

**PROSPECTUS FOR THE ISSUANCE OF SUBORDINATED DEBT OF BANK OF BHUTAN LIMITED
SERIES-III**

The following constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Companies Act and in line with the relevant provisions of the Regulatory Authorities.

1. General Information

- a) Name of the Company: Bank of Bhutan Limited
- b) Registered Office: Bank of Bhutan, Corporate Office, Norzin Lam, Thimphu
- c) Auditor: M/S Rinzing Financial Pvt. Ltd., Zilukha, Thimphu
- d) Bankers: BNBL, DPNBL, T Bank Ltd, BDBL, DK
- e) Registration/ License Number: 2004569

2. Objectives of the Issue

The subordinated debt is issued to enhance Capital Fund as prescribed by the Royal Monetary Authority of Bhutan and meet regulatory capital requirements prescribed therein by the RMA.

3. Particulars of the Offer

Issue Price Per Unit	No. of Units Offered	Opening Date	Closing Date	Allotment Date
Face Value Nu. 1,000	1,500,000	22/08/2024	28/08/2024	29/08/2024

4. Terms of the Bond

Term	Coupon Rate	Coupon Payment Interval	Payment of Coupon Amount
10 years	8.00%	Annual	Nu. 120,000,000.00

The subordinated debt will constitute subordinate obligations of the Bank, ranking *paripassu* with the existing and future subordinate debt of the Bank. This debt will be subordinated to the claims of all other creditors and depositors in terms of repayment of principal and interest.

5. Basis of allotment

The allotment shall be done on pro-rata basis. The un-allotted amount will be refunded within 10 working days without interest thereon. An interest of 10% p.a. would be paid if the un-allotted amount is not refunded within the above specified period. The Bank reserves the right not to accept any application without assigning any reason whatsoever.



6. Placement

The Bank of Bhutan will place Nu. 1,500 million of subordinated debt through public offering. If the offering is undersubscribed, the bank may place the remaining securities through private placement.

7. Conditions for Premature redemption:

In the event of premature redemption of the subordinated debt, the investor shall be liable to pay a penalty of 3% per annum on principal amount of bond, for the entire period of the bond tenure and the same conditions to be applied to the issuer in case of premature redemption.

8. Lock-in Period and Right to Redeem

Lock-in period is for three years whereby both the issuer and the bondholder have no rights to redeem. After the lock-in period, if any parties wish to redeem, they have a right subject to the fulfillment of the clause no. 7 above.

9. Subordinated Debt Listing

The debt will be listed with Royal Securities Exchange of Bhutan within 15 working days from the date of allotment.

10. Risk Factor

Prospective investors should carefully consider all the information in this prospectus, including the risks described below before making investment in the Bond. Investors are expected to make their own assumption/analysis on the market conditions before deciding to invest in the script. The following are certain risks for the investor to consider before taking an investment decision in the offer:

a) Credit Risk

The possibility of non-payment of loans (loan default) or risk of delayed payments by the borrowers due to improper management of the borrower's cash flows. The risk is minimized by the bank with structured financing with widespread loan portfolio, followed by risk-based credit assessment procedures and policies.

b) Operational Risk

The Bank is required to perform a wide range of banking operations on a daily basis and failing to provide these services shall result in operational risk. The Bank has policies and skilled management/committees organized to formulate improved processes regularly and monitor competently. Moreover, comprehensive systems are put in place to meet the ever-changing requirements.



c) Interest Rate Risk

Interest rate risk arises from the potential impact that changes in interest rates may have on future cash flows or the fair values of financial instruments. To manage this risk, the Bank implements a policy of continuous daily monitoring of its positions. Various strategies are employed to ensure that these positions remain within prudent levels

d) Market Risk

Risk involved due to fall in company's share or decrease in the value of prices where the bank has invested in third-party companies. Any change in interest rate, equity prices and foreign exchange are also subjected to Market Risk. The risks are addressed by investing minimal fund in the category. In addition, the Bank is restructuring the investment portfolio and changing interest rate from time to time.

11. Present Capital Structure of the Company

Authorized Share Capital: Nu. 10,000 million of Nu.100 each

Issued & Paid-up Capital: Nu. 3,000 million

12. Eligibility of Bond Holders

The following categories of investors may apply for the Bond:

- Companies/Institutions registered within the country
- Individuals holding Bhutanese Citizenship
- Trusts, Association, societies registered under the applicable laws in Bhutan

The minimum subscription shall be 1,000 scripts for institutions and 10 for private individuals.

13. Financial Highlights

Financial ratios based on audited annual report for preceding three financial years:

Particulars	31.12.21	31.12.22	31.12.23
Earnings Before Interest & Tax (Nu. In millions)	713.01	981.94	1,597.23
Net Profit Margin	9%	12%	13%
Debt to Equity Ratio	11.24	11.55	10.95
Gearing Ratio ¹	NA	NA	0.16
Debt Service Coverage Ratio ¹	NA	NA	20.29

¹ The bank did not have any debt in the year 2022 and 2023



Statement of Financial Position for Last Three Years (Audited) and Projected for Three Years:

Particulars (Nu. In millions)	Actual			Projected		
	31.12.21	31.12.22	31.12.23	31.12.24	31.12.25	31.12.26
Equity & Liabilities						
Share Capital	3,000	3,000	3,000	3,000	3,000	3,000
Reserve & Surplus	5,224	5,575	6,462	7,924	8,656	9,416
Long-term Debt	-	-	-	-	-	-
Deposits	88,545	96,885	99,885	110,155	121,171	133,287
Other Liabilities	3,911	2,144	2,261	4,966	5,861	6,792
Subordinated Debt	-	-	1,500	1,500	1,500	1,500
Total	100,680	107,604	113,108	127,546	140,188	153,995
Assets						
Cash & Balance with RMA	32,402	22,290	17,183	23,248	35,192	48,344
Balance with other Banks	1,432	1,602	2,060	1,890	1,985	2,084
Investments	12,263	16,967	13,917	15,059	15,786	16,550
Loans & Advances to customers	51,809	63,893	76,539	83,714	83,714	83,714
Fixed Assets	1,582	2,076	2,014	2,240	2,116	1,908
Other Assets	1,191	775	1,396	1,396	1,396	1,396
Total	100,680	107,604	113,108	127,546	140,188	153,995



D

Statement of Comprehensive Income for the Last Three Years (Audited) and Projected for Next Three Years:

Particulars (Nu. In millions)	Actual			Projected		
	31.12.21	31.12.22	31.12.23	31.12.2024	31.12.2025	31.12.2026
Income						
Interest Income	4,705	5,092	6,885	7,446	8,111	8,878
Other Income	651	649	911	938	966	995
Total Income	5,356	5,741	7,796	8,384	9,078	9,873
Expenses						
Interest Expense	3,603	3,751	3,566	4,097	4,499	4,938
Operating Expense	972	1,066	1,136	1,233	1,273	1,315
Depreciation	120	201	201	234	240	221
Impairment on loans and advances	(52)	(259)	1,383	736	82	297
Total Expenses	4,643	4,759	6,287	6,300	6,094	6,771
Profit Before Tax	713	982	1,509	2,084	2,984	3,102
Corporate Tax	231	305	506	625	895	931
Profit After Tax	482	677	1,002	1,459	2,089	2,171



Handwritten signature or initials in blue ink.

14. Board of Directors

1. Dasho karma Yonten - Chairman
2. Mr. Sonam Thinley – Independent Board Director
3. Mr. Tshering Norbu - Independent Board Director
4. Mr. Baranchi Narayan Rath - Board Director
5. Mrs. Choni Ome – Board Director
6. Mr. Dorji Kadin – Board Director/CEO

15. Detail of Previous Debt Issues

Subordinated Debt	Amount	Rate	Issue Date	Maturity Date	Duration
Series- I	1,000,000,000	7.50%	10-Jan-2023	10-Jan-2033	10 Years
Series-II	500,000,000	7.35%	31-July-2023	31-July-2030	7 Years

16. Sole Manager to the Issue (Broker, Underwriter, Issue Manager)

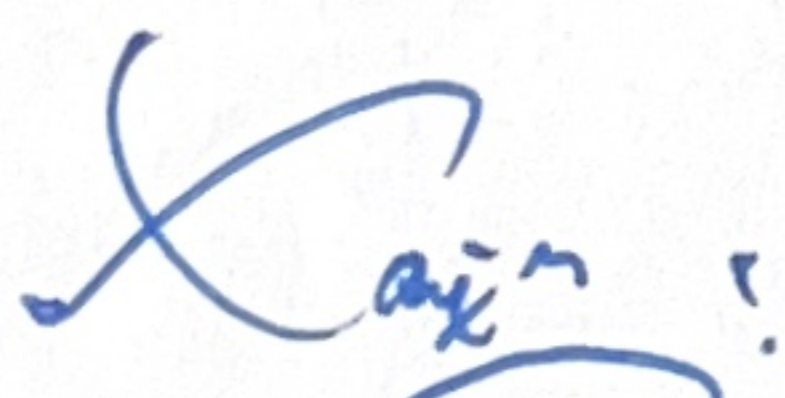
BOB Securities

17. Outstanding Litigation

The Bank has no outstanding statutory dues or litigation pending against the Bank as of date.

18. Declaration

We hereby declare that most of the relevant provisions of the Companies Act and the Prudential Regulation 2017 issued by the Royal Monetary Authority and Royal Securities Exchange have been complied with and no statement made in the prospectus contrary to the provisions of Companies Act.



Chief Executive Officer
Bank of Bhutan Limited
Place: Thimphu
Date: 16/07/2024

