

Highlights on the Financial Sector Performance

March 2022



This report presents the highlights on the performance of the Bhutanese financial sector on peer group basis for the period ended Q3FY'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 Q3FY22 in comparison to the previous year's corresponding quarter and includes five banks, two insurance companies, one National Pension and Provident Fund, five Microfinance Institutions, and one CSI Bank. The main highlights of the Bhutanese financial Sector are as follows:

The capital fund stood at Nu. 27.66 billion in March 2022 as compared to Nu. 22.95 billion in March 2021. The CAR stood at 15.55% in March 2022 as compared to 13.31% in March 2021. Non-performing loans (NPLs) in the financial sector has decreased from Nu. 24.75 billion in March 2021 to Nu. 17.56 billion in March 2022. The Production & Manufacturing, Trade & Commerce, and Service & Tourism sectors saw a huge decrease in NPL by Nu. 2 billion, 1.42 billion and 1.44 billion respectively. The formulation and application of robust Monetary Measures (Phases I, II, and III) have enabled the availability of relief measures in the form of Interest Payment Support, Loan Restructuring and Rescheduling, and Deferment, which have helped in the improvement of the quality of loan portfolio. However, the impact of pandemic on the financial sector's Asset Quality (NPL) is expected to be a key challenge going forward.

The profitability of financial institutions has increased in March 2022 as compared to last year's same quarter. The profitability (after tax) as of March 2022 stood at Nu. 3.37 billion as compared to a profit of Nu. 1.63 billion in March 2021. The profit was mainly brought about by the decrease in NPL that subsequently resulted in write-back of loan provision by Nu. 800 million.

The Liquidity Position of the financial sector is expected to remain relatively stable with the implementation of the Domestic Liquidity Management Framework to help the financial institution with liquidity support. The domestic financial system has already played a significant role in supporting the liquidity needs of businesses so far in this pandemic. The deposit's structure has remained stable and largely unaffected since June 2021. The *Cash Reserve Ratio (CRR)* was reduced from 10 percent to 9 percent on 17th March 2020 and further to 7 percent on 27th April 2020, releasing total liquidity of over Nu. 4 billion to enable lending. Financial institutions' *Statutory Liquidity Ratio (SLR)* as of March 2022 is also 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	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Capital					
RWCAR (Min req. 12.5%)	13.31%	13.45%	13.55%	15.48%	15.55%
Core CAR (Min req. 7.5%)	10.25%	10.11%	10.18%	11.82%	11.91%
Leverage Ratio (Min req. 5%)	6.43%	6.13%	6.06%	6.78%	6.83%
Asset Quality					
Gross NPL Ratio	14.58%	14.08%	12.38%	8.89%	9.78%
Net NPL to Net Loan	4.61%	3.90%	3.23%	0.48%	1.63%
Single Largest Borrower	18.67%	20.82%	20.80%	21.89%	19.16%
Provision to NPL	56.77%	58.97%	59.03%	77.31%	67.20%
Ten Largest Borrower	14.69%	16.04%	15.92%	15.63%	14.95%
NPL	Nu. 24.75b	Nu. 24.24b	Nu. 21.77b	Nu. 15.66b	Nu. 17.56b
Loan	Nu. 169.80b	Nu. 172.14b	Nu. 175.79b	Nu. 176.21b	Nu. 179.57b
Earning					
Return on Asset (RoA)	0.80%	1.58%	1.18%	1.79%	1.40%
Return on Equity (RoE)	7.53%	15.05%	11.55%	17.04%	13.29%
Profit After Tax (PaT)	Nu.1.63b	Nu. 3.36b	Nu. 2.61b	Nu. 3.99b	Nu. 3.37b
Liquidity					
Loans to Deposits ratio (banks)	80.12%	77.51%	99.36%	73.02%	73.23%
Statutory Liquidity Requirement ratio	29.50%	31.29%	29.74%	32.64%	32.32%
Liquidity Position	Nu.20.87b	Nu. 25.39b	Nu. 22.79b	Nu. 29.84b	Nu. 29.52b
Statutory Liquidity Requirement	Nu.37.10b	Nu. 39.07b	Nu. 39.95b	Nu. 41.61b	Nu. 42.08b

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

Indicators	Mar-22		
	Banks	Non-Banks	Total FI(s)
Capital			
RWCAR (Min req. 12.5%)	15.10%	18.18%	15.55%
Core CAR (Min req. 7.5%)	12.10%	10.79%	11.91%
Leverage Ratio (Min req. 5%)	7.87%	10.23%	6.83%
Asset Quality			
Gross NPL Ratio	7.69%	16.76%	9.78%
Net NPL to Net Loan	1.47%	2.23%	1.63%
Single Largest Borrower	18.88%	21.36%	19.16%
Provision to NPL	67.12%	67.31%	67.20%
Ten Largest Borrower	15.06%	14.30%	14.95%

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

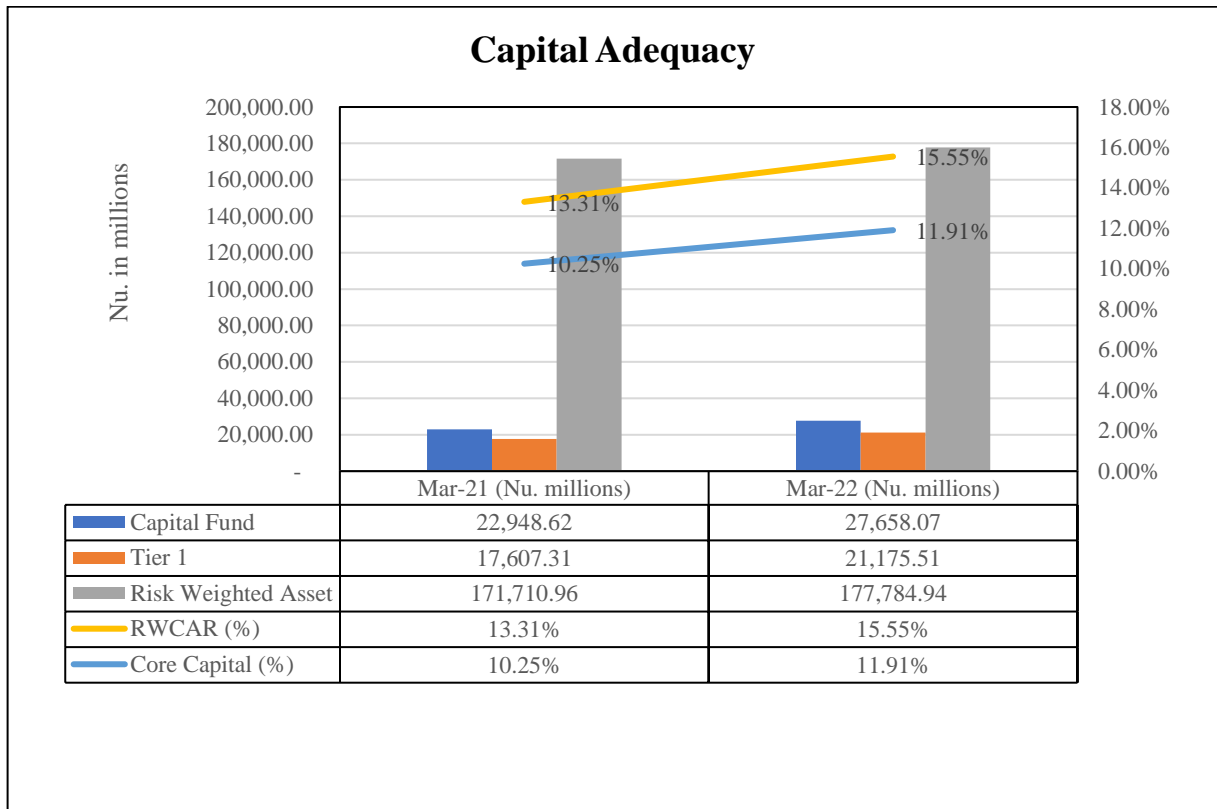
<i>NPL</i>	Nu. 10.64b	Nu. 6.92b	Nu. 17.56b
<i>Loan</i>	Nu. 138.28b	Nu. 41.29b	Nu. 179.57b
Earning			
<i>Return on Asset (RoA)</i>	0.21%	11.16%	1.40%
<i>Return on Equity (RoE)</i>	2.10%	80.20%	13.29%
<i>Profit After Tax (PaT)</i>	Nu. 451.19m	Nu. 2.88b	Nu. 3.33b
Liquidity			
<i>Loans to Deposits ratio (banks)</i>	73.23%	NA	73.23%
<i>Statutory Liquidity Requirement ratio</i>	33.61%	20.78%	32.32%
<i>Liquidity Position</i>	Nu. 27.13b	Nu. 2.39b	Nu. 29.52b
<i>Statutory Liquidity Requirement</i>	Nu. 39.86b	Nu. 2.22b	Nu. 42.08b

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

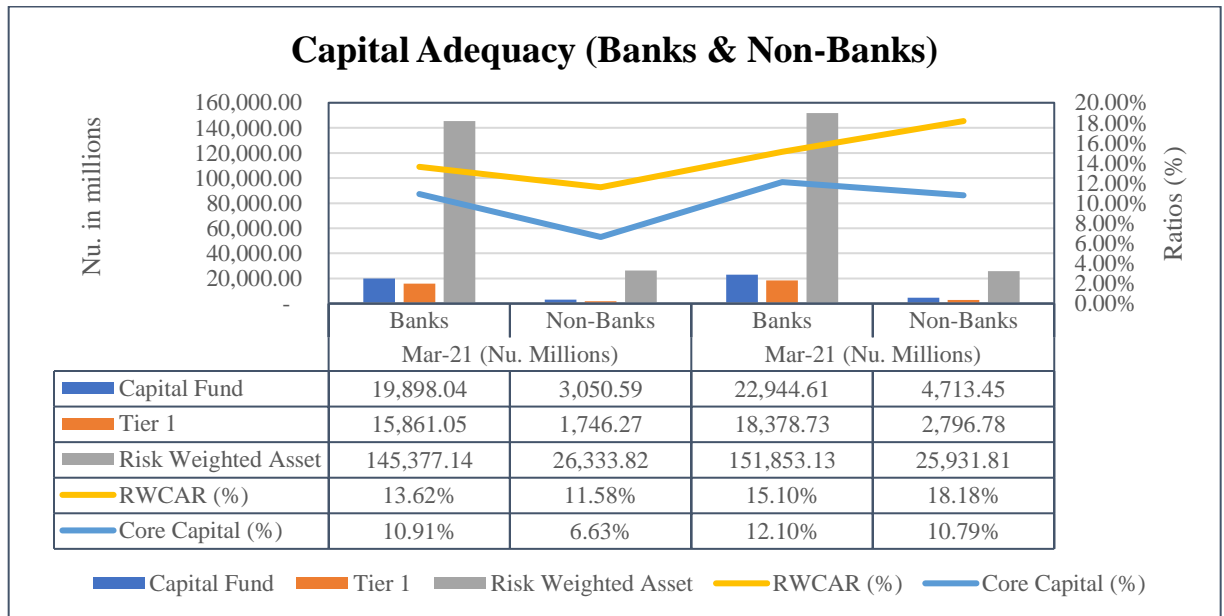
Assets	Mar- 21 (Nu. millions)		Mar- 22 (Nu. millions)	
	Banks	Non-Banks	Banks	Non-Banks
Cash & Bank balances	59,524.84	24,315.17	61,204.90	24,177.89
Marketable securities	10,469.20	233.70	22,473.48	4,733.76
Loans & Advances (net of provisions)	117,921.48	34,064.17	129,528.31	35,871.34
Equity Investment	645.39	4,861.77	1,059.78	6,073.14
Fixed Assets	2,967.68	1,961.33	3,012.67	2,997.12
Other Assets	2,844.74	3,925.22	4,955.44	2,334.96
Total	194,373.32	69,361.35	222,234.58	76,188.22

Liabilities	Mar- 21 (Nu. millions)		Mar- 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	11,389.95	4,740.51	14,581.45	6,747.76
Deposit Liabilities	164,372.37	-	188,845.48	-
Bonds & borrowing	603.21	1,775.04	464.11	1,490.97
Interest provision	4,588.18	100.15	5,769.32	171.85
Fund	-	57,422.40		61,919.54
Other liabilities	4,428.72	3,623.25	3,583.32	4,158.09
Total	194,373.32	69,361.35	222,234.58	76,188.22

4. Capital and Reserves²

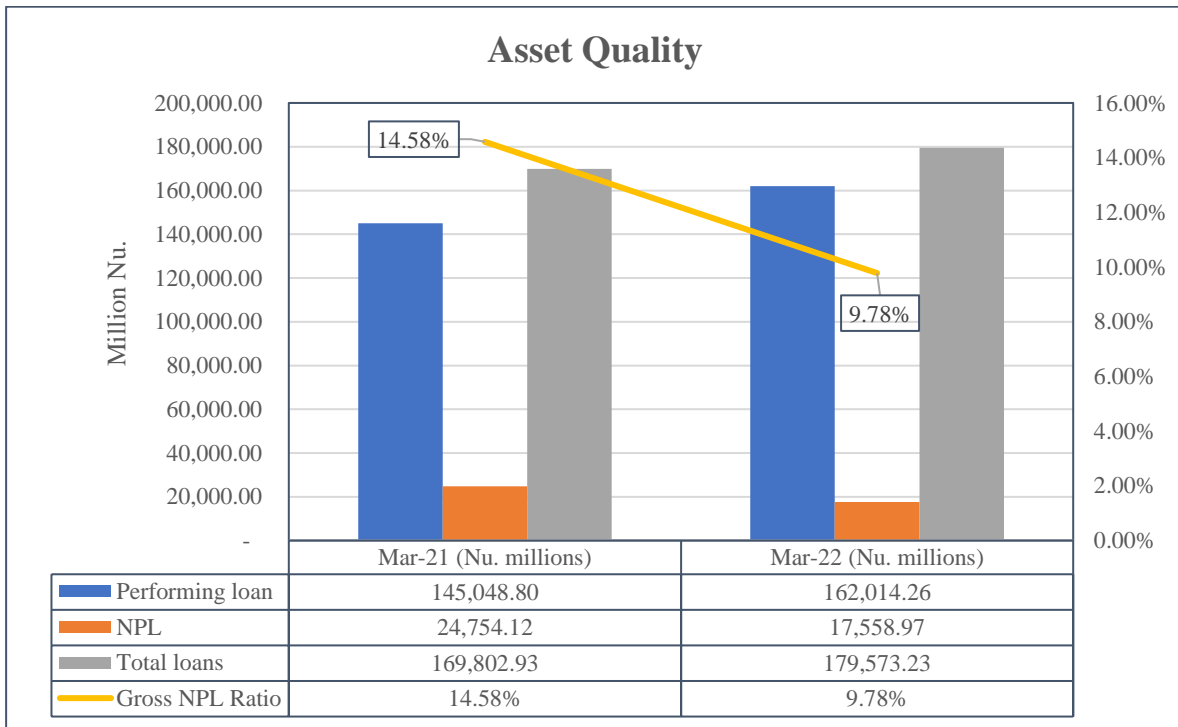


4.1 Capital and Reserves- By Banks and Non-Banks

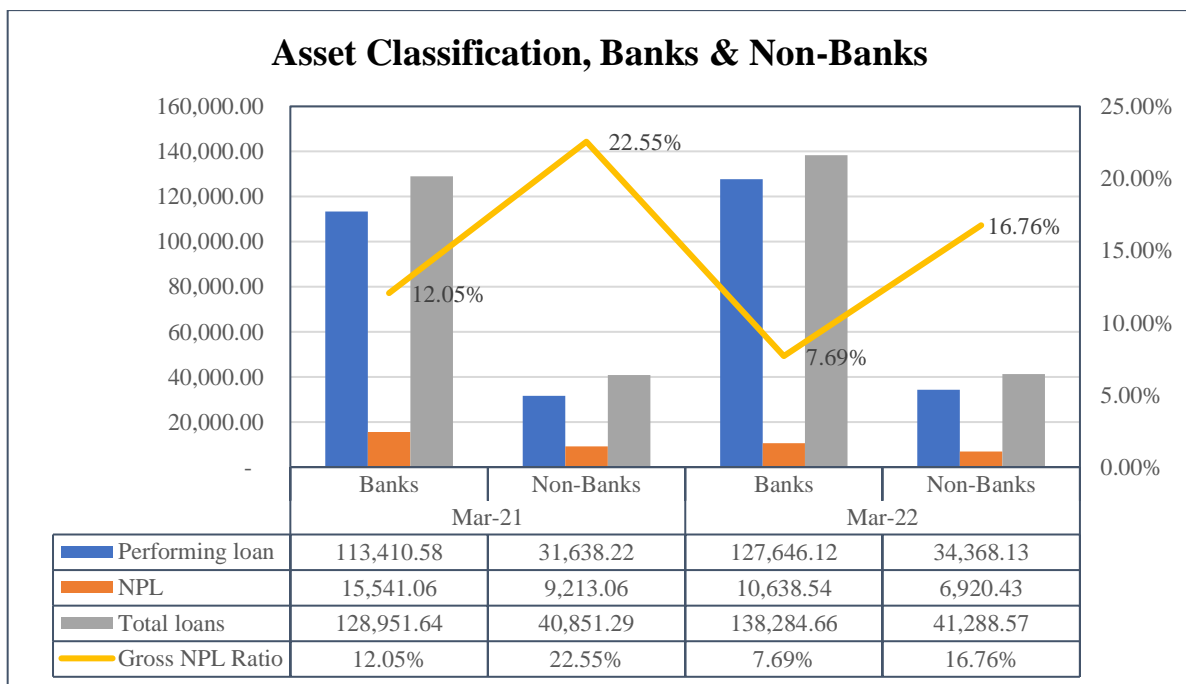


² For computation of RWCAR, related party NPLs are deducted from the Capital Fund

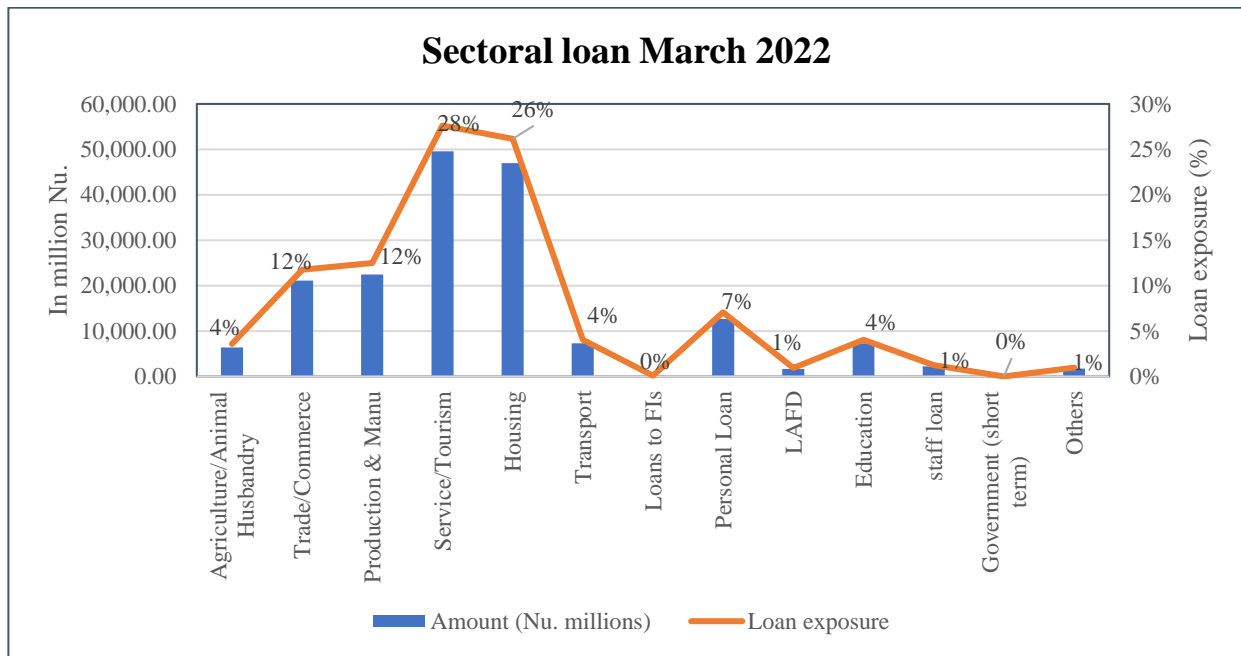
5. Asset Quality



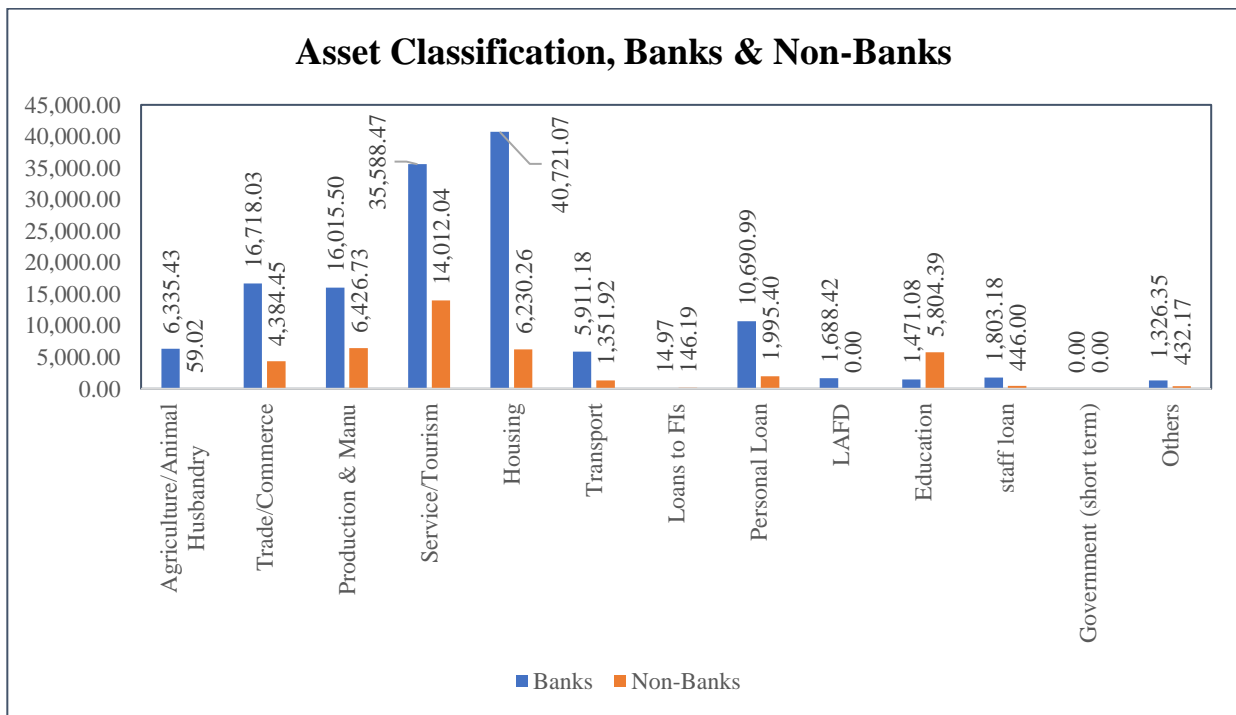
5.1 Asset Quality- By Banks and Non-Banks



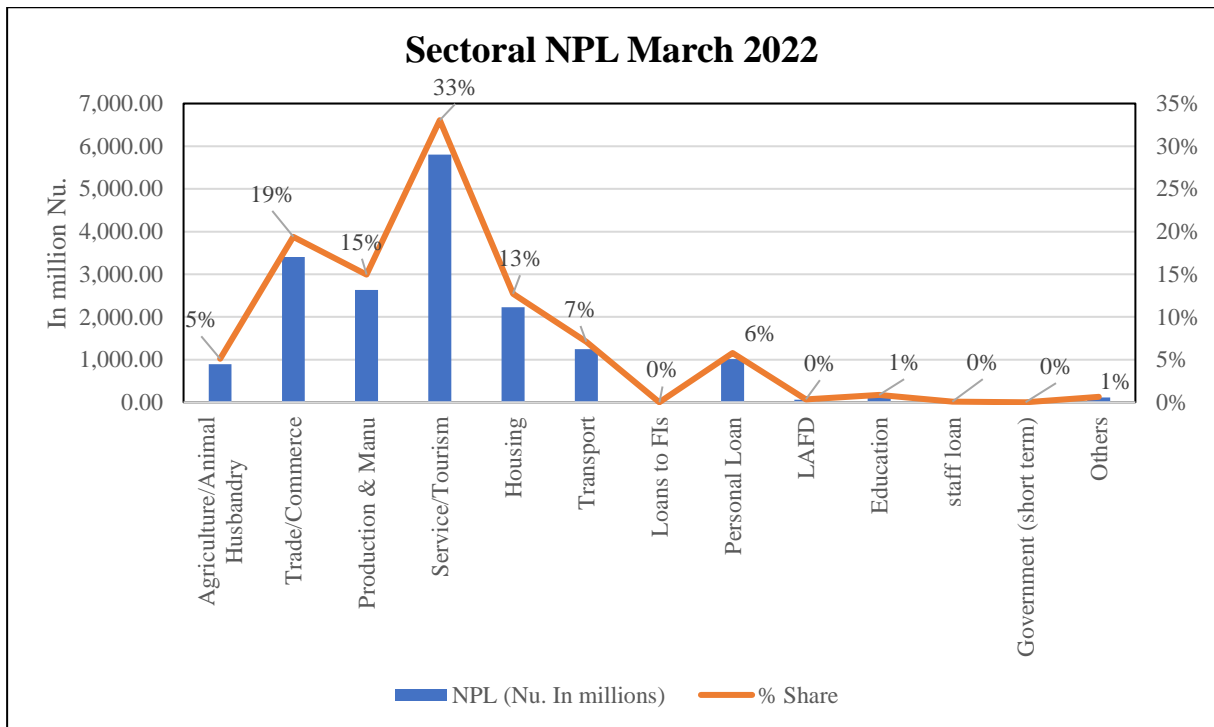
5.2 Sectoral Loans and Advances



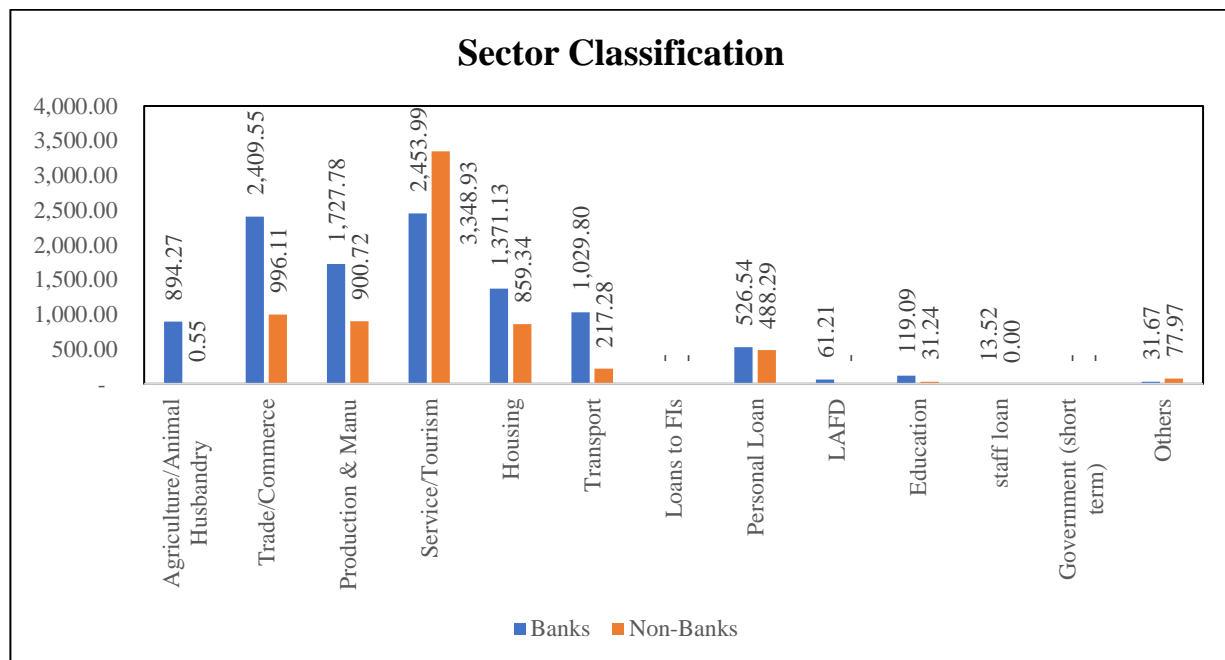
5.3 Sectoral Loans and Advances - By Banks and Non-Banks



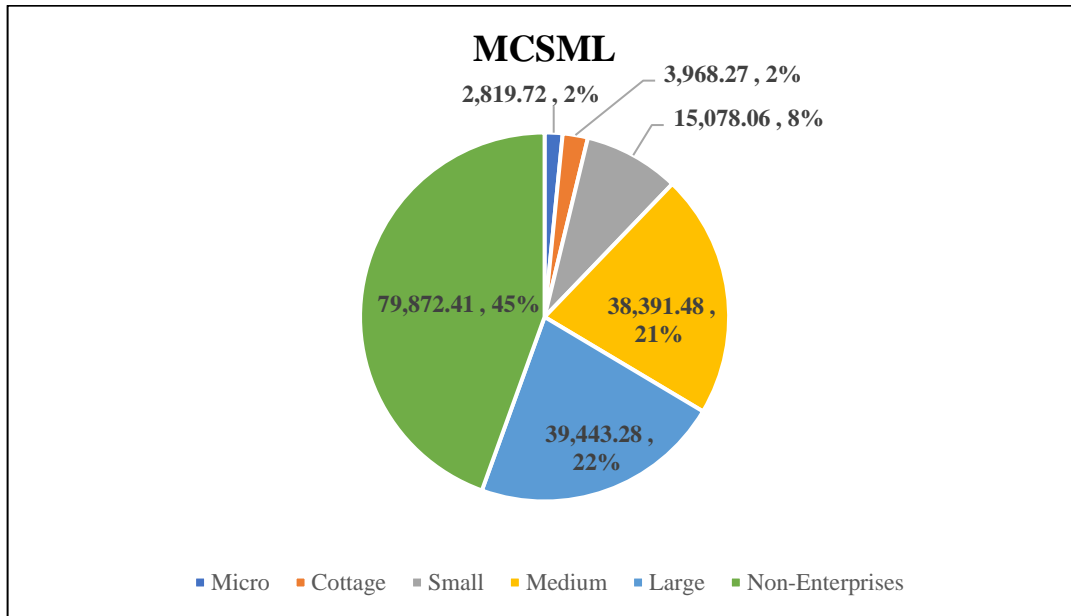
5.4 Sectoral NPL of Financial sector



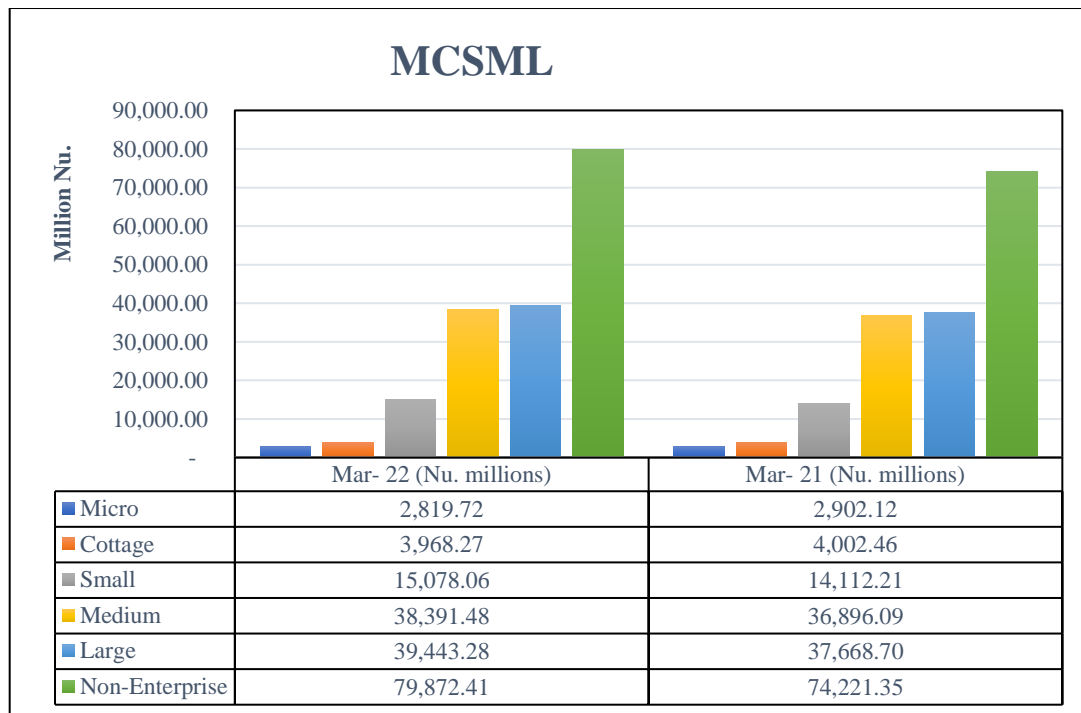
5.5 Sectoral NPL of Financial sector- By Banks and Non-Banks



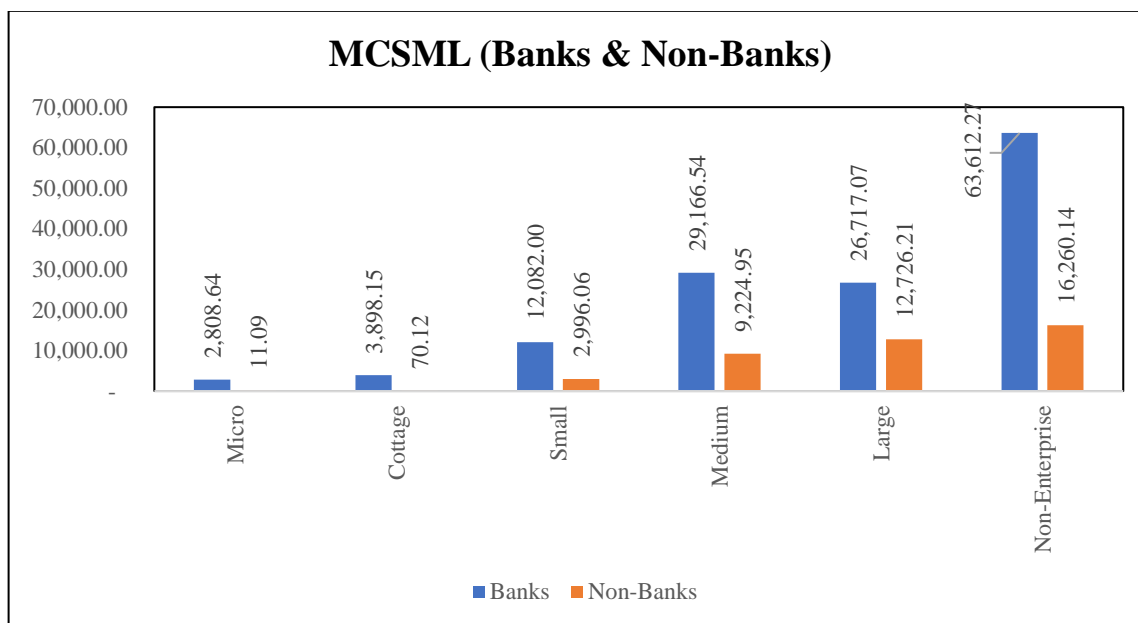
5.6 Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise



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



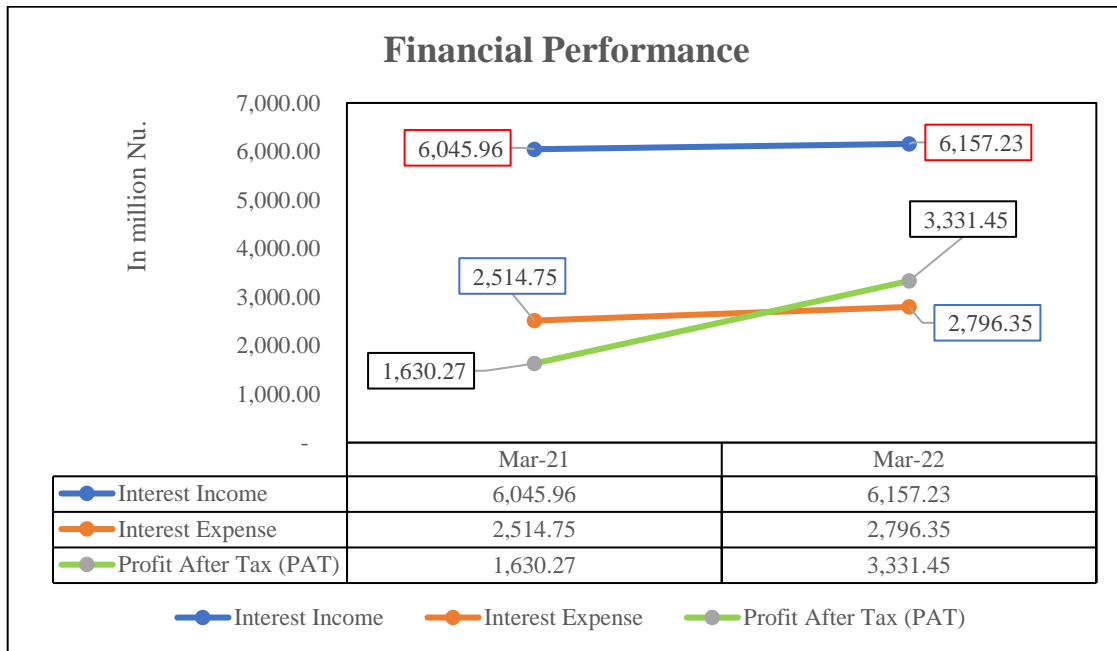
5.8 Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise- By Banks and Non-Banks



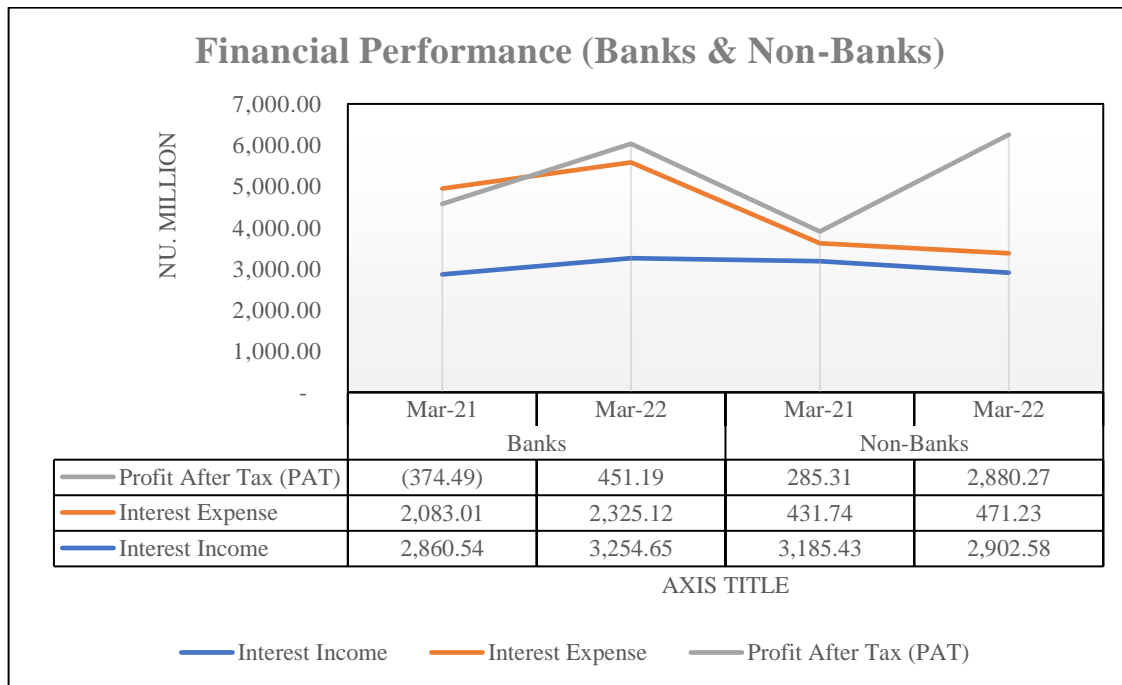
5.9 Access to Finance through Micro Finance Institutions (MFIs) and CSI Bank

Loan and NPL of MFIs and CSI bank (Nu. in millions)			
Sl no	Particulars	Mar-21	Mar-22
1	Total Loan Sanctioned	2,641.31	2,480.04
2	Total Loan Outstanding	2,347.11	2,079.88
3	Total NPL	5.12	265.59
4	Total no. of loan a/cs	3,735	10,089
5	NPL to loan ratio	2.44%	12.77%

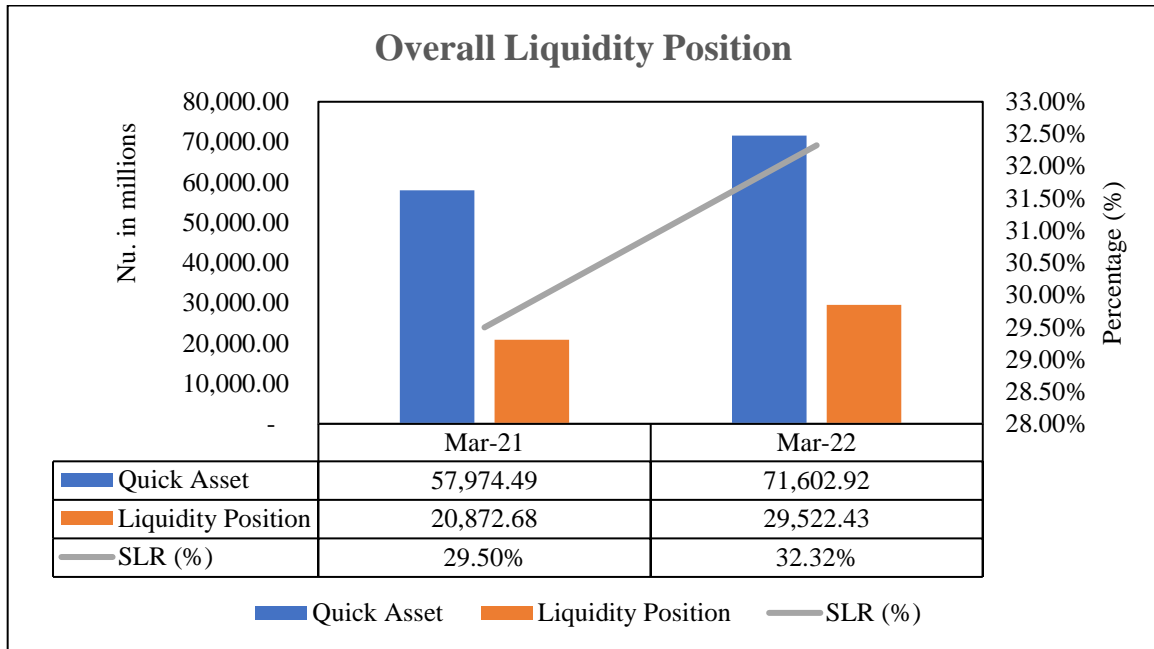
6. Profitability (Overall)



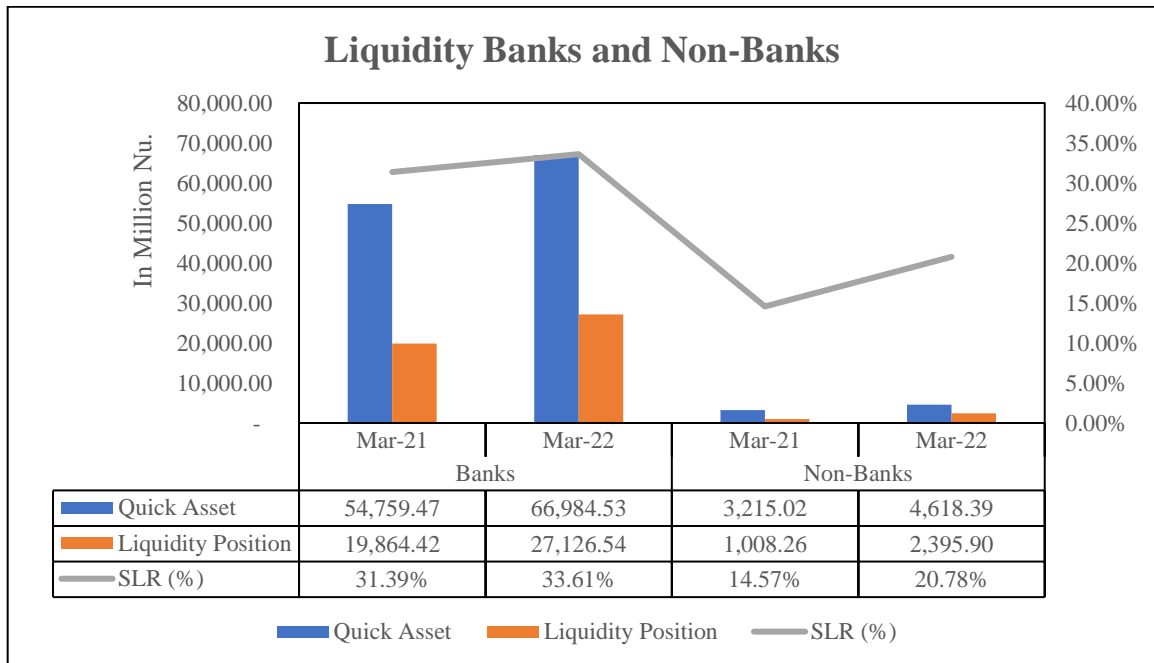
6.1 Profitability-By Banks and Non-Banks



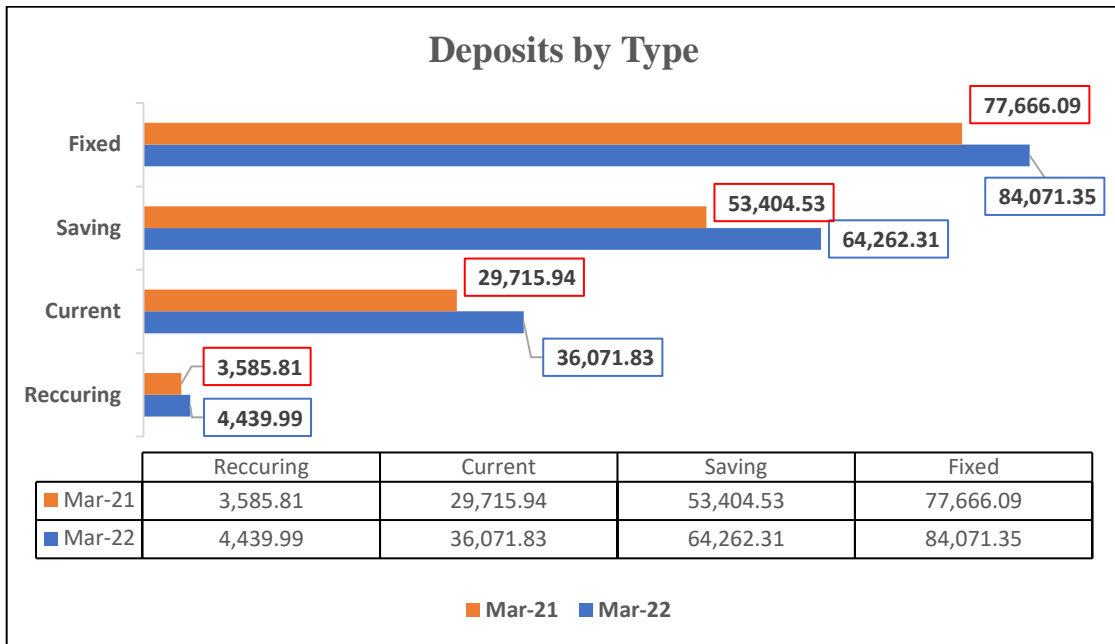
7. Liquidity (Overall)



7.1 Liquidity- By Banks and Non-Banks



8. Deposits (Banking Sector)



ANNEXURE I

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

Deposits by Customer	Total Deposits		% change	% Holding (2022)
	Mar-22	Mar-21		
Corporate deposits	70,800.63	66,795.38	6.00%	37.49%
Government	16,217.18	16,873.63	-3.89%	8.59%
Government Corp.	22,984.83	23,208.75	-0.96%	12.17%
Public Companies	1,156.41	688.14	68.05%	0.61%
Private Companies	9,498.45	5,940.69	59.89%	5.03%
Commercial Banks	5,438.11	6,543.67	-16.90%	2.88%
NBFIs	15,505.64	13,540.50	14.51%	8.21%
Retail deposits	118,044.86	97,576.99	20.98%	62.51%
Individuals	117,711.83	97,151.72	21.16%	62.33%
Foreign Currency	333.03	425.26	-21.69%	0.18%
Total	188,845.48	164,372.37	14.89%	100.00%

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

Sector	Total Loans		% Change	% Holding (Mar 2022)
	Mar-22	Mar-21		
Agriculture/Animal Husbandry	6,394.45	6,426.33	-0.50%	3.56%
Trade/Commerce	21,102.47	19,926.77	5.90%	11.75%
Production & Manu	22,442.23	21,667.03	3.58%	12.50%
Service/Tourism	49,600.51	47,283.49	4.90%	27.62%
Housing	46,951.33	44,163.95	6.31%	26.15%
Transport	7,263.10	6,610.76	9.87%	4.04%
Loans to FIs	161.16	277.96	-42.02%	0.09%
Personal Loan	12,686.39	12,669.59	0.13%	7.06%
LAFD	1,688.42	1,225.37	37.79%	0.94%
Education	7,275.47	6,497.17	11.98%	4.05%
staff loan	2,249.18	1,530.72	46.94%	1.25%
Government (short term)	-	-		0.00%
Others	1,758.52	1,523.79	15.40%	0.98%
Totals	179,573.23	169,802.93	5.75%	100.00%

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

Sector	Total NPLs		% Change	% Holding (Mar 2022)
	Mar-22	Mar-21		
Agriculture/Animal Husbandry	894.82	1,240.66	-27.88%	5.10%
Trade/Commerce	3,405.66	4,823.15	-29.39%	19.40%
Production & Manu	2,628.50	4,741.15	-44.56%	14.97%
Service/Tourism	5,802.92	7,242.49	-19.88%	33.05%
Housing	2,230.47	3,072.94	-27.42%	12.70%
Transport	1,247.08	1,754.59	-28.92%	7.10%
Loans to FIs	0.00	0.00	-132.12%	0.00%
Personal Loan	1,014.83	1,482.02	-31.52%	5.78%
LAFD	61.21	40.36	51.64%	0.35%
Education	150.32	147.87	1.66%	0.86%
staff loan	13.52	32.13	-57.93%	0.08%
Government (short term)	0.00	0.00		0.00%
Others	109.64	176.75	-37.97%	0.62%
Totals	17,558.97	24,754.12	-29.07%	100.00%

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

Sl no.	Sector	Total FIs			
		Loan Outstanding	NPL	% share of each category	% share of total outstanding
(1) MICRO	AGRICULTURE	2,341.64	271.99	83.04%	1.30%
	PROD & MANU	56.60	7.37	2.01%	0.03%
	SERVICE	104.41	25.93	3.70%	0.06%
	TRADE&COMMERCE	317.08	61.77	11.25%	0.18%
	LOANS TO FIs	-	-	0.00%	0.00%
	MICRO TOTAL	2,819.72	367.05	100.00%	1.57%
(2) COTTAGE	AGRICULTURE	2,827.77	432.27	71.26%	1.57%
	PROD & MANU	89.51	20.30	2.26%	0.05%
	SERVICE	338.16	91.81	8.52%	0.19%
	TRADE&COMMERCE	712.84	121.54	17.96%	0.40%
	LOANS TO FIs	-	-	0.00%	0.00%
	COTTAGE TOTAL	3,968.27	665.92	100.00%	2.21%
(3) SMALL	AGRICULTURE	914.09	114.56	6.06%	0.51%
	PROD & MANU	2,023.47	445.50	13.42%	1.13%
	SERVICE	4,496.99	1,109.78	29.82%	2.50%
	TRADE&COMMERCE	7,643.50	1,189.58	50.69%	4.26%
	LOANS TO FIs	-	-	0.00%	0.00%
	SMALL TOTAL	15,078.06	2,859.43	100.00%	8.40%
(4) MEDIUM	AGRICULTURE	310.96	76.00	0.81%	0.17%
	PROD & MANU	6,835.72	1,190.13	17.81%	3.81%
	SERVICE	20,241.40	3,663.37	52.72%	11.27%
	TRADE&COMMERCE	10,988.44	2,032.77	28.62%	6.12%
	LOANS TO FIs	14.97	-	0.04%	0.01%
	MEDIUM TOTAL	38,391.48	6,962.28	100.00%	21.38%
(5) LARGE	AGRICULTURE	-	-	0.00%	0.00%
	PROD & MANU	13,436.93	965.20	34.07%	7.48%
	SERVICE	24,419.55	912.03	61.91%	13.60%
	TRADE&COMMERCE	1,440.61	(0.00)	3.65%	0.80%
	LOANS TO FIs	146.19	-	0.37%	0.08%
	LARGE TOTAL	39,443.28	1,877.22	100.00%	21.97%
Non-Enterprise	HOUSING	46,951.33	2,230.47	58.78%	26.15%
	TRANSPORT	7,263.10	1,247.08	9.09%	4.04%
	PERSONAL	12,686.39	1,014.83	15.88%	7.06%
	STAFF LOAN	2,249.18	13.52	2.82%	1.25%
	Education Loan	7,275.47	150.32	9.11%	4.05%
	Loan Against Fixed Deposits	1,688.42	61.21	2.11%	0.94%
	Loans to the Govt	-	-	0.00%	0.00%
	Others	1,758.52	109.64	2.20%	0.98%
	Non- Enterprise TOTAL	79,872.41	4,827.07	100.00%	44.48%
GRAND TOTAL	179,573.23	17,558.97			