

Highlights on the Financial Sector Performance

September 2021



This report presents the highlights on the performance of the Bhutanese financial sector on peer group basis for the period ended Q3FY'21 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**

This report presents the highlights on the performance of the Bhutanese financial sector for the period ended Q3FY'21 in comparison to the previous year's corresponding quarter and includes five banks, two insurance companies and National Pension and Provident Fund. The main highlights of the Bhutanese financial Sector are as follows:

The capital fund stood at Nu. 23.7 billion in September 2021 as compared to Nu. 20.5 billion in September 2020. The CAR stood at 13.6 percent in September 2021 as compared to 12.4 percent in September 2020. However, the risk of dispersion/distribution of **Capital Levels** among the financial institutions remains high and some institutions that have entered the pandemic with relatively low capital and riskier exposures may face challenge. The release of the **Capital Conservation Buffer (CCB)** built prior to the pandemic have allowed financial institutions to cover for increase in non-performing loans (NPLs) and maintain their financing activities to the economy. The CCB release makes available Nu. 2.6 billion of capital across the financial sector, with the potential to support additional lending between Nu. 20 billion to Nu. 25 billion. However, given the overall uncertainty of the scale and duration of the crisis, it is important that the financial sector remains well-capitalized. Financial institutions should ensure that the assessment of their capital positions is forward-looking and that it takes into account current uncertainties.

Non-performing loans (NPLs) in the financial sector has decreased from Nu. 25.5 billion in September 2020 to Nu. 21.8 billion in September 2021. Extensive monetary measures including the temporary deferment facility in place has helped in mitigating the immediate liquidity shock to the affected sectors/businesses and prevent financial institutions from further build-up of NPLs. However, the impact of pandemic on financial sector's **Asset Quality (non-performing loans) is expected to be a key challenge going forward.** If the pandemic's economic effects prove to be acute and persistent in medium to long term, financial institutions would be under stress and a significant portion of distressed loans may ultimately require repayment extension and restructuring.

As of June 2021, most of the financial institutions have made profit mainly on account of decrease in NPLs. The profitability (before tax) as of September 2021 stood at Nu. 2.6 billion as compared to a loss of Nu. 1 billion in September 2020.

The **Liquidity Position** of the financial sector is expected to remain relatively stable with the implementation of Domestic Liquidity Management Framework to help financial institution with liquidity support. The domestic financial system has already played a significant role in supporting liquidity needs of businesses so far in this pandemic. Deposit's structure has remained stable and largely unaffected since December 2019. 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 institution's **Statutory Liquidity Ratio (SLR)** as of September 2021 are also above the minimum regulatory requirement of 20 percent for banks and 10 percent for non-banks.

1. Highlights of the Financial Institutions¹

Highlights of the Financial Institutions					
Indicators	20-Sep	20-Dec	21-Mar	21-Jun	21-Sep
Capital					
RWCAR (12.5%)	12.42%	13.82%	13.31%	13.45%	13.55%
Core CAR (7.5%)	9.77%	10.75%	10.25%	10.11%	10.18%
Leverage Ratio (5%)	6.42%	6.68%	6.43%	6.13%	6.06%
Asset Quality					
Gross NPL Ratio	15.45%	14.61%	14.58%	14.08%	12.38%
Net NPL to Net Loan	5.20%	5.08%	4.61%	3.90%	3.23%
Single Largest Borrower	17.45%	16.70%	18.67%	20.82%	20.80%
Provision to NPL	57.66%	54.75%	56.77%	58.97%	59.03%
Ten Largest Borrower	14.15%	14.30%	14.69%	16.04%	15.92%
NPL	Nu. 25.5b	Nu.24.40b	Nu. 24.75b	Nu. 24.24b	Nu. 21.77b
Loan	Nu. 164.8b	Nu.166.99b	Nu. 169.80b	Nu. 172.14b	Nu. 175.79b
Earning					
Return on Asset (RoA)	-0.53%	0.92%	0.80%	1.58%	1.18%
Return on Equity (RoE)	-4.88%	8.73%	7.53%	15.05%	11.55%
Profit After Tax (PaT)	Nu. -1.01b	Nu 1.83	Nu.1.63b	Nu. 3.36b	Nu. 2.61b
Liquidity					
Loans to Deposits ratio	79.23%	78.40%	80.12%	77.51%	99.36%
Statutory Liquidity Requirement ratio	27.04%	30.67%	29.50%	31.29%	29.74%
Liquidity Position	Nu. 14.73b	Nu.22.86b	Nu.20.87b	Nu. 25.39b	Nu. 22.79b
Statutory Liquidity Requirement	Nu. 34.25b	Nu.36.91b	Nu.37.10b	Nu. 39.07b	Nu. 39.95b

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

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

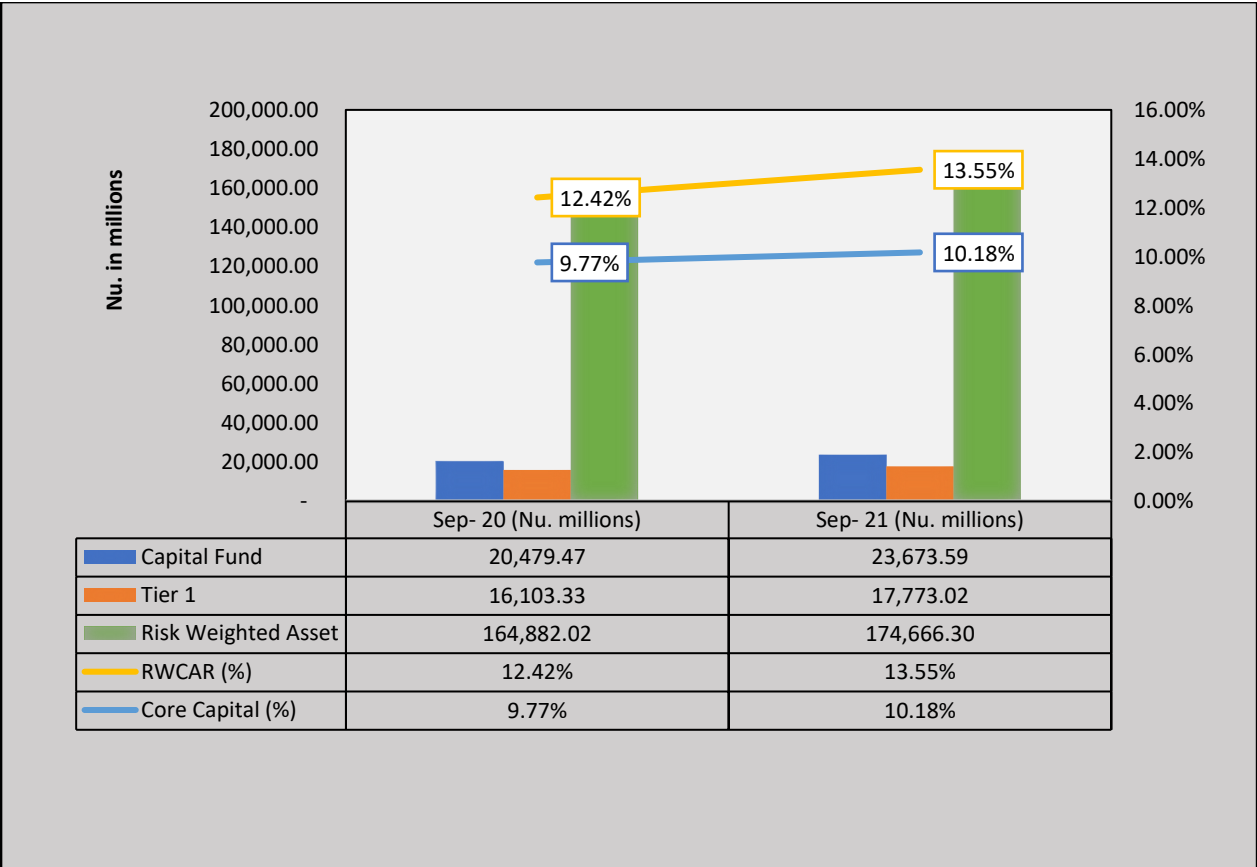
INDICATORS	Sep-21		
	Banks	Non-Banks	Total FIs
CAPITAL			
Core Capital Ratio (7.5%)	10.75%	6.44%	10.18%
Capital Adequacy Ratio (12.5%)	13.87%	11.49%	13.55%
Leverage Ratio(5%)	7.38%	5.92%	6.06%
ASSETS			
Total Assets	Nu. 209.62b	Nu. 72.17b	Nu. 281.79b
Total Loans and Advances	Nu. 134.36b	Nu. 41.43b	Nu. 175.79b
Total Non-performing loans	Nu. 12.9b	Nu. 8.87b	Nu. 21.77b
Provision to NPL Ratio	59.49%	58.35%	59.03%
Ten Largest Exposures	15.27%	19.94%	15.92%
Single Largest Exposure	19.50%	30.21%	20.80%
Gross NPL ratio	9.60%	21.42%	12.38%
EARNINGS			
Profit after tax/Loss	Nu. 1.09b	Nu. 1.52b	Nu. 2.61b
Return on equity	5.39%	32.60%	11.55%
Return on Asset	0.55%	3.39%	1.18%
LIQUIDITY			
Statutory Liquidity Requirement (Position) Banks:20%, Nbank:10%	31.10%	18.28%	29.74%
Liquidity position (in Nu.)	Nu. 20.93b	Nu. 1.85b	Nu. 22.78b
Credit to Deposit Ratio	75.94%		75.94%

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

Assets	Banks		Non-Banks		Total	
	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)
Cash & Bank balances	49,967.58	55,160.49	19,848.69	23,930.80	69,816.27	79,091.29
Marketable securities	9,925.37	22,024.33	233.70	3,729.49	10,159.07	25,753.82
Loans & Advances (net of provisions)	112,574.55	124,541.30	34,257.11	34,545.53	146,831.67	159,086.84
Equity Investment	706.39	878.26	5,546.99	5,238.55	6,253.38	6,116.81
Fixed Assets	2,781.50	2,935.11	1,931.33	1,980.15	4,712.82	4,915.26
Other Assets	3,443.80	4,077.67	2,324.59	2,745.40	5,768.38	6,823.07
Total	179,399.18	209,617.16	64,142.41	72,169.93	243,541.59	281,787.09

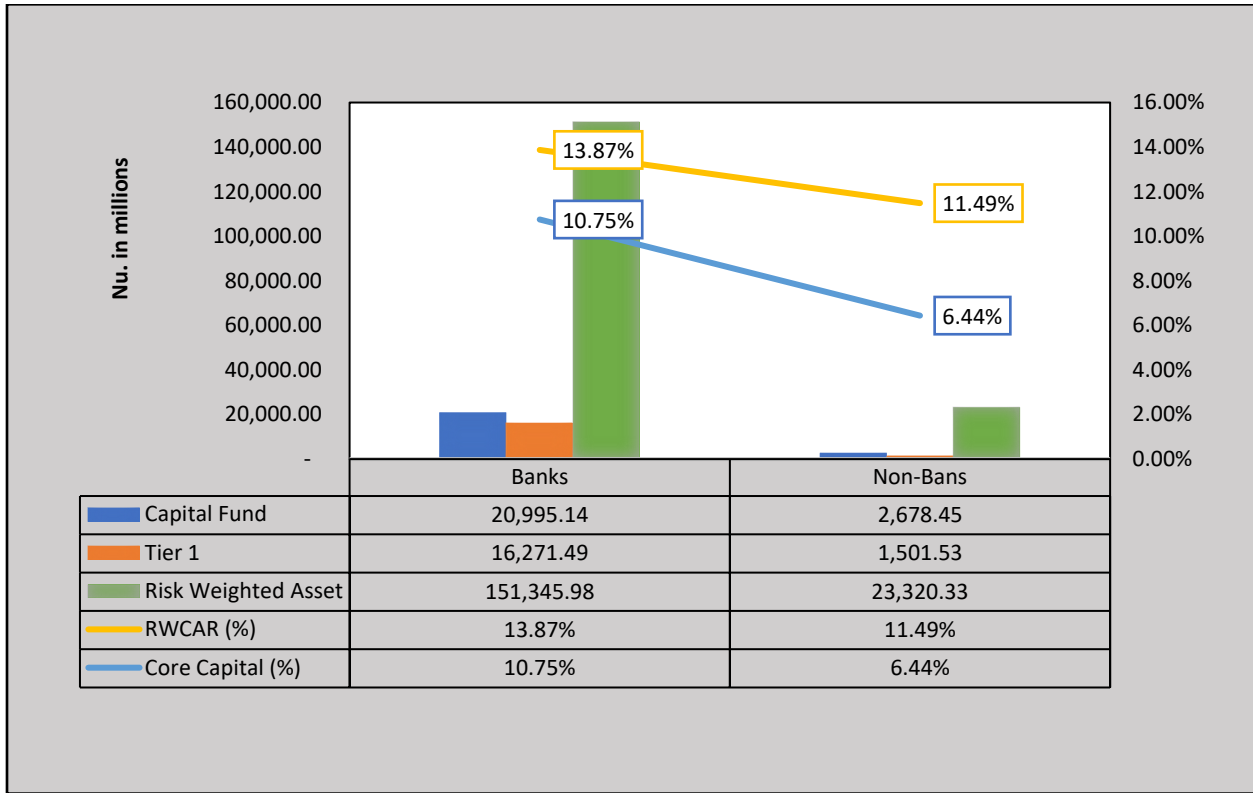
Liabilities	Banks		Non-Banks		Total	
	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)	Sep- 20 (Nu. millions)	Sep- 21 (Nu. millions)
Paid up capital	8,990.89	8,990.89	1,700.00	1,700.00	10,690.90	10,690.90
Reserves	9,511.49	13,089.63	2,232.24	3,214.15	11,743.73	16,303.78
Deposit Liabilities	156,442.81	176,921.93	-	-	156,442.81	176,921.93
Bonds/Debentures & borrowing	669.87	534.51	2,816.15	1,775.58	3,486.03	2,310.09
Provisions	4,052.05	5,296.64	233.97	233.12	4,286.03	5,529.76
Fund	-	-	53,281.17	60,663.00	53,281.17	60,663.00
Other liabilities	(267.94)	4,783.55	3,878.87	4,584.07	3,610.93	9,367.63
Total	179,399.18	209,617.16	64,142.41	72,169.93	243,541.59	281,787.09

3. Capital and Reserves²

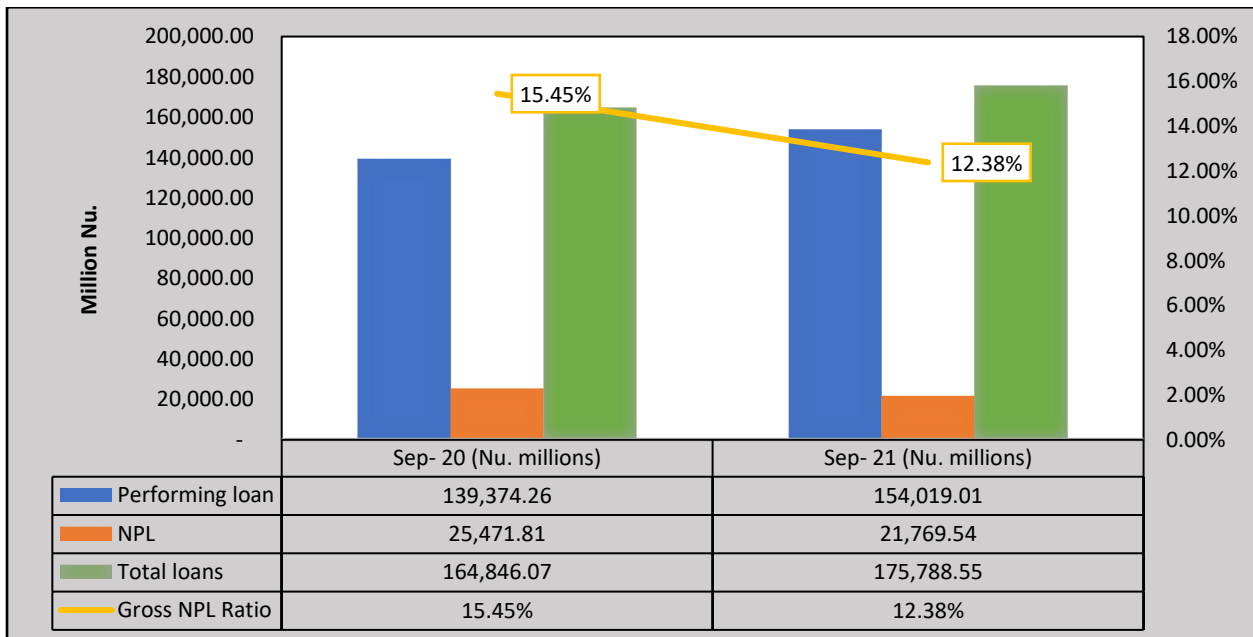


² For computation of RWCAR, related party NPLs are deducted from the Capital Fund

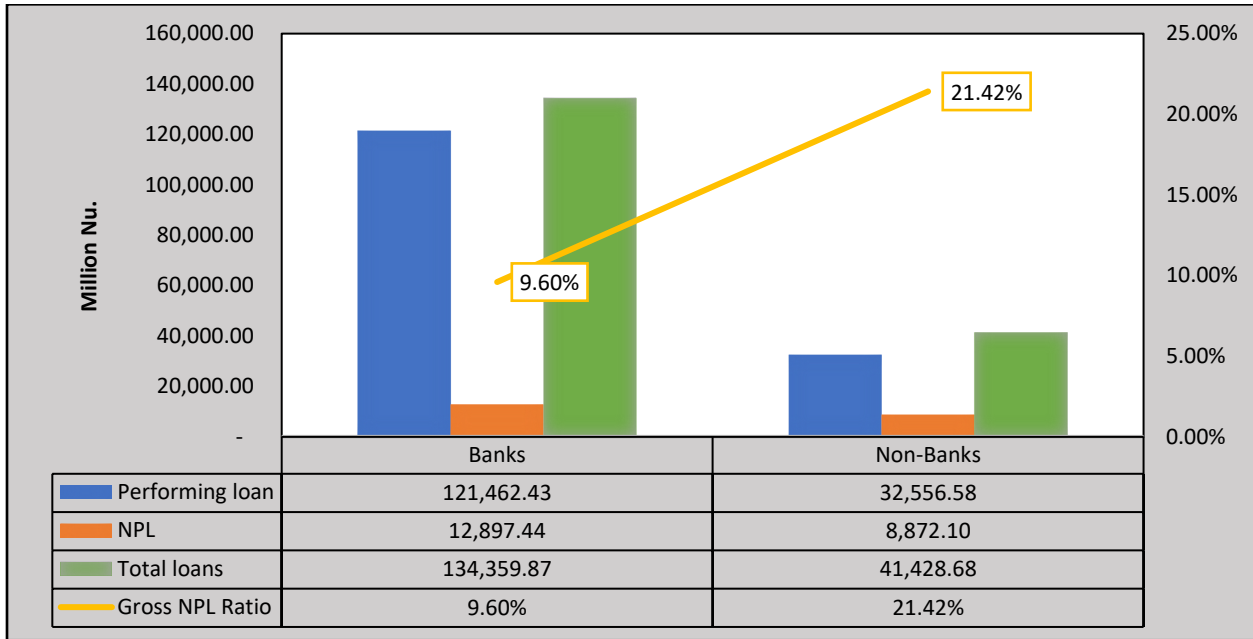
3.1 Capital and Reserves- By Banks and Non-Banks



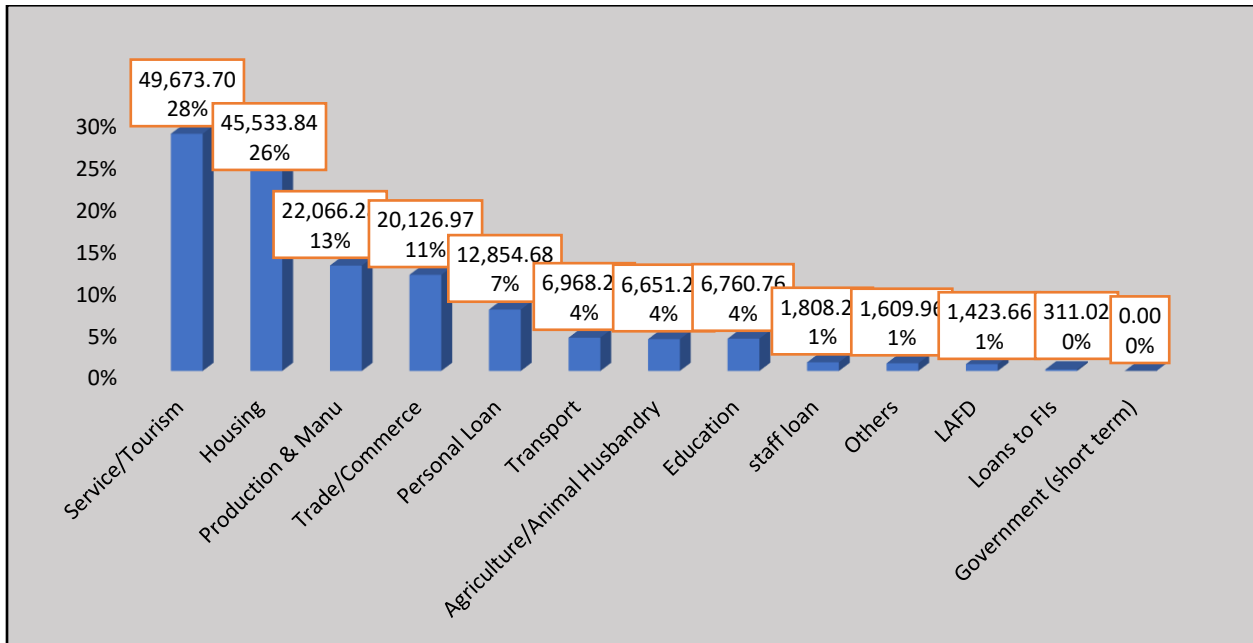
4. Asset Quality



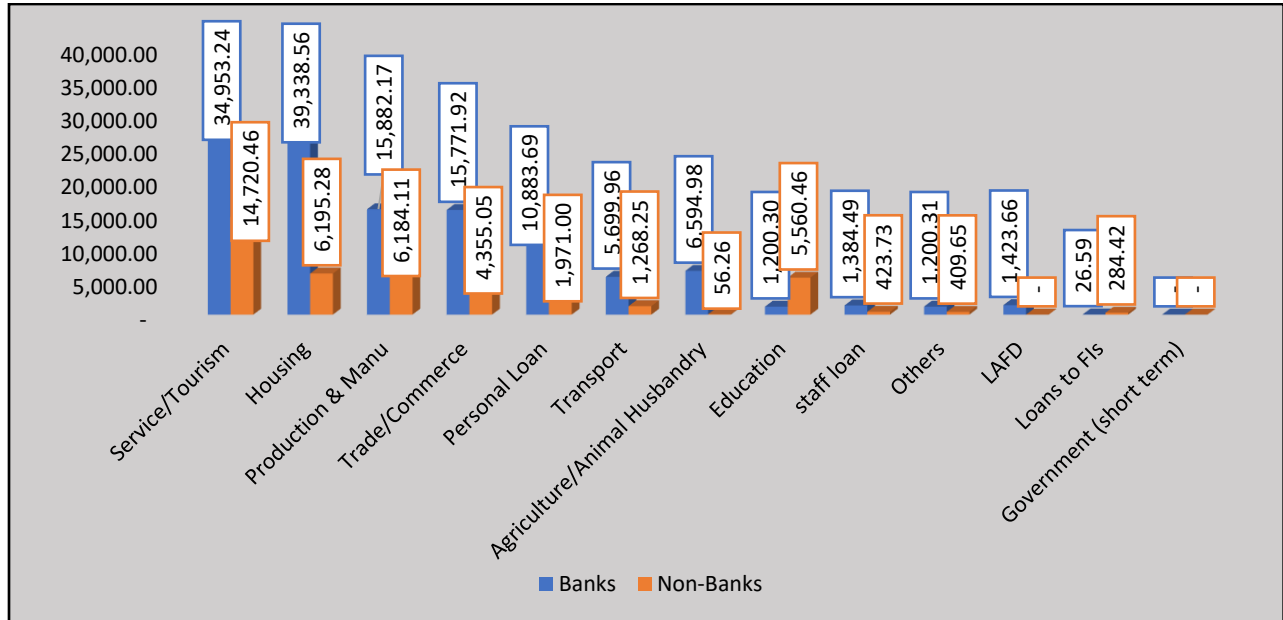
4.1 Asset Quality- By Banks and Non-Banks



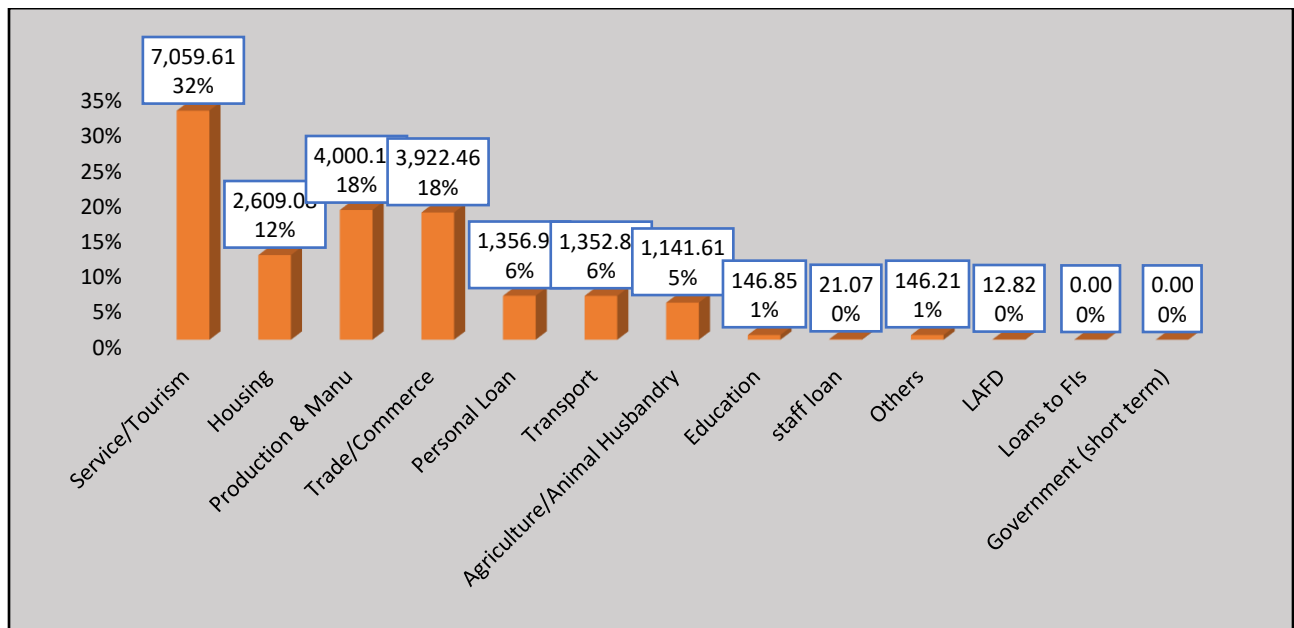
4.2 Sectoral Loans and Advances (Amount in Million)



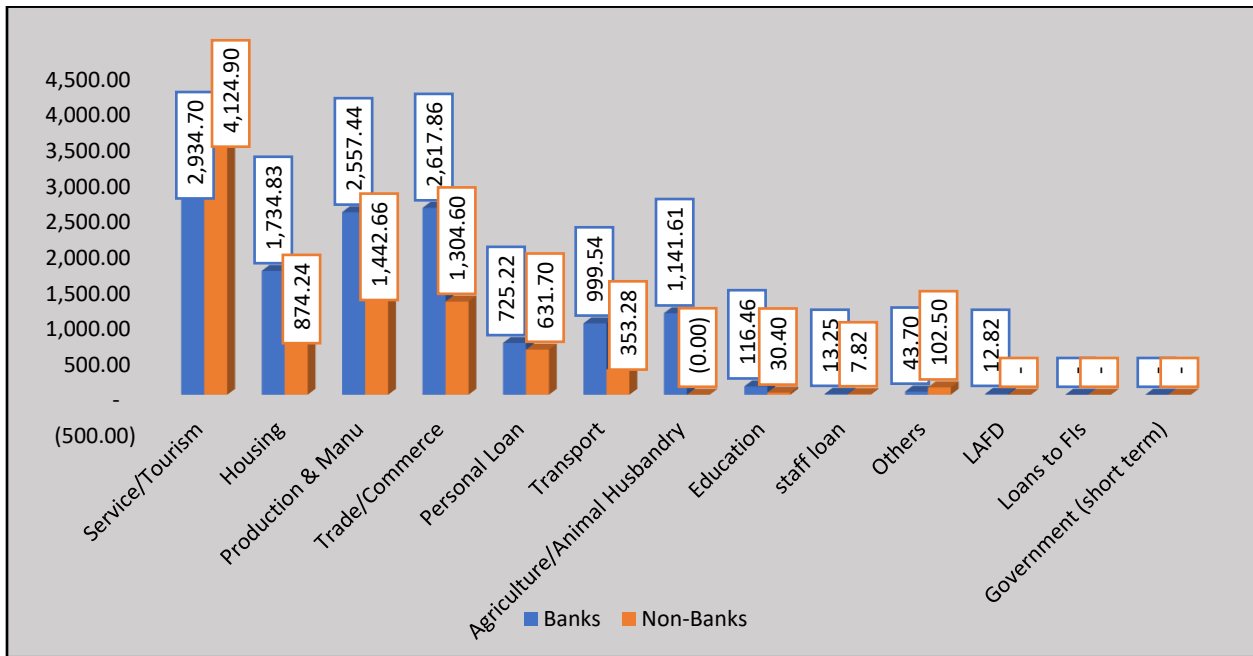
4.2.1 Sectoral Loans and Advances (Amount in Million)-By Banks and Non-Banks



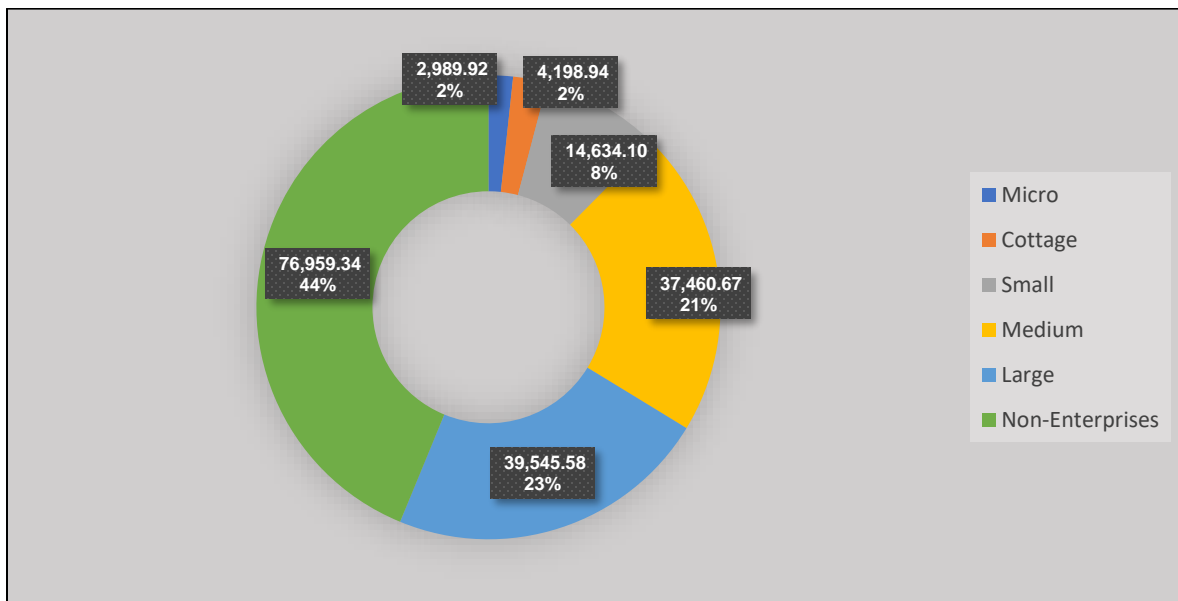
4.3. Sectoral NPL of Financial sector (Amount in Million)



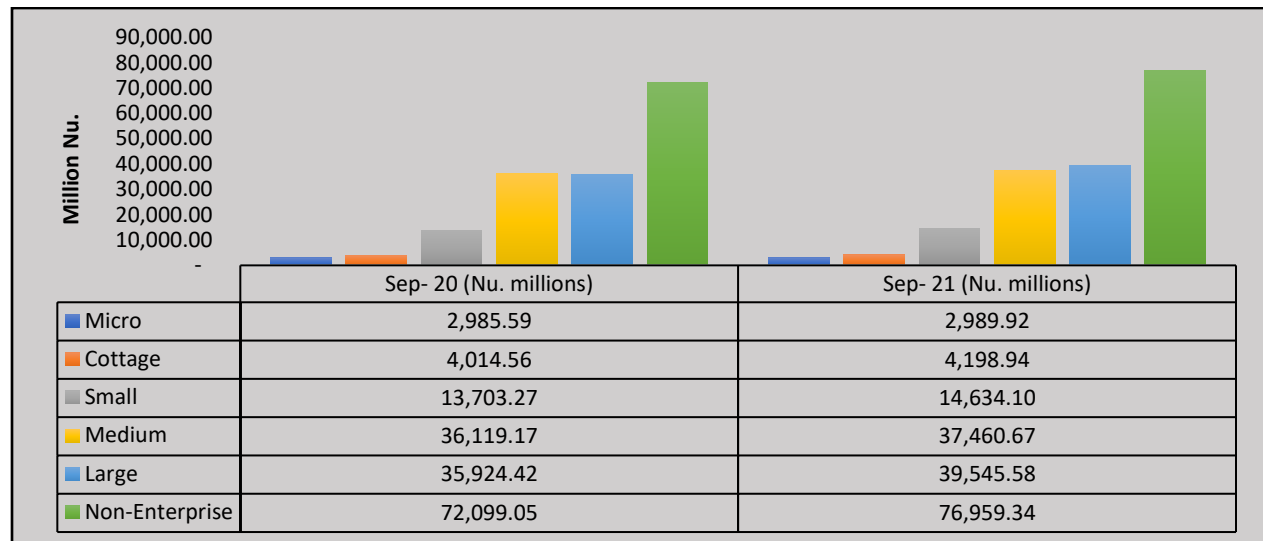
4.3.1 Sectoral NPL of Financial sector- By Banks and Non-Banks (Amount in Million)



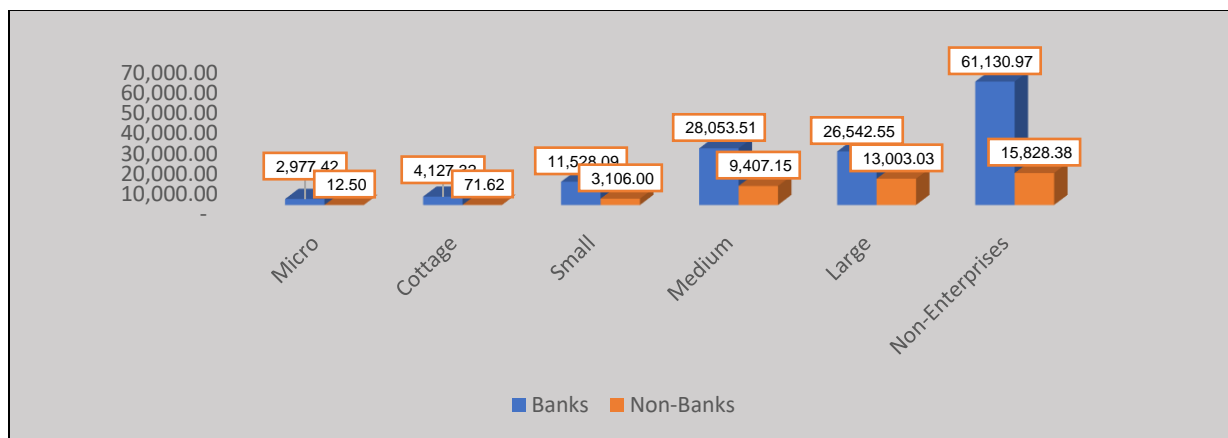
4.4. Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise (Amount in Million)



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



4.4.2 Share of Loans to Micro, Cottage, Small, Medium, Large & Non-Enterprise- By Banks and Non-Banks (Amount in Million)



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

Loan and NPL of MFIs (Nu. in millions)			
Sl no	Particulars	Sep-21	Sep-20
1	Total Loan Sanctioned	Nu. 2427.53m	Nu. 1,966.11m
2	Total Loan Outstanding	Nu. 1938.98m	Nu. 1,816.51m
3	Total NPL	Nu. 193.5m	Nu. 375.99m
4	Total no. of loan a/cs	9,548	8,543
5	NPL to loan ratio	9.98%	20.70%

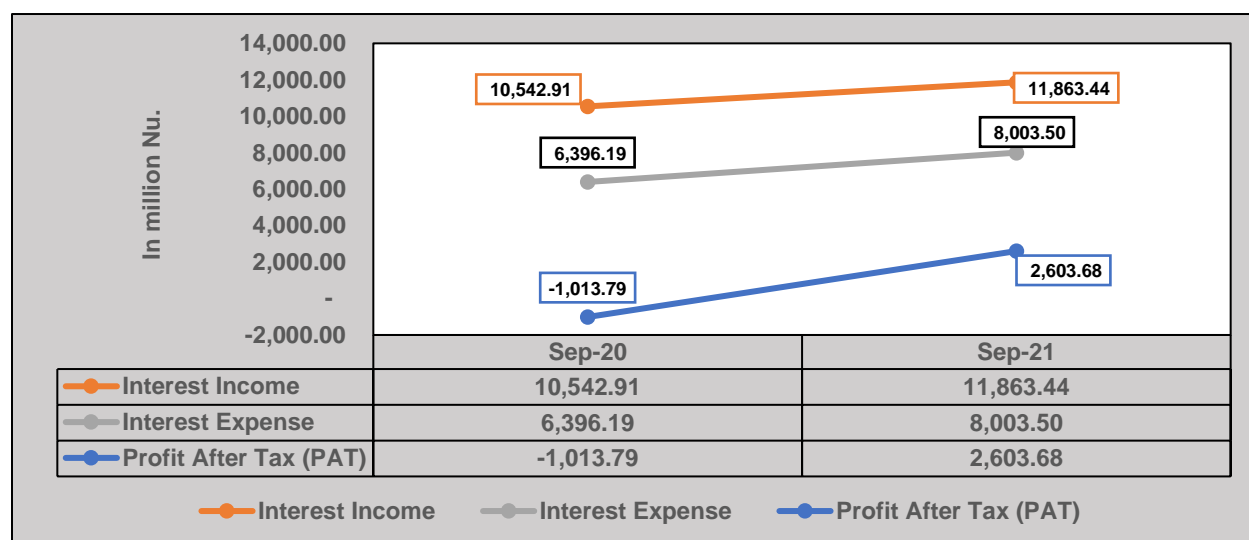
4.6 New Loans data³

	Dec-21		Jun-21		Sep-21	
	No. of accounts	Amount outstanding (In million)	No. of accounts	Amount outstanding (In million)	No. of accounts	Amount outstanding (In million)
Total New Loan	14,679	10,033	30,476	18,833	36,070	23,341
New Loan NPL	80	76	799	521	639	486
NPL (%)		1%		3%		2%

4.6.1 New Loans data- By Sector

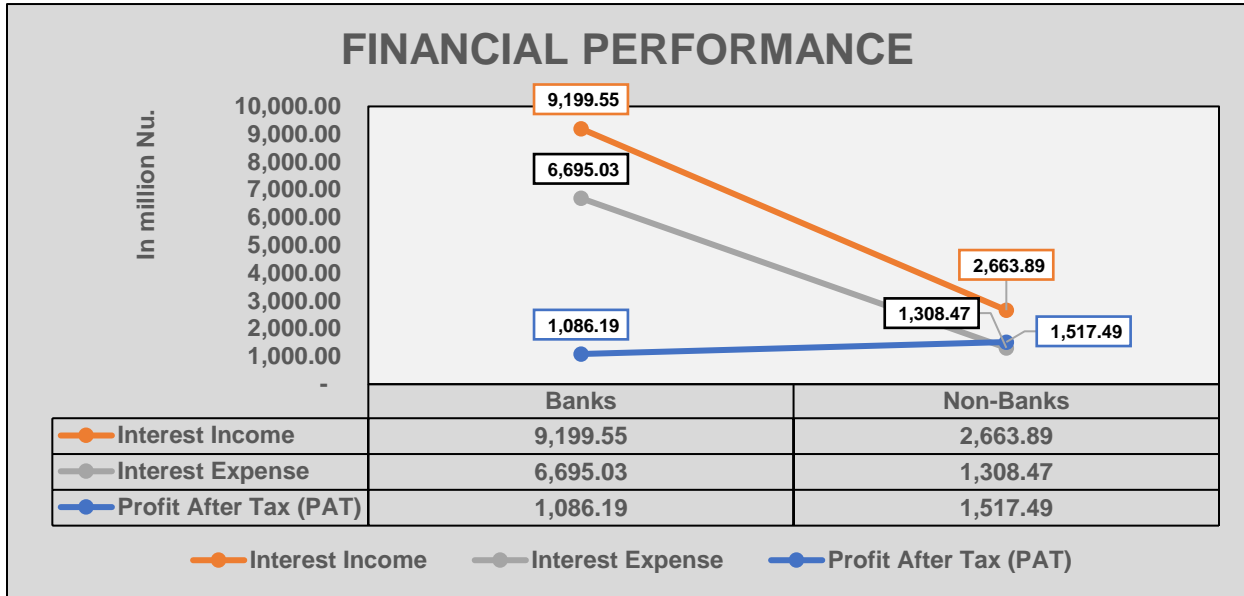
Sector	No. of accounts	Amount outstanding (In million)
Agriculture	8,638	2,213.72
Education	961	658.53
Housing	3,245	4,578.39
Loan Against Fixed Deposits	463	808.40
Others	93	190.31
Personal	16,615	5,277.55
Production & Manufacturing	572	1,920.78
Staff incentive Loans	679	449.96
Service & Tourism	748	3,601.12
Trade and commerce	1,626	2,134.79
Transport	2,430	1,507.70
Grand Total	36,070	23,341.25

5. Profitability

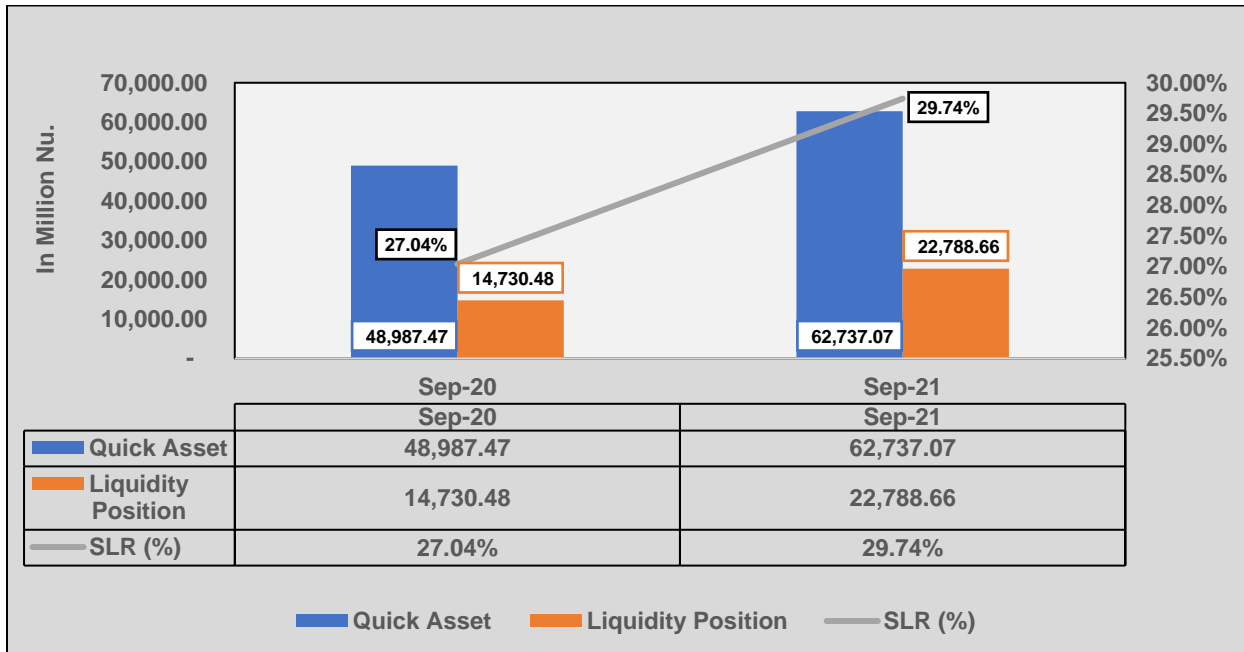


³ New Loan: The new loan refers to the loans sanctioned after 10th April 2020. These new loans exclude Monetary Measure loans.

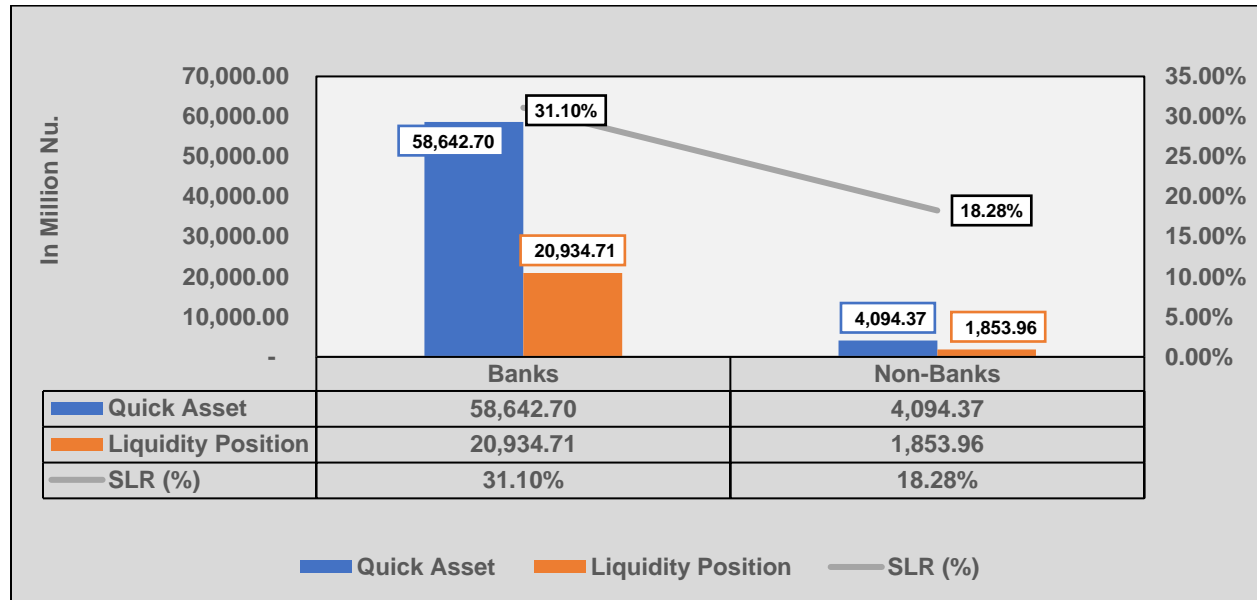
5.1 Profitability-By Banks and Non-Banks



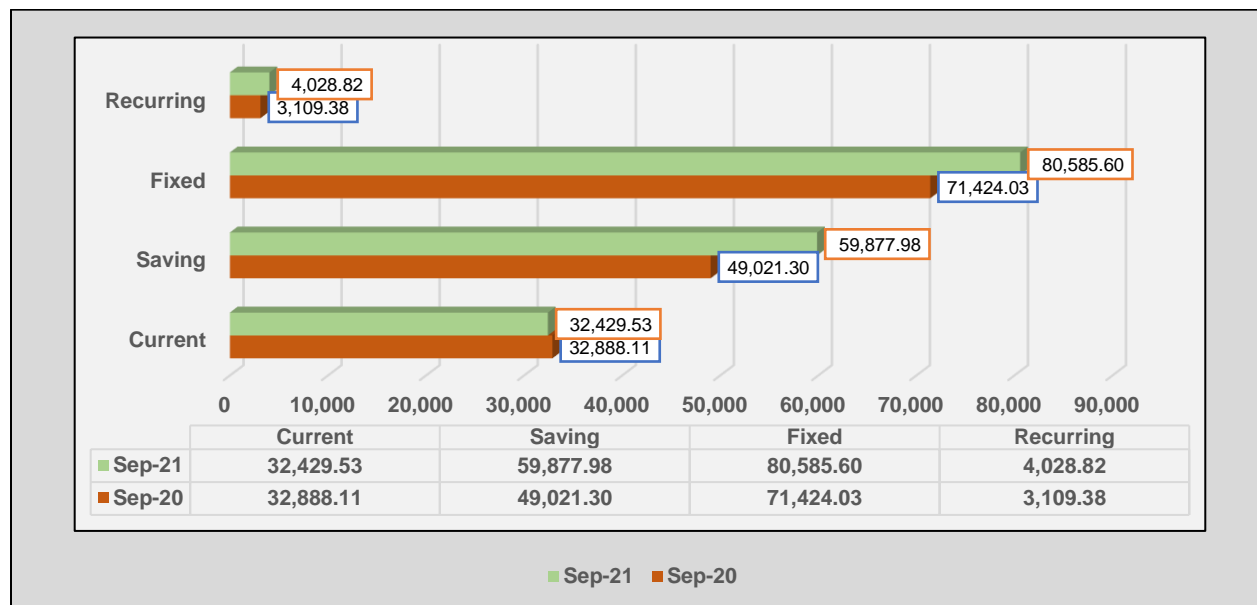
6. Liquidity



6.1 Liquidity- By Banks and Non-Banks



7. Deposits (Banking Sector)



ANNEXURE I

a) Deposit by Customer September 2020- 2021 (figures in million Nu.)- Table 1

Deposits by Customer	Total Deposits (Nu. Millions)			
	Sep-20	Sep-21	% change	% holding
Corporate deposits	66,759.75	65,763.58	-1.49%	37.17%
Government	17,441.57	15,628.69	-10.39%	8.83%
Government Corp.	15,089.88	20,452.98	35.54%	11.56%
Public Companies	981.80	647.90	-34.01%	0.37%
Private Companies	5,422.55	9,887.17	82.33%	5.59%
Commercial Banks	15,635.72	5,686.61	-63.63%	3.21%
NBFIs	12,188.22	13,460.23	10.44%	7.61%
Retail deposits	89,683.06	111,158.35	23.95%	62.83%
Individuals	89,130.59	110,767.44	24.28%	62.61%
Foreign Currency	552.48	390.92	-29.24%	0.22%
Total	156,442.81	176,921.93	13.09%	100.00%

b) SECTORAL LOAN September 2020- 2021 (figures in million Nu.)- Table 2

Sector	Total Loans		% Change	% Holding
	Sep-20	Sep-21		
Agriculture/Animal Husbandry	6,553.70	6,651.24	1.49%	3.78%
Trade/Commerce	17,852.73	20,126.97	12.74%	11.45%
Production & Manufacturing	20,107.63	22,066.28	9.74%	12.55%
Service/Tourism	47,772.72	49,673.70	3.98%	28.26%
Housing	43,064.14	45,533.84	5.73%	25.90%
Transport	6,470.47	6,968.22	7.69%	3.96%
Loans to FIs	460.23	311.02	-32.42%	0.18%
Personal Loan	12,570.67	12,854.68	2.26%	7.31%
LAFD	1,012.37	1,423.66	40.63%	0.81%
Education	6,037.99	6,760.76	11.97%	3.85%
Staff Loan	1,531.25	1,808.22	18.09%	1.03%
Government	0.00	0.00	0.00%	0.00%
Others	1,412.15	1,609.96	14.01%	0.92%
Totals	164,846.07	175,788.55	6.64%	100%

c) SECTORAL NPL September 2020- 2021 (figures in million Nu.)- Table 3

Sector	Total NPLs		% Change	% Holding
	Sep-20	Sep-21		
Agriculture/Animal Husbandry	1,661.48	1,141.61	-31.29%	5.24%
Trade/Commerce	4,646.04	3,922.46	-15.57%	18.02%
Production & Manufacturing	3,660.77	4,000.10	9.27%	18.37%
Service/Tourism	8,169.17	7,059.61	-13.58%	32.43%
Housing	3,224.56	2,609.08	-19.09%	11.98%
Transport	1,959.92	1,352.82	-30.98%	6.21%
Loans to FIs	49.61	0.00		0.00%
Personal Loan	1,619.55	1,356.92	-16.22%	6.23%
LAFD	25.19	12.82	-49.12%	0.06%
Education	259.00	146.85	-43.30%	0.67%
Staff Loan	47.35	21.07	-55.50%	0.10%
Government (short term)	0.00	0.00	0.00%	0.00%
Others	149.16	146.21	-1.98%	0.67%
Totals	25,471.80	21,769.54	-14.53%	100.00%

d) MCSML and Non enterprise Loan as of June 2021 (figures in million Nu.)- Table 4

Sl no.	Sector	Total FIs			
		Loan Outstanding	NPL	% share of each category	% share of total outstanding
(1) MICRO	AGRICULTURE	2,476.50	333.03	82.83%	1.41%
	PROD & MANU	65.77	17.62	2.20%	0.04%
	SERVICE	111.21	31.76	3.72%	0.06%
	TRADE&COMMERCE	336.43	81.70	11.25%	0.19%
	LOANS TO FIs	-	-	0.00%	0.00%
	MICRO TOTAL	2,989.92	464.11	100%	2%
(2) COTTAGE	AGRICULTURE	2,972.73	596.45	70.80%	1.69%
	PROD & MANU	93.63	28.86	2.23%	0.05%
	SERVICE	374.61	149.18	8.92%	0.21%
	TRADE&COMMERCE	757.98	185.37	18.05%	0.43%
	LOANS TO FIs	-	-	0.00%	0.00%
	COTTAGE TOTAL	4,198.94	959.86	100%	2%
(3) SMALL	AGRICULTURE	904.89	144.98	6.18%	0.51%
	PROD & MANU	2,141.16	484.79	14.63%	1.22%
	SERVICE	4,545.48	1,433.52	31.06%	2.59%
	TRADE&COMMERCE	7,042.56	1,324.69	48.12%	4.01%
	LOANS TO FIs	-	-	0.00%	0.00%
	SMALL TOTAL	14,634.10	3,387.99	100%	8%
(4) MEDIUM	AGRICULTURE	297.12	67.15	0.79%	0.17%
	PROD & MANU	6,610.32	1,189.44	17.65%	3.76%
	SERVICE	20,175.01	4,392.38	53.86%	11.48%
	TRADE&COMMERCE	10,360.57	2,330.70	27.66%	5.89%
	LOANS TO FIs	17.64	0.00	0.05%	0.01%
	MEDIUM TOTAL	37,460.67	7,979.67	100%	21%
(5) LARGE	AGRICULTURE	-	-	0.00%	0.00%
	PROD & MANU	13,155.39	2,279.39	33.27%	7.48%
	SERVICE	24,467.39	1,052.77	61.87%	13.92%
	TRADE&COMMERCE	1,629.43	(0.00)	4.12%	0.93%
	LOANS TO FIs	293.37	-	0.74%	0.17%
	LARGE TOTAL	39,545.58	3,332.16	100%	22%
Non-Enterprise	HOUSING	45,533.84	2,609.08	59.17%	25.90%
	TRANSPORT	6,968.22	1,352.82	9.05%	3.96%
	PERSONAL	12,854.68	1,356.92	16.70%	7.31%
	STAFF LOAN	1,808.22	21.07	2.35%	1.03%
	Education Loan	6,760.76	146.85	8.78%	3.85%
	Loan Against Fixed Deposits	1,423.66	12.82	1.85%	0.81%
	Loans to the Govt	-	-	0.00%	0.00%
	Others	1,609.96	146.21	2.09%	0.92%
	Non- Enterprise TOTAL	76,959.34	5,645.76	100%	44%
GRAND TOTAL		175,788.55	21,769.54		