



Securing Future Together

ANNUAL REPORT

2025

 nppf.org.bt

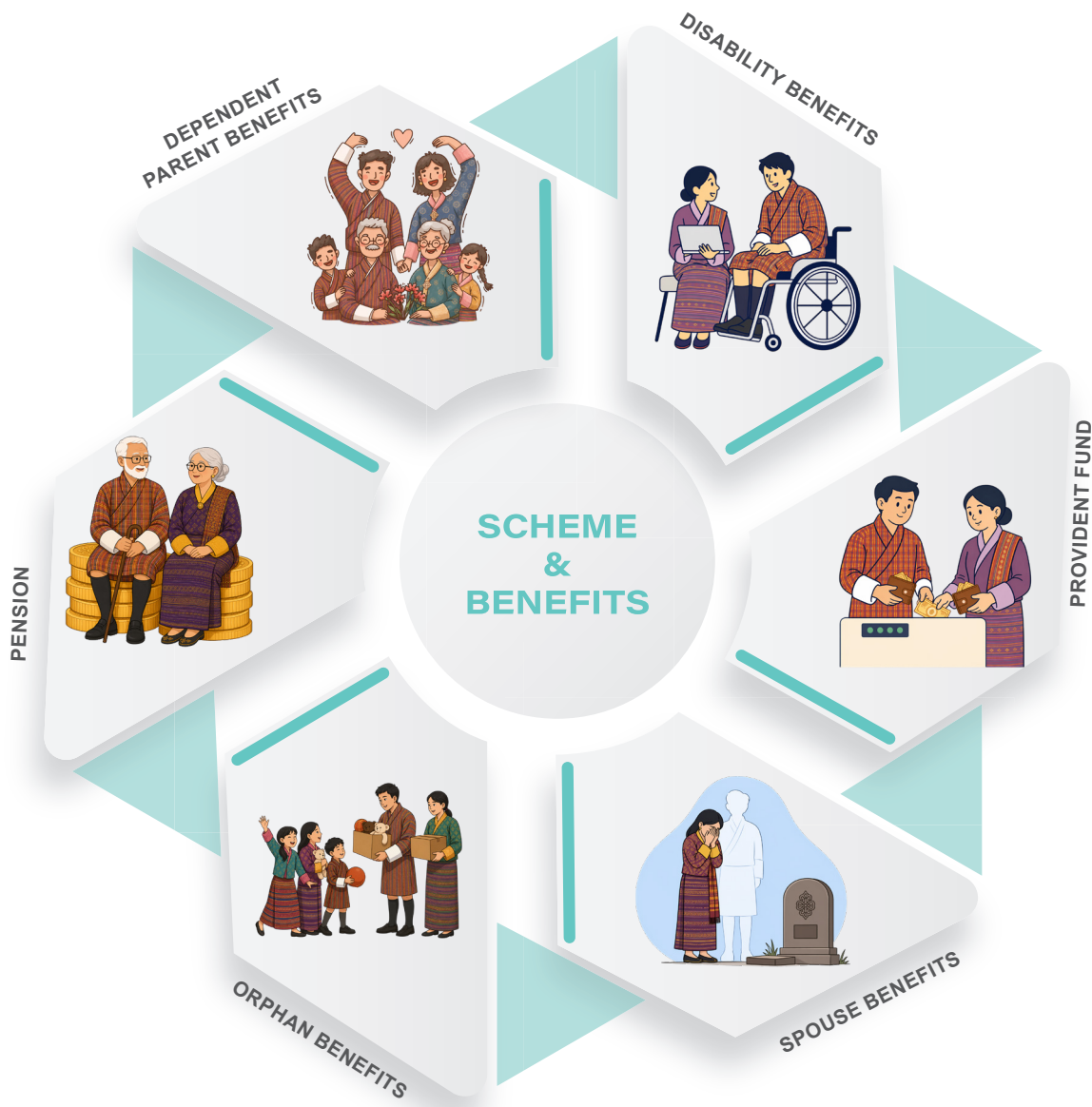


Securing Future Together

Annual Report



2025



CONTENTS

1	About NPPF
6	Vision, Mission and Core Values
7	NPPF at a Glance 2025
13	Board Of Directors Report
13	Operational Highlights
14	Financial Highlights
21	New Developments

NPPF Organization Profile

About NPPF

The foundation of formal retirement income security in Bhutan dates to 1962 with the introduction of a gratuity scheme, followed by the establishment of the Government Employees Provident Fund (GEPF) in 1976. The GEPF provided retirement benefits to civil servants, corporate employees, and members of the Armed Forces.

With modernization and rapid socio-economic development, the retirement scheme required further review. In 1998, His Majesty the Fourth Druk Gyalpo issued a Royal Kasha to the Ministry of Finance (MoF) and the Royal Civil Service Commission, emphasizing the need to reassess the existing retirement benefit schemes for the long-term welfare of government employees. Consequently, the Government Working Committee (GWC), with technical assistance from UNDP, the Asian Development Bank (ADB), and the World Bank, conducted a comprehensive study. This led to the separation of GEPF operations from the Royal Insurance Corporation of Bhutan Ltd. (RICBL) and the establishment of the National Pension and Provident Fund (NPPF).

On March 30, 2000, NPPF was formally established as an autonomous agency to manage pension and provident fund schemes for civil servants, employees of state-owned corporations, and the Armed Forces. Subsequently, on July 1, 2002, the government officially launched the National Pension and Provident Fund Plan (NPPFP) through an Executive Order, ensuring income security for its members upon retirement. Additionally, the Fund extends benefits to surviving spouses, orphans, individuals with disabilities, dependent parents, and children under 18 years of age.

Demonstrating a commitment to expanding social security coverage, NPPF introduced the Private Provident Fund (PPF) Scheme in November 2021. This initiative aims to enhance financial security for individuals in the informal sector by providing an accessible, affordable, and structured retirement savings platform.

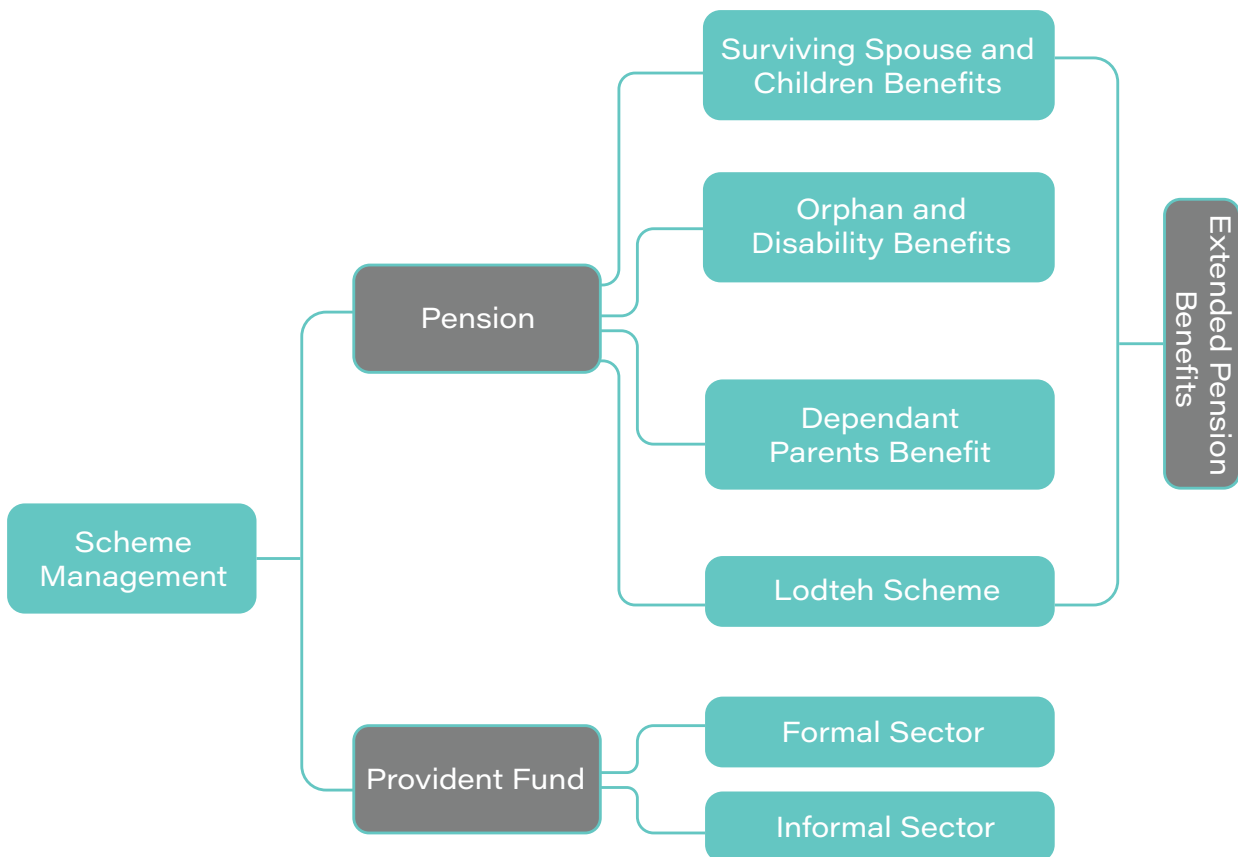
The Private Provident Fund Scheme is a strategic effort to address the unique challenges faced by workers without traditional employment contracts. By enabling regular contributions, it empowers individuals in the informal sector to build a secure financial future while promoting broader financial inclusion. As of December 31, 2025, NPPF has successfully enrolled a total of 4354 members in the Private Provident Fund Scheme.

As mandated by the Executive Order, NPPF’s core functions include:

i) Scheme Administration

NPPF schemes were introduced in 2002 as a mandatory retirement savings program for civil servants, employees of public corporations and enterprises, and members of the Armed Forces, aimed at ensuring income security after retirement.

Contributions to the pension and provident fund schemes are made by both employees and employers. Pension benefits are paid monthly, while provident fund benefits are provided as a lump sum, including accrued interest, upon retirement.



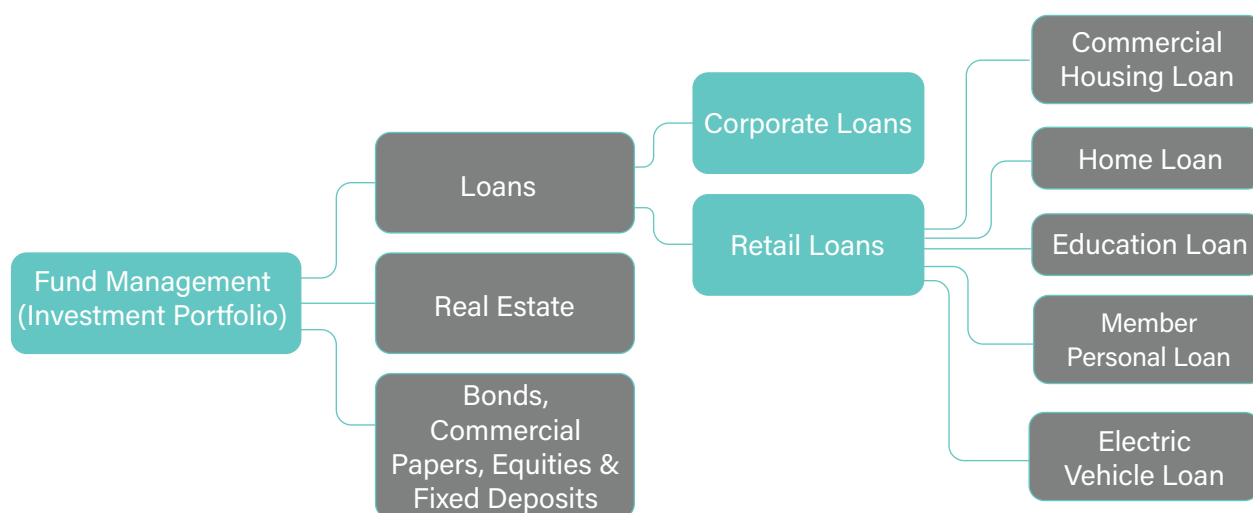
Tier I & II Features

Parameters	Civil	RBA/RBG/RBP
Standard Contribution Rate	26%, 30%	30%
Pension	16%	19%
Provident Fund	10%, 14%	11%
	(Corporate Agencies contribute 22%, 26% and 30% based on their Pay Revision. 22%: 6% PF and 16% Pension 26%: 10% PF and 16% Pension 30%: 14% PF and 16% Pension	
Type of Funding	Partially funded PAYG	Partially funded PAYG
Government Support	Implicit Guarantee	Implicit Guarantee
Minimum vesting period	Minimum 23 years in service	20 years
Maximum Contributory years	30 years	
Normal retirement age	57,59,60,63	Rank wise retirement age
Benefit level	40% of last basic pay	55% of 3 years average pay
Annual Pension Adjustment	CPI or 5% p.a whichever is lower	CPI or 5% p.a whichever is lower
Minimum Pension	40% of the O4 level i.e. Nu. 5, 510/-	45% of maximum salary ceiling of the lowest rank
Maximum Pension	40% of maximum salary scale of EX1 level in the civil service	
Spouse Pension	50% of deceased member's pension or Nu.3,500/-, whichever is higher	The total spousal benefit payable shall be 30% of the member's pension or 60% of the minimum pension payable, whichever is higher. Such benefits shall commence from the date of death of a member until the spouse(s) attains 50 years of age, death or remarriage whichever is earlier. On the day, the spouse(s) attains 50 years; the total spousal benefits shall be enhanced to 50% of the member's pension or 60% of the minimum pension payable, whichever is higher. Such benefits shall be paid until date of death or remarriage whichever is earlier.
Eligibility age for spouse	50 years	Benefit paid on the date of contingency
Children and Orphan	3 children, less than 18 years at a time Child pension - Nu.1,200/- Orphan pension - Nu. 1, 700/-	3 children less than 18 years at a time. Child pension -15% of minimum pension Orphan pension 30% of minimum pension
Dependent Parent	50% of deceased member's pension or Nu.3, 500/-, whichever is higher provided that the parent attained 56 years	50% of deceased member's pension or 60% of minimum pension, whichever is higher, provided that the parent attained 56 years
Member Permanent Disability	40% of the last salary drawn or Nu. 3, 500/- whichever is higher	30% of member's pension payable under normal retirement scheme or 45% of the maximum ceiling of the salary scale of the lowest rank
Private Provident Fund As per Labor Act employer contribution is 5% and employee contribution is 5% for member agencies. For self-employed/in the informal sector, they can contribute from Nu.1000 to Nu. 25,000 monthly. ***Note: Initially, the minimum contribution for the self-employed/informal sector was Nu. 375/-, but this was increased to Nu.1000/- in July 2024.		

ii) Fund Management

In addition to administering the schemes, NPPF has been entrusted with the fiduciary responsibility of making prudent investments of the accumulated funds. As a major non-banking financial institution, NPPF plays a key role in contributing to the country's economic development and is one of the largest players in the capital market development of Bhutan.

The fund's assets require careful management to ensure that retirees receive the promised benefits. To effectively manage the growing fund and improve its sustainability while providing better returns to Provident Fund holders, NPPF follows a prudent investment approach, guided by its investment policy. NPPF's investment portfolio includes Corporate Loans, Equities, Bonds, Treasury Bills, Commercial Papers, Member Loans, and Real Estate.



NPPF's dual function marks a significant expansion of its operational scope, encompassing essential services such as contribution collection, recordkeeping, and benefit payments, while also extending to retirement planning. As a fund manager, NPPF has not only fulfilled its core responsibilities but has also played a key role in the development of the domestic capital market. Additionally, NPPF has demonstrated its commitment to enhancing its value proposition by introducing retail credit products.

A notable feature of NPPF's diversified credit offerings is the positive impact on members' lives. By providing access to credit for purposes such as home ownership, education, and skills development, NPPF actively supports the welfare and growth of its members and beneficiaries. This strategic approach aligns with broader societal objectives, promoting economic development and social progress.

In essence, NPPF has evolved beyond its foundational functions, becoming a dynamic force in financial services. The fund's focus on both long-term financial planning, through retirement services, and short-term empowerment, via innovative credit products, highlights its commitment to comprehensive member well-being and the continued development of the domestic financial sector.

NPPF Slogan

Securing Future Together

- A Premier Organisation which secures the retirement lives of members through attractive security.
- Managing Retirement Schemes, which are inclusive, adequate, innovative, and sustainable.
- Managing Funds through prudent investment to enhance sustainability of the scheme.



We take ownership and responsibility – Accountability and Integrity

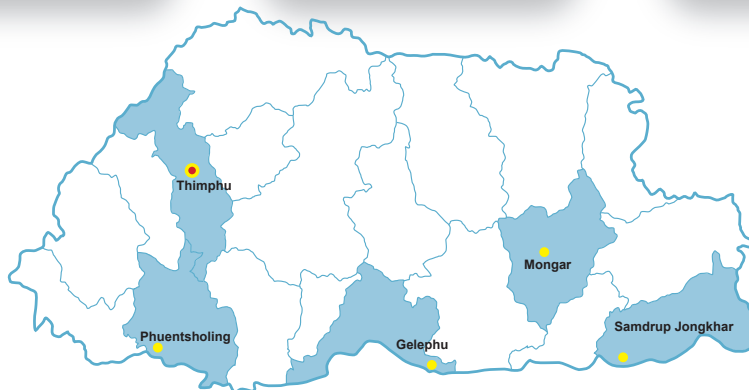
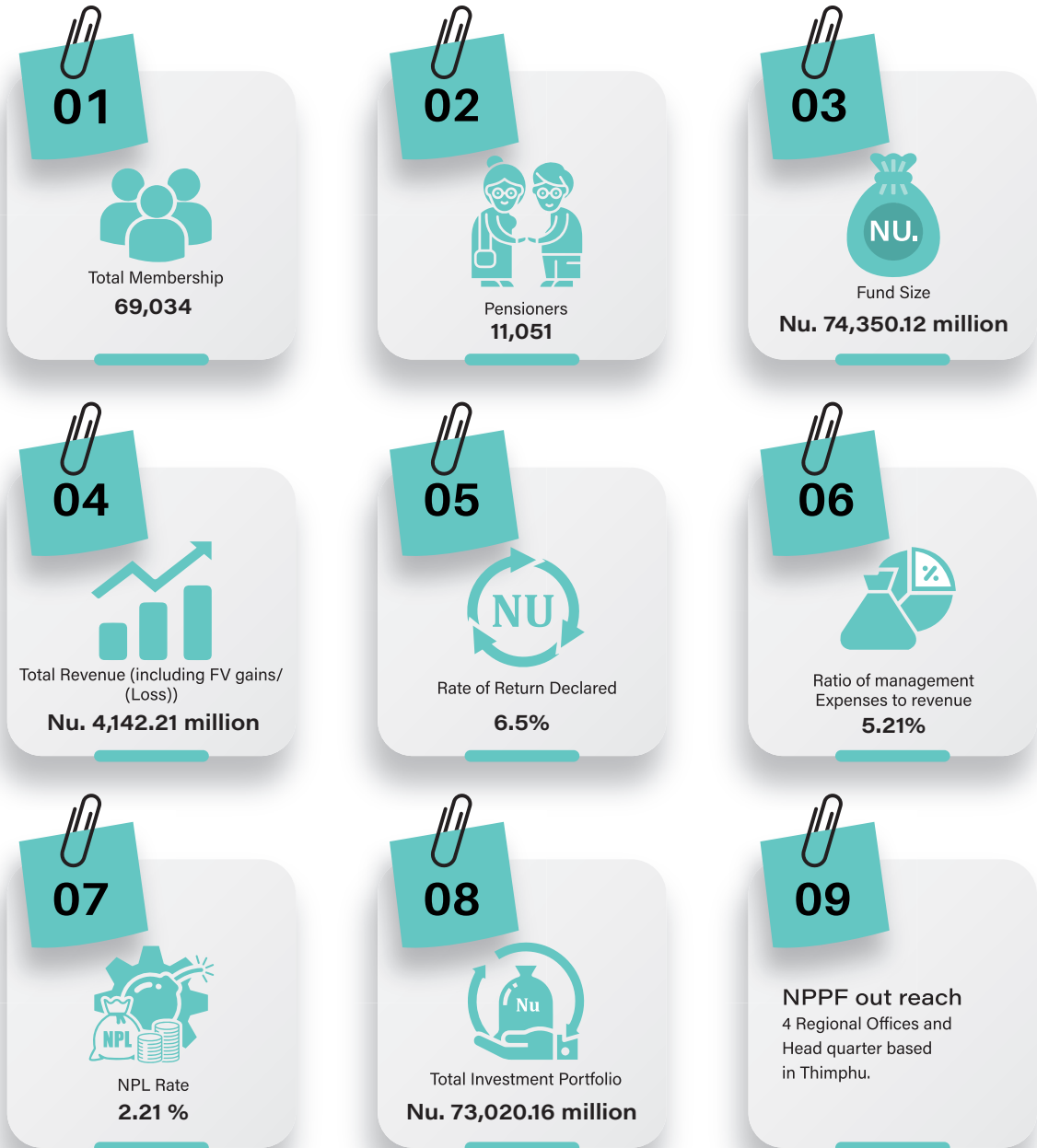
We move fast – Fast service, move ahead with technology and innovation

We are empathetic – Courteous and proactive

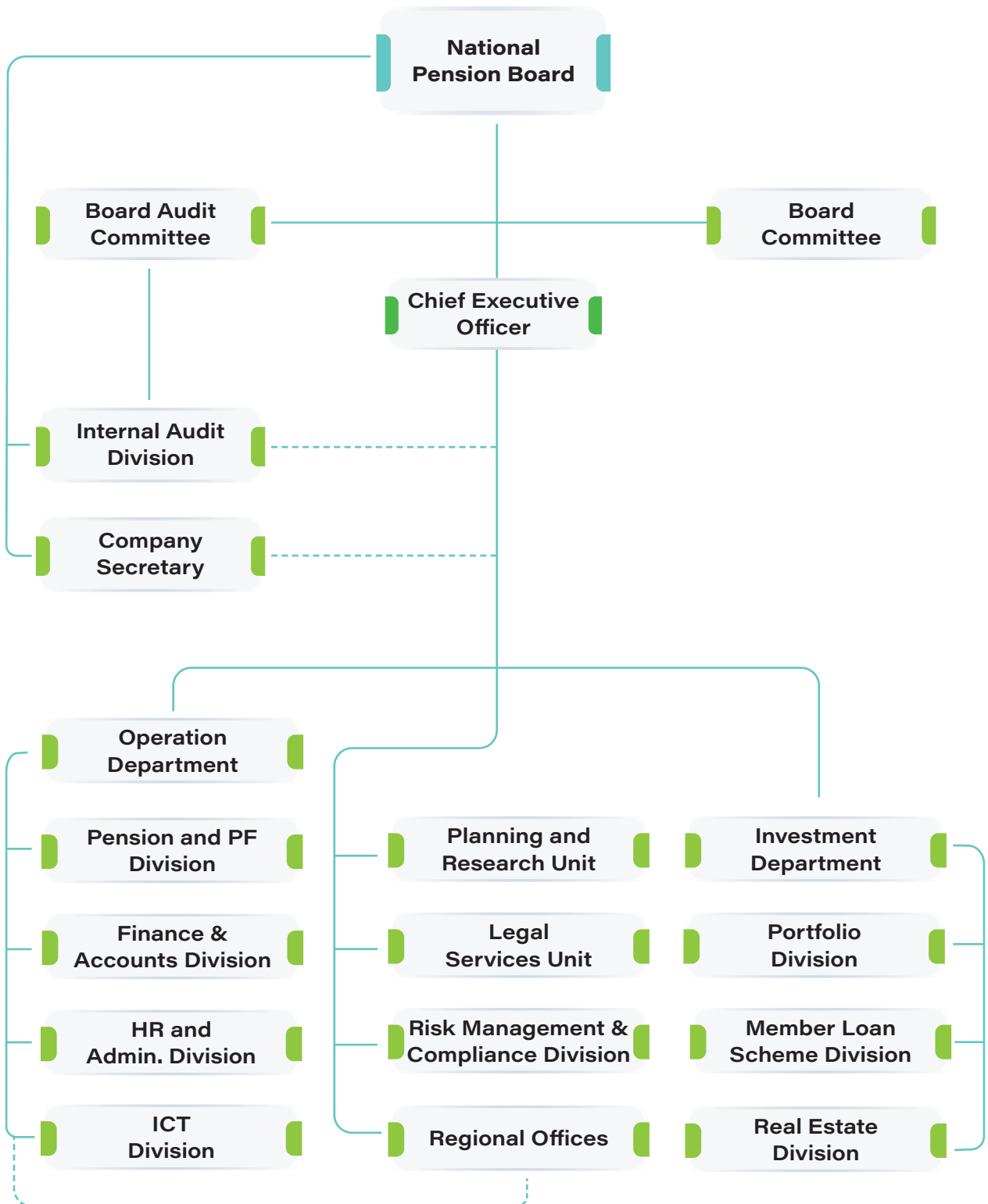
We listen to improve – Open to ideas, feedback and communicate effectively

We take care of our customers and employees – Happy employees lead to happy customers

NPPF at a glance as of 31st December 2025



Organogram



Board Directors



Dasho Karma Ngawang Ura

Karma Ura (PhD Economics) had the privilege of being a crucial team member in Planning Commission working on social and macroeconomic coherence in Bhutan's 7th, 8th, and 9th five-year plans. Since 1998, he has headed the Centre for Bhutan and GNH Studies in supporting the government and the society through various research activities, including incorporating happiness and wellbeing as the societal goal. His works offer critical analysis integrating ethics, statistics, and aesthetics.

Dr. Pema Dorji



Pema Dorji (Dr.) is the Chief Economist at the Department of Macro-Fiscal and Development Finance in the Ministry of Finance, Bhutan. He holds a Doctorate in economics from Nagoya University, Japan, with a focus on macroeconomics and policy analysis. His work emphasizes public finance, policy development, and macroeconomic modeling. His current work focuses on developing the Dynamic Overlapping Generations, the Dynamic Computable General Equilibrium model, the stock-flow consistency, and an integrated model incorporating climate change. He is also an adjunct faculty at Gedu College of Business Studies, RUB. Through his work, he has significantly contributed to the recent fiscal policy reforms, shaping macroeconomic policies and the formulation of economic stimulus programs, among others.

Mr. Chencho



With a Master's in Public Policy from Lee Kuan Yew School of Public Policy, National University of Singapore, Mr. Chencho currently serves as the Director General, Office of Cabinet Affairs and Strategic Coordination (OCASC), Cabinet Secretariat, Prime Minister's Office. Mr. Chencho comes with a vast experience in strategic planning facilitation, communications and economic data planning and analysis.

Mr. Kaka



Mr. Kaka has a master's degree in international and development economics with merit from the Australian National University, Canberra, Australia. With over 19 years of work experience in various organizations and fields, his expertise mainly lies in administration, planning, research, governance, and analytics, among others.



Colonel Sonam Phuntsho

Colonel Sonam Phuntsho has served the Royal Bhutan Army for over 26 years and is currently the Defence Accounts Officer.

Mr. Dorji Wangchuk



Dorji Wangchuk is a Director at Alvarez & Marsal, a leading global advisory firm, with over 15 years' experience across the insurance and financial services industries. He advises senior executives on complex strategic and operational challenges, helping organisations translate ambition into scalable propositions, tangible outcomes, and growth initiatives. An MBA graduate of the University of Cambridge, he brings expertise in business transformation, innovation, and technology-enabled change. He was involved in the development of Bhutan's 21st Century Economic Roadmap, contributing to the country's long-term strategic and macroeconomic framework. He also brings strong insight into private sector development, investment-led growth, and the role of innovation and enterprise in building resilient, future-ready organisations.



Mr. Dorji Penjor

With a master's in business administration (Specialized in Corporate Strategy and Economic Policy) from Maastricht School of Management, The Netherlands, Mr. Dorji Penjor has over 29 years of experience in Banking under various capacities such as Operations Management, Research and Development, Fin Tech, governance, strategic management, and project management.

Management



Mr. Tshen Norbu
DIRECTOR
Operations Department



Mr. Dorji Penjor
CHIEF EXECUTIVE
OFFICER



Mr. Phurba Thinley
DIRECTOR
Investment Department

Senior Management



Ms. Kinga Dema
CHIEF
Human Resource &
Administration Division



Mr. Phub Dorji
CHIEF
Finance and Accounts
Division



Ms. Tshering Zangmo
CHIEF
Member Loan
Division



Mr. Tshering Dorji
CHIEF
Pension and Provident
Fund Division



Mr. Kinzang Wangdi
CHIEF
ICT Division



Mr. Karma Dorji
CHIEF
Internal Audit Division



Mr. Sonam Tobgay
CHIEF
Real Estate Division



Mr. Kinzang Tshering
ACTING CHIEF
Portfolio Investment
Division



Ms. Deki Drukpa
CHIEF
Risk Management &
Compliance Division



Ms. Kinga Dema
Company Secretary



Mr. Tshering Dorji
HEAD
Legal Services Unit



Mr. Ugyen Tobgay
HEAD
Planning & Research Unit

Regional Heads



Mr. Pema Chheda
HEAD
Phuntsholing Region



Mr. Sangay Thinley
HEAD
Samdrup Jongkhar Region



Mr. Chencho
HEAD
Mongar Region



Mr. Rinzin Choda
HEAD
Gelephu Region

Initiatives

A. Digital Enhancement and Security Strengthening Initiatives

1. **Chatbot Integration:** A chatbot was successfully integrated into the NPPF website to provide members with instant access to information regarding NPPF services, thereby improving service delivery and user convenience.
2. **Development of SOP for Data and Record Destruction:** A comprehensive Standard Operating Procedure (SOP) for data and record destruction was carefully drafted and finalized. In line with this SOP, NPPF effectively carried out the destruction of obsolete records, ensuring proper data management and compliance.
3. **Capacity Building on VAPT:** ICT officials underwent specialized training on Vulnerability Assessment and Penetration Testing (VAPT), sponsored by GovTech. Following the training:
 - a. One team was assigned to conduct VAPT for eServices, including Loan and PF services.
 - b. Another team was tasked with performing VAPT for network equipment.
4. Using available free VAPT tools, the NPPF successfully conducted assessments aimed at identifying, classifying, and recommending mitigation measures for security vulnerabilities. The exercise strengthened efforts to safeguard the confidentiality, integrity, and availability of the network infrastructure.

B. Infrastructure Improvement

1. **Alternative Water Source Initiative:** An alternative water source was established for the Residential Housing Complex in Phuentsholing to address water shortages, particularly during monsoon periods when supply from the Thromde was disrupted. Additionally, a water cooler was installed near the Mani Dungkor to benefit both residents and visitors.
2. **Development of Additional Parking Space:** To ease parking constraints within the housing complex, a new parking area was developed by dismantling a non-functional underground water tank and clearing surrounding bushes. This initiative has significantly improved parking availability and reduced instances of minor vehicle damages and hit-and-run incidents.

C. In-House Training and Capacity Building Initiatives

NPPF has formally instituted a structured approach to in-house knowledge sharing as part of its ongoing commitment to capacity building and professional development. Under this initiative, designated NPPF officials conducted structured training sessions on Microsoft Excel for staff members to enhance their technical competencies.

PRU facilitated a comprehensive three-day MS Excel training programme aimed at further strengthening analytical and reporting capabilities across the organization. Moreover, the Investment Director conducted a three-day financial training programme tailored specifically for non-financial personnel, with the objective of improving their understanding of fundamental financial principles and promoting greater financial literacy within the institution.

Board of Directors Report

It is with great pleasure that I present the National Pension Board's Report for the fiscal year 2025, in my capacity as Chairperson. This report embodies the collaborative efforts of the Board of Directors and the dedicated management team in fulfilling our shared mission of securing the financial future of our members.

NPPF continued to build on the momentum gained post-COVID-19, navigating challenges with resilience and agility. The experiences of the past few years have reinforced the importance of adaptability, prompting strategic shifts in how we design and deliver our services. These insights have led to key restructuring initiatives aimed at strengthening institutional resilience and optimizing member-centric service delivery.

As part of ongoing reform efforts, the Board, in close coordination with management, undertook proactive measures to streamline operations and enhance governance. These efforts remain anchored in NPPF's core mandates—particularly scheme administration and prudent fund management. Together, we reaffirmed our commitment to uphold fiduciary responsibilities with the highest standards of transparency and accountability.

The year 2025 was a year of remarkable growth and financial performance. NPPF achieved a surplus of Nu.3,971.48 million allowing the Board to declare a return of 6.5%, to be distributed to members. The total fund size grew significantly—from Nu.69,142.65 million to Nu.74,350.122 million, representing a 7.53% increase over the previous year. These results demonstrate our strong financial stewardship and investment strategy.

The Board remains fully committed to upholding strong corporate governance standards. Each Director continues to fulfill their role with dedication and integrity, contributing meaningfully to the Fund's long-term objectives. As we move into 2026, we are confident that NPPF is well-positioned to continue its journey of delivering sustainable growth, ensuring long-term value for members and stakeholders.

On behalf of the Board, I extend my sincere appreciation to the management and staff of NPPF for their hard work and unwavering commitment to serving our members, pensioners, beneficiaries, and partners with excellence and pride.

We look forward to another year of progress and partnership.



Dasho Karma Ngawang Ura
Chairperson

Chief Executive Officers Report

It is a privilege to present to our members and stakeholders the key achievements of NPPF in 2025.

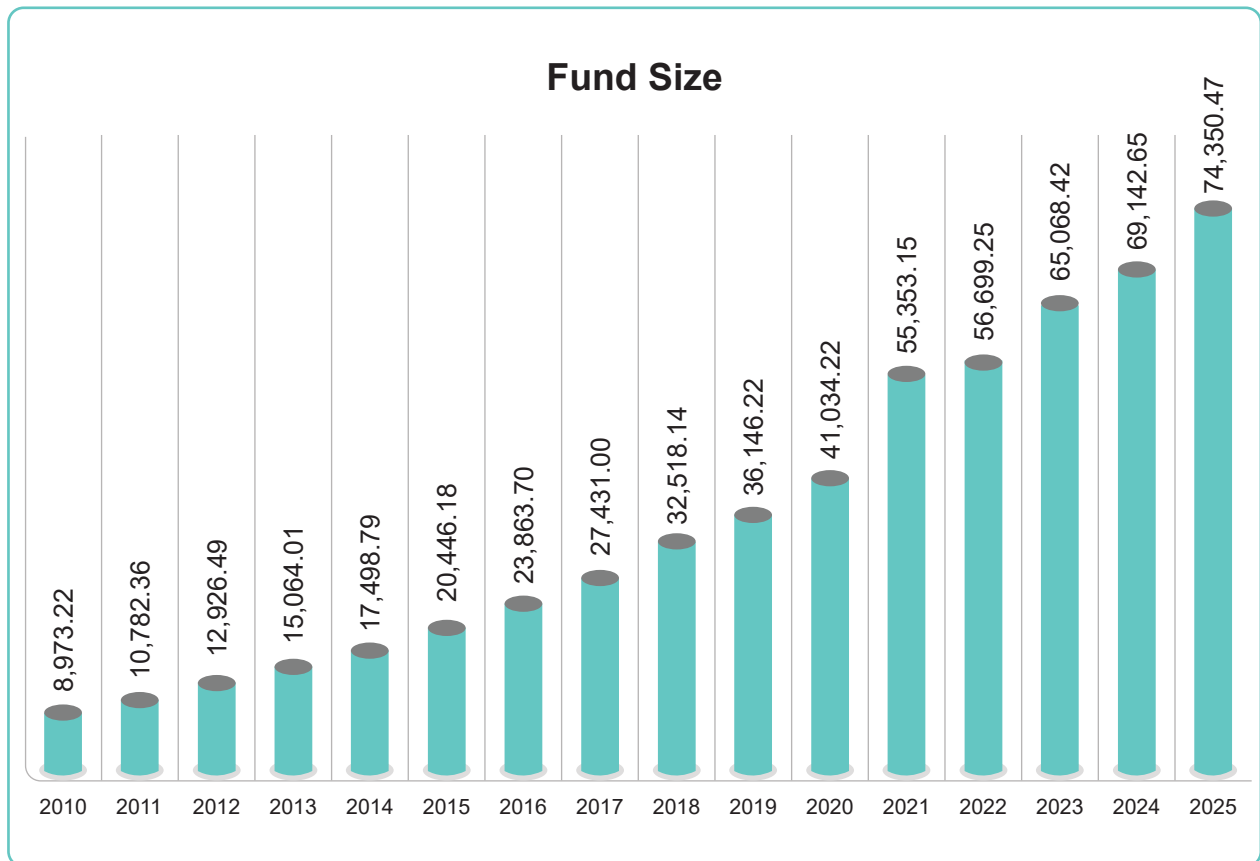
Financial Highlights

During the year, NPPF made significant investments, achieving a return of 6.5% which was distributed to our members. Additionally, NPPF recorded a surplus of Nu.3,971.48 million (surplus at cost Nu.3,904.26 million), further strengthening its financial position. Today, NPPF stands as a key player in Bhutan's capital market, consistently delivering record-high investment returns.

In response to the evolving economic landscape, we have reviewed our Investment Policy to enhance long-term financial sustainability. This review aims to generate higher returns to help reduce overall pension scheme costs while effectively managing market fluctuations and mitigating potential risks. By maintaining a strategic balance between risk and return, NPPF strives to minimize the risk and extent of underfunding. This is essential, as pension schemes have a fiduciary responsibility to safeguard members' capital and ensure stable, long-term returns.

Fund Size

NPPF's total assets grew from **Nu.69,142.65 million** in FY 2024 to **Nu.74,350.122 million** in FY 2025, marking a 7.53% increase.

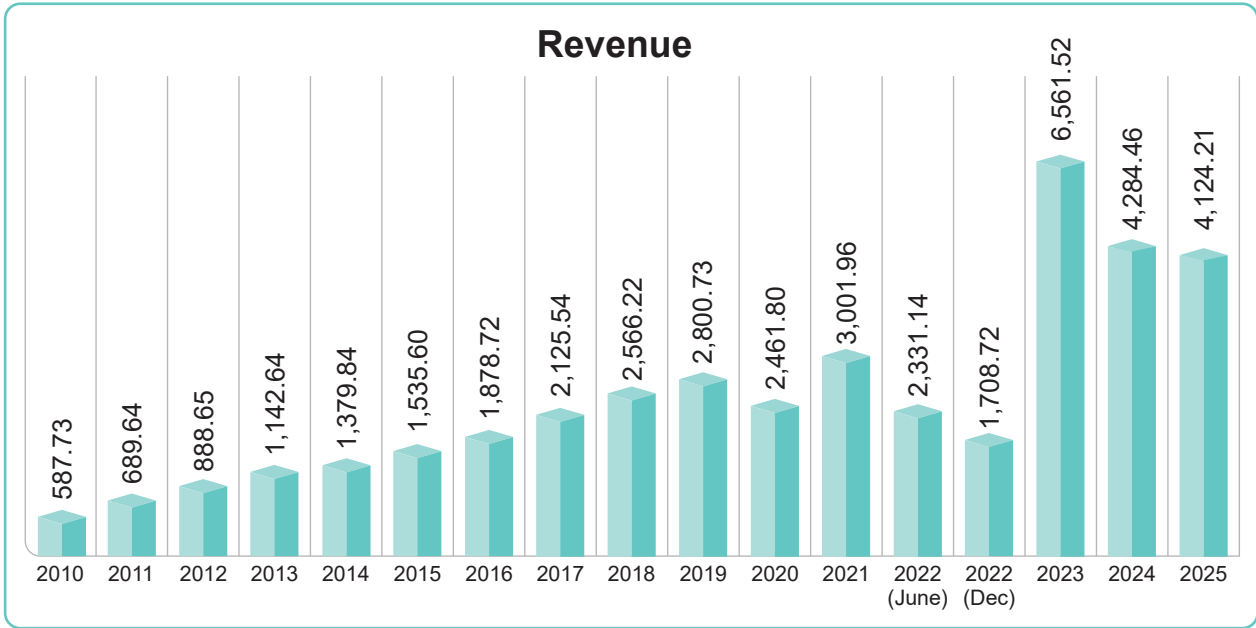


(In Million Nu)

NPPF Revenue

NPPF's revenue comprises income from term deposits, treasury bills, bonds, loans, rental earnings, dividend income, and other sources. It also includes fluctuations in the fair value of investment properties.

Against the target revenue of **Nu.4,679.60 million** for 2025, NPPF generated a total revenue of **Nu.4,288.48 million** at cost. At fair value, the total revenue stood at **Nu. 4,142.21 million**.



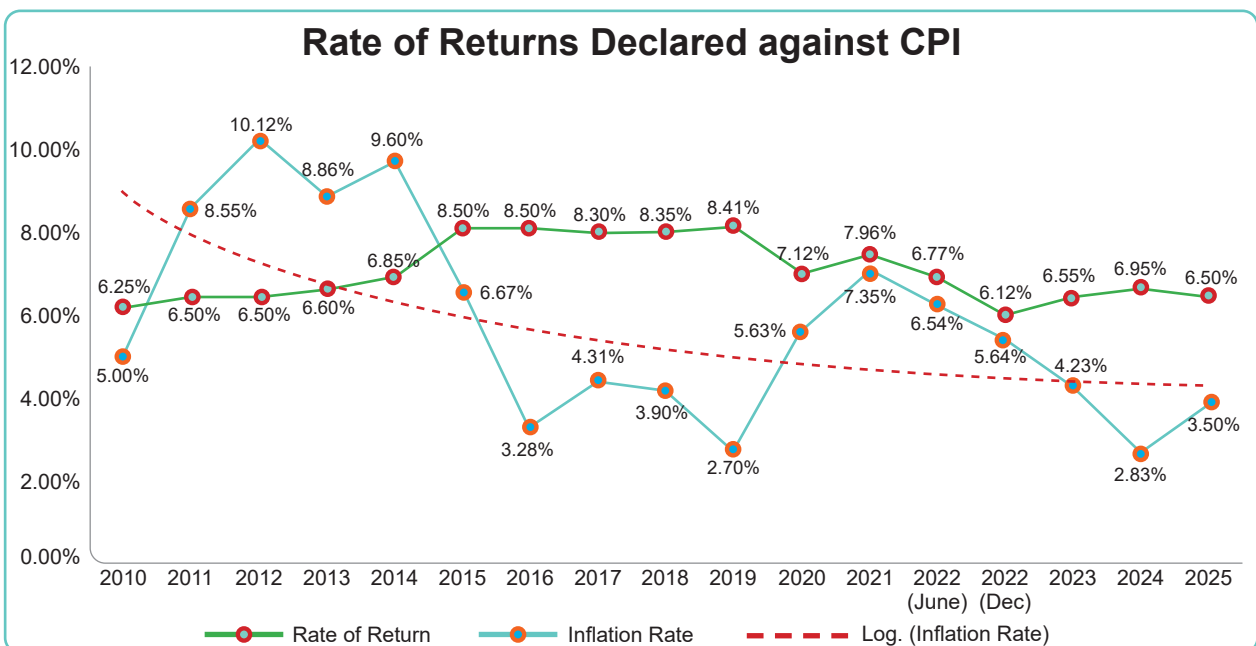
(In Million Nu)

Note*For the year 2022 six months, interim revenue has been reflected (June and December), due to change from accounting year to calendar year.

Rate of return

NPPF achieved a return of 6.5% compared to the annual inflation rate of 3.5% recorded in December 2025. Studies indicate that return on investment is a key factor in pension sustainability, with a 1% increase in the rate of return potentially extending the pension sustainability horizon by more than a year.

Therefore, consistent improvement in investment revenue remains critical for NPPF, especially in the face of evolving demographic and labor market challenges beyond its control.



Investments

Enhancing returns on investment remains a top priority for NPPF, especially in the face of evolving demographic challenges beyond its control. While parametric reforms within the pension scheme are essential, a robust investment strategy is equally crucial to strengthening the fund's asset-liability balance.

At the core of NPPF's fund management approach is a careful balance between risk and reward. This involves strategically allocating assets in line with the Investment Policy to maximize returns while maintaining financial stability. Prudent fund management is achieved through regular portfolio analysis, ongoing research and development in financial analysis, cash and treasury management, corporate finance, and risk-managed investments.

Loan Investments

In 2025, NPPF invested a total of **Nu. 23,454.52 million** in corporate and retail loans, reflecting a **15.05%** growth from **Nu. 20,386.42 million** recorded in 2024. The total loan portfolio remains the second-largest component of the overall investment portfolio, accounting for approximately **32.12%** of total investments, with a Non-Performing Loan (NPL) ratio of **2.21%**, underscoring a stable asset quality profile.

Government and Corporate Bonds

In 2025, NPPF's investment in government and corporate bonds increased to **Nu. 10,406.95 million**, from **Nu. 8,504.19 million** in 2024, reflecting a **22.38%** growth. This portfolio now accounts for approximately 14.25% of the total investment portfolio. These fixed-income instruments continue to deliver predictable and stable returns, reinforcing portfolio resilience and risk diversification.

Real Estate Investments

Real estate remains a strategic asset class within NPPF's investment portfolio, contributing to long-term financial sustainability. In 2025, total real estate investments stood at Nu. 8,375.55 million, compared to Nu. 8,286.02 million in 2024, reflecting a growth of 1.09% and constituting approximately 11.47% of the total investment portfolio.

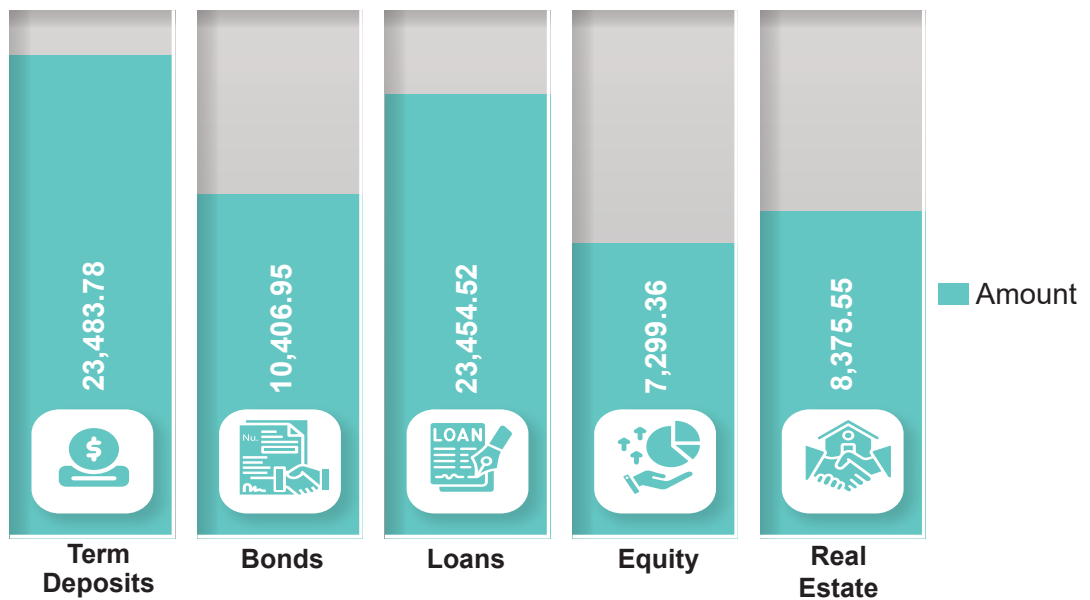
Aligned with NPPF's Liability-Driven Investment (LDI) strategy, real estate investments serve as a natural hedge against inflation while generating stable and recurring rental income. The portfolio is expected to expand further under the revised 10-year real estate investment plan (2025). To enhance asset utilization and returns, land lease guidelines have been developed, and a comprehensive assessment of NPPF's properties has been initiated to evaluate asset value, condition, and revenue optimization opportunities.

Fixed Deposits and Short-Term Investments

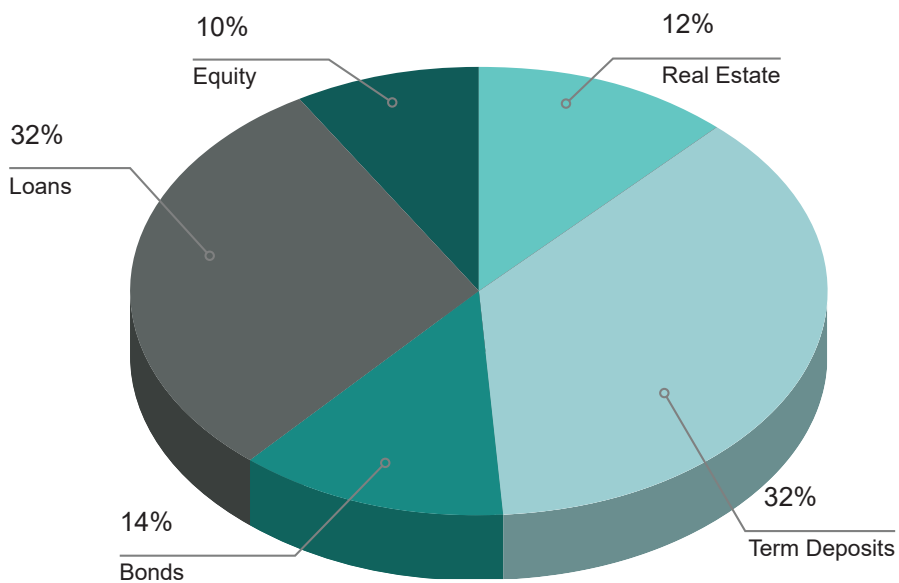
In 2025, NPPF maintained **Nu. 7,299.36 million** in fixed deposits and short-term investments, compared to **Nu. 5,780.90 million** in 2024, representing 10% of the total investment portfolio.

While NPPF strategically prioritizes long-term, higher-yielding investments, fixed deposits continue to play a critical liquidity management role. In the current economic environment characterized by moderate growth and market uncertainties, these instruments have provided stable and reliable returns, contributing meaningfully to overall portfolio performance and capital preservation.

Portfolio Category and Amount in Million Nu



% to Total Investment Portfolio



Credit Quality

As mandated by the Executive Order and regulatory authorities, NPPF serves a limited clientele comprising civil servants, corporate employees, and members of the Armed Forces.

In 2025, non-performing assets stood at **2.21%**, well below the maximum target limit of 3% as per Prompt Corrective Action framework 2022 (PCA) issued by RMA. This is a significant achievement, especially given the adverse economic conditions and the industry benchmark for Non-Performing Loans (NPL) at 10%. This success underscores NPPF's strong credit appraisal procedure and risk management frameworks, ensuring financial stability within its lending operations.

Recognizing the critical role of investments in ensuring fund sustainability, NPPF is focusing on strategic, liability-driven assets that generate long-term returns. To diversify its portfolio, NPPF is strengthening its business development function and conducting in-depth research to identify new investment opportunities.

Moving forward, NPPF remains committed to enhancing its investment policy, aligning it with prevailing economic conditions and global trends in pension sustainability. By adopting prudent, forward-looking financial strategies, NPPF aims to secure the long-term financial well-being of its members while navigating evolving economic challenges.

Operational Highlights

Expanding Retirement Security in Bhutan

Since its establishment, the National Pension and Provident Fund has been instrumental in managing Pension and Provident Fund (PF) Schemes tailored for the formal sector, covering civil servants, members of the armed forces, state-owned enterprises, and corporations.

Currently, NPPF covers approximately **11.35%** of the working-age population and **8.81%** of the total population. However, recognizing the challenges of the existing Pension Scheme, particularly in terms of sustainability and accessibility, NPPF has actively pursued initiatives to extend coverage to the informal sector. With minimum contribution options ranging from Nu. 1,000 to Nu. 25,000, this initiative aims to broaden financial security for a more diverse workforce and promote inclusive retirement planning across Bhutan.

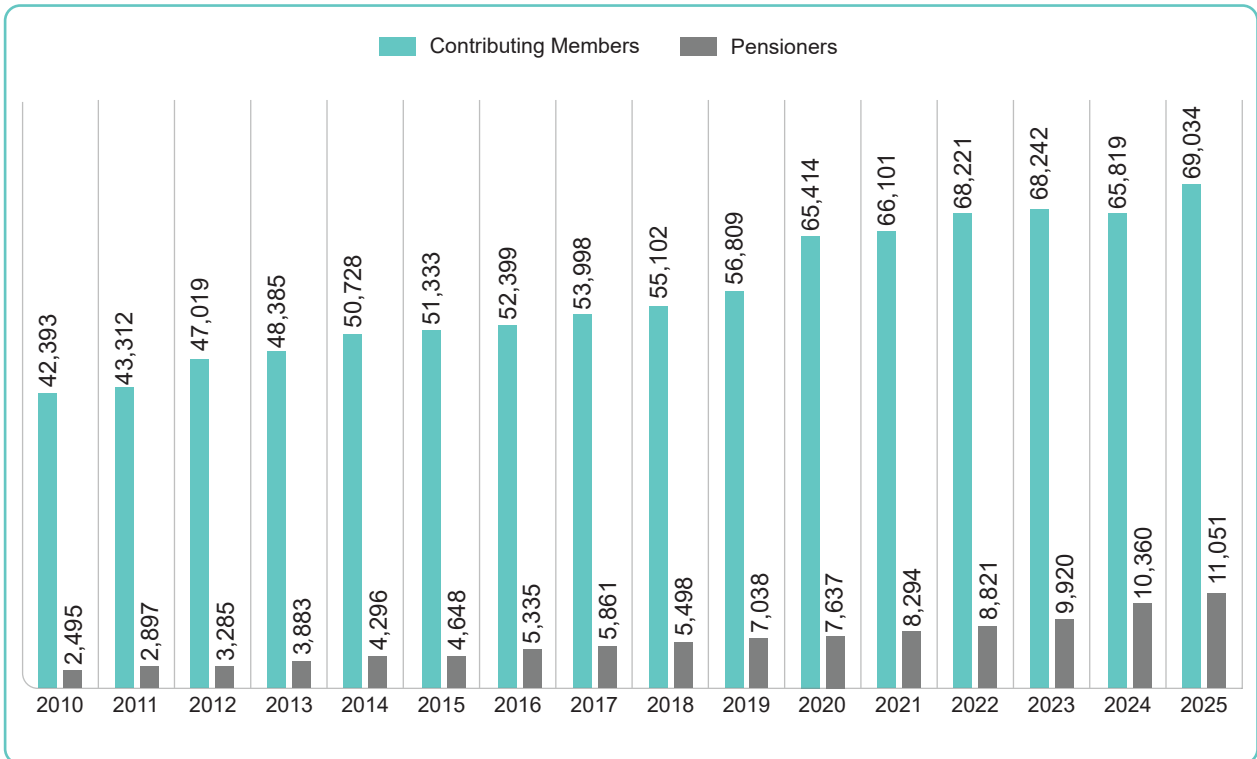
Membership and Beneficiary Growth

As of December 31, 2025, NPPF recorded a total of **64,680** active members from the civil service, state-owned enterprises, and the Armed Forces under the formal Pension and Provident Fund Scheme. Additionally, **4354** active members from the private sector have also enrolled.

The number of pension beneficiaries, including those receiving orphan, dependent parent, disability, and surviving spouse benefits, increased to **11,051**, reflecting a **6.67%** growth from **10,360** beneficiaries in the previous year.

SL #	Beneficiaries Type	Count
1	Early Pension beneficiaries	2,131
2	Normal Pension beneficiaries	6,248
3	Disability benefit beneficiaries	7
4	Spouse benefit beneficiaries	1,546
5	Children benefit beneficiaries	1,065
6	Orphan benefit beneficiaries	19
7	Dependent Parent benefit beneficiaries	35
Total		11,051

Data as of 31st December 2025

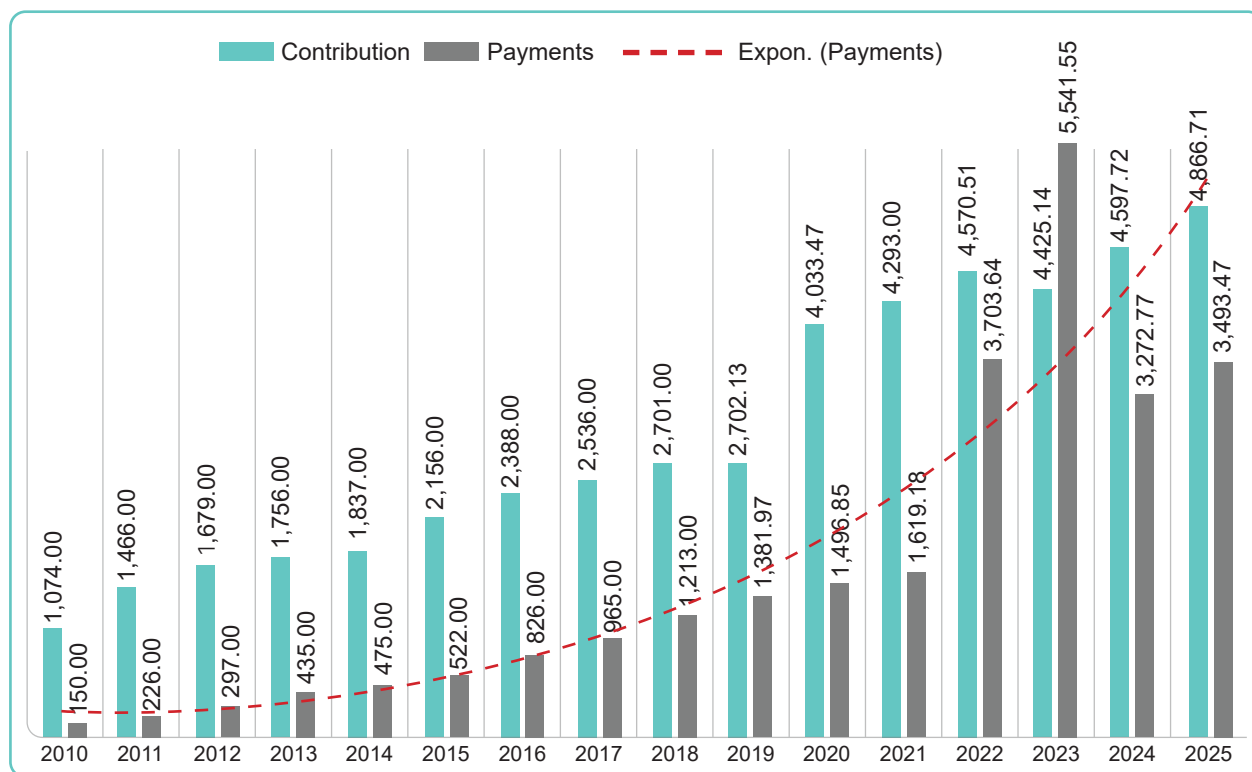


Contribution Collection And Benefits Payment

With continued expansion in total membership, NPPF recorded a corresponding increase in contributions, rising from **Nu. 4,597.72 million** in 2024 to **Nu. 4,866.71 million in 2025**, reflecting a **5.85%** growth.

In parallel, pension and provident fund payouts also experienced an upward trajectory during the year. Total payouts increased by **Nu. 220.07 million**, reaching **Nu. 3,493.47 million in 2025**, compared to **Nu. 3,272.77 million in 2024**, representing a **6.74%** increase.

This sustained growth trajectory underscores the broadening coverage and impact of NPPF's financial security programs, while reaffirming the organization's commitment to delivering timely, reliable, and long-term benefits to its members.



Contribution collection and benefits payment (Pension and PF refunds)

Contribution collection and benefits payment

Conceived under the auspices of His Majesty Drugyal Zhigpa, the National Pension and Provident Fund (NPPF) has grown into a vital institution over the past 24 years. One of its most commendable achievements has been the effective streamlining and institutionalization of retirement benefits, significantly alleviating poverty among members after retirement.

However, much remains to be done. Currently, pension and provident fund schemes are limited to civil servants, state-owned enterprises, and the Armed Forces. While the introduction of the Private Provident Fund Scheme for the informal sector is a positive step forward, a substantial **11.35%** of the working-age population and 8.81% of the total population remain outside these schemes. This exclusion leaves many vulnerable to financial insecurity during retirement.

Additionally, the traditional defined benefit pension scheme faces sustainability challenges due to demographic shifts, policy inconsistencies, and the absence of parametric reforms. Without necessary reforms, the dependency ratio of pensioners to contributors will continue to rise, risking fund depletion. Moreover, pension and provident fund management is fragmented, with multiple institutions and employers administering schemes in the absence of a cohesive governance and regulatory framework.

Addressing these structural challenges requires a comprehensive overhaul of the current pension and provident fund system through:

- 🌀 Parametric Reforms – Implementing necessary adjustments to ensure long-term sustainability.
- 🌀 Policy Formulation – Developing robust policies to expand coverage and improve governance.
- 🌀 Stakeholder Consultation – Engaging all relevant parties to build a sustainable and inclusive retirement system.

A well-structured reform initiative will help extend retirement security to a broader population, ensuring a resilient and equitable financial future for all Bhutanese.

Expense Management and Operational Efficiency

NPPF remains committed to prudent expense management and operational efficiency, ensuring that resources are utilized optimally while maintaining high standards of service delivery. The organization's expenditures primarily cover management costs, including depreciation and amortization, but exclude credit expenses.

Looking ahead, NPPF is actively working to build internal capacity by reducing reliance on foreign actuarial consultants. The organization is focused on developing a pool of certified employees with the expertise to conduct actuarial valuations and assess the health of the fund periodically and efficiently. This strategic initiative will ensure timely evaluations, enhance risk management, and contribute to long-term financial sustainability.

As a result of these collective efforts, NPPF has achieved an operational efficiency of 8.09% against a benchmark of 8%. Moving forward, the organization remains dedicated to sustaining and further improving its operational efficiency through continuous innovation, capacity building, and cost-effective management strategies.

Information and Communication Technology

Since its establishment in 2000, NPPF has been at the forefront of leveraging information technology to enhance internal office automation and streamline fund management processes. Over the years, NPPF has successfully computerized key operational areas, including fund management, investments, loans, rental collections, and financial management, ensuring efficiency, accuracy, and transparency in its services.

In its continuous pursuit of digital transformation, NPPF has recently completed the integration of its Information and Communication Technology (ICT) system. This newly integrated system marks a significant milestone in modernizing service delivery and optimizing operational processes. By

leveraging technology, the organization aims to enhance the overall member experience, improve accessibility, and ensure seamless interactions across its various platforms.

The adoption of this integrated ICT system is expected to revolutionize how NPPF engages with its members, offering more efficient, responsive, and user-friendly services. Moving forward, NPPF remains committed to harnessing the power of digital innovation to drive service excellence, strengthen fund management, and align with global best practices in pension and provident fund administration.

Human Resources and Administration

Recognizing the important role employees play in organizational success, NPPF has proactively responded to the prevalent talent exodus by implementing a series of strategic workforce initiatives. A comprehensive review of the employee retention policy was undertaken to identify and acknowledge individuals who can serve as long-term assets to the organization. As part of this effort, a meticulous succession planning exercise was conducted to pinpoint critical positions and establish structured action plans for seamless transitions within key roles.

To ensure optimal alignment between individuals and their responsibilities, NPPF adopted a proactive approach centered around three core strategies: a thorough analysis of critical positions, the creation of a detailed talent inventory, and the development of a robust talent management framework. This structured approach aims to enhance operational efficiency by ensuring that the right talent is placed in the right role, fostering both professional growth and institutional stability.

In response to the challenges of talent attraction and retention, NPPF also introduced the High Potential (HiPo) Program, a strategic initiative designed to identify and nurture high-potential employees. This program offers a unique value proposition by recognizing and incentivizing top talent, strengthening critical functions, and fostering a culture of professional excellence. Given the increasing difficulty in attracting and retaining skilled professionals, this initiative has become a key priority in NPPF's human capital strategy.

These collective measures are expected to fortify NPPF's workforce resilience, ensuring the organization continues to fulfill its mandates with professionalism, efficiency, and the highest standards of service delivery.

Enterprise Risk Management (ERM)

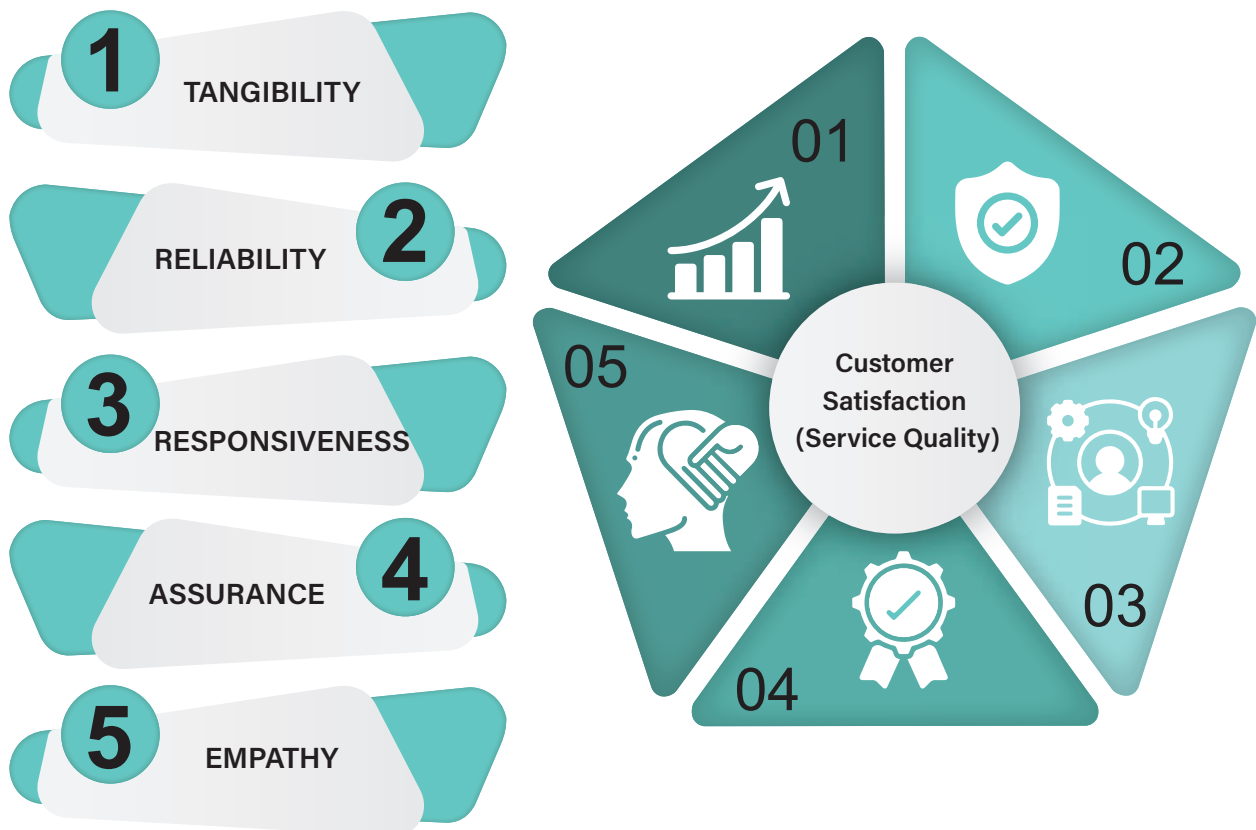
The Enterprise Risk Management (ERM) framework at NPPF is structured in alignment with the Three Lines of Defense Model, adhering to industry best practices and regulatory requirements. The first line of defense comprises individual business units, which are responsible for managing operational risks at their respective levels. The second line of defense includes critical regulatory functions such as the Credit Review Unit, Compliance Unit, and Risk Office, which provide oversight and ensure adherence to risk management policies. The Internal Audit Division, operating with full independence and direct reporting authority to the Board Audit Committee, serves as the third and final line of defense, offering an additional layer of scrutiny and assurance.

NPPF has established a comprehensive enterprise risk management system that identifies key risk areas and outlines mitigation strategies. This framework is reviewed and updated annually to incorporate evolving risks and regulatory requirements, ensuring that risk management measures remain robust and effective in safeguarding the organization's financial stability and operational efficiency.

Customer Satisfaction Survey (CSS)

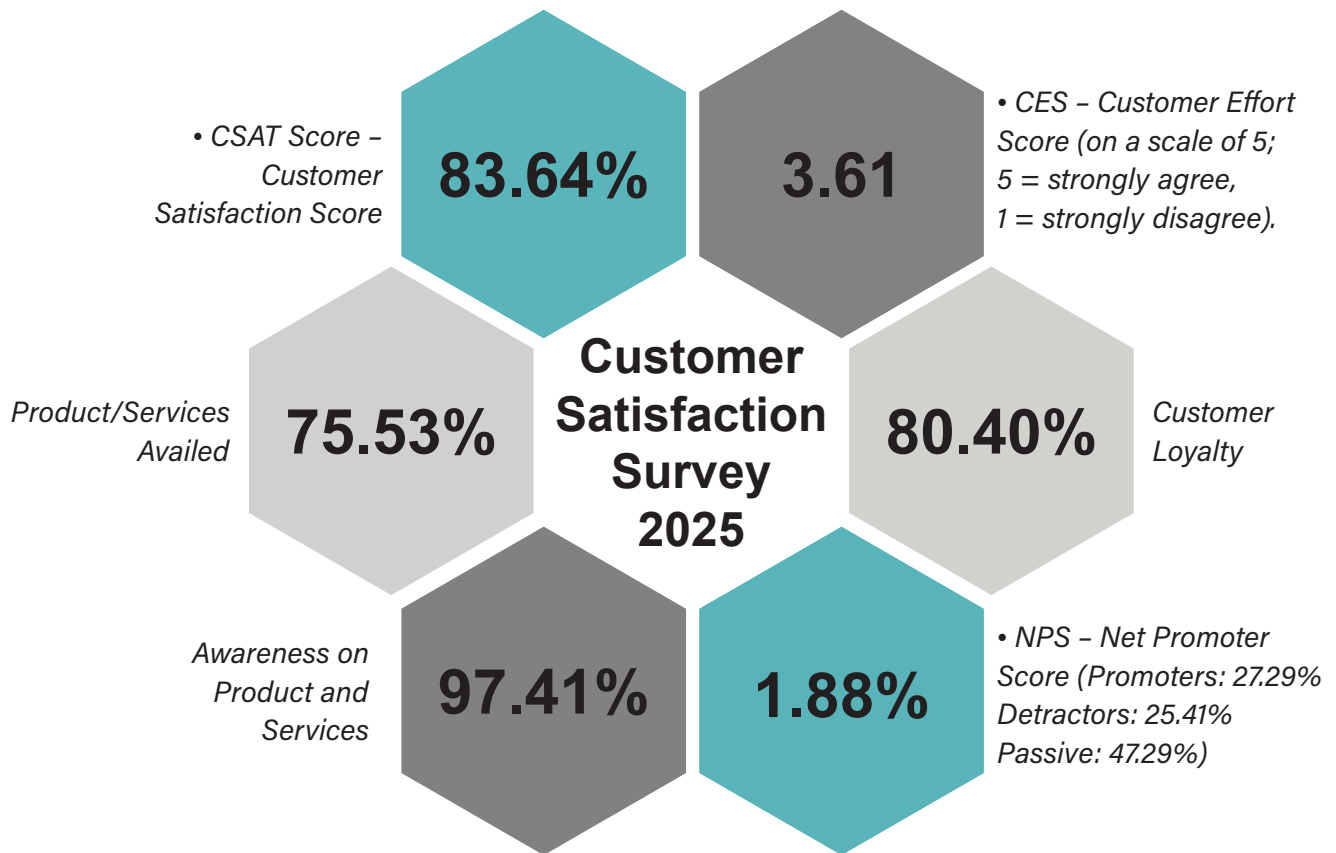
The Customer Satisfaction Survey 2025 served as a vital tool in identifying both ongoing and emerging challenges and opportunities that impact service delivery and member experience. The survey continues to inform a strategic roadmap for targeted improvements, helping NPPF remain agile and responsive to member needs while fostering a culture of continuous enhancement.

The primary objective of the survey was to gauge the level of satisfaction among members regarding NPPF's branding, products and services, and overall customer support. It also aimed to identify issues encountered by members, enabling the organization to address and resolve them effectively. The insights gained from the survey are critical in shaping strategies that enhance service quality, thereby benefiting both the organization and its members.



The survey provided an overall measure of satisfaction, reported by members, known as the Customer Satisfaction Index (CSI). This index reflects a composite judgment based on eight key result areas (KRAs), including five core attributes of the SERVQUAL model—Reliability, Assurance, Tangibles, Empathy, and Responsiveness—as well as additional dimensions such as Loyalty. Each of these KRAs was assessed using defined Key Performance Indicators (KPIs) to ensure measurable and actionable outcomes. While the organization was initially required to report only on the Customer Satisfaction (CSAT) score, NPPF acknowledged the importance of a broader understanding of member sentiment. As such, the survey also incorporated additional metrics, including the Net Promoter Score (NPS), Loyalty Score, and Customer Effort Score (CES). These indicators offer a comprehensive view of member satisfaction and engagement, supporting data-driven decision-making and continuous service refinement.

Measures and Indices Findings



Corporate Social Responsibility (CSR)

As part of its Corporate Social Responsibility (CSR), NPPF, in collaboration with the Royal Insurance Corporation of Bhutan Limited, initiated the Lotedh Scheme to uphold social values and cultural traditions. The scheme primarily aims to provide *Semso* (financial support) to the immediate family members of a Lotedh member in the event of their passing.

In 2025, the scheme extended financial support to **28 bereaved families**, disbursing a total of **Nu. 2.8 Million**. Currently, the scheme has a membership base of 3065 members, managed by the Lotedh Scheme Trustees, which includes representatives from pensioners who served in the civil service and the Armed Forces. The total contributions under the scheme as of December 31, 2025, stand at **Nu. 3.014 million**. (total contributions/ including annuity and fixed deposits plus bank balance)

The Lotedh Scheme is chaired by Mr. Nima Wangdi, former Health Secretary, and NPPF continues to provide secretarial services to the Trustees, while also covering administrative expenses associated with managing the scheme.

Audit Reports

NPPF engaged **TR Chadha & Co LLP** to audit its business transactions and financial activities for the fiscal year 2025. NPPF is pleased to report that the auditor's report on the financial statements did not identify any major audit observations.

Over the years, NPPF has diligently addressed all critical observations highlighted in previous audits. Notably, all Royal Audit Authority (RAA) observations from past years have been attended to and fully resolved.

In the latest audit, some of the significant observations and emphasis of matter raised by the auditors include the recording of defined benefit obligation deficit of **Nu 15,135.20 million** under matter of emphasis in the independent audit report.

Report on Corporate Governance

NPPF adheres to the Royal Monetary Authority's Corporate Governance Rules and Regulations and the Ministry of Finance's Corporate Governance Guidelines for State- Owned Enterprises (SoEs). NPPF has fully implemented all statutory requirements and board directives, ensuring compliance with regulatory and governance standards.

The Board Committees—including the Board Human Resource Committee, Board Risk Management Committee, Board Audit Committee, and Board Tender and Procurement Committee—convened as required to oversee critical functions and uphold corporate governance principles.

The NPPF Board of Directors, consisting of five members, including the Chief Executive Officer CEO, is appointed by the Ministry of Finance. The RMA conducts a fit and proper test to assess the suitability of nominees before their appointment to the Board, reinforcing governance of integrity and accountability.

Board of Directors

The Board of Directors holds a fiduciary duty to provide strategic direction and oversee the management of NPPF. As mandated by the Executive Order, the Board has absolute authority in determining investments and making major operational decisions to safeguard and enhance the long-term sustainability of the fund.

Throughout the financial year 2025, all responsibilities were executed according to the terms of reference.

1. Board Meetings

Sl#	Name	Directorship Category	Total Amount in Nu.	Directorship in other organizations	TDS	Net Amount in Nu.
1	Dasho Karma Ngawang Ura	Chairperson	58,000	Nil	1,160	56,840
2	Col. Sonam Phuntsho	Director	8,000	Nil	160	7,840
3	Chencho	Director	8,000	SMCL	160	7,840
4	Kaka	Director	78,000	Nil	1,560	76,440
5	Dorji Penjor	Director	78,000	BFAL and DHPC	1,560	76,440
6	Kinga Dema	Company Secretary	39,000	Tashi InfoCom Pvt. Ltd	780	38,220
7	Dorji Wangchuk	Independent Director	30,000		600	29,400
8	Pema Dorji	Director	40,000	TTPL and FMCL	800	39,200
9	Chencho	Director	60,000		1,200	58,800
10	Col. Sonam Phuntsho	Director	70,000		1,400	68,600

2. Board Audit Committee Meetings

SL#	Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Dr. Pema Dorji	Acting Chairperson	5,000	100	4,900
2	Dorji Wangchuk	Chairperson	5,000	100	4,900
3	Col. Sonam Phuntsho	Member	10,000	200	9,800
4	Karma Dorji	Member Secretary	8,000	160	7,840

3. Board Human Resource Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Kaka	Director	24,000	480	23,520
2	Dorji Penjor	Director	24,000	480	23,520
3	Tshen Norbu	Member Secretary	12,000	240	11,760
4	Pema Dorji	Director	10,000	200	9,800

4. Board Tender and Procurement Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Kaka	Chairperson	14,000	280	13,720
2	Chencho .T Namgay	Member	20,000	80	3,920
3	Dorji Penjor	Member	14,000	280	13,720
4	Phurba Thinley	Member Secretary	7,000	140	6,860
5	Sonam Phuntsho	Member	10,000	200	9,800

5. Board Risk Management Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Deki Drukpa	Member Secretary	5,000	100	4,900
2	Pema Dorji	Member	10,000	200	9,800
3	Chencho	Chairperson	10,000	200	9,800

Over the past 25 years, NPPF has successfully fulfilled its mandated responsibilities, ensuring retirement security for a significant portion of the working population and mitigating old-age poverty through institutionalized mechanisms. While we remain steadfast in our commitment to achieving our vision, the need for a comprehensive review and reflection on past progress has become more critical than ever. This evaluation will guide us in strengthening our strategies and adapting to emerging challenges, ensuring a sustainable future for all our members.

Acknowledgement

On behalf of the National Pension Board and the management, I would like to express my sincere gratitude to the Ministry of Finance, the Royal Monetary Authority, and all our stakeholders for their unwavering support and collaboration. Your continued commitment has been instrumental in strengthening our mission and ensuring the long-term sustainability of the National Pension and Provident Fund.



(Dorji Penjor)

Chief Executive Officer

National Pension and Provident Fund



**INDEPENDENT
AUDITOR'S REPORT**



T R Chadha & Co LLP

Chartered Accountants



INDEPENDENT AUDITOR'S REPORT

To

The Members of National Pension & Provident Fund ("NPPF")

Thimphu

Opinion

We have audited the financial statements of **NATIONAL PENSION AND PROVIDENT FUND ("the Fund")**, which comprise the Statement of Financial Position as at 31st December 2025, and the Statement of Comprehensive Income, Statement of Changes in Reserve, and Statement of Cash Flows for the period then ended, and Notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by National Pension and Provident Fund Plan Rules and Regulations of the Kingdom of Bhutan 2002 as amended from time to time and the Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 ("Rules" or/and "Regulations") in the manner so required and give a true and fair view in conformity with the accordance with Bhutanese Accounting Standards (BAS/BFRS). of the state of affairs of the Fund as at December 31, 2025 and its surplus and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Emphasis of Matter

We draw attention to the following without qualifying our opinion:

Attention is drawn to note no. 23(I) of the financial statements which discloses the deficit of Nu 15,135.20 million (Previous Year Nu 16,511.02 million) between the liability of the Fund towards defined benefit and Net Asset available for defined benefits, the liability to the extent of Nu 15,135.20 million (Previous Year Nu 16,511.02 million) is not provided for in these Financial Statements considering the guarantee given by the Royal Government of Bhutan as per Section 113 of the National Pension and Provident Fund Plan Rules and Regulations 2002 and as per Section 82 of The Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.

Our opinion is not modified in respect of those matters.



T R Chadha & Co LLP, A limited liability partnership with LLP Identification No. AAF-3926
 Gurugram Branch Office: 76 E, Udyog Vihar Phase IV, Gurugram, Haryana 122001 | Ph: +91 124 4129900 E mail: gurgaon@trchadha.com;
 Corporate/ Regd. Office: B-30, Connaught Place, Kuthiala Building, New Delhi – 110001 | Ph: 43259900 | E-mail: delhi@trchadha.com
 Offices: Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi | Noida | Pune | Tirupati | Vadodara
www.trchadha.com



T R Chadha & Co LLP

Chartered Accountants



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds financial reporting process.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from





T R Chadha & Co LLP

Chartered Accountants



fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Funds internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of managements use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Funds ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We give in "Annexure I" the minimum audit examination and reporting requirement to the extent applicable to the Fund.

We further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Fund insofar as it appears from our examination of the books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserve and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and



**T R Chadha & Co LLP****Chartered Accountants**

- d) The Fund has complied with other legal and regulatory requirements to the extent applicable to the Fund.

For T R Chadha & Co LLP
Chartered Accountants
Firm Regn. No: 006711N / N500028

Aashish Gupta
Partner

Membership No. 097343
UDIN: 26097343DZXES6967



Place: Gurugram
Date : April 13, 2026



**MINIMUM AUDIT
EXAMINATION &
REPORTING
REQUIREMENT**



T R Chadha & Co LLP

Chartered Accountants



ANNEXURE 1

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

In accordance with Minimum Audit Examination and Reporting Requirements specified by Royal Audit Authority, Bhutan, and on the basis of such procedures as considered appropriate, and according to the information as provided to us, to the extent applicable on the Fund, we report, to best of our knowledge that,

1. We have not come across any instance to state that the Fund has not pursued a prudent and sound financial management practice in managing the affairs of the Fund.
2. The organization has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As explained to us, the fixed assets are physically verified by the management as per plan, and no discrepancy has been observed.
3. None of the fixed assets have been revalued during the year, except for investment properties.
4. The physical verification was conducted at planned interval at respective region and division and the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Fund and the nature of its business. There was no material discrepancy was observed during the physical verification of inventory as per physical verification Report provided to us by the Management.
5. The Fund has not availed any loans, secured or unsecured, therefore the clause regarding the rate of interest and the other terms and conditions of loans availed, and whether the same are *prima facie* not prejudicial to the interest of the Fund, is not applicable.
6. The Fund has not granted any loans to other companies, firms or other parties which are *ultra-vires* to the Executive Order, Rules and Regulations applicable to Fund and other relevant Acts and regulations. The Fund has given loans in the normal course of its business.
7. Loans and advances granted by the Funds to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance were found where excessive/frequent of advances or accumulation of large advance against particular individual has been noted during our test verification.
8. In our opinion, NPPF has proper internal controls system to ensure maker checker concept to ensure completeness, accuracy and reliability of records, carrying out the operation in an orderly and efficient manner, to safeguard the assets of NPPF as well as to ensure adherence to rules regulation and system procedures. The Fund has adopted, and follow, the policies and system and procedures, as approved by the Board or other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Fund.





T R Chadha & Co LLP

Chartered Accountants



9. In our opinion there is a system of competitive bidding for items for value Nu. 100,000 and above for procurement of goods & services and Nu. 200,000 and above in respect of work & services, commensurate with size and the nature of its operation for purchase of goods and services including stationery, fixed assets, computers, equipment and other assets.
10. During the course of our examination of the books of account on test check basis, we observed that the expenses charged to the Fund accounts represent legitimate business expenses and have not come across any instance wherein any personal expenses (other than contractual obligations) which have been charged to Statement of Comprehensive Income, nor have we been informed if any such case by the management.
11. In our opinion NPPF has reasonable system of recording receipts and issues of consumable stores commensurate with its size and the nature of its operations.
12. In our opinion, the management of liquid resources particularly cash, bank and short-term deposits etc. are adequate and that excessive amounts were not generally lying idle in non-interest bearing accounts except where in certain situations the Banks are having excess funds, they negotiate with NPPF for the lower interest and period.
13. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties.
14. In our opinion, the Fund is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities, and has been appropriately disclosed in the financial statements.
15. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end which was paid later on within the stipulated time.
16. According to the information and explanations given and the records examined by us, in our opinion, activities carried out by the NPPF during the year were lawful and within the Rules and Regulations of the Fund.
17. Decisions regarding investments were made with the approval of the National Pension Board or on the basis of authority delegated by the Board.
18. In our opinion, the Fund has established an effective budgetary control system.
19. Directives of the Board have been found to be complied with by the Fund.





T R Chadha & Co LLP

Chartered Accountants



20. The details of remuneration and other payments made in cash or kind to the Chief Executive Officer have been disclosed in Key Management Personnel (KMP) in Note 34 of the notes to the financial statements.
21. We observe that housing, education loans, remuneration and sitting fees are given to the members of the National Pension Board, other Committees and their relatives are at prevailing rate of Interest and reported in Note 34 of the Financial Statement.
22. In our opinion and to the best of our knowledge, it was observed that there was a proper documentation of all the records and details in case; where the Fund has granted loans and advances and also adequate agreements were drawn for respective loans and advances.
23. NPPF has maintained reasonable records for funds collected from members and for returns credited and payments made to members.
24. In our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.
25. In our opinions, provisions towards diminution, in the value of investments is made wherever, required and considered necessary.
26. To the best of our knowledge, the fund has generally complied with all the regulations issued by the Royal Monetary Authority of Bhutan (RMAB).
27. In our opinions, the Fund has generally complied with requirements relating to provisioning of the non-performing assets including loans and advances as per BAS.
28. In our opinion, the assets hypothecated and mortgaged against loans and advances is generally physically verified by the Fund, valued and Mortgage Deeds executed, wherever required, and the Fund has ensured that the assets are free of any prior lien or charges.
29. To the best of our information, the Fund has a system of monitoring of Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
30. To the best our information, the Fund has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.
31. In our opinion, rescheduling of loans are carried out in accordance with the provisions of Prudential Regulations issued by RMA.
32. In our opinion, the Fund has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.





T R Chadha & Co LLP

Chartered Accountants



33. Advance released to contractors, employees and other related parties were adjusted accordingly from their next payable amount or monthly salary, and all category of loans were sanctioned as per the RMA's prudential rules and regulations.
34. **Computerized Accounting Environment:**
- National Pension and Provident Fund (NPPF) has installed Azentio's Orion ERP, Premia for Pension and Provident Fund, Kastle for loan, and MFund for portfolio investment. All the systems are integrated with Orion ERP and is in full operations w.e.f. from 1st July 2021. In our opinions, the organization's system development controls and other internal controls are adequate to the size and nature of NPPF operations.
 - NPPF has adequate safeguard measures and daily back up data at Data Centre at IT Park, Thimphu and Disaster Recovery at Phuentsholing.
 - Operational controls are found adequate to ensure correctness and validity of input data and output information except for some divisions who are not fully operating in the new system.
 - There are adequate preventive measures against unauthorised access over computer installation and files.

General

35. **Going Concern Problems**

Based on the net asset position reflected in the Statement of Financial Position as at December 31st 2025, audited by us in accordance with the ISAs and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Fund is not a Going Concern on the date of Statement of Financial Position and is not likely to become sick in near future. However, refer to emphasis of matter to our main report, the deficit of Nu 15,135.20 million between the liability of the Fund towards defined benefit and Net Asset available for defined benefits, the liability to the extent of Nu 15,135.20 million is not provided for in these Financial Statements considering the guarantee given by the Bhutan Government as per Section 113 of the National Pension and Provident Fund Plan Rules and Regulations 2002 and as per Section 82 of The Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.

36. **Ratio Analysis (attached separately)**

Significant ratios indicating the financial health and performance of the Fund provided in the financial statements.

37. **Adherence to Laws, Rules and Regulations**

The audit of the Fund is governed by the National Pension and Provident Fund Plan Rules and Regulations of the Kingdom of Bhutan 2002 as amended from time to time and the Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management.





T R Chadha & Co LLP
Chartered Accountants



In the course of the audit, we have considered the compliance of provisions of the said Rules and Regulations applicable to Fund, Executive Order and applicable BAS.

For T R Chadha & Co LLP
Chartered Accountants
Firm Regn. No: 006711N / N500028



Aashish Gupta
Partner
Membership No. 097343
UDIN: 26097343DZXEZS6967

Place: Gurugram
Date : April 13, 2026



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

Particulars	Note	31-Dec-25	31-Dec-24
Assets			
Cash and cash equivalents	7	1,061,749,581	938,975,983
Term deposits	8	23,483,783,039	24,948,370,293
Investment in bonds and commercial papers	9	10,406,946,796	8,504,190,039
Loans	10	23,454,524,504	20,386,419,717
Investment in equity shares	11	7,299,359,540	5,780,896,040
Other assets	12	37,717,885	66,770,652
Inventories	13	605,615	829,513
Investment property	14	8,375,546,633	8,286,021,987
Property plant and equipment	15	176,977,619	166,581,425
Right of Use Assets	16.1	-	109,073
Intangible assets	17	52,911,262	63,486,021
Total Assets		74,350,122,475	69,142,650,741
Liabilities			
Lease Liability	16.2	-	115,904
Other Liabilities and payables	18	585,936,094	467,510,097
Net Employee benefit obligations deficit	19	11,008,646	6,232,073
Lapsed fund	20	95,094,960	82,472,042
Total Liabilities		692,039,699	556,330,116
Net assets for member's		73,658,082,776	68,586,320,626
Member Fund			
Net Member's Defined Contribution(DC) plan	21	15,676,656,962	14,108,558,914
Net returns credited to Member's DC plan	22	9,294,545,495	8,314,853,957
Net Member's Defined Benefit (DB) plan	23	39,339,536,680	36,685,559,146
Reserve		9,347,343,638	9,477,348,608
Total Member's Fund		73,658,082,776	68,586,320,626

For T R Chadha & Co LLP
Chartered Accountants
FRN No: 006711N/N500028



(Aashish Gupta)
Partner
Membership No: 097343
Place: New Delhi
Date: 13.04.2026

For National Pension & Provident Fund

Chencho
Oftg. Chairperson

Tshen Norbu
Oftg. Chief Executive
Officer

Rnub Dorji
Chief F&A Division

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

Particulars	Note	31-Dec-25	31-Dec-24
Income			
Interest Income	24	4,093,590,529	3,865,860,953
Rental income	25	91,775,894	82,125,411
Dividend income	26	80,870,468	255,974,554
Gain/(loss) from changes in fair value of investment property	27.1	(154,454,185)	60,969,274
Other income	28	30,432,230	19,530,299
Total Income		4,142,214,935	4,284,460,492
Operating expenses			
DC management expenses	29b	96,046,806	94,896,413
DB management expenses	29b	158,179,840	163,508,771
Depreciation	15 & 16.1	33,780,170	29,199,928
Amortization of intangible assets	17	35,816,688	34,877,239
Financing cost		5,855	164,010,974
Impairment charges	30	(153,100,740)	636,882,493
Total operating expenses		170,728,618	1,123,375,818
Surplus		3,971,486,317	3,161,084,674
Other Comprehensive Income			
Gain/(loss) from changes in fair value of investment in equity shares	27.2	(275,343,669)	(378,986,926)
Remeasurements of post-employment benefit obligations			
DC	19.1;19.2	907,603	(4,425,986)
DB	&19.3	1,484,872	(7,586,441)
Total Other Comprehensive Income		(272,951,194)	(390,999,353)
Total Comprehensive Income		3,698,535,123	2,770,085,321

For T R Chadha & Co LLP
Chartered Accountants
FRN No: 006711N/N500028

For National Pension & Provident Fund



(Aashish Gupta)
Partner
Membership No: 097343
Place: New Delhi
Date: 13.04.2026

Chencho
Oftg. Chairperson

Tshen Norbu
Oftg. Chief Executive
Officer

Phub Dorji
Chief F&A Division

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

Particulars	31-Dec-25	31-Dec-24
Cash Flow from Operating Activities		
Receipts from:		
Interest Income	3,952,132,253	3,561,394,281
Rental income	91,412,697	82,254,942
Dividend income	80,870,468	255,974,554
Other Income	60,679,807	19,530,299
Payments for:		
DC & DB management expenses	(246,632,988)	(304,913,304)
Security deposit (to)/from suppliers	10,633,540	12,757,415
Security deposit (to)/from tenants	2,751,890	1,719,426
Net Receipts from Operating Activities	3,951,847,667	3,628,717,613
Cash Flow from Investing Activities		
Payments for:		
(Increase)/decrease in deposits	1,600,000,000	(771,000,000)
(Increase)/decrease in loans to entities	(2,379,907,248)	(3,106,785,693)
(Increase)/decrease in equity shares	(1,793,807,169)	(96,074,650)
(Increase)/decrease in bonds and commercial	(1,921,303,565)	(48,757,200)
(Increase)/decrease in member loan scheme	(400,068,288)	(65,203,343)
(Increase)/decrease in purchase of fixed assets (Including Capital work in progress)	(319,799,185)	(115,562,253)
Net Cash Flow from Investing Activities	(5,214,885,456)	(4,203,383,139)
Cash Flow from Financing Activities (Member Transactions)		
Receipts from:		
Contributions to the NPPFP - DC	1,869,905,587	1,790,246,102
- DB	1,863,326,867	1,789,021,754
Contributions to the AFPPFS - DC	361,230,991	355,116,916
- DB	614,397,568	603,982,449
Contributions to the Private PF - DC	157,923,409	59,592,277



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025 CONT/-

Particulars	31-Dec-25	31-Dec-24
Payments of refunds and pensions:		
NPPFP - DC	(1,060,820,111)	(914,408,883)
- DB	(1,742,371,722)	(1,777,198,037)
AFPPFS - DC	(217,063,160)	(126,926,348)
- DB	(421,915,127)	(390,711,794)
Refund of Private PF - DC	(38,802,477)	(20,601,016)
Net Cash Flow from Financing Activities	1,385,811,824	1,368,113,420
Net movement in cash and cash equivalents	122,774,036	793,447,895
Opening cash and cash equivalents	938,984,799	145,536,903
Closing cash and cash equivalents	1,061,758,834	938,984,799

For T R Chadha & Co LLP
Chartered Accountants
FRN No: 006711N/N500028



(Aashish Gupta)
Partner
Membership No: 097343
Place: New Delhi
Date:

For National Pension & Provident Fund

Chencho

Oftg. Chairperson

Tshen Norbu
Oftg. Chief Executive
Officer

Phub Dorji
Chief F&A Division

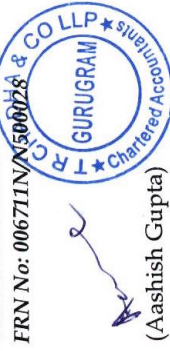
STATEMENT OF CHANGES IN RESERVE FOR THE YEAR ENDED 31 DECEMBER 2025

Particulars	Reserve				Total
	Lapsed Fund ¹	Remeasurement of employee benefit gains/(loss)	Valuation reserve ²	General reserve ³	
Balance as at 1st January 2025	36,300,112	(18,336,303)	9,285,725,528	173,659,272	9,477,348,608
Transferred during the year (Note 31)	22,101,255	-	(398,668,211)	53,622,577	(322,944,379)
Adjustment during the year (provision adjustment) (Note 31)	-	-	-	190,546,934	190,546,934
<i>Items of other comprehensive income</i>					
Remeasurements of post-employment benefit obligation (Note 31)	-	2,392,475	-	-	2,392,475
Balance as at 31st December 2025	58,401,367	(15,943,828)	8,887,057,317	417,828,783	9,347,343,638
Balance as at 1st January 2024	33,059,901	(6,323,876)	9,739,578,349	689,287,150	10,455,601,523
Transferred during the year (Note 31)	3,240,211	-	(453,852,821)	23,375,000	(427,237,610)
Adjustment during the year (provision adjustment) (Note 31)	-	-	-	(539,002,878)	(539,002,878)
<i>Items of other comprehensive income</i>					
Remeasurements of post-employment benefit obligation (Note 31)	-	(12,012,427)	-	-	(12,012,427)
Balance as at 31st December 2024	36,300,112	(18,336,303)	9,285,725,528	173,659,272	9,477,348,608

- Lapsed fund consists of employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service. The amount is transferred to lapsed fund reserve after lapse of three years reckoned from the date of transfer to the lapsed fund account.
- Valuation reserve consists of gains or loss on the fair valuation of equity investment and investment properties.
- General reserve consists of surplus retained prior to 30th June 2019 for the purpose of smoothing the distribution of return to the members in the event of low performance. From the financial year 2018-19, the actual returns earned from the investment after adjusting the operation cost are distributed to the members without retaining any surplus into the general reserve.

For T R Chadha & Co LLP

Chartered Accountants



(Aashish Gupta)

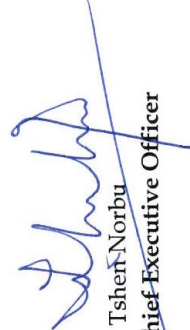
Partner

Membership No: 097343

Place: New Delhi

Date: 13.04.2026


Rishi Dorji
Chief, F&A Division


Tshen-Norbu
Offg. Chief Executive Officer


Chencho
Offg. Chairperson

For National Pension & Provident Fund



**SIGNIFICANT
ACCOUNTING POLICIES
& NOTES TO THE
FINANCIAL STATEMENTS**

Note to Financial Statements

(All amount in BTN, unless otherwise stated)

1. CORPORATE INFORMATION

1.1. General

The National Pension & Provident Fund (NPPF) is a non-profit making autonomous public organization, domiciled in Bhutan and is a tax exempted organization. The Head Office is located at Chubachu, Thimphu and has regional offices in Phuentsholing, Samdrup Jongkhar, Gelephu and Mongar.

NPPF was established in March 2000 to manage and administer the National Pension and Provident Fund Plan program (NPPFP). It was formed vide Executive Order No. MoF/Pension/4841 dated 30th March 2000 issued by Hon'ble Minister of Finance, subsequent to which a communication No.COM/03/02/787 dated 8th April, 2002 was issued by the Cabinet Secretary, that the NPPF would be formally established through a Government Executive Order. The Executive Order was issued by the Chairman, Lhengye Zhungtshog vide order No.LZ/02/02/15 dated 1st July, 2002 containing various objectives and working rules of NPPF.

1.2. Principal Activities and Nature of Operations

The main function of the NPPF is to assure a minimum level of income to the civil servants, members of the Armed Forces and State-owned Enterprises who are aged, disabled as well as pay benefits to the surviving families. NPPF manages the partially funded Defined-Benefit Pay-As-You-Go Pension System and fully funded Defined Contribution (Provident Fund). Royal Government of Bhutan guaranteed the payment of pension to employees by virtue of adoption of National Pension and Provident Fund Plan Rules & Regulations of the Kingdom of Bhutan 2002 (as amended in 2010).

Lhengye Zhungtshog vide order no. C-3/66/2020/618 dated 3rd July 2020 has approved to extent Provident Fund Scheme to Private sector to be piloted with the employees under Build Bhutan Project. In line with the order issued by Lhengye Zhungtshog, the Royal Monetary Authority of Bhutan vide letter no. RMA/DFRS/19/2021-2022/1763 dated 4th November 2021, accorded its approval to extent the provident fund coverage to private sectors. The scheme is extended to all the members working in the private sectors if they are not covered under the National Pension and Provident Fund Plan 2002 (as amended in 2010) and Armed Forces Pension and Provident Fund Scheme 2022. The provident Fund scheme for private sector is a defined-contribution (DC) scheme under which a lump sum benefit equivalent to the accumulated contributions, together with returns thereon, is paid on the date of his/her retirement or upon his/her disability or death while in service.

The NPPF provides retail credits to its members for housing, education, and member loan. It also provides project loans to entities. NPPF participates in bonds and equity shares in the domestic market. Any excess fund is parked in term deposits with the commercial banks to earn returns. NPPF is one of the biggest real estate developers in the country. It deals with the construction of residential buildings and rent out to its members. It also has commercial buildings which are rented out for office and business premises.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

2. BASIS OF PREPARATION

The financial statements of NPPF have been prepared in accordance with BAS 2020 as issued by the Accounting and Auditing Standards Board of Bhutan and more specifically the financial statements are established applying the requirement of BAS 26 'Accounting and Reporting by Retirement Benefit Plans'. Where explicit guidance for measurement of assets and liabilities is absent, the NPPF has referred to the respective standards in the Framework for the Preparation and Presentation of Financial Statements and has elected accounting policies in line with BAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further, assets used in the operations of the fund have been accounted for in accordance with the applicable accounting standards.

Further, the financial statements are prepared on an accrual basis. Interest on delayed receipt of rent from tenants and penal interest on delayed receipt of contribution from agencies are recorded when it becomes probable that such payments are going to flow.

The NPPF has prepared its financial statement on the basis that it will continue to operate as a going concern (Note 3.5).

3. BASIS OF ACCOUNTING

3.1. Statement of Compliance

The financial statements of NPPF have been prepared in accordance with Bhutanese Accounting Standards (BAS) and Bhutanese Financial Reporting Standards (BFRS) issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

3.2. Responsibility of the Management

The Management is responsible for the preparation and presentation of the financial statements as per the provisions of the Royal Monetary Authority and Bhutanese Accounting Standards.

The Management are required to confirm that the financial statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and are
- Presented in accordance with the Bhutanese Accounting Standards; and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and

These financial statements include the following components:

- Statement of Comprehensive Income (SOC) – which provides the information on the financial performance of the NPPF for the year under review.
- Statement of Financial Position (SOF) – which provides information on the financial position of the NPPF as at the year end.
- Statement of Changes in Reserves – which depicts all changes in shareholders' funds during the year under review of the NPPF.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- Statement of Cash Flows – which provides information to the users, on the ability of the NPPF to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the financial statements comprising Significant Accounting Policies and other explanatory information.

3.3. Approval of financial statements by the Board of Directors

The financial statements of the NPPF for the period ended December 31, 2025 (including comparatives for year ended December 31, 2024, were approved, and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 7th April 2026.

3.4. Basis of Measurement

The Financial statements of the NPPF have been prepared on the historical cost basis except for the investment in equities, investment properties and employee benefit obligation are measured at fair value.

3.5. Going Concern Basis of Accounting

NPPF's management has made an assessment of NPPF's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon NPPF's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

4. PRESENTATION OF FINANCIAL STATEMENTS

NPPF presents its Statement of Financial Position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 33

4.1. Rounding

The figures in the financial statements have been rounded-off to the nearest Ngultrum, except where otherwise indicated as permitted by the Bhutanese Accounting Standard on "Presentation of Financial Statements" (BAS 1).

4.2. Off setting

Income and expenses are not offset in the Statement of Comprehensive Income, unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the Significant Accounting Policies of the Entity.

4.3. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Bhutanese Accounting Standard – BAS 1 on 'Presentation of financial statements. Notes to the financial statements are presented in a systematic manner which



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

ensures the understandability and comparability of financial statements of the NPPF. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

4.4. Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the financial statements of the NPPF in conformity with BFRS and BAS, the Management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively. Significant areas of critical judgements, assumptions, and estimation uncertainty, in applying the Accounting Policies that have most significant effects on the amount recognized in the financial statements of the NPPF are as follows:

5.1. Fair value of Equity Shares

The majority of equity shares are traded on the Royal Securities Exchange of Bhutan with readily available active prices on a regular basis. NPPF assumes market value is fair value and as such these shares are classified as Level 1 (Note 32.iii).

The fair value of equity shares that are not traded in an active market is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to these models are derived from observable market data where possible, but if this is not available, fair value is determined using Net Asset Approach.

5.2. Fair value of Investment Properties

Investment properties are measured initially at cost, and subsequent to initial recognition, investment properties are stated at fair value.

The fair value of investment properties is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to these models are derived from observable market data where possible, but if this is not available, fair value is determined using cost approach.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

5.3. Impairment Losses on Financial Assets

As accounting for Plan Assets under BAS 26 does not cover the requirements of Credit Losses, NPPF has referred to the requirements of BFRS 9 Financial Instruments for transparency and better financial reporting purposes. The measurement of impairment losses under BFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NPPF's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- NPPF's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD).
- Selection of forward-looking macroeconomic scenarios and their probability distributions and weightings.

It is NPPF's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Management evaluates the adequacy of the allowance for financial assets on a periodic basis and determines the amount, if any, of the provision for losses on financial assets to be recorded. The evaluation of the adequacy of the allowance includes a review of the delinquency rates, historic write-offs, liquidity, and financial and operational strength.

The management of NPPF determines the adequacy of the allowance for loan losses. The adequacy is determined by evaluating the aged outstanding balances of Loan receivable and recording a provision for loan loss as necessary. The provisions are based on NPPF's past experience and historical performance of the portfolio. Loans deemed uncollectible (write-offs) are removed from the outstanding loan portfolio and deducted from the allowance. The ultimate recovery of all loans is susceptible to future market factors often beyond the Organization's control.

The organization evaluates the credit quality of its loan portfolio based on qualitative and environmental factors as well as on the aging of loans. Loans over 30 days past due and/or a significant increase in credit risk are considered to be underperforming. Loans that have



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

objective evidence of incurred loss and/or aged over 90 days are considered to be non-performing. The organization evaluates its loan receivables collectively for impairment.

5.4. Property, Plant and Equipment, and Intangible Assets

Accounting estimates are used to determine the useful life of property, plant and equipment and of the intangible assets based on various factors such as the present condition of asset, technological advances, regulation, and the past experience of using similar assets.

The recoverable amount of property, plant and equipment is based on estimates and assumptions, in particular the expected market outlook and future cash flows associated with any changes in these assumptions may have a material impact on the measurement of the recoverable amount resulting in impairment.

5.5. BFRS 16 Judgments for Leases

5.5.1 Determination of the Leases and Lease Terms

NPPF uses its judgment to determine whether a lease contract qualifies for recognition of right-of-use assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. Further, the NPPF applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

5.5.2 Estimating the Incremental Borrowing Rate

As the NPPF cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the NPPF would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. As there aren't any borrowings, NPPF uses the market rates at which the loans are granted. The NPPF estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.

5.6. Actuarial Valuation of Employee Benefits

Employee benefit obligations pertaining to gratuity, leave encashment and terminal benefits are measured on the basis of actuarial assumptions concerning future developments in discount rates, the rate of increase in salary and the attrition rate.

5.7. Apportionment of Common Expenses

Accounting estimates have been used to apportion the common expenses incurred in the operation based on the members' fund (net members' DC plan, net members' DB plan and net returns credited to members' DC plan) at the beginning of the financial year. For the year



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

ended December 2025, 62% of the expense incurred has been debited to DB plan and the remaining 38% has been debited to DC plan.

5.8. Provisions and Other Contingent Liabilities

The NPPF may during its ordinary course of business enter into litigations, arbitrations, and regulatory investigations.

When NPPF can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the NPPF records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, contingent liability is disclosed.

However, when NPPF is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the NPPF does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the NPPF takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1. Defined Contribution Plan and Defined Benefit Plan

The employers' and employees' contribution to Defined Contribution (DC) Plan and Defined Benefit (DB) Plan are accounted from the date of deposit of the contribution to the designated NPPF bank accounts maintained with the commercial banks up to the last date of the financial year. The DC Plan consists of the Civil, Armed Forces, and Private Provident Fund, and the DB Plan consists of the Civil and Armed Forces. Planned Assets are accounted for under BAS 26 'Accounting and Reporting by Retirement Benefit Plans' as discussed in Note 23.

6.2. Recognition of Income

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Fund and revenue can be measured reliably.

6.2.1. Interest Income

NPPF earns interest income from its investments in fixed deposits, treasury bills, bonds and commercial papers, and loans. As these securities have a fixed redemption value and have been acquired to match the obligations of the plan, or specific parts thereof, they are carried at an amount based on their ultimate redemption value assuming a constant rate of return to maturity.

6.2.2. Other Fee and Income

Income earned from the provision of services is recognized as revenue as the services are provided.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

6.2.3. Dividends

Dividends are recognized in the Statement of Comprehensive Income only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to NPPF, and the amount of the dividend can be measured reliably.

6.3. Financial Assets

6.3.1. Recognition of Financial Assets

In line with the requirements of BAS 26, NPPF recognizes marketable securities at fair value. Transaction costs of those assets are expensed in statement of comprehensive income. Securities (refer Note 6.2.1) that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. Where plan investments are held for which an estimate of fair value is not possible, disclosure is provided of the reason why fair value is not used.

Where BAS 26 does not provide specific guidance, other standards in the framework have been referred to as discussed in Note 2. In particular, NPPF applies BFRS 9 for guidance on impairment of financial assets and the fund applies BAS 26 to measure the Plan Assets (Refer 6.3.3.1).

6.3.2. Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity Instruments are measured at fair value in line with BAS 26 as discussed in Note 5.1. The resulting gain or loss is accounted for in the Other Comprehensive Income.

Dividends, when representing a return on such investments, continue to be recognized in the Statement of Comprehensive Income when the right to receive payments is established.

6.3.3. Impairment of Financial Assets

6.3.3.1. Overview of the ECL Principles

NPPF records an allowance for ECL for all loans and other debt financial assets not held at FVPL. Equity instruments are not subject to impairment under BFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no Significant Increase in Credit Risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

The 12mECL is the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Both Lifetime ECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. NPPF's groups financial assets on a collective basis by considering the homogeneous risk characteristics of the customers.

NPPF has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, NPPF groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognized, NPPF recognizes an allowance based on 12mECL. ECL is computed based on the delinquency method where all facilities which are less than or equal to 30 days past due is considered under Stage 1.

Stage 2: When a loan has shown a significant increase in credit risk since origination, NPPF records an allowance for the Lifetime ECL. The definition of a significant deterioration is subject to assessment on an ad-hoc/annual basis. Lifetime losses are computed for all accounts classified as Stage 2. The NPPF compute ECLs based on the delinquency method where all facilities which are between 30 days past due and 90 days past due is considered under Stage 2.

Stage 3: Loans are considered credit impaired, NPPF records an allowance for the Lifetime ECL. ECL is computed based on the delinquency method where all facilities which are greater than 90 days past due are considered as stage 3 facilities.

The ECL allowance is only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the NPPF has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

6.3.3.2. The Calculation of ECL

NPPF calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

i. The Probability of Default (PD):

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

ii. The Exposure at Default (EAD):

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

iii. The Loss Given Default (LGD):

Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, NPPF considers three scenarios (best, base, and worse). Each of these is associated with different PDs, EADs and LGDs, as stated above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. NPPF calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, NPPF records an allowance for the Lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit impaired, NPPF recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

6.3.3.3. Forward Looking Information

In its ECL models, NPPF relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation
- Interest Rate
- Exchange Rate



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- Unemployment rates

Detailed information about these inputs and sensitivity analysis are provided in Note 10.7.

6.3.3.4. Credit enhancements: collateral valuation and financial guarantees.

To mitigate its credit risks on financial assets, NPPF seeks to use collateral, where possible. The collateral comes in various forms, such as real estate and other securities. Collateral in the form of real estate, unless repossessed, is not recorded on NPPF's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognized separately by BFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

To the extent possible, NPPF uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data obtained from third parties including brokers.

6.3.4. Impairment of Non-Financial Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6.4. Return To Members'

The actual surplus earned during the year is distributed to the Members' DC and DB account after adjusting loan impairment between expected credit loss (ECL) and RMA Prudential regulation provision and notional gains/loss from financial assets.

6.5. Cash and Cash Equivalents

Cash and cash equivalent include cash in hand, cash at current accounts maintained with the commercial banks and short-term investment maturing within three months or less from the date of acquisition.

6.6. Foreign Currency Translation

6.6.1. Functional and presentation currency

These financial statements are presented in Bhutanese Ngultrum (BTN) which is NPPF's functional currency and presentation currency.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

6.6.2. Transactions and Balances

NPPF has foreign currency exposure only in Indian rupee (INR). However, as the BTN is pegged to INR the values are constantly equal.

If and when there are transactions in foreign currency, they are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

6.7. Leases

BFRS 16 supersedes BAS 17 - "Leases", IFRIC 4 - "Determining whether an Arrangement Contains a Lease", SIC-15 - "Operating Leases-Incentives" and SIC-27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under BFRS 16 is substantially unchanged under BAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in BAS 17. Therefore, BFRS 16 did not have an impact for leases where the NPPF is the lessor.

NPPF assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

6.8. NPPF as a Lessee

NPPF applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Leases in which a significant portion of the risks and rewards of ownership are not transferred to NPPF are classified as operating leases. NPPF recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

6.8.1. Right-of-Use Assets

NPPF recognizes Right-of-Use (RoU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

less any lease incentives received. RoU assets are depreciated on a straight-line basis over the lease term.

Under the modified retrospective method NPPF has selected to measure the ROU asset, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of Financial Position immediately before the date of initial application.

The RoU assets are presented within Note 16.1.

6.8.2. Lease Liabilities

At the commencement date of the lease, NPPF recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by NPPF and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

6.9. NPPF as a Lessor

Leases in which NPPF does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of Statement of Comprehensive Income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. The respective leased assets are included in the statement of financial position based on their nature and depreciated over their useful life.

Preceding the fiscal year starting 1st July 2022, NPPF had pre-emptively implemented the international accounting standard BAS 17.

6.10. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.11. Property, Plant, and Equipment

All property, plant and equipment are measured initially at historical cost. The cost of an item of PPE is recognized only if it is probable that future economic benefits associated with the item will flow to NPPF and the cost of the item can be measured reliably. Cost includes



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

expenditure that is directly attributable to the acquisition of the items and cost incurred subsequently to add to, replace part of an item of property, plant and equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable for bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Subsequently, the property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss.

Property, plant, and equipment are recognized from the date when the particular asset has been put to use or from the date on which the asset has been deemed completed its construction or development. Land cost is inclusive of the expenses incurred for land development. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate.

The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition is recognized in the statement of comprehensive income in the year the asset is derecognized.

An item of property, plant and equipment is componentized and is depreciated using straight-line method on their depreciable amount over their estimated useful life as follows.

Asset Class	Useful life (Years)
1. Building (Permanent structure)	
a. Civil structure	50
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
2. Building (Semi permanent structure)	
a. Civil structure	25
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
3. Diesel generator (Electrical)	20
4. Road network	5
5. Retention wall	30



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Asset Class	Useful life (Years)
6. Computer and accessories	5
7. High end server	8
8. Other office equipment	5
9. Furniture	10
10. Communication equipment	7
11. Motor vehicle	10 years with 20% residual value
12. Carpet	5

The depreciation for the property, plant and equipment purchased/constructed during the year is pro-rated based on the calendar days from the date an asset has been put to use or from the date of its completion.

The residual values of property, plant and equipment are estimated at Nu.1 (one) except for vehicles. The useful life has been estimated based on the expected usage of the assets and expected wear and tear. The assets residual values and useful lives are reviewed at the end of each reporting period.

Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The assets (except furniture) valuing up to Nu. 1,500 is considered as consumable and charged off to Statement of comprehensive income during the incurrence period.

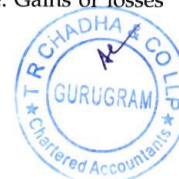
Changes in the expected useful life are accounted for by changing the amortization period or methodology as appropriate, and treated as changes in accounting estimates.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

6.12. Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by NPPF, is classified as investment property. Expenditure is capitalized when and only when it is probable that future economic benefits associated with the expenditure will flow to NPPF and the cost of the item can be measured reliably.

Investment properties are measured initially at cost, including transaction costs, and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise. Fair values are determined based on an annual valuation performed in-house based on the management approved method of valuation.

Investment properties are derecognized either when they have been disposed-off (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Similarly, when part of an investment property is replaced, the carrying amount of the replaced part is derecognized. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Comprehensive Income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the NPPF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the Statement of Financial Position.

6.13. Intangible Assets

Intangible assets consist of application software procured off the shelf and applications designed and developed by the NPPF and other software. An intangible asset is recognized when it is probable that future economic benefit associated with the asset will flow to the NPPF and the cost of the asset can be measured reliably. Recognized intangible assets are measured at cost less accumulated amortization. The subsequent maintenance costs are expensed to the Statement of Comprehensive Income as and when incurred.

Intangible assets are written off when no future economic benefits are expected from their use. The loss on the write-off of the intangible assets is recognized in the Statement of comprehensive income in the period the asset was derecognized.

Intangible assets with finite lives are amortized using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets has been considered at from 3 to 5 years depending on its nature. The useful economic lives of the intangible assets are reviewed at least at each reporting date. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income in the expense category that is consistent with the function of the intangible assets.

The IT development work in progress is stated at cost incurred including provision for outstanding bills up to the date of the statement of financial position. Amortization of the asset begins when development is complete, and the asset is available for use.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

6.14. Inventory

Inventories are valued at lower of cost or net realizable value. Cost includes purchase price and cost incurred in bringing the inventories to their present location and condition. First In First Out (FIFO) method as prescribed under BAS 2 is used to measure the cost of inventories.

6.15. Employees Benefits

6.15.1. Short-Term Obligations

Liabilities for wages and salaries, provident fund contribution, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

6.15.2. Other Long-Term Employee Benefit Obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the NPPF does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

6.15.3. Post-Employment Obligations

NPPF operates post-employment schemes, such as gratuity and terminal benefits for the employees of the NPPF.

6.15.3.1. Gratuity Obligations

The liability or asset recognized in the statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in remeasurement of employee benefit gains/(loss) in the statement of changes in reserve and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of comprehensive income as past service cost.

6.15.3.2. Terminal Benefit Obligations

NPPF also provides terminal benefits to its employees, i.e., carriage allowance and transfer grant & travelling expense which can be availed at the time of termination of employment. It is considered as a defined benefit obligation and is unfunded. The obligation is recognized as per the actuarial valuation report.

6.16. Provisions and Contingent Liabilities

Provisions are recognized when NPPF has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of NPPF. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of management/independent experts. These are reviewed at each reporting date and are adjusted to reflect the current management estimate.

7. Cash and Cash Equivalents

Particulars	31-Dec-25	31-Dec-24
Cash in hand	16,581	37,728
Cash at bank	961,738,144	938,947,071
Deposits with banks	100,004,110	-
Total for cash and cash equivalents	1,061,758,834	938,984,799
Less: Impairment allowance for cash at bank and cash equivalents	(9,253)	(8,816)
Total	1,061,749,581	938,975,983



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

8. Term Deposits

Particulars	31-Dec-25	31-Dec-24
<i>Term Deposits with</i>		
Bhutan National Bank Ltd.	13,289,000,000	14,089,000,000
TBank Ltd	400,000,000	400,000,000
Bhutan Development Bank Ltd.	1,869,000,000	1,869,000,000
Bank of Bhutan Ltd.	3,910,000,000	3,610,000,000
Druk PNB Ltd.	2,060,000,000	3,160,000,000
Micro Finance Bhutan Private Ltd.	30,000,000	30,000,000
Interest accrued but not due on term deposits	1,925,983,268	1,790,598,394
Sub Total	23,483,983,268	24,948,598,394
Less: Impairment allowance for term deposits	(200,229)	(228,101)
Total	23,483,783,039	24,948,370,293

9. Investments in bonds and commercial papers

Particulars	31-Dec-25	31-Dec-24
Investment in Government bonds		
Royal Government of Bhutan	1,389,666,000	1,389,666,000
Total (A)	1,389,666,000	1,389,666,000
Investment in Corporate bonds and commercial papers		
Investment in Corporate Bonds		
Druk Air Corporation	407,998,059	624,341,409
Bhutan Power Corporation Ltd.	500,000,000	-
Druk Technology Fund	3,000,000,000	3,000,000,000
Bank of Bhutan Ltd.	2,227,457,000	1,000,000,000
Tashi Air Pvt Ltd	275,980,000	275,980,000
Druk Wang Alloys Ltd.	250,000,000	250,000,000
Bank of Bhutan Ltd.	-	-
Bhutan Insurance Ltd.	271,827,000	-
Tbank Ltd	543,583,000	405,000,000
Bhutan National Bank Ltd.	1,000,000,000	1,000,000,000
Investment in Commercial papers		
Druk Wang Alloys Ltd.	48,300,465	48,520,550
Interest accrued but not due on bonds	497,541,439	529,903,574
Less: Impairment allowance for investment in bonds	(5,406,167)	(19,221,493)
Total	10,406,946,796	8,504,190,039



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

10. Loans

Particulars	31-Dec-25	31-Dec-24
Corporate Loans	15,914,083,175	13,282,194,894
Education and Student Loans	1,994,672,556	2,605,162,855
Housing Loans	1,390,090,496	1,370,572,081
Member Loans	4,818,862,633	3,974,832,614
Vehicle Loans	52,037,718	50,162,730
Staff incentive Loans	160,314,418	88,108,245
Total loans	24,330,060,995	21,371,033,419
Interest suspense on Stage 3 loans	(85,602,761)	(52,725,735)
Impairment allowance for loans and advances	(789,933,730)	(931,887,967)
Loans after provision	23,454,524,504	20,386,419,717

10.1 Stage wise analysis of loans amortized at cost.

	31-Dec-25			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	10,879,431,451	4,148,145,583	886,506,140	15,914,083,174
Education and Student Loans	1,895,994,611	69,104,168	29,573,777	1,994,672,556
Housing Loans	1,116,605,158	166,415,333	107,070,004	1,390,090,496
Member Loans	4,726,707,865	65,794,042	26,360,726	4,818,862,633
Vehicle loans	38,063,717	9,195,229	4,778,773	52,037,718
Staff Incentive Loans	160,314,418	-	-	160,314,418
	18,817,117,221	4,458,654,354	1,054,289,420	24,330,060,995

	31-Dec-24			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	8,447,521,436	4,090,471,253	744,202,205	13,282,194,894
Education and Student Loans	2,482,849,043	93,001,602	29,312,210	2,605,162,855
Housing Loans	698,249,229	475,719,567	196,603,285	1,370,572,081
Member Loans	3,846,520,532	103,614,830	24,697,252	3,974,832,614
Vehicle loans	46,031,951	4,130,778	-	50,162,730
Staff Incentive Loans	88,108,245	-	-	88,108,245
	15,609,280,436	4,766,938,029	994,814,953	21,371,033,419

10.2 Impairment allowances for loans

Impairment allowance for loans	31-Dec-25	31-Dec-24
Opening balance	931,887,967	318,521,376
Credit loss expense for the year	(141,954,237)	613,366,591
Closing balance	789,933,730	931,887,967
<i>Made up of:</i>		
Individually impaired	116,905,362	-
Collectively impaired	673,028,369	931,887,967
Total impairment	789,933,730	931,887,967



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

10.3 Impairment allowances based on staging approach of BFRS 9

	31-Dec-25			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Delinquency grades				
Current	277,131,230	-	-	277,131,230
1-30 days passed due	34	-	-	34
31-60 days passed due	-	283,204,350	-	283,204,350
61-90 days passed due	-	15,469,767	-	15,469,767
90 days & above	-	-	97,222,987	97,222,987
Individually impaired	-	-	116,905,362	116,905,362
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	-	-	-	-
	277,131,264	298,674,117	214,128,349	789,933,730

	31-Dec-24			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Delinquency grades				
Current	89,248,834	-	-	89,248,834
1-30 days passed due	97	-	-	97
31-60 days passed due	-	318,598,920	-	318,598,920
61-90 days passed due	-	5,096,366	-	5,096,366
90 days & above	-	-	452,980,765	452,980,765
Individually impaired	-	-	-	-
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	65,962,985	-	-	65,962,985
	155,211,916	323,695,286	452,980,765	931,887,967

10.4 Loan stage wise analysis of impairment allowances

	31-Dec-25			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	268,043,188	275,535,616	150,226,110	693,804,914
Education and Student Loans	591,255	1,059,514	2,403,449	4,054,219
Housing Loans	7,654,443	21,136,214	58,166,199	86,956,857
Member Loans	601,460	227,902	736,504	1,565,866
Vehicle loans	240,918	714,870	2,596,087	3,551,876
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	-	-	-	-
	277,131,264	298,674,117	214,128,349	789,933,730

	31-Dec-24			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	80,870,980	282,211,758	355,231,137	718,313,875
Education and Student Loans	1,278,945	1,246,340	3,301,634	5,826,919
Housing Loans	6,253,094	39,676,468	93,844,936	139,774,498
Member Loans	467,719	316,725	603,058	1,387,501
Vehicle loans	378,194	243,995	-	622,190
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	65,962,985	-	-	65,962,985
	155,211,916	323,695,286	452,980,765	931,887,967



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

10.5 Movement in allowance for impairment during the period as follows:

	31-Dec-25			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Balance as at 1st January 2025	155,211,916	323,695,286	452,980,765	931,887,967
New assets originated	212,021,889	1,146,294	93,931	213,262,115
Closures / net settlements / write offs	(66,719,628)	(16,418,271)	(272,078,453)	(355,216,352)
Transfers from Stage 1	(25,837,095)	24,855,899	981,196	-
Transfers from Stage 2	2,124,993	(38,231,667)	36,106,674	-
Transfers from Stage 3	329,189	3,626,576	(3,955,765)	-
Balance as at 31st December 2025	277,131,264	298,674,117	214,128,349	789,933,730

	31-Dec-24			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Balance as at 1st January 2024	25,097,320	173,539,019	119,885,036	318,521,376
New assets originated	13,534,697	1,003,344	153,280	14,691,321
Closures / net settlements / write offs	165,747,544	150,978,475	281,949,252	598,675,270
Transfers from Stage 1	(50,166,017)	14,902,089	35,263,928	-
Transfers from Stage 2	473,206	(30,017,366)	29,544,160	-
Transfers from Stage 3	525,166	13,289,725	(13,814,891)	-
Balance as at 31st December 2024	155,211,916	323,695,286	452,980,765	931,887,967

10.6 Reconciliation of impairment between RMA PR and ECL as per BFRS 9

	31-Dec-25	31-Dec-24
Provision as per RMA PR	668,429,491	619,836,794
Impairment on loan as per ECL	789,933,730	931,887,967
Movement in Provision as per RMA	48,592,697	74,363,713
Movement in Provision as per BFRS 9 ECL	(141,954,237)	613,366,591
Adjustment of Provision	(190,546,934)	539,002,878



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

10.7 Sensitivity of impairment provision on loans

The Entity has estimated the impairment allowance on loans and advances subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment allowance of the Entity to a reasonably possible change in PDs, LGDs and forward-looking information.

	31 December 2025				Sensitivity effect on Statement of Profit or Loss
	Stage 1	Stage 2	Stage 3	Total	
	Sensitivity effect on Statement of Financial Position [Increase / (Decrease) in impairment allowance]				
PD 1% increase across all age buckets	208,339,265	21,003,983	271,977,24	229,615,225	(229,615,225)
PD 1% decrease across all age buckets	-208,339,265	-21,003,983	(271,977,24)	(229,615,225)	229,615,225
LGD 5% increase	24,175,022	28,713,609	11,455,939	64,344,570	(64,344,570)
LGD 5% decrease	-24,175,022	-28,713,609	-11,455,939	(64,344,570)	64,344,570
Probability weighted Economic Scenarios					
- Best case 5% increase and worst case 5% decrease	-438,877	-524,376	-	(963,254)	963,254
- Best case 5% decrease and worst case 5% increase	438,877	525,077	-	963,954	(963,954)
	31 December 2024				
	Stage 1	Stage 2	Stage 3	Total	Sensitivity effect on Statement of Profit or Loss
	Sensitivity effect on Statement of Financial Position [Increase / (Decrease) in impairment allowance]				
PD 1% increase across all age buckets	64,656,797	2,702,089	-	67,358,886	(67,358,886)
PD 1% decrease across all age buckets	-64,656,797	-2,702,089	-	(67,358,886)	67,358,886
LGD 5% increase	13,227,553	6,047,575	45,990,535	65,265,663	(65,265,663)
LGD 5% decrease	-13,227,553	-6,047,575	-45,990,535	(65,265,663)	65,265,663
Probability weighted Economic Scenarios					
- Best case 5% increase and worst case 5% decrease	-229,067	-119,918	-	(348,986)	348,986
- Best case 5% decrease and worst case 5% increase	229,067	119,868	-	348,935	(348,935)



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

11. Investment in equity shares

Particulars	31-Dec-25			31-Dec-24			
	No. of shares	Face value	Cost	No. of shares	Face value	Cost	Fair value
1. Quoted							
Penden Cement Authority Ltd.	10,391,973	10	522,905,413	10,391,973	10	522,905,413	393,751,857
State Trading Corporation of Bhutan Ltd.	661,500	10	490,000	661,500	10	490,000	33,253,605
Bhutan National Bank Ltd.	177,439,169	10	2,522,697,419	121,013,768	10	730,886,369	3,618,311,663
Kuensel Corporation Ltd.	367,500	10	3,675,000	367,500	10	3,675,000	13,046,250
Druk PNB Ltd.	11,728,414	10	325,197,850	11,728,414	10	325,197,850	386,568,525
TBank Ltd.	1,197,670	10	31,857,358	907,325	10	29,861,238	38,053,211
Bhutan Insurance Ltd.	3,074,582	10	31,737,460	3,074,582	10	31,737,460	195,328,194
GIC-Bhutan Reinsurance Co. Ltd.	2,385,448	10	67,681,260	2,385,448	10	67,681,260	61,449,140
Royal Insurance Corporation of Bhutan Ltd.	1,608,746	10	98,738,624	1,608,746	10	98,738,624	138,352,156
Bhutan Ferro Alloys Ltd.	1,010,430	10	114,916,204	1,010,430	10	114,916,204	160,597,744
Total quoted			3,719,916,587			1,926,109,417	5,038,712,346
2. Unquoted							
Dagachu Hydro Power Corporation Ltd.	619,800	1000	619,800,000	619,800	1,000	619,800,000	635,040,882
Credit Information Bureau	17,500	100	1,750,000	17,500	100	1,750,000	6,395,375
Financial Institutions Training Institute Ltd.	1,200,000	10	11,997,000	1,200,000	10	11,997,000	10,260,000
Dungsam Cement Corporation Ltd.	8,692,357	100	653,259,800	8,692,357	100	653,259,800	90,487,436
Total unquoted			1,286,806,800			1,286,806,800	742,183,693
Total investments in equity share			5,006,723,387			3,212,916,217	5,780,896,040



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

12. Other assets

Particulars	31-Dec-25	31-Dec-24
Rent receivable	941,342	578,145
Other receivable	10,323,789	13,849,287
Deposit with RMA	100,000	100,000
Security deposit (power/water/rent)	1,374,370	1,374,370
Prepaid expenses	16,552,936	16,269,925
Advance	15,216,332	38,688,551
Asset pending foreclosure	194,415	199,415
Less: Impairment allowance for Other Assets	(6,985,299)	(4,289,041)
Total	37,717,885	66,770,652

13. Inventories

Particulars	31-Dec-25	31-Dec-24
Consumables and spares	605,615	829,513
Total	605,615	829,513

14. Investment property

Particulars	31-Dec-25	31-Dec-24
Opening balance	8,286,021,987	8,093,880,166
Net Addition/ (Deletion) during the year	118,430,360	105,079,696
Adjustment of gain/(loss) from fair value movement	(28,905,714)	87,062,125
Total	8,375,546,633	8,286,021,987

(i) Fair value of investment properties.

Particulars	31-Dec-25	31-Dec-24
Fair value of Land	6,743,712,104	6,760,496,980
Fair value of Landed property (Buildings)	1,631,834,529	1,525,525,007
Total	8,375,546,633	8,286,021,987

Note 1: The NPPF landed properties including semi-permanent structures are fully insured.

Estimation of fair value

The valuations of investment properties are done in-house using the method approved by the Management. Valuation has been done using the following approach.

- Market approach:* Estimate value based on instances of sales/quotes of similar assets in the market.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- b. *Cost approach:* Estimate values based on the replacement cost of an asset of equivalent utility and depreciation including obsolescence.

(ii) *Amounts recognized in the statement of comprehensive income for investment properties.*

Particulars	31-Dec-25	31-Dec-24
Rental income	89,185,454	79,729,606
Direct operating expenses from property that generated rental income	(2,789,200)	(2,856,274)
	86,396,254	76,873,332

Note: The rental income in note 25 includes Nu. 2,590,440.00 (previous year Nu. 2,395,805) earned from renting of NPPF corporate office space, which is categorized as Property Plant and Equipment under note 15. The above rental income excludes the rental income earned from NPPF corporate office.

(iii) *Leasing arrangements*

Some of the investment properties are leased to tenants under operating leases with rentals payable monthly. All such leases are cancelable at the option of lessor or the lessee. The lease arrangements of residential investment properties are renewed after every 3 years.

(iv) *Reconciliation of Investment Property between historical cost and fair value movement*

	31-Dec-25	31-Dec-24
Opening balance at cost (Net of depreciation)	1,406,348,261	1,301,268,565
Addition/(Derecognition)	274,226,409	131,172,547
Depreciation	(27,297,029)	(26,092,851)
Closing balance at cost (Net of depreciation) (A)	1,653,277,640	1,406,348,261
Fair value on the date of reporting (B)	8,375,546,633	8,286,021,987
Movement between FV and cost (C=B-A)	6,722,268,993	6,879,673,726
Opening Movement between FV and cost	6,879,673,726	6,792,611,601
Derecognition of IP assets*	(128,499,019)	-
FV movement after adjusting derecognition (D)	6,751,174,707	6,792,611,601
Adjustment of gain/(loss) from fair value movement (Note 14) (C-D)	(28,905,714)	87,062,125
Adjustment of Depreciation	27,297,029	26,092,851
Gain/(loss) from changes in fair value after adjusting depreciation	(56,202,743)	60,969,274
Loss on derecognition of assets	(98,251,442)	-
Gain/(loss) from changes in fair value (Note 27.1)	(154,454,185)	60,969,274

Note: *25.96 decimal of land occupied by Gongdzin lam has been transferred to Thimphu Thromde at the cost of Nu. 30.99 million at 2017 PAVA rate.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

15. Property Plant and Equipment

Particulars	Gross block		Accumulated depreciation		Net block	
	01-Jan-25	Additions during the year	31-Dec-25	Adjustments	31-Dec-25	31-Dec-25
Office building	188,538,114	-	188,538,114	-	89,493,831	104,166,582
Diesel Generator (Electrical)	3,310,518	-	-	(3,310,518)	156,344	1,400,890
Road network	677,255	-	677,255	-	677,253	0
Retention wall	1,465,060	-	1,465,060	-	586,359	878,701
Computer & accessories	18,195,237	3,518,463	19,391,236	(2,122,465)	48,925	8,168,120
High end server	21,163,971	-	9,110,370	21,163,971	3,147,860	7,909,489
Other office equipment	99,594,789	38,178,473	116,803,415	(20,969,848)	2,532,644	12,053,601
Furniture	16,851,425	1,995,855	18,466,632	(380,649)	19,423,800	24,850,934
Communication equipment	936,697	-	916,697	(20,000)	1,489,928	9,080,416
Motor vehicles	8,463,969	2,492,085	10,956,054	-	302,311	8,625,276
Carpet	3,766,459	-	3,766,459	-	829,268	634,386
Sub total (A)	362,963,494	46,184,876	382,344,892	(26,803,479)	33,612,246	2,878,052
Capital grant	-	-	-	-	1,372,964	3,129,585
Integrated data center	7,631,660	-	7,631,660	-	7,631,659	166,581,424
Sub total (B)	7,631,660	-	7,631,660	-	7,631,659	1
Total (A+B)	370,595,154	46,184,876	389,976,552	(26,803,479)	33,612,246	176,977,619

Particulars	Gross block		Accumulated depreciation		Net block	
	01-Jan-24	Additions during the year	31-Dec-24	Adjustments	31-Dec-24	31-Dec-23
Office building	184,976,151	3,561,963	188,538,114	-	84,371,532	105,675,988
Diesel Generator (Electrical)	3,310,518	-	3,310,518	-	1,909,628	1,597,234
Road network	677,255	-	677,255	-	677,253	2
Retention wall	1,465,060	-	1,465,060	-	537,434	927,626
Computer & accessories	22,402,929	2,093,700	18,195,237	(6,301,392)	10,285,748	8,026,317
High end server	21,433,346	-	21,163,971	(269,375)	9,110,370	14,586,247
Other office equipment	100,645,742	5,686,859	99,594,789	(6,737,812)	74,738,855	24,855,934
Furniture	14,943,714	3,081,354	16,851,425	(1,173,643)	8,226,149	7,000,570
Communication equipment	837,966	241,371	936,697	(142,640)	302,311	511,761
Motor vehicles	8,463,969	-	8,463,969	-	5,585,917	3,555,170
Carpet	1,588,580	2,336,680	3,766,459	-	636,874	1,332,205
Sub total (A)	360,745,232	17,001,927	362,963,494	(14,783,664)	196,382,071	178,928,584
Capital grant	-	-	-	-	7,631,660	1
Integrated data center	7,631,660	-	7,631,660	-	7,631,659	1
Sub total (B)	7,631,660	-	7,631,660	-	7,631,659	1
Total (A+B)	368,376,892	17,001,927	370,595,154	(14,783,664)	204,013,730	178,928,585

Note (1): The NPPF office building, motor vehicles and ICT servers are fully insured. Other assets are not insured since the net block of the uninsured assets are not material.

Note (2): The fair value of office building is Nu. 137,162,223 (previous year Nu. 139,019,321.00)



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

16. Right of Use Assets and Lease Liability**16.1 Right of Use Assets**

Particulars	Amount
Opening as at 1st January 2025	109,073
Addition/(adjustment) during the year	58,850
Advance payments for leases	-
Less: Depreciation during the year	(167,924)
Net book value as at 31st December 2025	-
Opening as at 1st January 2024	338,013
Addition/(adjustment) during the year	(30,068)
Advance payments for leases	-
Less: Depreciation during the year	(198,871)
Net book value as at 31st December 2024	109,073

16.2 Lease Liability

Particulars	Amount
Opening as at 1st January 2025	115,904
Addition/(adjustment) during the year	58,850
Interest expense recognized in SOCI	5,246
Repayment of liability	(180,000)
Closing balance as at 31st December 2025	-
Opening as at 1st January 2024	346,778
Addition/(adjustment) during the year	(30,068)
Interest expense recognized in SOCI	15,131
Repayment of liability	(215,937)
Closing balance as at 31st December 2024	115,904



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

17. Intangible assets

Particulars	Application software	Other software	Development in progress	Total
Cost				
Opening as at 1st January 2025	141,378,110	43,469,745	451,605	185,299,460
Additions	-	904,192	24,337,737	25,241,929
Closing as at 31st December 2025	141,378,110	44,373,937	24,789,342	210,541,389
Accumulated amortization				
Opening as at 1st January 2025	85,006,960	36,806,480	-	121,813,440
Amortization for the year	31,487,012	4,329,676	-	35,816,688
Closing as at 31st December 2025	116,493,972	41,136,156	-	157,630,127
Net carrying amount as at 31st December 2025	24,884,138.14	3,237,782	24,789,342	52,911,262
Cost				
Opening as at 1st January 2024	139,936,757	43,469,745	419,925	183,826,427
Additions	-	-	451,605	451,605
Capitalization of development in progress	2,301,510	-	(419,925)	1,881,586
Closing as at 31st December 2024	141,378,110	43,469,745	451,605	185,299,460
Accumulated amortization				
Opening as at 1st January 2024	56,962,442	29,973,759	-	86,936,201
Amortization for the year	28,044,518	6,832,721	-	34,877,239
Closing as at 31st December 2024	85,006,960	36,806,480	-	121,813,440
Net carrying amount as at 31st December 2024	56,371,150.07	6,663,265	451,605	63,486,021

18. Other liabilities and Payables

Particulars	31-Dec-25	31-Dec-24
Interest received in advance	383,238	383,238
Unidentified deposit	115,289	83,189
Security deposit third party	43,142,380	32,508,840
Security deposit (rent)	16,163,824	13,911,706
Security Deposit (Lease)	239,753	150,692
Excess member contribution	2,931,835	2,943,113
Security deposit - power meter	303,386	303,386
Housing / education loan closed A/c - credit balance	24,782,406	24,782,406
Loan EMI Parking	424,962,916	312,905,193
Contribution Parking	354,613	381,453
Deduction at source payable	17,659	933
APF Reserve for Loan loss	199,415	199,415
Other payables	72,339,380	78,956,533
Total	585,936,094	467,510,097



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

19. Net Employee benefit obligations

Particulars	Note	31-Dec-25	31-Dec-24
NPPF employee gratuity			
Gratuity Liability	19.1	30,538,971	26,276,572
Gratuity Investment		37,885,610	35,520,940
Net Defined Benefit Asset/(Liability)		7,346,639	9,244,368
Other employee benefit			
Leave encashment		5,314,283	4,409,204
Terminal benefits	19.2 & 19.3	13,041,001	11,067,236
Total		18,355,284	15,476,440
Net employee benefit obligation surplus/(deficit)		(11,008,646)	(6,232,073)

19.1 Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Gratuity)

A Movement in present value of Defined Benefit Obligation	31-Dec-25	31-Dec-24
1 DBO at end of prior year	26,276,572	17,981,889
2 Current service cost	3,530,345	3,272,378
3 Past service cost	-	-
4 Interest cost	1,835,318	1,127,704
5 Benefits paid by the plan	-	-
6 Benefits paid directly by the employer	(115,500)	(3,743,670)
7 Actuarial (gain)/loss due to plan experience	(987,764)	7,030,187
8 Actuarial (gain)/loss - demographic assumptions	-	608,084
9 Actuarial (gain)/loss - financial assumptions	-	-
DBO at end of the year	30,538,971	26,276,572
B Movement in fair value of plan assets	31-Dec-25	31-Dec-24
1 Fair value at the beginning of the year	35,520,939	33,391,106
2 Contribution paid to the plan	-	-
3 Expected return on plan assets	2,486,467	2,337,377
4 Benefits paid from plan	-	-
5 Return on plan assets greater or (less) than discount rate	(121,796)	(207,544)
Fair value at end of the year	37,885,610	35,520,939
C Composition of plan asset	31-Dec-25	31-Dec-24
1 Bonds(Government/Corporate)		
2 Gratuity savings/deposits in banks/insurance companies	37,885,610	35,520,939
3 Equities		
Total	37,885,610	35,520,939
D Statement of Profit & Loss	31-Dec-25	31-Dec-24
1 Current service cost	3,530,345	3,272,378
2 Past service cost	-	-
3 Net interest cost on net defined benefit liability / (asset)	1,835,318	1,127,704
4 Expected interest on plan asset	(2,486,467)	(2,337,377)
Net Cost for the year recognized in P&L	2,879,196	2,062,705



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

E Other Comprehensive Income (OCI)		31-Dec-25	31-Dec-24
1	Actuarial (gain)/loss due to liability experience	(987,764)	7,030,187
2	Actuarial (gain)/loss due to liability assumption changes	-	608,084
3	Return on plan assets (greater)/less than discount rate	121,796	207,544
Remeasurement (Gain) or Loss Recognized in OCI at year end		(865,968)	7,845,815
F Development of Net Financial Position		31-Dec-25	31-Dec-24
1	Defined Benefit Obligation (DBO)	(30,538,971)	(26,276,572)
2	Fair Value of Plan Assets (FVA)	37,885,610	35,520,939
3	Funded Status (Surplus/(Deficit))	7,346,639	9,244,367
Net Defined Benefit Asset/(Liability)		7,346,639	9,244,367
G Reconciliation of Net Balance Sheet Position		31-Dec-25	31-Dec-24
1	Net defined benefit asset/ (liability) at end of prior year	9,244,367	15,409,217
2	Amount recognized in Profit & Loss	(2,879,196)	(2,062,705)
3	Amount recognized in OCI	865,968	(7,845,815)
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	115,500	3,743,670
Net defined benefit asset/ (liability) at end of the year		7,346,639	9,244,367
H Expected benefit payments for the year ending		31-Dec-25	31-Dec-24
1	Less than a year	4,512,716	5,697,972
2	Between 1- 2 years	4,886,367	4,998,406
3	Between 2-5 years	11,282,888	6,556,511
4	Over 5 years	12,157,684	10,692,665

- i. Expected employer expense for the year ending 31st December 2026 is Nu. 5,834,782
- ii. Weighted average duration of defined benefit obligation is 7.98 years (31st December 2024- 7.92 years)
- iii. Risk Exposure

Through its defined benefit plans, NPPF is exposed to a number of risks, the most significant of which are detailed below. The actuarial valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such NPPF is exposed to various risks as follows;

- a) *Salary Increase*: Actual salary increase will increase NPPF's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
- b) *Discount Rate*: Reduction in discount rate in subsequent valuations can increase NPPF's liability.
- c) *Mortality Rate*: Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

iv. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-25	31-Dec-24
	Discount Rate	7%	7%
	Effect on DBO due to 0.5% increase in discount rate	(909,006)	(739,190)
	Effect on DBO due to 0.5% decrease in discount rate	963,516	782,579
b	Salary escalation rate	31-Dec-25	31-Dec-24
	Salary escalation rate	7%	7%
	Effect on DBO due to 1% increase in salary escalation rate	1,966,706	1,592,327
	Effect on DBO due to 1% decrease in salary escalation rate	(1,783,472)	(1,451,076)
c	Attrition rate	31-Dec-25	31-Dec-24
	Attrition rate	10%	10%
	Effect on DBO due to 1% increase in attrition rate	(63,845)	(53,526)
	Effect on DBO due to 1% decrease in attrition rate	71,119	58,265

19.2 Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Carriage charges)

A	Movement in present value of Defined Benefit Obligation	31-Dec-25	31-Dec-24
1	DBO at end of prior year	5,383,057	1,894,478
2	Current service cost	1,311,067	1,318,797
3	Past service cost	-	-
4	Interest cost	373,185	114,887
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(103,676)	(506,477)
7	Actuarial (gain)/loss due to plan experience	(1,048,881)	2,697,990
8	Actuarial (gain)/loss - demographic assumptions	-	(136,618)
9	Actuarial (gain)/loss - financial assumptions	-	-
	DBO at end of the year	5,914,752	5,383,057
B	Statement of Profit & Loss	31-Dec-25	31-Dec-24
1	Current service cost	1,311,067	1,318,797
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	373,185	114,887
	Net Cost for the year recognized in P&L	1,684,252	1,433,684
C	Other Comprehensive Income (OCI)	31-Dec-25	31-Dec-24
1	Actuarial (gain)/loss due to liability experience	(1,048,881)	2,697,990
2	Actuarial (gain)/loss due to liability assumption changes	-	(136,618)
3	Return on plan assets (greater)/less than discount rate	-	-
	Remeasurement (Gain) or Loss Recognized in OCI at year end	(1,048,881)	2,561,372



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

D Development of Net Financial Position		31-Dec-25	31-Dec-24
1	Defined Benefit Obligation (DBO)	(5,914,752)	(5,383,057)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(5,914,752)	(5,383,057)
Net Defined Benefit Asset/(Liability)		(5,914,752)	(5,383,057)
E Reconciliation of Net Balance Sheet Position		31-Dec-25	31-Dec-24
1	Net defined benefit asset/ (liability) at end of prior year	(5,383,057)	(1,894,478)
2	Amount recognized in Profit & Loss	(1,684,252)	(1,433,684)
3	Amount recognized in OCI	1,048,881	(2,561,372)
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	103,676	506,477
Net defined benefit asset/ (liability) at end of the year		(5,914,752)	(5,383,057)
F Expected benefit payments for the year ending		31-Dec-25	31-Dec-24
1	Less than a year	1,130,460	1,664,803
2	Between 1- 2 years	975,807	1,007,326
3	Between 2-5 years	2,289,046	1,226,853
4	Over 5 years	1,824,266	1,653,783

- i. Expected employer expense for the year ending 31st December 2026 is Nu. 479,991
- ii. Weighted average duration of defined benefit obligation is 6.24 years (31st December 2024- 5.93 years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate	31-Dec-25	31-Dec-24
Discount Rate	7.00%	7%
Effect on DBO due to 0.5% increase in discount rate	(169,114)	(144,021)
Effect on DBO due to 0.5% decrease in discount rate	180,016	153,413
b Carriage growth rate	31-Dec-25	31-Dec-24
Carriage growth rate	5%	5%
Effect on DBO due to 1% increase in carriage inflation rate	375,727	320,312
Effect on DBO due to 1% decrease in carriage inflation rate	(337,160)	(287,022)
c Attrition rate	31-Dec-25	31-Dec-24
Attrition rate	10%	10%
Effect on DBO due to 1% increase in attrition rate	39,508	28,747
Effect on DBO due to 1% decrease in attrition rate	(45,519)	(34,126)

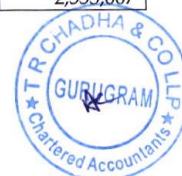


Note to Financial Statements

(All amount in BTN, unless otherwise stated)

19.3 Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Transfer grant and travelling expenses)

A	Movement in present value of Defined Benefit Obligation	31-Dec-25	31-Dec-24
1	DBO at end of prior year	5,684,179	2,616,141
2	Current service cost	1,641,346	2,149,565
3	Past service cost	-	-
4	Interest cost	393,850	153,713
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(115,500)	(840,480)
7	Actuarial (gain)/loss due to plan experience	(477,626)	1,255,828
8	Actuarial (gain)/loss - demographic assumptions	-	349,412
9	Actuarial (gain)/loss - financial assumptions	-	-
	DBO at end of the year	7,126,249	5,684,179
B	Statement of Profit & Loss	31-Dec-25	31-Dec-24
1	Current service cost	1,641,346	2,149,565
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	393,850	153,713
	Net Cost for the year recognized in P&L	2,035,196	2,303,278
C	Other Comprehensive Income (OCI)	31-Dec-25	31-Dec-24
1	Actuarial (gain)/loss due to liability experience	(477,626)	1,255,828
2	Actuarial (gain)/loss due to liability assumption changes	-	349,412
3	Return on plan assets (greater)/less than discount rate	-	-
	Remeasurement (Gain) or Loss Recognized in OCI at year end	(477,626)	1,605,240
D	Development of Net Financial Position	31-Dec-25	31-Dec-24
1	Defined Benefit Obligation (DBO)	(7,126,249)	(5,684,179)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,126,249)	(5,684,179)
	Net Defined Benefit Asset/(Liability)	(7,126,249)	(5,684,179)
E	Reconciliation of Net Balance Sheet Position	31-Dec-25	31-Dec-24
1	Net defined benefit asset/ (liability) at end of prior year	(5,684,179)	(2,616,141)
2	Amount recognized in Profit & Loss	(2,035,196)	(2,303,278)
3	Amount recognized in OCI	477,626	(1,605,240)
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	115,500	840,480
	Net defined benefit asset/ (liability) at end of year	(7,126,249)	(5,684,179)
F	Expected benefit payments for the year ending	31-Dec-25	31-Dec-24
1	Less than a year	1,459,726	1,956,547
2	Between 1- 2 years	1,259,451	1,395,171
3	Between 2-5 years	3,136,421	1,675,039
4	Over 5 years	2,730,527	2,553,667



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- i. Expected employer expense for the year ending 31st December 2026 is Nu. 2,407,362
- ii. Weighted average duration of defined benefit obligation is 7.03 years (31st December 2024- 7 years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate	31-Dec-25	31-Dec-24
Discount Rate	7.00%	7%
Effect on DBO due to 0.5% increase in discount rate	(214,510)	(159,261)
Effect on DBO due to 0.5% decrease in discount rate	228,825	169,713
b Salary escalation rate	31-Dec-25	31-Dec-24
Salary escalation rate	7%	7%
Effect on DBO due to 1% increase in salary escalation rate	468,684	347,398
Effect on DBO due to 1% decrease in salary escalation rate	(419,637)	(311,694)
c Attrition rate	31-Dec-25	31-Dec-24
Attrition rate	10%	10%
Effect on DBO due to 1% increase in attrition rate	(18,041)	(23,516)
Effect on DBO due to 1% decrease in attrition rate	18,466	23,745

20. Lapsed Fund*

Particulars	Civil	Armed Force	Total
As at 1st January 2025	43,670,023	38,802,019	82,472,042
Addition during the year	21,899,600	12,824,574	34,724,173
Transferred to other Income	(17,646,610)	(4,454,645)	(22,101,255)
As at 31st December 2025	47,923,012	47,171,947	95,094,960
As at 1st January 2024	30,641,433	8,972,224	39,613,657
Addition during the year	14,700,450	31,398,146	46,098,596
Transferred to other Income	(1,671,861)	(1,568,350)	(3,240,211)
As at 31st December 2024	43,670,023	38,802,019	82,472,042

*Lapsed fund consists of employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service. Based on the NPPF reserve policy, the lapsed fund outstanding for more than or equal to three years are transferred to lapsed fund general reserve through statement of comprehensive income.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

21. Net Member's Defined Contribution (DC) plan

Particulars	Civil		Armed Forces		Private Provident Fund		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated contribution							
As at 1st January 2025	7,274,969,083	9,454,407,235	2,046,332,936	2,047,068,979	97,866,978	36,733,274	20,970,246,859
Adjustment of scheme	-	-	-	-	(5,800)	-	(5,800)
Adjusted opening balance	7,274,969,083	9,454,407,235	2,046,332,936	2,047,068,979	97,861,178	36,733,274	20,970,241,059
Contribution during the year	731,787,652	1,138,117,935	180,502,413	180,728,578	106,643,092	51,202,425	2,388,982,094
As at 31st December 2025 (A)	8,006,756,735	10,592,525,169	2,226,835,348	2,227,797,557	204,504,269	87,935,699	23,359,223,153
Accumulated refund							
As at 1st January 2025	2,779,028,682	3,166,292,054	437,646,489	437,938,135	21,619,250	9,645,995	6,861,687,946
Refunds during the year	295,120,431	379,847,073	54,721,782	54,903,500	27,060,303	9,070,356	820,878,245
As at 31st December 2025 (B)	3,074,149,113	3,546,139,127	492,368,271	492,841,635	48,679,552	18,716,351	7,682,566,191
Net contribution as at 31st December 2025 (A-B)	4,932,607,622	7,046,386,042	1,734,467,077	1,734,955,923	155,824,717	69,219,348	15,676,656,962
Accumulated contribution							
As at 1st January 2024	6,574,448,453	8,364,653,651	1,868,886,210	1,869,398,790	51,184,020	24,062,976	18,765,502,475
Adjustment of scheme	(181,495)	(181,496)	-	-	-	-	(362,991)
Adjusted opening balance	6,574,266,958	8,364,472,155	1,868,886,210	1,869,398,790	51,184,020	24,062,976	18,765,139,484
Contribution during the year	700,702,125	1,089,935,079	177,446,726	177,670,189	46,682,957	12,670,299	2,205,107,376
As at 31st December 2024 (A)	7,274,969,083	9,454,407,235	2,046,332,936	2,047,068,979	97,866,978	36,733,274	20,970,246,859
Accumulated refund							
As at 1st January 2024	2,514,589,851	2,820,894,901	397,660,301	397,833,887	9,251,256	3,410,566	6,152,791,754
Refunds during the year	264,438,831	345,397,153	39,986,188	40,104,248	12,367,994	6,235,429	708,896,192
As at 30th June 31st December 2024 (B)	2,779,028,682	3,166,292,054	437,646,489	437,938,135	21,619,250	9,645,995	6,861,687,946
Net contribution as at 31st December 2024 (A-B)	4,495,940,401	6,288,115,180	1,608,686,447	1,609,130,845	76,247,728	27,087,280	14,108,558,914



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

22. Net returns credited to Member's Defined Contribution (DC) Plan

Particulars	Civil		Armed Forces		Private Provident Fund		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	Member's Contribution	Government's Contribution	
Accumulated returns credited							
As at 1st January 2025	4,326,031,493	4,686,106,846	1,649,260,651	1,648,226,996	6,571,820	1,425,046	12,320,763,183
Adjustment of scheme	-	-	-	-	-	-	-
Adjusted opening balance	4,326,031,493	4,686,106,846	1,649,260,651	1,648,226,996	6,571,820	1,425,046	12,320,763,183
Returns credited during the year	475,202,430	622,683,210	189,466,905	189,531,633	7,491,644	275,980	1,488,000,144
As at 31st December 2025 (A)	4,801,233,924	5,308,790,056	1,838,727,556	1,837,758,629	14,063,464	1,701,026	13,808,763,327
Accumulated returns refund							
As at 1st January 2025	1,646,886,085	1,674,309,151	341,780,007	340,181,435	1,362,839	618,258	4,005,909,226
Refund during the year	185,129,676	204,854,109	57,878,094	57,929,711	1,778,571	43,750	508,308,607
As at 31st December 2025 (A)	1,832,015,761	1,879,163,260	399,658,101	398,111,146	3,141,410	662,008	4,514,217,833
Net returns credited as at 31st December 2025 (A-B)	2,969,218,163	3,429,626,796	1,439,069,455	1,439,647,484	10,922,054	1,039,018	9,294,545,495
Accumulated returns credited							
As at 1st January 2024	3,870,298,412	4,102,915,706	1,464,646,372	1,463,552,031	2,636,863	1,143,462	10,906,712,465
Adjustment of scheme	(14,005)	(14,107)	(0)	(0)	(0)	(0)	(28,113)
Adjusted opening balance	3,870,284,407	4,102,901,599	1,464,646,372	1,463,552,031	2,636,863	1,143,462	10,906,684,352
Returns credited during the year	455,747,087	583,205,247	184,614,279	184,674,965	3,934,957	1,620,712	1,414,078,831
As at 31st December 2024 (A)	4,326,031,493	4,686,106,846	1,649,260,651	1,648,226,996	6,571,820	1,425,046	12,320,763,183
Accumulated returns refund							
As at 1st January 2024	1,495,267,413	1,508,259,108	303,458,344	301,837,390	432,846	136,688	3,609,943,558
Refund during the year	151,618,672	166,050,043	38,321,663	38,344,045	929,993	634,762	395,965,668
As at 31st December 2024 (A)	1,646,886,085	1,674,309,151	341,780,007	340,181,435	1,362,839	771,450	4,005,909,226
Net returns credited as at 31st December 2024 (A-B)	2,679,145,408	3,011,797,695	1,307,480,643	1,308,045,561	5,208,981	806,788	8,314,853,957



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Disclosure of net assets available for benefit (Defined contribution) based on the requirement of BAS 26 "Accounting and reporting by retirement benefit plan".

Basis of segregation of assets and liabilities to DC plan.

The members' funds are recorded based on the nature of membership type, namely defined contribution, and defined benefit. The reserve (refer statement of changes in reserve), except for the remeasurement of employee benefit gains/(loss) reserve and some portion of general reserve, are considered as reserve for defined benefits.

Investment in equity shares and investment properties are assumed as long-term investment to match the defined benefit. Thus, it is considered as the plan assets of defined benefit.

The other remaining assets and liabilities in the statement of financial positions are distributed between the defined contribution and defined benefit in a ratio that is determined after adjusting the investment in equity shares, investment properties, and reserve.

Similarly, the returns, gains/(loss) from the market value from the investment in equity shares and investment properties, and the expenses related to the management of these assets are charged to defined benefit. The remaining income and expenses are apportioned in the ratio determined above.

The above method to segregate assets and liabilities is not an actual segregation of the assets and liabilities to the DC fund. This method is used as a basis to fulfill disclosure requirement of assets and liabilities for DC plan. This method is based on the study recommended by Callund Consulting Limited, a study conducted on 25th March 2022, on the Pension Reform in Bhutan. The disclosure of statement of net assets available for benefit and the statement of changes in the net assets available for benefit has no impact of the actual distribution of returns to the individual members.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

1. Statement of Net Assets Available for Benefit (DC)

	31-Dec-25	31-Dec-24
Assets		
Cash and cash equivalents	456,174,790	383,867,397
Term deposits	10,089,676,497	10,199,266,155
Investments in bonds	4,471,286,688	3,476,639,822
Loans	10,077,105,731	8,334,272,668
Investments in equity shares	-	-
Other assets	16,205,279	27,296,839
Inventories	260,199	339,117
Investment property	-	-
Property plant and equipment	76,037,448	68,100,973
Right of Use Assets	-	44,591
Intangible assets	22,733,029	25,954,033
Total Assets	25,209,479,661	22,515,781,594
Liabilities		
Lease liability	-	47,383
Trade and other payables	251,744,177	191,125,106
Lapsed fund	40,857,019	33,715,802
Total Liabilities	297,331,000	227,436,055
Net Assets available for benefit	24,912,148,661	22,288,345,539

2. Statement of changes in Net Assets Available for Benefit (DC)

	31-Dec-25	31-Dec-24
Member Balance as at 1st January	22,423,412,871	19,909,479,627
Adjustments	(5,800)	(391,104)
Contributions	2,388,982,094	2,205,107,376
Interest Credited	1,488,000,144	1,414,078,831
Transfer values (Refunds)	(1,329,186,852)	(1,104,861,860)
Member Balance as at 31st December	24,971,202,457	22,423,412,871
Investment income	1,758,788,355	1,580,421,659
Other Income	13,075,038	7,984,278
Management expenses	(49,992,095)	(439,909,602)
Net Income	1,721,871,299	1,148,496,336
Less interest Credited to members Account	(1,488,000,144)	(1,414,078,831)
Adjustment of Reserve	(292,924,950)	130,515,164
Net reserve	(59,053,796)	(135,067,332)
Total	24,912,148,661	22,288,345,539



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

23. Net Member's Defined Benefit (DB) plan

Particulars	Civil	Armed Forces	Total
Accumulated contributions and returns credited			
As at 1st January 2025	39,458,241,823	11,986,990,264	51,445,232,087
Adjustment of scheme	-	-	-
Adjusted opening balance	39,458,241,823	11,986,990,264	51,445,232,087
Contribution during the year	1,863,326,867	614,397,568	2,477,724,435
Returns credited during the year	1,748,136,651	592,403,297	2,340,539,948
As at 31st December 2025 (A)	43,069,705,340	13,193,791,130	56,263,496,470
Accumulated pension payments			
As at 1st January 2025	5,189,511,515	2,382,784,592	7,572,296,107
Pension payment during the year	892,091,252	356,886,064	1,248,977,316
As at 31st December 2025 (B)	6,081,602,767	2,739,670,656	8,821,273,422
Accumulated pension fund refund			
As at 1st January 2025	6,755,334,542	432,042,292	7,187,376,834
Refund from pension fund during the year	850,280,471	65,029,063	915,309,534
As at 31st December 2025 (C)	7,605,615,013	497,071,355	8,102,686,367
Net accumulated contributions and returns credited as at 31st December 2025 (A-B-C)	29,382,487,561	9,957,049,119	39,339,536,680
Accumulated contributions and returns credited			
As at 1st January 2024	35,918,574,738	10,799,393,741	46,717,968,479
Adjustment of scheme	391,203	-	391,203
Adjusted opening balance	35,918,965,941	10,799,393,741	46,718,359,682
Contribution during the year	1,788,630,551	603,982,449	2,392,613,000
Returns credited during the year	1,750,645,330	583,614,074	2,334,259,405
As at 31st December 2024 (A)	39,458,241,823	11,986,990,264	51,445,232,087
Accumulated pension payments			
As at 1st January 2024	4,377,014,850	2,063,361,540	6,440,376,390
Pension payment during the year	812,496,665	319,423,052	1,131,919,717
As at 31st December 2024 (B)	5,189,511,515	2,382,784,592	7,572,296,107
Accumulated pension fund refund			
As at 1st January 2024	5,790,633,170	360,753,549	6,151,386,719
Refund from pension fund during the year	964,701,372	71,288,743	1,035,990,115
As at 31st December 2024 (C)	6,755,334,542	432,042,292	7,187,376,834
Net accumulated contributions and returns credited as at 31st December 2024 (A-B-C)	27,513,395,765	9,172,163,381	36,685,559,146

Disclosure of net assets available for benefit (DB) based on the requirement of BAS 26 "Accounting and reporting by retirement benefit plan".

Basis of segregation of assets and liabilities to DB plan.

The members' funds are recorded based on the nature of membership type, namely defined contribution, and defined benefit. The reserve (refer statement of changes in reserve), except for the remeasurement of employee benefit gains/(loss) reserve and some portion of general reserve, are considered as reserve for defined benefit.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Investment in equity shares and investment properties are assumed as long-term investment to match the defined benefit. Thus, it is considered as the plan assets of defined benefit.

The other remaining assets and liabilities in the statement of financial positions are distributed between the defined contribution and defined benefit in a ratio that is determined after adjusting the investment in equity shares, investment properties, and reserve.

Similarly, the returns, gains/(loss) from the market value from the investment in equity shares and investment properties, and the expenses related to the management of these assets are charged to defined benefit. The remaining income and expenses are apportioned in the ratio determined above.

The above method to segregate assets and liabilities is not an actual segregation of the assets and liabilities to DB fund. This method is used as a basis to fulfill disclosure requirements of assets and liabilities to DB as per BAS 26 disclosure. This method is based on the study recommended by Callund Consulting Limited, a study conducted on 25th March 2022, on the Pension Reform in Bhutan. The disclosure of statements of net assets available for benefit and the statement of changes in the net assets available for benefit has no impact of the actual distribution of returns to the individual members.

Funding Policy

The funding policy of the NPPF highlights the technical plan of actions and strategies to manage the pension liabilities. The NPPF as a fund manager has identified Plan Assets to pay off all the pension benefits and the related expenses whenever they are due. The Plan Assets allows pension commitments to be managed in a prudent and structured manner, benefiting from returns on investments made specifically for the purposes of meeting the liabilities.

The investment of the Plan Assets is in accordance with the Investment Policy of the NPPF aimed at generating higher return for the defined benefit. The valuation of the Plan Assets is done at regular times by the Actuarial Valuers to match the defined benefit obligation and the funding deficit as on that date is determined. The Funding Policy also highlights that the NPPF must also put in place a proper reform measure, where there is a funding deficit, so that the plan can be expected to improve certain funding level within an acceptable timeframe or maintain reasonable funding level.

The Royal Government of Bhutan provides the guarantee of defined benefits as per the as per sections 113 and 82 of the National Pension and Provident Fund Plan and Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

I. Statement of Net Assets Available for Benefit (DB)

	31-Dec-25	31-Dec-24
Assets		
Cash and cash equivalents	605,574,791	555,108,586
Term deposits	13,394,106,542	14,749,104,138
Investments in bonds	5,935,660,108	5,027,550,218
Loans	13,377,418,773	12,052,147,049
Investments in equity shares	7,299,359,540	5,780,896,040
Other assets	21,512,606	39,473,813
Inventories	345,416	490,395
Investment property	8,375,546,633	8,286,021,987
Property plant and equipment	100,940,172	98,480,452
Right of Use Assets	-	64,483
Intangible assets	30,178,233	37,531,988
Total Assets	49,140,642,814	46,626,869,147
Liabilities		
Lease liability	-	68,521
Trade and other payables	334,191,917	276,384,992
Lapsed fund	54,237,940	48,756,240
Total Liabilities	394,708,699	328,894,061
Net Assets available for benefits	48,745,934,115	46,297,975,087

Disclosure on Defined Benefit Obligation (DBO)

Disclosure of Defined Benefit obligation	31-Dec-25	31-Dec-24
Defined Benefit Obligation*	63,881,130,000	62,809,000,000
Surplus/(Deficit)	(15,135,195,885)	(16,511,024,913)
Funding ratio	76.31%	73.71%

Note: The defined benefit obligation for the year ended 31st December 2024 was updated based on the actuarial valuation carried out by Team Excellence Consulting Company Limited, Bangkok, Thailand on 27th June 2025.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

II. Statement of changes in the Net Assets Available for Benefit (DB)

	31-Dec-25	31-Dec-24
Member Balance as at 1st January	36,685,559,146	34,126,205,370
Adjustments	-	391,203
Contributions	2,477,724,435	2,392,613,000
Interest Credited	2,340,539,948.22	2,334,259,405
Transfer values (Refunds)	(915,309,534)	(1,035,990,115)
Benefits paid	(1,248,977,316)	(1,131,919,717)
Member Balance as at 31st December	39,339,536,680	36,685,559,146
Investment income	2,352,994,350	2,684,508,533
Other Income	17,357,192	11,546,022
Management expenses	(120,736,524)	(683,466,216)
Net Income	2,249,615,018	2,012,588,338
Less: interest Credited to members Account	(2,340,539,948)	(2,334,259,405)
Adjustment of Reserve	9,497,322,365	9,934,087,007
Net reserve	9,406,397,434	9,612,415,940
Total	48,745,934,115	46,297,975,087

24. Interest Income

Particulars	Note	31-Dec-25	31-Dec-24
Interest income from Term Deposits	24.1	1,712,920,630	1,680,920,675
Interest income from Bonds	24.2	576,411,638	520,035,687
Interest Income from Commercial Papers		2,869,674	3,502,329
Interest income from Loans	24.3	1,801,388,586	1,661,402,262
Total		4,093,590,529	3,865,860,953

24.1 Interest income from Term Deposits

Particulars	31-Dec-25	31-Dec-24
Bhutan National Bank Ltd.	1,001,006,027	989,446,598
TBank Ltd	34,004,110	34,000,000
Bhutan Development Bank Ltd.	172,704,500	183,026,467
Bank of Bhutan Ltd.	311,835,959	281,713,525
Druk PNB Ltd.	190,557,534	190,269,399
Microfinance Bhutan Ltd.	2,812,500	2,464,686
Total	1,712,920,630	1,680,920,675



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

24.2 Interest income from Bonds and subordinated bonds

Particulars	31-Dec-25	31-Dec-24
Royal Government of Bhutan	91,378,290	109,308,846
Druk Air Corporation	39,416,533	58,153,036
Dungsam Cement Corporation Ltd	-	26,687,500
Druk Technology Fund	166,633,333	165,000,000
RSA Pvt Ltd	-	214,427
Tashi Air Pvt Ltd	19,948,500	15,931,463
Tbank Ltd	34,118,515	18,833,333
Bank of Bhutan Ltd.	90,769,525	74,250,000
Bhutan National Bank Ltd.	81,300,000	32,407,083
Bhuran Power Corporation Ltd.	25,125,000	-
Bhutan Insurance Ltd.	8,471,942	-
Druk Wang Alloys Ltd.	19,250,000	19,250,000
Total	576,411,638	520,035,687

24.3 Interest income from Loans

Particulars	31-Dec-25	31-Dec-24
Corporate loan	1,103,689,543	968,695,929
Education and Student Loans	218,891,061	237,126,198
Housing Loans	109,728,907	104,682,254
Member Loans	354,648,036	343,144,899
Vehicle Loan	4,259,993	3,455,204
Staff incentive Loans	10,171,047	4,297,776
Total	1,801,388,586	1,661,402,262

25. Rental income

Location	31-Dec-25	31-Dec-24
Thimphu	50,850,510	47,560,355
Phuentsholing	21,166,525	20,008,137
Samdrup Jongkhar	6,565,139	6,204,664
Samtse	836,570	872,755
Gelephu	12,357,150	7,479,500
Total	91,775,894	82,125,411



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

26. Dividend income

Particulars	31-Dec-25	31-Dec-24
Penden Cement Authority Ltd.	10,391,973	-
Bhutan National Bank Ltd.	-	186,361,203
Kuensel Corporation Ltd.	-	183,750
Druk PNB Ltd.	11,728,414	17,592,621
Bhutan Insurance Ltd.	5,687,977	6,456,622
GIC-Bhutan Reinsurance Co. Ltd.	3,578,172	2,385,448
Bhutan Ferro Alloys Limited	5,557,365	10,104,300
Royal Insurance Corporation of Bhutan Ltd.	5,337,819	5,669,221
Dagachu Hydro Power Corporation Ltd.	38,588,748	27,221,390
Total Income from dividend	80,870,468	255,974,554

27.1 Gain/(Loss) from changes in Fair Value of Investment Property

Particulars	31-Dec-25	31-Dec-24
Gain/(loss) from changes in fair value of investment in Investment properties	(154,454,185)	60,969,274
	(154,454,185)	60,969,274

27.2 Gain/(Loss) from changes in Fair Value of investment in equity shares

Particulars	31-Dec-2024	31-Dec-2024
Gain/(loss) from changes in fair value of investment in equity instrument	(275,343,669)	(378,986,926)
	(275,343,669)	(378,986,926)

28. Other Income

Particulars	31-Dec-25	31-Dec-24
Loan Processing fees	4,512,451	1,855,840
Transferred from lapsed Fund (3 years or more)	22,101,255	3,240,211
Miscellaneous income	3,818,523	14,434,248
Total	30,432,230	19,530,299



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

29. DC and DB management expenses

a. Apportionment of common expenses to DC and DB management expenses

Particulars	Sr. Mgr. expenses	Admin. Expenses	Finance expenses	Investment expenses	IT expenses	RF expenses	Grand Total	DB - 62%	DC - 38%
Employee remuneration & benefits	12,630,328	57,493,985	7,514,527	14,088,530	11,394,016	34,292,979	137,414,364	85,285,239	52,129,126
Employee compensation & benefit expenses	-	19,805,723	-	-	-	-	19,805,723	12,292,280	7,513,443
HRD expenses	-	-	-	-	-	-	-	-	-
Total	12,630,328	77,299,708	7,514,527	14,088,530	11,394,016	34,292,979	157,220,088	97,577,519	59,642,569
Other operating expenses									
Premise expenses	-	14,774	-	-	-	-	14,774	9,169	5,604
Motor vehicle expenses	366,072	372,195	-	-	-	25,511	763,778	474,033	289,745
Information technology expenses	-	10,671	645	3,225	28,212,405	(51,465)	28,175,481	17,486,910	10,688,571
Office maintenance	16,389	3,081,433	6,527	23,476	18,190	1,585,274	4,731,288	2,936,440	1,794,848
RE routine maintenance	-	65,479	-	-	-	2,723,281	2,788,760	1,730,824	1,057,936
Travelling expenses	428,207	961,552	86,120	597,067	314,345	832,984	3,220,225	1,998,609	1,221,615
Meeting expenses	154,244	179,804	8,535	2,680	40,310	5,000	390,573	242,406	148,167
Staff welfare and engagement expenses	174,388	7,845,965	43,854	132,912	102,376	479,225	8,778,720	5,448,449	3,330,270
Audit fees & expenses	-	966,035	-	-	-	-	966,035	599,563	366,472
Printing and stationery	103,130	596,680	60,208	152,975	26,132	227,509	1,166,634	724,063	442,571
Board of Directors' expenses	848,717	244,289	-	-	-	-	1,093,006	678,366	414,640
Donations and Corporate social responsibility	230,000	-	-	-	-	-	230,000	142,748	87,252
Hospitality expenses	217,124	69,360	-	-	-	102,097	388,581	241,170	147,411
Consultancy charges	-	137,082	(1,500)	-	2,245,255	-	2,380,836	1,477,649	903,187
Taxes	213,483	-	-	-	-	-	213,483	147,411	76,072
Insurance	-	526	-	-	-	4,392,725	4,606,208	2,858,810	1,747,398
Amortization of prepaid expenses	-	-	-	72	163,552	2,568,979	2,733,129	1,696,297	1,036,832
Other General & administration expenses	729,389	7,023,599	118,613	317,071	5,283,894	445,373	14,727,182	276,417	168,955
Write-off	-	-	-	761,276	-	3,954,616	4,716,892	10,816,056	6,611,127
Sub Total (B)	3,481,143	20,603,408	1,289,038	1,990,754	36,406,458	17,291,056	81,061,858	50,310,459	30,751,396
Total (A+B)	16,111,471	97,903,116	8,803,564	16,079,284	47,800,474	51,584,036	238,281,945	147,887,978	90,393,965



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

DC and DB management expenses

continued

Particulars	DC Management expenses				DB Management expenses				Total expenses	
	31-Dec-25		For the year ended 31-Dec-2024		31-Dec-25		For the year ended 31-Dec-2024		For the year ended 31-Dec-2025	For the year ended 31-Dec-2024
	DC Mgt. expenses	39% of common expenses	For the year ended 31-Dec-25	For the year ended 31-Dec-2024	DB Mgt. expenses	62% of common expenses	For the year ended 31-Dec-25	For the year ended 31-Dec-2024		
Employee remuneration & benefits	5,316,750	52,129,126	57,445,876	51,179,834	9,679,953	85,285,239	94,965,192	88,204,718	152,411,068	139,384,532
Employee compensation & benefit expenses	-	7,513,443	7,513,443	8,473,079	-	12,292,280	12,292,280	14,523,435	19,805,723	22,996,514
HRD expenses	-	59,642,569	64,959,319	59,652,913	9,679,953	97,577,519	107,257,472	102,728,153	172,216,791	162,381,066
Total	5,316,750	111,785,158	122,418,638	119,305,826	19,359,906	205,155,038	211,517,144	207,451,346	324,627,859	301,762,112
Other operating expenses										
Premise expenses	-	5,604	5,604	16,437	-	9,169	9,169	28,173	14,773	44,610
Motor vehicle expenses	-	289,745	289,745	224,913	-	474,033	474,033	385,517	763,778	610,430
Information technology expenses	2,508	10,688,571	10,691,079	12,360,988	4,565	17,486,910	17,491,475	21,187,698	28,182,554	33,548,686
Office maintenance	12,140	1,794,848	1,806,988	2,432,713	22,102	2,936,440	2,938,542	4,170,618	4,765,530	6,603,331
RE routine maintenance	156	1,057,936	1,058,092	1,052,396	284	1,730,824	1,731,108	1,803,878	2,789,200	2,856,274
Travelling expenses	29,585	1,221,615	1,251,200	3,179,528	53,865	1,998,609	2,052,474	5,449,553	3,303,674	8,629,081
Meeting expenses	-	148,167	148,167	145,476	-	242,406	242,406	249,355	390,573	394,831
Staff welfare and engagement expenses	79,113	3,330,270	3,409,383	2,021,992	144,036	5,448,449	5,592,485	3,474,281	9,001,868	5,496,273
Audit fees & expenses	-	366,472	366,472	119,241	-	599,563	599,563	204,386	966,035	323,627
Printing and stationery	117,702	442,571	560,273	633,059	214,296	724,063	938,359	1,095,419	1,498,632	1,728,478
Board of Directors' expenses	26,185	414,640	440,825	302,590	47,675	678,366	726,041	519,692	1,166,866	822,282
Donations and Corporate social responsibility	-	87,252	87,252	25,792	-	142,748	142,748	44,208	230,000	70,000
Hospitality expenses	-	147,411	147,411	117,411	-	241,170	241,170	201,250	388,581	318,661
Consultancy charges	44,792	903,187	947,979	5,278,889	81,550	1,477,649	1,559,199	9,352,410	2,507,178	14,631,299
Taxes	-	1,747,398	1,747,398	1,430,564	-	2,858,810	2,858,810	2,452,085	4,606,208	3,882,649
Insurance	-	1,036,832	1,036,832	848,312	-	1,696,297	1,696,297	1,454,064	2,733,129	2,302,376
Amortization of prepaid expenses	-	168,955	168,955	164,098	-	276,417	276,417	281,275	445,372	445,373
Other General & administration expenses	23,911	6,611,127	6,635,038	4,756,074	43,534	10,816,056	10,859,590	8,198,740	17,494,629	12,954,814
Write-off	-	288,795	288,795	133,026	-	472,480	472,480	228,016	761,275	361,042
Sub total (B)	336,092	30,751,396	31,087,488	35,243,500	611,908	50,310,459	50,922,367	60,780,618	82,009,855	96,024,118
Total (A+B)	5,652,841	142,536,554	153,506,126	154,549,326	10,971,814	252,465,497	262,439,511	268,231,964	406,637,714	407,786,230



30. Impairment charge/(reversal)

Particulars	For the period ended 31-Dec-2025			
	Stage 1	Stage 2	Stage 3	Total
Impairment charge on cash at bank and cash equivalents	438	-	-	438
Impairment charge on term deposits	(27,873)	-	-	(27,873)
Impairment charge on investment in bonds	13,945	-	(13,829,271)	(13,815,326)
Impairment charge on Other Assets (receivables)	(329)	-	2,696,586	2,696,257
Impairment charge on loans and advances	121,919,348	(25,021,168)	(238,852,417)	(141,954,237)
Total	121,905,530	(25,021,168)	(249,985,101)	(153,100,740)

Particulars	For the period ended 31-Dec-2024			
	Stage 1	Stage 2	Stage 3	Total
Impairment charge on cash at bank and cash equivalents	7,605	-	-	7,605
Impairment charge on term deposits	15,387	-	-	15,387
Impairment charge on investment in bonds	40,806	-	19,163,063	19,203,869
Impairment charge on Other Assets (receivables)	432	-	4,288,609	4,289,041
Impairment charge on loans and advances	130,114,595	150,156,266	333,095,729	613,366,591
Total	130,178,825	150,156,266	356,547,401	636,882,493

Reconciliation of Provision between RMA Prudential Regulation and Bhutanese Accounting Standards

Particulars	31-Dec-25	31-Dec-24
Provision as per RMA PR	668,429,491	619,836,794
Impairment on loan as per ECL	789,933,730	931,887,967

Provision charged to SOCI as per RMA PR	48,592,697	74,363,713
Impairment charged to SOCI as per ECL	(141,954,237)	613,366,591
Adjustment of RMA provision to match ECL impairment	(190,546,934)	539,002,878

Impairment charges for other financial Assets	12,600,947	23,747,451
Impairment charged to SOCI	(11,146,503)	23,515,903
Total Impairment charged to SOCI	(153,100,740)	636,882,493

31. Distribution of surplus

Particulars	31-Dec-25	31-Dec-24
Return on member's DC plan -Civil	1,097,885,640	1,038,952,334
Return on member's DC plan -Armed Forces	378,998,538	369,289,243
Return on member's DC plan -Private	11,115,966	5,837,254
Return on member's DB plan -Civil	1,748,136,651	1,750,645,330
Return on member's DB plan -Armed Forces	592,403,297	583,614,074
Transferred to general reserve (retained earning)	53,622,577	23,375,000
Transferred to lapsed fund reserve	22,101,255	3,240,211
Transferred to fair valuation reserve	(398,668,211)	(453,852,821)
Transferred to general reserve (adjustment of impairment charges and other BFRS adjustments)	190,546,934	(539,002,878)
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit	2,392,475	(12,012,427)
Total	3,698,535,123	2,770,085,321



32. Fair value measurements
Financial instruments by category

Particulars	31-Dec-25		31-Dec-24	
	FVPL	FVOCI	FVPL	FVOCI
Financial assets				
Cash and cash equivalents		1,061,749,581		938,975,983
Term deposits		23,483,783,039		24,948,370,293
Investments in bonds		10,406,946,796		8,504,190,039
Loans		23,454,524,504		20,386,419,717
Investments in equity shares		7,299,359,540		5,780,896,040
Other assets		12,639,501		15,801,802
Total financial assets	-	7,299,359,540	-	5,780,896,040
Amortised cost				
		58,419,643,421		54,793,757,833
Financial liabilities				
Interest received in advance		383,238		383,238
Unidentified deposit		115,289		83,189
Security deposit third party		43,142,380		32,508,840
Security deposit (rent)		16,163,824		13,911,706
Security Deposit (Lease)		239,753		150,692
Excess member contribution		2,931,835		2,943,113
Security deposit - power meter		303,386		303,386
Housing / education loan closed A/c - credit balance		24,782,406		24,782,406
Loan EMI Parking		424,962,916		312,905,193
Contribution Parking		354,613		381,453
Deduction at source payable		17,659		933
APF Reserve for Loan loss		199,415		199,415
Other payables		72,339,380		78,956,533
Lease Liability		-		115,904
Total financial liabilities		585,936,094		467,626,001



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, NPPF has classified its financial instruments into the three levels prescribed under the accounting standard.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- The fair value of the financial instruments other than equity shares is determined using discounted cash flow analysis.
- The fair value of financial instruments in the form of investment in equity shares is determined using multiple valuations.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

(iii) Financial assets and liabilities measured at fair value - recurring fair value measurements.

Particulars	31-Dec-25			31-Dec-24		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Investments in equity shares</i>						
Penden Cement Authority Ltd.	290,975,244	-	-	393,751,857	-	-
State Trading Corporation of Bhutan Ltd.	26,129,250	-	-	33,253,605	-	-
Bhutan National Bank Ltd.	5,305,431,153	-	-	3,618,311,663	-	-
Kuensel Corporation Ltd.	11,572,575	-	-	13,046,250	-	-
Druk PNB Ltd.	363,580,834	-	-	386,568,525	-	-
TBank Ltd.	38,026,023	-	-	38,053,211	-	-
Bhutan Insurance Ltd.	176,573,244	-	-	195,328,194	-	-
GIC-Bhutan Reinsurance Co. Ltd.	66,792,544	-	-	61,449,140	-	-
Royal Insurance Corporation of Bhutan Ltd.	122,924,282	-	-	138,352,156	-	-
Bhutan Ferro Alloys Ltd.	109,318,422	-	-	160,597,744	-	-
Dagachhu Hydro Power Corporation Ltd.	-	-	656,145,072	-	-	635,040,882
Credit Information Bureau	-	-	7,320,250	-	-	6,395,375
Financial Institutions Training Institute Ltd.	-	-	10,440,000	-	-	10,260,000
Dungsam Cement Corporation Ltd.	-	-	114,130,647	-	-	90,487,436
<i>Total</i>	6,511,323,570	-	788,035,969	5,038,712,346	-	742,183,693

(iv) Fair value of financial assets and liabilities measured at amortized cost

- Fair value of corporate loans, retail loans, term deposit and other investments is approximately equal to the carrying amount as the interest rate charged is approximately same as the market rate of interest at reporting date.
- The carrying amounts of all other financial assets and financial liabilities are considered to be the same as their fair values, due to their short-term nature.
- NPPF values equity shares on regular basis. Valuation of equity shares in done on the following basis;



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- *Market approach-market price:* The best evidence of fair value is determined by considering the market price of the company based on movement of share prices on stock exchange where the company's shares are most frequently traded.
- *Asset approach-net asset value:* For non-traded equity, total value is based on the sum of net asset value.

The fair value of equity shares was on the basis of inputs used to value. Their level of classification depends on the input used to value..

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

33. Additional disclosures

The status of current/non-current assets/liabilities in the Statement of Financial Position on the basis of residual maturity is as follows :

Particulars	31-Dec-25	Current	Non-Current	31-Dec-24	Current	Non-Current
Assets						
Cash and cash equivalents	1,061,749,581	1,061,749,581	-	938,975,983	938,975,983	-
Term deposits	23,483,783,039	1,646,296,713	21,837,486,326	24,948,370,293	1,840,000,000	23,108,370,293
Investment in bonds and commercial papers	10,406,946,796	3,625,530,563	6,781,416,233	8,504,190,039	324,500,550	8,179,689,489
Loans	23,454,524,504	3,682,586,140	19,771,938,364	20,386,419,717	4,388,487,920	15,997,931,796
Investment in equity shares	7,299,359,540	-	7,299,359,540	5,780,896,040	-	5,780,896,040
Other assets	37,717,885	21,610,321	16,107,564	66,770,652	50,946,099	15,824,552
Inventories	605,615	605,615	-	829,513	829,513	-
Investment property	8,375,546,633	-	8,375,546,633	8,286,021,987	-	8,286,021,987
Property plant and equipment	176,977,619	-	176,977,619	166,581,425	-	166,581,425
Right of Use Assets	-	-	-	109,073	109,073	-
Intangible assets	52,911,262	-	52,911,262	63,486,021	-	63,486,021
Total Assets	74,350,122,475	10,038,378,934	64,311,743,541	69,142,650,741	7,543,849,138	61,598,801,603



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Particulars	31-Dec-25	Current	Non-Current	31-Dec-24	Current	Non-Current
Liabilities						
Lease Liability	-	-	-	115,904	115,904	-
Other Liabilities and payables	585,936,094	585,936,094	-	467,510,097	467,510,097	-
Net Employee benefit obligations deficit	11,008,646	-	11,008,646	6,232,073	-	6,232,073
Lapsed fund	95,094,960	-	95,094,960	82,472,042	-	82,472,042
Total Liabilities	692,039,699	585,936,094	106,103,605	556,330,116	467,626,001	88,704,114
Net assets for member's	73,658,082,776	9,452,442,840	64,205,639,936	68,586,320,626	7,076,223,137	61,510,097,489
Member Fund						
Net Member's Defined Contribution(DC) plan	15,676,656,962	1,166,531,566	14,510,125,396	14,108,558,914	950,296,128	13,158,262,785
Net returns credited to Member's DC plan	9,294,545,495	570,200,985	8,724,344,510	8,314,853,957	425,536,490	7,889,317,467
Net Member's Defined Benefit (DB) plan	39,339,536,680	2,320,208,579	37,019,328,101	36,685,559,146	2,168,435,865	34,517,123,282
Reserve	9,347,343,638	-	9,347,343,638	9,477,348,608	-	9,477,348,608
Total Member's Fund	73,658,082,776	4,056,941,130	69,601,141,646	68,586,320,626	3,544,268,483	65,042,052,143



34. Related party disclosure

NPPF was formed by Royal Government of Bhutan for administering the social security plans in Bhutan by managing funds in the form of portfolio investments, real estate investments and retail loans.

Transactions with related parties

The following transactions occurred with related parties:

Nature of transaction with related party	31-Dec-25	31-Dec-24
Loans to related parties and key management personnel		
Beginning of the financial year	16,853,212	15,885,585
Loans disbursed during the year	-	-
Loan repayment received	2,498,597	3,806,496
Interest charged	677,263	787,324
End of the year	15,031,877	12,866,414

Note: Due to changes in the composition of the KMP, the opening balance of the new KMP is considered for the purpose of reporting.

Terms and conditions

Loan given to related party are on same terms and conditions that are applied to other borrower. These loans are secured and repaid as per the contractual repayment schedule.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. As such Key management personnel of the company for the purpose of

disclosure of compensation includes NPB's executive and non-executive directors and their close family members.

Sl.No.	Particulars	31-Dec-25	31-Dec-24
a)	Short- term employee benefits	9,498,255	8,851,393
b)	Post- employment benefits (PEB)	274,060	262,280
c)	Other long- term benefits (OLTb)	341,571	268,445
	Total	10,113,886	9,382,118



35. Capital commitment and contingencies.

a) Commitments

Particulars	31-Dec-25	31-Dec-24
Capital expenditure for Real Estate development.	15,411,935	152,616,888
Unknown Loan commitment	29,495,939,286	1,329,426,943

b) Operating lease-as lessor

NPPF has given a portion of office building under cancelable operating leases expiring within five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Particulars	31-Dec-25	31-Dec-24
Total rental income relating to operating leases	2,590,440	2,395,805

36. Financial Risk management

The NPPF's activities expose it to credit risk, liquidity risk and market risk. This note explains the sources of risk which NPPF is exposed to and how it manages the risk and the impact of it in the financial statements. The National Pension Board (NPB) oversees the governance structure, control and management system and risk mitigation measures. The NPPF identifies risks that it might be exposed to and has built risk mitigation procedures to minimize the risks.

(A) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. NPPF is exposed to credit risk from its operating activities including deposits with banks and financial institutions, loans to members and corporates and renting of properties to members.

1) Loans (incl. loan commitments)

The estimation of credit exposure for risk management purpose is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and passage of time. The Investment Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. NPPF has different Division for catering to different categories of loan i.e. corporate loan and member loan (retail loan). It has a system in place for post-lending monitoring and policy for credit approval.

Pre-lending evaluations is done by NPPF's Investment Department based on internal rating criteria and assessing the risks with respect to the loan. NPPF through its membership in Credit Information Bureau (CIB) assesses the credit worthiness of the applicant. Income



level, credit history, and repayment ability of the applicant is also used for determining the loan to be given. Credit approvals are granted based on the NPPF's Delegation of Authority and also on the basis of credit report and rating of the customer. Any adverse events that may significantly affect a borrower's repayment ability are reported timely.

To mitigate risks, NPPF requires the customers to provide collateral and guarantees for the loan given. NPPF monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, it starts the recovery process according to recovery procedures.

Maximum credit risk exposure

In respect of the financial assets recognized in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance. The maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement is in note 10. For exposure relating to off-balance sheet commitment refer note 35.a.

Loans to customers analyzed by segmentation are reflected in note 10. The loan segment is categorized in following categories;

- Corporate loan
- Retail loan
 - a) Housing loan
 - b) Education and Student loan
 - c) Member loan
 - d) Vehicle loan
- Staff loan

Particulars	31-Dec-25		31-Dec-24	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Corporate Loan	15,914,083,175	25,541,802,177	13,282,194,894	22,884,320,167
Education and Student Loans	1,994,672,556	1,778,472,039	2,605,162,855	2,328,001,215
Housing Loans	1,390,090,496	4,704,545,991	1,370,572,081	4,571,011,167
Member Loans	4,818,862,633	64,347,646	3,974,832,614	230,178,427
Vehicle Loan	52,037,718	88,552,008	50,162,730	77,298,888
Staff incentive Loans	160,314,418	133,084,251	88,108,245	122,978,942
Net exposure of the loan	24,330,060,995	32,310,804,113	21,371,033,419	30,213,788,806

* Value collateral is as on the date of sanction except for loan guaranteed by Ministry of Finance and DHI.

Particulars	31-Dec-25		31-Dec-24	
	Loan amount	Provision	Loan amount	Provision
Total Loan	24,330,060,995	789,933,730	21,371,033,419	931,887,967
Total	24,330,060,995	789,933,730	21,371,033,419	931,887,967



73

Aging analysis of loans

The following aging analysis is carried out by NPPF for regularly monitoring the loan recoveries.

Loan category	Current	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 31-Dec-2025
Corporate Loan	10,879,431,451	-	4,148,145,583	-	886,506,140	15,914,083,174
Education and Student Loans	1,895,958,850	35,762	52,720,209	16,383,959	29,573,777	1,994,672,556
Housing Loans	1,116,675,159	-	79,903,915	86,441,418	107,070,004	1,390,090,496
Member Loans	4,726,651,393	56,472	48,657,443	17,136,599	26,360,726	4,818,862,633
Vehicle Loan	38,063,717	-	5,492,741	3,702,488	4,778,773	52,037,717
Staff incentive Loans	159,810,171	-	504,246	-	-	160,314,417
Grand Total	18,816,590,741	92,234	4,335,424,137	123,664,464	1,054,289,420	24,330,060,995

Loan category	Current	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 31-Dec-2024
Corporate Loan	8,447,521,436	-	4,090,471,253	-	744,202,205	13,282,194,894
Education and Student Loans	2,482,849,043	-	75,917,681	17,083,921	29,312,210	2,605,162,855
Housing Loans	698,249,229	-	437,191,843	38,527,723	196,603,285	1,370,572,081
Member Loans	3,846,283,205	237,328	81,014,771	22,600,059	24,697,252	3,974,832,614
Vehicle Loan	46,031,951	-	4,130,778	-	-	50,162,730
Staff incentive Loans	88,108,245	-	-	-	-	88,108,245
Grand Total	15,609,043,109	237,328	4,688,726,326	78,211,703	994,814,953	21,371,033,419

Impairment of loan

The loans are impaired based on the staging bucket refer note 11. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no Significant Increase in Credit Risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. NPPF's groups financial assets on a collective basis by considering the homogeneous risk characteristics of the customers.

Concentration of credit risks

NPPF proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, etc. controlling the credit granting.

Particulars	31-Dec-25		31-Dec-24	
	Amount	%	Amount	%
% of 10 largest loan exposure to fund size	14,568,822,594	19.59%	10,224,059,845	14.79%



2) Term deposits, bonds, cash and cash equivalents and other receivables

NPPF is required to invest the members' contribution as per the investment policy formed by the Board. As per the investment policy of NPPF, 30% of the investment can be in equity shares and 70% in fixed income investments. The investment policy framed by the Board is reviewed regularly.

Credit risk from balances with banks and financial institutions is managed by the NPPF's Portfolio Investment Division. Investments of member contributions are made only with approved counterparties in accordance with the NPPF's policy. The counterparties are accordingly governed by the regulatory authorities to mitigate financial loss during failure to make payment.

The NPPF evaluates the risk as low since the majority of the investments in the form of term deposits, bonds and CPs are made in government-controlled banks and entities. Other receivables are considered to be of good quality and there is no significant credit risk.

(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The consequence may be the failure to meet obligations to repay members and creditors.

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. The current ongoing obligations are met through contributions from members, rental income from investment property and interest income from funds invested in loans, deposit and bonds.

The National Pension and Provident Fund Plan is comprised of two funds: (1) Pension fund, and (2) Provident fund.

1. A member of pension fund who has made 240 monthly contributions shall be entitled to a monthly pension on his/her retirement, or on his/her permanent disability. On his/her death, a monthly benefit shall be payable to his/her surviving children and surviving spouse.
2. A member of provident fund shall be paid accumulated contributions credited to provident fund account along with returns credited thereon.

Management monitors rolling forecasts of NPPF's liquidity position and cash and cash equivalents on the basis of expected cash flows through preparation of monthly "fund gap analysis". In addition, NPPF's liquidity management policy involves projecting cash flows on monthly basis and considering the level of liquid assets necessary to meet the creditors and obligations towards members.



75

Further payment of pension obligations to members are guaranteed by Royal Government of Bhutan.

Maturities of financial liabilities

The tables below depict NPPF's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities less than 1 year	31-Dec-25	31-Dec-24
Interest received in advance	383,238	383,238
Unidentified deposit	115,289	83,189
Security deposit third party	43,142,380	32,508,840
Security deposit (rent)	16,163,824	13,911,706
Security Deposit (Lease)	239,753	150,692
Excess member contribution	2,931,835	2,943,113
Security deposit - power meter	303,386	303,386
Housing / education loan closed A/c - credit balance	24,782,406	24,782,406
Loan EMI Parking	424,962,916	312,905,193
Contribution Parking	354,613	381,453
Deduction at source payable	17,659	933
APF Reserve for Loan loss	199,415	199,415
Other payables	72,339,380	78,956,533
Lease Liability	-	115,904
Total financial liabilities	585,936,094	467,626,001

(C) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. NPPF gives loans at fixed interest rate and floating rate (reset after 5 years) hence, it is not exposed to interest rates risks on loans. Further other financial instruments invested in term deposits, bonds and CPs, are also at fixed rate of interest.

The NPPF's fixed rate financial assets are carried at amortized cost. They are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(D) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The



company's exposure to equity securities price risk arises from investments held by the company in equity securities and classified in the statement of financial position as at fair value through statement of comprehensive income. The table below summarizes the impact of increases/decreases of the prices of respective securities on company's equity and total other comprehensive income for the period. The analysis is based on the assumption that the market price of the respective securities had increased by 5% or decreased by 5%:

Particulars	Impact on total comprehensive income	
	31-Dec-25	31-Dec-24
Increase by 5%	364,967,977	289,044,802
Decrease by 5%	(364,967,977)	(289,044,802)

(E) Foreign currency risk

NPPF has foreign currency exposure only in INR, however the value of Ngultrum is constantly equal to Indian rupee (INR). Hence NPPF is not exposed to any foreign currency risk relating to receivable/payable in INR on the date of reporting.

37. Capital Management

NPPF's schemes were introduced as a mandatory retirement savings scheme for civil servants, employees of public corporations and the Armed Forces. NPPF is entrusted with the responsibility of administering the social security plan and fiduciary duty of managing funds in the form of portfolio investments, real estate investments and member (retail) loans. To manage these objectives of NPPF, it takes following risk management measures:

Statutory Liquidity Ratio

As provided by the Prudential Regulations, every non-banking financial institution shall, at all times, maintain minimum liquidity in the form of quick assets at 10% of total liabilities excluding capital fund and liabilities to the Royal Monetary Authority (RMA).

The RMA has considered waiver of SLR requirement on the condition that the institution segregate its assets and maintain sufficient fund to cover all payments it is obliged to make for both defined benefit and defined contribution schemes. The relaxation will continue till the time RMA comes up with Pension and Provident Fund Rules and Regulations.

Limit on single largest and ten largest borrowers

As required by Royal Monetary Authority, NPPF shall not extend its credit to a single borrower exceeding 30% of total loan portfolio and to ten largest borrowers exceeding 30% of the fund size.

Restrictions on investment



NPPF has formed an investment policy by virtue of which it is explicitly restricted from making investments not more than 15% with any one issuer.

Asset Allocation

NPPF has framed an asset allocation policy based on risk appetite of the fund and the available investment opportunities. The assets will broadly be allocated according to the most appropriate mix as determined by the Board of the NPPF from time to time. This allocation shall be subject to thorough review as and when necessary. Keeping in view of the present market conditions, the overall asset allocation by asset class aimed at 30:70 - equities vs. fixed income. NPPF invests the members' contribution as per the investment policy approved by the Board.



The image features a teal background on the left side and a light gray floral pattern on the right side. The floral pattern consists of stylized, swirling, and leaf-like shapes. The text "RATIO ANALYSIS" is centered in the teal area.

RATIO ANALYSIS

Appendix - II

Significant Ratio

Sl.No	Ratios	31-Dec-25	31-Dec-24
1	% of equity investment to fund size*	9.8%	8.4%
2	% of fixed income investment to fund size*	88.4%	89.9%
3	% of increase in fund size*	7.5%	6.3%
4	% of management expenses to revenue	6.1%	6.0%
5	Rate of return (%)	6.5%	7.0%
6	% of pension payment to annual DB contribution	50.4%	47.3%
7	% increase in pension payout	10.3%	8.3%
8	% gross NPL	2.2%	1.8%
9	% net NPL	0.5%	0.2%

Note: Ratio are rounded to nearest 1 (one) decimal place.

* The total asset in the statement of financial position is referred to as the fund size.





324140 | 325758 | 337064



1039 [TOLL-FREE]



nppf.org.bt



THIMPHU, BHUTAN | P.O. BOX: 1046