

Note 41: RMA Disclosures

Qualitative Disclosures

Capital Adequacy Ratio

The capital of the bank consists of Tier 1, which forms a core capital and Tier 2, which is a supplementary capital. Tier 1 capital constitutes paid up capital; general reserves; share premium; and retained earnings, which has decreased by 7.85% as compared to previous year. The decrease was mainly due to buyback of shares from IFC.

The Tier 2 capital consists of Exchange Fluctuation Reserve, Research and Development Fund, General Provisions and Subordinated Debts. As required under section 1.3.2 of RMA Prudential Regulation 2016, Tier 2 capital is to be reduced by 20% of the subordinated debts with remaining maturity of 5 years and the same has been adjusted. Tier 2 capital has decreased by 4.30% and the bank has not transferred any amount towards Bond redemption reserves in the accounting year.

The capital adequacy ratio as on the reporting date stands at 22.83% as compared to 23.36%, in the previous year.

Non-performing Loans & Provisioning

Loans and advances of the Bank has been classified under non-performing as per the definition provided in section 4.4 of the RMA Prudential Regulation. In the current year, the gross NPL stands at 6.91% and net NPL stands at -0.74% as against 7.13% and 0.51% in the previous year. The percentage of gross non-performing loans have decreased by about 3% as compared to last year, however in absolute amount, the gross NPL has increased by 13%.

General provisions of 1% and 1.5% are allocated against exposures classified under Standard and Watch respectively. Specific provisions of 20%, 50% and 100% are provided for term and Overdraft/working capital classified under sub-standard, doubtful and Loss/litigation/suspended respectively. The general provision provided by the Bank has increased by 17% from 2015 but specific provision has increased by about 33% over the previous year.

Risk Management

BNBL has introduced risk management function formally from 2015 to monitor and manage various risks the Bank is exposed to. The bank has now a comprehensive written policy on Risk Management to identify, measure, manage and mitigate the risk. The policy also has a detailed controlling tools, methodologies and reporting principles. The major risks the policy emphasizes are Credit Risk, Market Risk and Operational Risk.

The risk governance structure is defined in three tiers, namely the Board level Committee, Management Level Committee and Functional Risk Organization. Under Functional Risk Organization, we have Risk Management Department (RMD) which consists of three sub units, namely, Credit Risk Management Unit, Market Risk Management Unit and Operational Risk Management Unit. However, presently these Units are not handled separately by different personnel but managed together under RMD. As the Risk function matures in the Bank, the said Units will be handled by experienced personnel in the future reporting to Head of Risk.

Credit Risk forms the major risk of the Bank. The Bank has a robust credit approval process in place to assess the worthiness of a client to receive credit. A state of the art credit scoring model has been developed and in use to capture both quantitative and qualitative risk factors of the corporate clients-registered companies. The credit scoring model will generate a final score for the client which will enable the Bank to take a prudent lending decision.

Under Credit Risk we monitor the concentration risk- single borrower limit, group borrower limit, sector limit rating grade concentration and also the prohibited industry/ sector or product. These risks were managed well within the pre-approved limits during the year.

Under market risk, the Bank monitors the net foreign exchange position, movement of equity/commodity prices and Interest rate risk. A tolerance limit for net FX position has been set by the Board. The FX risk is assumed within the approved threshold. Currently there is no tolerance limit defined for equity/commodity risk and the Interest Rate Risk.

Operational Risk is enterprise-wide. The Bank has implemented robust measures and processes in all operational areas in accordance with the standard operational procedures (SOP) and anti-money laundering and combating the financing of terrorism policy.

Besides the above risks, the Bank also monitors liquidity risk, reputation risk, strategic risk which are material to the Bank.

Quantitative Disclosure

The disclosures are as per the requirements under section 3.2.2 of Macro-prudential rules and regulations– Disclosure Requirements and the figures are under Local GAP presented in 000 Ngultrum unless specified. However, the bank without proper written guidelines from the regulator has not disclosed Item 7, 8 and 9.

Item 1: Tier 1 Capital and its sub-components

Sl.No		Current Period	COPPY
1	Total Tier 1 Capital		
a	Paid-Up Capital	3,291,936	3,548,077
b	General Reserves	2,327,364	2,381,550
c	Share Premium Account	-	34,023
d	Retained Earnings	41,531	175,466
Less:-			
e	Losses for the Current Year	-	
f	Buyback of FI's own shares	-	
g	Holdings of Tier 1 instruments issued by FIs	- 3,733	

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	-	-
c	Exchange Fluctuation Reserve	131,942	106,543
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	354,000	354,000
f	General Provision	238,713	205,968
g	Capital Grants	-	-
h	Subordinated Debt	850,000	850,000
i	Profit for the Year	- 224,644	- 154,491

Item 3: Risk weighted Assets (Current Year and COPPY)**Current year**

Sl.No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	7,817,515	0%	-
2	20% Risk Weighted Assets	3,073,083	20%	614,617
3	50% Risk Weighted Assets	419,221	50%	209,611
4	100% Risk Weighted Assets	27,151,376	100%	27,151,376
5	150% Risk Weighted Assets	171,634	150%	257,452
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets	-	300%	-

COPPY

Sl.No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	6,430,073	0%	-
2	20% Risk Weighted Assets	3,733,858	20%	746,772
3	50% Risk Weighted Assets	704,634	50%	352,317
4	100% Risk Weighted Assets	9,451,559	100%	9,451,559
5	150% Risk Weighted Assets	10,115,569	150%	15,173,354
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets	446,954	300%	1,340,861

Item 4: Capital Adequacy ratios

	Current Period	COPPY
Tier 1 Capital	5,657,098	6,139,116
<i>Of which Counter-cyclical Capital Buffer (CcyB) (if applicable)</i>		
<i>Of which Sectoral Capital Requirements (SCR) (if applicable)</i>		
Sector 1		
Sector 2		
Sector 3		
Tier 2 Capital	1,350,011	1,348,119
Total Qualifying capital	6,960,529	7,487,235
Core CAR	18.56%	19.15%
<i>Of which CcyB (if applicable) expressed as % of RWA</i>		
<i>Of which SCR (if applicable) expressed as % of Sectoral RWA</i>		
Sector 1		
Sector 2		
Sector 3		
CAR	22.83%	23.36%
Leverage Ratio	14.64%	17.83%

Item 5: Loans and NPL by Sectoral Classification

S.No	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	695	695	714	410
b.	Manufacturing/Industry	4,442,348	371,681	2,936,473	271,947
c.	Service & Toursim	4,596,155	87,456	3,490,142	267,380
d.	Trade & Commerce	6,060,151	593,712	5,376,308	357,441
e.	Housing	6,862,905	326,931	6,473,261	249,036
f.	Transport	1,162,279	62,190	789,899	50,021
g.	Loans to Purchase Securities	63,438	835	83,434	799
h.	Personal Loan/LDCL/CC	1,042,841	105,370	495,566	63,834
i.	Education Loan	-	-	-	-
j.	Loan Against Term Deposit	110,627	250	152,397	41
k.	Loans to FI (s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff Loan (incentive)	287,034	7,879	253,846	2,367
n.	Loans to Govt. Owned Corporation	-	-	561,017	154
o.	Consumer Loan (GE)	-	-	464,015	10,708
	Total	24,628,474	1,556,999	21,077,073	1,274,137

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

S.No	Counter- party	Current Period	COPPY
1	Overdrafts		
a.	Governments	-	-
b.	Governments Corporation	-	-
c.	Public Companies	8,040	85,567
d.	Private Companies	5,527,849	4,951,164
e.	Individuals	173,097	130,479
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	845,032	100,030
2	Term Loans		
a.	Governments	-	-
b.	Governments Corporation	-	-
c.	Public Companies	513,630	561,283
d.	Private Companies	6,359,716	5,197,264
e.	Individuals	11,201,109	10,015,182
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	36,104

Item 10: Non Performing Loans and Provisions

Sl No		Current Period	COPPY
1	Amount of NPLs (Gross)		
a.	Substandard	185,367	394,097
b.	Doubtful	124,492	164,408
c.	Loss	1,394,478	943,864
2	Specific Provisions		
a.	Substandard	40,216	64,841
b.	Doubtful	63,034	71,473
c.	Loss	1,280,096	900,392
3	Interest - in -Suspense		
a.	Substandard	7,706	9,679
b.	Doubtful	8,571	11,016
c.	Loss	130,693	141,058
4	Net NPLs		
a.	Substandard	137,446	319,577
b.	Doubtful	52,887	81,918
c.	Loss	- 16,311	- 97,586
5	Gross NPLs to Gross Loans	6.91%	7.13%
6	Net NPLs to Net Loans	0.74%	0.51%
7	General Provision		
a.	Standard	204,049.20	172,790.81
b.	Watch	34,663.50	30,847.55

Item 11: Assets and Investments

SI No	Investment	Current Period	COPPY
1	Marketable Securities (Interest Earning)		
a	RMA Securities	2,897,100	-
b	RGOB Bonds/Securities	-	-
c	Corporate Bonds	115,332	115,332
d	Others	100,000	-
	<i>Sub-total</i>	3,112,432	115,332
2	Equity Investments		
	Public Companies	119,563	119,563
	Private Companies	-	-
	Commercial Banks	2,500	2,500
	Non-Bank Financial Institutions	40,794	40,794
<i>Less</i>			
i	Specific Provisions		-
3	Fixed Assets		
j	Fixed Assets (Gross)	682,200	572,605
<i>Less</i>			
k	Accumulated Depreciation	245,721	214,174
l	Fixed Assets (Net Book Value)	436,479	358,431

Item 12: Foreign exchange assets and liabilities (Current Period and COPPY)

Current period

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week)			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/ Core Capital
	1	2	3= 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	688,754	528,134	160,620	135,800	-	135,800	296,420	5.24
SG\$	1,593		1,593	-	-	-	1,593	0.03
EURO	60,895	24,532	36,363	-	-	-	36,363	0.64
AUD	29,643	4,644	24,999	-	-	-	24,999	0.44
CAD	143		143	-	-	-	143	0.00
HKD	1,808		1,808	-	-	-	1,808	0.03
GBP	16,783	0	16,783	-	-	-	16,783	0.30
NOK	39		39	-	-	-	39	0.00
DKK	-		-	-	-	-	-	-
CHF	571		571	-	-	-	571	0.01
JPY	4,393		4,393	-	-	-	4,393	0.08
INR	201,642	18,975	182,667	-	-	-	182,667	3.23
SEK	158		158	-	-	-	158	0.00

COPPY

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week)			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	615,185	339,021	276,164	445,383	-	445,383	721,547	11.75
SG\$	816		816	-	-	-	816	0.01
EURO	67,266	41,864	25,402	-	-	-	25,402	0.41
AUD	70,803		70,803	-	-	-	70,803	1.15
CAD	12		12	-	-	-	12	0.00
HKD	475		475	-	-	-	475	0.01
GBP	37,735	0	37,734	-	-	-	37,734	0.61
NOK			-	-	-	-	-	-
DKK	29		29	-	-	-	29	0.00
CHF	691		691	-	-	-	691	0.01
JPY	10,757		10,757	-	-	-	10,757	0.18
INR	405,478	22,734	382,743	-	-	-	382,743	6.23
SEK	2		2	-	-	-	2	0.00

Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits held with other banks	704,029	5,546,601	177,875	315,828	720,831	414,827
Time deposits held with other banks	1,774,589	1,765,969	-	-	135,977	445,601
Borrowings	850,000	850,000	-	-	-	-

Item 14: Credit Risk Exposures by collateral

Sl.No	Particular	Current Period	COPPY
1	Secured Loans	24,628,474	21,077,073
a.	Loans secured by physical/real estate collateral	23,781,010	20,365,579
b.	Loans secured by financial collateral	174,065	235,831
c.	Loans secured by guarantees	673,399	475,662
2	Unsecured Loans	-	-
3	Total Loans	24,628,474	21,077,073

Item 15: Earnings Ratio (%)

Sl.No	Ratio	Current Period	COPPY
1	Interest Income as a percentage of Average Assets	8.06%	7.50%
2	Non-interest income as a percentage of Average Assets	0.66%	0.78%
b.	Operating Profit as a percentage of Average Assets	5.49%	5.57%
c.	Return on Assets	1.84%	3.12%
2	Business (Deposits plus advances) per employee	113,000	94,047
3	Profit per employee	1,483	2,192

Item 16: Penalties imposed by 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	Current Account OD	315.58	NA	-

Item 19: Concentration of Credit and Deposits

Sl.No	Particular	End of Current Period	COPPY
1	Total Loans to 10 Largest borrowers	5,518,369	4,719,388
2	<i>As % of total loans</i>	22.41%	22.39%
3	Total deposits of the 10 Largest depositors	10,764,884	10,233,237
4	<i>As % of total deposits</i>	41.07%	48.53%

Item 20: Exposure of 5 Largest NPL accounts

Sl.No	Particular	End of Current Period	COPPY
1	Five Largest NPL Accounts	178,631	353,986
2	<i>As % of total NPLs</i>	10.50%	23.56%