	(13,166,809)	-	-	-	-	-	(1,208,313,812)	-	(1,208,313,812)
Claims ceded to reinsurers	(53,158,624)	-	-	-	(396,827)	-	-	-	-	-	(53,555,451)	-	(53,555,451)
Gross change in contract liabilities	-	(1,401,081,340)	(88,891,651)	(135,906,633)	-	-	-	-	-	-	(1,625,879,624)	-	(1,625,879,624)
Net benefits and claims	**(82,176,016)**	**(2,519,810,951)**	**(136,291,651)**	**(135,906,633)**	**(13,563,636)**	-	-	-	-	-	**(2,887,748,887)**	-	**(2,887,748,887)**
Expenses relating to private provident fund	-	-	-	-	-	(190,699,248)	-	-	-	-	(190,699,248)	-	(190,699,248)
Other operating and administrative expenses	(117,201,345)	(90,393,474)	(48,219,103)	(5,393,484)	(11,374,647)	(10,504,873)	(177,877,501)	(24,809,581)	(4,315,270)	(35,851,427)	(525,960,704)	-	(525,960,704)
Impairment gain / (loss) on loans and advances	(86,212)	-	-	-	76,400	-	(189,818,627)	-	-	-	(189,828,439)	-	(189,828,439)
Share of profit of an associate	-	-	-	-	-	-	-	-	-	-	-	(34,840,388)	(34,840,388)
Profit before tax	**920,140,807**	-	-	-	**18,525,488**	**33,007,675**	**65,934,127**	**(14,047,262)**	**2,369,605**	**(35,851,427)**	**990,079,014**	**(34,840,388)**	**955,238,626**
Income tax expense	-	-	-	-	-	-	-	-	-	(273,668,793)	(273,668,793)	-	(273,668,793)
Profit for the year	**920,140,807**	-	-	-	**18,525,488**	**33,007,675**	**65,934,127**	**(14,047,262)**	**2,369,605**	**(309,520,220)**	**716,410,221**	**(34,840,388)**	**681,569,833**
Other comprehensive income / (expenses)													
Net gain /loss on available for sale assets	-	-	-	-	-	-	(119,810,821)	-	-	-	(119,810,821)	-	(119,810,821)
Income tax effect	-	-	-	-	-	-	29,952,705	-	-	-	29,952,705	-	29,952,705
Re-measurement gains (losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	(30,802,604)	(30,802,604)	-	(30,802,604)
Income tax effect	-	-	-	-	-	-	-	-	-	(7,700,651)	(7,700,651)	-	(7,700,651)
Total other comprehensive income	-	-	-	-	-	-	(89,858,115)	-		(38,503,255)	(128,361,370)	-	(128,361,370)
Income tax(charge) / credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	(89,858,115)	-	-	(38,503,255)	(128,361,370)	-	(128,361,370)
Total comprehensive income for the year net of tax	**920,140,807**	-	-	-	**18,525,488**	**33,007,675**	**(23,923,988)**	**(14,047,262)**	**2,369,605**	**(348,023,475)**	**588,048,851**	**(34,840,388)**	**553,208,463**

Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

(3) Operating segment Information
Operating segment statement of financial position as at 31 December 2025

	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	66,855,282	92,861,123	27,961,265	9,627,175	3,836,132	17,177,992	994,324,395	14,144,833	10,521,780	(80,429)	1,236,843,548	-	1,236,843,548
Investment in equity, bonds & others	-	-	-	-	-	-	6,685,863,694	-	-	-	6,685,863,694		6,685,863,694
Loans and receivables	-	14,494,775	-	-	-	-	17,237,150,180	-	-	-	17,251,644,954		17,251,644,954
Investment in associate							24,311,650	-	-	-	24,311,650	48,885,526	73,197,176
Insurance Receivables	225,208,570	42,612,617	488,602	-	72,117,402	-	-	-	-	-	340,427,192	-	340,427,192
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	1,535,709	32,810	-	-	-	1,048,944	425,822,258	38,355,659	2,925,154	-	469,720,534	-	469,720,534
Investment properties	-	-	-	-	-	-	-	-	-	2,104,085,797	2,104,085,797	-	2,104,085,797
Property and equipment	-	-	-	-	-	-	-	-	-	806,081,494	806,081,494	4,170	806,085,664
Capital work-in-progress	-	-	-	-	-	-	-	7,605,074	-	-	7,605,074	-	7,605,074
Intangible assets	-	-	-	-	-	-	-	-	-	42,978,158	42,978,158	-	42,978,158
Total Assets	**293,599,561**	**149,621,325**	**28,449,868**	**9,627,175**	**75,953,534**	**18,226,936**	**25,367,472,177**	**60,105,566**	**13,446,935**	**2,953,059,021**	**28,969,562,097**	**48,889,696**	**29,018,451,793**
Liabilities													
Investment contract liabilities	-	-	2,803,467,255	1,897,221,372	-	-	-	-	-	-	4,700,688,627	-	4,700,688,627
Contribution received by private provident fund						3,474,474,322	-	-	-	-	3,474,474,322	-	3,474,474,322
Insurance contract liabilities	323,020,012	10,833,189,808	445,568,141	845,490,324	53,307,659	-	-	-	-	-	12,700,575,243	-	12,700,575,243
Reinsurance contract liabilities	-	-	-	-	4,927,067	-	-	-	-	-	4,927,067	-	4,927,067
Insurance Payable	535,494,878	347,531,140	1,400,000	-	255,298,301	-	-	-	-	-	1,139,726,319	-	1,139,726,319
Debt issued and other borrowed funds	-	-	-	-	-	-	23,647,178,911	-	-	(22,978,468,645)	668,710,266	-	668,710,266
Employee benefit obligation	-	-	-	-	-	-	-	-	-	180,452,084	180,452,084	-	180,452,084
Deferred tax Liability	-	-	-	-	-	-	-	-	-	133,136,074	133,136,074	-	133,136,074
Tax payable	-	-	-	-	-	-	-	-	-	98,345,028	98,345,028	-	98,345,028
Provisions							65,581,087			-	65,581,087	-	65,581,087
Trade and other payables	69,266,408	1,026,978,221	281,913	1,335,194	349,728	424,273	2,265,565,852	39,859,576	376,780	(2,008,701,475)	1,395,736,461	-	1,395,736,461
Total Liabilities	**1,127,781,299**	**12,207,700,470**	**3,250,717,310**	**2,744,046,890**	**313,882,744**	**3,474,898,595**	**25,978,325,851**	**39,859,576**	**376,780**	**(24,575,236,934)**	**24,562,352,580**	**-**	**24,562,352,580**
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	1,600,052,860	-	-	1,600,052,860	-	1,600,052,860
Available For Sale reserve			-	-	-	-	213,009,679	-		-	213,009,679		213,009,679
Revaluation Reserve	-	-	-	-	-	-	-	-	-	1,248,508,638	1,248,508,638	-	1,248,508,638
Retained earnings	-	-	-	-	-	-	-	-		1,117,704,611	1,117,704,611	48,889,696	1,166,594,307
Other reserves	-	-	-	-	-	-	-	-		222,933,729	222,933,729		222,933,729
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**213,009,679**	**1,600,052,860**	**-**	**2,594,146,980**	**4,407,209,518**	**48,889,696**	**4,456,099,214**
Shareholders' Equity & Liabilities	**1,127,781,299**	**12,207,700,470**	**3,250,717,310**	**2,744,046,890**	**313,882,744**	**3,474,898,595**	**26,191,335,530**	**1,639,912,436**	**376,780**	**(21,981,089,955)**	**28,969,562,097**	**48,889,696**	**29,018,451,793**

(s) Operating segment Information

Operating segment statement of financial position as at 31 December 2024

	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	41,618,327	(40,672,299)	28,145,542	4,409,739	5,421,075	18,671,102	360,445,773	19,949,087	16,354,727	(88,558)	454,274,478		454,274,478
Investment in equity, bonds & others		-	-	-	-		6,373,415,092		-		6,373,415,092	-	6,373,415,092
Loans and receivables	-	11,552,756	-	-	-		15,828,141,824		-		15,839,694,580	-	15,839,694,580
Investment in associate							24,311,650		-	-	24,311,650	48,097,253	72,408,903
Insurance Receivables	243,789,228	52,948,350	527,070	-	99,549,410		-		-	-	396,814,058		396,814,058
Deferred tax asset		-	-	-	-		-		-			-	
Other Assets	1,619,161	-	-	-	-	-	419,700,363	299,316,711	20,000	-	720,656,237	-	720,656,237
Investment properties		-		-	-		-		-	1,888,023,026	1,888,023,026		1,888,023,026
Property and equipment	-	-		-	-				-	768,275,399	768,275,399	4,170	768,279,569
Capital work-in-progress	-	-	-	-	-		-	90,431,094	-	-	90,431,094	-	90,431,094
Intangible assets	-	-	-	-	-					34,175,435	34,175,435		34,175,435
Total Assets	**257,046,717**	**23,828,806**	**28,672,612**	**4,409,739**	**104,970,485**	**18,671,102**	**23,006,014,706**	**409,696,852**	**16,374,727**	**2,690,385,294**	**26,590,071,040**	**48,101,423**	**26,638,172,464**
Liabilities													
Investment contract liabilities	-	-	2,677,210,384	1,872,438,761	-	-	-			-	4,549,649,144	-	4,549,649,144
Contribution received by private provident fund						3,130,296,489	-		-	-	3,130,296,489	-	3,130,296,489
Insurance contract liabilities	434,322,623	9,642,447,314	353,349,986	721,095,302	61,395,893	-	-	-		-	11,212,811,027	-	11,212,811,027
Reinsurance contract liabilities		-	-	-	2,651,561		-		-	-	2,651,561	-	2,651,561
Insurance Payable	381,710,908	279,036,810	900,000	-	284,194,470	-	-	-	-	-	945,842,188	-	945,842,188
Debt issued and other borrowed funds	-	-	-	-	-		20,793,583,577	-	-	(20,672,314,624)	121,268,953	-	121,268,953
Employee benefit obligation	-	-	-	-	-	-	-	-	-	131,545,621	131,545,621	-	131,545,621
Deferred tax Liability	-	-	-	-	-	-	-	-	-	109,442,079	109,442,079	-	109,442,079
Tax payable	-	-	-	-	-		-		-	247,519,754	247,519,754	-	247,519,754
Provisions					-		65,741,087			-	65,741,087	-	65,741,087
Trade and other payables	39,691,857	923,737,274	1,372,986	148,676	287,102	1,164,365	2,116,343,906	47,176,905	4,488,191	(1,836,743,357)	1,297,467,903	-	1,297,467,903
Total Liabilities	**855,725,388**	**10,845,221,398**	**3,032,833,355**	**2,593,682,739**	**348,528,935**	**3,131,460,855**	**22,975,668,570**	**47,176,905**	**4,488,191**	**(22,020,550,529)**	**21,814,235,807**	**-**	**21,814,235,807**
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-		-	1,600,052,860	-	-	1,600,052,860	-	1,600,052,860
Available For Sale reserve			-	-	-		230,695,316	-		-	230,695,316	-	230,695,316
Revaluation Reserve		-	-	-	-	-	-		-	1,248,508,638	1,248,508,638		1,248,508,638
Retained earnings		-	-	-	-		-	-		1,468,644,690	1,468,644,690	48,101,423	1,516,746,113
Other reserves	-	-		-	-	-	-	-		227,933,729	227,933,729	-	227,933,729
Total equity	-	-	-	-	-	-	-	-		**227,933,729**	**4,775,835,234**	**48,101,423**	**4,823,936,657**
Shareholders' Equity & Liabilities	**855,725,388**	**10,845,221,398**	**3,032,833,355**	**2,593,682,739**	**348,528,935**	**3,131,460,855**	**22,975,668,570**	**47,176,905**	**4,488,191**	**(21,792,616,800)**	**26,590,071,040**	**48,101,423**	**26,638,172,464**

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Note		Consolidated Nu 31st December, 2025	Consolidated Nu 31st December, 2024	Company Nu 31st December, 2025	Company Nu 31st December, 2024
4	**GROSS WRITTEN PREMIUM**				
	Non life insurance	1,886,646,738	1,529,379,894	1,886,646,738	1,529,379,894
	Life insurance	1,741,912,835	2,035,290,619	1,741,912,835	2,035,290,619
	Group life insurance	89,872,770	85,697,850	89,872,770	85,697,850
	Annuity insurance	335,357	335,137	335,357	335,137
	Reinsurance	63,710,999	79,500,731	63,710,999	79,500,731
	Total gross written premium	**3,782,478,699**	**3,730,204,231**	**3,782,478,699**	**3,730,204,231**
4.1	**Premiums ceded to reinsurance**				
	Non-life Insurance	(1,120,089,312)	(877,426,259)	(1,120,089,312)	(877,426,259)
	Life insurance	(773,493)	(737,879)	(773,493)	(737,879)
	Group life insurance	(590,928)	(510,808)	(590,928)	(510,808)
	Re insurance	(16,265,307)	(11,527,142)	(16,265,307)	(11,527,142)
	Total premium ceded to reinsurance	(1,137,719,040)	(890,202,088)	(1,137,719,040)	(890,202,088)
	Total net premium	**2,644,759,659**	**2,840,002,143**	**2,644,759,659**	**2,840,002,143**
5	**FINANCE INCOME**				
	Income from investment securities	408,754,112	480,546,509	408,754,112	480,546,509
		408,754,112	**480,546,509**	**408,754,112**	**480,546,509**
6	**FEES AND COMMISSION INCOME**				
	Reinsurance commission (General)	153,951,181	119,910,438	153,951,181	119,910,438
	Reinsurance commission	-	10,000	-	10,000
	Guarantee fee	11,409,911	10,622,285	11,409,911	10,622,285
	Credit related fees and commissions	3,885,300	2,544,800	3,885,300	2,544,800
	Broking Fees and Commisison	3,831,132	5,876,282	3,831,132	5,876,282
	Other	-	-	-	-
	Total fees and commission income	**173,077,524**	**138,963,805**	**173,077,524**	**138,963,805**
7	**FEES AND COMMISSION EXPENSE**				
	Commission expense on Re insurance accepted	(12,917,740)	(14,236,083)	(12,917,740)	(14,236,083)
	Agent commission	(116,919,183)	(95,111,047)	(116,919,183)	(95,111,047)
	Total fees and commission expense	**(129,836,922)**	**(109,347,130)**	**(129,836,922)**	**(109,347,130)**

Note		Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
8	**INTEREST INCOME ON FINANCIAL SERVICES**				
	Loans & receivables from customers	1,548,103,301	1,466,102,956	1,548,103,301	1,466,102,956
	Total interest income	**1,548,103,301**	**1,466,102,956**	**1,548,103,301**	**1,466,102,956**
9	**INTEREST EXPENSE ON FINANCIAL SERVICES**				
	Interest on group life insurance	(129,776,936)	(123,527,313)	(129,776,936)	(123,527,313)
	Interest on annuity contribution	(127,948,122)	(123,562,882)	(127,948,122)	(123,562,882)
	Interest on bank borrowings	(21,633,176)	(8,376,226)	(21,633,176)	(8,376,226)
	Debt issued and borrowed funds	-	(4,027,397)	-	(4,027,397)
	Interest on Ten-Tsai Mangul Ngenchoel policies (Life Insurance)	(51,413,051)	(47,339,307)	(51,413,051)	(47,339,307)
	Total interest expense	**(330,771,284)**	**(306,833,126)**	**(330,771,284)**	**(306,833,126)**
10	**OTHER OPERATING INCOME**				
	Rental income	17,491,973	14,530,023	17,491,973	14,530,023
	Securities business	119,971	160	119,971	160
	Other	140,582,122	67,185,498	140,582,122	67,185,498
	Total other operating income	**158,194,066**	**81,715,681**	**158,194,066**	**81,715,681**

*other income includes provision write back of Nu 18,477,120 under credit department

Note		Consolidated 2025	Consolidated 2024	Company 2025	Company 2024
11	**NET BENEFITS AND CLAIMS**				
11(a)	**Gross benefits and claims paid**				
	Non Life Insurance	(876,513,675)	(29,017,392)	(876,513,675)	(29,017,392)
	Life Insurance	(1,136,323,008)	(1,118,729,611)	(1,136,323,008)	(1,118,729,611)
	Group Life Insurance	(55,800,000)	(47,400,000)	(55,800,000)	(47,400,000)
	Re insurance	(47,265,485)	(13,166,809)	(47,265,485)	(13,166,809)
	Total gross benefit and claims paid	**(2,115,902,169)**	**(1,208,313,812)**	**(2,115,902,169)**	**(1,208,313,812)**
11(b)	**Claims ceded to reinsurers**				
	Non Life Insurance	632,807,648	(53,158,624)	632,807,648	(53,158,624)
	Re insurance	16,692,234	(396,827)	16,692,234	(396,827)
	Total claims to reinsurers	**649,499,882**	**(53,555,451)**	**649,499,882**	**(53,555,451)**
11(c)	**Change in contract liabilities**				
	Life Insurance	(1,190,741,792)	(1,401,081,340)	(1,190,741,792)	(1,401,081,340)
	Group Life Insurance	(92,018,155)	(88,891,651)	(92,018,155)	(88,891,651)
	Annuity Insurance	(124,395,022)	(135,906,633)	(124,395,022)	(135,906,633)
	Re insurance	-	-	-	-
	Total change in contract liabilities ceded to reinsurers	**(1,407,154,970)**	**(1,625,879,624)**	**(1,407,154,970)**	**(1,625,879,624)**
	Net benefit and claims paid	**(2,873,557,257)**	**(2,887,748,887)**	**(2,873,557,257)**	**(2,887,748,887)**

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		Note	Consolidated		Company	
			Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
12	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**					
	Amortization of intangible assets		(7,752,333)	(4,438,787)	(7,752,333)	(4,438,787)
	Depreciation on property and equipment		(21,046,303)	(18,928,600)	(21,046,303)	(18,928,600)
	Professional & legal expenses		(214,250)	(261,690)	(214,250)	(261,690)
	Bank Charges		(1,093,353)	(1,013,803)	(1,093,353)	(1,013,803)
	Management expenses		(152,626,048)	(93,684,400)	(152,626,048)	(93,684,400)
	Employee benefits expense	12.1	(369,414,624)	(326,841,772)	(369,414,624)	(326,841,772)
	Bad Debts		(30,169)	(1,473,266)	(30,169)	(1,473,266)
	Securities business		(751,279)	(1,293,680)	(751,279)	(1,293,680)
	Loss on sale of Assets		(74,354)	-	(74,354)	-
	Other		(149,752,907)	(78,024,706)	(149,752,907)	(78,024,706)
	Total other operating and administrative expenses		**(702,755,620)**	**(525,960,704)**	**(702,755,620)**	**(525,960,704)**
12.1	**Employee benefits expense**					
	Salaries and bonus		(309,445,040)	(274,264,254)	(309,445,040)	(274,264,254)
	Staff welfare and expenses		(3,061,169)	(4,651,694)	(3,061,169)	(4,651,694)
	Leave travel concession		(10,050,658)	(4,715,302)	(10,050,658)	(4,715,302)
	Defined benefit costs		(11,550,313)	(12,484,040)	(11,550,313)	(12,484,040)
	Leave encashment		(13,941,352)	(11,844,108)	(13,941,352)	(11,844,108)
	Contribution to private provident fund		(21,366,093)	(18,882,375)	(21,366,093)	(18,882,375)
	Total employee benefit expense		(369,414,624)	(326,841,772)	(369,414,624)	(326,841,772)
13	**IMPAIREMENT GAIN /(LOSS)**					
	Impairment gain/(loss) on reinsurance receivables		(818,952)	(9,812)	(818,952)	(9,812)
	Impairment loss on loans and receivables		(542,908,868)	(189,865,618)	(542,908,868)	(189,865,618)
	Impairment loss on cash and cash equivalent		2,129	46,991	2,129	46,991
	Total impairment gain /loss on loans and advances		**(543,725,691)**	**(189,828,439)**	**(543,725,691)**	**(189,828,439)**
14	**INCOME TAX EXPENSES**					
(a)	Current tax charge					
	Current income tax		(98,345,028)	(247,519,754)	(98,345,028)	(247,519,754)
	Deferred tax					
	Relating to origination and reversal of temporary differences		(20,250,170)	12,576,962	(20,250,170)	12,576,962
	Total income tax expense		**(118,595,198)**	**(234,942,791)**	**(118,595,198)**	**(234,942,791)**
(b)	**Tax recorded in other comprehensive income (see note 30)**					
	Current tax		-	-	-	-
	Deferred tax		(3,443,825)	22,252,054	(3,443,825)	22,252,054
	Total tax charge to the other comprehensive income		**(3,443,825)**	**22,252,054**	**(3,443,825)**	**22,252,054**

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.

	Consolidated 2025	Consolidated 2024	Company 2025	Company 2024
Profits attributable to the equity holders of the parent	275,573,188	1,212,841,105	274,784,915	871,314,229
Nominal Value of Equity Shares	10	10	10	10
Number of Shares	160,005,286	160,005,286	160,005,286	160,005,286
	1.72	**7.58**	**1.72**	**5.45**

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

		Note	Consolidated		Company	
			Nu	Nu	Nu	Nu
			31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
16	**CASH AND CASH EQUIVALENTS**					
	Local currency in hand		-	-	-	-
	Balances with local banks		1,233,983,526	454,079,254	1,233,983,526	454,079,254
	Balances with foreign banks		2,946,451	283,782	2,946,451	283,782
	Allowance for expected credit loss		(86,429)	(88,558)	(86,429)	(88,558)
			1,236,843,548	454,274,478	1,236,843,548	454,274,478
17	**Investments**					
	Quoted investments (Equity instrument measured at fair value through OCI)					
	Equity investment		588,867,772	612,448,622	588,867,772	612,448,622
	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		751,368,736	751,389,283	751,368,736	751,389,283
	Investment in Fixed Deposits		5,251,566,164	4,915,516,164	5,251,566,164	4,915,516,164
	Total investments		6,685,863,694	6,373,415,092	6,685,863,694	6,373,415,092

		31st December, 2025			31st December, 2024		
17.1	**Quoted equity securities (Equity instrument measured at fair value through OCI)**	**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	82,794,400	800,000	8,100,000	99,000,800
	Penden Cement Authority Ltd	322,344	4,982,585	8,775,171	201,465	4,982,585	11,265,923
	Bhutan National Bank Ltd	16,200,000	203,018,000	324,259,200	16,200,000	203,018,000	338,434,200
	State Trading Corporation of Bhutan Ltd	882,000	980,000	24,886,512	882,000	980,000	34,947,486
	Bhutan Board Products Ltd	118,300	1,229,250	6,805,089	118,300	1,229,250	5,894,298
	GIC Bhutan Re Ltd	5,500,000	55,000,000	112,843,500	5,500,000	55,000,000	98,400,500
	Royal Securities Exchange of Bhutan Limited	162,000	19,811,000	28,503,900	162,000	19,811,000	24,505,416
	Total	23,984,644	293,120,835	588,867,772	23,863,765	293,120,835	612,448,622

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 2025. The valuation was carried out based on 30% of the market value as on 31/12/2025 and book value of the shares as on 31/12/2024.

		31st December, 2025			31st December, 2024		
17.2	**Un-quoted equity securities (at cost or stated otherwise)**	**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	-
	Nettkol 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	-

		31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
17.3	**Partnership firm & other institution (at cost or stated otherwise)**				
	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: Provision for diminishing in value of shares	(6,950,000)	(6,950,000)	(6,950,000)	(6,950,000)
	Credit Information Bureau of Bhutan	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

		31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
17.4	**Investment in Bond (at cost or stated otherwise)**				
	T Bank Bonds (7 Years @ 9.00%)	74,900,000	74,900,000	74,900,000	74,900,000
	Government Bonds - RGoB 010 (3 Years @ 6.50%)	98,800,000	98,800,000	98,800,000	98,800,000
	BoBL Bond (10 Years @7.50%)	100,000,000	100,000,000	100,000,000	100,000,000
	Government Bonds - RGoB 009 (5 Years @ 8.00%)	-	-	-	-
	Tashi Airline Pvt Ltd Bond (10 Years @ 6.75%)	150,000,000	150,000,000	150,000,000	150,000,000
	Tashi Airline Pvt Ltd Bond (10 Years @ 7.50%)	200,000,000	200,000,000	200,000,000	200,000,000
	Druk Wang Alloys Ltd (10 Years @ 8.00%)	100,000,000	100,000,000	100,000,000	100,000,000
	Interest Receivable on Bonds	27,668,736	27,689,283	27,668,736	27,689,283
		751,368,736	751,389,283	751,368,736	751,389,283

		31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
17.5	**Investment in Fixed Deposits**				
	Bhutan National Bank	200,000,000	200,000,000	200,000,000	200,000,000
	T Bank	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
	Bank of Bhutan	850,000,000	850,000,000	850,000,000	850,000,000
	Druk PNB Bank	2,080,000,000	2,080,000,000	2,080,000,000	2,080,000,000
	Interest Receivable on Fixed Deposit	921,566,164	585,516,164	921,566,164	585,516,164
		5,251,566,164	4,915,516,164	5,251,566,164	4,915,516,164

Thimphu

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Note		Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
18	**LOANS AND RECEIVABLES**				
	Loans and receivable from customers	18,774,191,221	16,974,501,720	18,774,191,221	16,974,501,720
	Less: Fair value of employee loans	(99,609,344)	(56,674,372)	(99,609,344)	(56,674,372)
	Less: Fair value of FEIF loans	(380,168,085)	(297,993,259)	(380,168,085)	(297,993,259)
	Less: Interest suspense	(67,540,037)	(38,591,401)	(67,540,037)	(38,591,401)
	Less: Provision for impairment losses	(975,228,801)	(741,548,109)	(975,228,801)	(741,548,109)
		17,251,644,954	15,839,694,580	17,251,644,954	15,839,694,580

Impairment Allowance for loans & advances to customers

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

	Overdraft*	Housing	Transport	Service,T&C,P&M	Personal	Others	Staff	Guarantees	Total
At 1st January 2024	231,996,040	16,964,117	7,046,803	362,816,957	7,345,304	77,571,712	-	25,702	**703,766,634**
Charges/(Reversal) for the year	(162,766,586)	213,125,082	85,985,508	(62,052,220)	36,727,095	(77,047,733)	3,804,389	5,940	**37,781,475**
Recoveries									-
Additions	-	-	-	-	-	-	-	-	-
At 31st December 2024	**69,229,454**	**230,089,200**	**93,032,310**	**300,764,737**	**44,072,399**	**523,978**	**3,804,389**	**31,642**	**741,548,109**
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment	69,229,454	230,089,200	93,032,310	300,764,737	44,072,399	523,978	3,804,389	31,642	**741,548,109**
At 1st January 2025	69,229,454	230,089,200	93,032,310	300,764,737	44,072,399	523,978	3,804,389	31,642	**741,548,109**
Charges/(Reversal) for the year	7,307,261	(164,729,125)	63,509,235	353,738,043	(31,537,303)	1,465,070	3,926,760	751	**233,680,692**
Recoveries	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31st December 2025	**76,536,715**	**65,360,075**	**156,541,545**	**654,502,780**	**12,535,096**	**1,989,048**	**7,731,149**	**32,393**	**975,228,802**
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment	76,536,715	65,360,075	156,541,545	654,502,780	12,535,096	1,989,048	7,731,149	32,393	975,228,802

* **Card Loan has been merged under Overdarft portfolio during the year**

		Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
19	**INVESTMENT IN ASSOCIATES** (1,813,700 No. of Shares having Face Value of Nu. 10/- of Bhutan Carbide & Chemicals Ltd.)				
	Opening balance	72,408,903	107,249,291	24,311,650	24,311,650
	For the year profit/(loss)	788,273	(34,840,388)	-	-
	Less:	-	-	-	-
	Dividend received	-	-	-	-
		73,197,176	72,408,903	24,311,650	24,311,650

		Note	Consolidated		Company	
			Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
20	**INSURANCE RECEIVABLES**					
	Due from policyholders		43,101,220	53,475,420	43,101,220	53,475,420
	Due from reinsurers		298,612,362	343,806,076	298,612,362	343,806,076
	Impairment of insurance receivables		(1,286,390)	(467,438)	(1,286,390)	(467,438)
	Total insurance receivables		**340,427,192**	**396,814,058**	**340,427,192**	**396,814,058**
21	**OTHER ASSETS**					
	Advances, Deposits & Prepayments		135,572,814	338,860,447	135,572,814	338,860,447
	Interest, Rent and Other Receivables		71,496,255	87,339,560	71,496,255	87,339,560
	Other		262,651,465	294,456,230	262,651,465	294,456,230
			469,720,534	**720,656,237**	**469,720,534**	**720,656,237**
22	**INVESTMENT PROPERTY (Stated at Cost)**					
	Cost					
	At 1 January		1,888,023,026	1,835,541,868	1,888,023,026	1,835,541,868
	Additions		216,062,771	52,481,158	216,062,771	52,481,158
	Disposals/Adjustment		-	-	-	-
	Revaluation		-	-	-	-
	Reclassification		-	-	-	-
			2,104,085,797	1,888,023,026	2,104,085,797	1,888,023,026
	Accumulated depreciation					
	At 1 January		-	-	-	-
	For the year		-	-	-	-
	Adjustments		-	-	-	-
	Reclassification		-	-	-	-
			-	-	-	-
	At 31 December		**2,104,085,797**	**1,888,023,026**	**2,104,085,797**	**1,888,023,026**

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.

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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 2024	536,470,495	270,730,963	32,406,014	62,686,118	11,065,892	64,268,334	977,627,817
Additions	-	1,338,932	6,436,868	6,655,434	-	5,938,439	20,369,673
Disposals	(606,959)	-	(12,828)	-	-	(76,000)	(695,787)
Revaluation	-	-					-
At 31 December 2024	535,863,536	272,069,896	38,830,054	69,341,552	11,065,892	70,130,773	997,301,704
At 1 January 2025	535,863,536	272,069,896	38,830,054	69,341,552	11,065,892	70,130,773	997,301,704
Additions	34,065	2,699,880	16,331,746	25,570,000	-	14,298,827	58,934,519
Disposals/Adjustments	-	-	(57,073)	(75,350)	-	(198,400)	(330,823)
Reclassification	-	-	-	-	-	-	-
At 31 December 2025	**535,897,601**	**274,769,775**	**55,104,728**	**94,836,202**	**11,065,892**	**84,231,200**	**1,055,905,399**
Depreciation and impairment:							
At 31st January 2024	-	81,312,990	24,382,456	43,662,690	10,165,832	50,658,396	210,182,364
Disposals/Adjustments	-	-	(12,825)	-	-	(75,999)	(88,824)
Depreciation charge for the year	-	6,036,438	2,579,609	5,056,408	379,982	4,876,164	18,928,600
Reclassification	-	-	-	-	-	-	-
At 31 December 2024	-	87,349,428	26,949,240	48,719,097	10,545,814	55,458,561	229,022,141
At 1 January 2025	-	87,349,428	26,949,240	48,719,097	10,545,814	55,458,561	229,022,141
Disposals/adjustments	-	-	(43,382)	(75,347)	-	(129,982)	(248,711)
Depreciation charge for the year	-	5,495,396	3,267,857	5,693,982	379,982	6,209,087	21,046,303
Reclassification	-	-	-	-	-	-	-
At 31 December 2025	-	**92,844,824**	**30,173,715**	**54,337,732**	**10,925,795**	**61,537,667**	**249,819,732**
Net book value:							
At 31 December 2024	535,863,536	184,720,468	11,880,814	20,622,454	520,079	14,672,212	**768,279,563**
At 31 December 2025	535,897,601	181,924,952	24,931,013	40,498,470	140,097	22,693,533	**806,085,667**

Company

In Nu.

Cost/ Revalued Amount:	Land	Buildings	Furniture and Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 31st January 2024	536,470,495	270,730,963	32,406,014	62,681,948	11,065,892	64,237,627	977,592,940
Additions	-	1,338,932	6,436,868	6,655,434	-	5,938,439	20,369,673
Disposals/Adjustment	(606,959)	-	(12,828)	-	-	(76,000)	(695,787)
Reclassification	-	-	-	-	-	-	-
At 31 December 2024	535,863,536	272,069,896	38,830,054	69,337,382	11,065,892	70,100,066	997,266,826
At 1 January 2025	535,863,536	272,069,896	38,830,054	69,337,382	11,065,892	70,100,066	997,266,826
Additions	34,065	2,699,880	16,331,746	25,570,000	-	14,298,827	58,934,519
Disposals/Adjustment	-	-	(57,073)	(75,350)	-	(198,400)	(330,823)
Reclassification	-	-	-	-	-	-	-
At 31 December 2025	**535,897,601**	**274,769,775**	**55,104,728**	**94,832,032**	**11,065,892**	**84,200,493**	**1,055,870,522**
Depreciation and impairment:							
At 31st January 2024	-	81,312,990	24,382,456	43,662,690	10,165,832	50,627,691	210,151,660
Disposals/Adjustments	-	-	(12,825)	-	-	(75,999)	(88,824)
Depreciation charge for the year	-	6,036,438	2,579,609	5,056,408	379,982	4,876,164	18,928,600
Reclassification	-	-	-	-	-	-	-
At 31 December 2024	-	87,349,428	26,949,240	48,719,097	10,545,814	55,427,857	228,991,436
At 1 January 2025	-	87,349,428	26,949,240	48,719,097	10,545,814	55,427,857	228,991,436
Disposals/Adjustments	-	-	(43,382)	(75,347)	-	(129,982)	(248,711)
Depreciation charge for the year	-	5,495,396	3,267,857	5,693,982	379,982	6,209,087	21,046,303
Reclassification	-	-	-	-	-	-	-
At 31 December 2025	-	**92,844,824**	**30,173,715**	**54,337,732**	**10,925,795**	**61,506,962**	**249,789,028**
Net book value:							
At 31 December 2024	535,863,536	184,720,468	11,880,814	20,618,284	520,079	14,672,209	**768,275,390**
At 31 December 2025	535,897,601	181,924,952	24,931,013	40,494,300	140,097	22,693,531	**806,081,494**

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.

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24	OTHER INTANGIBLE ASSETS	Consolidated	Company
	Cost:	Nu	Nu
	At 1 January 2024	70,478,995	70,478,995
	Additions	16,917,880	16,917,880
	Disposals	-	-
	At 31 December 2024	87,396,875	87,396,875
	At 1 January 2025	87,396,875	87,396,875
	Additions	16,555,056	16,555,056
	Disposals/adjustments	-	-
	At 31 December 2025	**103,951,931**	**103,951,931**
	Amortization and impairment:		
	At 1 January 2024	48,782,653	48,782,653
	Disposals	-	-
	Amortization	4,438,787	4,438,787
	At 31 December 2024	53,221,440	53,221,440
	At 1 January 2025	53,221,440	53,221,440
	Disposals/Adjustments	-	-
	Amortization	7,752,333	7,752,333
	At 31 December 2025	**60,973,772**	**60,973,772**
	Net book value:		
	At 31 December 2024	34,175,435	34,175,435
	At 31 December 2025	42,978,158	42,978,158

		Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
25	**INVESTMENT CONTRACT LIABILITIES**				
	Group life insurance	2,803,467,255	2,677,210,384	2,803,467,255	2,677,210,384
	Annuity insurance	1,897,221,372	1,872,438,761	1,897,221,372	1,872,438,761
		4,700,688,627	4,549,649,144	4,700,688,627	4,549,649,144

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.

		Note	Consolidated			Company		
			Nu 31st December, 2025			Nu 31st December, 2025		
26 (a)	**INSURANCE CONTRACT LIABILITIES**		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
	Non life insurance	26 (a) 1	413,594,373	109,425,639	523,020,012	413,594,373	109,425,639	523,020,012
	Re insurance	26 (a) 2	53,307,659	-	53,307,659	53,307,659	-	53,307,659
	Life insurance		10,833,189,108	-	10,833,189,108	10,833,189,108	-	10,833,189,108
	Group life insurance		445,568,141	-	445,568,141	445,568,141	-	445,568,141
	Annuity insurance		845,490,324	-	845,490,324	845,490,324	-	845,490,324
			12,591,149,604	**109,425,639**	**12,700,575,243**	**12,591,149,604**	**109,425,639**	**12,700,575,243**

26 (a) 1	**Insurance contract liabilities - Non Life Insurance**	Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
	Provision for reinsurance commission deferred	-	109,425,639	109,425,639	-	109,425,639	109,425,639
	Reinsurance share of claims	-	-	-	-	-	-
	IBNR	53,826,515	-	53,826,515	53,826,515	-	53,826,515
	Provision for unearned premiums	383,187,717	-	383,187,717	383,187,717	-	383,187,717
	Deferred acquisition cost	(23,419,859)	-	(23,419,859)	(23,419,859)	-	(23,419,859)
		413,594,373	**109,425,639**	**523,020,012**	**413,594,373**	**109,425,639**	**523,020,012**

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 2025 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 2025. No additional provision was required against the LAT as at 31st December 2025.

26 (a) 2	**Insurance contract liabilities - Re Insurance**						
	Provision for reinsurance commission deferred	-	-	-	-	-	-
	IBNR	33,898,511	-	33,898,511	33,898,511	-	33,898,511
	Provision for unearned premiums	24,255,550	-	24,255,550	24,255,550	-	24,255,550
	Deferred commission	(4,846,402)	-	(4,846,402)	(4,846,402)	-	(4,846,402)
		53,307,659	-	**53,307,659**	**53,307,659**	-	**53,307,659**

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 2025 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 2025. No additional provision was required against the LAT as at 31st December 2025.

26 (a) 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 2025 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 2025 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 2025. No additional provision was required against the LAT as at 31st December 2025.

26 (a) 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 2025 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 2025. No additional provision was required against the LAT as at 31st December 2025.

26 (a) 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 2025 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 2025. No additional provision was required against the LAT as at 31st December 2025.

	Note	Consolidated			Company		
		Nu 31st December, 2024			Nu 31st December, 2024		
26 (b) INSURANCE CONTRACT LIABILITIES		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Non life insurance	26 (b) 1	331,388,282	102,934,341	434,322,623	331,388,282	102,934,341	434,322,623
Re insurance	26 (b) 2	61,395,803	-	61,395,803	61,395,803	-	61,395,803
Life Insurance		9,642,447,314	-	9,642,447,314	9,642,447,314	-	9,642,447,314
Group life insurance		353,549,986	-	353,549,986	353,549,986	-	353,549,986
Annuity insurance		721,095,302	-	721,095,302	721,095,302	-	721,095,302
		11,109,876,686	**102,934,341**	**11,212,811,027**	**11,109,876,686**	**102,934,341**	**11,212,811,027**

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 2023 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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

26 (b) 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	-	102,934,341	102,934,341	-	102,934,341	102,934,341
Reinsurance share of claims	-	-	-	-	-	-
IBNR	49,583,750	-	49,583,750	49,583,750	-	49,583,750
Provision for unearned premiums	298,423,742	-	298,423,742	298,423,742	-	298,423,742
Deferred acquisition cost	(16,619,210)	-	(16,619,210)	(16,619,210)	-	(16,619,210)
	331,388,282	**102,934,341**	**434,322,623**	**331,388,282**	**102,934,341**	**434,322,623**

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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

26 (b) 2 Insurance contract liabilities - Re Insurance

Provision for reported claims by policyholders	-	-	-	-	-	-
IBNR	33,898,511	-	33,898,511	33,898,511	-	33,898,511
Provision for unearned premiums	33,751,593	-	33,751,593	33,751,593	-	33,751,593
Deferred commission	(6,254,301)	-	(6,254,301)	(6,254,301)	-	(6,254,301)
	61,395,803	**-**	**61,395,803**	**61,395,803**	**-**	**61,395,803**

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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

26 (b) 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 2023 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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

26 (b) 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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

26 (b) 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 2024 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 2024. No additional provision was required against the LAT as at 31st December 2024.

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	Note	Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
27 INSURANCE PAYABLE					
Non life insurance		535,494,878	381,710,908	535,494,878	381,710,908
Life insurance		347,533,140	279,036,810	347,533,140	279,036,810
Group life insurance		1,400,000	900,000	1,400,000	900,000
Re insurance		255,298,301	284,194,470	255,298,301	284,194,470
		1,139,726,319	945,842,188	1,139,726,319	945,842,188

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

	Consolidated 2025	Consolidated 2024	Company 2025	Company 2024
28 DEBT ISSUED AND OTHER BORROWED FUNDS				
Borrowings (Banks)	668,710,266	121,268,953	668,710,266	121,268,953
Total debt issued and other borrowed funds	668,710,266	121,268,953	668,710,266	121,268,953

Terms and Conditions

Security guarantee	The loan shall be secured by the Fixed Deposits
Failure to pay principal & interest	Failure to pay two consecutive quarters, at any point of time, the lender shall have right to take appropriate action as deem fit as per law of the Kingdom
Jurisdiction	If any dispute arise between RICBL and lender during the period of the loan, the Thimphu Dzongkhag Court shall have sole jurisdiction.

Particulars	Outstanding Balance	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long Term Borrowings							
Overdraft Borrowing from BOBL @ 8.25% p.a.	206,082,789	-	-	-	206,082,789	-	206,082,789
Overdraft Borrowing from BDBL @ 8.25% p.a.	456,557,648	-	-	456,557,648	-	-	456,557,648
Overdraft Borrowing from T Bank @ 9.00% p.a.	6,069,829	-	-	6,069,829	-	-	6,069,829
	-	-	-	-	-	-	-
	668,710,266	-	-	462,627,477	206,082,789	-	668,710,266

	Note	Consolidated		Company	
		Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
29 EMPLOYEE BENEFITS OBLIGATION					
Net defined benefit assets/(liabilities)		47,635,490	43,671,921	47,635,490	43,671,921
Leave encashment liability		15,379,527	15,024,662	15,379,527	15,024,662
Travel benefits		7,542,297	6,626,189	7,542,297	6,626,189
		70,557,314	**65,322,772**	**70,557,314**	**65,322,772**

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

	Consolidated 2025	Consolidated 2024	Company 2025	Company 2024
The amounts recognised in the statement of profit and loss:				
Current service cost	9,799,124	10,723,185	9,799,124	10,723,185
Interest cost on behalf obligation (net)	480,216	1,791,515	480,216	1,791,515
Past Service Cost	-	354,617	-	354,617
Total amount recognized in PL	**10,279,340**	**12,869,317**	**10,279,340**	**12,869,317**
The amounts recognised in other comprehensive income:				
Acturial (gain)/losse recognized for the period				
- due to financial assumption	(730,910)	-	(730,910)	-
- due to change in demographic assumptions	-	(1,313,189)	-	(1,313,189)
- due to experience	6,231,642	1,740,948	6,231,642	1,740,948
Asset limit effect	-	-	-	-
Return on plan asset excluding net interest	1,052,814	(3,453,423)	1,052,814	(3,453,423)
Unrecognized acturial (gain)/losse from previos period	30,802,604	33,828,268	30,802,604	33,828,268
Total acturial (gain)/losse recognized in OCI	**37,356,150**	**30,802,604**	**37,356,150**	**30,802,604**
Movement in the net defined benefit obligation:				
Opening balance	106,616,264	103,111,361	106,616,264	103,111,361
Interest cost on benefit obligation	9,799,124	10,723,185	9,799,124	10,723,185
Current service cost	7,254,299	6,929,459	7,254,299	6,929,459
Past service cost	-	354,617	-	354,617
Payments made during the year	(7,816,079)	(14,930,117)	(7,816,079)	(14,930,117)
Net actuarial loss recognized in the year	5,500,732	427,759	5,500,732	427,759
Actuarial (gains)/losses due to change in demographic assumptions	-	-	-	-
Closing balance	**121,354,340**	**106,616,264**	**121,354,340**	**106,616,264**
Movement in the fair value of plan assets:				
Opening balance	96,772,612	73,399,195	96,772,612	73,399,195
Opening adjustments	-	-	-	-
Interest income	6,774,083	5,137,944	6,774,083	5,137,944
Return on plan assets excluding interest income	(1,052,814)	3,453,423	(1,052,814)	3,453,423
Contributions by employer	9,843,653	29,712,167	9,843,653	29,712,167
Benefits paid	(7,816,079)	(14,930,117)	(7,816,079)	(14,930,117)
Closing balance	**104,521,455**	**96,772,612**	**104,521,455**	**96,772,612**
The amounts recognised in the statement of financial position at the reporting date:				
Present value of the defined benefit obligation	(121,354,340)	(106,616,264)	(121,354,340)	(106,616,264)
Fair value of plan assets	104,521,455	96,772,612	104,521,455	96,772,612
Net defined benefit obligation	(16,832,885)	(9,843,652)	(16,832,885)	(9,843,652)
Total net defined benefit obligation	**(16,832,885)**	**(9,843,652)**	**(16,832,885)**	**(9,843,652)**
Funded Status	**(16,832,885)**	**(9,843,652)**	**(16,832,885)**	**(9,843,652)**

Sensitivity analysis	
Discount rate as at 31 December 2025	7.10%
Effect on DBO due to 1% increase in discount	114,496,671
Effect on DBO due to 1% decrease in discount	129,076,014
Salary escalation rate as at 31 December 2025	5.00%
Effect on DBO due to 1% increase in escalation	129,553,410
Effect on DBO due to 1% decrease in escalation	113,980,644
Expected pay out	
First year	10,443,850
Second year	15,297,752
Third year	19,140,064
Fourth year	15,782,464
Fifth year	19,292,089
Six to ten years	46,713,888

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%, (2024: 5%)
Discount rate - 7.10%, (2024: 7.00%)
Attrition Rate - 10%, (2024:10%)
Normal Retirement age - 60/65/70 years
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2024: IALM-2012-2014)

	Consolidated		Company	
	Nu 31st December, 2025	Nu 31st December, 2024	Nu 31st December, 2025	Nu 31st December, 2024
29.3 Leave encashment liability				
Change in defined benefit obligation (DBO)				
DBO at the beginning of the current period	15,024,662	12,648,865	15,024,662	12,648,865
Current service cost	2,265,279	4,783,966	2,265,279	4,783,966
Past service cost	-	3,403	-	3,403
Interest cost	1,042,057	974,733	1,042,057	974,733
Benefits paid by the plan	-	-	-	-
Benefits paid by the employer	(427,695)	(1,090,630)	(427,695)	(1,090,630)
Actuarial (gains)/losses due to plan experience	(2,524,776)	(2,295,675)	(2,524,776)	(2,295,675)
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	**15,379,527**	**15,024,662**	**15,379,527**	**15,024,662**
The amounts recognised in the statement of profit and loss:				
Current service cost	2,265,279	4,783,966	2,265,279	4,783,966
Past service cost	(2,524,776)	(2,292,272)	(2,524,776)	(2,292,272)
Net interest cost on net DB liability/(asset)	1,042,057	974,733	1,042,057	974,733
Total amount recognized in PL	**782,560**	**3,466,427**	**782,560**	**3,466,427**
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 previos period	-	-	-	-
Total acturial (gain)/losse recognized in OCI	-	-	-	-
Development of net financial position				
Defined benefit obligation	(15,379,528)	(15,024,662)	(15,379,528)	(15,024,662)
Fair value of plan assets	-	-	-	-
Funded status - (deficit)/surplus	(15,379,528)	(15,024,662)	(15,379,528)	(15,024,662)
Net defined benefit asset/(liability)	**(15,379,528)**	**(15,024,662)**	**(15,379,528)**	**(15,024,662)**
Reconciliation of net financial position				
Net defined benefit liability/(asset) at the beginning of current period	15,024,662	12,648,865	15,024,662	12,648,865
Amount recognized in the income statement	782,560	3,466,427	782,560	3,466,427
Contributions paid into the plan	-	-	-	-
Benefits paid by employer	(427,695)	(1,090,630)	(427,695)	(1,090,630)
Net defined benefit liability/(asset) at the end of current period	15,379,527	15,024,662	15,379,527	15,024,662

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%, (2024: 5%)
Discount rate - 7.10%, (2024: 7.00%)
Attrition Rate - 10%, (2024: 10%)
Normal Retirement age - 60/65/70 years
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2024: IALM-2012-2014)

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		Note	Consolidated		Company	
			Nu	Nu	Nu	Nu
			31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
29.4	**Travel benefit liability**					
	The amounts recognised in the statement of profit and loss:					
	Current service cost		631,281	501,623	631,281	501,623
	Net interest		446,805	572,926	446,805	572,926
	Past service cost		930,322	(3,099,074)	930,322	(3,099,074)
	Total amount recognized in PL		**2,008,408**	**(2,024,525)**	**2,008,408**	**(2,024,525)**
	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		-	-	-	-
	Movement in the net defined benefit obligation:					
	Opening balance		6,626,189	9,387,262	6,626,189	9,387,262
	Interest cost		631,281	501,623	631,281	501,623
	Current service cost		446,805	572,926	446,805	572,926
	Past service cost		-	(526,914)	-	(526,914)
	Benefits paid by the plan		-	-	-	-
	Benefits paid by the employer		(1,092,300)	(736,548)	(1,092,300)	(736,548)
	Actuarial (gains)/losses due to plan experience		930,322	(2,572,160)	930,322	(2,572,160)
	Actuarial (gains)/losses due to change in demographic assumptions		-	-	-	-
	Actuarial (gains)/losses due to change in financial assumptions		-	-	-	-
	Closing balance		**7,542,297**	**6,626,189**	**7,542,297**	**6,626,189**
	Movement in the fair value of plan assets:					
	Opening balance		-	-	-	-
	Contributions paid into the plan		-	-	-	-
	Expected return on the plan assets		-	-	-	-
	Benefits paid by the plan		-	-	-	-
	Return on plan assets greater or (less) than discount rate		-	-	-	-
	Closing balance		-	-	-	-
	Development of net financial position					
	Defined benefit obligation		(7,542,297)	(6,626,189)	(7,542,297)	(6,626,189)
	Fair value of plan assets		-	-	-	-
	Funded status - (deficit)/surplus		(7,542,297)	(6,626,189)	(7,542,297)	(6,626,189)
	Net defined benefit asset/(liability)		**(7,542,297)**	**(6,626,189)**	**(7,542,297)**	**(6,626,189)**
	Liability					
	Current		1,230,839	2,906,833	1,230,839	2,906,833
	Non-current		6,311,458	6,480,429	6,311,458	6,480,429

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%, (2024 : 5.00%)
Discount rate - 7.10%, (2024 : 7.00%)
Attrition Rate - 10%, (2024 : 10%)
Mortality - Indian Assured Lives Mortality IALM-2012-2014 (2024: IALM-2012-2014)

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		Note	Consolidated statement of financial position		Consolidated income statement	
			31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
			Nu	Nu	Nu	Nu
30	**Deferred tax liability**					
	Property and equipment		(110,143,912)	(75,745,513)	34,398,399	9,299,796
	Investment property		113,616,520	78,411,242	(35,205,278)	(10,157,536)
	Net defined benefit assets		45,113,021	16,330,693	(19,443,291)	13,434,702
	Available for sale assets		84,550,445	90,445,658		
			133,136,074	109,442,079		
	Deferred income tax charge/(reversal)				(20,250,170)	12,576,961
	Deferred income tax charge/(reversal) - OCI					
	Net defined benefit assets				(9,339,038)	(7,700,651)
	Available for sale assets				5,895,213	29,952,705
	Property and equipment				-	-
	Investment property				-	-
					(3,443,825)	22,252,054
	Net deferred tax liability or assets		(133,136,074)	(109,442,079)		

		Note	Consolidated		Company	
			Nu	Nu	Nu	Nu
			31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
31	**PROVISIONS**					
	Provision for loss against embezzlements		65,581,087	65,741,087	65,581,087	65,741,087
			65,581,087	65,741,087	65,581,087	65,741,087

		Note	Consolidated		Company	
			Nu	Nu	Nu	Nu
			31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
32	**TRADE AND OTHER PAYABLES**					
	Policyholders payment in advance		141,762,993	102,405,806	141,762,993	102,405,806
	Agency commission payable		14,633,961	15,671,528	14,633,961	15,671,528
	Bonus payable		827,972,098	764,829,824	827,972,098	764,829,824
	Deposits		11,131,939	8,496,361	11,131,939	8,496,361
	Other		400,235,470	406,064,384	400,235,470	406,064,384
	Total trade and other payables		1,395,736,461	1,297,467,903	1,395,736,461	1,297,467,903

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	1,600,052,860	1,600,052,860	1,600,052,860	1,600,052,860
Rights share issued	-	-	-	-
Bonus share issued during the year	-	-	-	-
At end of the year	**1,600,052,860**	**1,600,052,860**	**1,600,052,860**	**1,600,052,860**

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.

As at	31st December, 2025	31st December, 2024	31st December, 2025	31st December, 2024
Commitments				
Contracts remaining to be executed on Capital accounts	6,132,446	15,528,750	6,132,446	15,528,750
Contingent Liabilities				
Guarantees	678,963,152	280,759,391	678,963,152	280,759,391
	685,095,598	**296,288,141**	**685,095,598**	**296,288,141**

Capital Work-in-Progress includes expenses incurred in connection with office building construction amounting to Nu. 3,272,225 (Previous Year Nu. 82,279,750) and repair works amounting to Nu. 2,280,905. The cost incurred for software development amounts to Nu. 2,051,943 (Previous Year Nu. 8,151,343).

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

	Amount
OBS balance as on 31st December 2024	5,823,775,135
Less: Adjustment made against interest posted for frozen accounts	(24,102,805)
Add: Transferred to OBS during the Year	366,706,849
Add: Interest charged during the Year	120,489,944
Less: Recovered during the Year	(416,617,414)
Less: Written off during the Year	(7,625,140)
Less: Rebate to OBS Loans during the year	(30,104,526)
OBS balance as on 31st December 2025	**5,832,522,043**

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

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.

This 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.

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.

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.

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35 FINANCIAL RISK MANAGEMENT (Contd..)

Key assumptions for valuation of liabilities in Life Insurance

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

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

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

Mortality and morbidity rates

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

Longevity

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

Lapse and surrender rates

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

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

Discount Rate

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

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

Non- Life Insurance Contracts

Product design risk:

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

*Motor
*Fire
*Miscellaneous

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

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

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

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

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

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

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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
* 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

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

Reinsurer	Rating	Rating Agency
Abu Dhabi National Ins. Co	A	AM Best
Allianz Global Corporate & Specialty SE	A+	AM Best
Allied World Assurance Company Holdings Ltd	A+	AM Best
AM First Capital	A-	AM Best
AQUILANO INSURANCE PCC	No Rating	No rating
Asia Insurance	B	S&P Global Ratings
Bermax Specialty	No Rating	No rating
Best Meridian International Insurance Company SPC	A-	AM Best
Bhutan Insurance Limited	No Rating	No rating
Bravado Global Underwriting Ltd	No Rating	No rating
Chaucer Syndicate	A	AM Best
CV Starr	A	AM Best
Fastrack Facility UK	A-rated" global insurers	
Finsbury Reinsurance Limited	No Rating	No rating
Future Generali	A+	AM Best
General Insurance Corporation of India	A-	AM Best
Generali China Insurance Company	A-	Fitch Ratings
GIC-Bhutan Re Limited	No Rating	No rating
Global RE	No Rating	No rating
Go Digit	AA-	CRISIL Rating
Gross Insurance LCC	B-	Fitch Ratings
Hannover Re	A+	AM Best
Hanoi Re	B++	AM Best
Himalayan Re	B+	AM Best
HC- NV	No Rating	No rating
India International Insurance Pte. Ltd	A-	S&P Global Ratings
ION Insurance Company	5A—S	D&B Rating
Kenya Reinsurance Corporation Limited	B	AM Best
Klapton insurance Company Limited	B-	GCR Ratings
Klapton Re	Caa1	Moody
Kuwait Reinsurance Company / Kuwait Re	A	AM Best
Lloyds - XL Catlin Syndicate 2003 (XLC)	A+	AM Best
Markel Services India Private Ltd	A	AM Best
MISR Insurance Company	B++	AM Best
Momentum Insurance Agents LLC	No Rating	No rating
Mosaic Insurance Company	B1	Moody
MS First Capital Insurance Limited	A+	AM Best
New India Assurance Company Limited	B++	AM Best
Nexus Underwriting Ltd , UK	No Rating	No rating
Oriental Insurance Company Limited	B++	AM Best
Orient Insurance PJSC , Dubai	A	AM Best
PVI Vietnam	A-	AM Best
QBE Singapore	A	S&P Global Ratings
RI Dept - RICBL	No Rating	No rating
SCOR Re	A	AM Best
Singapore Reinsurance Corporation Ltd	A	AM Best
Southern Pacific Insurance Corporation (SOPAC)	No Rating	No rating
Starr International (Europe) Ltd	A	AM Best
Swiss Re	A+	AM Best
Taiping Re China	A	AM Best
TATA AIG General Insurance Company Limited	AAA	ICRA
Titan Capital	No Rating	No rating
Trust Insurance	C+	AM Best
Waica Re	B	AM Best
Worldwide Re	B+	AM Best
W-safe Re	No Rating	No rating
ALDAGI	B+	AM Best
Aid MGA	No Rating	No rating
Redbridge	B++	AM Best
SM Reinsurance Company	No Rating	No rating
SAVA Re	A	AM Best
Asian Reinsurance Corporation Limited	B++	AM Best
CICA Re	B+	AM Best
Oman Re	BBB	Fitch Ratings
Nepal Re	AA-	ICRANEPAL

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 Board Risk Management Commitee and the Management Risk Committee (MRC) which are responsible for developing and monitoring Group's risk management policies. The MRC consists of Chief Executive Officer and all Departmental General Managers . Meetings of MRC are held regularly, and the Board of Directors are duly updated of its activities. The managemnet has also established Risk Management Divison. The key risk indicators are identified and reported to the Board Risk Management Committeee 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 Commitee.(BRMC)

ALCO Committee

ALCO is Chaired by the Chief Executive Officer and the members includes General Managers from business departments. The Committee meets on monthly basis 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 have set benchmark for early warning systems to mitigate the risk. Further adequate reinsurance supports, data security and data recovery systems are put in place. The company have well defined Key Risk Indicators which are monitored on regular basis.

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. Various types of collaterals are obtained to mitigate credit 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.

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 funding 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.

The Company 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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Thimphu

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Thimphu

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 2025								
Financial Investments Available for sale								
Quoted Equities	-	-	588,867,772	**588,867,772**	-	-	588,867,772	**588,867,772**
Loans & Receivables								
Loans & Advances to Employees	-	474,799,336	-	**474,799,336**	-	474,799,336	-	**474,799,336**
31 December 2024								
Financial Investments Available for sale								
Quoted Equities	-	-	612,448,622	**612,448,622**	-	-	612,448,622	**612,448,622**
Loans & Receivables								
Loans & Advances to Employees	-	302,919,350	-	**302,919,350**	-	302,919,350	-	**302,919,350**

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

	Consolidated				Company			
	2025		2024		2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets								
Financial Investments available for sale	1,138,550,593	6,685,863,694	1,138,571,140	6,373,415,092	1,138,550,593	6,685,863,694	1,138,571,140	6,373,415,092
Loans and advances to customers	18,774,191,221	17,251,644,954	16,974,501,720	16,137,687,838	18,774,191,221	17,251,644,954	16,974,501,720	16,137,687,838
Insurance Receivables	341,713,582	340,427,192	397,281,496	396,814,058	341,713,582	340,427,192	397,281,496	396,814,058
Other Assets	469,720,534	469,720,534	720,656,237	720,656,237	469,720,534	469,720,534	720,656,237	720,656,237
Cash and Cash Equivalents	1,236,929,977	1,236,843,548	454,363,036	454,274,478	1,236,929,977	1,236,843,548	454,363,036	454,274,478
	21,961,105,907	25,984,499,923	19,685,373,629	24,082,847,703	21,961,105,907	25,984,499,923	19,685,373,629	24,082,847,703
Financial Liabilities								
Insurance contract liabilities	12,700,575,243	12,700,575,243	11,212,811,027	11,212,811,027	12,700,575,243	12,700,575,243	11,212,811,027	11,212,811,027
Reinsurance contract liabilities	4,927,067	4,927,067	2,651,561	2,651,561	4,927,067	4,927,067	2,651,561	2,651,561
Investment contract liabilities	4,700,688,627	4,700,688,627	4,549,649,144	4,549,649,144	4,700,688,627	4,700,688,627	4,549,649,144	4,549,649,144
Insurance Payable	1,139,726,319	1,139,726,319	945,842,188	945,842,188	1,139,726,319	1,139,726,319	945,842,188	945,842,188
Debt issued and other borrowed funds	668,710,266	668,710,266	121,268,953	121,268,953	668,710,266	668,710,266	121,268,953	121,268,953
Provisions	65,581,087	65,581,087	65,741,087	65,741,087	65,581,087	65,581,087	65,741,087	65,741,087
Trade and other payables	1,395,736,461	1,395,736,461	1,297,467,903	1,297,467,903	1,395,736,461	1,395,736,461	1,297,467,903	1,297,467,903
	20,675,945,071	20,675,945,071	18,195,431,864	18,195,431,864	20,675,945,071	20,675,945,071	18,195,431,864	18,195,431,864

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35 FINANCIAL RISK MANAGEMENT (Contd..)

35 (d) Credit Risk

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

31st December 2025	Maximum Exposure to credit Risk (Nu)	Cash	Fair value of Collateral or credit enhancement held: Properties	Net Collateral	Net Exposure
Financial Assets					
Due from banks	5,566,929,977	-	-	5,566,929,977	5,566,929,977
Loans & advances to customers	18,774,191,221	-	71,841,520,902	71,841,520,902	(53,067,329,681)
Financial Liabilities					
Long term bond	-	-	-	-	-
Short term borrowings	668,710,266	-	-	-	668,710,266

31st December 2024	Maximum Exposure to credit Risk (Nu)	Cash	Fair value of Collateral or credit enhancement held: Properties	Net Collateral	Net Exposure
Financial Assets					
Due from banks	4,784,363,036	-	-	4,784,363,036	4,784,363,036
Loans & advances to customers	16,974,501,720	-	86,022,653,225	86,022,653,225	(69,048,151,505)
Financial Liabilities					
Long term bond	121,268,953	-	-	-	121,268,953
Term borrowings	-	-	-	-	-

Credit quality by class of financial asset

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowance

31st December 2025	Consolidated: Neither past due nor Individually impaired	Consolidated: Past due but not impaired individually	Consolidated: Individually Impaired	Consolidated: Total	Company: Neither past due nor Individually impaired	Company: Past due but not impaired	Company: Individually Impaired	Company: Total
Due from Banks	-	-	5,566,929,977	**5,566,929,977**	-	-	5,566,929,977	**5,566,929,977**
Loans & Advances to Customers	-	-	18,774,191,221	**18,774,191,221**	-	-	18,774,191,221	**18,774,191,221**

31st December 2024	Consolidated: Neither past due nor Individually impaired	Consolidated: Past due but not impaired individually	Consolidated: Individually Impaired	Consolidated: Total	Company: Neither past due nor Individually impaired	Company: Past due but not impaired	Company: Individually Impaired	Company: Total
Due from Banks	-	-	4,784,363,036	**4,784,363,036**	-	-	4,784,363,036	**4,784,363,036**
Loans & Advances to Customers	-	-	16,974,501,720	**16,974,501,720**	-	-	16,974,501,720	**16,974,501,720**

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35 FINANCIAL RISK MANAGEMENT (Contd..)

Liquidity Risk & Funding management
Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2025	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	1,236,929,977	-	776,857,260	4,474,708,904	-	6,488,496,141
Loans & Advances to Customers	100,127,584	924,816,367	1,873,050,539	1,240,176,880	14,621,475,132	18,759,646,503
Financial Investments Available for Sale	1,434,297,529	-	-	-	-	1,434,297,529
Total undiscounted Assets	2,771,355,091	924,816,367	2,649,907,799	5,714,885,784	14,621,475,132	26,682,440,173
Debts Issued & Other Borrowed Funds	-	-	462,627,477	206,082,789	-	668,710,266
Total Undiscounted Liabilities	-	-	462,627,477	206,082,789	-	668,710,266
Net Undiscounted Financial Assets/(Liabilities)	2,771,355,091	924,816,367	2,187,280,322	5,508,802,995	14,621,475,132	26,013,729,907

31st December 2024	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	454,363,036	-	-	2,138,851,781	2,776,664,384	5,369,879,200
Loans & Advances to Customers	1,695,804	296,767,174	3,311,448,848	1,421,051,503	11,931,985,637	16,962,948,965
Financial Investments Available for Sale	1,457,898,928	-	-	-	-	1,457,898,928
Total undiscounted Assets	1,913,957,767	296,767,174	3,311,448,848	3,559,903,284	14,708,650,021	23,790,727,093
Debts Issued & Other Borrowed Funds	-	-	-	-	121,268,953	121,268,953
Total Undiscounted Liabilities	-	-	-	-	121,268,953	121,268,953
Net Undiscounted Financial Assets/(Liabilities)	1,913,957,767	296,767,174	3,311,448,848	3,559,903,284	14,587,381,068	23,669,458,140

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 2025	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	40,000	142,492,501	332,382,337	204,048,315	-	678,963,153
	40,000	142,492,501	332,382,337	204,048,315	-	678,963,153

31st December 2024	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	73,480,973	169,933,494	37,344,925	-	280,759,391
	-	73,480,973	169,933,494	37,344,925	-	280,759,391

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.

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.

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.

35 FINANCIAL RISK MANAGEMENT (Contd..)

Market Risk - Interest Rate Risk

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.

31 December 2025

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	121,733,202	121,733,202
Nu	-10%	(121,733,202)	(121,733,202)

31 December 2024

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	115,926,983	115,926,983
	-10%	(115,926,983)	(115,926,983)

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 repricing or maturity dates.

31st December 2025	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	1,236,929,977	-	776,857,260	4,474,708,904	-	-	6,488,496,141
Loans & Advances to Customers	100,127,584	924,816,367	1,873,050,539	1,240,176,880	14,621,475,132	-	18,759,646,503
Financial Investments Available for Sale	1,434,297,529	-	-	-	-	-	1,434,297,529
Total Assets	**2,771,355,091**	**924,816,367**	**2,649,907,799**	**5,714,885,784**	**14,621,475,132**	-	**26,682,440,173**
Debts Issued & Other Borrowed Funds	-	-	462,627,477	206,082,789	-	-	668,710,266
Total Liabilities	-	-	**462,627,477**	**206,082,789**	-	-	**668,710,266**

31st December 2024	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	454,363,036	-	-	2,138,851,781	2,776,664,384	-	5,369,879,200
Loans & Advances to Customers	1,695,804	296,767,174	3,311,448,848	1,421,051,503	11,931,985,637	-	16,962,948,965
Financial Investments Available for Sale	1,457,898,928	-	-	-	-	-	1,457,898,928
Total Assets	**1,913,957,767**	**296,767,174**	**3,311,448,848**	**3,559,903,284**	**14,708,650,021**	-	**23,790,727,093**
Debts Issued & Other Borrowed Funds	-	-	-	-	121,268,953	-	121,268,953
Total Liabilities	-	-	-	-	**121,268,953**	-	**121,268,953**

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 transaction in foreign currency are limited and therefore the company is not exposed to significant currency risk.

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. The Board reviews and approves all equity investment decisions.

OPERATIONAL RISK

Operational risk is the risk of losses arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk.

Operational Risks of the Company are mitigated and managed through a control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorization 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.

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NOTES TO THE FINANCIAL STATEMENTS
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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.

	2025					
Financial Assets	**Thimphu**	**Chukha**	**Punakha**	**Samdrup Jongkhar**	**Others**	**Total**
Loans & Advances to Customers	10,004,380,627	3,024,331,599	373,302,769	430,516,938	4,927,114,570	**18,759,646,503**
	10,004,380,627	**3,024,331,599**	**373,302,769**	**430,516,938**	**4,927,114,570**	**18,759,646,503**

	2024					
Financial Assets	**Thimphu**	**Chukha**	**Punakha**	**Samdrup Jongkhar**	**Others**	**Total**
Loans & Advances to Customers	10,011,323,057	2,867,107,572	380,215,152	352,038,823	3,352,264,361	**16,962,948,965**
	10,011,323,057	**2,867,107,572**	**380,215,152**	**352,038,823**	**3,352,264,361**	**16,962,948,965**

36. LOANS AND ADVANCES TO CUSTOMERS

	2025	2024
Overdraft	3,127,690,733	3,694,652,074
Housing	2,850,308,461	2,568,816,587
Personal	430,710,339	497,713,946
Service,T&C,P&M	11,156,717,237	9,242,111,513
Transport	549,577,712	609,989,028
Others	167,471,309	44,769,650
Employee Loans	474,799,336	302,919,350
Late Fees Outstanding	2,421,317	1,976,817
At 31 December	**18,759,696,445**	**16,962,948,965**
Less: Interest Suspense	67,540,037	38,591,401
Less: Allowance for ECL/impairment losses (Individual & Collective)	**975,228,801**	**741,564,802**
	17,716,927,608	**16,182,792,762**

Note : The employee loans are consolidated with Others for the purpose of impairment during the year and previous year figures regrouped

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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	1,432,977,137			1,432,977,137	771,109,378			771,109,378
1-30 Days Passed Due	830,039,068			830,039,068	1,002,778,995			1,002,778,995
31-60 Days Passed Due		463,948,245		463,948,245		405,122,778		405,122,778
61-90 Days Passed Due		114,802,346		114,802,346		225,434,138		225,434,138
90 Days & Above			8,541,665	8,541,665			164,371,297	164,371,297
Individually impaired								-
Total	**2,263,016,204**	**578,750,591**	**8,541,665**	**2,850,308,461**	**1,773,888,373**	**630,556,916**	**164,371,297**	**2,568,816,587**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**1,773,888,373**	**630,556,916**	**164,371,297**	**2,568,816,587**
New assets originated	693,182,374	49,034,020	-	742,216,394
Assets derecognised or repaid	(235,858,183)	(209,930,043)	(164,507,747)	(610,295,973)
Transfers from Stage 1	(220,613,919)	220,446,214	167,705	-
Transfers from Stage 2	252,417,559	(252,662,126)	244,567	-
Transfers from Stage 3	-	141,305,610	8,265,843	149,571,454
At 31 December 2025	**2,263,016,204**	**578,750,591**	**8,541,665**	**2,850,308,461**

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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	140,471,367			140,471,367	99,251,101			99,251,101
1-30 Days Passed Due	213,209,522			213,209,522	304,646,792			304,646,792
31-60 Days Passed Due		52,601,328		52,601,328		42,174,497		42,174,497
61-90 Days Passed Due		16,662,036		16,662,036		16,289,317		16,289,317
90 Days & Above			7,766,087	7,766,087			35,352,238	35,352,238
Individually impaired								-
Total	**353,680,889**	**69,263,364**	**7,766,087**	**430,710,339**	**403,897,893**	**58,463,814**	**35,352,238**	**497,713,946**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**403,897,893**	**58,463,814**	**35,352,238**	**497,713,946**
New assets originated	172,091,736	23,973,171	1,339,369	197,404,277
Assets derecognised or repaid	(232,801,927)	4,029,724	(37,937,825)	(266,710,027)
Transfers from Stage 1	(26,509,113)	26,019,339	489,774	-
Transfers from Stage 2	37,002,299	(44,734,945)	7,732,645	-
Transfers from Stage 3	-	1,512,259	789,885	2,302,144
At 31 December 2025	**353,680,889**	**69,263,364**	**7,766,087**	**430,710,339**

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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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	6,216,509,040			6,216,509,040	4,960,374,588			4,960,374,588
1-30 Days Passed Due	1,639,536,428			1,639,536,428	1,684,559,063			1,684,559,063
31-60 Days Passed Due		1,747,661,095		1,747,661,095		698,525,835		698,525,835
61-90 Days Passed Due		1,411,547,362		1,411,547,362		1,829,876,045		1,829,876,045
90 Days & Above			141,463,312	141,463,312			68,775,982	68,775,982
Individually impaired					-	-	-	
Total	**7,856,045,468**	**3,159,208,457**	**141,463,312**	**11,156,717,237**	**6,644,933,651**	**2,528,401,881**	**68,775,982**	**9,242,111,513**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**6,644,933,651**	**2,528,401,881**	**68,775,982**	**9,242,111,513**
New assets originated	309,930,210	2,342,572,858	39,960,393	2,692,463,461
Assets derecognised or repaid	4,569,761,675	(5,269,877,960)	(301,723,955)	(1,001,840,240)
Transfers from Stage 1	(3,888,047,630)	3,676,112,956	211,934,675	-
Transfers from Stage 2	219,467,562	(308,957,641)	89,490,078	-
Transfers from Stage 3	-	190,956,364	33,026,140	223,982,503
At 31 December 2025	**7,856,045,468**	**3,159,208,457**	**141,463,312**	**11,156,717,237**

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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	118,396,777			118,396,777	81,748,780			81,748,780
1-30 Days Passed Due	128,791,296			128,791,296	287,931,361			287,931,361
31-60 Days Passed Due		82,961,625		82,961,625		102,802,851		102,802,851
61-90 Days Passed Due		82,477,983		82,477,983		57,930,443		57,930,443
90 Days & Above			136,950,032	136,950,032			79,575,593	79,575,593
Individually impaired								
Total	**247,188,073**	**165,439,607**	**136,950,032**	**549,577,712**	**369,680,141**	**160,733,295**	**79,575,593**	**609,989,028**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**369,680,141**	**160,733,295**	**79,575,593**	**609,989,028**
New assets originated	105,278,338	31,437,559	-	136,715,897
Assets derecognised or repaid	(217,100,042)	(26,626,867)	(82,912,306)	(326,639,215)
Transfers from Stage 1	(51,454,578)	51,454,578	-	-
Transfers from Stage 2	40,784,214	(68,553,641)	27,769,427	-
Transfers from Stage 3	-	16,994,683	112,517,319	129,512,002
At 31 December 2025	**247,188,073**	**165,439,607**	**136,950,032**	**549,577,712**

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

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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	1,075,191,146			1,075,191,146	1,790,473,695			1,790,473,695
1-30 Days Passed Due	1,303,856,764			1,303,856,764	1,292,989,648			1,292,989,648
31-60 Days Passed Due		392,583,442		392,583,442		414,056,432		414,056,432
61-90 Days Passed Due		253,152,735		253,152,735		157,042,964		157,042,964
90 Days & Above			102,906,647	102,906,647			40,089,335	40,089,335
Individually impaired								
Total	2,379,047,910	645,736,176	102,906,647	3,127,690,733	3,083,463,342	571,099,397	40,089,335	3,694,652,074

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**3,083,463,342**	**571,099,397**	**40,089,335**	**3,694,652,074**
New assets originated	349,881,125	143,665,057	-	493,546,182
Assets derecognised or repaid	(956,734,010)	(249,633,109)	(42,451,261)	(1,248,818,379)
Transfers from Stage 1	(435,517,045)	433,927,675	1,589,370	-
Transfers from Stage 2	337,954,499	(362,152,479)	24,197,981	-
Transfers from Stage 3	-	108,829,636	79,481,221	188,310,857
At 31 December 2025	2,379,047,910	645,736,176	102,906,647	3,127,690,733

36 (f) Impairment allowance for loans and advances to customers
Staff 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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	193,694,604			193,694,604	65,706,872			65,706,872
1-30 Days Passed Due	261,593,575			261,593,575	227,274,728			227,274,728
31-60 Days Passed Due		14,479,459		14,479,459		4,010,430		4,010,430
61-90 Days Passed Due		3,098,714		3,098,714		3,035,916		3,035,916
90 Days & Above			1,932,985	1,932,985			2,891,405	2,891,405
Individually impaired				-				
Total	**455,288,178**	**17,578,172**	**1,932,985**	**474,799,336**	**292,981,599**	**7,046,346**	**2,891,405**	**302,919,350**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**292,981,599**	**7,046,346**	**2,891,405**	**302,919,350**
New assets originated	250,913,905	949,167	-	251,863,072
Assets derecognised or repaid	(87,571,843)	8,547,177	(3,007,576)	(82,032,242)
Transfers from Stage 1	(3,250,850)	3,250,850	-	-
Transfers from Stage 2	2,215,367	(2,215,367)	-	-
Transfers from Stage 3	-	-	2,049,157	2,049,157
At 31 December 2025	**455,288,178**	**17,578,172**	**1,932,985**	**474,799,336**

36 (g) Impairment allowance for loans and advances to customers
Others

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 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 37.

	2025				2024			
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Current	128,224,400			128,224,400	17,022,878	-	-	17,022,878
1-30 Days Passed Due	30,425,296			30,425,296	18,165,385	-	-	18,165,385
31-60 Days Passed Due		7,174,660		7,174,660	5,433,128	-	-	5,433,128
61-90 Days Passed Due		1,646,953		1,646,953	4,148,258	-	-	4,148,258
90 Days & Above				-	-	-	-	-
Individually impaired				-	-	-	-	-
Total	**158,649,696**	**8,821,613**	-	**167,471,309**	**44,769,650**	-	-	**44,769,650**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total
Gross carrying amount as at 1 January 2025	**35,188,263**	**9,581,386**	-	**44,769,650**
New assets originated	125,614,771	11,962,761	-	137,577,531
Assets derecognised or repaid	2,855,831	(19,254,548)	-	(16,398,717)
Transfers from Stage 1	(13,387,831)	13,387,831	-	-
Transfers from Stage 2	8,378,661	(8,378,661)	-	-
Transfers from Stage 3	-	1,522,845	-	1,522,845
At 31 December 2025	**158,649,696**	**8,821,613**	-	**167,471,309**

36 (h) Impairment allowance as at 31 December 2025

An analysis of the allowance for impairment losses under BFRS 9 for loans and advances, by class, for the year to 31 December 2025 is as follows

	Overdraft	Housing	Transport	STP	Personal	Others	Staff	Guarantees	Total
At 1 January 2025	69,229,454	230,089,199	93,032,310	300,764,736	44,072,399	523,978	3,804,389	31,642	741,548,109
Charge/ Reversal for the year	7,307,261	(164,729,125)	63,509,235	353,738,043	(31,537,303)	1,465,070	3,926,760	751	233,680,692
At 31 December 2025	76,536,715	65,360,075	156,541,545	654,502,780	12,535,096	1,989,048	7,731,149	32,393	975,228,801
Made up of:									
Individual impairment	-	-	-	-	-	-	-	-	-
Collective impairment:	76,536,715	65,360,075	156,541,545	654,502,780	12,535,096	1,989,048	7,731,149	32,393	975,228,801
	76,536,715	65,360,075	156,541,545	654,502,780	12,535,096	1,989,048	7,731,149	32,393	975,228,801
Gross amount of loans individually determined to be impaired	-	-	-	-	-	-	-	-	-

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36 (i) 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	2025	2024
Contracts remaining to be executed on Capital accounts	6,132,446	15,528,750
	6,132,446	15,528,750

Contingent Liabilities	2025	2024
Financial guarantees	678,963,153	280,759,391
Other undrawn commitments	-	-
Total	678,963,153	280,759,391

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.

Impairment losses on guarantees and other commitments

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

	2025				2024
Delinquency Grades	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	Total	Total
Current					
1-30 Days Passed Due					
31-60 Days Passed Due					
61-90 Days Passed Due		678,963,153		678,963,153	280,759,391
90 Days & Above					
Total	-	678,963,153	-	678,963,153	280,759,391

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Outstanding exposure as at 1 January 2025		280,759,391	-	280,759,391
New exposures		398,203,762	-	398,203,762
Exposure derecognised or matured/lapsed (excluding write offs)			-	-
Transfers to Stage 1			-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
	-	-	-	-
At 31 December 2025	-	678,963,153	-	678,963,153

37. Notes on Loan Impairment

1. Sector classification of loans

The loan classification of the company for reporting purpose has been incorporated as per the sectorial classification of Central Bank (Royal Monetary Authority of Bhutan). Of the total of 15 sector classification, this report categories them in top major sectors, in accordance to the size of the portfolios. The Card Loan has been merged with the Overdraft portfolio during the year and the Staff loans has been impaired separately. The highest sector under this classification as per the RICB's closing books, 2024 is the Service, Trade & Commerce, Production and Manufacturing followed by Overdraft, Housing Loans, Transport loan and personal loans.

Sector wise portfolios

1 Service, T & C , P&M carries the highest sectorial loan concentration with 59.47% as of December 31, 2025. Housing Loan consists of Home loan and Commercial loans.

2 Overdraft: Loans provided for business purposes, retail, wholesale and others. This has 2nd highest credit concentration.

3 Services: Loans against Hotel and tourism, schools, ICT, Health services and loans to service sectors fall under this category.

4 Production and Manufacturing: The top four in the credit exposure is occupied by this sector. Any production and manufacturing industries fall under this sector. E.g. Hydropower, mining, manufacturing industries, handicrafts, wood based products, etc.

5 Transport Loan: Loans provided for transportation be it public or private are classified under this sector with concentration of 2.93% of the total portfolio.

2. 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 behaviour of the customer and the RMA classification based on the past due status. Further, the RICB considers following aspects while assessing the risk of a customer:

• Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

• Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information bureau, Central Registry System, National Land Commission and other competent entities. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.

• Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

3. 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.

4. 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**

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

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

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

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.

5. 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 30 days 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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As explained in Note 2.7 (refer ECL, section 2.7 (k)) dependant on the factors below, the RICB calculates ECLs either on a collective or an individual basis.

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

Asset classes where the RICB calculates ECL on a collective basis include:
- Customers below the Individually Significant threshhold of 25%

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

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

An overview of the approach to estimating ECLs is set out in Note 2.7 Summary of significant accounting policies and in Note 2.6 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (RMA Published data, IMF & World Bank.) and a team of economists within its CSR verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the company'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 2025.

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-25

Key drivers	ECL Scenario	Assigned Probabilities %	2025 %	2026 %	2027 %	2028 %	2029 %	Subsequent years %
GDP growth %								
	Base Case	50	8.71	8.41	8.50	8.69	8.92	8.77
	Best Case	25	8.71	9.28	10.12	11.02	12.00	12.46
	Worse Case	25	8.71	7.72	7.38	7.07	6.76	6.25
Inflation Rates %								
	Base Case	50	3.65	3.62	3.60	3.57	3.55	3.58
	Best Case	25	3.65	3.49	3.42	3.36	3.29	3.23
	Worse Case	25	3.65	3.78	3.82	3.86	3.91	4.01
Interest Rate %								
	Base Case	50	10.35	10.35	10.29	10.27	10.28	10.35
	Best Case	25	10.35	10.14	10.11	10.11	10.11	10.11
	Worse Case	25	10.35	10.62	10.71	10.81	10.90	11.12
Exchange rates (USD $ to Ngultrum BTN)								
	Base Case	50	90.68	90.68	94.98	99.48	100.00	100.00
	Best Case	25	90.68	90.68	94.24	97.95	100.00	100.00
	Worse Case	25	90.68	90.68	99.37	100.00	100.00	100.00
Unemployment rates %								
	Base Case	50	3.80	3.80	3.78	3.77	3.75	3.77
	Best Case	25	3.80	3.74	3.69	3.65	3.60	3.57
	Worse Case	25	3.80	3.87	3.90	3.92	3.95	4.00

An overview of the approach to estimating ECLs is set out in Note 2.7 Summary of significant accounting policies and in Note 2.7 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (RMA Published data, IMF & World Bank.) and a team of economists within its CSR verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the company'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 2024.

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

1-Jan-25

Key drivers	ECL Scenario	Assigned Probabilities %	2024 %	2025 %	2026 %	2027 %	2028 %	Subsequent years %
GDP growth %								
	Base Case	50	4.88	4.73	4.77	4.87	4.98	4.90
	Best Case	25	4.88	5.18	5.60	6.06	6.56	6.79
	Worse Case	25	4.88	4.36	4.19	4.02	3.86	3.59
Inflation Rates %								
	Base Case	50	2.20	2.18	2.17	2.15	2.14	2.16
	Best Case	25	2.20	2.10	2.06	2.02	1.98	1.94
	Worse Case	25	2.20	2.28	2.31	2.33	2.36	2.42
Interest Rate %								
	Base Case	50	10.16	10.16	10.10	10.06	10.03	10.13
	Best Case	25	10.16	9.95	9.84	9.84	9.84	9.84
	Worse Case	25	10.16	10.43	10.52	10.61	10.70	10.92
Exchange rates (USD $ to Ngultrum BTN)								
	Base Case	50	85.30	85.30	88.51	91.84	95.29	98.88
	Best Case	25	85.30	85.30	85.67	86.05	86.42	86.80
	Worse Case	25	85.30	85.30	93.47	100.00	100.00	100.00
Unemployment rates %								
	Base Case	50	4.10	4.10	4.08	4.06	4.05	4.06
	Best Case	25	4.10	4.04	3.98	3.93	3.87	3.84
	Worse Case	25	4.10	4.18	4.21	4.24	4.27	4.33

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 Mr. Laxmi Prasad Giri was appointed as an Independent Director.

Name of Board of Directors:-

Mr. Pema Namgyel Nadik	Chairperson
Ms. Yeshey Selden	Independent Director
Mr. Pempa Tshering	Ordinary Director
Mr. Ugyen Dorji	Ordinary Director
Mr. Sonam Lhundrup	Independent Director
Mr. Laxmi Prasad Giri	Independent Director
Mr. Karma	Chief Executive Officer

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:-	**2025**	**2024**
Mr. Pema Namgyel Nadik	41,821	395
Ms. Yeshey Selden	105,006	8,140
Mr. Ugyen Dorji	43,587	43,500
Mr. Pempa Tshering	99,827	-
Mr. Sonam Lhundrup	-	28,358
Mr. Laxmi Prasad Giri	43,897	43,897
Mr. Karma	219,595	140,661
	553,733	**264,951**

38.3.2 Remuneration of KMP

Key Management Personnel Expenses Include

Mr. Karma:-	**2025**	**2024**
Remuneration	7,429,203	6,440,475
Other Benefits (sitting fees)	570,000	375,000
Total CEO remunerations	**7,999,203**	**6,815,475**
Directors Sitting Fee	4,560,000	3,225,000
	12,559,203	**10,040,475**

39 The Royal Government of Bhutan and the Royal Monetary Authority issued four phases of monetary measures in response to COVID-19 from the financial year 2020 till 2024 which were aimed at providing short term monetary relief to borrowers facing financial distress in addition to assisting business and local production. The Monetary measures were extended till June 2024 11. The Royal Government of Bhutan and the Royal Monetary Authority issued four phases of monetary measures in response to COVID-19 from the financial year 2020 till 2024 which were aimed at providing short term monetary relief to borrowers facing financial distress in addition to assisting business and local production. The Monetary measures were extended till June 2024 through the issuance of Monetary Measure IV during the year 2023. The interventions were guided by His Majesty's wisdom to ensure that relief measures are adequate and inclusive. Further, considering that the economy and the business requires more time to navigate through the current circumstances, the RMA issued directive on deferment of loan repayments at the discretion of the FSPs. The RMA during the Year 2025 issued directives on support measures for loans post June 2025, where loan restructuring facilities were offered to the borrowers under seven different measures. In addition to the RMA measures, the company also provided interest rebate to the NPL clients under different options.

Features of the monetary measures applicable to RICBL are as under:

Monetary measure phase - I

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).

ii 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 RICBL amounted to Nu. 288,139,897.96 which was netted off from the total interest income during the Financial Year 2020.

iii No penal interest/late fees were charged during the deferment period.

iv. 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

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

ii. 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 was calculated on the outstanding balance as on 10th of April 2020 and the interest payment was as under:

Interest Payment	Period
100 percent of the interest payment shall be granted as 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 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.

iii. No penal interest/late fees were charged during the deferment period

iv. 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.

v. 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.

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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

i. All loans sanctioned till 30th June 2020 shall be eligible for the deferment of loan repayment till June 2022.

ii. Late fees/penal interest shall not be charged on all the loans including new loans sanctioned after 30th June 2020.

iii. The FSPs shall continue to provide one percent interest rate reduction (rebate) on term loans for another one year from July 2021 to June 2022 to the borrowers who service their loan installments regularly and fully as per the agreed repayment schedule (after adjustment of 50 percent interest payment support) during the deferment period.

iv. 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 2021 and Nu. 1,119,747 received in excess from the Government is shown under Other Payables

v. In line with the Monetary measures interest rebate amounting to Nu. 2,681,674 pertaining to financial year 2020 was adjusted to the 286 loan accounts with regular repayment during the deferment period.

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:

i. Based on the risk and impact assessment, the sectors and subsectors 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.

ii. 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.

iii. Under the Monetary Measure IV, RICB provided loan deferment to 2,359 loan accounts with an outstanding balance of Nu. 10,153,418,879 as on 31st December 2022.

iv. 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 ten years. The amount transferred to FEIF shall not be charged any interest. RICB created additional 486 FEIF accounts during the year 2023 (Previous Year 679 FEIF accounts) and the total outstanding balance is Nu. 403,896,534 (Previous Year Nu. 257,608,632) as on 31st December 2023. With the ending of the MM-IV in June 2024, 593 FEIF accounts were created amounting to Nu. 516,084,653. Further 142 FEIF account were created during the year 2025 amounting Nu. 658,584,858. The total loan balance against FEIF accounts amounts to Nu. 1,185,245,419 as on 31st December 2025.
The RMA's directive on deferment, FEIF and loan provisioning issued on 28th September 2023 requires to capitalize the NPL FEIF account to the primary loan account, accordingly 19 FEIF loan accounts amounting to Nu. 53,023,021 was capitalized to the primary loan account during the year.

x. Interest waiver support amounting to Nu. 502,034,404 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 was received from RMA during the Year 2022.

vi. In line with the Monetary Measures, during the year 2022, interest rebate amounting to Nu. 2,778,231 was provided to 170 loan accounts where regular repayments were made during the deferment period.

vii. The Monetary Measure IV was revised during the year providing loan repayment deferment to the loans under moderate and low risk sectors. As on 31st December 2023 RICB had provided loan deferment to 1,164 loan accounts with outstanding balance of Nu. 9,870,406,217.

viii. The directives issued by RMA via RMA/DFRS/34/2023-2024/1346 dated 28th September 2023 required the Financial Institutions to develop a criteria for loan deferment assessment which shall be approved by the Board. Further the Internal Audit shall review the loan deferment in compliance to the criteria for loan deferment and submit a report to RMA which are complied with. Under the extended deferment the company provided deferment to 78 loan accounts with outstanding balance of Nu. 2,878,688,603 as on 31st December 2025.

ix. The company during the year under the loan rebate scheme provided interest rebate amounting to Nu. 42,981,181.

40 un-recovered portion of interest aggregating to Nu. 67,540,036 (Previous Year Nu. 38,591,401) on account of loans amounting to Nu. 655,673,366 (Previous Year Nu. 521,831,547), which are classified as non-performing loans, has not been reckoned as income.

41 In line with the Regulation for Non-performing Loan Management 2025 issued by RMA, loan with overdue days of more than 365 and provided with 100 precent provision may be charged off to OBS. Accordingly 65 loan accounts amounting to Nu. 366,706,849 was charged off during the year.

42 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.

43 The RMA vide its directive no. RMA/DFRS/34/2021-2022/2508 dated 7th December 2022 directed 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. The total IPS refund amounted to Nu. 504,073,170 and RICB refunded Nu. 440,014,691 net of Nu. 15,146,031 already refunded. 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 during the financial year 2022. The recovery status of the IPS written off as on 31st December 2025 is as under:

IPS written off during the Year 2022	**440,014,691**
Less: Recovered till December 2025	82,632,029
Less: IPS rebate during 2025	3,185,011
Less: IPS written Off during 2025	1,00,082
Less: Not possible to recover based on Legal outcome	146,498,588
Recoverable as on 31st December 2025	**206,698,981**

44 Further the directive on recouping of IPS required the FSPs to monitor those loans which were NPL as on 31st March 2020 and has been regularized as on 30th June 2022. The FSPs were required to recoup the IPS on the loan becoming NPL subsequently. The directive was implemented from January 2023 till June 2023. Accordingly, RICB refunded Nu. 63,963,482 as IPS to RMA for six months of which Nu. 55,735 has been recovered from the borrower. The IPS refund for 58 loan accounts amounting to Nu. 41,445,699 was transferred to FEIF account created in the name of each borrower. The remaining amount of Nu. 18,297,998 belongs to 12 borrowers whose loans were already transferred to OBS is charged off to OBS. Therefore, provision expense to the extent of Nu. 18,297,998 is charged in the books during 2023. The IPS refund amounting to Nu. 4,164,048 which are not recoverable from the borrowers are written off during the year 2023 netting off from the interest income.

45 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. Until the Financial Year 2024 an amount of Nu. 49,014,021 was recovered and Nu. 15,385,597 was written off based on the court verdict. Based on the recovery and amount written off, provision amounting to Nu. 54,962,104 was written back until 2024. During the year loan amounting to Nu. 19,410,593 was recovered and Nu. 30,169 was written off. On account of the amounts recovered and written off during the year total provision amounting to Nu. 18,477,120 was written back as income. The remaining APF loan balance of Nu. 257,670,375 (Previous Year Nu. 277,111,136) and provision amount of Nu. 227,880,081 (Previous Year Nu. 246,353,108) is retained in the books as provision against APF loans.

46 During the year certain loan accounts are restructured/re-scheduled. Under normal credit restructuring 32 loan accounts with outstanding amount of Nu. 392,699,722 (Previous Year Nu. 297,275,180) was extended to the borrowers. Under the support measures for loans post June 2025, where loan restructuring facilities were offered to the borrowers under seven different measures 220 loan accounts amounting to Nu. 4,550,631,165 were restructured during the year.

47 During the financial year ended 31 December 2025, the Company revised the accounting treatment of Fixed Equated Installment Facility (FEIF) balances originally recognized during previous years and during the current year. The FEIF balances created in the past years required fair value calibration consistent with the measurement principles in IFRS 9 and that previously reported amounts did not fully reflect the fair valued recoverable cash flows. As this represented the use or misuse of information that was available, or reasonably expected to have been obtained, at the time the financial statements for those earlier periods were prepared, the adjustments meet the definition of prior period errors under IAS 8.

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, material prior period errors must be corrected retrospectively by restating the comparative information for each affected prior period and, where relevant, by adjusting the opening balances of assets, liabilities and equity for the earliest period presented. Consistent with these requirements, the Company has restated the comparative figures for 2022, 2023 and 2024 to reflect the corrected measurement of FEIF balances based on discounted expected future cash flows. The fair valuation losses relating specifically to past years have been recognized in those respective periods, with the corresponding corrections reflected through the reinstated prior year financial statements in line with the retrospective restatement provisions of IAS 8.

FEIF balances arising during the Year 2025 financial year were initially recognized at fair value as required by IFRS 9 and subsequently measured at amortized cost using the effective interest method. All reinstated and current year FEIF receivables remain subject to expected credit loss (ECL) assessment under the impairment requirements of IFRS 9.

The total fair valuation loss of Nu. 336,455,761 for Year 2022-2024 and the subsequent reversal of fair valuation amounting to Nu. 38,462,503 for the three years (2022–2023) have been reinstated in the respective financial years. During the current year, the fair valuation loss of Nu. 230,741,286 and the reversal amount of Nu. 148,566,459 have been duly accounted for in the Financial Statements.

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 and all legal proceedings are completed. Necessary provisions have been made in the accounts in this respect. An amount of Nu. 3,957,819 was recovered until the year 2025 against the embezzled amount and adjustments made in the accounts. The balance amount remains to be recovered.

b) In 2011, a fraud amounting to Nu. 1,472,000 has been reported at Head Office Thimphu, in the General Insurance Department and all legal proceedings are completed. An amount of Nu. 366,387 was recovered until the year 2024 and the same being accordingly adjusted. During the year a sum of Nu. 71,000 was received and the adjustments made accordingly.

c) 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. All Legal proceeding are completed and the Court decreed the defendant to pay Nu. 789,989 to RICB. The recovered amount until the financial year 2024 amounts to Nu. 563,589. During the year a sum of Nu. 15,000 is received and adjusted accordingly.

d) In 2015, misappropriation of Nu. 3,993,791 have been reported in the Head Office, Thimphu. The amount recovered until year 2025 amounts to Nu. 1,349,931 and the balance amount yet to be recovered.

e) In 2015, misappropriation of Nu. 93,249,102 had been reported in the Paro branch, in the Credit and Investment Department and all legal proceeding completed. RICB recovered Nu. 38,019,822 till the financial year 2024. During the current financial year sum of Nu. 150,000 was recovered 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 and all legal proceeding completed. RICB recovered Nu. 37,979,822 till the financial year 2023. During the current financial year sum of Nu. 40,000 was recovered and adjusted accordingly.

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49 Reinsurance Payables and Receivables in Insurance Policies

a) The balances outstanding in General Insurance Accounts, both receivable and payable, as at the Balance Sheet date from/to various re-insurers aggregating to Nu. 225,972,102 (Previous Year Nu. 244,112,384) and Nu. 403,953,630 (Previous Year Nu. 291,854,565) respectively has been reconciled at the end of the company and are in the process of seeking confirmation from the reinsurers. The receivable includes Nu. 1,343,040 and payable includes Nu. 253,505,502 pertaining to the current year transaction.

b) The balances outstanding in Reinsurance Accounts, both receivable and payable, as at the Balance Sheet date from/to various re-insurers aggregating to Nu. 72,640,260 (Previous Year Nu. 99,693,692) and Nu. 130,248,560 (Previous Year Nu. 93,007,405) are reconciled with supporting documents and provided to the reinsurance partners for confirmation which are yet to be received. The receivable includes Nu. 47,446,067 and payable includes Nu. 13,797,702 from the current year transaction.

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

d) 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.

e) Reserves for un-expired risks amounting to Nu. 383,187,717 (Previous Year Nu. 298,423,742) created in the Revenue Accounts in respect of General Insurance business and Nu. 24,255,550 (Previous Year Nu. 33,751,593) 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.

50 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.

51 Interest on Employees' Contribution and the Employers' contribution of Private Provident Fund and Group Insurance Saving from the year ended 31stDecember, 2022 have been accounted for @ 7.00% per annum on simple daily product basis. However, with the competition in the PPF business, the interest on Employees' and Employers' contribution has been reverted back to annual compounding effective from 1st January 2024.

52 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.

53 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: -

		2025	2024
a)	**Internal Funds**		
	Life Insurance Fund	7.50% p.a.	7.00% p.a.
	General Insurance Fund	7.00% p.a.	7.00% p.a.
	Group Insurance Fund	8.00% p.a.	8.00% p.a.
	Annuity Fund	10.50% p.a.	11.75% p.a.
	Private Provident Fund	6.00% p.a.	6.00% p.a.
	Private Provident Fund I	8.00% p.a.	9.00% p.a.
	Gratuity Fund	9.00% p.a.	10.00% p.a.
	Securities Fund	8.00% p.a.	8.00% p.a.
	Reinsurance Fund	7.00% p.a.	7.00% p.a.
b)	**External Funds:**		
	T Bank Limited	9.00% p.a.	
	Bank of Bhutan Limited	8.25% p.a.	
	Bhutan Development Bank Limited	8.25% p.a.	

Security details of the borrowings

a) T Bank Limited: Cash Flow and Fixed Deposit.
b) BOBL: Fixed Deposit.
c) BDBL: Fixed Deposit.

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54 Fixed Assets

a) There is no impairment of fixed assets of the Corporation, which may require any adjustment to be made.

b) Physical verification of the fixed assets for some branch offices are being carried out during the year.

c) The management during the year after completing the legal recourse and auction procedures took over assets amounting to Nu 118,728,882 from the borrowers against loans amounting to Nu. 236,587,455. The value of the assets was adjusted against the loans to the extent of Nu. 114,282,887 and excess amount of Nu. 4,445,906 is refundable to the borrower. The remaining loan amount of a borrower amounting to Nu. 122,304,479 is to be enforced for recovery.

55 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.

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

	2025	2024
Life Insurance Revenue	25.00%	25.00%
GIS Insurance Revenue	15.00%	15.00%
General Insurance Revenue	25.00%	25.00%
Credit & Investment Revenue	30.00%	30.00%
Reinsurance Revenue	2.00%	2.00%
Annuity Revenue Fund	1.50%	1.50%
Private Provident Fund	1.50%	1.50%

57 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 2024 and unaudited financial statement for the year 2025. 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. 827,972,098 (Previous Year Nu. 764,829,824) has been accounted-for. An amount of Nu. 113,967,652 (Previous year Nu. 108,296,097) has been paid to the policyholders 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. 5,898,088 (Previous Year Nu. 5,262,184). 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 2025 for Annuity business. Therefore, the excess of revenue over expenditure of Annuity fund amounting to Nu. 124,395,022 (Previous year Nu. 135,906,633) has been adjusted against Annuity fund.

58 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.

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

60 According to the letter issued by the Hon'ble Governor of 'Royal Monetary Authority of Bhutan' dated 24th July, 2015 providing approval to the financial institutions for rendering brokerage services as part of the normal services, the Company has approved the scheme of Merger with the holding company i.e. Royal Insurance Corporation of Bhutan Limited, in the board meeting and shareholders meeting dated 17th November, 2015. Further approval has been accorded by RMA allowing RICB to carry on securities business through their letter RMA/FRSD/16/2018-2019/2473 dated 19th November 2018. Subsequently RICB Securities Limited, fully owned subsidiary company is merged with RICB and the accounts consolidated effective from Financial Year 2018.

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61 Ratios computed as per the Prudential Regulations of RMA

a) The overall Capital Adequacy Ratio as at 31st December, 2025 is 18.64% (Previous Year 21.17%) and the Core Capital adequacy Ratio as on that date comes to 13.24% (Previous Year 15.47%) against at least 12.50% and 7.50% respectively, as laid down in the Prudential Regulations of Royal Monetary Authority of Bhutan.

b) The total exposure to a single borrower as at 31st December, 2025 amounted to 17.95% (Previous Year 10.78%) 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, 2025 aggregated to 17.31% (Previous Year 15.86%) 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 2025 is 16.05% (Previous Year 10.59%) as against 10% minimum, as prescribed in Prudential Regulations of Royal Monetary Authority of Bhutan.

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

63 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 4th April 2026.

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Annexure. 1 Formats for Annual Disclosures 1

Item 1: Tier 1 Capital and its sub-components			
Sl. No		**Current Period**	**Corresponding Period of Previous Year (COPPY)**
1	Total Tier 1 Capital		
a.	Paid-Up Capital	1,600,052	1,600,052
b.	General Reserves	-	-
c.	Share Premium Account	-	-
d.	Retained Earnings	2,243,596	2,004,793
Less:-			
e.	Losses for the Current Year	-	-
f.	Cross holding in Tier I capital of other Fis	203,018	203,018

Item 2: Tier 2 Capital and its sub-components			
Sl. 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	196,728	169,398
g.	Capital Grants	-	-
h.	Subordinated Debt	-	-
i.	Profit for the Year	-	-
All items reported in 000' Ngultrum			

Item 3: Risk weighted assets (Current Period and COPPY2) 3				
Sl.No	**Assets**	**Balance Sheet Amount**	**Risk Weight %**	**Risk Weighted Asset**
1	Zero-Risk Weighted Assets	98,800	0.00%	-
2	20% Risk Weighted Assets	6,446,553	20.00%	1,289,311
3	50% Risk Weighted Assets	235,770	50.00%	117,885
4	100% Risk Weighted Assets	23,254,701	100.00%	23,254,701
5	150% Risk weighted Assets	-	150.00%	-
6	200% Risk Weighted Assets	-	-	-
7	250% Risk weighted Assets	-	-	-
8	300% Risk Weighted Assets	-	-	-
Grand Totals		30,035,823		24,661,896

Item 4: Capital Adequacy ratios			
Sl.No		**Current Period**	**COPPY**
1	Tier 1 Capital	3,640,630	3,401,827
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	1,477,047	1,449,717
3	Total qualifying capital	5,117,677	4,851,544
All items reported in 000' Ngultrum			

2 COPPY figures to be reported in parenthesis next to the figures for the current reporting period
3 (i)This format is subject to change in line with a change in Form M12 of the monthly returns submitted by financial institutions to the RMA. (ii) In case of sector-specific risk-weights, loans to different sectors having the same risk weight can be summed together and reported under one risk weight heading. For example, if housing and transport loans are to receive the same 150% risk weight, then loans to the two sectors may be added together and reported as part of 'Loans and Advances' under the 150% risk-weight category.

Sl.No		**Current Period**	**COPPY**
4	Core CAR	13.31%	13.38%
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	18.70%	19.08%
6	Leverage ratio	12.31%	12.60%

Item 5: Loans and NPL by Sectoral Classification 4					
Sl.No	**Sector**	**Current Period**		**COPPY**	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	36,770	1,897	32,612	-
b.	Manufacturing/Industry	3,179,690	47,414	3,265,763	60,998
c.	Service & Tourism	7,960,412	38,419	6,660,333	40,633
d.	Trade & Commerce	2,724,570	181,191	2,617,905	3,952
e.	Housing	2,810,250	129,801	2,276,680	198,777
f.	Transport	537,781	175,135	609,418	140,346
g.	Loans to Purchase Securities	104,541	-	697	-
h.	Personal Loan	887,790	79,118	1,168,175	77,121
i.	Education Loan	56,010	2,695	42,468	-
j.	Loan Against Term Deposit	1,277	-	-	-
k.	Loans to FI(s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff loan (incentive)	456,242	-	288,889	-
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			
Sl.No	**Counter-party**	**Current Period**	**COPPY**
1	Overdrafts		
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	1,768,271	2,940,491
e.	Individuals	1,127,465	631,577
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
2	Term Loans	-	-
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	744,956	-
d.	Private Companies	8,466,982	8,604,745
e.	Individuals	6,652,019	4,780,135
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-

Item 10: Non performing Loans and Provisions			
Sl.No		**Current Period**	**COPPY**
1	Amount of NPLs (Gross)		
a.	Substandard	382,104	386,130
b.	Doubtful	199,639	125,496
c.	Loss	115,921	10,204
2	Specific Provisions		
a.	Substandard	67,831	72,294
b.	Doubtful	94,181	56,297
c.	Loss	102,410	9,174
d.	Additional Provision	-	-
3	Interest-in-Suspense		
a.	Substandard	42,753	24,659
b.	Doubtful	11,275	12,902
c.	Loss	13,510	1,029
4	Net NPLS		
a.	Substandard	271,520	289,177
b.	Doubtful	94,183	56,297
c.	Loss	-	-
5	Gross NPLs to Gross Loans	3.50%	3.08%
6	Net NPLs to Net loans	1.98%	2.06%
7	General Provisions		
a.	Standard	127,853	110,779
b.	Watch	62,085	48,726
c.	Additional Provision	6,789	9,892
All items reported in 000' Ngultrum			

Item 9: Assets and Liabilities by time-to-re-pricing (Current Period and COPPY 9)						
As of period ending 31/12/2105	**Time to re-pricing**				**Non-interest bearing**	**Total**
	0-3 Months	3-6 Months	6-12 months	More than12 months		
Assets						
Cash and Balances with Banks						
Treasury Bills						
Loans and Advances						
Investment securities						
Other Assets						
Total financial assets						
Liabilities						
Deposits						
Borrowings						
Other Liabilities						
Total financial liabilities						
Total interest						
Re-pricing gap						

Item 10: Non performing Loans and Provisions			
Sl.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 11: Assets and Investments			
Sl.No	**Investment**	**Current Period**	**COPPY**
1	Marketable Securities (Interest Earning)		
a.	RMA Securities	-	-
b.	RGOB Bonds/Securities	98,800	98,800
c.	Corporate Bonds	624,900	624,900
d.	Others	-	-
	Sub-total	723,700	723,700
2	Equity Investments		
e.	Public Companies	39,603	39,603
f.	Private Companies	82,170	82,170
g.	Commercial Banks	208,109	208,109
h.	Non-Bank Financial Institutions	88,561	88,561
Less			
i.	Specific Provisions	6,950	6,950
3	Fixed Assets		
j.	Fixed Assets (Gross)	3,301,712	3,093,317
Less			
k.	Accumulated Depreciation	354,852	322,662
l.	Fixed Assets (Net Book Value)	2,946,860	2,770,655

Item 12: Foreign exchange assets and liabilities (Current Period and COPPY10)			
	Liquid Foreign Currency Holdings (Up to one week)		
CURRENCY	**Assets in Foreign Currency**	**Liabilitie s in Foreign Currency**	**Net Short Term Position**
	1	2	3 = 1 - 2
USD	31	-	31
10 COPPY figures to be reported in parenthesis next to the figures for the current reporting period			
All items reported in 000' Ngultrum			

Item 13: Geographical Distribution of Exposures						
	Domestic		**India**		**Other**	
	Current Period	**COPPY**	**Current Period**	**COPPY**	**Current Period**	**COPPY**
Demand deposits held with other banks	1,236,929	454,079	3,814	283	-	-
Time deposits held with other banks	4,330,000	4,330,000	-	-	-	-
Borrowings	668,710	121,268	-	-	-	-

Item 14: Credit Risk Exposures by collateral			
Sl. No	**Particular**	**Current Period**	**COPPY**
1	Secured Loans	18,759,696	16,962,948
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	18,759,696	16,962,948
All items reported in 000' Ngultrum			

Item 15: Earnings Ratios (%)			
Sl.No	**Ratio**	**Current Period**	**COPPY**
1	Interest Income as a percentage of Average Assets	6.58%	7.06%
2	Non-interest income as a percentage of Average Assets	10.96%	12.68%
3	Operating Profit as a percentage of Average Assets	1.85%	4.77%
4	Return on Assets		
5	Business (Deposits plus advances) per employee		
4	Profit per employee	1,293	3,044

Item 16: Penalties imposed by the RMA in the past period				
Sl.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	Lapses in Credit opertaions	2,445	Nil	-
2				
3				

Item 17: Customer Complaints			
Sl.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 18: 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	521,474	(56,281)	(165,784)	(11,817)	(33,769)	143,832	
Current Year	655,673	134,199	433,771	86,427	80,519	(439,679)	

Item 19: Concentration of Credit and Deposits			
Sl.No	**Particular**	**End of Current Period**	**COPPY**
1	Total loans to 10 largest borrowers	3,248,166	2,690,545
2	As % of total Loans	17.31%	15.86%
3	Total deposits of the 10 largest depositors	-	-
4	As % of total deposits	-	-

Item 20: Exposure to 5 Largest NPL accounts			
Sl.No	**Particular**	**End of Current Period**	**COPPY**
1	Five largest NPL accounts	159,300	144,911
2	As % of total NPLs	24.30%	30.55%
All items reported in 000' Ngultrum			

RICB's Key MILESTONE

1975 – January 7, 1975 RICB established

1977 – RICB paid its first claim on Life Policy

1979 – RICB began to float preferential shares

1988 – Started Transport Corporation of Bhutan, a bus service linking Bhutan directly with Kolkata

1991 – Received license from the Ministry of Economic Affairs

1992 – De-linked Unit Trust of Bhutan (Now Bhutan National Bank)

1993 – Listed on Royal Securities Exchange of Bhutan

RICB's Key MILESTONE

- **1997** – Launched RICB Credit Card Operation for the first time in Bhutan
- **2000** – De-linked government employee provident fund from RICB (Now NPPF)
- **2010** – Awarded the ADFIAP Development Award in Corporate Social Responsibility Category
- **2012** – Awarded the ADFIAP Development Award in Corporate Social Responsibility Category
- **2015** – Awarded Certificate of Recognition by finance ministry for Good Tax Compliance Record
- **2020** – 2 billion right shares
- **2025** – 50 years of service to the nation

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