



ANNUAL REPORT 2017

BHUTAN NATIONAL BANK LTD.

"Your Relationship Bank"



Your Relationship Bank

BNB PIGGY BANK ACCOUNT

"MY FIRST BANK"



Our Piggy Bank Account is designed to help children (aged 4-18 years) save money and learn about banking.

BNB Piggy Bank Account Products:

1. Piggy Bank Savings Account
2. Piggy Bank Recurring Account
3. Piggy Bank Term Deposit (FD) Account



www.bnb.bt



[/BhutanNationalBank](https://www.facebook.com/BhutanNationalBank)



[@bhtnationalbank](https://twitter.com/bhtnationalbank)



HOTLINE: 144

Our Purpose:

“To provide financial choice through innovation”

Our Values:

- **Integrity:** through fair and honest actions;
- **Innovation:** by being a learning organization that puts good ideas to practice;
- **Leadership:** by example, humility, recognition and empowerment;
- **Teamwork:** through individual respect, underpinned by a united purpose; and
- **Discipline:** through people, thought and action.

Vision:

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

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Foreign
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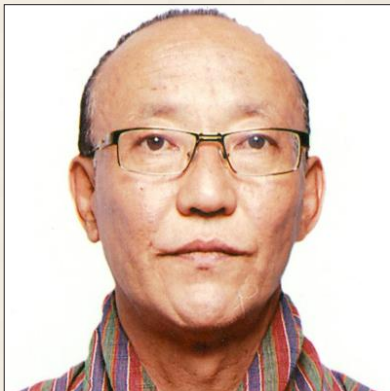
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Our Offices



MANAGEMENT TEAM

EXECUTIVE TEAM



Members of the Executive Team
are as follows:

TOP ROW FROM LEFT

Kipchu Tshering
Chief Executive Officer/Board Director

Sonam Tobgay
Deputy Chief Executive Officer

Tandin Dukpa
Chief Finance Officer

Gyam A.D Namgyal
Chief Resource Officer

Kesang Namgyel
Chief Operations Officer

Pelzore Rumba
Chief Credit Officer

HEAD OF DEPARTMENTS



In alphabetical order

1. Bidah Dorji, Human Resource & Administration
2. Dellay Phuntshok, Credit Department
3. Deki Wangmo, Internal Audit Department
4. Dorji, Accounts Department
5. Dorji Dukpa, Legal Department
6. Dorji Namgyal Rinchhen, Company Secretary/
BNBL Securities
7. Karma Choki(A), Operations Department
8. Man Bahadur Rai, IT Department
9. Norbu Wangchuk, Sales and Marketing
Department
10. Purna B. Mongar, Risk Department
11. Sangay Wangdi, Engineering Department
12. Shree Prasad Subedi, Credit Administration
13. Sonam Tobgay, OSM Department
14. Tenzing Gyeltshen, Card Division

MANAGEMENT TEAM

BRANCH MANAGERS



In alphabetical order

1	Dorji Dagpa	Branch Manager, Tsirang
2	Dorji Wangchuk	Branch Manager, SamdrupJongkhar
3	Karma Deki	Branch Manager, Thimphu
4	Kelden Dorji	Branch Manager, Wangdue
5	Kesang Deki	Branch Manager, Phuntsholing
6	Kinley Jamtsho	Branch Manager, Tashigang
7	Namgyal Wangda	Branch Manager, Paro
8	Norbu	Branch Manager, Samtse
9	Pema Jamtsho	Branch Manager, Gelephu
10	Surjaman Samal	Branch Manager, Mongar
11	Yeshey Norbu	Branch Manager, Bumthang

DIRECTOR'S PROFILE



Annual Report 2017



Dr. Pema Choephyel, Chairperson, appointed on 10th March 2017 during the 21st AGM representing the BT FEC. He is 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. Tenzing Yonten, Director, appointed on 10th March 2017 during the 21st AGM is the founding Director of the Royal Thimphu College. He has a degree in Mechanical Engineering from the University of California, Berkeley, and an MBA from Yale University. He worked as a civil servant in the Ministry of Trade & Industries for 14 years before he left in 2007 to start RTC. As a civil servant he worked first in the Department of Power and then the Bhutan Power Corporation. He has experience in a wide range of areas covering policy formulation, planning, project management, contracts, regulation and operations. He has also done consulting work and interned at the World Bank in Washington DC. He is a member of the National Environment Commission and has served on the boards of many organizations such as the Druk Green Power Corporation, Royal Insurance Corporation of Bhutan, Penden Cement Authority, Bhutan Olympic Committee, Bhutan Electricity Authority and the Royal Education Council. He has also held other significant positions such as President of the Bhutan Basketball Federation and Chairman of Bhutan Telecom.



Mr. Sonam Lhundrup, Director, appointed on 10th March 2017 during the 21st AGM representing the Druk Holding and Investments. Currently Mr. Sonam is the Company Secretary and General Counsel of Druk Holding and Investments (DHI). Mr. Sonam has served as a Board Director on the Boards of the Druk Green Power Corporation (DGPC) and the Bhutan Power Corporation (BPC). Mr. Sonam pursued the Master of Law Degree (LL.M) from the George Washington University Law School, Washington DC, USA. Prior to his master's degree, Mr. Sonam served as Legal Officer at the Policy and Planning Division of the Ministry of Agriculture (MoA), Royal Government of Bhutan. Mr. Sonam has a Bachelor of Law (LL. B) from the University of Mumbai, India and a Bachelor of Arts (Eng. Hons.) from University of Delhi, India.



DIRECTOR'S PROFILE



Mr. Tshering Dorji, Director, appointed on 10th March 2017 during the 21st AGM is the Director of Public Accounts at Department of Public Accounts, Ministry of Finance, since January 2017. His current responsibilities include treasury management, fiscal transfers, government expenditure reporting and the management of National Finance Service personnel. He joined the Ministry of Finance in 1998 as a regular employee under the National Finance Service (NFS). Since then, he has taken key positions of increasing responsibility including as the Head of Debt Management Division (DMD) from 2014 to 2016. Apart from holding many senior positions in the Government, Mr. Dorji also represented Ministry of Finance as Board of Directors in several Government Owned Corporations. He is also a member to various working committees under the Ministry of Finance. Mr. Dorji has a MBA from School of Management, Asian Institute of Technology, Bangkok, Thailand and is a member of CPA Australia.



Mr. Harish H. Engineer, Director, appointed on 10th March 2017 during the 21st AGM 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. 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.



Mr Ugyen Namgyal, Director, appointed on 10th March 2017 during the 21st AGM. He has worked as the General Manager 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.

DIRECTOR'S REPORT



Annual Report 2017

The Board of Directors has great pleasure in presenting the Annual Report along with the Audited Financial Statement of Accounts and the Cash Flow Statement of the Bank for the year ended March 31, 2017.

2017 can be summarized in a few words: in the face of significant challenges, we made significant progress. As with the changes taking place globally, the banking community in Bhutan too is rapidly evolving due to the changing consumer behavior, integration of technology and the virtualization of the consumer experience. With the growing and changing needs of customers at all levels, it has now become absolutely necessary for banks that look to outshine their peers to focus on the needs of the customer and embrace strong credit cultures.



FINANCIAL HIGHLIGHTS

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

	Fiscal Year 2016	Fiscal Year 2017
Net Interest Income	1,654.15	1,508.28
Net Fee & Commission Income	104.01	98.87
Total Operating Income	1,873.90	1,695.97
Total Operating Expenses	861.84	334.27
Profit Before Tax from Continuing Operations	1,012.06	1,361.70
Profit for the Year	1,042.19	1,040.79

STATUTORY AUDITORS

The 21st Annual General Meeting of Shareholders held on 10.03.2017 approved the appointment of auditors, M/s S.K. Mittal & Co for the year 2017. As per the Royal Audit Authority regulations, an audit firm may audit an organization for a maximum three years.

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



DIRECTOR'S REPORT

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 Board has constituted four board committees, namely, Board Governance, Recruitment & Remuneration Committee, Board Audit Committee, Board Credit and Investment Committee and the Board Risk Management Committee.

As of December 31, 2017, the Board of Directors consisted of 7 members. There were four meetings of the Board during fiscal year 2017. The names of the Directors and the details of their attendance at board meetings are set out in the following table:

Name of Member	No. of Board Meetings attended
Dr. Pema Choephyel, Chairperson	4
Mr. Ugyen Namgyal, Director	2
Mr. Sonam Lhundrup, Director	4
Mr. Tshering Dorji, Director	3
Mr. Harish H Engineer, Director	4
Mr. Tenzing Yonten, Director	3
Mr. Kipchu Tshering, CEO/Director	4

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

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

COMPOSITION OF BOARD COMMITTEES

The **Board Governance, Recruitment & Remuneration Committee** comprised of 3 Directors and was chaired by Dr. Pema Choephyel. There were five meetings of the Committee during the year.

The **Board Audit, Compliance & Grievance Committee** comprised of 3 Directors and was chaired by Mr. Ugyen Namgyal. There were four meetings of the Committee during the year.



DIRECTOR'S REPORT

The **Board Credit and Investment Committee** comprised of 4 Directors and was chaired by Mr. Tenzing Yonten. There were seven meetings of the Committee during the year.

The **Board Risk Management Committee** comprised of 4 Directors and was chaired by Mr. Sonam Lhundrup. There were twelve meetings of the Committee during the year.

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 21st AGM held on 10.03.2017.

DIVIDEND

For the year ended 31.12.2017, the 22nd Annual General Meeting of Shareholders held on 28.02.2018 approved a dividend of 16.35% or Nu 1.635 per share (face value being Nu 10 per share). The dividend was thereafter approved by RMA and paid to all shareholders.

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 the public.

MARKET PRICE INFORMATION

2017 was another year in which BNB Securities performed exceptionally well. BNB Securities traded a total volume (# of shares * price) of 221,169,102.00 shares in 2017 and had a commanding 87.8% market share in 2017. At the end of 2017, the BNBL securities was merged with its parent company Bhutan National Bank Ltd. The volume of equity shares traded during fiscal year 2017 by BNB Securities on RSEB as compared to previous years are set out in the following table:

DIRECTOR'S REPORT



Month/Year	Commission			No. of Share Traded		
	2015	2016	2017	2015	2016	2017
January	-	43,241.60	6,790.00		133,540.00	26,000.00
February	19,564.40	84,154.60	28,406.20	61,180.00	459,220.00	121,940.00
March	103,485.00	14,040.20	218,004.00	421,020.00	52,860.00	1,023,740.00
April	99,413.30	13,193.60	134,140.90	736,040.00	47,300.00	378,280.00
May	97,327.50	213,415.10	34,021.80	453,490.00	797,450.00	102,460.00
June	86,725.50	664,090.03	156,822.64	320,200.00	2,774,240.00	583,760.00
July	46,402.00	75,660.50	9,830.08	185,080.00	272,800.00	28,890.00
August	383,534.86	463,694.38	15,535.04	2,275,084.00	2,185,060.00	66,404.00
September	191,343.62	185,081.15	78,266.00	948,840.00	941,550.00	147,176.00
October	53,602.65	182,679.60	192,404.29	227,700.00	600,180.00	668,684.00
November	147,384.92	624,137.28	164,844.50	647,840.00	4,700,900.00	770,720.00
December	476,571.92	399,650.55	520,703.26	1,232,408.00	3,173,400.00	3,790,433.00
Total	1,705,355.67	2,963,038.58	1,559,768.71	7,508,882.00	16,138,500.00	7,708,487.00

INFORMATION ON SHAREHOLDING

Shareholding pattern (above 5%) of Bhutan National Bank at December 31, 2017;

Shareholder Category	Shares	% Holding
National Pension & Provident Fund	76,960,290	23.38%
International Finance Cooperation (IFC)	35,481,290	10.78%
Druk Holding & Investment	40,819,960	12.40%
Mr. Kunzang Dechen	19,566,909	5.94%
Public	154,365,087	47.50%
Total	329,193,596	100.00%

ADDRESS FOR CORRESPONDENCE

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



DIRECTOR'S REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

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

CLOSING STATEMENT

I would like to take this opportunity to thank our board directors for their contribution to our company. With an outstanding 2017 behind us - filled with tremendous achievements and key learning experiences - we are eager for an even more successful 2018. On behalf of the board of directors, I would like to thank all the employees of the bank for your boundless enthusiasm and support to deliver high quality service to all our clients. We thank you for your continued commitment and all that you do to deliver on our purpose - to help customers and clients seize opportunity at every stage of their financial lives. There is ample evidence that we are moving forward on the course we set years ago to transform our company. This can only be made possible with the support of all employees of the bank.

ACKNOWLEDGEMENTS

The Board of Directors on behalf of the bank would like to express its patronage and sincere thanks to the bank's valued customers, shareholders and well-wishers for their valuable contribution towards the progress of the bank and seek their continued support and cooperation in the future. The Board of Directors acknowledges with gratitude, the timely advice, valuable guidance and support received from Royal Government of Bhutan, Royal Monetary Authority of Bhutan, Royal Audit Authority and other statutory bodies. Furthermore, the Board of Directors are also thankful to the RSEB, Registrar of Companies, Financial Institutions / Banks and Correspondents for their cooperation and support to the Bank. The Board of Directors wish to place on record, the deep appreciation of the valuable contribution made by the management and staff, at all levels, for the progress achieved in Bank's business. The Directors look forward to their continued cooperation in development and progress of the Bank.

DIRECTOR'S REPORT



I also confirm that all Directors have affirmed compliance with Bhutan National Bank Code of Business Conduct and Ethics as laid down in its Corporate Governance Policy for the year ended December 31, 2017.

A handwritten signature in black ink, appearing to read 'Dr. Pema Choephyel', is written over a light blue grid background.

Dr Pema Choephyel
Chairperson
BNB Board of Directors

Place: Thimphu



CHIEF EXECUTIVE OFFICER'S REPORT

The theme for 2017 adopted by the bank was “**Operational Excellence and Growing business**”. Operational excellence involves making continuing improvements to a company to achieve a competitive advantage. In striving towards this goal, we believe that we can maximize value for our customer as well as their own financial benefits. With operational excellence, we have tried to put in place systems in which our employees focus on fixing problems as soon as they arise. All employees of the bank have the information and authorization to solve problems affecting the business channels in which they work.



While striving towards operational excellence, the bank has focused on certain aspects namely;

Ongoing improvement – The bank on a regular basis has worked on improving its service and products to suit the growing needs of the customers. We believe that our customers have matured with more needs and greater expectations therefore the bank must adopt systems and processes to keep up with the changing needs of its customers.

Problem-solving, teamwork and leadership - Operational excellence is implemented from the top but since it's a company-wide initiative, it requires cooperation and teamwork across all levels. We at BNB believe that in order to achieve the best results, maintaining clear and open communication is a must. Employees of the bank have a strong understanding of what is expected of them. With this clear understanding of the roles and responsibilities by all employees of the bank, they know what they need to deliver and how their role influences the team as a whole.

Keeping employees positive and empowered – As highlighted above, operational excellence cannot be achieved without the cooperation of the employees. We at the bank believe that Operational excellence and employee motivation must go hand-in-hand. Motivated staff members are far more likely to go the extra mile. The bank ensures that all employees are taken care off in terms of remuneration, incentives, training's, knowledge building and a system in place which rewards people's achievements.

Focusing on our customer's needs – While operational excellence is an internal strategy, the end goal of the banks efforts has always been exploring way and means to benefit our customers. We believe that by improving our business's internal processes, the bank will ideally be better placed to respond to customer requests with the end result being faster and effective solutions to our customers problems.

2017 was yet another changing year in which BNB moved closer to achieving sustainable profitability. I am extremely proud of the remarkable financial performance that BNBL delivered in 2017 and the

CHIEF EXECUTIVE OFFICER'S REPORT



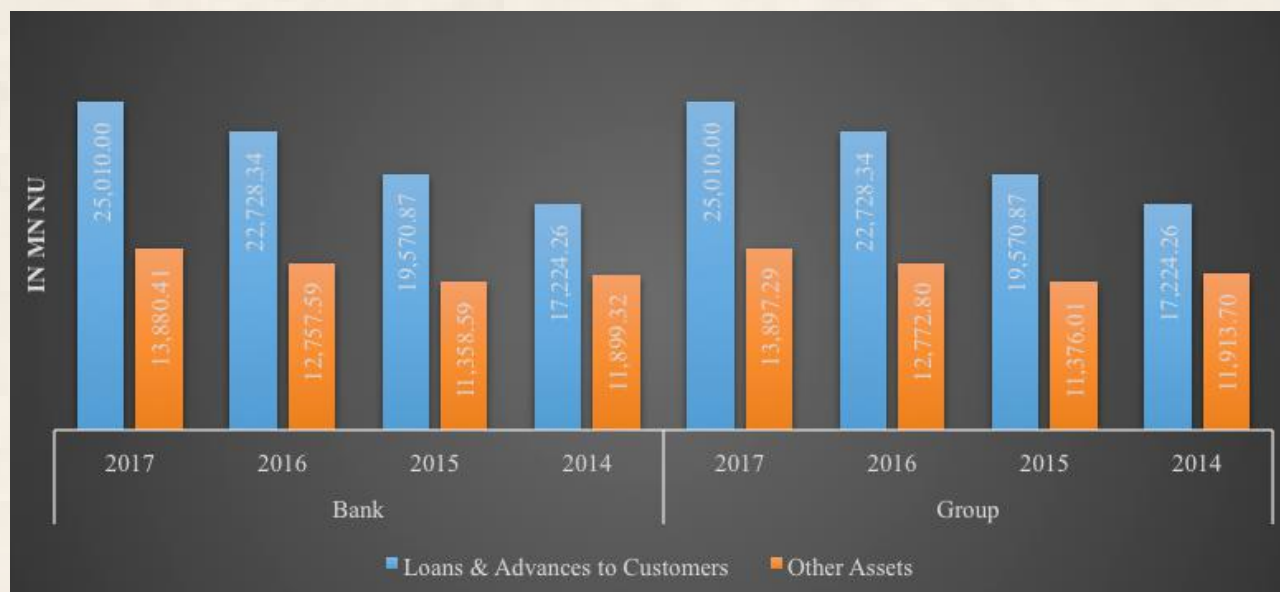
value we created for our shareholders despite the changes in the economic conditions in the country specific to the banking industry. The achievements of the bank this year have in every way been very remarkable considering that 2017 was a year all banks had to deal with the reduction in interest rates, modest economic growth, increasing regulatory requirements and most importantly the rapidly evolving customer needs and expectations.

Financial Performance Review

The financial statements of Bank and Group are prepared in conformity with the requirement of Bhutanese Accounting Standards (BAS), 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, 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 about 10% as at 31st December 2017 as against the growth of 15%, the previous year. The increase was mainly due to 10% growth (PY 16%) in Loans and Advances and 21% growth in Cash & Cash Equivalent.

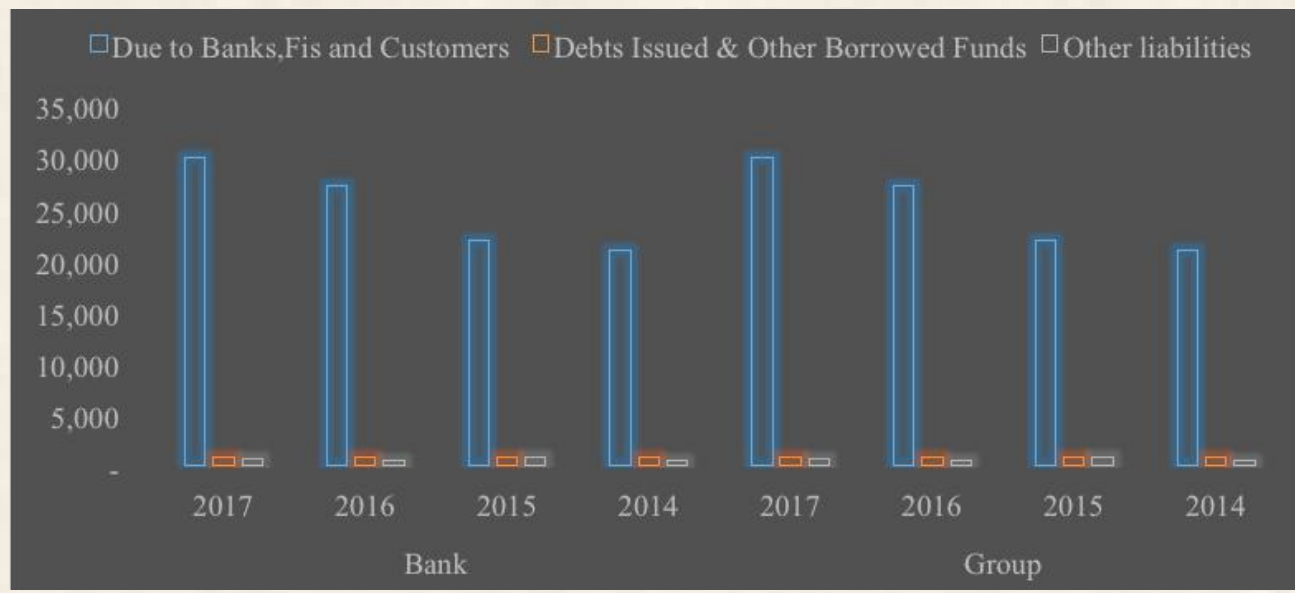




CHIEF EXECUTIVE OFFICER'S REPORT

Liabilities

The total liabilities excluding equity recorded a growth of 10% as against the growth of 21% last year for the Bank. The increase in the deposits by 10% from Nu. 27.19 billion to Nu. 29.96 billion largely contributed to increase in the liability.



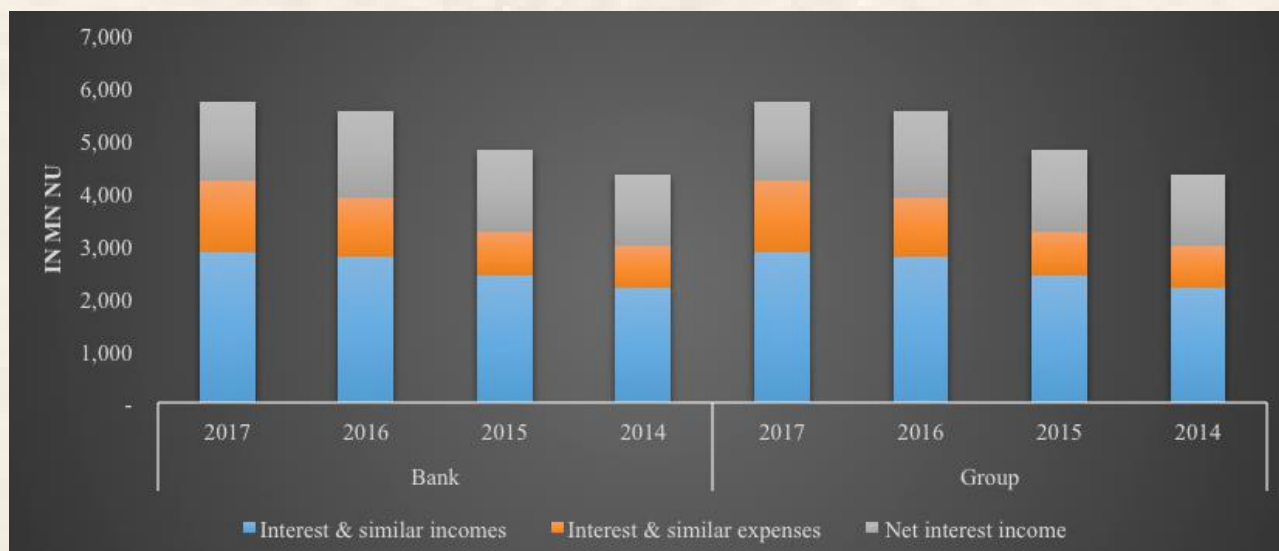
Net Interest Income (NII)

The Net Interest Income of the Bank decreased by about 9% in 2017 as against the growth of 6% in the previous year. Despite increase in the loan size, the growth in the NII has reduced mainly due to reduction in the interest rates and increase in the interest expenses on deposits. The interest income from Loans & Advances constitutes about 93% of the total interest income in the year 2017 as against 96% in the previous period.

CHIEF EXECUTIVE OFFICER'S REPORT



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Net Fee and Commission Income

The Net fee & commission income during the year under review reduced to Nu. 98.87 million from Nu. 104.01 million in the previous year, recording a negative growth of 6% (PY - growth of 19%). The Fee and Commission Income decreased by about Nu. 3.59 million and Fee & Commission Expenses increased from Nu. 6.88 mn to Nu. 8.43 million in 2017.





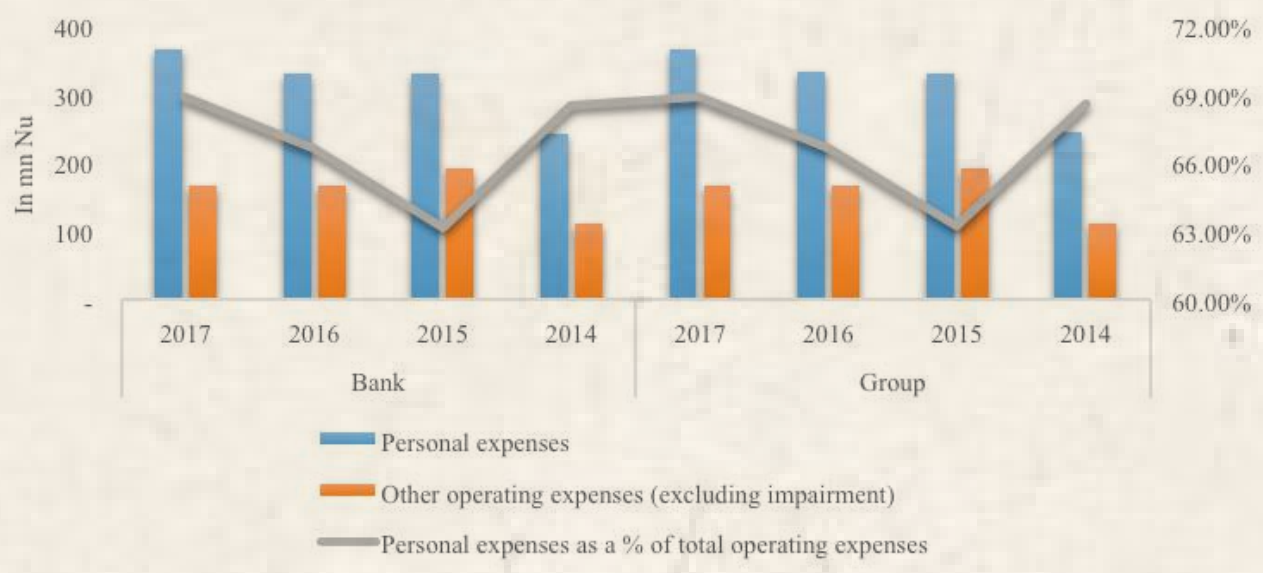
CHIEF EXECUTIVE OFFICER'S REPORT

Other Operating Income

Other operating income recorded a negative growth of 23% from Nu. 115.74 million in 2016 to Nu. 88.82 million in the current year. The decrease in the gains from foreign exchange largely contributed to the decrease in the other operating income.

Operating Expenses

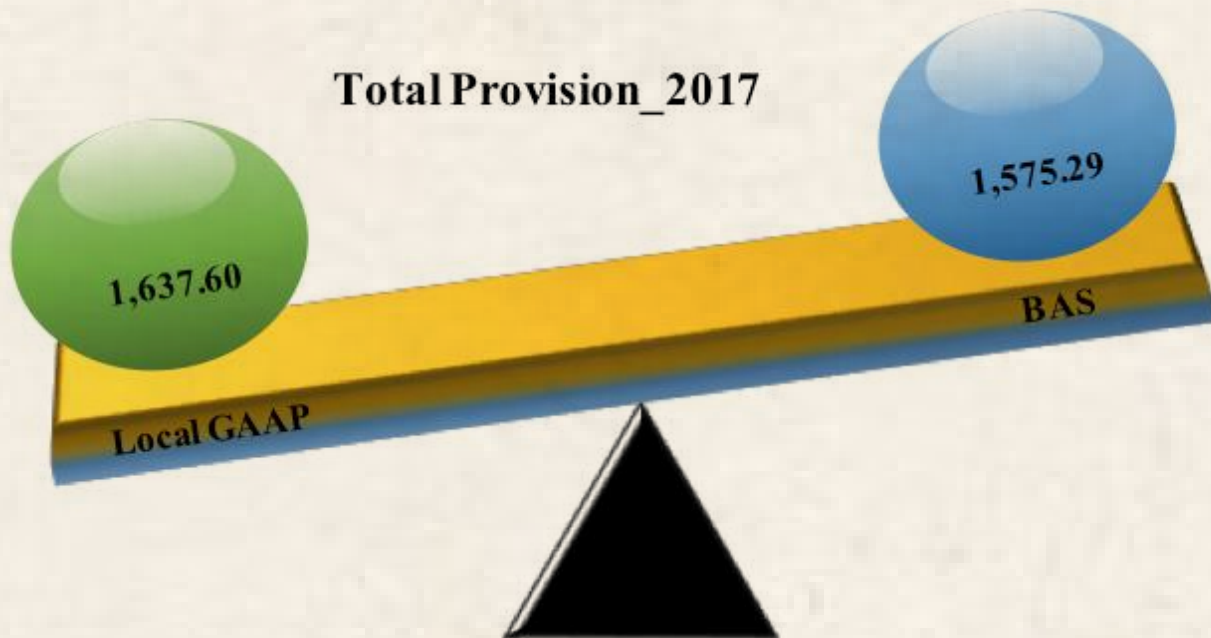
The operating expenses excluding impairment charges/write back for the current year increased by 7% as against the decrease of 5% in the previous year. This is mainly because of increase in the personnel expenses. The personnel expenses as a proportion of total operating expenses excluding impairment has increased from 67% to 69%, an increase of 2%.



Impairment of loan losses

The total impairment of loan losses during the year stands at Nu. 1.58 billion, a decrease of 13% as compared to previous year. During the current period, there is charge of Nu. 21 million against the individually significant loan (PY Nil) and collective impairment of Nu. 1.55 billion (PY = Nu. 1.81 billion).

CHIEF EXECUTIVE OFFICER'S REPORT



Pre and Post tax profit

The profit after tax record a growth of 48% in the current period as against the negative growth of 10.61% in previous year under BAS. However, the profit under Local GAAP increased by 29% as against the decrease of 32% in the previous year.



CHIEF EXECUTIVE OFFICER'S REPORT



Taxation

The tax liability is based on the accounting profit computed under Local GAAP adjusted for inadmissible expenses as per Rules on the Income Tax Act of the Kingdom of Bhutan 2016. The bank paid Nu. 384.75 million as tax for the current year to the authority as compared to Nu. 313.18 million in the previous year.

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 are as follows:

	2017	2016	2015
Individual Impairment as a % of total loans	0.08%	0.00%	0.13%
Collective Impairment as a % of total loans	5.81%	7.33%	6.72%
Total Impairment as a % of total loans	5.89%	7.33%	6.85%

The bank continues to compute provision as per the norms of the Central Bank based on the asset classification specified in the RMA Prudential Regulation 2016. 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 measures adopted by the bank. The gross NPL ratio which was 6.91% in 2016 has improved to 5.49% with a net NPL of 0.35% (previous year: 0.74%).

CHIEF EXECUTIVE OFFICER'S REPORT



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Equity

The total equity of the bank increased from Nu. 6.8 billion in 2016 to Nu. 7.43 billion in 2017. The increase was due to transfer of 25% of the profit after tax (under local GAAP) to general reserves and increase in the retained earnings.



Dividend

The board in the 122nd BOD Meeting held on February 26, 2018 decided to go for the maximum allowable dividend as specified in the RMA Prudential regulation 2016, which is 65% of the PAT of the accounting year and the same was endorsed during the 21st AGM.

The Board of Directors approved a cash dividend of Nu. 1.635 per share (previous year: Nu. 1.30 per share) with a payout ratio of 64.93% (previous year: 64.78%) on the PAT under local GAAP. The basic earnings per share stood at Nu. 3.16 in 2017 as against Nu. 2.13 in 2016.

Capital Adequacy Ratio & Liquid Asset Ratio

The Capital Adequacy Ratio, which was 22.83% in 2016 has dropped to 22.22% in 2017 and the total risk weighted assets (TRWA) has increased by 6.40% over the previous year.



CHIEF EXECUTIVE OFFICER'S REPORT

	2017	2016	Statutory Requirement
Capital Adequacy - Tier I	18.10%	18.56%	Minimum is 5%
Capital Adequacy - Tier I & Tier II	22.22%	22.83%	10%

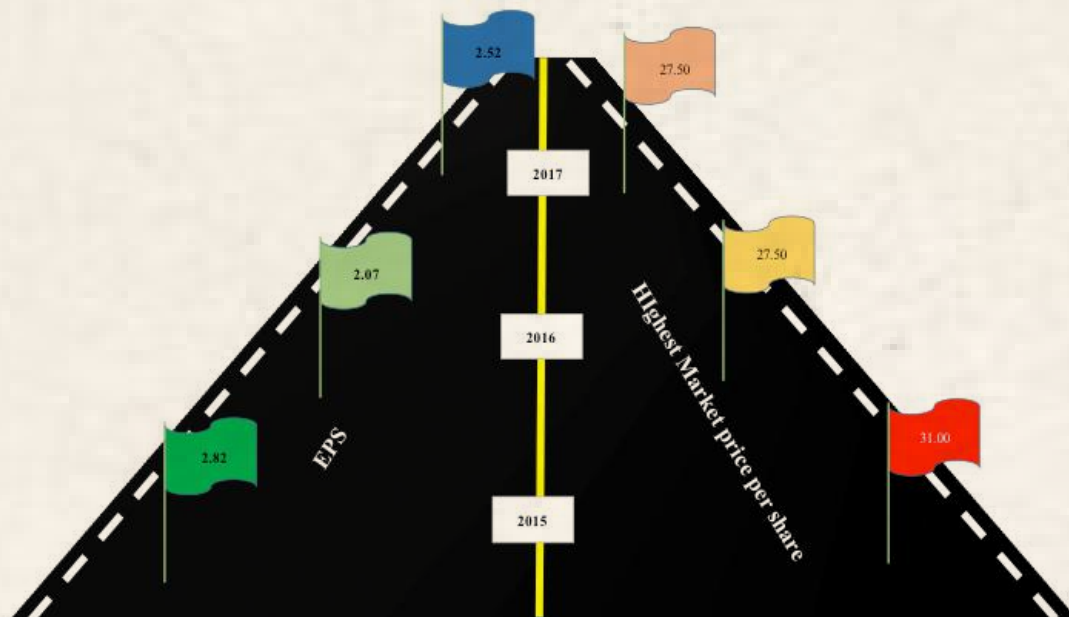
The liquidity ratio continued to be well above the statutory requirement of 20% due to readily available liquid cash in the market. The liquidity ratio stands at 30.17% as on the reporting date.

Investor Relations

The figures presented are under Local GAAP unless specified.

Value creation for Shareholders

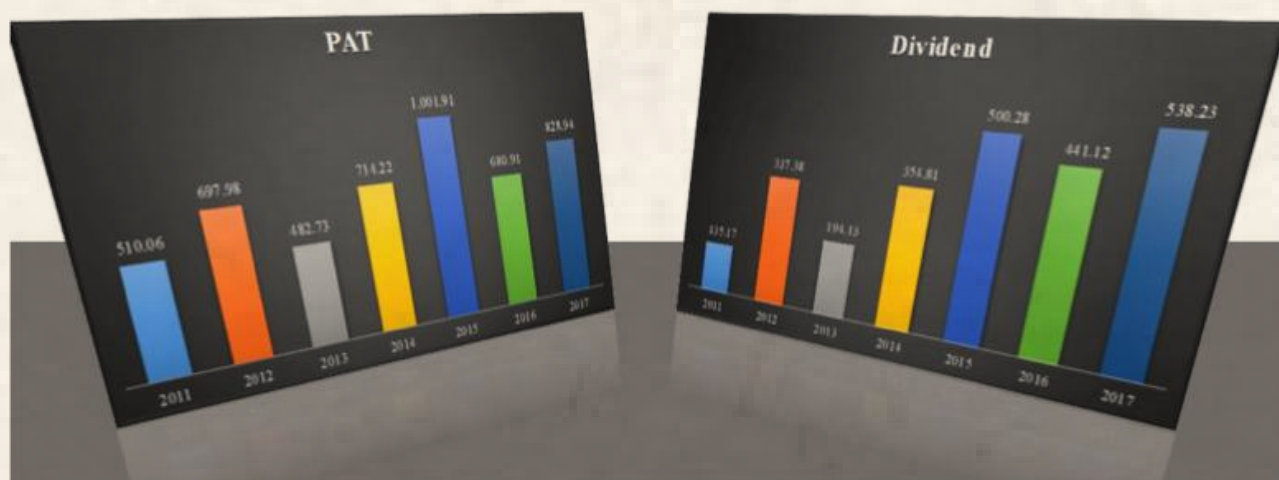
	2017	2016	Change
Earnings per share (Nu)	2.52	2.07	21.74%
Dividend per share (Nu)	1.635	1.34	22.01%
Market Price per share (31st December)	26.50	27.00	-1.85%



CHIEF EXECUTIVE OFFICER'S REPORT



Dividend per share, EPS and payout ratio



Bank's market capitalization in comparison to market as at 31st December

	2012	2013	2014	2015	2016	2017
BNB market capitalization	7,603	8,490	9,935	10,289	8,888	8,724
Increase/decrease	139%	12%	17%	4%	-14%	-2%
RSEBL market capitalization	17,630	19,933	22,498	21,250	22,882	25,580
As a % of RSEBL market capitalization	43.13%	42.59%	44.16%	48.42%	38.84%	34.10%
Market capitalization (Rank)	1	1	1	1	1	1

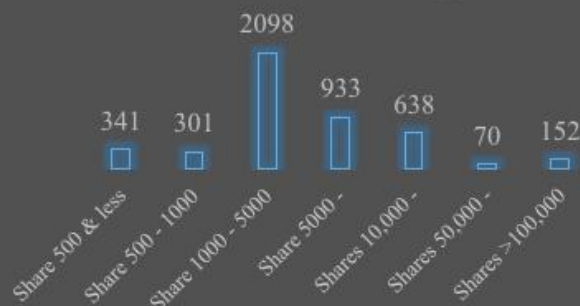


CHIEF EXECUTIVE OFFICER'S REPORT

Market Capitalization



Number of Shareholders_2017



Analysis of Shareholders

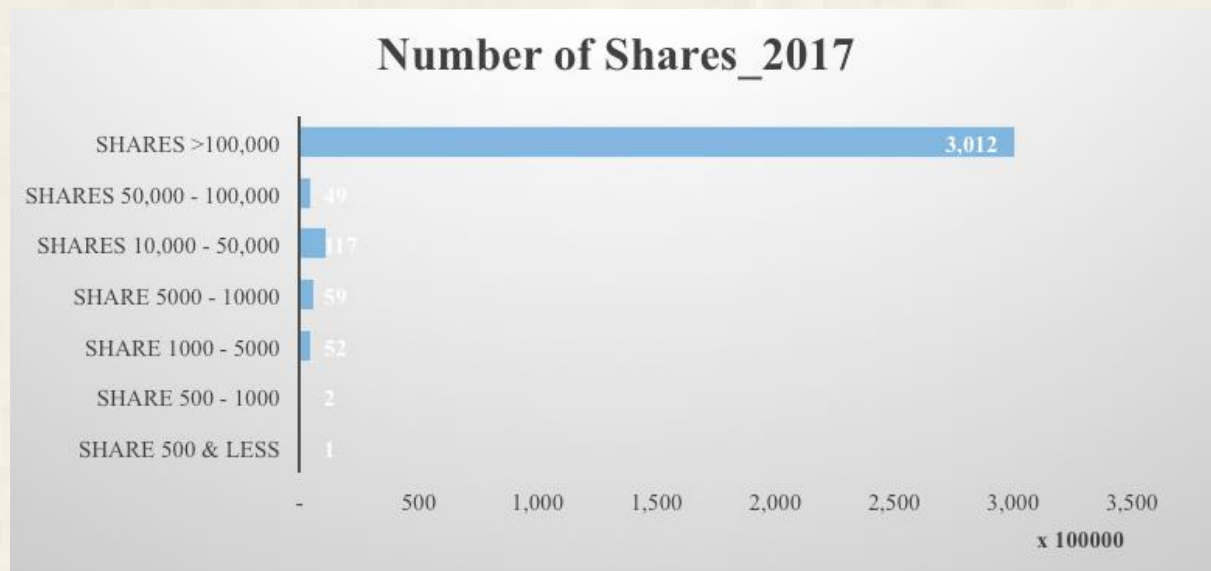
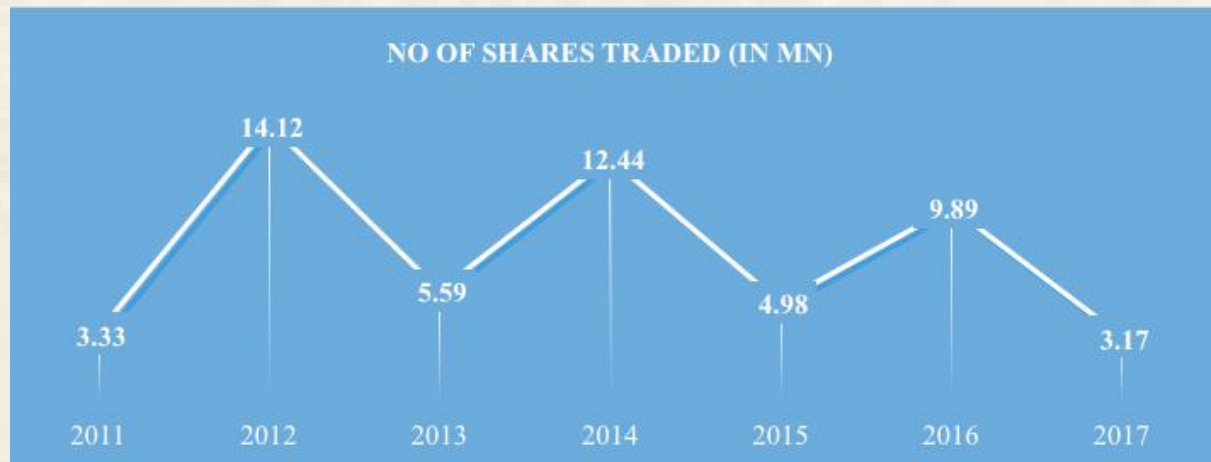
	2017			2016		
	No of Shareholders	No of Shares (mn)	%	No of Shareholders	No of Shares (mn)	%
Resident Shareholders	4,532	293.71	89%	4,513	293.71	89%
Non resident Shareholders	1	35.48	11%	1	35.48	11%
Total	4,533	329.19		4,514	329.19	

	2017			2016		
	No of Shareholders	No of Shares (mn)	%	No of Shareholders	No of Shares (mn)	%
Individuals	4,496	149.14	45.30%	4,476	149.65	45.46%
Institutions	37	180.06	54.70%	38	179.54	54.54%
Total	4,533	329.19		4,514	329.19	

Composition of Share ownership

	2017				2016			
	No of Shareholders	%	No of Shares (mn)	%	No of Shareholders	%	No of Shares (mn)	%
Share 500 & less	341	7.52%	0.09	0.03%	318	7.04%	0.08	0.02%
Share 500 - 1000	301	6.64%	0.22	0.07%	291	6.45%	0.21	0.06%
Share 1000 - 5000	2,098	46.28%	5.20	1.58%	2,101	46.54%	5.20	1.58%
Share 5000 - 10000	933	20.58%	5.93	1.80%	940	20.82%	5.99	1.82%
Shares 10,000 - 50,000	638	14.07%	11.67	3.54%	644	14.27%	11.77	3.58%
Shares 50,000 - 100,000	70	1.54%	4.93	1.50%	69	1.53%	4.85	1.47%
Shares >100,000	152	3.35%	301.16	91.48%	151	3.35%	301.09	91.46%
Total	4,533		329		4,514		329	

CHIEF EXECUTIVE OFFICER'S REPORT





CHIEF EXECUTIVE OFFICER'S REPORT

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 major risks the policy emphasizes are Credit Risk, Market Risk, Operational Risk and Liquidity Risk. The details of the risk management are provided in the section under RMA Disclosures.

Risk Department

The risk department had in 2017 carried out the following two major activities

1. Risk Profile Assessment:

The Risk Department had conducted risk profile assessment for all the departments and branch offices as per the annual plan. The detailed assessment report outlining the major risks and action plan thereof was presented to the management and Board Risk Management Committee (BRMC).

2. Retail Credit Scoring Model:

The department had developed and tested a Retail Credit Scoring Model to be used for rating SMEs and retail customers of the bank in 2017. The model was presented to the BRMC and was approved.

Credit (figures are under previous GAAP)

Loans and Advance for 2017 was at Nu 26.723 billion as compared to Nu. 24.628 billion in 2016. This translates into Nu 2.095 billion, 8.50% growth over the previous year. (2016: - Nu. 2.309 billion, growth Nu. 16.85%) The percentage of Nonperforming loans was at 5.49% compared to 6.91 % in 2017 Loan sanctioned during 2017 was Nu 8.052 billion as compared to Nu. .6.260 billion in 2016, increased by Nu.1.432 billion.

- Interest Income on loans for 2016 was Nu. 2.657 billion as compared to Nu.2.669 billion in 2016.
- Yield on loans for 2017 was 9.97 % as compared to 10.84% in 2016.
- The BNBL's contribution to Credit as of December 2017 was approximately 28% as compared to 27.90 % in 2016

CHIEF EXECUTIVE OFFICER'S REPORT



Banking Operations;

DEPOSITS: Total Nos. of Accounts & Amount (in millions)

<u>December 2016</u>		<u>December 2017</u>		<u>Variance</u>			
Amount (in Mn)	No. of deposit accounts	Amount (in Mn)	No. of deposit accounts	No. of deposit accounts	No. of Account (%)	Amount (in Mn)	Change in %
26,044.60	150,997	29,149.56	161,840	10,843	7.18%	3,104.96	11.92%

1. Value Added Service (VAS) users as on December 2017:

Sl No	Particulars	<u>December 2016</u>	<u>December 2017</u>
1	Internet Banking users	4,400	4,570
2	ATM card holders	93,704	110,334
3	SMS banking Users	95,440	104,160*
4	Credit Card Holders (#)	471	490 - USD 225 - INR
5	mPAY users	2363	11,268

NB: (#) Introduced INR credit card business w.e.f December 10, 2016 with Himalaya Bank Ltd. Nepal.

(*) Active ATM card holders post Green PIN, previous report had duplications that have been cleaned up in 2017

2. Marketing of products and services:

The sales and marketing team visited following Dzongkhags: Paro, Haa, Wangdue, Bumthang, Trongsa, Mongar, Zhemgang, Dagana, Tsirang, Gelephu, Gasa for promotion/sensitization of BNBL products/services such as **mPAY, credit cards and loan schemes** in schools and public.

3. Fund Mobilization:

a) During the Kanjur Wang Lung at Kuensel phodrang, the team collected Nu. 377,523,554.40 deposited into Zhung Dratshang account.

b) Mobilized low cost fund from the corporate bodies amounting Nu. 5,909,526,490.62

4. Opening of New Extension office:

New extension offices have been opened at Gasa and Lingmithang, Monggar.

5. Installation of new ATM:

- Launched ATM at Karma Khanzang, Thimphu
- Launched ATM at Gaeddu, GCBS
- Launched ATM at Trashiyangtse



CHIEF EXECUTIVE OFFICER'S REPORT

- Launched ATM at CFM, Thimphu
- Launched ATM recycler

Resource:

The theme for the year was “**Operational Excellence and Growing business**”. The bank has been taking corrective actions based on the findings through the Net Promoter Score (NPS) survey conducted by an independent body in our continuous effort to improve customer service.

Net Promoter Score survey were carried out by an Independent Party across all BNBL Branches for the year. The Net Promoter Score of 7.82 shows that majority of the Customers are satisfied with the Bank's services.

Role Banding: The bank implemented the Role Band within the Bank effective January 2017. The HR conducted sensitization program across the bank at the end of 2016 prior to implementation of the Role Band.

The role bands have provided clarity in roles and responsibilities whilst also enabling the bank to identify employees' potential in taking up higher levels of responsibilities. It is expected that with the implementation of this new system, employees will be encouraged to develop themselves to move into key positions in the Bank. The exercise also entailed major changes in the HR policy in terms of recruitment, pay and promotion which had approved during early 2017.

Integrated Management System Based on ISO 9001:2015 QMS and ISO 27001:2013 ISMS

To fulfill one of the Bank's strategic theme “operational Excellence”, the Integrated Management System (IMS) based on ISO 9001 :2015 (QMS) and ISO 27001 : 2013 (ISMS) for Corporate Office and Thimphu Branch had been initiated during the year to improve the effectiveness and efficiency of various business process. A core team was formed to work with the project consultants on the project so that internal capacity is built and the system can be maintained effectively after the project. Major activities on gap analysis across functions, core team workshop and training and implementation have already been completed. The project will be fully implemented during the second half of 2018.

HR Policy and Service Rule:

The bank has always taken pride in the HR policy and Service Rule that are very favorable to the employees of the Bank. The HR Policy is being continuously reviewed and improvements made, and approvals sought. In our effort to be transparent, all employees have been familiarized with the new changes and a copy of HR Service Rule has been put up in the bank's internal website for reference by all employees.

Human Resources:

The bank takes pride in being fully managed by National employees. The total number of employees as of 31st December 2017 was 507 out of which 212 are female employees. The attrition rate during the year was 2.5%, largely attributed to seeking opportunities outside the country. The Bank currently has five employees undertaking master's courses, twenty-four employees undergoing their continuing education in undergraduate courses.

Recruitment processed 1287 employee applications and employed 60 additional staff as of December 2017 to strengthen existing functions, for new extension offices and to fulfill the RMA'S mandate on Priority Sector Lending. The bank has also seen a more robust induction training program being put in place in 2017.

Employee Engagement: Employee engagement survey were carried out by an Independent Party across all BNBL Branches for the year. The Employee Engagement score of 8.42 signifies that majority of the Employees are meaningfully engaged and the Bank is moving towards achieving its objective of making BNBL the employee's most preferred place to work.

The Bank continues to provide much attention to Employee Engagement. Branch visits by senior executives of the Bank to increase comfort level of staff and to encourage 'Open door' policy was carried out during the year for timely intervention and improved productivity as part of fostering employee engagement.

Investment in learning: The Bank continues to place high importance of investing in Knowledge enhancement and skill development. Need based trainings to enhance knowledge relevant to the day to day work of the Bank's staff continues to be given focus.

The year saw an even busier training calendar with 353 employees being offered a wide range of training opportunities across all levels throughout the year to build on their professional competencies, increase their knowledge, and improve their skill set so as to contribute to the Bank's objectives and enhance their individual opportunities for future growth. Significant milestones in training were the Priority Sector Lending training for the Credit Staff and Job Evaluation training across different functions. This enabled Job Evaluations to be done internally during 2017.

An information session for the Management and staff of the Corporate and Thimphu Bank with the Royal Audit Authority was organized to reduce oversights in the Bank and to incorporate changes necessary to comply with the RAA's Mandate.



CHIEF EXECUTIVE OFFICER'S REPORT

Corporate and Social Responsibility: The bank is the only corporate entity that has taken the lead in the initiation of the need to become a good corporate citizen. The bank has a Corporate Social Responsibility Policy put in place since 2016 which provides that 0.90 percent of the profit after tax of the previous year as CSR budget and 0.10 % for small donations. The Bank provided a sum of Nu. 6,019,000.00 under the Corporate Social Responsibility through registered NGO/CSO.

The funding during 2017 was provided to Bhutan Nuns Foundation for construction of the Library Block at the Tshalumphay, Training & Research Centre, Thimphu, Tarayana Foundation and Kanjur Oral Transmission at Kuensel Phodrang. The detail of the CSR activities are submitted in detail in the following submissions.

IT projects:

Some of the major activities completed during the year were:

- i. IT Policy reviewed and updated
- ii. SLA with Bhutan Telecom signed for redundancy purposes
- iii. The RMA IMPS (Inter Bank Fund transfer service through mobile) fully operationalized.
- iv. IT audit Framework
- v. IT diagnostic carried out
- vi. IT DR plan developed and implemented
- vii. IT project management document
- viii. IT DR exercise carried out
- ix. ISO under implementation
- x. Network monitoring system Implemented
- xi. Help Desk initiated

BNB Corporate Office Building;

The BNB Corporate Building is on track and completion is expected by end of 2018.

Looking forward, we strongly believe that with a solid foundation established, we are well positioned for growth in the years ahead. With the rapid progression in consumer behavior requires us to continuously evaluate our strategic framework in order to keep current with their pace of change. As we all know with the advancement of technology in the banking industry, banks today are expected to exist in all places physically and virtually and due to this virtual access to all products and services of the bank, our customers expect us to be available to them everywhere: branches, online and mobile applications, ATM, website and phone.

CHIEF EXECUTIVE OFFICER'S REPORT



Annual Report 2017

More importantly as a CEO, I am very proud of the BNB team and their collective achievements in 2017 and over the years. As an organization, we are making good progress in improving the culture and brand of the organization which is clearly evident in the client's survey that was conducted by the Gaedu Business School. Our sincere thank you to all our shareholders for the trust you have shown in us. We are truly committed to running the bank as a more sustainable business, serving today's customers in a way that also safeguards future generations.

Our sincere appreciation to the board of the bank for their intensive scrutiny, support and advice over the past years. The board plays a critical role in monitoring the performance of the management and the bank.

We would like to take this opportunity to inform all our shareholders that the bank paid Nu 385 million as Corporate Income Tax to the National Exchequer thereby contributing to the nation's economy and development. We are confident that 2018 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, the Legal System, 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



CORPORATE SOCIAL RESPONSIBILITY PROJECTS DURING 2017

In the recent years the concept of Corporate Social Responsibility (CSR) has spread very rapidly globally in all sectors including banking. This prevalence is because the fast pace of globalization and social development appeals to all corporations, big or small, local orientation, to take their CSR into account by improving the social and environmental performance.

Corporate social responsibility (CSR) has become one of the standard business practices of our time. For companies, the overall aim is to achieve a positive impact on society as a whole while maximizing the creation of shared value for the owners of the business, its employees, shareholders and stakeholders.

Although the primary objective of any business is to earn maximum profits for shareholders in ethical way, it is also expected to operate in a way that fulfills social obligation. Today companies have corporate social responsibility (CSR) practices and these companies commit themselves to operating in a way to benefit the community at large.

BNB's CSR activities aims to embrace responsibility for corporate actions and to encourage a positive impact to the environment and stakeholders.

BNB's CSR budget for 2017 was Nu. 6,128,207.80 (Ngultrum Six million one hundred twenty-eight thousand two hundred seven and eighty chetrum). The bank spent Nu. 6,019,000.00 (Six million nineteen thousand) on the following activities:

1. Bhutan Nuns Foundation at Tshalumphey in Thimphu

The board during the 111th meeting held on June 25, 2016 approved a contribution of Nu. 6,138,000.00 (Ngultrum six million one hundred thirty-eight thousand) to Bhutan Nuns Foundation for the construction of a Library block at the Tshalumphay Training and Research Centre, Thimphu. The project was to be funded in two equal installments of Nu. 3.069 million in 2016 and the second to be funded from the CSR budget of 2017.

The second amount of Nu. 3.069 million had been disbursed on August 7, 2017. There had been a slight delay due to the engagement of a landscape designer by the foundation. The project is now progressing smoothly. *(detailed report on this CSR activity is submitted)*

CORPORATE SOCIAL RESPONSIBILITY PROJECTS DURING 2017



2. Tarayana Foundation

The board during the 118th Meeting held on April 29, 2017 approved Nu. 2,250,000.00 (Two million two hundred fifty thousand) to Tarayana Foundation for the construction of 30 houses in Jurme Gewog, Mongar which included only the direct cost. (*detailed report on this CSR activity is submitted*)

3. Kangyur Oral Transmission at Kuensel Phodrang

The 33rd Board Governance, Recruitment, Remuneration Committee Meeting held on September 29, 2017 approved a lumpsum budget of Nu. 400,000.00 (Ngultrum four hundred thousand) for sponsoring of meals/offerings at Kuensel Phodrang.

The offering was made on the October 4, 2017. In addition to the amount from the CSR budget, the staff also contributed Nu. 194,148.00 (One hundred ninety-four thousand one hundred forty-eight) for the event.

Besides the above mentioned, the bank has also sponsored other events such as sporting events, trade fairs, provided donations to medical patients, assisted schools and educational institutions, religious lhakhangs and monasteries and entertainment shows. BNB will continue to provide assistance in areas of need and give back to the communities across the country.

CSR PROJECTS UNDERTAKEN IN 2017

BHUTAN NUNS FOUNDATION

Progress Report on Construction of Library Block at Training and Resource Centre in Tshalumaphey, Thimphu



The Progress for the construction of Library Block

June 2017

Bhutan Nuns Foundation started the construction of Library Block at Training and Resource Centre, Tshalumaphay, by 1st June 2017. We started with building layout survey, and construction of two retaining walls below the library block as shown on the picture below.



CSR PROJECTS UNDERTAKEN IN 2017

BHUTAN NUNS FOUNDATION



July 2017

After the completion of construction of two retaining walls and fabrication of timber components (doors, windows, *kachen*) of the main Library block with RCC Shear wall adjoining stone retaining wall was done by 15th July 2017.



August 2017

The foundation was started by installing 3 *Sachu Bumtar* for the Library Block on August 17th 2017, construction of foundation wall, plinth wall and plinth beam was started.



CSR PROJECTS UNDERTAKEN IN 2017 BHUTAN NUNS FOUNDATION

September 2017

By 2nd week of September we started rammed earth walls till first floor. On 29th September 2017 we did, a traditional *labsang* for the installation of main door and window frames.



October 2017

After installing the *bhog*, ceiling joist were carried on from first week of October to 24th October 2017, the installation *kachen* was completed.



November 2017

After fixing *kachen* we started rammed earth wall construction (First floor till attic) and installation of window frames. We have also completed the construction of toilet on the ground floor.



CSR PROJECTS UNDERTAKEN IN 2017

BHUTAN NUNS FOUNDATION



1st – 13th December 2017.

The second floor *Rabsey* was installed on 11th November 2017 with a simple ceremony. As of now, we have completed fixing of ceiling joists and we are yet to start with fabrication and fixing of roof truss and roofing, brick partition, flooring, cement plaster work, internal plumbing, drainage, toilet fittings, electrification, paintings and landscaping.

We plan to complete the construction of Library Block by 31st March 2018. The detailed work plan is attached herewith for your kind reference. Thus far the out of the 6 other buildings we have completed, the library building turned out to be the best in terms of finishing and the style. Her Majesty is quite pleased with the progress and the way it turned out. We hope the BNB Board will be happy with the progress and the outcome.



Financial Statement of Library Block

Date	Particulars	Fund Received
8.8.2016	Funds received from BNB	30,69,000
8.8.2017	Fund received from BNB	30,69,000
	Total Amount	6,138,000
13/12/2017	Expenses for construction of Library Block as of 13th December 2017	43,67,350
	Balance Amount	Nu. 1,770,650.

Report submitted by Bhutan Nuns Foundation.



CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION

Tarayana Foundation Housing improvement supported by the Bhutan National Bank Ltd. at Jurmed Gewog, Monggar Dzongkhag

Jurmed is one of the remotest Gewogs in Monggar. It consists of 17 villages and 345 households with a total population of 2495. It is located approximately 98 km away from Monggar town at an altitude of 1750 m. It has one Basic Health Unit (BHU), 4 Non Formal Education Centres (NFE), 3 Tarayana community centres, 3 primary schools and a RNR extension office.

Through, the funding provided by BNBL, Tarayana was able to mobilize the communities and facilitate the process of providing them with the basic need of proper shelter. Housing improvement from the Foundation's experience is a key to lift people out of poverty. It contributes to a family's well-being in many ways, most importantly giving them the dignity and boosting their self-confidence and self-esteem for them to be productive citizens.

The community members are very thankful to BNBL for their funding support in enabling them to have stable homes and live a quality life. Tarayana Foundation is immensely grateful to BNBL for this partnership that has touched the lives of so many people in Jurmed Gewog and hopes for an extensive collaboration in the future.

Process

In Jurmed Gewog, out of 345 households, a total of 150 houses needs improvement.. A committee was formed in the community with representatives from the local government (gup, mangmi, Adm. officer, forest ranger), community representatives and Tarayana Field Officer to assess selection of households in need of critical intervention. A door-to-door survey was carried out in presence of Chiwog Tshokpa and selection of the beneficiaries was finalized based on the physical assessment made by the committee. The list of beneficiaries in need of immediate intervention then was submitted to the Foundation

Through the funding support from BNBL, 30 houses were improved which has benefitted the community members in terms of improving their health, sanitation and quality of life. Materials like CGI roofing sheets, ridging, nails gutter, handsaw and fuel were then procured and distributed to the community members.

Land clearance

Land clearance is one of formalities needed to complete the construction of rural house. A list of beneficiaries' applications was submitted to the Gewog which was then forwarded to the Dzongkhag. The team from land record office came from the Dzongkhag and endorsed clearance for all houses after having thoroughly checked land ownership.

CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION



Timber permit

An application for timber permit was submitted from the community center to concerned authorities to access timber required for the house constructions

1. Details of the beneficiary

Name : Dorji Tenzin
Village : Kurtakey
Chiwo : Muktangkhar
Gewog : Jurmed
CID No : 10707001354
House No : Ja-7-178
Thram No : 88
Land holding : 2.417
Contact number: 17902912

Dorji Tenzin lives with his parents, wife and their three children (two sons and one daughter). His children study at Jurmed Primary School. Before the intervention of the housing improvement programme, he used to live in small hut which did not offer them protection from the elements. With the new house, he and his family members are able to live a healthy life with improved sanitation, enjoy more privacy and upgrade their standard of living.. He now is able to concentrate more on income generation activities.



Figure 1 Dorji and family in front of their house



Figure 2 Dorji and family in front of their new house

2. Details of the beneficiary

Name : Rinchen
Village : Muktangkhar
Chiwo : Muktangkhar
Gewog : Jurmed
CID No : 10707001354
House No : Ja-7-138
Thram No : 314

Rinchen, his wife and their three children used to live in cramped quarters with his parents and siblings. With the improved house, Rinchen has a stable place where he can live together with his family. He is very thankful to BNBL for helping him realize his dreams of having a proper house with proper sanitary facilities. He now has aspirations of generating more income to provide better for his family.



Figure 3 Rinchen and family in front of their old house



Figure 4 Rinchen and family in front of their new house

CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION

3. Details of the beneficiary

Name : Tshering Pemo
 Village : Bachak
 Chiwog : Muktangkhar
 Gewog : Jurmed
 CID No : 10707001026
 House No : Ja-7-170
 Thram No : 1124

Tshering has one & son one daughter with her husband. The children are enrolled at Jurmed. Primary School. Tshering says the new house has given her the hope to look forward to a better future as she can now focus more on earning an income. In the paste, she had to undertake regular maintenance for her shelter which was well beyond her means and also took up a lot of her time. She is very thankful to BNBL for the support which has changed her life for the better.



Figure 5 Tshering and husband in front of their old house



Figure 6 Tshering and husband in front of their old house

4. Details of the beneficiary

Name : Dorji Tenzin
 Village : Muktankhar
 Chiwog : Muktangkhar
 Gewog : Jurmed
 CID No : 10707001022
 House No : Ja-7-141
 Thram No : 325

Dorji and his wife used to live in a small hut with their two children (a son and a daughter). Both the children are enrolled at Jurmed Primary School. In the past, their tiny hut was not very sanitary and was quite cramped as well. With the new house, their sanitary facilities as well as their quality of life have improved. He said that he has learnt the skills of carpentry and masonry through the construction experience which will help him earn income. He is very grateful to BNBL for all the support.



Figure 7 Dorji and family in front of their old house



Figure 8 Dorji and family in front of their old house

CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION



Annual Report 2017

5. Details of the beneficiary

Name : Tashi Tshering
Village : Tshangkharzor
Chiwog : Muktangkhar
Gewog : Jurmed
CID No : 10707001465
House No : Ja-7-328
Thram No : 207
Land holding : 1.234acr

Tashi's former hut did not provide adequate living space for him, his wife and their three children. Apart from subpar sanitary facilities, the children did not have enough room to study and do their homework. With the new house, the family members are living comfortably and the children have enough room for their studies as well. The new house has improved the family's quality of life and enabled them to live a happy and clean life..



Figure 9 Tashi's former house



Figure 10 Tashi and family in front of their new house

6. Details of the beneficiary

Name : Sangay Zangmo
Village : Bachak
Chiwog : Muktangkhar
Gewog : Jurmed
CID No : 10707001212
House No : Ja-7-137
Thram No : 537

Sangay lives with her two children and a grandchild in a small shack. Apart from unsanitary conditions, the shack provided inadequate protection from the elements. The new house has brought marked changes in terms of cleanliness and quality of life. The family members now have their own space and privacy as well.



Figure 11 Sangay and family in front of their old dwelling



Figure 12 Sangay and family in front of their new house

CSR PROJECTS UNDERTAKEN IN 2017 TARAYANA FOUNDATION

7. Details of the beneficiary

Name : Zangpo
Village : Blam
Chiwog : Blam
Gewog : Jurmed
CID No : 10707000065
House No : Ja-7-115
Thram No : 298
Land holding : 2.179 Acr/

Apart from his wife and two daughter,, Zangpo also had a few relatives staying in his house. This meant cramped quarters and lack of privacy. With the improved house, Zangpo can provide a sturdy and stable for his family and privacy is no longer an issue. Zangpo also has more time to focus on income generation and he hope to provide better for his family.



Figure 13 Zangpo's former house



Figure 14 Zangpo and wife in front of their new house

8. Details of the beneficiary

Name : Sangay Wangdi
Village : Aringdaza
Chiwog : Blam
Gewog : Jurmed
CID No : 10707000113
House No : Ja-7-124
Thram No : 504
Land holding : 3.398 Acr

This couple used to live in a house that was very unstable and could have collapsed at any moment. Not having enough income, the couple could not improve their house. But with the help of the housing improvement project, the couple now live in a house that is very stable and they were very happy and very grateful for the project for helping them.



Figure 15 Sangay and family in front of their former house



Figure 16 Sangay and family in front of their new house

CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION



9. Details of the beneficiary

Name: Kelzang Dorji
Village: Aringdaza
Chiwog: Blam
Gewog: Jurmed
CID No: 10707002055
House No: Ja-7-50
Thram No: 274
Land holding: 3.789 Acr

Kelzang did not have the means to construct a house of his own and used to live with his father. He is now proud that he has a stable home for his family and this has had a marked improvement in their hygiene and sanitation. He also plans to focus more on bettering the livelihood of his family. He thanks BNBL wholeheartedly for their generous support.



Figure 17 Kelzang's new house under construction



Figure 18 Kelzang & family in front of new house

10. Details of the beneficiary

Name: Leki Tenzin
Village: Menchaphu
Chiwog: Blam
Gewog: Jurmed
CID No: 10707000269
House No: Ja-7-273
Thram No: 282
Land holding: 4.143 Acre

Leki lived in small hut with her husband, two children, and sister. The hut required constant repair and maintenance which affected her and her family. With the new house, she has a sense of stability and can devote more time to her economic pursuits.



Figure 19 Leki's former home



Figure 20 Leki with her new house

CSR PROJECTS UNDERTAKEN IN 2017

TARAYANA FOUNDATION

11. Details of the beneficiary

Name: Ugyen Tshomo
 Village: Sangkama
 Chiwog: Sangkama
 Gewog: Jurmed
 CID No: 10707001700
 House No: Ja-7-28
 Thram No: 55
 Land holding: 1.142 Acre

Ugyen former house barely had enough space for all the family members. With limited economic prospects, she had given up the idea of having a proper home. BNBL's support gave the opportunity to have a proper house with sanitary facilities.



Figure 21 Ugyen & family in front of their former dwelling



Figure 22 Ugyen and family with their new house

12. Details of the beneficiary

Name: Sonam Gyeltshen
 Village: Sangkama
 Chiwog: Sagakama
 Gewog: Jurmed
 CID No: 10707001649
 House No: Ja-7-77
 Thram No: 61
 Land holding: 4.215Acre

The former house Sonam and family lived at was very small, had no ventilation and no sanitary facilities. Their income would be barely enough to feed the family, so a proper house was not even on his radar. The new house has given him and his family a new lease of life and they can more for a better future for themselves, with improved quality of life and more time for economic activities.



Figure 23 Sonam and wife at the construction of their new house



Figure 24 Sonam & family in front of their new house

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TARAYANA FOUNDATION

13. Details of the beneficiary

Name: Dorji Rinchen
Village: Namphu
Chiwog: Sagakama
Gewog: Jurmed
CID No:10707001733
House No: Ja-7-279
Thram No:274
Land holding:2.179Acre

Having seven members in a very small shack was claustrophobic for the entire family but they were helpless due to financial constraints. With the new house, the family members can live comfortably and have motivated them to work harder for a better life.



Figure 25 Dorji's former house



Figure 26 Dorji & wife with their new house

14. Details of the beneficiary

Name: Sonam Zangmo
Village: Sangkama
Chiwog: Sagakama
Gewog: Jurmed
CID No:10707001605
House No: Ja-7-73
Thram No: 59
Land holding: 2.129Acre

Sonam has one daughter and one son and used to live with her parent. The tiny hut was very cramped and afforded no privacy for the family members. With the new house, the family members are more comfortable and now have proper access to sanitation and hygiene facilities.



Figure 27 Sonam in her former house



Figure 28 Sonam in front of her new house

CSR PROJECTS UNDERTAKEN IN 2017

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15. Details of the beneficiary

<p>Name: Sangay Rinchen Village: Yarakla Chiwog: Yarakla Gewog: Jurmed CID No: 10707001845 House No: Ja-7-210 Thram No: 252 Land holding: 1.345Acre</p>	<p>Sangay and his wife lived in the small hut which their two children lived with his parents due to space constraints. With the new house, the entire family can live together comfortably, and he is also motivated to pursue more economic prospects.</p>
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Figure 29 Sangay & wife in front of their old house



Figure 30 Sangay in front of the new house

16. Details of the beneficiary

<p>Name: Rinchen Wangdi Village: Kognala Chiwog: Yarakla Gewog: Jurmed CID No:10707000904 House No: Ja-7-210 Thram No: 252 Land holding: 4Acre</p>	<p>The family lived in a very small house with numerous family members. Lack of finance hindered their aspiration of having a bigger and comfortable home. With the housing improvement programme, Sangay and his family are more comfortable and have access to proper sanitation and hygiene facilities. They hope to better their lives by working hard and generating more income.</p>
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Figure 31 Rinchen & family in front of their old house



Figure 32 Rinchen in front of his new house

CSR PROJECTS UNDERTAKEN IN 2017

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17. Details of the beneficiary

Name: Sonam
Village: Kognala
Chiwog: Yarakla
Gewog: Jurmey
CID No: 10707000924
House No: Ja-7-08
Thram No: 359
Land holding: 3.175Acre

Sonam is very grateful for BNBL's support that has made it possible for him and his family to have a new house that provides them with enough space as well as improvement in sanitation. Earlier, the small hut he lived in was very congested and unstable. He wants to work harder and provide better for his family.



Figure 33 Sonam & family with their former dwelling



Figure 34 Sonam's new house

18. Details of the beneficiary

Name: Pema
Village: Yarakla
Chiwog: Yarakla
Gewog: Jurmed
CID No: 10707001856
House No: Ja-7-22
Thram No: 243
Land holding: 5.280Acre

Pema and her husband lived in the small hut with one daughter. Their second child lived with the grandparents due to space constraint. The new house has enabled the entire family to live together and she couldn't be happier. She feels that she can focus more on her farm work now and earn a good livelihood.



Figure 35 Pema's old house can be seen in the background



Figure 36 Pema's new house under construction

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19. Details of the beneficiary

Name: Ugyen Norbu
Village: Dungkar
Chiwog: Tshelam
Gewog: Jurmed
CID No: 10707000660
House No: Ja-7-23
Thram No: 455
Land holding: 2.280 Acre

Ugyen was in the army for 13 years and his four children used to live with his parents. As he had invested in his children's education, he did not have the financial means to construct a house of his own. The support from BNBL made his dreams come true and he is motivated to secure the future of his family members by working hard.



Figure 37 Ugyen & family in front of their old house



Figure 38 Ugyen & family in front of their new house

20. Details of the beneficiary

Name: Dechen Dorji
Village: Tshekpa
Chiwog: Tshekpa
Gewog: Jurmed
CID No: 10707000523
House No: Ja-7-260
Thram No: 482
Land holding: 2.237Acre

With three children, Dechen and his wife live a small hut that was cramped and not comfortable. He said that he had not even dared to dream of a bigger house but BNBL made his wish come true. He is very thankful and hopes for a better life for his children.



Figure 39 Dechen and family with their old house



Figure 40 Dechen and wife with their new house

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21. Details of the beneficiary

Name: Sangay Dorji
Village: Tulupi
Chiwo: Tshelam.
Gewog: Jurmed
CID No: 10707000386
House No: Ja-7-236
Thram No: 92
Land holding: 1.283Acre

Sangay didn't have house of his own previously and lived with his stepfather. He was not comfortable and wanted a house of his own for his wife and two children. The housing improvement helped him realize his dreams and he is now focused on earning more to educate his children.



Figure 41 Sangay's new house under construction

22. Details of the beneficiary

Name: Leki Zangpo
Village: Korphu
Chiwo: Tshelam
Gewog: Jurmed
CID No: 10707000530
House No: Ja-7-233
Thram No: 443
Land holding: 1.69Acre

With a new baby and a new improved house, Leki couldn't be happier. He is more confident and says that he must now educate his child well. He has more time to focus on economic activities and hopes for a better future.



Figure 42 Leki & family at their old house



Figure 43 Leki & family at the construction of their new house

CSR PROJECTS UNDERTAKEN IN 2017

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23. Details of the beneficiary

Name: Sangay Gyelmo
 Village: Tshekpa
 Chiwog: Tshelam
 Gewog: Jurmed
 CID No: 10707000466
 House No: Ja-7-292
 Thram No: 617
 Land holding: 3.29Acre

Sangay lived with her daughter at a relative's house as she lost her husband few years ago. She lacked the resources to build a house of her own and was dependent on her relatives. The new house has given her stability and independence and more confidence to pursue economic prospects and educate her daughter.



Figure 44 Sangay's house under construction



Figure 45 Sangay with her new house

24.Details of the beneficiary

Name: Tshering Lhaden
 Village: Tshekpa
 Chiwog: Tshelam
 Gewog: Jurmed
 CID No: 10707000512
 House No: Ja-7-327
 Thram No: 617
 Land holding: 2.128Acre

Tshering along with her three children used to live with her parents. With the new house, she is more independent and happier. She hope to work hard and educate her children well.



Figure 46 Tshering at her house construction



Figure 47 Tshering house nearing completion

CSR PROJECTS UNDERTAKEN IN 2017 TARAYANA FOUNDATION

25. Details of the beneficiary

Name: Leki
Village: Dungkhar
Chiwog: Tshelam
Gewog: Jurmed
CID No: 10707000721
House No: Ja-7-210
Thram No: 346
Land holding: 3.218Acre

Leki was not able to construct a house for her family, which includes a differently abled husband and two children. Her two children study at Jurme Primary School. The intervention has provided her family with a comfortable and stable home and she is very grateful to BNBL for their support. The family's health and sanitation has improved, and she can devote more time on income generation activities.



Figure 48 Leki with her new house

26. Details of the beneficiary

Name: Tshewang Lham
Village: Blam
Chiwog: Blam
Gewog: Jurmed
CID No: 10707000595
House No: Ja-7-310
Thram No: 372
Land holding: 3.324 Acre

Tshewang lived with her daughter in the small hut and her son live with her parents due to size of the dwelling. The new house enables Tshewang to live together with her children about which she is very happy. She has more time to work on her farm and hopes for a better future with her children



Figure 49 Tshewang at her old house



Figure 50 Tshewang with her new house

CSR PROJECTS UNDERTAKEN IN 2017 TARAYANA FOUNDATION

27. Details of the beneficiary

Name: Tsheche Dema
Village: Kognala
Chiwo: Yarakla
Gewog: Jurmed
CID No: 10707000920
House No: Ja-7-07
Thram No: 180
Land holding: 3.29Acre

Tsheche has two small children and used to live in a small hut. With a stable home, she can focus on pursuing economic activities to provide for her children. The new house has also made it possible for the family to improve their health and sanitation.



Figure 51 Tsheche's house under construction



Figure 52 The new house nearing completion

28. Details of the beneficiary

Name: Sangay Wangchuk
Village: Ringphu
Chiwo: Mulkthangkhar
Gewog: Jurmed
CID No: 10707001075
House No: Ja-7-163
Thram No: 389
Land holding: 1.724Acre

Sangay lived with his three daughters and one son and face water scarcity issues. Their small dwelling was barely enough to accommodate all the family members. The new house has brought positive changes in the family's lives and they have better sanitation and hygiene access.



Figure 53 Sangay at his old house



Figure 54 Sangay's new house

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29. Details of the beneficiary

Name: Bumpa Tenzin
Village: Bachak
Chiwo: Mukthangkhar
Gewog: Jurmed
CID No: 10707001086
House No: Ja-7-279
Thram No: 314
Land holding: 3.324Acre

Bumpa lived with his parent with his wife and two children as he couldn't afford a house of his own. The housing programme has enabled his to construct a stable home for his family and motivated him to work harder for a better life.



Figure 55 Bumpa's house under construction



Figure 56 Bumpa's house nearing completion

30. Details of the beneficiary

Name: Wangchuk
Village: Mensang wogdang
Chiwo: Mukthangkhar
Gewog: Jurmed
CID No: 10707001535
House No: Ja-7-192
Thram No: 383
Land holding: 1.124Acre

Wangchuk lived in a small wooden with his family that was not in the best condition and entailed periodic repair. The new house gives him, and his family stability and he is spared the time and resources he had to spend on repair and maintenance. He can focus more on income generating activities and is immensely grateful to BNBL for providing him the opportunity to lead a better life.



Figure 57 Wangchuk's old house



Figure 58 Wangchuk's new house under construction

CSR PROJECTS UNDERTAKEN IN 2017 TARAYANA FOUNDATION

Pictures of community consultation and house construction process



Auditors' Report and Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Members of
BHUTAN NATIONAL BANK LIMITED

1. Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of **BHUTAN NATIONAL BANK LIMITED** (the Group) which accompanies the Consolidated Statement of Financial Position as at 31st December 2017, the Consolidated Income Statement for the year ended on that date, the Consolidated Statement of Other Comprehensive Income for the year ended on date, the Consolidated Statement of Changes in Equity for the year ended on that date, the Consolidated Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the Consolidated Financial Statements”), in which are incorporated:

- a. Audited financial statements of Bhutan National Bank Limited (the Bank) in which are consolidated financial statements of three branches audited by us and unaudited financial statements of eight branches; and
- b. Audited financial statements of one associate namely Druk Ferro Alloys Limited (the Associate) not audited by us.

2. Management's Responsibility for the Consolidated Financial Statements

The Bank's management is responsible for the preparation of these consolidated financial statements in accordance with the Bhutanese Accounting Standards, provisions of the Companies Act of Bhutan 2016 (the Act), RMA Prudential Regulations 2016 and the Financial Services Act of Bhutan 2011. The respective Board of Directors of the companies included in the Group are responsible for design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.





AUDITORS' REPORT

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the applicable auditing standards prescribed by the Accounting and Auditing Standards Board of Bhutan and the General Terms of reference for Auditors and minimum audit reporting requirements prescribed by Royal Audit Authority and 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating overall presentation of the consolidated 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

As required by section 265 of the Companies Act of Bhutan 2016 (the Act), we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.



- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as appears from our examination of those books and report of other auditor in the case of Associate company and proper returns adequate for the purposes of our audit have been received by the Bank from the branches not visited by us.
- c. The consolidated financial statements dealt with by this report have been prepared in accordance with accounting principles and practices generally accepted and as per the provisions of applicable laws, rules, regulations and accounting standards as well as Bhutanese Accounting Standards (BAS).
- d. The consolidated financial statements dealt with in this report are in agreement with the books of account and returns maintained for the purpose of preparation of consolidated financial statements and adjustments carried out by the Bank to comply with the accounting policies revised on 01.01.2014 upon adoption of Bhutanese Accounting Standards.
- e. As per information and explanations given to us, the Group has complied with other legal and regulatory requirements.
- f. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of the other auditor on the financial statements of the Associate company, the aforesaid consolidated financial statements give the information required by the Act, in the manner so required and exhibit a true and fair view in conformity with the applied Bhutanese Accounting Standards and the provisions of the Act:
 - i. in the case of Statement of Financial Position, of the state of affairs of the Group as at 31st December 2017;
 - ii. in the case of Income Statement, of the profit of the Group for the year ended on that date;
 - iii. in the case of Statement of Other Comprehensive Income, of the comprehensive income of the Group for the year ended on that date;





AUDITORS' REPORT

- iv. in the case of Statement of Changes in Equity, of the changes in equity of the Group for the year ended on that date; and
- v. in the case of Statement of Cash Flow, of the cash flows of the Group for the year ended on that date.

5. Emphasis of Matter

- a. Un-reconciled balance in RMA current account in respect of inter-bank ATM transactions, settlement of which is done through the Bhutan Financial Switch (BFS), as on 31st December 2017 is net debit of Nu. 145,422,086 (PY net debit Nu. 140,756,378). Against this, there is an un-reconciled credit balance of Nu. 130,266,324 (PY credit Nu. 276,377,606) in BFS settlement account and an un-reconciled credit of Nu. 35,905,844 (PY net debit Nu. 141,021,051) in ATM settlement account representing difference in GL and physical balance of cash in ATMs. The net impact of above three unreconciled balances is net credit of Nu. 20,750,082 (PY net debit Nu. 5,399,823). Above accounts are presently in the course of reconciliation as informed to us by the management.
- b. Loans and advances at the reporting date as per GL are of Nu. 26,723,323,399 (PY Nu. 24,628,473,921) as per old GAAP. These are higher by Nu. 4,397,182 (PY Nu. 2,387,807) compared to loan ledger balance as given in the system generated ageing report which has been duly provided for and are presently under reconciliation as explained to us by the management.
- c. Land and buildings are required to be revalued on a rollover basis at every three or five years interval as may be considered appropriate as per Accounting Policy no. 2.4.10 of the Bank amended and approved in the year under report. Last revaluation of land and buildings was done during the year 2014 and in the opinion of the management there is no significant change in the carrying amount thereof as on 31.12.2017 necessitating further revaluation.
- d. BNB Securities Limited, a wholly owned subsidiary of the Bank stand merged with the Bank as on 31.12.2017 after requisite approvals having been obtained.



6. Other Matter

- a. The consolidated financial statements include the Group's share of profit of Nu. 1,399,661 in the Associate company which is taken from its audited financials for the year 2016 since it was not considered last year due to the same being under audit. Financials of the Associate for the year 2017 are under finalization presently and therefore the same shall be considered while finalizing Group's accounts for the year 2018.
 - b. Confirmation of outstanding balances of loans and advances given, deposits taken and other receivables/payables were not available for our verification. We are informed that a policy in this regard is under active consideration by the Bank for future.
7. As required by the Companies Act of Bhutan 2016 (the Act) read with Minimum Audit Reporting Requirements in pursuance to section 266 of the Act, we enclose in the annexure a statement on the matters to the extent applicable to the Group.

Dated: 18 April 2018

Place: New Delhi

Partner: Krishan Sarup Mittal

Membership No.: 010633



For S.K. MITTAL & CO.

Chartered Accountants

FRN: 001135N



ANNEXURE

MINIMUM AUDIT REPORTING REQUIREMENTS

As required by the Companies Act of Bhutan 2016 (the Act) read with Minimum Audit Reporting Requirements in pursuance to section 266 of the Act, we enclose in the annexure a statement on the matters to the extent applicable to the Group, based on the comments in the auditor's report of the Group and the Associate and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:

1. The Group is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. Discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
2. No fixed asset has been re-valued during the year.
3. The rate of interest and other terms and conditions of secured/unsecured bonds issued by the Bank and secured loans availed by the Associate company from banks, financial institutions are prima facie not prejudicial to the interest of the Group. The Group has not availed any loan from any company under the same management.
4. In our opinion, rate of interest and other terms and conditions of loans granted to other companies, firms or other parties and/or to the companies under the same management, are prima facie not prejudicial to the interest of the Group. The advances granted to the officers/staff are in keeping with the provisions of the service rules and no excessive/frequent advances are given and accumulation of large advances against particular individual is avoided.
5. In our opinion, the Group has internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Group as well as to ensure adherence to the rules / regulations and system and procedures. However, these needs to be strengthened in respect of loans and advances to customers.



6. There is a system of competitive bidding except funds for short term at times borrowed/ invested, commensurate with the size of the Bank and the nature of its business, for the purchase of goods and services including stores and other assets and for the sale of assets. The Bank is not engaged in manufacturing or trading activities.
7. Fund based or non-fund based facilities provided to the directors or to companies or firms in which any director was directly or indirectly interested, were under similar terms and conditions as are applied to other parties and were not prima facie prejudicial to the interest of other shareholders or to the Bank.
8. According to the records, the Bank has been regular in depositing rates and taxes, duties, provident fund, and other statutory dues with the appropriate authority.
9. There is no undisputed amount in respect of rates, taxes, duties, royalties, provident funds and other statutory dues outstanding at the year end.
10. No personal expenses have been charged to the Group's account other than those payable under contractual obligations/or service rules of the Bank.
11. The Bank has a reasonable system for follow up with various parties for recovery/ adjustment of outstanding amounts.
12. Idle cash and bank balances are generally not held by the Bank.
13. In our opinion and on the basis of available records and information, the activities carried out were lawful and intra vires to the respective Articles of Incorporation of the companies comprised in the Group.
14. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
15. The Bank has an established and effective budgetary control system.





ANNEXURE

16. The details of remuneration and other payments by the Bank to the Board of Directors including the Chief Executive Officer or any of their relatives are disclosed in note no.35.
17. The directives of the Board of Directors have generally been complied with.
18. We have not come across any information where the officials of the Bank have transmitted any price sensitive information which is not made publicly available, unauthorisedly to their relatives/ friends/associates or close persons which would have directly or indirectly benefit themselves.
19. The Bank has maintained adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made.
20. The Bank has adequate records for funds collected from depositors and for interest payments.
21. The Bank has the system of identifying objective evidence to assess and provide for any impairment in value of Investment.
22. The Bank has complied with the requirements of the Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate authorities as explained by the management except that staff loans aggregating Nu. 839,981,315 as per old GAAP (comprising incentive loans for Nu. 365,183,631 and commercial loans for Nu. 474,797,684) at the reporting date are marginally in excess of the ceiling limit of 10% of total capital prescribed under para 2.4.1(d) of RMA Prudential Regulations 2016.
23. The Bank has provided Nu. 1,575,293,387 towards provision for impaired loans in accordance with BAS 39, as against Nu. 1,489,609,241 provided as per RMA prudential norms.
24. Accrued interest on non-performing loans has been recognised as interest income as per accounting policy of the Bank revised upon adoption of BAS and has not been deferred. However, accrued interest has been taken into account while arriving at provision for impairment loss.
25. As stated by the management, the Bank has in place a system for physical verification and proper valuation of assets hypothecated against loans and advances, execution of mortgage deeds and to ensure that the assets are free of any prior lien or charges.



26. The Bank has generally a system of monitoring the projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
27. The disposals of assets taken over for repayment defaults etc. are made through open/sealed bids.
28. Proper analysis is generally carried out before re-phasing/rescheduling of loans.
29. There is a system to ensure that additional loans are not granted to those who have defaulted in payment of earlier advances.

30. Computerized Accounting Environment

- a. The organizational and system development controls and other internal controls are adequate commensurate with size and nature of computer installations; however, IT audit should be carried out to review their effectiveness and updation.
- b. Adequate safeguard measures and back up facilities exist.
- c. Back up facilities and disaster recovery measures include keeping files at different locations.
- d. The operational controls need to be strengthened to ensure correctness and validity of input data and output information.
- e. The measures to prevent unauthorized access over the computer installation and files are adequate.

GENERAL

1. Going Concern Problems

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December 2017 audited by us in accordance with the generally accepted auditing standards and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Bank is not a going concern on the Balance Sheet date and is not likely to become sick in the near future.





ANNEXURE

2. Ratio Analysis

The significant ratios indicating the financial health and profitability of the Bank are given below

	BAS	
	2017	2016
Deposit Growth	10.17%	24.33%
Loan Growth	10.04%	16.13%
Credit Deposit Ratio	83.48%	83.58%
Interest Expenses/Deposits	4.35%	3.91%
Interest Income/Loans	10.70%	11.66%
Earning per Share	Nu. 3.16	Nu. 2.13
Return on Assets	2.68%	1.98%
Return on Equity	14.01%	10.33%
Capital Adequacy Ratio*	22.22%	22.83%
NPL ratio*	5.49%	6.91%
Book Value	Nu. 22.56	Nu. 20.66
Dividend per Share*	Nu. 1.635	Nu. 1.34

3. Compliance with the Companies Act of Bhutan 2016.

In our opinion and on the basis of available records and information the Bank has complied with the applicable provisions of the aforesaid.

4. Adherence to Laws, Rules and Regulations

Audit of the Group is governed by the Companies Act of Bhutan 2016 and the scope of audit is limited to examination and review of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Article of Incorporation. The Group has complied with the other applicable law, rules and regulations, systems, procedures and practices as informed to us.

Dated: 18 April 2018

Place: New Delhi

Partner: Krishan Sarup Mittal

Membership No.: 010633



For S.K. MITTAL & CO.

Chartered Accountants

FRN: 001135N

INCOME STATEMENT

For the year ended 31st December 2017



		Bank (Nu)		Group (Nu)	
	Note	2017	2016	2017	2016
Interest & Similar Income	4	2,862,016,545	2,769,487,130	2,862,016,545	2,769,487,130
Interest & Similar Expense	5	1,353,733,478	1,115,334,776	1,353,733,478	1,114,654,620
Net interest income		1,508,283,067	1,654,152,354	1,508,283,067	1,654,832,510
Fee and commission income	6	107,298,223	110,890,642	107,298,223	113,853,681
Fee and commission expenses	6	8,430,687	6,879,344	8,430,687	7,446,270
Net fee and commission income		98,867,536	104,011,298	98,867,536	106,407,411
Other Operating Income	7	88,815,835	115,735,251	88,815,835	115,735,260
Share of Profit/(Loss) from Associates		-	-	1,399,661	-1,813,494
Total operating income		1,695,966,438	1,873,898,903	1,697,366,099	1,875,161,686
Personnel Expenses	8	367,182,784	331,585,781	367,182,784	332,331,679
Depreciation on Property Plant & Equipment	22	31,116,074	28,753,481	31,116,074	28,753,481
Amortization of Intangible Assets	23	12,775,087	8,164,472	12,775,087	8,164,472
Other Operating Expenses	9	122,267,287	129,419,664	122,267,287	129,505,464
Impairment charges/(reversal) for loans and other losses	10	-199,071,396	363,917,372	-199,071,396	363,917,372
Total Operating Expenses		334,269,835	861,840,770	334,269,835	862,672,468
Profit Before Tax from Continuing Operations		1,361,696,603	1,012,058,133	1,363,096,264	1,012,489,218
Income Tax Expense	11	320,908,042	309,559,194	320,908,042	310,232,568
Profit For the Year		1,040,788,561	702,498,939	1,042,188,222	702,256,651



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

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CHAIRPERSON

[Signature]

CHIEF EXECUTIVE OFFICER

Dated: 18 April 2018

Place: New Delhi

Partner: Krishan Sarup Mittal

Membership No.: 010633



Annual Report 2017

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2017

	Bank (Nu)		Group (Nu)		
	Note	2017	2016	2017	2016
Profit for the year		1,040,788,561	702,498,939	1,042,188,222	702,256,651
Gains /(losses) on re-measuring available for sale financial assets		21,391,141	-98,042,485	21,391,141	-98,042,485
Remeasurement Gain/(Loss) on Defined Benefit Plan		-867,469	-13,982,513	-867,469	-13,982,513
Net loss on available for sale financial assets					
Total other comprehensive income before tax		20,523,672	-112,024,998	20,523,672	-112,024,998
Income tax income /(expense) relating to components of other comprehensive income		6,677,583	-33,930,892	6,677,583	-33,930,892
Other comprehensive income for the year, net of tax		13,846,089	-78,094,106	13,846,089	-78,094,106
Total comprehensive income for the year, net of tax		1,054,634,650	624,404,833	1,056,034,311	624,162,545
Basic Earnings Per Share		3.16	2.13	3.17	2.13



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For S.K. MITTAL & CO.

Chartered Accountants

FRN: 001135N

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CHAIRPERSON

[Signature]

CHIEF EXECUTIVE OFFICER

Dated: 18 April 2018

Place: New Delhi

Partner: Krishan Sarup Mittal

Membership No.: 010633

STATEMENT OF FINANCIAL POSITION

For the year ended 31st December 2017



Annual Report 2017

		Bank (Nu)		Group (Nu)	
	Note	2017	2016	2017	2016
Assets					
Cash & cash Equivalents	12	7,452,833,414	6,171,652,407	7,452,833,414	6,171,652,407
Cash & Balances with Central Bank	13	4,536,360,335	4,385,003,584	4,536,360,335	4,385,003,584
Placement with other Banks	14	254,273,973	764,956,284	254,273,973	764,956,284
Due From Banks and Financial Institution					
Loans & Advances to Customers	15	25,009,996,567	22,728,340,278	25,009,996,567	22,728,340,278
Investments in Subsidiaries	16	-	500,000	-	-
Investments in Associates	17	91,463,480	91,463,480	108,342,544	106,942,883
Financial Investments Available for Sale	18	123,670,013	102,278,872	123,670,013	102,278,872
Financial Investments Held to Maturity					
Financial Assets - Loans & Receivables	19	116,952,968	116,948,539	116,952,968	116,948,539
Defined Benefit Assets	20	50,395,784	33,406,123	50,395,784	33,406,123
Other Financial Assets	21	207,057,808	157,875,152	207,057,808	157,875,152
Other Assets	22	322,021,679	356,322,378	322,021,679	356,556,115
Property & Equipment	23	623,392,939	524,745,747	623,392,939	524,745,747
Intangible Assets	24	35,409,329	43,065,244	35,409,329	43,065,244
Deferred tax assets	30	66,579,343	9,370,371	66,579,343	9,370,371
Total Assets		38,890,407,631	35,485,928,460	38,907,286,695	35,501,141,599
Liabilities					
Due to Banks and Financial Institution	25	8,205,706,302	9,849,910,311	8,205,706,302	9,838,666,096
Due to Customers	26	21,754,323,024	17,345,044,331	21,754,323,024	17,345,044,331
Debts Issued & Other Borrowed Funds	27	876,400,000	876,327,869	876,400,000	876,327,869
Current Tax Liabilities	28	384,746,803	313,176,205	384,746,803	313,849,579
Unclaimed Balances		43,149,082	34,579,659	43,149,082	34,579,659
Deferred Income		22,588,369	25,570,119	22,588,369	25,570,119
Provisions	31	19,649,119	17,249,159	19,649,119	17,325,060
Other Liabilities	32	157,458,861	223,713,696	157,458,862	223,723,996
Total Liabilities		31,464,021,560	28,685,571,349	31,464,021,561	28,675,086,708
Equity					
Share Capital	33	3,291,935,960	3,291,935,960	3,291,935,960	3,291,935,960
Reserves					
Revenue Reserve		827,345,545	523,525,026	844,224,608	549,222,806
General Reserve		2,544,818,049	2,327,363,726	2,544,818,049	2,327,363,726
Statutory Reserve		146,722,170	131,941,851	146,722,170	131,941,851
Specific Reserves		429,000,000	354,000,000	429,000,000	354,000,000
AFS Reserve		36,943,885	21,970,086	36,943,885	21,970,086
Revaluation Reserve		149,620,462	149,620,462	149,620,462	149,620,462
Total equity		7,426,386,071	6,800,357,111	7,443,265,134	6,826,054,890
Total liabilities and equity		38,890,407,631	35,485,928,460	38,907,286,695	35,501,141,599

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



[Signature]

CHAIRPERSON

[Signature]

CHIEF EXECUTIVE OFFICER

Dated: 18 April 2018
Place: New Delhi
Partner: Krishan Sarup Mittal
Membership No.: 010633

STATEMENT OF CHANGES IN EQUITY - BANK

For the year ended 31st December 2017

In Nu.

Note	Stated Capital	Share Premium	Retained Earnings	Statutory Reserve	General Reserve	Specific Reserve	Available for Sale	Revaluation Reserve	Total Shareholders' Funds
Balance as at January 1, 2016	3,548,077,000	34,022,965	704,496,746	106,542,969	2,381,549,554	354,000,000	90,599,826	149,620,462	7,368,909,524
Adjustments									
Net profit for the year	-	-	702,498,939	-	-	-	-	-	702,498,939
Tax Impact on other Comprehensive Income	-	-	4,518,147	-	-	-	29,412,746	-	33,930,892
Revaluation for the year	-	-	-	-	-	-	-98,042,485	-	-98,042,485
Remeasurement Gains/Losses on DBO	-	-	-13,982,513	-	-	-	-	-	-13,982,513
Buyback of shares	-256,141,040	-34,022,965	-175,466,133	-	-224,413,823	-	-	-	-690,043,962
Prior Period Adjustment	-	-	-2,634,427	-	-	-	-	-	-2,634,427
Issuance of Bonus Shares	-	-	-	-	-	-	-	-	-
Dividend Paid (Out of 2015 Profits)	-	-	-500,278,857	-	-	-	-	-	-500,278,857
Transfers during the year	-	-	-195,626,876	25,398,881	170,227,994	-	-	-	-
Balance as at 31st December 2016	3,291,935,960	-	523,525,026	131,941,851	2,327,363,726	354,000,000	21,970,086	149,620,462	6,800,357,111

Adjustments									
Net profit for the year	-	-	1,040,788,561	-	-	-	-	-	1,040,788,561
Tax Impact on other Comprehensive Income	-	-	-260,241	-	-	-	-6,417,342	-	-6,677,583
Revaluation for the year	-	-	-	-	-	-	21,391,141	-	21,391,141
Remeasurement Gains/Losses on DBO	-	-	-867,469	-	-	-	-	-	-867,469
Buyback of shares	-	-	-	-	-	-	-	-	-
Prior Period Adjustment	-	-	2,295,351	-	-	-	-	-	2,295,351
Issuance of Bonus Shares	-	-	-	-	-	-	-	-	-
Dividend Paid (Out of 2016 Profits)	-	-	-441,119,419	-	-	-	-	-	-441,119,419
Transferred from BNB Sec Ltd (Merger)	-	-	-	-	10,218,377	-	-	-	10,218,377
Transfers during the year	-	-	-297,016,266	14,780,319	207,235,947	75,000,000	-	-	-
Balance as at 31st December 2017	3,291,935,960	-	827,345,545	146,722,170	2,544,818,049	429,000,000	36,943,885	149,620,462	7,426,386,071

STATEMENT OF CHANGES IN EQUITY - BANK

For the year ended 31st December 2017

	Note	In Nu.	Share Premium	Retained Earnings	Statutory Reserve	General Reserve	Specific Reserve	Available for Sale	Revaluation Reserve	Total Shareholders' Funds
Balance as at 31 st December 2015		3,548,077,000	34,022,965	730,436,814	106,542,969	2,381,549,554	354,000,000	90,599,826	149,620,462	7,394,849,591
Adjustments										
Net profit for the year		-	-	702,256,651	-	-	-	-	-	702,256,651
Tax Impact on other Comprehensive Income		-	-	4,518,147	-	-	-	29,412,746	-	33,930,892
Revaluation for the year		-	-	-	-	-	-	-98,042,485	-	-98,042,485
Remeasurement Gains/Losses on DBO		-	-	-13,982,513	-	-	-	-	-	-13,982,513
Buyback of shares		-256,141,040	-34,022,965	-175,466,133	-	-224,413,823	-	-	-	-690,043,962
Prior Period Adjustment		-	-	-2,634,427	-	-	-	-	-	-2,634,427
Issuance of Bonus Shares		-	-	-	-	-	-	-	-	-
Dividend Paid (Out of 2015 Profits)		-	-	-500,278,857	-	-	-	-	-	-500,278,857
Transfers during the year		-	-	-195,626,876	25,398,881	170,227,994	-	-	-	-
Balance as at 31st December 2016		3,291,935,960	-	549,222,806	131,941,851	2,327,363,726	354,000,000	21,970,086	149,620,462	6,826,054,890
Adjustments										
Net profit for the year		-	-	1,042,188,222	-	-	-	-	-	1,042,188,222
Tax Impact on other Comprehensive Income		-	-	-260,241	-	-	-	-6,417,342	-	-6,677,583
Revaluation for the year		-	-	-	-	-	-	21,391,141	-	21,391,141
Remeasurement Gains/Losses on DBO		-	-	-867,469	-	-	-	-	-	-867,469
Buyback of shares		-	-	-	-	-	-	-	-	-
Prior Period Adjustment		-	-	2,295,351	-	-	-	-	-	2,295,351
Issuance of Bonus Shares		-	-	-	-	-	-	-	-	-
Dividend Paid (Out of 2016 Profits)		-	-	-441,119,419	-	-	-	-	-	-441,119,419
Transferred from BNB Sec Ltd (Merger)		-	-	-10,218,377	-	10,218,377	-	-	-	-
Transfers during the year		-	-	-297,016,266	14,780,319	207,235,947	75,000,000	-	-	-0
Balance as at 31st December 2017		3,291,935,960	-	844,224,608	146,722,170	2,544,818,049	429,000,000	36,943,885	149,620,462	7,443,265,134



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CASH FLOW STATEMENT

For the year ended 31st December 2017

Annual Report 2017

Cash flows from operating activities

	Bank		Group	
	2017	2016	2017	2016
PBT	1,361,696,603	1,012,058,133	1,363,096,264	1,012,489,218
Adjustment for:				
Depreciation and Amortisation	43,891,161	36,917,953	43,891,161	36,917,953
Prior Period adjustment	2,295,351	-2,634,427	2,295,351	-2,634,427
Profit on Sale of PPE	-59,540	-26,052,817	-59,540	-1,998,581
Income from RGOB Bonds	-62,762,107	-	-62,762,107	-24,054,236
Provisions for gratuity	4,646,235	4,223,310	4,646,235	4,223,310
Income From AFS Financial Investments	-5,690,950	-3,720,335	-5,690,950	-3,720,335
Income From Investments in Associates	-6,375,083	-	-6,375,083	-
Interest paid for Borrowings	51,072,131	50,870,335	51,072,131	50,870,335
Impairment Charges for Loans and advances and other write-offs	-199,071,396	363,917,372	-199,071,396	363,917,372
Movement in Provisions(Lease encashment and Off balance sheet provisions)	-2,399,960	-1,498,137	-2,399,960	-1,498,137
Operating profit before changes in operating assets & liabilities	1,187,242,445	1,434,081,386	1,188,642,106	1,434,512,472
(Increase) / decrease in operating assets				
DBO Movement	-21,635,896	-10,924,671	-21,635,896	-10,924,671
Loans & receivables from customers	-2,082,584,892	-3,521,389,591	-2,082,584,892	-3,521,389,591
Other assets	-14,881,958	-111,058,814	-14,648,221	-110,658,014
Increase / (decrease) in operating liabilities	-2,119,102,746	-3,643,373,076	-2,118,869,009	-3,642,972,276
Tax Liabilities				
Due to customers	4,409,278,693	781,123,958	4,409,278,693	781,123,958
Due to banks & Financial Institutions	-1,644,204,009	4,541,452,401	-1,632,959,793	4,539,741,517
Other liabilities	-66,254,835	-31,624,203	-66,265,135	-32,189,027
Unclaimed Balances	8,569,422	33,457	8,569,422	33,457
Deferred Income	-2,981,750	-7,823,248	-2,981,750	-7,823,248
Provisions	4,799,920	2,996,275	4,724,019	3,027,428
	2,709,207,442	5,286,158,639	2,720,365,456	5,283,914,085
Net cash generated from/(used in) operating activities before income tax	1,777,347,141	3,076,866,948	1,790,138,554	3,075,454,280
Income tax paid	-313,223,998	-444,501,788	-313,897,372	-444,902,615
Net cash generated from/(used in) operating activities	1,464,123,143	2,632,365,160	1,476,241,181	2,630,551,666

CASH FLOW STATEMENT

For the year ended 31st December 2017

Cash flows from investing activities

Investment in Bonds	-4,429	4,429	-4,429	4,429
Net proceeds from sale, maturity and purchase of available for sale investments	-21,391,141	98,042,485	-21,391,141	98,042,485
Income from investments	5,690,950	3,720,335	5,690,950	3,720,335
Income from Investment in subsidiaries/Associates	6,375,083	-	4,975,422	1,813,494
Revaluation of AFS	20,523,672	-112,024,998	20,523,672	-112,024,998
Investment in Subsidiary	500,000	-	-	-
Purchase of property plant and equipment	-129,703,726	-85,052,909	-129,703,726	-85,052,909
Purchase of intangible assets	-5,119,171	-25,896,012	-5,119,171	-25,896,012
Income from RGOB Bonds	62,762,107	24,054,236	62,762,107	24,054,236
Net cash flows used in investing activities	-60,366,655	-97,152,433	-62,266,316	-95,338,939

Cash flows from financing activities

Interest Paid on borrowings	-51,072,131	-50,870,335	-51,072,131	-50,870,335
Movement in Debt and other Borrowed Funds	72,131	-129,665	72,131	-129,665
Issuance of Share capital and Changes in Share premium	-	-290,164,005	-	-290,164,005
Dividend paid	-441,119,419	-500,278,857	-441,119,419	-500,278,857
Transfer on merger of BNB Securities Limited	10,218,377	-	-	-
Transfer on buyback of Shares	-	-399,879,956	-	-399,879,956
Net cash generated from financing activities	-481,901,042	-1,241,322,819	-492,119,419	-1,241,322,819

Net cash generated / (used in) during the year

Cash and cash equivalents at the beginning of the year

Net Foreign exchange difference

Cash and cash equivalents at the end of the year

	921,855,446	1,293,889,908	921,855,446	1,293,889,908
	10,241,693,305	8,757,533,539	10,241,693,305	8,757,533,539
	703,454,959	190,269,858	703,454,959	190,269,858
Cash and cash equivalents at the end of the year	11,867,003,710	10,241,693,305	11,867,003,710	10,241,693,305



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For S.K. MITTAL & CO.

Chartered Accountants

FRN: 001135N

Dated: 18 April 2018

Place: New Delhi

Partner: Krishan Sarup Mittal

Membership No.: 010633

[Signature]

CHAIRPERSON

[Signature]

CHIEF EXECUTIVE OFFICER



NOTES TO FINANCIAL STATEMENTS

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, Norzin 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 2016 were authorised for issue in accordance with a resolution of the directors on March 10, 2016.

1.1 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 41.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated



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

Basis of consolidation

The consolidated financial statements comprise of financial statements of the Bank, and associate for the year ended 31 December 2017.

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

1.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were





NOTES TO FINANCIAL STATEMENTS

prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern

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

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.

1.3 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 in-line with IFRS. For periods up to and including the year ended 31 December 2013, the Group prepared its financial statements in accordance with Generally Accepted Accounting Principles in Bhutan (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with BAS applicable for period ending 31 December 2017, together with the comparative period data as at and for the year ended 31 December 2016, as described in the summary of significant accounting policies. The note 2.5 explains the principal adjustments made by the Bank in restating its previous/local GAAP financial statements.





NOTES TO FINANCIAL STATEMENTS

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4.1 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.

1.4.2 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 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





NOTES TO FINANCIAL STATEMENTS

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.

1.4.3 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





NOTES TO FINANCIAL STATEMENTS

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.

1.4.4 **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

1.4.5 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





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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.

(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.

1.4.6 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.

1.4.7 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





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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.

1.4.8 Recognition of income and expenses

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

(i) *Interest and similar income and expense*

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

(ii) *Fee and commission income*

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

Fee income can be divided into the following two categories:

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

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

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such



as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) ***Dividend income***

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

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

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

1.4.9 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.

1.4.10 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 every three to five years 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.





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

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

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

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

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	10 - 60 Years (Component Based)
Furniture & Fitting	3 – 20 Years
Office Equipment	2 – 20 Years
Motor Vehicles	7 – 10 Years
Computer Hardware	1 – 10 Years
Security Equipment	3 – 10 Years
Electrical Equipment	2 - 10 Years
Computer Software	1 – 5 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.



1.4.11 Intangible assets

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

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

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

1.4.12 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.

1.4.13 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





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(within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

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

1.4.14 Provisions

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

1.4.15 Employee Benefits

The Group measures the present value of the Pension obligation, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit method (PUC) as required by BAS 19 Employee Benefits (in line with IFRS).

An actuarial valuation has been carried out at every year end starting from the year 2012 to ascertain the full liability under the Fund.

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.

1.4.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date (Note 36).

1.4.17 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.

1.4.18 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.

BFRS 9 Financial Instruments

BFRS 9, as issued by Accounting & Auditing Standards Board of Bhutan (AASBB) applies to classification and measurement of financial assets and financial liabilities as defined in BAS 39. As notified by Ministry of Economic Affairs, the "expected credit loss model" of IFRS 9 shall remain out of the scope of BFRS 9 and the companies shall comply with "incurred loss model" of BAS 39 for impairment, until the new set of standards are issued by AASBB.



NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December 2017

2.5. Principal Adjustments made in reinstating the previous GAAP

2.5.1 Notes to the Reconciliation of Equity and Total Comprehensive Income for the year ended 31 December 2017.

(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 are recognized as intangible assets and amortized over the useful life time.

(C) Loans and receivables

The provisions made by the group (Specific and General) under local GAAP is different from the BAS 39 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 in line with IFRS.

(F) Defined benefit obligation

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

(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.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Principal adjustments made

Reconciliation of Balance Sheet as at 31st December 2017 3.1 - Bank

Assets	Note	Previous GAAP Reclassified	Bank ('Nu)	
			Re-measurement	BAS/IFRS
Cash & cash Equivalents		7,452,833,414	-	7,452,833,414
Cash & Balances with Central Bank		4,536,360,335	-	4,536,360,335
Placement with other Banks		254,273,973	-	254,273,973
Due From Banks and Financial Institution				-
Loans & Advances to Customers	C/D	25,085,728,247	-75,731,680	25,009,996,567
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	-	91,463,480
Financial Investments Available for Sale	E	70,893,035	52,776,978	123,670,013
Financial Investments Held to Maturity				-
Financial Assets - Loans & Receivables		116,952,968	-	116,952,968
Defined Benefit Assets	F	-	50,395,784	50,395,784
Other Financial Assets		207,059,123	-1,315	207,057,808
Other Assets	H	183,987,316	138,034,363	322,021,679
Property & Equipment	A	492,264,841	131,128,099	623,392,939
Intangible Assets	B	37,112,322	-1,702,994	35,409,329
Deferred tax assets	G	-	66,579,343	66,579,343
Total Assets		38,528,929,052	361,478,579	38,890,407,631
Liabilities				
Due to Banks and Financial Institution		8,205,706,302		8,205,706,302
Due to Customers	I	21,831,048,003	-76,724,978	21,754,323,024
Debts Issued & Other Borrowed Funds		876,400,000	-	876,400,000
Current Tax Liabilities		384,746,803	-	384,746,803
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		43,149,082	-	43,149,082
Deferred Income		22,588,369	-	22,588,369
Provisions		557,880,648	-538,231,529	19,649,119
Other Liabilities	H	157,458,861.03	0.00	157,458,861
Total Liabilities		32,078,978,068	-614,956,508	31,464,021,560
Equity				
Share Capital		3,291,935,960	-	3,291,935,960
Share Premium		-	-	-
Reserves				
Revenue Reserve		37,474,805	789,870,739	827,345,545
General Reserve		2,544,818,049	-	2,544,818,049
Statutory Reserve		146,722,170	-	146,722,170
Specific Reserves		429,000,000	-	429,000,000
AFS Reserve		-	36,943,885	36,943,885
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		6,449,950,984	976,435,087	7,426,386,071
Total liabilities and equity		38,528,929,052	361,478,579	38,890,407,631

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Annual Report 2017

Assets	Note	Group ('Nu)		
		Local GAAP Reclassified	Re-measurement	BAS/IFRS
Cash & cash Equivalents		7,452,833,414	-	7,452,833,414
Cash & Balances with Central Bank		4,536,360,335	-	4,536,360,335
Placement with other Banks		254,273,973	-	254,273,973
Due From Banks and Financial Institution		-	-	-
Loans & Advances to Customers	C/D	25,085,728,247	-75,731,680	25,009,996,567
Investments in Subsidiaries		-	-	-
Investments in Associates		91,463,480	16,879,064	108,342,544
Financial Investments Available for Sale	E	70,893,035	52,776,978	123,670,013
Financial Investments Held to Maturity		-	-	-
Financial Assets - Loans & Receivables		116,952,968	-	116,952,968
Defined Benefit Assets	F	-	50,395,784	50,395,784
Other Financial Assets		207,059,123	-1,315	207,057,808
Other Assets	H	183,987,316	138,034,363	322,021,679
Property & Equipment	A	492,264,841	131,128,099	623,392,939
Intangible Assets	B	37,112,322	-1,702,994	35,409,329
Deferred tax assets	G	-	66,579,343	66,579,343
Total Assets		38,528,929,052	378,357,643	38,907,286,695
Liabilities				
Due to Banks and Financial Institution		8,205,706,302	-	8,205,706,302
Due to Customers	I	21,831,048,003	-76,724,978	21,754,323,024
Debts Issued & Other Borrowed Funds		876,400,000	-	876,400,000
Current Tax Liabilities		384,746,803	-	384,746,803
Defined Benefit Liability		-	-	-
Deferred Tax Liability		-	-	-
Unclaimed Balances		43,149,082	-	43,149,082
Deferred Income		22,588,369	-	22,588,369
Provisions		557,880,648	-538,231,529	19,649,119
Other Liabilities	H	157,458,861	-	157,458,861
Total Liabilities		32,078,978,068	-614,956,508	31,464,021,560
Equity				
Share Capital		3,291,935,960	-	3,291,935,960
Share Premium		-	-	-
Reserves				
Revenue Reserve		37,474,805	806,749,803	844,224,608
General Reserve		2,544,818,049	-	2,544,818,049
Statutory Reserve		146,722,170	-	146,722,170
Specific Reserves		429,000,000	-	429,000,000
AFS Reserve		-	36,943,885	36,943,885
Revaluation Reserve		-	149,620,462	149,620,462
Total equity		6,449,950,984	993,314,150	7,443,265,134
Total liabilities and equity		38,528,929,052	378,357,643	38,907,286,695

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Principal adjustments made

3.2 Reconciliation of Income Statement for the year ended 31st December 2017-Bank

		Bank (Nu)	
	Note	Previous GAAP Reclassified	Re-measurement BAS/IFRS
Interest & Similar Income	D	2,844,020,764	17,995,780
Interest & Similar Expense	I	1,386,708,023	(32,974,545)
Net interest income		1,457,312,742	50,970,325
Fee and commission income		107,298,223	-
Fee and commission expenses		8,430,687	-
Net fee and commission income		98,867,536	-
Other Operating Income		88,815,835	-
Total operating income		1,644,996,113	50,970,325
Personnel Expenses	D	368,063,716	(880,933)
Depreciation on Property Plant & Equipment	A	32,452,273	(1,336,198)
Amortization of Intangible Assets	B	9,532,365	3,242,722
Other Operating Expenses		122,263,417	3,869
Impairment charges/(reversal) for loans and other losses	C	(101,006,248)	(98,065,148)
Total Operating Expenses		431,305,523	(97,035,688)
Profit Before Tax from Continuing Operations		1,213,690,589	148,006,013
Income Tax Expense	G	384,746,803	(63,838,761)
Profit For the Year		828,943,786	211,844,775
Other Comprehensive Income			
Profit For the Year		828,943,786	211,844,775
Gains /(losses) on re-measuring available for sale financial assets	E	-	21,391,141
Remeasurement Gain/(Loss) on Defined Benefit Plan	F	-	(867,469)
Total other comprehensive income before tax		-	20,523,672
Income tax income /(expense) relating to components of other comprehensive income		-	6,677,583
Other comprehensive income for the year, net of tax		-	13,846,089
Total comprehensive income for the year, net of tax		828,943,786	225,690,864
			1,054,634,650

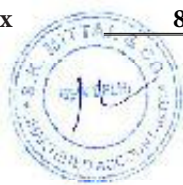
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Reconciliation of Income Statement for the year ended 31st December 2017 - Group

		Group (Nu)		
	Note	Local GAAP Reclassified	Re-measurement	BAS/IFRS
Interest & Similar Income	D	2,844,020,764	17,995,780	2,862,016,545
Interest & Similar Expense	I	1,386,708,023	(32,974,545)	1,353,733,478
Net interest income		1,457,312,742	50,970,325	1,508,283,067
Fee and commission income		107,298,223	-	107,298,223
Fee and commission expenses		8,430,687	-	8,430,687
Net fee and commission income		98,867,536	-	98,867,536
Other Operating Income		88,815,835	-	88,815,835
Share of Profit/(Loss) from Associates	J	1,399,661	-	1,399,661
Total operating income		1,646,395,774	50,970,325	1,697,366,099
Personnel Expenses	D	368,063,716	(880,933)	367,182,784
Depreciation on Property Plant & Equipment	A	32,452,273	(1,336,198)	31,116,074
Amortization of Intangible Assets	B	9,532,365	3,242,722	12,775,087
Other Operating Expenses		122,263,417	3,869	122,267,287
Impairment charges/(reversal) for loans and other losses	C	(101,006,248)	(98,065,148)	(199,071,396)
Total Operating Expenses		431,305,523	(97,035,688)	334,269,835
Profit Before Tax from Continuing Operations		1,215,090,251	148,006,013	1,363,096,264
Income Tax Expense	G	384,746,803	(63,838,761)	320,908,042
Profit For the Year		830,343,448	211,844,775	1,042,188,222
Other Comprehensive Income				
Profit For the Year		830,343,448	211,844,775	1,042,188,222
Gains /(losses) on re-measuring available for sale financial assets	E	-	21,391,141	21,391,141
Remeasurement Gain/(Loss) on Defined Benefit Plan	F	-	(867,469)	(867,469)
Total other comprehensive income before tax		-	20,523,672	20,523,672
Income tax income /(expense) relating to components of other comprehensive income		-	6,677,583	6,677,583
Other comprehensive income for the year, net of tax		-	13,846,089	13,846,089
Total comprehensive income for the year, net of tax		830,343,448	225,690,864	1,056,034,311

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Interest & Similar Income

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Loans & Advances to customers	2,675,882,698	2,650,773,781	2,675,882,698	2,650,773,781
Cash & Short term funds	3,135,757	2,761,545	3,135,757	2,761,545
Placements with other banks	120,235,984	91,897,568	120,235,984	91,897,568
Income From RGOB Bonds	62,762,107	24,054,236	62,762,107	24,054,236
	2,862,016,545	2,769,487,130	2,862,016,545	2,769,487,130

5. Interest & Similar Expenses

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Due to customers	1,301,812,294	1,063,946,608	1,301,812,294	1,063,266,452
Debt issued and other borrowed funds	51,072,131	50,870,335	51,072,131	50,870,335
Other	849,053	517,834	849,053	517,834
	1,353,733,478	1,115,334,776	1,353,733,478	1,114,654,620

6. Net Fees & Commission Income

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Fees & Commission Income				
Banking services	80,650,969	84,463,804	80,650,969	84,463,804
Foreign remittance related services	26,647,254	26,426,838	26,647,254	26,426,838
Brokering Commission	-	-	-	2,963,039
Total fees and commission income	107,298,223	110,890,642	107,298,223	113,853,681
Fees & Commission Expense				
Brokerage Fees	-	-	-	-
Trading Fees	-	-	-	566,925
Other Bank charges & fees	8,430,687	6,879,344	8,430,687	6,879,344
	8,430,687	6,879,344	8,430,687	7,446,270
Net Fees & Commission Income	98,867,536	104,011,298	98,867,536	106,407,411

7. Other Operating Income

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Income From AFS Financial Investments	5,690,950	3,720,335	5,690,950	3,720,335
Income From Investments in Associates	6,375,083	-	6,375,083	-
Exchange Gain	59,121,276	101,595,525	59,121,276	101,595,525
Profit on Disposal Of Fixed Assets	59,540	1,998,581	59,540	1,998,581
Charges Recovered	8,429,519	4,104,379	8,429,519	4,104,379
Others	9,139,467	4,316,430	9,139,467	4,316,440
	88,815,835	115,735,251	88,815,835	115,735,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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8. Personnel Expenses

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Wages & Salaries	314,141,940	290,247,258	314,141,940	290,993,155
Amortization of Pre-paid employment benefits	16,976,197 -	3,381,136	16,976,197 -	3,381,136
Defined Benefit plan	- 17,857,130	4,223,310	- 17,857,130	4,223,310
HRD Cost	36,028,873	26,437,724	36,028,873	26,437,724
Other Benefits	17,892,904	14,058,625	17,892,904	14,058,625
	367,182,784	331,585,781	367,182,784	332,331,679

9. Other Operating Expenses

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Advertising & Marketing	4,271,775	4,535,807	4,271,775	4,535,807
Corporate Social Responsibilities	6,019,000	7,139,000	6,019,000	7,139,000
Administrative	81,756,820	85,468,968	81,756,820	85,543,968
Professional Fees	7,673,987	7,307,123	7,673,987	7,317,423
Rent Paid under operating leases	15,735,717	14,818,152	15,735,717	14,818,152
Other	6,809,987	10,150,614	6,809,987	10,151,114
	122,267,287	129,419,664	122,267,287	129,505,464

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Reconciliation of Impairment Allowance Account-Individual and Collective Impairment

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Individual Impairment				
Opening Balance as at 01 st January	-	26,398,405	-	26,398,405
Charge/(Reversal) for the Years	21,337,626	26,398,405	21,337,626	26,398,405
Closing Balance as at 31 December	21,337,626	-	21,337,626	-
Collective Impairment				
Movement in Provision for Impairment Losses - Productwise				
Opening Balance as at 01 st January	1,805,807,617	1,417,182,923	1,805,807,617	1,417,182,923
Charge/(Reversal) for the Years	220,854,407	390,315,777	220,854,407	390,315,777
Write-offs	30,997,449	1,691,083	30,997,449	1,691,083
Closing Balance as at 31 December	1,553,955,761	1,805,807,617	1,553,955,761	1,805,807,617
Off Balance Sheet Items Provisioning				
Opening Balance as at 01 st January	1,776,156	1,832,788	1,776,156	1,832,788
Charge/(Reversal) for the Years	445,384	-	445,384	-
Closing Balance as at 31 December	1,093,190	1,776,156	2,221,540	1,832,788
Total Charge or Reversal for Loans and Advances	199,071,396	363,917,372	199,071,396	363,917,372
Inventory write-offs	-	-	-	-
Total Charge/(Reversal)	199,071,396	363,917,372	199,071,396	363,917,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)	
	2017	2016	2017	2016
Current Income Tax				
Income Tax for the year	384,746,803	313,176,205	384,746,803	313,849,579
Assessed Tax of earlier period	47,794	-	47,794	-
Deferred Tax	-	63,886,555	-	63,886,555
Deferred Taxation Charge/ (Reversal)	320,908,042	309,559,194	320,908,042	310,232,568
Other Comprehensive Income				
Deferred Tax				
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	-	6,677,583	-	6,677,583
Property Plant and Equipment	-	6,677,583	-	6,677,583
Total Tax Expense for the financial year	314,230,459	343,490,086	314,230,459	344,163,460



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Cash and Cash Equivalents

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Local Currency In Hand	414,499,752	379,548,856	414,499,752	379,548,856
Foreign Currency In hand	85,126,767	45,235,286	85,126,767	45,235,286
Balances with Local Banks	2,665,299,651	1,713,661,153	2,665,299,651	1,713,661,153
Balances with Foreign Banks	291,337,245	1,034,683,684	291,337,245	1,034,683,684
Money at Call and Short Notice	3,996,569,999	2,998,523,427	3,996,569,999	2,998,523,427
	7,452,833,414	6,171,652,407	7,452,833,414	6,171,652,407

13. Balances with Central Bank of Bhutan (RMA)

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
RMA Current Account	1,454,903,307	1,534,153,778	1,454,903,307	1,534,153,778
CRR With RMA Account	2,897,825,878	2,562,774,558	2,897,825,878	2,562,774,558
RMA Penalty Account	77,278	77,278	77,278	77,278
RMA - BFS Settlement Account	- 125,109,508	- 276,377,606	- 125,109,508	- 276,377,606
ATM Settlement Account	- 12,218,994	141,021,051	- 12,218,994	141,021,051
RMA - BFS Settlement Account - POS	- 2,448,786	- 1,230,474	- 2,448,786	- 1,230,474
RMA-PG & IMPS	5,600,161	-	5,600,161	-
RMA Currency Chest	317,731,000	424,585,000	317,731,000	424,585,000
	4,536,360,335	4,385,003,584	4,536,360,335	4,385,003,584

14. Placements with other banks

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Placement within Bhutan	254,273,973	764,956,284	254,273,973	764,956,284
Placement outside Bhutan	-	-	-	-
	254,273,973	764,956,284	254,273,973	764,956,284

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



15. Gross loans & receivables

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Gross loans & receivables	26,723,323,399	24,628,473,921	26,723,323,399	24,628,473,921
Less: Staff loan fair value adjustment	- 138,033,445	- 94,326,026	- 138,033,445	- 94,326,026
	26,585,289,954	24,534,147,895	26,585,289,954	24,534,147,895
Less: Impairment				
<i>Individual impairment</i>	- 21,337,626	-	- 21,337,626	-
<i>Collective impairment</i>	- 1,553,955,761	- 1,805,807,617	- 1,553,955,761	- 1,805,807,617
Total Impairment	- 1,575,293,387	- 1,805,807,617	- 1,575,293,387	- 1,805,807,617
Net Loans and Receivables	25,009,996,567	22,728,340,278	25,009,996,567	22,728,340,278

15.1. Analysis by Product

Loans & Advances to Customers

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Term Loan	19,377,606,148	17,921,992,732	19,377,606,148	17,921,992,732
Overdrafts and Working Capital	6,953,044,363	6,314,276,573	6,953,044,363	6,314,276,573
Bills discounted	31,357,983	22,075,014	31,357,983	22,075,014
Cheques purchased	- 1,118	- 1,118	- 1,118	- 1,118
Credit cards' outstandings	2,776,205	4,511,806	2,776,205	4,511,806
Suspended loans	358,539,818	365,618,915	358,539,818	365,618,915
	26,723,323,399	24,628,473,921	26,723,323,399	24,628,473,921
Less: Staff Loans Unamortised Day One Difference	- 138,033,445	- 94,326,026	- 138,033,445	- 94,326,026
Less: Allowance for Impairment	- 1,575,293,387	- 1,805,807,617	- 1,575,293,387	- 1,805,807,617
	25,009,996,567	22,728,340,278	25,009,996,567	22,728,340,278

16. Investments in Subsidiaries

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
BNB Securities Limited	-	500,000	-	-
	-	500,000	-	-

On December 31, 2017, BNB Securities Ltd, an unlisted wholly owned subsidiary of the Bank stands merged with the Bank upon fulfilment of all the requirements under Companies Act of the Kingdom of Bhutan 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16.1 The book value of indefinable assets and liabilities of the BNB Securities Ltd as on

	2017	2016
Assets		
Share Capital	500,000	500,000
Reserves & Surplus	10,655,970	10,218,377
Current Liabilities & Provision	870,003	759,575
	12,025,973	11,477,952
Liabilities		
Investment	-	8,854,247
Balances with Banks	11,964,787	2,389,968
Other Assets	61,186	233,737
	12,025,973	11,477,952

16.2 Statement of Profit and Loss account for the period ending

	2017	2016
Total Income	1,776,839	3,643,203
Total Expenses	1,170,838	1,398,623
Profit before Tax	606,001	2,244,580
Provision for taxation	120,614	673,374
Profit after Tax	485,387	1,571,206

17. Investments in Associates

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
DFAL (Quoted Investment)	91,463,480	91,463,480	108,342,544	106,942,883
	91,463,480	91,463,480	108,342,544	106,942,883

Fair valuation is done on the basis of latest available audited financials i.e as of 31.12.16 (PY 31.12.15)

		2017		2016	
	Holdings	Cost	Market Value	Cost	Market Value
Equity Investment in DFAL	20%	91,463,480	10,721,731	91,463,480	12,750,166

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



18. Financial Investments Available for Sale

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Quoted Investment (Note 18.1)	81,609,013	60,217,872	81,609,013	60,217,872
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	39,561,000	39,561,000	39,561,000
	123,670,013	102,278,872	123,670,013	102,278,872

Fair valuation (Quoted investment) is done on the basis of latest available audited financials i.e as of 31.12.16 (PY 31.12.15)

18.1. Quoted Investment

	2017			2016		
	No of Shares	Cost	Market Value	No of Shares	Cost	Market Value
PCAL	609,550	21,686,278	31,452,780	609,550	21,686,278	31,452,780
BBPL	14,000	141,400	140,000	14,000	141,400	140,000
BCCL	500,000	5,000,000	37,500,000	500,000	5,000,000	37,500,000
BPCL	127,140	1,271,400	1,271,400	127,140	1,271,400	1,271,400
RICBL	442,500	732,957	17,700,000	442,500	732,957	17,700,000
		28,832,035	88,064,180		28,832,035	88,064,180
Less: FV Adjustment		52,776,978			31,385,837	
		81,609,013			60,217,872	

Note: Market value of investment is based on the last closing price as per RSEBL

18.2. Unquoted Investment

	2017		2016	
	No of Shares	Cost	No of Shares	Cost
Bhutan Development Bank Limited	2,500	2,500,000	2,500	2,500,000
		2,500,000		2,500,000





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18.3. Statutory Investment

	2017		2016	
	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	175,000	1,750,000
Royal Securities Exchange of Bhutan Ltd	162,000	19,811,000	162,000	19,811,000
		<u>39,561,000</u>		<u>39,561,000</u>

19. Financial Assets - Loans & Receivables

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Investment in Bonds	116,952,968	116,948,539	116,952,968	116,948,539
	<u>116,952,968</u>	<u>116,948,539</u>	<u>116,952,968</u>	<u>116,948,539</u>

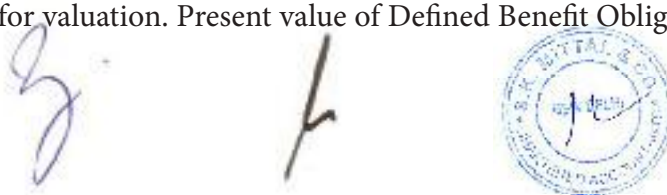
19.1. Investment in DCCL Bond

					Date	
	Unit	Face Value	Amount	Coupon Rate	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 is Nu. 2 million in 2017 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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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)

	2017	2016
Current Service Cost	7,995,570	7,160,186
Interest cost on benefit obligation	- 3,349,335 -	2,936,876
Past service cost	-	-
Net cost for the year recognized in profit or loss	4,646,235	4,223,310

	2,017	2,016
Actual return/(deficit) on plan assets	9,963,025 -	6,049,854

Retirement Benefit Asset

	2,017	2,016
Present Value of Defined Benefit Obligation	- 101,175,915 -	88,088,911
Fair Value of Scheme Assets	151,571,699	121,495,034
Funded Status [Surplus/(Deficit)]	50,395,784	33,406,123
Retirement Benefit Asset	50,395,784	33,406,123

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2,017	2,016
Opening Defined Benefit Obligation	88,088,911	77,583,746
Current service cost	7,995,570	7,160,186
Interest cost	6,517,054	5,756,876
Past service cost – plan amendments	-	-
Benefits paid from plan assets	- 2,389,725	- 1,650,804
Actuarial (gain)/loss due to scheme experience	964,105	761,093
Actuarial (gain)/loss due to change in demographic assumptions	-	-
Closing Defined Benefit Obligation	101,175,915	88,088,911

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

	2017	2016
Fair Value of Assets at the beginning of current period	121,495,034	104,288,508
Interest income on plan assets	9,866,389	8,693,752
Employer contributions	22,503,365	24,907,184
Benefits paid	- 2,389,725	- 1,650,804
Return on plan assets greater or (less) than discount rate	96,636	14,743,606
Closing fair value of plan asset	151,571,699	121,495,034

The major categories of plan assets as a percentage of the fair value of total plan assets for 2017 and 2016 are as follows:

	2017/2016	2016/2015
Term Deposits with Banks	15.71%	19.67%
Current Account	84.29%	80.33%
Closing fair value of plan asset	100.00%	100.00%

The principal assumptions used in determining Defined Benefit Obligations for the bank's plan for 2017 and 2016 are shown below:

	2017/2016	2016/2015
Discount Rates	7.50%	7.50%
Salary Escalation Rates	15.00%	15.00%
Employee Turnover Rates	5.61%	5.61%
Mortality Rates	100% of IALM (2006-08)	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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.	
	Defined Benefit Obligation	Net Effect on Defined Benefit Obligation
1. Discount Rate		
Base Discount Rate of 7.5%	101,175,915	-
Discount rate of 8% (+0.5%)	97,165,336	- 4,010,579
Discount rate of 7% (-0.5%)	105,467,407	4,291,492
2. Salary Escalation Rate		
Base Salary Escalation Rate of 15%	101,175,915	-
Salary Escalation Rate of 16% (+1%)	102,616,713	1,440,798
Salary Escalation Rate of 14% (-1%)	99,646,315	- 1,529,600
3. Attrition Rate		
Base Attrition Rate of 5.61%	101,175,915	-
Attrition Rate of 6.61% (+1%)	102,853,611	1,677,696
Attrition Rate of 4.61% (-1%)	99,050,658	- 2,125,257

21. Other Financial Assets

As at 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Sundry Receivables	161,561,787	134,805,714	161,561,787	134,805,714
Security Deposits	406,707	402,062	406,707	402,062
Others	45,089,314	22,667,375	45,089,314	22,667,375
	207,057,808	157,875,152	207,057,808	157,875,152





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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Other Assets

As at 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Assets acquired in satisfaction of debts	174,624,078	174,624,078	174,624,078	174,624,078
Others	62	9,062	62	9,062
Prepaid Staff Cost	138,033,445	94,326,026	138,033,445	94,326,026
Prepaid Cost on Refundable Deposits	919	4,788	919	4,788
Advance Tax Paid and Tax Deducted at Source	9,363,176	87,358,424	9,363,176	87,592,161
	322,021,679	356,322,378	322,021,679	356,556,115

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

Bank / Group	2017	2016
As at 1st January	94,326,026	62,623,319
Add / (Less): Adjustment for new grants & settlements	60,683,616	28,321,572
Less: charge to Personnel cost	- 16,976,197	3,381,136
As at 31st December	138,033,445	94,326,026

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

Bank / Group	2017	2016
As at 1st January	4,788	8,312
Add / (Less): Adjustment for new Deposits & settlements	-	-
Less: Charge to Operating Expenses	3,869	3,524
As at 31st December	919	4,788



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Cost/Revalued Amount:	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2016	181,139,800	84,828,882	9,792,706	41,025,043	30,031,554	141,147,959	8,967,415	1,240,357	18,498,106	125,139,336	641,811,158
Additions	12,131,000	2,518,968	1,328,050	9,533,315	15,664,879	22,975,248	810,544	-	7,674,450	-	72,636,454
Reclassification of WIP	-	-	-	141,694	433,013	4,815,363	-	-	-	144,374,400	149,764,470
Capitalization of PY WIP	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	5,132,000	203,000	-	-	-	5,335,000
Disposals	-	-	91,000	3,117,822	1,048,080	1,599,976	439,746	64,992	1,865,198	125,139,336	133,366,150
At 31 December 2016	193,270,800	87,347,851	11,029,756	47,582,230	45,081,366	162,206,593	9,135,213	1,175,365	24,307,358	144,374,400	725,510,931

Accumulated Depreciation	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2016	-	5,824,590	5,875,351	28,513,178	21,545,571	101,259,832	7,123,946	983,161	4,237,789	-	175,363,419
Prior Period Adjustment	-	3,345,864	156,321	1,977,570	2,097,651	98,442	177,961	-	-	-	3,345,864
Charge for the year	-	2,431,231	933,649	3,247,561	3,333,162	12,600,846	556,465	127,124	2,177,580	-	25,407,617
Disposals	-	-	-	253,701	35,395	1,136,785	1,998	58,640	1,865,197	-	3,351,716
At 31 December 2016	-	11,601,685	6,965,321	29,529,468	26,940,990	112,625,452	7,500,452	1,051,645	4,550,172	-	200,765,184

Cost/Revalued Amount:	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2017	193,270,800	87,347,851	11,029,756	47,582,230	45,081,366	162,206,593	9,135,213	1,175,365	24,307,358	144,374,400	725,510,931
Additions	17,950,000	23,327,725	844,910	5,030,053	7,392,534	17,997,499	201,979	-	-	-	72,744,699
Reclassification of WIP	-	-	-	-	-	29,589,433	3,861,942	-	-	30,259,734	63,711,109
Capitalization of PY WIP	-	-	-	141,694	433,013	4,815,363	-	-	-	-	5,390,070
Disposals	-	-	71,160	6,570,952	1,392,841	146,663	-	8,150	-	-	8,189,767
At 31 December 2017	211,220,800	110,675,575	11,803,506	45,899,637	50,648,046	204,831,498	13,199,134	1,167,215	24,307,358	174,634,134	848,386,904

Accumulated Depreciation	Land	Building	Electric Appliances & Machineries	Furniture, fixtures, & fittings	Office equipments	Computer hardwares	Security tools	Carpets & soft furnishings	Vehicles	WIP	Total
At 1 January 2017	-	11,601,685	6,965,321	29,529,468	26,940,990	112,625,452	7,500,452	1,051,645	4,550,172	-	200,765,184
Prior Period Adjustment	-	9,064	-	-	-	-	-	-	3,291	-	12,355
Charge for the year	-	2,681,419	308,078	3,191,043	5,112,163	16,589,971	596,330	106,251	2,518,463	-	31,103,719
Disposals	-	-	43,565	5,362,931	1,328,677	143,971	-	8,149	-	-	6,887,294
At 31 December 2017	-	14,292,168	7,229,834	27,357,580	30,724,476	129,071,451	8,096,782	1,149,747	7,071,927	-	224,993,964



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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	2017	2016
Electric Appliances & Machineries	4,311,124	3,899,474
Furniture, fixtures, & fittings	15,740,768	17,791,925
Office equipments	17,365,254	12,620,646
Computer hardwares	71,326,230	61,894,480
Security tools	3,843,775	3,075,525
Carpets & soft furnishings	821,979	814,959
Vehicles	-	-
	113,409,130	100,097,009

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). Include land as well- Previous year to be changed accordingly

As at 31st December	2017	2016
IT Hardwares	29,589,433	4,815,363
Furniture & Fixture	-	141,694
Office Equipment	-	433,013
Security Tools	3,861,942	-
	33,451,375	5,390,070





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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24. Intangible Assets (Bank & Group)

Cost:	Softwares
At 1 January 2016	81,729,271
Additions	7,029,078
Reclassification from WIP	18,866,934
Capitalization of PY WIP	-
Disposals	-
At 31 December 2016	107,625,282

Amortisation and impairment:

At 1 January 2016	56,395,566
Amortisation	8,164,472
Disposals	-
At 31 December 2016	64,560,038

Cost:	Softwares
At 1 January 2017	107,625,282
Additions	15,706,877
Reclassification from WIP	8,279,228
Capitalization of PY WIP	(18,866,934)
Disposals	-
At 31 December 2017	112,744,453

Amortisation and impairment:

At 1 January 2017	64,560,038
Amortisation	12,775,087
Disposals	-
At 31 December 2017	77,335,125

Net book value:

At 31 December 2016	43,065,244
At 31 December 2017	35,409,329

24.1. Fully depreciated Intangible Assets - Bank

	2017	2016
Softwares	40,549,838	39,850,553





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24.2. Temporarily idle Intangible assets- Bank

	2017	2016
Softwares	8,279,228	18,866,934
	8,279,228	18,866,934

25. Due to Banks and Financial Institution

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Banks	1,945,537,993	1,858,107,577	1,945,537,993	1,858,107,577
Non Bank Financial Institutions	6,260,168,309	7,991,802,735	6,260,168,309	7,980,558,519
	8,205,706,302	9,849,910,311	8,205,706,302	9,838,666,096

26. Due to Customers

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Fixed Deposit	8,636,006,688	7,876,040,642	8,636,006,688	7,876,040,642
Recurring Deposit	227,717,777	197,277,161	227,717,777	197,277,161
Savings Deposits	7,101,008,038	5,928,438,617	7,101,008,038	5,928,438,617
Current Accounts	5,789,590,521	3,343,287,911	5,789,590,521	3,343,287,911
	21,754,323,024	17,345,044,331	21,754,323,024	17,345,044,331





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



26.1. Due to Customers (Currency)

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Local Currency Deposits				
Fixed Deposit	15,783,070,786	16,587,434,435	15,783,070,786	16,578,580,188
Recurring Deposit	227,717,777	197,277,161	227,717,777	197,277,161
Savings Deposits	7,087,086,402	5,928,438,617	7,087,086,402	5,928,438,617
Current Accounts	4,749,898,280	3,821,675,904	4,749,898,280	3,819,285,935
	27,847,773,246	26,534,826,117	27,847,773,246	26,523,581,902
Foreign Currency Deposits				
Savings Deposits	2,098,334,445	660,128,525	2,098,334,445	660,128,525
Current Accounts	13,921,636	-	13,921,636	-
	2,112,256,081	660,128,525	2,112,256,081	660,128,525

27. Debts issued & borrowed funds

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Subordinated Bonds	876,400,000	876,327,869	876,400,000	876,327,869
	876,400,000	876,327,869	876,400,000	876,327,869

27.1. Bond Details

Amortised Cost					Allotment Date	Maturity Date	Rate of Interest
	Unit	Face Value	2017	2016			
DGPC	350,000	1,000	354,372,603	354,430,137	17-Oct-11	16-Oct-18	6%
RGoB	500,000	1,000	522,027,397	522,027,397	9-Apr-14	8-Apr-24	6%
			876,400,000	876,457,534			

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. Current tax liabilities

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Balance as at 1st January	313,176,205	444,501,788	313,849,579	444,902,615
Current year provision	384,746,803	313,176,205	384,746,803	313,849,579
Less: Payment of tax	313,176,205	444,501,788	313,849,579	444,902,615
Balance as at 31st December	384,746,803	313,176,205	384,746,803	313,849,579

29. Analysis of Financial Instruments by Measurement Basis

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

As at 31-Dec-2017-Bank

Analysis of Financial Instruments by Measurement Basis

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	7,452,833,414	-	-	7,452,833,414
Cash & Balances with Central Bank	-	4,536,360,335	-	-	4,536,360,335
Placement with other Banks	-	254,273,973	-	-	254,273,973
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	25,009,996,567	-	-	25,009,996,567
Financial Investments Available for Sale	-	-	-	123,670,013	123,670,013
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,952,968	-	-	116,952,968
Other Financial Assets	-	207,057,808	-	-	207,057,808
Financial Liabilities					
Due to Banks and Financial Institution	-	8,205,706,302	-	-	8,205,706,302
Due to Customers	-	21,754,323,024	-	-	21,754,323,024
Debts Issued & Other Borrowed Funds	-	876,400,000	-	-	876,400,000
Unclaimed Balances	-	43,149,082	-	-	43,149,082
Other Liabilities	-	23,865,734	-	-	23,865,734

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



As at 31-Dec-2016-Bank

Analysis of Financial Instruments by Measurement Basis

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	6,171,652,407	-	-	6,171,652,407
Cash & Balances with Central Bank	-	4,385,003,584	-	-	4,385,003,584
Placement with other Banks	-	764,956,284	-	-	764,956,284
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	22,728,340,278	-	-	22,728,340,278
Financial Investments Available for Sale	-	-	-	102,278,872	102,278,872
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,948,539	-	-	116,948,539
Other Financial Assets	-	157,875,152	-	-	157,875,152
Financial Liabilities					
Due to Banks and Financial Institution	-	9,849,910,311	-	-	9,849,910,311
Due to Customers	-	17,345,044,331	-	-	17,345,044,331
Debts Issued & Other Borrowed Funds	-	876,327,869	-	-	876,327,869
Unclaimed Balances	-	34,579,659	-	-	34,579,659
Other Liabilities	-	21,540,625	-	-	21,540,625

As at 31-Dec-2016-Group

Analysis of Financial Instruments by Measurement Basis

	Held for Trading	Amortised Cost	Held to maturity	AFS	Total
Financial Assets					
Cash & cash Equivalents	-	6,171,652,407	-	-	6,171,652,407
Cash & Balances with Central Bank	-	4,385,003,584	-	-	4,385,003,584
Placement with other Banks	-	764,956,284	-	-	764,956,284
Due From Banks and Financial Institution	-	-	-	-	-
Loans & Advances to Customers	-	22,728,340,278	-	-	22,728,340,278
Financial Investments Available for Sale	-	-	-	102,278,872	102,278,872
Financial Investments Held to Maturity	-	-	-	-	-
Investment's in Bonds	-	116,948,539	-	-	116,948,539
Other Financial Assets	-	157,875,152	-	-	157,875,152
Financial Liabilities					
Due to Banks and Financial Institution	-	9,838,666,096	-	-	9,838,666,096
Due to Customers	-	17,345,044,331	-	-	17,345,044,331
Debts Issued & Other Borrowed Funds	-	876,327,869	-	-	876,327,869
Unclaimed Balances	-	34,579,659	-	-	34,579,659
Other Liabilities	-	21,540,625	-	-	21,540,625

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Deferred Taxation (Bank and the Group)

30.1. Reflected in Statement of Financial Position

	2017	2016
Property Plant and Equipment & Intangibles	37,512,076 -	38,084,033
Fair value change of Available for Financial Assets - Equity Securities	- 15,833,094 -	9,415,751
Revaluation	- 1,315,456 -	1,315,456
Defined Benefit Assets	16,414,363 -	1,295,628
Defined Benefit Liabilities	-	-
Defined Benefit Assets (OCI)	4,096,210	4,356,450
Impairment Charges	25,705,244	55,124,788
Deferred Tax Assets/(Liabilities)	66,579,343	9,370,371

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

30.2. Reflected in Statement of Comprehensive Income

	2017	2016
Property Plant and Equipment & Intangibles	75,596,108	605,741
Defined Benefit Assets	17,709,991	7,430,581
Impairment Charges	- 29,419,545 -	4,419,311
Deferred Tax Assets/(Liabilities)	63,886,555	3,617,011
Deferred Income Tax Charge/(Reversal)	63,886,555	3,617,011

30.3. Reflected in Statement of Other Comprehensive Income

	2017	2016
Fair value change of Available for Financial Assets - Equity Securities	- 6,417,342	29,412,746
Defined Benefit Assets (OCI)	- 260,241	4,518,147
Deferred Tax Assets/(Liabilities)	- 6,677,583	33,930,892
Deferred Income Tax Charge/(Reversal)	- 6,677,583	33,930,892



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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31. Provisions

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Provisions for Leave Encashment	18,555,929	15,473,003	18,555,929	15,511,592
Provisions for Other Losses	1,093,190	1,776,156	1,093,190	1,776,156
Payable to Gratuity Fund (Provision)	-	-	-	37,312
	19,649,119	17,249,159	19,649,119	17,325,060

Movements

Provisions for Leave Encashment	3,082,926	1,554,769
Provisions for Off Balance sheet items	- 682,966	- 56,632
PL Impact	- 2,399,960	- 1,498,137

32. Other Liabilities

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
<i>Financial</i>				
Accounts payable & Sundry creditors	23,865,734	21,540,625	23,865,734	21,540,625
<i>Non Financial</i>				
Margin Money	28,296,598	65,565,682	28,296,598	65,565,682
Other	105,296,529	136,607,389	105,296,529	136,617,689
	157,458,861	223,713,696	157,458,861	223,723,996

33. Share Capital and Share Premium

	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Share Capital	3,291,935,960	3,291,935,960	3,291,935,960	3,291,935,960
Share Premium	-	-	-	-
	3,291,935,960	3,291,935,960	3,291,935,960	3,291,935,960

33.1. Share Capital

	2017	2016
Opening balance (January 01)	3,291,935,960	3,548,077,000
Buyback of shares	-	(256,141,040)
Closing Balance (December 31)	3,291,935,960	3,291,935,960

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 Contingences

As at 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Commitments				
Commitment for unutilised facilities (direct advances)	3,106,524,593	3,017,601,679	3,106,524,593	3,017,601,679
	3,106,524,593	3,017,601,679	3,106,524,593	3,017,601,679
Contingent Liabilities				
Guarantees	2,773,791,244	2,754,124,274	2,773,791,244	2,754,124,274
Letter of Credits	191,286,215	978,644,930	191,286,215	978,644,930
Other	3,106,524,593	3,017,601,679	3,106,524,593	3,017,601,679
	6,071,602,051	6,750,370,883	6,071,602,051	6,750,370,883
Commitment & contingencies	9,178,126,643	9,767,972,562	9,178,126,643	9,767,972,562

34.2. Capital commitments for which provisions have not been made in these accounts, amounts approximately to:

As at 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Approved & contracted for	143,169,654	202,961,583	143,169,654	202,961,583
	143,169,654	202,961,583	143,169,654	202,961,583

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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 dependants of the KMPs and the KMPs domestic partner.

35.2.1. Transactions with Key Managerial Personnel (KMPs)

For the Year Ended 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Short term employee benefits	6,556,466	6,435,974	6,556,466	6,435,974
Post-employment benefits	2,000,000	2,000,000	2,000,000	2,000,000
Directors' fees & expenses	4,111,261	4,633,761	4,111,261	4,633,761
Total	12,667,727	13,069,735	12,667,727	13,069,735

35.3. Short term employee benefits to CEO

For the Year Ended 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Salary & Other Benefits	4,620,297	4,784,968	4,620,297	4,784,968
Vehicle Expenses	506,993	349,454	506,993	349,454
Travel - Local/Foreign	1,340,359	1,185,123	1,340,359	1,185,123
Total	6,467,649	6,319,545	6,467,649	6,319,545





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

For the Year Ended 31st Decem	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Loans and Receivables outstanding	159,919,000	573,630	159,919,000	573,630
Total	159,919,000	573,630	159,919,000	573,630

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

For the Year Ended 31st Decem	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Credit Card outstanding	-	-	-	-
Total	-	-	-	-

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

For the Year Ended 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Deposits	125,128,066	4,299,927	125,128,066	4,299,927
Investment in Equity shares of BNBL	14,219,200	204,924,480	14,219,200	204,924,480
Total	139,347,266	209,224,407	139,347,266	209,224,407

35.4.4 Dividend paid to KMPs and their CFMs

For the Year Ended 31st Decem	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Dividend	19,053,728	28,172,488	19,053,728	28,172,488
Total	19,053,728	28,172,488	19,053,728	28,172,488

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

For the Year Ended 31st December	Bank (Nu)		Group (Nu)	
	2017	2016	2017	2016
Loans & receivables	192,678,796	234,143,927	192,678,796	234,143,927
Deposits	110,828,578	42,154,051	110,828,578	42,154,051
Total	303,507,375	276,297,978	303,507,375	276,297,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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36. Events After the Reporting Period (Bank & Group)

The board in 121st BOD meeting held on February 26, 2018 proposed a dividend of Nu. 1.635 (16.35%) per share for the income year 2017, which was endorsed by the shareholders in the 22nd Annual General Meeting held on February 28, 2018.

37. Fair value of Financial Instruments

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.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Bank (Nu)			Group (Nu)		
	Level I	Level II	Level III	Level I	Level II	Level III
31st December 2017						
Financial Investment Available For sale (Quoted)	-	-	81,609,013	-	-	81,609,013
Staff Loan	-	-	226,161,312	-	-	226,161,312
31st December 2016						
Financial Investment Available For sale (Quoted)	-	-	60,217,872	-	-	60,217,872
Staff Loan	-	-	192,707,750	-	-	192,707,750

A. Determination of fair value hierarchy

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

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets & liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity.

For quoted debt issued

The fair values are determined based on quoted market prices. For those not issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

For other variable rate instruments

An adjustment is also made to reflect the change in required credit spread since the instrument was first recognized. Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



31st December	Bank (Nu)			
	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash & cash equivalents	7,452,833,414	7,452,833,414	6,171,652,407	6,171,652,407
Balances with Central Bank	4,536,360,335	4,536,360,335	4,385,003,584	4,385,003,584
Placements with Banks	254,273,973	254,273,973	764,956,284	764,956,284
Loans & Advances to Customers	25,009,996,567	21,218,856,187	22,728,340,278	20,952,192,693
Investments in Subsidiaries	-	-	500,000	500,000
Investments in Associates	91,463,480	91,463,480	91,463,480	91,463,480
Financial Investments Available for Sale	123,670,013	123,670,013	102,278,872	102,278,872
Investment's in Bonds	116,952,968	115,190,235	116,948,539	115,091,356
Other Financial Assets	207,057,808	207,057,808	157,875,152	157,875,152
Financial Liabilities				
Due to Banks	8,205,706,302	8,381,886,659	9,849,910,311	6,905,017,288
Due to Customers	21,754,323,024	21,578,142,668	17,345,044,331	20,290,076,066
Debts Issued & Other Borrowed Funds	876,400,000	809,865,108	876,327,869	767,119,144
Unclaimed Balances	43,149,082	43,149,082	34,579,659	34,579,659
Other Liabilities	23,865,734	23,865,734	21,540,625	21,540,625

31st December	Group (Nu)			
	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash & cash equivalents	7,452,833,414	7,452,833,414	6,171,652,407	6,171,652,407
Balances with Central Bank	4,536,360,335	4,536,360,335	4,385,003,584	4,385,003,584
Placements with Banks	254,273,973	254,273,973	764,956,284	764,956,284
Loans & Advances to Customers	25,009,996,567	21,218,856,187	22,728,340,278	20,952,192,693
Investments in Subsidiaries	-	-	-	-
Investments in Associates	108,342,544	108,342,544	106,942,883	106,942,883
Financial Investments Available for Sale	123,670,013	123,670,013	102,278,872	102,278,872
Investment's in Bonds	116,952,968	115,190,235	116,948,539	115,091,356
Other Financial Assets	207,057,808	207,057,808	157,875,152	157,875,152
Financial Liabilities				
Due to Banks	8,205,706,302	8,381,886,659	9,838,666,096	6,905,017,288
Due to Customers	21,754,323,024	21,578,142,668	17,345,044,331	20,290,076,066
Debts Issued & Other Borrowed Funds	876,400,000	809,865,108	876,327,869	767,119,144
Unclaimed Balances	43,149,082	43,149,082	34,579,659	34,579,659
Other Liabilities	23,865,734	23,865,734	21,540,625	21,540,625



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Risk Management

38.1 Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counter party. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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31st December 2017

Bank (Nu.)

	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	7,452,833,414	-	7,452,833,414
Cash & Balances with Central Bank	4,536,360,335	-	4,536,360,335
Placement with other Banks	254,273,973	-	254,273,973
Loans & Advances to Customers	25,009,996,567	24,261,190,101	748,806,466
Financial Investments Available for Sale	123,670,013	-	123,670,013
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	207,057,808	-	207,057,808

31st December 2017

Group (Nu.)

	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Financial Assets			
Cash & cash Equivalents	7,452,833,414	-	7,452,833,414
Cash & Balances with Central Bank	4,536,360,335	-	4,536,360,335
Placement with other Banks	254,273,973	-	254,273,973
Loans & Advances to Customers	25,009,996,567	24,261,190,101	748,806,466
Financial Investments Available for Sale	123,670,013	-	123,670,013
Investment's in Bonds	116,952,968	-	116,952,968
Other Financial Assets	207,057,808	-	207,057,808

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2016

Bank (Nu.)

Financial Assets	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Cash & cash Equivalents	6,171,652,407	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	4,385,003,584
Placement with other Banks	764,956,284	-	764,956,284
Loans & Advances to Customers	22,728,340,278	22,064,395,015	663,945,263
Financial Investments Available for Sale	102,278,872	-	102,278,872
Investment's in Bonds	116,948,539	-	116,948,539
Other Financial Assets	157,875,152	-	157,875,152

31st December 2016

Group (Nu.)

Financial Assets	Maximum Exposure to credit Risk (Nu)	Net Collateral	Net Exposure
Cash & cash Equivalents	6,171,652,407	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	4,385,003,584
Placement with other Banks	764,956,284	-	764,956,284
Loans & Advances to Customers	22,728,340,278	22,064,395,015	663,945,263
Financial Investments Available for Sale	102,278,872	-	102,278,872
Investment's in Bonds	116,948,539	-	116,948,539
Other Financial Assets	157,875,152	-	157,875,152

38.1.1 Credit quality by class of financial asset

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

Definition of Past Due

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



31st December 2017	Bank (Nu)			Total
	Neither past due nor Individually impaired	Past due but not Individually impaired	Individually Impaired	
Cash & cash Equivalents	7,452,833,414	-	-	7,452,833,414
Cash & Balances with Central Bank	4,536,360,335	-	-	4,536,360,335
Placement with other	254,273,973	-	-	254,273,973
Investments in	-	-	-	-
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	123,670,013	-	-	123,670,013
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	207,057,808	-	-	207,057,808
	32,924,368,170	4,795,206,046	73,034,341	37,792,608,557

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 other customers	3,199,945,494	1,065,922,544	220,615,848	308,722,160	4,795,206,046





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2017	Group (Nu)			Total
	Neither past due nor Individually impaired	Past due but not Individually impaired	Individually Impaired	
Cash & cash Equivalents	7,452,833,414	-	-	7,452,833,414
Cash & Balances with Central Bank	4,536,360,335	-	-	4,536,360,335
Placement with other Banks	254,273,973	-	-	254,273,973
Loans & Advances to Customers	20,141,756,180	4,795,206,046	73,034,341	25,009,996,567
Investments in Associates	108,342,544	-	-	108,342,544
Financial Investments Available for Sale	123,670,013	-	-	123,670,013
Investment's in Bonds	116,952,968	-	-	116,952,968
Other Financial Assets	207,057,808	-	-	207,057,808
	32,941,247,234	4,795,206,046	73,034,341	37,809,487,621

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 other customers	3,199,945,494	1,065,922,544	220,615,848	308,722,160	4,795,206,046





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



31st December 2016	Bank (Nu)			Total
	Neither past due nor Individually impaired	Past due but not Individually impaired	Individually Impaired	
Cash & cash Equivalents	6,171,652,407	-	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	-	4,385,003,584
Placement with other Banks	764,956,284	-	-	764,956,284
Loans & Advances to Customers	18,780,259,287	3,948,080,992	-	22,728,340,279
Investments in Subsidiaries	500,000	-	-	500,000
Investments in Associates	91,463,480	-	-	91,463,480
Financial Investments Available for Sale	102,278,872	-	-	102,278,872
Investment's in Bonds	116,948,539	-	-	116,948,539
Other Financial Assets	157,875,152	-	-	157,875,152
	30,570,937,605	3,948,080,992	-	34,519,018,597

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 other customers	1,612,902,556	1,513,887,919	512,138,760	309,151,756	3,948,080,992







NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2016	Group (Nu)			Total
	Neither past due nor Individually impaired	Past due but not Individually impaired	Individually Impaired	
Cash & cash Equivalents	6,171,652,407	-	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	-	4,385,003,584
Placement with other Banks	764,956,284	-	-	764,956,284
Loans & Advances to Customers	18,780,259,287	3,948,080,992	-	22,728,340,279
Investments in Associates	106,942,883	-	-	106,942,883
Financial Investments Available for Sale	102,278,872	-	-	102,278,872
Investment's in Bonds	116,948,539	-	-	116,948,539
Other Financial Assets	157,875,152	-	-	157,875,152
	30,585,917,008	3,948,080,992	-	34,533,997,999

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 other customers	1,612,902,556	1,513,887,919	512,138,760	309,151,756	3,948,080,992

38.1.2 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 counter party, and sector.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Country Risk - Geographical Analysis as at 31Dec 2017

	Bank (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	7,076,369,402	543,000,942	40,397,835	206,934,765	7,452,833,414
Balances with Central Bank	4,536,360,335	-	-	-	4,536,360,335
Placement with other Banks	254,273,973	-	-	-	254,273,973
Loans & Advances to Customers	25,009,996,567	-	-	-	25,009,996,567
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates	91,463,480	-	-	-	91,463,480
Financial Investments Available for Sale	123,670,013	-	-	-	123,670,013
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	207,057,808	-	-	-	207,057,808
	37,416,144,546	543,000,942	40,397,835	206,934,765	37,792,608,557

Regional Break Down of Loans

Thimphu	16,315,033,616
Phuntsholing	3,165,147,106
Samdrupjongkhar	544,167,285
Trashigang	358,615,979
Gelephu	1,119,387,122
Paro	1,083,811,183
Monggar	505,133,721
Wangdue	761,292,840
Bumthang	423,664,225
Samtse	470,192,086
Tsirang	263,551,403
	25,009,996,567



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Country Risk - Geographical Analysis as at 31Dec 2017

	Group (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	7,076,369,402	543,000,942	40,397,835	206,934,765	7,452,833,414
Balances with Central Bank	4,536,360,335	-	-	-	4,536,360,335
Placement with other Banks	254,273,973	-	-	-	254,273,973
Loans & Advances to Customers	25,009,996,567	-	-	-	25,009,996,567
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates	108,342,544	-	-	-	108,342,544
Financial Investments Available for Sale	123,670,013	-	-	-	123,670,013
Investment's in Bonds	116,952,968	-	-	-	116,952,968
Other Financial Assets	207,057,808	-	-	-	207,057,808
	37,433,023,609	543,000,942	40,397,835	206,934,765	37,809,487,621

Regional Break Down of Loans

Thimphu	16,315,033,616
Phuntsholing	3,165,147,106
Samdrupjongkhar	544,167,285
Trashigang	358,615,979
Gelephu	1,119,387,122
Paro	1,083,811,183
Monggar	505,133,721
Wangdue	761,292,840
Bumthang	423,664,225
Samtse	470,192,086
Tsirang	263,551,403
	25,009,996,567



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Country Risk - Geographical Analysis as at 31Dec 2016

	Bank (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	5,091,733,436	455,823,204	78,446,051	545,649,716	6,171,652,407
Balances with Central Bank	4,385,003,584	-	-	-	4,385,003,584
Placement with other Banks	764,956,284	-	-	-	764,956,284
Loans & Advances to Customers	22,728,340,278	-	-	-	22,728,340,278
Investments in Subsidiaries	500,000	-	-	-	500,000
Investments in Associates	91,463,480	-	-	-	91,463,480
Financial Investments Available for Sale	102,278,872	-	-	-	102,278,872
Investment's in Bonds	116,948,539	-	-	-	116,948,539
Other Financial Assets	157,875,152	-	-	-	157,875,152
	33,439,099,626	455,823,204	78,446,051	545,649,716	34,519,018,596

Regional Break Down of Loans

Thimphu	14,985,582,812
Phuntsholing	2,886,001,036
Samdrupjongkhar	447,570,026
Trashigang	325,393,307
Gelephu	991,924,412
Paro	1,006,777,222
Monggar	401,834,119
Wangdue	721,226,460
Bumthang	367,386,074
Samtse	360,979,775
Tsirang	233,665,037
	22,728,340,279

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Country Risk - Geographical Analysis as at 31Dec 2016

	Group (Nu)				
	Bhutan	Asia	Europe	Americas	Total
Cash and Cash Equivalents	5,091,733,436	455,823,204	78,446,051	545,649,716	6,171,652,407
Balances with Central Bank	4,385,003,584	-	-	-	4,385,003,584
Placement with other Banks	764,956,284	-	-	-	764,956,284
Loans & Advances to Customers	22,728,340,278	-	-	-	22,728,340,278
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates	106,942,883	-	-	-	106,942,883
Financial Investments Available for Sale	102,278,872	-	-	-	102,278,872
Investment's in Bonds	116,948,539	-	-	-	116,948,539
Other Financial Assets	157,875,152	-	-	-	157,875,152
	33,454,079,029	455,823,204	78,446,051	545,649,716	34,533,997,999

Regional Break Down of Loans

Thimphu	14,985,582,812
Phuntsholing	2,886,001,036
Samdrupjongkhar	447,570,026
Trashigang	325,393,307
Gelephu	991,924,412
Paro	1,006,777,222
Monggar	401,834,119
Wangdue	721,226,460
Bumthang	367,386,074
Samtse	360,979,775
Tsirang	233,665,037
	22,728,340,279



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38.1.3 Industry Analysis

31st December 2017	Industrial	Government	Services & tourism	Construction	Financial Services	Bank (Nu)	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	6,953,206,895	-	-	-	499,626,519	7,452,833,414
Balances with Central Bank	-	4,536,360,335	-	-	-	-	-	-	-	4,536,360,335
Placement with other Banks	-	-	-	-	254,273,973	-	-	-	-	254,273,973
Loans & Advances to Customers	3,243,923,532	464,634,755	4,088,552,558	7,000,060,602	711,845,849	1,448,111,937	6,351,353,601	1,688,073,367	13,440,364	25,009,996,567
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	-	-	-	-	-	-
Financial Investments Available for Sale	62,797,162	-	18,000,000	-	42,872,851	-	-	-	-	123,670,013
Investment's in Bonds	-	116,952,968	-	-	-	-	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	-	-	207,057,808	207,057,808

31st December 2017	Industrial	Government	Services & tourism	Construction	Financial Services	Group (Nu)	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	6,953,206,895	-	-	-	499,626,519	7,452,833,414
Balances with Central Bank	-	4,536,360,335	-	-	-	-	-	-	-	4,536,360,335
Placement with other Banks	-	-	-	-	254,273,973	-	-	-	-	254,273,973
Loans & Advances to Customers	3,243,923,532	464,634,755	4,088,552,558	7,000,060,602	711,845,849	1,448,111,937	6,351,353,601	1,688,073,367	13,440,364	25,009,996,567
Investments in Associates	108,342,544	-	-	-	-	-	-	-	-	108,342,544
Financial Investments Available for Sale	62,797,162	-	18,000,000	-	42,872,851	-	-	-	-	123,670,013
Investment's in Bonds	-	116,952,968	-	-	-	-	-	-	-	116,952,968
Other Financial Assets	-	-	-	-	-	-	-	-	207,057,808	207,057,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31st December 2016

	Industrial	Government	Services & tourism	Construction	Financial Services	Bank (Nu)	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	-	5,746,868,264	-	-	424,784,142	6,171,652,407
Balances with Central Bank	-	4,385,003,584	-	-	-	-	-	-	-	4,385,003,584
Placement with other Banks	-	-	-	-	-	764,956,284	-	-	-	764,956,284
Loans & Advances to Customers	3,554,677,228	508,494,765	3,621,457,633	6,605,123,121	815,168,248	1,084,424,848	5,073,814,581	1,443,326,699	21,853,157	22,728,340,279
Investments in Associates	91,463,480	-	-	-	-	-	-	-	-	91,463,480
Investments in Subsidiaries	-	-	-	-	-	500,000	-	-	-	500,000
Financial Investments Available for Sale	45,441,961	-	18,000,000	-	-	38,836,911	-	-	-	102,278,872
Investment's in Bonds	-	116,948,539	-	-	-	-	-	-	-	116,948,539
Other Financial Assets	-	-	-	-	-	-	-	-	157,875,152	157,875,152

Group (Nu)

	Industrial	Government	Services & tourism	Construction	Financial Services	Bank (Nu)	Trade & Commerce	Consumer	Others	Total
Cash and Cash Equivalents	-	-	-	-	-	5,746,868,264	-	-	424,784,142	6,171,652,407
Balances with Central Bank	-	4,385,003,584	-	-	-	-	-	-	-	4,385,003,584
Placement with other Banks	-	-	-	-	-	764,956,284	-	-	-	764,956,284
Loans & Advances to Customers	3,554,677,228	508,494,765	3,621,457,633	6,605,123,121	815,168,248	1,084,424,848	5,073,814,581	1,443,326,699	21,853,157	22,728,340,279
Investments in Associates	106,942,883	-	-	-	-	-	-	-	-	106,942,883
Financial Investments Available for Sale	45,441,961	-	18,000,000	-	-	38,836,911	-	-	-	102,278,872
Investment's in Bonds	-	116,948,539	-	-	-	-	-	-	-	116,948,539
Other Financial Assets	-	-	-	-	-	-	-	-	157,875,152	157,875,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



38.2 Liquidity Risk & Funding management

The tables below summaries the maturity profile of the undiscounted cash flows of the Bank's financial assets and financial liabilities as at 31st December 2017. Repayments of 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.

31st December 2017	Bank (Nu)					Total
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	
Cash & cash Equivalents	7,452,833,414	-	-	-	-	7,452,833,414
Cash & Balances with Central Bank	4,536,360,335	-	-	-	-	4,536,360,335
Placement with other Banks	-	254,273,973	-	-	-	254,273,973
Due From Banks	-	-	-	-	-	-
Loans & Advances to Customer	2,004,504,069	8,433,850,059	6,131,440,922	4,340,527,113	19,059,146,877	39,969,469,040
Investments in Subsidiaries	-	-	-	-	-	-
Investments in Associates	-	-	-	-	91,463,480	91,463,480
Financial Investments Available for Sale	-	-	-	-	123,670,013	123,670,013
Investment's in Bonds	-	10,379,880	20,759,760	20,759,760	136,091,760	187,991,160
Other Financial Assets	-	-	-	-	207,057,808	207,057,808
Total undiscounted Assets	13,993,697,818	8,698,503,912	6,152,200,682	4,361,286,873	19,617,429,939	52,823,119,223
Due to Banks	1,804,592,365	2,375,067,007	936,754,979	949,381,290	2,316,091,018	8,381,886,659
Due to Customers	16,495,019,480	2,086,499,795	2,039,579,107	638,406,709	318,637,576	21,578,142,668
Debts Issued & Other	-	401,000,000	60,000,000	60,000,000	560,000,000	1,081,000,000
Unclaimed Balances	43,149,082	-	-	-	-	43,149,082
Other Liabilities	23,865,734	-	-	-	-	23,865,734
Total undiscounted Liabilities	18,366,626,660	4,862,566,802	3,036,334,086	1,647,787,999	3,194,728,595	31,108,044,142
Net Undiscounted Financial Assets/(Liabilities)	- 4,372,928,842	3,835,937,110	3,115,866,595	2,713,498,873	16,422,701,344	21,715,075,081

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31st December 2017	Group (Nu)				
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years
Cash & cash Equivalents	7,452,833,414	-	-	-	-
Cash & Balances with Central Bank	4,536,360,335	-	-	-	-
Placement with other Banks	-	254,273,973	-	-	-
Due From Banks	-	-	-	-	-
Loans & Advances to Customer	2,004,504,069	8,433,850,059	6,131,440,922	4,340,527,113	19,059,146,877
Investments in Associates	-	-	-	-	108,342,544
Financial Investments Available for Sale	-	-	-	-	123,670,013
Investment's in Bonds	-	10,379,880	20,759,760	20,759,760	136,091,760
Other Financial Assets	-	-	-	-	207,057,808
Total undiscounted Assets	13,993,697,818	8,698,503,912	6,152,200,682	4,361,286,873	19,634,309,003
Due to Banks	1,804,592,365	2,375,067,007	936,754,979	949,381,290	2,316,091,018
Due to Customers	16,495,019,480	2,086,499,795	2,039,579,107	638,406,709	318,637,576
Debts Issued & Other Borrowed Funds	-	401,000,000	60,000,000	60,000,000	560,000,000
Unclaimed Balances	43,149,082	-	-	-	-
Other Liabilities	23,865,734	-	-	-	-
Total undiscounted Liabilities	18,366,626,660	4,862,566,802	3,036,334,086	1,647,787,999	3,194,728,595
Net Undiscounted Financial Assets/(Liabilities)	- 4,372,928,842	3,835,937,110	3,115,866,595	2,713,498,873	16,439,580,408
					21,731,954,145



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2016	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	Total
Cash & cash Equivalents	6,171,652,407	-	-	-	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	-	-	-	4,385,003,584
Placement with other Banks	-	764,956,284	-	-	-	764,956,284
Due From Banks	-	-	-	-	-	-
Loans & Advances to Customer	2,117,421,225	7,163,933,456	7,818,069,294	3,126,039,711	17,661,524,158	37,886,987,844
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	-	102,278,872	102,278,872
Other Financial Assets	-	-	-	20,759,760	146,471,640	198,371,040
Total undiscounted Assets	12,674,077,215	7,939,269,621	7,838,829,054	3,146,799,471	18,160,113,302	49,759,088,662
Due to Banks	1,380,394,499	2,243,875,588	2,705,745,136	151,583,291	423,418,774	6,905,017,288
Due to Customers	15,207,644,248	2,298,664,369	1,848,190,747	561,311,756	374,273,113	20,290,084,234
Debts Issued & Other Borrowed Funds	-	51,000,000	431,000,000	60,000,000	590,000,000	1,132,000,000
Unclaimed Balances	34,579,659	-	-	-	-	34,579,659
Other Liabilities	21,540,625	-	-	-	-	21,540,625
Total undiscounted Liabilities	16,644,159,031	4,593,539,957	4,984,935,883	772,895,047	1,387,691,887	28,383,221,806
Net Undiscounted Financial Assets/(Liabilities)	- 3,970,081,816	3,345,729,664	2,853,893,170	2,373,904,424	16,772,421,415	21,375,866,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31st December 2016	Group (Nu)					Total
	up to 3 months	3 to 12 months	1 to 3 years	3-5 Years	Over 5 years	
Cash & cash Equivalents	6,171,652,407	-	-	-	-	6,171,652,407
Cash & Balances with Central Bank	4,385,003,584	-	-	-	-	4,385,003,584
Placement with other Banks	-	764,956,284	-	-	-	764,956,284
Due From Banks	-	-	-	-	-	-
Loans & Advances to Customer	2,117,421,225	7,163,933,456	7,818,069,294	3,126,039,711	17,661,524,158	37,886,987,844
Investments in Associates	-	-	-	-	106,942,883	106,942,883
Financial Investments Available for Sale	-	-	-	-	102,278,872	102,278,872
Investment's in Bonds	-	10,379,880	20,759,760	20,759,760	146,471,640	198,371,040
Other Financial Assets	-	-	-	-	157,875,152	157,875,152
Total undiscounted Assets	12,674,077,215	7,939,269,621	7,838,829,054	3,146,799,471	18,175,092,704	49,774,068,065
Due to Banks	1,380,394,499	2,243,875,588	2,705,745,136	151,583,291	423,418,774	6,905,017,288
Due to Customers	15,207,644,248	2,298,664,369	1,848,190,747	561,311,756	374,273,113	20,290,084,234
Debts Issued & Other Borrowed Funds	-	51,000,000	431,000,000	60,000,000	590,000,000	1,132,000,000
Unclaimed Balances	34,579,659	-	-	-	-	34,579,659
Other Liabilities	21,540,625	-	-	-	-	21,540,625
Total undiscounted Liabilities	16,644,159,031	4,593,539,957	4,984,935,883	772,895,047	1,387,691,887	28,383,221,806
Net Undiscounted Financial Assets/(Liabilities)	- 3,970,081,816	3,345,729,664	2,853,893,170	2,373,904,424	16,787,400,817	21,390,846,259



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38.3. 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.

As at 31 Dec 2017	Bank (Nu)					Total
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	
Contingencies						
Financial guarantees	50,000	1,017,438,443	1,431,610,233	254,836,829	2,961,287	2,773,791,244
LCs	24,484,178	65,660,598	2,949,970	-	-	191,286,215
Total Contingenceis	24,534,178	1,083,099,041	1,434,560,203	254,836,829	2,961,287	2,965,077,458
Commitments						
Undrawn credit card limits	660,974,002	-	-	-	-	660,974,002
Undrawn OD	2,095,769,476	-	-	-	-	2,095,769,476
Undisbursed other loans & advances	41,446,456	-	-	-	-	41,446,456
Total Commitments	2,798,189,933	-	-	-	-	2,798,189,933

As at 31 Dec 2017	Group (Nu)					Total
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	3-5 Years	
Contingencies						
Financial guarantees	50,000	1,017,438,443	1,431,610,233	254,836,829	2,961,287	2,773,791,244
LCs	24,484,178	65,660,598	2,949,970	-	-	191,286,215
Total Contingenceis	24,534,178	1,083,099,041	1,434,560,203	254,836,829	2,961,287	2,965,077,458
Commitments						
Undrawn credit card limits	660,974,002	-	-	-	-	660,974,002
Undrawn OD	2,095,769,476	-	-	-	-	2,095,769,476
Undisbursed other loans & advances	41,446,456	-	-	-	-	41,446,456
Total Commitments	2,798,189,933	-	-	-	-	2,798,189,933

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As at 31 Dec 2016	Bank (Nu)				
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	Over 5 Years
Contingencies					
Financial guarantees	-	-	-	1,399,477,448	1,301,207,053
LCs	-	11,300	72,466,615	906,167,014	-
Total Contingencies	-	11,300	72,466,615	2,305,644,462	1,301,207,053
					3,732,769,204
Commitments					
Undrawn credit card limits	26,765,928	-	-	-	-
Undrawn OD	2,385,040,494	-	-	-	-
Undisbursed other loans & advances	605,795,257	-	-	-	-
Total Commitments	3,017,601,679	-	-	-	-
					3,017,601,679

As at 31 Dec 2016	Group (Nu)				
	On Demand	Less than 3 Months	3-12 Months	1-3 Years	Over 5 Years
Contingencies					
Financial guarantees	-	-	-	1,399,477,448	1,301,207,053
LCs	-	11,300	72,466,615	906,167,014	-
Total Contingencies	-	11,300	72,466,615	2,305,644,462	1,301,207,053
					3,732,769,204
Commitments					
Undrawn credit card limits	26,765,928	-	-	-	-
Undrawn OD	2,385,040,494	-	-	-	-
Undisbursed other loans & advances	605,795,257	-	-	-	-
Total Commitments	3,017,601,679	-	-	-	-
					3,017,601,679



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



38.4 Currency Risks

The table below indicates the currencies to which the bank had significant exposure as at 31 December 2017. The analysis calculates the effect of a reasonable possible movement of the currencies against the Ngultrum (Nu).

Currency	Effect on profit before tax/Equity		
	Change in currency rate (%)	2017	2016
EUR	(+/-) 1%	4,792	363,627
USD	(+/-) 1%	- 18,817,417	2,118,975
GBP	(+/-) 1%	197,159	167,834
AUD	(+/-) 1%	45,240	249,994
JPY	(+/-) 1%	53,745	43,931
SGD	(+/-) 1%	13,212	15,926
HKD	(+/-) 1%	4,098	18,076
CHF	(+/-) 1%	646	5,714
NOK	(+/-) 1%	78	393
SEK	(+/-) 1%	-	1,576
DKK	(+/-) 1%	1,630	-
CAD	(+/-) 1%	127	1,427
		- 18,496,689	2,987,472

38.5 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.

38.6 Reputational Risks are not covered in Operational Risk.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38.7 Maturity Gap Analysis

As at 31 Dec 2017	Bank (Nu)		Group (Nu)	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Cash & cash Equivalents	7,452,833,414	-	7,452,833,414	-
Cash & Balances with Central Bank	4,536,360,335	-	4,536,360,335	-
Placement with other Banks	254,273,973	-	254,273,973	-
Loans & Advances to Customers	10,438,354,129	29,531,114,912	10,438,354,129	29,531,114,912
Investments in Associates	-	91,463,480	-	108,342,544
Financial Investments Available for Sale	-	123,670,013	-	123,670,013
Investment's in Bonds	10,379,880	177,611,280	10,379,880	177,611,280
Other Financial Assets	-	207,057,808	-	207,057,808
Other Assets	-	322,021,679	-	322,021,679
Property & Equipment	-	623,392,939	-	623,392,939
Intangible Assets	-	35,409,329	-	35,409,329
Deferred tax assets	-	66,579,343	-	66,579,343
Total Assets	22,692,201,730	31,178,320,783	22,692,201,730	31,195,199,847
Liabilities				
Due to Banks	4,179,659,372	4,202,227,287	4,179,659,372	4,202,227,287
Due to Customers	18,581,519,275	2,996,623,393	18,581,519,275	2,996,623,393
Debts Issued & Other Borrowed Funds	401,000,000	680,000,000	401,000,000	680,000,000
Current Tax Liabilities	384,746,803	-	384,746,803	-
Provisions	19,649,119	-	19,649,119	-
Deferred Income	22,588,369	-	22,588,369	-
Unclaimed Balances	43,149,082	-	43,149,082	-
Other Liabilities	157,458,861	-	157,458,861	-
Total Liabilities	23,789,770,880	7,878,850,680	23,789,770,880	7,878,850,680
Maturity Gap	-	23,299,470,103	-	23,316,349,167
Cumulative Gap	-	22,201,900,953	-	22,218,780,016



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 Dec 2016	Bank (Nu)		Group (Nu)	
	Within 12 Months	After 12 Months	Within 12 Months	After 12 Months
Cash & cash Equivalents	6,171,652,407	-	6,171,652,407	-
Cash & Balances with Central Bank	4,385,003,584	-	4,385,003,584	-
Placement with other Banks	764,956,284	-	764,956,284	-
Loans & Advances to Customers	9,281,354,681	28,605,633,163	9,281,354,681	28,605,633,163
Investments in Subsidiaries	-	500,000	-	-
Investments in Associates	-	91,463,480	-	106,942,883
Financial Investments Available for Sale	-	102,278,872	-	102,278,872
Investment's in Bonds	10,379,880	187,991,160	10,379,880	187,991,160
Other Financial Assets	-	157,875,152	-	157,875,152
Other Assets	-	356,322,378	-	356,556,115
Property & Equipment	-	524,745,747	-	524,745,747
Intangible Assets	-	43,065,244	-	43,065,244
Deferred tax assets	-	9,370,371	-	9,370,371
Total Assets	20,613,346,836	30,079,245,567	20,613,346,836	30,094,458,707
Liabilities				
Due to Banks	3,624,270,087	3,280,747,201	3,624,270,087	3,280,747,201
Due to Customers	17,506,308,617	2,783,775,617	17,506,308,617	2,783,775,617
Debts Issued & Other Borrowed Funds	51,000,000	1,081,000,000	51,000,000	1,081,000,000
Current Tax Liabilities	313,176,205	-	313,849,579	-
Provisions	17,249,159	-	17,325,060	-
Deferred Income	25,570,119	-	25,570,119	-
Unclaimed Balances	34,579,659	-	34,579,659	-
Other Liabilities	223,713,696	-	223,723,996	-
Total Liabilities	21,795,867,541	7,145,522,818	21,796,627,116	7,145,522,818
Maturity Gap	-	22,933,722,749	-	22,948,935,889
Cumulative Gap	-	21,751,202,044	-	21,765,655,608



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 39: 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, which constitutes paid up capital; general reserves; share premium; and retained earnings increased by 3.78% over previous year (PY decreased by 7.85%). The increase is mainly due to transfer of regulatory requirements on general reserves and residual profit after appropriation.

The Tier 2 capital consists of Exchange Fluctuation Reserve, Research and Development Fund, General Provisions and Subordinated Debts. As required under section 1.3.2 of RMA Prudential Regulation 2016, 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 by 2.39% (PY decreased by 4.30%) with increase in the general provision, regulatory transfer to foreign exchange reserves and transfer to bond redemption reserves during the accounting year.

The capital adequacy ratio as on the reporting date stands at 22.22% as compared to 22.83%, in the previous year.

Non-performing Loans & Provisioning

Loans and advances of the Bank has been classified under non-performing as per the definition provided in section 4.4 of the RMA Prudential Regulation 2016. In the current year, the gross NPL stands at 5.49% and net NPL stands at 0.35% as against 6.91% and 0.74% in the previous year. The gross non-performing percentage loan has decreased by about 21% and in absolute term, the NPL amount has decreased by about 14% as compared to previous year.

General provisions of 1% and 1.5% are allocated against exposures classified under Standard and Watch respectively. Specific provisions of 20%, 50% and 100% are provided for term and Overdraft/working capital classified under sub-standard, doubtful and Loss/litigation/suspended respectively. The general provision provided by the Bank has increased by 9% (PY increased by 17%) and specific provision has decreased by 10% (PY increased by 33%) over the previous year.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Annual Report 2017

to identify, measure, manage and mitigate the risk. The policy also has a detailed controlling tools, methodologies and reporting principles. The major risks the policy emphasizes are Credit Risk, Market Risk, Operational Risk and Liquidity 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. These risks were managed well within the pre-approved limits during the year.

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. 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 under Local GAP presented in 000 Ngultrum unless specified.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Item 1: Tier 1 Capital and its sub-components

Sl.No		Current Period	COPPY
1	Total Tier 1 Capital		
a	Paid-Up Capital	3,291,936	3,291,936
b	General Reserves	2,544,818	2,327,364
c	Share Premium Account	-	
d	Retained Earnings	37,475	41,531
Less:-			
e	Losses for the Current Year	-	
f	Buyback of FI's own shares	-	
g	Holdings of Tier 1 instruments issued by FIs	3,233	3,733

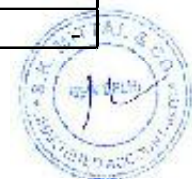
Item 2: Tier 2 Capital and its sub-components

Sl.No		Current Period	COPPY
1	Tier II Capital		
a	Capital Reserve	-	-
b	Fixed Assets Revaluation Reserve	-	-
c	Exchange Fluctuation Reserve	146,722	131,942
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	429,000	354,000
f	General Provision	261,016	238,713
g	Capital Grants	-	-
h	Subordinated Debt	850,000	850,000
i	Less: amount of subordinated debt to	294,606	224,644
J	Profit for the year	828,944	680,912

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	9,184,470	0%	-
2	20% Risk Weighted Assets	2,955,786	20%	591,157
3	50% Risk Weighted Assets	526,185	50%	263,092
4	100% Risk Weighted Assets	28,800,656	100%	28,800,656
5	150% Risk Weighted Assets	89,658	150%	134,488
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets	-	300%	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



COPPY

Sl.No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	7,817,515	0%	-
2	20% Risk Weighted Assets	3,073,083	20%	614,617
3	50% Risk Weighted Assets	419,221	50%	209,611
4	100% Risk Weighted Assets	27,151,376	100%	27,151,376
5	150% Risk Weighted Assets	171,634	150%	257,451
6	200% Risk Weighted Assets	-	200%	-
7	250% Risk Weighted Assets	-	250%	-
8	300% Risk Weighted Assets		300%	

Item 4: Capital Adequacy ratios

	Current Period	COPPY
Tier 1 Capital	5,870,996	5,657,098
<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	1,392,133	1,350,011
Total Qualifying capital	7,205,630	6,960,529
Core CAR	18.10%	18.56%
<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	22.22%	22.83%
Leverage Ratio	14.13%	14.64%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Item 5: Loans and NPL by Sectoral Classification

S.No	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	428	428	695	695
b.	Manufacturing/Industry	4,729,338	307,896	4,442,348	371,681
c.	Service & Tourism	4,435,917	195,938	4,596,155	87,456
d.	Trade & Commerce	5,938,191	626,619	6,060,151	593,712
e.	Housing	7,233,959	184,298	6,862,905	326,931
f.	Transport	1,515,884	54,840	1,162,279	62,190
g.	Loans to Purchase Securities	55,317	-	63,438	835
h.	Personal Loan/LDCL/CC	1,052,540	84,157	1,042,841	105,370
i.	Education Loan	-	-	-	-
j.	Loan Against Term Deposit	154,892	306	110,627	250
k.	Loans to FI (s)	735,766	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff Loan (incentive)	366,012	7,359	287,034	7,879
n.	Loans to Govt. Owned Corporation	469,325	-	-	-
o.	Consumer Loan (GE)	-	-	-	-
p.	Others	35,754	4,397	-	-
	Total	26,723,323	1,466,237	24,628,474	1,556,999

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

S.No	Counter- party	Current Period	COPPY
1	Overdrafts	7,180,795	6,554,019
a.	Governments		
b.	Governments Corporation		
c.	Public Companies	18,371	8,040
d.	Private Companies	6,283,966	5,527,849
e.	Individuals	142,693	173,097
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	735,766	845,032
2	Term Loans	19,542,528	18,074,455
a.	Governments	273	-
b.	Governments Corporation	-	-
c.	Public Companies	469,325	513,630
d.	Private Companies	6,770,365	6,359,716
e.	Individuals	12,302,213	11,201,109
f.	Commercial Banks	351	-
g.	Non-Bank Financial Institutions	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Item 7: Assets (net of provisions) and Liabilities by Residual Maturity (Current Period)

As of period ending 31.12.2017	On demand	1-30 days	31- 90 days	91- 180 days	181- 270 days	271- 365 days	Over 1 year	Total
Cash in hand	5,328,649	-	-	-	-	-	-	5,328,649
Govt. Securities	-	-	3,996,570	-	-	-	-	3,996,570
Investment securities	-	2,112,753	51,165	754,332	-	-	239,748	3,157,998
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	314	380,638	864,149	1,479,160	1,808,390	2,565,437	18,248,970	25,346,431
Other assets	87	296	161,768	100	-	9,381	788,353	959,985
TOTAL	5,328,422	2,493,687	5,073,651	2,233,592	1,808,390	2,574,818	19,277,071	38,789,632
Amounts owed to other banks ***	494,754	429,710	297,806	571,853	171,207	-	1,207	1,966,537
Demand deposits	6,353,479	-	-	-	-	-	-	6,353,479
Savings deposits	7,101,008	-	-	-	-	-	-	7,101,008
Time deposits	2,042	754,094	2,856,011	654,876	2,316,498	758,354	7,273,855	14,615,730
Bonds & other negotiable instruments	-	-	-	-	-	-	-	-
Other liabilities	223,196	926,877	9,174	15,700	17,858	354,373	522,027	876,400
TOTAL	14,174,479	2,110,681	3,162,992	1,242,428	2,505,563	1,138,965	14,454,523	38,789,632
Assets/Liabilities	0	1	2	2	1	2	1	1
Net Mismatch in each Time Interval	- 8,846,057	383,005	1,910,659	991,163	697,173	1,435,853	4,822,549	0
Cumulative Net Mismatch	- 8,846,057	- 8,463,052	- 6,552,393	- 5,561,229	- 6,258,402	- 4,822,549	0	0



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Annual Report 2017

Item 8: Assets (net of provisions) and Liabilities by Original Maturity (Current Period)

As of period ending 31.12.2017	On demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in hand	5,328,649	-	-	-	-	-	-	5,328,649
Govt. Securities	-	-	-	3,996,570	-	-	-	3,996,570
Investment securities	-	-	196,105	2,318,158	403,986	-	239,748	3,157,998
Loans & advances to banks	-	-	-	-	-	-	-	-
Loans & advances to customers	314	25,065	62,350	93,772	77,781	902,922	24,184,855	25,346,431
Other assets	87	296	161,768	100	-	9,381	788,353	959,985
TOTAL	5,328,422	25,361	420,222	6,408,600	481,767	912,303	25,212,956	38,789,632
Amounts owed to other banks ***	494,754	-	-	611,186	687,116	28,961	144,521	1,966,537
Demand deposits	6,353,479	-	-	-	-	-	-	6,353,479
Savings deposits	7,101,008	-	-	-	-	-	-	7,101,008
Time deposits	-	160,052	-	2,734,146	38,519	1,382,340	10,300,674	14,615,730
Bonds & other negotiable instruments	-	-	-	-	-	-	876,400	876,400
Other liabilities	223,196	923,268	620	932	748	8,485	6,719,229	7,876,477
TOTAL	14,172,437	1,083,319	620	3,346,264	726,382	1,419,786	18,040,824	38,789,632
Assets/Liabilities	0	0	678	2	1	1	1	1
Net Mismatch in each Time Interval	- 8,844,015	- 1,057,959	419,602	3,062,336	- 244,615	- 507,483	7,172,133	0
Cumulative Net Mismatch	- 8,844,015	- 9,901,973	- 9,482,371	- 6,420,035	- 6,664,650	- 7,172,133	0	0



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Item 10: Non-Performing Loans and Provisions

SI No		Current Period	COPPY
1	Amount of NPLs (Gross)	1,466,237	1,704,338
a.	Substandard	196,322	185,367
b.	Doubtful	109,835	124,492
c.	Loss	1,160,080	1,394,478
2	Specific Provisions	1,228,593	1,383,346
a.	Substandard	40,961	40,216
b.	Doubtful	52,177	63,034
c.	Loss	1,135,455	1,280,096
3	Interest - in -Suspense	147,986	146,970
a.	Substandard	6,598	7,706
b.	Doubtful	6,323	8,571
c.	Loss	135,065	130,693
4	Net NPLs	89,658	174,022
a.	Substandard	148,763	137,446
b.	Doubtful	51,334	52,887
c.	Loss	- 110,439 -	16,311
5	Gross NPLs to Gross Loans	5.49%	6.91%
6	Net NPLs to Net Loans	0.35%	0.74%
7	General Provision	261,016	238,713
a.	Standard	224,451	204,049
b.	Watch	36,565	34,664

Item 11: Assets and Investments

SI No	Investment	Current Period	COPPY
1	Marketable Securities (Interest Earning)		
a	RMA Securities	3,993,591	2,897,100
b	RGOB Bonds/Securities		-
c	Corporate Bonds	115,332	115,332
d	Others		100,000
	Sub-total	4,108,923	3,112,432
2	Equity Investments		
	Public Companies	119,563	119,563
	Private Companies	-	-
	Commercial Banks	2,500	2,500
	Non-Bank Financial Institutions	40,294	40,794
Less			
i	Specific Provisions		-
3	Fixed Assets		
j	Fixed Assets (Gross)	810,195	682,200
Less			
k	Accumulated Depreciation	280,818	245,721
l	Fixed Assets (Net Book Value)	529,377	436,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Current period

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week)			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position/
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	374,381	32,252,422	- 31,878,041	246,749,125		246,749,125	214,871,084	3,659.90
SG \$	27,698		27,698			-	27,698	0.47
EURO	214,715	261,867	- 47,152			-	47,152	- 0.80
AUD	90,890		90,890			-	90,890	1.55
CAD	250		250			-	250	0.00
HKD	50,280		50,280			-	50,280	0.86
GBP	17,810	0	17,810			-	17,810	0.30
NOK	1,000		1,000			-	1,000	0.02
DKK	15,900		15,900			-	15,900	0.27
CHF	990		990			-	990	0.02
JPY	5,461,000		5,461,000			-	5,461,000	93.02
INR	33,714,160	18,882,330	14,831,830			-	14,831,830	252.63
SEK	-		-			-	-	-

COPPY

Currency	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than One week)			Nu. In millions	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	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	688,754	528,134	160,620	135,800		135,800	296,420	5.24
SG \$	1,593		1,593			-	1,593	0.03
EURO	60,895	24,532	36,363			-	36,363	0.64
AUD	29,643	4,644	24,999			-	24,999	0.44
CAD	143		143			-	143	0.00
HKD	1,808		1,808			-	1,808	0.03
GBP	16,783	0	16,783			-	16,783	0.30
NOK	39		39			-	39	0.00
DKK			-			-	-	-
CHF	571		571			-	571	0.01
JPY	4,393		4,393			-	4,393	0.08
INR	201,642	18,975	182,667			-	182,667	3.23
SEK	158		158			-	158	0.00



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits held with other banks	248,594	704,029	113,686	177,875	69,619	720,831
Time deposits held with other banks	2,670,979	1,774,589			247,269,702	135,977,334
Borrowings	850,000	850,000				

Item 14: Credit Risk Exposures by collateral

Sl.No	Particular	Current Period	COPPY
1	Secured Loans	26,723,323	24,628,474
a.	Loans secured by physical/real estate collateral	25,811,667	23,781,010
b.	Loans secured by financial collateral	154,892	174,065
c.	Loans secured by guarantees	756,765	673,399
2	Unsecured Loans	-	-
3	Total Loans	26,723,323	24,628,474

Item 15: Earnings Ratio (%)

Sl.No	Ratio	Current Period	COPPY
1	Interest Income as a percentage of Average Assets	7.36%	8.06%
2	Non-interest income as a percentage of Average Assets	0.51%	0.66%
b.	Operating Profit as a percentage of Average Assets	4.28%	5.49%
c.	Return on Assets	2.06%	1.84%
2	Business (Deposits plus advances) per employee	111,953	11,300
3	Profit per employee	1,635	1,483

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	NA	Nil	Current Account OD	315.58

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Item 19: Concentration of Credit and Deposits

Sl.No	Particular	End of Current Period	COPPY
1	Total Loans to 10 Largest borrowers	5,322,204	5,518,369
2	<i>As % of total loans</i>	19.92%	22.41%
3	Total deposits of the 10 Largest depositors	13,149,446	10,764,884
4	<i>As % of total deposits</i>	43.78%	41.07%

Item 20: Exposure of 5 Largest NPL accounts

Sl.No	Particular	End of Current Period	COPPY
1	Five Largest NPL Accounts	171,746	178,631
2	<i>As % of total NPLs</i>	11.71%	10.50%

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CORRESPONDENT BANKS



Standard Chartered Bank,
Frankfurt am Main, Germany

Standard Chartered Bank,
London, UK

Standard Chartered Bank,
Tokyo, Japan

Standard Bank Limited,
Dhaka, Bangladesh

Standard Chartered Bank,
New York, USA

Standard Chartered Bank,
Singapore

Standard Chartered Bank Nepal Ltd,
Kathmandu, Nepal

Standard Chartered Bank,
Mumbai, India

Export-Import Bank of Thailand, Bangkok,
Thailand

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

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

Bank of America, New York, USA

State Bank of India, Mumbai, India

State Bank of India, Siliguri, India

State Bank of India, Hasimara, India

Axis Bank Ltd, Siliguri, India

HDFC Bank Ltd, Mumbai, India

ICICI Bank Limited, Mumbai, India

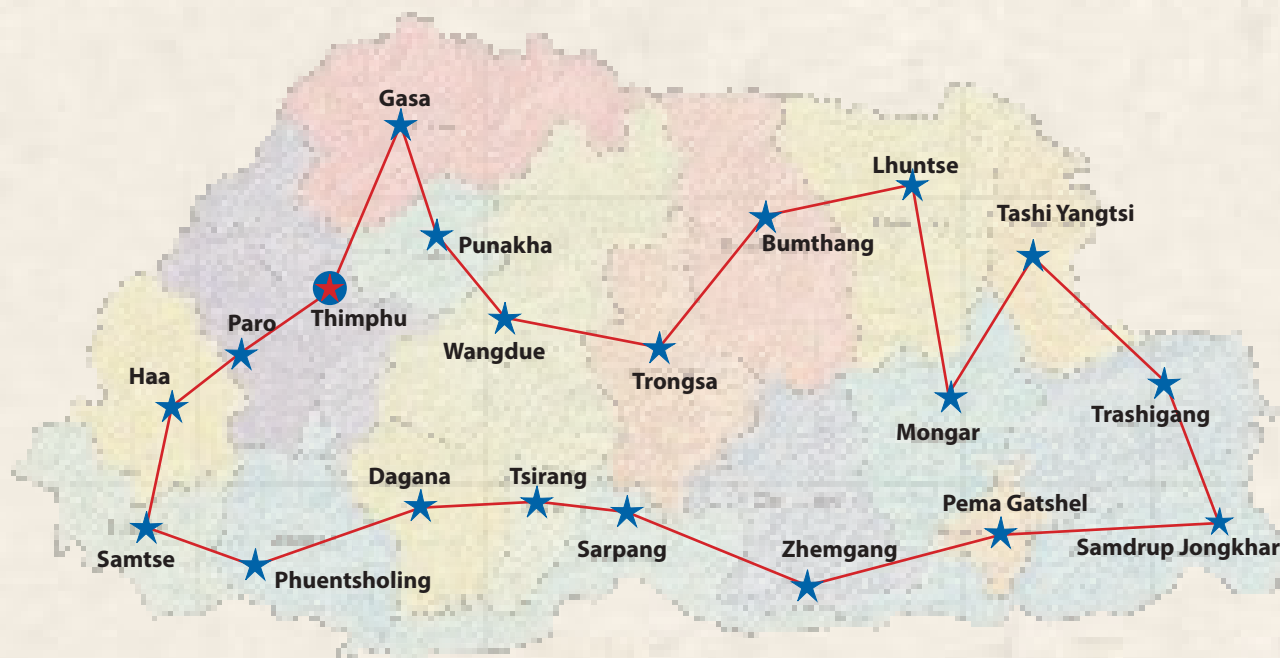
IDBI Bank Limited, Mumbai, India

IndusInd Bank, Mumbai, India

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



OUR OFFICES



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Branch Office, Tsirang

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Manager: 471253; Email: tsirang@bnb.bt

OUR OFFICES



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Motithang Extension Office, (Thimphu Br.)

Below DGPC Office
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Taba Extension Office, (Thimphu Br.)

Opposite chorten
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Olakha Extension Office, (Thimphu Br.)

Shearee Square ground floor
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Email: bnbolakha@bnb.bt

Babesa Extension Office, (Thimphu Br.)

Below IT park
Phone: 02- 350298; Fax: 02- 323132;
Email: babesa@bnb.bt

Khasadrapchu Extension Office, (Thimphu Br.)

Near Highway
Phone: 02-371166; Fax: 02- 371211;
Email: khasadrapchu@bnb.bt

Gyalposhing Extension Office, (Mongar Br.)

Gyalposhing main town
Phone: 04-744258; Fax: 04-744263;
Email: bnbgyalposhing@bnb.bt

Khuruthang Extension Office, (Wangdue Br.)

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

Trongsa Extension Office, (Bumthang Br.)

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

Tala Extension Office, (Phuentsholing Br.)

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

Rangjung Extension Office, (Trashigang Br.)

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

Wamrong Extension Office, (Trashigang Br.)

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

Tingtibi Extension Office, (Gelephu Br.)

Tingtibi Main town
Phone: 03-790027; Fax: 03-790028;
Email: bnbtingtibi@bnb.bt

Samdrup Jongkhar Extension Office. (Samdrup Jongkhar Br.)

Main town - Upper
Phone: 07-251507; Fax: 07-251506;

Haa Extension Office, (Paro Br.)

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

Bondey Extension Office, (Paro Br.)

Bondey main town
Phone/fax: 08-270191; Email: parobondey@bnb.bt

Dagapela Extension Office, (Tsirang Br.)

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

Tashi Yangtshi Extension Office, (Trashigang Br.)

On the way to Dzong
Phone: 04-781200; Fax: 04-781175;
Email: tashiyangtshi@bnb.bt

Lhuntse Extension Office. (Mongar Br.)

Lhuntse Main town
Phone: 04-545238; Fax: 04-545237;
Email: lhuntse@bnb.bt

Tashicholing Extension Office. (Samtse Br.)

On the way to Dungkhag office
Phone: 05-382001; Fax: 05-382002;
Email: tashicholing@bnb.bt

Nanglam Extension Office. (Samdrup Jongkhar Br.)

Main town
Phone: 07-481006; Fax: 07481007;
Email: nanglam@bnb.bt

Gasa Extension Office. (Wangdue Br.)

Gasa Main town
TeleFax: 02-688101; Email: gasa@bnb.bt

Lingmithang Extension Office. (Mongar Br.)

Main town
TeleFax: 04-744517; Email: bnblingmethang@bnb.bt

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