

ANNUAL REPORT 2014
CONTENTS

03

*Mission
Statement*

04

*Management
Team*

05

*Directors'
Profile*

06

*Director's
Report*

14

*Chief Executive
Officer's Report*

33

*Financial
Statement*

25

*Auditor's
Report*

97

*Correspondent
Banks*

98

*Our
Offices*

MISSION STATEMENT

"Your Relationship Bank"

VISION

"To gain regional recognition by being #1 in all our services and work culture"

OUR PURPOSE

"To provide financial choice through innovation"

OUR VALUES

Integrity
Innovation
Leadership
Teamwork
Discipline



Annual Report 2014

MANAGEMENT TEAM

Kipchu Tshering	Chief Executive Officer
Sonam Tobgay	Dy CEO
Dorji Namgyal Rinchen	Company Secretary
Tandin Dukpa	Chief Finance Officer
Gyam A.D.Namgyal	Chief Resource Officer
Pelzore Rumba	Chief Credit Officer
Kesang Namgyel	Chief Operations Officer
Deki Wangmo	Head, Internal Audit Department
Dellay Phuntshok	Head, Human Resource & Administration
Karma Deki	Head, Sales Department
Bidha Dorji	Head, Credit Department
Dorji	Head, Accounts Department
Sonam Tobgay	Head, Office of Strategy Management
Norbu Wangchuk	Head, Credit Administration Department
Sangay Wangdi	Head, Engineering Department
Mann Bdr Rai	Head, IT Department
Dorji Dukpa	Head, Legal Department
Karma Choki	Head, Branch Operations
Shree P Subedi	Branch Manager, Thimphu Branch
Kesang Deki	Branch Manager, Phuentsholing Branch
Sangay Wangdi	Branch Manager, Samtse
Dorji Dagpa	Branch Manager, Mongar
Namgyel Wangda	Branch Manager, Gelephu
Purna Bdr Mongar	Branch Manager, Wangduephodrang
Yeshey Norbu	Branch Manager, Bumthang
Pema Jamtsho	Branch Manager, Trashigang
Dorji Wangchuk	Branch Manager, Samdrupjongkhar
Chencho Tshering	Branch Manager, Paro
Surja Man Samal	Branch Manager, Tsirang

Mr. Sonam Phuntsho Wangdi, Chairperson, appointed on 14th February 2014 representing the National Pension and Provident Fund. Mr. Sonam is currently the Joint Secretary in the Ministry of Economic Affairs and has held several senior positions in Ministry of Trade and Industry. Before his transfer to the Ministry in 2000, he served about a decade in the corporate sector as founder managing director of Bhutan Agro Industries Ltd. Mr. Sonam Phuntsho Wangdi has a Masters degree in International Law and Economics from the University of Bern, Switzerland.

Dr. Pema Choephyel, Director, appointed on 14th February 2014 as an independent director on the board. He is currently the Director of the Bhutan Trust Fund for Environmental Conservation. Dr. Pema Choephyel's career has covered environmental conservation, research in renewable natural resources and commercial finance. He began his career with the Royal Civil Service Commission; as a civil servant he held various positions as the Principal at Royal Veterinary Institute, Department of Animal Husbandry, Pedagogic Head (VP) at the Natural Resources Training Institute, Chief Research Officer, Chief Extension Officer, Director, Council of RNR Research of Bhutan and as an Advisor to the Bhutan Development Finance Corporation Limited. A graduate of Bombay Veterinary College, Bombay, India, Dr. Pema Choephyel received his master's degree in Rural Development and Communication from Lincoln University, New Zealand in 1991.

Mr. Kunzang Dechen, Director, appointed on 14th February 2014 has a master's degree in International Relations from the University of Hawaii and a Post Graduate Diploma in US Economic Policy and Domestic US Legislation from Georgetown University, Washington DC, the United States. During his post graduate studies in the US, he also worked as a research intern in the International Relations Division at the East-West Center, Honolulu for two and a half years. He served in the Foreign Service for 10 years and last served as the Head of the Economic Division at the Royal Bhutanese Embassy in New Delhi. Thereafter for the last thirteen years, he has worked extensively as a consultant for the Royal Government of Bhutan and with various international development agencies, primarily the EU, ACB and the UNDP. He has also worked part-time as the Senior Policy Advisor to the UNDP.

Mr Ugyen Namgyal, Director, appointed on 14th February 2014 as an independent director on the board is the Director of Finance in Bhutan Development Finance Corporation for 6 years after which he took over as the CFO in Druk Green Power Corporation and has been in the current position for the last 3 years. Mr. Ugyen is a member of the CPA Australia with Bachelors in Business from University of South Australia and has a Bachelor of Commerce (Hons) degree from Sherubtse College, Kanglung.

Dr. Damber Singh Kharka, Director, appointed on 14th February 2014 is an economist with long years of experience in training, consulting and research in different disciplines of management that he accumulated through his nineteen years academic career at the Royal Institute of Management. His strengths are in areas of Economics, Corporate Governance, Finance and Human Resources. He had very successfully transited from the world of academia to a corporate world. Besides having provided consulting and training services for several years, he also has to his credit many papers published at the national, regional and international publications. He is a person of a very good blend of conceptual knowledge and practical experiences in the Bhutanese corporate world. Damber is currently working as a Director at the Druk Holding and Investments, an organization that is mandated to act as the investment arm of the Royal Government of Bhutan.

Mr. Harish H. Engineer, Director appointed on 14th February 2014 is the IFC Nominee Director on the bank's board. He has served as the Head of Wholesale Banking at HDFC Bank Ltd. and served as its Head of Financial Institution Group since November 1999 and Head of Corporate Banking since July 1994. Mr. Engineer has been Independent Director of Navin Fluorine International Ltd. since October 23, 2013. He has been a Director of Infrastructure Leasing & Financial Services Limited since March 2014 and an Independent Director of Federal Bank Ltd. since October 19, 2013. Mr. Engineer served as an Executive Director of HDFC Bank Ltd. from October 12, 2007 to September 30, 2013. Mr. Engineer holds a Bachelor of Science degree in Physics and Chemistry from the University of Mumbai and a Diploma in Business Management from Hajarimal Somani College, Bombay. Harish brings with him around 45 years of enriched experience in the field of finance and banking, being associated with HDFC Bank in various capacities since 1994. He retired in October 2013 as Executive Director on the Board, being responsible for Wholesale Banking including International Banking.



DIRECTOR'S REPORT

Annual Report 2014



It is my priv7(Stifa3ueg)8(ey)109toypr13(es)-8(en)139(t)109trispr13(eifaey)109toy oour a100-0-0op()859trey

op(a.m)39aximr13(e)-a3e yers. iiswv7(Stifa3uifa3usb)-9(e(t)--6h)4(eir n)3(aTfa3usy)8(er)-6aT(wv7(S

ifa3ins oy r13(er)-6ady ep-59aif-6hy eifa3ds gr13(o)163w(if-6hy)809aTds maTif-6aTip

i. Philosophy of Corporate Governance

Bhutan National Bank's corporate governance philosophy encompasses not only regulatory and legal requirements, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

ii. Whistle Blower Policy

BNB has formulated a Whistle Blower Policy for the bank. In terms of this policy, employees of BNB are free to raise issues, if any, on breach of any law, statute or regulation by the Bank or any of its employees / directors and on the accounting policies and procedures adopted for any area or item and report them to the Audit, Compliance & Grievance Committee through specified channels. This mechanism has been communicated to all concerned of the bank.

iii. Prevention of Insider Trading

In accordance with the requirements of BNB's Corporate Governance policy and requirement by RMA, the regulatory authority for equity trading on exchange, BNB has instituted a comprehensive guidelines / code of conduct for prevention of insider trading.

iv. Code of Business Conduct and Ethics

The Board of Directors of the Bank adopted a comprehensive Code of Business Conduct and Ethics primarily by strengthening and providing illustrative guidance on the existing Code of Business Conduct and Ethics approved by the Board. The code aims at ensuring consistent standards of conduct and business ethical practices across the bank.

v. Board of Directors & Board Committees

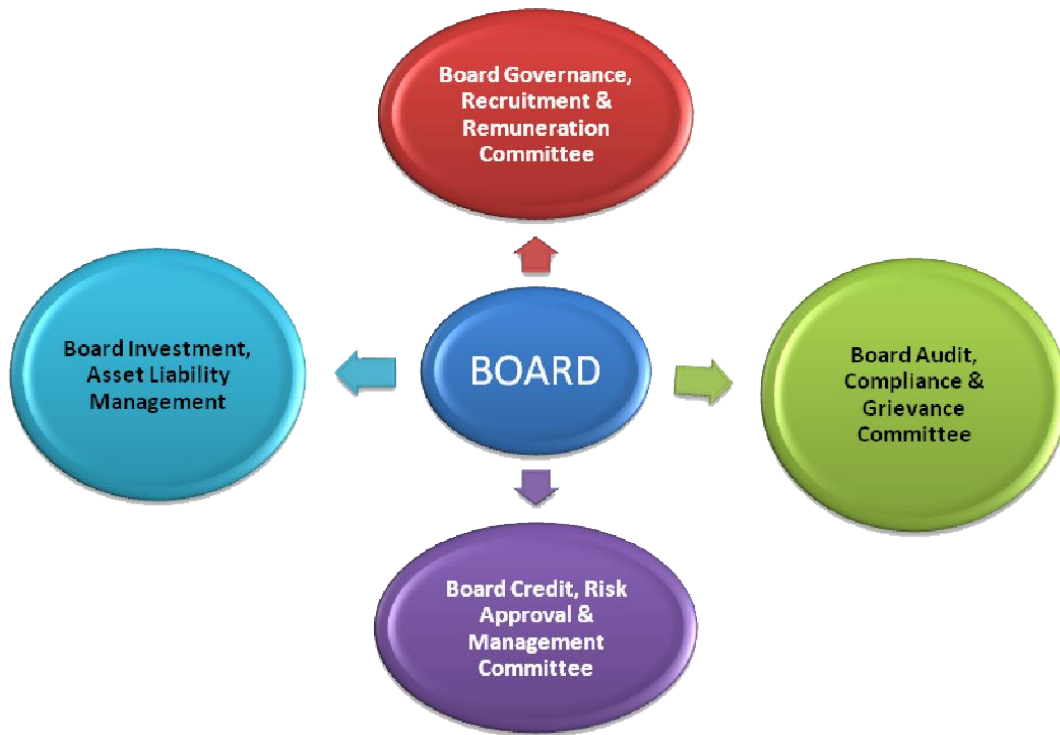
The Financial Services Act of Bhutan 2011 states in section 63 (d) and (e) "every financial institution shall have Board of Directors comprising of not more than 7 directors including the chairman of which two will be Independent Director. Furthermore RMA Corporate Governance Policy 2011 states in section 5, clause ii, d, "Directors of a regulated entity shall be elected by shareholders for a term of one year. Directors may stand for re-election."

BNB has a Board constituted in compliance with the regulatory and statutory guidelines & laws and in accordance with best practices in corporate governance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. At BNB, we believe that governance is focused not only on the boardroom but across the business. The bank believes that good governance ultimately produces in better business and improves long term performance. The work of the board should complement, enhance and support the work of the management.



DIRECTOR'S REPORT

The Board has constituted four board committees, namely, Board Governance, Recruitment & Remuneration Committee, Board Audit, Compliance & Grievance Committee, Board Credit, Risk Approval & Management Committee and the Board Investment, Asset Liability Management Committee.



At December 31, 2014, the Board of Directors consisted of 7 members. There were four meetings of the Board during fiscal year 2014. The names of the Directors and the details of their attendance at board meetings are set out in the following table:

Name of Member	No. of Board Meetings attended
Mr. Sonam P Wangdi, Chairperson	4
Dr. Damber Singh Kharka, Director	4
Dr. Pema Choephyel , Director	4
Mr. Ugyen Namgyal, Director	4
Mr. Harish H Engineer, Director	4
Mr. Kunzang Dechen , Director	4
Mr. Kipchu Tshering, CEO/Director	4

The Board is assisted by Mr. Sonam Tobgay, Dy CEO who is the Member Secretary to the board. The Company Secretary ensures that the board receives adequate and detailed information in a timely manner to enable full and proper consideration of agenda items. We believe this practice helps board directors make informed and sound decisions.

Directors are also granted an indemnity from the company in respect of liabilities incurred as a result of their office. In respect of those matters for which they cannot be indemnified, the bank maintains appropriate director liability insurance for the benefit of directors.

COMPOSITION OF BOARD COMMITTEES

The Board Governance, Recruitment & Remuneration Committee comprised of 4 Directors and was chaired by Mr. Sonam P Wangdi. There were five meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	No. of Meetings attended
Mr. Sonam P Wangdi, Chairperson	5
Mr. Kunzang Dechen , Director	5
Dr. Pema Choephyel, Director	5
Mr. Kipchu Tshering, Director	5
Mr. Gyam A.D.Namgyal, Chief Resource	3

The Board Audit, Compliance & Grievance Committee comprised of 3 Directors and was chaired by Dr. Pema Choephyel. There were four meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	No. of Meetings attended
Dr. Pema Choephyel, Chairperson	4
Mr. Sonam P Wangdi, Director	4
Mr. Harish H Engineer, Director	4 (in consultation)
Mr. Tashi Dorji Rinchen, Head, IAD	1
Mrs. Deki Wangmo, Head, IAD	2



DIRECTOR'S REPORT

Annual Report 2014

The Board Credit, Risk Approval & Management Committee comprised of 4 Directors and was chaired by Mr. Kunzang Dechen. There were seven meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	No. of Meetings attended
Mr. Kunzang Dechen, Chairperson	7
Dr. Damber Singh Kharka, Director	7
Mr. Ugyen Namgyal, Director	5
Mr. Kipchu Tshering, Director	7
Mr. Tandin Dukpa, Chief Credit	1
Mr. Pelzore Rumba, Chief Credit	6

The Board Investment, Asset Liability Management Committee comprised of 5 Directors and was chaired by Dr. Damber Singh Kharka. There were two meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	No. of Meetings attended
Dr. Damber Singh Kharka, Chairperson	2
Mr. Ugyen Namgyal, Director	2
Mr. Harish H Engineer, Director	2 (in consultation)
Mr. Kipchu Tshering, Director	2
Mr. Sonam Tobgay, Dy CEO	2
Mr. Tandin Dukpa, Chief Finance	2

Annual General Meetings of Shareholders

The AGM provides the board and management with the opportunity to meet and engage directly with our shareholders. Shareholders who are not able to attend the meeting are always encouraged to send their representatives. The notices of meeting and related papers for the AGM are sent to the leading newspapers and shareholders at least 21 days before the day of the meeting. The 18th Annual General Meeting of Shareholders was held on 14th February 2014 at the conference hall, hotel Migmar, Thimphu.

Dividend

For the year ended 31.12.2014, the 19th Annual General Meeting of Shareholders held on 6th March 2015 approved a dividend of 10% or Nu 1 per share (face value being Nu 10 per share). The dividend was thereafter approved by RMA and paid to all shareholders in March/April 2015.

Means of Communication

It is Bhutan National Bank's belief that all stakeholders should have access to complete information regarding its position to enable them to accurately assess its future potential. BNB disseminates information on its operations and initiatives on a regular basis. BNB's website serves as a key awareness facility for all its stakeholders, allowing them to access information at their convenience. It also provides comprehensive information on BNB's business segments, financial performance, operational performance, and other relevant information.

BNB's annual financial results are published in the leading news papers in Bhutan and are also available on the banks website for the information of general public.

Market Price Information

The reported high and low closing prices and volume of equity shares of Bhutan National Bank traded during fiscal year 2014 on RSEB are set out in the following table:

Month	Market Price		No Of Shares Traded	Amount in Nu.
	High	Low		
January	350.00	300.00	3,861.00	2,605,680.00
February	350.00	335.00	4,382.00	2,647,740.00
March	390.00	390.00	4,000.00	2,340,000.00
April	300.00	282.00	11,966.00	7,119,768.00
May	320.00	290.00	19,170.00	11,396,825.00
June	290.00	280.00	39,531.00	21,932,680.00
July	275.00	275.00	900.00	495,000.00
August	27.50	26.00	187,040.00	9,803,210.00
September	28.50	26.00	79,820.00	4,765,500.00
October	29.00	27.00	658,060.00	34,802,440.00
November	28.00	26.50	173,400.00	9,473,600.00
December	30.00	27.00	778,680.00	47,991,980.00
			1,960,810.00	155,374,423.00



DIRECTOR'S REPORT

Annual Report 2014

Information on Shareholding

Shareholding pattern (above 5%) of Bhutan National Bank at December 31, 2014;

Shareholder Category	Shares	% Holding
National Pension & Provident Fund	76,960,290	21.69%
International Finance Cooperation (IFC)	70,962,580	20%
Druk Holding & Investment	40,819,960	11.50%
Bhutan Trust Fund	15,576,870	4.39%
Public	150,488,000	42.41%
Total	354,807,700	100%

Address for Correspondence

Mr. Dorji Namgyal Rinchhen
 Company Secretary
 Head Office, Bhutan National Bank Ltd
 Post Box 439, Thimphu, Bhutan

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the bank at the end of the financial year and of the profit or loss of the Bank for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act 2000 and the Financial Services Act of Bhutan 2011 for safeguarding the assets of the bank and for preventing and detecting fraud and other irregularities; and
- that they have prepared the annual accounts on a going concern basis.

CLOSING STATEMENT

We will continue our focus on the future and building our key capabilities: people, technology,

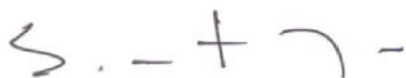
productivity and service. The Bhutan National Bank is fortunate to have a highly talented top executive team led by CEO Mr. Kipchu Tshering. For the record, I would like to mention that all board directors of the bank would join me in acknowledging that we are dependent on everybody within the bank at every level and wherever they are, for their continuing commitment and loyalty. All of us who make up the Bhutan National Bank are very proud of the bank's place in Bhutan and its contributions to the national economy. Everyone in the bank works hard every day to secure and enhance the financial wellbeing of people, businesses and communities and to appropriately reward our shareholders for trusting us with their investment.

ACKNOWLEDGEMENTS

Bhutan National Bank Limited is grateful to the Royal Government of Bhutan, RMA, Royal Audit Authority and other statutory bodies for their continued co-operation, support and advice. Bhutan National Bank wishes to thank its investors, the domestic banking community, RSEB and Registrar of Companies for their support.

Bhutan National Bank would like to take this opportunity to express sincere thanks to its valued clients and customers for their continued patronage. The Directors express their deep sense of appreciation to all the employees, whose outstanding professionalism, commitment and initiative have made the organization's growth and success possible and continue to drive its progress. Finally, the Directors wish to express their gratitude to the management for their trust and support.

I also confirm that all Directors have affirmed compliance with Bhutan National Bank Code of Business Conduct and Ethics as laid down in its Corporate Governance Policy for the year ended December 31, 2014.



Sonam P Wangdi
Chairperson
BNB Board of Directors

Place: Thimphu

CHIEF EXECUTIVE OFFICER'S REPORT

Annual Report 2014

Five years ago the Bhutan National Bank embarked on a strategic restructuring designed to correct the aspects of its operations and business in order to achieve what the bank felt was key to the future success of the company.

We are very happy to inform all shareholders that the strategic restructuring done by the bank in 2009 is now beginning to show results. After a moderate performance by the bank in 2013, the expectations of the board of directors and shareholders were very high for the year 2014. The management is pleased to submit that the bank has succeeded in meeting those expectations for the year which is clearly evident in the year's financial statements and the dividend declared.



Some of the financial highlights from 2014 are as follows*;

- Gross Operating Income has increased by 16% from Nu. 1.281 bn in 2013 to Nu. 1.482 bn in 2014.
- The interest from loans & advances recorded a growth of 7.86% over the last year, which largely contributed to the increase in interest income and decrease in the interest expenses on fixed deposits by about 20% primarily decreased the interest expenses.
- The operating expenses have gone down by 6.15% (negative growth) during the year as compared to a growth of 27% in the previous year. This was mainly due to decrease in the employment cost by about Nu. 26 mn (-11%).
- The Profit after Tax for the year stands at Nu. 714.22 mn, a growth of 48% over the previous year of Nu. 482.73 mn. This was primarily due to increase in the Net Interest Income (18.74%), decrease in operating expenses (-6.15%) and decrease in the provision charged for the year (-48.79%).
- The size of the balance sheet recorded a growth of 13.48% as compared to decrease of 3.76% in 2013.
- deposits has grown by about 13% as compared to -6.84% in the previous year;
- The bond has increased to Nu. 850 mn from Nu. 350 mn (PY) with the issuance of Nu. 500 mn worth bond under Economic Stimulus Plan initiated by Royal Government of Bhutan.
- The investment which recorded a negative growth of 93% last year shows a growth of over 450% in the current year and this was mainly due to investment in RMA Treasury Bill worth Nu. 1 bn.
- Loans & Advances grew marginally by about 3%, an improvement from the previous year (1.72%);

* Figures are as per local accounting standards

- Fixed assets grew by about 39% and the growth is mainly due to up gradation of core banking solution and on-going construction of Corporate Office Building.

We would like to inform all shareholders that the bank sanctioned a total loan of Nu. 4,522.406 million compared to Nu. 3,510.00 million in 2013 and total portfolio increased to Nu. 18,768.582 million as on 31st December 2014 from Nu. 18,166.430 million in 2013. This was achieved despite advances like Housing and Transport Sectors were allowed only in the 3rd quarter of 2014. There was no substantial increase as personal loans had been capped at Nu. 500,000.00 and stringent lending regulations put in place by RMA.

The net portfolio increased was Nu. 602.152 million only as the bank did well in terms of loan recovery. The gross NPL reduced to 6.49 percent compared 7.80 percent in 2013. BNBL still maintains the market share of 29.30 percent in the total credit portfolio in the country excluding NPPF as on the 31st December 2014.

The management of the bank with the guidance from the board of directors will continue to focus not only on what we do but on how we do it and most importantly continue to find ways and means to improve the core of the organization – customer service. We believe that in order to deliver sustainable performance, we have to balance the needs of all our stakeholders across the short and long-term. While 2014 has been a successful year for the bank, the board and management have set ourselves stretching but achievable goals for the coming year and we are confident that with the continued support of all employees of the bank, we will continue towards to be the bank all customers choose to do business with.

Finance

The accounts for the year were prepared in compliance to Bhutanese Accounting Standards/ International Financial Reporting Standards as mandated by Accounting & Auditing Standards Board of Bhutan. The previous year's figures have been reinstated accordingly for comparison. However, the compliance to central bank and tax are remitted based on the local GAAP.

FINANCIAL PERFORMANCE

Assets

The bank recorded a growth of 14% as at 31st December 2014 as against the negative growth of 4% the previous year. The increase in the cash & cash equivalent specifically the investment in RMA TBill contributed at large to the increase in the assets. The loans & advances to customers shows a marginal growth of 3% over the last year.



CHIEF EXECUTIVE OFFICER'S REPORT

Liabilities

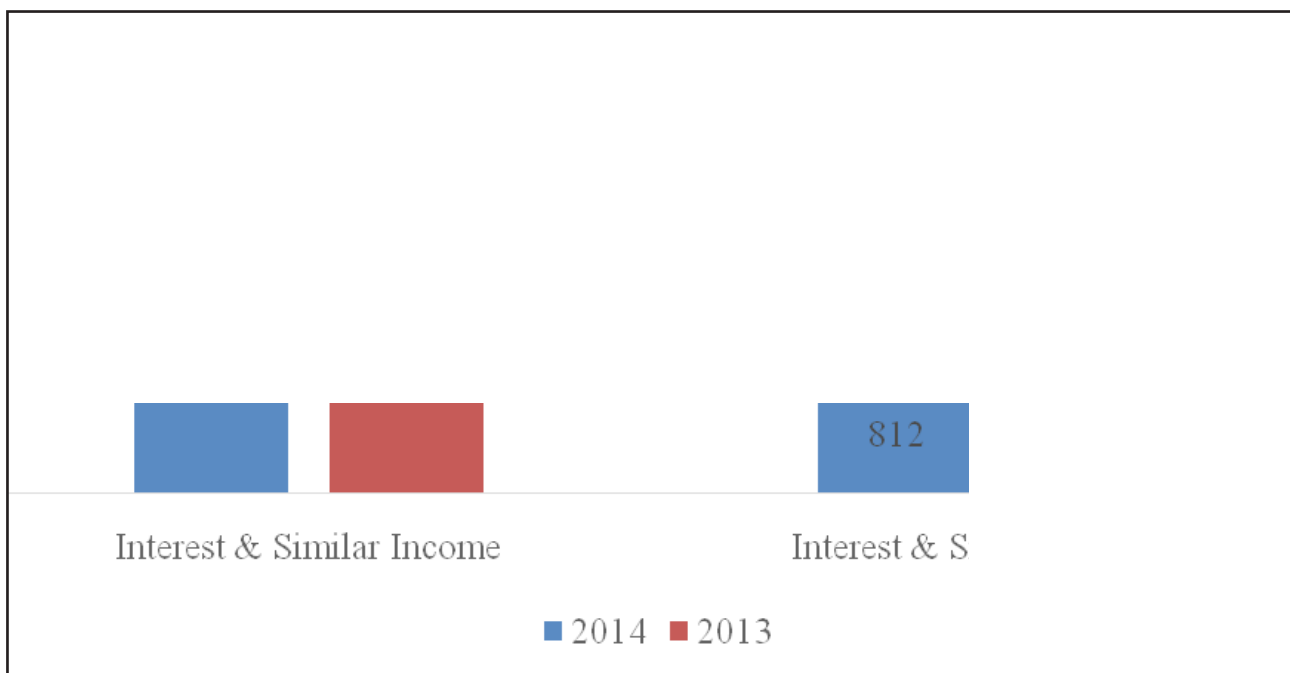
The increase in the total liabilities of Nu. 2.94 Bn was mainly due to increase in the deposits. Debt issued and other borrowed funds increased from Nu. 354.37 Mn as at 31st December 2013 to Nu. 876.37 Mn as at 31st December 2014 due to issuance of Bond under RGoB Economic Stimulus Plan.

Net Interest Income (NII)

NII, which is the main source of income from fund based operation accounts for 89% of the total operating income, an increased from Nu. 1.16 Bn in 2013 to Nu. 1.36 Bn in 2014. NII recorded a growth of about 16.69% and the reasons for achieving the growth in NII in 2014 is attributable to modest increase of 3.16% in Interest & similar income and decrease of 13.58% in Interest & similar expenses.

Net Fee and Commission Income

The Net fee & commission income during the year under review increased from Nu. 82.01 Mn to Nu. 82.25 Mn recording a marginal growth of 0.29%. The Fee and commission income has increased by 1.68% whereas, the fee and commission expenses has increased by 25.84%.



Other Operating Income

Operating income which stood at Nu. 92.00 Mn in 2013 decreased to Nu. 85.38 Mn in 2014. The 7.19% decrease in the other operating income is due to decrease in the foreign exchange gains of Nu. 13.39 Mn during the year under review.

Operating Expenses

There was a marginal increase in the operating expenses of Nu. 5.29 Mn from Nu. 349.41 Mn in 2013 to Nu. 354.69 Mn in 2014. The personal expenses as a proportion of total operating expenses excluding impairment has come down from 72.89% in 2013 to 68.53% in 2014, an improvement of 5.98% despite increase in the staff numbers and remuneration.

Impairment of loan losses

The total impairment of loan losses during the year increased to Nu. 1.47 Bn in 2014 from Nu. 1.35 Bn in 2013, an increase of 8.67% as against the decrease of 3.99% the year before. Despite reversal on the Individual impairment and off balance sheet items, the additional charge of Nu. 140.85 Mn under collective impairment during the year as against the write back of Nu. 20.83 Mn in 2013 largely contributed to the growth of impairment of loan losses. During the year there was a net charge of Nu. 113.57 Mn as against the write back of Nu. 83.00 Mn in 2013.

Pre and Post tax profit

The profit before tax and after tax for the year ended 31st December 2014 was Nu. 1.06 Bn and Nu. 743.64 Mn respectively. The corresponding figures achieved in previous year were Nu. 1.07 Bn and Nu. 759.13 Mn respectively. Although there was an increase of PAT by 47.95% under local GAAP, the PAT under BAS/IFRS decreased by 2.04% which was mainly due to write back of provision charge under BAS/IFRS in 2013.

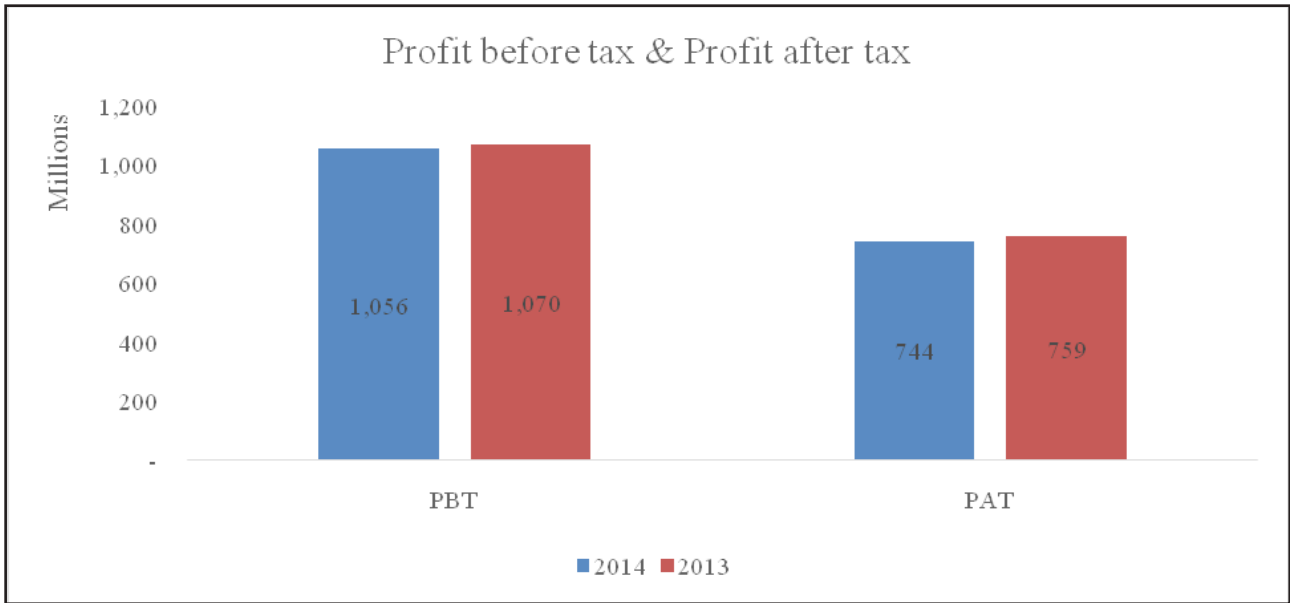
Shareholders' funds

The shareholders' funds increased by Nu. 547.87 Mn from Nu. 6.342 Bn as at 31st December 2013 to Nu. 6.890 Bn as at 31st December 2014, a growth of 8.64%. Stated Capital increased from Nu. 2.534 Bn to Nu. 3.548 Bn as at 31st December 2014 due to issue of 2:5 bonus shares. The impact due to other comprehensive income on the shareholders' fund amounted to Nu. 197.58 Mn. The 101st Board meeting held on 6th March 2015 approved a cash dividend of Nu. 1 per share (10%) with a payout ratio of 49.68% on PAT under local GAAP.

The basic earnings per share stood at Nu. 2.10 in 2014 as compared to Nu. 3 in 2013. The decrease in the earning per share of 30% is due to 40% increase in the paid up share capital through bonus issues in 2014.

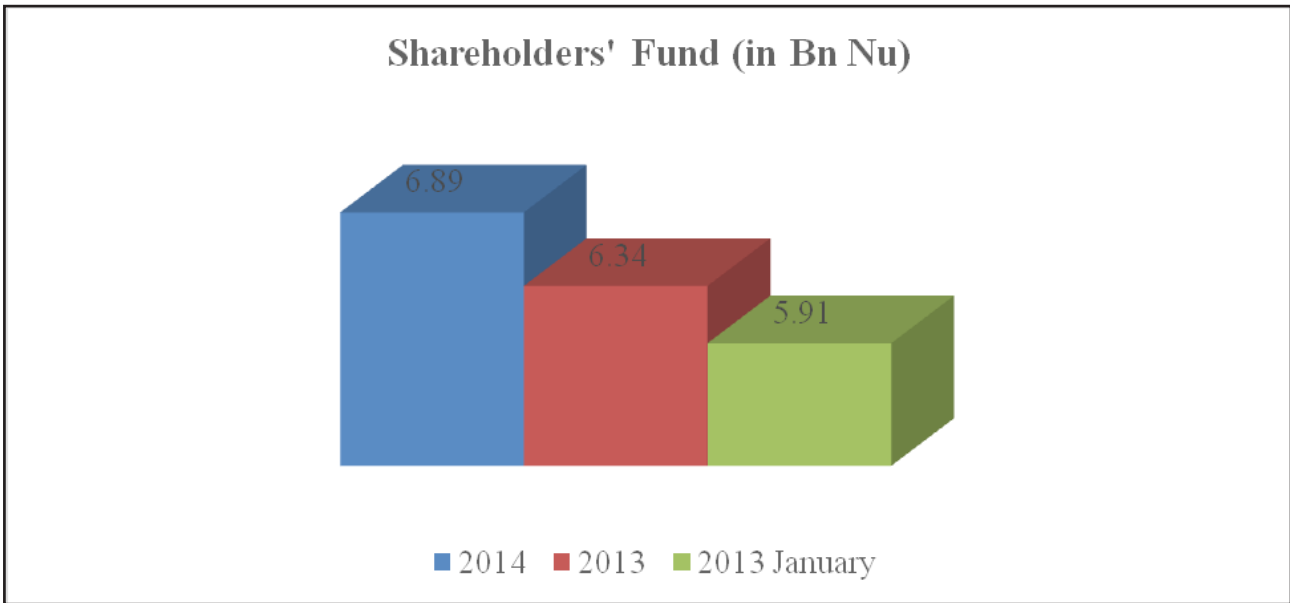


CHIEF EXECUTIVE OFFICER'S REPORT



Capital Adequacy Ratio & Liquid Asset Ratio

The liquidity ratio continued to be well above the statutory requirement of 20% due to excess liquidity in the market. However, the bank managed to reduce the ratio to 42.52% in 2014 from 45.41% in 2013 as shown in the table below.



The Capital Adequacy Ratio, which stood at 23.65% in 2013 has increased to 25.65% in 2014. The adjusted qualifying capital fund increased by 12.46% as against the increase of 3.70% in total risk weighted assets. Despite increase in the PAT by 47.95%, there is marginal increase of 4.44% in the Tier

CHIEF EXECUTIVE OFFICER'S REPORT



I ratio, which stood at 21.46%. This is mainly due to increase in the cash dividend, which has reduced the retained earnings.

	2014	2013	Statutory Requirement
Liquidity Ratio	42.52%	45.41%	20%
Capital Adequacy - Tier I	21.46%	20.55%	Minimum is 5%
Capital Adequacy - Tier I & Tier II	25.65%	23.65%	10%

Strategy Management

To reach all citizens, the Bank began its aggressive expansion drive in 2011. Since then we have opened three branches, 16 extension offices and 14 ATMs across the country. In 2014, we opened a branch in Samtse and three more extension offices. With this we have covered 17 Dzongkhags and 11 urban centers. By 2015, we hope to cover all Dzongkhags and key urban centers.

On the internal front, we introduced a platform where employees can take a day off from their regular job to plan, design and implement an idea or improve existing processes. In 2014, 20 employees presented five ideas which were endorsed by our Executives. Four of the ideas were to improve existing processes and the fifth idea was to refocus on our slogan of “Your Relationship Bank” by creating a reward system for our clients through philanthropy and recognition.

As our slogan “Your Relationship Bank” forms the bedrock of our culture, OSM has been focused on designing strategies that will meet and exceed the aspirations of our stakeholders. A few key thoughts that guide us to be the bank that you want us to be are: a) Continuous improvement of customer experience through quality and speed of delivery, b) Optimizing usage of technology, c) building ownership at all levels of the bank, and d) playing a leadership role in pushing the banking frontiers of our country.

Credit

In 2015, the bank sanctioned a total loan of Nu. 4,522.406 million compared to Nu. 3,510.00 million in 2013 and total portfolio increased to Nu. 18,768.582* million as on 31st December 2014 from Nu. 18,166.430* million in 2013. This was achieved despite advances like Housing and Transport Sectors were allowed only in the 3rd quarter of 2014.

The bank, during the year managed to reduce the Gross NPL from 7.80% in 2013 to 6.49% and the net

* Figures are as per local accounting standards



CHIEF EXECUTIVE OFFICER'S REPORT

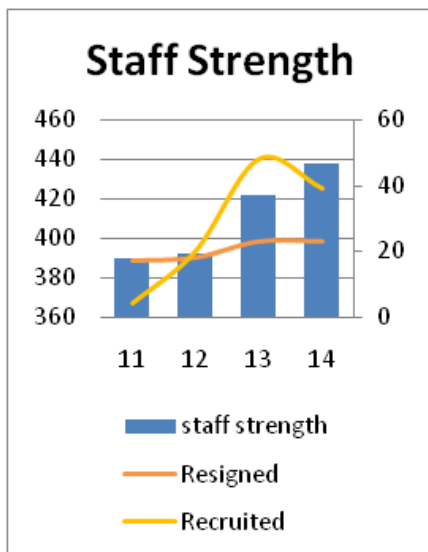
provision charged to Profit & Loss account has reduced by about 49% as compared to an increase of 100% in 2013. The Net NPA which was 0.88% in 2013 has decreased to -1.91%, which indicates that the bank has maintained more provision against the total NPL.

The net portfolio increased was Nu.602.152 million only as the bank did well in terms of loan recovery. The gross NPL reduced to 6.49 percent compared 7.80 percent in 2013.

We are happy to announce that BNBL still maintains the market share of 29.30 percent in the total credit portfolio in the country excluding NPPF as on the 31st December 2014.

RESOURCE

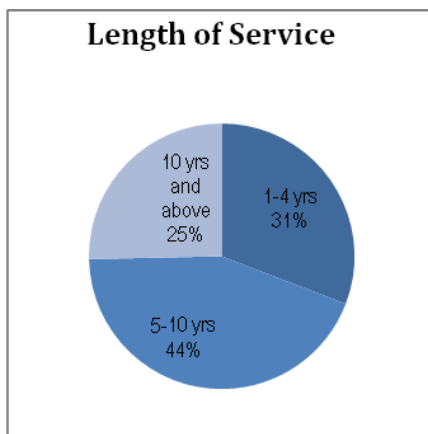
Our profit per employee improved from Nu 1.14 million to Nu 1.63 million. In 2014, our staff strength increased by 16 to 438 and during the year, 23 people resigned and recruited 39. The increase was nominal considering that one branch was opened, one extension upgraded and three new extension



opened during the year. We are probably the only bank that is totally managed by Bhutanese; from the CEO to our support staff.

Attracting and retaining employees

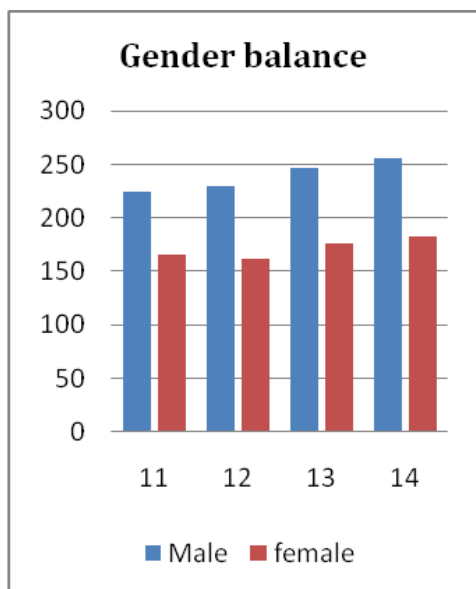
Our recruitment and retention strategies have been bearing fruit, as we continue to be the employer of choice in the local market, enabling us to select the best talents. For every job opening announcement we make, we regularly receive more than 200 applications. And most of the people joining us tend to stay on for the long haul; 69% of our employees have been with us for more than 5 years.



In 2014, we improved our on boarding processes for new recruits and training processes for our existing employees. With the assistance of IFC and E&Y Sri Lanka, we conducted two major in-house trainings on Risk Management and on the application of IFRS accounting standards for more than 63 senior and mid-level employees. More than 12 senior and mid level employees attended the training on Trade Finance seminar training conducted by ADB in Thimphu. We also sent out 117 employees to India and other countries for trainings.

We also encourage our employees to continue to upgrade their

CHIEF EXECUTIVE OFFICER'S REPORT



skills. Currently 34 people have completed their full-time MBA's and 9 are in the process of acquiring them. Thirteen have completed their University Degrees through the continuing education schemes and 16 employees are in the process of completing theirs. We also have 12 employees who completed their Higher Secondary School while continuing to be under the bank's employment.

Performance Management System (PMS)

In 2009 we instituted our PMS which was loosely based around the Balanced Scorecard format. Over the years we have been continuously improving the PMS, however getting and using data continues to be a challenge. With considerable hands on experience we believe that we are now in position to leverage this system to extract and use information to further

improve our employees performance, our banks processes and products.

Information Technology

In May 2014 we completed our upgradation to Oracle's UBS 12.0 Core Banking System (CBS). With this upgrade we moved our CBS from a form based format to a web based format, which provides us greater flexibility in customizing our products, greater customer interaction, creating widgets, and apps.

OPERATION'S

The following are the Dzongkhag wise - geographical reach/ coverage as of December 2014

No	Dzongkhags	Branch	Extension	ATMs
1	Bumthang	Dekiling	Trongsa	Branch
2	Trongsa			Chamkhar Town
3	Chhukha	Phuentsholing	Tala	Trongsa EO
				Branch Office
				Central Hotel
4	Gasa			
5	Paro	Paro		Branch Office
			Bondey	Bondey EO
6	Haa		Haa Town	Haa EO
7	Lhuentse			



CHIEF EXECUTIVE OFFICER'S REPORT

8	Monggar	Monggar	Gyelposhing	Branch Office Gyelposhing EO Lingmethang
9	Pemagatshel			
10	Wangduephodrang	Wangduephodrang	Khuruthang	Branch Office
11	Punakha			BOD, Khuruthang
12	Samdrupjongkhar	S/Jongkhar	S/J Town	Lower market
13	Samtse	Samtse	Gomtu	Branch Office Gomtu EO
14	Sarpang	Gelephu	Tingtibi	Branch Office
15	Zhemgang			Tingtibi EO
16	Thimphu	Thimphu		Bhutan Post - 2 nos
				RICBL
				JOJOs Bldg
				JDWNRH
				NPPF
			Motithang	FCB, Motithang
			Taba	Taba EO
			Olakha	Olakha EO
			Babesa	Hejo
17	Trashigang	Trashigang		Branch Office
				Kanglung
				Rangjung
18	Trashiyangtse		T/Yangste	
19	Tsirang	Tsirang	Dagapela	Branch Office
20	Dagana			
	Total	11 Branches	17 Extensions	33 ATM's

The bank introduced a new scheme called “Piggy Bank Term Deposit” to cater to the demands of our deposit customers. With regard to new branches and extensions, your bank opened a new branch office at Samtse and upgraded the Gomtu as large Extension office. Three new Extension offices at Samdrupjongkhar town, Babesa and Trashiyangtse were opened. In 2014, two new ATMs were opened at Samtse Branch office and Hejo, Thimphu.

CHIEF EXECUTIVE OFFICER'S REPORT



On the deposit front, we would like to submit that there has been an increase in the number of accounts by 7.73% over 2013. There has also been an increase of 8.39% in the total amount (deposit) as compared to 2013.

Some Key Highlights for 2014:

Off Balance Sheet Items	-	Increase by 25.88%
MoneyGram	-	Increase by 35.15%
B-Wallet Service Users	-	Increase by 102%
Internet Banking Users	-	Increase by 13.17%
ATM Card Holders	-	Increase by 101%
Credit Card Holders	-	Reduction by 2.39%
Interest Expenses	-	Reduction by 4.2%
Operations Expenses	-	Reduction by 4.9%

We would like to take this opportunity to inform all our shareholders that the bank paid Nu 313 million as Corporate Income Tax to the National Exchequer thereby contributing to the nation's economy and development. We are confident that 2015 will be an even more successful year with the plans and projects the bank has in place for the coming year. With the support of our able and enthusiast employees and with the guidance of the board of directors, we believe that the shareholders will continue to receive significant returns on their investment in the bank despite the challenges that remain ahead.

In conclusion, we would like to express our deepest appreciation and gratitude to the Royal Government of Bhutan, Ministry of Finance, Royal Monetary Authority (RMA) of Bhutan, Royal Audit Authority, Company Registry Division of the MOEA, the RSEBL, other regulators, Board of Directors, shareholders, customers, auditors and all other stakeholders for their continued guidance and support without which the achievements made by us would not have been possible.

Tashi Delek



Kipchu Tshering
Chief Executive Officer

Place: Thimphu

Auditors' Report
and
Financial Statements



AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE **MEMBERS OF BHUTAN NATIONAL BANK** **LIMITED, THIMPHU.**

1. Report on the Financial Statements

We have audited the financial statements of BNB Limited (“the bank”) which accompanies the Statement of Financial Position as at 31st December, 2014, the Income Statement for the year ended 31st December 2014, Statement of Other Comprehensive Income for the year ended 31st December 2014, Statement of Equity for the year ended 31st December 2014 and Cash Flow for the year ended on that date, and a summary of significant accounting policies and explanatory notes.

2. Management Responsibility for the Financial Statements

The Company’s management is responsible for the preparation of these financial statements that give a true and fair view of the Financial Position, financial performance and Cash Flows mbe-.5.982e(c)4(ies)]

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

4. Opinion

- I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- II. In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books.
- III. The Statement of Financial position, Income Statement and Cash Flow Statement dealt with by this report have been prepared on the basis of Bhutanese Accounting Standards (BAS) and as per the provisions of Laws and Regulations except otherwise mentioned elsewhere in the report, these Financial Statements are in agreement with the books of account.
- IV. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described elsewhere in this report, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the applied Bhutanese Accounting Standards and the provisions of The Companies Act of Kingdom of Bhutan, 2000 (“the Act”);
 - a) In the case of Statement of Financial Position, of the State of affairs of the Company as at 31st December, 2014.
 - b) In the case of Statement of Comprehensive Income, of the profit of the year for the year ended on that date.
 - c) In the case of Statement of Equity, of the Changes in equity of the Company for the year ended on that date.
 - d) In the case of Statement of Cash Flows, of the movement of Cash Flows of the Company for the year ended on that date.

5. Emphasis of Matter

- I. *Net Loans and Advances of Nu. 17,224,255,581 includes “Bullet Loans amounting to Nu.2, 976,289,931 (i.e.17.28%, of the Total Loan Portfolio)” with non-Specific periodic repayment instalment. Interest Income on such Loans has not been recognised on EIR basis as per BAS 39. As explained by the Management any assumption of the repayment dates on such Bullet Loans may lead to volatility in recognition on Interest Income.*
- II. *Un-reconciled balance in Network Settlement Account as on 31st December, 2014 was Nu.108, 187,000.93 (previous year Nu. 134,330,558.95 Cr.). This represents withdrawal by the customers using inter-bank ATM cards settlement of which was pending with other banks through the Bhutan Financial Switch (BFS) system.*



AUDITORS' REPORT

III. *As explained to us, in absence of active trading on the Royal Security Exchange of Bhutan Limited, Investment in quoted Equity Shares Nu 83,103,302 was not fair valued as per the provisions BAS 39, using the rates prevailing for the quoted shares as on 31st December 2014. Instead, Bank has valued these Investment as per Dividend Growth Model (i.e. level III technique as per BAS 39).*

Our Opinion is not qualified in these matters.

6. Other Matter

(i) *The Bank has re-valued their Land and Building by 150,935,918. This revaluation was only certified by the management of the Bank.*

(ii) *Confirmation of outstanding balances of Loan Accounts, Claims Recoverable various advances, deposits, and other liabilities were not available for our verification. However the bank contended that such confirmation is not feasible.*

(iii) *Credit Deposits ratio was maintained at 89.71% as of 31st December, 2014 (98.02 % as of December, 2013) signifying severe exposure to liquidity risks.*

However, Capital Adequacy Ratio stands at 25.65 % as against minimum stipulation of 10% in RMA Prudential Regulation and according to the Management of Bank, such fund position is sufficient to cover additional risk.

Our Opinion is not qualified in respect of these matters.

7. As required by Section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with Section II of Schedule XIV thereto (The Minimum Audit Examination and Reporting Requirements) we enclose in the ANNEXURE a statement on the matters specified therein to the extent applicable to the Bank.

Date: 28th March, 2015


Place: Kolkata



For N.C.MITRA &CO.

CHARTERED ACCOUNTANTS

Firm's Registration No. 306027E


(U.K. BASU)
Partner
Mem No. 052995

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As required by the minimum audit examination and reporting requirements under 2nd paragraph of scheduled XIV under section 75 of The Companies Act of the Kingdom of Bhutan 2000, read with Part II of Schedule XIV to the extend applicable, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further report that:

1. The Bank is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets. Physical verification of Fixed Assets has been conducted by the management during the year.
2. The Fixed Assets, i.e. Land and Building have been revalued during the year by 150,935,918 by the management of the bank.
3. The loans/advances granted to officers/staff are in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
4. The Bank has an established system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the bank as well as to ensure adherence to the rules / regulations and systems and procedures. As per the available information, branches are maintaining Cash retention Limit.
5. There is a system of competitive biddings, commensurate with the size of the bank and the nature of its business, for the purchase of goods and services including stores and other assets and for the sale of assets.
6. Fund based or non-fund based facilities were provided to the directors or any other parties to the directors or with the company or firms in which directors are directly or indirectly interested under similar terms and conditions as are applied with other parties. Such terms and conditions are not prejudicial to the interest of the other shareholders or the other directors of the bank.
7. According to records, the Bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority.
8. There is no undisputed amount in respect of rates, taxes, duties, royalties, provident funds and other statutory dues outstanding at the year end.
9. No personal expenses have been charged other than that payable under contractual obligations and/or in accordance with generally accepted business practices.
10. In our opinion and on the basis of available records and information, the activities carried on by the bank are lawful and intravires the Articles of Incorporation of the Bank.
11. The Bank has an established annual budgetary control system. *Performance vis a vis the budget should be reviewed at quarterly intervals and variances should be analysed for proper monitoring.*
12. The bank has not granted any loans to other companies or firms or to companies under same management terms of which are prejudicial to the interest of the bank.
13. The directives of the Board of Directors have been complied with.
14. We have no information where the officials of the Bank have transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.





15. The Bank has maintained adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made.
16. The Bank has adequate records for funds collected from depositors and for interest payments.
17. The bank has the system of identifying objective evidence to assess whether any Impairment in value of Investment.
18. 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.
19. The bank has charged Nu. 113,571,804 towards provision for Impaired Loans in accordance with BAS 39, as against Nu. 115,226,194.63 computed as per RMA prudential norms.
20. The Bank has in place a system of physical verification and standards for valuation of assets hypothecated against loans and advances. Mortgage deeds are executed and are ensured that the assets are free of any prior lien or charges.
21. The Bank has a system of monitoring the projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily. However, Bank is required to strengthen its present system in respect of the following aspect: Collection of Activity Reports containing profitability statements, cash flows, debtors/creditors movement, stock velocity at regular intervals (monthly/quarterly) depending upon the volume of exposure.
22. The disposals of assets taken over for repayment defaults etc. are made through open/sealed bids.
23. Proper analysis is generally carried out before re-phasing/rescheduling of loans.
24. There is a system to ensure that additional loans are not granted to those who have defaulted in payment of earlier advances.

25. Computerized Accounting Environment

- i. The organizational and system development controls and other internal controls are adequate commensurate with size and nature of computer installations.
- ii. Adequate safeguard measures and back up facilities exist.
- iii. Back up facilities and disaster recovery measures exist, but files are not kept in different and remote locations.
- iv. The operational controls are adequate to ensure correctness and validity of input data and output information.
- v. The measures to prevent unauthorized access over the computer installation and files are adequate; however no exceptional reports are generated to track irregular transactions. There has been no System Audit since the Incorporation of the Bank.



GENERAL:

1. Going Concern Problems:

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December, 2013 audited by us in accordance with the generally accepted auditing standards and on the basis of such other tests as we considered necessary in this regards, we have no reason to believe that the Bank is not a going concern on the Balance Sheet date and is not likely to become sick in the near future.

2. Ratio Analysis:

The significant ratios indicating the financial health and profitability of the bank are given in Exhibit-1 to Annexure.

3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000.

The Bank has complied with the various provisions of the Companies Act of the Kingdom of Bhutan concerning conducting of the meetings, adherence to laws, rules and regulations, filing requirements, maintenance of records and all other matters specified in the said Act.

4. Adherence to Laws, Rules and Regulations

The audit of the Bank is governed by the Companies Act Kingdom of Bhutan, 2000 and RMA Prudential Regulations, 2002. The scope of audit is limited to examination and review of the financial statement as produced to us by the management.

Capital Adequacy Ratio of the Bank as on 31st December, 2014 has been fairly assessed and such ratio is more than the prescribed limit by the RMA.





RATIO ANALYSIS

BHUTAN NATIONAL BANK LTD.
THIMPHU :: BHUTAN

RATIO ANALYSIS

Particulars	2014		2013	
	Local GAAP	BAS/IFRS	Local GAAP	BAS/IFRS
Deposit Growth	12.88%	12.75%	-6.84%	-6.83%
Loan Growth	3.31%	2.96%	1.72%	2.28%
CD Ratio	89.71%	82.51%	98.02%	90.36%
Interest Expenses/Deposits	3.80%	3.89%	4.94%	5.08%
Interest Income/Loans	10.96%	12.59%	10.50%	12.57%
Earning per Share (With Split)	2.01	2.10	1.90	3.00
ROA	2.51%	2.72%	1.78%	2.91%
ROE	12.07%	11.24%	8.62%	12.39%
CAR	25.65%	25.65%	23.65%	23.65%
NPA ratio	6.54%	6.54%	7.80%	7.80%
Book Value	17.18	19.42	22.65	25.02
Increase in Networth	5.84%	8.64%	100.00%	7.23%
Increase in Share Capital	40.00%	40.00%	0.00%	0.00%
Dividend per Share	10.00		7.66	



INCOME STATEMENT

For the year ended 31st December 2014



	Note	Bank		Group	
		2014 Nu	2013 Nu	2014 Nu	2013 Nu
Interest & Similar Income	4	2,168,485,316	2,102,096,135	2,168,485,316	2,102,096,135
Interest & Similar Expense	5	(812,104,131)	(939,687,144)	(811,550,606)	(939,141,887)
Net interest income		1,356,381,185	1,162,408,991	1,356,934,710	1,162,954,248
Fee and commission income		88,178,494	86,724,281	90,370,371	88,438,247
Fee and commission expenses	6	(5,930,642)	(4,712,893)	(6,257,487)	(4,971,501)
Net fee and commission income		82,247,852	82,011,387	84,112,884	83,466,745
Other Operating Income	7	85,383,976	92,001,303	85,383,976	92,001,303
Share of Profit/(Loss) from Associates		-	-	-	3,568,667
Total operating income		1,524,013,014	1,336,421,682	1,526,431,571	1,341,990,963
Personnel Expenses	8	243,064,144	254,680,426	244,125,713	255,505,661
Depreciation on Property Plant & Equipment	22	22,242,816	17,743,085	22,242,816	17,743,085
Amortization of Intangible Assets	23	4,247,163	3,124,987	4,247,163	3,124,987
Other Operating Expenses	9	85,135,607	73,855,990	85,403,107	74,064,682
Impairment charges/(reversal) for loans and other losses	10	113,571,804	(83,007,609)	113,571,804	(83,007,609)
Total Operating Expenses		468,261,534	266,396,878	469,590,604	267,430,806
Profit Before Tax from Continuing Operations		1,055,751,480	1,070,024,804	1,056,840,967	1,074,560,158
Income Tax Expense	11	312,109,489	310,899,707	312,493,665	311,160,783
Profit For the Year		743,641,990	759,125,097	744,347,301	763,399,374

for N.C Mitra & Co
Chartered Accountants
FRN: 306027E



U.K Basu
Partner
M. No. 052995
Date : 28.03.2015
Place: Kolkata

S. - + -

CHAIRPERSON

CHIEF EXECUTIVE OFFICER



STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2014

	Bank		Group	
	2014 Nu	2013 Nu	2014 Nu	2013 Nu
Profit for the year	743,641,990	759,125,097	744,347,301	763,399,374
Gains /(losses) on re-measuring available for sale financial assets	-	14,562,401	-	14,562,401
Remeasurement Gain/(Loss) on Defined Benefit Plan	(2,340,711)	8,280,470	(2,340,711)	8,280,470
Net loss on available for sale financial assets	-	-	-	-
Total other comprehensive income before tax	(2,340,711)	22,842,871	(2,340,711)	22,842,871
Income tax income /(expense) relating to components of other comprehensive income	(702,213)	6,852,861	(702,213)	6,852,861
Other comprehensive income for the year, net of tax	(1,638,498)	15,990,010	(1,638,498)	15,990,010
Total comprehensive income for the year, net of tax	742,003,493	775,115,107	742,708,804	779,389,384
Basic Earnings Per Share	2.10	3.00	2.10	3.01

for N.C Mitra & Co
Chartered Accountants
FRN: 306027E



U.K Basu
Partner
M. No. 052995
Date : 28.03.2015
Place: Kolkata

S. - + -

CHAIRPERSON

CHIEF EXECUTIVE OFFICER

STATEMENT OF FINANCIAL POSITION

As at 31st December 2014



	Note	Bank			Group		
		2014 Nu	2013 Nu	2013 January Nu	2014 Nu	2013 Nu	2013 January Nu
Assets							
Cash & cash Equivalents	12	5,610,201,525	3,883,401,003	6,942,604,754	5,610,201,525	3,883,401,003	6,942,604,754
Cash & Balances with Central Bank	13	4,387,186,826	3,683,012,820	1,505,849,437	4,387,186,826	3,683,012,820	1,505,849,437
Placement with other Banks	14	859,462,671	351,265,753	351,606,715	859,462,671	351,265,753	351,606,715
Loans & Advances to Customers	15	17,224,255,581	16,728,984,585	16,355,400,266	17,224,255,581	16,728,984,585	16,355,400,266
Investments in Subsidiaries	16	500,000	500,000	500,000	-	-	-
Investments in Associates	17	91,463,480	91,463,480	91,463,480	105,647,101	105,647,101	102,078,434
Financial Investments Available for Sale	18	104,978,302	104,603,302	89,540,901	105,478,302	105,103,302	90,040,901
Financial Assets - Loans & Receivables	19	116,952,968	106,831,268	534,078,837	116,952,968	106,831,268	534,078,837
Defined Benefit Assets	20	35,498,934	35,444,823	10,326,677	35,498,934	35,444,823	10,326,677
Other Financial Assets	21	71,520,790	30,346,850	54,981,877	71,520,790	30,349,826	54,981,877
Other Assets	22	197,149,827	248,747,713	303,795,843	197,349,827	248,947,713	303,997,382
Property & Equipment	23	330,226,773	309,538,223	268,140,597	330,226,773	309,538,223	268,140,597
Intangible Assets	24	49,466,576	17,213,563	19,600,684	49,466,576	17,213,563	19,600,684
Deferred tax assets				134,278,418	-	-	134,278,418
Total Assets		29,078,864,252	25,591,353,383	26,662,168,485	29,093,247,873	25,605,739,979	26,672,984,978
Liabilities							
Due to Banks and Financial Institution	25	5,798,719,895	4,538,560,041	4,054,993,718	5,790,085,442	4,530,804,076	4,047,547,635
Due to Customers	26	15,075,874,139	13,975,874,873	15,815,688,186	15,075,874,139	13,975,874,873	15,815,688,186
Debts Issued & Other Borrowed Funds	27	876,375,342	354,372,603	354,372,603	876,375,342	354,372,603	354,372,603
Current Tax Liabilities	28	313,038,801	222,000,831	297,858,094	313,422,977	222,261,907	298,195,217
Defined Benefit Liability		-	-	-	-	-	-
Deferred Tax Liability	30	(44,711,687)	(38,526,681)	-	(44,711,687)	(38,526,681)	-
Unclaimed Balances		37,336,461	18,399,657	72,048,915	37,336,461	18,399,657	72,048,915
Deferred Income		16,494,602	17,085,377	21,959,891	16,494,602	17,085,377	21,959,891
Provisions	31	28,897,848	40,630,225	48,792,535	29,110,761	40,796,073	48,792,535
Other Liabilities	32	86,760,283	120,748,126	81,845,853	86,898,390	120,886,197	82,261,932
Total Liabilities		22,188,785,685	19,249,145,052	20,747,559,795	22,180,886,428	19,241,954,081	20,740,866,914
Equity							
Share Capital	33	3,548,077,000	2,534,377,900	2,534,377,900	3,548,077,000	2,534,377,900	2,534,377,900
Share Premium	33	34,022,965	1,047,722,065	1,047,722,065	34,022,965	1,047,722,065	1,047,722,065
Reserves							
Revenue Reserve		777,536,769	459,408,032	569,779,694	799,819,648	480,985,599	587,289,067
General Reserve		2,131,072,416	1,916,806,856	1,296,203,802	2,131,072,416	1,916,806,856	1,296,203,802
Statutory Reserve		77,784,067	62,308,128	43,483,561	77,784,067	62,308,128	43,483,561
Specific Reserves		124,000,000	124,000,000	235,650,000	124,000,000	124,000,000	235,650,000
AFS Reserve		47,964,887	47,964,887	37,771,206	47,964,887	47,964,887	37,771,206
Revaluation Reserve		149,620,462	149,620,462	149,620,462	149,620,462	149,620,462	149,620,462
Total equity		6,890,078,567	6,342,208,330	5,914,608,690	6,912,361,445	6,363,785,898	5,932,118,064
Total liabilities and equity		29,078,864,252	25,591,353,383	26,662,168,485	29,093,247,873	25,605,739,979	26,672,984,978

for N.C Mitra & Co
Chartered Accountants
FRN: 306027E



U.K Basu
Partner
M. No. 052995
Date : 28.03.2015
Place: Kolkata

S. - + - -

CHAIRPERSON

CHIEF EXECUTIVE OFFICER

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

Group	Note	Stated Capital	Share Premium	Retained Earnings	Statutory Reserve	In Nus		Available for Sale	Revaluation Reserve	Total Shareholders' Funds
						General Reserve	Specific Reserve			
		2,534,377,900	1,047,722,065	567,289,067	43,483,561	1,296,203,802	235,650,000	37,771,206	149,620,462	5,932,118,064
	Net profit for the year	-	-	763,399,374	-	-	-	(4,368,720)	-	763,399,374
	Tax Impact on other Comprehensive Income	-	-	(2,484,141)	-	-	-	14,562,401	-	(6,852,861)
	Revaluation for the year	-	-	-	-	-	-	-	-	14,562,401
	Remeasurement Gains/Losses on DBO	-	-	8,280,470	-	-	-	-	-	8,280,470
	Trfd to specific reserve from current year PAT (local GAAP)	-	-	(144,819,884)	-	-	-	-	-	-
	Prior Period Adjustment	-	-	(304,133,171)	-	-	-	-	-	(304,133,171)
	Transferred to General Reserve	-	-	(337,376,383)	-	-	-	-	-	(337,376,383)
	Dividend Paid (Out of 2012 Profits)	-	-	(78,824,567)	18,824,567	-	60,000,000	-	-	(337,376,383)
	Transfers during the year	-	-	-	-	-	-	-	-	-
	Balance as at 31st December 2013	2,534,377,900	1,047,722,065	480,985,599	62,308,128	1,916,806,856	124,000,000	47,964,887	149,620,462	6,363,785,898
	Adjustments									
	Net profit for the year	-	-	744,347,301	-	-	-	-	-	744,347,301
	Tax Impact on other Comprehensive Income	-	-	702,213	-	-	-	-	-	702,213
	Revaluation for the year	-	-	-	-	-	-	-	-	-
	Remeasurement Gains/Losses on DBO	-	-	(2,340,711)	-	-	-	-	-	(2,340,711)
	Trfd to specific reserve from current year PAT (local GAAP)	-	-	-	-	-	-	-	-	-
	Prior Period Adjustment	-	-	91	-	-	-	-	-	91
	Issuance of Bonus Shares	1,013,699,100	(1,013,699,100)	(194,133,347)	-	-	-	-	-	(194,133,347)
	Dividend Paid (Out of 2013 Profits)	-	-	(229,741,499)	15,475,939	-	-	-	-	(229,741,499)
	Transfers during the year	-	-	799,819,648	77,784,067	214,265,559	-	-	-	799,819,648
	Balance as at 31st December 2014	3,548,077,000	34,022,965	799,819,648	77,784,067	2,131,072,416	124,000,000	47,964,887	149,620,462	6,912,361,445
	Bank									
		2,534,377,900	1,047,722,065	569,779,694	43,483,561	1,296,203,802	235,650,000	37,771,206	149,620,462	5,914,608,690
	Adjustments									
	Net profit for the year	-	-	759,125,097	-	-	-	-	-	759,125,097
	Tax Impact on other Comprehensive Income	-	-	(2,484,141)	-	-	-	-	-	(6,852,861)
	Revaluation for the year	-	-	-	-	-	-	-	-	14,562,401
	Remeasurement Gains/Losses on DBO	-	-	8,280,470	-	-	-	-	-	8,280,470
	Trfd to specific reserve from current year PAT (local GAAP)	-	-	(144,819,884)	-	-	-	-	-	-
	Prior Period Adjustment	-	-	(304,133,171)	-	-	-	-	-	(304,133,171)
	Transferred to General Reserve	-	-	(337,376,383)	-	-	-	-	-	(337,376,383)
	Dividend Paid (Out of 2012 Profits)	-	-	(78,824,567)	18,824,567	-	60,000,000	-	-	(78,824,567)
	Transfers during the year	-	-	459,408,032	18,824,567	-	-	-	-	459,408,032
	Balance as at 31st December 2013	2,534,377,900	1,047,722,065	459,408,032	62,308,128	1,916,806,856	124,000,000	47,964,887	149,620,462	6,342,208,330
	Adjustments									
	Net profit for the year	-	-	743,641,990	-	-	-	-	-	743,641,990
	Tax Impact on other Comprehensive Income	-	-	702,213	-	-	-	-	-	702,213
	Revaluation for the year	-	-	-	-	-	-	-	-	-
	Remeasurement Gains/Losses on DBO	-	-	(2,340,711)	-	-	-	-	-	(2,340,711)
	Trfd to specific reserve from current year PAT (local GAAP)	-	-	-	-	-	-	-	-	-
	Prior Period Adjustment	-	-	91	-	-	-	-	-	91
	Issuance of Bonus Shares	1,013,699,100	(1,013,699,100)	(194,133,347)	-	-	-	-	-	(194,133,347)
	Dividend Paid (Out of 2013 Profits)	-	-	(229,741,499)	15,475,939	-	-	-	-	(229,741,499)
	Transfers during the year	-	-	777,536,769	77,784,067	214,265,559	-	-	-	777,536,769
	Balance as at 31st December 2014	3,548,077,000	34,022,965	777,536,769	77,784,067	2,131,072,416	124,000,000	47,964,887	149,620,462	6,890,078,567

(Handwritten signatures)



CASH FLOW STATEMENT

For the year ended 31st December 2014



CASH FLOW STATEMENT For the year ended 31st December

	Bank		Group	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit Before Taxation	1,055,751,480	1,070,024,804	1,056,840,967	1,074,560,158
Adjustment for:				
Depreciation and Amortisation	26,489,979	20,868,072	26,489,979	20,868,072
Loss/(Gain) on Sale of Property Plant and Equipment	181,841	(22,774)	181,841	(22,774)
Income from RGOB Bonds	(8,822,033)	(65,333,968)	(8,822,033)	(65,333,968)
Provisions for gratuity	14,006,686	5,081,660	14,006,686	5,081,660
Income From AFS Financial Investments	(5,749,912)	(5,218,820)	(5,749,912)	(5,218,820)
Income From Investments in Associates	(11,591,060)	(9,852,401)	(11,591,060)	(9,852,401)
Interest paid for Borrowings	43,002,740	21,000,000	43,002,740	21,000,000
Impairment Charges for Loans and advances and other write-offs	113,571,804	(83,007,609)	113,571,804	(83,007,609)
Movement in Provisions(Lease encashment and Off balance sheet provisions)	6,337,399	29,958,796	6,337,399	29,958,796
Operating profit before changes in operating assets & liabilities	1,233,178,924	983,497,759	1,234,268,411	988,033,113
(Increase) / decrease in operating assets				
Defined Benefit Plan Movement	(16,401,508)	(21,919,336)	(16,401,508)	(21,919,336)
Balance with RMA	(704,174,006)	(2,177,163,384)	(704,174,006)	(2,177,163,384)
Loans & receivables from customers	(605,622,801)	(291,333,361)	(605,622,801)	(291,333,361)
Other assets	10,423,947	80,439,809	10,212,948	74,439,809
Deferred tax assets	-	46,347,779	-	46,347,779
	(1,315,774,367)	(2,363,628,493)	(1,315,985,366)	(2,369,628,493)
Increase / (decrease) in operating liabilities				
Tax Liabilities				
Due to customers	1,096,779,267	(1,839,813,313)	1,096,779,267	(1,839,813,313)
Due to banks	1,260,159,854	483,566,324	1,259,281,366	483,256,440
Other liabilities	(33,987,753)	38,902,273	(33,726,677)	41,013,926
Differed Tax Liability	-	-	-	-
Unclaimed Balances	18,936,803	(53,649,258)	18,936,803	(53,649,258)
Diffrd Income	(590,775)	(4,874,515)	(590,775)	(4,874,515)
Provisions	(35,608,481)	(81,484,657)	(35,608,481)	(81,484,657)
	2,305,688,915	(1,457,353,145)	2,304,810,427	(1,455,888,499)
Net cash generated from/(used in) operating activities before income tax	2,223,093,472	(2,837,483,879)	2,223,093,472	(2,837,483,879)
Income tax paid	(222,000,831)	(297,858,094)	(222,261,907)	(298,195,217)
Net cash generated from/(used in) operating activities	2,001,092,641	(3,135,341,973)	2,001,092,641	(3,135,341,973)
Cash flows from investing activities				
Investment in Bonds	(10,121,700)	427,247,569	(10,121,700)	427,247,569
Net proceeds from sale, maturity and purchase of available for sale investments	(375,000)	(500,000)	(375,000)	(500,000)
Income from investments	5,749,912	5,218,820	5,749,912	5,218,820
Income from Investment in subsidiaries	11,591,060	9,852,401	11,591,060	9,852,401
Purchase of property plant and equipment	(33,492,430)	(62,102,165)	(33,492,430)	(62,102,165)
Purchase of intangible assets	(33,135,730)	(737,865)	(33,135,730)	(737,865)
Income from RGOB Bonds	8,822,033	65,333,968	8,822,033	65,333,968
Net cash flows used in investing activities	(50,961,854)	444,312,727	(50,961,854)	444,312,727
Cash flows from financing activities				
Interest Paid on borrowings	(43,002,740)	(21,000,000)	(43,002,740)	(21,000,000)
Movement in Debt and other Borrowed Funds	522,002,740	-	522,002,740	-
Dividend paid	(194,133,347)	(337,376,383)	(194,133,347)	(337,376,383)
Prior Period Adj	-	(10,139,084)	-	(10,139,084)
Net cash generated from financing activities	284,866,653	(368,515,466)	284,866,653	(368,515,466)
Net cash generated / (used in) during the year	2,234,997,440	(3,059,544,712)	2,234,997,440	(3,059,544,712)
Cash and cash equivalents at the beginning of the year	4,234,666,756	7,294,211,468	4,234,666,756	7,294,211,468
Cash and cash equivalents at the end of the year	6,469,664,196	4,234,666,756	6,469,664,196	4,234,666,756

Chartered Accountants
FRN: 306027E



U.K. Basu
Partner
M. No. 052995
Date : 28.03.2015
Place: Kolkata

S. - + - -
CHAIRPERSON

CHIEF EXECUTIVE OFFICER



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

1. CORPORATE INFORMATION

Bhutan National Bank Limited (the Bank) together with its subsidiary (‘the Group’), provides Commercial Banking services in various parts of the Kingdom of Bhutan. It is a Licensed Commercial Bank under the Financial Institutions’ Act of Bhutan 1992. The principal activities of the Group are described in Note 3.

Bhutan National Bank is a domestic national bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 439, Head Office, Norzim Lam, Thimphu, Bhutan.

The Bank does not have an identifiable parent on its own. Bhutan National Bank is the ultimate parent of the Group.

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 6 March, 2015.

2.1 BASIS OF PREPARATION

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

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with Bhutan Accounting Standards (BAS) in line with International Financial Reporting Standards (IFRS). Also, this is the first time that the company is following International Financial Reporting Standards in line with IFRS 1 First Time Adoption.

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 presented in note 41.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group



NOTES TO THE FINANCIAL STATEMENT



Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2014. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation 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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

Going concern

The Group'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 Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.





NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

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. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential and etc.

For the purpose of valuing the quoted equity, Bank used the Dividend Growth Model and in certain circumstances, the growth was anticipated to be in line with the GDP growth/Business sector of the economy.

Impairment losses on loans and advances

The Group 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.

The impairment loss on loans and advances is disclosed in more detail in Note 15.

Impairment of available-for-sale investments

The Group 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 Group 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 Group 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 FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2014, are the first the Group has prepared in accordance with BAS inline with IFRS. For periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with Generally Accepted Accounting Principles in Bhutan (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with BAS (in line with IFRS) applicable for periods ending on or after 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2013, the Company's date of transition to BAS (in line with IFRS). This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2013 and the financial statements as at and for the year ended 31 December 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Foreign currency translation

The consolidated financial statements are presented in Bhutan Ngultrum (Nu) which is the functional currency of the Bank and its Subsidiary.

(i) *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.

2.4.2 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 i.e Refundable Deposits/Staff Loans.





NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

(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 Group does not have any Financial Assets classified as held for trading.

(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 Group 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 Group 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 (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 Group 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 Group 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 Group 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 Group would be prohibited from classifying any financial asset as held to maturity during the following two years. Currently the Group does not have any financial instruments classified as Held Till Maturity.

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





NOTES TO THE FINANCIAL STATEMENT

- Those that the Group, upon initial recognition, designates as available-for-sale
- Those for which the Group 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 Group 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 Group 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 Group 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.

2.4.3 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 group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired



- The Group 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 Group has transferred substantially all the risks and rewards of the asset.
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group 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 Group’s continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay. The difference between the carrying value of the original financial Asset and the consideration received is recognised in profit or loss.

(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.

2.4.4 **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 the dividend growth model (i.e quoted equity in Royal Security Exchange of Bhutan).

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





NOTES TO THE FINANCIAL STATEMENT

2.4.5 Impairment of financial assets

The Group 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 Group 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 Group 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's 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.

The interest income is recorded as part of Interest and similar income.

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 Group. 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'.



NOTES TO THE FINANCIAL STATEMENT



The present value of the estimated future cash flows is discounted at the financial asset's original 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 Loan types, Overdue Status, etc.

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 Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

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 Group 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).





NOTES TO THE FINANCIAL STATEMENT

(iv) *Collateral valuation*

The Group 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 Group 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 provided.

2.4.6 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 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.

2.4.7 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 Group 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.

2.4.8 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

(ii) Fee and commission income

The Group 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 Group'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.





NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

2.4.9 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.

2.4.10 Property and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Group applies the requirements of BAS 16 (Property, Plant and Equipment) in accounting for these assets.

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in Equity, under the Revaluation Reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement.

In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited in the Other Comprehensive Income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under revaluation reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

Property and equipment (including equipment under operating leases where the Group is the lessor and excluding Land & Buildings) 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:



NOTES TO THE FINANCIAL STATEMENT



<u>Asset Type</u>	<u>Useful Life</u>
Buildings	10-60 Years (Component Based)
Furniture & Fitting	2-30 Years
Office Equipment	3-10 Years
Motor Vehicles	5-10 Years
Computer Hardware	3-20 Years
Security Equipment	3-10 Years
Electrical Equipment	3-5 Years
Computer Software	3-20 Years
Carpet & Soft Furnishing	2-15 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.

2.4.11 Intangible assets

The Group's intangible assets include the value of computer software and licences.

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 Group.

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.

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 period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. 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.



2.4.12 Impairment of non-financial assets

The Group 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 Group 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.

2.4.13 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in Credit loss expense. The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

2.4.14 Provisions

Provisions are recognised when the Group 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.

2.4.15 Employee Benefits

The Group measures the present value of the Pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit method

(PUC) as required by BAS 19 Employee Benefits (in line with IFRS).

An actuarial valuation has been carried out at every year end starting from the year 2012 to ascertain the full liability under the Fund. The last such valuation was carried out as at 31st December 2013 by Mr. Ugyen Tshewang (Actuarial Unit – Financial Security & Services Department), a qualified actuary of Royal Insurance Corporation of Bhutan.

Recognition of Actuarial Gains and Losses: Actuarial gains and losses occur when the actual plan experience differs from the assumed. The Bank recognises the total actuarial gains and losses that arise in calculating the Bank's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

2.4.16 Dividends on ordinary shares

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

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

2.4.17 Equity reserves

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

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

Revaluation reserve, comprises changes in fair value of land and building.

2.4.18 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 Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 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 Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.





NOTES TO THE FINANCIAL STATEMENT

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as issued, reflects the first phase of IASB's initiative to replace IAS 18, the objective of which is to establish the principles that the company shall apply in reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application by the company is permitted.

Contracts with customers will be presented in the company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.



NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December 2014



2.5 FIRST- TIME ADOPTION OF IFRSs (Contd.)

2.5.1 Notes to the Reconciliation of Equity as at 1 January 2013 and 31 December 2013 and Total Comprehensive Income for the year ended 31 December 2013

(A) Property, plant and equipment

According to BAS 16 (Inline with IFRS) depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Currently Group uses rate established by the tax authorities to calculate depreciation of each assets. Therefore, the useful life of the assets is revised to match with the requirement of BAS 16 and recalculated the depreciation.

BAS 16 requires significant component parts of an item of property, plant and equipment to be depreciated separately, the cost of major inspections/components is capitalized and depreciated separately over the period of the useful life. Further the group adopts revaluation model for Land & buildings in line with BAS 16.

(B) Intangible assets

BAS 38 (Inline with IFRS's) recognizes assets as intangible assets if it is identifiable non-monetary asset without physical substance. Further depreciable amount of an intangible assets should amortize over its use full life time. Currently, the Group recognized intangible assets as Fixed Assets. Therefore to comply with BAS 38 all the assets which meets the recognition criteria in BAS 38 recognized as intangible assets and amortized over the use full life time.

(C) Loans and receivables

The provisions made by the group (Specific and General) under local GAAP is different from the BAS 39 (In line with IFRS) requirement which requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Therefore Collective impairment has been done in respect of loans and receivables in compliance with BAS 39.

(D) Staff loan fair-valuation

Group has provided concessionary rate loans to employees and as per BAS 39 (Inline with IFRS) the benefit that the employees are getting from the reduced interest rate has to be quantified and presented in financial statement. For this purpose, the staff loans have been fair valued using the market interest rate.

(E) Available-for-sale financial assets

Currently, the Group measured investments in unquoted and quoted equity shares at cost. Under BAS/IFRS, investments in quoted and unquoted shares has been designated as available-for-sale investments. BAS 39 (Inline with IFRS) requires available-for-sale investments to be measured at fair value. Fair valuation of the investment in quoted shares has been done using the Level 3 technique as per BFRS 13 fair value measurement in line with IFRS

(F) Defined benefit obligation

Under Local GAAP, the Group recognised the contributions made to the fund as an expense. Gratuity liability has been recognised based on projected unit credit method as per BAS 19 Employee Benefits (inline with IFRS).

(G) Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity as per BAS 12 Income Tax (inline with IFRS).

(H) Refundable deposits

Group has provided security deposits on refundable basis and recognized at cost, on transition to BAS (Inline with IFRS) group fair valued the refundable deposits kept/received in line with BAS 39 Financial Instrument Recognition & Measurement in order to adjust the time value of money.

(I) Fixed Deposit EIR Adjustment

Group allocated interest for fixed deposit on straight line basis, with the transition to BAS group measures interest expenses on Effective Interest Basis (EIR) on compounding basis in line with BAS 39 Financial Instrument Recognition & Measurement inline with IFRS

(J) Investments in Associates

Under Old GAAP group did not accounted for the investments in Associates, on transition to BAS the group measures investments in associates using equity method of accounting as per BAS 28 Investments in associates (Inline with IFRS)





3 FIRST- TIME ADOPTION OF IFRSs (Contd.)
3.1 Reconciliation of Balance Sheet as at 31 December 2014-Bank

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December 2014



Reconciliation of Balance Sheet as at 31 December 2014-Group

	Note	Group ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Assets				
Cash & cash Equivalents		5,593,800,017	16,401,508	5,610,201,525
Cash & Balances with Central Bank		4,387,186,826	-	4,387,186,826
Placement with other Banks		859,462,671	-	859,462,671
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	C/D	17,221,172,014	3,083,567	17,224,255,581
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	14,183,621	105,647,101
Financial Investments Available for Sale	E	36,957,035	68,521,267	105,478,302
Financial Investments Held to Maturity		-	-	-
Financial Assets - Loans & Receivables		116,952,968	-	116,952,968
Defined Benefit Assets	F	-	35,498,934	35,498,934
Other Financial Assets		71,533,421	(12,632)	71,520,790
Other Assets	H	123,983,187	73,366,640	197,349,827
Property & Equipment	A	173,351,139	156,875,634	330,226,773
Intangible Assets	B	37,801,221	11,665,355	49,466,576
Deferred tax assets	G	-	-	-
Total Assets		28,713,663,980	379,583,893	29,093,247,873
Liabilities				
Due to Banks and Financial Institution		5,790,085,442	-	5,790,085,442
Due to Customers	I	15,121,546,099	(45,671,960)	15,075,874,139
Debts Issued & Other Borrowed Funds		876,375,342	-	876,375,342
Current Tax Liabilities		313,422,977	-	313,422,977
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	(44,711,687)	(44,711,687)
Unclaimed Balances		37,336,461	-	37,336,461
Deferred Income		16,494,602	-	16,494,602
Provisions		12,709,253	16,401,508	29,110,761
Other Liabilities	H	86,898,390	-	86,898,390
Total Liabilities		22,254,868,566	(73,982,139)	22,180,886,427
Equity				
Share Capital		3,548,077,000	-	3,548,077,000
Share Premium		34,022,965	-	34,022,965
Reserves				
Revenue Reserve		189,031,265	610,788,383	799,819,648
General Reserve		2,131,072,416	-	2,131,072,416
Statutory Reserve		77,784,067	-	77,784,067
Specific Reserves		124,000,000	-	124,000,000
AFS Reserve		-	47,964,887	47,964,887
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		6,103,987,713	808,373,732	6,912,361,446
Total liabilities and equity		28,358,856,280	734,391,593	29,093,247,873



NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December 2014

Reconciliation of Balance Sheet as at 31 December 2013-Bank

	Note	Bank ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Assets				
Cash & cash Equivalents		3,883,401,003	-	3,883,401,003
Cash & Balances with Central Bank		3,683,012,820	-	3,683,012,820
Placement with other Banks		351,265,753	-	351,265,753
Due From Banks and Financial Institution				
Loans & Advances to Customers	C/D	16,742,229,204	(13,244,619)	16,728,984,585
Investments in Subsidiaries		500,000	-	500,000
Investments in Associates		91,463,480	-	91,463,480
Financial Investments Available for Sale	E	35,082,035	69,521,267	104,603,302
Financial Investments Held to Maturity				
Financial Assets - Loans & Receivables		106,831,268	-	106,831,268
Defined Benefit Assets	F	-	35,444,823	35,444,823
Other Financial Assets		30,364,702	(17,851)	30,346,850
Other Assets	H	164,849,321	83,898,392	248,747,713
Property & Equipment	A	144,804,537	164,733,686	309,538,223
Intangible Assets	B	7,215,772	9,997,790	17,213,563
Deferred tax assets	G			-
Total Assets		25,241,019,895	350,333,488	25,591,353,383
Liabilities				
Due to Banks and Financial Institution		4,538,560,041		4,538,560,041
Due to Customers	I	13,995,058,673	(19,183,800)	13,975,874,873
Debts Issued & Other Borrowed Funds		354,372,603	-	354,372,603
Current Tax Liabilities		222,000,831	-	222,000,831
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	(38,526,681)	(38,526,681)
Unclaimed Balances		18,399,657	-	18,399,657
Deferred Income		17,085,377	-	17,085,377
Provisions		40,630,225	-	40,630,225
Other Liabilities	H	120,748,126	-	120,748,126
Total Liabilities		19,306,855,533	(57,710,481)	19,249,145,052
Equity				
Share Capital		2,534,377,900	-	2,534,377,900
Share Premium		1,047,722,065	-	1,047,722,065
Reserves				
Revenue Reserve		248,949,412	210,458,620	459,408,032
General Reserve		1,916,806,856	-	1,916,806,856
Statutory Reserve		62,308,128	-	62,308,128
Specific Reserves		124,000,000	-	124,000,000
AFS Reserve		-	47,964,887	47,964,887
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		5,934,164,362	408,043,969	6,342,208,330
Total liabilities and equity		25,241,019,895	350,333,488	25,591,353,383



NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December 2014



Reconciliation of Balance Sheet as at 31 December 2013-Group

	Note	Group ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Assets				
Cash & cash Equivalents		3,883,401,003	-	3,883,401,003
Cash & Balances with Central Bank		3,683,012,820	-	3,683,012,820
Placement with other Banks		351,265,753	-	351,265,753
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	C/D	16,742,229,204	(13,244,619)	16,728,984,585
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	14,183,621	105,647,101
Financial Investments Available for Sale	E	35,582,035	69,521,267	105,103,302
Financial Investments Held to Maturity		-	-	-
Financial Assets - Loans & Receivables		106,831,268	-	106,831,268
Defined Benefit Assets	F	-	35,444,823	35,444,823
Other Financial Assets		30,367,677	(17,851)	30,349,826
Other Assets	H	165,049,321	83,898,392	248,947,713
Property & Equipment	A	144,804,537	164,733,686	309,538,223
Intangible Assets	B	7,215,772	9,997,790	17,213,563
Deferred tax assets	G	-	-	-
Total Assets		25,241,222,870	364,517,109	25,605,739,979
Liabilities				
Due to Banks and Financial Institution		4,530,804,076	-	4,530,804,076
Due to Customers	I	13,995,058,673	(19,183,800)	13,975,874,873
Debts Issued & Other Borrowed Funds		354,372,603	-	354,372,603
Current Tax Liabilities		222,261,907	-	222,261,907
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	(38,526,681)	(38,526,681)
Unclaimed Balances		18,399,657	-	18,399,657
Deferred Income		17,085,377	-	17,085,377
Provisions		40,796,073	-	40,796,073
Other Liabilities	H	120,886,197	-	120,886,197
Total Liabilities		19,299,664,562	(57,710,481)	19,241,954,081
Equity				
Share Capital		2,534,377,900	-	2,534,377,900
Share Premium		1,047,722,065	-	1,047,722,065
Reserves				
Revenue Reserve		256,343,359	224,642,240	480,985,599
General Reserve		1,916,806,856	-	1,916,806,856
Statutory Reserve		62,308,128	-	62,308,128
Specific Reserves		124,000,000	-	124,000,000
AFS Reserve		-	47,964,887	47,964,887
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		5,941,558,309	422,227,589	6,363,785,898
Total liabilities and equity		25,241,222,870	364,517,109	25,605,739,979



NOTES TO THE FINANCIAL STATEMENT

Reconciliation of Balance Sheet as at 1st January 2013-Bank

	Note	Bank ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Assets				
Cash & cash Equivalents		6,942,604,754	-	6,942,604,754
Cash & Balances with Central Bank		1,505,849,437	-	1,505,849,437
Placement with other Banks		351,606,715	-	351,606,715
Due From Banks and Financial Institution				
Loans & Advances to Customers	C/D	16,721,043,361	(365,643,095)	16,355,400,266
Investments in Subsidiaries		500,000	-	500,000
Investments in Associates		91,463,480	-	91,463,480
Financial Investments Available for Sale	E	35,082,035	54,458,866	89,540,901
Financial Investments Held to Maturity				
Financial Assets - Loans & Receivables		534,078,837	-	534,078,837
Defined Benefit Assets	F	-	10,326,677	10,326,677
Other Financial Assets		54,990,593	(8,716)	54,981,877
Other Assets	H	209,122,844	94,672,999	303,795,843
Property & Equipment	A	113,855,206	154,285,391	268,140,597
Intangible Assets	B	9,208,696	10,391,988	19,600,684
Deferred tax assets	G	-	134,278,418	134,278,418
Total Assets		26,569,405,957	92,762,529	26,662,168,485
Liabilities				
Due to Banks and Financial Institution		4,054,993,718		4,054,993,718
Due to Customers	I	15,838,587,466	(22,899,280)	15,815,688,186
Debts Issued & Other Borrowed Funds		354,372,603	-	354,372,603
Current Tax Liabilities		297,858,094	-	297,858,094
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		72,048,915	-	72,048,915
Deferred Income		21,959,891	-	21,959,891
Provisions		386,168,918	(337,376,383)	48,792,535
Other Liabilities	H	81,845,853	-	81,845,853
Total Liabilities		21,107,835,458	(360,275,663)	20,747,559,795
Equity				
Share Capital		2,534,377,900	-	2,534,377,900
Share Premium		1,047,722,065	-	1,047,722,065
Reserves				
Revenue Reserve		304,133,171	265,646,523	569,779,694
General Reserve		1,296,203,802	-	1,296,203,802
Statutory Reserve		43,483,561	-	43,483,561
Specific Reserves		235,650,000	-	235,650,000
AFS Reserve		-	37,771,206	37,771,206
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		5,461,570,499	453,038,192	5,914,608,690
Total liabilities and equity		26,569,405,957	92,762,529	26,662,168,485



NOTES TO THE FINANCIAL STATEMENT



Reconciliation of Balance Sheet as at 1st January 2013-Group

	Note	Group ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Assets				
Cash & cash Equivalents		6,942,604,754	-	6,942,604,754
Cash & Balances with Central Bank		1,505,849,437	-	1,505,849,437
Placement with other Banks		351,606,715	-	351,606,715
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	C/D	16,721,043,361	(365,643,095)	16,355,400,266
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	10,614,954	102,078,434
Financial Investments Available for Sale	E	35,582,035	54,458,866	90,040,901
Financial Investments Held to Maturity		-	-	-
Financial Assets - Loans & Receivables		534,078,837	-	534,078,837
Defined Benefit Assets	F	-	10,326,677	10,326,677
Other Financial Assets		54,990,593	(8,716)	54,981,877
Other Assets	H	209,324,383	94,672,999	303,997,382
Property & Equipment	A	113,855,206	154,285,391	268,140,597
Intangible Assets	B	9,208,696	10,391,988	19,600,684
Deferred tax assets	G	-	134,278,418	134,278,418
Total Assets		26,569,607,495	103,377,483	26,672,984,978
Liabilities				
Due to Banks and Financial Institution		4,047,547,635	-	4,047,547,635
Due to Customers	I	15,838,587,466	(22,899,280)	15,815,688,186
Debts Issued & Other Borrowed Funds		354,372,603	-	354,372,603
Current Tax Liabilities		298,195,217	-	298,195,217
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		72,048,915	-	72,048,915
Deferred Income		21,959,891	-	21,959,891
Provisions		386,168,918	(337,376,383)	48,792,535
Other Liabilities	H	82,261,932	-	82,261,932
Total Liabilities		21,101,142,577	(360,275,663)	20,740,866,914
Equity				
Share Capital		2,534,377,900	-	2,534,377,900
Share Premium		1,047,722,065	-	1,047,722,065
Reserves				
Revenue Reserve		311,027,590	276,261,477	587,289,067
General Reserve		1,296,203,802	-	1,296,203,802
Statutory Reserve		43,483,561	-	43,483,561
Specific Reserves		235,650,000	-	235,650,000
AFS Reserve		-	37,771,206	37,771,206
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		5,468,464,918	463,653,145	5,932,118,064
Total liabilities and equity		26,569,607,495	103,377,483	26,672,984,978



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

3 FIRST- TIME ADOPTION OF IFRSs (Contd.)

3.2 Reconciliation of Income Statement for the year ended 31.12.2014-Bank

	Note	Bank (Nu)		
		Local GAAP Reclassified	Re-measurement BAS/IFRS	
Interest & Similar Income	D	2,147,326,050	2,159,266	2,168,485,316
Interest & Similar Expense	I	(838,592,291)	26,488,160	(812,104,131)
Net interest income		1,308,733,759	47,647,426	1,356,381,185
Fee and commission income		88,178,494	-	88,178,494
Fee and commission expenses		(5,930,642)	-	(5,930,642)
Net fee and commission income		82,247,852	-	82,247,852
Other Operating Income		85,383,976	-	85,383,976
Share of Profit/(Loss) from Associates	J			
Total operating income		1,476,365,588	47,647,426	1,524,013,014
Personnel Expenses	D	235,476,196	7,587,948	243,064,144
Depreciation on Property Plant & Equipment	A	14,384,764	7,858,052	22,242,816
Amortization of Intangible Assets	B	5,914,728	(1,667,565)	4,247,163
Other Operating Expenses		85,129,801	5,806	85,135,607
Impairment charges/(reversal) for loans and other losses	C	108,202,767	5,369,037	113,571,804
Total Operating Expenses		449,108,256	19,153,279	468,261,534
Profit Before Tax from Continuing Operations		1,027,257,332	28,494,147	1,055,751,480
Income Tax Expense	G	313,038,801	(929,312)	312,109,489
Profit For the Year		714,218,531	29,423,459	743,641,990
Other Comprehensive Income				
Profit For the Year		714,218,531	29,423,459	743,641,990
Gains /(losses) on re-measuring available for sale financial assets				
	E	-	-	-
Remeasurment Gain/(Loss) on Defined Benefit Plan	F	-	(2,340,711)	(2,340,711)
Net loss on available for sale financial assets		-	-	-
Total other comprehensive income before tax		-	(2,340,711)	(2,340,711)
Income tax income /(expense) relating to components of other comprehensive income		-	(702,213)	(702,213)
Other comprehensive income for the year, net of tax		-	(1,638,498)	(1,638,498)
Total comprehensive income for the year, net of tax		714,218,531	27,784,961	742,003,493



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



Reconciliation of Income Statement for the year ended 31.12.2014-Group

	Note	Group (Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,147,326,050	21,159,266	2,168,485,316
Interest & Similar Expense	I	(838,038,766)	26,488,160	(811,550,606)
Net interest income		1,309,287,284	47,647,426	1,356,934,710
Fee and commission income		90,370,371	-	90,370,371
Fee and commission expenses		(6,257,487)	-	(6,257,487)
Net fee and commission income		84,112,884	-	84,112,884
Other Operating Income		85,383,976	-	85,383,976
Share of Profit/(Loss) from Associates	J	-	-	-
Total operating income		1,478,784,144	47,647,426	1,526,431,571
Personnel Expenses	D	236,537,765	7,587,948	244,125,713
Depreciation on Property Plant & Equipment	A	14,384,764	7,858,052	22,242,816
Amortization of Intangible Assets	B	5,914,728	(1,667,565)	4,247,163
Other Operating Expenses		85,397,301	5,806	85,403,107
Impairment charges/(reversal) for loans and other losses	C	108,202,767	5,369,037	113,571,804
Total Operating Expenses		450,437,325	19,153,279	469,590,604
Profit Before Tax from Continuing Operations		1,028,346,819	28,494,147	1,056,840,967
Income Tax Expense	G	313,422,977	(929,312)	312,493,665
Profit For the Year		714,923,842	29,423,459	744,347,301
Other Comprehensive Income				
Profit For the Year		714,923,842	29,423,459	744,347,301
Gains /(losses) on re-measuring available for sale financial assets	E	-	-	-
Remeasurement Gain/(Loss) on Defined Benefit Plan	F	-	(2,340,711)	(2,340,711)
Net loss on available for sale financial assets		-	-	-
Total other comprehensive income before tax		-	(2,340,711)	(2,340,711)
Income tax income /(expense) relating to components of other comprehensive income		-	(702,213)	(702,213)
Other comprehensive income for the year, net of tax		-	(1,638,498)	(1,638,498)
Total comprehensive income for the year, net of tax		714,923,842	27,784,961	742,708,804



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

Reconciliation of Income Statement for the year ended 31.12.2013-Bank

	Note	Bank (Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,038,189,361	63,906,774	2,102,096,135
Interest & Similar Expense	I	(935,971,664)	(3,715,480)	(939,687,144)
Net interest income		1,102,217,697	60,191,294	1,162,408,991
Fee and commission income		86,724,281	-	86,724,281
Fee and commission expenses		(4,712,893)	-	(4,712,893)
Net fee and commission income		82,011,387	-	82,011,387
Other Operating Income		92,001,303	-	92,001,303
Share of Profit/(Loss) from Associates	J	-	-	-
Total operating income		1,276,230,387	60,191,294	1,336,421,682
Personnel Expenses	D	259,563,708	(4,883,282)	254,680,426
Depreciation on Property Plant & Equipment	A	28,191,380	(10,448,295)	17,743,085
Amortization of Intangible Assets	B	2,730,789	394,198	3,124,987
Other Operating Expenses		74,349,483	(493,494)	73,855,990
Impairment charges/(reversal) for loans and other losses	C	206,661,250	(289,668,859)	(83,007,609)
Total Operating Expenses		571,496,610	(305,099,732)	266,396,878
Profit Before Tax from Continuing Operations		704,733,777	365,291,026	1,070,024,804
Income Tax Expense	G	222,000,831	88,898,876	310,899,707
Profit For the Year		482,732,947	276,392,150	759,125,097
Other Comprehensive Income				
Profit For the Year		482,732,947	276,392,150	759,125,097
Gains /(losses) on re-measuring available for sale financial assets	E	-	14,562,401	14,562,401
Remeasurment Gain/(Loss) on Defined Benefit Plan	F	-	8,280,470	8,280,470
		-	-	-
Net loss on available for sale financial assets		-	-	-
Total other comprehensive income before tax		-	22,842,871	22,842,871
Income tax income /(expense) relating to components of other comprehensive income		-	6,852,861	6,852,861
Other comprehensive income for the year, net of tax		-	15,990,010	15,990,010
Total comprehensive income for the year, net of tax		482,732,947	292,382,160	775,115,107



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



Reconciliation of Income Statement for the year ended 31.12.2013-Group

	Note	Group (Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,038,189,361	63,906,774	2,102,096,135
Interest & Similar Expense	I	(935,426,407)	(3,715,480)	(939,141,887)
Net interest income		1,102,762,953	60,191,294	1,162,954,248
Fee and commission income		88,438,247	-	88,438,247
Fee and commission expenses		(4,971,501)	-	(4,971,501)
Net fee and commission income		83,466,745	-	83,466,745
Other Operating Income		92,001,303	-	92,001,303
Share of Profit/(Loss) from Associates	J	-	3,568,667	3,568,667
Total operating income		1,278,231,002	63,759,962	1,341,990,963
Personnel Expenses	D	260,388,943	(4,883,282)	255,505,661
Depreciation on Property Plant & Equipment	A	28,191,380	(10,448,295)	17,743,085
Amortization of Intangible Assets	B	2,730,789	394,198	3,124,987
Other Operating Expenses		74,558,176	(493,494)	74,064,682
Impairment charges/(reversal) for loans and other losses	C	206,661,250	(289,668,859)	(83,007,609)
Total Operating Expenses		572,530,538	(305,099,732)	267,430,806
Profit Before Tax from Continuing Operations		705,700,464	368,859,694	1,074,560,158
Income Tax Expense	G	222,261,907	88,898,876	311,160,783
Profit For the Year		483,438,557	279,960,817	763,399,374
Other Comprehensive Income				
Profit For the Year		483,438,557	279,960,817	763,399,374
Gains /(losses) on re-measuring available for sale financial assets	E	-	14,562,401	14,562,401
Remeasurment Gain/(Loss) on Defined Benefit Plan	F	-	8,280,470	8,280,470
Net loss on available for sale financial assets		-	-	-
Total other comprehensive income before tax		-	22,842,871	22,842,871
Income tax income /(expense) relating to components of other comprehensive income		-	6,852,861	6,852,861
Other comprehensive income for the year, net of tax		-	15,990,010	15,990,010
Total comprehensive income for the year, net of tax		483,438,557	295,950,827	779,389,384





NOTES TO THE FINANCIAL STATEMENT

	Bank (Nu)		Group (Nu)	
	2014	2013	2014	2013
4 Interest and Similar Income				
Loans & Advances to customers	2,074,642,549	1,967,721,665	2,074,642,549	1,967,721,665
Cash & Short term funds	4,382,006	4,126,976	4,382,006	4,126,976
Interest Accrued on Impaired Loans	-	-	-	-
Placements with other banks	80,638,727	64,913,526	80,638,727	64,913,526
Income From RGOB Bonds	8,822,033	65,333,968	8,822,033	65,333,968
	2,168,485,316	2,102,096,135	2,168,485,316	2,102,096,135
5 Interest & Similar Expense				
Due to customers	768,873,369	918,410,918	768,319,844	917,865,662
Debt issued and other borrowed funds	43,002,740	21,000,000	43,002,740	21,000,000
Other	228,022	276,225	228,022	276,225
	812,104,131	939,687,144	811,550,606	939,141,887
6 Net Fees & Commission Income				
Fees & Commission Income				
Banking services	64,340,625	63,743,547	64,340,625	63,743,547
Foreign remittance related services	23,837,869	22,980,733	23,837,869	22,980,733
Brokering Commission	-	-	2,191,877	1,713,966
Total fees and commission income	88,178,494	86,724,281	90,370,371	88,438,247
Fees & Commission Expense				
Brokerage Fees	-	-	-	-
Trading Fees	-	-	326,845	258,608
Other Bank charges & fees	5,930,642	4,712,893	5,930,642	4,712,893
	5,930,642	4,712,893	6,257,487	4,971,501
Net Fees & Commission Income	82,247,852	82,011,387	84,112,884	83,466,745
7 Other Operating Income				
Income From AFS Financial Investments	5,749,912	5,218,820	5,749,912	5,218,820
Income From Investments in Associates	11,591,060	9,852,401	11,591,060	9,852,401
Exchange Gain	61,903,757	75,298,268	61,903,757	75,298,268
Profit on Disposal Of Fixed Assets	(181,841)	22,774	(181,841)	22,774
Charges Recovered	2,334,023	1,478,640	2,334,023	1,478,640
Others	3,987,065	130,400	3,987,065	130,400
	85,383,976	92,001,303	85,383,976	92,001,303
8 Personnel Expenses				
Wages & Salaries	184,083,635	204,143,950	184,596,388	204,741,279
Amortization of Pre-paid employment benefits	9,982,770	11,954,394	9,982,770	11,954,394
Defined Benefit plan	14,006,686	5,081,660	14,006,686	5,081,660
HRD Cost	23,800,402	21,473,763	24,349,218	21,690,162
Other Benefits	11,190,651	12,026,659	11,190,651	12,038,167
	243,064,144	254,680,426	244,125,713	255,505,661
9 Other Operating Expenses				
Advertising & Marketing	4,390,257	3,449,994	4,390,257	3,449,994
Administrative	59,451,251	55,005,844	59,701,251	55,167,844
Professional Fees	4,511,022	553,128	4,521,322	563,428
Rent Paid under operating leases	10,204,843	9,403,730	10,204,843	9,403,730
Other	6,578,234	5,443,295	6,585,434	5,479,687
	85,135,607	73,855,990	85,403,107	74,064,682



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



10 Impairment (charges)/reversal for loans and other losses

Reconciliation of Impairment Allowance Account- Individual and Collective Impairment

	Bank (Nu)		Group (Nu)	
	2014	2013	2014	2013
Individual Impairment				
Opening Balance as at 01 st January	19,339,299	52,069,974	19,339,299	52,069,974
Charge/(Reversal) for the Years	(19,339,299)	(32,730,675)	(19,339,299)	(32,730,675)
Closing Balance as at 31 December	-	19,339,299	-	19,339,299
Collective Impairment				
Movement in Provision for Impairment Losses - Productwise				
Opening Balance as at 01 st January	1,334,276,772	1,357,804,796	1,334,276,772	1,357,804,796
Charge/(Reversal) for the Years	140,853,039	(20,834,978)	140,853,039	(20,834,978)
Write-offs	(4,147,502)	(2,693,046)	(4,147,502)	(2,693,046)
Closing Balance as at 31 December	1,470,982,309	1,334,276,772	1,470,982,309	1,334,276,772
Off Balance Sheet Items Provisioning				
Opening Balance as at 01 st January	7,941,935	38,140,543	7,941,935	38,140,543
Charge/(Reversal) for the Years	(7,941,935)	(30,198,608)	(7,941,935)	(30,198,608)
Closing Balance as at 31 December	-	7,941,935	-	7,941,935
Total Charge or Reversal for Loans and Advances	113,571,804	(83,764,261)	113,571,804	(83,764,261)
Inventory write-offs	-	756,651	-	756,651
Total Charge/(Reversal)	113,571,804	(83,007,609)	113,571,804	(83,007,609)

11 TAXATION

The major components of income tax expense for the years ended 31st December are as follows.

Statement of Comprehensive Income	Bank (Nu)		Group (Nu)	
	2014	2013	2014	2013
Current Income Tax				
Income Tax for the year	313,038,801	222,000,831	313,422,977	222,261,907
Assessed Tax of earlier period	4,553,481	-	4,553,481	-
Deferred Tax	(5,482,793)	88,898,876	(5,482,793)	88,898,876
Deferred Taxation Charge/ (Reversal)	312,109,489	310,899,707	312,493,665	311,160,783
Other Comprehensive Income				
Deferred Tax				
Deferred Taxation Charge/ (Reversal) (Refer Note 28)	702,213	(6,852,861)	702,213	(6,852,861)
Property Plan d And Equipment				
	702,213	(6,852,861)	702,213	(6,852,861)
Total Tax Expense for the financial year	312,811,703	304,046,846	313,195,879	304,307,922





NOTES TO THE FINANCIAL STATEMENT

12 Cash and Cash Equivalents	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Local Currency In Hand	1,617,029,198	1,132,350,346	590,006,171	1,617,029,198	1,132,350,346	590,006,171
Foreign Currency In hand	135,284,618	178,574,810	72,881,517	135,284,618	178,574,810	72,881,517
Balances with Local Banks	2,172,645,669	1,748,353,265	1,353,523,004	2,172,645,669	1,748,353,265	1,353,523,004
Balances with Foreign Banks	685,662,213	824,122,581	2,373,666,651	685,662,213	824,122,581	2,373,666,651
Money at Call and Short Notice	999,579,827	-	2,552,527,411	999,579,827	-	2,552,527,411
	5,610,201,525	3,883,401,003	6,942,604,754	5,610,201,525	3,883,401,003	6,942,604,754
13 Balances with Central Bank of Bhutan(RMA)	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
RMA Current Account	4,665,207,213	3,303,924,988	256,090,688	4,665,207,213	3,303,924,988	256,090,688
CRR With RMA Account	941,321,000	888,122,529	1,024,625,529	941,321,000	888,122,529	1,024,625,529
RMA Penalty Account	77,278	85,000	85,000	77,278	85,000	85,000
RMA - BFS Settlement Account	(1,530,497,079)	(1,105,302,899)	(386,159,049)	(1,530,497,079)	(1,105,302,899)	(386,159,049)
RMA - BFS Settlement Account - POS	(649,579)	(313,298)	(121,722)	(649,579)	(313,298)	(121,722)
RMA Currency Chest	311,727,993	596,496,500	611,328,991	311,727,993	596,496,500	611,328,991
	4,387,186,826	3,683,012,820	1,505,849,437	4,387,186,826	3,683,012,820	1,505,849,437
14 Placements with other banks	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Placements with other banks	859,462,671	351,265,753	351,606,715	859,462,671	351,265,753	351,606,715
	859,462,671	351,265,753	351,606,715	859,462,671	351,265,753	351,606,715
15 Gross loans & receivables	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Gross loans & receivables	18,768,592,192	18,166,481,252	17,859,939,319	18,768,592,192	18,166,481,252	17,859,939,319
Less: Staff loan fair value adjustment	(73,354,302)	(83,880,596)	(94,664,283)	(73,354,302)	(83,880,596)	(94,664,283)
	18,695,237,890	18,082,600,656	17,765,275,036	18,695,237,890	18,082,600,656	17,765,275,036
Less: Impairment						
<i>Individual impairment</i>	-	(19,339,299)	(52,069,974)	-	(19,339,299)	(52,069,974)
<i>Collective impairment</i>	(1,470,982,309)	(1,334,276,772)	(1,357,804,796)	(1,470,982,309)	(1,334,276,772)	(1,357,804,796)
Total Impairment	(1,470,982,309)	(1,353,616,071)	(1,409,874,770)	(1,470,982,309)	(1,353,616,071)	(1,409,874,770)
Net Loans and Receivables	17,224,255,581	16,728,984,585	16,355,400,266	17,224,255,581	16,728,984,585	16,355,400,266
Loans & Advances to Customers	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Term Loan	14,070,546,707	13,702,790,973	13,511,586,899	14,070,546,707	13,702,790,973	13,511,586,899
Overdrafts and Working Capital	4,330,319,937	3,901,666,985	3,828,316,349	4,330,319,937	3,901,666,985	3,828,316,349
Bills discounted	13,916,568	124,449,280	110,878,081	13,916,568	124,449,280	110,878,081
Cheques purchased	-	3,999,909	1,240,439	-	3,999,909	1,240,439
Credit cards' outstanding	4,938,381	3,898,255	6,326,320	4,938,381	3,898,255	6,326,320
Suspended loans	348,870,599	429,675,850	401,591,231	348,870,599	429,675,850	401,591,231
	18,768,592,192	18,166,481,252	17,859,939,319	18,768,592,192	18,166,481,252	17,859,939,319
Less: Staff Loans Unamortised Day One Difference	(73,354,302)	(83,880,596)	(94,664,283)	(73,354,302)	(83,880,596)	(94,664,283)
Less: Allowance for Impairment	(1,470,982,309)	(1,353,616,071)	(1,409,874,770)	(1,470,982,309)	(1,353,616,071)	(1,409,874,770)
	17,224,255,581	16,728,984,585	16,355,400,266	17,224,255,581	16,728,984,585	16,355,400,266
16 Investments in Subsidiaries	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
BNB Securities	500,000	500,000	500,000	-	-	-
	500,000	500,000	500,000	-	-	-
17 Investments in Associates	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
DFAL	91,463,480	91,463,480	91,463,480	105,647,101	105,647,101	102,078,434
Total	91,463,480	91,463,480	91,463,480	105,647,101	105,647,101	102,078,434
18 Financial Investments Available for Sale As at 31st December	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Quoted Investments						
Equities(Fair Valued)	83,103,302	83,103,302	68,540,901	83,103,302	83,103,302	68,540,901
	83,103,302	83,103,302	68,540,901	83,103,302	83,103,302	68,540,901
Un quoted Investments						
Equities	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Subtotal	85,603,302	85,603,302	71,040,901	85,603,302	85,603,302	71,040,901
Statutory Investment's						
Investment in FITI	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Investment in CIB	1,375,000	1,000,000	500,000	1,375,000	1,000,000	500,000
Investment in RSEB	-	-	-	500,000	500,000	500,000
	19,375,000	19,000,000	18,500,000	19,875,000	19,500,000	19,000,000
Total	104,978,302	104,603,302	89,540,901	105,478,302	105,103,302	90,040,901
18.1 Investment available for sale at cost - December 31, 2014	Name of the Company			No of Shares		
	Quoted			Cost		
Penden Cement Authority Ltd.	359,550	7,436,278				
Bhutan Board Products Ltd.	14,000	141,400				
Bhutan Carbide & Chemicals Ltd.	500,000	5,000,000				
Bhutan Polymers Co. Ltd.	127,140	1,271,400				
Royal Insurance Corpn. of Bhutan	177,000	732,957				
	Unquoted					
Bhutan Development Bank Limited	2,500	2,500,000				



NOTES TO THE FINANCIAL STATEMENT



19 Financial Assets - Loans & Receivables As at 31st December	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Investment in Bonds	116,952,968	106,831,268	534,078,837	116,952,968	106,831,268	534,078,837
Total Investment	116,952,968	106,831,268	534,078,837	116,952,968	106,831,268	534,078,837

19.1	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
DCCL Bond	116,952,968	-	-	116,952,968	-	-
RGoB Druk Air Bonds	-	106,831,268	534,078,837	-	106,831,268	534,078,837
	116,952,968	106,831,268	534,078,837	116,952,968	106,831,268	534,078,837

20 Retirement benefit plans

Defined benefit Plan

A defined benefit plan (gratuity) defines, an amount of benefit that an employee is entitled to receive on (a) retirement/resignation or (b) on superannuation or (c) on death or disablement due to accident or disease as per the terms and conditions specified in the service rule of the bank. The benefit is dependent on factors such as age, number of years served and salary. The maximum amount an employee is entitled to receive has been increased from 0.9 million to 1.5 million in 2014 reporting period. A full actuarial valuation by a qualified independent actuary is carried out every year.

As required under IAS 19, valuation of scheme benefits is done using projected Unit Credit Method. Under this method, only benefits accrued till the date of valuation (i.e. based on service till date of valuation) is to be considered for valuation. Present value of Defined Benefit Obligation is calculated by projecting future salaries, exits due to death, resignation and other decrements (if any) and benefit payments made during each year till the time of retirement of each active member, using assumed rates of salary escalation, mortality and employee turnover rates. The expected benefit payments are then discounted back from the expected future date of payment to the date of valuation using the assumed discount rate.

IAS 19 also requires that "Service Cost" be calculated separately in respect of the benefit accrued during the current period. Service Cost is calculated using the same method as described above.

Net cost for the year recognized in profit or loss (recognised under personnel expense)

	2014	2013
Current Service Cost	6,536,704	5,856,161
Interest cost on benefit obligation	3,709,485	3,453,262
Expected return on plan assets	(6,982,903)	(4,227,763)
Past service cost	10,743,400	-
Net cost for the year recognized in profit or loss	14,006,686	5,081,660

	2014	2013
Actual return/(deficit) on plan assets	4,050,925	11,071,497

Retirement Benefit Asset

	2014	2013
Present Value of Defined Benefit Obligation	(67,659,740)	(51,658,170)
Fair Value of Scheme Assets	103,158,674	87,102,993
Funded Status [Surplus/(Deficit)]	35,498,934	35,444,823
Retirement Benefit Asset	35,498,934	35,444,823

The retirement benefit asset is recorded as separate line item in Statement of Financial Position

Changes in the present values of the defined benefit obligation are as follows:

	2014	2013
Opening Defined Benefit Obligation	51,658,170	48,301,498
Current service cost	6,536,704	5,856,161
Interest cost	3,709,485	3,453,262
Past service cost – plan amendments	10,743,400	-
Benefits paid from plan assets	(4,396,752)	(4,516,015)
Actuarial (gain)/loss due to scheme experience	(591,267)	(1,436,736)
Closing Defined Benefit Obligation	67,659,740	51,658,170

Change in the fair value of plan assets are as follows:

	2014	2013
Fair Value of Assets at the beginning of current period	87,102,993	58,628,175
Interest income on plan assets	6,982,903	4,227,763
Employer contributions	16,401,508	21,919,336
Benefits paid	(4,396,752)	(4,516,015)
Return on plan assets greater or (less) than discount rate	(2,931,978)	6,843,734
Closing fair value of plan asset	103,158,674	87,102,993





The major categories of plan assets as a percentage of the fair value of total plan assets for 2014 and 2013 are as follows:

	2014/2013	
	%	
Term Deposits with Banks		79%
Current Account		5%
Others		16%
		100%

	2014/2013	
Discount Rates		7.50%
Salary Escalation Rates		15%
Employee Turnover Rates		5.61%
Mortality Rates		100% of IALM (2006-08)

Sensitivity of assumptions employed in actuarial valuation

A.11 Sensitivity Analyses

1. Discount Rate

Base Discount Rate of 7.5%

	Defined Benefit Obligation	Net Effect on Defined Benefit Obligation
	67,659,740	

s67-41.781-8(t)12()5(12[(O)4(b)9(1)8(t)-4()5(-4i)-4(o)9
Sa Ba()5J2+ 10scoun 6tet7 7.5%

67,659,5 Ra R9.687 0 T-()552.687 0 Td[[1]-8(5(79430

NOTES TO THE FINANCIAL STATEMENT

23 Property, Plant and Equipment (Bank & Group)

Cost/Revalued Amount:	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2013	170,139,800	23,078,882	5,229,531	29,888,204	20,980,925	93,831,877	5,755,496	912,270	16,955,944	6,199,878	372,972,808
Additions	-	7,500,000	477,145	3,133,593	3,059,546	30,228,318	1,864,356	85,577	-	15,753,629	62,102,165
Revaluation	-	-	5,175	56,169	17,999	911,363	-	-	1,577,067	2,939,878	5,507,650
Disposals	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	170,139,800	30,578,882	5,701,501	32,965,629	24,022,472	123,148,833	7,619,852	997,847	15,378,877	19,013,629	429,567,322

Accumulated Depreciation

	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2013	-	2,442,843	3,959,109	17,128,939	13,021,531	58,636,061	3,651,315	729,006	5,263,406	-	104,832,210
Charge for the year	-	779,545	533,517	1,622,300	3,219,047	9,556,330	846,794	64,980	1,120,571	-	17,743,085
Disposals	-	-	5,174	55,255	14,579	894,122	-	-	1,577,066	-	2,546,196
At 31 December 2013	-	3,222,388	4,487,452	18,695,984	16,225,999	67,298,269	4,498,109	793,986	4,806,912	-	120,029,099

Cost/Revalued Amount:

	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2014	170,139,800	30,578,882	5,701,501	32,965,629	24,022,472	123,148,833	7,619,852	997,847	15,378,877	19,013,629	429,567,322
Additions	11,000,000	-	2,016,045	6,328,788	4,430,879	9,170,189	260,518	41,600	244,410	-	33,492,430
Reclassification from WIP	-	-	1,109,125	-	-	853,990	-	-	-	26,778,608	28,741,723
Revaluation	-	-	(16,340)	(154,421)	(223,190)	(4,584,348)	(93,575)	-	-	(19,013,629)	(24,085,503)
Disposals	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	181,139,800	30,578,882	8,810,331	39,139,997	28,230,161	128,588,664	7,786,795	1,039,447	15,623,287	26,778,608	467,715,972

Accumulated Depreciation

	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2014	-	3,222,388	4,487,452	18,695,984	16,225,999	67,298,269	4,498,109	793,986	4,806,912	-	120,029,099
Prior Period Adjustment	-	-	-	-	(1,835,583)	(6,006,148)	-	-	-	-	(7,841,731)
Charge for the year	-	1,058,818	583,218	1,528,750	3,390,405	13,264,512	1,250,403	40,877	1,125,832	-	22,242,816
Disposals	-	-	(16,333)	(125,270)	(139,871)	(4,407,672)	(93,571)	-	-	-	(4,782,717)
At 31 December 2014	-	4,281,206	5,054,337	20,099,465	17,640,951	70,148,961	5,654,941	834,863	5,932,744	-	129,647,468

NBV

2013 January	170,139,800	20,636,040	1,270,422	12,759,265	7,959,394	35,195,816	2,104,180	183,265	11,692,538	6,199,878	268,140,597
2013 December	170,139,800	27,356,494	1,214,048	14,269,645	7,796,473	55,850,563	3,121,743	203,861	10,571,966	19,013,629	309,538,223
2014 December	181,139,800	26,297,676	3,755,993	19,040,532	10,589,210	58,439,703	2,131,854	204,585	9,690,543	26,778,608	330,226,773



[Handwritten signature]

[Handwritten signature]



NOTES TO THE FINANCIAL STATEMENT

Fully depreciated property, plant and equipment - Bank

A classwise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31st December	2014	2013	2013 January
Building	-	-	-
Electric Appliances & Machineries	2,428,587	2,949,368	1,210,573
Furniture, fixtures, & fittings	13,780,429	8,892,154	7,759,278
Office equipments	7,041,468	6,999,035	3,480,783
Computer hardwares	46,927,752	28,612,899	23,684,979
Security tools	2,114,027	2,350,602	729,838
Carpets & soft furnishings	643,209	422,121	228,292
Vehicles	3,080,497	1,577,067	-
	76,015,968	51,803,245	37,093,743

Temporarily idle property, plant and equipment- Bank

	2014
Computer	853,990
Electrical appliance	1,109,125
	1,963,115

Bhutan National Bank

Notes to the Consolidated Financial Statements

24 Intangible Assets (Bank & Group)

Cost:	Softwares
At 1 January 2013	44,235,513
Additions	737,865
Reclassification from WIP	-
Disposals	-
At 31 December 2014	44,973,377.80
Amortisation and impairment:	
At 1 January 2013	24,634,828
Amortisation	3,124,987
Disposals	-
	27,759,815.14
At 1 January 2014	44,973,378
Additions	33,135,730
Reclassification from WIP	3,364,446
Disposals	-
At 31 December 2014	81,473,553.97
Amortisation and impairment:	
At 1 January 2014	27,759,815
Amortisation	4,247,163
Disposals	-
	32,006,977.95
Net book value:	
At 1 January 2013	19,600,684
At 31 December 2013	17,213,563
At 31 December 2014	49,466,576



NOTES TO THE FINANCIAL STATEMENT



25 Due to Banks and Financials Institution	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Banks	1,607,347,614	1,191,019,902	1,661,280,989	1,607,347,614	1,191,019,902	1,661,280,989
Non Bank Financial Institutions	4,191,372,282	3,347,540,140	2,393,712,729	4,182,737,828	3,339,784,174	2,386,266,647
	5,798,719,895	4,538,560,041	4,054,993,718	5,790,085,442	4,530,804,076	4,047,547,635

26 Due to Customers	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Fixed Deposit	6,823,164,506	6,914,115,498	10,019,945,923	6,823,164,506	6,914,115,498	10,019,945,923
Recurring Deposit	128,186,287	100,099,546	51,123,086	128,186,287	100,099,546	51,123,086
Savings Deposits	4,572,028,126	4,032,633,700	2,865,184,162	4,572,028,126	4,032,633,700	2,865,184,162
Current Accounts	3,552,495,220	2,929,026,129	2,879,435,014	3,552,495,220	2,929,026,129	2,879,435,014
	15,075,874,139	13,975,874,873	15,815,688,186	15,075,874,139	13,975,874,873	15,815,688,186

Change the note like this	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Local Currency Deposits						
Fixed Deposit	12,116,496,182	11,197,824,858	13,533,093,347	12,108,668,423	11,191,029,369	13,526,787,097
Recurring Deposit	128,186,287	100,099,546	51,123,086	128,186,287	100,099,546	51,123,086
Savings Deposits	4,572,028,126	4,032,633,700	2,865,184,162	4,572,028,126	4,032,633,700	2,865,184,162
Current Accounts	3,715,022,637	2,634,284,589	2,730,612,081	3,714,215,942	2,633,324,112	2,729,472,249
	20,531,733,232	17,964,842,692	19,180,012,676	20,523,098,778	17,957,086,726	19,172,566,594
Foreign Currency Deposits						
Fixed Deposit	-	-	-	-	-	-
Recurring Deposit	-	-	-	-	-	-
Savings Deposits	-	-	-	-	-	-
Current Accounts	342,860,803	549,592,222	690,669,227	342,860,803	549,592,222	690,669,227
	342,860,803	549,592,222	690,669,227	342,860,803	549,592,222	690,669,227

27 Debts issued & borrowed funds	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Subordinated Bonds	876,375,342	354,372,603	354,372,603	876,375,342	354,372,603	354,372,603
	876,375,342	354,372,603	354,372,603	876,375,342	354,372,603	354,372,603

No of Bonds	Amortised Cost			Allotment Date	Maturity Date	Rate of Interest
	Face Value	2014	2013			
350,000 numbers of certificates issued to DGPC	1,000.00	354,430,137	354,372,603	17-Oct-11	16-Oct-18	6%
500,000 numbers of certificates issued to RGoB	1,000.00	521,945,205		9-Apr-14	8-Apr-24	6%
		876,377,356	354,374,616			



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

28 Current tax liabilities
 Balance as at 1st January
 Current year provision
 Less: Payment of tax
Balance as at 31st December

	Bank (Nu)		Group (Nu)	
	2014	2013	2014	2013
Balance as at 1st January	222,000,831	297,858,094	222,261,907	298,195,217
Current year provision	313,038,801	222,000,831	313,422,977	222,261,907
Less: Payment of tax	222,000,831	297,858,094	222,261,907	298,195,217
Balance as at 31st December	313,038,801	222,000,831	313,422,977	222,261,907

29 Analysis Of Financial Instruments By Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in International Accounting Standard - IAS 39 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position.

As at 31-Dec-2014-Group

Analysis of Financial Instruments by Measurement Basis

Financial Assets

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Cash & cash Equivalents	-	5,610,201,525	-	-	5,610,201,525
Cash & Balances with Central Bank	-	4,387,186,826	-	-	4,387,186,826
Placement with other Banks	-	859,462,671	-	-	859,462,671
Due From Banks and Financial Institution	-	3,717,772,659	-	-	3,717,772,659
Loans & Advances to Customers	-	17,224,255,581	-	-	17,224,255,581
Financial Investments Available for Sale	-	-	-	105,478,302	105,478,302
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	71,520,790	-	-	71,520,790

Financial Liabilities

Due to Banks and Financial Institution	-	5,798,719,895	-	-	5,790,085,442
Due to Customers	-	15,075,874,139	-	-	15,075,874,139
Debts Issued & Other Borrowed Funds	-	876,375,342	-	-	354,372,603
Unclaimed Balances	-	37,336,461	-	-	37,336,461
Other Liabilities	-	12,310,161	-	-	12,437,668

As at 31-Dec-2014-Bank

Analysis of Financial Instruments by Measurement Basis

Financial Assets

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Cash & cash Equivalents	-	5,610,201,525	-	-	5,610,201,525
Cash & Balances with Central Bank	-	4,387,186,826	-	-	4,387,186,826
Placement with other Banks	-	859,462,671	-	-	859,462,671
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	17,224,255,581	-	-	17,224,255,581
Financial Investments Available for Sale	-	-	-	104,978,302	104,978,302
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	71,520,790	-	-	71,520,790

Financial Liabilities

Due to Banks and Financial Institution	-	5,798,719,895	-	-	-
Due to Customers	-	15,075,874,139	-	-	15,075,874,139
Debts Issued & Other Borrowed Funds	-	876,375,342	-	-	876,375,342
Unclaimed Balances	-	37,336,461	-	-	37,336,461
Other Liabilities	-	12,310,161	-	-	12,310,161



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



As at 31-Dec-2013-Group

Analysis of Financial Instruments by Measurement Basis

Financial Assets

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Cash & cash Equivalents	-	3,883,401,003	-	-	3,883,401,003
Cash & Balances with Central Bank	-	3,683,012,820	-	-	3,683,012,820
Placement with other Banks	-	351,265,753	-	-	351,265,753
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	16,728,984,585	-	-	16,728,984,585
Financial Investments Available for Sale	-	-	-	105,103,302	105,103,302
Investment's in Bonds	-	106,831,268	-	-	106,831,268
Other Financial Assets	-	30,349,826	-	-	30,349,826

Financial Liabilities

Due to Banks and Financial Institution	-	4,530,804,076	-	-	4,530,804,076
Due to Customers	-	13,975,874,873	-	-	13,975,874,873
Debts Issued & Other Borrowed Funds	-	354,372,603	-	-	354,372,603
Unclaimed Balances	-	18,399,657	-	-	18,399,657
Other Liabilities	-	3,080,828	-	-	3,080,828

As at 31-Dec-2013-Bank

Analysis of Financial Instruments by Measurement Basis

Financial Assets

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Cash & cash Equivalents	-	3,883,401,003	-	-	3,883,401,003
Cash & Balances with Central Bank	-	3,683,012,820	-	-	3,683,012,820
Placement with other Banks	-	351,265,753	-	-	351,265,753
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	16,728,984,585	-	-	16,728,984,585
Financial Investments Available for Sale	-	-	-	104,603,302	104,603,302
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	106,831,268	-	-	106,831,268
Other Financial Assets	-	30,346,850	-	-	30,346,850

Financial Liabilities

Due to Banks and Financial Institution	-	4,538,560,041	-	-	4,538,560,041
Due to Customers	-	13,975,874,873	-	-	13,975,874,873
Debts Issued & Other Borrowed Funds	-	354,372,603	-	-	354,372,603
Unclaimed Balances	-	18,399,657	-	-	18,399,657
Other Liabilities	-	2,961,857	-	-	2,961,857



NOTES TO THE FINANCIAL STATEMENT

30 Deferred Taxation (Bank and the Group)

Deferred Tax Assets, Liabilities and Income Tax relates to the followings	Reflected in Statement of Financial Position			Reflected in Statement of Comprehensive Income		Reflected in Statement of Other Comprehensive Income	
	2014	2013	2013 January	2014	2013	2014	2013
Deferred Tax							
Property Plant and Equipment & Intangibles	49,246,841	51,103,987	48,087,758	(1,857,146)	3,016,229	-	(4,368,720)
Fair value change of Available for Financial Assets - Equity Secu	(20,556,380)	(20,556,380)	(16,187,660)			-	-
Revaluation	(1,315,456)	(1,315,456)	(1,315,456)			-	-
Defined Benefit Assets	714,780	(5,014,448)	-	5,729,228	(5,014,448)		
Defined Benefit Assets (OCI)	(1,781,928)	(2,484,141)	-			702,213	(2,484,141)
Impairment Charges	18,403,829	16,793,118	103,693,776	1,610,711	(86,900,658)		
Deferred Tax Assets/(Liabilities)	44,711,687	38,526,681	134,278,418	5,482,793	(88,898,876)	702,213	(6,852,861)
Deferred Tax has been determined based on the enacted tax rate of 30%		(6,185,006)	95,751,738				
Deferred Income Tax Charge/(Reversal)				5,482,793	(88,898,876)	702,213	(6,852,861)

31 Provisions

	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Provisions for Leave Encashment	12,496,340	10,891,804	10,651,992	12,709,253	11,057,652	10,651,992
Provisions for Off Balance sheet items	-	7,941,935	38,140,543	-	7,941,935	38,140,543
Payable to Gratuity Fund (Provision)	16,401,508	21,796,486	-	16,401,508	21,796,486	-
	28,897,848	40,630,225	48,792,535	29,110,761	40,796,073	48,792,535

Provision for Leave Encashment is computed on the total leave accrued for all employees of the bank as on December 31, 2014 and the last drawn basic pay of the employees.

32 Other Liabilities

	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Financial						
Accounts payable & Sundry creditors	12,310,161	2,961,857	6,413,976	12,437,668	3,080,828	6,787,526
Non Financial						
Margin Money	21,026,341	37,187,617	18,087,207	21,026,341	37,187,617	18,087,207
Other	53,423,781	80,598,653	57,344,671	53,434,381	80,617,753	57,387,199
	86,760,283	120,748,126	81,845,853	86,898,390	120,886,197	82,261,932

33 Share Capital and Share Premium

	Bank (Nu)			Group (Nu)		
	2014	2013	2013 January	2014	2013	2013 January
Share Capital	3,548,077,000	2,534,377,900	2,534,377,900	3,548,077,000	2,534,377,900	2,534,377,900
Share Premium	34,022,965	1,047,722,065	1,047,722,065	34,022,965	1,047,722,065	1,047,722,065
	3,582,099,965	3,582,099,965	3,582,099,965	3,582,099,965	3,582,099,965	3,582,099,965

33.1 Share Capital

	Amount
Opening balance (December 31, 2013)	2,534,377,900
Issue of Bonus shares during the year (2:5)	1,013,699,100
Closing Balance (December 31, 2014)	3,548,077,000



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

34 Commitment and Contingencies

34.1 Commitment and 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, letters of credit 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. Letters of credit & guarantees (including standby letters of credit) 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.

34.1 Commitment and Contingencies

As at 31st December	Bank (Nu)		2013 January	
Commitments	2014	2013	2013	2013 January
Commitment for unutilised facilities (direct advances)	2,409,394,575	1,508,774,133	1,508,774,133	920,650,632
	2,409,394,575	1,508,774,133	1,508,774,133	920,650,632
Contingent Liabilities				
Guarantee	2,288,328,992	1,812,073,795	1,812,073,795	371,939,037
Letter of Credits	399,381,207	341,435,908	341,435,908	2,256,680,490
	2,687,710,199	2,153,509,703	2,153,509,703	2,628,619,527
	5,097,104,774	3,662,283,836	3,662,283,836	3,549,270,159

34.2 Other Contingent Liabilities Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. During the year there were no instance of litigation against the bank.

34.3 Capital Expenditure approved by the Board of Directors, for which provisions have not been made in these accounts, amounted to approximately;

As at 31st December	Bank (Nu)		2013 January	
Approved & contracted for	2014	2013	2013	2013 January
Approved but not contracted for	59,861,443	6,279,425	6,279,425	6,142,963
	266,529,787	320,111,805	320,111,805	11,451,000
	326,391,230	326,391,230	326,391,230	17,593,963



[Handwritten signature]

[Handwritten signature]



NOTES TO THE FINANCIAL STATEMENT

35 Related Party Disclosures

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the International Accounting Standard - IAS 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.

35.1 Parent and Ultimate Controlling Party

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

35.2 Transactions with Key Managerial Personnel (KMPs)

According to International Accounting Standard - IAS 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 partner and children of the KMPs domestic partner and dependants of the KMPs and the KMPs domestic partner.

35.3 Related Party Disclosures Contd.

35.3.1 Transactions with Key Managerial Personnel (KMPs)

For the Year Ended 31st December	2014	2013
Short term employee benefits	4,001,982	4,784,493
Directors' fees & expenses	2,609,526	3,036,428
Total	6,611,508	7,820,922

35.3.2 Remuneration and expenditure paid, reimbursed or accrued to the Chief Executive Officer

Particulars	2014	2013
Salary & Other Benefits	2,973,747	3,560,778
Vehicle Expenses	423,482	459,134
Travel - Local/Foreign	604,753	764,581
	4,001,982	4,784,493

In addition to the above, the Bank has also paid non cash benefits such as fuel and medical benefits to KMPs in line with the approved benefit plans of the Bank.



NOTES TO THE FINANCIAL STATEMENT



35.4 Transactions, Arrangements and Agreements Involving KMPs and Their CFMs

35.4.1 Loans and Advances to KMPs and their CFMs are detailed below:

	2014		2013		2013 January	
	Limit	Closing Balance	Limit	Closing Balance	Limit	Closing Balance
Loans and Receivables	2,155,934	2,155,934	2,599,039	2,599,039	2,450,199	450,199

35.4.2 Credit Card Facilities to KMPs and their CFMs are detailed below:

	2014		2013		2013 January	
	Limit	Closing Balance	Limit	Closing Balance	Limit	Closing Balance
Credit Card	572,175	2,008	496,800	-	960,750	-

35.4.3 Deposits and Investments from KMPs and their CFMs are detailed below:

	Closing Balance		
	2014	2013	2013 January
Deposits	4,465,185	2,800,894	1,854,542

35.5 Transactions, Arrangements and Agreements involving Entities which are controlled and / or jointly controlled by the KMPs or their CFMs

	Closing Balance		
	2014	2013	2013 January
Loans & receivables	109,303,383	6,399,204	14,512,017
	109,303,383	6,399,204	14,512,017

35.6 Transactions with Subsidiaries

The Bank had the following financial dealings during the year with its Subsidiary companies.

31st December Subsidiary company	Nature of Facility Transaction	2014	2013
BNB Securities Limited	As at Deposits	8,634,454	7,755,966
	For the Year Ended Expenses & fees paid	553,525	545,256

36 Events After The Reporting Period

Bank/Group

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



NOTES TO THE FINANCIAL STATEMENT

37

Fair value of Financial Instruments Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Investments Available for sale

Available for sale financial assets (primarily consist of quoted equities and Government debt securities) are valued using valuation techniques or pricing models. These assets are valued using models that use observable data.

Trading Assets and Other Assets Measured at Fair Value

Trading assets and other assets measured at fair value are the Government debt securities and quoted equities. Government debt securities and quoted equities the Bank uses quoted market prices in the active market as at the reporting date.

Determination of Fair Value and Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 - Quoted Market Price (unadjusted): financial instruments with quoted prices for identical instruments in active markets.

Level 2 - Valuation Technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - Valuation Technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy

	Bank			Group	
	Level I	Level II	Level III	Level I	Level III
31st December 2014					
Financial Investment Available For sale	-	-	83,103,302	-	83,103,302
Staff Loan	-	-	133,030,809	-	133,030,809
31st December 2013					
Financial Investment Available For sale	-	-	83,103,302	-	83,103,302
Staff Loan	-	-	151,163,288	-	151,163,288
1st January 2013					
Financial Investment Available For sale	-	-	68,540,901	-	68,540,901
Staff Loan	-	-	170,594,675	-	170,594,675



[Handwritten signature]

[Handwritten signature]



NOTES TO THE FINANCIAL STATEMENT

A. Determination of fair value hierarchy (contd.)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements. Assets for which Fair Value Approximates Carrying Value for financial assets and liabilities that have short term maturity is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and saving deposits which do not have a specific maturity.

Fixed Rate Financial Instruments: The fair value of fixed rate financial assets & liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those not issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized. Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non financial assets and non financial liabilities.

Bank	2014		2013		2013 January	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets						
Cash & cash equivalents	5,610,201,525	5,610,201,525	3,883,401,003	3,883,401,003	6,942,604,754	6,942,604,754
Balances with Central Bank	4,387,186,826	4,387,186,826	3,683,012,820	3,683,012,820	1,505,849,437	1,505,849,437
Placements with Banks	859,462,671	859,462,671	351,265,753	351,265,753	351,606,715	351,606,715
Loans & Advances to Customers	17,224,255,581	14,609,003,518	16,728,984,585	14,412,945,396	16,355,400,266	14,569,538,575
Investments in Subsidiaries	500,000	500,000	500,000	500,000	500,000	500,000
Investments in Associates	91,463,480	91,463,480	91,463,480	91,463,480	91,463,480	91,463,480
Financial Investments Available for Sale	104,978,302	104,978,302	104,603,302	104,603,302	89,540,901	89,540,901
Investment's in Bonds	116,952,968	118,404,840	106,831,268	105,086,232	534,078,837	525,356,841
Other Financial Assets	71,520,790	71,520,790	30,346,850	30,346,850	54,981,877	54,981,877
Financial Liabilities						
Due to Banks	5,798,719,895	6,020,221,882	4,538,560,041	4,910,357,974	4,054,993,718	4,143,953,838
Due to Customers	15,075,874,139	15,023,863,730	13,975,874,873	13,763,359,027	15,815,688,186	15,785,616,588
Debts Issued & Other Borrowed Funds	876,375,342	734,223,226	354,372,603	309,010,604	354,372,603	301,997,351
Unclaimed Balances	37,336,461	37,336,461	18,399,657	18,399,657	72,048,915	72,048,915
Other Liabilities	12,310,161	12,310,161	2,961,857	2,961,857	6,413,976	6,413,976



[Handwritten signature]



NOTES TO THE FINANCIAL STATEMENT



Annual Report 2014

Group	2014		2013		2013 January	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets						
Cash & cash equivalents	5,610,201,525	5,610,201,525	3,883,401,003	3,883,401,003	6,942,604,754	6,942,604,754
Balances with Central Bank	4,387,186,826	4,387,186,826	3,683,012,820	3,683,012,820	1,505,849,437	1,505,849,437
Placements with Banks	859,462,671	859,462,671	351,265,753	351,265,753	351,606,715	351,606,715
Loans & Advances to Customers	17,224,255,581	14,609,003,518	16,728,984,585	14,412,945,396	16,355,400,266	14,569,538,575
Investments in Associates	105,647,101	105,647,101	105,647,101	105,647,101	102,078,434	102,078,434
Financial Investments Available for Sale	105,478,302	105,478,302	105,103,302	105,103,302	90,040,901	90,040,901
Investment's in Bonds	116,952,968	116,952,968	106,831,268	106,831,268	534,078,837	534,078,837
Other Financial Assets	71,520,790	71,520,790	30,349,826	30,349,826	54,981,877	54,981,877
Financial Liabilities						
Due to Banks	5,790,085,442	6,012,548,605	4,530,804,076	4,903,664,414	4,047,547,635	4,137,685,142
Due to Customers	15,075,874,139	15,023,863,730	13,975,874,873	13,763,359,027	15,815,688,186	15,785,616,588
Debts Issued & Other Borrowed Funds	876,375,342	734,223,226	354,372,603	309,010,604	354,372,603	301,997,351
Unclaimed Balances	37,336,461	37,336,461	18,399,657	18,399,657	72,048,915	72,048,915
Other Liabilities	12,437,668	12,437,668	3,080,828	3,080,828	6,787,526	6,787,526

38

Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows: For commercial lending, charges over real estate properties, inventory and trade receivables

For retail lending: mortgages over residential properties

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for Business use.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.



[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



31st December 2014	Bank (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	5,610,201,525	-	5,610,201,525
Cash & Balances with Central Bank	4,387,186,826	-	4,387,186,826
Placement with other Banks	859,462,671	-	859,462,671
Loans & Advances to Customers	17,224,255,581	16,898,859,016	325,396,565
Financial Investments Available for Sale	104,978,302	-	104,978,302
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	71,520,790	-	71,520,790

31st December 2014	Group (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	5,610,201,525	-	5,610,201,525
Cash & Balances with Central Bank	4,387,186,826	-	4,387,186,826
Placement with other Banks	859,462,671	-	859,462,671
Loans & Advances to Customers	17,224,255,581	16,898,859,016	325,396,565
Financial Investments Available for Sale	105,478,302	-	105,478,302
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	71,520,790	-	71,520,790

31st December 2013	Bank (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	3,883,401,003	-	3,883,401,003
Cash & Balances with Central Bank	3,683,012,820	-	3,683,012,820
Placement with other Banks	351,265,753	-	351,265,753
Loans & Advances to Customers	16,728,984,585	16,450,355,043	278,629,543
Financial Investments Available for Sale	104,603,302	-	104,603,302
Investment's in Bonds	106,831,268	-	106,831,268
Other Financial Assets	71,520,790	-	71,520,790



NOTES TO THE FINANCIAL STATEMENT

Annual Report 2014

31st December 2013	Group (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	3,883,401,003	-	3,883,401,003
Cash & Balances with Central Bank	3,683,012,820	-	3,683,012,820
Placement with other Banks	351,265,753	-	351,265,753
Loans & Advances to Customers	16,728,984,585	-	278,629,543
Financial Investments Available for Sale	105,103,302	-	105,103,302
Investment's in Bonds	106,831,268	-	106,831,268
Other Financial Assets	30,349,826	-	30,349,826

01st January 2013	Bank (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	6,942,604,754	-	6,942,604,754
Cash & Balances with Central Bank	1,505,849,437	-	1,505,849,437
Placement with other Banks	351,606,715	-	351,606,715
Loans & Advances to Customers	16,355,400,266	15,932,687,183	422,713,083
Financial Investments Available for Sale	89,540,901	-	89,540,901
Investment's in Bonds	534,078,837	-	534,078,837
Other Financial Assets	54,981,877	-	54,981,877

01st January 2013	Group (Nu)		
	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	6,942,604,754	-	6,942,604,754
Cash & Balances with Central Bank	1,505,849,437	-	1,505,849,437
Placement with other Banks	351,606,715	-	351,606,715
Loans & Advances to Customers	16,355,400,266	15,932,687,183	422,713,083
Financial Investments Available for Sale	90,040,901	-	90,040,901
Investment's in Bonds	534,078,837	-	534,078,837
Other Financial Assets	54,981,877	-	54,981,877



NOTES TO THE FINANCIAL STATEMENT



39 Credit Risk (Contd.)

Credit quality by class of financial asset

The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

Definition of Past Due

The Bank considers that any amounts uncollected one day or more beyond their contractual due date as 'past due'.

31st December 2014	Bank (Nu)			Total
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	
Cash & cash Equivalents	5,610,201,525	-	-	5,610,201,525
Cash & Balances with Central Bank	4,387,186,826	-	-	4,387,186,826
Placement with other Banks	859,462,671	-	-	859,462,671
Loans & Advances to Customers (Gross Loans)	13,509,894,187	5,255,478,006	-	18,765,372,192
Investments in Subsidiaries	500,000	-	-	500,000
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	104,978,302	-	-	104,978,302
Financial Investments Held to Maturity	-	-	-	-
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	71,520,790	-	-	71,520,790
	24,752,160,748	5,255,478,006	-	30,007,638,754

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

Loans & receivables to banks Loans & receivables to other customers	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
	1,904,467,094	1,502,862,616	641,731,305	1,206,416,990	5,255,478,006

31st December 2014	Group (Nu)			Total
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	
Cash & cash Equivalents	5,610,201,525	-	-	5,610,201,525
Cash & Balances with Central Bank	4,387,186,826	-	-	4,387,186,826
Placement with other Banks	859,462,671	-	-	859,462,671
Loans & Advances to Customers	13,509,894,187	5,255,478,006	-	18,765,372,192
Investments in Associates	105,647,101	-	-	105,647,101
Financial Investments Available for Sale	105,478,302	-	-	105,478,302
Financial Investments Held to Maturity	-	-	-	-
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	71,520,790	-	-	71,520,790
	24,766,344,369	5,255,478,006	-	30,021,822,375

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

Loans & receivables to banks Loans & receivables to other customers	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
	1,904,467,094	1,502,862,616	641,731,305	1,206,416,990	5,255,478,006

31st December 2013	Bank (Nu)			Total
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	
Cash & cash Equivalents	3,883,401,003	-	-	3,883,401,003
Cash & Balances with Central Bank	3,683,012,820	-	-	3,683,012,820
Placement with other Banks	351,265,753	-	-	351,265,753
Loans & Advances to Customers (Gross Loans)	12,631,237,454	5,315,248,864	219,994,934	18,166,481,252
Investments in Subsidiaries	500,000	-	-	500,000
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	104,603,302	-	-	104,603,302
Investment's in Bonds	106,831,268	-	-	106,831,268
Other Financial Assets	30,346,850	-	-	30,346,850
Total	20,882,661,930	5,315,248,864	219,994,934	26,417,905,728

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

Loans & receivables to banks Loans & receivables to other customers	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
	-	-	-	-	-
	2,009,718,681	1,199,100,397	727,780,554	1,378,649,232	5,315,248,864
	2,009,718,681	1,199,100,397	727,780,554	1,378,649,232	5,315,248,864



(Handwritten signatures)



NOTES TO THE FINANCIAL STATEMENT

Group	Group (Nu)			
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
31st December 2013				
Cash & cash Equivalents	3,883,401,003	-	-	3,883,401,003
Cash & Balances with Central Bank	3,683,012,820	-	-	3,683,012,820
Placement with other Banks	351,265,753	-	-	351,265,753
Loans & Advances to Customers(Gross Loans)	12,631,237,454	5,315,248,864	219,994,934	18,166,481,252
Investments in Associates	105,647,101	-	-	105,647,101
Financial Investments Available for Sale	105,103,302	-	-	105,103,302
Investment's in Bonds	106,831,268	-	-	106,831,268
Other Financial Assets	30,349,826	-	-	30,349,826
Total	20,896,848,526	5,315,248,864	219,994,934	26,432,092,325

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	2,009,718,681	1,199,100,397	727,780,554	1,378,649,232	5,315,248,864
	2,009,718,681	1,199,100,397	727,780,554	1,378,649,232	5,315,248,864

Bank	Bank (Nu)			
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
1st January 2013				
Cash & cash Equivalents	6,942,604,754	-	-	6,942,604,754
Cash & Balances with Central Bank	1,505,849,437	-	-	1,505,849,437
Placement with other Banks	351,606,715	-	-	351,606,715
Loans & Advances to Customers	12,406,519,683	5,287,162,900	166,256,737	17,859,939,319
Investments in Subsidiaries	500,000	-	-	500,000
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	89,540,901	-	-	89,540,901
Investment's in Bonds	534,078,837	-	-	534,078,837
Other Financial Assets	54,981,877	-	-	54,981,877
	21,977,145,682	5,287,162,900	166,256,737	27,430,565,319

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	1,618,647,156	1,720,054,656	719,772,796	1,228,688,292	5,287,162,900
	1,618,647,156	1,720,054,656	719,772,796	1,228,688,292	5,287,162,900

Bank	Group (Nu)			
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
1st January 2013				
Cash & cash Equivalents	6,942,604,754	-	-	6,942,604,754
Cash & Balances with Central Bank	1,505,849,437	-	-	1,505,849,437
Placement with other Banks	351,606,715	-	-	351,606,715
Loans & Advances to Customers	12,406,519,683	5,287,162,900	166,256,737	17,859,939,319
Financial Investments Available for Sale	90,040,901	-	-	90,040,901
Investment's in Bonds	534,078,837	-	-	534,078,837
Other Financial Assets	54,981,877	-	-	54,981,877
	21,885,682,202	5,287,162,900	166,256,737	27,339,101,839

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	Past due but not impaired				Total
	Less than 30 Days	31-60 Days	61-90 Days	More than 90 days	
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	1,618,647,156	1,720,054,656	719,772,796	1,228,688,292	5,287,162,900
	1,618,647,156	1,720,054,656	719,772,796	1,228,688,292	5,287,162,900



NOTES TO THE FINANCIAL STATEMENT



Analysis of Risk Concentration

Risk concentrations: maximum exposure to credit risk without taking into account of any collateral and other credit enhancements. The Concentration risk is monitored/managed through borrower/group, Sector, product etc. The following tables show the maximum exposure to credit risk for the components of the Statement of Financial Position, including geography of counterparty, and sector.

Country Risk - Geographical Analysis as at 31Dec 2014

	Bank (Nu)				Total
	Bhutan	Asia	Europe	Americas	
Cash and Cash Equivalents	5,395,876,209.15	265,720,915.19	(58,344,096.07)	6,948,496.69	5,610,201,525
Balances with Central Bank	4,387,186,826	-	-	-	4,387,186,826
Placement with other Banks	859,462,671	-	-	-	859,462,671
Loans & Advances to Customers	17,224,255,581	-	-	-	17,224,255,581
Investments in Subsidiaries	500,000	-	-	-	500,000
Investments in Associates	91,463,480	-	-	-	91,463,480
Financial Investments Available for Sale	104,978,302	-	-	-	104,978,302
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	71,520,790	-	-	-	71,520,790

Regional Break Down of Loans (Gross Loans)

Thimphu	12,406,599,578.48
Phuntsholing	2,931,974,911.71
Samdrupjongkhar	310,413,156.28
Trashigang	181,000,282.85
Gelephu	732,048,893.69
Paro	826,753,205.29
Monggar	315,467,103.11
Wangdue	584,826,935.78
Bumthang	264,717,044.45
Gomtu	105,248,485.12
Tsirang	109,542,595.31
	18,768,592.192

	Group (Nu)				Total
	Bhutan	Asia	Europe	Americas	
Cash and Cash Equivalents	5,395,876,209	265,720,915	(58,344,096)	6,948,497	5,610,201,525
Balances with Central Bank	4,387,186,826	-	-	-	4,387,186,826
Placement with other Banks	859,462,671	-	-	-	859,462,671
Due From Banks	-	-	-	-	-
Loans & Advances to Customers	17,224,255,581	-	-	-	17,224,255,581
Investments in Associates	105,647,101	-	-	-	105,647,101
Financial Investments Available for Sale	105,478,302	-	-	-	105,478,302
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	71,520,790	-	-	-	71,520,790

Regional Break Down of Loans(Gross Loans)

Thimphu	12,406,599,578
Phuntsholing	2,931,974,912
Samdrupjongkhar	310,413,156
Trashigang	181,000,283
Gelephu	732,048,894
Paro	826,753,205
Monggar	315,467,103
Wangdue	584,826,936
Bumthang	264,717,044
Gomtu	105,248,485
Tsirang	109,542,595
	18,768,592.192

Country Risk - Geographical Analysis

	Bank (Nu)				Total
	Bhutan	Asia	Europe	Americas	
Cash and Cash Equivalents	3,025,690,414.81	452,644,398.74	48,318,011.89	356,748,177.13	3,883,401,003
Balances with Central Bank	3,683,012,820	-	-	-	3,683,012,820
Placement with other Banks	351,265,753	-	-	-	351,265,753
Loans & Advances to Customers	16,728,984,585	-	-	-	16,728,984,585
Investments in Subsidiaries	500,000	-	-	-	500,000
Investments in Associates	91,463,480	-	-	-	91,463,480
Financial Investments Available for Sale	104,603,302	-	-	-	104,603,302
Investment's in Bonds	106,831,268	-	-	-	106,831,268
Other Financial Assets	30,346,850	-	-	-	30,346,850

Regional Break Down of Loans(Gross Loans)

Thimphu	12,034,066,779
Phuntsholing	3,192,392,568
Samdrupjongkhar	233,170,913
Trashigang	165,124,445
Gelephu	534,884,866
Paro	747,201,682
Monggar	325,254,726
Wangdue	615,710,548
Bumthang	236,672,570
Gomtu	47,988,805
Tsirang	34,013,348
	18,166,481,252





as at 31Dec 2013	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	3,025,690,415	452,644,399	48,318,012	356,748,177	3,883,401,003
Balances with Central Bank	3,683,012,820	-	-	-	3,683,012,820
Placement with other Banks	351,265,753	-	-	-	-

NOTES TO THE FINANCIAL STATEMENT

Credit Risk (Contd.)

Industry Analysis

31st December 2014-Group

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	2,858,307,882	-	-	-	2,751,893,643	5,610,201,525
Balances with Central Bank	-	4,387,186,826	-	-	-	-	-	-	-	4,387,186,826
Placement with other Banks	-	-	-	-	859,462,671	-	-	-	-	859,462,671
Loans & Advances to Customers	2,765,028,936	626,270,491	2,467,395,677	5,269,702,675	-	636,312,891	3,769,400,246	1,651,527,946	35,396,720	17,221,035,581
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	500,000	-	-	-	-	500,000
Financial Investments Available for Sale	41,003,222	-	-	-	63,975,079	-	-	-	-	104,978,302
Investment's in Bonds	-	-	-	-	-	116,952,968	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	-	-	71,519,016	71,519,016

31st December 2014-Group

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	2,858,307,882	-	-	-	2,751,893,643	5,610,201,525
Balances with Central Bank	-	4,387,186,826	-	-	-	-	-	-	-	4,387,186,826
Placement with other Banks	-	-	-	-	859,462,671	-	-	-	-	859,462,671
Loans & Advances to Customers	2,765,028,936	626,270,491	2,467,395,677	5,269,702,675	-	636,312,891	3,769,400,246	1,651,527,946	35,396,720	17,221,035,581
Investments in Associates	105,647,101	-	-	-	-	-	-	-	-	105,647,101
Financial Investments Available for Sale	41,198,516	-	-	-	64,279,786	-	-	-	-	105,478,302
Investment's in Bonds	-	-	-	-	-	116,952,968	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	-	-	71,519,016	71,519,016

31st December 2013-Bank

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	2,683,645,948	-	-	-	1,199,755,054	3,883,401,003
Balances with Central Bank	-	3,683,012,820	-	-	-	-	-	-	-	3,683,012,820
Placement with other Banks	-	-	-	-	351,265,753	-	-	-	-	351,265,753
Loans & Advances to Customers	3,378,197,432	631,702,412	2,383,560,041	5,281,436,461	-	865,214,893	2,590,850,580	1,102,286,077	495,736,689	16,728,984,585
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	500,000	-	-	-	-	500,000
Financial Investments Available for Sale	10,737,911	77,270,549	-	12,728,397	-	-	-	-	3,846,445	104,603,302
Investment's in Bonds	-	-	-	-	-	106,831,268	-	-	-	106,831,268
Other Financial Assets	-	-	-	-	-	-	-	-	30,346,850	30,346,850



NOTES TO THE FINANCIAL STATEMENT

31st December 2013-Group

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	2,683,645,948	-	-	-	1,199,755,054	3,883,401,003
Balances with Central Bank	-	3,683,012,820	-	-	-	-	-	-	-	3,683,012,820
Placement with other Banks	-	-	-	-	351,265,753	-	-	-	-	351,265,753
Loans & Advances to Customers	3,378,197,432	631,702,412	2,383,560,041	5,281,436,461	-	865,214,893	2,590,850,580	1,102,286,077	495,736,689	16,728,984,585
Investments in Associates	105,647,101	-	-	-	-	-	-	-	-	105,647,101
Financial Investments Available for Sale	-	76,328,643	-	12,573,241	1,775,085	-	-	-	3,799,558	105,103,502
Investment's in Bonds	10,626,775	-	-	-	-	106,831,268	-	-	-	106,831,268
Other Financial Assets	-	-	-	-	-	-	-	-	30,349,826	30,349,826

1st January 2013-Bank

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	2,563,579,683	-	-	3,743,500,252	-	-	-	635,524,819	6,942,604,754
Balances with Central Bank	-	1,505,849,437	-	-	-	-	-	-	-	1,505,849,437
Placement with other Banks	-	-	-	-	351,606,715	-	-	-	-	351,606,715
Loans & Advances to Customers	3,300,795,185	439,650,728	2,144,107,088	5,227,253,005	-	1,168,394,325	1,725,215,535	1,894,189,847	455,794,554	16,355,400,266
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	500,000	-	-	-	-	500,000
Financial Investments Available for Sale	11,248,413	64,308,952	-	11,002,924	-	-	-	-	2,980,612	89,540,901
Investment's in Bonds	-	-	-	-	-	534,078,837	-	-	-	534,078,837
Other Financial Assets	-	-	-	-	-	-	-	-	54,981,877	54,981,877

1st January 2013-Group

	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	2,563,579,683	-	-	3,743,500,252	-	-	-	635,524,819	6,942,604,754
Balances with Central Bank	-	556,039,867	-	-	811,964,377	-	-	-	137,845,193	1,505,849,437
Placement with other Banks	-	351,606,715	-	-	-	-	-	-	-	351,606,715
Loans & Advances to Customers	20,892,274	2,734,173	13,334,131	32,508,114	-	7,266,206	10,729,059	11,779,904	2,834,571	16,355,400,266
Investments in Associates	90,040,901	-	-	-	-	-	-	-	-	90,040,901
Financial Investments Available for Sale	65,990,480	377,277,971	-	64,550,278	8,773,906	-	-	-	17,486,202	534,078,837
Investment's in Bonds	-	-	-	-	-	54,981,877	-	-	-	54,981,877
Other Financial Assets	-	-	-	-	-	-	-	-	-	-



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT



40 Risk Management (Contd.)

Liquidity Risk & Funding management

The tables below summarise the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2013. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

Bank

31st December 2014	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	5,610,201,525					5,610,201,525
Cash & Balances with Central Bank	4,387,186,826					4,387,186,826
Placement with other Banks		859,462,671				859,462,671
Due From Banks						-
Loans & Advances to Customers	736,299,971	1,879,503,023	3,821,473,221	3,269,769,643	16,046,616,087	25,753,661,945
Investments in Subsidiaries					500,000	500,000
Investments in Associates					91,463,480	91,463,480
Financial Investments Available for Sale					104,978,302	104,978,302
Investment's in Bonds		5,189,940	31,139,640	20,759,760	162,041,460	219,130,800
Other Financial Assets	71,520,790					71,520,790
Total undiscounted Assets	10,805,209,111	2,744,155,634	3,852,612,861	3,290,529,403	16,405,599,329	37,098,106,339
Due to Banks	4,780,248,930	340,402,982	784,539,210	87,646,628	3,446,163	5,996,283,913
Due to Customers	9,263,563,908	2,675,505,699	2,437,996,282	522,076,595	123,085,276	15,022,227,761
Debts Issued & Other Borrowed Funds		51,000,000	132,000,000	491,000,000	560,000,000	1,234,000,000
Unclaimed Balances	37,336,461					37,336,461
Other Liabilities	12,310,161					12,310,161
Total undiscounted Liabilities	14,093,459,460	3,066,908,681	3,354,535,493	1,100,723,223	686,531,439	22,302,158,295
Net Undiscounted Financial Assets/(Liabilities)	(3,288,250,349)	(322,753,047)	498,077,369	2,189,806,181	15,719,067,890	14,795,948,044

Group

31st December 2014	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	5,610,201,525					5,610,201,525
Cash & Balances with Central Bank	4,387,186,826					4,387,186,826
Placement with other Banks		859,462,671				859,462,671
Due From Banks						-
Loans & Advances to Customers	736,299,971	1,879,503,023	3,821,473,221	3,269,769,643	16,046,616,087	25,753,661,945
Investments in Associates					105,647,101	105,647,101
Financial Investments Available for Sale					105,478,302	105,478,302
Investment's in Bonds	-	5,189,940	31,139,640	20,759,760	162,041,460	219,130,800
Other Financial Assets	71,520,790					71,520,790
Total undiscounted Assets	10,805,209,111	2,744,155,634	3,852,612,861	3,290,529,403	16,419,782,950	37,112,289,960
Due to Banks	4,780,248,930	340,402,982	784,539,210	87,646,628	3,446,163	5,996,283,913
Due to Customers	9,263,563,908	2,675,505,699	2,437,996,282	522,076,595	123,085,276	15,022,227,761
Debts Issued & Other Borrowed Funds		51,000,000	132,000,000	491,000,000	560,000,000	1,234,000,000
Unclaimed Balances	37,336,461					37,336,461
Other Liabilities	12,437,668					12,437,668
Total undiscounted Liabilities	14,093,586,967	3,066,908,681	3,354,535,493	1,100,723,223	686,531,439	22,302,285,802
Net Undiscounted Financial Assets/(Liabilities)	(3,288,377,856)	(322,753,047)	498,077,369	2,189,806,181	15,733,251,511	14,810,004,158





NOTES TO THE FINANCIAL STATEMENT

Bank

31st December 2013

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	3,725,248,408					3,725,248,408
Cash & Balances with Central Bank	3,841,165,415					3,841,165,415
Placement with other Banks		351,265,753				351,265,753
Loans & Advances to Customers	708,947,319	1,934,474,194	4,050,220,480	2,842,747,937	16,133,327,843	25,669,717,772
Financial Investments Available for Sale					80,791,075	80,791,075
Investment's in Bonds	-	112,228,063	-	-	-	112,228,063
Other Financial Assets	9,694,817					9,694,817
Total undiscounted Assets	8,285,055,959	2,397,968,010	4,050,220,480	2,842,747,937	16,214,118,918	33,790,111,303
Due to Banks	3,482,921,928	61,904,684	580,238,601	828,241,936	5,569,232	4,958,876,381
Due to Customers	7,942,176,054	3,128,330,668	1,311,500,589	1,666,679,766	62,056,537	14,110,743,615
Debts Issued & Other Borrowed Funds	-	21,000,000	42,000,000	392,000,000	-	455,000,000
Unclaimed Balances	77,982,326					77,982,326
Other Liabilities	2,961,857					2,961,857
Total undiscounted Liabilities	11,506,042,165	3,211,235,352	1,933,739,190	2,886,921,702	67,625,770	19,605,564,178
Net Undiscounted Financial Assets/(Liabilities)	(3,220,986,206)	(813,267,342)	2,116,481,289	(44,173,765)	16,146,493,148	14,184,547,125

Group

31st December 2013

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	3,725,248,408	-	-	-	-	3,725,248,408
Cash & Balances with Central Bank	3,841,165,415	-	-	-	-	3,841,165,415
Placement with other Banks	-	351,265,753	-	-	-	351,265,753
Loans & Advances to Customers	708,947,319	1,934,474,194	4,050,220,480	2,842,747,937	16,133,327,843	25,669,717,772
Financial Investments Available for Sale	-	-	-	-	80,791,075	80,791,075
Investment's in Bonds	-	112,228,063	-	-	-	112,228,063
Other Financial Assets	9,694,817	-	-	-	-	9,694,817
Total undiscounted Assets	8,285,055,959	2,397,968,010	4,050,220,480	2,842,747,937	16,214,118,918	33,790,111,303
Due to Banks	3,482,921,928	61,904,684	580,238,601	828,241,936	5,569,232	4,958,876,381
Due to Customers	7,942,176,054	3,128,330,668	1,311,500,589	1,666,679,766	62,056,537	14,110,743,615
Debts Issued & Other Borrowed Funds	-	21,000,000	42,000,000	392,000,000	-	455,000,000
Unclaimed Balances	77,982,326	-	-	-	-	77,982,326
Other Liabilities	2,961,857	-	-	-	-	2,961,857
Total undiscounted Liabilities	11,506,042,165	3,211,235,352	1,933,739,190	2,886,921,702	67,625,770	19,605,564,178
Net Undiscounted Financial Assets/(Liabilities)	(3,220,986,206)	(813,267,342)	2,116,481,289	(44,173,765)	16,146,493,148	14,184,547,125

Bank

1st January 2013

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	6,912,501,969					6,912,501,969
Cash & Balances with Central Bank	1,535,952,222					1,535,952,222
Placement with other Banks		351,606,715				351,606,715
Loans & Advances to Customers	674,053,426	1,827,208,004	4,214,984,193	2,723,560,674	15,175,062,357	24,614,868,654
Financial Investments Available for Sale					89,540,901	89,540,901
Investment's in Bonds	-	461,156,150	112,228,063	-	-	573,384,213
Other Financial Assets	47,521,352					47,521,352
Total undiscounted Assets	9,170,028,967	2,639,970,869	4,327,212,255	2,723,560,674	15,264,603,258	34,125,376,024
Due to Banks	2,813,311,296	176,410,822	519,522,848	784,353,210	6,600,556	4,300,198,732
Due to Customers	6,721,800,926	5,321,042,482	2,318,325,200	1,599,196,977	80,427,542	16,040,793,128
Debts Issued & Other Borrowed Funds	-	21,000,000	42,000,000	42,000,000	392,000,000	497,000,000
Unclaimed Balances	48,073,651					48,073,651
Other Liabilities	6,413,976					6,413,976
Total undiscounted Liabilities	9,589,599,849	5,518,453,305	2,879,848,048	2,425,550,187	479,028,098	20,892,479,487
Net Undiscounted Financial Assets/(Liabilities)	(419,570,882)	(2,878,482,436)	1,447,364,207	298,010,487	14,785,575,160	13,232,896,537

Group

1st January 2013

	Up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	6,942,604,754					6,942,604,754
Cash & Balances with Central Bank	1,505,849,437					1,505,849,437
Placement with other Banks		351,606,715				351,606,715
Loans & Advances to Customers	674,053,426	1,827,208,004	4,214,984,193	2,723,560,674	15,175,062,357	24,614,868,654
Financial Investments Available for Sale					90,040,901	90,040,901
Investment's in Bonds		461,156,150	112,228,063			573,384,213
Other Financial Assets	54,981,877					54,981,877
Total undiscounted Assets	9,177,489,493	2,639,970,869	4,327,212,255	2,723,560,674	15,265,103,258	34,133,336,549
Due to Banks	2,823,575,678	178,649,315	513,258,253	782,928,210	6,600,556	4,305,012,012
Due to Customers	6,721,800,926	5,321,042,482	2,318,325,200	1,599,196,977	80,427,542	16,040,793,128
Debts Issued & Other Borrowed Funds	-	21,000,000	42,000,000	42,000,000	392,000,000	497,000,000
Unclaimed Balances	48,073,651					48,073,651
Other Liabilities	6,787,526					6,787,526
Total undiscounted Liabilities	9,600,237,782	5,520,691,798	2,873,583,454	2,424,125,187	479,028,098	20,897,666,318
Net Undiscounted Financial Assets/(Liabilities)	(422,748,288)	(2,880,720,929)	1,453,628,802	299,435,487	14,786,075,160	13,235,670,232



[Handwritten signature]

[Handwritten signature]

NOTES TO THE FINANCIAL STATEMENT

40 Risk Management (Contd.) Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Bank As at 31 Dec 2014							
Contingencies							
Financial guarantees	-	767,080,533	1,353,250,325	161,177,041	6,821,093	-	2,288,328,992
LCs	-	352,602,476	46,778,731	-	-	-	399,381,207
Total Contingencies	-	1,119,683,009	1,400,029,056	161,177,041	6,821,093	-	2,687,710,199
Commitments							
Undrawn credit card limits	27,293,665	-	-	-	-	-	27,293,665
Undrawn OD	1,570,405,832	-	-	-	-	-	1,570,405,832
Undisbursed other loans & advances	811,695,078	-	-	-	-	-	811,695,078
Total Commitments	2,409,394,575	-	-	-	-	-	2,409,394,575
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Group As at 31 Dec 2014							
Contingencies							
Financial guarantees	-	767,080,533	1,353,250,325	161,177,041	6,821,093	-	2,288,328,992
Letter of Credits	-	352,602,476	46,778,731	-	-	-	399,381,207
Total Contingencies	-	1,119,683,009	1,400,029,056	161,177,041	6,821,093	-	2,687,710,199
Commitments							
Undrawn credit card limits	27,293,665	-	-	-	-	-	27,293,665
Undrawn OD	1,570,405,832	-	-	-	-	-	1,570,405,832
Undisbursed other loans & advances	811,695,078	-	-	-	-	-	811,695,078
Total Commitments	2,409,394,575	-	-	-	-	-	2,409,394,575
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Bank As at 31 Dec 2013							
Contingencies							
Financial guarantees	-	492,821,273	1,223,070,840	81,513,364	14,668,318	-	1,812,073,795
Letter of Credits	38,838,057	286,347,802	10,069,142	6,180,906	-	-	341,435,908
Total Contingencies	38,838,057	779,169,075	1,233,139,982	87,694,270	14,668,318	-	2,153,509,703
Commitments							
Undrawn credit card limits	375,687	-	-	-	-	-	375,687
Undrawn OD	1,054,095,869	-	-	-	-	-	1,054,095,869
Undrawn loans	177,573,847	-	-	-	-	-	177,573,847
Total Commitments	1,232,045,403	-	-	-	-	-	1,232,045,403



[Handwritten signature]

[Handwritten signature]



NOTES TO THE FINANCIAL STATEMENT

Bhutan National Bank Notes to the Consolidated Financial Statements

Group As at 31 Dec 2013

	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies							
Financial guarantees	-	492,821,273	1,223,070,840	81,513,364	14,668,318	-	1,812,073,795
Letter of Credits	38,838,057	286,347,802	10,069,142	6,180,906	-	-	341,435,908
Total Contingencies	38,838,057	779,169,075	1,233,139,982	87,694,270	14,668,318	-	2,153,509,703
Commitments							
Undrawn credit card limits	375,687	-	-	-	-	-	375,687
Undrawn OD	1,054,095,869	-	-	-	-	-	1,054,095,869
Undrawn loans	177,573,847	-	-	-	-	-	177,573,847
Total Commitments	1,232,045,403	-	-	-	-	-	1,232,045,403

Bank As at 1 Jan 2013

	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies							
Financial guarantees	-	956,794,253	989,174,958	310,531,279	180,000	-	2,256,680,490
Letter of Credits	34,825,476	276,210,498	60,903,063	-	-	-	371,939,037
Total Contingencies	34,825,476	1,233,004,751	1,050,078,021	310,531,279	180,000	-	2,628,619,527
Commitments							
Undrawn OD	705,013,183	-	-	-	-	-	705,013,183
Undrawn loans	15,932,210	-	-	-	-	-	15,932,210
Undrawn credit card limits	957,532	-	-	-	-	-	957,532
Total Commitments	721,902,926	-	-	-	-	-	721,902,926

Group As at 1 Jan 2013

	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Contingencies							
Financial guarantees	-	956,794,253	989,174,958	310,531,279	180,000	-	2,256,680,490
Letter of Credits	34,825,476	276,210,498	60,903,063	-	-	-	371,939,037
Total Contingencies	34,825,476	1,233,004,751	1,050,078,021	310,531,279	180,000	-	2,628,619,527
Commitments							
Undrawn OD	705,013,183	-	-	-	-	-	705,013,183
Undrawn loans	15,932,210	-	-	-	-	-	15,932,210
Undrawn credit card limits	957,532	-	-	-	-	-	957,532
Total Commitments	721,902,926	-	-	-	-	-	721,902,926



ly

mi

NOTES TO THE FINANCIAL STATEMENT



41 Risk Management (Contd.) Currency Risk

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2014. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngutrum (Nu).

Currency	2014		2013	
	Change in currency rate in %	Effect on profit before tax/Equity	Change in currency rate in %	Effect on profit before tax/Equity
EUR	(+/-) 1%	5,831,264	(+/-) 1%	3,815,993
USD	(+/-) 1%	5,813,250	(+/-) 1%	26,292,530
GBP	(+/-) 1%	4,077,243	(+/-) 1%	943,875
AUD	(+/-) 1%	3,987,260	(+/-) 1%	4,516,388
JPY	(+/-) 1%	713,578	(+/-) 1%	90,700
SGD	(+/-) 1%	54,371	(+/-) 1%	19,618
HKD	(+/-) 1%	16,448	(+/-) 1%	10,504
CHF	(+/-) 1%	9,437	(+/-) 1%	12,922
NOK	(+/-) 1%	6,991	(+/-) 1%	10,075
CAD	(+/-) 1%	491	(+/-) 1%	-
		20,510,332		35,712,605

Operational Risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Reputational Risks are not covered in Operational Risk.

Operational Risks of the Bank are mitigated and managed through a Board approved Operational Risk Management Policy control framework which consists of monitoring and responding to potential risks such as segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Group Chief Risk Officer and the Board Risk Management Committee maintains a high level overall supervision of managing Operational Risks of the Bank

Maturity Gap Analysis

As at 31 Dec 2014-Bank

	Bank (Nu)		Group (Nu)	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Assets				
Cash & cash Equivalents	5,610,201,525	-	5,610,201,525	-
Cash & Balances with Central Bank	4,387,186,826	-	4,387,186,826	-
Placement with other Banks	859,462,671	-	859,462,671	-
Loans & Advances to Customers	1,488,291,617	12,195,839,965	1,488,291,617	12,195,839,965
Investments in Subsidiaries	-	500,000	-	-
Investments in Associates	-	91,463,480	-	105,647,101
Financial Investments Available for Sale	-	104,978,302	-	105,478,302
Investment's in Bonds	-	116,952,968	-	116,952,968
Other Financial Assets	-	71,520,790	-	71,520,790
Other Assets	-	197,149,827	-	197,349,827
Property & Equipment	-	330,226,773	-	330,226,773
Intangible Assets	-	49,466,576	-	49,466,576
Deferred tax assets	-	-	-	-
Total Assets	12,345,142,639	13,158,098,679	12,345,142,639	13,172,482,300
Liabilities				
Due to Banks	5,113,433,060	763,014,829	5,113,433,060	763,014,829
Due to Customers	6,002,057,522	2,531,966,690	6,002,057,522	2,531,966,690
Debts Issued & Other Borrowed Funds	-	876,375,342	-	876,375,342
Current Tax Liabilities	313,038,801	-	313,422,977	-
Provisions	28,897,848	-	29,110,761	-
Differed Income	16,494,602	-	16,494,602	-
Unclaimed Balances	37,336,461	-	37,336,461	-
Other Liabilities	86,760,283	-	86,898,390	-
Total Liabilities	11,598,018,578	4,171,356,862	11,598,753,774	4,171,356,862
Maturity Gap	747,124,062	8,986,741,817	746,388,865	9,001,125,438
Cumulative Gap	747,124,062	9,733,865,878	746,388,865	9,747,514,303





As at 31 Dec 2013-Bank

	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Assets				
Cash & cash Equivalents	3,725,248,408	-	3,725,248,408	-
Cash & Balances with Central Bank	3,841,165,415	-	3,841,165,415	-
Placement with other Banks	351,265,753	-	351,265,753	-
Loans & Advances to Customers	1,546,597,956	12,198,406,765	1,546,597,956	12,198,406,765
Investments in Subsidiaries	-	500,000	-	-
Investments in Associates	-	91,463,480	-	105,647,101
Financial Investments Available for Sale	-	80,791,075	-	81,291,075
Investment's in Bonds	106,831,268	-	106,831,268	-
Other Financial Assets	-	9,694,817	-	9,697,793
Other Assets	-	247,692,820	-	247,892,820
Property & Equipment	-	309,544,454	-	309,544,454
Intangible Assets	-	16,197,323	-	16,197,323
Total Assets	9,571,108,801	12,954,290,733	9,571,108,801	12,968,677,330
Liabilities				
Due to Banks and Financial Institution	3,544,826,612	1,218,777,677		

CORRESPONDENT BANKS



Standard Chartered Bank,
Frankfurt am Main, Germany

Standard Chartered Bank,
London, UK

Standard Chartered Bank,
Tokyo, Japan

Standard Bank Limited,
Dhaka, Bangladesh

Standard Chartered Bank,
New York, USA

Standard Chartered Bank,
Singapore

Standard Chartered Bank Nepal Ltd,
Kathmandu, Nepal

Standard Chartered Bank,
Mumbai, India

Export-Import Bank of Thailand, Bangkok,
Thailand

Kasikornbank PCL, 400/22 Phahon Yothin
Avenue, Bangkok, Thailand

Janata Bank Limited, Dhaka, Bangladesh
Bank Asia Limited, Dhaka, Bangladesh

Bank of America, New York, USA

Commerzbank AG Financial Institutions
Kaiserplatz 60261 Frankfurt am Main Germany

Commonwealth Bank of Australia Sydney,
201 Sussex Street Floor 27, Sydney NSW 2000,
Australia

State Bank of India, Mumbai, India

State Bank of India, Siliguri, India

State Bank of India, Hasimara, India

Axis Bank Ltd, Siliguri, India

HDFC Bank Ltd, Mumbai, India

ICICI Bank Limited, Mumbai, India

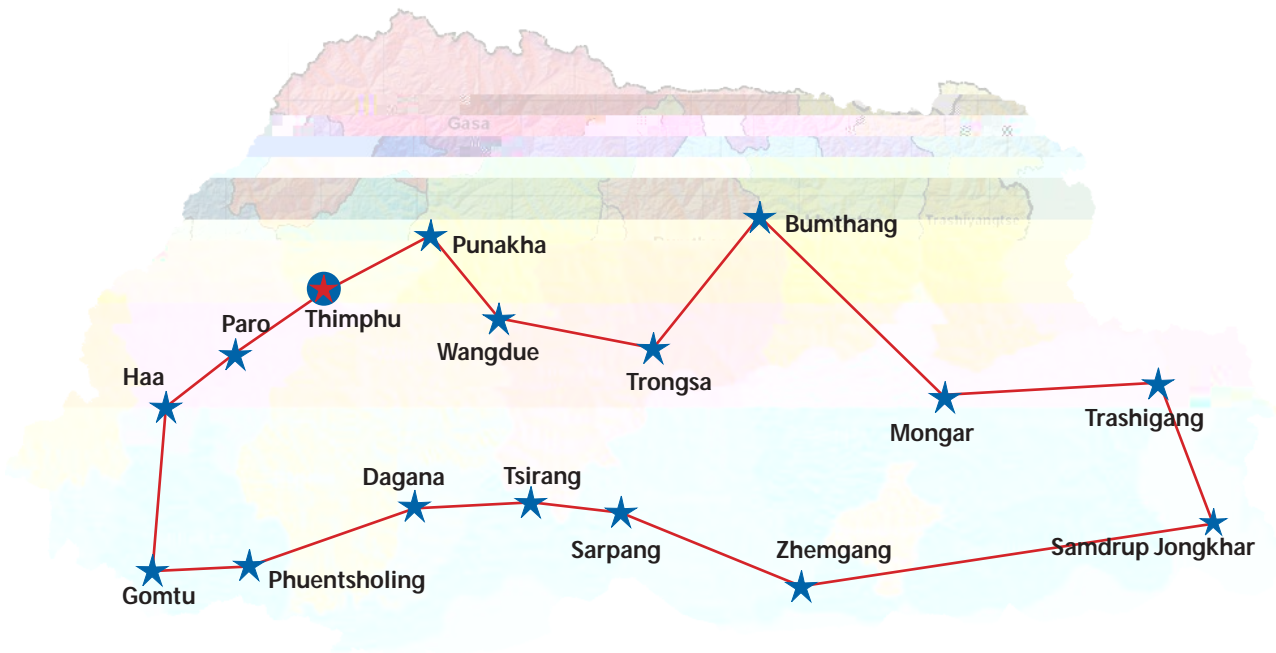
IDBI Bank Limited, Mumbai, India

IndusInd Bank, Mumbai, India

Bank of America N.A, Mumbai-6205, India



OUR OFFICES



Head Office, Thimphu

Post Box no.: 439
RICBL Building
PABX: 02—322767/328577/78/328587/88; Hotline: 144
Fax: 02-328839

Branch Office, Thimphu

Post Box No. 439
Bhutan Post Building
PABX: 02-323895/325297/328585; Hotline: 144
Fax: 02-331778/336112; Branch Manager: 02-327535
E-mail: thimphu@bnb.bt

Branch Office, Phuntsholing

Post Box No: 96
Bhutan Post Colony
PABX: 05-252502/252431/253057
Fax: 05-252647; Manager: 05-252001
Email: pling@bnb.bt

Branch Office, Paro

Post Box No: 1237
Near Vegetable Market, Tsongdue
PABX: 08-272730/31/32 ; Fax: 08-272733
Manager: 08-272688
Email: paro@bnb.bt

Branch Office, Gelephu

Post Box No: 163, Pelri Lam
PABX: 06-251008/251765
Manager: 06-251775; Fax: 06-251161
Email: gelephu@bnb.bt

Branch Office, Wangdue

Post Box No: 1271, Bajo Town
PABX: 02-481912/13; Fax: 02-481916
Manager: 02-481915
Email: wangdi@bnb.bt

Branch Office, Mongar

Post Box No: 108, Mongar Town
PABX: 04-641494/95/97; Fax: 04-641493
Manager: 04-641494
Email: mongar@bnb.bt

Branch Office, Bumthang

Post Box No: 143, Dekiling New Town
PABX: 03-631625/897; Fax: 03- 631898
Manager: 03-631626
Email: bumthang@bnb.bt

Branch Office, Trashigang

Post Box No: 111
Below School
PABX: 04-521129; Fax: 04-521195/521386
Manager: 04-521426
Email: tgang@bnb.bt

Branch Office, Samdrup Jongkhar

Post Box No: 1328
Near Dzong entrance gate
PABX: 07-251149/251527, Fax: 07-251208
Manager: 07-251667
Email: sj@bnb.bt

Branch Office, Gomtu

Gomtu town
PABX: 05-371270/71, Fax: 05-371273
Manager: 05-371272
Email: gomtu@bnb.bt

Branch Office, Tsirang

P.O. Box No:130
Dampu town
PABX: 06-471235; Fax: 06-471239
Manager: 17117464
Email: tsirang@bnb.bt

Motithang Extension Office, (Imphu Br.) Below DGPC Office

Phone: 02-323061/323028; Fax: 02-323132
Email: bnbmotithang@bnb.bt

Taba Extension Office, (Imphu Br.)

Opposite chorten
Phone: 02-365314; Fax: 02-365313
Email: bnbtaba@bnb.bt

Olakha Extension Office, (Imphu Br.)

Shearee Square ground floor
Telephone: 02-340604; Fax: 02-340605
Email: bnbolakha@bnb.bt

Gyalpozhing Extension Office, (Mongar Br.)

Gyalpozhing town
Telephone: 04-744258; Fax: 04-744263
Email: bnbgyelpozhing@bnb.bt

Khuruthang Extension Office, (Wangdi Br.)

Upper Market of Khuruthang Town
Telephone: 02-584472; Fax: 02-584475
Email: bnbkhuruthang@bnb.bt

Trongsa Extension Office, (Bumthang Br.)

Trongsa town
Phone: 03-521537; Fax: 03-521538
Email: bnbtrongsa@bnb.bt

Tala Extension Office, (Phuentsholing Br.)

Near THPA Helipad ground
Phone: 17160674; Fax: 16225181
Email: bnb тала@bnb.bt

Rangjung Extension Office, (Trashigang Br.)

Near chorten of Rangjung town
Phone: 04-561170; Fax: 04-561172
Email: bnb rangjung@bnb.bt

Wamrong Extension Office, (Trashigang Br.)

Wamrong town
Phone/Fax: 04-571169
Email: bnbwamrong@bnb.bt

Tingtibi Extension Office, (Gelephu Br.)

Phone: (03) 790027; Fax: (03) 790028
Email: bnbtingtibi@bnb.bt

Haa Extension Office, (Paro Br.)

Haa main town
Phone: 08-375375; Fax: 08-375374
Email: haa@bnb.bt

Bondey Extension Office, (Paro Br.)

Phone/fax: 08-270191
Email: parobondey@bnb.bt

Dagapela Extension Office, (Tsirang Br.)

Above Dratshang
Phone: 06-483129; Fax: 06-483128
Email: dagapela@bnb.bt