

Highlights on the Financial Sector Performance

June 2022



This report presents the highlights on the performance of the Bhutanese financial sector on peer group basis for the period ended Q2FY'22 in comparison to the previous year's corresponding quarter. This report has been prepared by the Department of Financial Regulation & Supervision of the Royal Monetary Authority of Bhutan (RMA) and the information contained in this report is based on the returns submitted by the financial institutions.

DEPARTMENT OF FINANCIAL REGULATION & SUPERVISION

ROYAL MONETARY AUTHORITY OF BHUTAN



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1. Executive Summary

This report presents the highlights on the performance of the Bhutanese financial sector for the period ended Q2FY22 in comparison to the previous year's corresponding quarter. This report is more focused on providing a descriptive analysis of the financial sector data for the last one year. The following are the financial service providers in Bhutan whose data has been included in this report:

Banks

1. Bhutan National Bank Limited
2. Bank of Bhutan Limited
3. Druk PNB Bank Limited
4. TBank Limited
5. Bhutan Development Bank Limited

Non-Banks

1. Royal Insurance Corporation of Bhutan Limited
2. Bhutan Insurance Limited
3. National Pension and Provident Fund

Micro-Finance Institutions

1. RENEW Microfinance Private Limited
2. BAOWE Pelzhing
3. Bhutan Care Credit Limited
4. Tarayana Micro-Finance Private Limited
5. Micro-Finance Bhutan Private Limited

CSI Bank

1. National CSI Development Bank Limited

The main highlights of this report are as follows:

The capital fund stood at Nu. 27.59 billion in June 2022 as compared to Nu. 23.36 billion in June 2021. The CAR stood at 15% in June 2022 as compared to 13.45% in June 2021. Regarding the total loan, the credit exposure increased from Nu. 172.14 billion in June 2021 to Nu. 185.91 billion in June 2022. The top three highly exposed sectors are Housing with Nu. 48.66 billion, Service & Tourism with Nu. 47.89 billion, and Production & Manufacturing with Nu. 24.8 billion. Additionally, the Non-Performing Loan (NPL) to total loan ratio in June 2022 stands at 8.64% which is a reduction by Nu. 8.2 billion as compared to the June quarter of 2021. The total NPL for June 2022 stands at Nu. 16.06 billion as compared to Nu. 24.24 billion in June 2021. The sectors like Service & Tourism, Trade & Commerce, and Production & Manufacturing saw a substantial decrease in NPL by Nu. 2 billion, 1.8 billion, and 1.5 billion respectively.

The profitability of financial institutions has increased in June 2022 as compared to last year's same quarter. The profitability (after tax) as of June 2022 stands at Nu. 4.7 billion as compared to a profit of Nu. 3.35 billion in June 2021. The profit was mainly brought about by the decrease in

NPL that subsequently resulted in a write-back of loan provision by Nu. 906 million. Financial institutions' *Statutory Liquidity Ratio (SLR)* as of June 2022 stands comfortably above the minimum regulatory requirement of 20 percent for banks and 10 percent for non-banks.

2. Highlights of the Financial Institutions¹

Highlights of the Financial Institutions					
Indicators	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Capital					
<i>RWCAR (Min req. 12.5%)</i>	13.45%	13.55%	15.48%	15.55%	15.00%
<i>Core CAR (Min req. 7.5%)</i>	10.11%	10.18%	11.82%	11.91%	11.43%
<i>Leverage Ratio (Min req. 5%)</i>	6.13%	6.06%	6.78%	6.83%	6.60%
Asset Quality					
<i>Gross NPL Ratio</i>	14.08%	12.38%	8.89%	9.78%	8.64%
<i>Net NPL to Net Loan</i>	3.90%	3.23%	0.48%	1.63%	0.97%
<i>Single Largest Borrower</i>	20.82%	20.80%	21.89%	19.16%	21.39%
<i>Provision to NPL</i>	58.97%	59.03%	77.31%	67.20%	70.30%
<i>Ten Largest Borrower</i>	16.04%	15.92%	15.63%	14.95%	14.80%
<i>NPL</i>	Nu. 24.24b	Nu. 21.77b	Nu. 15.66b	Nu. 17.56b	Nu. 16.06b
<i>Loan</i>	Nu. 172.14b	Nu. 175.79b	Nu. 176.21b	Nu. 179.57b	Nu. 185.91b
Earning					
<i>Return on Asset (RoA)</i>	1.58%	1.18%	1.79%	1.40%	1.98%
<i>Return on Equity (RoE)</i>	15.05%	11.55%	17.04%	13.29%	18.40%
<i>Profit After Tax (PaT)</i>	Nu. 3.36b	Nu. 2.61b	Nu. 3.99b	Nu. 3.37b	Nu. 4.85b
Liquidity					
<i>Loans to Deposits ratio (banks)</i>	77.51%	99.36%	73.02%	73.23%	74.29%
<i>Statutory Liquidity Requirement ratio</i>	31.29%	29.74%	32.64%	32.32%	29.66%
<i>Liquidity Position</i>	Nu. 25.39b	Nu. 22.79b	Nu. 29.84b	Nu. 29.52b	Nu. 24.14b
<i>Statutory Liquidity Requirement</i>	Nu. 39.07b	Nu. 39.95b	Nu. 41.61b	Nu. 42.08b	Nu. 43.2b

1.2 Highlights of the Financial Institutions - By Banks and Non-Banks

Indicators	Jun-22		
	Banks	Non-Banks	Total FI(s)
Capital			
<i>RWCAR (Min req. 12.5%)</i>	14.37%	18.99%	15.00%
<i>Core CAR (Min req. 7.5%)</i>	11.41%	11.56%	11.43%
<i>Leverage Ratio (Min req. 5%)</i>	7.55%	10.65%	6.60%
Asset Quality			
<i>Gross NPL Ratio</i>	6.52%	15.81%	8.64%

¹ The reporting Financial Institution include Banks; BNBL, BoBL, DPNBL, TBank, BDBL, Non-Banks; RICBL, BIL, and NPPF.

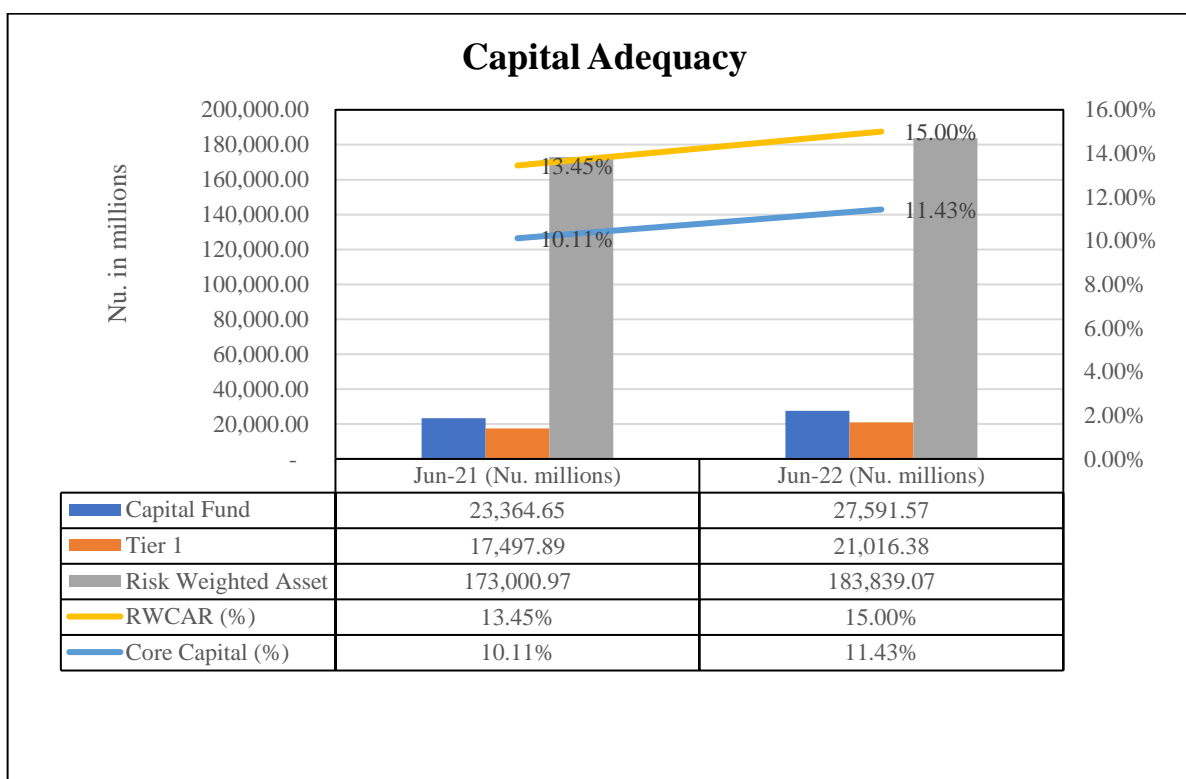
Net NPL to Net Loan	0.67%	2.09%	0.97%
Single Largest Borrower	19.31%	83.41%	21.39%
Provision to NPL	73.63%	65.65%	70.30%
Ten Largest Borrower	14.80%	14.79%	14.80%
NPL	Nu. 9.36b	Nu. 6.7b	Nu. 16.06b
Loan	Nu. 143.53b	Nu. 42.38b	Nu. 185.91b
Earning			
Return on Asset (RoA)	0.40%	14.99%	1.98%
Return on Equity (RoE)	3.94%	99.55%	18.40%
Profit After Tax (PaT)	Nu. 881.02	Nu. 3.97b	Nu. 4.85b
Liquidity			
Loans to Deposits ratio (banks)	74.29%		74.29%
Statutory Liquidity Requirement ratio	31.13%	16.08%	29.66%
Liquidity Position	Nu. 22.8b	Nu. 1.35b	Nu. 24.14b
Statutory Liquidity Requirement	Nu. 40.98b	Nu. 2.22b	Nu. 43.2b

3. Assets/ Liabilities- By Banks and Non-banks

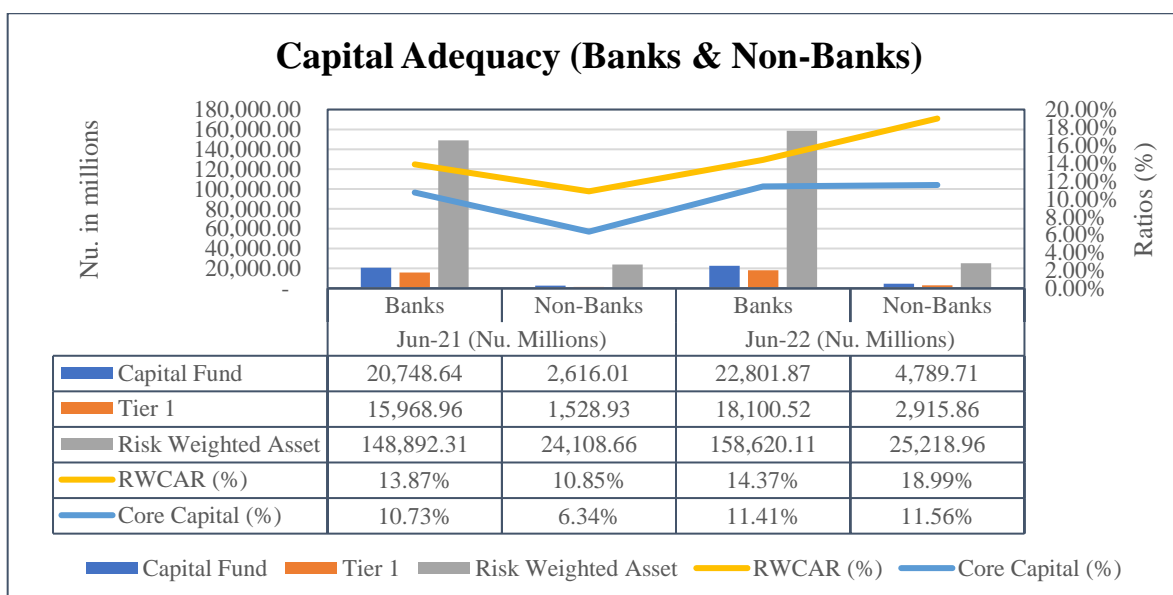
Assets	Jun- 21 (Nu. millions)		Jun- 22 (Nu. millions)	
	Banks	Non-Banks	Banks	Non-Banks
Cash & Bank balances	58,967.23	26,402.72	54,078.48	28,979.32
Marketable securities	19,526.77	439.57	28,592.61	572.81
Loans & Advances (net of provisions)	119,843.93	34,033.88	135,049.78	36,903.31
Equity Investment	645.39	4,871.71	1,178.58	5,585.76
Fixed Assets	2,943.33	1,978.22	2,917.03	3,056.36
Other Assets	3,485.53	2,188.98	5,887.22	2,875.92
Total	205,412.17	69,915.07	227,703.69	77,973.48

Liabilities	Jun- 21 (Nu. millions)		Jun- 22 (Nu. millions)	
	Banks	Non-Banks	Banks	Non-Banks
Paid up capital	8,990.89	1,700.00	8,990.89	1,700.00
Reserves	11,983.10	5,153.27	14,444.27	7,748.19
Deposit Liabilities	174,545.04	-	193,198.94	-
Bonds & borrowing	570.89	1,771.19	429.88	338.04
Interest provision	4,976.63	37.93	5,801.93	172.59
Fund	-	57,085.12	-	62,916.99
Other liabilities	4,345.62	4,167.56	4,837.78	5,097.67
Total	205,412.17	69,915.07	227,703.69	77,973.48

4. Capital and Reserves²

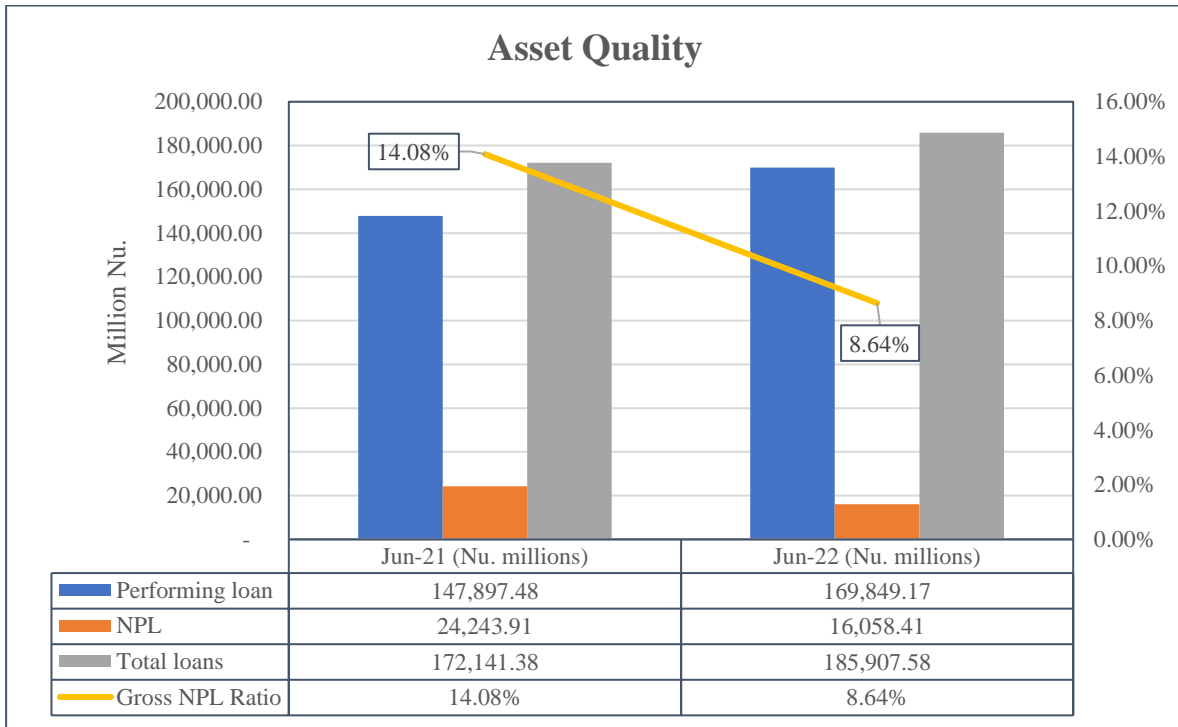


4.1 Capital and Reserves- By Banks and Non-Banks

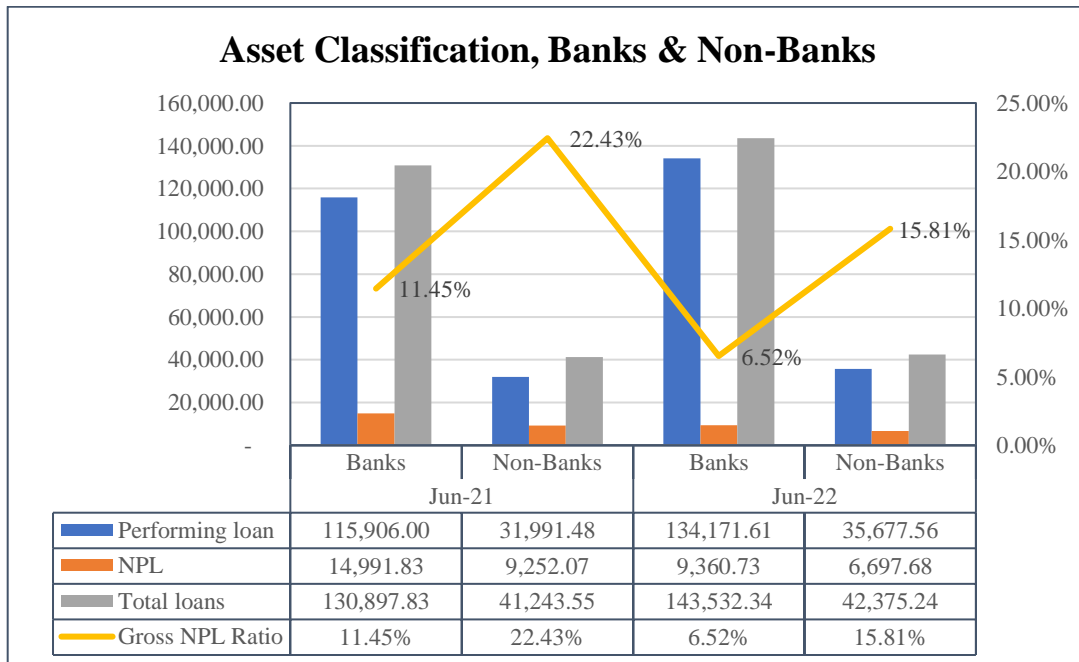


² For computation of RWCAR, related party NPLs are deducted from the Capital Fund

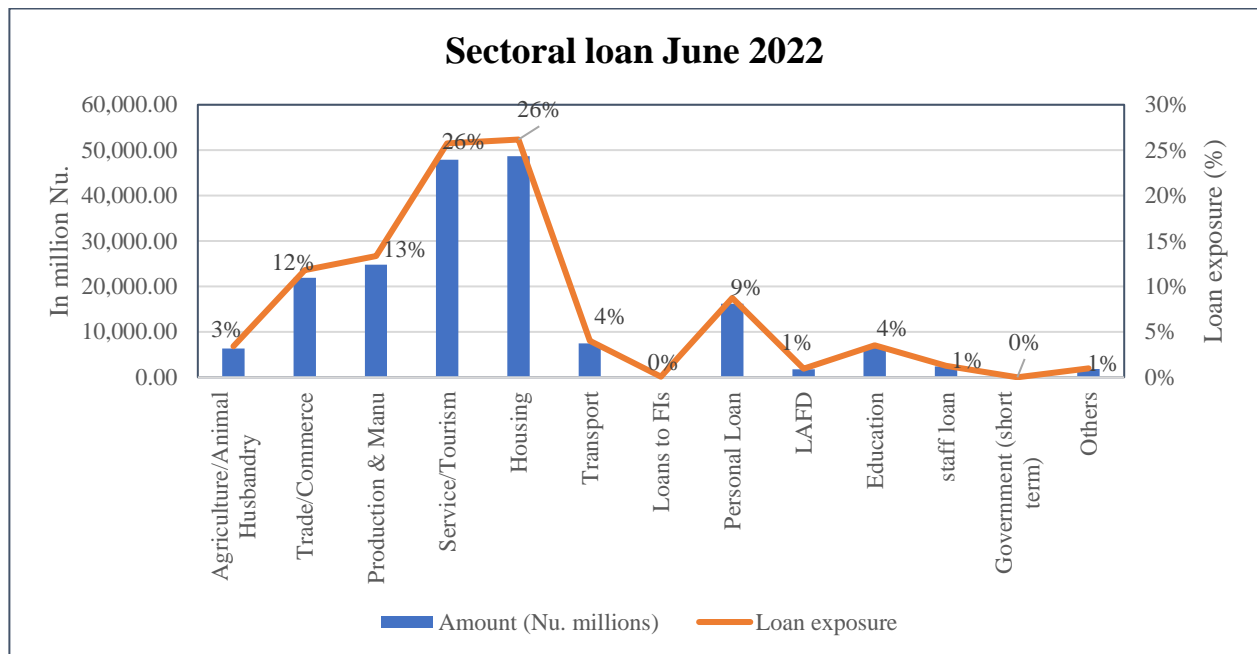
5. Asset Quality



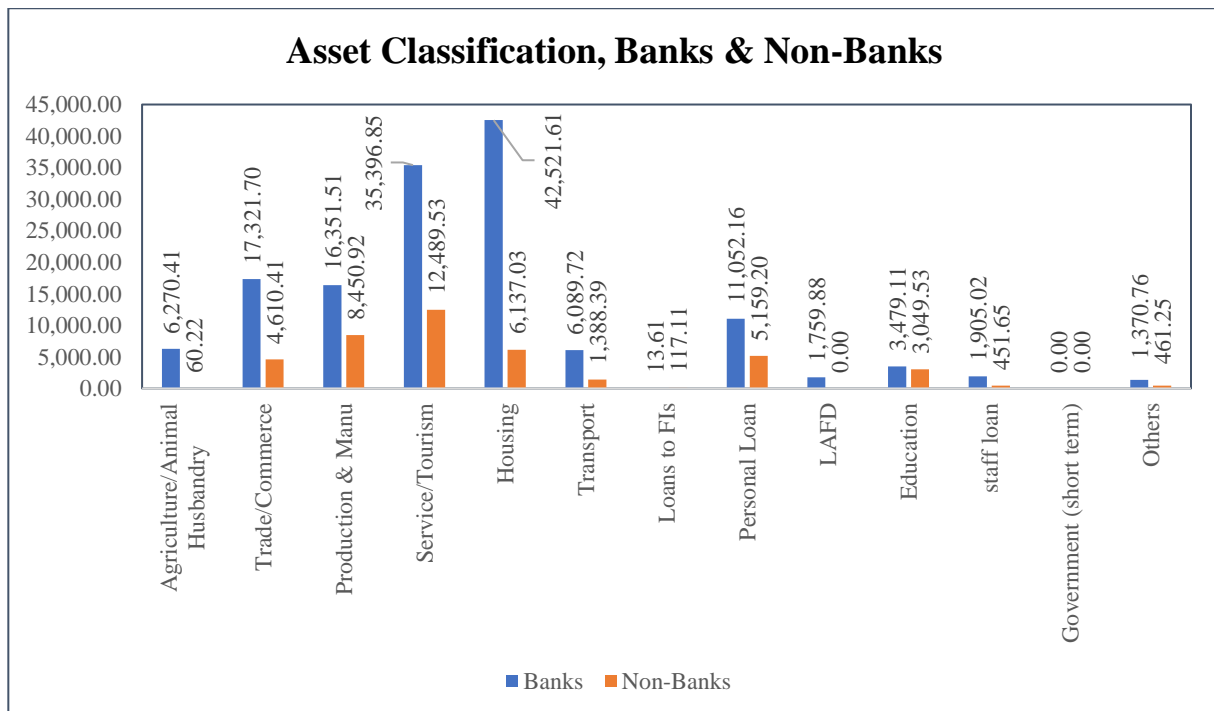
5.1 Asset Quality- By Banks and Non-Banks



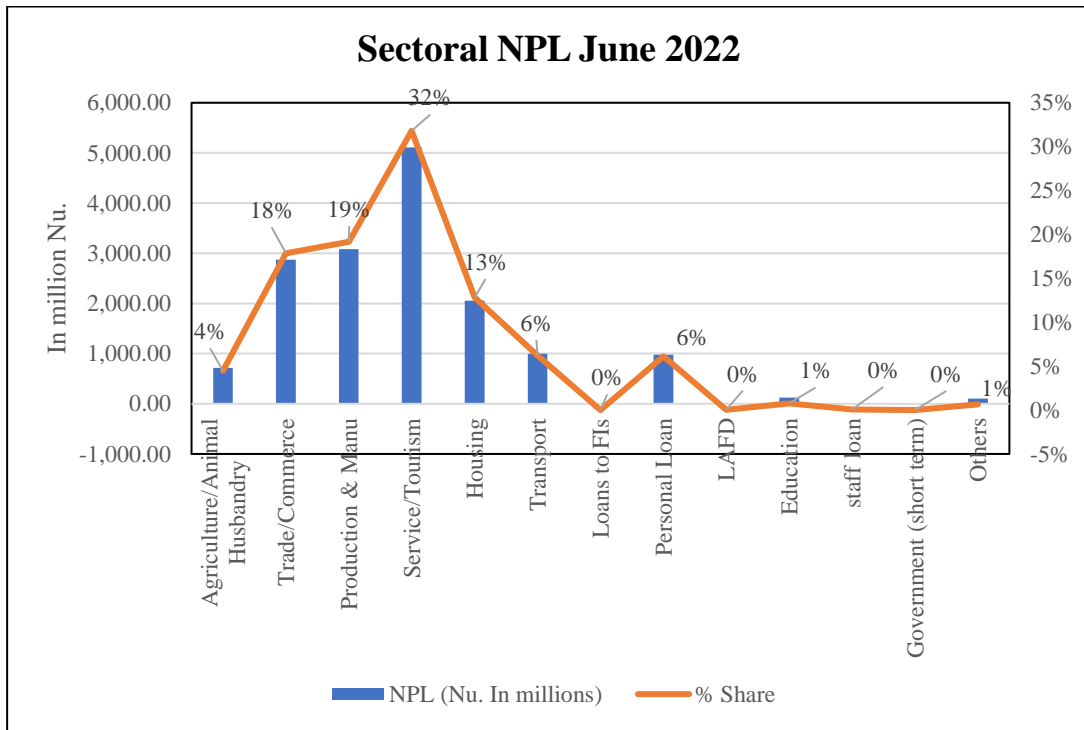
5.2 Sectoral Loans and Advances



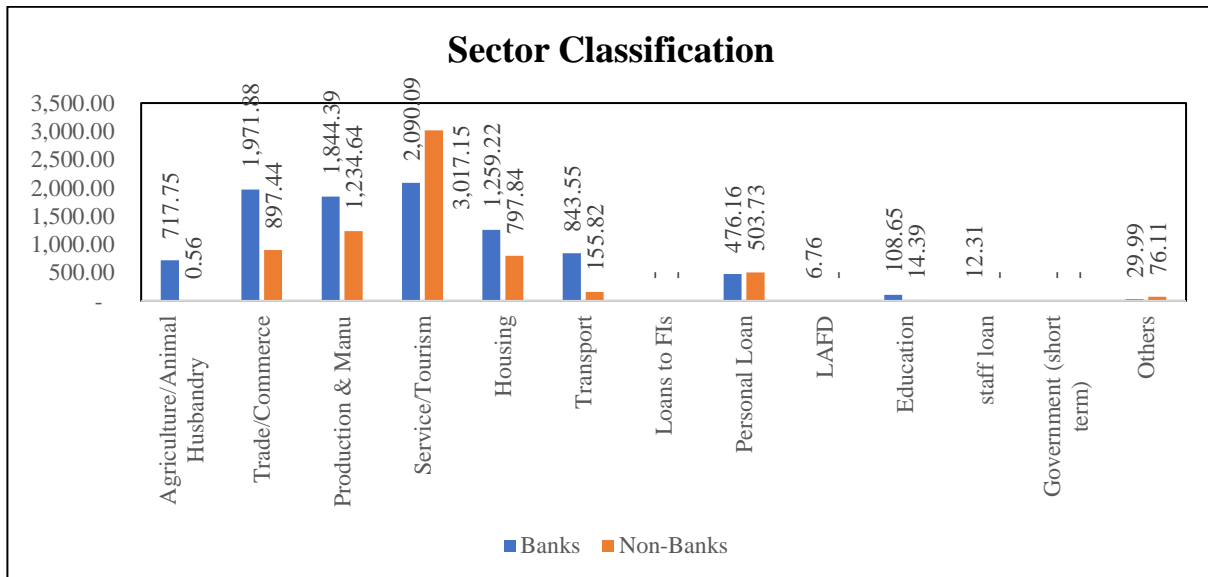
5.3 Sectoral Loans and Advances - By Banks and Non-Banks



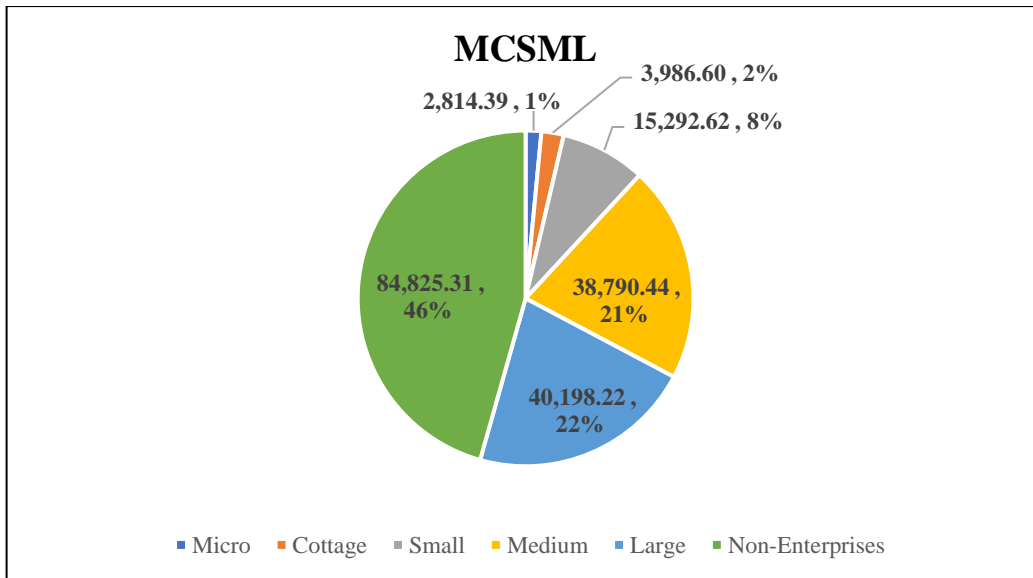
5.4 Sectoral NPL of Financial sector



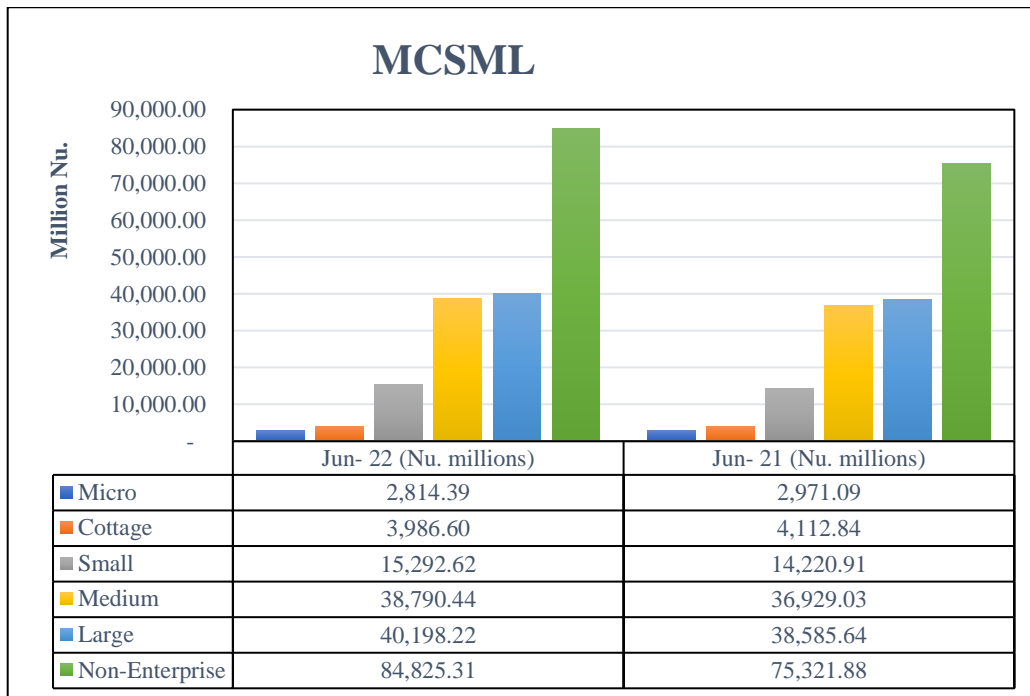
5.5 Sectoral NPL of Financial sector- By Banks and Non-Banks



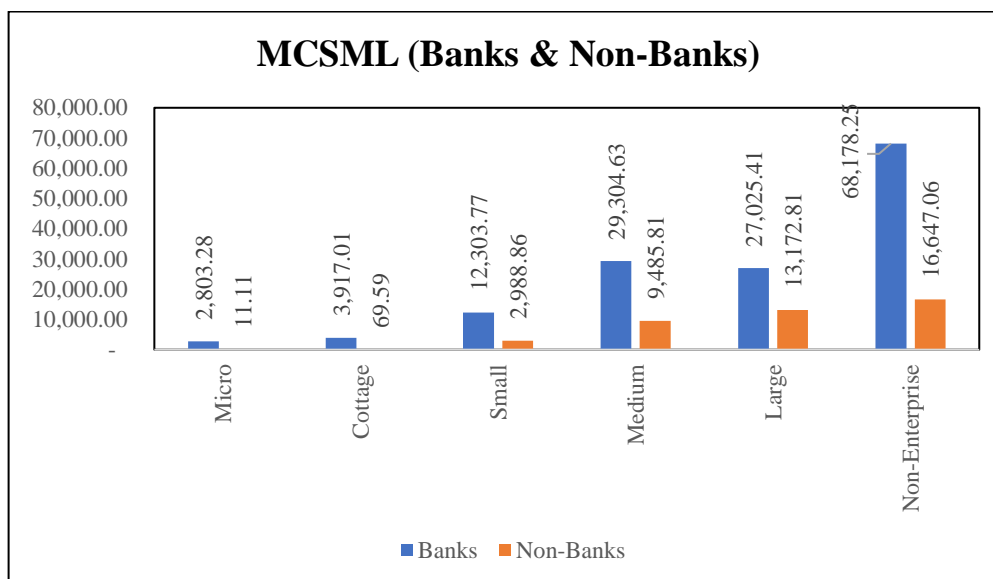
5.6 Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise



5.7 Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise



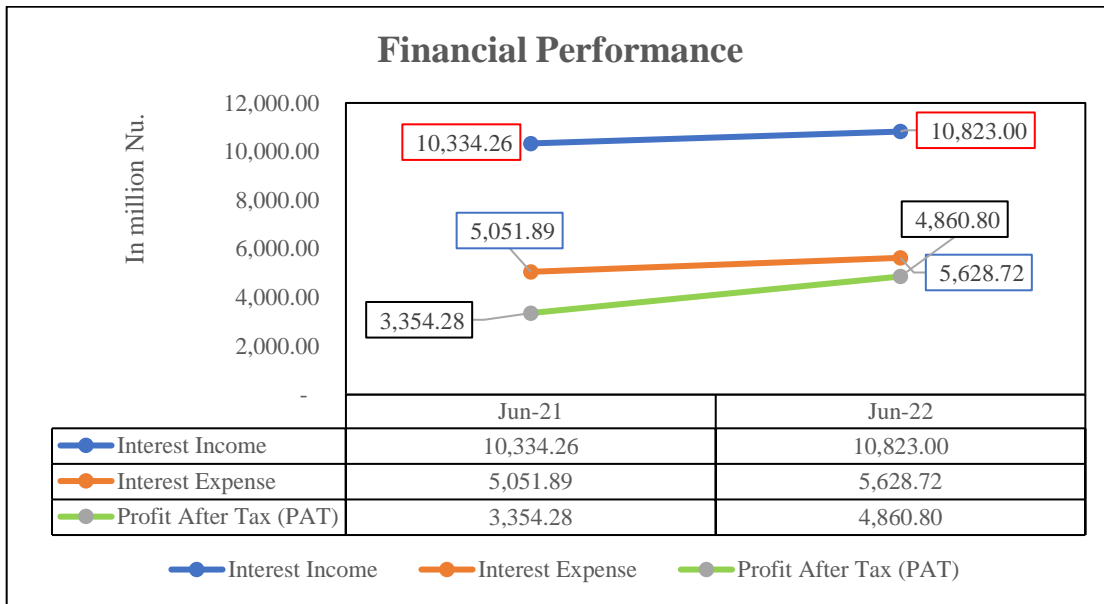
5.8 Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise-By Banks and Non-Banks



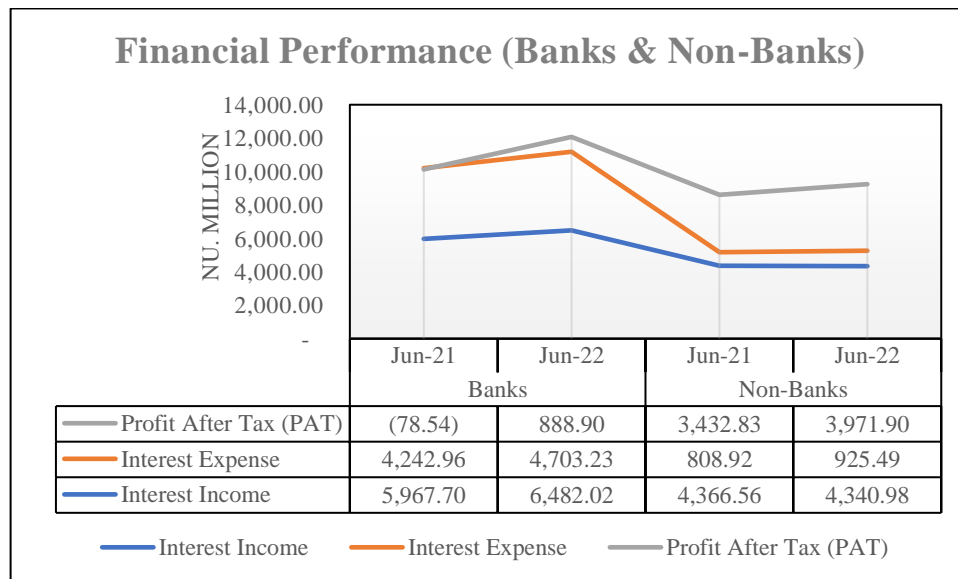
5.9 Access to Finance through Micro Finance Institutions (MFIs) and CSI Bank

Loan and NPL of MFIs and CSI bank (Nu. in millions)			
Sl no	Particulars	Jun-21	Jun-22
1	Total Loan Sanctioned	3,044.71	3,360.79
2	Total Loan Outstanding	2,552.56	2,665.95
3	Total NPL	426.60	254.70
4	Total no. of loan a/cs	11,345	12,857
5	NPL to loan ratio	16.71%	9.55%

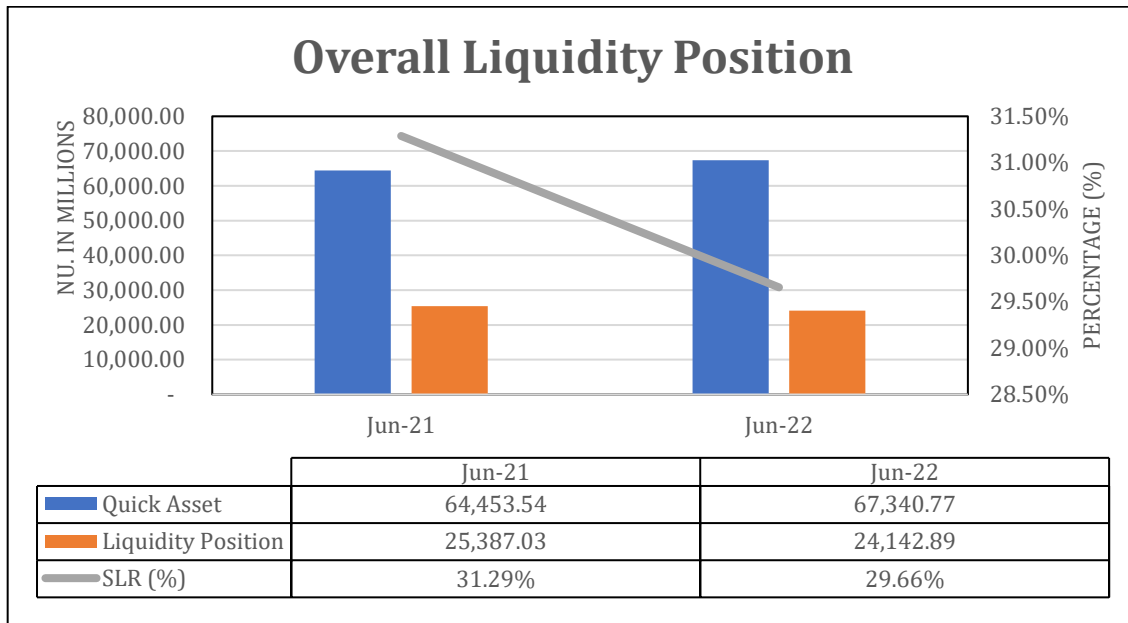
6. Profitability (Overall)



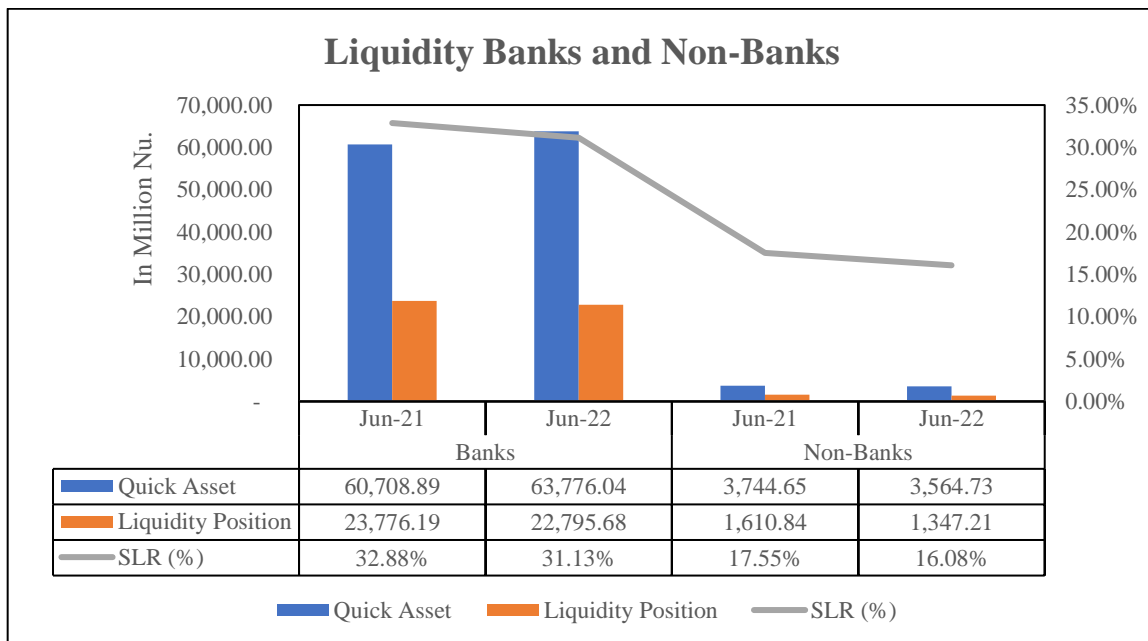
6.1 Profitability-By Banks and Non-Banks



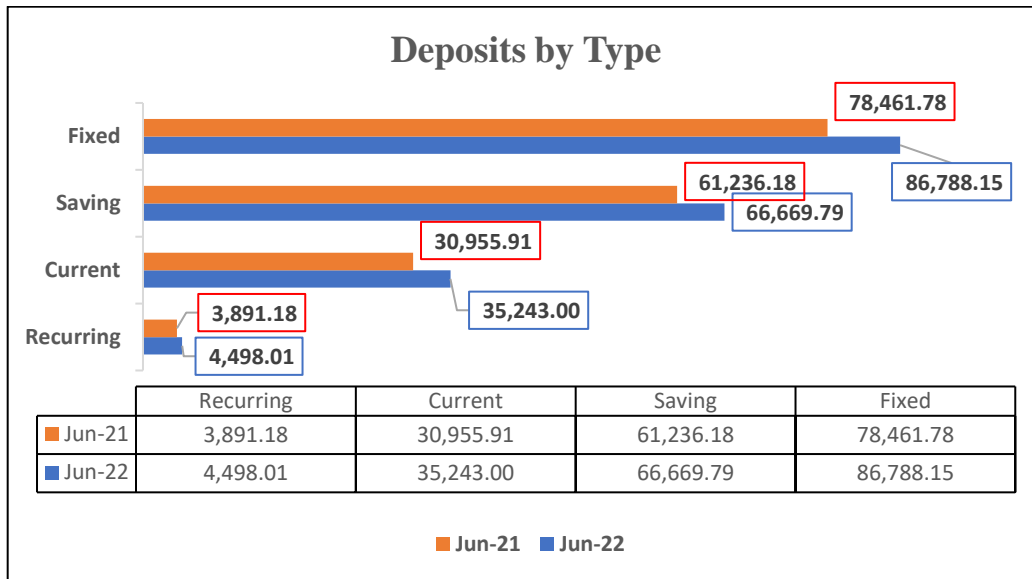
7. Liquidity (Overall)



7.1 Liquidity- By Banks and Non-Banks



8. Deposits (Banking Sector)



ANNEXURE I

a) Deposit by Customer June 2021- 2022 (figures in million Nu.)

Deposits by Customer	Total Deposits		% change	% Holding (2022)
	Jun-22	Jun-21		
Corporate deposits	72,862.13	69,696.29	4.54%	38.58%
Government	19,418.38	17,126.67	13.38%	10.28%
Government Corp.	22,251.45	20,565.74	8.20%	11.78%
Public Companies	950.83	738.24	28.80%	0.50%
Private Companies	9,437.66	11,513.48	-18.03%	5.00%
Commercial Banks	6,139.22	6,105.54	0.55%	3.25%
NBFIs	14,664.59	13,646.62	7.46%	7.77%
Retail deposits	120,336.81	104,848.75	14.77%	63.72%
Individuals	119,991.82	104,313.73	15.03%	63.54%
Foreign Currency	345.00	535.01	-35.52%	0.18%
Total	188,845.48	164,372.37	14.89%	100.00%

b) SECTORAL LOAN June 2021- 2022 (figures in million Nu.)

Sector	Total Loans		% Change	% Holding (June 2022)
	Jun-22	Jun-21		
Agriculture/Animal Husbandry	6,330.63	6,603.08	-4.13%	3.41%
Trade/Commerce	21,932.11	19,681.57	11.43%	11.80%
Production & Manu	24,802.43	21,869.79	13.41%	13.34%
Service/Tourism	47,886.38	48,411.11	-1.08%	25.76%
Housing	48,658.63	44,907.46	8.35%	26.17%
Transport	7,478.11	6,716.48	11.34%	4.02%
Loans to FIs	130.72	253.95	-48.52%	0.07%
Personal Loan	16,211.36	12,758.80	27.06%	8.72%
LAFD	1,759.88	1,342.74	31.07%	0.95%
Education	6,528.64	6,507.83	0.32%	3.51%
staff loan	2,356.67	1,576.92	49.45%	1.27%
Government (short term)	-	-		0.00%
Others	1,832.01	1,511.65	21.19%	0.99%
Totals	185,907.58	172,141.38	8.00%	100%

c) SECTORAL NPL June 2021- 2022 (figures in million Nu.)

Sector	Total NPLs		% Change	% Holding (Jun 2022)
	Jun-22	Jun-21		
Agriculture/Animal Husbandry	718.31	1,252.00	-42.63%	4.47%
Trade/Commerce	2,869.32	4,706.18	-39.03%	17.87%
Production & Manu	3,079.02	4,609.12	-33.20%	19.17%
Service/Tourism	5,107.24	7,072.50	-27.79%	31.80%
Housing	2,057.05	3,007.43	-31.60%	12.81%
Transport	999.37	1,721.61	-41.95%	6.22%
Loans to FIs	0.00	0.00	-83.10%	0.00%
Personal Loan	979.89	1,469.14	-33.30%	6.10%
LAFD	6.76	44.99	-84.98%	0.04%
Education	123.04	150.56	-18.28%	0.77%
staff loan	12.31	29.28	-57.96%	0.08%
Government (short term)	0.00	0.00		0.00%
Others	106.10	181.10	-41.41%	0.66%
Totals	16,058.41	24,243.91	-33.76%	100.00%

d) MCSML and Non enterprise Loan as of June 2022 (figures in million Nu.)

Sl no.	Sector	Total FIs			
		Loan Outstanding	NPL	% share of each category	% share of total outstanding
(1) MICRO	AGRICULTURE	2,344.91	227.21	83.32%	1.26%
	PROD & MANU	58.22	6.30	2.07%	0.03%
	SERVICE	127.90	27.62	4.54%	0.07%
	TRADE&COMMERCE	283.36	51.95	10.07%	0.15%
	LOANS TO FIs	-	-	0.00%	0.00%
	MICRO TOTAL	2,814.39	313.09	100.00%	1.51%
(2) COTTAGE	AGRICULTURE	2,844.74	387.78	71.36%	1.53%
	PROD & MANU	94.10	13.57	2.36%	0.05%
	SERVICE	375.44	80.52	9.42%	0.20%
	TRADE&COMMERCE	672.32	95.23	16.86%	0.36%
	LOANS TO FIs	-	-	0.00%	0.00%
	COTTAGE TOTAL	3,986.60	577.10	100.00%	2.14%
(3) SMALL	AGRICULTURE	874.72	92.16	5.72%	0.47%
	PROD & MANU	2,105.65	395.70	13.77%	1.13%
	SERVICE	4,430.79	973.40	28.97%	2.38%
	TRADE&COMMERCE	7,881.45	1,005.65	51.54%	4.24%
	LOANS TO FIs	-	-	0.00%	0.00%
	SMALL TOTAL	15,292.62	2,466.92	100.00%	8.23%
(4) MEDIUM	AGRICULTURE	266.25	11.16	0.69%	0.14%
	PROD & MANU	6,768.66	1,149.02	17.45%	3.64%
	SERVICE	20,408.90	3,386.47	52.61%	10.98%
	TRADE&COMMERCE	11,333.01	1,716.50	29.22%	6.10%
	LOANS TO FIs	13.61	(0.00)	0.04%	0.01%
	MEDIUM TOTAL	38,790.44	6,263.15	100.00%	20.87%
(5) LARGE	AGRICULTURE	-	-	0.00%	0.00%
	PROD & MANU	15,775.80	1,514.43	39.25%	8.49%
	SERVICE	22,543.35	639.22	56.08%	12.13%
	TRADE&COMMERCE	1,761.97	(0.00)	4.38%	0.95%
	LOANS TO FIs	117.11	-	0.29%	0.06%
	LARGE TOTAL	40,198.22	2,153.65	100.00%	21.62%
Non-Enterprise	HOUSING	48,658.63	2,057.05	57.36%	26.17%
	TRANSPORT	7,478.11	999.37	8.82%	4.02%
	PERSONAL	16,211.36	979.89	19.11%	8.72%
	STAFF LOAN	2,356.67	12.31	2.78%	1.27%
	Education Loan	6,528.64	123.04	7.70%	3.51%
	Loan Against Fixed Deposits	1,759.88	6.76	2.07%	0.95%
	Loans to the Govt	-	-	0.00%	0.00%
	Others	1,832.01	106.10	2.16%	0.99%
	Non- Enterprise TOTAL	84,825.31	4,284.52	100.00%	45.63%
GRAND TOTAL	185,907.58	16,058.41			