



Bhutan National Bank Ltd.

2015  
Annual Report



*Your Relationship Bank*

# BNB PIGGY BANK ACCOUNT "MY FIRST BANK"



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## MISSION STATEMENT

### 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 and Discipline

## MANAGEMENT TEAM

**NAME**

Kipchu Tshering  
Sonam Tobgay

**DESIGNATION**

Chief Executive Officer  
Dy.



## DIRECTOR'S PROFILE

**Mr. Sonam Phuntsho Wangdi**, Chairperson, appointed on 6th March 2015 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 6th March 2015 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 6th March 2015 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 6th March 2015 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 6th March 2015 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 6th March 2015 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



It is my privilege to present this preface to your Bank's Annual Report for the Financial Year 2015. As reported in the media, 2015 was a very successful year for the bank with the Profit after Tax of Nu 1 billion, a milestone performance by the bank. As submitted last year, your Bank continues to steadily grow and maintain its position in the banking sector in Bhutan. We are confident that with the support of all our shareholders and stakeholders your Bank will continue to prosper and achieve greater heights in the times to come.

2015 was a successful year as the bank achieved an excellent financial result, maintained its share in the market and was able to increase the dividend from the previous year. None of this would have been possible without the hard work and commitment of the employees of the bank.

## FINANCIAL HIGHLIGHTS

The key financial highlights (*in compliance to BAS/LOCAL*) are summarized in the following table:

	Fiscal Year 2014	Fiscal Year 2015
Net Interest Income	1,356 million	1,555 million
Net Fee & Commission Income	82.24 million	87.36 million
Total Operating Income	1,524 million	1794 million
Total Operating Expenses	468 million	507 million
Profit Before Tax from Continuing Operations	1,055 million	1286 million
Profit For the Year (BAS/IFRS)	743.64 million	785 million
Profit for the Year (Local GAAP)	714 million	1001.91 million

## STATUTORY AUDITORS

The 19th AGM held on 6th March 2015 approved the appointment of M/s S K Mittal, Delhi as the Statutory Auditors for the bank for 2015 at a cost of Nu. 151,000.00 plus actual expenses such as travel, accommodation, fooding etc.

## CORPORATE GOVERNANCE

Bhutan National Bank (BNB) has established a tradition of best practices in corporate governance. The corporate governance framework in BNB is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees, generally represented by a suitable blend of independent Directors, private shareholding Directors and Directors nominated by the shareholding Institutions and chaired by an able & experienced Director, to oversee critical areas.





## **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.



The composition of the Board and Board Committees for 2015 was as follows:

## Board of Directors

Mr. Sonam P Wangdi	-	Chairperson
Mr. Kunzang Dechen	-	Director
Dr. Pema Choephyel	-	Director
Dr Damber S Kharka	-	Director
Mr. Ugyen Namgyal	-	Director
Mr. Harish H Engineer	-	Director
Mr. Kipchu Tshering	-	CEO/Director

## Board Governance, Recruitment & Remuneration Committee

Dr Pema Choephyel	-	Chairperson of board committee
Mr. Sonam P Wangdi	-	Director
Mr. Kipchu Tshering	-	CEO/Director

## Board Credit & Investment Committee

Mr. Sonam P Wangdi	-	Chairperson of board committee
Dr. Damber S Kharka	-	Director
Mr. Kunzang Dechen	-	Director
Mr. Kipchu Tshering	-	CEO/Director

## Board Risk Management Committee

Dr. Damber S Kharka	-	Chairperson of board committee
Dr. Pema Choephyel	-	Director
Mr. Ugyen Namgyal	-	Director
Mr. Kipchu Tshering	-	CEO/Director

## Board Audit, Compliance & Grievance Committee

Mr. Ugyen Namgyal	-	Chairperson of board committee
Dr. Pema Choephyel	-	Director
Mr. Harish H Engineer	-	Director
Mr. Kunzang Dechen	-	Director

The Board is assisted by Mr. Sonam Tobgay, Dy CEO who is the Member Secretary to the board and Mr. Dorji Namgyal Rinchen who is the Company 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.

The details of board and board committee meetings held in 2015 and the details of their attendance at board meetings are set out in the following table:

# DIRECTOR'S REPORT



Name of Member	No. of Board Meetings attended
Mr. Sonam P Wangdi, Chairperson	6
Dr. Damber Singh Kharka, Director	5
Dr. Pema Choephyel, Director	6
Mr. Ugyen Namgyal, Director	4
Mr. Harish H Engineer, Director	4
Mr. Kunzang Dechen, Director	6
Mr. Kipchu Tshering, CEO/Director	6

## Board Meetings

### Board Governance, Recruitment & Remuneration Committee

Name of Member	No. of Board Committee Meetings attended
Dr. Pema Choephyel, Chairperson	3
Mr. Sonam P Wangdi, Director	2
Mr. Kipchu Tshering, CEO/Director	3

### Board Audit, Compliance & Grievance Committee

Name of Member	No. of Board Committee Meetings attended
Mr. Ugyen Namgyal, Chairperson	4
Dr. Pema Choephyel, Director	4
Mr. Kunzang Dechen, Director	4
Mr. Harish H Engineer, Director (via email circulation)	4

### Board Credit & Investment Committee

Name of Member	No. of Board Committee Meetings attended
Mr. Sonam P Wangdi, Chairperson	8
Dr. Damber S Kharka, Director	7
Mr. Kunzang Dechen, Director	8
Mr. Kipchu Tshering, Director	8

### Board Risk Management Committee

Name of Member	No. of Board Committee Meetings attended
Dr. Damber S Kharka, Chairperson	3
Dr. Pema Choephyel, Director	3
Mr. Ugyen Namgyal, Director	3
Mr. Kipchu Tshering, Director	3



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.

## **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 19<sup>th</sup> Annual General Meeting of Shareholders was held on 6<sup>th</sup> March 2015 at the conference hall, hotel Migmar, Thimphu.

## **Dividend**

For the year ended 31.12.2015, the 20<sup>th</sup> Annual General Meeting of Shareholders held on 26<sup>th</sup> February 2016 approved a dividend of 14.12% or Nu 1.41 per share (face value being Nu 10 per share). The dividend was thereafter approved by RMA and the dividend paid to all shareholders in April 2016.

## **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 2015 on RSEB are set out in the following table:

## DIRECTOR'S REPORT

Month	Market Price		Number of shares Traded	Amount in Nu.
	High	Low		
January	28.00	27.00	121,420.00	6,777,980.00
February	30.00	27.00	32,260.00	1,867,620.00
March	31.00	26.00	352,880.00	20,828,060.00
April	30.00	28.50	62,640.00	3,632,100.00
May	30.00	28.00	269,400.00	15,577,908.00
June	30.00	28.00	116,560.00	6,567,360.00
July	28.00	24.00	54,640.00	2,922,690.00
August	25.80	23.00	1,973,970.00	99,515,710.00
September	29.50	25.80	622,620.00	35,432,960.00
October	29.50	27.51	924,342.00	50,883,165.60
November	28.50	25.00	223,287.00	11,865,220.60
December	29.00	25.00	229,910.00	12,639,260.00
		<b>TOTAL</b>	<b>4,983,929.00</b>	<b>268,510,034.20</b>

## DIRECTOR'S REPORT

- Bhutan 2011 for safeguarding the assets of the bank and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

### CLOSING STATEMENT

2015 was a good year for Bhutan National Bank. We performed well and are executing on the strategic priorities of the Bank. We are making steady progress in adapting our business to meet changing regulatory, market and client demands and adding value for all stakeholders. As a result, we now have a robust, efficient and effective business model which underlines our strengths and supports the bank strategy. Products, services

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# CHIEF EXECUTIVE OFFICER'S REPORT



2015 was as the newspapers reported, “**a milestone in the history of the bank**”. In 2009 when the officials of the bank sat down to discuss the strategy and target for the coming years, no one at that point in time would have imagined the bank achieving a Profit After Tax of Nu 1 billion in 2015.

This milestone achievement in 2015 can mainly be attributed to planning, the restructuring done within the bank and the continuous efforts of the bank employees. While the bank ended 2014 very positively, the expectations from the board of directors and shareholders on the 2015 performance was always kept in mind during the year.

The management of the bank with the guidance from the board of directors continued 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 was a successful year for the bank, the board and management set stretching but achievable goals for 2015 which was surpassed with the continued support of all employees of the bank and our customers who continue to bank with us as their preferred choice of bank.

## Strategic Management

The bank continued to expand its physical presence in 2015, by opening extension offices in Trashiyangtse, Lhuentse, Khasadrapchu and Nganglam. We now have offices in all Dzongkhags except Gasa, which has been slated to open 2016. During the year, we also upgraded the Khuruthang extension office to provide basic credit services, and began the process of revamping our main branch located in the General Post Office building in Thimphu.

This year, the management segregated IT projects from IT operations, and placed IT projects with OSM. Although, we initiated about eight projects in 2015, such as mobile banking, recycler machines, credit related projects and two RMA projects, none could be completed in 2015 due to various issues such as hardware and software compatibility, licensing issues among vendors and pricing. However, with most issues ironed out, we expect a number of our IT projects to become operational by the second half of 2016. The OSM projects are prioritized to try and make the customer experience seamless between the physical and virtual services.

On the internal front, in 2015, the board endorsed OSM's Executive Performance Management System, forming a standard for measuring individual executive performance, which in turn will be cascaded down to measure unit performances and finally individual employee performance. This system, we believe, will assist us to continuously improve our core, prioritize and build systems that will help us support our customers' undertakings



## Risk Management Function

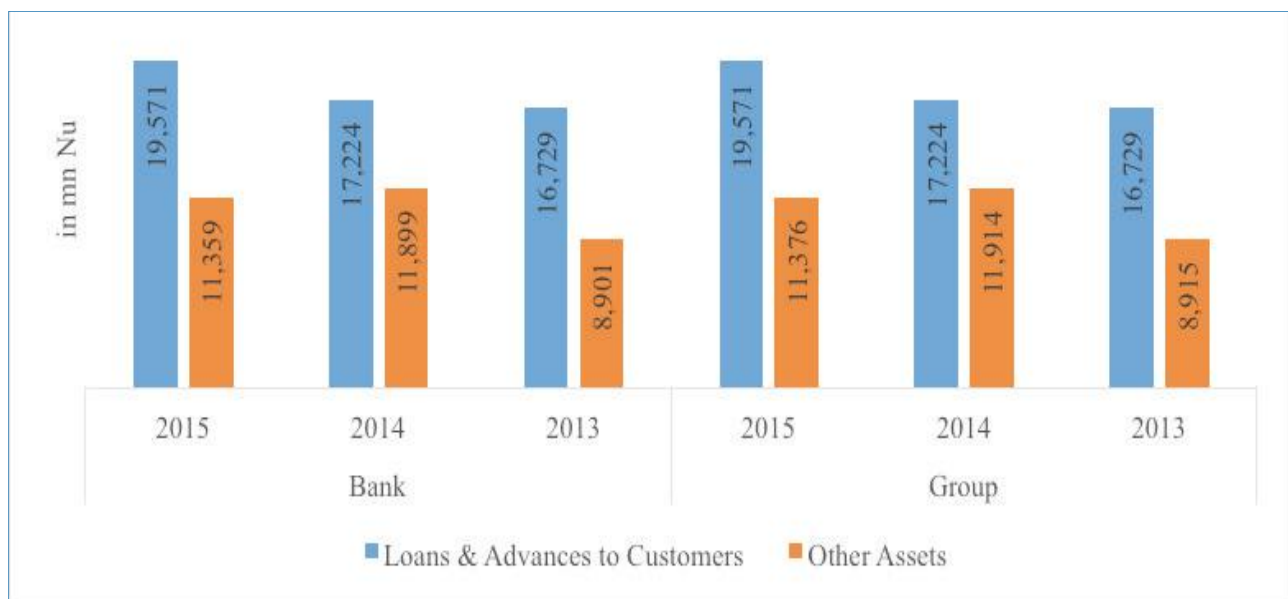
BNBL has introduced risk management function formally from 2015 to monitor and manage various risks the Bank is exposed to. The bank has now a comprehensive written policy on Risk Management to identify, measure, manage and mitigate the risk. The policy also has a detailed controlling tools, methodologies and reporting principles. The risk function is in the process of implementation. The major risks the policy emphasizes are Credit Risk, Market Risk and Operational Risk. The details of the risk management are provided in the section under RMA Disclosures.

## Financial Performance Review

The financial statements of Bank and Group are prepared in conformity with the requirement of Bhutan Accounting Standards (BASs and BFRSs), which are aligned to corresponding International Financial Reporting standards (IFRS). However, the compliance to Central Bank and Tax Authority are based on the requirements under local GAAP. The bank prepared two sets of financial statements, one as per BAS, which are published in Annual Report and other as per Local GAAP, for compliance to Royal Monetary Authority and to Regional Revenue & Custom Office. As required under BAS, the bank prepared financial statements for both Bank and the Group (which constitutes Subsidiary and Associates), however since, bank by far contributes the largest to profit and assets, the review will focus on the performance of the bank. The review as presented are based on the financials prepared under BAS, unless specified.

## Assets

The bank recorded a growth of 6% as at 31st December 2015 as against the growth of 14%, the previous year. Despite increase in the Loans & Advances (14%), the bank's asset growth has been lower than the previous year and this was mainly because of reduction in the Cash & Cash equivalent. However, the balances with Central Bank and placement with other banks within and outside Bhutan has increased by Nu. 1.56 bn over previous year.

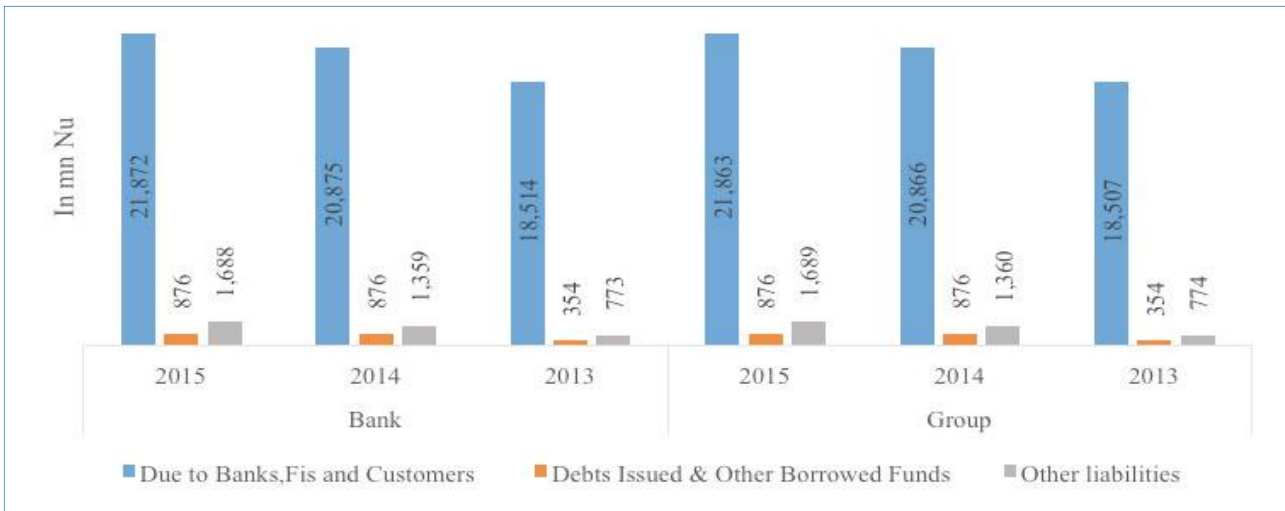


# CHIEF EXECUTIVE OFFICER'S REPORT



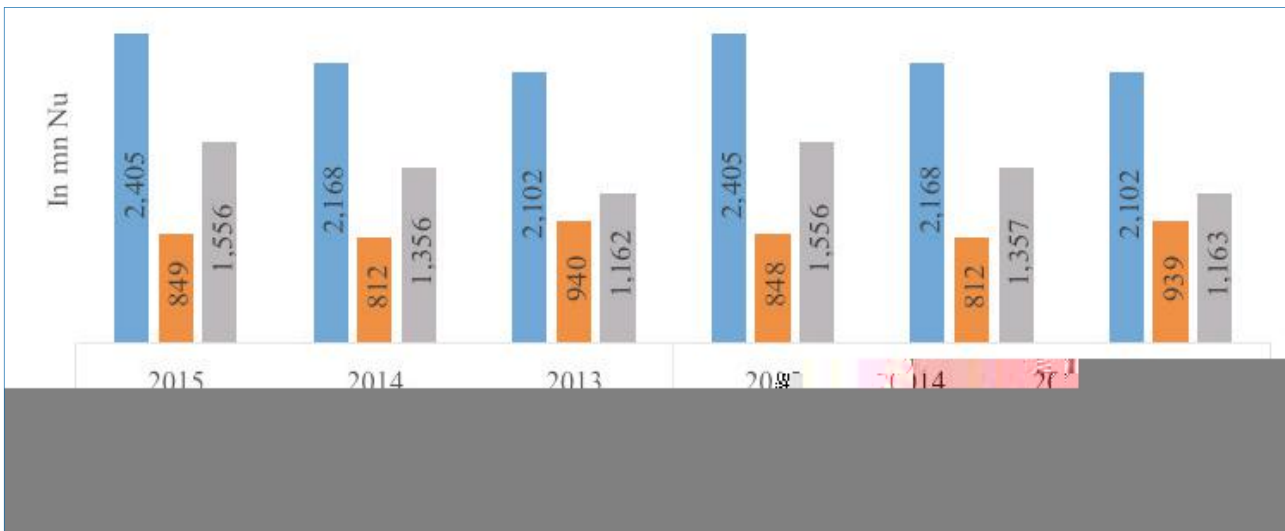
## Liabilities

The total liabilities excluding equity recorded a growth of 6% as against the growth of 15% last year for the bank. The increase in the deposits from Nu. 20.87 bn to Nu. 21.87 bn largely contributed to increase in the liability. The 'Other Liabilities' has also increased by more than double and increase in the financial liability (margin money) contributed the maximum to the growth. Despite the steps taken to boost CASA portfolio, the composition marginally reduced from 41% to 40% of the total deposit in 2015.



## Net Interest Income (NII)

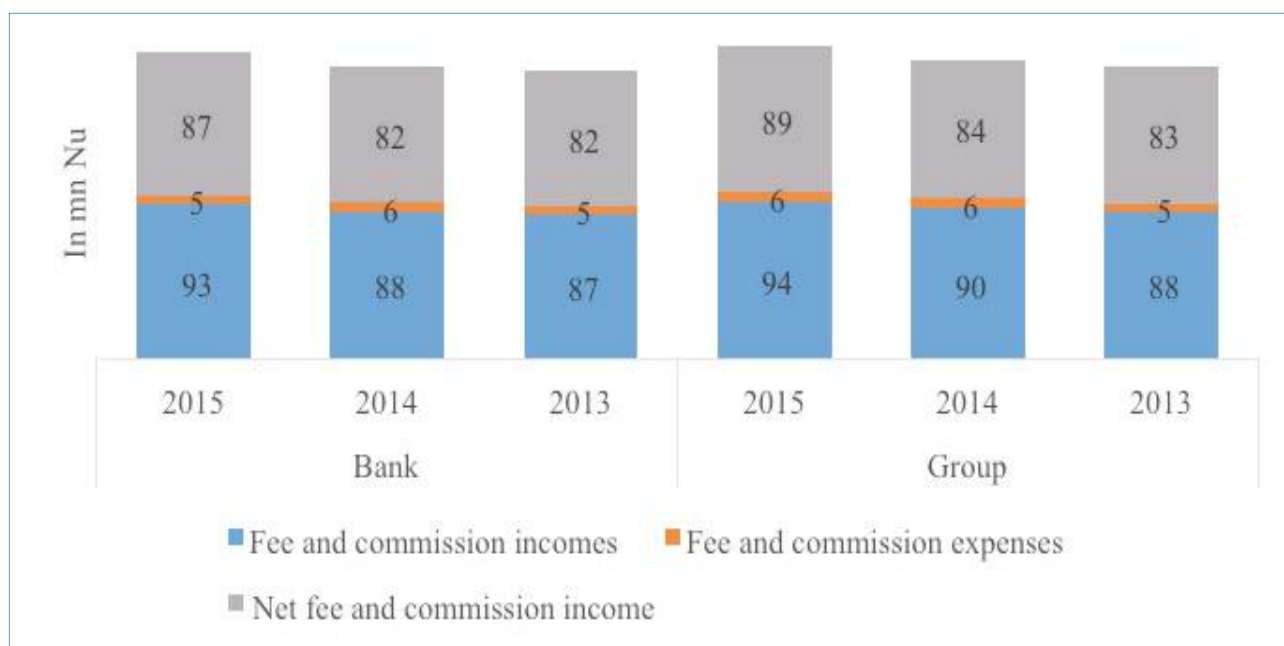
The net interest income was Nu. 1.55 bn in the current year, a 15% (previous year: 17%) growth over Nu. 1.35 bn in the previous year. The reason for achieving the growth is attributed to 11% (previous year: 3%) increase in Interest & Similar income and marginal increase of 5% (decrease of 14% in previous year) in Interest & Similar Expenses. Interest from Loans & advances to customers, which is the main source of income constitutes 96% of the total interest income.





## Net Fee and Commission Income

The Net fee & commission income during the year under review increased from Nu. 82.25 Mn to Nu. 87.36 Mn recording a growth of 6% (previous year: 0.29%). The Fee and commission income has increased by 5% (previous year: 2%) whereas, the fee and commission expenses has decreased by 9% (previous year: increase of 26%).



## Other Operating Income

Other operating income recorded a growth of 77% from Nu. 85.38 Mn in 2014 to Nu. 151.12 Mn in the current year. The increase is mainly because of 86% growth (Nu. 53.13 mn) in the forex gains.

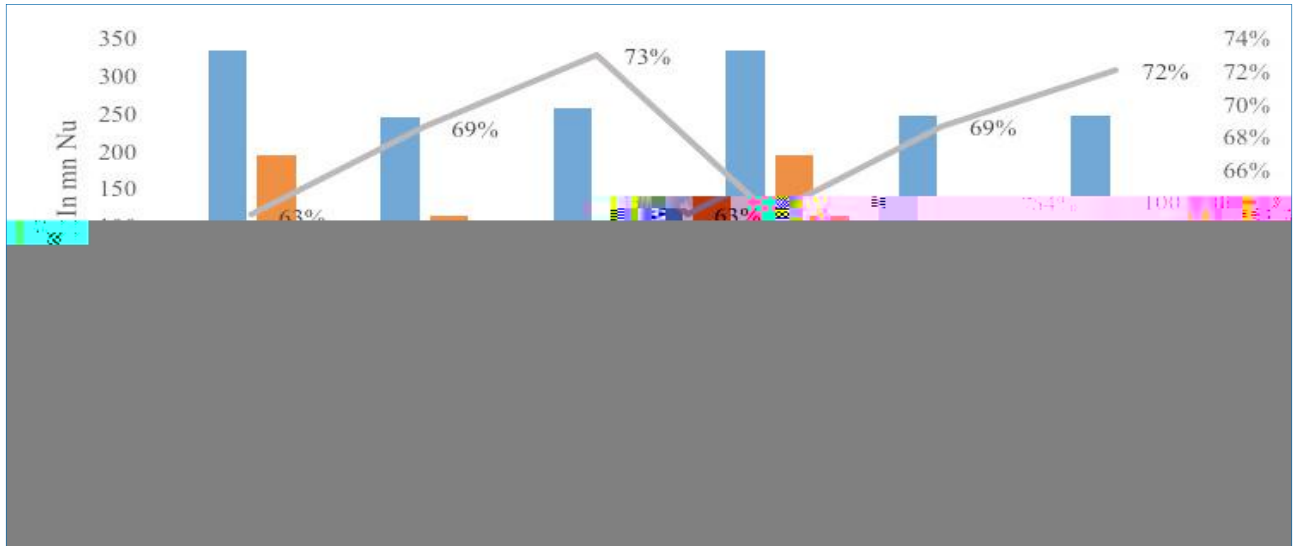
## Operating Expenses

The operating expenses increased by about 48% from Nu. 354.69 mn in 2014 to Nu. 524.20 mn in the year under review. This was mainly because of:

- Increase in the depreciation charged due to changes in the useful lives of assets.
- Increase of 36% in employment cost driven mainly by 29% increase in the wages & salaries

However, the personnel expenses as a proportion of total operating expenses excluding impairment has come down from 69% in 2014 to 63% in the current year, an improvement of 8% despite increase in the staff numbers and remuneration.

# CHIEF EXECUTIVE OFFICER'S REPORT

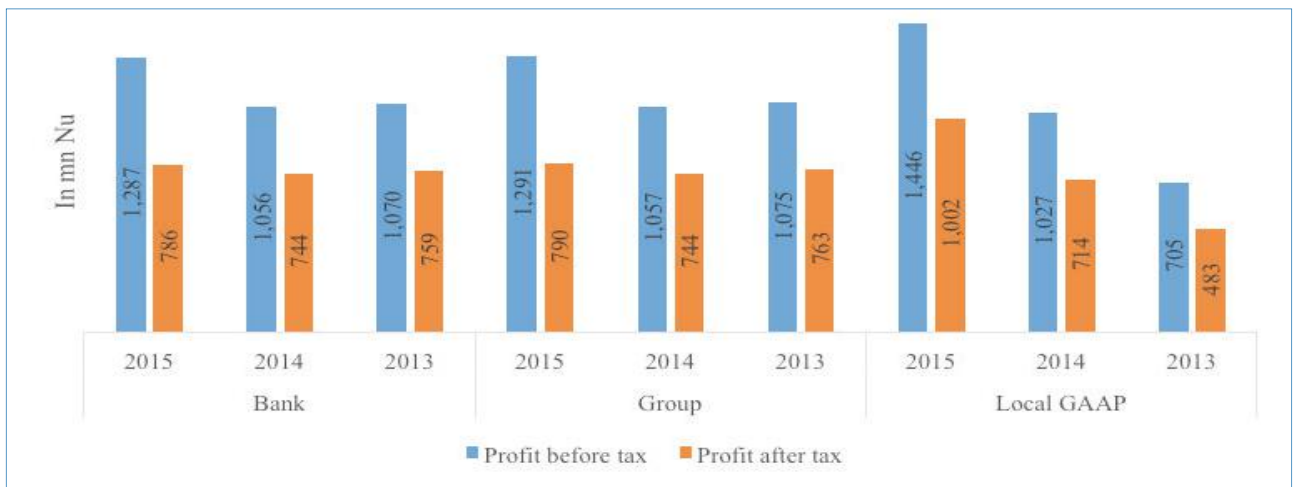


## Impairment of loan losses

The total impairment of loan losses during the year reduced to Nu. 1.42 Bn from Nu. 1.47 Bn in 2014, a decrease of about 4% as against the increase of 8.67% the year before. Despite charge of Nu. 26.40 mn (PY nil) under individually significant loan, there is a net reversal of 27.40 mn because of reduction in the charges under collective impairment. During the year there was a net write back of Nu. 16.46 mn as against the charge of Nu. 113.57 mn in 2014.

## Pre and Post tax profit

The bank performed exceptionally well in 2015 with a record profit after tax of Nu. 1,001.91 mn as compared to Nu. 714.22 mn in 2015 under Local GAAP, a growth of 40% (previous year: 62%). The increase in the PAT under Local GAAP was mainly due to improvement in the NPL, which resulted in a write back of Nu. 162 mn. However, the PAT under BAS increased only by 6% from Nu. 743.64 mn in 2014 to Nu. 785.88 mn in current year. The difference in the PAT under Local GAAP and BAS was mainly because of the write back of provisions and deferred tax under BAS.



# CHIEF EXECUTIVE OFFICER'S REPORT



## Taxation

The tax liability is based on the accounting profit computed under Local GAAP adjusted for disallowable expenses as per Rules on the Income Tax Act of the Kingdom of Bhutan 2001. The bank paid Nu. 444.50 mn for the current year as tax to the authority as compared to Nu. 313.04 mn in the previous year. However, the tax liability computed under BAS stands at Nu. 500.74 mn, which includes deferred tax liability of Nu. 56.24 mn.

## Credit Quality

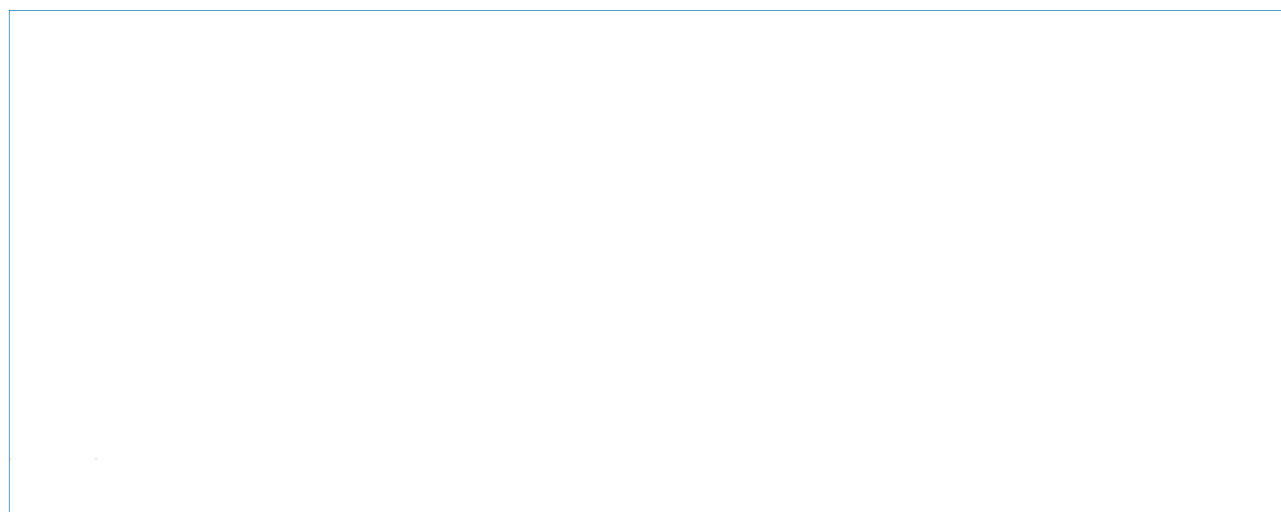
The bank as required by BAS, computed and made an impairment provisions on loans & advances comprising of individual and collective impairment. The impairment ratios were as follows:

	2015	2014	2013
Individual Impairment as a % of total loans	0.13%	0.00%	0.12%
Collective Impairment as a % of total loans	7.24%	8.54%	7.98%
Total Impairment as a % of total loans	7.38%	8.54%	8.09%

The individual impairment as a % of individually impaired loans & advances stands at 29.57% and collective impairment as % of loans & advances subject to collective impairment was 6.75% in the period under review. However, the bank continues to compute provision as per the norms of the Central Bank where NPL classifications are time based. The bank during the first half experienced an increase in the NPL but this trend gradually reduced towards the end of the year through proactive approaches adopted by the bank with guidance from the Credit Administration Department. The gross NPL ratio which was 6.49% in 2014 has slightly improved to 6.05% with a net NPL of -0.67% (previous year: -1.91).

## Shareholders' fund

Shareholders' fund grew by Nu. 478.83 mn (previous year: Nu. 547.87 Mn) or 7% (previous year: 9%) during the year. The amount as required under RMA Prudential Regulation (2002) & Financial Service Act of the kingdom of Bhutan 2011 has been transferred to General Reserves and Specific Reserves.







## Dividend

The bank has a dividend policy designed primarily to create profitable and sustained growth within acceptable risk parameters in order to maximize long term value for shareholders. The objective is to provide a return that shareholders expect from their investment with consideration given to cash and growth requirement of the business.

The Board of Directors approved a cash dividend of Nu. 1.41 per share (previous year: Nu. 1 per share) with a payout ratio of 49.93% (previous year: 49.68%) on the PAT under local GAAP. The basic earnings per share stood at Nu. 2.21 in 2015 as against Nu. 2.10 in 2014 (under BAS).

## Capital Adequacy Ratio & Liquid Asset Ratio

The Capital Adequacy Ratio, which was 25.65% in 2014 has marginally dropped to 23.36% in 2015 because of increase in loans & advances. The total risk weighted assets (TRWA) increased by 16.70% as against the increase of 6.28% in Capital fund, during the year under review.



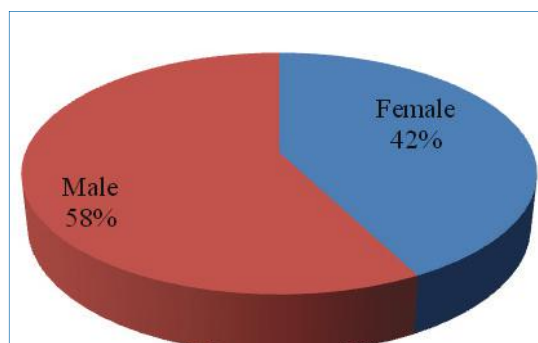
## A snapshot of the Human Resource for 2015

The HR in keeping with the theme “ Customer Service “ adopted for the year 2015 , made conscious efforts to focus on and adhere to this theme without exception in all work interactions whether across reporting levels, among peers , with sub-ordinates ,with clients or other external parties.

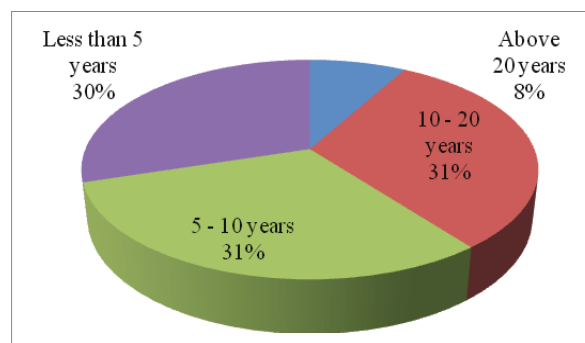
## Employees

Total number of Employees as of December, 2015 was 453.

**Number of Employees by Gender**



**Employees by years of service**



## Recruitment

The Bank continues to be one of the most prospective employers with 879 application received for 11 posts that was announced and advertised nationwide. The recruitment of 11 staff in 2015 reflected a growth of about 3 % over the previous year. The new positions arose primarily due to opening of new extensions and to a lesser extend due to expansion of operational and service areas and replacements for those who resigned from the Bank.

## Health and Safety

The Bank takes a proactive role in ensuring high standards of occupational health and safety. No work place accidents were reported in 2015. The Bank offers subsidized gym memberships and encourages medical checkup for staff. All employees are eligible for medical leave, reimbursement of medical expenses within the pre-advised limits and regulations.

## Employee Engagement

During the year, the Bank conducted an employment satisfaction survey across all offices in Thimphu to ascertain perceptions on issues impacting the employees, business and processes. The survey indicated that the employees were somewhat satisfied.

The findings of the survey were communicated to all staff through a series of meetings. Stemming from the feedback the Management addressed the findings by taking actions when deemed warranted. This process will be continued and replicated across all branches in the forthcoming year.

# CHIEF EXECUTIVE OFFICER'S REPORT



## Society and Social Responsibility

A milestone in the Bank's history, the Corporate Social Responsibility Policy was drafted and approved during

# CHIEF EXECUTIVE OFFICER'S REPORT



## IT Systems

### Major activities completed during the year are as under:

- Major teething issues from the FCUBS upgrade had been sorted out during the year.
- The IT personnel within the bank had developed in house SMS gateway system which was initially hosted with Value First at New Delhi.
- Document Management system for operations vertical for the KYC forms has been developed and launched.
- Mini Project such as extension counter, ATM, POS and enhancement of website had been undertaken and completed. The IT personnel were also actively involved in the evaluation, designing and other works related to the renovation of the Thimphu Branch office.

### Major activities for 2016

- The bank has an existing DR site within the premises of the Thimphu Branch Office. In order to have to be better prepared for business continuity the Bank will take the hosting of the DR site to a different geographic location at BT Data Centre at Phuentsholing.
- The Bank will initiate and implement Mobile Banking Services. Further as mandated by RMA IMPS (Inter Bank Fund Transfer Service through mobile) will be implemented.
- Cash Deposit and Recycler will be implemented by the Bank.
- Security Features in note counting, sorting and authentication of major truncated bank currencies.
- Standardization of Desk tops and Lap tops through single OEM vendors will be undertaken.
- Upgrade and Improve network connectivity of the last mile across branches to provide faster Customer Service.

## Credit (Local GAAP)

On the credit front, the Loans and Advance for 2015 was at Nu. 21.077 billion as compared to Nu.18.768 billion in 2014. This translates into Nu.2.309 billion, 12.30% growth over the previous year. The percentage of Nonperforming loans was at 6.05% compared to 6.49% in 2014.

The total loan sanctioned in 2015 was 6.864 billion as compared to Nu.4.522 billion in 2014, an increase by 2.342 billion. The Interest Income on loans for 2015 was Nu.2.255 billion as compared to Nu. 2.057 billion in 2014 while the yield on loans for 2015 was 10.70% as compared to 10.96% in 2014.

In 2015, BNBL's contribution to Credit as of December 2015 was 29% as compared to 28.72% 2014.

## Operations

The following are some of the highlights in 2015;

- Khuruthang Extension Office, Punakha was upgraded to large extension office.
- Opened Three (3) new Extension office at Khasadrapchu, Thimphu, Nganglam, Pemagatshel and Lhuentse.

# CHIEF EXECUTIVE OFFICER'S REPORT



- Installed five (5) new ATMs at Khasadrapchu, Thimphu, Langjophakha, Thimphu), Changzamtog, Thimphu, Nganglam, Pemagatshel, Deothang, Samdrup Jongkhar, and Lhuentse.

## Other Highlights;

	2014	2015	Variance
Off Balance Sheet Items (LC/BC) (mn)	973.8	748.57	-23.13%
Moneygram (mn)	30.22	38.93	28.82%
B-Wallet Service users (nos)	4,957	6,736	35.89%
Internet Banking users (nos)	3,584	3,984	11.16%
ATM card holders (nos)	72,276	82,584	14.26%
SMS Banking Users (nos)	64,593	79,458	23.01%
Credit Card Holders (nos)	490	388	-20.82%

We would like to take this opportunity to inform all our shareholders that the bank paid Nu 444.50 million as Corporate Income Tax to the National Exchequer thereby contributing to the nation's economy and development. We are very confident that the coming year 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

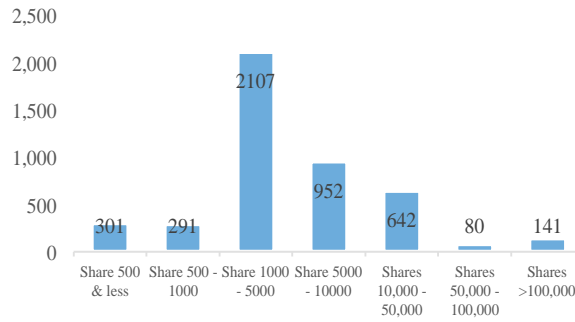
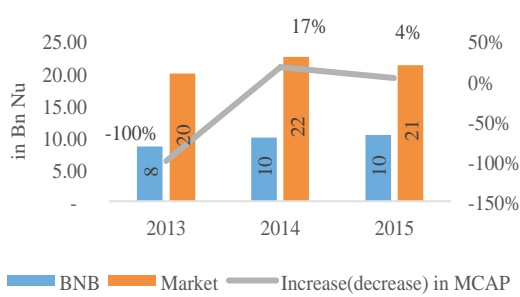
**Kipchu Tshering**  
Chief Executive Officer

**Place: Thimphu**

The figures presented are under Local GAAP unless specified.

Net Assets per share (Nu)	18.60	17.18	8.26%
Earnings per share (Nu)	2.82	2.01	40.28%
Dividend per share (Nu)	1.41	1.00	41.00%
Market Price per share (31st December)	29.00	28.00	3.57%

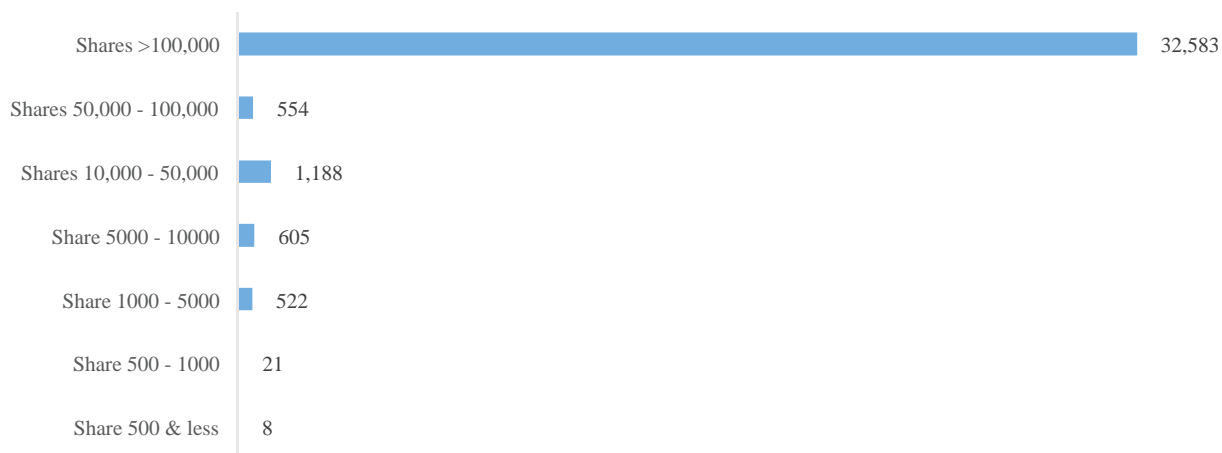
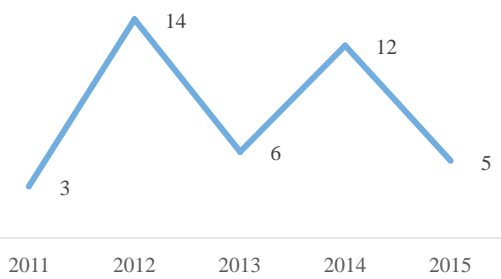




Resident Shareholders	4,513	283.85	80%	4,520	283.85	80%
Non resident Shareholders	1	70.96	20%	1	70.96	20%

Individuals	4,479	138.87	39.14%	4,485	136.00	38.33%
Institutions	35	215.94	60.86%	36	218.81	61.67%

Share 500 & less	301	6.67%	0.08	0.02%	290	6.43%	0.07	0.02%
Share 500 - 1000	291	6.45%	0.21	0.06%	276	6.12%	0.20	0.06%
Share 1000 - 5000	2,107	46.68%	5.22	1.47%	2,139	47.40%	5.32	1.50%
Share 5000 - 10000	952	21.09%	6.05	1.71%	965	21.38%	6.13	1.73%
Shares 10,000 - 50,000	642	14.22%	11.88	3.35%	631	13.98%	11.64	3.28%
Shares 50,000 - 100,000	80	1.77%	5.54	1.56%	74	1.64%	5.12	1.44%
Shares >100,000	141	3.12%	325.83	91.83%	138	3.06%	326.32	91.97%



**AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**



## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with the standards prescribed under the Companies Act, 2013 and the Chartered Accountants Act, 1949.

The financial statements are the responsibility of the management. We have audited the financial statements in accordance with the standards prescribed under the Companies Act, 2013 and the Chartered Accountants Act, 1949. Our audit was conducted on the basis of the information and explanations provided by the management.

We are not responsible for preparing or for the accuracy or completeness of the financial statements. Our responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with the standards prescribed under the Companies Act, 2013 and the Chartered Accountants Act, 1949. Our audit was conducted on the basis of the information and explanations provided by the management.

We are not responsible for preparing or for the accuracy or completeness of the financial statements. Our responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with the standards prescribed under the Companies Act, 2013 and the Chartered Accountants Act, 1949.

## 3. Opinion

In our opinion, the financial statements of the company for the year ended 31st March 2015, are in accordance with the accounting principles generally accepted in India.

The financial statements are in accordance with the accounting principles generally accepted in India.

In our opinion, the financial statements of the company for the year ended 31st March 2015, are in accordance with the accounting principles generally accepted in India.

In our opinion, the financial statements of the company for the year ended 31st March 2015, are in accordance with the accounting principles generally accepted in India.





- a. The consolidated financial statements include the Group's share of profit of Nu. 3,109,276 in the Associate company which is taken from its audited financials for the year 2014 since it was not considered last year due to the same being under audit. Financials of the Associate for the year 2015 are under finalization presently and therefore the same shall be considered while finalizing Group's accounts for the year 2016.
- b. Confirmation of outstanding balances of loans and advances given, deposits taken and other receivables/payables were not available for our verification. However, the Bank contended that such confirmations are not feasible.

As required by section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting Requirements), we enclose in the annexure a statement on the matters specified therein to the extent applicable to the Group/Bank.

April 25, 2016  
New Delhi



Chartered Accountants  
FRN: 001135N

A handwritten signature in blue ink, appearing to read "Krishan Sarup".

Krishan Sarup  
: 10633

# ANNEXURE

## MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The auditor shall examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

2. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

3. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

4. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

5. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

6. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

7. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

8. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

9. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.

10. The auditor shall also examine the books of account and vouchers and other documents and records relating to the business of the company and shall satisfy himself that the accounts are properly maintained and that the entries are correctly made and that the balance sheet and profit and loss account are correctly prepared and that the same are in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.















**Bhutan National Bank Ltd**  
**Statement of Other Comprehensive Income**  
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Note No	Bank		Group	
	2015 Nu	2014 Nu	2015 Nu	2014 Nu
<b>Profit for the year</b>	□ □□□□	□ □□ □	□ □□□□□	□ □ □ □
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<b>Total other comprehensive income before tax</b>	<b>54,428,309</b>	<b>(2,340,711)</b>	<b>54,428,309</b>	<b>(2,340,711)</b>
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<b>Other comprehensive income for the year, net of tax</b>	<b>37,776,423</b>	<b>(1,638,498)</b>	<b>37,776,423</b>	<b>(1,638,498)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>823,656,458</b>	<b>742,003,493</b>	<b>827,424,467</b>	<b>742,708,804</b>
<b>Basic Earnings Per Share</b>	<b>2.21</b>	<b>2.10</b>	<b>2.23</b>	<b>2.10</b>

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**Bhutan National Bank Limited**

**CASH FLOW STATEMENT**  
For the year ended 31st December

	Bank		Group	
	2015	2014	2015	2014
<b>Cash flows from operating activities</b>				
□□□	1,286,619,157	1,055,751,480	1,290,787,993	1,056,840,967
<b>Adjustment for:</b>				
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<b>Operating profit before changes in operating assets &amp; liabilities</b>	<b>1,384,159,816</b>	<b>1,233,178,924</b>	<b>1,388,217,832</b>	<b>1,234,268,411</b>
<b>(Increase) / decrease in operating assets</b>				
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<b>Increase / (decrease) in operating liabilities</b>				
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<b>Net cash generated from/(used in) operating activities before income tax</b>	<b>82,111,936</b>	<b>2,927,267,478</b>	<b>85,105,388</b>	<b>2,927,528,554</b>
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<b>Net cash generated from/(used in) operating activities</b>	<b>(230,926,865)</b>	<b>2,705,266,647</b>	<b>(228,317,589)</b>	<b>2,705,266,647</b>
<b>Cash flows from investing activities</b>				
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<b>Net cash flows used in investing activities</b>	<b>(192,394,091)</b>	<b>(50,961,854)</b>	<b>(195,003,367)</b>	<b>(50,961,854)</b>
<b>Cash flows from financing activities</b>				
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<b>Net cash generated from financing activities</b>	<b>(405,807,700)</b>	<b>284,866,653</b>	<b>(405,807,700)</b>	<b>284,866,653</b>
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□□□ □□□□ □□□□ □□□□ □□□□ □□□□	□□□□	□□□□	□□□□	□□□□
<b>Cash and cash equivalents at the end of the year</b>	<b>10,027,722,367</b>	<b>10,856,851,022</b>	<b>10,027,722,367</b>	<b>10,856,851,022</b>

Chartered Accountants  
FRN: 001135N

S. - + -  
**CHAIRPERSON**

  
**CHIEF EXECUTIVE OFFICER**



Krishan Sarup  
: 10633

April 25, 2016  
New Delhi



## 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.

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 2015 were authorised for issue in accordance with a resolution of the directors on February 26, 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 Bhutanese Accounting Standards (BAS).

#### 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 40.

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

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### **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 10 & 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.

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## 2.3 FIRST-TIME ADOPTION OF IFRS

The financial statements, for the year ended 31 December 2014 were the first, the Group had prepared in accordance with BAS. 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 applicable for period ending 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the summary of significant accounting policies. The note 2.5 explains the principal adjustments made by the Bank in restating its Local GAAP financial statements.

## 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.



**(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

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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
- 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

**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'.

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.

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**(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).

**(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.

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#### 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

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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.

**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.

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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:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	10 - 60 Years (Component Based)
Furniture & Fitting	2 - 30 Years
Office Equipment	2 - 10 Years
Motor Vehicles	5 - 10 Years
Computer Hardware	1 - 10 Years
Security Equipment	3 - 10 Years
Electrical Equipment	2 - 10 Years
Computer Software	2 - 10 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

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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

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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 (Note 36).

#### 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.





### 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.



Bhutan National Bank

## NOTES TO FINANCIAL STATEMENT

**For the year ended 31<sup>st</sup> December 2015**

### **2.5. Principal Adjustments made in reinstating the Local GAAP**

#### **2.5.1 Notes to the Reconciliation of Equity and Total Comprehensive Income for the year ended 31 December 2015.**

##### **(A) Property, Plant and Equipment**

According to BAS 16, 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 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 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/BFRS, investments in quoted and unquoted shares has been designated as available-for-sale investments. BAS 39 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.

**(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.

**(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.

**(H) Refundable deposits**

Group has provided security deposits on refundable basis and recognized at cost, on transition to BAS 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.

**(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.



Bhutan National Bank  
Notes to the Consolidated Financial Statements

3 Principal adjustments made

3.1 Reconciliation of Balance Sheet as at 31st December 2015 -Bank

	Note	Bank ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
<b>Assets</b>				
Cash & cash Equivalents		3,218,820,420	-	3,218,820,420
Cash & Balances with Central Bank		5,143,875,234	-	5,143,875,234
Placement with other Banks		1,665,026,712	-	1,665,026,712
Due From Banks and Financial Institution				
Loans & Advances to Customers	C/D	19,670,200,944	(99,332,884)	19,570,868,060
Investments in Subsidiaries		500,000	-	500,000
Investments in Associates		91,463,480	-	91,463,480
Financial Investments Available for Sale	E	70,893,035	129,428,322	200,321,357
Financial Investments Held to Maturity				
Financial Assets - Loans & Receivables		116,952,968	-	116,952,968
Defined Benefit Assets	F	-	26,704,762	26,704,762
Other Financial Assets		60,694,879	(8,819)	60,686,060
Other Assets	H	279,821,023	62,631,632	342,452,655
Property & Equipment	A	327,734,744	138,712,995	466,447,739
Intangible Assets	B	30,695,933	(5,362,229)	25,333,704
Deferred tax assets	G			-
<b>Total Assets</b>		<b>30,676,679,373</b>	<b>252,773,779</b>	<b>30,929,453,152</b>
<b>Liabilities</b>				
Due to Banks and Financial Institution		5,308,457,911		5,308,457,911
Due to Customers	I	16,593,812,252	(29,891,879)	16,563,920,373
Debts Issued & Other Borrowed Funds		876,457,534	-	876,457,534
Current Tax Liabilities		444,501,788	-	444,501,788
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	28,177,532	28,177,532
Unclaimed Balances		34,546,203	-	34,546,203
Deferred Income		33,393,367	-	33,393,367
Provisions		15,751,021	-	15,751,021
Other Liabilities	H	269,821,817	(14,483,919)	255,337,898
<b>Total Liabilities</b>		<b>23,576,741,894</b>	<b>(16,198,266)</b>	<b>23,560,543,629</b>
<b>Equity</b>				
Share Capital		3,548,077,000	-	3,548,077,000
Share Premium		34,022,965	-	34,022,965
<b>Reserves</b>				
Revenue Reserve		175,466,133	529,030,614	704,496,747
General Reserve		2,381,549,554	-	2,381,549,554
Statutory Reserve		106,542,969	-	106,542,969
Specific Reserves		354,000,000	-	354,000,000
AFS Reserve		-	90,599,826	90,599,826
Revaluation Reserve		-	149,620,462	149,620,462
<b>Total equity</b>		<b>6,599,658,622</b>	<b>769,250,902</b>	<b>7,368,909,524</b>
<b>Total liabilities and equity</b>		<b>30,176,400,516</b>	<b>753,052,636</b>	<b>30,929,453,152</b>

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**Reconciliation of Balance Sheet as at 31 December 2015-Group**

	Note	Group ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
<b>Assets</b>				
Cash & cash Equivalents		3,218,820,420	-	3,218,820,420
Cash & Balances with Central Bank		5,143,875,234	-	5,143,875,234
Placement with other Banks		1,665,026,712	-	1,665,026,712
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	C/D	19,670,200,944	(99,332,884)	19,570,868,060
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	17,292,897	108,756,377
Financial Investments Available for Sale	E	70,893,035	129,428,322	200,321,357
Financial Investments Held to Maturity		-	-	-
Financial Assets - Loans & Receivables		116,952,968	-	116,952,968
Defined Benefit Assets	F	-	26,704,762	26,704,762
Other Financial Assets		60,694,879	(8,819)	60,686,060
Other Assets	H	280,455,560	62,631,632	343,087,192
Property & Equipment	A	327,734,744	138,712,995	466,447,739
Intangible Assets	B	30,695,933	(5,362,229)	25,333,704
Deferred tax assets	G	-	-	-
<b>Total Assets</b>		<b>30,676,813,910</b>	<b>270,066,676</b>	<b>30,946,880,586</b>
<b>Liabilities</b>				
Due to Banks and Financial Institution		5,298,924,579	-	5,298,924,579
Due to Customers	I	16,593,812,252	(29,891,879)	16,563,920,373
Debts Issued & Other Borrowed Funds		876,457,534	-	876,457,534
Current Tax Liabilities		444,902,615	-	444,902,615
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	28,177,532	28,177,532
Unclaimed Balances		34,546,203	-	34,546,203
Deferred Income		33,393,367	-	33,393,367
Provisions		15,795,769	-	15,795,769
Other Liabilities	H	270,396,942	(14,483,919)	255,913,023
<b>Total Liabilities</b>		<b>23,568,229,261</b>	<b>(16,198,266)</b>	<b>23,552,030,995</b>
<b>Equity</b>				
Share Capital		3,548,077,000	-	3,548,077,000
Share Premium		34,022,965	-	34,022,965
<b>Reserves</b>				
Revenue Reserve		184,113,303	546,323,511	730,436,814
General Reserve		2,381,549,554	-	2,381,549,554
Statutory Reserve		106,542,969	-	106,542,969
Specific Reserves		354,000,000	-	354,000,000
AFS Reserve		-	90,599,826	90,599,826
Revaluation Reserve		-	149,620,462	149,620,462
<b>Total equity</b>		<b>6,608,305,793</b>	<b>809,725,913</b>	<b>7,394,849,591</b>
<b>Total liabilities and equity</b>		<b>30,176,535,053</b>	<b>793,527,647</b>	<b>30,946,880,586</b>

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## Bhutan National Bank Limited

Notes to the Consolidated Financial Statements

### 3 Principal adjustments made

#### 3.2 Reconciliation of Income Statement for the year ended 31st December 2015-Bank

	Note	Bank (Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,339,315,664	65,422,191	2,404,737,855
Interest & Similar Expense	I	(847,561,023)	(1,296,162)	(848,857,185)
<b>Net interest income</b>		<b>1,491,754,641</b>	<b>64,126,029</b>	<b>1,555,880,670</b>
Fee and commission income		92,758,596	-	92,758,596
Fee and commission expenses		(5,399,600)	-	(5,399,600)
<b>Net fee and commission income</b>		<b>87,358,996</b>	<b>-</b>	<b>87,358,996</b>
Other Operating Income		151,121,012	-	151,121,012
Share of Profit/(Loss) from Associates	J			
<b>Total operating income</b>		<b>1,730,234,648</b>	<b>64,126,029</b>	<b>1,794,360,677</b>
Personnel Expenses	D	287,355,360	43,747,003	331,102,364
Depreciation on Property Plant & Equipment	A	23,456,661	26,004,369	49,461,031
Amortization of Intangible Assets	B	7,361,004	17,027,584	24,388,588
Other Operating Expenses		119,245,035	4,025	119,249,060
Impairment charges/(reversal) for loans and other losses	C	(153,593,756)	137,134,234	(16,459,522)
<b>Total Operating Expenses</b>		<b>283,824,305</b>	<b>223,917,216</b>	<b>507,741,521</b>
<b>Profit Before Tax from Continuing Operations</b>		<b>1,446,410,343</b>	<b>(159,791,187)</b>	<b>1,286,619,157</b>
Income Tax Expense	G	444,501,788	56,237,334	500,739,122
<b>Profit For the Year</b>		<b>1,001,908,555</b>	<b>(216,028,521)</b>	<b>785,880,035</b>
<b>Other Comprehensive Income</b>				
<b>Profit For the Year</b>		<b>1,001,908,555</b>	<b>(216,028,521)</b>	<b>785,880,035</b>
Gains /(losses) on re-measuring available for sale financial assets	E	-	60,907,056	60,907,056
Remeasurment Gain/(Loss) on Defined Benefit Plan	F	-	(6,478,747)	(6,478,747)
Net loss on available for sale financial assets		-	-	-
<b>Total other comprehensive income before tax</b>		<b>-</b>	<b>54,428,309</b>	<b>54,428,309</b>
Income tax income /(expense) relating to components of other comprehens		-	16,651,885	16,651,885
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>37,776,423</b>	<b>37,776,423</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>1,001,908,555</b>	<b>(178,252,097)</b>	<b>823,656,458</b>

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## Reconciliation of Income Statement for the year ended 31st December 2015-Group

	Note	Group (Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,339,315,664	65,422,191	2,404,737,855
Interest & Similar Expense	I	(846,950,898)	(1,296,162)	(848,247,060)
<b>Net interest income</b>		<b>1,492,364,766</b>	<b>64,126,029</b>	<b>1,556,490,795</b>
Fee and commission income		94,463,951	-	94,463,951
Fee and commission expenses		(5,650,830)	-	(5,650,830)
<b>Net fee and commission income</b>		<b>88,813,121</b>	<b>-</b>	<b>88,813,121</b>
Other Operating Income		151,163,865	-	151,163,865
Share of Profit/(Loss) from Associates	J	3,109,276	-	3,109,276
<b>Total operating income</b>		<b>1,735,451,028</b>	<b>64,126,029</b>	<b>1,799,577,057</b>
Personnel Expenses	D	288,337,604	43,747,003	332,084,607
Depreciation on Property Plant & Equipment	A	23,456,661	26,004,369	49,461,031
Amortization of Intangible Assets	B	7,361,004	17,027,584	24,388,588
Other Operating Expenses		119,310,335	4,025	119,314,360
Impairment charges/(reversal) for loans and other losses	C	(153,593,756)	137,134,234	(16,459,522)
<b>Total Operating Expenses</b>		<b>284,871,848</b>	<b>223,917,216</b>	<b>508,789,064</b>
<b>Profit Before Tax from Continuing Operations</b>		<b>1,450,579,179</b>	<b>(159,791,187)</b>	<b>1,290,787,993</b>
Income Tax Expense	G	444,902,615	56,237,334	501,139,948
<b>Profit For the Year</b>		<b>1,005,676,565</b>	<b>(216,028,521)</b>	<b>789,648,044</b>
<b>Other Comprehensive Income</b>				
<b>Profit For the Year</b>				<b>789,648,044</b>
Gains /(losses) on re-measuring available for sale financial assets	E	-	60,907,056	60,907,056
Remeasurment Gain/(Loss) on Defined Benefit Plan	F	-	(6,478,747)	(6,478,747)
Net loss on available for sale financial assets		-	-	-
<b>Total other comprehensive income before tax</b>		<b>-</b>	<b>54,428,309</b>	<b>54,428,309</b>
Income tax income /(expense) relating to components of other comprehens		-	16,651,885	16,651,885
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>37,776,423</b>	<b>37,776,423</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>-</b>	<b>37,776,423</b>	<b>827,424,467</b>

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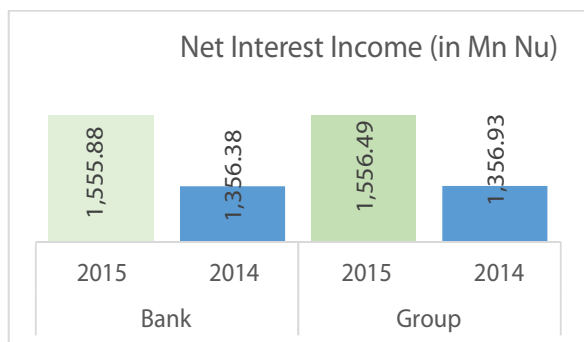


#### 4. Interest & Similar Income

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Loans & Advances to customers	2,317,224,092	2,074,642,549	2,317,224,092	2,074,642,549
Cash & Short term funds	3,349,490	4,382,006	3,349,490	4,382,006
Interest Accrued on Impaired Loans	-	-	-	-
Placements with other banks	73,364,219	80,638,727	73,364,219	80,638,727
Income From RGOB Bonds	10,800,053	8,822,033	10,800,053	8,822,033
	<u>2,404,737,855</u>	<u>2,168,485,316</u>	<u>2,404,737,855</u>	<u>2,168,485,316</u>

#### 5. Interest & Similar Expenses

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Due to customers	797,040,438	768,873,369	796,430,313	768,319,844
Debt issued and other borrowed funds	51,082,192	43,002,740	51,082,192	43,002,740
Other	734,555	228,022	734,555	228,022
	<u>848,857,185</u>	<u>812,104,131</u>	<u>848,247,060</u>	<u>811,550,606</u>



**14.71%**  
Growth (Bank & Group)



#### 6. Net Fees & Commission Income

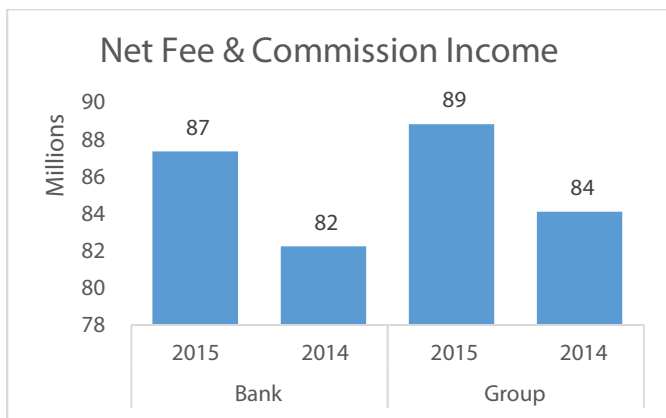
	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Fees & Commission Income				
Banking services	68,871,824	64,340,625	68,871,824	64,340,625
Foreign remittance related services	23,886,772	23,837,869	23,886,772	23,837,869
Brokering Commission	-	-	1,705,356	2,191,877
Total fees and commission income	<u>92,758,596</u>	<u>88,178,494</u>	<u>94,463,951</u>	<u>90,370,371</u>
Fees & Commission Expense				
Brokerage Fees	-	-	-	-
Trading Fees	-	-	251,230	326,845
Other Bank charges & fees	5,399,600	5,930,642	5,399,600	5,930,642
	<u>5,399,600</u>	<u>5,930,642</u>	<u>5,650,830</u>	<u>6,257,487</u>
Net Fees & Commission Income	<u>87,358,996</u>	<u>82,247,852</u>	<u>88,813,121</u>	<u>84,112,884</u>

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**6.21%**  
Growth (Bank)

**5.59%**  
Growth (Group)



## 7. Other Operating Income

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Income From AFS Financial Investments	5,505,700	5,749,912	5,505,700	5,749,912
Income From Investments in Associates	17,386,590	11,591,060	17,386,590	11,591,060
Exchange Gain	115,035,608	61,903,757	115,035,608	61,903,757
Profit on Disposal Of Fixed Assets	766,027	- 181,841	766,027	- 181,841
Charges Recovered	3,483,886	2,334,023	3,483,886	2,334,023
Others	8,943,201	3,987,065	8,986,054	3,987,065
	<b>151,121,012</b>	<b>85,383,976</b>	<b>151,163,865</b>	<b>85,383,976</b>

## 8. Personnel Expenses

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Wages & Salaries	237,844,787	184,083,635	238,526,919	184,596,388
Amortization of Pre-paid employment benefits	41,431,578	9,982,770	41,431,578	9,982,770
Defined Benefit plan	16,799,344	14,006,686	16,799,344	14,006,686
HRD Cost	23,194,381	23,800,402	23,494,493	24,349,218
Other Benefits	11,832,273	11,190,651	11,832,273	11,190,651
	<b>331,102,364</b>	<b>243,064,144</b>	<b>332,084,607</b>	<b>244,125,713</b>

## 9. Other Operating Expenses

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Advertising & Marketing	5,519,585	4,390,257	5,519,585	4,390,257
Administrative	86,852,941	59,451,251	86,902,941	59,701,251
Professional Fees	5,488,508	4,511,022	5,498,808	4,521,322
Rent Paid under operating leases	13,687,539	10,204,843	13,687,539	10,204,843
Other	7,700,487	6,578,234	7,705,487	6,585,434
	<b>119,249,060</b>	<b>85,135,607</b>	<b>119,314,360</b>	<b>85,403,107</b>



**10. Impairment (charges)/reversal for loans and other losses****Reconciliation of Impairment Allowance Account-Individual and Collective Impairment**

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
<b>Individual Impairment</b>				
Opening Balance as at 01 st January	-	19,339,299	-	19,339,299
Charge/(Reversal) for the Years	26,398,405	(19,339,299)	26,398,405	(19,339,299)
Closing Balance as at 31 December	<b>26,398,405</b>	-	<b>26,398,405</b>	-
<b>Collective Impairment</b>				
<b>Movement in Provision for Impairment Losses</b>				
Opening Balance as at 01 st January	1,470,982,309	1,334,276,772	1,470,982,309	1,334,276,772
Charge/(Reversal) for the Years	(44,690,715)	140,853,039	(44,690,715)	140,853,039
Write-offs	(9,108,672)	(4,147,502)	(9,108,672)	(4,147,502)
Closing Balance as at 31 December	<b>1,417,182,923</b>	<b>1,470,982,309</b>	<b>1,417,182,923</b>	<b>1,470,982,309</b>
<b>Off Balance Sheet Items Provisioning</b>				
Opening Balance as at 01 st January	-	7,941,935	-	7,941,935
Charge/(Reversal) for the Years	1,832,788	(7,941,935)	1,832,788	(7,941,935)
Closing Balance as at 31 December	<b>1,832,788</b>	-	<b>1,832,788</b>	-
<b>Total Charge or Reversal for Loans and Advances</b>	<b>(16,459,522)</b>	<b>113,571,804</b>	<b>(16,459,522)</b>	<b>113,571,804</b>
Inventory write-offs	-	-	-	-
<b>Total Charge/(Reversal)</b>	<b>-</b>	<b>113,571,804</b>	<b>(16,459,522)</b>	<b>113,571,804</b>



*[Handwritten signature]*

## 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)	
	2015	2014	2015	2014
<b>Current Income Tax</b>				
Income Tax for the year	444,501,788	313,038,801	444,902,615	313,422,977
Assessed Tax of earlier period	-	4,553,481	-	4,553,481
Deferred Tax	56,237,334	(5,482,793)	56,237,334	(5,482,793)
<b>Deferred Taxation Charge/ (Reversal)</b>	<b>500,739,122</b>	<b>312,109,489</b>	<b>501,139,948</b>	<b>312,493,665</b>
<b>Other Comprehensive Income</b>				
<b>Deferred Tax</b>				
Deferred Taxation Charge/ (Reversal) (Refer Note 28)	(16,651,885)	702,213	(16,651,885)	702,213
Property Plant and Equipment	(16,651,885)	702,213	(16,651,885)	702,213
<b>Total Tax Expense for the financial year</b>	<b>484,087,236</b>	<b>312,811,703</b>	<b>484,488,063</b>	<b>313,195,879</b>



*[Handwritten signature]*

## Bhutan National Bank

### Notes to the Consolidated Financial Statements

#### 12. Cash and Cash Equivalents

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Local Currency In Hand	1,039,868,271	1,617,029,198	1,039,868,271	1,617,029,198
Foreign Currency In hand	93,932,461	135,284,618	93,932,461	135,284,618
Balances with Local Banks	908,763,321	2,172,645,669	908,763,321	2,172,645,669
Balances with Foreign Banks	1,176,256,366	685,662,213	1,176,256,366	685,662,213
Money at Call and Short Notice	-	999,579,827	-	999,579,827
	<u>3,218,820,420</u>	<u>5,610,201,525</u>	<u>3,218,820,420</u>	<u>5,610,201,525</u>

#### 13. Balances with Central Bank of Bhutan (RMA)

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
RMA Current Account	3,546,779,877	4,665,207,213	3,546,779,877	4,665,207,213
CRR With RMA Account	2,094,773,000	941,321,000	2,094,773,000	941,321,000
RMA Penalty Account	77,278	77,278	77,278	77,278
RMA - BFS Settlement Account	(901,587,129)	(1,530,497,079)	(901,587,129)	(1,530,497,079)
RMA - BFS Settlement Account - P	(1,262,671)	(649,579)	(1,262,671)	(649,579)
RMA Currency Chest	405,094,880	311,727,993	405,094,880	311,727,993
	<u>5,143,875,234</u>	<u>4,387,186,826</u>	<u>5,143,875,234</u>	<u>4,387,186,826</u>

The negative balance in RMA – BFS Settlement Account with RMA is pending reconciliation which has been pointed out under Emphasis of matter by the statutory auditors.

#### 14. Placements with other banks

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Placement within Bhutan	1,665,026,712	859,462,671	1,665,026,712	859,462,671
Placement outside Bhutan	-	-	-	-
	<u>1,665,026,712</u>	<u>859,462,671</u>	<u>1,665,026,712</u>	<u>859,462,671</u>

The bank has short term placements outside Bhutan, which are added under Note 12: Cash & Cash Equivalent.



## 15. Gross loans & receivables

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Gross loans & receivables	21,077,072,707	18,768,592,192	21,077,072,707	18,768,592,192
Less: Staff loan benefits	(62,623,319)	(73,354,302)	(62,623,319)	(73,354,302)
	21,014,449,388	18,695,237,890	21,014,449,388	18,695,237,890
Less: Impairment				
Individual impairment	(26,398,405)	-	(26,398,405)	-
Collective impairment	(1,417,182,923)	(1,470,982,309)	(1,417,182,923)	(1,470,982,309)
Total Impairment	(1,443,581,328)	(1,470,982,309)	(1,443,581,328)	(1,470,982,309)
Net Loans and Receivables	19,570,868,060	17,224,255,581	19,570,868,060	17,224,255,581

### 15.1.1. Analysis by Product

Loans & Advances to Customers	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Term Loan	15,707,441,782	14,070,546,707	15,707,441,782	14,070,546,707
Overdrafts and Working Capital	5,049,439,822	4,330,319,937	5,049,439,822	4,330,319,937
Bills discounted	20,128,524	13,916,568	20,128,524	13,916,568
Cheques purchased	(1,774)	-	(1,774)	-
Credit cards' outstandings	7,066,394	4,938,381	7,066,394	4,938,381
Suspended loans	292,997,958	348,870,599	292,997,958	348,870,599
	21,077,072,707	18,768,592,192	21,077,072,707	18,768,592,192
Less: Staff Loans Unamortised Day	(62,623,319)	(73,354,302)	(62,623,319)	(73,354,302)
Less: Allowance for Impairment	(1,443,581,328)	(1,470,982,309)	(1,443,581,328)	(1,470,982,309)
	19,570,868,060	17,224,255,581	19,570,868,060	17,224,255,581

### 15.1.2 Analysis by Sector (Gross)

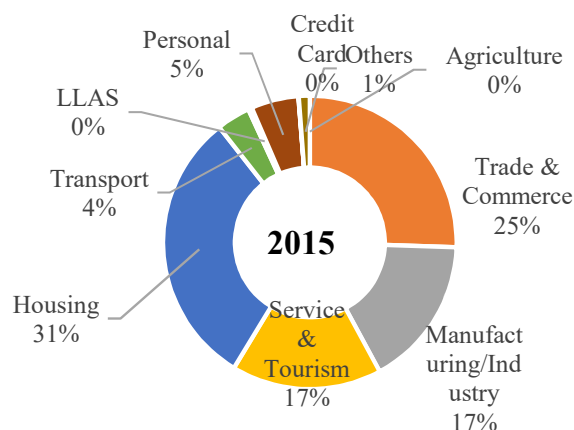
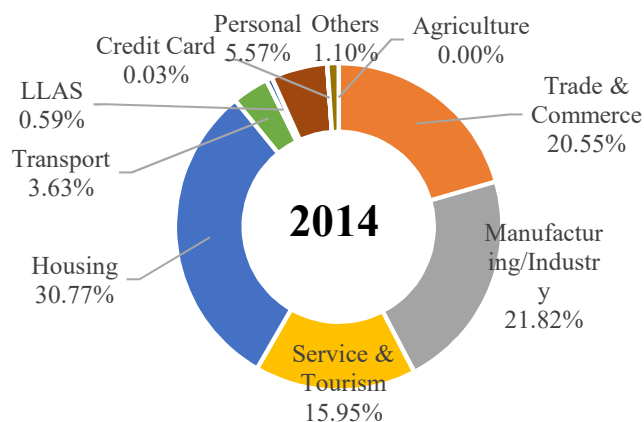
	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Agriculture	713,916	705,177	713,916	705,177
Trade & Commerce	5,376,308,337	3,857,378,994	5,376,308,337	3,857,378,994
Manufacturing/Industry	3,497,490,117	4,094,738,956	3,497,490,117	4,094,738,956
Service & Tourism	3,490,141,913	2,992,777,948	3,490,141,913	2,992,777,948
Housing	6,473,261,399	5,774,983,387	6,473,261,399	5,774,983,387
Transport	789,899,021	680,899,821	789,899,021	680,899,821
LLAS	83,434,283	110,487,865	83,434,283	110,487,865
Personal	1,104,911,562	1,044,727,395	1,104,911,562	1,044,727,395
Credit Card	7,066,394	4,938,381	7,066,394	4,938,381
Others	253,845,765	206,954,268	253,845,765	206,954,268
	21,077,072,707	18,768,592,192	21,077,072,707	18,768,592,192

Note: Sector classification are as per RMA

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## Sectoral Classification of Loans & Advances (Bank)



## 15.2: Movement in Impairment

	Bank (Nu)		
	2015	2014	Movement
Individually Significant Loan	26.40	-	26.40
Collective	1,417.18	1,470.98	- 53.80
	<b>1,443.58</b>	<b>1,471</b>	

## 16. Investments in Subsidiaries

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
BNB Securities Limited	500,000	500,000		
	<b>500,000</b>	<b>500,000</b>	-	-

## 16.1. Summarized Financial Information of Subsidiary

	2015	2014
Net Operating Income	2,358,334	2,745,402
Less: Operating expenses	1,298,774	1,655,915
<b>Profit before Tax</b>	<b>1,059,560</b>	<b>1,089,487</b>
Less: Taxes	400,827	384,176
<b>Profit after Tax</b>	<b>658,734</b>	<b>705,311</b>
Share Capital	500,000	500,000
Reserves & Surplus	8,647,171	8,099,258
Asset size	10,167,869	9,334,454

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## 17. Investments in Associates

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Druk Ferro Alloy Limited	91,463,480	91,463,480	108,756,377	105,647,101
	91,463,480	91,463,480	108,756,377	105,647,101

	Holdings	2015		2014	
		Cost	Market Value	Cost	Market Value
Equity Investment in DFAL	20%	91,463,480	13,909,272	91,463,480	16,227,484

## 18. Financial Investments Available for Sale

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Quoted Investment (Note 18.1)	158,260,357	83,103,302	158,260,357	83,103,302
unquoted Investment (Note 18.2)	2,500,000	2,500,000	2,500,000	2,500,000
Statutory Investment (Note 18.3)	39,561,000	19,375,000	39,561,000	19,875,000
	200,321,357	104,978,302	200,321,357	105,478,302

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### 18.3. Statutory Investment

	2015		2014	
	No of Shares	Cost	No of Shares	Cost
Financial Institution Training Institute	1,800,000	18,000,000	1,800,000	18,000,000
Credit Information Bureau	175,000	1,750,000	137,500	1,375,000
Royal Securities Exchange of Bhutan Ltd	162,000	19,811,000	-	-
		<b>39,561,000</b>		<b>19,375,000</b>

### 19. Financial Assets - Loans & Receivables

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Investment in Bonds	116,952,968	116,952,968	116,952,968	116,952,968
	<b>116,952,968</b>	<b>116,952,968</b>	<b>116,952,968</b>	<b>116,952,968</b>

### 19.1. Investment in DCCL Bond

	Unit	Face Value	Amount	Coupon Rate	Date	
					Purchase	Maturity
Bond Series I (G014)	115,332	1,000	115,332,000	9%	5-Nov-14	4-Nov-24

### 20. Retirement benefit plans

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 last drawn basic pay. The maximum amount an employee is entitled to receive has been increased from Nu. 0.9 million to Nu. 2 million in 2014 reporting period. A full actuarial valuation by a qualified independent actuary is carried out every year.

As required under BAS 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.





BAS 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)

	2015	2014
Current Service Cost	7,011,379	6,659,740
Net cost for the year recognized in profit or loss	<u>16,799,344</u>	<u>14,006,686</u>

Actuarial (gain)/loss due to change in demographic assumptions	<u>(14,227,790)</u>	
		<u>67,659,740</u>

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103,158,674

The major categories of plan assets as a percentage of the fair value of total plan assets for 2015 and 2014 are as follows:

	<u>2015/2014</u>
Term Deposits with Banks	35%
Current Account	65%
<b>Closing fair value of plan asset</b>	<b><u>100.00%</u></b>


The principal assumptions used in determining Defined Benefit Obligations for the bank's plan for 2015 and 2014 are shown below:

	<u>2015/2014</u>
Discount Rates	7.50%
Salary Escalation Rates	15.00%
Employee Turnover Rates	5.61%
Mortality Rates	100% of IALM (2006-08)

#### Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment defined benefit assets measurement for 2015 reporting period.

	In Nu.	
	<u>Defined Benefit Obligation</u>	<u>Net Effect on Defined Benefit Obligation</u>
<b>1. Discount Rate</b>		
<i>Base Discount Rate of 7.5%</i>	77,583,746	
<i>Discount rate of 8% (+0.5%)</i>	74,214,765	(3,368,981)
<i>Discount rate of 7% (-0.5%)</i>	81,201,087	3,617,341
<b>2. Salary Escalation Rate</b>		
<i>Base Salary Escalation Rate of 15%</i>	77,583,746	
<i>Salary Escalation Rate of 16% (+1%)</i>	78,836,223	1,252,477
<i>Salary Escalation Rate of 14% (-1%)</i>	76,233,989	(1,349,758)
<b>3. Attrition Rate</b>		
<i>Base Attrition Rate of 5.61%</i>	77,583,746	
<i>Attrition Rate of 6.61% (+1%)</i>	78,730,040	1,146,294
<i>Attrition Rate of 4.61% (-1%)</i>	76,027,022	(1,556,724)



## 21. Other Financial Assets

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
As at 31st December				
Sundry Receivables	24,041,906	4,418,661	24,041,906	4,418,661
Security Deposits	397,271	393,847	397,271	393,847
Others	36,246,883	66,708,281	36,246,883	66,708,281
	<u>60,686,060</u>	<u>71,520,790</u>	<u>60,686,060</u>	<u>71,520,790</u>

## 22. Other Assets

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
As at 31st December				
Assets acquired in satisfaction of debts	178,198,777	115,361,700	178,198,777	115,361,700
Others	943,333	2,866,314	1,443,333	3,066,314
Prepaid Staff Cost	62,623,319	73,354,302	62,623,319	73,354,302
Prepaid Cost on Refundable Deposits	8,312	12,338	8,312	12,338
Advance Tax Paid and Tax Deducted at Source	100,678,914	5,555,173	100,813,451	5,555,173
	<u>342,452,655</u>	<u>197,149,827</u>	<u>343,087,192</u>	<u>197,349,827</u>

### The Movement in Pre-Paid Staff cost / Unamortized Day One Difference (Bank & Group)

	2015	2014
Bank / Group		
As at 1st January	73,354,302	83,880,596
Add / (Less): Adjustment for new grants & settlements	30,700,596	(543,525)
Less: charge to Personnel cost	(41,431,578)	(9,982,770)
As at 31st December	<u>62,623,319</u>	<u>73,354,302</u>

### The Movement in Advance rentals on Refundable Deposits (Bank & Group)

	2015	2014
Bank / Group		
As at 1st January	12,338	17,796
Add / (Less): Adjustment for new Deposits & settlements	-	348
Less: Charge to Operating Expenses	4,025	5,806
As at 31st December	<u>8,312</u>	<u>12,338</u>

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## 23. Property, Plant and Equipment (Bank &amp; Group)

Cost/Revalued Amount:	Land		Building		Machinery		Electric Appliances & fixtures, & fittings		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	19,013,629	429,567,322															
Additions	-	-	2,016,045	6,328,788	4,430,879	9,170,189	260,518	41,600	244,410	33,492,430															
Reclassification from WIP Revaluation	-	-	1,109,125	-	-	853,990	-	-	-	28,741,723															
Disposals	-	-	(16,340)	(154,421)	(223,190)	(4,584,348)	(93,575)	-	-	(24,085,503)															
<b>At 31 December 2014</b>	<b>181,139,800</b>	<b>30,578,882</b>	<b>8,810,331</b>	<b>39,139,997</b>	<b>28,230,161</b>	<b>128,588,664</b>	<b>7,786,795</b>	<b>1,039,447</b>	<b>15,623,287</b>	<b>26,778,608</b>	<b>467,715,972</b>														

Accumulated Depreciation	Land		Building		Machinery		Electric Appliances & fixtures, & fittings		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)															
<b>At 31 December 2014</b>	<b>-</b>	<b>4,281,206</b>	<b>5,054,337</b>	<b>20,099,465</b>	<b>17,640,951</b>	<b>70,148,961</b>	<b>5,654,941</b>	<b>834,863</b>	<b>5,932,744</b>	<b>129,647,468</b>															

Cost/Revalued Amount:	Land		Building		Machinery		Electric Appliances & fixtures, & fittings		Furniture, fixtures, & fittings		Office equipments		Computer hardwares		Security tools		Carpets & soft furnishings		Vehicles		WIP		Total	
At 1 January 2015	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													
Additions	-	54,250,000	2,133,500	2,034,279	2,052,896	8,952,485	977,620	200,910	5,955,316	76,557,006														
Reclassification of WIP (PY)	-	-	-	-	-	5,132,000	203,000	-	-	130,474,336														
Addition/(Deletion)/Transfe Revaluation	-	-	(1,109,125)	-	-	(853,990)	-	-	-	(1,963,115)														
Disposals	-	-	(42,000)	(149,232)	(251,503)	(671,200)	-	-	(3,080,497)	(30,973,041)														
<b>At 31 December 2015</b>	<b>181,139,800</b>	<b>84,828,882</b>	<b>9,792,706</b>	<b>41,025,043</b>	<b>30,031,554</b>	<b>141,147,959</b>	<b>8,967,415</b>	<b>1,240,357</b>	<b>18,498,106</b>	<b>125,139,336</b>	<b>641,811,158</b>													

Accumulated Depreciation	Land		Building		Machinery		Electric Appliances & fixtures, & fittings		Furniture, fixtures, & fittings		Office equipments		Computer hardwares		Security tools		Carpets & soft furnishings		Vehicles		WIP		Total	
At 1 January 2015	-	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														
Prior Period Adjustment	-	1,543,383	861,491	8,561,829	4,069,067	31,422,416	1,469,004	148,298	1,385,541	49,461,031														
Charge for the year	-	-	(40,477)	(148,116)	(164,446)	(311,545)	-	-	(3,080,496)	(3,745,080)														
Disposals	-	-	-	-	-	-	-	-	-	-														
<b>At 31 December 2015</b>	<b>-</b>	<b>5,824,590</b>	<b>5,875,351</b>	<b>28,513,178</b>	<b>21,545,571</b>	<b>101,259,832</b>	<b>7,123,946</b>	<b>983,161</b>	<b>4,237,789</b>	<b>175,363,419</b>														



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23.1. Fully depreciated property, plant and equipment – Bank  
The cost of fully depreciated Property, Plant & Equipment of the bank which are still in use

As at 31st December	2015	2014
Electric Appliances & Machineries	3,161,844	2,428,587
Furniture, fixtures, & fittings	17,293,548	13,780,429
Office equipments	8,810,730	7,041,468
Computer hardwares	56,970,409	46,927,752
Security tools	2,185,597	2,114,027
Carpets & soft furnishings	783,319	643,209
Vehicles	1,865,198	3,080,497
	<u>91,070,644</u>	<u>76,015,968</u>

23.2. Temporarily idle property, plant and equipment- Bank  
Following Property, Plant & Equipment of the bank were idle (until the assets issued to business units).

As at 31st December	2015	2014
Computer	5,132,000	853,990
Electrical appliance	-	1,109,125
Security Tools	203,000	-
	<u>5,132,000</u>	<u>1,963,115</u>

24. Intangible Assets (Bank & Group)

Cost:	Softwares
At 1 January 2014	<u>44,973,378</u>
Additions	33,135,730
Reclassification from WIP	3,364,446
Disposals	-
At 31 December 2014	<u><u>81,473,554</u></u>

Amortisation and impairment:	
At 1 January 2014	27,759,815
Amortisation	4,247,163
Disposals	-
At 31 December 2014	<u><u>32,006,978</u></u>

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Cost:	<u>Softwares</u>
At 1 January 2015	81,473,554
Additions	3,620,163
Capitalization of PY WIP	(3,364,446)
Disposals	-
At 31 December 2015	<u>81,729,271</u>

Amortisation and impairment:	
At 1 January 2015	32,006,978
Amortisation	24,388,588
Disposals	-
At 31 December 2015	<u>56,395,566</u>

Net book value:	
At 31 December 2014	49,466,576
At 31 December 2015	25,333,704

#### 25. Due to Banks and Financial Institution

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Banks	2,122,048,896	1,607,347,614	2,122,048,896	1,607,347,614
Non Bank Financial Institutions	3,186,409,015	4,191,372,282	3,176,875,682	4,182,737,828
	<u>5,308,457,911</u>	<u>5,798,719,895</u>	<u>5,298,924,579</u>	<u>5,790,085,442</u>

#### 26. Due to Customers

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Fixed Deposit	8,102,078,259	6,823,164,506	8,102,078,259	6,823,164,506
Recurring Deposit	154,203,999	128,186,287	154,203,999	128,186,287
Savings Deposits	4,733,649,216	4,572,028,126	4,733,649,216	4,572,028,126
Current Accounts	3,573,988,899	3,552,495,220	3,573,988,899	3,552,495,220
	<u>16,563,920,373</u>	<u>15,075,874,139</u>	<u>16,563,920,373</u>	<u>15,075,874,139</u>

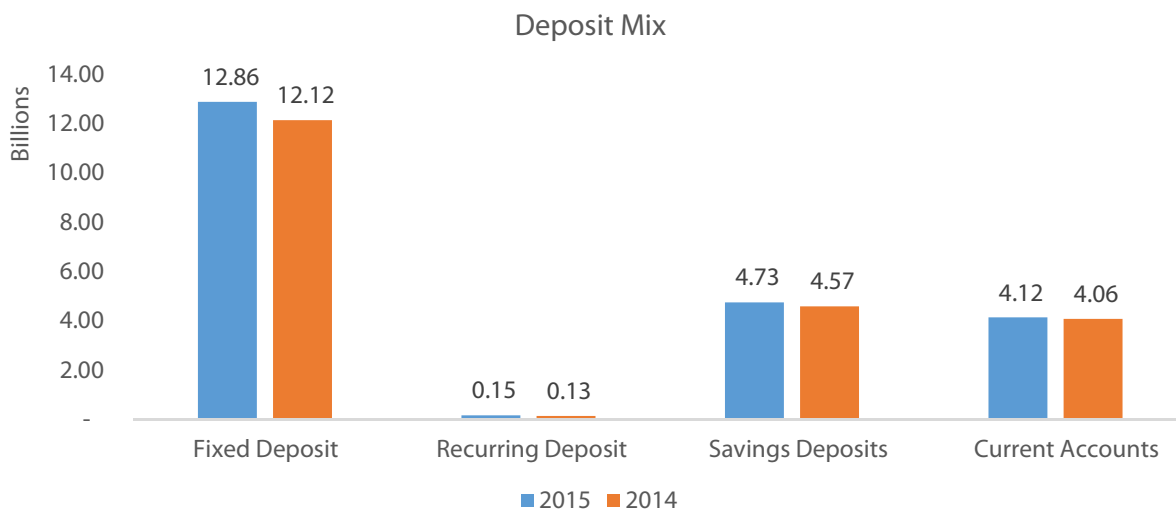
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## 26.1. Due to Customers (Currency)

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
<b>Local Currency Deposits</b>				
Fixed Deposit	12,862,349,407	12,116,496,182	12,854,111,953	12,108,668,423
Recurring Deposit	154,203,999	128,186,287	154,203,999	128,186,287
Savings Deposits	4,733,649,216	4,572,028,126	4,733,649,216	4,572,028,126
Current Accounts	3,719,221,420	3,715,022,637	3,717,925,541	3,714,215,942
	<u>21,469,424,041</u>	<u>20,531,733,232</u>	<u>21,459,890,709</u>	<u>20,523,098,778</u>
<b>Foreign Currency Deposits</b>				
Fixed Deposit	-	-	-	-
Recurring Deposit	-	-	-	-
Savings Deposits	-	-	-	-
Current Accounts	402,954,243	342,860,803	402,954,243	342,860,803
	<u>402,954,243</u>	<u>342,860,803</u>	<u>402,954,243</u>	<u>342,860,803</u>



## 27. Debts issued & borrowed funds

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Subordinated Bonds	876,457,534	876,375,342	876,457,534	876,375,342
	<u>876,457,534</u>	<u>876,375,342</u>	<u>876,457,534</u>	<u>876,375,342</u>

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## 27.1. Bond Details

	Unit	Face Value	Amortised Cost		Allotment Date	Maturity Date
			2015	2014		
DGPC	350,000	1,000	354,430,137	354,430,137	17-Oct-11	16-Oct-18
RGoB	500,000	1,000	522,027,397	521,945,205	9-Apr-14	8-Apr-24
			<u>876,457,534</u>	<u>876,375,342</u>		

## 28. Current tax liabilities

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Balance as at 1st January	313,038,801	222,000,831	313,422,977	222,261,907
Current year provision	444,501,788	313,038,801	444,902,615	313,422,977
Less: Payment of tax	313,038,801	222,000,831	313,422,977	222,261,907
Balance as at 31st December	<u>444,501,788</u>	<u>313,038,801</u>	<u>444,902,615</u>	<u>313,422,977</u>

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## 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 Bhutanese Accounting Standard - BAS 39 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position.

### As at 31-Dec-2015-Bank

#### Analysis of Financial Instruments by Measurement Basis

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
<b>Financial Assets</b>					
Cash & cash Equivalents	-	3,218,820,420	-	-	3,218,820,420
Cash & Balances with Central Bank	-	5,143,875,234	-	-	5,143,875,234
Placement with other Banks	-	1,665,026,712	-	-	1,665,026,712
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	19,570,868,060	-	-	19,570,868,060
Financial Investments Available for Sale	-	-	-	200,321,357	200,321,357
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	60,686,060	-	-	60,686,060
<b>Financial Liabilities</b>					
Due to Banks and Financial Institution	-	5,308,457,911	-	-	5,308,457,911
Due to Customers	-	16,563,920,373	-	-	16,563,920,373
Debts Issued & Other Borrowed Funds	-	876,457,534	-	-	876,457,534
Unclaimed Balances	-	34,546,203	-	-	34,546,203
Other Liabilities	-	20,493,001	-	-	20,493,001



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**As at 31-Dec-2015-Group**

**Analysis of Financial Instruments by Measurement Basis**

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
<b>Financial Assets</b>					
Cash & cash Equivalents	-	3,218,820,420	-	-	3,218,820,420
Cash & Balances with Central Bank	-	5,143,875,234	-	-	5,143,875,234
Placement with other Banks	-	1,665,026,712	-	-	1,665,026,712
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	19,570,868,060	-	-	19,570,868,060
Financial Investments Available for Sale	-	-	-	200,321,357	200,321,357
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	60,686,060	-	-	60,686,060
<b>Financial Liabilities</b>					
Due to Banks and Financial Institution	-	5,298,924,579	-	-	5,298,924,579
Due to Customers	-	16,563,920,373	-	-	16,563,920,373
Debts Issued & Other Borrowed Funds	-	876,457,534	-	-	876,457,534
Unclaimed Balances	-	34,546,203	-	-	34,546,203
Other Liabilities	-	21,057,826	-	-	21,057,826

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**As at 31-Dec-2014-Bank**

**Analysis of Financial Instruments by Measurement Basis**

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
<b>Financial Assets</b>					
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
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	71,520,790	-	-	71,520,790
<b>Financial Liabilities</b>					
Due to Banks and Financial Institution	-	5,798,719,895	-	-	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



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**As at 31-Dec-2014-Group**  
**Analysis of Financial Instruments by Measurement Basis**

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
<b>Financial Assets</b>					
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	-	-	-	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
<b>Financial Liabilities</b>					
Due to Banks and Financial Institution	-	5,790,085,442	-	-	5,790,085,442
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	-	12,437,668	-	-	12,437,668

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### 30. Deferred Taxation (Bank and the Group)

#### 30.1. Reflected in Statement of Financial Position

	2015	2014
Property Plant and Equipment & Intangibles	(38,689,774)	49,246,841
Fair value change of Available for Financial Assets - Equity Securities	(38,828,497)	(20,556,380)
Revaluation	(1,315,456)	(1,315,456)
Defined Benefit Assets	(8,726,209)	714,780
Defined Benefit Liabilities	-	-
Defined Benefit Assets (OCI)	(161,696)	(1,781,928)
Impairment Charges	59,544,099	18,403,829
<b>Deferred Tax Assets/(Liabilities)</b>	<b>(28,177,532)</b>	<b>44,711,687</b>

*Deferred Tax has been determined based on the enacted tax rate of 30%.*

#### 30.2. Reflected in Statement of Comprehensive Income

	2015	2014
Property Plant and Equipment & Intangibles	(87,936,615)	(1,857,146)
Defined Benefit Assets	(9,440,989)	5,729,228
Impairment Charges	41,140,270	1,610,711
<b>Deferred Tax Assets/(Liabilities)</b>	<b>(56,237,334)</b>	<b>5,482,793</b>
<b>Deferred Income Tax Charge/(Reversal)</b>	<b>(56,237,334)</b>	<b>5,482,793</b>

#### 30.3. Reflected in Statement of Other Comprehensive Income

	2015	2014
Fair value change of Available for Financial Assets - Equity Securities	(18,272,117)	-
Defined Benefit Assets (OCI)	1,620,231	702,213
<b>Deferred Tax Assets/(Liabilities)</b>	<b>(16,651,885)</b>	<b>702,213</b>
<b>Deferred Income Tax Charge/(Reversal)</b>	<b>(16,651,885)</b>	<b>702,213</b>

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### 31. Provisions

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Provisions for Leave Encashment	13,918,233.65	12,496,340.31	13,959,747.12	12,709,253.38
Provisions for Off Balance sheet items	1,832,787.84	-	1,832,787.84	-
Payable to Gratuity Fund (Provision)	-	16,401,507.62	3,234.00	16,401,507.62
	<b>15,751,021.49</b>	<b>28,897,847.93</b>	<b>15,795,768.96</b>	<b>29,110,761.00</b>

#### Move ments

Provisions for Leave Encashment	1,421,893.34	1,604,536.23
Provisions for Off Balance sheet items	1,832,787.84	(7,941,935.46)
<b>PL Impact</b>	<b>(3,254,681.18)</b>	<b>6,337,399.23</b>

### 32. Other Liabilities

	2015	2014	2015	2014
<i>Financial</i>				
Accounts payable & Sundry creditors	20,493,001	12,310,161	21,057,826	12,437,668
<i>Non Financial</i>				
Margin Money	177,978,826	21,026,341	177,978,826	21,026,341
Other	56,866,070	53,423,781	56,876,370	53,434,381
	<b>255,337,898</b>	<b>86,760,283</b>	<b>255,913,023</b>	<b>86,898,390</b>

### 33. Share Capital and Share Premium

	Bank (Nu)		Group (Nu)	
	2015	2014	2015	2014
Share Capital	3,548,077,000	3,548,077,000	3,548,077,000	3,548,077,000
Share Premium	34,022,965	34,022,965	34,022,965	34,022,965
	<b>3,582,099,965</b>	<b>3,582,099,965</b>	<b>3,582,099,965</b>	<b>3,582,099,965</b>

#### 33.1. Share Capital

	2015	2014
Opening balance (January 01, 2015)	3,548,077,000	2,534,377,900
Issue of Bonus shares during the year	-	1,013,699,100
Closing Balance (December 31, 2015)	<b>3,548,077,000</b>	<b>3,548,077,000</b>

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Bhutan National Bank  
Notes to the Consolidated Financial Statements

34. 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)		Group (Nu)	
	2015	2014	2015	2014
Commitments				
Commitment for unutilised facilities (direct advances)	3,631,494,082	2,409,394,575	3,631,494,082	2,409,394,575
	<u>3,631,494,082</u>	<u>2,409,394,575</u>	<u>3,631,494,082</u>	<u>2,409,394,575</u>
Contingent Liabilities				
Guarantee	3,064,448,076	2,288,328,992	3,064,448,076	2,288,328,992
Letter of Credits	663,822,980	399,381,207	663,822,980	399,381,207
	<u>3,728,271,056</u>	<u>2,687,710,199</u>	<u>3,728,271,056</u>	<u>2,687,710,199</u>
Commitment & contingencies	<u>7,359,765,138</u>	<u>5,097,104,774</u>	<u>7,359,765,138</u>	<u>5,097,104,774</u>

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.

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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)		Group (Nu)	
	2015	2014	2015	2014
Approved & contracted for	203,517,360	266,529,787	203,517,360	266,529,787
	203,517,360	266,529,787	203,517,360	266,529,787

### 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 Bhutanese Accounting Standard - BAS 24 (Related Party Disclosures), the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

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

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents 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	Bank		Group	
	2015	2014	2015	2014
Short term employee benefits	5,774,618	4,001,982	5,774,618	4,001,982
Directors' fees & expenses	3,548,235	2,609,526	3,598,235	2,709,526
Total	9,322,853	6,611,508	9,372,853	6,711,508

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

Particulars	Bank		Group	
	2015	2014	2015	2014
Salary & Other Benefits	3,968,964	2,973,747	3,968,964	2,973,747
Vehicle Expenses	355,000	423,482	355,000	423,482
Trave - Local/Foreign	1,450,655	604,753	1,450,655	604,753
Total	5,774,618	4,001,982	5,774,618	4,001,982

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:

	Bank		Group	
	2015	2014	2015	2014
Loans and Receivables	6,234,651	2,155,934	6,234,651	2,155,934

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

	Bank		Group	
	2015	2014	2015	2014
Loans and Receivables	31,820	2,008	31,820	2,008

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

	Bank		Group	
	2015	2014	2015	2014
Deposits	6,154,331	4,465,185	6,154,331	4,465,185

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

	Bank		Group	
	2015	2014	2015	2014
Loans & receivables	218,815,352	109,303,383	218,815,352	109,303,383
Deposits	8,261,560	4,506,702	8,261,560	4,506,702
	227,076,912	113,810,085	227,076,912	113,810,085

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**35.6. Transactions with Subsidiaries**  
**Subsidiary Name: BNB Securities Limited**

31st December	Bank		Group	
	2015	2014	2015	2014
<b>Transactions</b>				
Interest paid on deposits	610,125	553,525	-	-
<b>Outstanding Balances at year end</b>				
Balances in Current, Savings & Fixed Deposits	9,533,332	8,634,454	-	-
Company's contribution to its capital	500,000	500,000	-	-
Payable on account of investment in RSEBL transferred to BNB	500,000	500,000	-	-

**36. Events after the Reporting Period**

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

**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		
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<b>31st December 2015</b>						
Financial Investment Available For sale	-	-	158,260,357	-	-	158,260,357
Staff Loan	-	-	191,219,375	-	-	191,219,375
<b>31st December 2014</b>						
Financial Investment Available For sale	-	-	83,103,302	-	-	83,103,302
Staff Loan	-	-	133,030,809	-	-	133,030,809

**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.

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## 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.

31st December	Bank (Nu)			
	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash & cash equivalents	3,218,820,420	3,218,820,420	5,610,201,525	5,610,201,525
Balances with Central Bank	5,143,875,234	5,143,875,234	4,387,186,826	4,387,186,826
Placements with Banks	1,665,026,712	1,665,026,712	859,462,671	859,462,671
Loans & Advances to Customers	19,570,868,060	12,663,487,232	17,224,255,581	14,609,003,518
Investments in Subsidiaries	500,000	500,000	500,000	500,000
Investments in Associates	91,463,480	91,463,480	91,463,480	91,463,480
Financial Investments Available for Sale	200,321,357	200,321,357	104,978,302	104,978,302
Investment's in Bonds	116,952,968	118,489,993	116,952,968	118,404,840
Other Financial Assets	60,686,060	60,686,060	71,520,790	71,520,790
<b>Financial Liabilities</b>				
Due to Banks	5,308,457,911	4,636,439,744	5,798,719,895	6,020,221,882
Due to Customers	16,563,920,373	17,229,132,810	15,075,874,139	15,023,863,730
Debts Issued & Other Borrowed Funds	876,457,534	749,934,282	876,375,342	734,223,226
Unclaimed Balances	34,546,203	34,546,203	37,336,461	37,336,461
Other Liabilities	20,493,001	20,493,001	12,310,161	12,310,161

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31st December	Group (Nu)			
	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash & cash equivalents	3,218,820,420	3,218,820,420	5,610,201,525	5,610,201,525
Balances with Central Bank	5,143,875,234	5,143,875,234	4,387,186,826	4,387,186,826
Placements with Banks	1,665,026,712	1,665,026,712	859,462,671	859,462,671
Loans & Advances to Customers	19,570,868,060	12,663,487,232	17,224,255,581	14,609,003,518
Investments in Associates	108,756,377	108,756,377	105,647,101	105,647,101
Financial Investments Available for Sale	200,321,357	200,321,357	105,478,302	105,478,302
Investment's in Bonds	116,952,968	118,489,993	116,952,968	118,404,840
Other Financial Assets	60,686,060	60,686,060	71,520,790	71,520,790
<b>Financial Liabilities</b>				
Due to Banks	5,298,924,579	4,636,439,744	5,790,085,442	6,012,548,605
Due to Customers	16,563,920,373	17,229,132,810	15,075,874,139	15,023,863,730
Debts Issued & Other Borrowed Funds	876,457,534	749,934,282	876,375,342	734,223,226
Unclaimed Balances	34,546,203	34,546,203	37,336,461	37,336,461
Other Liabilities	21,057,826	21,057,826	12,437,668	12,437,668

### 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.



31st December 2015	Maximum Exposure to credit Risk (Nu)	Bank (Nu)	
		Net Collateral	Net Exposure
<b>Financial Assets</b>			
Cash & cash Equivalents	3,218,820,420	-	3,218,820,420
Cash & Balances with Central Bank	5,143,875,234	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	1,665,026,712
Loans & Advances to Customers	19,570,868,060	19,107,475,467	463,392,593
Financial Investments Available for Sale	200,321,357	-	200,321,357
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	60,686,060	-	60,686,060

31st December 2015	Maximum Exposure to credit Risk (Nu)	Group (Nu)	
		Net Collateral	Net Exposure
<b>Financial Assets</b>			
Cash & cash Equivalents	3,218,820,420	-	3,218,820,420
Cash & Balances with Central Bank	5,143,875,234	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	1,665,026,712
Loans & Advances to Customers	19,570,868,060	19,107,475,467	463,392,593
Financial Investments Available for Sale	200,321,357	-	200,321,357
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	60,686,060	-	60,686,060

31st December 2014	Maximum Exposure to credit Risk (Nu)	Bank (Nu)	
		Net Collateral	Net Exposure
<b>Financial Assets</b>			
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

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31st December 2014	Maximum Exposure to credit Risk (Nu)	Group (Nu)	
		Net Collateral	Net Exposure
<b>Financial Assets</b>			
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

#### 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 net 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 2015	Bank (Nu)			
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	3,218,820,420	-	-	3,218,820,420
Cash & Balances with Central Bank	5,143,875,234	-	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	-	1,665,026,712
Loans & Advances to Customers	15,624,078,520	3,883,922,670	62,866,870	19,570,868,060
Investments in Subsidiaries	500,000	-	-	500,000
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	200,321,357	-	-	200,321,357
Financial Investments Held to Maturity	-	-	-	-
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	60,686,060	-	-	60,686,060
	<b>26,121,724,752</b>	<b>3,883,922,670</b>	<b>62,866,870</b>	<b>30,068,514,292</b>

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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
	< 30 Days	31-60 Days	61-90 Days	> 90 days	
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	1,667,154,742	1,245,805,275	535,325,915	435,636,739	3,883,922,670

31st December 2015	Group (Nu)			
	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
Cash & cash Equivalents	3,218,820,420	-	-	3,218,820,420
Cash & Balances with Central Bank	5,143,875,234	-	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	-	1,665,026,712
Loans & Advances to Customers	15,624,078,520	3,883,922,670	62,866,870	19,570,868,060
Investments in Associates	108,756,377	-	-	108,756,377
Financial Investments Available for Sale	200,321,357	-	-	200,321,357
Financial Investments Held to Maturity	-	-	-	-
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	60,686,060	-	-	60,686,060
	<b>26,138,517,649</b>	-	-	<b>30,085,307,189</b>

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
	< 30 Days	31-60 Days	61-90 Days	> 90 days	
Loans & receivables to banks	-	-	-	-	-
Loans & receivables to other customers	1,667,154,742	1,245,805,275	535,325,915	435,636,739	3,883,922,670

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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	13,291,362,175	3,932,893,406	-	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
<b>Total</b>	<b>24,533,628,736</b>	<b>3,932,893,406</b>	-	<b>28,466,522,142</b>

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
	< 30 Days	31-60 Days	61-90 Days	> 90 days	
Loans & receivables to banks					
Loans & receivables to other customers	1,769,646,887	1,274,685,796	499,970,599	388,590,125	3,932,893,406

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	13,291,362,175	3,932,893,406	-	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
<b>Total</b>	<b>24,547,812,357</b>	<b>3,932,893,406</b>	-	<b>28,480,705,763</b>

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

	<u>&lt; 30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>&gt; 90 days</u>	<u>Total</u>
Loans & receivables to other customers	1,769,646,887	1,274,685,796	499,970,599	388,590,125	3,932,893,406

### 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.

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**Country Risk - Geographical Analysis  
as at 31 Dec 2015**

	Bank (Nu)				Total
	Bhutan	Asia	Europe	Americas	
Cash and Cash Equivalents	2,855,664,012	173,607,278	183,767,888	5,781,241	3,218,820,420
Balances with Central Bank	5,143,875,234	-	-	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	-	-	1,665,026,712
Loans & Advances to Customers	19,570,868,060	-	-	-	19,570,868,060
Investments in Subsidiaries	500,000	-	-	-	500,000
Investments in Associates	91,463,480	-	-	-	91,463,480
Financial Investments Available for Sale	200,321,357	-	-	-	200,321,357
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	60,686,060	-	-	-	60,686,060

**Regional Break Down of Loans (Gross Loans)**

Thimphu	12,731,856,268
Phuntsholing	2,797,093,603
Samdrupjongkhar	367,967,708
Trashigang	266,808,584
Gelephu	899,352,437
Paro	952,718,019
Monggar	345,295,205
Wangdue	577,465,471
Bumthang	323,490,843
Gomtu	140,362,160
Tsirang	168,457,760
	<b>19,570,868,060</b>



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**Country Risk - Geographical Analysis  
as at 31Dec 2015**

	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	2,855,664,012	173,607,278	183,767,888	5,781,241	3,218,820,420
Balances with Central Bank	5,143,875,234	-	-	-	5,143,875,234
Placement with other Banks	1,665,026,712	-	-	-	1,665,026,712
Loans & Advances to Customers	19,570,868,060	-	-	-	19,570,868,060
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates	108,756,377	-	-	-	108,756,377
Financial Investments Available for Sale	200,321,357	-	-	-	200,321,357
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	60,686,060	-	-	-	60,686,060

**Regional Break Down of Loans (Gross Loans)**

Thimphu	12,731,856,268
Phuntsholing	2,797,093,603
Samdrupjongkhar	367,967,708
Trashigang	266,808,584
Gelephu	899,352,437
Paro	952,718,019
Monggar	345,295,205
Wangdue	577,465,471
Bumthang	323,490,843
Gomtu	140,362,160
Tsirang	168,457,760
	<b>19,570,868,060</b>



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**Country Risk - Geographical Analysis  
as at 31 Dec 2014**

	Bank (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
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	11,507,213,428
Phuntsholing	2,542,914,117
Samdrupjongkhar	287,193,517
Trashigang	171,950,255
Gelephu	666,932,333
Paro	757,023,040
Monggar	296,747,283
Wangdue	535,812,214
Bumthang	254,451,169
Gomtu	102,406,830
Tsirang	101,611,395
	<b>17,224,255,581</b>



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### Country Risk - Geographical Analysis as at 31Dec 2014

	Group (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	-	-	-	-	-
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	11,507,213,428.47
Phuntsholing	2,542,914,117.13
Samdrupjongkhar	287,193,517.45
Trashigang	171,950,254.91
Gelephu	666,932,332.96
Paro	757,023,040.27
Monggar	296,747,282.90
Wangdue	535,812,213.68
Bumthang	254,451,168.72
Gomtu	102,406,830.21
Tsirang	101,611,394.59
	<b>17,224,255,581</b>



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**Credit Risk (Contd.)**

Industry Analysis

**31st December 2015**

	Bank (Nu)							Total
	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	
Cash and Cash Equivalents	-	-	-	-	2,085,019,687	-	-	3,218,820,420
Balances with Central Bank	-	5,143,875,234	-	-	-	-	-	5,143,875,234
Placement with other Banks	-	-	-	-	1,665,026,712	-	-	1,665,026,712
Loans & Advances to Customers	2,746,983,727	555,256,775	5,990,414,375	6,169,364,268	-	728,417,484	1,986,991,085	19,570,868,060
Investments in Associates	91,463,480	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	500,000	-	-	500,000
Financial Investments Available for Sale	157,527,400	-	-	-	42,793,957	-	-	200,321,357
Investment's in Bonds	-	116,952,968	-	-	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	60,686,060	60,686,060

**Group (Nu)**

	Group (Nu)							Total
	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce	
Cash and Cash Equivalents	-	-	-	-	2,085,019,687	-	-	3,218,820,420
Balances with Central Bank	-	5,143,875,234	-	-	-	-	-	5,143,875,234
Placement with other Banks	-	-	-	-	1,665,026,712	-	-	1,665,026,712
Loans & Advances to Customers	2,746,983,727	555,256,775	5,990,414,375	6,169,364,268	-	728,417,484	1,986,991,085	19,570,868,060
Investments in Associates	108,756,377	-	-	-	-	-	-	108,756,377
Financial Investments Available for Sale	157,527,400	-	-	-	42,793,957	-	-	200,321,357
Investment's in Bonds	-	116,952,968	-	-	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	60,686,060	60,686,060



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**Credit Risk (Contd.)**  
Industry Analysis

31st December 2014	Bank (Nu)							Total	
	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce		
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	2,313,132,977	655,840,944	2,932,331,507	5,585,529,460	-	604,948,192	3,682,414,908	13,916,568	17,224,255,581
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**

31st December 2014- Group	Group (Nu)							Total	
	Industrial	Government	Services & tourism	Construction	Financial Services	Transport	Trade & Commerce		
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	2,313,132,977	655,840,944	2,932,331,507	5,585,529,460	-	604,948,192	3,682,414,908	13,916,568	17,224,255,581
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



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### 39. Risk Management (Contd.)

#### Liquidity Risk & Funding management

The tables below summarize the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2015. 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 2015	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	3,219,093,352	-	-	-	-	3,219,093,352
Cash & Balances with Central Bank	5,143,875,234	-	-	-	-	5,143,875,234
Placement with other Banks	611,835,616	1,086,852,740	-	-	-	1,698,688,356
Loans & Advances to Customers	2,185,940,788	5,762,672,942	4,513,361,234	4,421,169,831	18,303,573,321	35,186,718,116
Investments in Subsidiaries	-	-	-	-	500,000	500,000
Investments in Associates	-	-	-	-	91,463,480	91,463,480
Financial Investments Available for Sale	-	-	-	-	-	-
Investment's in Bonds	-	10,379,880	20,759,760	20,759,760	200,321,357	208,750,920
Other Financial Assets	-	-	-	-	60,686,060	60,686,060
<b>Total undiscounted Assets</b>	<b>11,160,744,991</b>	<b>6,859,905,561</b>	<b>4,534,120,994</b>	<b>4,441,929,591</b>	<b>18,813,395,738</b>	<b>45,810,096,876</b>
Due to Banks	1,548,880,273	880,897,068	2,551,573,004	6,111,676	426,614,677	5,414,076,698
Due to Customers	10,871,477,066	2,461,022,981	2,936,789,156	597,784,809	528,449,567	17,395,523,579
Debts Issued & Other Borrowed Funds	-	51,000,000	452,000,000	60,000,000	620,000,000	1,183,000,000
Unclaimed Balances	34,546,203	-	-	-	-	34,546,203
Other Liabilities	20,493,001	-	-	-	-	20,493,001
<b>Total undiscounted Liabilities</b>	<b>12,475,396,543</b>	<b>3,392,920,050</b>	<b>5,940,362,160</b>	<b>6,773,680,485</b>	<b>1,575,064,244</b>	<b>24,047,639,481</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>(1,314,651,552)</b>	<b>3,466,985,512</b>	<b>(1,406,241)</b>	<b>(2,331,750,894)</b>	<b>17,238,331,494</b>	<b>21,762,457,395</b>



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## Group

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
<b>31st December 2015</b>						
Cash & cash Equivalents	3,219,093,352	-	-	-	-	3,219,093,352
Cash & Balances with Central	5,143,875,234	-	-	-	-	5,143,875,234
Placement with other Banks	611,835,616	1,086,852,740	-	-	-	1,698,688,356
Due From Banks	-	-	-	-	-	-
Loans & Advances to Customers	2,185,940,788	5,762,672,942	4,513,361,234	4,421,169,831	18,303,573,321	35,186,718,116
Investments in Associates	-	-	-	-	108,756,377	108,756,377
Financial Investments Available for Sale	-	-	-	-	200,321,357	200,321,357
Investment's in Bonds	-	10,379,880	20,759,760	20,759,760	156,851,520	208,750,920
Other Financial Assets	-	-	-	-	60,686,060	60,686,060
<b>Total undiscounted Assets</b>	<b>11,160,744,991</b>	<b>6,859,905,561</b>	<b>4,534,120,994</b>	<b>4,441,929,591</b>	<b>18,830,188,635</b>	<b>45,826,889,773</b>
Due to Banks	1,548,091,653	880,897,068	2,542,583,333	5,392,926	426,614,677	5,403,579,657
Due to Customers	10,871,477,066	2,461,022,981	2,936,789,156	597,784,809	528,449,567	17,395,523,579
Debts Issued & Other Borrowed	-	51,000,000	452,000,000	60,000,000	620,000,000	1,183,000,000
Unclaimed Balances	34,546,203	-	-	-	-	34,546,203
Other Liabilities	20,493,001	-	-	-	-	20,493,001
<b>Total undiscounted Liabilities</b>	<b>12,474,607,923</b>	<b>3,392,920,050</b>	<b>5,931,372,489</b>	<b>663,177,735</b>	<b>1,575,064,244</b>	<b>24,037,142,440</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>(1,313,862,932)</b>	<b>3,466,985,512</b>	<b>(1,397,251,495)</b>	<b>3,778,751,856</b>	<b>17,255,124,391</b>	<b>21,789,747,333</b>



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**Bank**

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
<b>31st December 2014</b>						
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	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	-	10,379,880	20,759,760	20,759,760	167,231,400	219,130,800
Other Financial Assets	71,520,790	-	-	-	-	71,520,790
<b>Total undiscounted Assets</b>	<b>10,805,209,111</b>	<b>2,749,345,574</b>	<b>3,842,232,981</b>	<b>3,290,529,403</b>	<b>16,410,789,269</b>	<b>37,098,106,339</b>
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	102,000,000	431,000,000	650,000,000	1,234,000,000
Unclaimed Balances	37,336,461	-	-	-	-	37,336,461
Other Liabilities	12,310,161	-	-	-	-	12,310,161
<b>Total undiscounted Liabilities</b>	<b>14,093,459,460</b>	<b>3,066,908,681</b>	<b>3,324,535,493</b>	<b>1,040,723,223</b>	<b>776,531,439</b>	<b>22,302,158,295</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>(3,288,250,349)</b>	<b>(317,563,107)</b>	<b>517,697,489</b>	<b>2,249,806,181</b>	<b>15,634,257,830</b>	<b>14,795,948,044</b>



*[Handwritten signature]*

**Group**

	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
<b>31st December 2014</b>						
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	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	-	10,379,880	20,759,760	20,759,760	167,231,400	219,130,800
Other Financial Assets	71,520,790	-	-	-	-	71,520,790
<b>Total undiscounted Assets</b>	<b>10,805,209,111</b>	<b>2,749,345,574</b>	<b>3,842,232,981</b>	<b>3,290,529,403</b>	<b>16,424,972,890</b>	<b>37,112,289,960</b>
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	102,000,000	431,000,000	650,000,000	1,234,000,000
Unclaimed Balances	37,336,461	-	-	-	-	37,336,461
Other Liabilities	12,437,668	-	-	-	-	12,437,668
<b>Total undiscounted Liabilities</b>	<b>14,093,586,967</b>	<b>3,066,908,681</b>	<b>3,324,535,493</b>	<b>1,040,723,223</b>	<b>776,531,439</b>	<b>22,302,285,802</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>(3,288,377,856)</b>	<b>(317,563,107)</b>	<b>517,697,489</b>	<b>2,249,806,181</b>	<b>15,648,441,451</b>	<b>14,810,004,158</b>

**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.



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	Less than 3			Over 5		
	On Demand	Months	3-12 Months	1-3 Years	3-5 Years	Total
<b>Bank</b>						
<b>As at 31 Dec 2015</b>						
<b>Contingencies</b>						
Financial guarantees	-	1,014,068,967	1,645,153,668	398,068,681	7,156,760	3,064,448,076
LCs	-	572,377,308	90,671,700	-	-	663,822,980
<b>Total Contingencies</b>	-	<b>1,586,446,275</b>	<b>1,735,825,368</b>	<b>398,068,681</b>	<b>7,156,760</b>	<b>3,728,271,056</b>
<b>Commitments</b>						
Undrawn credit card limits	25,430,439	-	-	-	-	25,430,439
Undrawn OD	2,702,267,322	-	-	-	-	2,702,267,322
Undisbursed other loans & advances	903,796,320	-	-	-	-	903,796,320
<b>Total Commitments</b>	<b>3,631,494,082</b>	-	-	-	-	<b>3,631,494,082</b>
<b>Group</b>						
<b>As at 31 Dec 2015</b>						
<b>Contingencies</b>						
Financial guarantees	-	1,014,068,967	1,645,153,668	398,068,681	7,156,760	3,064,448,076
Letter of Credits	-	572,377,308	90,671,700	-	-	663,822,980
<b>Total Contingencies</b>	-	<b>1,586,446,275</b>	<b>1,735,825,368</b>	<b>398,068,681</b>	<b>7,156,760</b>	<b>3,728,271,056</b>
<b>Commitments</b>						
Undrawn credit card limits	25,430,439	-	-	-	-	25,430,439
Undrawn OD	2,702,267,322	-	-	-	-	2,702,267,322
Undisbursed other loans & advances	903,796,320	-	-	-	-	903,796,320
<b>Total Commitments</b>	<b>3,631,494,082</b>	-	-	-	-	<b>3,631,494,082</b>



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Bank	Less than 3			Over 5		
	On Demand	Months	1-3 Years	3-5 Years	Years	Total
<b>As at 31 Dec 2014</b>						
<b>Contingencies</b>						
Financial guarantees	-	767,080,533	161,177,041	6,821,093	-	2,288,328,992
LCs	-	352,602,476	-	-	-	399,381,207
<b>Total Contingencies</b>	-	<b>1,119,683,009</b>	<b>161,177,041</b>	<b>6,821,093</b>	-	<b>2,687,710,199</b>
<b>Commitments</b>						
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
<b>Total Commitments</b>	<b>2,409,394,575</b>	-	-	-	-	<b>2,409,394,575</b>
<b>Group</b>						
<b>As at 31 Dec 2014</b>						
<b>Contingencies</b>						
Financial guarantees	-	767,080,533	161,177,041	6,821,093	-	2,288,328,992
Letter of Credits	-	352,602,476	-	-	-	399,381,207
<b>Total Contingencies</b>	-	<b>1,119,683,009</b>	<b>161,177,041</b>	<b>6,821,093</b>	-	<b>2,687,710,199</b>
<b>Commitments</b>						
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
<b>Total Commitments</b>	<b>2,409,394,575</b>	-	-	-	-	<b>2,409,394,575</b>



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#### 40. Risk Management (Contd.)

##### Currency Risk

The table below indicates the currencies to which the bank had exposure as at 31 December 2015. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngultrum (Nu).

Currency	2015		2014		Effect on profit before tax/Equity	Effect on profit before tax/Equity
	Change in currency rate in %	Effect on profit before tax/Equity	Change in currency rate in %	Effect on profit before tax/Equity		
EUR	(+/-) 1%	254,020	(+/-) 1%	583,126	583,126	583,126
USD	(+/-) 1%	7,215,467	(+/-) 1%	581,325	581,325	581,325
GBP	(+/-) 1%	377,345	(+/-) 1%	407,724	407,724	407,724
AUD	(+/-) 1%	708,035	(+/-) 1%	398,726	398,726	398,726
JPY	(+/-) 1%	107,569	(+/-) 1%	71,358	71,358	71,358
SGD	(+/-) 1%	8,164	(+/-) 1%	5,437	5,437	5,437
HKD	(+/-) 1%	4,751	(+/-) 1%	1,645	1,645	1,645
CHF	(+/-) 1%	6,915	(+/-) 1%	944	944	944
NOK	(+/-) 1%	-	(+/-) 1%	699	699	699
SEK	(+/-) 1%	16	(+/-) 1%	-	-	-
DKK	(+/-) 1%	292	(+/-) 1%	-	-	-
CAD	(+/-) 1%	124	(+/-) 1%	49	49	49
		<b>8,682,698</b>		<b>2,051,033</b>	<b>2,051,033</b>	<b>2,051,033</b>

##### 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, authorization and reconciliation procedures, staff education and assessment processes, Business Continuity Planning etc. Operational Risk Management Unit reports to Chief Finance Officer and the Board Risk Management Committee maintains a high level overall supervision of managing Operational Risks of the Bank



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**Maturity Gap Analysis****As at 31 Dec 2015**

	Bank (Nu)		Group (Nu)	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
<b>Assets</b>				
Cash & cash Equivalents	3,219,093,352	-	3,219,093,352	-
Cash & Balances with Central Bank	5,143,875,234	-	5,143,875,234	-
Placement with other Banks	1,698,688,356	-	1,698,688,356	-
Loans & Advances to Customers	7,948,613,730	27,238,104,386	7,948,613,730	27,238,104,386
Investments in Subsidiaries	-	500,000	-	-
Investments in Associates	-	91,463,480	-	91,463,480
Financial Investments Available for Sale	-	200,321,357	-	200,321,357
Financial Investments Held to Maturity	-	-	-	-
Investment's in Bonds	10,379,880	198,371,040	10,379,880	198,371,040
Other Financial Assets	-	60,686,060	-	60,686,060
Other Assets	-	342,452,655	-	342,452,655
Property & Equipment	-	466,447,739	-	466,447,739
Intangible Assets	-	25,333,704	-	25,333,704
Deferred tax assets	-	-	-	-
<b>Total Assets</b>	<b>18,020,650,553</b>	<b>28,623,680,422</b>	<b>18,020,650,553</b>	<b>28,623,180,422</b>
<b>Liabilities</b>				
Due to Banks	2,429,777,342	2,984,299,357	2,428,988,721	2,974,590,936
Due to Customers	13,332,500,047	4,063,023,532	13,332,500,047	4,063,023,532
Debts Issued & Other Borrowed Funds	51,000,000	1,132,000,000	51,000,000	1,132,000,000
Current Tax Liabilities	444,501,788	-	444,902,615	-
Provisions	15,751,021	-	15,795,769	-
Differed Income	33,393,367	-	33,393,367	-
Unclaimed Balances	34,546,203	-	34,546,203	-
Other Liabilities	255,337,898	-	255,913,023	-
<b>Total Liabilities</b>	<b>16,596,807,667</b>	<b>8,179,322,888</b>	<b>16,597,039,745</b>	<b>8,169,614,467</b>
<b>Maturity Gap</b>	<b>1,423,842,886</b>	<b>20,444,357,534</b>	<b>1,423,610,808</b>	<b>20,453,565,955</b>
<b>Cumulative Gap</b>	<b>1,423,842,886</b>	<b>21,868,200,420</b>	<b>1,423,610,808</b>	<b>21,877,176,763</b>



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**Maturity Gap Analysis**

**As at 31 Dec 2014**

<b>Assets</b>	<b>Within 12 Months</b>	<b>After 12 Months</b>	<b>Within 12 Months</b>	<b>After 12 Months</b>
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	2,615,802,994	-	-	-



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## **Note 41: RMA Disclosures**

### **Qualitative Disclosures**

#### **Capital Adequacy Ratio**

The capital of the bank consists of Tier 1, which forms a core capital and Tier 2, which is a supplementary capital. Tier 1 capital constitutes paid up capital; general reserves; share premium; and retained earnings, which has increased by 4.16% as compared to 2014. The increase in general reserve by about 12% largely contributed to increase in the Tier I capital.

The Tier 2 capital consists of Exchange Fluctuation Reserve, Research and Development Fund, General Provisions and Subordinated Debts. As required under section 6.3.2 of RMA Prudential Regulation, Tier 2 capital is to be reduced by 20% of the subordinated debts with remaining maturity of 5 years and the same has been adjusted. Tier 2 capital has increased 18.33% which was mainly due to the increase in the bond redemption reserve.

The capital adequacy ratio as on the reporting date stands at 23.36%, as compared to 25.65% in year 2014. The decrease is attributable to increase in the total risk weighted assets by 17% (mainly due to increase in the loans & advances) and a nominal increase in the capital of 6.28%. Further, during the year, as required under Section 2.5.2 (b) of RMA Prudential Regulation, the bank has made an adjustment for non-performing loans of related parties while assessing the capital adequacy ratio.

#### **Non-performing Loans & Provisioning**

Loans and advances of the Bank has been classified under non-performing as per the definition provided in section 9.5.1 of the RMA PR 2002. The gross NPL stands at 6.05% and net NPL stands at -0.67% as against 6.49% and -1.91% in year 2014 respectively. The percentage of gross non-performing loans have decreased by about 7% as compared to last year, however in absolute amount, the gross NPL has increased by 4.60%.

General provisions of 1% and 1.5% are allocated against exposures classified as Standard and Watch respectively. Specific provisions of 15%, 50% and 100% are provided for term loans classified under sub-standard, doubtful and Loss/litigation/suspended and 15% and 100% for Overdraft/working capital loans classified as sub-standard, doubtful and Loss/litigation/suspended respectively. The general provision provided by the Bank has increased by 12% from 2014 but specific provision has decreased by 15% from 2014.

#### **Risk Management**

BNBL has introduced risk management function formally from 2015 to monitor and manage various risks the Bank is exposed to. The bank has now a comprehensive written policy on Risk Management to identify, measure, manage and mitigate the risk. The policy also has a detailed controlling tools, methodologies and reporting principles. The risk function is in the process of implementation. The major risks the policy emphasizes are Credit Risk, Market Risk and Operational Risk.

The risk governance structure is defined in three tiers, namely the Board Level Committee, Management Level Committee and Functional Risk Organization. Under Functional Risk Organization, we have Risk Management Department (RMD) which consists of three sub units, namely, Credit Risk Management Unit, Market Risk Management Unit and Operational Risk Management Unit. However, presently these Units are not handled separately by different personnel but managed together under RMD. As the Risk function

matures in the Bank, the said Units will be handled by experienced personnel in the future reporting to Head of Risk.

Credit Risk forms the major risk of the Bank. The Bank has a robust credit approval process in place to assess the worthiness of a client to receive credit. A state of the art credit scoring model has been developed and in use to capture both quantitative and qualitative risk factors of the corporate clients-registered companies. The credit scoring model will generate a final score for the client which will enable the Bank to take a prudent lending decision.

Under Credit Risk we monitor the concentration risk- single borrower limit, group borrower limit, sector limit rating grade concentration and also the prohibited industry/ sector or product and. These risks are managed well within the pre-approved limits as of 30.09.2015.

Under market risk, the Bank monitors the net foreign exchange position, movement of equity/commodity prices and Interest rate risk. A tolerance limit for net FX position has been set by the Board, which is less than 7% of capital fund. The FX risk is assumed within the approved threshold. Currently there is no tolerance limit defined for equity/commodity risk and the Interest Rate Risk.

Operational Risk is enterprise-wide. The Bank has implemented robust measures and processes in all operational areas in accordance with the standard operational procedures (SOP) and anti-money laundering and combating the financing of terrorism policy.

Besides the above risks, the Bank also monitors liquidity risk, reputation risk, strategic risk which are material to the Bank.



## Quantitative Disclosure

The disclosures are as per the requirements under section 3.2.2 of Macro-prudential rules and regulations– Disclosure Requirements and the figures are presented in 000 Ngultrum unless specified. However, the bank without proper written guidelines from the regulator has not disclosed Item 7, 8 and 9.

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

Sl.No		Current Period	COPPY
<b>1</b>	<b>Total Tier 1 Capital</b>		
a	Paid-Up Capital	3,548,077	3,548,077
b	General Reserves	2,381,550	2,131,072
c	Share Premium Account	34,023	34,023
d	Retained Earnings	175,466	180,932
Less:-			
e	Losses for the Current Year	-	-

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

Sl.No		Current Period	COPPY
<b>1</b>	<b>Tier II Capital</b>		
a	Capital Reserve	-	-
b	Fixed Assets Revaluation Reserve	-	-
c	Exchange Fluctuation Reserve	106,543	77,784
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	354,000	124,000
f	General Provision	205,968	183,745
g	Capital Grants	-	-
h	Subordinated Debt	850,000	850,000
i	Profit for the Year	-	-

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

#### Current year

Sl.No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	6,430,073	0%	-
2	20% Risk Weighted Assets	3,733,858	20%	747
3	50% Risk Weighted Assets	704,634	50%	352
4	100% Risk Weighted Assets	9,451,559	100%	9,452
5	150% Risk Weighted Assets	10,115,569	150%	15,173
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets	446,954	300%	1,341

## COPPY

Sl.No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	7,238,045	0%	-
2	20% Risk Weighted Assets	3,688,281	20%	738
3	50% Risk Weighted Assets	525,701	50%	263
4	100% Risk Weighted Assets	7,791,176	100%	7,791
5	150% Risk Weighted Assets	8,970,119	150%	13,455
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets	568,555	300%	1,706

### Item 4: Capital Adequacy ratios

	Current Period	COPPY
Tier 1 Capital	6,139,116	5,894,104
<i>Of which Counter-cyclical Capital Buffer (CcyB) (if applicable)</i>		
<i>Of which Sectoral Capital Requirements (SCR) (if applicable)</i>		
Sector 1		
Sector 2		
Sector 3		
Tier 2 Capital	1,348,119	1,151,000
Total Qualifying capital	7,487,235	7,045,105
Core CAR	19.15%	21.46%
<i>Of which CcyB (if applicable) expressed as % of RWA</i>		
<i>Of which SCR (if applicable) expressed as % of Sectoral RWA</i>		
Sector 1		
Sector 2		
Sector 3		
CAR	23.36%	25.65%
Leverage Ratio	17.83%	18.74%

### Item 5: Loans and NPL by Sectoral Classification

S.No	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	714	410	705	420
b.	Manufacturing/Industry	2,936,473	271,947	3,432,261	357,488
c.	Service & Toursim	3,490,142	267,380	2,992,778	57,121
d.	Trade & Commerce	5,376,308	357,441	3,857,379	439,726
e.	Housing	6,473,261	249,036	5,774,983	205,891
f.	Transport	789,899	50,021	680,900	77,892
g.	Loans to Purchase Securities	83,434	799	110,488	844
h.	Personal Loan/LDCL/CC	495,566	63,834	618,236	66,420
i.	Education Loan	-	-	-	-
j.	Loan Against Term Deposit	152,397	41	100,769	525
k.	Loans to FI (s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff Loan (incentive)	253,846	2,367	206,954	564
n.	Loans to Govt. Owned Corporation	561,017	154	662,478	177
o.	Consumer Loan (GE)	464,015	10,708	330,661	11,090
	<b>Total</b>	<b>21,077,073</b>	<b>1,274,137</b>	<b>18,768,592</b>	<b>1,218,160</b>

### Item 6: Loans (Over-draft and term loans) by type of counter-party

S.No	Counter- party	Current Period	COPPY
<b>1</b>	<b>Overdrafts</b>		
a.	Governments	-	-
b.	Governments Corporation	-	-
c.	Public Companies	85,567	536,806
d.	Private Companies	4,951,164	4,000,832
e.	Individuals	110,352	47,489
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	100,030	-
<b>2</b>	<b>Term Loans</b>		
a.	Governments	-	-
b.	Governments Corporation	-	-
c.	Public Companies	561,283	662,301
d.	Private Companies	5,197,264	4,613,780
e.	Individuals	10,015,182	8,893,467
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	36,104	-

## Item 10: Non Performing Loans and Provisions

SI No		Current Period	COPPY
<b>1</b>	<b>Amount of NPLs (Gross)</b>		
a.	Substandard	360,577	197,048
b.	Doubtful	220,804	353,847
c.	Loss	692,756	667,265
<b>2</b>	<b>Specific Provisions</b>		
a.	Substandard	61,027	35,608
b.	Doubtful	99,132	175,303
c.	Loss	878,974	1,014,979
<b>3</b>	<b>Interest - in -Suspense</b>		
a.	Substandard	9,742	5,427
b.	Doubtful	19,161	25,899
c.	Loss	132,868	106,457
<b>4</b>	<b>Net NPLs</b>		
a.	Substandard	289,809	156,012
b.	Doubtful	102,511	152,644
c.	Loss	- 319,086	- 454,171
<b>5</b>	<b>Gross NPLs to Gross Loans</b>	6.05%	6.49%
<b>6</b>	<b>Net NPLs to Net Loans</b>	-0.67%	-1.91%
<b>7</b>	<b>General Provision</b>		
a.	Standard	174,307.49	152,235.74
b.	Watch	31,660.56	31,509.60

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**Item 11: Assets and Investments**

SI No	Investment	Current Period	COPPY
<b>1</b>	<b>Marketable Securities (Interest Earning)</b>		
a	RMA Securities	-	997,776
b	RGOB Bonds/Securities	-	-
c	Corporate Bonds	115,332	115,332
d	Others	-	-
	<b>Sub-total</b>	<b>115,332</b>	<b>1,113,108</b>
<b>2</b>	<b>Equity Investments</b>		
	Public Companies	119,563	105,313
	Private Companies	-	-
	Commercial Banks	2,500	2,500
	Non-Bank Financial Institutions	40,794	20,608
<i>Less</i>			
i	Specific Provisions		-
<b>3</b>	<b>Fixed Assets</b>		
j	Fixed Assets (Gross)	572,605	398,254
<i>Less</i>			
k	Accumulated Depreciation	214,174	187,101
l	Fixed Assets (Net Book Value)	358,431	211,152

**Item 12: Foreign exchange assets and liabilities (Current Period and COPPY)**

Currency	Liquid Foreign Currency Holdings (Up to			Long Term Foreign Currency			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
USD	615.18 (159.1)	339.02 (303.8)	276.16 (-144.63)	445.38 (152.5)	-	445.38 (152.5)	721.55 (7.95)	11.75 (0.13)
SG \$	0.82 (0.54)	-	0.82 (0.54)	-	-	-	0.82 (0.54)	0.01 (0.01)
EURO	67.27 (61.99)	41.86 (3.68)	25.4 (58.31)	-	-	-	25.4 (58.31)	0.41 (0.99)
AUD	70.8 (39.87)	-	70.8 (39.87)	-	-	-	70.8 (39.87)	1.15 (0.68)
CAD	0.01 (0)	-	0.01 (0)	-	-	-	0.01 (0)	-
HKD	0.48 (0.16)	-	0.48 (0.16)	-	-	-	0.48 (0.16)	0.01 (0)
GBP	37.73 (40.77)	-	37.73 (40.77)	-	-	-	37.73 (40.77)	0.61 (0.69)
NOK	0 (0.07)	-	0 (0.07)	-	-	-	0 (0.07)	-
DKK	0.03 (0)	-	0.03 (0)	-	-	-	0.03 (0)	-
CHF	0.69 (0.09)	-	0.69 (0.09)	-	-	-	0.69 (0.09)	0.01 (0)
JPY	10.76 (7.14)	-	10.76 (7.14)	-	-	-	10.76 (7.14)	0.18 (0.12)
INR	405.48 (495.9)	22.73 (35.13)	382.74 (460.85)	-	-	-	382.74 (460.8)	6.23 (7.82)
SEK	0.002 (0)	-	0.002 (0)	-	-	-	0.002 (0)	-

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### Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits held with other banks	5,546,601	14,639,929	315,828	365,007	414,827	117,141
Time deposits held with other banks	1,765,969	1,313,013	-	-	445,601	203,514
Borrowings	850,000	850,000	-	-	-	-

### Item 14: Credit Risk Exposures by collateral

Sl.No	Particular	Current Period	COPPY
<b>1</b>	<b>Secured Loans</b>	<b>21,070,006</b>	<b>18,763,654</b>
a.	Loans secured by physical/real estate collateral	20,365,579	18,220,432
b.	Loans secured by financial collateral	235,831	211,257
c.	Loans secured by guarantees	468,596	331,965
<b>2</b>	<b>Unsecured Loans</b>	-	-
<b>3</b>	<b>Total Loans</b>	<b>21,070,006</b>	<b>18,763,654</b>

### Item 15: Earnings Ratio (%)

Sl.No	Ratio	Current Period	COPPY
1	Interest Income as a percentage of Average Assets	7.83%	7.91%
2	Non-interest income as a percentage of Average Assets	0.81%	0.64%
b.	Operating Profit as a percentage of Average Assets	5.80%	5.46%
c.	Return on Assets	3.24%	2.47%
2	Business (Deposits plus advances) per employee	92,265	87,535
3	Profit per employee	2,192	1,609

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

Sl.No	Current Period (Year for which the disclosure is being made)		Corresponding period of the previous year (COPPY)	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	-	-	Current Account OD	7.72




**Item 19: Concentration of Credit and Deposits**

Sl.No	Particular	End of Current Period	COPPY
1	Total Loans to 10 Largest borrowers	4,719,388	3,902,943
2	<i>As % of total loans</i>	22.39%	20.80%
3	Total deposits of the 10 Largest depositors	10,233,237	9,066,460
4	<i>As % of total deposits</i>	48.53%	45.11%

**Item 20: Exposure of 5 Largest NPL accounts**

Sl.No	Particular	End of Current Period	COPPY
1	Five Largest NPL Accounts	353,986	303,183
2	<i>As % of total NPLs</i>	23.56%	19.32%

3'

5'

**AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENT  
OF BNBL SECURITIES  
LIMITED**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
**BNB SECURITIES LIMITED**

### **1. Report on the Financial Statements**

We have audited the accompanying financial statements of **BNB SECURITIES Limited** ("the Company"), which comprise the Balance Sheet as at 31st December, 2015, the Statement of Profit and Loss and the Statement of Cash Flow for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

### **2. Management Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements in accordance with the generally accepted accounting principles and practices followed by the financial institutions in Bhutan and with provisions of The Companies Act of the Kingdom of Bhutan 2000, RMA Prudential Regulations 2002 and The Financial Services Act of Bhutan 2011. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company and are free from material misstatement, whether due to fraud or error.

### **3. Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Statement of Profit & Loss and Statement of Cash Flow dealt with by this report have been prepared on the basis of generally accepted accounting principles and practices and as per the provisions of applicable laws, rules and regulations and 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 financial statements give the information required by The Companies Act of the Kingdom of Bhutan 2000, in the manner so required and give a true and fair view:
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2015;
    - b) In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c) In the case of the Statement of Cash Flow, of the cash flows for the year ended on that date.
5. As required by Section 75 of The Companies Act of the Kingdom of Bhutan 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting Requirements) we enclose in the annexure a statement on the matters specified therein to the extent applicable to the Company.

**Dated: April 25, 2016**  
**Place: New Delhi**



**For S.K. MITTAL & CO.**  
Chartered Accountants  
FRN: 001135N

A handwritten signature in blue ink, appearing to read "Krishan Sarup".

Partner: Krishan Sarup  
Membership No. 010633

**ANNEXURE TO THE AUDITORS' REPORT  
(REFERRED TO IN PARAGRAPH '5' OF OUR REPORT OF EVEN DATE)**

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The company has no fixed assets. Fixed assets of Bhutan National Bank Ltd. (BNBL) are used by the company since it is a 100% subsidiary of BNBL.
2. The Company has not availed any loan, secured or unsecured from companies, firms or other parties or from the companies under the same management.
3. The Company has not granted any loan, secured or unsecured to other companies, firms or other parties or to the companies under the same management.
4. The Company has established a system of internal control 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 Company as well as to ensure adherence to the rules, regulations, systems and procedures.
5. As explained to us, the transactions in respect of dealing or trading in shares, securities and other investments entered into by the Company wherein the Directors are directly or indirectly interested are not prejudicial to the interest of the other Shareholders and the Company.
6. The Company is generally regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority.
7. Personal expenses, except under contractual obligations, have not been charged to the Company's accounts.
8. The management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts.
9. The activities carried out by the Company are lawful and intra-vires to the license given by Ministry of Economic Affairs, Royal Government of Bhutan.
10. The directives of Board of Directors have been complied with.



## General

### 1. Going concern

Financial statements have been prepared on a going concern basis. However, the Company is in the course of merger with its parent company.

### 2. Ratio Analysis

Financial and operational ratios of the Company are given below:

Ratios	2015	2014
Current Ratio = Current Assets/Current liabilities	1.89	1.37
Earnings per Share = Profit after Tax/Turnover	23.23%	25.69%
Return on Investment = Profit after Tax/ Capital Employed	5.99%	8.20%

### 3. Compliance with The Companies Act of the Kingdom of Bhutan 2000

In our opinion and on the basis of available records and information the Company has complied with the applicable provisions of The Companies Act of the Kingdom of Bhutan 2000 except the provision of section 82(1) since only two Board of Directors meetings were held during the year 2015.

### 4. Adherence to Laws, Rules & Regulations


Audit of the Company is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and review of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Article of Incorporation and we are unable to state that the Company has been complying with the applicable laws (other than the Companies Act), rules and regulations, systems, procedures and practices.

**Dated: April 25, 2016**  
**Place: New Delhi**



**For S.K. MITTAL & CO.**  
Chartered Accountants  
FRN: 001135N

Partner: Krishan Sarup  
Membership No. 010633

<b><u>BNB SECURITIES LIMITED</u></b>			
<b><u>BALANCE SHEET AS AT 31ST DECEMBER 2015</u></b>			
<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>31ST DECEMBER 2015 (Nu.)</b>	<b>31ST DECEMBER 2014 (Nu.)</b>
<b><u>CAPITAL AND LIABILITIES</u></b>			
Share Capital	1	500,000	500,000
Reserves & Surplus	2	8,647,171	8,099,258
Current Liabilities & Provisions	3	1,020,698	735,196
<b>TOTAL LIABILITIES</b>		<b>10,167,869</b>	<b>9,334,454</b>
<b><u>ASSETS</u></b>			
Investment	4	8,237,454	8,327,759
Balances with Banks	5	1,295,878	806,695
Other Assets	6	634,537	200,000
<b>TOTAL ASSETS</b>		<b>10,167,869</b>	<b>9,334,454</b>
<p><b>Significant Accounting Policies &amp; Notes on Accounts - Schedule 7</b></p> <p>The schedules referred to above form part of the Balance Sheet. This is the Balance Sheet referred to in our report of even date.</p> <p>For S.K. MITTAL &amp; CO. Chartered Accountants FRN: 001135N</p> <p><i>[Signature]</i> Partner: Krishan Sarup M. No: 010633 Dated : April 25, 2016 Place : New Delhi</p> <p><i>[Signature]</i> CHAIRPERSON <i>[Signature]</i> CHIEF EXECUTIVE OFFICER</p> 			



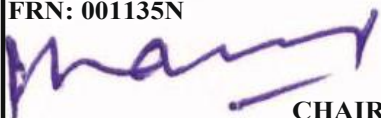
**BNB SECURITES LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST DECEMBER 2015**

<u>PARTICULARS</u>	<u>SCHEDULE</u>	<u>31ST DECEMBER 2015 (Nu.)</u>	<u>31ST DECEMBER 2014 (Nu.)</u>
<b><u>INCOME</u></b>			
Brokerage		1,705,356	2,191,877
Interest from banks		610,125	553,525
Other Income		42,853	-
<b>Total Income</b>		<b>2,358,334</b>	<b>2,745,402</b>
<b><u>EXPENDITURE</u></b>			
Legal & Regulatory Expenses			
- Annual Membership Fees		-	75,000
- Prepaid Membership Fees		-	75,000
- Trading Fees		251,230	326,845
Employment Cost		682,132	512,753
Training Expenses		300,112	548,817
Sitting Fees		50,000	100,000
Mis Expenses		-	700
Post Paid Phone Bill		-	6,000
License Renewal Fee		5,000	500
Audit Fees		10,300	10,300
<b>Total Expenditure</b>		<b>1,298,774</b>	<b>1,655,915</b>
<b>Profit before Tax</b>		<b>1,059,560</b>	<b>1,089,487</b>
<b>Less Provision for Taxation</b>		<b>400,827</b>	<b>384,176</b>
<b>Profit after tax</b>		<b>658,734</b>	<b>705,311</b>
<b>Prior Period tax adjustment</b>		<b>110,821</b>	<b>-</b>
<b>Transfer to Reserves</b>		<b>547,913</b>	<b>705,311</b>

**Significant Accounting Policies & Notes on Accounts -Schedule 7**

This is the Statement of Profit and Loss referred to in our report of even date.

For S.K. MITTAL & CO.  
Chartered Accountants  
FRN: 001135N

  
CHAIRPERSON



  
CHIEF EXECUTIVE OFFICER


Partner: Krishan Sarup  
M. No: 010633  
Dated : April 25, 2016  
Place : New Delhi



<b>SCHEDULES FORMING PART OF BALANCE SHEET</b>		
	<b>31<sup>ST</sup> DECEMBER 2015 (Nu.)</b>	<b>31<sup>ST</sup> DECEMBER 2014 (Nu.)</b>
<b>Schedules 1 : Share Capital</b>		
<b>Authorised Capital</b>		
<b>5000 Equity Shares of Nu.100 each</b>	<b>500,000</b>	<b>500,000</b>
Issued, Subscribed and Fully paid up 5000 Equity Shares of Nu.100 each	500,000	500,000
<b>TOTAL</b>	<b>500,000</b>	<b>500,000</b>
<b>Schedule 2 : Reserves and Surplus</b>		
<b>General Reserve</b>		
<b>Opening Balance</b>	<b>8,099,258</b>	<b>7,393,947</b>
Add. Transferred from Profit and Loss Account	547,913	705,311
<b>TOTAL</b>	<b>8,647,171</b>	<b>8,099,258</b>
<b>Schedule 3 : Current Liabilities and Provisions</b>		
<b>Current Liabilities</b>		
Trading Fees Payable	59,571	127,507
Audit fees Payable	10,300	10,600
Provision for Gratuity	3,234	162,048
Provision for Leave Encashment	41,513	50,865
Client deposit payable	505,253	-
<b>Provisions</b>		
<b>Provision for Taxation</b>	<b>400,827</b>	<b>384,176</b>
<b>TOTAL</b>	<b>1,020,698</b>	<b>735,196</b>
<b>Schedule 4 : Investment</b>		
Fixed Deposit	7,600,541	6,552,986
Interest accrued but not due on deposits with Banks	636,913	1,274,773
Investment with RSEBL	-	500,000
<b>TOTAL</b>	<b>8,237,454</b>	<b>8,327,759</b>
<b>Schedule 5 : Balances With Banks</b>		
Bhutan National Bank (5004027002)	788,620	804,695
Bhutan National Bank (4025008)	506,258	1,000
Bhutan National Bank(4025027)	1,000	1,000
<b>TOTAL</b>	<b>1,295,878</b>	<b>806,695</b>
<b>Schedule 6 : Other Assets</b>		
Security Advances	-	200,000
TDs on FD	60,603	-
Advance CIT	73,934	-
Receivable from BNBL	500,000	-
<b>TOTAL</b>	<b>634,537</b>	<b>200,000</b>



*[Handwritten signatures]*

<b>BNB SECURITES LIMITED</b>		
<b>STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER 2015</b>		
	<b>31ST DECEMBER 2015 (Nu.)</b>	<b>31ST DECEMBER 2014 ((Nu.))</b>
<b><u>Cash flow from Operating Activities</u></b>		
Profit before taxation	1,059,560	1,089,487
Add: Provision for Gratuity	(158,814)	39,198
Add: Provision for leave encashment	(9,352)	7,868
Add: Depreciation	-	-
Less: Interest income from Investment	(652,673)	(553,525)
Less : Liability Written Back	(300)	-
Less : Prior Period Item	(110,821)	-
Less: Dividend Received	-	-
<b>Cash flows before working capital changes</b>	<b>127,600</b>	<b>583,028</b>
<b><u>Changes in working capital</u></b>		
(Increase)/ Decrease in Stock	-	-
(Increase)/ Decrease in Loans/other Assets	(434,537)	2,975
Increase/ (Decrease) in Current Liability/Deposits & Provisions (other than tax)	437,317	36
Increase/ (Decrease) in Capital & Foreign exchange Reserves	-	-
	<b>2,780</b>	<b>3,012</b>
<b>Net cash flow before tax</b>	<b>130,380</b>	<b>586,039</b>
Less: Tax Paid	384,176	261,076
<b>Net Cash Flow from Operation Activities (A)</b>	<b>(253,796)</b>	<b>324,963</b>
<b><u>Cash Flow from Investing Activities</u></b>		
Purchase of fixed assets	-	-
Sale of fixed assets	-	-
Increase/Decrease in Investments	90,305	(500,000)
Interest Received	652,673	21,255
Dividend received	-	-
<b>Net Cash Flow from Investing Activities (B)</b>	<b>742,978</b>	<b>(478,745)</b>
<b><u>Cash Flow from Financing Activities</u></b>		
Issue of shares	-	-
Redemption of shares	-	-
Interest Paid	-	-
Dividend paid	-	-
<b>Net Cash Flow from Financing Activities ( C )</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalent (A+B+C)</b>	<b>489,183</b>	<b>(153,782)</b>
Add: Opening cash & cash equivalent	806,695	960,477
<b>Closing Cash &amp; Cash Equivalent</b>	<b>1,295,878</b>	<b>806,695</b>
<p>For S.K. MITTAL &amp; CO. Chartered Accountants FRN : 001135N</p> <p><i>(Signature)</i> Partner: Krishan Sarup M. No: 010633 Dated : April 25, 2016 Place : New Delhi</p> <p><i>(Signature)</i> CHAIRPERSON</p> <p><i>(Signature)</i> CHIEF EXECUTIVE OFFICER</p> <p style="text-align: right;"></p>		

## **SCHEDULE 7**

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **01. METHOD OF ACCOUNTING**

The financial statements have been prepared by following the going concern concept on historical cost convention and generally accepted accounting policies & procedures (prevailing in the country), unless otherwise stated.

#### **02. REVENUE RECOGNITION**

Accrual method of accounting is followed, unless otherwise stated.

#### **03. INVESTMENTS**

Investments are stated at acquisition cost.

#### **04. STAFF BENEFITS**

- a) Gratuity liability is provided on an estimated basis, presuming that all employees cease to work as at the year-end.
- b) Bonus is accounted for on cash basis.
- c) Leave encashment liability is provided on the basis of leave accrued to the employees as at the end of the year considering the last basic pay of each employee.

### **NOTES ON ACCOUNTS**

- a) Chetrumms have been rounded to the nearest Ngultrum.
- b) Previous year's figures have been rearranged and regrouped, wherever considered necessary.



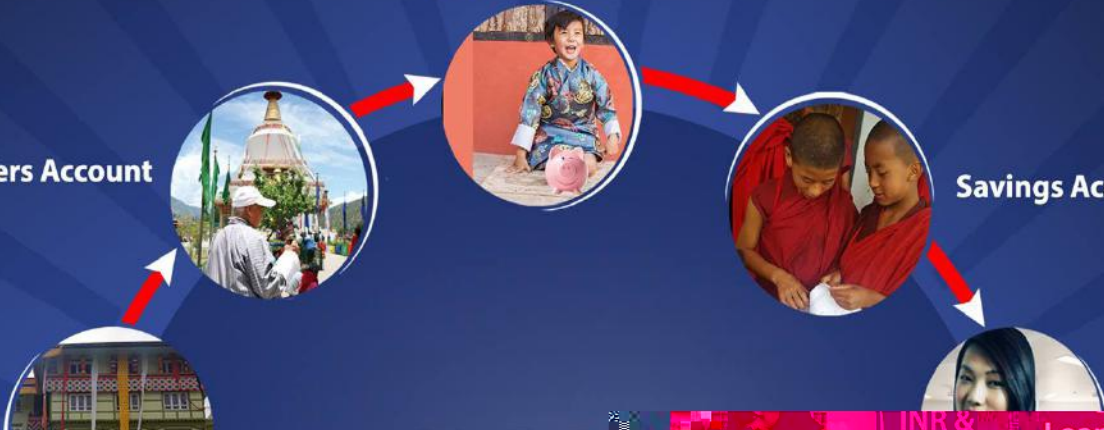
**Piggy Bank Account**

**Pensioners Account**

**Savings Account**

**Housing**

**Debit Card,**



INR & ...





BHUTAN NATIONAL BANK LTD.

Registered Office

PO Box No. 439  
Norzin Lam  
Thimphu : Bhutan  
[www.bnb.bt](http://www.bnb.bt)