

Bhutan  
Development  
Bank  
Limited



Annual Report  
2017

## Vision



To be strong, dependable, customer focused bank that contributes towards achievement of GNH.

## Mission



A premier development bank with focus on rural prosperity through prompt, efficient and effective financial services on a sustainable basis.

## Core Values



- |                 |   |
|-----------------|---|
| Professionalism | - Give your Best                            |
| Excellence      | - Aim for higher ideals                     |
| Ownership       | - Own your Bank and care for your customers |
| Partnership     | - Work together for growth                  |
| Loyalty         | - Be true to oneself and stakeholders       |
| Efficiency      | - Deliver prompt services                   |

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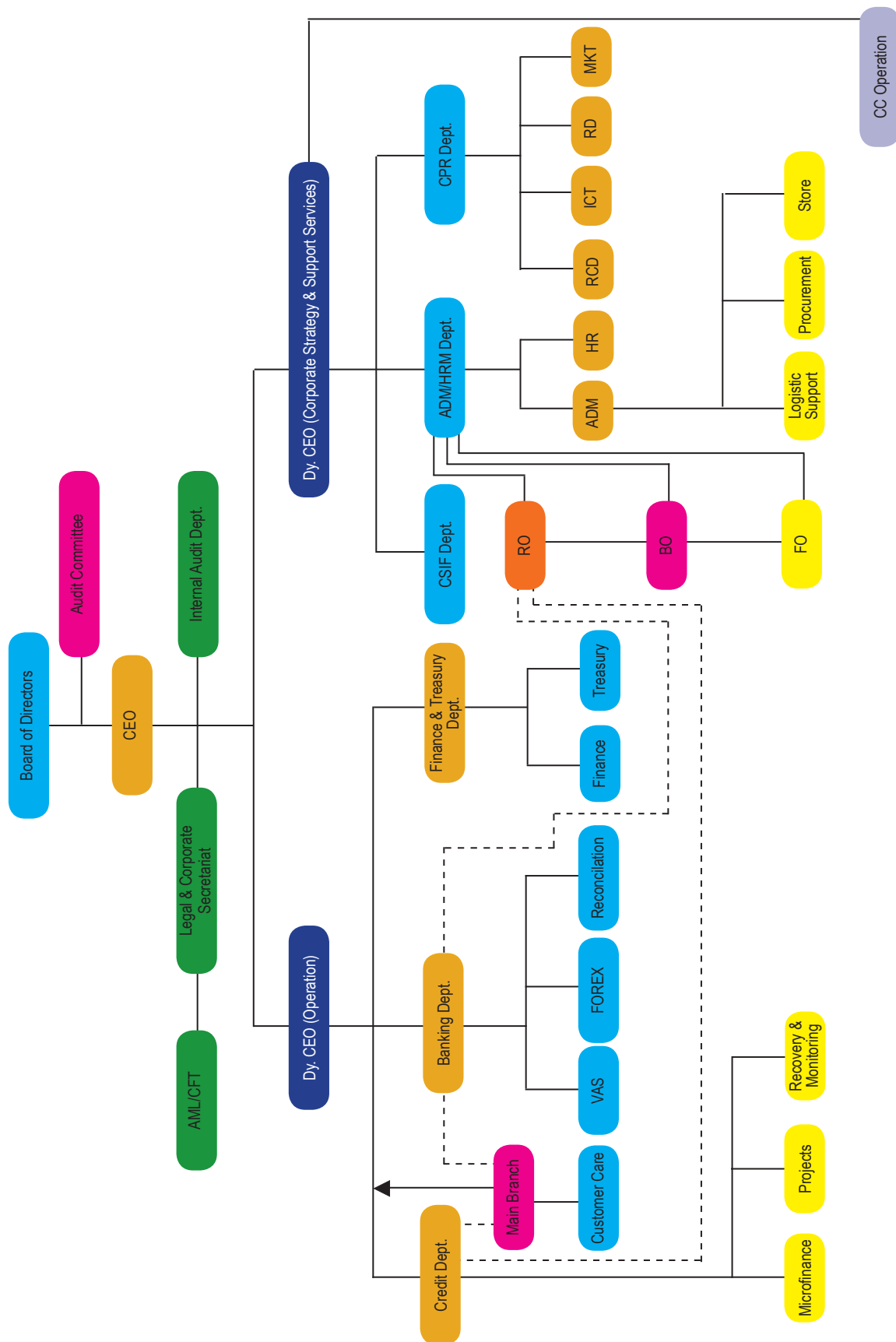
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# Organizational Structure





**BHUTAN DEVELOPMENT BANK LIMITED  
HEAD OFFICE, THIMPHU**

**Post Box: 256, Norzin Lam**

**Telephone PABX No: (00975-2) 322579, 323425, 324678, 333865 Fax 323428**

**Toll free No. 1424**

**Email: info@bdb.bt**

**REGIONAL OFFICES**

<b>Sl #</b>	<b>Regional Managers</b>	<b>Office Location</b>	<b>Telephone No.</b>
1.	Mr. Tenzin Tashi (Western)	Paro	00975-08-272410/3004
2.	Mr. Pema Tashi (Central)	Gelephu	00975-06-252137
3.	Mr. Rinchen (Eastern)	Trashigang	00972-04-521243

**BRANCH OFFICES**

**WESTERN REGION**

<b>Sl#</b>	<b>Branch Managers</b>	<b>Location</b>	<b>Phone No.</b>	<b>Fax No.</b>
1.	Mr. Phub Dorji	Thimphu	02-326853	
2.	Mr. Yeshi Samdrup	Paro	08-271334	
3.	Mr. Tshering Dorji	Haa	08-375459	
4.	Mr. Yangchen Lhamo	Punakha	02-584102	
5.	Mr. Jigme Norbu	Gasa	16288121	
6.	Mr. Sangay Wangdi	Wangdue	02-481261	02-481848
7.	Mr. Karma Sherub	Chukha	08-478243	
8.	Mr. Yeshey K Tshering	Phuntsholing	05-252881	
9.	Mr. Janga Bdr Rai	Samtse	05-365469	
10.	Mr. Damcho Wangdi	Dorokha	17160380	
11.	Mr. Yonten	Sibsoo	17501735	

**CENTRAL REGION**

<b>Sl#</b>	<b>Branch Managers</b>	<b>Location</b>	<b>Phone No.</b>	<b>Fax No.</b>
1.	Mr. Chimmi Dorji	Dagana	06-481106	
2.	Mr. Karchung	Bumthang	03-631111	
3.	Mr. Gyem	Trongsa	03-521147	03-521515
4.	Mr. Namgay Tenzin	Zhemgang	03-741127	03-741107
5.	Mr. Ugyen Tshewang	Panbang	03-742017	03-742018
6.	Mr. Jhamba	sirang	06-471206	
7.	Mr. Penjor	Sarpang	06-365136	



<b>Sl#</b>	<b>Branch Managers</b>	<b>Location</b>	<b>Phone No.</b>	<b>Fax No.</b>
8.	Mr. Kelzang Pelmo	Gelephu	06-252135	
9.	Mr. Sonam Wangchuk	LhamoiZingkha	06-241422	06-241425
10.	Mr. BB Tamang	Dagapela	06-483143	06-483151

### **EASTERN REGION**

<b>Sl #</b>	<b>Branch Managers</b>	<b>Location</b>	<b>Phone No.</b>	<b>Fax No.</b>
1.	Ms.Kinzang Tshomo	Lhuntse	04-545106	
2.	Mr. Tshewang	Mongar	04-641127	04-641177
3.	Mr. Jigme Sonam Tenzin	Pemagatshel	07-471126	
4.	Mr. Tenzin Wangdi	Samdrup Jongkhar	07-251118	
5.	Mr. Sonam Dhendup	Trashigang	04-521122	
6.	Mr. Cheda	Trashhi Yangtse	04-781105	04-781239
7.	Mr. Thinlay Wangchuk	Wamrong	04-571148/751164	
8.	Mr. Namgay Doenyan	Nganglam	07-481190	
9.	Mr. Samten Wangchuk	Jomotshangkha	07-264023	
10.	Mr. Palden	Yadi	17246434	
11.	Mr. Tashi Wangmo	Samdrupcholing	1732556/17616732	

### **THIMPHU MAIN BRANCH**

1.	Mr. Sonam Letho	Main Branch,Thimphu	02-323852	02-323428
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## BOARD OF DIRECTORS



**CHAIRMAN**  
Mr. Lekzang Dorji  
Director General  
Dept. of Macro  
Economic Affairs, MoF



**DIRECTOR**  
Mr. Nima Wangdi  
Former Health Secretary  
Gadhen Khangzang



**DIRECTOR**  
Mr. Ugyen Penjore  
Director General  
Dept. of Agriculture & Forest,  
MoAF



**DIRECTOR**  
Mr. Phub Tshering  
Former Secretary General  
BCCI



**DIRECTOR**  
Mr. Pema Wangdi  
Chief Executive Officer  
REDCL



**DIRECTOR**  
Mr. Dhak Tshering  
Director  
DoS, MoWHS



**MEMBER SECRETARY**  
Mr. Phub Dorji  
Chief Executive Officer  
BDB



# BDB MANAGEMENT TEAM



**Mr. Phub Dorji**  
Chief Executive  
Officer



**Mr. Ugyen Dhendup**  
Dy. CEO, (CSSS)



**Mr. Sonam Rigyel**  
Dy. CEO, (Operations)



**Mr. Dorji Wangdi**  
General Manager  
Credit Dept.



**Mr. Karma Jigme**  
General Manager  
ADM/HRM Dept.



**Mr. Tshering Dukpa**  
General Manager  
Corporate Planning &  
Research Dept.



**Mr. Nidup Tshering**  
General Manager  
Finance & Treasury  
Dept.



**Mr. Tsewang Dorji**  
General Manager  
ICT Dept.



**Mr. Sonam Letho**  
General Manager  
Thimphu Main Branch



**Mr. Pema Wangdi**  
General Manager  
Internal Audit Dept.



**Mr. Bhawani Shankar**  
GM/Company Secretary  
Legal & Corporate  
Secretariat Dept.





## CHAIRMAN'S REPORT

I would like to extend a warm welcome to the esteemed Shareholders for attending the 26<sup>th</sup> Annual General Meeting of Bhutan Development Bank Ltd. (BDB). When I was appointed in December 2017, I felt honored and privileged for having been given this wonderful opportunity to serve as the Chairman of the Board of Directors of BDB. As I assume this very important responsibility, I am confident that the Shareholders, Board and Management will provide all the cooperation and assistance that is required in fulfilling the social mandate of uplifting the lives of the rural people through our financial services.

I would like to express our sincere appreciation to the former Chairman Mr. Choiten Wangchuk, Director General, Department of Industry, Ministry of Economic Affairs (MoEA) who along with the experienced team of Board of Directors continuously provided guidance and direction to the Management. We would also like to acknowledge the contributions made by the three outgoing Directors – Mr. Choiten Wangchuk (Chairman), Director General, Department of Industry, Mr. Namgay Wangchuk, Director General, BAFRA, Ministry of Agriculture and Forests (MoAF) and Mr. Tshewang Rinzin, Dzongda, Dzongkhag Administration, Thimphu. We also take this opportunity to wish them well in their future endeavors.

On behalf of the Board of Directors of BDB, I am pleased to present herewith the 26<sup>th</sup> Annual Report of the Bank for the year ended December 31, 2017

### 1. Governance

The seven Board of Directors of the Board, including the CEO, are directly appointed by the Royal Government. During 2017, thirteen (13) Board Meetings were conducted which comprised of six (6) Board Meetings, three (3) Emergency Board Meetings and four (4) Extra Ordinary Board Meetings. The Emergency and Extra Ordinary Board Meetings were convened to carry out the Anti-Corruption Commission's (ACC) instruction to impose penalties on the fifteen (15) Senior and Executive staff for managerial lapses regarding the unauthorized loan enhancement cases detected in November 2016.

The Board of Directors are supported by four Board Sub-committees covering the areas of Governance, Risk Management, Audit and Credit. All the Board Sub-committees held their quarterly or biannual meeting as per the statutory requirement to review, discuss and amend



important policies, priorities and plans prior to submitting to the Board for approval.

The important decision taken by the Board in 2017 were Budget for the year 2017, acquisition of new ATM Switch from Maximus Inforware (India) Pvt. Limited and migration of Ascend Banking System (ABS) to the new Core Banking Solution (CBS) called Finacle from Infosys.

## 1.1 Supervision by Regulators, Governing bodies and Auditors:

The Statutory Auditors M/s Gianender & Associates, Chartered Accountants, New Delhi audited the Bank for the financial year 2017. I am pleased to share the auditors' opinion on activities undertaken by the bank. The Bank had complied with the applicable laws, rules and regulations while discharging its responsibilities. However, as per the audited accounts, the Bank incurred a huge loss in 2017 on account of very high Non-Performing Loans. The main reasons for the loss were attributed to the change in the Core Banking System, introduction of Minimum Lending Rate (MLR) and a case involving a huge amount with the Office of the Attorney General (OAG).

## 2. Financial Highlights

### 2.1 Equity

The Bank witnessed a negative growth in Equity by 27% during the year from Nu. 3.34 billion in 2016 to Nu. 2.43 billion in 2017. This occurred mainly due to the huge loss incurred by the bank in 2017.

### 2.2. Bank's Financial Position and Performance:

The Bank's total assets increased by 7% to Nu. 24.15 billion from the previous year of Nu. 22.65 billion. This growth resulted mainly due to increase in disbursement of loans and advances by 11%. The Bank's liabilities also increased by 12% from Nu.19.30 billion to Nu.21.71 billion due to an increase in deposits by 13%.

The Bank generated a total revenue of Nu. 2.193 billion in 2017 compared to Nu. 2.203 billion in the previous year. However, the Bank incurred a loss of Nu. 879.76 million during the year due to the loan provision on account of high Non-Performing Loans (NPL). The NPL increased to 22.72% during the year from 12.48% in the previous year.

### 2.3 Contribution to high loss for the year:

- **CBS contribution to NPL:** The NPL deteriorated mainly due to migration to new Core Banking Solution (CBS) which took place in the May, 2017. After the migration, the system could not generate the required reports until mid November. The reports form a very important part of the follow-up on NPL and the staff could



use the reports to follow up individual clients only for the last one and half months in 2017. Further the NPL situation was exacerbated due to many bugs in the system effecting the loan ageing and income.

- **Minimum Lending Rates (MLR) impact on NPL:** The total interest income for 2017 was Nu. 2.143 billion only as compared to the total interest income of Nu. 2.157 billion in the year 2016. With the introduction of Minimum Lending Rate (MLR) by RMA, the bank decreased the lending rates, ranging from 1.5 to 2.0 % on its loan products. On account of the MLR alone, there was a reduction in the earning by Nu. 228 million.
- **Delay in Litigation of fraud cases' impact on NPL:** In the process of instituting robust monitoring mechanism, the Bank was able to detect many frauds committed by the staff. While the majority were minor cases, there were a few cases that involved huge amounts. These cases have to follow long legal processes which severely impact the profitability of the Bank. E.g. one big case detected in 2016 is still with the Office of the Attorney General (OAG) and the Bank had to provide additional provisioning of Nu. 231.94 million in 2017 and Nu. 204.23 million in 2016.

However, its encouraging to note and inform that except for the profit, the Bank has been able to achieve most of the other targets set for the year. The statutory requirement of 10% Cash Reserve Ratio and 20% of Statutory Liquidity Ratio were all fully complied with. It is worth noting that through a prudent control measures put in place, the Bank has been able to maintain its operating expenses ratio at 21.26% which is below the 22% ceiling set by the Board despite reduction in gross income.

### 3. Operational Highlights

#### 3.1 Credit Distribution:

- In keeping with the mandates, BDB as the only development bank continues to assumed the lead role in offering financial and other allied services in the rural areas of the country. The Bank, with 35 branch offices, has its presence spread across all 20 Dzongkhags and 14 Dungkhags. Additionally, it has 24 Gewog Field Offices (GFO) and 198 Gewog Banking Services (GBS) which were set up to take financial services to the doorstep of the people despite high establishment cost with little or no return on investments in most cases.
- Loans to needy farmers continue to increase its penetration in the far-flung and unbanked areas taking the total clientele base to 57,947 as of December 31, 2017 from 56,162 in 2016. Agriculture being the mainstay of the rural economy continues to dominate other sectors in terms of credit portfolio, which conforms to the Bank's



mandate of empowering farmers through extension of credit. Agriculture portfolio of 29.76% of the total loan amount is not only highest in the Bank but also in the whole banking sector, which is a testimony of the Bank's unwavering support for agriculture development.

- The closing accounts in 2017 shows an overall loan outstanding of Nu.18.83 billion which grew from Nu. 16.89 billion in 2016.

### 3.2 Banking Activities

- The Bank is continuously implementing all possible means to take banking services to the door steps of the far flung areas as an integral part of Bank's effort to promote financial inclusion. The Farmer Outreach Banking (FOB), a very popular program at the Gewog level, requires the Project Service Officers (PSO) to visit designated places on preset date and time every month besides the regular follow-up to meet the clients.
- The Bank started mobilizing deposits from 2010 onwards as a reliable source of fund which is relatively new. However, with concerted efforts the bank has managed to raise the deposit to Nu. 19.689 million with a total of 178,386 deposit accounts. The Bank had a very high corporate to retail deposit ratio which has improved to 60:40 in the last year.
- On receiving a Correspondent Banking license, the Bank established relationship with AXIS Bank and Development Bank of Singapore (DBS), India and the services have started in 2017.
- One of the popular deposit products is the Drinchen Ama savings scheme for rural farmers. Efforts are being made to promote this scheme through continued distribution of savings boxes in the rural communities. A mass sensitization and marketing of this product was conducted on one single day covering all the bases of RBG, RBA and RBP nation wide. This effort resulted in an addition of 984 accounts in one day for the members of armed forces.

### 3.3 Investments

- While majority of the Bank's investments are in the form of loans and advances, efforts are made to diversify investments to mitigate risk

whenever there is opportunity. As of date, the Bank has invested in bonds and shares with reputable commercial entities in the country. As of 2017 end, Nu. 421.2 million have been invested in bonds with three institutions, namely RICBL, DCCL and RSA for the period ranging from seven to ten years.



- The Bank has also invested in shares worth Nu. 44 million with eight different companies in the country.
- Further, the Bank has been regularly bidding for Government treasury bills to use the SLR funds to supplement its regular income of the bank.

### 3.4 Human Resources Management

- Nu. 27 million was allocated for the capacity building of the employees. During the year, a total of 643 Bank employees were trained in various fields such as Finacle Operation, Corporate Governance, Credit appraisal, Managing Credit and Banking Risk, Delinquency Management and Loan Recovery, Customer Care, Legal Procedure and Banking Recovery, Banking Operations, APG Typologies, HR Management, Basic Financial Analysis Training, Store Inventory Management, SPSS, Role of Rural and Agricultural Finance to Achieve Sustainable Development Goals, Loan Impairment, Fraud Detection and Investigation, Leadership Program, ARD Remittances both within and outside the country. A total of 157 staff attended trainings outside the country and 486 staff were trained within the country. The Board fully supported the plans to enhance the capacity of staff and instill a culture of professionalism in the Bank.
- During the year an additional of 103 new employees were recruited increasing the total regular employee strength to 563 as of December 31, 2017. In addition, there are 231 Community Center (CC) staff including 11 regular CC management team. The overall staff strength of the Bank is 794 employees who are scattered across the country. In 2017 the Bank employed 100% national work force.

## 4. Key achievements during the year 2017

- The Bank was able to migrate its CBS from the old Ascend Banking System (ABS) to Finacle, from Infosys which was rated as one of the best CBS by Forrester.com in 2016.
- The Bank also migrated its ATM Switching System managed by Smart Choice Technologies (SCT) Nepal to in-house hosted Switching System from a Maximus Infoware (India) Pvt. Limited to improve efficiency, reliability and scalability. The new Switching system has enabled the bank to become members of Bhutan Immediate Payment System (BIPS), Bhutan Financial Switch (BFS) and Payment Gateway (PG) making it possible for online fund transfer and payments.



- The Bank was able to operationalize the outcome of Organization Development (OD) exercise and Risk Manual. The OD exercise has helped in streamlining the Bank's operation and categorization of the branches with appropriate staff strength. The risk analysis is a relatively new concept in Bhutan but will go a long way in identifying vulnerable areas of operation.
- The Urban Land Valuation, Human Resource Internal Service Rules (HR ISR), Procurement, Gewog Field Office Operational Guidelines, Group Scheme, Group Formation and Development and Write-off Manuals have been completed successfully. These manuals will facilitate the provision of transparent and efficient financial services.
- The Community Centre also has a new Business Plan which aligns the CCs services to what is really required in the villages. However, it also revealed that the CCs will always remain a cost center for the Bank while the services can be improved.
- With the new Switch the Bank also procured and installed 5 new ATMs in various locations around the country. The Bank now has 45 ATMs to enable our customers to carry out banking services at their convenience.
- The Bank continuously endeavors to take banking services closer to the people with the aim to improve the livelihoods of the farmers. In this regard, the Bank opened a new Branch Office in Nobding under Wangduephodrang Dzongkhag taking the total Branch Offices to 35.
- To provide more financial products and services in the six Gewog Banking Services (GBS) within the Community Centers, six GBS were up graded to Gewog Field Offices (GFO). Bartsham under Trashigang, Yurung under Pemagatshel, Gomdar and Orong under Samdrupjongkhar, Chumey under
- Bumthang and Tshangkha under Dagana Dzongkhags have a new GFO each where loans can also be sanctioned and disbursed unlike the GBS.

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## 5. Challenges and risks facing the bank

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- Due to the CBS migration, operation has been unstable and affected the financial performance of the Bank. From a progressive and profit making Bank, it has experienced a huge loss. The immediate challenge faced by the Bank is to strengthen the capacity and capabilities of the IT team and reduce the dependence



on external expertise. This will be possible only by incurring huge cost and hiring experts from outside the country as there is a dearth of talent within the country.

- The huge loss also renders the bank becoming incapable of meeting the requirement of the Prudential Regulation 2016 and liable to pay penalties. The management needs to develop a short term plan to reverse the situation by taking drastic decisions that may not be viewed favorably by employees.
- Implementation of the Minimum Lending Rate (MLR) for a development bank which has very high operation cost poses significant challenge. The
- Banks' effort to compete for deposits with commercial banks is never on the same level playing field. The commercial banks with high loan amount and less clients have the luxury of time to plan and provide better services attracting good clients only. A developing bank with a social mandate has to compromise quality to serve small loans with very high number of clientele. Recovery is becoming extremely challenging as the rural land offered as collateral does not attract many bidders when the assets are taken over and auction conducted.
- The huge overhead costs of CCs with minimal returns affects the profit of the Bank. Further, the penetration of smart phones in the rural areas has rendered many G2C services redundant. With the CC operators mostly on contract, attrition rate is very high and complains against disruptions of services from all quarters is another challenge.

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## 6. Way forward

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- Unlike the preceding years, the Bank has set a modest credit growth target of 5% for 2018 to focus on consolidation, taking stock of the situation, improving the understanding of the client's needs and economic situation, stabilizing the CBS, reducing the NPL, cleaning the loan portfolio and improving the services.
- During the year the Bank will launch utility bill payment and mobile top up with its new Mobile Application to take advantage of the new CBS and Switch. Further to expand financial services, two CCs will be up graded to GFOs, procure and install 5 new ATMs, set up 2 extension counters to decongest the Thimphu Main Branch to improve services.
- The bank will also expand the Group Guaranteed Lending Scheme (GGLS) for people who do not have collateral. As part of the ongoing financial inclusion the bank will introduce a new saving scheme for the religious and monastic bodies. Continue providing Overseas Education and Study Development (OESD) loans to



ease the unemployment problem within the country.

- Implement the Priority Sector Lending (PSL) initiated by RMA and implement Cheque Truncation System (CTS) to improve the banking services. The Bank will also continue its collaboration with the Bhutan Chamber of Commerce and Industry (BCCI) to finance and support micro, small and medium enterprises (MSMEs) development.
- Continue the special projects such as Bio Gas project in collaboration with Ministry of Agriculture and Forests and Department of Energy.

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## 7. Conclusion

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- In conclusion, the Bank commits to remain a dominant player in providing financial services to the farmers who comprise close to 56% of Bhutan's working population. This will not only improve the livelihoods of the farmers but contribute to the overarching goal of self reliance. The Board will continue to provide the required support, guidance and direction to the management to improve the performance of the Bank in each successive year. It goes without saying the importance of the reassurance of the Government, Ministry of Finance, donors and other stakeholders in the ultimate delivery of the financial services to the Bhutanese for many years to come.

Lekzang Dorji  
CHAIRMAN

Bhutan Development Bank





## Operational Highlights from 2013-2107

SI #	Particulars	2009	2013	2014	2015	2016	2017
I	Assets (Million)	2,966	10,425	16,563	19,073	22,649	24,148
II	Profits/(Loss) (Million)	150	279	282	409	325	(880)
III	Disbursement (Million)	1,000	4,235	5,379	6,321	7,327	6,036
	Main Branch	401	1,553	1,413	1,574	1,719	1,184
	Branch Office	599	2,682	3,967	4,747	5,609	4,852
IV	Loan Outstanding (Million)	2,818	8,500	10,819	13,920	16,547	18,836
	Main Branch	1,806	3,968	4,584	5,242	5,970	6,830
	Branch Office	1,012	4,532	6,235	8,678	10,577	12,007
V	Portfolio At Risk	13.60%	7.21%	7.77%	8.59%	12.48%	22.72%
	Main Branch	15.03%	6.90%	7.97%	9.32%	17.56%	33.42%
	Branch Office	12.17%	7.50%	7.63%	8.12%	9.44%	18.67%
VI	Number of Active Clients	19,923	40,712	46,326	52,248	56,192	57,414
	Main Branch	2,608	3,143	3,317	3,730	4,163	4,563
	Branch Office	17,315	37,569	43,009	48,518	52,029	52,851
VII	Number of New Accounts	8,588	16,613	19,763	21,376	19,698	17,886
	Main Branch	993	844	969	1,232	1,255	1,176
	Branch Office	7,595	15,769	18,794	20,144	18,443	16,710
VIII	Cumulative Nos. of Beneficiary	99,609	158,345	178,108	199,484	219,182	237,068
	Main Branch	6,279	9,617	10,586	11,818	13,073	14,249
	Branch Office	93,330	148,728	167,522	187,666	206,109	222,819
IX	Deposit Amount (Million)	266	6,824	12,162	14,216	17,479	19,689
	Main Branch	11	4,867	9,628	10,575	12,322	13,523
	Branch Office	255	1,957	2,534	3,641	5,156	6,165



SI #	Particulars	2009	2013	2014	2015	2016	2017
X	No.of Depositors	15,879	85,864	109,005	133,366	159,576	178,386
	Main Branch	657	4821	6,322	8,436	11,186	15,101
	Branch Office	15,222	81,043	102,683	124,930	148,390	163,285
XI	Number of Employess	221	357	385	416	452	563
	Head Office	66	110	125	117	144	152
	Main Branch	29	28	30	31	39	45
	Branch Office	126	219	230	268	269	366
XII	Active Clients/Employee Ratio						
	Main Branch	90	112	111	120	107	101
	Branch Office	137	172	187	181	193	144
XII	Loans /Employee Ratio	13	24	28	33	37	33
	Main Branch	62	142	153	169	153	152
	Branch Office	8	21	27	32	39	33

**BHUTAN DEVELOPMENT BANK LIMITED**

**AUDITORS' REPORT  
2017**

**GIANENDER & ASSOCIATES  
CHARTERED ACCOUNTANTS  
NEW DELHI  
INDIA**



# AUDITORS' REPORT

Gianender & Associates  
Chartered Accountants  
Plot No 6, SiteNo 21  
GeetaMandir Marg,  
New Rajinder Nagar  
New Delhi -110060

Phone: 011- 28743942; 42412008  
Telefax : 01142412008  
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## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

#### Opinion

We have audited the financial statements of **Bhutan Development Bank Limited**, which comprise the Statement of Financial Position as at December 31, 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financials statements are present fairly, in all material respects, the financial position of the Company as at December 31, 2017 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards (BAS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





## Emphasis of Matter:

Without qualifying our opinion we draw attention to the following:

- a) Current account with Royal Monetary Authority is under reconciliation as on 31.12.2017. An amount of Nu.3,245,520.19 mentioned as “prior periods adjustments” are pending for identification and reconciliation.
- b) In view of the various cases of misappropriation/ Embezzlements and unauthorized sanctions & disbursements acts involving employees of the bank, overwriting of field receipts, back date errors in field receipts, non-updating of field collections of funds collected by PSOs in various branches, internal control systems and procedures of the bank relating to credit management need to be strengthened.
- c) Insurance cover should be obtained against risks of losses for acts of misappropriation/ Embezzlements.
- d) During the year, company has migrated its banking software from ABS to Finacle system. In order to establish authenticity of data migrated to new system, migration audit should be conducted for all the migrated data.

## Other Matter

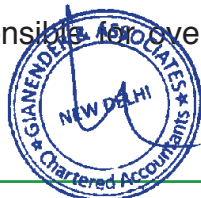
Bank has 35 branches, out of which 11 branches were audited by us, and for remaining 24 branches, accounts as prepared by the management have been incorporated in the financial statements.

## Management’s Responsibility 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 controls 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 Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to ceases operations , or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.





## Auditor's Responsibility

Our objective 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 auditor's report that included our opinion. Reasonable assurance is a high level 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan, 2016, we enclose Minimum Audit Reporting Requirement.

Further, as required by Section 265 of the Act, we 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 except community Centre account as required by law have been kept by the Company so far as appears from our examination of the books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of accounts.
- d) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016 and other legal and regulatory requirements.

**For Gianender & Associates  
Chartered Accountants  
ICAI registration Number : 004661N**



*Gianender & Associates*

*G.K. Agrawal*

**G.K Agrawal  
Partner**

Membership No. 081603

Place: New Delhi, India

Date: **30 MAR 2018**



## ANNEXURE

### MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Bank is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. Physical verification of fixed assets of 15 branches of Western and Eastern regions were carried out by the Bank during the year 2017. Discrepancies noticed on such verification as compared to book records have not been dealt with in the books of accounts.
2. Fixed Assets have not been re-valued during the year and therefore, there is no profits/ loss on revaluation.
3. Physical verification of various stores items were carried out by the internal audit during the year. Discrepancies noticed on such verification as compared to book records have been dealt with in the books of account.
4. In our opinion, rate of interest and other terms and conditions of secured/unsecured loans availed by the Bank from banks, financial institutions or other parties are prima facie not prejudicial to the interest of the Bank.
5. According to the information and explanations given to us, no loan, secured or unsecured, has been granted to other companies, firms or other parties under the same management. The loans granted by the Bank are prima facie not prejudicial to its interest. The advances granted to officers/staffs are in keeping with the provisions of service rule and no excessive and frequent advances are granted and accumulation of large advances against particular individual is avoided except various loans granted to one of the employees along with his wife amounting to Nu.43,585,929 exceeded exposure of the bank beyond 1% of Total capital fund for 2016.
6. Internal controls of the bank relating to credit management need to be strengthened as on review of reports of Internal Audit Department, it was observed that there were many cases of embezzlement/ misappropriation, unauthorized sanctions & disbursements, irregularities in field receipts etc.
7. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of its business for the purchase of goods and services including stores, equipment and other assets. The Bank is not engaged in manufacturing or trading activities.
8. Fund based or non-fund based facilities provided to the directors or to companies or





firms in which any director was directly or indirectly interested, were under similar terms and conditions as were applied to other parties and were not prima facie prejudicial to the interest of the Bank.

9. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic intervals.
10. The Bank is maintaining reasonable records for sale and disposal of scrap.
11. According to the records, the Bank has been regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year.
12. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2017.
13. According to the information and explanations given to us, no personal expenses have been debited to the Income Statement other than those payable under contractual obligations/service rules of the Bank.
14. The Bank has a reasonable system of recording receipts, issues and consumption of stores items commensurate with the nature and size of its business.
15. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
16. Idle cash and bank balances are generally not held by the Bank.
17. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Bank are, in our opinion, lawful and intra-vires to the Articles of Incorporation of the Bank.
18. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
19. The Bank has established an effective budgetary control system.
20. The details of remuneration to the Directors and CEO have been disclosed in Notes to financial statements.
21. The directives of the Board have generally been complied with.







22. According to the information and explanations given to us, the officials of the Bank have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

### **In Case of Finance and Investment Bank**

1. There are lapses on the documentation part of loans granted by the Bank and this area requires further improvement.
2. Proper records of the transactions and contracts have been maintained and timely entries have been made for the investments made.
3. The Bank has maintained reasonable records for funds collected from depositors and for interest payment.
4. Investments made by the Bank and outstanding in its books as on 31.12.2017 have not undergone any permanent diminution in value as per information and explanations given to us.
5. The Bank has complied with the requirements of the Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate authorities as explained by the management except otherwise mentioned elsewhere in the report or notes to the accounts.
6. Provisioning for non– performing assets including loans and advances has been carried out as per accounting policy of the Bank revised on 01.01.2014.
7. Accrued interest on non- performing loans has been recognized as interest income as per accounting policy of the Bank revised on 01.01.2014 and has not been deferred. However, accrued interest has been taken into account while arriving at provision for impairment loss.
8. As stated by the management, except for few cases, assets hypothecated against loans and advances have been physically verified and properly valued by management and mortgage deeds have been executed and it has been ensured that the assets are free of any prior lien or charges.
9. The Bank has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.





10. Taking over of assets for repayment defaults are made through open / sealed bids.
11. The Bank has complied with the guidelines for Prudential Regulations as issued by RMA for re-phasing / rescheduling of loan accounts.
12. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

### Computerized Accounting Environment

1. During the year, the Bank has migrated to new Computerized accounting system (Finacle). Due to the installation of new computerized system, bank is facing migration problems. No migration audit has been done.
2. Adequate safeguard measures and back up facilities exist.
3. Back up facilities and disaster recovery measures include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

### General

#### 1. Going Concern Presumption

Based on the Bank's financial statements for the year ended 31<sup>st</sup> December, 2017, we are of the opinion that the going concern assumption is appropriate.

#### 2. Ratio Analysis

Financial and operational ratio in respect of the Bank is given in the statement of Ratio Analysis.

RATIOS	2017	2016	2015	Comments
<b>A. Ratios for assessing Financial health</b>				
<b>Capital Turnover Ratio(As per BAS)</b>				Improvement in ratio due to decrease in capital
(Income / Capital Employed)	90.59%	65.88%	60.28%	



RATIOS	2017	2016	2015	Comments
<b>Current Ratio (As per BAS)</b>				Current ratio though within permissible norms but decline due to increase in current liabilities.
(Current Assets / Current Liabilities)	6631%	7440%	120.43%	
<b>Fixed Assets Turnover Ratio(As per BAS)</b>				Due to decline in income and increase in fixed assets.
(Income/Fixed Asset)	589%	771.77%	831.04%	
<b>B. Ratios for assessing Profitability</b>				
<b>Profit on Capital Employed Ratio (As per BAS )</b>				Decline due to losses.
(Profit after Tax / Capital Employed)	-76.06%	9.32%	13.47%	
<b>Profit Turnover Ratio (As per BAS )</b>				Decrease in ratio due to losses.
(Net Profit/Total Income) *100	-36.93%	13.51%	22.34%	
<b>Operating Ratio (As per BAS)</b>				Increase in ratio due to losses
(All Expenses – Finance Charges)/Total Income*100	21.28%	16.19%	16.68%	
<b>Total Expenses to Total Income Ratio (As per BAS )</b>				Increase in ratio due to losses
(Total Expense/Total Income)*100	140.76%	85.24%	77.66%	
Capital Adequacy Ratio (As per OLD GAAP)	10.34	16.52	18.08%	
Statutory Liquidity Reserve Ratio (As per OLD GAAP)	22.32%	22.34%	22.41%	Higher than minimum requirement of 20% as PR 2002 (RMA).
Credit Deposit Ratio (As per OLD GAAP)	91.44%	93.53%	96.64%	Decreased due to increase in deposits





## 1. Compliance of the Companies Act of Bhutan 2016:

The Bank has not complied with the following areas of the Companies Act of Bhutan 2016:

- a) Loans given to certain directors showing on the reporting date an outstanding balance of Nu. 4,941,631 (PY Nu. 2,749,689) are not in accordance with the provision of section 157 of the above Act which provides that no public company shall make any loan to any of its director.
- b) Company has seven directors on its board. Article 46 prescribes appointment of minimum three directors. Article 50 states that the bank shall not any time exceed the maximum strength fixed for the Board by the Articles. Company has not fixed any maximum number of directors by the Articles. In the absence of fixation of maximum numbers, appointment of directors exceeding three director is not in conformity with Articles of Incorporation.

## 2. Adherence to Laws, Rules & Regulations

Audit of the Bank is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Article of Incorporation and we are unable to state that the Bank has been complying with the applicable laws (other than the Companies Act), rules and regulations, systems, procedures and practices.

For **Gianender & Associates**  
**Chartered Accountants**  
ICAI registration Number :004661N

**G.K Agrawal**  
**Partner**  
Membership No. 081603

Place: New Delhi, India  
Date: **30 MAR 2018**

**BHUTAN DEVELOPMENT BANK LIMITED**

**ANNUAL ACCOUNTS  
2017**

**GIANENDER & ASSOCIATES  
CHARTERED ACCOUNTANTS  
NEW DELHI  
INDIA**



**FINANCIAL STATEMENTS**  
**31<sup>ST</sup> DECEMBER 2017**



## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. CORPORATE INFORMATION

Bhutan Development Bank Limited provides services to Small and Medium Enterprises (SME) and farmers' outreach in various parts of the Kingdom of Bhutan

Bhutan Development Bank Limited is a domestic development bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 256, Norzin Lam, Thimphu, Bhutan.

The financial statements for the year ended 31<sup>st</sup> December 2017 were authorised for issue in accordance with a resolution of the Directors on 30<sup>th</sup> March 2018.

#### 2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for available –for sale investments. The financial statements are presented in Bhutan Ngultrum rounded (Nu.)

##### Statement of compliance

The financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards/Bhutan Financial Reporting Standards (BAS/BFRS) and International Financial Reporting Standards (IFRS).

##### Presentation of financial statements

The Bank 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 considered when preparing the statement of Financial Position.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Audited Financial Statements for 31.12.2017 are prepared in accordance with BAS 1 on presentation of financial statements in line with BAS/BFRS and IFRS.







## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

## 2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

### Going concern

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

### Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the purpose of valuation of quoted equity the Bank considers dividend growth model. Wherever the growth cannot be estimated reasonably Bank assumes a positive correlation on growth at par with the sector/GDP growth.

#### **Impairment losses on loans and advances**

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan type, etc.) and judgement on the effect of economic and market conditions.

#### **Impairment of available-for-sale investments**

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

## **2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.3.1 Foreign currency translation**

The financial statements are presented in Bhutan Ngultrum (Nu) which is the functional currency of the Bank





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### ***Transactions and balances***

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other operating income in the income statement.

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 fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

#### **2.3.2 Financial instruments – initial recognition and subsequent measurement**

##### **(i) Date of recognition**

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

##### **(ii) Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

##### **(iii) Financial assets or financial liabilities held for trading**

Currently the Bank does not have any Financial Assets/Liabilities classified as held for trading.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### **(iv) Financial assets and financial liabilities designated at fair value through profit or loss**

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

Currently the Bank does not have any Financial Instruments designated as Fair Value through Profit or Loss.

#### **(v) 'Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

#### **(vi) Available-for-sale financial investments**

Available-for-sale investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

(Other comprehensive income) in the Available-for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in other operating income. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

#### **(vii) Held-to-maturity financial investments**

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the Effective Interest Rate (EIR). The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment of such investments are recognised in the income statement line Credit loss expense.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

Currently the Bank does not have any Financial Instruments classified as Held to Maturity (HTM).

#### **(viii) Due from banks and loans and advances to customers**

Due from banks and Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, amounts due from banks and Loans and advances to customers are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment are recognised in the income statement in Credit loss expense.

#### **(ix) Debt issued and other borrowed funds**

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR).

#### **(x) Reclassification of financial assets**

The Bank is permitted to reclassify, in certain circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. From this date, it was also permitted to reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2.3.3 De-recognition of financial assets and financial liabilities

##### (i) *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset.
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

##### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2.3.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

An Active Market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

#### 2.3.5 Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### **(i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.







## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current Effective Interest Rate (EIR). If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new Effective Interest Rate (EIR) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the product type.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

#### ***(ii) Available-for-sale financial investments***

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

#### ***(iii) Renegotiated loans***

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

#### ***(iv) Collateral valuation***

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and as appropriate.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

#### ***(v) Collateral repossessed***

The Bank's policy is to auction all repossessed collateral.

### **2.3.6 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position.

#### 2.3.7 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### Group as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

#### 2.3.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### (i) *Interest and similar income and expense*

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for- sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### **(ii) Fee and commission income**

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

#### **Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

#### **Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

#### **(iii) Dividend income**

Revenue is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

#### **(iv) Net trading income**

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

### **2.3.9 Cash and cash equivalents**

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2.3.10 Property, Plant and Equipment

Property, Plant and Equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

<b><u>Asset Type</u></b>	<b><u>Useful Life</u></b>
Buildings	20-50 years
Furniture & Fitting	10 years
Office Equipment	5 years
Electrical Equipment	10 years
Network Equipment	5 years
Computer Hardware	5 years
Motor Vehicle	10 years
Security Equipment	5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

#### 2.3.11 Intangible assets

The Bank's other intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software 6-7 years

#### 2.3.12 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

#### 2.3.13 Guarantees

In the ordinary course of business, the Bank gives guarantees, consisting of letters of credit/guarantees and acceptances.

#### 2.3.14 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

#### 2.3.15 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.





## BHUTAN DEVELOPMENT BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

Grants received by agencies are amortised to income over the period of a grant on straight line Basis and grants received during the period are assumed to be received by the end of the period for amortisation purpose.

#### 2.3.16 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

#### 2.3.17 Equity reserves

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include:

Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.

#### 2.3.18 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.





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**BHUTAN DEVELOPMENT BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**BFRS 9 Financial Instruments.**

BFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendment

IAS 39. The p of The andThe of IAS  
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**BHUTAN DEVELOPMENT BANK LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDING**

	Note	BAS / IFRS	
		Dec/17 Nu	Dec/16 Nu
Interest & Similar Income	3	2,143,413,934	2,157,064,454
Interest & Similar Expense	4	(1,347,835,104)	(1,129,200,793)
<b>Net interest income</b>		<b>795,578,830</b>	<b>1,027,863,660</b>
Fee and commission income	5	36,540,864	34,469,303
Fee and commission expenses		-	-
<b>Net fee and commission income</b>		<b>36,540,864</b>	<b>34,469,303</b>
Other Operating Income	6	13,463,736	12,173,182
<b>Total operating income</b>		<b>845,583,430</b>	<b>1,074,506,146</b>
Personnel Expenses	7	(226,942,303)	(202,739,732)
Depreciation on Property Plant & Equipment		(61,175,185)	(33,406,590)
Amortization of Intangible Assets		(4,696,488)	(4,216,845)
Other Operating Expenses	8	(173,413,533)	(116,482,389)
Impairment (charges)/reversal for loans and other losses	12	(1,259,111,477)	(392,427,300)
Total Operating Expenses		(1,725,338,986)	(749,272,856)
<b>Profit Before Tax from Continuing Operations</b>		<b>(879,755,556)</b>	<b>325,233,289</b>
Less : Expenditure on Community Centers (net of Income 5,813,788)	9	(28,891,495)	(27,632,859)
		(908,647,051)	297,600,430
Income Tax Expense		-	-
<b>Profit For the year ending</b>		<b>(908,647,051)</b>	<b>297,600,430</b>

Note 1 to 39 form an integral part of Financial Statements

In terms of our attached report of even date.  
**For Gianender & Associates**  
**Chartered Accountants**  
**FRN : 004661N**

  
**G.K. Agrawal**  
 Partner  
 Membership No. 081603  
 Dated:  
 Place : Delhi, India



  
**Chief Executive Officer**

  
**Chairman**

**30 MAR 2018**



**BHUTAN DEVELOPMENT BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

	Note	AS AT	
		Dec/17 Nu	Dec/16 Nu
<b>Assets</b>			
Cash	10	2,057,681,724	1,146,721,506
Balances with Central Bank		3,145,623,910	3,289,114,317
Due from Banks	11	1,568,447,439	1,610,166,892
Loans & Advances to Customers	12	16,083,019,436	15,389,765,486
Financial Investments-Available for Sale	13	44,367,582	43,761,202
Financial Investments-Corporate Bonds	14	421,272,000	425,059,948
Other Assets	15	433,111,234	393,975,388
Property, Plant & Equipment	16	285,912,990	293,115,321
Intangible Assets	17	108,791,951	57,561,143
<b>Total Assets</b>		<b>24,148,228,265</b>	<b>22,649,241,205</b>
<b>Liabilities</b>			
Due to Banks	18	996,526,428	1,136,189,393
Due to Customers	19	20,548,704,715	18,029,398,131
Retirement benefit plans	20	57,909,228	52,274,515
Other Liabilities	21	109,751,177	86,561,295
<b>Total Liabilities</b>		<b>21,712,891,547</b>	<b>19,304,423,335</b>
<b>Equity</b>			
Share Capital		507,317,000	507,317,000
Retained Earnings		866,355,483	1,776,443,016
Other Reserves		1,055,738,481	1,055,738,481
AFS Reserve		5,925,754	5,319,374
<b>Total Equity</b>		<b>2,435,336,718</b>	<b>3,344,817,871</b>
<b>Total Liabilities and Equity</b>		<b>24,148,228,265</b>	<b>22,649,241,206</b>

Note 1 to 39 form an integral part of Financial Statements


G.K. Agrawal  
 Place : Delhi, India  
 Dated :

  
 Chief Executive Officer

  
 Chairman

30 MAR 2018



**BHUTAN DEVELOPMENT BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	Stated Capital	Retained Earnings	General Reserves	Reserve for Land And Building	Other Reserves	IT Development Reserve	Staff Development Fund	Available for Sale	Total Shareholders' Funds
<b>Balance as at January 1 2016</b>	507,317,000	1,473,924,734	857,512,697	-	170,729,211	30,000,000	(892,432)	3,038,591,210	
Adjustments/Additional		121,783,557			(121,783,557)		6,211,807	6,211,807	
Acturial Gains/(Losses)		2,414,424						2,414,424	
Net profit for the year		297,600,430						297,600,430	
Transfers during the year		(119,280,129)	89,280,129	20,000,000		10,000,000		-	
<b>Balance as at 31st December 2016</b>	507,317,000	1,776,443,016	946,792,826	20,000,000	48,945,655	40,000,000	5,319,374	3,344,817,871	
<b>Balance as at January 1 2017</b>	507,317,000	1,776,443,016	946,792,826	20,000,000	48,945,655	40,000,000	5,319,374	3,344,817,871	
Adjustments/Additional		-					606,380	606,380	
Acturial Gains/(Losses)		(1,440,482)						(1,440,482)	
Net profit for the year		(908,647,051)						(908,647,051)	
Transfers during the year								-	
<b>Balance as at 31st December 2017</b>	507,317,000	866,355,483	946,792,826	20,000,000	48,945,655	40,000,000	5,925,754	2,435,336,718	

In terms of our attached report of even date.

For Gianender & Associates  
Chartered Accountants  
FRN : 004661N




**G.K. Agrawal**  
Partner  
Membership No. 081603  
Dated:  
Place : Delhi, India



Chief Executive Officer



Chairman

**30 MAR 2018**



**BHUTAN DEVELOPMENT BANK LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**

	Dec/17 Nu	Dec/16 Nu
Profit for the year ending	(908,647,051)	297,600,430
Gains /(losses) on re-measuring available for sale financial assets	(511,965)	6,211,807
Impairment during the year - Available for sale investments	-	-
Gain/(loss) on Actuarial valuation of defined benefit liability	(2,046,862)	2,414,424
<b>Total other comprehensive income / (loss )</b>	<b>(911,205,878)</b>	<b>8,626,231</b>
Income tax income /(expense) relating to components of other comprehensive income	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>(911,205,878)</b>	<b>306,226,660</b>

*Note 1 to 39 form an integral part of Financial Statements*

In terms of our attached report of even date.

For Gianender & Associates  
Chartered Accountants  
FRN : 004661N

**G.K. Aggrawal**  
Partner  
Membership No. 081603  
Dated :  
Place : Delhi, India

**30 MAR 2018**

**Chief Executive Officer**

**Chairman**



**BHUTAN DEVELOPMENT BANK LIMITED**  
**STATEMENT OF CASH FLOWS**

	AS AT	
	Dec/17 Nu	Dec/16 Nu
<b>Operating Activities</b>		
Profit Before Tax from Continuing Operations	(908,647,051)	297,600,430
Adjustments for ;		
Dividend received	(508,109)	(409,499)
Depreciation of Property, plant and equipment	65,871,673	33,406,590
Movement in Impairment of Loans & Advances	1,259,111,477	392,427,300
(Gain)/loss on Disposal of PPE	342,640	189,560
<b>Operating profit before changes in operating assets &amp; liabilities</b>	<b>416,170,630</b>	<b>723,214,382</b>
<b>(Increase)/Decrease in operating assets</b>		
Balance with Royal Monetary Authority	143,490,407	(1,699,985,440)
Loans & Advances to Customers	(1,952,365,426)	(2,626,703,714)
Funds advanced to banks		
Financial Investments	3,787,948	222,921
Other assets	(39,135,846)	(107,720,552)
<b>Increase/(Decrease) in operating liabilities</b>		
Movement in gov't Grant	-	-
Movement in Share Capital	-	-
Retirement Benefit Plans	4,194,231	3,617,322
Other liabilities	23,189,882	19,493,665
Increase/(Decrease) due to banks	(139,662,965)	(140,453,658)
Increase/(Decrease) due to customers	2,519,306,584	3,390,172,016
<b>Net cash flow from operating activities</b>	<b>562,804,814</b>	<b>(1,161,357,439)</b>
<b>Cash flow from investing activities</b>		
Dividend received	508,109	409,499
Purchase of property & equipment	(110,242,790)	(163,871,663)
	<b>(109,734,680)</b>	<b>(163,462,163)</b>
<b>Cash flow from financing activities</b>		
	-	-
<b>Net cash flow from financing activities</b>	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>869,240,764</b>	<b>(601,605,221)</b>
<b>Cash and Cash Equivalent the beginning of the year</b>	<b>2,756,888,399</b>	<b>3,358,493,620</b>
<b>Cash and Cash Equivalent the end of the year</b>	<b>3,626,129,163</b>	<b>2,756,888,399</b>

Note 1 to 39 form an integral part of Financial Statements

In terms of our attached report of even date.

For Gianender & Associates  
Chartered Accountants  
FRN - 004661N

  
**G.K. Agjawal**  
Partner  
Membership No. 081603  
Dated:  
Place : Delhi, India



  
Chief Executive Officer

  
Chairman

**30 MAR 2018**



**BHUTAN DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

	Dec/17 Nu	Dec/16 Nu
<b>3 INTEREST AND SIMILAR INCOME</b>		
Loans & Advances to customers	2,015,044,447	2,000,403,315
Due from Banks	79,764,066	144,583,119
Notional Interest on Staff Loans	7,229,749	8,030,525
Other short term investments	41,375,673	4,047,495
	<b>2,143,413,934</b>	<b>2,157,064,454</b>
<b>4 INTEREST &amp; SIMILAR EXPENSE</b>		
Due to customers	1,295,622,245	1,059,860,509
Due to banks	52,212,859	69,340,285
	<b>1,347,835,104</b>	<b>1,129,200,793</b>
<b>5 NET FEES &amp; COMMISS</b>		



**BHUTAN DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

	Dec/17 Nu	Dec/16 Nu
<b>9 Community Center Operations</b>		
Expenditure on Community Centers (net of Income)	(28,891,495)	(27,632,859)
	<b>(28,891,495)</b>	<b>(27,632,859)</b>
<b>10 CASH &amp; CASH EQUIVALENT</b>		
Cash on hand	2,057,681,724	1,146,721,506
	-	-
	<b>2,057,681,724</b>	<b>1,146,721,506</b>
<b>11 DUE FROM BANKS</b>		
Placements with other banks	1,568,447,439	1,610,166,892
Other	-	-
	<b>1,568,447,439</b>	<b>1,610,166,892</b>
<b>BALANCE WITH CENTRAL BANK</b>		
Balance in Cash Reserve Ratio	1,961,329,055	1,733,085,683
Balance in Current Deposit	885,394,455	956,426,934
Short Term Investment - Treasury Bill	298,900,400	599,601,700
	<b>3,145,623,910</b>	<b>3,289,114,317</b>
<b>12 LOANS &amp; ADVANCES TO CUSTOMERS</b>		
Agriculture Loans	5,003,684,827	4,443,128,427
Overdraft Loan	3,347,911,772	2,877,460,591
Employee Loan	1,861,334,306	1,814,758,186
Housing Loan	3,069,070,958	2,444,685,475
Service and Tourism Loan	1,364,741,111	1,134,117,600
Personal Loan	645,727,362	589,757,066
Industrial Loan	511,450,249	413,785,954
General Trade Loan	768,704,526	729,502,874
Inter Bank/FI's Lending	150,488,266	298,218,804
Transport Loan	1,180,496,469	1,044,887,168
Micro Enterprise Loan (BCCI Scheme)	58,637,288	97,451,406
Small Scale Industrial Loan	89,010,202	81,565,146
Construction Loan	45,143,569	38,483,411
Working Capital Loan	1,560,027	9,552,094
OSD Loan	304,446,220	-
Add: Interest Receivable	96,117,778	529,310,788
	<b>18,498,524,932</b>	<b>16,546,664,989</b>
Less: Allowance for Impairment (Collective)	(2,415,505,496)	(1,156,899,503)
	<b>16,083,019,436</b>	<b>15,389,765,486</b>



BHUTAN DEVELOPMENT BANK  
NOTES TO THE FINANCIAL STATEMENTS

**12 LOANS & ADVANCES TO CUSTOMERS (Contd...)**

Impairment Allowance for loans & advances to customers

A reconciliation of the allowance for impairment losses for loans & advances, by class, is as follows:

	Agriculture Loans (Nu'000)	Overdraft Loan (Nu'000)	Employee Loan (Nu'000)	Housing Loan (Nu'000)	Service and Tourism Loan (Nu'000)	Personal Loan (Nu'000)	Other (Nu'000)	Total (Nu'000)
At 1st January 2016	202,429,658	107,625,532	23,559,993	93,449,347	71,918,420	95,247,317	170,387,837	764,618,104
Charges for the year	78,948,667	130,624,092	5,477,411	57,570,521	35,817,603	27,035,502	56,807,604	392,281,399
<b>At 31<sup>st</sup> December 2016</b>	<b>281,378,325</b>	<b>238,249,624</b>	<b>29,037,404</b>	<b>151,019,868</b>	<b>107,736,022</b>	<b>122,282,819</b>	<b>227,195,440</b>	<b>1,156,899,503</b>
Individual Impairment		113,527,711		30,834,584	14,087,170	4,796,020	43,887,169	207,132,652
Collective Impairment	281,378,325	124,721,914	29,037,404	120,185,285	93,648,853	117,486,799	183,308,271	949,766,850
Total Impairment Provision	281,378,325	238,249,624	29,037,404	151,019,868	107,736,022	122,282,819	227,195,440	1,156,899,503
<b>At 1<sup>st</sup> January 2017</b>	<b>281,378,325</b>	<b>238,249,624</b>	<b>29,037,404</b>	<b>151,019,868</b>	<b>107,736,022</b>	<b>122,282,819</b>	<b>227,195,440</b>	<b>1,156,899,503</b>
Charges for the year	391,838,338	549,769,942	16,654,783	89,116,942	51,369,730	46,965,436	127,207,413	1,272,922,584
<b>At 31<sup>st</sup> December 2017</b>	<b>673,216,663</b>	<b>788,019,566</b>	<b>45,692,186</b>	<b>240,136,810</b>	<b>159,105,752</b>	<b>169,248,254</b>	<b>354,402,853</b>	<b>2,429,822,086</b>
Individual Impairment		98,450,579		166,538	14,531,178	-	17,660,877	130,809,172
Collective Impairment	673,216,663	689,568,988	45,692,186	239,970,272	144,574,574	169,248,254	336,741,977	2,299,012,915
<b>Total Impairment Provision</b>	<b>673,216,663</b>	<b>788,019,566</b>	<b>45,692,186</b>	<b>240,136,810</b>	<b>159,105,752</b>	<b>169,248,254</b>	<b>354,402,853</b>	<b>2,429,822,086</b>

**13 FINANCIAL INVESTMENTS AVAILABLE FOR SALE**

Quoted Investments

Quoted Equities (14.1)  
Unquoted Equities (14.2)

16,806,582	16,200,202
27,561,000	27,561,000
<b>44,367,582</b>	<b>43,761,202</b>

No. of Shares

(14.1) Quoted Equities  
Bhutan Carbide and Chemical Limited\* 25,000  
Penden Cement Authority Limited 38,100





Bhutan National Bank Limited	178,120	6,546,586	7,531,623
GIC Bhutan Reinsurance Limited**	500,000	6,750,000	5,000,000
		<b>16,806,582</b>	<b>16,200,202</b>

(14.2) Unquoted Equities

Royal Securities Exchange of Bhutan	162,000	19,811,000	19,811,000
Financial Institution Training Institute	600,000	6,000,000	6,000,000
Credit Information Bureau	137,500	1,750,000	1,750,000
		<b>27,561,000</b>	<b>27,561,000</b>

All unquoted available for sale investments are recorded at cost, since there is no market value for these investments and the bank cannot estimate the market value of the unquoted securities reliably. For the quoted securities the market values of the Royal Securities Exchange were not reflective of the fair values as there was no active market on the securities. Hence the fair values were determined using Dividend Growth Model as if shares were held for the purpose of obtaining dividend.

\* For Bhutan Carbide and Chemical Limited, no dividend was declared during the year, therefore, same amount as 2016 is carry forward for 2017

\*\*Since no dividend was declared for GIC Bhutan Re insurance till date, last market rate as per RSEBL is considered for revaluating the investment.

14 FINANCIAL INVESTMENTS CORPORATE BONDS

Investments in RICBL Bonds	100,000,000	108,907,634
Investments in DCCL Bonds	311,272,000	316,152,314
Investments in RSA Bonds	10,000,000	-
	<b>421,272,000</b>	<b>425,059,948</b>

Bank has invested 100,000 scripts of RICBL bond at Nu.1,000 each, and 311,272 scripts of DCCL bonds at Nu. 1,000 each respectively. Such investments are intended to be held to maturity in order to recover the contractual cashflows (Principal + Interest). Although the bonds are listed in the Royal Securities Exchange it does not meet the definition of an Active Market. Hence bank has determined it's Financial Asset Classification as Loans & Receivables in Line with BAS 39 Financial Instrument Recognition & Measurement.



**BHUTAN DEVELOPMENT BANK  
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	Dec/17 Nu	Dec/16 Nu
<b>15 OTHER ASSETS</b>		
Loans & Advances to Employees	180,269,242	188,603,437
Advances & Pre-payments	12,902,780	8,654,899
Pre-paid Employment Benefits	153,051,292	159,736,690
Stock of Stationeries and Spares	6,609,146	5,771,299
Accounts/Other receivables	26,763,018	16,652,877
Pre-Paid Tax	48,539,623	4,934,408
Security Deposits	-	86,500
ATM - Receivable ( Net )	4,976,132	9,535,278
	<b>433,111,234</b>	<b>393,975,388</b>



## 16. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land		Buildings		Furniture and Fixtures		Arts & Art Effects		Office, Electrical & other Equipment		Motor Vehicles		Security Equipments		Network Equipments		Computer Hardware		Capital WIP		Total	
	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
At 1 January 2016	2,588,622	86,548,640	30,566,260	817,438	31,649,744	13,267,787	5,759,394	34,916,666	78,207,523	1,957,560	286,279,634											
Movement During the Period	-	4,832,504	4,577,203	23,170	5,859,358	103,635	11,650,552	10,246,291	10,549,728	83,506,226	131,348,667											
Disposals	-	-	(1,304,452)	-	(1,049,446)	-	(70,341)	(293,124)	(2,736,548)	-	(5,453,911)											
<b>At 31st December 2016</b>	<b>2,588,622</b>	<b>91,381,144</b>	<b>33,839,011</b>	<b>840,608</b>	<b>36,459,656</b>	<b>13,371,422</b>	<b>17,339,605</b>	<b>44,869,833</b>	<b>86,020,702</b>	<b>85,463,786</b>	<b>412,174,390</b>											
At 1 January 2017	2,588,622	91,381,144	33,839,011	840,608	36,459,656	13,371,422	17,339,605	44,869,833	86,020,702	85,463,786	412,174,390											
Movement During the Period	0	3,123,136	8,062,213	101,300	13,809,770	6,576,917	18,270,000	17,311,717	68,799,753	(81,727,919)	54,326,889											
Disposals	-	-	(295,552)	(374,869)	-	-	-	(1,066,421)	(1,151,197)	-	(2,888,039)											
<b>At 31st December 2017</b>	<b>2,588,622</b>	<b>94,504,280</b>	<b>41,605,673</b>	<b>941,908</b>	<b>49,894,557</b>	<b>19,948,340</b>	<b>35,609,605</b>	<b>61,115,130</b>	<b>153,669,258</b>	<b>3,735,867</b>	<b>463,613,240</b>											

Accumulated Depreciation	
At 1 January 2016	-
Depreciation charge for the year	14,159,030
Assets Disposed	(4,115,310)
Amortization to the Grants	977,069
<b>At 31st December 2016</b>	<b>10,020,789</b>
At 1 January 2017	10,020,789
Depreciation charge for the year	14,159,030
Assets Disposed	(4,115,310)
Amortization to the Grants	977,069
<b>At 31st December 2017</b>	<b>15,041,578</b>

At 1 January 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	15,549,148	12,004,707	17,658,477	4,702,804	2,367,364	30,132,007	36,644,563	119,059,071														
Assets Disposed	(15,549,148)	(12,004,707)	(17,658,477)	(4,702,804)	(2,367,364)	(30,132,007)	(36,644,563)	(119,059,071)														
Amortization to the Grants	4,116,416	2,937,218	21,478,118	204,124	4,164,754	6,017,468	22,257,087	61,175,185														
<b>At 31st December 2017</b>	<b>19,665,564</b>	<b>14,698,773</b>	<b>38,813,853</b>	<b>4,906,929</b>	<b>6,532,119</b>	<b>35,196,121</b>	<b>57,895,497</b>	<b>177,708,857</b>														

### Net book value:

At 31 <sup>st</sup> December 2016	2,588,622	75,831,996	21,834,304	840,608	18,801,179	8,668,618	14,972,241	14,737,826	49,376,139	85,463,786	293,115,319
At 31 <sup>st</sup> December 2017	2,588,622	74,838,716	26,906,901	941,908	11,080,704	15,041,411	29,077,486	25,919,008	95,773,761	3,735,867	285,904,383

There were no capitalized borrowing costs related to the acquisition of property, plant & equipment during the year.

No depreciation charged on Art and Antifacts





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	Dec/17 Nu	Dec/16 Nu		
<b>17 INTANGIBLE ASSETS</b>			<b>Softwares</b>	<b>IAUD</b>
At 1 January 2016		51,654,392		51,654,392
Movement During the Period		1,978,511		1,978,511
Disposals			35,941,940	35,941,940
<b>At 31<sup>st</sup> December 2016</b>		<b>53,632,903</b>	<b>35,941,940</b>	<b>89,574,843</b>
At 1 January 2017		53,632,903	35,941,940	89,574,843
Movement During the Period		91,869,236	(35,941,940)	55,927,296
Disposals				
<b>At 31<sup>st</sup> December 2017</b>		<b>145,502,139</b>		<b>145,502,139</b>
Accumulated Amortization				
At 1 January 2016		27,796,855	-	27,796,855
Disposals				-
Amortisation		4,216,845	-	4,216,845
<b>At 31<sup>st</sup> December 2016</b>		<b>32,013,700</b>	<b>-</b>	<b>32,013,700</b>
At 1 January 2017		32,013,700	-	32,013,700
Movement During the Period				-
Disposals				-
Amortisation		4,696,488	-	4,696,488
<b>At 31<sup>st</sup> December 2017</b>		<b>36,710,188</b>	<b>-</b>	<b>36,710,188</b>
<b>Net book value:</b>				
At 31 <sup>st</sup> December 2016		21,619,203	35,941,940	57,561,143
At 31 <sup>st</sup> December 2017		108,791,951	-	108,791,950
<b>18 DUE TO BANKS</b>				
Unsecured Loans	165,445,005	190,631,437		
Secured Loans	382,208,547	515,557,956		
Subordinated Term Debt	448,872,877	430,000,000		
	<b>996,526,428</b>	<b>1,136,189,393</b>		
<b>19 DUE TO CUSTOMERS</b>				
Fixed Deposit	15,748,205,550	13,967,184,416		
Recurring Deposit	232,441,221	198,244,338		
Savings Deposits	3,799,881,255	3,115,952,002		
Current Deposit	768,176,689	748,017,375		
	<b>20,548,704,715</b>	<b>18,029,398,131</b>		





	Dec/17 Nu	Dec/16 Nu
<b>20 RETIREMENT BENEFIT PLANS</b>		
Defined benefit liability at the beginning of the period	52,274,515	51,071,617
Current service cost	3,111,030	2,594,646
Interest cost on benefit obligations	3,136,471	3,064,297
Actuarial (Gains)/Losses recognized in the year	1,440,482	(2,414,424)
Liability Settlement/Adjustment During the period	(2,053,271)	(2,041,621)
	<b>57,909,228</b>	<b>52,274,515</b>
<b>21 OTHER LIABILITIES</b>		
Accounts payable & Sundry creditors	62,496,027	45,750,889
Provisions	800,000	600,000
	<b>63,296,027</b>	<b>46,350,889</b>
<b>22 Revolving Funds</b>		
Credit - Bio-Gas	39,386,000	32,112,152
Subsidy - Bio-Gas	-	56,375
Rudolf Fund - Credit	4,050,736	4,046,363
Rudolf (Monitoring and Supervision A/C)	189,697	207,237
Rudolf Fund - Subsidy	937,359	1,788,279
BCCI - SME Development Revolving FUnd RLP -II	1,300,000	1,300,000
Coop.Revolving (DAMC) Fund	591,357	700,000
	<b>46,455,150</b>	<b>40,210,406.21</b>

### 23 COMMITMENT & CONTINGENCIES

To meet the financial needs of customers in the ordinary course of business, the Bank enters into various irrevocable commitments and incurs certain contingent liabilities. These consist of financial guarantees and other undrawn commitments to lend. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. No material losses are anticipated as a result of these commitments and contingencies.

Bank is contingently liable as on for Nu.801,661,911 ( PY Nu. 875,362,523 ) towards guarantees issued to its constituents of which aging analysis are given in Note No. 29

Pending capital commitments (net of advance) as on 31.12.2017 are of Nu. Nil (PY Nu. 33,393,933).





**BHUTAN DEVELOPMENT BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**24 RELATED PARTY TRANSACTIONS**

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the BAS 24 (Related Party Disclosures), the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

**24.1 PARENT AND ULTIMATE CONTROLLING PARTY**

The Bank does not have an identifiable parent of its own.

**24.2 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL (KMPS)**

According to BAS 24 (Related Party Disclosures) Key Managerial Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the Board of Directors of the Bank (including both Executive and Non Executive Directors), key employees who are holding directorship in Subsidiary companies of the Bank,

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs/domestic partners and children of the KMPs/domestic partners and dependents of the KMPs/domestic partners.

	Dec/17 Nu	Dec/16 Nu
<b>24.2.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL (KMPS)</b>		
Pay and Allowances to Managing Director	1,626,130	1,131,750
Director's Sitting Fee	1,483,000	1,229,000
Reimbursement of Travelling Expenses	871,914	3,271,993
	<u>3,981,044</u>	<u>5,632,743</u>
<b>24.3 TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING KMPS AND THEIR CFMS</b>		
<b>24.3.1 LOANS AND ADVANCES TO KMPS AND THEIR CFMS ARE DE-TAILED BELOW:</b>		
	4,941,631	2,749,689
	<u>4,941,631</u>	<u>2,749,689</u>
<b>24.3.3 DEPOSITS AND INVESTMENTS FROM KMPS AND THEIR CFMS ARE DETAILED BELOW:</b>		
Deposits & investments	2,935,917	86,891
	<u>2,935,917</u>	<u>86,891</u>





## BHUTAN DEVELOPMENT BANK

### NOTES TO THE FINANCIAL STATEMENTS

#### 25 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

#### 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

##### A. Determination of fair value hierarchy

	Dec/17			Dec/16		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Financial Assets</b>						
Quoted Equities	-	-	16,806,582			16,200,202
Loans & Advances to Employees	-	-	180,269,242			182,603,437
	-	-	<b>197,075,825</b>	-	-	<b>198,803,639</b>

Set out below is a comparison, by class of the carrying amounts and fair values of the bank's financial instruments. This table does not include the fair value of non-financial assets & non financial liabilities.

	Dec/17		Dec/16			
	Carrying Value	Fair Value	Carrying Value	Fair Value		
	Nu	Nu	Nu	Nu		
<b>Financial Assets</b>						
Cash and cash equivalents	2,057,681,724	2,057,681,724	1,146,721,506	1,146,721,506		
Balances with Royal Monetary Authority of Bhutan	3,145,623,910	3,145,623,910	3,289,114,317	3,289,114,317		
Placements with Banks	1,568,447,439	1,568,447,439	1,610,166,892	1,610,166,892		
Loans & Advances to Customers	16,083,019,436	16,083,019,436	15,389,765,486	15,389,765,486		
Other Financial Assets	465,639,582	465,639,582	468,821,151	468,821,151		
	<b>23,320,412,091</b>	<b>23,320,412,091</b>	<b>21,904,589,352</b>	<b>21,904,589,352</b>		
<b>Financial Liabilities</b>						
Due to banks	996,526,428	996,526,428	1,136,189,393	1,136,189,393		
Due to other customers	20,548,704,715	20,548,704,715	18,029,398,131	18,029,398,131		
Other Financial Liabilities	109,751,177	109,751,177	86,561,295	86,561,295		
	<b>21,654,982,320</b>	<b>21,654,982,320</b>	<b>19,252,148,819</b>	<b>19,252,148,819</b>		

The Fair Value and carrying value of Financial Assets and Liabilities have been assumed to be significantly similar.

#### 27 RISK MANAGEMENT

##### Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers/other Banks and investments in debt securities. In addition to the credit risk from direct funding exposure, the bank would also be exposed to indirect liabilities such as Letters of Credit guarantees etc, which would carry similar credit risk.





The Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management. Maximum Exposure to Credit Risk/Type of collateral or credit enhancement:

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including geography of counterparty, and sector. As part of its overall risk management, the bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

	Dec/17			Dec/16		
	Maximum Exposure to credit Risk	Properties	Net Exposure	Maximum Exposure to credit Risk	Properties	Net Exposure
	Nu	Nu	Nu	Nu	Nu	Nu
<b>Financial Assets</b>						
Placements with Banks	1,568,447,439	-	1,568,447,439	1,610,166,892	-	1,610,166,892
Loans & advances to customers	16,083,019,436	16,083,019,436	-	15,389,765,486	15,389,765,486	-
Financial investments Available for Sale	44,367,582	-	44,367,582	43,761,202	-	43,761,202
Other assets	465,639,582	-	465,639,582	214,878,092	-	214,878,092
	<b>18,161,474,039</b>	<b>16,083,019,436</b>	<b>2,078,454,603</b>	<b>17,258,571,672</b>	<b>15,389,765,486</b>	<b>1,868,806,186</b>







**BHUTAN DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

**28 RISK MANAGEMENT (Contd...)**

**Credit Risk**

**Credit quality by class of financial asset**

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowance

2016	Neither past due nor Individ- ually impaired	Past due but not impaired	Individually Impaired	Total
	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	1,146,721,506	-	-	1,146,721,506
Due from Banks	1,610,166,892	-	-	1,610,166,892
Loans & Advances to Customers	10,514,597,327	5,824,935,009	207,132,652	16,546,664,988
Financial Investments Available for Sale	43,761,202	-	-	43,761,202
	<b>13,315,246,927</b>	<b>5,824,935,009</b>	<b>207,132,652</b>	<b>19,347,314,587</b>

2017	Neither past due nor Individ- ually impaired	Past due but & impaired	Individually Impaired	Total
	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	2,057,681,724	-	-	2,057,681,724
Due from Banks	1,568,447,439	-	-	1,568,447,439
Loans & Advances to Customers	8,002,179,588	10,207,208,467	289,136,876	18,498,524,932
Financial Investments Available for Sale	44,367,582	-	-	44,367,582
	<b>11,672,676,334</b>	<b>10,207,208,467</b>	<b>289,136,876</b>	<b>22,169,021,677</b>



**BHUTAN DEVELOPMENT BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**29 RISK MANAGEMENT (Contd...)**

**Liquidity Risk & Funding management**

Contractual maturities & undiscounted cashflows of financial assets & liabilities

2016	On Demand		Less than 3 months		3 to 12 months		1 to 5 years		More than 5 years		Total	
	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	1,146,721,506	-	-	-	-	-	-	-	-	-	-	1,146,721,506
Balances with Central Bank	3,289,114,317	-	-	-	-	-	-	-	-	-	-	3,289,114,317
Due from Banks	1,610,166,892	-	-	-	-	-	-	-	-	-	-	1,610,166,892
Loans & Advances to Customers	591,653,366	540,587,791	2,558,007,272	10,415,989,749	2,440,426,810	16,546,664,989						
Financial Investments Available for Sale	44,367,582	-	-	-	-	-	-	-	-	-	-	44,367,582
<b>Total undiscounted Assets</b>	<b>6,682,023,664</b>	<b>540,587,791</b>	<b>2,558,007,272</b>	<b>10,415,989,749</b>	<b>2,440,426,810</b>	<b>22,637,035,286</b>						
Due to Banks		121,512,981	51,094,604	243,472,116	718,748,925	1,136,189,393						
Due to Customers		3,829,533,685	0	6,145,572,006	2,920,654,335	18,029,398,131						
<b>Total Undiscounted Liabilities</b>		<b>3,829,533,685</b>	<b>5,184,732,709</b>	<b>6,389,044,121</b>	<b>3,639,403,260</b>	<b>19,165,587,524</b>						
2017	On Demand		Less than 3 months		3 to 12 months		1 to 5 years		More than 5 years		Total	
	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	2,057,681,724	-	-	-	-	-	-	-	-	-	-	2,057,681,724
Balances with Central Bank	3,145,623,910	-	-	-	-	-	-	-	-	-	-	3,145,623,910
Due from Banks	1,568,447,439	-	-	-	-	-	-	-	-	-	-	1,568,447,439
Loans & Advances to Customers	1,256,572,879	565,530,207	2,408,733,838	10,677,580,358	3,590,107,650	18,498,524,932						
Financial Investments Available for Sale	465,639,582	-	-	-	-	-	-	-	-	-	-	465,639,582
<b>Total undiscounted Assets</b>	<b>8,493,965,534</b>	<b>565,530,207</b>	<b>2,408,733,838</b>	<b>10,677,580,358</b>	<b>3,590,107,650</b>	<b>25,735,917,588</b>						



Due to Banks	-						
Due to Customers	4,806,796,808	2,138,878,806	6,026,681,498	4,176,660,328	3,399,687,276	20,548,704,714	
<b>Total Undiscounted Liabilities</b>	<b>4,806,796,808</b>	<b>2,138,878,806</b>	<b>6,026,681,498</b>	<b>4,176,660,328</b>	<b>3,399,687,276</b>	<b>20,548,704,714</b>	

### Net Undiscounted Financial Assets/(Liabilities)

### Liquidity Risk & Funding management

The table shows the contractual expiry by maturity of banks contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn.

31 December 2016	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
	-	<b>296,653,169</b>	<b>533,019,119</b>	<b>45,690,235</b>	-	<b>875,362,523</b>

31 December 2017	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
	-	<b>367,362,793</b>	<b>412,407,789</b>	<b>21,891,329</b>	-	<b>801,661,911</b>



**BHUTAN DEVELOPMENT BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 RISK MANAGEMENT (Contd...)**

**Geographical Risk**

The geographical risk is the risk that an occurrence within a geographical locations have an adverse effect on the bank directly by impairing the value through an obligors ability to meet its obligation to the bank.

Financial Assets	2016					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	6,318,191,500	879,124,424	654,653,205	469,675,102	8,225,020,757	16,546,664,989
	<u>6,318,191,500</u>	<u>879,124,424</u>	<u>654,653,205</u>	<u>469,675,102</u>	<u>8,225,020,757</u>	<u>16,546,664,989</u>
Financial Assets	2017					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	6,823,327,363	987,529,424	791,186,459	528,583,933	9,367,897,754	18,498,524,932
	<u>6,823,327,363</u>	<u>987,529,424</u>	<u>791,186,459</u>	<u>528,583,933</u>	<u>9,367,897,754</u>	<u>18,498,524,932</u>



31. Confirmations from various parties are not available in respect of loans, advances, receivables, payable etc. and therefore, their consequential impact, if any, is not ascertainable.
32. Up to the year 2016, Bank was exempt from corporate income tax. From the year 2017, Bank is under corporate income tax ambit. Accordingly, the Bank has paid advance tax of Nu. 48,000,000.00 during the year. However, in view of losses and in the absence of taxable income, no provision for taxation has been made.
33. The Bank has taken over effective 01.03.2015 from Bhutan Postal Corporation Limited the task of operation and management of community centers spread across the country in terms of a transfer agreement entered into with Bhutan Postal Corporation Limited on 06.05.2015. Pursuance to this agreement, the bank has to manage and subsidize the operations of the CC Operations. Towards this end, the CC operations expenditure is Nu. 34,705,283 (PY 32,314,791) and income of Nu. 5,813,788 (PY 4,681,933) during the year 2017 leaving a deficit of Nu. 28,891,495 (PY 27,617,859) which has been borne by the Bank as directed by the Ministry of Finance vide their letter no. MoF/PED/19/2015/854 dated 29.09.2015.
34. Provision for impairment loss on loans and advances shown in Note 12 of Nu. 2,415,505,496 (PY Nu. 1,156,899,503) has been made in accordance with accounting policies revised on 01.01.2014 upon adoption of BAS. This would have been Nu. 3,369,166,280 (PY Nu. 1,788,684,054) had the same been provided as per section 10.8 of Prudential Regulations 2002. Breakup of impairment charges for loans and other losses of Nu. 1,259,111,477 (P.Y 392,427,300), as shown in income statement is given below:

Particulars	2017 (Nu.)	2016 (Nu.)
Excess provision for impairment compared to last year as per Note 12	1,258,605,994	392,281,394
Write off of loans and advances during the year	505,483	145,901
<b>Total</b>	<b>1,259,111,477</b>	<b>392,427,300</b>

35. Interest accrued on non-performing loans amounting to Nu. 173,973,452 (PY Nu. 94,034,824) has been recognized as income as per accounting policies revised on 01.01.2014 upon adoption of BAS/BFRS and IFRS and has not been suspended as provided under section 4.8 of Prudential Regulations 2016. However, such accrued interest has been taken into account while arriving at provision for impairment loss as per BAS/BFRS and IFRS.
36. Detail of remuneration and expenditure paid/reimbursed to the Chief Executive Officer and other directors is as under:

#### Chief Executive Officer

Sl #	Particulars	2017 (Nu.)	2016 (Nu.)
1	Pay & Allowances	1,626,130	1,131,750
2	Leave Travel Concession	15,000	-
3	Leave Encashment	80,500	-
4	Bonus	154,623	-
5	Travel Expense (In country)	40,250	141,042
6	Travel Expense (Aboard)	831,664	1,577,979
7	Provident Fund	106,868	79,695
8	Board Sitting Fees	149,000	107,000
	<b>Total</b>	<b>3,004,035</b>	<b>3,037,466</b>



## Other Directors

Particulars	2017 (Nu.)	2016 (Nu.)
Board Sitting Fees	727,000	451,500

37. Additional information pursuant to the provision of Part II of Schedule XIII A of the Companies Act of the Kingdom of Bhutan 2000:

Sl No.	Nature of expense	2017 (Nu.)	2016 (Nu.)
1	Audit Fees	99,000	99,000
2	Power and Water	2,297,824	1,711,635
3	Rent	11,878,945	9,482,259
4	Repairs & maintenance of buildings	746,516	730,243
5	Repairs & maintenance of computer hardware	1,356,619	746,129.03
6	Salaries and bonus	159,798,469	155,701,045
7	Contribution to Provident Fund	10,723,096	9,622,140
8	Insurance	2,890,334	1,939,420
9	Rates & taxes excluding Income tax	150,188	13,790
10	<b>Other expenses exceeding 1% of total revenue:</b>		
10.1	Staff training	21,434,893	22,621,499
10.2	Travel expenses	33,897,999	26,669,602
10.3	Depreciation & Amortization	65,871,673	37,623,435

38. The financial performance of the Bank deteriorated and incurred a loss of Nu. 879,755,556 during the year. The loss occurred on account of Non-Performing Loans (NPL) deterioration requiring to maintain huge Provision for impairment loss on loans and advances as shown in Note 12. Non-Performing Loans (NPL) deteriorated after migration of Core Banking Solution (CBS) from Ascend banking System (ABS) to Finacle CBS in May 2017 due to erroneous ageing of loans, inability to grasp the changes in CBS system on interest accrual, repayment treatment, prepayment etc., delay in report generation to conduct timely follow up on recovery of loans by the branches. Besides the unauthorized loan enhancement case detected in 2016 have to follow long legal processes which also led to sizeable deterioration of the NPL. On the other hand, the introduction of minimum lending rate caused reduction in interest income.

However, the Management initiated remedial action to improve the financial performance and set the the strategy for NPL reduction. The Bank will focus on consolidation in order to take stock of the situation, stabilizing the the CBS, reducing the NPL, cleaning the loan portfolio and improving the services. The bank set the modest credit growth at 5% and operational activities are also kept at minimum to focus on NPL reduction. The NPL reduction target is set at 13% for the year 2018 to obtain reasonable profits from previous year of 22.73%. All branches were provided with NPL reduction targets and by June 30, 2018, the branches should reduce the NPL target by 50% and cash incentives are proposed and approved for achieving the target. The IT Division had been upgraded to IT Department and additional staff will be employed to strengthen and stabilize the CBS. Loan enhancement case will be vigorously pursued in court to recover the amount. Interest rates especially the deposit rates are reviewed and reset.





39. Chetrumns have been rounded to the nearest Ngultrum.

40. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figures.

**For Gianender & Associates**

**Chartered Accountants**

**FRN : 004661N**

**G.K Agrawal**

**Partner**

**Membership No. 081603**

**Date :**

**Place : New Delhi, India**

**30 MAR 2018**

**Chief Executive Officer**

**Chairman**



# RMA Disclosure

\*All items in 000' Ngultrum

## Item 1 : Tier 1 Capital and its sub-components

S.No		Current Period	COPPY
<b>1</b>	<b>Total Tier 1 Capital</b>	<b>1,313,949</b>	<b>2,548,659</b>
a	Paid up Capital	507,317	507,317
b	General Reserves	802,716	802,716
c	Share premium Account	-	-
d	Retained Earnings	13,916	1,270,187
	Less:-		
e	Losses for the Current Year		
f	Holdings of Tier 1 instruments issued by other Fis	9,999.83	31,561

## Item 2: Tier 2 Capital and its sub-components

S.No		Current Period	COPPY
<b>1</b>	<b>Total Tier II Capital</b>	<b>690,990.4</b>	<b>660,786</b>
a	Capital Reserve	-	-
b	Fixed Assets Revaluation Reserve	-	-
c	Exchange Fluctuation Reserve	-	-
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	108,946	78,946
f	General Provision	152,045	151,840
g	Capital Grants	-	-
h	Subordinated Debt	430,000	430,000
i	Profit for the Year	-	-

## Item 3: Risk Weighted Assets (Current Year and COPPY)

### Current Year

Sl#	Assets	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
1	Zero - Risk Weighted Assets	4,055,352	0%	-
2	20% - Risk Weighted Assets	2,803,345	20%	560,669
3	50% - Risk Weighted Assets	11,686	50%	5,843
4	100% - Risk Weighted Assets	15,809,771	100%	15,809,771
5	150% - Risk Weighted Assets	1,063,175	150%	1,594,762
6	200% - Risk Weighted Assets	-	200%	-
7	250% - Risk Weighted Assets	-	250%	-
8	300% - Risk Weighted Assets	-	300%	-
	Add: Risk Weighted Assets for Operational Risk			1,225,726
	<b>Grand Total</b>	<b>23,743,329</b>		<b>19,196,771</b>





## COPPY

Sl#	Assets	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
1	Zero - Risk Weighted Assets	3,916,907	0%	-
2	20% - Risk Weighted Assets	2,180,632	20%	436,126
3	50% - Risk Weighted Assets	-	50%	-
4	100% - Risk Weighted Assets	15,563,027	100%	15,563,027
5	150% - Risk Weighted Assets	471,615	150%	707,422
6	200% - Risk Weighted Assets	-	200%	-
7	250% - Risk Weighted Assets	-	250%	-
8	300% - Risk Weighted Assets	-	300%	-
	Add: Risk Weighted Assets for Operational Risk			2,603,290
	<b>Grand Total</b>	<b>22,132,181</b>		<b>19,309,865</b>

## Item 4: Capital Adequacy Ratios

		Current Period	COPPY
<b>1</b>	<b>Tier 1 Capital</b>	<b>1,313,949</b>	<b>2,548,659</b>
a	Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)	479,919	482,747
b	Of which sectoral Capital Requirements (SCR) (if applicable)		-
i	Sector 1		-
ii	Sector 2		-
iii	Sector 3		-
<b>2</b>	<b>Tier 2 Capital</b>	<b>690,990.4</b>	<b>660,786</b>
<b>3</b>	<b>Total qualifying capital</b>	<b>2,004,939</b>	<b>3,209,445</b>
<b>4</b>	<b>Core CAR</b>	<b>6.8%</b>	<b>13.20%</b>
a	Of which CCyB (if applicable) expressed as % of RWA	479,919	482,747
b	Of which SCR(if applicable) expressed as % of Sectoral RWA		
i	Sector 1		-
ii	Sector 2		-
iii	Sector 3		-
<b>5</b>	<b>CAR</b>	<b>10.4%</b>	<b>16.60%</b>
<b>6</b>	<b>Leverage ratio</b>	<b>5.4%</b>	<b>11.07%</b>



## Item 5: Loans and NPL by Sectoral Classification

SL#	Sector	Current Period		COPPY	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture	5,606,031.89	1,170,807.80	4,571,253	540,808
b	Production & Manufacturing	934,450.49	281,102.83	799,182	188,563
c	Service	3,102,055.41	1,246,742.78	2,837,125	525,895
d	Trade & Commerce	1,487,887.55	416,549.09	1,697,705	287,825
e	Loans to FI (s)	150,492.55	-	298,940	-
f	Housing	3,094,785.80	630,905.53	2,543,348	208,553
g	Transport	1,293,658.31	210,375.34	1,068,392	82,261
h	Personal loan	2,439,331.91	313,145.05	2,666,546	269,629
i	Staff Loan	342,084.16	8,528.45	348,379	4,925
j	Education Loan	313,755.18	1,040.98	3,582	-
k	Loan Against Term Deposit	25,886.49	497.32	662	-
l	Loan to Govt. owned Corporation	-	-	-	-
m	Others	45,940.72	601.10	59,892	-
	<b>Total</b>	<b>18,836,360.47</b>	<b>4,280,296.27</b>	<b>16,895,005</b>	<b>2,108,459</b>

## Item 6: Loans (Over-drafts and term Loans) by types of counter-party

SI#	Counter party	Current Period	COPPY
<b>1</b>	<b>Overdrafts</b>		
a	Government	-	-
b	Government Corporation	-	8,641
c	Public Companies	-	-
d	Private Companies	298,723	325,636
e	Individuals	3,046,130	2,655,038
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	-	-
<b>2</b>	<b>Term Loans</b>		
a	Government	-	-
b	Government Corporation	-	-
c	Public Companies	-	-
d	Private Companies	544,032	684,472
e	Individuals	14,742,306	12,809,218
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	200,654	412,002

**Item 7 : Assets (net of provisions) and liabilities by Residual Maturity (Current Period and COPPY)**

AS OF PERIOD ENDING	On De- mand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
1 Cash in hand	727,602	-	-	-	-	-	-	727,602
2 Govt Securities	-	-	-	-	-	-	-	-
3 Investment Securities	-	-	-	-	-	-	758,614	758,614
4 Loans & Advances to Bank	-	-	-	-	-	-	-	-
5 Loans & Advances to Customers(net)	106,313	88,695	404,688	618,137	792,982	861,390	12,761,448	15,633,653
6 Others Assets	2,207,904	1,535,596	916,457	634,402	191,009	37,641	752,930	6,275,939
<b>Total</b>	<b>3,041,819</b>	<b>1,624,291</b>	<b>1,321,145</b>	<b>1,252,539</b>	<b>983,991</b>	<b>899,030</b>	<b>14,272,992</b>	<b>23,395,808</b>
1 Amounts Owed to Others Bank	-	929	108,129	1,604	9,058	5,699	417,951	543,370
2 Demand Deposits	759,902	-	-	-	-	-	-	759,902
3 Savings Deposits	3,799,128	-	-	-	-	-	-	3,799,128
4 Time Deposit	209,096	1,354,335	779,635	2,368,540	2,824,603	867,410	6,690,424	15,094,042
5 Bonds & Others Negotiable Instruments	-	-	-	-	-	-	430,000	430,000
6 Other Liabilities	83,897	66,109	27,284	75,337	222,011	61,289	2,233,438	2,769,365
<b>Total</b>	<b>4,852,024</b>	<b>1,421,372</b>	<b>915,048</b>	<b>2,445,481</b>	<b>3,055,672</b>	<b>934,398</b>	<b>9,771,813</b>	<b>23,395,808</b>
Assets/Liabilities	63%	114%	144%	51%	32%	96%	146%	100%
Net Mismatch in Each Time Interval	1,810,205	(202,919)	(406,097)	1,192,942	2,071,681	35,368	(4,501,179)	-
Cumulative Net Mismatch	1,810,205	1,607,286	1,201,189	2,394,131	4,465,811	4,501,179	-	-

**Item 8 : Assets (net of provisions) and liabilities by Original Maturity (Current Period and COPPY)**

As of Period ending	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	727,602	-	-	-	-	-	-	727,602
Govt Securities	-	-	-	-	-	-	-	-
Investment Securities	-	-	-	-	-	-	758,614	758,614
Loans & Advances to Bank	-	-	-	-	-	-	-	-
Loans & Advances to Customers	12,106	1,906	814	21,500	23,220	647,358	14,926,748	15,633,653
Others Assets	2,207,904	1,365,187	87	999,319	691,888	91,937	919,617	6,275,939
<b>Total</b>	<b>2,947,612</b>	<b>1,367,093</b>	<b>901</b>	<b>1,020,820</b>	<b>715,108</b>	<b>739,295</b>	<b>16,604,979</b>	<b>23,395,808</b>
Amounts owed to Others Bank	-	929	108,129	1,604	9,058	5,699	417,951	543,370
Demand Deposits	759,902	-	-	-	-	-	-	759,902
Savings Deposits	3,799,128	-	-	-	-	-	-	3,799,128
Time Deposit	30,684	-	2,000	1,869,245	541,834	2,118,631	10,531,648	15,094,042
Bonds & Others Negotiable Instruments	-	-	-	-	-	-	430,000	430,000
Other liabilities	74,638	48,378	6,959	11,488	11,345	42,710	2,573,847	2,769,365
<b>Total</b>	<b>4,664,352</b>	<b>49,307</b>	<b>117,088</b>	<b>1,882,338</b>	<b>562,237</b>	<b>2,167,040</b>	<b>13,953,446</b>	<b>23,395,808</b>
Assets/Liabilities	63.19%	2772.62%	0.77%	54.23%	127.19%	34.12%	119.00%	100.00%
Net Mismatch in each Time Interval	1,716,741	(1,317,786)	116,187	861,518	(152,871)	1,427,745	(2,651,533)	-
Cumulative Net Mismatch	1,716,741	398,954	515,141	1,376,659	1,223,789	2,651,533	-	-

Note: Capital Fund /Equity not included

**Item 9 : Assets & Liabilities by time-to re-pricing (Current Period and COPPY)**

	As of Period ending	Time to re-pricing					Total
		0-3 Months	3-6 Months	6-12 Months	More than 12 Months	Non Interest bearing	
1	Cash and Balance with Banks	964,950	519,996	-	52,294	2,046,000	3,583,241
2	Treasury Bills	-	-	-	-	-	298,900
3	Loans and Advances	599,696	618,137	1,654,372	12,761,448	-	15,633,653
4	Investment Securities	-	-	-	459,714	-	459,714
5	Others Assets	634,880	247,856	369,717	670,817	1,497,029	3,420,300
	<b>Total financial assets</b>	<b>2,199,527</b>	<b>1,385,989</b>	<b>2,024,089</b>	<b>13,944,273</b>	<b>3,543,029</b>	<b>23,395,808</b>
	Liabilities	0-3 Months	3-6 Months	6-12 Months	More than 12 Months	Non Interest Bearing	Total
	Deposit	6,142,194	2,368,540	3,692,013	6,690,424	759,902	19,653,073
	Borrowings	109,058	1,604	14,757	417,951	-	543,370
	Other liabilities	60,461	81,295	303,960	1,006,891	1,746,758	3,199,365
	<b>Total financial liabilities</b>	<b>6,311,713</b>	<b>2,451,439</b>	<b>4,010,729</b>	<b>8,115,266</b>	<b>2,506,660</b>	<b>23,395,808</b>
	<b>Total Interest Re-pricing gap</b>	<b>34.85%</b>	<b>56.54%</b>	<b>50.47%</b>	<b>171.83%</b>	<b>141.34%</b>	<b>100.00%</b>

Note: Capital Fund /Equity not included



## Item 10 : Non Performing Loans and Provisions

		Current Period	COPY
<b>1</b>	<b>Amount of NPLs (Gross)</b>	<b>4,280,296</b>	<b>2,108,459</b>
a	Substandard	945,084	412,782
b	Doubtful	843,613	349,545
c	Loss	2,491,599	1,346,132
<b>2</b>	<b>Specific Provisions</b>	<b>2,784,338</b>	<b>1,374,731</b>
a	Substandard	201,675	85,373
b	Doubtful	397,046	167,154
c	Loss	2,185,617	1,122,204
<b>3</b>	<b>Interest-in-Suspense</b>	<b>432,784</b>	<b>262,113</b>
a	Substandard	38,538	15,633
b	Doubtful	88,263	22,552
c	Loss	305,982	223,928
<b>4</b>	<b>Net NPLs</b>	<b>1,063,175</b>	<b>471,615</b>
a	Substandard	704,870	311,776
b	Doubtful	358,304	159,839
c	Loss	-	-
<b>5</b>	<b>Gross NPLs to Gross Loans</b>	<b>22.72%</b>	<b>12.48%</b>
<b>6</b>	<b>Net NPLs to Net Loans</b>	<b>6.81%</b>	<b>3.14%</b>
<b>7</b>	<b>General Provisions</b>	<b>152,045</b>	<b>151,840</b>
a	Standard	127,710	131,873
b	Watch	24,335	19,967



## Item 11 : Assets and Investments

Sl#	Investment	Current Period	COPPY
<b>1</b>	<b>Marketable Securities (Interest Earning)</b>		
a	RMA securities	298,900	599,602
b	RGOB Bonds/Securities	-	-
c	Corporate Bonds	421,272	411,272
d	Others	-	-
	<b>Sub-total</b>	<b>720,172</b>	<b>1,010,874</b>
<b>2</b>	<b>Equity Investments</b>		
e	Public Companies	27,942	27,942
f	Private Companies	500	500
g	Commercial Banks	5000	5,000
h	Non- Bank Financial Institutions	5000	5,000
	Less		
i	Specific Provisions	-	-
<b>3</b>	<b>Fixed Assets</b>		
j	Fixed Assets (Gross)	609,115	501,749
	Less		
k	Accumulated Depreciation	207,114	163,433
l	Fixed Assets (Net Book Value)	402,001	338,316

**Item 12 : Foreign Exchange Assets and Liabilities (Current Period and COPPY)**

	Liquid Foreign Currency Holdings (Upto One Week)			Long Term Foreign Currency Holdings (More Than One Week)		Nu. In Millions	
	Assets in Foreign currency	Liabilities in Foreign currency	Net Short Term Position	Assets in Foreign Currency	Long term Position	Overall Net Position	Overall Net Position/ Core Capital
Currency 1							
Currency 2							
Currency 3							
Currency 4							
Currency 5							

**Item 13 : Geographical Distribution of Exposures**

	Domestic		INDIA		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits Held With others banks	1,318,398	638,892				
Time deposits held with others banks	1,537,241	1,587,407				
Borrowings	543,370	681,583				

**Item 14 : Credit Risk Exposure by Collateral**

SL#	Particulars	Current Period	COPPY
1	Secured Loans		
a	Loans Secured by Physical/Real Estate collateral	18,160,757	16,569,001
b	Loans Secured by Financial Collateral	171,730	119,964
c	Loan Secured by Guarantees	503,873	206,041
2	Unsecured Loans	-	-
3	Total Loans	18,836,360	16,895,005

Note: 1. Loans secured by Financial collateral consist of Loan against Fixed Deposit, Inter Bank Lending and Loan against corporate deposit

2. Loans Secured by Guarantee consist of Group seasonal loan, Group term loan, Micro enterprise loan, Resettlement loan, Home settlement loan, EDP loan, and Co-operative loan.





### Item 15 : Earning Ratios (%)

SL#	Ratio	Current Period	COPPY
1	Interest Income as a Percentage of Average Assets	8.69%	10.06%
2	Non Interest Income as a Percentage of Average Assets	0.22%	0.24%
3	Operating Profit as a Percentage of Average Profit	-340%	-170.46%
4	Return on Assets	-5.58%	-0.61%
5	Business (Deposits plus advances) per employee	70,033.12	80,823
6	Profit Per employee	-2237.2	(294)

### Item 16 : Penalties imposed by RMA in the past period

Current Period (Year for which the disclosure is being made)		Corresponding Period of the previous year (COPPY)	
Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed

### Item 17 : Customers Complaints

Sl#	Particulars	Current Period	COPPY
1	No. of complaints pending at the beginning of the year		
2	No. of complaints received during the year	2	1
3	No. of complaints redressed during the year	1	1
4	No. of complaints pending at the end of the year	2	

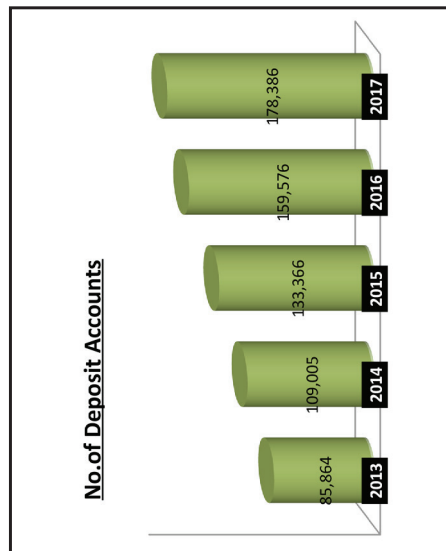
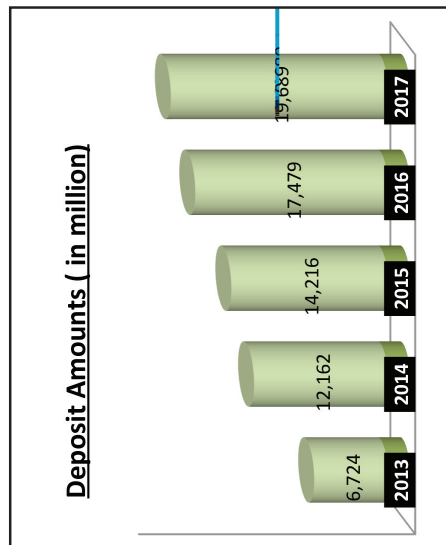
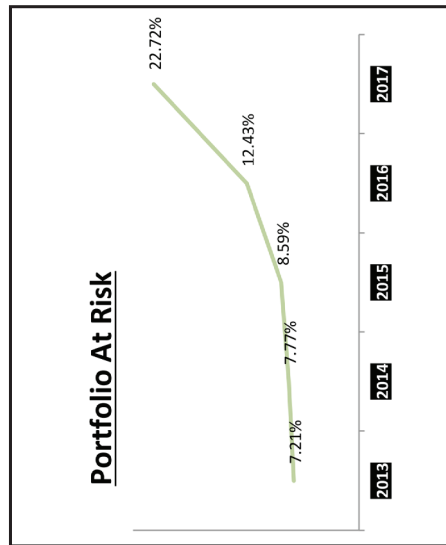
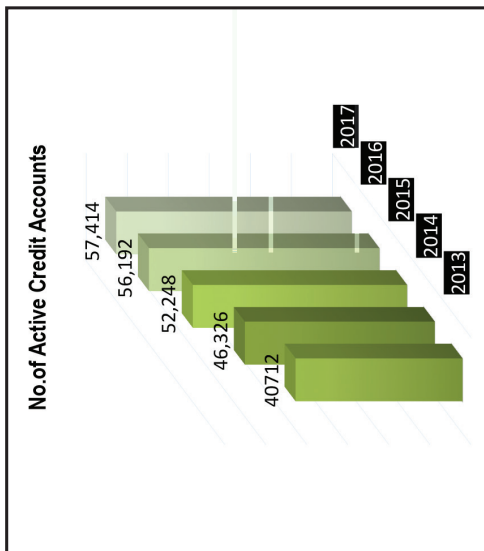
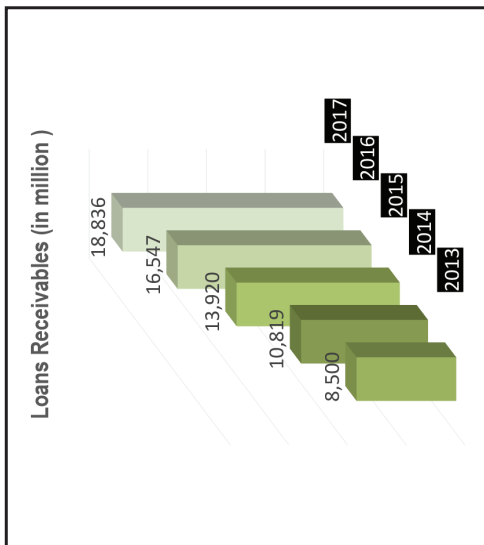
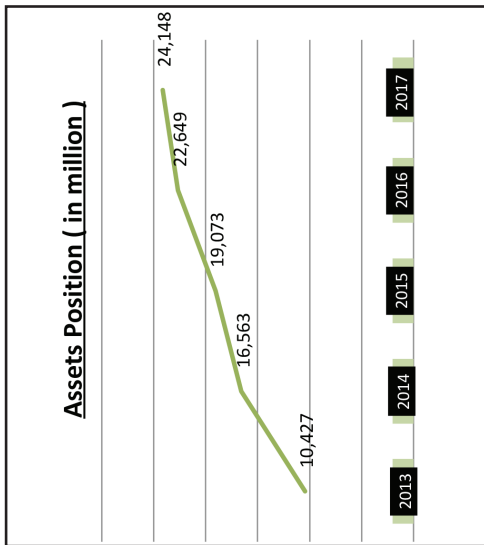
### Item 18 : Concentration of Credit and Deposits

Sl. No	Particulars	End of Current Period	COPPY
1	Total Loans to 10 Largest Borrowers	1,225,457.20	1,184,079
2	As % of Total Loans	7%	7%
3	Total Deposit of the 10 Largest Depositors	10,373,210	10,309,528
4	As % of Total Deposits	53%	58.98%

### Item 19 : Exposure to 5 Largest NPL Accounts

Sl. No	Particulars	End of Current Period	COPPY
1	Five Largest NPL Accounts	266,833.17	141,977.84
2	As % of Total NPLs	6%	6.73%

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