

Bhutan
Development
Bank
Limited



Annual Report
2016

Vision



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

Mission



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

Core Values



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

CONTENTS

iv

Organizational
Structure

v

General
Information

vii

Board of
Directors

viii

Management
Team

1

Chairman's/Directors
Report

8

Operational
Highlights

11

Auditors'
Report

21

Notes to Consolidated
Financial Statements
(Notes 1 to 2)

36

Income
Statement

37

Statement of Other
Comprehensive
Income

38

Statement of Financial
Position

39

Statement of Changes
in Equity

40

Statement of Cash
Flows

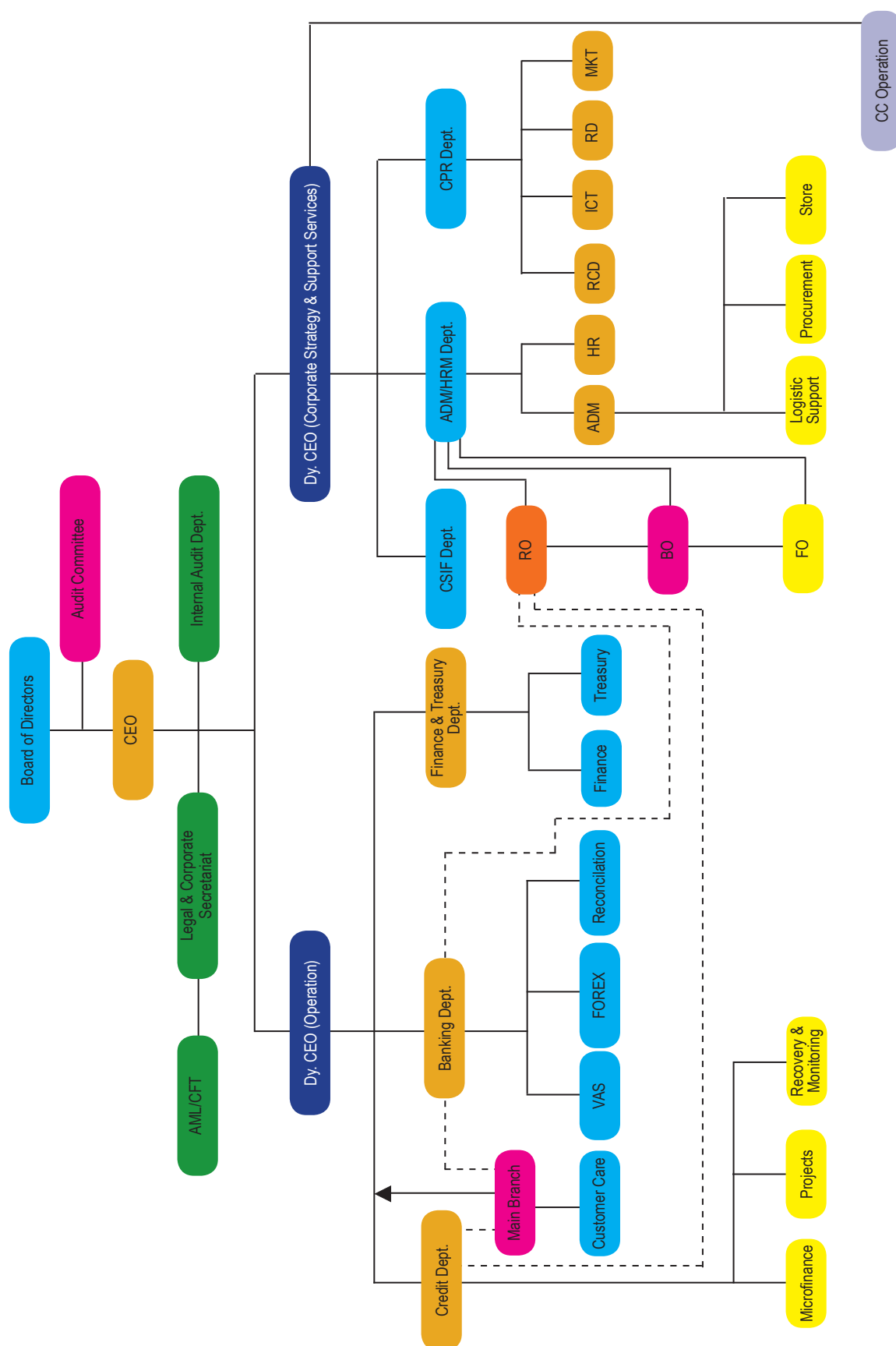
59

RMA Disclosure

69

Performance
Indicators

Organizational Structure





BHUTAN DEVELOPMENT BANK LIMITED

HEAD OFFICE, THIMPHU

Post Box: 256, Norzin Lam

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

Toll free No. 142

Email: info@bdb.bt

REGIONAL OFFICES

Sl #	Regional Managers	Office Location	Telephone No.
1.	Mr. Pema Tashi (Western)	Paro	08-272410
2.	Mr. Yeshey K. Tshering (Central)	Gelephu	06-252137
3.	Mr. Tenzin Tashi (Eastern)	Trashigang	04-521243

BRANCH OFFICES

WESTERN REGION

Sl#	Branch Managers	Location	Phone No.	Fax No.
1.	Mr. Phub Dorji	Thimphu	02-326853	02-326853
2.	Mr. Yeshi Samdrup	Paro	08-271334	08-272341
3.	Mr. Tshering Dorji	Haa	08-375459	08-375649
4.	Mr. Kumari Sharma	Punakha	02-584102	02-584157
5.	Mr. Jigme Norbu	Gasa	16288121	02-688168
6.	Mr. Sangay Wangdi	Wangdue	02-481261	02-481848
7.	Mr. Pema Tashi	Chukha	08-478243	08-478427
8.	Mr. Jhamba	Phuntsholing	05-252881	05-252868
9.	Mr. Thinley Wangchuk	Samtse	05-365469	05-365854
10.	Mr. Janga Bdr Rai	Dorokha	05-342656	05-365854
11.	Mr. Karma Sherub	Sibsoo	05-382055	

CENTRAL REGION

Sl#	Branch Managers	Location	Phone No.	Fax No.
1.	Mr. B.B Tamang	Dagana	06-481106	
2.	Mr. Tashi	Bumthang	03-631111	
3.	Mr. Tshering Dorji	Trongsa	03-521147	03-521515
4.	Mr. Namgay Tenzin	Zhemgang	03-741127	03-741107
5.	Mr. Jamyang Tenzin	Panbang	03-742017	03-742018
6.	Mr. Yeshi Jamtsho	Tsirang	06-471206	
7.	Mr. Penjor	Sarpang	06-365136	



8.	Mr. Kelzang Pelmo	Gelephu	06-252135	
9.	Mr. Sonam Wangchuk	Lhamoi Zingkha	06-241422	06-241425
10.	Mr. Chhimi Dorji	Dagapela	06-483143	06-483151

EASTERN REGION

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

THIMPHU MAIN BRANCH

1.	Mr. Yonten	Main Branch, Thimphu	02-323852	02-323428
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BOARD OF DIRECTORS



CHAIRMAN

Mr. Choiten Wangchuk
Director General,
Dept. of Industry, MoEA



DIRECTOR

Mr. Tshewang Rinzin
Dzongda,
Thimphu Dzongkhag



DIRECTOR

Mr. Namgay Wangchuk
Director General,
BARFA, MoAF



DIRECTOR

Mr. Ugyen Penjore
Director General,
DAMC



DIRECTOR

Mr. Phub Tshering
Secretary General,
BCCI



DIRECTOR

Mr. Pema Wangdi
Chief Executive Officer,
REDCL



DIRECTOR/MEMBER SECRETARY

Mr. Phub Dorji
Chief Executive Officer,
Bhutan Development Bank

BDB MANAGEMENT TEAM



Mr. Phub Dorji
Chief Executive
Officer



Mr. Ugyen Dhendup
Dy. CEO, (CSSS)



Mr. Sonam Rigyel
Dy. CEO, (Operations)



Mr. Karma Jigme
General Manager
Credit Dept.



Mr. Tshering Dupa
General Manager
ADM/HRM Dept.



Mr. Pema Wangdi
General Manager
Corporate Planning &
Research Dept.



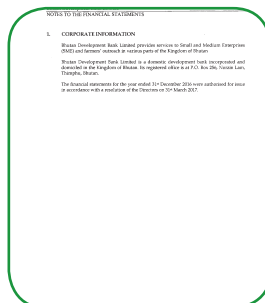
Mr. Nidup Tshering
General Manager
Finance & Treasury
Dept.



Mr. Tsewang Dorji
General Manager
Banking Dept.



Mr. Sonam Letho
General Manager
Cottage & Small
Industries Financing
Dept



Mr. Bhawani Shankar
General Manager
Internal Audit Dept.



Mr. Dorji Wangdi
Company Secretary
Legal & Corporate
Secretariat

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION
Bhutan Development Bank Limited provides services in financial and insurance companies (BDB) and insurance companies in various parts of the Kingdom of Bhutan.
Bhutan Development Bank Limited is a financial development bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 26, Thimphu, Bhutan.
The financial statements for the year ended 31st December 2016 were audited for true and fair presentation by the auditor of the Company on 10th April 2017.



CHAIRMAN'S REPORT

I take this opportunity to extend a warm welcome to the esteemed shareholders of Bhutan Development Bank (BDB) to the Annual General Meeting. I was appointed as the Chairman of the bank in October 2016. I am deeply honored for being entrusted with very important responsibilities and I look forward to working closely with the Board, Management and Stakeholders to serve the customers of the BDB.

On behalf of the Board Directors of BDB, I am pleased to present herewith the 28th Annual Report of the Bank for the year ended December 31, 2016.

Before I present the Annual Report, we would like to express our sincere appreciation to the former Chairman Dasho Nim Dorji, Secretary, Ministry of Finance, who along with a dedicated team of six Board Directors had steered the bank to new heights. We would also like to acknowledge the contributions made by the two outgoing Directors - Mr. Lungten Dorji, Director General, Department of Local Governance and Mr. Karma Tshering, former Chief Executive Officer, BOiC. They are replaced by two new Directors - Mr. Tshewang Rinzin, Dzongda, Dzongkhag Administration, Thimphu and Mr. Pema Wangdi, Chief Executive Officer, Rural Enterprise Development Corporation Limited (REDCL).

The year 2016 witnessed some important changes in the top management team, which started with the recruitment of Mr. Phub Dorji as a new Chief Executive Officer (CEO) and appointment of five General Managers to fill up long overdue vacant posts. Given their wide range of experiences and long service tenure we are hopeful that the bank will benefit immensely and continue to grow from strength to strength under their leadership.

1. Governance

There are seven Board Directors including the CEO appointed by the Government. Ten Board Meetings were conducted during the year including an Emergency Board that reviewed/examined the unauthorized enhancement of loans by one project officer of the bank who was attached to Thimphu Main Branch. The Board also reviewed bank's quarterly/half yearly performance.

The Board is supported by four Board Sub-committees covering the areas of Governance, Risk Management, Audit and Credit. The Board Sub-committees' meetings are held on



quarterly or biannual basis to discuss important programs, policies, priorities and plans submitted by the management and to provide recommendations for Board approval.

The highlights of the 2016 Board decisions include approval of Budget 2016, acquisition of new Core Banking System called Finacle developed by Infosys, framework for Minimum Lending Rate, examination of HR issues, TOR for Governance Committee, Board Performance Evaluation Tool, draft Procurement Manual, review of audit report and RMA on-site report.

2. Oversight by regulators, governing bodies and auditors

As usual, the Royal Monetary Authority (RMA) conducted its on-site examination of the bank for the year and based on their CAMEL rating tool, the bank was awarded a composite rating of “**2 –Satisfactory**” which is the highest ever awarded to the banking sector thus far.

The Statutory Auditors M/s Gianender & Associates, Chartered Accountants, New Delhi has audited the Bank for the financial year 2016. I am pleased to share the auditors’ opinion here that the Bank had complied with the applicable laws, rules and regulations while discharging its responsibilities and performed well in both financial and operational aspects.

3. Financial Highlights

3.1 Equity

The Bank’s equity witnessed a growth of 10% during the year from Nu. 3.03 billion (FY2015) to Nu. 3.34 billion. The equity growth was contributed by retained earnings and increase in share values.

3.2 Bank’s Financial Position:

The Bank’s total assets for the year grew by 19% (to Nu. 22.65 billion from the previous year’s asset value of Nu. 19.07 billion) as against the target of 15%. The growth was fuelled mainly due to extension of more loans and advances which registered an increase of 17%. The liabilities also increased to Nu. 19.30 billion from Nu. 16.03 billion of FY 2015. The growth of about 20% is attributed to more customers placing their money with the bank.

3.3 Bank’s Financial Performance:

The Bank has generated a total revenue of Nu. 2.15 billion registering a growth of almost 21%. The overall operating income has also gone up by 20%. Although the bank made a decent net profit of Nu. 325 million the performance for the year plummeted by about 21%



from last year's profit of Nu. 409 million. The net income fell short by Nu. 104 million. The major contributing factor for the downfall was with high loan loss provision and implementing minimum lending rate (MLR) to some extent.

The bank spent Nu. 27.6 million to operate the Community Centers that saw an increase of 69% from last year's figure of Nu. 16.6 million which also affected the profit of the bank.

4. Operational Highlights:

Except for profit, the bank achieved all other targets set for the year. The statutory requirement of 10% Cash Reserve Ratio and 20% of Statutory Liquidity Ratio were all fulfilled. It is worth noting the remarkable achievement of the bank through controls measures put in place to maintain its operating expenses ratio at 16% which is way below the 22% ceiling set by the Board.

4.1 Credit Distribution:

In keeping with the mandates, BDB as the only development bank has assumed the lead role in offering financial and other allied services in the rural areas of the country. The bank has its presence in all 20 Dzongkhags, 14 Dungkhags and 198 Gewogs despite high establishment cost, where there is little or no return on investments in most cases.

Loans to needy farmers continue to increase its penetration in the far-flung and unbanked areas taking the total clientele base to 56,162 as of 31st December 2016 surpassing the estimated rural clients target of 48,508. Agriculture being the mainstay of the rural economy continues to dominate other sectors in terms of credit portfolio, which conforms to the bank's mandate of empowering farmers through extension of credit. Agriculture portfolio of 27% of the total loan amount is not only highest in the bank but also in the whole banking sector, which is a testimony of the bank's unwavering support for agriculture development.

At the close of the year the overall loan outstanding stood at Nu.16.35 billion which grew from Nu.13.92 billion of 2015.

4.2 Banking Activities

The bank is exploring every possible means to take banking services to the door steps as an integral part of the financial inclusion program, where bank staff visit designated places on preset dates and time every month besides the monthly/quarterly loan recovery trips by project and recovery officers.

The bank which was allowed to take in deposits from public in 2010 is relatively new in the banking business compared to other commercial banks. However, it has managed to raise



deposits of over Nu. 18 billion with total of 159,382 deposit accounts. The growth was more than 23%. The bank has more corporate deposits which is volatile and short term and to reverse the situation, the bank propose to set the corporate retail deposit ratio to 60:40 from the existing 65:35.

One of the popular deposit products is the **Drinchen Ama savings scheme** for rural farmers. Efforts are made to further promote this scheme through continued distribution of savings boxes in the rural communities.

4.3 Investments

While majority of the bank's investments are in the form of loans and advances, efforts are made to diversify investments to mitigate risk. The bank has invested in bonds and shares with reputable commercial entities in the country. As of year end Nu. 410.24 million is invested in bonds with three institutions for the period ranging from seven to ten years. The bank has also invested in shares worth Nu. 7.82 million with eight different companies in the country.

5. Human Resources Management (HRM)

Recognizing the importance of crucial role played by employees of the bank, a budget of Nu. 27 million was allotted for the year capacity building of the employees. During the year, a total of 400 bank employees were trained in various fields such as credit appraisal, Non-Performing Loan (NPL) management, Information Communication Technology (ICT), research, customer care, audit, risk, secrets of communication, governance, corporate strategy and International Financial Reporting Standards (IFRS). Of the total 400 trained, 237 staff members were from Branch Offices and 163 from Head Office. In-house trainings have been availed by 164 employees, in-country by 69 while 167 attended ex-country trainings during the financial year.

A total of 62 new recruits joined the workforce taking the total regular employee strength to 450. Additionally there were 10 employees on contract, 11 regular CC management team based at Thimphu Head Office and 201 CC Operators scattered across the country. I am pleased to report that the Bank is manned by 100% Bhutanese and remains committed to continue the banks operations with our own nationals. The Board supports the management's strategy to update skills of bank staff and keep their morals high through provision of relevant trainings.

6. Key achievements during the year 2016

In order to provide faster and reliable services the bank had acquired a robust Core Banking Solution worth around Nu. 230 million, which is in the final stage of development and is almost ready for implementation. The bank established a Data Centre, Disaster Recovery Site and upgraded its mailing system. The bank's ATM Switching is being changed. MAXIMUS has been awarded the work which will be completed and launched with the new CBS.

It is worth mentioning that the opportunity cost of farmers had reduced significantly with setting up of Geog Banking Services in 198 Geog centers. This year Tendu under Samtse Dzongkhag is blessed with the establishment of a Gewog Field Office. With a view to help new recruits start their career with a decent living, the bank launched a new loan product titled “**Home Settlement Loan Scheme**” during the third quarter of the year. Under this scheme, a total loan of Nu. 9.3 million has been disbursed to 69 clients as of year end.

Installation of 15 additional ATMs at various locations across the country is another significant milestone achieved within the year.

As initiated by the RMA and Government, the bank implemented the Minimum Lending Rate from third quarter of 2016 that has benefited customers to the tune of Nu. 34 million. Construction of a four-storeyed building at Khuruthang, Punakha was another achievement worthy of noting. The bank had set up a separate unit as “**Cottage and Small Industry Financing Department**” to handle the Revolving Fund I of the Economic Stimulus Plan (ESP).

With the award of Correspondent Banking License by the RMA in 2016, BDB will now be able to make remittances across the border benefiting people of all walks of life commencing from the second quarter of the year 2017.

7. Corporate Social Responsibilities

BDB as the only development bank with strong social mandate always attach due importance of upholding social values, preservation of culture and tradition that bind the society. Towards this end, the bank participated in the construction of biking trail, mass cleaning campaigns, blood donation and tree plantation in and around the capital city.

Over the years, the bank has been making modest donations on need based to institutions such as schools, health agencies, sporting firms, religious bodies including individuals. For instance, the bank has donated a total of Nu. 900,000/- in 2013, Nu. 730,000/- in 2014, Nu. 1,110,000/- during 2015 and Nu. 470,000/- in 2016.

8. Challenges and risks facing the bank

International donors fund support has become a thing of the past. There is no line of credit and tremendous pressure on the bank to reduce interest rate on loans is a big challenge.

Competition from emerging micro finance institutions and private money lenders has become a real threat. The bank, however sees this challenge as an opportunity to devise better service delivery mechanisms and initiatives.

It has also become a challenge for the bank to meet additional cost to run Community Centers. To conduct financial literacy programs, promote retail deposits both in the rural and urban settings also entails additional human and financial resources. Managing the newly established Cottage and Small Industry Financing Department (CSIFD) with different working modality of Revolving Fund I is another challenge to the bank.

It is unfortunate to discover unhealthy and unprofessional conduct of loan officers at some branch offices who have been terminated from the bank. One serious case unearthed towards the end of year was a project officer reportedly involved in unauthorized credit enhancement and disbursement of loans to some 55 clients. The case is under investigation by the Anti-Corruption Commission. This system challenge clearly highlights the need to strengthen monitoring and supervision at all levels.

9. Way forward

Unlike in the preceding years, the bank has set a modest target for 2017 to focus on consolidation, take stock of development progress, review challenges/constraints and work on strategies to improve the quality of services and loan portfolio.

A target of 11% was set for Assets growth, 5% to increase Profit, 13% for Deposits, 10% for loans and 8.5 % for NPL (PAR). The bank plans to construct a two-storey building at Trashiyangtse to house its branch office. Studies have been carried out to set up a new branch office at Nobding under Wangdue Phodrang Dzongkhag in the new financial year. Given the increase in the number of transactions in the Gewogs where Gewog Banking Services (GBS) are based, the bank plans to upgrade 6 GBS to Field Offices.

The bank desires to devote more time and resources to get closer to the rural community whose livelihood hinges largely on agriculture and livestock farming. The bank will continue to provide necessary finance and support to micro, small and medium enterprises (MSMEs), develop policies to encourage more savers, review and restructure existing products to suit clients' need and payback timing, expand outreach among others.



The bank has been sponsoring farmers' exposure visits to different parts of the country and ex-country in the past. Recognizing the importance of educating farmers through such exchange programs, the bank revised the existing budget to Nu. 6 million for the financial year 2017.

10. Conclusion

In conclusion, the bank commits to remain a dominant player in providing financial services to the farmers who depend on agriculture and livestock for their livelihoods. Continuing efforts shall be made by the Board, the management and the staff to better the performance of the bank in the coming years. For this we would require continued support from the Government, Ministry of Finance, donors and other stakeholders.

Choiten Wangchuk
CHAIRMAN
Bhutan Development Bank

Operational Highlights from 2012-2016

Sl #	Particulars	2012	2013	2014	2015	2016
I	Assets (mn)	7,694	10,425	16,563	19,073	22,649
II	Profits/(Loss) (mn)	238	279	282	409	325
III	Disbursement (mn)	3,281	4,235	5,379	6,321	7,327
	Main Branch	1,136	1,553	1,413	1,574	1,719
	Branch Office	2,145	2,682	3,967	4,747	5,609
IV	Loan Outstanding (mn)	6,247	8,500	10,819	13,920	16,547
	Main Branch	2,815	3,968	4,584	5,242	5,970
	Branch Office	3,432	4,532	6,235	8,678	10,577
V	On - Time Recovery Rates					
	Main Branch	95%	96%	96%	96%	94%
	Branch Office	95%	95%	95%	95%	95%
VI	Portfolio At Risk	8.34%	7.21%	7.77%	8.59%	12.48%
	Main Branch	8.41%	6.90%	7.97%	9.32%	17.56%
	Branch Office	8.28%	7.50%	7.63%	8.12%	9.44%
VII	Number of Active Clients	34,790	40,712	46,326	52,248	56,192
	Main Branch	2,841	3,143	3,317	3,730	4,163
	Branch Office	31,949	37,569	43,009	48,518	52,029
VIII	Number of New Accounts	15,637	16,613	19,763	21,376	19,698
	Main Branch	838	844	969	1,232	1,255
	Branch Office	14,799	15,769	18,794	20,144	18,443
IX	Cumulative Nos. of Beneficiary	141,732	158,345	178,108	199,484	219,182
	Main Branch	8,773	9,617	10,586	11,818	13,073
	Branch Office	132,959	148,728	167,522	187,666	206,109

SI #	Particulars	2012	2013	2014	2015	2016
X	Deposit Amount (Million)	4,323	6,824	12,162	14,216	17,479
	Main Branch	3,079	4,867	9,628	10,575	12,322
	Branch Office	1,244	1,957	2,534	3,641	5,156
XI	No.of Depositors	64,181	85,864	109,005	133,366	159,576
	Main Branch	3235	4821	6,322	8,436	11,186
	Branch Office	60,946	81,043	102,683	124,930	148,390
XII	Number of Employess	321	357	385	416	452
	Head Office	103	110	125	117	144
	Main Branch	23	28	30	31	39
	Branch Office	195	219	230	268	269
XIII	Active Clients/Employee Ratio					
	Main Branch	124	112	111	120	107
	Branch Office	164	172	187	181	193
XIV	Loans /Employee Ratio	19	24	28	33	37
	Main Branch	122	142	153	169	153
	Branch Office	18	21	27	32	39

BHUTAN DEVELOPMENT BANK LIMITED

ANNUAL ACCOUNTS & AUDITORS' REPORT 2016

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



Auditors' Report

Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The financial statements for the year ended 31st December 2016 were authorised for issue in accordance with a resolution of the Directors on 31st March 2017.



Other Matter

- Bank has 33 branches, out of which 12 branches were audited by us, and for remaining 22 branches, accounts as prepared by the management have been incorporated in the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

Further, as required by Section 265 of the Act, we report that:


- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the



Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of accounts.

- d) In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016 and other legal and regulatory requirements.

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



G.K Agrawal
Partner
Membership No. 081603

Place: New Delhi, India

Date: 20/4/17

ANNEXURE

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

1. The Bank is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. Physical verification of fixed assets of 10 Branches out of 33 Branches has been carried out by the Bank during the year 2016 through internal audit department. Reconciliation of physical assets as per internal audit report with the book balance as per physical asset register has not been done.
2. Fixed Assets have not been re-valued during the year and therefore, there is no profits/loss on revaluation.
3. Physical verification of various stores items were carried out by the internal audit during the year.
4. In our opinion, rate of interest and other terms and conditions of secured/unsecured loans availed by the Bank from banks, financial institutions or other parties are prima facie not prejudicial to the interest of the Bank.
5. According to the information and explanations given to us, no loan, secured or unsecured, has been granted to other companies, firms or other parties under the same management. The loans granted by the Bank are prima facie not prejudicial to its interest. The advances granted to officers/staffs are in keeping with the provisions of service rule and no excessive and frequent advances are granted and accumulation of large advances against particular individual is avoided.
6. Internal controls of the bank relating to credit management need to be strengthened as on review of reports of Internal Audit Department, it was observed that:
 - i. embezzlements amounting to Nu. 3,950,024 were reported in 6 cases during the year;
 - ii. Unauthorised sanctions & disbursements in case of 52 borrowers, 142 accounts at Main branch Thimphu;
 - iii. Misappropriation, overwriting of field receipts, back date errors in field receipts, non-updating of field collections of funds collected by PSOs in various branches;
 - iv. Non-identification of various accounts receivables in various branches.
7. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of its business for the purchase of goods and services including stores, equipment and other assets. The Bank is not engaged in manufacturing or trading activities.
8. Fund based or non-fund based facilities provided to the directors or to companies or firms in which any director was directly or indirectly interested, were under similar terms and Conditions as were applied to other parties and were not prima facie prejudicial to the interest of the Bank.
9. Unserviceable or damaged stores have been determined on the basis of verification conducted at periodic intervals.
10. The Bank is maintaining reasonable records for sale and disposal of scrap.



11. According to the records, the Bank has been regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year.
12. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2016.
13. According to the information and explanations given to us, no personal expenses have been debited to the Income Statement other than those payable under contractual obligations/service rules of the Bank.
14. The Bank has a reasonable system of recording receipts, issues and consumption of stores items commensurate with the nature and size of its business.
15. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
16. Idle cash and bank balances are generally not held by the Bank.
17. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Bank are, in our opinion, lawful and intra-vires to the Articles of Incorporation of the Bank.
18. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
19. The Bank has established an effective budgetary control system.
20. The details of remuneration to the Directors and CEO have been disclosed in Note no. 36.
21. The directives of the Board have generally been complied with.
22. According to the information and explanations given to us, the officials of the Bank have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

In Case of Finance and Investment Bank

1. There are lapses on the documentation part of loans granted by the Bank and this area requires further improvement.
2. Proper records of the transactions and contracts have been maintained and timely entries have been made for the investments made.
3. The Bank has maintained reasonable records for funds collected from depositors and for interest payment.
4. Investments made by the Bank and outstanding in its books as on 31.12.2016 have not undergone any permanent diminution in value as per information and explanations given to us.
5. The Bank has complied with the requirements of the Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate authorities as explained by the management except otherwise mentioned elsewhere in the report or notes to the accounts.
6. Provisioning for non- performing assets including loans and advances has been carried out as per accounting policy of the Bank revised on 01.01.2014.



7. Accrued interest on non- performing loans has been recognized as interest income as per accounting policy of the Bank revised on 01.01.2014 and has not been deferred. However, accrued interest has been taken into account while arriving at provision for impairment loss.
8. As stated by the management, except for few cases, assets hypothecated against loans and advances have been physically verified and properly valued by management and mortgage deeds have been executed and it has been ensured that the assets are free of any prior lien or charges.
9. The Bank has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. Taking over of assets for repayment defaults are made through open / sealed bids.
11. The Bank has complied with the guidelines for Prudential Regulations as issued by RMA for re-phasing / rescheduling of loan accounts.
12. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

Computerized Accounting Environment

1. The Bank has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. Adequate safeguard measures and back up facilities exist.
3. Back up facilities and disaster recovery measures include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

General

1. Going Concern Problem

Based on the Bank's financial statements for the year ended 31st December, 2016, we are of the opinion that the going concern assumption is appropriate..

2. Ratio Analysis

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

RATIOS	2016	2015	Comments
A. Ratios for assessing Financial health			
Capital Turnover Ratio(As per BAS)			Improvement in ratio due to increase in gross income
(Income / Capital Employed)	65.88%	60.28%	



Current Ratio (As per BAS)			Current ratio though within permissible norms but decline due to decrease in current liabilities.
(Current Assets / Current Liabilities)	227.58 %	120.43%	
Fixed Assets Turnover Ratio(As per BAS)			Decline due to increase in fixed assets.
(Income/Fixed Asset)	771.77 %	831.04%	
B. Ratios for assessing Profitability			
Profit on Capital Employed Ratio (As per BAS)	9.32%	13.47%	Decline due to decrease in net profits.
(Profit after Tax / Capital Employed)			
Profit Turnover Ratio(As per BAS)	13.51%	22.34%	Decrease in ratio due to decrease in profits.
(Net Profit/Total Income) *100			
Operating Ratio (As per BAS)	16.19%	16.68%	Reduction due to increase in gross income.
(All Expenses – Finance Charges)/Total Income*100			
Total Expenses to Total Income Ratio (As per BAS)	85.24%	77.66%	Increase in ratio due to increase in expenses.
(Total Expense/Total Income)*100			
Capital Adequacy Ratio (As per OLD GAAP)	16.52	18.08%	Is yet to be computed
Statutory Liquidity Reserve Ratio (As per OLD GAAP)	22.34%	22.41%	Higher than minimum requirement of 20% as PR 2002 (RMA).
Credit Deposit Ratio (As per OLD GAAP)	93.53%	96.64%	Decreased due to increase in deposits

3. Compliance of the Companies Act of the Kingdom of Bhutan 2016:

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

- Loans given to certain directors showing on the reporting date an outstanding balance of Nu. 2,749,689 (PY Nu. 8,157,792) are not in accordance with the provision of section 157 of the above Act which provides that no public company shall make any loan to any of its director.
- Bank's wholly owned subsidiary namely BDB Securities Limited has been merged with it on 31.12.2015 as approved by the board of directors of the Bank in their 130th meeting held on 07.11.2015 and by the shareholders of the subsidiary company in their EGM held on 13.08.2015. Accordingly, all assets and liabilities of the subsidiary company as appearing in its audited Statement of Financial Position drawn on 31.12.2015 have been transferred to the Bank and are included in the Bank's Statement of Financial Position drawn on 31.12.2015. However, the Bank is yet to obtain orders of the court to this merger.



- c) Company has seven directors on its board. Article 46 prescribes appointment of minimum three directors. Article 50 states that " shall not any time exceed the maximum strength fixed for the Board by the Articles" Company has not fixed any maximum number of directors by the Articles. In the absence of fixation of maximum numbers, appointment of directors exceeding three director is in conformity with Articles of Incorporation.



4. Adherence to Laws, Rules & Regulations

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

Place: New Delhi, India

Date: 20/4/17

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



G.K Agrawal
Partner

Membership No. 081603

BHUTAN DEVELOPMENT BANK LIMITED

ANNUAL ACCOUNTS 2016

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

BHUTAN DEVELOPMENT BANK LIMITED
FINANCIAL STATEMENTS
31ST DECEMBER, 2016



Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The financial statements for the year ended 31st December 2016 were authorised for issue in accordance with a resolution of the Directors on 31st March 2017.





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

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

Statement of compliance

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

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is considered when preparing the statement of Financial Position.

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

Audited Financial Statements for 31.12.2015 are prepared in accordance with BAS 1 on presentation of financial statements in line with BAS/ BFRS and IFRS.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

Estimates and assumptions

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

Going concern

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

Fair value of financial instruments

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

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

Impairment losses on loans and advances

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

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

Impairment of available-for-sale investments

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign currency translation

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

Transactions and balances

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

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

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

2.3.2 Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Financial assets or financial liabilities held for trading

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

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

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

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

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

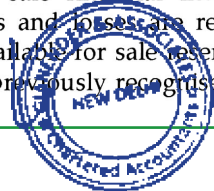
(v) 'Day 1' profit or loss

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

(vi) Available-for-sale financial investments

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

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

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

(vii) Held-to-maturity financial investments

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

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

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

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

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

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration

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





Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

(ix) Debt issued and other borrowed funds

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

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

(x) Reclassification of financial assets

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

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

2.3.3 De-recognition of financial assets and financial liabilities

(i) Financial asset

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

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

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

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





Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

(ii) Financial liabilities

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

2.3.4 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

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

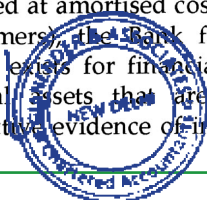
2.3.5 Impairment of financial assets

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

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

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

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 assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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

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

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

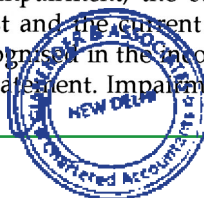
Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

(ii) Available-for-sale financial investments

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

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(iii) Renegotiated loans

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

(iv) Collateral valuation

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

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

(v) Collateral repossessed

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

2.3.6 Offsetting financial instruments

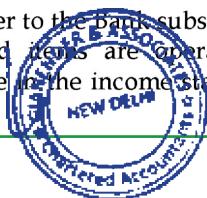
Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle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

2.3.7 Leasing

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

Group as a lessee

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

2.3.8 Recognition of income and expenses

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

(i) Interest and similar income and expense

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

(ii) Fee and commission income

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

Fee income can be divided into the following two categories:

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

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

Fee income from providing transaction services

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

(iii) Dividend income

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

(iv) Net trading income

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

2.3.9 Cash and cash equivalents

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

2.3.10 Property, Plant and Equipment

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

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

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

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

2.3.11 Intangible assets

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





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

- Computer software 6-7 years

2.3.12 Impairment of non-financial assets

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

2.3.13 Guarantees

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

2.3.14 Provisions

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

2.3.15 Grants

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

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives non-monetary grants, the





Bhutan Development Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

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

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

2.3.16 Dividends on ordinary shares

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

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

2.3.17 Equity reserves

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

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

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

BFRS 9 Financial Instruments.

BFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to BFRS 9 Mandatory Effective Date of BFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of BFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.





Bhutan Development Bank Limited
NOTES TO THE FINANCIAL STATEMENTS

BFRS 15 Revenue from Contracts with Customers

BFRS 15, as issued, reflects the first phase of IASB's initiative to replace IAS 18, the objective of which is to establish the principles that the company shall apply in reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. Earlier application by the company is permitted. Contracts with customers will be presented in the company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.





BHUTAN DEVELOPMENT BANK LIMITED

INCOME STATEMENT

For the year ending

	Note	Dec 16 Nu	Dec 15 Nu
Interest & Similar Income	3	2,157,064,454	1,788,677,315
Interest & Similar Expense	4	(1,129,200,793)	(936,508,082)
Net interest income		1,027,863,660	852,169,233
Fee and commission income	5	34,469,303	28,787,845
Net fee and commission income		34,469,303	28,787,845
Other Operating Income	6	12,173,182	14,158,067
Total operating income		1,074,506,146	895,115,145
Personnel Expenses	7	(202,739,732)	(189,454,673)
Depreciation on Property Plant & Equipment		(33,406,590)	(20,907,067)
Amortization of Intangible Assets		(4,216,845)	(3,376,149)
Other Operating Expenses	8	(116,482,389)	(91,844,177)
Impairment (charges)/reversal for loans and other losses		(392,427,300)	(180,337,978)
Total Operating Expenses		(749,272,856)	(485,920,042)
Profit Before Tax from Continuing Operations		325,233,289	409,195,102
Less : Expenditure on Community Centers (net of Income)	9	(27,632,859)	(16,666,393)
Profit For the year ending		297,600,430	392,528,710

In terms of our attached report of even date.

For Gianender & Associates

Chartered Accountants

FRN : 004661N


G.K. Agrawal
Partner

Membership No. 081603

Dated: 20/11/17

Place : Delhi, India


Chief Executive Officer


Chairman



BHUTAN DEVELOPMENT BANK LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME

	Dec 16 Nu	Dec 15 Nu
Profit for the year ending	297,600,430	392,528,710
Gains /(losses) on re-measuring available for sale financial assets	6,211,807	(511,965)
Gain/(loss) on Actuarial valuation of defined benefit liability	2,414,424	(3,161,562)
Total other comprehensive income / (loss)	306,226,661	388,855,183
Income tax income /(expense) relating to components of other comprehensive income	-	-
Total comprehensive income for the year, net of tax	306,226,661	388,855,183

Note 1 to 45 form an integral part of Financial Statements

In terms of our attached report of even date.

Chartered Accountants


G.K. Aggarwal
Partner

Dated 20/4/17
Place : Delhi, India


Chief Executive Officer


Chairman



Bhutan Development Bank Limited
STATEMENT OF FINANCIAL POSITION

	Note	Dec/16 Nu	Dec/15 Nu
Assets			
Cash & Cash Equivalent	10	1,146,721,506	1,262,040,618
Balances with Central Bank		3,289,114,317	1,589,128,878
Due from Banks	11	1,610,166,892	2,096,453,002
Loans & Advances to Customers	12	15,389,765,486	13,155,489,072
Financial Investments-Available for Sale	13	43,761,202	37,549,396
Financial Investments-Corporate Bonds	14	425,059,948	425,282,870
Other Assets	15	393,975,388	286,254,835
Property, Plant & Equipment	16	293,115,321	196,543,415
Intangible Assets	17	57,561,143	23,857,537
Total Assets		22,649,241,205	19,072,599,623
Liabilities			
Due to Banks	18	1,136,189,393	1,276,643,051
Due to Customers	19	18,029,398,131	14,639,226,114
Retirement benefit plans	20	52,274,515	51,071,615
Other Liabilities	21	86,561,295	67,067,630
Total Liabilities		19,304,423,334	16,034,008,412
Equity			
Stated Capital		507,317,000	507,317,000
Retained Earnings		1,776,443,016	1,473,924,734
Other Reserves		1,055,738,481	1,058,241,909
AFS Reserve		5,319,374	(892,432)
Total Equity		3,344,817,871	3,038,591,210
Total Liabilities and Equity		22,649,241,205	19,072,599,622

Note 1 to 45 form an integral part of Financial Statements

In terms of our attached report of even date.

For Gianender & Associates

Chartered Accountants

FRN: 004661N

NEW DELHI

G.K. Agrawal

Partner

Membership No. 081603

Dated: 20/4/17

Place : Delhi, India

Chief Executive Officer

Chairman



BHUTAN DEVELOPMENT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	General Reserves	Other Reserves	Staff Development Fund	Available for Sale	Total Shareholders' Funds
				Reserve for Land And Building	IT Development Reserve (CBS)		
Balance as at January 1 2015	300,000,000	1,217,948,789	739,754,084		175,000,000	(380,467)	2,463,816,862
Adjustments/Additional	207,317,000	25,367,411	-		(25,270,789)	(511,965)	210,584,981
Acturial Gains/(Losses)		(3,161,562)					(3,161,562)
Net profit for the year		392,528,710					392,528,710
Transfers during the year		(158,758,613)	117,758,613		21,000,000		0
Balance as at 31st December 2015	507,317,000	1,473,924,734	857,512,697	-	170,729,211	(892,432)	3,063,768,990
Note 1 to 45 form an integral part of Financial Statements							
Balance as at January 1 2016	507,317,000	1,473,924,734	857,512,697	-	170,729,211	(892,432)	3,038,591,210
Adjustments/Additional		121,783,557			(121,783,557)	6,211,807	6,211,807
Acturial Gains/(Losses)		2,414,424					2,414,424
Net profit for the year		297,600,430					297,600,430
Transfers during the year		(119,280,129)	89,280,129	20,000,000	10,000,000		-
Balance as at 31st December 2016	507,317,000	1,776,443,016	946,792,826	20,000,000	48,945,655	5,319,374	3,344,817,871

Note 1 to 45 form an integral part of Financial Statements

In terms of our attached report of even date.

For Gianender & Associates
Chartered Accountants
FRN : 004661N



G.K. Agrawal

Partner

Membership No. 081603

Dated:

Place : Delhi, India

Chief Executive Officer

Chairman



BHUTAN DEVELOPMENT BANK LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Dec-16 Nu	Dec-15 Nu
Operating Activities		
Profit Before Tax from Continuing Operations	297,600,430	392,528,710
Adjustments for ;		
Dividend received	(582,920)	(442,900)
Depreciation of Property, plant and equipment	33,406,590	20,764,215
Movement in Impairment of Loans & Advances	392,427,300	168,644,927
Gain/loss on Disposal of PPE	-	19,974
Operating profit before changes in operating assets & liabilities	722,851,401	581,514,926
(Increase)/Decrease in operating assets		
Balance with Royal Monetary Authority	-	(3,071,640,778)
Loans & Advances to Customers	-	(2,345,418,053)
Funds advanced to banks	-	5,030,812
Financial Investments	-	(435,657,698)
Other assets	-	(85,342,055)
Increase/(Decrease) in operating liabilities		
Movement in gov't Grant	-	(13,607,088)
Movement in Share Capital	207,317,000	-
Retirement Benefit Plans	5,658,943	5,351,103
Other liabilities	-	20,996,584
Increase/(Decrease) due to banks	-	198,755,027
Increase/(Decrease) due to customers	-	5,580,760,344
Net cash flow from operating activities	-	(140,771,801)
Cash flow from investing activities		
Dividend received	582,920	442,900
Purchase of property & equipment	-	(31,729,083)
	-	(31,286,183)
Cash flow from financing activities	-	-
Net cash flow from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	409,456,942
Cash and cash equivalents at the beginning of the year	873,076,443	463,619,501
Cash and cash equivalents at the end of the year	-	873,076,443
	1,146,721,506	110,570,153.57

Note 1 to 45 form an integral part of Financial Statements

In terms of our attached report of even date.

For S.K. Mittal & Co.

Chartered Accountants

Firm Registration No. 01135N

S.K Mittal

Partner

Membership No. 8506

Date :

Place : New Delhi

Chief Executive Officer

Chairman



BHUTAN DEVELOPMENT BANK NOTES TO THE FINANCIAL STATEMENTS

	Dec/16 Nu	Dec/15 Nu
3 INTEREST AND SIMILAR INCOME		
Loans & Advances to customers	2,000,403,315	1,668,824,408
Due from Banks	144,583,119	117,241,806
Notional Interest on Staff Loans	8,030,525	1,958,550
Other short term investments	4,047,495	652,550
	2,157,064,454	1,788,677,315
4 INTEREST & SIMILAR EXPENSE		
Due to customers	1,059,860,509	862,836,420
Due to banks	69,340,285	73,671,661
	1,129,200,793	936,508,082
5 FEES & COMMISSION INCOME		
Commission on Guarantee	21,605,033	20,959,794
Other fees Received	12,864,270	7,828,051
Total fees and commission income	34,469,303	28,787,845
Fees & Commission Expense	-	-
Net Fees & Commission Income	34,469,303	28,787,845
6 OTHER OPERATING INCOME		
Dividend Income	-	-
Operating lease income	5,311,139	4,994,361
Profit on disposal of Property, Plant & Equipment(Net)	-	942,467
Amortization of the Government Grants (Credit Related)	0	3,449,481
Other	6,862,042	4,771,758
	12,173,182	14,158,067
7 PERSONNEL EXPENSES		
Wages & Salaries	157,994,089	149,866,010
Training & Seminars Expenses	31,056,175	30,513,892
Amortization of Pre-paid employment benefits	8,030,525	1,958,550
Current Period Service cost/Interest Expense	5,658,943	7,116,220
	202,739,732	189,454,673
8 OTHER OPERATING EXPENSES		
Advertising and marketing	9,700,054	7,924,510
Administrative	62,659,063	57,981,284
Professional fees	4,732,083	2,229,366





	Dec/16 Nu	Dec/15 Nu
Bank levy	122,068	117,197
Other	34,623,794	23,591,820
Prior Period income/Expense	4,645,325	
	116,482,389	91,844,177
9 COMMUNITY CENTER OPERATIONS		
Expenditure on Community Centers (net of Income)	(27,632,859)	(16,666,393)
	(27,632,859)	(16,666,393)
10 CASH & CASH EQUIVALENT		
Cash on hand	1,146,721,506	1,262,040,618
	1,146,721,506	1,262,040,618
11 DUE FROM BANKS		
Placements with other banks	1,610,166,892	2,096,453,002
Other	-	-
	1,610,166,892	2,096,453,002
BALANCE WITH CENTRAL BANK		
Balance in Cash Reserve Ratio	1,733,085,683	1,407,289,842
Balance in Current Deposit	956,426,934	181,839,036
Short Term Investment - Treasury Bill	599,601,700	-
	3,289,114,317	1,589,128,878
12 LOANS & ADVANCES TO CUSTOMERS		
Agriculture Loans	4,443,128,427	3,652,927,890
Overdraft Loan	2,877,460,591	2,235,717,669
Employee Loan	1,814,758,186	1,528,947,984
Housing Loan	2,444,685,475	2,038,057,018
Service and Tourism Loan	1,134,117,600	998,473,189
Personal Loan	589,757,066	680,515,990
Industrial Loan	413,785,954	487,181,281
General Trade Loan	729,502,874	734,683,282
Inter Bank/FI's Lending	298,218,804	308,772,791
Transport Loan	1,044,887,168	613,868,240
Micro Enterprise Loan (BCCI Scheme)	97,451,406	114,834,524
Small Scale Industrial Loan	81,565,146	70,859,226
Construction Loan	38,483,411	40,341,525
Working Capital Loan	9,552,094	11,412,708
Add: Interest Receivable	529,310,788	403,513,859
	16,546,664,989	13,920,107,176
Less: Allowance for Impairment (Collective)	(1,156,899,503)	(764,618,104)
	15,389,765,486	13,155,489,072



BHUTAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment Allowance for loans & advances to customers

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

	Agriculture Loans (Nu'000)	Overdraft Loan (Nu'000)	Employee Loan (Nu'000)	Housing Loan (Nu'000)	Service and Tourism Loan (Nu'000)	Personal Loan (Nu'000)	Other (Nu'000)	Total (Nu'000)
At 1 January 2015	162,534,252	87,353,456	17,625,097	66,278,540	63,578,688	75,740,497	114,839,724	587,950,255
Charges for the year	39,895,406	20,272,077	5,934,896	27,170,807	8,339,731	19,506,820	55,548,112	176,667,849
At 31 December 2015	202,429,658	107,625,532	23,559,993	93,449,347	71,918,420	95,247,317	170,387,837	764,618,104
Individual Impairment		18,254,781			12,798,233	9,778,681	25,342,770	66,174,465
Collective Impairment	202,429,658	71,115,970	23,559,993	93,449,347	46,321,954	75,689,955	218,366,539	698,443,639
Total Impairment Provision	202,429,658	89,370,751	23,559,993	93,449,347	59,120,187	85,468,636	170,387,837	764,618,104
At 1st January 2016	202,429,658	107,625,532	23,559,993	93,449,347	71,918,420	95,247,317	170,387,837	764,618,104
Charges for the year	78,948,667	130,624,092	5,477,411	57,570,521	35,817,603	27,035,502	56,807,604	392,281,399
At 31 December 2016	281,378,325	238,249,624	29,037,404	151,019,868	107,736,022	122,282,819	227,195,440	1,156,899,503
Individual Impairment		113,527,711		30,834,584	14,087,170	4,796,020	43,887,169	207,132,652
Collective Impairment	281,378,325	124,721,914	29,037,404	120,185,285	93,648,853	117,486,799	183,308,271	949,766,850
Total Impairment Provision	281,378,325	238,249,624	29,037,404	151,019,868	107,736,022	122,282,819	227,195,440	1,156,899,503

13 FINANCIAL INVESTMENTS AVAILABLE FOR SALE

Quoted Investments

Quoted Equities (14.1)

Unquoted Equities (14.2)

	Dec/16 Nu	Dec/15 Nu
Quoted Investments	16,200,202	9,988,396
Quoted Equities (14.1)	27,561,000	27,561,000
Unquoted Equities (14.2)	43,761,202	37,549,396



(14.1) Quoted Equities		No. of Shares		
Bhutan Carbide and Chemical Limited	25,000	113,175	67,452	
Penden Cement Authority Limited	38,100	3,555,404	50,800	
Bhutan National Bank Limited	178,120	7,531,623	4,870,143	
GIC Bhutan Reinsurance Limited	500,000	5,000,000	5,000,000	
		16,200,202	9,988,396	
(14.2) Unquoted Equities				
Royal Securities Exchange of Bhutan	162,000	19,811,000	19,811,000	
BDB Securities	50,000	-	-	
Financial Institution Training Institute	600,000	6,000,000	6,000,000	
Credit Information Bureau	137,500	1,750,000	1,750,000	
Investment in Settlement Guarantee Fund	-	-	-	
		27,561,000	27,561,000	

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



14 FINANCIAL INVESTMENTS CORPORATE BONDS

Investments in RICBL Bonds
Investments in DCCCL Bonds

Dec/16 Nu	Dec/15 Nu
108,907,634	109,130,556
316,152,314	316,152,314
425,059,948	425,282,870

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

15 OTHER ASSETS

Loans & Advances to Employees
Advances & Pre-payments
Pre-paid Employment Benefits
Stock of Stationeries and Spares
Accounts/Other receivables
Pre-Paid Tax
Security Deposits
ATM - Receivable (Net)

188,603,437	132,552,358
8,654,899	6,222,587
159,736,690	119,043,156
5,771,299	5,175,899
16,652,877	17,888,277
4,934,408	4,763,770
86,500	-
9,535,278	608,789
393,975,388	286,254,835



16 PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and Fixtures	Electric Equipment	Arts & Art Effects	Office, Electrical & other Equip-ment	Office Equipments	Motor Vehicles	Security Equip-ments	Network Equip-ments	Computer Hardware	Other Office Equip-ments	Capital WIP	Total
	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu	Nu
At 1 January 2015	2,588,622	67,476,068	25,961,841	8,003,184	770,688	31,274,816	22,928,893	9,694,872	2,156,785	32,196,341	50,390,227	342,740	3,627,279	226,137,539
Movement During the Period	(0)	19,072,572	4,605,969	-	46,750	1,840,462	1,788,742	4,769,365	3,602,609	2,720,325	30,779,859	71,720	(1,669,719)	67,437,911
Disposals			(1,550)			(1,465,534)	(1,465,534)	(1,196,450)			(2,962,563)			(7,295,816)
At 31 December 2015	2,588,622	86,548,640	30,566,260	8,003,184	817,438	31,649,744	23,232,101	13,267,787	5,759,394	34,916,666	78,207,523	414,460	1,957,560	286,279,634
At 1 January 2016	2,588,622	86,548,640	30,566,260	8,003,184	817,438	31,649,744	23,232,101	13,267,787	5,759,394	34,916,666	78,207,523	414,460	1,957,560	286,279,634
Movement During the Period	-	4,832,504	4,577,203	0	23,170	5,859,358	5,859,358	103,635	11,650,552	10,246,291	10,549,728	-	83,506,226	131,348,667
Disposals		(1,304,452)	(809,074)			(1,049,446)	(233,773)	(70,341)		(293,124)	(2,736,548)	(6,600)		(5,453,911)
At 31 December 2016	2,588,622	91,381,144	33,839,011	7,194,110	840,608	36,459,656	28,857,686	13,371,422	17,339,605	44,869,833	86,020,702	407,860	85,463,786	412,174,390

DEPRECIATION														
At 1 January 2015	-	9,156,719	6,605,160	3,327,738	-	11,059,477	7,791,740	3,049,562	1,239,694	23,323,777	19,565,262	-	-	73,999,652
Depreciation charge for the year		2,277,118	1,709,851	1,446,457	-	4,485,527	3,039,070	1,845,977	622,816	2,887,668	7,078,109	-	-	20,907,066
Assets Disposed			1,549			1,385,974	1,385,974	1,092,446			2,889,796			5,369,765
Amortization to the Grants						-					199,266			199,266
At 31 December 2015	-	11,433,838	8,313,463	4,774,195	-	14,159,030	9,384,836	3,803,092	1,862,511	26,211,445	23,952,841	-	-	89,736,219
At 1 January 2016	-	11,433,838	8,313,463	4,774,195	-	14,159,030	9,384,836	3,803,092	1,862,511	26,211,445	23,952,841	-	-	89,736,219
Depreciation charge for the year		4,115,310	4,668,313	1,913,054		4,154,638	2,241,584	899,712	575,191	4,179,305	14,814,121			33,406,590
Assets Disposed			977,069	471,183		655,191	184,008		70,338	258,743	2,122,399			4,083,741
Amortization to the Grants						-								-
At 31 December 2016	-	15,549,148	12,004,706	6,216,066	-	17,658,477	11,442,411	4,702,804	2,367,364	30,132,006	36,644,563	-	-	119,059,069

Net book value:

At 31 December 2015	2,588,622	75,114,802	22,252,797	3,228,989	817,438	17,490,714	13,847,285	9,464,695	3,896,883	8,705,221	54,254,682	414,460	1,957,560	196,543,415
At 31 December 2016	2,588,622	75,831,996	21,834,305	978,044	840,608	18,801,179	17,415,275	8,668,618	14,972,241	14,737,828	49,376,139	407,860	85,463,786	293,115,321

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





Bhutan Development Bank
NOTES TO THE FINANCIAL STATEMENTS

	Dec/16 Nu	Dec/15 Nu		
		Softwares	IAUD	Total
17 INTANGIBLE ASSETS				
At 1 January 2015		32,510,415		
Movement During the Period		19,143,977		
Disposals				
At 31 December 2015		51,654,392	-	51,654,392
At 1 January 2016		51,654,392	-	51,654,392
Movement During the Period		1,978,511	35,941,940	37,920,451
Disposals				
At 31 December 2016		53,632,903	35,941,940	89,574,843
Accumulated Amortization				
At 1 January 2015		24,420,707	-	24,420,707
Disposals				-
Amortisation		3,376,149	-	3,376,149
At 31 December 2015		27,796,855	-	27,796,855
At 1 January 2016		27,796,855	-	27,796,855.30
Movement During the Period			-	-
Disposals			-	-
Amortisation		4,216,845	-	4,216,844.56
At 31 December 2016		32,013,700	32,013,699.85	
Net book value:				
At 31 December 2015		23,857,537	-	-
At 31 December 2016		21,619,203	35,941,940	57,561,143
18 DUE TO BANKS				
Unsecured Loans	190,631,437	183,350,480		
Secured Loans	515,557,956	663,292,571		
Subordinated Term Debt	430,000,000	430,000,000		
	1,136,189,393	1,276,643,051		
19 DUE TO CUSTOMERS				
Fixed Deposit	13,967,184,416	11,697,458,134	-	
Recurring Deposit	198,244,338	152,113,424		
Savings Deposits	3,115,952,002	2,281,404,884		
Current Deposit	748,017,375	508,249,672		
	18,029,398,131	14,639,226,114		



	Dec/16 Nu	Dec/15 Nu
20 RETIREMENT BENEFIT PLANS		
Defined benefit liability at the beginning of the period	51,071,617	38,750,878
Current service cost	2,594,646	4,791,168
Interest cost on benefit obligations	3,064,297	2,325,053
Actuarial (Gains)/Losses recognized in the year	(2,414,424)	3,161,561
Liability Settlement/Adjustment During the period	(2,041,621)	2,042,956
	52,274,515	51,071,615
21 OTHER LIABILITIES		
Accounts payable & Sundry creditors	45,750,889	41,289,850
Provisions	600,000	600,000
	46,350,889	41,889,850
22 Revolving Funds		
Credit - Bio-Gas	32,112,152	15450464.083
Subsidy - Bio-Gas	56,375	27458.420
Rudolf Fund - Credit	4,046,363	1556373.28
Rudolf (Monitoring and Supervision A/C)	207,237	248301.7
Rudolf Fund - Subsidy	1,788,279	2576549.52
UNDP HSF Project	-	83469.110
UNCDF (Savings/Lending)	-	2023734.29
Sengor Community Collateral Fund	-	2448466.76
BCCI - SME Development Revolving FUnd RLP -II	1,300,000	624108.32
Coop.Revolving (DAMC) Fund	700,000	138854.94
	40,210,406	25,177,780

23 COMMITMENT & CONTINGENCIES

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

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

Bank is contingently liable as on for Nu. 875,362,523 (PY Nu. 918,403,081) towards guarantees issued to its constituents of which aging analysis are given in Note No. 30

Pending capital commitments (net of advance) as on 31-12-2016 are of Nu. 33,393,933 (PY Nu. Nil).



BHUTAN DEVELOPMENT BANK NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

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

24.1 PARENT AND ULTIMATE CONTROLLING PARTY

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

24.2 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL (KMPS)

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

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

	Dec/16 Nu	Dec/15 Nu
24.2.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL (KMPS)		
Pay and Allowances to Managing Director	1,131,750	1,950,899
Director's Sitting Fee	1,229,000	559,000
Reimbursement of Travelling Expenses	3,271,993	756,465
	5,632,743	3,266,364
24.3 TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING KMPS AND THEIR CFMS		
24.3.1 LOANS AND ADVANCES TO KMPS AND THEIR CFMS ARE DETAILED BELOW:		
	2,749,689	8,157,792
	2,749,689	8,157,792
24.3.3 DEPOSITS AND INVESTMENTS FROM KMPS AND THEIR CFMS ARE DETAILED BELOW:		
Deposits & investments	86,891	187,592
	86,891	187,592





	Dec/16 Nu	Dec/15 Nu
TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING ENTITIES WHICH ARE CONTROLLED AND / OR JOINTLY CONTROLLED BY THE KMPS OR THEIR CFMS		
Loans & receivables		
Documentary Credits		
Guarantees		
TRANSACTIONS WITH SUBSIDIARY		
The Bank had the following financial dealings during the year with its Subsidiary companies.		
Deposits	-	-
Loans & receivables	-	383,615
Investment in Equity	-	500,000
Other liabilities	-	-
	-	883,615
For the Year Ended		
Income & fees received	-	-
Expenses & fees paid	-	-





BHUTAN DEVELOPMENT BANK NOTES TO THE FINANCIAL STATEMENTS

25 EVENTS AFTER THE REPORTING DATE

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

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Determination of fair value hierarchy

	Level I	Level II	Dec/16 Level III	Level I	Level II	Dec/15 Level III
Financial Assets						
Quoted Equities	-	-	16,200,202			9,988,396
Loans & Advances to Employees	-	-	188,603,437			132,552,358
	-	-	204,803,639	-	-	142,540,754

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

	Dec/16		Dec/15	
	Carrying Value Nu	Fair Value Nu	Carrying Value Nu	Fair Value Nu
Financial Assets				
Cash and cash equivalents	1,146,721,506	1,146,721,506	1,262,040,618	1,262,040,618
Balances with Royal Monetary Authority of Bhutan	3,289,114,317	3,289,114,317	1,589,128,878	1,589,128,878
Placements with Banks	1,610,166,892	1,610,166,892	2,096,453,002	2,096,453,002
Loans & Advances to Customers	15,389,765,486	15,389,765,486	13,155,489,072	13,155,489,072
Other Financial Assets	468,821,151	468,821,151	462,832,265	462,832,265
	21,904,589,352	21,904,589,352	18,565,943,835	18,565,943,835
Financial Liabilities				
Due to banks	1,136,189,393	1,136,189,393	1,276,643,051	1,276,643,051
Due to other customers	18,029,398,131	18,029,398,131	14,639,226,114	14,639,226,114
Other Financial Liabilities	86,561,295	86,561,295	67,067,630	67,067,630
	19,252,148,819	19,252,148,819	15,982,936,796	15,982,936,796

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



27 RISK MANAGEMENT

Credit Risk

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

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

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

	Dec 16			Dec/15		Dec 15
	Maximum Ex- posure to credit Risk	Properties	Net Exposure	Maximum Exposure to credit Risk	Properties	Net Exposure
	Nu	Nu	Nu	Nu	Nu	Nu
Financial Assets						
Placements with Banks	1,610,166,892	-	1,610,166,892	2,096,453,002	-	2,096,453,002
Loans & advances to customers	15,389,765,486	15,389,765,486	-	13,155,489,072	13,155,489,072	-
Financial investments Available for Sale	43,761,202	-	43,761,202	37,549,396	-	37,549,396
Other assets	214,878,092	-	214,878,092	151,049,424	-	151,049,424
	17,258,571,672	15,389,765,486	1,868,806,186	15,440,540,893	13,155,489,072	2,285,051,821





BHUTAN DEVELOPMENT BANK NOTES TO THE FINANCIAL STATEMENTS

28 RISK MANAGEMENT (Contd...)

Credit Risk

Credit quality by class of financial asset

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

2015	Neither past due nor Individually impaired	Past due but not impaired	Individually mpaired	Total
	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	1,262,040,618	-	-	1,262,040,618
Due from Banks	2,096,453,002	-	-	2,096,453,002
Loans & Advances to Customers	9,286,448,071	4,567,484,641	66,174,465	13,920,107,177
Financial Investments Available for Sale	37,549,396	-	-	37,549,396
	12,682,491,087	4,567,484,641	66,174,465	17,316,150,192

2016	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
	Nu	Nu	Nu	Nu
Cash & Cash Equivalent	1,146,721,506	-	-	1,146,721,506
Due from Banks	1,610,166,892	-	-	1,610,166,892
Loans & Advances to Customers	10,514,597,327	5,824,935,009	207,132,652	16,546,664,989
Financial Investments Available for Sale	43,761,202	-	-	43,761,202
	13,315,246,928	5,824,935,009	207,132,652	19,347,314,589



BHUTAN DEVELOPMENT BANK NOTES TO THE FINANCIAL STATEMENTS

29 RISK MANAGEMENT (Contd...) Liquidity Risk & Funding management

Contractual maturities & undiscounted cashflows of financial assets & liabilities

2016	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
Cash & Cash Equivalent	1,146,721,506	-	-	-	-	1,146,721,506
Balances with Central Bank	3,289,114,317	-	-	-	-	3,289,114,317
Due from Banks	1,610,166,892	-	-	-	-	1,610,166,892
Loans & Advances to Customers	591,653,366	540,587,791	2,558,007,272	10,415,989,749	2,440,426,810	16,546,664,989
Financial Investments Available for Sale	43,761,202	-	-	-	-	43,761,202
Total undiscounted Assets	6,681,417,284	540,587,791	2,558,007,272	10,415,989,749	2,440,426,810	22,636,428,906
Due to Banks		121,512,981	51,094,604	243,472,116	718,748,925	1,136,189,393
Due to Customers		0	5,133,638,105	6,145,572,006	2,920,654,335	18,029,398,131
Total Undiscounted Liabilities	3,829,533,685	121,512,981	5,184,732,709	6,389,044,121	3,639,403,260	19,165,587,524
2015	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
Cash & Cash Equivalent	1,262,040,618	-	-	-	-	1,262,040,618
Balances with Central Bank	1,589,128,878	-	-	-	-	1,589,128,878
Due from Banks	2,096,453,002	-	-	-	-	2,096,453,002
Loans & Advances to Customers	291,937,631	387,993,547	2,253,613,910	8,898,570,848	2,087,991,241	13,920,107,177
Financial Investments Available for Sale	37,549,396	-	-	-	-	37,549,396
Total undiscounted Assets	5,277,109,524	387,993,547	2,253,613,910	8,898,570,848	2,087,991,241	18,905,279,070
Due to Banks	-	8,607,040	276,529,770	523,854,380	467,651,862	1,276,643,051
Due to Customers	2,825,654,861	1,520,426,124	4,593,537,858	4,670,256,705	608,932,350	14,218,807,898
Total Undiscounted Liabilities	2,825,654,861	1,529,033,164	4,870,067,628	5,194,111,085	1,076,584,212	15,495,450,949



Net Undiscounted Financial Assets/(Liabilities) Liquidity Risk & Funding management

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

31 December 2016	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
Financial Guarantees	-	296,653,169	533,019,119	45,690,235	-	875,362,523
	-	296,653,169	533,019,119	45,690,235	-	875,362,523
31 December 2015	On Demand Nu	Less than 3 months Nu	3 to 12 months Nu	1 to 5 years Nu	More than 5 years Nu	Total Nu
Financial Guarantees	-	343,588,800	527,423,143	47,371,838	19,300	918,403,081
	-	343,588,800	527,423,143	47,371,838	19,300	918,403,081

30 RISK MANAGEMENT (Contd...)

Geographical Risk

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

Financial Assets	2016					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	6,318,191,500	879,124,424	654,653,205	469,675,102	8,225,020,757	16,546,664,989
	<u>6,318,191,500</u>	<u>879,124,424</u>	<u>654,653,205</u>	<u>469,675,102</u>	<u>8,225,020,757</u>	<u>16,546,664,989</u>
Financial Assets	2015					Total
	Thimphu Main Branch	Paro Branch	Wangdue Branch	Phuntsholing Branch	Others	
Loans & Advances to Customers	5,493,800,239	744,616,189	571,343,852	429,431,440	6,680,915,456	13,920,107,176
	<u>5,493,800,239</u>	<u>744,616,189</u>	<u>571,343,852</u>	<u>429,431,440</u>	<u>6,680,915,456</u>	<u>13,920,107,176</u>



31. Confirmations from various parties are not available in respect of loans, advances, receivables, payable etc. and therefore, their consequential impact, if any, is not ascertainable.
32. Ministry of Finance has granted to the Bank exemption of corporate income tax for the years 2015 & 2016 vide its letter no. MoF/ PED/19/2015/9178 dated 03.06.2015. Accordingly, the Bank has not made provision for taxation in the accounts for the year 2016.
33. The Bank has taken over effective 01.03.2015 from Bhutan Postal Corporation Limited the task of operation and management of community centers spread across the country in terms of a transfer agreement entered into with Bhutan Postal Corporation Limited on 06.05.2015. Pursuance to this agreement, the bank has to manage and subsidize the operations of the CC Operations. Towards this end, the CC operations expenditure is Nu. 32,299,791 (PY 20,239,950) and income of Nu. 4,681,933 (PY 3,573,476) during the year 2016 leaving a deficit of Nu. 27,617,859 (PY 16,666,393) which has been borne by the Bank as directed by the Ministry of Finance vide their letter no. MoF/PED/19/2015/854 dated 29.09.2015.
34. Provision for impairment loss on loans and advances shown in Note 12 of Nu. 1,156,899,503 (PY Nu. 764,618,104) has been made in accordance with accounting policies revised on 01.01.2014 upon adoption of BAS. This would have been Nu. 1,788,684,054 (PY Nu. 976,278,173) had the same been provided as per section 10.8 of Prudential Regulations 2002.

Breakup of impairment charges for loans and other losses of Nu. 392,427,300 (P.Y 180,337,978), as shown in income statement is given below:

Particulars	2016 (Nu.)	2015 (Nu.)
Excess provision for impairment compared to last year as per Note 12	392,281,394	176,667,849
Write off of loans and advances during the year	145,901	3,104,437
Provision for doubtful receivables etc during the year	0	565,692
Total	392,427,300	180,337,978

35. Interest accrued on non performing loans amounting to Nu. 94,034,824 (PY Nu. 55,575,374) has been recognized as income as per accounting policies revised on 01.01.2014 upon adoption of BAS/BFRS and IFRS and has not been suspended as provided under section 4.8 of Prudential Regulations 2016. However, such accrued interest has been taken into account while arriving at provision for impairment loss as per BAS/BFRS and IFRS.
36. Detail of remuneration and expenditure paid/reimbursed to the Chief Executive Officer and other directors is as under:



Chief Executive Officer

SI #	Particulars	2016 (Nu.)	2015 (Nu.)
1	Pay & Allowances	1,131,750.00	1,509,000.00
2	Leave Travel Concession	-	15,000.00
3	Leave Encashment	-	70,000.00
4	Bonus	-	250,639.00
5	Travel Expense (In country)	141,042.00	112,022.00
6	Travel Expense (Aboard)	1,577,978.71	644,443.00
7	Provident Fund	79,695.00	106,260.00
8	Board Sitting Fees	107,000.00	107,500.00
	Total	3,037,465.71	2,814,864.00

Other Directors

Particulars	2016 (Nu.)	2015 (Nu.)
Board Sitting Fees	451,500	436,000

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

S. No	Nature of expense	2016 (Nu.)	2015 (Nu.)
1	Audit Fees	99,000	90,000
2	Power and Water	1,711,635	1,383,715
3	Rent	9,482,259	7,279,082
4	Repairs & maintenance of buildings	730,243.41	111,745
5	Repairs & maintenance of computer hardware	746,129.03	357,118
6	Salaries and bonus	155,701,045	141,115,463
7	Contribution to Provident Fund	9,622,140	8,750,547
8	Insurance	1,939,420	888,960
9	Rates & taxes excluding Income tax	13,790	76,210
10	Other expenses exceeding 1% of total revenue:		
10.1	Staff training	22,621,499	23,308,897
10.2	Travel expenses	26,669,602	23,868,531
10.3	Depreciation	37,623,435	242,83,215





38. Chetrum have been rounded to the nearest Ngultrum.
39. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figures.

For Gianender & Associates
Chartered Accountants
FRN : 004664N



Partner
Membership No. 081603
Dated: 20/4/17
Place: New Delhi, India


Chief Executive Officer


Chairman

RMA Disclosure

*All items in 000' Ngultrum

Item 1 : Tier 1 Capital and its sub-components

S.No		Current Period	COPPY
1	Total Tier 1 Capital	2,548,659	2,593,266
a	Paid up Capital	507,317	507,317
b	General Reserves	802,716	802,716
c	Share premium Account	-	-
d	Retained Earnings	1,270,187	1,283,233
	Less:-		
e	Losses for the Current Year		
f	Holdings of Tier 1 instruments issued by other Fis	31,561	

Item 2: Tier 2 Capital and its sub-components

S.No		Current Period	COPPY
1	Total Tier II Capital	660,786	753,246
a	Capital Reserve	-	-
b	Fixed Assets Revaluation Reserve	-	-
c	Exchange Fluctuation Reserve	-	-
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	78,946	190,729
f	General Provision	151,840	132,517
g	Capital Grants	-	-
h	Subordinated Debt	430,000	430,000
i	Profit for the Year	-	-

Item 3: Risk Weighted assets (Current year and COPPY)

Current Year

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



COPPY

Sl#	Assets	Balance Sheet Amount	Risk Weight (%)	Risk Weighted Asset
1	Zero - Risk Weighted Assets	2,213,313	0%	-
2	20% - Risk Weighted Assets	2,706,169	20%	541,234
3	50% - Risk Weighted Assets		50%	-
4	100% - Risk Weighted Assets	16,693,912	100%	16,693,912
5	150% - Risk Weighted Assets		150%	
6	200% - Risk Weighted Assets	-	200%	
7	250% - Risk Weighted Assets	-	250%	
8	300% - Risk Weighted Assets		300%	-
	Add: Risk Weighted Assets for Operational Risk			
Grand Total		21,613,394		17,235,145

Item 4: Capital Adequacy Ratios

		Current Period	COPPY
1	Tier 1 Capital	2,548,659	2,593,266
a	Of which Counter-Cyclical Capital Buffer (CCyB) (If applicable)	482,747	64,832
b	Of which sectoral Capital Requirements (SCR) (if applicable)	-	
i	Sector 1	-	
ii	Sector 2	-	
iii	Sector 3	-	
2	Tier 2 Capital	660,786	753,246
3	Total qualifying capital	3,209,445	3,346,512
4	Core CAR	13.20%	15.05%
a	Of which CCyB (if applicable) expressed as % of RWA	482,747	64,832
b	Of which SCR(if applicable) expressed as % of Sectoral RWA		
i	Sector 1	-	
ii	Sector 2	-	
iii	Sector 3	-	
5	CAR	16.60%	19.60%
6	Leverage ratio	11.07%	12.93%

Item 5: Loans and NPL by Sectoral Classification

SL#	Sector	Current Period		COPPY	
		Total Loans	NPL (Amount)	Total Loans	NPL (Amount)
a	Agriculture	4,571,253	540,808	3,803,406	380,936
b	Production & Manufacturing	799,182	188,563	822,546	98,415
c	Service	2,837,125	525,895	2,324,085	305,622
d	Trade & Commerce	1,697,705	287,825	1,432,855	140,990
e	Loans to FI (s)	298,940	-	-	-
f	Housing	2,543,348	208,553	2,110,215	163,886
g	Transport	1,068,392	82,261	630,050	42,161
h	Personal loan	2,666,546	269,629	2,458,530	213,110
i	Staff Loan	348,379	4,925	-	-
j	Education Loan	3,582	-	-	-
k	Loan Against Term Deposit	662	-	18,740	151
l	Loan to Govt. owned Corporation	-	-	-	-
m	Others	59,892	-	571,013	1,354
Total		16,895,005	2,108,459	14,171,439	1,346,624

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

SL#	Counter party	Current Period	COPPY
1	Overdrafts		
a	Government	-	
b	Government Corporation	8,641	18,566
c	Public Companies	-	
d	Private Companies	325,636	416,323
e	Individuals	2,655,038	2,018,211
f	Commercial Banks	-	
g	Non-Bank Financial Institutions	-	
2	Term Loans		
a	Government	-	
b	Government Corporation	-	485,920
c	Public Companies	-	
d	Private Companies	684,472	1,343,322
e	Individuals	12,809,218	9,889,360
f	Commercial Banks	-	
g	Non-Bank Financial Institutions	412,002	

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

	As of Period ending	On De- mand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
1	Cash in hand	507,829	0	0	0	0	0	0	507,829
2	Govt Securities	0	599,602	0	0	0	0	0	599,602
3	Investment Securities	0	0	0	0	0	0	449,714	449,714
4	Loans & Advances to Bank	0	0	0	0	0	0	0	0
5	Loans & Advances to Customers(net)	(42,394)	71,278	437,367	675,517	775,034	972,744	12,216,775	15,106,321
6	Others Assets	1,978,971	583,954	330,030	1,274,074	112,183	89,610	1,119,329	5,488,151
	Total	2,444,407	1,254,833	767,398	1,949,590	887,217	1,062,353	13,785,818	22,151,617
1	Amounts Owed to Others Bank	0	929	114,073	1,604	20,002	1,604	543,370	681,583
2	Demand Deposits	748,017	0	0	0	0	0	0	748,017
3	Savings Deposits	3,115,952	0	0	0	0	0	0	3,115,952
4	Time Deposit	0	1,018,395	2,087,498	2,821,595	1,129,856	876,874	5,656,667	13,590,885
5	Bonds & Others Negotiable Instruments	0	0	0	0	0	0	430,000	430,000
6	Other Liabilities	0	61,897	38,310	74,856	64,853	58,944	3,286,319	3,585,179
	Total	3,863,970	1,081,221	2,239,882	2,898,055	1,214,711	937,423	9,916,355	22,151,617
	Assets/Liabilities	63%	116%	34%	67%	73%	113%	139%	100%
	Net Mismatch in Each Time Interval	(1,419,563)	173,613	(1,472,484)	(948,465)	(327,494)	124,931	3,869,463	(0)
	Cumulative Net Mismatch	(1,419,563)	(1,245,950)	(2,718,434)	(3,666,899)	(3,994,394)	(3,869,463)	(0)	(0)

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

As of Period ending	On De-mand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total
Cash in Hand	507,829	0	0	0	0	0	0	507,829
Govt Securities	0	428,911	170,690	0	0	0	0	599,602
Investment Securities	0	0	0	0	0	0	449,714	449,714
Loans & Advances to Bank	0	0	0	0	0	0	0	0
Loans & Advances to Customers	(108)	3	2,314	563	10,697	766,117	14,326,735	15,106,321
Others Assets	1,978,971	165	647	557,169	1,283,548	235,884	1,431,766	5,488,151
Total	2,486,692	429,079	173,651	557,732	1,294,245	1,002,002	16,208,216	22,151,617
Amounts owed to Others Bank	0	0	0	0	0	0	681,583	681,583
Demand Deposits	748,017	0	0	0	0	0	0	748,017
Savings Deposits	3,115,952	0	0	0	0	0	0	3,115,952
Time Deposit	0	0	0	1,607,079	2,744,473	697,372	8,541,961	13,590,885
Bonds & Others Negotiable Instruments	0	0	0	0	0	0	430,000	430,000
Other liabilities	0	0	0	453	1,892	20,128	3,562,706	3,585,179
Total	3,863,970	0	0	1,607,532	2,746,365	717,499	13,216,251	22,151,617
Assets/Liabilities	64.36%	0.00%	0.00%	34.69%	47.13%	139.65%	122.64%	100.00%
Net Mismatch in each Time Interval	(1,377,278)	429,079	173,651	(1,049,800)	(1,452,120)	284,502	2,991,965	0
Cumulative Net Mismatch	(1,377,278)	(948,198)	(774,547)	(1,824,347)	(3,276,467)	(2,991,965)	0	0
Note: Capital Fund /Equity not included								

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

	As of Period ending Asset	Time to re-pricing				Non Interest bearing	Total
		0-3 Months	3-6 Months	6-12 Months	More than 12 Months		
1	Cash and Balance with Banks	565,113	976,627	0	0	1,146,722	2,688,461
2	Treasury Bills	599,602	0	0	0	0	599,602
3	Loans and Advances	466,252	675,517	1,747,778	12,216,775	0	15,106,321
4	Investment Securities	0	0	0	449,714	0	449,714
5	Others Assets	11,889	17,292	0	53,034	3,225,304	3,307,519
	Total financial assets	1,642,856	1,669,435	1,747,778	12,719,523	4,372,026	22,151,617
	Liabilities	0	0	0	0	0	0
	Deposit	6,221,846	2,821,595	2,006,730	5,656,667	748,017	17,454,855
	Borrowings	115,002	1,604	21,607	543,370	0	681,583
	Other liabilities	63,296	74,856	121,357	803,786	2,951,883	4,015,179
	Total financial liabilities	6,400,145	2,898,055	2,149,694	7,003,823	3,699,901	22,151,617
	Total Interest Re-pricing gap	(4,757,289)	(1,228,620)	(401,916)	5,715,700	672,125	0
	Note: Capital Fund /Equity not included						

Item 10 : Non Performing Loans and Provisions

		Current Period	COPPY
1	Amount of NPLs (Gross)	2,108,459	1,346,624
a	Substandard	412,782	423,164
b	Doubtful	349,545	354,253
c	Loss	1,346,132	569,208
2	Specific Provisions	1,374,731	675,669
a	Substandard	85,373	81,084
b	Doubtful	167,154	164,480
c	Loss	1,122,204	430,105
3	Interest-in-Suspense	262,113	168,078
a	Substandard	15,633	12,472
b	Doubtful	22,552	29,894
c	Loss	223,928	125,711
4	Net NPLs	471,615	489,486
a	Substandard	311,776	329,607
b	Doubtful	159,839	159,878
c	Loss	-	13,391
5	Gross NPLs to Gross Loans	12.48%	9.50%
6	Net NPLs to Net Loans	3.14%	3.77%
7	General Provisions	151,840	132,517
a	Standard	131,873	116,353
b	Watch	19,967	16,164

Item 11 : Assets and Investments

Sl#	Investment	Current Period	COPPY
1	Marketable Securities (Interest Earning)		
a	RMA securities	599,602	
b	RGOB Bonds/Securities	-	
c	Corporate Bonds	411,272	411,272
d	Others	-	
	Sub-total	1,010,874	411,272
2	Equity Investments		
e	Public Companies	27,942	38,442
f	Private Companies	500	
g	Commercial Banks	5,000	
h	Non- Bank Financial Institutions	5,000	
	Less		
i	Specific Provisions	-	
3	Fixed Assets		
j	Fixed Assets (Gross)	501,749	337,934
	Less		
k	Accumulated Depreciation	163,433	131,984
l	Fixed Assets (Net Book Value)	338,316	205,950

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

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

Item 13 : Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand Deposits Held With others banks	638,892	627,486				
Time deposits held with other banks	1,587,407	2,068,313				
Borrowings	681,583	824,797				

Item 14 : Credit Risk Exposure by Collateral

SL#	Particulars	Current Period	COPPY
1	Secured Loans		
a	Loans Secured by Physical/Real Estate collateral	16,569,001	13,947,772.74
b	Loans Secured by Financial Collateral	119,964	
c	Loan Secured by Guarantees	206,041	223,666
2	Unsecured Loans	-	
3	Total Loans	16,895,005	14,171,438

Item 15 : Earning Ratios (%)

SL#	Ratio	Current Period	COPPY
1	Interest Income as a Percentage of Average Assets	10.06%	9.81%
2	Non Interest Income as a Percentage of Average Assets	0.24%	0.22%
3	Operating Profit as a Percentage of Average Profit	-170.46%	120%
4	Return on Assets	-0.61%	1.73%
5	Business (Deposits plus advances) per employee	80,823	69,317
6	Profit Per employee	(294)	732

Item 16 : Penalties imposed by RMA in the past period

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

Item 17 : Customers Complaints

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

Item 18 : Concentration of Credit and Deposits

Sl. No	Particulars	End of Current Period	COPPY
1	Total Loans to 10 Largest Borrowers	1,184,079	1,134,725
2	As % of Total Loans	7%	8%
3	Total Deposit of the 10 Largest Depositors	10,309,528	8,763,680
4	As % of Total Deposits	58.98%	61.65%

Item 19 : Exposure to 5 Largest NPL Accounts

Sl. No	Particulars	End of Current Period	COPPY
1	Five Largest NPL Accounts	141,977.00	310,037.00
2	As % of Total NPLs	6.73%	23.02%

CONSOLIDATED PERFORMANCE INDICATORS FOR THE YEAR 2016

NOTES TO THE FINANCIAL STATEMENTS

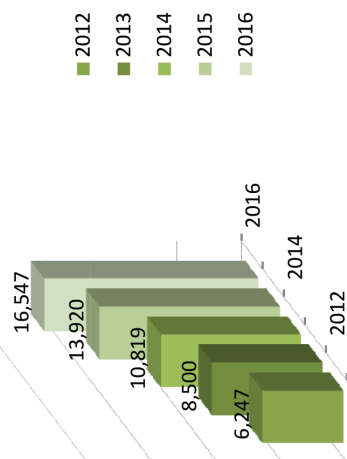
1. CORPORATE INFORMATION

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

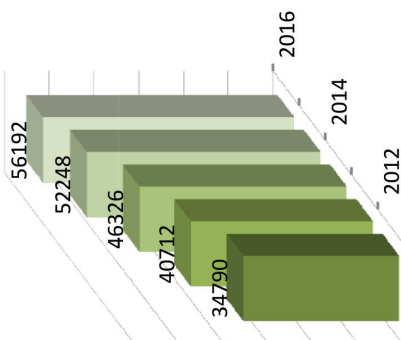
Bhutan Development Bank Limited is a domestic development bank incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 256, Norzin Lam, Thimphu, Bhutan.

The financial statements for the year ended 31st December 2016 were authorised for issue in accordance with a resolution of the Directors on 31st March 2017.

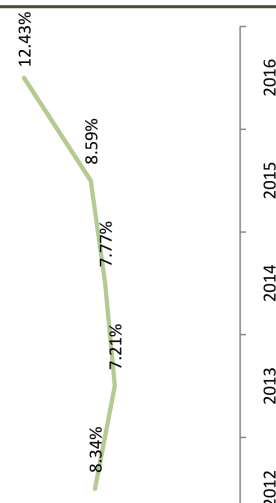
Loans Receivables (in million)



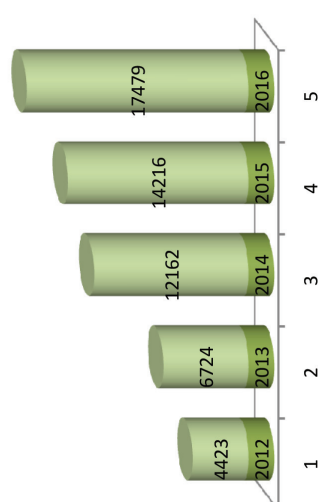
No. of Active Credit Accounts



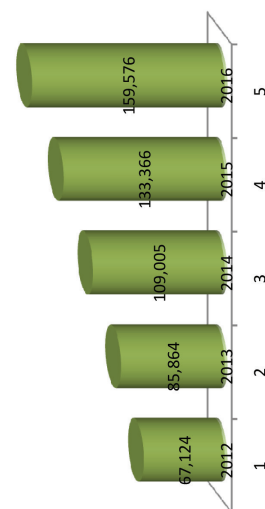
Portfolio At Risk



Deposit Amounts (in million)



No. of Deposit Accounts



CONSOLIDATED PERFORMANCE INDICATORS FOR THE YEAR 2016

