

SCALING NEW HEIGHTS IN NEW-AGE BANKING



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BOARD OF DIRECTORS' REPORT 2015

The Board of Directors is pleased to present the 48th Annual Report of your Bank with the audited Statement of Financial Position (Balance Sheet), Statement of Comprehensive Income (Profit & Loss Account), and the Report on Business and Operations, for the period January 1 - December 31, 2015 (FY15).

Economic Overview

2015, the sheep year, saw the economy recover from an all time low GDP growth of 2.05 percent in 2013-14 that was caused by Rupee shortage leading to high reserves with the banks. Business got back on track with the lifting of credit restrictions bringing back lending to the transport and construction sectors. The sheep year saw **22 new cars imported everyday** on an average spending more than Nu. 3B with credit available from financial institutions.

Private consumption increased and so did small businesses. Small, cottage and medium industries recorded a major growth of 15 percent compared to the past year witnessing some structural changes and transformation with GDP contribution from secondary and tertiary sector surpassing the primary sector. Due to higher export revenue from sale of electricity, commissioning of Dagachu and increased

taxes, **domestic revenue grew by an estimate of 12.50 percent.**

Things did get back to business in 2015 with improved reserves and stable inflation. **GDP improved to Nu. 119.5B.** The country, in the Sheep Year was able to repay **Nu 21.9B short-term borrowing** availed in the 10th plan.

Your Bank's Performance

The fiscal year of 2015 saw improvement for your Bank with improvement in the economy of the country. With continued improvements in banking operations and cost efficiency, your Bank was able to sustain and enhance the financial performance with very stable earnings. In summary, your Bank registered a Total Comprehensive Income of **Nu. 827 million in the year 2015**, against Nu. 750 million in 2014. This reflects a growth of **10 percent in total income compared to 2014.**

The growth in Total Comprehensive Income is mainly triggered by increase in interest income from Nu. 2,166 million in 2014 to Nu. 2,397 million in 2015 and increase in fees & commission income by Nu. 59 million in 2015 compared to 2014. Further, the Actuarial Gains on Retirement Benefits showed gain of Nu. 44 million in 2015 whereas 2014 saw a loss of Nu. 41M.

Deposit from customers decreased from Nu. 33.49 billion in 2014 to **Nu. 32.25 billion** in 2015. However, Deposits by Banks stood at Nu. 147 million, an increase by Nu. 7 million compared to previous year's Nu. 140 million.

Dividend

Your Bank adopted a consistent dividend policy of balancing the twin objectives of appropriately rewarding shareholders and retaining capital to maintain a healthy capital adequacy ratio to support future growth. With this, and in recognition of the robust performance during 2015, the Board has approved a **dividend of 50 percent** of net profit after tax for the year ended December 31, 2015 amounting to **Nu. 413.785 million** to its shareholders, the maximum permissible as per extant regulations.

Capital and Reserves

The total capital and reserves of your bank increased by 10.50 percent in 2015, an increase from Nu. 4,305.88 million in 2014 to Nu. 4,758.28 million in 2015.

Ownership

The ownership of Bank of Bhutan Limited is vested with the Druk Holding and Investments Limited (DHI) and State Bank of India (SBI) in the proportion of 80:20 equity holdings respectively.



Corporate Governance

Your bank is in adherence to the **Corporate Governance Regulations 2011** issued by the RMA, the **Financial Services Act 2011**, and the **Companies Act of the Kingdom of Bhutan, 2000**. Further, it has successfully implemented all the directives of the Board. **The Board Audit Committee, Board Credit Committee, Board Risk Committee and Board Governance Committee** held their own minimum meetings as required by their Rules of Procedures. Further, the internal service rules and regulations have been in line with the provisions of the Labour & Employment Act. The rules have also been revised keeping with the changing times and are being endorsed by the Ministry of Labour & Human Resources.

Recruitment is carried out in the most transparent manner possible with pre-determined criteria. The Management HR committee, Board Governance Committee and the Board as per delegation of power, addressed all human resource issues properly. Grievance re-dressal rules and procedures have been put in place so that employees could express their views either against individual employees, supervisors or the Management. The Management carries out weekly and monthly management meetings to monitor activities being executed well on time as per the annual compacts of Departments and directives of the Management and the Board in the larger public interest and the Company. BoBL is in compliance with the requirements stipulated by the **Registrar of Companies**, Ministry of Economic Affairs.

Constitution of Board and Board Meetings

The following have been appointed as the Board of Directors for the Bank of Bhutan Limited:

No.	Name	Designation	Appointment Date
1.	Dasho Karma W. Penjor	Chairman	Renewed on 21st August, 2014
2	Mr. Tara NidhiChimory Sharma	Independent Director	27th January, 2015
3	Ms. Sonam Dema	Independent Director	30th January, 2014
4	Mr. Giridhara Kini	Director	28th November, 2013
5	Ms. Deki Wangmo	Director	21st August, 2014
6	Mr. Passang Dorji	Director	21st August, 2014
7	Mr. Pema N. Nadik	Member Director	1st April, 2013

Board Meetings

To enhance the good governance and provide appropriate policy directives to the company, 11 Board meetings were convened during the year. In all these meetings, quorum was maintained as required. The Annual General Meeting for the year 2015 was held on 27th February, 2015, thereby complying with the Companies Act, 2000. Besides these, (5) Board Audit Committee Meetings, (2) Board Credit Committee Meetings, (3) Board Risk Committee Meetings, (5) Board Governance Committee Meetings, (2) Board Project Steering Committee for CBS Upgrade Project, and (5) Board Project Steering Committee for Thimphu Corporate Office Construction were convened in the year 2015 to decide on various aspects of the operations of the Bank.

Customer Service

The annual Customer Satisfaction Survey of your bank, conducted by DHI and AMJ Research and Consultancy firm presented a composite Customer Service Index (CSI). For the period surveyed, your bank's **CSI rating improved from 3.76 in 2014 to 3.78 in 2015.**

The Customer Service Day was celebrated on October 24. The year 2015 was special because Customer Service Day was not only to thank our valued customers for banking with us but it was also dedicated to the internal customers - our employees for their dedicated services. The day was marked by events in all the branch offices geared towards interacting with our customers and to convey our appreciation for their business with us while also taking feedback and suggestions on improving our service and introducing new products. We welcomed our customers with a thank

BOARD OF DIRECTORS' REPORT 2015

you note written on the badges of the customer-facing employees and also gave away BoB pens to our customers to commemorate their loyalty and their dedication to us. Each employee was also presented with a special personalized BoB mug and cue card with our Bank's mission and vision statements, which were well received.

Your Bank continued the **weekly management customer service** meetings to discuss the complaints received through various channels such as contact center, **social media** and branch **offices..** The main objective of these meetings is to analyze the types of complaints received, find out the root cause of these complaints, and take corrective & preventive actions to avoid similar mistakes in future, thereby ultimately enhancing customer service.

In order to provide the best working environment, the bank started the construction of the Thimphu Corporate Office at the location of the old branch premisesold Thimphu bank premises and is expected to be completed in three (3) years.

Marketing

Your Bank continued organizingtimely marketing events such as marketing and selling activities to graduates at the National Graduates Orientation Program (NGOP) during the year 2015 and door-to-door marketing and selling to various organizations in and around Thimphu. Timely awareness campaign on your bank's products and services was also carried out through bank's social media sites and also through mainstream print and audio-visual advertisements. These initiatives were successful considering the result in terms of the number of customers acquired showed in the monthly marketing report that was submitted to the management.It is also evident from the increase in the loans market share from 35.95% in 2010 to **37.04% in June 2015** making the Bank the leader in overall market share in loans.

Technology

The new age banking is all about digital banking as people of all generations are increasingly using the Internet, social media and their smart phones to do their banking. As the largest bank in Bhutan, your Bank is integral to thousands of commercial entities and millions of personal lives. Your bank has always evolved with time to embrace new challenges and changing consumer attitudes.

Realizing that modern banking is all about connecting people to their money more quickly, accurately and efficiently than ever before, your bank launched Mobile Banking or **M-BoBin** May 2015, which was a giant leap in banking services enhancing convenience to the valued customers. In order to further improve the services, the Bank is also changing its Core Banking System (CBS) from FLEXCUBE to BaNCS in partnership with Tata Consultancy Services (TCS). With change in CBS, the Bank will be able to introduce new and innovative products quickly which is a feature in the BaNCS CBS.

Human Resource Development

Human resource development and its management is the key to the success of any organization. The Board and the Management of your bank, recognizing the vitality of human resource and management, has conceptualized and institutionalized numerous policies and practical interventions at all levels to enhance human resource capacity. In the year 2015, 170 employees from different grades were trained in various fields of requirements. **The number of new appointments were 16 and total employees who left the banks for reasons such as superannuation, termination, Non-renewal of contract and voluntary resignation.** A total of 92 employees were promoted in the year 2015.

Corporate Social Responsibility

Your bank continued its commitment towards social responsibility and engaged in social activities that touched lives of many poor and needy across all corners of the country. Following the CSR policy for all DHI Owned Companies, your bank focused its activities on various sectors of education, health, environment, entrepreneur development, youth development, assistance to the poor and underprivileged etc.



Highlight of the CSR events in 2015 was the blood donation campaign. Coinciding with World Blood Donors Day. It was celebrated at Thimphu Main Branch, PSA ground in Phuentsholing, BOC Hall at Gelephu and Mongar Hospital. The bank's initiative is in response to the increasing number of accidents on Bhutanese roads and construction sites, increasing demand for emergency blood supplies and the frequent shortage of stock in the blood bank. Demand for blood is greater today than ever before, and the blood bank needs constant replenishment.

Auditors

M/s. S.S.Kothari & Co. a Chartered Accountants firm from Kolkata was appointed to audit books of accounts of your bank and its securities for the financial year ended 2015 by Royal Audit Authority with further approval from Royal Monetary Authority.

Acknowledgement

The Directors of the Board of your bank express their appreciation for the continued guidance and assistance rendered by the Royal Government, the RMA, DHI, SBI, the Royal Audit Authority, statutory auditors, and other regulatory authorities, financial institutions, and correspondent banks. The Board also conveys its sincerest gratitude to the shareholders, clients, investors, and well-wishers for their continued goodwill, patronage, and support. Last and most importantly, the Board also conveys their earnest appreciation to the management of the Bank of Bhutan for their stellar leadership and all the employees for its relentless hard work and commitment.

The Board of Directors would like to take this opportunity to pledge their commitment and dedication to the growth and development of the bank. The Directors look forward to the continued support from all stakeholders in the years ahead.

Tashi Delek

For and on behalf of the Board of Directors

(Karma W. Penjor)

CHAIRMAN

MANAGEMENT REPORT

For the Financial Year 2015, Bhutan witnessed many exciting and remarkable patterns in its economy, in conjunction with the temperamental economy of its largest neighbors, China and India. With the removal of the credit restrictions, lending from banks improved significantly with the import of approximately 22 new cars each day, amounting to the average daily spending of more than Nu. 3 billion.

The increase in two major consumer items - domestic power tariff and vehicle taxes - were compensated with the reduction in fuel prices and housing rents. Tourism performed 30% higher than expected. However, sales of electricity were slightly lower than in the preceding years. A marginal increase in the export sales of some major industries was also recorded. The National Statistical Bureau's Consumer Price Index (CPI) revealed that the average price of goods and services between November 2014 and November 2015 had risen by 3.59 per cent in the country. Hence, inflation in FY 2015 was slightly lower than the actual forecast. Nonetheless, Bhutan's trade deficit stood at Nu. 32.8 billion, which is the highest so far.

Despite the volatility of our economy in 2015, the Total Comprehensive Income of your bank grew from Nu. 750 million in 2014 to Nu. 827 million in 2015, indicating a growth of little over 10 percent. The increase in interest income from Nu. 2,166 million in 2014 to Nu. 2,397 million in 2015 and the increase in fees & commission income by Nu. 59 million in 2015 as compared to 2014 have been the major factors contributing to the increase of the total comprehensive income of the bank. Further, the Actuarial Gains on Retirement Benefits projected a marginal increase of Nu. 44 million in 2015 as compared to the loss of Nu. 41 million in 2014.

Deposits from customers decreased from Nu. 33.49 billion in 2014 to Nu. 32.25 billion in 2015. However, deposits by banks stood at Nu. 147 million, an increase by Nu. 7 million compared to previous year's deposit of Nu. 140 million. With the consistency in the recovery efforts of your bank, the asset quality projected significant improvement with the decline of the Gross NPA to Nu. 862 million from Nu. 955 million in 2014, indicating a progress of 10% in gross NPA. Simultaneously, the Net NPA decreased from Nu. 324 million in 2014 to Nu. 200 million in 2015.

With the establishment of multiple channels, such as opening of two extension branch offices at Department of Revenue and Customs offices in Phuntsholing and Thimphu, and with the addition of 16 new ATMs throughout the country, your bank worked towards the fulfillment of its moral obligation of making banking services available to every Bhutanese. Further, to enhance the banking convenience of the valued clients, Mobile & Agency banking service (M-BoB) was introduced in May 2015.

With the fourth Druk Gyalpo turning 60, the FY 2015 witnessed numerous national jubilations. Likewise, the bank realized its aspiration of participating and executing some major Corporate Social Responsibilities. Organizing Blood Donation Campaign, sponsoring events by Youth Development Fund, volunteering in several noble causes of Health Walks, participating in the construction of multi-purpose trail at Kuenselphodrang and promoting active lifestyle by supporting sports, mainly football, which brought pride to all in the country, were some of the major CSR activities carried out by your bank. With the hard work and dedication of the Management and staff of BOB, the FY 2015 witnessed many phenomenal achievements for the country's oldest and the most innovative bank.

Financial Performance Review 2015

Balance Sheet

Bank's balance sheet size decreased marginally by 1.29% from Nu. 39,650.53 million in 2014 to Nu. 39,138.32 million in 2015.

Capital and reserves

The bank was well within the regulatory requirements of Capital Adequacy Ratio at 15.65% and Statutory Liquidity Ratio at 32.21% considering both Tier I and Tier II capital during the period being reported.



Deposits

Total deposits decreased by 3.71%, from Nu. 33.49 billion in 2014 to **Nu. 32.25 billion in 2015**. Of the total deposits, current deposits declined by 15.36% mainly due to the sweeping arrangement of major project accounts carried out by RMA during the year. Due to this, the share of interest free current deposits to total deposits decreased from 53.38% in 2014 to 45.18% in 2015. However, it is good to note that term deposits and savings deposits grew by 6.86% and 12.48% respectively mainly due to increase in retail deposits, thereby improving the share of savings deposits to total deposits from 22.84% to 25.69%, and term deposits from 23.78% to 25.42% respectively, as compared to the performance of 2014.

Investments

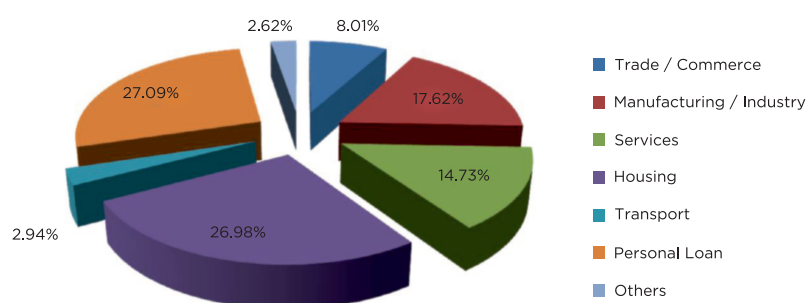
On the asset side, BOB's investment portfolio grew significantly from Nu. 2.54 billion in 2014 to **Nu. 7.78 billion in 2015**. The growth is mainly attributed to investment in **Government Treasury bills which increased from Nu. 1.99 billion in 2014 to Nu. 5.46 billion in 2015**. The Bank also made an additional investment in Bonds worth Nu. 1.74 billion in the year 2015.

Advances

Loans and advances saw a marginal increase of 3.33% from Nu. 19.27 billion in 2014 to Nu. 19.91 billion in 2015. It is critical to note here that this marginal increase was made despite existence of competitive financial market and stringent regulatory interventions, compounded by deceleration in economic activities due to Indian rupee shortage. The growth was seen mainly in personal and service sectors.

Bank's loan portfolio consists of 7 major sectors and the share of different sectors for the year 2015 is as presented below in CHART 1.

The Personal sector dominated the loans portfolio of the bank this year at 27.09%, followed by Housing sector at 26.98%.



Cash and Bank Balances, and Fixed Assets

	Particulars	2015	2014	Variation	
		Amount	Amount	Amount	
	Current Deposits	14,988.74	17,740.69		
	Other Accounts	144.74	138.31		
I	Total Current Deposits	15,133.48	17,879.00	(2,745.53)	-15.36%
II	Savings Deposits	8,603.96	7,649.08	954.89	12.48%
III	Term Deposits	8,512.65	7,965.94	546.71	6.86%
	Total Deposits	32,250.09	33,494.01	(1,243.93)	-3.71%
	% of Current to total deposits	45.18%	53.38%		
	% of SB to total deposits	25.69%	22.84%		
	% of term to total deposits	25.42%	23.78%		

Cash & Balances with RMA decreased significantly by 49.76%, while balances with banks increased by 49.09%. The huge decrease in balance in RMA is mainly due to sweeping of six additional Government Accounts, which came into effect after economy witnessed excess liquidity issue in early quarter of 2015. Net fixed assets increased by Nu. 180.89 million during the year mainly due to capital purchases related to CBS Upgrade project.

Foreign Exchange Business:

In 2015, bank handled external trade worth Nu. 3,756.25 of which, Nu. 3,738.26 million were for import business and Nu. 17.96 million for export business. Net profit from foreign exchange transactions decreased by over 18% from Nu.16.16 million in 2014 to Nu. 13.11 million in 2015. The FOREX assets and liabilities stood at Nu. 1,386.33 million and Nu. 832.59 million respectively as on 31.12.2015.

Income, Expenditure and Profit

Total income grew by 16.22% from Nu. 2,339.50 million in 2014 to Nu. 2,719.08 million in the current year. The growth can be attributed to increase in interest income which grew by 10.65% from Nu. 2,166.67 million in 2014 to Nu. 2,397.40 million in 2015 and also due to other comprehensive income of Nu. 45.67 million in the current year as against other comprehensive loss in 2014 of Nu. 90.92 million.

Interest Expenses, which accounts for around 62% of overall expenses, grew by 14.48%, from Nu. 863.19 million in 2014 to Nu. 988.15 million in 2015. This growth was triggered by the growth in retail deposits base of savings, recurring and fixed deposits. Interest expense on savings deposit increased by Nu. 31.22 million due to growth in savings deposit base by Nu. 954.89 million in 2015. Fixed deposit base also grew by Nu. 546.71 million with a corresponding increase in interest expense of Nu. 79.18 million.

Operating expenses was well within the maximum 10% growth limit prescribed by Druk Holdings and Investment Ltd. at 9%, increasing from Nu. 500.47 million in 2014 to Nu. 545.49 million in 2015. Total Comprehensive Income grew by 10.29% from Nu. 750.33 million in 2014 to of Nu. 827.57 million in 2015.

Human Resource Management

The most remarkable achievement related to HR in BoB was the implementation of Human Resource Management Information System (HRMIS). HRMIS is a system that covers all aspects of human resource management from the appointment of an employee until retirement. Human Resources Management Information System (HRMIS) enables the most efficient use of human knowledge, talent, skills and capabilities, in order to achieve the overall objectives of the organization.

HRMIS was implemented in the Bank in July 2015 in consultation with the Tally Tech Solutions. It covers information on date of joining of employees, separations, trainings, Performance Management System, clearances, employee awards, absence, attendance, etc. It has not only reduced the hassle of paper work but also reduced the time taken to complete an HR process. HRMIS, in the future is expected to take care of the procurement inventories, requisitions and travel authorizations which would further enable the processes to be more efficient.

In addition to this, some achievements worth mentioning are:

- 412 employees were trained on various functions and processes of the Bank.
- Few employees also attended seminars and workshops - in-country and outside.
- Recruited 16 employees, mostly at the Assistant level.
- 92 employees were promoted to higher grades.

Corporate Social Responsibility

As the nation's oldest bank with the largest network, the bank has always looked at making a positive economic, social and environmental impact in the country. The focus of the bank's corporate social responsibility developed from donating to community causes to being strategic imperative that



helps derive value for our bank and its valued clients. 2015 was a year of celebration and national jubilation of the nation's gem, the fourth Druk Gyalpo, turning 60. The bank dedicated numerous CSR events and initiatives to our Drukgyal Zhipa.

BoB organized a blood donation campaign coinciding with World Blood Donors Day at Thimphu Main Branch. BoB has been organizing this campaign every year since 2012 and would continue to do so. BoB continues to support the Badum project initiated by YDF.

BoB believes in serving the communities by engaging its employees in different activities. Some major activities carried out by the bank are outlined below:

- Thirty seven BoB employees, including the CEO, participated in the construction of the multipurpose biking trail from Kuenselphodrang to Motithang. The contribution was appreciated by His Excellency the Prime Minister, who has awarded the Bank and the employee volunteers with certificates of appreciation.
- BoB employees also volunteered in cleaning the Changlimthang ground and its surrounding after the 60th Birth Anniversary celebration of our Drukgyal Zhipa.
- BoB employees participated in the fund raising walk for the construction of Training cum Resource center for the nuns at Tsalumaphey.
- BoB employees participated in the fund raising fun ride biking (Thimphu - Paro - Thimphu) event for Draktsho.
- Employees volunteered for ongoing construction of Rangshikhar Goenpa in Trashigang.
- Through such events, the bank and its employees remain firmly committed to doing business in a socially responsible way. CSR is an important part of Bank of Bhutan's history and an equally important part of its future.

Customer Service

One of the integral motives of the bank is to continuously improve customer service through continuous improvements in systems, processes and people. The bank supported two training programmes to the contact centre team related to Customer service during the year, one initiated by DHI and the other organized by BoB on "Effective Telecommunication Skills and Service Excellence". The main focus of these training programmes was on improvement of communication skills and excelling in service delivery, which indicates our dedication for ensuring better customer service.

A Bank that Responds Differently

Our prime motive towards our customer queries or concerns is to handle and address it promptly and efficiently. The incoming complaints and grievances that are received at the various levels are registered and handled in a structural manner as per our standard processes. The bank records and maintains a database of all the complaints registered and carries out periodical analysis to measure the effectiveness of its complaint handling mechanism and process improvements. In this context, the Bank has provided seven channels for registering grievances; Contact Center, BoB website, Branch offices, Corporate Banking Department, BoB Corporate office, Mobile and Agency Banking application and the Customer Service Division. A customer can contact the through telephonic calls, emails, written letters or personal visits. BOB immediately registers all the complaints and sends a confirmation about the registration upon request, if the complaint is not personally delivered. In addition, the Bank is also very active on social media like Facebook and Twitter, responding immediately to the posts.

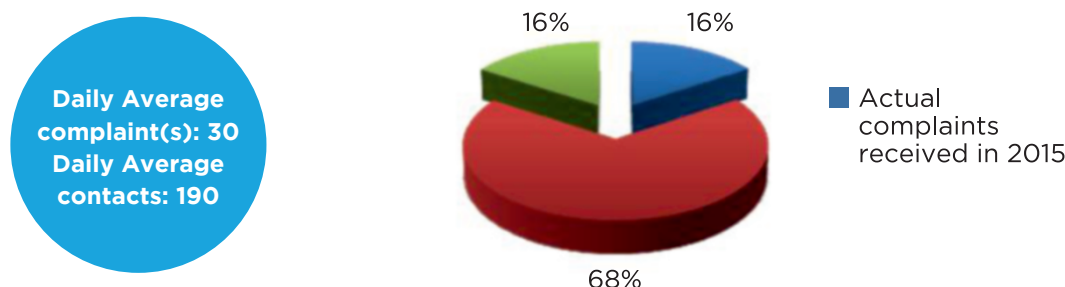
BoB is the only Bank in the country which provides an off hours helpline service through our Contact Center apart from customer support during office hours on working days. The Contact Center handles complaints as well as enquiries. In 2015, an average of 30 complaints and 190 enquiries were registered daily. This complaint data collected from various sources is analyzed in depth and presented to the Customer Service Committee on a weekly basis to understand the root causes,

MANAGEMENT REPORT

and the remedial solutions are implemented using Corrective Action and Prevention Action (CAPA) methodology. In 2015, the Bank received a total of 69,419 customer inquiries and complaints, through various channels. A summarized report is as presented below:

BoB Complaint/ Query comparison for 2015

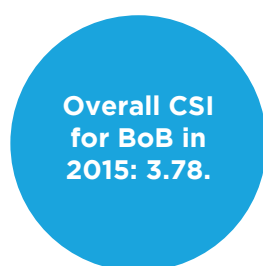
Apparently, the 10,865 complaints that we received in 2015 comprised of only **0.05% of the total volume of transactions that the bank conducts in a year**, which is quite reasonable. Nevertheless,



as a dynamic bank, BoB would always strive towards improving on this performance indicator continuously.

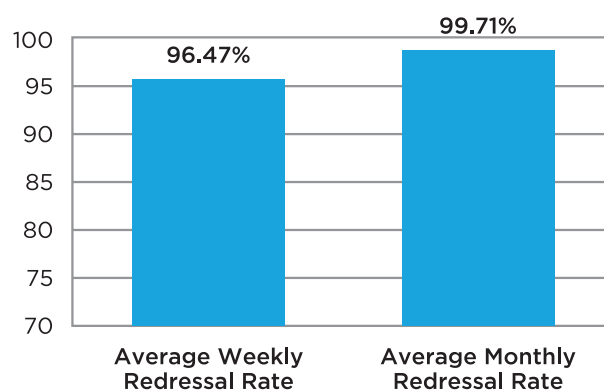
Actual complaints received in 2015	10,865
Total enquiries received in 2015	47,532
Others	11,022
Total contacts made in 2015	69,419

BoB Redressal Rate For 2015



The Bank's overall weekly complaint resolution rate for 2015 was 96.47%. The resolution rate is excluding issues that by default take more than a week by default, like the problems associated with international card transactions – which normally take up to 57 days to resolve due to involvement of third party vendors, and those associated with Bhutan Financial Switch (inter-bank transactions) that take more than a week to resolve. Since inception of this monitoring system, the bank has seen a clear improvement in resolving and handling complaints as reflected by our redressal rates. For 2015, our monthly average complaint redressal rate is 99.71%.

Bank of Bhutan's Redressal rate for 2015

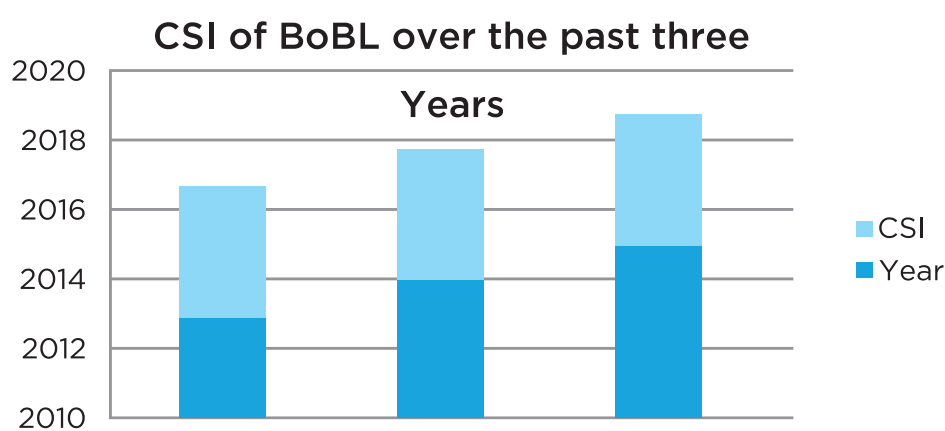




BoB Service quality is a reflection of how we value our customers

It is always admirable to see that all the employees put in so much effort to help improve and achieve optimum customer satisfaction and also ensure that the customer concerns are being addressed promptly. The CSI over the years shows that BOB is working hard to satisfy our valued customers at every level. The statistics reflect the degree of customer confidence in the Bank, which is the result of the Bank's focus on customer centricity.

Bank of Bhutan's Customer Satisfaction Index comparison



A Bank that cares about the needs of customers

Yet another successful year passed by where we were able to show our gratitude to our valued customers by celebrating the Customer Service Day. This year was very special because this year's Customer Service Day was not only to thank our valued customers for banking with us but was also dedicated to the internal customers - our employees for their dedicated services. The day was marked across all branch offices by presenting with a special personalized BoB mug and cue card with the bank's mission and vision statements. The event was well received by all employees across the country.

New Initiatives

The Bank opened two (2) new extension branch offices in Phuentsholing DRC office and Thimphu DRC office, to provide more banking channels to our customers. In order to further enhance the services, the bank installed sixteen more ATMs across the country in 2015, which brings the number of ATMs to seventy eight (78) in total. The bank in partnership with Bhutan Telecom (BT) enabled mobile top-up feature in ATM, whereby customers can recharge their phone (Bmobile) voucher.

The Bank launched Internet Payment Gateway to accept online payment in January 2015. The Payment Gateway will facilitate BoB Merchants to sell Goods, Merchandise, Services, and also allow customers across the globe to make payments through debit or credit cards or other non-cash mode. The first merchant to go live was Drukair Corporation Ltd. on 25th February, 2015. With this system in place, the passengers can purchase Drukair tickets online using Visa or MasterCard. By the end of 2015 the bank acquired 38 e-Merchants registering more than 1.5 million USD and 71 million INR transactions by the year end. The Bank initiated the work on upgradation of Cards and Cards acceptance environment to Europay, MasterCard and Visa (EMV) standards to enhance the security on electronic payments.

The Bank always takes the first step towards digital banking; be it SMS or Internet Banking. To take it further, the bank launched Mobile and Agency Banking Services with a brand name of M-BoB on 15th May, 2015. M-BoB provides a wide range of banking and informational services to take care of

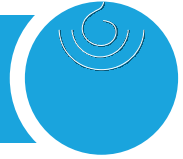
all banking needs conveniently from a mobile phone. This facility is available for all mobile phone users - ranging from character-based mobile phones to the latest smart phones. This Mobile banking App - M-BoB - can be downloaded from Apple Store (Iphone & ipad users), Play Store (Android users), Windows Store (Windows users) and Blackberry App Store (Blackberry users). Standard phone users can also use it by dialing *BOB# (*262#) through USSD codes. BoB is working on providing more services through M-BoB.

Marketing Activities

The Bank became more active on social media in 2015 by using it to inform customers not only about its new or improved products and services, but also by making all critical and important information always available on both Facebook and Twitter. The BoB facebook page has about 5000 followers and Facebook account about another 5000 followers. The twitter page has about 500 followers. The BoB facebook user has reached the maximum number of friends that can be accepted. With the massive response from customers on social media, the bank organized a lucky draw event on facebook named "Follow Bank of Bhutan" The winners were announced on 12th June 2015 and awarded with attractive prizes. The bank also has a YouTube account where clients can view all the advertisements on bank's products and services.

The highlight for 2015 in the country was Bhutan entering the FIFA qualification round, therefore increasing the number of citizens getting attached to the game. BoB sponsored the BoB National League where football clubs across the country participated. In addition, the marketing team visited different organizations to sensitize the clients on the bank's new products and services like M-BoB, credit cards, corporate cards, internet banking, etc. These initiatives were successful, considering the number of customers acquired, awareness created, and cross-selling activities carried out.

BANK'S ORGANIZATION

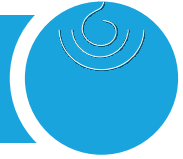


Chief Executive Officer	:	Mr. Pema Namgyel Nadik
Director, Core Banking Solution	:	Mr. Dorji Wangchuk
Chief Banking Officer	:	Mr. Prasad Roy
Chief Credit Officer	:	Ms. Karma Dema
Chief Corporate Strategy Department	:	Mr. Dorji Kadin
Chief Financial Officer	:	Mr. Nipun Bhatia
Chief, Corporate & Private Banking	:	Mr. Dophu Dorji
Chief Information & Technology Officer	:	Mr. A. Vijaya Kumar
Dy. Chief Financial Officer	:	Mr. Tshewang Rinzin
Head, Financial Controller	:	Mr. A.K.S Gautam
Head, Risk Division	:	Mr. Prem B. Moktan
Head, Legal	:	Ms. Tashi Chenzom
Offtg. Head, Internal Audit	:	Mr. Devendra Rai
Head, Administration	:	Mr. Sonam Gyeltshen
Offtg. Head, Human Resources	:	Mr. Jigme Dorji
Head, Real Estate	:	Mr. Pasang Dorji
Offtg. Head, Credit Recovery	:	Mr. Jigme Chogyel
Head, Planning and Monitoring	:	Ms. Upahar Subedi
Head, PR and Media	:	Mr. Passang Norbu
Head, Marketing	:	Ms. Susan Lama
Head, Delivery Channels	:	Mr. Tashi Dhendup
Head, Cards	:	Mr. Ngawang Namgyel
Manager, Procurement	:	Mr. Sonam Gyeltshen
Legal Officer	:	Mr. Tshewang Dorji
Manager, Customer Service	:	Ms. Kritika Pradhan

BRANCH HEADS & SENIOR SUPPORT STAFF

Phuentsholing Main Branch	:	Mr. Wangdi Tshering, (Branch Head)
	:	Mr. Dorji Wangchuk, Manager, Loans
Thimphu Main Branch	:	Mr. Sithup Tshering (Branch Head)
	:	Mr. Kuenlay Dorji Tshering, Manager, Branch Operation
	:	Mrs. Chozang Lhamo, Manager, Loans
SamdrupJongkhar Branch	:	Mrs. Jigme Wangmo
Gelephu Branch	:	Mr. D.B. Chhetri
Tsimasham Branch	:	Mr. Chokeyla
Samtse Branch	:	Mr. Basant Rana
Trashigang Branch	:	Mr. Tashi Dhendup
Damphu Branch	:	Ms. Phurpa Lhamo
Bazar Branch, Phuentsholing	:	Ms. Choney Wangmo
Gomtu Branch	:	Mr. Tandin Tshewang
Mongar Branch	:	Mr. Tenzin Dorjee
Bumthang Branch	:	Mr. Lobzang Dhendup
Wangdue Phodrang Branch	:	Mr. Madan Rai
Paro Branch	:	Mr. Gopal Chhetri
Trongsa Branch	:	Mr. Chador Wangdi
Haa Branch	:	Mr. Rajan Kujur
Gedu Branch	:	Ms. Sonam Dekar
Zhemgang Branch	:	Mr. Sonam Gyeltshen
Lhunsi Branch	:	Mr. Sangay Dorji
Punakha Branch	:	Mr. Tendri Wangdi
Pemagatshel Branch	:	Mr. Sonam Tashi

BRANCH HEADS & SENIOR SUPPORT STAFF



Sarpang Branch	:	Ms. Goma Devi Bhattarai
Dagana Branch	:	Mr. Ugyen
City Branch, Thimphu	:	Ms. Sonam Choiden
Deothang Branch	:	Mr. Kelzang Tashi
Tashiyangtshi Branch	:	Mr. Pancha Bahadur Rai
Nganglam Branch	:	Mr. Karma Choidup
Gasa Branch	:	Mr. Ngedup Dorji
Motithang Branch	:	Ms. Sangeeta Pradhan

Extension Branch Heads

DRC Building, Pling	:	Mr. Karma Tshering
Lhaimozingkha	:	Ms. Jaz Maya Neopani
Babesa	:	Ms. Sangay Zangmo
Changbangdu	:	Mr. Ugyen Dorji
Dechencholing	:	Ms. Dhan Maya Pradhan
Sipsu	:	Mr. Ricky Ram Sharama
Wamrong	:	Mr. Kinga Pelzang
Paro Airport	:	Mr. Pema Tshewang
Dangdung	:	Mr. Ugyen Tshering
Panbang	:	Mr. Bir Bdr. Ghalley
Dagapela	:	Mr. Cheten Norbu
Samdrupcholing	:	Mr. Choki Dorji Z
Doksum	:	Mr. Kuenzang Dhendup
Gyelposhing	:	Ms. Pema Lhaden

HAPPENINGS 2015



ATM inaugurated in Trashigang.

BoB and Druk Air partner to sponsor warm up jackets for the Bhutan National Football Team for the World Cup Qualifiers.



BoB wins DOC Cup, the football league among the DHI owned companies.

BoB signs partnership agreement with Bhutan Football Federation.



A new branch opened at Department of Revenue and Customs office in Thimphu.

New branch opened at Department of Revenue and Customs office in Phuntsholing.



HAPPENINGS 2015

Prime Minister inaugurated the Multipurpose Trail at Taba, Thimphu for which bank employees volunteered in making 170 meters of the trail.



Badum

Merchant payment launched in two super markets in Thimphu that is at EightEleven and MyMart.



Our CEO, always the first to volunteer or contribute towards Corporate Social Responsibility. Here CEO was the first to donate blood during the World Blood Donor Day on June 13, 2015.



Agreement signed between BoB and TATA Consultancy Services for the new banking system.



Mobile and Agency Banking (M-BoB) launched by DHI Chairman, Dasho Sangay Khandu.



NOTES TO ACCOUNTS

Significant accounting policies appended to and forming part of the financial statements for the year ended December 31, 2015.

1. General Information

Bank of Bhutan Limited (the 'Bank') is a subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Bank has been incorporated and registered under the Companies Act of the Kingdom of Bhutan, 2000 with limited liability. The Registered Office of the Bank is located in Thimphu, Bhutan.

The Bank is governed by Financial Services Act, 2011 and the Companies Act of the Kingdom of Bhutan, 2000.

These financial statements relate to the year ended December 31, 2015.

2. Application of Bhutanese Accounting Standards (BAS)

For the financial year ended December 31, 2013, the Bank prepared its financial statements in accordance with generally accepted accounting principles (GAAP) and the provisions of the Companies Act of the Kingdom of Bhutan, 2000.

The Accounting and Auditing Standard Board of Bhutan (AASBB) decided to adopt IFRS in phases with minor changes. These standards are referred to as Bhutanese Accounting Standards (BAS).

The Financial Statements for the year ended December 31, 2015 have been prepared in line with first phase of the Bhutanese Accounting Standards (BAS). This is the second year since we have compliance with the BAS 1st Phase.

- a) The Bank has presented Statements of Comprehensive Income and Changes to Equity as required by BAS Phase I.
- b) Depreciation has been calculated using the management's estimated useful life of fixed assets.
- c) The Bank has adopted BAS 19 affecting an 'early adoption' Employee Benefits. Employee retirement benefit plans are valued on an actuarial basis which better reflects the estimated liability at balance date.

3. Basis of preparation

The financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards. The statements have been prepared under the accrual, historical cost and on going concern conventions.

The preparation of financial statements in conformity with BAS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Bank's accounting policies.

The functional currency of preparation of these financial statements is the Bhutanese Ngultrum.

4. Segment reporting

The Bank operates in one segment of commercial banking.

5. Consolidation

The Bank has control over and owns 100% of the shares in its subsidiary company, BoB Securities Ltd. Consolidated financial statements have not been prepared as the Bank itself is a subsidiary of Druk Holdings and Investments Ltd. DHIL prepares consolidated financial statements which include the results of the Bank and BOB Securities Ltd.



6. Foreign currency transactions

- a) Foreign currency transactions that are completed within the accounting period are converted into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies on statement of financial position date are converted at the rates of exchange ruling at statement of financial position date.
- b) Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

7. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset Category	Useful life (No. of years)
Buildings and civil structures (built on owned land only)	30
Plant and machinery and other equipment	7
Furniture and fixtures	7
Office equipment	7
Vehicles	10
Leasehold property improvements	Life of lease
Computer & IT Equipment:	
Desktops, Servers, Card embossing machine	5
Laptops, printers, scanners, routers, switches, modems, UPS	3

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at the end of each year. As a policy, all assets are depreciated to Nu 1.00, unless the annual assessment shows a material change.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Income' or 'Other expenses' as the case may be, in the income statement

8. Intangible assets

- a. Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of seven years.

Costs associated with maintaining computer software programmes are recognised as an expense as and when incurred.

NOTES TO ACCOUNTS

b. Research and Development costs

Research costs are recognised as an expense in the year in which they are incurred. Development costs are only capitalised if a potentially profitable product has been found and management has given approval to further develop the product.

If the Bank decides to proceed and market the product, development costs will be amortised over the expected profitable period of marketing the product, not exceeding 5 years. Other development costs are expensed.

9. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction or a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

10. Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'loans to customers', 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

11. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method.

12. Trade and other receivables

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

13. Cash and cash equivalents

In the Statement of Cash Flows, "cash and cash equivalents" includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

14. Trade and other payables

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

15. Customer Deposits

Customer deposits include all customer accounts where the Bank owes money to customers (excluding balances owed to other banks, including central banks). Credit balances in card-holder accounts are also treated as customer deposits.

16. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in Other Comprehensive Income. In this case, the tax is also recognised in Other Comprehensive Income.

The current income tax charge is calculated on the prevailing income tax rates in Bhutan.



Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using prevailing tax rates (and laws) and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

17. Employee benefits

a. Under defined contribution scheme

Where employees belong to a defined contribution benefit plan managed by a separate entity, the Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

b. Under Defined Benefit Scheme

The Bank makes retirement payments based on the final salary and years of service such as gratuity, separation costs and leave encashment at the time of retirement. The liability for such payments is accrued on the basis of an actuarial valuation.

- Changes in service cost and interest are charged to the Statement of Income
- Changes to actuarial valuation of the liability are charged to the Other Comprehensive Income.

The valuation of the actuarial obligation of the defined benefits plan was carried out by Towers Watson, India, registered actuaries.

i. Impact on Statement of Comprehensive Income (Amount in Nu.)

Particulars	2015	2014
Encashment of Leave	(3,052,135.00)	6,083,608.80
Employee Gratuity	18,209,592.00	13,227,780.00
Separation & Travel Allowance	3,804,955.00	2,010,109.00
Total (Recognized as cost in Statement of Comprehensive Income)	18,962,412.00	21,321,497.80

ii. Impact on Other Comprehensive Income (OCI) (Amount in Nu.)

Particulars	2015	2014
Actuarial (gain)/ loss due to liability experience	7,841,500.00	5,895,080.00
Actuarial (gain)/ loss due to liability assumption changes	(69,922,110.00)	35,209,320.00
Actuarial (gain)/ loss arising during period	(62,080,610.00)	41,104,400.00
Return on plan assets (greater)/ less than discount rate	-	-
Actuarial (gain)/ losses recognized in OCI	(44,138,100.00)	41,104,400.00
Adjustment for limit on net asset		-
Cumulative Actuarial (gain) or Loss Recognized via at Prior Period End	-	-
Cumulative Actuarial (gain) or Loss Recognized via at Current Period End	(44,138,100.00)	41,104,400.00

NOTES TO ACCOUNTS

iii. Impact on Statement of Financial Position (Amount in Nu.)

Particulars	2015	2014
Defined benefit obligation (DBO)	(118,618,470.00)	(161,291,000.00)
Fair value of plan assets (FVA)	-	-
Fund status [surplus/ (deficit)]	(118,618,470.00)	(161,291,000.00)
Effect of Asset Ceiling	-	-
Net defined benefit asset (DBA)	(118,618,470.00)	(161,291,000.00)

iv. Movement in the Present Value of Defined Benefit Obligation (Amount in Nu.)

Particulars	2015	2014
Opening Defined Benefit Obligation	161,291,000.00	92,506,090.00
Current service cost	23,620,000.00	13,434,320.00
Interest cost	13,296,590.00	7,639,110.00
Actuarial (gain)/loss on experience adjust	7,841,500.00	5,895,080.00
Actuarial (gain)/loss on financial assumptions	(69,922,110.00)	58,921,000.00
Benefits paid directly by the company	(17,508,510.00)	(10,261,190.00)
Benefits paid from the Plan assets	-	(6,903,410.00)
Closing Fair Value of Plan Assets	118,618,470.00	161,291,170.00

v. Movements in the Fair Value of Plan Assets (Amount in Nu.)

Particulars	2015	2014
Opening Fair Value of plan assets	-	-
Acquisition adjustments	-	-
Income on assets on plan assets	-	-
Contribution by BoBL	-	6,903,410.00
Return on plan assets greater/ (lesser) than discount rate	-	-
Benefits paid	-	(6,903,410.00)
Closing Fair Value of Plan Assets	-	-

vi. Year-end Expected Benefit Payments (Amount in Nu.)

Particulars	
December 31, 2016 (Retirement Benefit Obligations – Current)	7,761,040.00
December 31, 2017	7,692,150.00
December 31, 2018	9,940,050.00
December 31, 2019	10,594,740.00
December 31, 2020	11,514,990.00
December 31, 2021 to December 2025	81,950,680.00

vii. Weighted Average Duration of Defined Benefit Obligation is 13 years

viii. Accrued Benefit Obligation at December 31, 2015 is Nu. 71,025,620.00

**ix. Sensitivity Analysis**

Particulars	2015	2014
i) Discount Rate		
Discount Rate as at 31 December 2015	8.50%	8.50%
Effect on DBO due to 1% increase in Discount Rate	(10,840,260.00)	(17,977,000.00)
Effect on DBO due to 1% decrease in Discount Rate	12,727,600.00	21,617,000.00
ii) Salary Escalation Rate		
Salary Escalation Rate as at 31 December 2014	6.00%	12.00%
Effect on DBO due to 1% increase in Salary Escalation Rate	10,754,160.00	11,307,000.00
Effect on DBO due to 1% decrease in Salary Escalation Rate	(10,252,290.00)	(10,471,000.00)

18. Contingent Liabilities

A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

Contingent liabilities include existing contingent liabilities as on the date of the Statement Financial Position as under (Details are provided in note 20):

- Letters of Credit issued
- Guarantees issued
- Expired guarantees on which there are claims which have not expired

19. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and taxes. The Bank recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Bank.

20. Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

21. Dividend income

Dividend income is recognised when the right to receive payment is established.

22. Other assets and Liabilities

Assets and liabilities that cannot be specifically categorised in the format for Statement of Financial Position are shown under 'Other assets' or 'Other liabilities'.

'Other liabilities' include outstanding payments due on remittance products such as cash warrants, drafts, etc. Provisions for impairment on a portfolio basis (General Provisions) are shown under 'Other liabilities'.

23. Comparative information

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

2014 comparative information has been updated to comply with the introduction of Bhutanese Accounting Standards.

NOTES TO ACCOUNTS

24. Earnings Per Share

Earnings per share are based on the weighted average number of equity shares outstanding during the period, based on the number of days in the year. For new/additional equity shares, the date of recording the increase in paid-up share capital is taken as the date, provided all monies to be received from shareholders, are received by the Bank.

25. Related Party Disclosures

A related party transaction is a transfer of resources, services and/or obligations between the Bank and a related party, regardless of whether a price is charged.

Of the 15,000,000 equity shares (of Nu.100 each) issued by the Bank as at December 31, 2015, 12,000,000 shares (or 80%) are held by Druk Holding and Investments Limited (DHI). The entire share capital of DHI is held by the Ministry of Finance, Royal Government of Bhutan. DHI also has controlling interest in the following companies:

- i. Druk Green Power Corporation Ltd.
- ii. Bhutan Power Corporation Ltd.
- iii. Bhutan Telecom Ltd.
- iv. Natural Resources Development Corporation Ltd.
- v. DHI Infra Ltd.
- vi. Druk Air Corporation Ltd.
- vii. Dungsam Cement Corporation Ltd.
- viii. Thimphu TechPark Ltd.
- ix. Construction Development Corporation Ltd.
- x. Wood Craft Center Ltd.
- xi. State Mining Corporation Ltd.
- xii. State Trading Corporation Ltd.
- xiii. Dungsam Polymers Ltd.
- xiv. Bhutan Board Products Ltd.
- xv. Bhutan Board Export Ltd.
- xvi. Bhutan Hydropower Services Ltd.
- xvii. Dagachu Hydro Corporation Ltd.
- xviii. Tangsibji Hydro Energy Ltd.

All transactions between the Bank and these nineteen companies fall under “Related Party Transactions”; however, all the transactions in 2015 and earlier have been carried out at an “arms length” and no benefit has accrued to either party as a result of the relationship. Section 25 of BAS 24 exempts the Bank from detailed related party transactions reporting.

The nature of related party transactions with these parties includes:

- Providing financial services such as loans, overdrafts, deposits, issuing letters of credit/bank guarantees, funds remittances, investments, etc.
- Purchase of goods (for example, furniture, equipments such as computers, printers, vehicles, etc)



- Purchase of services (for example, brand management, maintenance services, electricity, telephony services, travel services, etc)

The significant party related transactions include

- Accepted current deposits from Bhutan Power Corporation Ltd. of Nu. 3,006,346,168.90 and fixed deposits of Nu. 943,000,944.64 for a period of 1 year at 7% interest per annum.
- Invested Nu. 300,000,000.00 in the 7-year bonds of Bhutan Telecom Limited at 7% interest per annum.
- Lent Nu. 1,559,327,367.00 as overdraft to Druk Green Power Corporation Limited at 10.50% interest per annum.
- Paid Nu. 12,331,296.54 as brand management fees to Druk Holding and Investments Limited for the year 2015.
- Purchased telecom equipment (Internet Protocol Telephony) from Bhutan telecom Ltd for Nu. 9,773,069.00.

Key management personnel of the Bank include the members of the Board of Directors and the Chief Executive Officer. Their compensation in general, includes

- Salaries, allowances and bonuses, if any;
- Non-monetary benefits (such as medical care, housing, cars and free/subsidized goods & services), if any;
- Sitting fees, if any;
- Loans on non-commercial terms, if any;
- Post-employment benefits such as pensions, post-employment life insurance, post-employment medical care, etc., if any;
- Long-term service benefits, including deferred compensation, if any;
- Termination benefits, if any; and
- Share-based payments, if any.

Key Management Compensation and Remunerations:

	Particulars	For the year ended 31.12.2015	For the year ended 31.12.2014
(a)	Remuneration, Allowances, etc paid to Chief Executive Officer:		
(i)	Salary, Allowances, bonus and Encashment of leave	1,819,271.00	1,763,546.00
(ii)	Contribution to Provident Fund	102,726.00	100,488.00
(iii)	Sitting fee	164,000.00	140,000.00
	Total	2,085,997.00	2,004,034.00
(b)	Sitting Fees paid to other Directors	764,000.00	540,000.00

26. Status of Reconciliation

- Branch Clearing Adjustment Account has been fully reconciled up to December 31, 2015 and shows nil balance against the unmatched figure of Nu. 18,530,535.76 as at December 31, 2014.
- The accounts with State Bank of India, India have been reconciled up to December 31, 2015. 86% of the balances of Nu. 486,057,268 debit and Nu. 645,823,745 credit as at the end of 2014,

NOTES TO ACCOUNTS

(Nu. 418,269,332 debit and Nu. 556,347,694 credit) has been resolved during the year, leaving unmatched entries of Nu. 67,787,936 debit and Nu. 89,476,051 credit only. The balances as at December 31, 2015 are as follows:

Debit entries	Nu. 514,895,382.59
Credit entries	Nu. 543,241,744.62

- c. The accounts with other banks have been reconciled up to December 31, 2015. 95% of the balances of Nu.37,023,677 debit and Nu. 159,646,412 credit as at the end of 2014, (Nu. 36,896,671 debit and Nu. 151,117,300 credit) has been resolved during the year, leaving unmatched entries of Nu. 127,006 debit and Nu. 8,529,112 credit only. The balances as at December 31, 2015 are as follows:

Debit entries	Nu. 406,512,235.19
Credit entries	Nu. 319,289,345.04

27. Assets under Lien

Balance in the deposit account with banks under Loans and Advances to Other Banks includes USD 2 million (Nu. 133,020,000.00) (Previous Year Nu. 127,220,000) which is under lien with Standard Chartered Bank, Singapore with respect to Letters of Credit issued by the Bank of Bhutan and confirmed by Standard Chartered Bank.

28. Income Tax

Income Tax assessments for the Bank have been completed up to December 31, 2012.

29. Additional information

The status of current/non-current assets/liabilities in the Statement of Financial Position on the basis of residual maturity is as follows:

a. Assets

Particulars	As at 31.12.2015	As at 31.12.2014
Current Assets		
Cash & Balance with RMA	7,884,814,775.80	15,694,659,647.71
Loans & Advances to Banks	3,524,513,849.10	2,463,853,157.05
Loans & Advances to Customers	2,403,572,943.67	2,396,339,368.71
Investment Securities	5,465,187,500.00	2,156,350,000.00
Prepayments & Accrued Income	93,189,375.07	56,096,808.66
Deferred Tax Assets	27,471,651.00	9,539,372.00
Other Assets	147,484,416.17	161,375,230.66
Total Current Assets	19,546,234,510.81	22,938,213,584.79
Non-current Assets		
Loans & Advances to Customers	16,747,882,605.20	15,978,120,593.86
Investment Securities	2,221,682,000.00	317,602,000.00
Investment in Associates & Subsidiaries	500,000.00	500,000.00
Investment in Portfolio Companies	98,254,710.45	73,217,710.45
Property, Plant & Equipment	411,861,987.03	326,843,092.70
Intangible Assets	40,929,626.08	10,954,266.29
Capital Work-in-Progress	70,971,956.20	5,074,766.00
Total Non-current Assets	19,592,082,884.97	16,712,312,429.30
TOTAL ASSETS	39,138,317,395.77	39,650,526,014.09

**b. Liabilities**

Particulars	As at 31.12.2015	As at 31.12.2014
Deposits by Banks	147,244,280.69	140,658,275.77
Customer Deposits	26,744,390,031.88	24,901,454,978.04
Provision for Liabilities & Charges	20,435,506.19	18,562,925.47
Accruals & Deferred Income	805,595,365.74	561,089,616.81
Current Tax Liabilities	208,932,368.88	180,215,799.09
Other liabilities	476,359,906.99	429,470,071.97
Total Current Liabilities	28,402,957,460.37	26,231,451,667.15
Non-Current Liabilities		
Customer Deposits	5,358,453,299.27	8,451,899,720.96
Subordinated Liabilities & Other Borrowed Funds	500,000,000.00	500,000,000.00
Retirement Benefit Obligations	118,618,470.00	161,291,000.00
Total Non-Current Liabilities	5,977,071,769.27	9,113,190,720.96
TOTAL LIABILITIES	34,380,029,229.64	35,344,642,388.11

c. Other Liabilities (including provisions) under other liabilities represent

Particulars	As at 31.12.2015	As at 31.12.2014
Sundry Creditors	58,055,388.03	54,029,469.72
ATM cash Excess	1,245,872.00	-
Unclaimed Balance Account	2,570,654.20	2,553,055.20
Unclaimed credit received from other Banks	5,112,922.00	5,112,922.00
Matured FDR	6,449,221.95	8,030,357.53
Security Deposit Account	1,895,892.32	1,420,647.58
Security Deposit For Locker	560,000.00	611,200.00
RTGS/NEFT on SBI/Axis	1,109,857.23	1,432,458.41
Central Registry Charges	266,996.57	-
TDS on Customer Deposits	821,120.00	-
Tax Deducted at Source- from customer/staff	7,050.00	-
Total	78,094,974.30	73,190,110.44

d. Other Income including recoveries for charges represent

Particulars	As at 31.12.2015	As at 31.12.2014
CIB Recoveries	6,080,100.00	5,420,000.00
Recoveries from Telephone	2,964.00	11,491.00
Recoveries from Postage	825,919.80	807,797.42
Recoveries from Swift Charges	1,444,873.40	1,160,384.83
Employees PF Forfeited	932,794.28	1,549,961.36
Visa ATM Reimbursement Cr AC	3,301,084.42	1,227,985.03
Master card ATM Reimbursement	925,631.80	660,623.01
VISA POS Reimbursement CR AC	1,600.00	-
Master card POS Reimbursement CR AC	11,895.92	19,152.68
Visa Issuer Reimbursement account	1,444,764.17	1,053,208.29
Miscellaneous Income	3,860,710.64	4,884,343.06
Underwriting Charges	1,832,208.00	450,000.00
Legal & Revenue Stamp Recovery	81,135.00	48,770.00
Foreign Bank Charges Recovered	528,560.57	-
Total	21,274,242.00	17,293,716.68

NOTES TO ACCOUNTS

e. Additional information pursuant to the provisions of part II of Schedule XIII A of The Companies Act of the Kingdom of Bhutan 2000.

Particulars	2015	2014
Payment to and provision for employees represent:		
Salary, Bonus, Gratuity, leave encashment etc.	250,864,118.77	327,073,703.77
Contribution to Provident Fund	14,567,770.00	13,204,154.00
Total	265,431,888.77	340,277,857.77
Remuneration, Allowances, etc paid to Chief Executive Officer:		
Salary, Allowances, bonus and Encashment of leave	1,819,271.00	1,763,546.00
Contribution to Provident Fund	102,726.00	100,488.00
Sitting fee	164,000.00	140,000.00
Total	2,085,997.00	2,004,034.00
Sitting Fees paid to other Directors (Including invitees)	764,000.00	780,480.00
Rent, Taxes, Insurance, Lighting etc represent:		
Rent	19,276,347.91	17,121,513.43
Rates & Taxes	257,653.63	131,715.88
Insurance	2,953,746.58	3,340,780.08
Light & Fuel	3,248,239.36	2,587,651.13
Total	25,735,987.48	23,181,660.52
Repairs to the Bank's Property represent:		
Repair to Buildings	1,222,192.40	1,220,705.48
Other Repairs	17,818,051.51	17,873,592.36
Total	19,040,243.91	19,094,297.84

30. In the opinion of the Management, all items of assets and liabilities as appearing in the Statement of Financial Position as at December 31, 2015 have a value equal to the amount at which they are stated therein.

31. Capital Commitments

The capital commitments as at December 31, 2015 stood at Nu. 190,627,757.75 (Previous year Nil); these were on account of contracts for the construction of the Bank's Corporate office in Thimphu and for the implementation of a new Core Banking System which the Bank is in the process of implementing.

32. BOB Securities Ltd.

The business of BOB Securities Ltd., a 100% subsidiary of the Bank, is proposed to be amalgamated with the Bank. BOB Securities Ltd. has applied to the Courts in Bhutan to approve the proposal to amalgamate its business with the Bank. As and when the approval is received from the Courts, the amalgamation will be effected.

33. The previous year's figures have been regrouped/ rearranged wherever considered necessary, to conform to this year's presentation.

4. DISCLOSURE RELATED TO ABANDONED PROPERTY

As per Section 245 of the Financial Services Act of Bhutan, 2011, any money or article shall be deemed "abandoned property" if the owner fails to claim the money or the article within three years from the last date of the transaction.

Accordingly, the Bank has identified such abandoned property as at December 31, 2015 with detailed information on the amounts and beneficial owners of such monies/articles; the Bank continues to take action to contact the beneficial owners of such monies/articles.



Accordingly as at December 31, 2015, the following amounts are “abandoned property” included in the statement of financial position of the Bank.

Category	Amount
Unclaimed Cash Warrants	4,073,692.42
Unclaimed Drafts	8,310,285.60
Unclaimed Term Deposits	102,031.00
Other Unclaimed Balances	457,087.37
Total	12,943,096.39

5. MACRO PRUDENTIAL DISCLOSURES

a. Quantitative Disclosures

Item 1: Capital and its Sub-components

S. No.		31.12.2015	31.12.2014
1.	Total Tier 1 Capital	3,778,716,906.91	3,683,549,906.91
a.	Paid-Up Capital	1,500,000,000.00	1,500,000,000.00
b.	General Reserves	1,908,383,187.85	1,908,383,187.85
c.	Share Premium Account	-	-
d.	Retained Earnings	370,333,719.06	275,166,719.06
Less:-			
e.	Losses for the Current Year	-	-

Item 2: Tier 2 Capital and Its Sub-components

S. No.		31.12.2015	31.12.2014
1.	Tier II Capital	1,670,805,326.25	930,621,957.06
a.	Capital Reserve	-	-
b.	Fixed Asset Revaluation Reserve	-	-
c.	Exchange Fluctuation Reserve	152,000,000.00	152,000,000.00
d.	Investment Fluctuation Reserve	-	-
e.	Research & Development Reserve	-	95,167,000.00
f.	General Provision	191,234,067.03	183,454,957.06
g.	Capital Grants	-	-
h.	Subordinated Debt	500,000,000.00	500,000,000.00
i.	Profit for the Year	827,571,259.22	

NOTES TO ACCOUNTS

Item 3: Risk Weighted Exposure Table

S.No.	Assets	31.12.2015		31.12.2014	
		Balance Sheet Amount	Risk Component	Balance Sheet Amount	Risk Component
1.	Zero-Risk Weighted Assets	13,822,739,169.37	-	18,322,146,207.60	-
2.	20% Risk Weighted Assets	5,746,195,849.10	1,149,239,169.82	2,839,174,117.97	567,834,823.59
3.	50% Risk Weighted Assets	3,384,537,757.56	1,692,268,878.78	3,378,098,543.71	1,689,049,271.85
4.	100% Risk Weighted Assets	11,246,663,846.94	11,246,663,846.94	9,052,167,484.01	9,217,640,795.44
5.	150% Risk Weighted Assets	3,358,858,071.70	5,038,287,107.56	2,975,613,698.84	4,463,420,548.26
6.	200% Risk Weighted Assets	5,138,965,860.40	10,277,931,720.79	5,247,113,477.29	10,494,226,954.58
7.	250% Risk Weighted Assets	-	-	-	-
8.	300% Risk Weighted Assets	1,803,863,454.06	5,411,590,362.19	1,869,660,759.61	5,608,982,278.84
	Grand Totals	44,501,824,009.13	34,815,981,086.08	43,683,974,289.03	32,041,154,672.57

Item 4: Capital Adequacy Ratios

S. No.		31.12.2015	31.12.2014
1.	Tier 1 Capital	3,778,716,906.91	3,683,549,906.91
a.	of which Counter-Cyclical Capital Buffer (CCyB) (If applicable)		
b.	of which Sectoral Capital Requirements (SCR) (If applicable)		
i.	Sector 1		
ii.	Sector 2		
iii.	Sector 3		
2.	Tier 2 Capital	1,670,805,326.25	930,621,957.06
3.	Total qualifying Capital	5,449,522,233.16	4,614,171,863.97
4.	Core Capital Adequacy Ratio	10.85%	11.50%
a.	of which CCyB (If applicable) expressed as % of RWA		
b.	of which SCR (If applicable) expressed as % of RWA		
i.	Sector 1		
ii.	Sector 2		
iii.	Sector 3		
5.	Capital Adequacy Ratio	15.65%	14.40%
6.	Leverage Ratio	8.49%	8.43%


Item 5: Loans and NPL by Sectoral Classification

S. No.	Sector	31.12.2015		31.12.2014	
		Total Loans	NPL	Total Loans	NPL
a	Agriculture	21,849,841.53	-	695,578.17	(406.00)
b	Manufacturing/ Industry	2,829,740,398.37	18,601,531.12	3,395,464,272.20	19,519,031.73
c	Service & Tourism	2,933,768,917.60	67,240,677.76	2,409,516,320.81	69,899,990.56
d	Trade & Commerce	1,634,229,871.24	147,620,111.33	1,231,166,027.98	153,295,554.17
e	Housing	5,372,658,833.88	262,897,528.59	5,435,023,128.26	281,888,736.36
f	Transport	586,185,859.66	77,350,196.72	610,910,363.61	135,039,584.92
g	Loans to Purchase Securities	179,921,028.19	-	181,412,473.15	158,794.13
h	Personal Loans	1,790,495,462.93	221,470,081.22	1,800,443,863.53	232,911,351.24
i	Education Loan	46,505,775.76	9,288,939.66	75,207,955.76	11,878,679.51
j	Loan against term deposits	92,762,653.81	-	84,584,167.19	-
k	Loans to FI (s)	378,961,826.57	-	642,605,105.55	-
l	Infrastructure Loans	-	-	-	-
m	Staff Loans (incentive)	309,721,535.54	2,386,939.81	308,311,009.16	978,756.78
n	Loans to Govt. Owned Companies	645,713,506.85	-	1,328,775.94	-
o	Consumer Loan (GE)	3,090,351,562.00	55,304,779.03	3,094,193,124.01	49,671,385.28
	Total	19,912,867,073.93	862,160,785.24	19,270,862,165.32	955,241,458.68
	Inter-bank Loans	2,098,120,000.00			1,063,320,000.00

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

S.No.	Counter Party	31.12.2015	31.12.2014
1	Overdrafts	3,207,415,532.93	2,875,043,201.47
a	Government	-	-
b	Government Corporations	957,802.91	14,464,173.45
c	Public Companies	320,922,113.32	36,942,964.80
d	Private Companies	2,208,131,438.06	2,183,392,296.20
e	Individuals	298,442,352.07	97,469,700.54
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	378,961,826.57	542,774,066.48
2	Term Loans	16,665,011,800.47	16,390,501,710.12
a	Government	-	-
b	Government Corporations	644,755,703.94	890,433,748.24
c	Public Companies	182,756,308.76	111,609,191.88
d	Private Companies	3,977,645,122.84	3,624,705,246.78
e	Individuals	11,859,854,664.93	11,663,922,484.15
f	Commercial Banks	-	99,831,039.07
g	Non-Bank Financial Institutions	-	-
	Total	19,872,427,333.40	19,265,544,911.59
	Bills	34,517,674.60	1,624,419.50
	Credit Cards	5,922,065.93	3,692,834.22
	Total Loan Outstanding	19,912,867,073.93	19,270,862,165.31

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

As of period ending 31.12.15	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	683,542,660.91							683,542,660.91
Government Securities		2,977,500,000.00	2,487,687,500.00					5,465,187,500.00
Investment securities							2,320,436,710.45	2,320,436,710.45
Loans & advances to banks	1,426,393,849.10	133,020,000.00	300,000,000.00	500,000,000.00	1,165,100,000.00			3,524,513,849.10
Loans & advances to customers	45,041.40	43,494,069.98	294,561,813.84	667,480,440.75	1,118,710,761.04	279,280,816.67	16,713,364,930.60	19,116,937,874.27
Other assets		7,235,789,789.49	268,145,442.24				523,763,569.31	8,027,698,801.04
TOTAL ASSETS	2,109,981,551.41	10,389,803,859.47	3,350,394,756.08	1,167,480,440.75	2,283,810,761.04	279,280,816.67	19,557,565,210.36	39,138,317,395.77
Amounts owed to other banks	715,599,025.65							715,599,025.65
Demand deposits	14,417,876,584.79							14,417,876,584.79
Savings deposits	8,603,961,888.48							8,603,961,888.48
Time deposits	2,000.00	127,795,089.82	484,438,914.39	472,109,924.38	1,551,649,128.99	1,086,556,501.03	4,790,098,554.31	8,512,650,112.92
Bonds & other negotiable instruments							500,000,000.00	500,000,000.00
Other liabilities			1,438,707,550.77				4,949,522,233.16	6,388,229,783.93
TOTAL LIABILITIES	23,737,439,498.92	127,795,089.82	1,923,146,465.16	472,109,924.38	1,551,649,128.99	1,086,556,501.03	10,239,620,787.47	39,138,317,395.77
Assets/ Liabilities	0.09	81.30	1.74	2.47	1.47	0.26	1.91	1.00
Net Mismatch in each Time Interval	(21,627,457,947.51)	10,262,008,769.65	1,427,248,290.91	695,370,516.37	732,161,632.05	(807,275,684.36)	9,317,944,422.89	-0.00
Cumulative Net Mismatch	(21,627,457,947.51)	10,262,008,769.65	11,689,257,060.56	12,384,627,576.92	13,116,789,208.97	12,309,513,524.61	21,627,457,947.51	21,627,457,947.51

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

As of period ending 31.12.14	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	612,627,394.29							612,627,394.29
Government Securities		-	1,998,800,000.00					1,998,800,000.00
Investment securities		157,550,000.00					391,319,710.45	548,869,710.45
Loans & advances to banks	1,300,702,117.97		427,220,000.00			735,931,039.08		2,463,853,157.05
Loans & advances to customers	(109,810.47)	57,186,199.54	475,111,657.15	132,350,463.73	1,098,759,984.64	732,871,913.20	15,876,665,135.28	18,372,835,543.07
Other assets		15,083,656,672.92	227,011,411.32				342,872,124.99	15,653,540,209.23
TOTAL ASSETS	1,913,219,701.79	15,298,392,872.46	3,128,143,068.47	132,350,463.73	1,098,759,984.64	1,468,802,952.28	16,610,856,970.72	39,650,526,014.09
Amounts owed to other banks	1,486,730,108.40							1,486,730,108.40
Demand deposits	16,392,271,018.44							16,392,271,018.44
Savings deposits	7,649,076,144.77							7,649,076,144.77
Time deposits	57,538.25	90,197,495.33	91,671,463.03	108,657,837.05	341,972,362.50	227,551,118.67	7,105,827,888.33	7,965,935,703.16
Bonds & other negotiable instruments							500,000,000.00	500,000,000.00
Other liabilities			1,167,174,456.28				4,489,338,583.04	5,656,513,039.33
TOTAL LIABILITIES	25,528,134,809.86	90,197,495.33	1,258,845,919.31	108,657,837.05	341,972,362.50	227,551,118.67	12,095,166,471.37	39,650,526,014.09
Assets/ Liabilities	0.07	169.61	2.48	1.22	3.21	6.45	1.37	1.00
Net Mismatch in each Time Interval	(23,614,915,108.07)	15,208,195,377.13	1,869,297,149.16	23,692,626.68	756,787,622.14	1,241,251,833.61	4,515,690,499.35	-0.00
Cumulative Net Mismatch	(23,614,915,108.07)	15,208,195,377.13	17,077,492,526.29	17,101,185,152.97	17,857,972,775.11	19,099,224,608.71	23,614,915,108.07	23,614,915,108.07



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

As of period ending 31.12.15	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	683,542,660.91							683,542,660.91
Government Securities			5,465,187,500.00					5,465,187,500.00
Investment securities							2,320,436,710.45	2,320,436,710.45
Loans & advances to banks	1,426,393,849.10		133,020,000.00			665,100,000.00	1,300,000,000.00	3,524,513,849.10
Loans & advances to customers	-	-	29,912,287.67	3,801,822.25	136,582,226.58	150,383,570.12	18,796,257,967.65	19,116,937,874.27
Other assets		7,235,789,789.49	268,145,442.24				523,763,569.31	8,027,698,801.04
TOTAL ASSETS	2,109,936,510.01	7,235,789,789.49	5,896,265,229.91	3,801,822.25	136,582,226.58	815,483,570.12	22,940,458,247.41	39,138,317,395.77
Amounts owed to other banks	715,599,025.65							715,599,025.65
Demand deposits	14,417,876,584.79							14,417,876,584.79
Savings deposits	8,603,961,888.48							8,603,961,888.48
Time deposits	-	-	-	11,146,301.37	102,899,100.00	253,326,867.03	8,145,277,844.52	8,512,650,112.92
Bonds & other negotiable instruments							500,000,000.00	500,000,000.00
Other liabilities			1,438,707,550.77				4,949,522,233.16	6,388,229,783.93
TOTAL LIABILITIES	23,737,437,498.92	0.00	1,438,707,550.77	11,146,301.37	102,899,100.00	253,326,867.03	13,594,800,077.68	39,138,317,395.77
Assets/ Liabilities	0.09	-	4.10	0.34	1.33	3.22	1.69	1.00
Net Mismatch in each Time Interval	(21,627,500,988.91)	7,235,789,789.49	4,457,557,679.14	(7,344,479.12)	33,683,126.58	562,156,703.09	9,345,658,169.73	-0.00
Cumulative Net Mismatch	(21,627,500,988.91)	7,235,789,789.49	11,693,347,468.63	11,686,002,989.51	11,719,686,116.09	12,281,842,819.17	21,627,500,988.91	21,627,500,988.91

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

As of period ending 31.12.14	On Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	TOTAL
Cash in hand	612,627,394.29							612,627,394.29
Government Securities			1,998,800,000.00					1,998,800,000.00
Investment securities							548,869,710.45	548,869,710.45
Loans & advances to banks	1,300,702,117.97		127,220,000.00			936,100,000.00	99,831,039.08	2,463,853,157.05
Loans & advances to customers	-	-	749,492.15	9,726,267.45	86,246,008.13	206,448,310.37	18,069,665,464.97	18,372,835,543.07
Other assets		15,083,656,672.92	227,011,411.32				342,872,124.99	15,653,540,209.23
TOTAL ASSETS	1,913,329,512.26	15,083,656,672.92	2,353,780,903.47	9,726,267.45	86,246,008.13	1,142,548,310.37	19,061,238,339.49	39,650,526,014.09
Amounts owed to other banks	1,486,730,108.40							1,486,730,108.40
Demand deposits	16,392,271,018.44							16,392,271,018.44
Savings deposits	7,649,076,144.77							7,649,076,144.77
Time deposits	-	-	-	9,400,000.00	14,825,000.00	459,853,699.54	7,481,857,003.62	7,965,935,703.16
Bonds & other negotiable instruments							500,000,000.00	500,000,000.00
Other liabilities			1,167,174,456.28				4,489,338,583.04	5,656,513,039.33
TOTAL LIABILITIES	25,528,077,271.61	0.00	1,167,174,456.28	9,400,000.00	14,825,000.00	459,853,699.54	12,471,195,586.66	39,650,526,014.09
Assets/Liabilities	0.07	-	2.02	1.03	5.82	2.48	1.53	1.00
Net Mismatch in each Time Interval	(23,614,747,759.35)	15,083,656,672.92	1,186,606,447.19	326,267.45	71,421,008.13	682,694,610.83	6,590,042,752.83	(0.00)
Cumulative Net Mismatch	(23,614,747,759.35)	15,083,656,672.92	16,270,263,120.11	16,270,589,387.56	16,342,010,395.69	17,024,705,006.52	23,614,747,759.35	23,614,747,759.34



Item 9: Assets and Liabilities by time-to-re-pricing

As of period ending 31.12.2015	Time to re-pricing				Non-interest bearing	Total
Assets	0-3 months	3-6 months	6-12 months	More than 12 months		
Cash and Balances with Banks	433,020,000.00	500,000,000.00	1,165,100,000.00		9,311,208,624.90	11,409,328,624.90
Treasury Bills	5,465,187,500.00					5,465,187,500.00
Loans and Advances	338,100,925.21	667,480,440.75	1,397,991,577.71	16,713,364,930.60		19,116,937,874.27
Investment Securities				2,221,682,000.00	98,754,710.45	2,320,436,710.45
Other Assets	34,517,674.60				791,909,011.55	826,426,686.15
Total financial assets	6,270,826,099.81	1,167,480,440.75	2,563,091,577.71	18,935,046,930.60	10,201,872,346.90	39,138,317,395.77
Liabilities						-
Deposits	612,236,004.21	472,109,924.38	2,638,205,630.02	4,790,098,554.31	23,737,437,498.92	32,250,087,611.84
Borrowings				500,000,000.00		500,000,000.00
Other Liabilities					6,388,229,783.93	6,388,229,783.93
Total financial liabilities	612,236,004.21	472,109,924.38	2,638,205,630.02	5,290,098,554.31	30,125,667,282.85	39,138,317,395.77
Total interest Re-pricing gap	5,658,590,095.60	695,370,516.37	(75,114,052.31)	13,644,948,376.29	(19,923,794,935.95)	(0.00)

Item 9: Assets and Liabilities by time-to-re-pricing

As of period ending 31.12.2014	Time to re-pricing				Non-interest bearing	Total
	0-3 months	3-6 months	6-12 months	More than 12 months		
Assets						
Cash and Balances with Banks					15,694,659,647.71	15,694,659,647.71
Treasury Bills	1,998,800,000.00					1,998,800,000.00
Loans and Advances	959,408,046.22	132,350,463.73	2,567,562,936.91	15,876,665,135.28	1,300,702,117.97	20,836,688,700.12
Investment Securities	157,550,000.00			317,602,000.00	73,717,710.45	548,869,710.45
Other Assets	1,624,419.50				569,883,536.31	571,507,955.81
Total financial assets	3,117,382,465.72	132,350,463.73	2,567,562,936.91	16,194,267,135.28	17,638,963,012.44	39,650,526,014.09
Liabilities						-
Deposits	7,831,002,641.38	108,657,837.05	569,523,481.17	7,105,827,888.33	17,879,001,126.84	33,494,012,974.77
Borrowings				500,000,000.00		500,000,000.00
Other Liabilities					5,656,513,039.33	5,656,513,039.33
Total financial liabilities	7,831,002,641.38	108,657,837.05	569,523,481.17	7,605,827,888.33	23,535,514,166.16	39,650,526,014.09
Total interest Re-pricing gap	(4,713,620,175.66)	23,692,626.68	1,998,039,455.74	8,588,439,246.95	(5,896,551,153.72)	(0.00)

NOTES TO ACCOUNTS

Item 10: Nonperforming Loans and Provisions

S.No.	Particulars	31.12.2015	31.12.2014
1	Amount of NPLs (Gross)		
a	Substandard	131,049,713.21	332,202,509.75
b	Doubtful	244,524,677.33	171,260,314.63
c	Loss	486,586,394.70	451,780,805.73
2	Specific Provisions		
a	Substandard	29,256,313.81	62,619,682.48
b	Doubtful	115,265,966.75	83,453,133.86
c	Loss	358,944,646.61	348,116,291.92
3	Interest in Suspense		
a	Substandard	4,551,036.02	18,324,927.71
b	Doubtful	25,604,160.14	14,936,166.06
c	Loss	127,641,748.09	103,664,513.81
4	Net NPLs		
a	Substandard	97,242,363.38	251,257,899.56
b	Doubtful	103,654,550.44	72,871,014.71
c	Loss	-	-
5	Gross NPL's to Gross Loans	4.33%	4.96%
6	Net NPLs to net Loans	1.01%	1.68%
7	General Provisions	191,234,067.03	183,398,004.85
a	Standard	172,099,545.34	169,019,238.18
b	Watch	19,134,521.69	14,378,766.67

Item 11: Assets and Investments

S.No.	Investment	31.12.2015	31.12.2014
1.	Marketable Securities (Interest Earning)		
a.	RMA Securities	5,465,187,500.00	1,998,800,000.00
b.	RGOB Bonds/Securities		
c.	Corporate Bonds	2,221,682,000.00	475,152,000.00
d.	Others		
	Sub-Total	7,686,869,500.00	2,473,952,000.00
2.	Equity Investments		
a.	Public Companies	65,717,710.45	65,717,710.45
b.	Private Companies		
c.	Commercial Banks	12,726,000.00	7,500,000.00
d.	Non-Bank Financial Institutions	20,311,000.00	500,000.00
Less			
e.	Specific Provisions		-
	Sub-Total	98,754,710.45	73,717,710.45
3.	Fixed Assets		
a.	Fixed Assets (Gross)	828,801,443.48	601,889,100.60
Less:			
b.	Accumulated Depreciation	305,037,874.17	259,016,975.61
c.	Fixed Assets (Net Book Value)	523,763,569.31	342,872,124.99

Item 12: Foreign exchange assets and liabilities

Currency	Liquid Foreign Currency Holdings (up to one Week)			Long Term Foreign Currency Holdings (More than one Week)			31.12.2015	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	Overall Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
US Dollar	320,850,133.52	821,880,190.66	(501,030,057.14)	827,450,910.00		827,450,910.00	326,420,852.86	8.64
Singaporean Dollar	8,871,180.59		8,871,180.59			-	8,871,180.59	0.23
Euro	45,048,299.88	10,715,690.89	34,332,608.99			-	34,332,608.99	0.91
Australian Dollar	122,906,734.40		122,906,734.40			-	122,906,734.40	3.25
Canadian Dollar	3,875,863.52		3,875,863.52			-	3,875,863.52	0.10
Hong Kong Dollar	469,138.50		469,138.50			-	469,138.50	0.01
British Pound	15,676,916.73		15,676,916.73			-	15,676,916.73	0.41
Swiss Franc	4,264,211.66		4,264,211.66			-	4,264,211.66	0.11
Japanese Yen	12,663,334.12		12,663,334.12			-	12,663,334.12	0.34
Danish Kroner	24,260,475.14		24,260,475.14			-	24,260,475.14	0.64
Swedish Kroner	3,975.00		3,975.00			-	3,975.00	0.00
Norwegian Kroner	35,626.00		35,626.00			-	35,626.00	0.00
						Core Capital	3,778,716,906.91	



Currency	Liquid Foreign Currency Holdings (up to one Week)			Long Term Foreign Currency Holdings (More than one Week)			31.12.2014	
	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	Overall Net Position	Overall Net Position/ Core Capital
	1	2	3=1-2	4	5	6=4-5	7=3+6	8
US Dollar	228,320,297.89	649,555,418.24	(421,235,120.35)	791,372,010.00		791,372,010.00	370,136,889.65	10.05
Singaporean Dollar	10,555,328.92		10,555,328.92			-	10,555,328.92	0.29
Euro	505,155,196.69	26,741,448.55	478,413,748.14			-	478,413,748.14	12.99
Australian Dollar	40,661,395.43		40,661,395.43			-	40,661,395.43	1.10
Canadian Dollar	1,580,267.08		1,580,267.08			-	1,580,267.08	0.04
British Pound	10,654,480.94		10,654,480.94			-	10,654,480.94	0.29
Swiss Franc	4,014,820.86		4,014,820.86			-	4,014,820.86	0.11
Japanese Yen	31,289,475.88		31,289,475.88			-	31,289,475.88	0.85
Danish Kroner	15,103,356.42		15,103,356.42			-	15,103,356.42	0.41
Core Capital	3,683,549,906.91		24,260,475.14			-	24,260,475.14	0.64
Swedish Kroner	3,975.00		3,975.00			-	3,975.00	0.00
Norwegian Kroner	35,626.00		35,626.00			-	35,626.00	0.00
						Core Capital	3,778,716,906.91	

Item 13: Geographical Distribution of Exposures

Particulars	Domestic		India		Other	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Demand Deposits held with other banks	200,000.00	200,000.00	898,292,591.41	477,555,982.98	527,901,257.69	822,946,134.99
Time deposits held with other banks	1,300,000,000.00	300,000,000.00			798,120,000.00	763,320,000.00
Borrowings	500,000,000.00	500,000,000.00				

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

S.No.	Particular	31.12.2015	31.12.2014
1	Secured Loans	19,895,806,373.48	19,253,586,108.77
a	Loans secured by physical/real estate collateral	15,359,885,604.09	14,856,114,595.41
b	Loans Secured by financial collateral	687,175,596.36	811,729,947.29
c	Loans secured by guarantees	3,848,745,173.03	3,585,741,566.07
2	Unsecured Loans	17,060,700.45	17,276,056.55
3	Total Loans	19,912,867,073.93	19,270,862,165.32

Item 15: Earnings Ratios

S.No.	Ratio	31.12.2015	31.12.2014
1	Interest Income as a percentage of Average Assets	6.09%	6.18%
2	Non-interest income as a percentage of Average Assets	0.70%	0.61%
3	Operating Profit as a percentage of Average Assets	3.00%	3.04%
4	Return on Assets	2.11%	1.89%
5	Business (Deposits plus Advances) per employee (Nu. In millions)	79.91	78.64
6	Profit per employee (Nu. In millions)	1.27	1.12

Item 16: Penalties imposed by RMA in the past period

S.No.	31.12.2015		31.12.2014	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
	NIL		NIL	

Item 17: Customer Complaints

S.No.	Particular	31.10.2015	31.12.2014
1	No. of complaints pending at the beginning of the year	45	
2	No. of complaints received during the year	10,865	12,082
3	No. of complaints redressed during the year	10,876	12,037
4	No. of complaints pending at the end of the year	34	45

Item 18: Provision Coverage Ratio

Year	Gross NPL	Additional NPL	Additional Specific Provision	Additional Interest Suspense	Required PCR (60% of Add NPL)	Accretion to the buffer	Countercyclical provision buffer (Stock)
1	2	3	4	5	6=(60%*Col.3)	7=(6-5-4)	8
31.12.2014	955,243,630.11	(275,956,248.88)	(306,243,281.61)	(28,026,850.69)	(165,573,749.33)	168,696,382.97	
31.12.2015	862,160,785.24	(93,082,844.87)	9,212,682.51	20,871,336.67	(55,849,706.92)	(85,933,726.10)	

Item 19: Concentration of Credit and Deposits

S.No.	Particulars	31.12.2015	31.12.2014
1	Total loans to 10 largest borrowers	5,097,157,105.31	5,139,281,459.96
2	As % of total loans	26.45%	26.67%
3	Total deposits of the 10 largest depositors	10,232,860,480.62	9,874,904,858.52
4	As % of total deposits	30.55%	29.48%

Item 20: Exposure to 5 Largest NPL accounts

S.No.	Particulars	31.12.2015	31.12.2014
1	Five largest NPL accounts	354,908,184.48	371,842,272.97
2	As % of Total NPLs	41.24%	38.93%

**b. Qualitative Disclosures****i. Capital Component**

Based on the prudential norms of the Royal Monetary Authority of Bhutan, (the Bank's principal regulator) capital funds are classified into Tier I capital and Tier II capital under the capital adequacy framework. Tier I capital includes paid-up equity capital, statutory reserves and retained earnings as per prescribed RMA Prudential Regulation guideline.

Elements of Tier II capital include exchange fluctuation reserves, general provisions on standard assets to the extent that they do not exceed 1.25% of the sum of total risk weighted assets, subordinated debt instruments to the extent that they do not exceed 50% of the Tier 1 capital and undistributed profits for the current period, if any. Total Tier 2 capital is included in the capital funds to the extent of 100% of the total Tier 1 capital.

ii. Capital Planning

The Bank has a process for assessing and monitoring its Capital Adequacy Ratio in line with the Bank's risk appetite while maintaining its capital in line with the statutory requirements. The monitoring process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through its governance and control practices, risk management and an elaborate process for capital calculation and planning, through its annual planning processes.

The Bank has a structured internal framework to assess its capital requirements which involves the identification and evaluation of all significant risks that the Bank faces, which may have a material impact on its financial position. The Bank is also in the process of implementing a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) which will guide the Bank in setting the process for assessment of the capital adequacy to support its current and future business activities/risks and built a model on the capital projections/requirements for a period of up to 3 years.

iii. Credit Risk Management

The Bank has an approved Credit risk policy document governing credit risk identification, assessment and monitoring. Credit scoring is key for assessing the credit risk arising from facilities. Credit scoring assesses the credit worthiness of borrowers and is indicative of expected losses by undertaking the loan. A rating model consists of a set of factors, which is used to assess the customers' ability to repay the loan based on their inherent credit risk.

Capital Requirements

For credit risk capital requirements, ICAAP policy document covers the method to compute the regulatory capital requirements. The Bank however, bases the RMA Prudential regulation 2002 to maintain the minimum CAR of 10 percent along with CCyB of 2.5 percent and internal buffer of 3 percent of RIWAC.

Credit Risk Stress Testing

Credit risk stress testing is being conducted semi-annually to ascertain the resilience of bank under severe but plausible scenarios for the following variables:

- Capital adequacy;
- Liquidity risk;
- Profitability risk;
- Interest rate risk;

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- Non-performing asset
- Concentration risk
- Sectoral risk etc.,

iv. Definition of Non-performing Loans

Non-performing loans are those loan accounts, where principal and interest remains unpaid for 90 days or more, wherein no income is yielded unless regularized or repaid. The accounts are identified as Non-performing Loans as per the existing RMA Prudential Regulations and Norms.

As per Prudential Regulations, 2002

As per Prudential Regulations 2002, a credit exposure shall be classified as non-performing when any of the following conditions exist:

- a) Term loan with pre-established repayment schedule – an instalment is due, but remains unpaid for more than 90 days from the first day of default.
- b) Overdrafts and working capital advances shall be classified as non-performing under following conditions:
 - i. The loan outstanding amount in the loan account exceeds the sanctioned limit continuously for 90 days or more;
 - ii. When the account has been dormant for 90 days or more, and the outstanding amount is in excess of the sanctioned limit;
 - iii. When the loan outstanding balance is less than the sanctioned limit, but there have been no payments in the account for 90 days or more, or the payments received are insufficient to cover the interest accrued during the period;
 - iv. The term of the overdraft facility or working capital advance has expired.
- v. Bankers Acceptances, Trust Receipts, Bills of Exchange and other instruments of similar nature – when the instrument is due but remains unpaid for 90 days or more after the maturity date.
- vi. Credit Cards - when the cardholder fails to settle his minimum monthly repayment of 10% of the loan outstanding for 90 days or more, or when the payments received are insufficient to cover the interest accrued during the period.
- vii. Revolving credit facilities, lump-sum loans, leasing loans, hire-purchase loans and bullet loans - when principal or interest is due, but remains unpaid for 90 days or more from the first day of default.

v. Calculation of Specific and General Provisions

The Bank is required to review the adequacy of the general and specific provisions for all loans at all times to ensure that the provisions set aside are reflective of their potential losses.

General Provisions and Specific Provisions for loan losses shall constitute an element of accounting expense and an adjustment for the book value of balance sheet assets.

General Provisions for Loan Losses shall be allocated against exposures classified as Standard (1% of Principal outstanding) and Watch (1.5% of Principal outstanding).

Specific Provisions shall be allocated against exposures classified as Substandard (15% of Principal outstanding and 30% of Principal outstanding for the highest exposed sector), Doubtful (50% of Principal outstanding and 60% of Principal outstanding for the highest exposed sector), and Loss/Expired (100% of Principal outstanding).

General and Specific Provisions for Loan Losses shall also be allocated to cover classifications of contingent liabilities recorded as off-balance-sheet items.



General Provisions and Specific Provisions for all loans and advances are being calculated on monthly basis.

vi. Methodology for Valuation and Management of Collaterals

We take collaterals such as fixed assets, fixed capital, movable capital and machineries, stock and book debts, extension of charges on the securities already being charged to bank and against fixed deposits receipt.

- a. Valuation/Estimation of collateral security being offered (Estimated by Real Estate Division of the Bank in case of Housing Loans).
- b. Place of location and its feasibility of Business.
- c. Verifications and valuations of available stock and book debt at the time of availing loan.
- d. Taking ownership certificates and mortgage deed of the collateral being offered against the loan applied and obtaining the comprehensive insurance policy in the joint name of bank and the party.
- e. Appraising and sanctioning the loan as per the RMA PR and within the prescribed banking norms, taking into consideration the available income source of the party (Margin of Safety, LTI, LTV, Balance Sheet, P&L account and cash flow statement, Stock value, margin of equity, gross block, net block).
- f. Follow up of loan EMI and Interest, after release of loan as per the recovery policy and procedures of the bank.

Collateral management is the method of verifying the status, evaluating the value of collateral in the market and maintaining proper track record of collateral transactions, in order to reduce credit risk.

1. Taking into account the depreciated value of the collateral securities on a yearly basis during the periodical review of loans till the currency of loan account.
2. Securing and continuing to have comprehensive insurance for the full value of collateral security, having adjusted the periodical depreciation.

vii. Risk Management Strategy

The main objective of risk management program in the Bank is to bring together, in an integrated and coherent manner three equally critical but potentially conflicting strategies as detailed below:

- a. Overall Corporate Strategy;
- b. Risk Management Strategy;
- c. Operational Excellence.

Each of these demands has impact on the others. Resolving the creative tension between them is the core responsibility of the management committee and Board of Directors of the Bank. The Board of Directors and Senior Management of the Bank is well aware of principles of credit risk, operational risk and market risk and ensure that these risks are identified, assessed, monitored, controlled and mitigated. They also ensure that the Bank's risk management framework is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff.

The Board and Management Committee of the Bank always strive to balance and harmonize the natural tension between growth and risk objectives that embodies in the corporate strategic plan and the ICAAP policy of the Bank. Ability to effectively fulfil this mandate rests, among other things, on its reputation as an organization of the highest integrity and professionalism.

viii. Risk Management Governance

In line with clause 62 & 63 of Financial Services Act and clause 11(i) & (ii) of the RMA Corporate Governance Regulation 2011, the Bank of Bhutan has instituted a Board Risk Management Committee (BRMC) at Board level and Risk Management Committee (RMC) at management level. While BRMC is chaired by one of the independent directors, Chief Executive Officer chairs the RMC. The Risk Management Division is an independent division which directly reports to the CEO. Its charter, Terms of Reference and Rules of Procedures approved by the Board, governs all committees. The Head, Risk Management and Risk Officers have their clear Term of References and job descriptions under which the division functions.

Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and strengthen the three lines of defence and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk in all business processes.

Coverage of Risk Management Framework

The Bank's attitude towards its key strategic, financial, people and operational risks is as described below.

Strategic Risks

The Bank's Executives meet regularly to discuss the major initiatives and ensure these initiatives are prioritized appropriately and are managed and reported on a consistent basis. Our Strategy Department is responsible for development of strategic plan for the bank for the next five years.

Operational Risks

The Bank's appetite for specific operational risks is detailed below. Risks are carefully analyzed in all the Bank's operational activities, including ensuring that the benefit of the risk control measures exceeds the costs of these measures. Operation risk basically covers; people risk, system risk, process risk and external risk:

Information Technology

Information Technology (IT) risks cover both daily operations and on-going enhancements to the Bank's IT systems. These include:

- **Processing – Prolonged outage of a CBS system**

The Bank has a very low appetite for risks to the availability of systems which support its critical business functions including those which relate to alternate delivery channels, banking operations and financial transactions and inter-bank settlements. System downtime is tracked monthly as KRI and the Bank ensures that it is within the tolerable threshold limit.

- **Security – Cyber-attack on CBS systems or networks**

The Bank has approved IT security policy. It has a very low appetite for threats to its assets arising from external malicious attacks. To address this risk, the Bank aims for strong internal control processes and the implementation of robust technology solutions.

Fraud and Corruption

The Bank has no appetite for any fraud or corruption perpetrated by its staff. The Bank takes all allegations of suspected fraud or corruption, misuse of public properties, abuse of power very seriously and responds fully and fairly as set out in the Code of Conduct for its employees.



Compliance

The Bank has a fully functional compliance division committed to a high level of compliance with relevant legislations, regulations, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements. Composite rating by regulatory is tracked yearly as a KRI for the bank and any deterioration in the rating is taken seriously.

Information Management

The Bank is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. The Bank has no appetite for the deliberate misuse of its information. Information transparency is critical for correct communication and Bank upholds the principle transparency in terms of sharing the information with its employees, customers and stakeholders.

People and Culture Risks

The Bank's significant people and culture-related risks include:

- **Calibre of People**

The Bank relies on motivated and high quality staff to perform its functions. It aims to create an environment where employees are empowered to the full extent of their abilities. The Bank has a well-designed succession planning and retention policy to retain and motivate highly qualified staff and give them every opportunity to advance their career in the bank. The appetite for losses to the value of the Bank's collective competencies, knowledge and skills is very low and attrition rate for key position holders is taken seriously.

- **Conduct of People**

The Bank expects employees to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve, and to promote and protect the public interest. The appetite for behaviours, which do not meet these standards, is very low. The Bank takes any breach of its Code of Conduct seriously.

- **Work Health & Safety (WHS)**

The Bank aims to create a safe working environment for its entire staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviours that lead to staff being harmed while at work. A grievance redressal system has been put in place for the employees to address their issues if any, and to resolve them amicably with minimum reputational damage to the Bank and its employees.

Bank's Risk Appetite & ICAAP Policy

The objectives of the Internal Capital Adequacy Assessment Process policy are:

- a. To ensure management of internal capital in accordance with the country's regulatory framework and Basel II Pillar I capital requirement guidelines;
- b. To describe the process for identification, assessment, measurement and aggregation of the risk inherent in the Bank's business and operations;
- c. To ensure that the available capital is commensurate with the Bank's risk profile;

NOTES TO ACCOUNTS

- d. To ensure that there is a clear assignment of roles and responsibilities for facilitating the ICAAP;

Type of risk covered under ICAAP policy

The risks that are applicable to the Bank based on our business requirement and the status of the economy are classified below in terms of Basel II Pillar I and Pillar II.

Classification of Risks	Types of risks
Pillar I Risks	Credit Risk
	Operational Risk
Risk not fully covered under Pillar I	Residual Risk (arising out of Credit Risk Mitigation)
Pillar II risks	Credit Concentration Risk
	Interest Rate Risk in Banking Book
	Liquidity Risk
	Reputation Risk
	Compliance Risk
	Economic and Regulatory Environment
	Stress Testing

Reporting & Monitoring

The Bank has number of templates, models, matrices and other statistics calculation, for assisting and assessing whether outcomes are consistent with the Bank's risk appetite. Performance against these thresholds and tolerance is tracked and reported to the Risk Management Committee on a regular basis. Reporting systems are maintained to provide assurance that the risk appetite is effectively incorporated into management decisions. Feedback on the implementation of the various policies and models are provided through the Risk Management Committee.



BANK OF BHUTAN LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2015

Amount in Ngultrum			
ASSETS	Schedule No.	As at 31.12.2015	As at 31.12.2014
Cash & Balance with RMA	1.1	7,88,48,14,775.80	15,69,46,59,647.71
Loans & Advances to Banks	1.2	3,52,45,13,849.10	2,36,40,22,117.97
Loans & Advances to Customers	1.3	19,15,14,55,548.87	18,47,42,91,001.65
Investment Securities	1.4-A	7,68,68,69,500.00	2,47,39,52,000.00
Investment in Associates & Subsidiaries	1.4-B	5,00,000.00	5,00,000.00
Investment in Portfolio Companies	1.4-C	9,82,54,710.45	7,32,17,710.45
Prepayments & Accrued Income	1.5	9,31,89,375.07	5,60,96,808.66
Deferred Tax Assets	1.6	2,74,71,651.00	95,39,372.00
Other Assets	1.7	14,74,84,416.17	16,13,75,230.66
Property, Plant & Equipment	1.8-A	41,18,61,987.03	32,68,43,092.70
Intangible Assets	1.8-B	4,09,29,626.08	1,09,54,266.29
Capital Work-in-Progress	1.8-C	7,09,71,956.20	50,74,766.00
TOTAL ASSETS		39,13,83,17,395.77	39,65,05,26,014.09
LIABILITIES			
Deposits by Banks	1.9	14,72,44,280.69	14,06,58,275.77
Customer Deposits	1.10	32,10,28,43,331.15	33,35,33,54,699.00
Subordinated Liabilities & Other Borrowed Funds	1.11	50,00,00,000.00	50,00,00,000.00
Provision for Liabilities & Charges	1.12	2,04,35,506.19	1,85,62,925.47
Retirement Benefit Obligations	1.13	11,86,18,470.00	16,12,91,000.00
Accruals & Deferred Income	1.14	80,55,95,365.74	56,10,89,616.81
Current Tax Liabilities	1.15	20,89,32,368.88	18,02,15,799.09
Other liabilities	1.16	47,63,59,906.99	42,94,70,071.97
TOTAL LIABILITIES		34,38,00,29,229.64	35,34,46,42,388.11
EQUITY			
Share Capital	1.17	1,50,00,00,000.00	1,50,00,00,000.00
Retained Earnings	1.18	1,19,79,04,978.28	74,53,33,438.13
Reserve Fund	1.18	1,90,83,83,187.85	1,81,33,83,187.85
Other Reserves	1.18	15,20,00,000.00	24,71,67,000.00
TOTAL EQUITY		4,75,82,88,166.13	4,30,58,83,625.98
TOTAL LIABILITIES & EQUITY		39,13,83,17,395.77	39,65,05,26,014.09
Contingent liabilities	1.19	5,36,35,06,613.36	3,89,03,66,460.03
Bills for Collection	1.20	3,54,65,018.14	44,85,310.70
Significant Accounting Policies	3		
Disclosure Related to Abandoned Property	4		
Macro Prudential Disclosures	5		

The notes referred to above form an integral part of the Statement of Financial Position.

Dasho Karma W. Penjor
Chairman

Tara Nidhi Chimorya Sharma
Board Director

Pema. N. Nadik
Chief Executive Officer & Director

Date :
 Place: Thimphu

Signed in terms of our Audit Report of even date attached.

For S S Kothari & Co.
Chartered Accountants
 FRN. 302034E

P.K. Bhattacharya
 Partner
 M.No.015899

BANK OF BHUTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31st DECEMBER 2015

Amount in Ngultrum

Particulars	Schedule No.	For the year ended	For the year ended
		31.12.2015	31.12.2014
Interest Income	2.1	2,39,74,00,222.70	2,16,66,68,584.99
Interest Expenses	2.2	(98,81,48,917.50)	(86,31,87,722.48)
NET INTEREST INCOME		1,40,92,51,305.20	1,30,34,80,862.51
Fees & Commission Income	2.3	22,41,45,798.87	16,42,59,985.18
Fees & Commission Expense	2.4	(4,91,76,131.10)	(4,19,23,229.94)
Net Trading & Exchange Income	2.5	1,15,80,712.89	6,59,72,320.04
Other Operating Income	2.6	4,02,83,213.30	3,35,12,863.53
NON INTEREST INCOME		22,68,33,593.96	22,18,21,938.81
OPERATING INCOME		1,63,60,84,899.16	1,52,53,02,801.32
Staff Costs	2.7	(31,01,53,043.78)	(30,07,07,097.69)
Premises Costs	2.8	(6,45,80,316.57)	(5,56,66,826.01)
General Administrative Expenses	2.9	(12,47,35,682.11)	(9,73,58,467.56)
Depreciation & Amortization	2.10	(4,60,20,898.56)	(7,04,44,556.55)
OPERATING EXPENSES		(54,54,89,941.02)	(52,41,76,947.81)
OPERATING PROFIT BEFORE IMPAIRMENT & TAXATION		1,09,05,94,958.14	1,00,11,25,853.51
Impairment Losses on Loans & other Credit Risk Provisions		4,78,36,446.40	15,81,53,156.56
Other Impairment Losses		(18,72,580.72)	(23,23,681.79)
PROFIT BEFORE TAXATION		1,13,65,58,823.82	1,15,69,55,328.28
Tax Expenses	2.11	(34,09,53,140.00)	(34,29,79,371.68)
NET PROFIT FOR THE YEAR		79,56,05,683.82	81,39,75,956.60
Other Comprehensive Income (Loss)			
Exchange Fluctuation Gain/(Loss)		15,27,008.40	(4,98,13,483.47)
Actuarial Gains/(Loss) on Retirement Benefits		4,41,38,100.00	(4,11,04,400.00)
Other Comprehensive Income Before Tax		4,56,65,108.40	(9,09,17,883.47)
Tax (Expenses)/Income relating to Comprehensive Income	2.11	(1,36,99,533.00)	2,72,75,365.00
Other Comprehensive Income, net of Tax		3,19,65,575.40	(6,36,42,518.47)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		82,75,71,259.22	75,03,33,438.13
Basic & Diluted Earnings Per Share	2.12	55.17	50.02

The notes referred to above form an integral part of the Statement of Financial Position.

Dasho Karma W. Penjor
Chairman

Tara Nidhi Chimorya Sharma
Board Director

Pema. N. Nadik
Chief Executive Officer & Director

Date :
Place: Thimphu

Signed in terms of our Audit Report of even date attached.

For S S Kothari & Co.
Chartered Accountants
FRN. 302034E

P.K. Bhattacharya
Partner
M.No.015899

BANK OF BHUTAN LIMITED
STATEMENT OF CHANGES TO EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2015

Amount in Ngultrum

	Share Capital	Reserve Fund	Retained Earnings	Exchange Fluctuation Reserve	R&D Fund	Development Fund	Software Upgradation Fund	Training Fund	Total
As at January 2014	1,50,00,00,000.00	1,81,37,33,187.85	33,64,82,497.87	14,70,00,000.00	87,17,000.00	2,00,00,000.00	64,50,000.00	6,00,00,000.00	3,89,23,82,685.72
Profit for the year			75,03,33,438.13						75,03,33,438.13
Bonus Shares Issued									-
Transferred from Retirement Benefits Past service									-
Dividends Paid			(33,64,82,497.87)						(33,64,82,497.87)
Other Movements		(3,50,000.00)							(3,50,000.00)
Transferred to Reserve Fund									-
Transferred to Exchange Fluctuation Reserve			(50,00,000.00)	50,00,000.00					-
As at 31 December 2014	1,50,00,00,000.00	1,81,33,83,187.85	74,53,33,438.13	15,20,00,000.00	87,17,000.00	2,00,00,000.00	64,50,000.00	6,00,00,000.00	4,30,58,83,625.98
Profit for the year			82,75,71,259.22						82,75,71,259.22
Bonus Shares Issued									-
Transferred from Retirement Benefits Past service									-
Dividends Paid			(37,51,66,719.07)						(37,51,66,719.07)
Other Movements									-
Transferred to Reserve Fund		9,50,00,000.00	(9,50,00,000.00)						-
Transferred to Retained Earnings			9,51,67,000.00		(87,17,000.00)	(2,00,00,000.00)	(64,50,000.00)	(6,00,00,000.00)	
Transferred to Exchange Fluctuation Reserve									-
As at 31st December 2015	1,50,00,00,000.00	1,90,83,83,187.85	1,19,79,04,978.28	15,20,00,000.00	-	-	-	-	4,75,82,88,166.13

Dasho Karma W. Penjor
Chairman

Tara Nidhi Chimorya Sharma
Board Director

Pema. N. Nadik
Chief Executive Officer & Director

Date :
 Place: Thimphu

For S S Kothari & Co.
Chartered Accountants
 FRN. 302034E

P.K. Bhattacharya
 Partner
 M.No.015899



BANK OF BHUTAN LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

Amount in Ngultrum

	For the year ended 31.12.2015	For the year ended 31.12.2014
Cash flows from operating activities		
Profit Before Taxation	1,13,65,58,823.82	1,15,69,55,328.28
Add: Depreciation and Amortization	4,60,20,898.56	7,04,44,556.55
Gain/(Loss) on revaluation of foreign currency assets and liabilities	15,27,008.40	(4,98,13,483.47)
Actuarial Gains/(Loss) on Retirement Benefits	4,41,38,100.00	(4,11,04,400.00)
Less: Impairment charges for Loans and advances	(3,52,41,638.61)	(17,76,76,403.25)
Less: Donation made through Reserve		(3,50,000.00)
Adjustments to Cash Flows from Operating activities (Taken as Cash Flows from Investing Activities)		
Loss/(Gain) on Sale of Property Plant and Equipment	-	6,11,294.64
Income from Dividends	(1,51,75,060.00)	(1,40,43,690.00)
Interest Received on Investments and FDRs	(20,38,43,682.23)	(11,25,92,815.18)
Operating profit before changes in operating assets & liabilities	97,39,84,449.94	83,24,30,387.57
(Increase)/Decrease in operating assets		
Balance with RMA in CRR Account	(1,66,91,64,218.85)	(45,00,33,504.44)
Loans & Advances to customers	(64,19,22,908.61)	(1,36,90,74,596.98)
Deferred Tax Asset	(1,79,32,279.00)	(95,39,372.00)
Other Assets	(2,32,01,751.92)	(8,97,48,159.00)
Sub-Total	(2,35,22,21,158.38)	(1,91,83,95,632.42)
Increase/(Decrease) in operating liabilities		
Deposits from customers	(1,24,39,25,362.93)	7,95,52,25,897.28
Other Liabilities	25,89,88,541.67	33,17,94,574.23
Sub-Total	(98,49,36,821.26)	8,28,70,20,471.51
	(3,33,71,57,979.64)	6,36,86,24,839.09
Net cash generated from/(used in) operating activities before income tax	(2,36,31,73,529.70)	7,20,10,55,226.66
Income Tax paid	(33,43,29,010.21)	(28,14,41,821.85)
Net cash generated from/(used in) operating activities	(2,69,75,02,539.91)	6,91,96,13,404.81
Cash Inflows/(Outflows) from investing activities		
Investment in Bonds	(1,74,65,30,000.00)	(47,51,52,000.00)
Investment in RMA Discount Bills	(3,46,63,87,500.00)	28,42,37,500.00
Investment in Share	(2,50,37,000.00)	
Inter-Bank Lending	(1,03,48,00,000.00)	(1,77,60,000.00)
Maturity of Bond	-	10,53,72,000.00
Income from Dividends	1,51,75,060.00	1,40,43,690.00
Interest Received on Investments and FDRs	20,38,43,682.23	11,25,92,815.18
Purchase of property plant and equipment	(19,18,63,126.40)	(4,81,66,057.49)
Purchase of Intangible assets	(3,50,49,216.48)	(39,28,962.20)
Net cash flows used in investing activities	(6,28,06,48,100.65)	(2,87,61,014.51)
Cash Inflows/(Outflows) from financing activities		
Movement in Debt and other borrowed funds		50,00,00,000.00
Dividend Paid	(37,51,66,719.07)	(33,64,82,497.87)
Prior Period adjustments	-	(19,45,764.68)
Net cash flows generated from financing activities	(37,51,66,719.07)	16,15,71,737.45
Net Cash generated/(used) during the year	(9,35,33,17,359.63)	7,05,24,24,127.75
Cash and cash equivalents at the beginning of the year	15,26,65,90,298.16	8,21,41,66,170.41
Cash and cash equivalents at the end of the year	5,91,32,72,938.53	15,26,65,90,298.16
Cash and cash equivalents at the end of the year		
Cash in Hand	68,35,42,660.91	61,26,27,394.29
Balance with Central Bank in Current Account	3,80,33,36,428.52	13,35,32,60,785.90
Balance with Other Banks in Current Account	1,42,63,93,849.10	1,30,07,02,117.97
Total Cash & cash equivalents at the end of the year	5,91,32,72,938.53	15,26,65,90,298.16

Dasho Karma W. Penjor
Chairman

Tara Nidhi Chimorya Sharma
Board Director

Pema. N. Nadik
Chief Executive Officer & Director

Date :
Place: Thimphu

For S S Kothari & Co.
Chartered Accountants
FRN. 302034E

P.K. Bhattacharya
Partner
M.No.015899



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.1 - CASH AND BALANCES WITH ROYAL MONETARY
AUTHORITY (RMA)

Amount in Ngultrum

	As at	As at
	31.12.2015	31.12.2014
CASH IN HAND		
Bhutanese Currency	61,68,88,850.54	57,77,06,859.17
Indian Currency	3,56,29,179.00	1,05,32,050.00
Foreign Currency	3,10,24,631.37	2,43,88,485.12
	68,35,42,660.91	61,26,27,394.29
CASH RESERVE WITH RMA	3,39,79,35,686.37	1,72,87,71,467.52
BALANCES WITH RMA	3,80,33,36,428.52	13,35,32,60,785.90
TOTAL	7,88,48,14,775.80	15,69,46,59,647.71

SCHEDULE 1.2 - LOANS & ADVANCES TO OTHER BANKS

	As at	As at
	31.12.2015	31.12.2014
BALANCES WITH BANKS IN BHUTAN		
On Current Accounts	2,00,000.00	2,00,000.00
On Deposit Accounts	1,30,00,00,000.00	30,00,00,000.00
	1,30,02,00,000.00	30,02,00,000.00
BALANCES WITH BANKS IN INDIA AND ABROAD		
On Current Accounts	1,42,61,93,849.10	1,30,05,02,117.97
On Deposit Accounts	79,81,20,000.00	76,33,20,000.00
	2,22,43,13,849.10	2,06,38,22,117.97
TOTAL	3,52,45,13,849.10	2,36,40,22,117.97

BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.3 - LOANS & ADVANCES TO CUSTOMERS

Amount in Ngultrum

		As at	As at
		31.12.2015	31.12.2014
	GROSS LOANS,CASH CREDITS, OVERDRAFTS etc. (IN BHUTAN)	19,87,83,49,399.33	19,26,93,19,745.82
	Less: Specific Provision	60,36,14,580.81	65,97,27,556.09
	: Interest in Suspense	15,77,96,944.25	13,69,25,607.58
	NET LOANS, CASH CREDITS, OVERDRAFTS etc. (IN BHUTAN) (Net of Provisions & Interest in Suspense)	19,11,69,37,874.27	18,47,26,66,582.15
	BILLS DISCOUNTED AND PURCHASED		
	Payable in Bhutan	-	-
	Payable outside Bhutan	3,45,17,674.60	16,24,419.50
	Sub-Total	3,45,17,674.60	16,24,419.50
	TOTAL	19,15,14,55,548.87	18,47,42,91,001.65
	PARTICULARS OF ADVANCES		
i	Debts considered good in respect of which Bank is fully secured	16,75,30,26,969.79	15,84,78,31,361.03
ii	Debts considered good for which Bank holds no other security than the Debtor's personal security	1,70,60,700.45	25,37,13,896.64
iii	Debts considered good, secured by the personal liability of one or more parties in addition to the personal security of the Debtors	3,14,27,79,403.69	3,16,93,98,907.65
iv	Debts considered doubtful or bad, not provided for	-	-
	TOTAL	19,91,28,67,073.93	19,27,09,44,165.32
v	Debts due by directors or officers of Bank or any of them either severally or jointly with any other person	36,80,04,506.00	34,79,04,188.09
vi	Debts due by companies, firms in which the directors of Bank are interested as directors, partners or members	30,80,97,219.36	19,58,70,110.15
vii	Maximum amount of advances, including temporary advances made at any time during the year to directors, managers or officers of Bank or any of them either severally or jointly with any other person	5,00,000.00	5,02,876.37
viii	Maximum amount of advances, including temporary advances granted during the year to the companies or firms in which directors of Bank are interested as directors,partners or members	-	-
ix	Due from Banking companies	-	9,98,31,039.07



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as at 31st December 2015

SCHEDULE 1.4 A - INVESTMENT SECURITIES

Amount in Ngultrum

	No. of Shares	Face alue	As at 31.12.2015	No. of Shares	As at 31.12.2014
BONDS & BILLS					
DCCL Bond	14,14,917	1,000	1,41,49,17,000.00	2,15,332	21,53,32,000.00
RICBL Bond	1,57,550	1,000	15,75,50,000.00	1,57,550	15,75,50,000.00
Tashi Air Bond	1,02,270	1,000	10,22,70,000.00	1,02,270	10,22,70,000.00
Bhutan Telecom Bond	30,00,000	100	30,00,00,000.00	-	-
Zimdra Bond	24,69,450	100	24,69,45,000.00	-	-
RMA Treasury Bills			5,46,51,87,500.00		1,99,88,00,000.00
TOTAL			7,68,68,69,500.00		2,47,39,52,000.00
SCHEDULE 1.4 B - INVESTMENT IN ASSOCIATES & SUBSIDIARIES					
BOB Securities Limited	5,000	100	5,00,000.00	5,000	5,00,000.00
SCHEDULE 1.4 C - INVESTMENT IN PORTFOLIO COMPANIES					
FULLY PAID UP SHARES IN					
Bhutan Board Products Limited	17,24,000	10	1,89,73,913.00	17,24,000	1,89,73,913.00
Bhutan Development Bank Ltd	12,726	1,000	1,27,26,000.00	7,500	75,00,000.00
Bhutan Carbide & Chemicals Ltd	15,84,500	10	1,62,60,297.45	15,84,500	1,62,60,297.45
Bhutan Ferro Alloys Limited	5,03,800	10	50,38,000.00	5,03,800	50,38,000.00
Penden Cement Authority Ltd	37,950	10	3,79,500.00	37,950	3,79,500.00
Druk Ferro Alloys Limited	11,82,720	10	2,36,54,400.00	11,82,720	2,36,54,400.00
State Trading Corp.n.of Bhutan Ltd*	12,70,440	10	14,11,600.00	12,70,440	14,11,600.00
Royal Securities Exchange of Bhutan Ltd	1,62,000.00	100	1,98,11,000.00	-	-
			9,82,54,710.45		7,32,17,710.45

BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.5 - PREPAYMENTS & ACCRUED INCOME

Amount in Ngultrum

	As at	As at
	31.12.2015	31.12.2014
Accrued Interest	8,94,50,082.78	5,27,73,404.56
Prepaid Expenses	37,39,292.29	33,23,404.10
	9,31,89,375.07	5,60,96,808.66
SCHEDULE 1.6 - DEFERRED TAX ASSETS	Amount in Ngultrum	
	As at	As at
	31.12.2015	31.12.2014
Deferred Tax Asset	2,74,71,651.00	95,39,372.00
	2,74,71,651.00	95,39,372.00
SCHEDULE 1.7 - OTHER ASSETS	Amount in Ngultrum	
	As at	As at
	31.12.2015	31.12.2014
Stamps,Sundry Deposits and Amounts Recoverable	3,24,22,945.00	3,07,32,981.73
Stationery	1,36,84,169.65	1,45,63,768.26
Building Materials	2,91,985.72	2,99,880.72
Axis Bank Pre-paid Cards	28,81,093.02	12,38,512.49
Receivables relating to Visa/Mastercard/BFS, Advances To Suppliers & Others	6,84,54,222.78	8,65,40,087.46
DHI Seed Fund	1,00,00,000.00	1,00,00,000.00
Contribution towards Financial Institutions Training Institute (FITI), Bhutan	1,80,00,000.00	1,80,00,000.00
Investment in CIB	17,50,000.00	-
TOTAL	14,74,84,416.17	16,13,75,230.66

BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as at 31st December 2015
SCHEDULE 1.8 A-PROPERTY, PLANT AND EQUIPMENT

Amount in Ngultrum

	Freehold Land	Buildings & Civil Structures	Furniture & Fixtures	Office Equipment	ATM	Vehicle	Computer & IT Equipment	Total
Total Cost								
Balance as at January 1, 2015	16,27,96,235.56	9,02,93,347.46	3,35,40,172.48	6,70,77,803.43	3,38,73,101.97	2,19,47,083.14	16,10,63,796.49	57,05,91,540.53
Additions		30,75,040.81	16,65,077.83	2,16,11,169.97	82,28,254.00	57,81,161.29	8,56,05,232.30	12,59,65,936.20
Deletions/ Adjustments								-
Other Movement of assets (reclassification)			9,52,846.00	62,85,568.11			(90,15,455.61)	(17,77,041.50)
Closing Balance as at December 31, 2015	16,27,96,235.56	9,33,68,388.27	3,61,58,096.31	9,49,74,541.51	4,21,01,355.97	2,77,28,244.43	23,76,53,573.18	69,47,80,435.23
Accumulated Depreciation								
Balance as at January 1, 2015		(2,87,08,883.76)	(1,70,94,503.11)	(3,49,17,061.91)	(1,85,67,273.40)	(1,49,70,476.70)	(12,94,90,248.95)	(24,37,48,447.83)
Depreciation on deletions and adjustments								-
Other Movement of assets (reclassification)		(2,67,132.86)	(39,755.61)	(29,65,873.08)	(11,30,770.94)	(8,48,891.73)	86,06,145.51	33,53,721.29
Depreciation for the year		(32,08,880.98)	(41,46,117.26)	(1,03,52,879.21)	(45,32,046.64)	(16,33,266.84)	(1,86,50,530.73)	(4,25,23,721.66)
Balance as at December 31, 2015	-	(3,21,84,897.60)	2,12,80,375.98	4,82,35,814.20	(2,42,30,090.98)	(1,74,52,635.27)	(13,95,34,634.17)	(28,29,18,448.20)
Net Book Value as at December 31, 2015	16,27,96,235.56	6,11,83,490.67	1,48,77,720.33	4,67,38,727.31	1,78,71,264.99	1,02,75,609.16	9,81,18,939.01	41,18,61,987.03
Net Book Value as at December 31, 2014	16,27,96,235.56	6,15,84,463.70	1,64,45,669.37	3,21,60,741.52	1,53,05,828.57	69,76,606.44	3,15,73,547.54	32,68,43,092.70



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.8 B - INTANGIBLE ASSETS

Amount in Ngultrum

Software	
Total Cost	
Balance as at January 1, 2015	2,62,22,794.07
Additions	3,50,49,216.48
Deletions/Adjustments	
Other Movement of assets (reclassification)	17,77,041.50
Closing Balance as at December 31, 2015	6,30,49,052.05
Accumulated Depreciation	
Balance as at January 1, 2015	(1,52,68,527.78)
Depreciation on deletions and adjustments	
Other Movement of assets (reclassification)	(9,28,687.19)
Depreciation for the year	(59,22,211.00)
Balance as at December 31, 2015	(2,21,19,425.97)
Net Book Value as at December 31, 2015	4,09,29,626.08
Net Book Value as at December 31, 2014	1,09,54,266.29
SCHEDULE 1.8 C- CAPITAL WORK IN PROGRESS	Amount in Ngultrum
Thimphu Corporate Office, New Core Banking System & Others	
Balance as at January 1, 2015	50,74,766.00
Additions	6,58,97,190.20
Deletions/Adjustments	
Balance as at December 31, 2015	7,09,71,956.20



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.9 -DEPOSITS BY BANKS

Amount in Ngultrum

	As at	As at
	31.12.2015	31.12.2014
Current Deposits	14,47,39,360.70	13,83,06,238.22
Term Deposits	25,04,919.99	23,52,037.55
TOTAL DEPOSITS BY BANKS	14,72,44,280.69	14,06,58,275.77
SCHEDULE 1.10 - CUSTOMER DEPOSITS	Amount in Ngultrum	
	As at	As at
	31.12.2015	31.12.2014
DEMAND DEPOSITS		
i) Current Deposits	14,98,87,36,249.74	17,74,06,94,888.62
ii) Savings Bank Deposits	8,60,39,61,888.48	7,64,90,76,144.77
	23,59,26,98,138.22	25,38,97,71,033.39
TERM DEPOSITS	8,51,01,45,192.93	7,96,35,83,665.61
TOTAL CUSTOMER DEPOSITS	32,10,28,43,331.15	33,35,33,54,699.00
TOTAL DEPOSITS	32,25,00,87,611.84	33,49,40,12,974.77
SCHEDULE 1.11- SUBORDINATED LIABILITIES	Amount in Ngultrum	
	As at	As at
	31.12.2015	31.12.2014
Subordinated Debt	50,00,00,000.00	50,00,00,000.00
(At 6% per annum, repayable in 2024)		
	50,00,00,000.00	50,00,00,000.00

BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015
SCHEDULE 1.12 - PROVISION FOR LIABILITIES & CHARGES

Amount in Ngultrum

	As at 31.12.2015	As at 31.12.2014
Provisions for unreconciled accounts	2,04,35,506.19	1,85,62,925.47
TOTAL	2,04,35,506.19	1,85,62,925.47
SCHEDULE 1.13 - RETIREMENT BENEFIT OBLIGATIONS		Amount in Ngultrum
	As at 31.12.2015	As at 31.12.2014
Movements on Retirement Benefit Obligations		
As per previous year's accounts	16,12,91,000.00	9,25,06,090.00
Less: Payments made during the year	(1,75,09,467.00)	(1,73,52,667.80)
Less: Movement through Reserves (Other Comprehensive Income)	(4,41,38,100.00)	
Add: Movement through Reserves (Other Comprehensive Income)		4,11,04,400.00
Add: Charge for the current year	1,89,75,037.00	4,50,33,177.80
TOTAL	11,86,18,470.00	16,12,91,000.00
SCHEDULE 1.14 - ACCRUALS & DEFERRED INCOME		Amount in Ngultrum
	As at 31.12.2015	As at 31.12.2014
Interest Accrued & Payable	69,31,36,467.97	49,79,65,065.64
Payables relating to Visa/Mastercard	6,55,89,362.69	5,15,17,820.68
Unearned Commission Income	4,68,69,535.08	1,16,06,730.49
TOTAL	80,55,95,365.74	56,10,89,616.81
SCHEDULE 1.15 - CURRENT TAX LIABILITIES		Amount in Ngultrum
	As at 31.12.2015	As at 31.12.2014
Current Year Income Tax Payable	37,25,84,952.00	32,32,97,614.00
Less: Advance Tax	(16,16,48,807.00)	(14,20,25,008.00)
Tax Deducted at Source (Asset)	(20,03,776.12)	(10,56,806.91)
TOTAL	20,89,32,368.88	18,02,15,799.09
SCHEDULE 1.16 - OTHER LIABILITIES		Amount in Ngultrum
	As at 31.12.2015	As at 31.12.2014
General Provisions for Doubtful Debts	19,12,34,067.03	18,34,54,957.06
Drafts & Cash Warrants issued & outstanding	20,71,67,019.35	19,15,69,622.34
Inter Branch Adjustment (net)	(1,36,153.68)	(1,87,44,617.87)
Others (including provisions for operating expenses)	7,80,94,974.30	7,31,90,110.44
TOTAL	47,63,59,906.99	42,94,70,071.97
TOTAL PROVISIONS & OTHER LIABILITIES	1,62,99,41,617.80	1,35,06,29,413.34



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.17 - SHARE CAPITAL

Amount in Ngultrum

	As at	As at
	31.12.2015	31.12.2014
AUTHORISED CAPITAL		
30,000,000 Shares		
of Nu.100 each	3,00,00,00,000.00	3,00,00,00,000.00
ISSUED AND PAID-UP CAPITAL		
Opening Balance	1,50,00,00,000.00	1,50,00,00,000.00
Add: Bonus Share Issued		
CLOSING BALANCE (15,000,000 Shares) (Previous Year 10,000,000) of Nu 100 each*	1,50,00,00,000.00	1,50,00,00,000.00

* Out of the above, 12,000,000 shares of Nu. 100 each were issued as fully paid Bonus shares by way of capitalization of Reserves.

BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

SCHEDULE 1.18 - RESERVES & SURPLUS

Amount in Ngultrum

	As at 31.12.2015	As at 31.12.2014
RESERVE FUND		
Opening Balance	1,81,33,83,187.85	1,81,37,33,187.85
Add: Transfer from Comprehensive Income	9,50,00,000.00	-
Less: Other Movements		(3,50,000.00)
	1,90,83,83,187.85	1,81,33,83,187.85
EXCHANGE FLUCTUATION RESERVE		
Opening Balance	15,20,00,000.00	14,70,00,000.00
Add: Transfer from Comprehensive Income		50,00,000.00
	15,20,00,000.00	15,20,00,000.00
RESEARCH & DEVELOPMENT FUND		
Opening Balance	87,17,000.00	87,17,000.00
Less: Transfer to Retained Earnings	(87,17,000.00)	-
	-	87,17,000.00
DEVELOPMENT FUND		
Opening Balance	2,00,00,000.00	2,00,00,000.00
Less: Transfer to Retained Earnings	(2,00,00,000.00)	-
	-	2,00,00,000.00
SOFTWARE UPGRADATION FUND		
Opening Balance	64,50,000.00	64,50,000.00
Less: Transfer to Retained Earnings	(64,50,000.00)	-
	-	64,50,000.00
STAFF SCHOLARSHIP AND TRAINING FUND		
Opening Balance	6,00,00,000.00	6,00,00,000.00
Less: Transfer to Retained Earnings	(6,00,00,000.00)	-
	-	6,00,00,000.00
Retained Earnings		
Opening Balance	74,53,33,438.13	33,64,82,497.87
Less: Dividends Paid	(37,51,66,719.07)	(33,64,82,497.87)
Less: Transfer to Reserve Fund	(9,50,00,000.00)	
Less: Transfer to Exchange Fluctuation Reserve	-	(50,00,000.00)
Add: Transfer from Research & Development Fund	87,17,000.00	
Add: Transfer from Development Fund	2,00,00,000.00	
Add: Transfer from Software Upgradation Fund	64,50,000.00	
Add: Transfer from Staff Scholarship & Training Fund	6,00,00,000.00	
Add: Current Year Profit	82,75,71,259.22	75,03,33,438.13
	1,19,79,04,978.28	74,53,33,438.13
TOTAL	3,25,82,88,166.13	2,80,58,83,625.98



BANK OF BHUTAN LIMITED
Note 1: Schedules forming part of the Statement of Financial Position as
at 31st December 2015

Amount in Ngultrum

	As at	As at
	31.12.2015	31.12.2014
SCHEDULE 1.19 - CONTINGENT LIABILITIES		
Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	1,10,16,73,851.05	1,71,20,31,874.78
Guarantees Issued & Outstanding	4,26,18,32,762.31	2,17,83,34,585.25
TOTAL	5,36,35,06,613.36	3,89,03,66,460.03
SCHEDULE 1.20 - BILLS FOR COLLECTION		
Payable in Bhutan	6,44,106.00	18,53,373.00
Payable outside Bhutan	3,48,20,912.14	26,31,937.70
TOTAL	3,54,65,018.14	44,85,310.70

BANK OF BHUTAN LIMITED

Note 2: Schedules forming part of the Statement of Comprehensive Income as at 31st December 2015

SCHEDULE 2.1- INTEREST EARNED

	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Interest on Customer Loans (Net of Interest Suspended)	2,18,56,48,332.87	2,05,37,68,570.81
Interest on Bills Receivables	79,08,207.60	3,07,199.00
Interest on Investments	13,62,81,433.01	6,33,52,065.88
Interest on Inter-Bank Loans	6,75,62,249.22	4,92,40,749.30
TOTAL	2,39,74,00,222.70	2,16,66,68,584.99
SCHEDULE 2.2- INTEREST EXPENSES	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Interest paid on Customer Deposits	95,79,91,651.87	84,10,93,079.52
Interest paid on Inter-Bank Deposits	1,57,265.63	1,49,437.50
Interest paid on Subordinate Debt	3,00,00,000.00	2,19,45,205.46
TOTAL	98,81,48,917.50	86,31,87,722.48
SCHEDULE 2.3- FEES & COMMISSION INCOME	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Commision	8,66,60,617.63	6,47,96,266.64
Exchange	6,33,43,626.19	6,11,68,268.59
Debit Card Issuance & Usage Fees	54,07,631.90	9,45,040.00
Visa/MasterCard POS Acquiring Commision	1,41,39,391.92	1,17,54,792.95
Visa Debit Card ATM Charges	3,60,48,739.00	1,83,44,061.00
Domestic ATM Access Fees	43,22,108.00	42,45,914.00
International ATM Access Fees	33,46,027.00	30,05,642.00
Credit Card Issuance Fees	8,07,127.70	-
Electronic Wallet Transaction Commission	23,77,740.00	-
E-Acquiring Commission	65,61,137.87	-
Airtime Top Up Commission-BT	11,31,651.66	-
TOTAL	22,41,45,798.87	16,42,59,985.18
SCHEDULE 2.4- FEES & COMMISSION EXPENSES	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Visa & MasterCard Fee	3,87,94,734.10	3,34,04,045.94
BFS Interchange Fee Expenses	87,20,504.00	85,19,184.00
BT Share on Electronic wallet Commission	16,60,893.00	-
	4,91,76,131.10	4,19,23,229.94
SCHEDULE 2.5- NET TRADING & EXCHANGE INCOME	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Profit on conversion of Foreign Currency Balances	1,15,80,712.89	6,59,72,320.04
	1,15,80,712.89	6,59,72,320.04
SCHEDULE 2.6- OTHER OPERATING INCOME	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Dividend on Equity Investments	1,51,75,060.00	1,40,43,690.00
Rental Income	38,33,911.30	21,29,375.33
Other Income including recoveries for charges	2,12,74,242.00	1,72,93,716.68
Profit on sale of fixed assets	-	46,081.52
TOTAL	4,02,83,213.30	3,35,12,863.53



BANK OF BHUTAN LIMITED
Note 2: Schedules forming part of the Statement of Comprehensive
Income as at 31st December 2015
SCHEDULE 2.7- STAFF COSTS

	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Employee Salaries	14,23,97,503.41	13,20,30,103.85
Employee Allowances	9,15,83,343.84	5,90,20,169.59
Bank's Contribution to Employee Provident Fund	1,45,67,770.00	1,32,04,154.00
Encashment of Leave	(30,52,135.00)	2,97,95,288.80
Medical Expenditure	1,93,951.00	1,83,972.00
Employee Bonus	2,33,42,202.00	2,01,11,332.00
Employee Gratuity	1,82,09,592.00	1,32,27,780.00
Leave Travel Concession	90,44,912.00	90,62,584.00
Staff Amenities	1,51,167.18	1,90,747.84
Uniform Expenses	3,18,752.50	66,965.00
Training Expenses	75,92,704.84	2,02,70,251.69
Separation Cost	38,04,955.00	20,10,109.00
Staff Relocation Expenses	14,15,270.00	7,01,029.92
Sports & Recreational Expenses	4,93,055.01	8,32,610.00
Prizes & Awards	90,000.00	-
	31,01,53,043.78	30,07,07,097.69
SCHEDULE 2.8- PREMISES COSTS	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Rent	1,92,76,347.91	1,71,21,513.43
Insurance- Building	1,97,217.40	2,02,367.44
Insurance- Office Equipment	2,52,299.84	2,46,503.90
Light & Fuel	32,48,239.36	25,87,651.13
Rates & Taxes	2,57,653.63	1,31,715.88
Water & Sewerage	1,34,610.16	1,65,771.95
Repairs & Maintenance - Building	12,22,192.40	12,20,705.48
Repairs & Maintenance - Vehicle	9,36,760.20	9,28,117.16
Repairs & Maintenance - Furniture & Fixtures	51,002.00	36,845.00
Repairs & Maintenance - Equipment & Machineries	9,88,256.20	9,24,156.00
AMC- Equipment and Machineries	1,10,75,750.54	1,07,31,272.90
ATM Expenses	33,30,708.67	12,93,386.00
Housekeeping	37,55,483.31	13,50,475.00
Fuel & Lubricants	19,76,637.38	19,33,324.87
Security Expenses	1,78,77,157.57	1,67,93,019.87
	6,45,80,316.57	5,56,66,826.01
SCHEDULE 2.9- GENERAL ADMINISTRATIVE EXPENSES	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Travelling Expenses	74,43,272.53	59,76,175.90
Directors' Sitting Fees	9,28,000.00	7,80,480.00
Postage & Stamps	2,37,91,928.36	2,03,17,809.73
Audit Fees	2,77,000.00	2,50,000.00
Audit Expenses	7,06,808.40	6,36,574.00
Repairs to Banks Properties	47,66,282.57	52,53,201.30
Stationery, Printing, Advertisement etc	1,26,96,727.16	1,04,06,865.15
Charity and Donations	6,83,880.00	8,92,724.00
Fixed Assets Written Off	-	6,57,376.16
Other Expenditure	7,34,41,783.09	5,21,87,261.32
TOTAL	12,47,35,682.11	9,73,58,467.56
SCHEDULE 2.10- DEPRECIATION & AMORTIZATION	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Depreciation on Vehicle	24,82,158.57	10,05,800.48
Depreciation on Furniture & Fixtures	41,85,872.87	40,79,695.78
Depreciation on Office Equipments	1,89,81,569.87	1,23,48,316.74
Depreciation on Computer & It's Peripherals	1,00,44,385.22	4,58,23,585.01
Depreciation on Buildings	34,76,013.84	42,10,864.68
Amortization on Software	68,50,898.19	29,76,293.86
	4,60,20,898.56	7,04,44,556.55

BANK OF BHUTAN LIMITED
Note 2: Schedules forming part of the Statement of Comprehensive
Income as at 31st December 2015

SCHEDULE 2.11- TAXATION

	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Current Income Tax		
Current Year's Tax	35,88,85,419.00	35,05,72,979.00
Prior Period Tax	-	19,45,764.68
Deferred Tax Payable-Current	(1,79,32,279.00)	(95,39,372.00)
TOTAL	34,09,53,140.00	34,29,79,371.68
Tax on Other Comprehensive Income		
Tax on Exchange Fluctuation Gain/(Loss)	4,58,103.00	(1,49,44,045.00)
Tax on Actuarial Gains/(Loss) on Retirement Benefits	1,32,41,430.00	(1,23,31,320.00)
TOTAL	1,36,99,533.00	(2,72,75,365.00)
TOTAL TAX EXPENSE FOR THE FINANCIAL YEAR	35,46,52,673.00	31,57,04,006.68

BANK OF BHUTAN LIMITED
Note 2: Schedules forming part of the Statement of Comprehensive
Income as at 31st December 2015

SCHEDULE 2.12- EARNING PER SHARE

	Amount in Ngultrum	
	For the year ended	For the year ended
	31.12.2015	31.12.2014
Profit After Income Tax	79,56,05,683.82	81,39,75,956.60
Other comprehensive income for the year	3,19,65,575.40	(6,36,42,518.47)
Profit used to determine basic earnings per share	82,75,71,259.22	75,03,33,438.13
Weighted average number of Ordinary Shares in issue	1,50,00,000	1,50,00,000
Basic and Diluted Earnings per Ordinary Share	55.17	50.02



TO THE MEMBERS OF BANK OF BHUTAN LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Bhutan Limited (the Bank), which comprise the Statement of Financial Position as at 31st December, 2015 and the Statement of Comprehensive Income, Statement of Changes to Equity and the Statement of Cash Flow of the Bank for the year then ended and a summary of Significant Accounting Policies and other explanatory information annexed thereto.

2. Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the extant Bhutanese Accounting Standards 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.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Accounting & Auditing Standards Board of Bhutan and in keeping with the 'General Terms of Reference and Minimum Audit Examination and Reporting Requirements' issued by the Royal Audit Authority, as given in the Schedule XIV of the Companies Act of the Kingdom of Bhutan, 2000. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, read with other notes thereon, give the information required by the Act in the manner so required and give a true and fair view of the financial position of the Bank as at 31st December, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standard (Phase - I)

5. Emphasis of Matters:

We draw attention to the following matters in the Notes to the financial statements:

- (i) Note No. 26 (b) regarding non-adjustment of Debits Nu. 67,787,936 and Credits Nu. 89,476,051 relating to unmatched entries in the Accounts with State Bank of India including NOSTRO Accounts;
 - (ii) Note No. 26 (c) regarding non-adjustment of Debits Nu. 127,006 and Credits Nu. 8,529,112 relating to unmatched entries in the Accounts with other Banks including NOSTRO Accounts;
- Our opinion is not modified in respect of these matters.

6. Report on Other Legal and Regulatory Requirements

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

As required by Section 74(3) of the Act we report that:

- a. Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered appropriate for the purposes of our audit.
- b. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- c. In our opinion proper books of account as required by law have been kept by the Bank so far as appears from our examination of the books.
- d. The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes to Equity and the Statement of Cash Flow dealt with in this report have been prepared on the basis of the extant Bhutanese Accounting Standards and that the financial statements are in agreement with the books of account.
- e. In our opinion, the statement of the Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow comply with the Bhutanese Accounting Standards so far made mandatorily applicable by the Bhutanese Accounting Standards Board to the extent applicable to the Bank.

Dated, the 15th day of January, 2015
Kolkata

For S. S. KOTHARI & CO
Chartered Accountants
(FRN: 302034E)

(P. K. BHATTACHARYA)
Partner
Membership No.: 015899

EXHIBIT - A



(Referred to in Annexure-1 :Minimum Audit Examination And Reporting Requirements)

RATIO	2015	2014	Remarks
Current Ratio: Current Assets/ Current Liabilities	0.91: 1	1.05: 1	Decrease in ratio is due to decrease in current assets
Return on Investments: Profit After Tax/ Capital Employed	17.39	17.43	Decrease in ratio is due to increase in capital through current year profit
Net Profit Ratio: Profit after Tax/ Turnover	30.94%	31.52%	Decrease in ratio is due to higher proportion of increase in turnover than the increase in profit after tax for the year
Capital Adequacy Ratio	15.65%	15.57%	
Statutory Liquidity Ratio	32.21%	47.81%	

ANNEXURE – I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

1. The Bank has maintained proper records showing full particulars including quantitative details and locations thereof, in a Spreadsheet format. However, for the purpose of ensuring better control over the fixed assets, the Bank has introduced maintenance of Fixed Assets in ERP and it is in the process of data transfer. The Fixed Assets of the Bank at all locations have been physically verified by the management during the year and the discrepancies noticed on such verification, which were not material, have been adjusted in books.
2. None of the Fixed Assets have been revalued during the year.
3. During the year the Bank, with the approval of the RMA, has granted loan to a company under the same management and the rate of interest and other terms and conditions of the loan were not prejudicial to the interest of the Bank. Other than the above, the Bank has not taken or granted any loan from / to any company under the same management.
4. The Bank has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the rules/regulations and systems and procedures, except certain cases of negative withdrawals in savings and current accounts noticed in earlier years. The matter, as explained to us, is under technical investigation and recovery.
5. The Bank has established a system of competitive bidding, commensurate with the size and nature of its business, for the purchases of services, stores, stationery, equipments and other assets.
6. As per information and explanations given to us, there is no transaction of purchase and sale of goods and services made in pursuance of contracts or arrangements entered into with the directors or any other party related to the directors or with company, or firm in which the directors are directly or indirectly interested.
7. As informed to us, there is no unserviceable stores, assets etc., as at 31st December, 2015.
8. The Bank is regular in depositing rates and taxes, duties and other statutory dues with the appropriate authorities. The Provident Fund is administered by a separate Committee having independent books of accounts. The provisions for corporate tax is adequate and that necessary adjustments have been made to compute the amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.
9. There is no undisputed amount payable in respect of rates, taxes, duties and other statutory dues outstanding at the year end.
10. According to the information and explanations given to us, and on the basis of our checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss Account other than those payable under contractual obligations / service rules.
11. Quantitative reconciliation is carried out for all major items of inventory like stationery, security forms, etc.
12. Board approval has been obtained for all write offs of losses in the books.
13. The management of liquid resources by the Bank is adequate and excessive amounts are not lying idle in non-interest bearing accounts.



14. According to the information and explanations given to us, and on the basis of examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Bank are lawful and intra vires to the Articles of Incorporation of the Bank.
15. On the basis of our verification and according to the information and explanations given to us, the Bank has a regular system of approval of the Board for all capital investment decisions. Investments in new projects are made after considering the technical and economic feasibility of such ventures.
16. The Bank has an adequate budgetary control system.
17. The details of remuneration and other payments to the Board of Directors including the Chief Executive Officer of the Bank are suitably disclosed in Para (e) of Note – 3.29.
18. According to the information and explanations given to us, the directives of the Board have been complied with.
19. On the basis of information received from the management and to the best of our knowledge, the officials of the Bank have not transmitted any price sensitive information which is not made publicly available, unauthorised to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
20. Adequate documents and records are maintained in respect of loans and advances granted by the Bank and appropriate agreements have been drawn up and timely entries have been made therein.
21. Reasonable records are maintained by the Bank for funds collected from depositors and for interest payments.
22. On the basis of our examinations and to the best of our information, we are of the opinion that no provision is required for permanent diminution in the values of shares in which investments have been made by the Bank.
23. To the best of our information and according to the explanations given to us, the Bank has complied with the requirements of the Financial Services Act, 2011 and other applicable laws, rules and regulations and guidelines concerning activities of the Bank issued by appropriate Authorities.
24. In our opinion and according to the information and explanations furnished to us, the requirements prescribed by the 'Royal Monetary Authority' relating to provisioning for the non-performing assets including loans and advances have been complied with.
25. Recognition of interest income in respect of non-performing assets has been deferred.
26. To the best of our information and according to the explanations obtained from the management, assets hypothecated against loans and advances have been physically verified by the Bank, properly valued and Mortgage Deeds executed, wherever required, and the Bank has ensured that the assets are free of any prior lien or charges.
27. To the best of our information and according to the explanations given to us, the Bank has a system of monitoring of the Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
28. To the best our information and according to the explanations given to us, the Bank has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.

ANNEXURE – I

29. To the best of our information and according to the explanations given to us, the Bank has a system of carrying out proper analysis before rephrasing / rescheduling of loans are permitted and rephrasing is not permitted in respect of non-performing loans.
30. To the best of our information and explanations given to us, we are of the opinion that the Bank has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. As per the information and explanations furnished to us, the organisational and system development controls and other internal controls appear to be adequate relative to the size and nature of the computer installations.
2. As per information and explanations given to us, adequate safeguard measures and backup facilities exist.
3. The backup facilities and disaster recovery measures include keeping files in different and remote locations.
4. The operational controls in respect of certain areas, particularly calculation of interest on loans and excess withdrawals in savings deposits noticed in earlier years have been adequately addressed.
5. The measures to prevent unauthorised access over the computer installations and files are generally adequate.

GENERAL

1. Based on the net asset position reflected by the Bank's Statement of Financial Position as at 31st December, 2015 and audited by us in accordance with the generally accepted auditing standards and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Bank is not a going concern on the date of the Statement of Financial Position.
2. Ratio Analysis:

Significant ratios indicating the financial health and profitability of the Bank are given in Exhibit – A to this Annexure.

COMPLIANCE WITH THE COMPANIES ACT OF THE KINGDOM OF BHUTAN

According to the information and explanations given to us by the management and based on a Compliance Checklist compiled by the Bank Officials, the Bank has complied with all the provisions of the Companies Act of the Kingdom of Bhutan, 2000.

ADHERENCE TO THE LAWS, RULES AND REGULATIONS

1. The Bank has complied with the Prudential Regulations 2002 and other guidelines issued by the Royal Monetary Authority of Bhutan with regard to:
 - (a) Weighing of the Risk Weighted Assets as at 31st December, 2015, which is proper and correct;
 - (b) Capital Adequacy Ratio of the Bank as at 31st December, 2015, 15.65% has been fairly assessed and such ratio is more than the prescribed limit of 10% fixed by the RMA;
 - (c) Cash Reserve Ratio of the Bank as at 31st December, 2015, which has been fairly assessed and such ratio is in line with the prescribed limit by the RMA; and
 - (d) Statutory Liquidity Ratio of the Bank as at 31st December, 2015, 32.21% is above the minimum limit of 20% prescribed by the RMA.



2. *It is not possible for us to comment as regards adherence to all Laws, Rules and Regulations, System, Procedures and Practices by the Bank, except the provisions contained in the Companies Act of the Kingdom of Bhutan, 2000 and Financial Services Act of Bhutan, 2011 as also the guidelines issued by the Royal Monetary Authority, as comprehensive Compliance Reporting and Recording System of the Bank in this regard is currently not in place. However, any non-compliance or departure from accepted practice and approved systems / procedures having effect on financial statements that came to our notice during the course of our audit have been indicated by the way of notes on accounts.*

**Dated, the 15th day of January, 2016.
Kolkata.**

For S. S. KOTHARI & CO
Chartered Accountants
(FRN: 302034E)

(P. K. BHATTACHARYA)
Partner
Membership No.: 015899

*Transfer
funds*

*Recharge
talk time*

*Cardless
withdrawal
at BoB
ATMs*

*Check
account
balance*

*Pay
bills*

*Payments
at BoB
Merchants*

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