



Annual Report 2011



BHUTAN DEVELOPMENT BANK LIMITED



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BHUTAN DEVELOPMENT BANK LIMITED**HEAD OFFICE, THIMPHU****Post Box: 256, Norzim Lam****Telephone PABX No: (00975-2) 322579, 323425, 324678, 333865 Fax 323428****Email: info@bdb.bt****REGIONAL OFFICES****Regional Managers**

1. Mr. Tshewang Norbu (Western)
2. Mr. Tenzin Tashi (Central)
3. Mr. Pema Tashi (East)

Office Location

- Paro
Gelephu
Trashigang

Telephone No.

- 00975-08-272410
00975-03-521176
00972-04-521243

BRANCH OFFICES**Branch Managers****Location****Phone No.****Fax No.****Western Region**

- | | | | |
|---------------------------|--------------|-----------|-----------|
| 1. Mrs.Sonam Pelden | Thimphu | 02-326853 | 02-326855 |
| 2. Mr. Dorji Wangdi | Paro | 08-271334 | 08-272341 |
| 3. Mr.Sangay Wangdi | Haa | 08-375206 | 08-375649 |
| 4. Mr.Chador Kelzang | Punakha | 02-584106 | 02-584157 |
| 5. Mr. Tashi | Gasa | 16288121 | |
| 6. Mr. Jhamba | Wangdue | 02-481261 | 02-481848 |
| 7. Mr. Phub Dorji | Chukha | 08-478243 | 08-478427 |
| 8. Mr. Yeshey K. Tshering | Phuntsholing | 05-252881 | 05-258689 |
| 9. Mr.Thinley Wangchuk | Samtse | 05-365469 | 05-365854 |
| 10. Mr. Yeshey Jamtsho | Dorokha | 05-342656 | |

Central Region

- | | | | |
|--------------------------|---------------|-----------|-----------|
| 1. Ms. Kumari Sharma | Dagana | 06-481106 | 06-481242 |
| 2. Mr. Namgay Rinchen, | Bumthang | 03-631111 | 03-631900 |
| 3. Mr. Tshering Dorji | Trongsa | 03-521147 | 03-521515 |
| 4. Mr. Janga Bhadrur | Zhemgang | 03-741127 | 03-741107 |
| 5. Mr. Rinchen Phuntsho | Panbang | 03-794009 | |
| 6. Mr. Yeshy Samdrup | Tsirang | 06-471206 | 06-471197 |
| 7. Mr.Tshering Nidup | Sarpang | 06-365136 | 06-365290 |
| 8. Mr. Sangay Jamtsho | Gelephu | 06-252135 | 06-252136 |
| 9. Mr. Tshewang Phuntsho | Lhamoizingkha | 06-241422 | 06241425 |

Eastern Region

- | | | | |
|--------------------------------|--------------------|-----------|-----------|
| 1. Mr. Mr. Jigme Sonam Tenzin, | Lhuntse | 04-545106 | 04-545145 |
| 2. Mr. Tenzin Wangdi, | Mongar | 04-641127 | 04-641177 |
| 3. Mr. Dhendup Namgyal, | Pemagatshel | 07-471126 | 07-471260 |
| 4. Mr. Dhendup Namgyel | S/Jongkhar | 07-251118 | 07-251292 |
| 5. Mr. Yonten, | Trashigang | 04-521122 | 04-521386 |
| 6. Mr. Tshewang, | Trashi Yangtse | 04-781105 | 04-781239 |
| 7. Mr. Pema Tashi, | Wamrong | 04-593514 | - |
| 8. Mr. Penjor, | Nganglam | 07-481190 | 07-481183 |
| 9. Mr. Jambay | Jomostangkha | 07-671104 | |
| 10. Mr. Karma Jigme, | Main Branch, T/phu | 02-323852 | 02-323428 |



BOARD OF DIRECTORS



CHAIRMAN
Mr. Nima Wangdi
Secretary
Ministry of Health



DIRECTOR
Dasha Lhundup Wangchu
Dzongdag
Dzongkhag Administration,
Wangdue



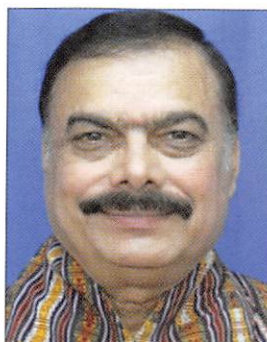
DIRECTOR
Dr. Tashi Samdup
Director, CORRB
Ministry Agriculture and Forest



Mr. Ugyen Penjor
DIRECTOR,
Dept CSI
Ministry of Economic Affairs



DIRECTOR
Mrs. Tashi Pem
Jt. Commissioner
Department of Revenue and Customs



DIRECTOR
Mr. G.P Sharma
Ex- Deputy Managing Director
Bank of Bhutan Ltd



MEMBER SECRETARY
Mr. Nawang Gyetse
Managing Director
BDBL

BDBL MANAGEMENT TEAM



Mr. Nawang Gyetse
Managing Director



Mr. Ugyen Dhendup
Deputy Managing Director



Mr. Yeshey Wangdi
General Manager, ADM/HRM



Ms. Karma Choden
General Manager, Credit



Mr. Sonam Rigyel
Company Secretary



Mr. Bhawni Shangkhar
Dy. General Manager, Finance



Report of the Board of Directors for the year 2011

1. Introduction

On behalf of the Board of Directors of Bhutan Development Bank limited, I am pleased to present the 23rd Annual report of the Bank for the financial year ended 2011.

I would like to mention on the change that we witnessed in the Management of BDBL in the beginning of 2012 and would like to take this opportunity to welcome the new Managing Director Mr. Pema Tshering who has taken over the stewardship of the Bank. Mr. Pema Tshering has served in the Financial Sector for many years and we hope that with his vast experience in the sector, BDBL will continue to grow to become a vibrant Development Bank in the Country. I would also like to take this opportunity to express our deep gratitude to the outgoing Managing Director, Mr. Nawang Gyetse who has not only held several executive level positions in the Bank for many years but also spearheaded the Bank as MD for more than nine years since 2003. He is largely instrumental in turning the BDBL from a fledgling institution to a broad based and well established Development Bank as we see today. On behalf of the Board of Directors, share holders and on my own behalf, I would like to place on record his contribution to the Bank and wish him a great future ahead in whatever he undertakes.

The year 2011 ended two and a half years of my chairmanship in BDBL. There was no change in the Board of Directors during the financial year. All the Directors have had the opportunity of participating actively in the governance of the Bank for the full one year under consideration. Therefore, it is indeed my great pleasure to inform you and all the stakeholders that the collective efforts of the Board and the Management have borne out a very good performance and have resulted in, yet another year of success for the Bank as enumerated below.

2. Financial Highlights

M/S S.N Mukerji & Co of Kolkata was appointed as the Statutory Auditor of the Corporation for the year ended December 2011, by the Royal Audit Authority. The Auditors conducted their Audit from 1st to the 18th February, 2012 and submitted the final reports on the 20th of the same Month. I am pleased to report that as per the Audit findings, BDBL complies and fulfills all of the generally accepted Standard Accounting Principles and Policies and conducts its business within the given regulatory environment without any deviations. As such, this year's reports not only indicated the improvement in the financial matters as highlighted below but it also reflects a better picture of the overall performance of the Organization in regard to its effectiveness and maturity.

2.1. Primary Capital

The Bank had a total capital fund of Nu. 1.08 billion comprising of Nu. 200 million as Share capital and Nu.882 million as general reserve and surplus. The total earning of Nu. 201 million was appropriated to the reserves and surplus during the year thereby increasing the capital fund base to Nu.1.28 billion, registering a growth of 18 percent in the capital fund.

On the liability front, the total borrowing continues to fall during the year from Nu. 1,417 million in the previous year to Nu.1,330 million, a decrease by 6 percent during the year. However, it is still more than the total capital fund of the Bank by about 4 percent which needs to be attended. The decreasing trend in the borrowing is mainly because of more emphasis given to the deposit mobilization as a development Bank and also due to greater recovery drive being enforced by the Bank. During the year, the deposit liability increased up from Nu.1.45 billion in 2010 to Nu. 2.29 billion, an increase of almost by 58 percent. This indicates a gain in the momentum of banking operation which the Bank had embarked upon in recent years.

In the nutshell, the total asset of the Bank has increased from Nu.4.24 billion in 2010 to Nu. 5.21 billion recording a significant growth of 23 percent during the financial year under consideration.

2.2. Revenue

During the financial year 2011, the Bank generated gross revenue of Nu.548 million as compared to Nu.416 million last year posting a growth of 31 percent. In comparison to target which was set at Nu.527million, the Bank has surpassed it by a margin of 4 percent.

While the main sources of the revenue for the Bank is interest from Loans, other sources such as the commissions, service charges and guarantee fees are increasingly becoming significant as the Bank attempts to improve and expand services to the general public.

2.3. Expenses

During the year, the total expense for the Bank amounted to Nu. 343 million against Nu.238 million in the previous year. The overall expense seemed to have drastically increased by almost 44 percent while the management expense that amounted to Nu. 137 million was an increase from the past year by 23 percent. The expense which is about 7 percent to total fund size of the Bank was however well within the budget set for the year.

The financial expense increased by 40 percent from Nu. 111 million in past year to Nu.152 million this financial years. This increase was mainly on account of the huge increase in the deposit liability of the Bank.

In the third category, despite improvement in the overall quality of loans, the write off/provision expense have increased immensely to Nu.54 million from Nu.16 million the previous year. This was mainly because of the full provision kept for Bhutan Concast and few other big projects which did not fare well in this financial year due to certain problems. The Management is recommended to give priority on following up these projects and pursue an aggressive recovery program to maintain the provision at the level comparable with other Banks.

2.4. Profitability

BDBL had set a profitability target of Nu.183 million for 2011, an increase of 3.38 percent from the previous year's profits. During the financial year, the Bank has achieved a profit before tax of Nu.205 million. The Bank therefore, achieved the set growth target and registered a annual growth in profit of 16 percent. The unexpected increase in the profit of the Bank during 2011 was mainly because of the pragmatic business plan and strategy put in place by the Bank at all levels of operations which gave the Management, a better tool to monitor and supervise the performances in addition to the vigorous effort taken towards recovery of loans.

The Board and the shareholders would like to applaud the Management for their hard work in maintaining consistency in growth year after year and would further like to recommend for continued and consistent efforts in the coming years to reap the same yields.

3. Operational Highlights

The financial year 2011 closed with the credit portfolio of Nu.4.2 billion, recording an increase of 25 percent from the previous year. The 25 percent was the target set for the year and despite the severe fund shortages frequently faced by the Bank, it is indeed gratifying to note that the Bank had taken a concerted effort and effectively mobilized the fund to meet the target.

It is equally important if not more to increase the outreach into the rural market. In this front, the Bank's clientele base saw an incremental growth of 3572 accounts from the previous year. The total active credit clients base have reached to 28,895. With this, BDBL achieved cumulative credit coverage of 40 percent of the population between the age group of 18-65 considered to be the bankable age group.

Notwithstanding the constraints and challenges in doing business with the rural populace, the overall quality of the credit portfolio have also shown a marked improvement over the past years. The portfolio at Risk stood at 13.83 percent last year and the Management had been able to bring it down to 8.27 percent against the target of 11 percent which is truly a commendable achievement for the Bank.

3.1. Credit distribution

BDBL's credit distribution between the Rural and Urban clients has gone through the great change over the years. The percentage of loans to rural and urban in the previous year was 48 percent to 52 percent respectively of the total loan portfolio and in last financial year, the urban loans channeled through the Main Branch in the Capital has decreased to 45 percent of the total Loan portfolio.

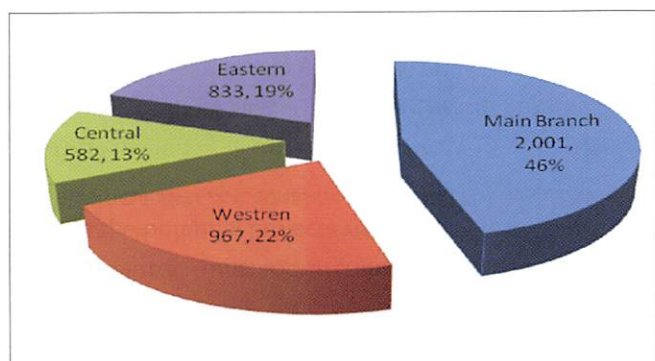


Figure 1. Region wise Loan Portfolio (Nu. in Million)

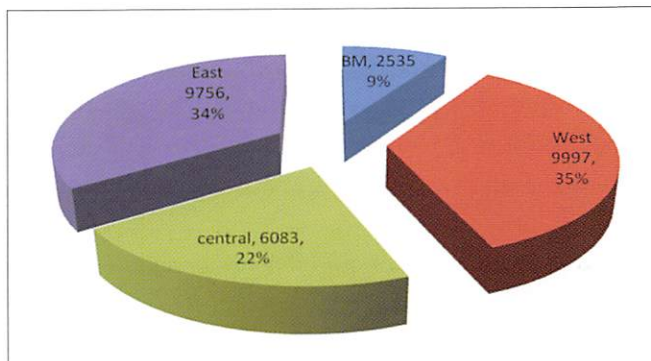


Figure 2. Region wise Numbers of Clients

On the outreach front, the rural clients continue to dominate total clientele base of the Bank. As of the last financial year ending, it was more than 91 percent of the total active clients whereas the commercial clients was just 9 percent. This clearly demonstrate that being the only development Bank and in keeping with the mandate, BDBL continues to give more focus to the rural clients who are based in the Districts, Dungkhags, geogs and villages of Bhutan and are in dire needs of financial services year on year.

3.2. Banking Activities

The past one year allowed the Bank to consolidate and plan the Banking activities to ground it on a sound footing, although further efforts are still wanting. The Management came up with the Banking Manual in 2011 which was approved by the Board and subsequently endorsed by the Central Bank. The Bank readied itself with the Cheques of its own, and made it available in all the Branch offices and at the same time started its implementing it. The branches staff were trained in Banking and continuous efforts are being made by the Management to change the mindset and behavior of the staff in taking Banking activities wholesomely from their habituated focus on credit activity.

At the financial year ending 2011, the Banking activity is operational in all the twenty nine Branches in the country. Within the span of two years, the deposit mobilization has picked up quite modestly and gained momentum as enumerated below:



Deposit Product	Balance in 2010	Balance on 2011	Growth in Percentage
Saving	Nu.334 million	576 million	72 %
Recurring	Nu. 36 million	50 million	39%
Fixed Deposit	Nu. 109 million	157 million	44%
Overall	Nu.479 million	Nu.783 million	63%

In the same manner, total numbers of saving accounts have also increased from 32,976 in 2010 to 44,529 in 2011, depicting an increase by 35 percent. Out of these total numbers of deposit customers, only 1,931 customers are registered in the Main Branch indicating that majority of these depositors are from the rural areas.

3.3. Opening of New Branch Office

Considering the larger social mandate, the Bank committed to increase its branch network in the country by opening three new branches in Sibsoo, Gelephu and Yadhi in the year 2011. However, due to logistic and other operational problems, only one branch office could be opened at Gelephu during the year.

The opening of the new Branch at Gelpehu have largely benefited the people from seven Geogs under Sarpang Dzongkhag including the Gelephu Thromdue as these geogs are near and more accessible to the new BDBL Branch office. The new Branch at Gelephu has also helped in removing the security threat the people often faced in carrying the money between the Dungkhag and the Branch office Sarpang. With this new office, the total number of Branch offices of BDBL increased to 29 in 2011 thus expanding the Bank's presence in the country.

The extensive network of our Branches enables BDBL to feature prominently in the rural areas and helps the Bank to meet its mandate of taking the Banking services to the door step of our rural population. Meanwhile, Mobile Banking which literally means, a Bank on Wheels or a Bank on the Move is a primary feature of BDBL that covers almost all the 205 geogs. It is being carried out by our Product Service Officers in the Branch offices throughout the country bringing immeasurable benefits to our rural people.

3.4. Launching of Smart Phone banking in BDBL's Branches.

Further improving and strengthening the field operating system and taking ICT down to the grass root, the BDBL introduced and officially opened the Smart Phone Banking using what is known as "Personnel Digital Assistance" from Shaba Geog Paro Dzongkhag in June, 2011. Through the Smart Phone service, the clients could make the loan repayment, make saving deposit live in the field and bank balance could be immediately made available thereby improving and speeding up the service delivery and allowing more transparency since information recorded at the Banks server and the field will always have to be matched.

The PDA services are also introduced in Haa and Wangdi Dzongkhags and are being piloted in these three Dzongkhags. Once the services are established and the user friendliness confirmed, the PDA service would be replicated in all the branches within one to two years which is expected to improve the efficiency and the effectiveness of the field operations tremendously.

4. UNCDF/ BASIX Micro-Finance Project

United Nations Capital Development Fund (UNCDF) has a special project called "Develop Savings Led Market leaders for Inclusive Finance" for supporting Least Developed Countries (LDC) to promote savings culture among the poor people.

BDBL has been fortunate to receive the technical grant assistance under the project for the period of four years from December 2009 to December 2013. The main objectives of the Projects are:

- Increase access to savings, credit and other services in rural areas by enabling BDBL to provide these services directly;
- Encourage linkages between financial and non-financial services;
- Promote strategic partnership among BDBL and NGOs to promote community based organizations and facilitate access to financial and non-financial services by the rural households; and
- Facilitate multi-stakeholder consultations in Bhutan, so as to develop a strategy and action plan on microfinance that could be adopted by BDBL as well as policymakers of the country.

Under the project finance, the following activities were initiated and conducted during the 2011

4.1 Farmers Exposure Visits

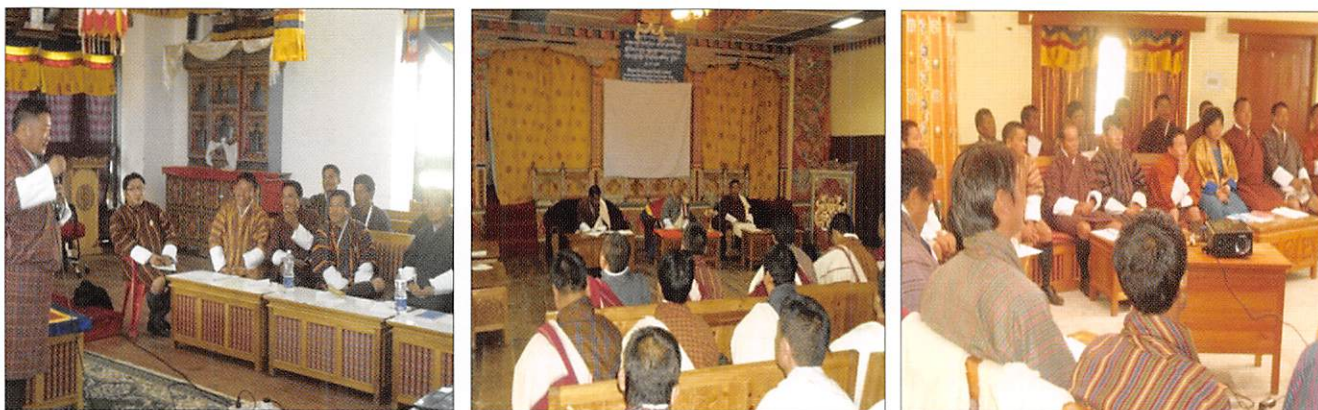
The farmers Exposure visits, first of its kind in BDBL was organized and conducted under the UNCDF savings lead projects in the first and second quarter of 2011. Under these the selected progressive group members and individual farmer clients of BDBL were taken for group visits to the potential projects sites such as dairy farms, mushroom cultivation centers, poultry farms, fishery, weaving units, milk processing units, juice factory, etc and also visited and learnt from progressive groups and associations on their functioning within the respective regions.



The western region benefited total of 17 farmers through such farmers exposure visit, the eastern 30 farmers and the central benefited 16 farmers. Unfortunately, in the central region, a Branch Manager from Zhemgang and assistant Manager of Bumtha met with a fatal vehicle accident and died on the spot while returning from the farmers' exposure trip from Gelephu. The Board would once more like to express our deepest condolences and sympathy through this page to their families and relatives and offer our sincere prayers for their early rebirths. Through these exposure visits, farmers clients were exposed to business activities, shared experiences and gained insight into the project identification and implementations and help enhanced their skill to engage into such activities beneficial to themselves and to the communities.

4.2. Sensitization Workshop

A series of day long workshop were conducted in the East covering all the six Eastern Dzongkhags in last quarter of the 2011 to create awareness on BDBL's policies and procedures, products and services by the Regional Office and the respective Branch Offices.



Participants engrossed in the discussions during the sensitization workshop in the East.

These sensitization workshop was conducted for the newly elected Local Government Leaders and benefited a total of 351 officials from the Eastern Dzongkhags comprising of Gups, Mangmis and Village Tshokpas. The workshop was timely and the participants felt empowered with the new knowledge and general awareness they received on BDBL and its services to the people. This exercise further strengthened the relationship between the Local leaders and Bank and enhanced their commitment in bridging understanding and co-operation between the rural people and the BDBL for its service to the rural communities. Because of the positive feedback and benefits such workshop brings to the people and to the Bank, the Management will encourage for similar workshops to be carried out in other Regions and Dzongkhags in the future.

4.3. Opening of Marketing outlet

To promote the savings and loan products and to create general awareness on the financial services being offered by the Bank, BDBL opened an outlet in Shearee square, Olakha, Thimphu on 31st August 2011. The opening of the outlet brought the BDBL service closer to the people and made it convenient to customers to transact business with Bank.

The Outlet is being manned by a single person and offers services like loan repayments, saving deposits, withdrawal and makes any other related information available to the Public. It has operated for the four months as of the last financial year. The impacts of outlet and clients responses are positive and therefore, the Management intends to continue its operation.

5. Change of Name to Bhutan Development Bank Limited

BDBL earlier was functioning as the Non Banking Financial institution (NBFI) in the Country. As NBFI with social mandate, it was however allowed to undertake limited group and individual rural savings side by side with its mainstream credit activities since 1998. In March 2010, BDBL formally got its specialized Banking License from RMA and thus joined the Banking bandwagon in doing business although its arena of activity is only limited to domestic Banking operations.

During the 96th Board Meeting held on 20th January 2011, the Board deliberated on its name and endorsed the change in name from the erstwhile Bhutan Development Finance Corporation Limited to new name "**Bhutan Development Bank Limited**". Subsequently, the Management followed up with the Registrar of Companies and Shareholders, updated the Article of Incorporation and obtained the Fresh Certificate of Incorporation consequent upon Change of name dated 30th May, 2011 thus formally becoming the first Development Bank in Bhutan from 1st June, 2011. The Bank has since then updated the Addresses, Sign Boards, etc and started a vigorous marketing drive to ensure that public knows about the changes in its name and its core activities, products and services which is still being continued.



6. HR Development & Training for 2011

The Board and the Management strongly believes that employees are the most valued asset of the organization. It is only through the collective efforts and the team work of the employees that Organization will overcome the challenges of the time and move forward. Thus, in line with the policy of the Banks, continuous effort have been taken to build the capacity of the employees with the aim to strengthen the competency of the staff and to motivate and encourage the employees for their continuous efforts and hard work in the Bank. The total staff strength of the Bank has reached to 291 from 271 in 2010 after the recruitment of 20 additional staff during the last financial year which was as per Compact Agreement signed with the Board.

The year 2011 marked a sea change in the way staff performances are managed. The earlier system of evaluating the Individual performance which was too subjective had been finally abandoned and replaced with a practical Performance Management System (PMS). Developed with the assistance of the BASIX consultant, under this system, the bonus, increment and any other performance incentive would be indexed to the performance as per the set target of the individual staff. It is expected that staff evaluation for 2011 will be based on this PMS which should not only motivate and encourage the staff but would also improve the overall efficiency of the Bank from year to year.

It is also heartening to report that during the year 2011, the Management had sent a total of 16 Staff for study tour, training and seminars for different courses to places in Nepal, Bangladesh, Sri Lanka, India and Indonesia through UNCDF and BDBL fund. Increasingly, BDBL had also encouraged the staff members for in country training and provided training opportunities to 11 staff members during the last financial year.

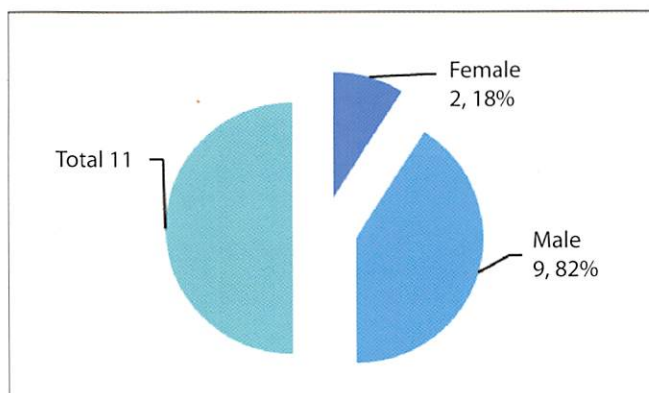


Figure 3. In country training

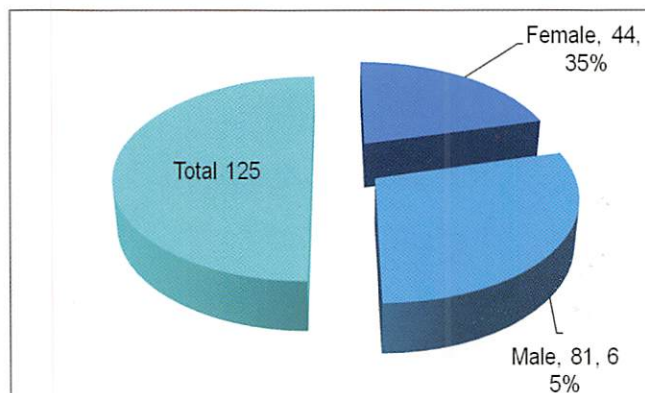


Figure 4. In-house Training

Further, BDBL has also conducted in-house training and workshops on ABS fresher course, Credit appraisal techniques and business planning by the Credit Department where 125 employees had attended and benefited.

7. Future Plans and outlook

BDBL has emerged as the only development Bank in the country after functioning as the NBF for more than two decades. Being the development Bank and keeping true to its nomenclature, BDBL will continue with its rural focus and extend its outreach to the greatest majority of the families living in the rural areas, play a lead role in mobilizing small savings, support Micro, small and medium scale enterprise and help rural agriculture become commercially viable, thereby uplifting the rural economy.

The Bank will therefore, strive to continually adjust to the changing business environment to be efficient, effective and stay relevant at all times. The recent shift in focus to the mainstream activity brought in by the conversion to Bank needs sudden structural adjustment. The organization structures will be realigned within first to second quarter of 2012 and made into one that shows a clear line of control, reflect transparency, accountability, make it more dynamic and compatible to suit the requirement of the Bank.

Majority of the branch offices across the Dzongkhags and Dungkhangs are located in area which are not suitable for business and office lay out not attuned to reflect the true business environment to the customers. The Management will therefore, gradually relocate the branch offices to a more strategic place both in the Dzongkhags and Dungkhangs and ensure a standard office lay out in all of these offices in the near future. This move is expected to improve the present image of the Bank and help project BDBL prominently in the rural areas as a friendly banking partner enjoying greater customers confidence and stakeholders satisfaction.

With Information Technology being the driver of the business in today's modern day world, the customers' expectation in the rural market are no different from those of their urban counterparts. The bank already has good network of IT with 25 out of 29 branches operating under CORE Banking Solutions. Riding on the sound network, the Bank has a variety of service channels in the pipeline for offer to the customers. The Bank will install 5 numbers of BDBL owned ATM services facility in 2012 to start with in five separate business hubs in the country and gradually spread the services across the country by piggy-bagging on the ATMs of other Banks. The bank will rehash and further expand customer base of SMS service started in 2011 and start the internet banking within a year largely for the benefit of literate section of the society in rural area. It will also introduce the utility bill payment system in collaboration with service providers and create opportunity for the people, especially the rural communities to enjoy the pleasure of paying bills from comfort of their homes.



With these few short term plans in store amongst others, we hope that the Bank is on the right track and that realization of these plans will assist the Bank in fulfilling its larger social mandate as well as ensure its sustainability.

8. Conclusion

I would like to take this opportunity to thank the Board Directors and the Management for all the co-operation and assistance given to me in the conduct of the Board as a Chairman. Only with their unfailing and continuous support, the Bank has been able to achieve the kind of financial and operational results that we have seen through.

On behalf of the Board of Directors, I would like to place on record our sincere gratitude to the RGOB, Donor agencies especially ADB, UNDP, UNCDF, IFAD for their continued assistance and guidance. To the shareholders and to our clients, I would like to convey our sincere appreciation for their continuous support and patronage.

The Board of Directors would also like to express our sincere appreciation for the hard work and dedicated service rendered by the Management, the officers, staff and all the employees of the BDBL and would like to congratulate them for the milestone achieved and registering this financial year as yet, another very successful year for the Bank. We would like to wish everyone in the Bank all the best and more successes for the year 2012.

Tashi Delek !

Nima Wangdi
Chairman
Board of Directors



Operation Highlight During the Year

Year Ended (Amount in Millions)		2007	2008	2009	2010	2011
I	Asset(million)	1,921	2,546	2,966	4,242	5,211
	Head Office/Main Branch	1,413	1,809	1,929	3,486	4,042
	Branch Operation	508	737	1,037	757	1,169
II	Profit/loss Before					
	Corporate Tax	70	93	150	177	205
	Main Branch	72	70	113	130	129
	Branch Operation	-2	23	37	47	76
III	Disbursement	939	926	1,000	2,059	1,934
	Main Branch	659	466	401	672	528
	Branch Operation	280	460	599	1,387	1,406
IV	Loan Outstanding	1,791	2,499	2,818	3,640	4,542
	Main Branch	1,343	1,784	1,806	1,782	2,063
	Branch Operation	448	715	1,012	1,858	2,479
V	On - Time Recover Rates					
	Main Branch	90%	93%	92%	94%	95%
	Branch Operation	82%	91%	91%	93%	94%
VI	Portfolio at Risk (>90 days)	21.28%	18.22%	13.60%	11.33%	8.27%
	Main Branch	17.51%	17.02%	15.03%	15.26%	8.74%
	Branch Operation	25.06%	19.42%	12.17%	7.40%	7.87%
VII	Number of Active Accounts	17,596	18,627	19,923	25,292	28,895
	Main Branch	2,007	2,112	2,608	2,578	2,535
	Branch Operation	15,589	16,515	17,315	22,714	26,360
VIII	Number of new Disburse	5,880	7,833	8,588	13,280	13,206
	Main Branch	581	545	993	910	746
	Branch Operation	5,299	7,288	7,595	12,370	12,460
IX	Cumulative Nos. Beneficiary	83,188	91,021	99,609	112,889	126,095
	Main Branch	4,741	5,286	6,279	7,189	7,935
	Branch Operation	78,447	85,735	93,330	105,700	118,160
X	Deposit Amount	79	137	266	496	904
	Main Branch	1	5	11	55	155
	Branch Operation	78	132	255	441	749



XI	Nos. of Deposit Acct	7,614	10,947	15,879	32,976	44,529
	Main Branch	185	293	657	1,394	1,931
	Branch Operation	7,429	10,654	15,222	31,582	42,598
XII	Corporate Deposit Amount	-	-	-	954	1,398
	Main Branch	-	-	-	954	1,398
	Branch Operation	-	-	-	-	-
XIII	Corporate Depositors	-	-	-	2	16
	Main Branch	-	-	-	2	16
	Branch Operation	-	-	-	-	-
XIV	Numbers of employee	185	209	221	271	290
	Head Office & Main Branch	78	102	95	94	113
	Branch Operation	107	107	126	177	177
XV	Active Clients/Employee Ratio	95	89	90	93	100
	Main Branch	26	21	27	27	22
	Branch Operation	146	154	137	128	149
XVI	Loan/Employee ratio	10	12	13	13	16
	Head Office & Main Branch	17	17	19	19	18
	Branch Operation	4	7	8	10	14



BHUTAN DEVELOPMENT BANK LTD.

**ANNUAL ACCOUNTS
&
AUDITORS' REPORT
2011**

**S. N. Mukherji & Co.
Chartered Accountants
1B, Old Post Office Street
Kolkata - 700 001
INDIA
Tel : 00 91 33 22481726
Fax : 00 91 33 22307281**



S.N. Mukherji & Co.
CHARTERED ACCOUNTANTS

PHONE : 2248-1726, 2230-7281
FAX : 91-33-2230 7281
CABLE : BESTADVICE
E-mail : snmukherji@vsnl.net
snm_calcutta@hotmail.com

*1-B, Old Post Office Street
Calcutta - 700 001*

AUDITORS' REPORT TO THE MEMBERS OF
BHUTAN DEVELOPMENT BANK LIMITED
THIMPHU, BHUTAN

We have audited the attached Balance Sheet of **Bhutan Development Bank Limited** (the Bank), as at 31st December 2011 and also the Profit & Loss Account and the Cash Flow Statement annexed thereto for the year ended on that date in which are incorporated returns of 8 branches audited by us and the returns of 20 branches which have not been audited by us. The returns received from these unaudited offices have been found to be adequate for the purpose of consolidation. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we have enclosed (Annexure A) a statement on the matters specified therein to the extent applicable to the Bank .





Further, to our comments in the annexure as referred above, we report that:

1. 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 and have found them to be satisfactory.
2. In our opinion, proper books of account have been kept by the Bank, so far as it appears from our examination of those books.
3. The Bank has complied with the various provisions of the Financial Institution Act 1992 and other applicable laws, rules & regulations, systems and practices except otherwise stated elsewhere in this report.
4. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. We draw attention to the following:
 - (a) The total borrowing of the Bank as on 31.12.2011 amounting Nu.1330.52 million exceeded the total Share Capital and Free Reserves amounting to Nu.1283.80 million by Nu.46.72 million. Such excess borrowing needs approval of the Bank in the next General Meeting.
 - (b) Without further qualifying our opinion we would like to state that loan appraisal, processing, claim settlement, loan management and internal control requires improvement, specially in view of the fact that certain transactions have been entered into without following the laid down norms of the Bank. Such transactions identified at Head Office and Thimphu Main Branch of the Bank have been elaborated in our separate report to the management. In view of the above, certain perpetrated irregularities of similar nature may remain undetected in the books which is subject to review by the Bank.





6. In our opinion, as shown by the books of the Bank, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account and the Cash Flow Statement read with **Schedules 1 to 18** and subject to paragraph 5 above and our comments in the Annexure – A attached herewith, give the information under The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and exhibit a true and fair view:
- a) in the case of Balance Sheet, of the state of affairs of the Bank as at 31st December 2011;
 - b) in the case of Profit & Loss account, of the profit of the Bank for the year ended on that date;
and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Kolkata
Date : 12th April 2012

For S. N. Mukherji & Co.
Chartered Accountants
Firm's Registration No.301079E


Sudip K. Mukherji

Partner
Membership No.13321





(ANNEXURE A)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Compines Act of the Kingdom of Bhutan, 2000)

1. The Bank is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Accounts department. Physical verification of fixed assets has been carried out by the Bank as on 31.12.2011 through internal audit department. Reconciliation of physical assets as per internal audit report with the book balance as per physical asset register has been done.
2. No revaluation of Fixed Assets has been conducted during the year.
3. Physical verification of various stores items were carried out by the internal audit as on 31.12.2011.
4. During the year the Bank has availed any fresh loan from Asian Development Bank. The terms and conditions of the said loan are prima facie not prejudicial to the interest of the Bank. The Bank has not taken any loan, secured or unsecured from companies, firms and other parties under the same management.
5. The loans granted by the Bank are prima facie not prejudicial to the interest of the Bank. However in the absence of any detailed records (including the statutory records required under section 97 of The Companies Act of The Kingdom of Bhutan, 2000) we are unable to comment whether any loan, secured or unsecured, have been granted to other companies, firms or other parties under the same management. The advances granted to officers/staffs are in keeping with the provisions of service rule and no excessive and frequent advances are given.
6. In our opinion, the internal control procedures of the Bank should be strengthened to ensure completeness, accuracy and reliability of accounting records, in carrying out the business in orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the systems and procedures.
7. There is a system of competitive bidding, commensurate with the size of the Bank and the nature of its business for the purchase of goods and services including stores, equipments and other assets. The Bank is not engaged in manufacturing or trading activities.





8. Unserviceable or damaged stores have been determined on the basis verification conducted at periodic interval.
9. The Bank is maintaining reasonable records for sale and disposal of scrap.
10. According to the records, the Bank has been regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2011.
11. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2011.
12. According to the information and explanations given to us, no personal expenses have been debited to the Profit and Loss Account other than those payable under contractual obligations/service rules of the Bank.
13. The Bank has a reasonable system of recording receipts, issues and consumption of stores items commensurate with the nature and size of its business.
14. The Bank has a reasonable system for follow-up with various parties for recovery/adjustment of outstanding amounts.
15. The management of liquid resources particularly cash and bank balances is inadequate and excessive amounts of liquid resources are being held in the form of idle funds by the Branches without any utilisation for generating income from such funds.
16. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Bank are in our opinion lawful and intravires to the Articles of Incorporation of the Bank.
17. The Bank has a system of approval of the Board for all capital investment decision and investments in new projects and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
18. The Bank has established an effective budgetary control system.
19. The details of remuneration to the Managing Director have been indicated in the Notes to the Accounts (Note No.10 Schedule No.18).
20. The directives of the Board have generally been complied with.





21. According to the information and explanations given to us, the officials of the Bank have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

In Case of Finance and Investment Bank:

1. There have been some lapses on the documentation part of loans granted by the Bank and this area require further improvement.
2. Proper records of the transactions and contracts have been maintained and timely entries have been made for the investments made.
3. The Bank has maintained reasonable records for funds collected from depositors and for interest payment.
4. Investments made by the Bank and outstanding in its books as on 31.12.2011 have not undergone any permanent diminution in value.
5. There have been a few non-compliance of the Guidelines issued by both RMA as well as The Companies Act of The Kingdom of Bhutan, 2000. The Financial Services Act 2011 has come into effect during the year and the Corporation should ensure compliance of the applicable provisions of the Act as early as possible.
6. Requirements relating to provisioning for the non-performing assets including loans and advances have been complied with.
7. Recognition of interest income in respect of non-performing assets has been duly deferred.
8. As stated by the management, except for few cases, assets hypothecated against loans and advances have been physically verified and properly valued by management and mortgage deed have been executed and it has been ensured that the assets are free of any prior lien or charges.
9. The Bank has a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
10. Taking over of assets for repayment defaults are made through open / sealed bids.
11. The Bank has complied with the guidelines for Prudential Regulations as issued by RMA for rephrasing / rescheduling of loan accounts.
12. There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

Computerized Accounting environment

1. The Bank has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. Adequate safeguard measures and back up facilities exist.
3. Back up facilities and disaster recovery measures do not include keeping files in different and remote locations.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.





5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.

GENERAL

1. Going Concern Problem

Based on the Bank's financial statements for the year ended 31st December, 2011 audited by us, the Bank has earned sufficient profit during the year under audit and we have no reason to believe that the Bank is not a going concern.

2. Ratio Analysis

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

RATIOS	2011	2010
A. Ratios for assessing Financial health		
Capital Turnover Ratio: (Income / Capital Employed)	0.43	0.38
Current Ratio (Current Assets / Current Liabilities)	9.99	10.98
Fixed Assets Turnover Ratio (Income/Fixed Asset)	4.39	3.68
B. Ratios for assessing Profitability		
Profit on Capital Employed Ratio (Profit after Tax / Capital Employed)	15.98%	16.43%
Profit on Turnover Ratio (Net Profit/Total Income) *100	37.39%	42.69%
Operating Ratio (All Expenses – Finance Charges)/Total Income*100	34.85%	30.49%
Total Expenses to Total Income Ratio (Total Expense/Total Income)*100	62.61%	57.31%

3. Compliance of Companies Act of Kingdom of Bhutan:

The Bank is yet to comply with the following requirement of The Companies Act of the Kingdom of Bhutan, 2000:

- (a) The Bank is yet to introduce and maintain the following records: (Section 97)

Register of Contracts in which Directors are interested





- (b) The total borrowings outstanding as on 31.12.2011 (Nu.1330.52 million) exceed the aggregate of the paid up share capital and free reserves (Nu.1283.80 million) of the Bank and is not in line with Section 84 of The Companies Act of The Kingdom of Bhutan, 2000.
- (c) As per Section 12 of the Income Tax Act of The Kingdom of Bhutan, 2001, amount of gratuity provision is required to be invested in a separate Gratuity Fund Account. The Bank invested only Nu.15.00 million as against the total gratuity provision of Nu.33.84 million as on 31.12.2011.

4. **Adherence of Laws Rules & Regulations:**

Audit of the Bank is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of InBank. The Bank does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Bank during the year 2011.

Place : Kolkata
Date : 12th April 2012

For **S. N. Mukherji & Co.**
Chartered Accountants
Firm's Registration No.301079E

Sudip K. Mukherji
Partner

Membership No.13321



**BALANCE SHEET AS AT 31st December 2011**

		31st Dec 2011	31st Dec 2010
	Schedule	(Nu.)	(Nu.)
SHAREHOLDERS' FUND & LIABILITIES			
Share Capital	1	200,000,000	200,000,000
Reserves & Surplus	2	1,083,801,503	882,291,524
Grants	3	210,385,710	212,190,910
Borrowings	4	1,330,518,011	1,417,946,848
Deposits	5	2,298,379,504	1,459,232,379
Current Liabilities & Provisions	6	88,232,171	70,871,575
		5,211,316,899	4,242,533,236
ASSETS			
Fixed Assets	7	125,012,283	113,179,30
Investments	8	4,381,000	1,381,000
Loans Recievable	9	4,200,107,074	3,349,955,853
Current Assets & Advances	10	881,816,542	778,017,082
		5,211,316,899	4,242,533,236
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Balance sheet.
In terms of our attached report of even date.

For S.N Mukherji & Co.
Chartered Accountants

Sudip K. Mukherji
Partner

Membership No. 13321

Date : 12 April 2012

Place : Kolkata



Managing Director

Chairman



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st December , 2011

	Schedule	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
INCOME FROM OPERATIONS			
Interest on Loans	11	523,044,738	391,087,687
Interest & Dividend on Deposits & Investment	12	5,945,485	6,991,977
Other Income	13	19,582,253	18,555,499
		<u>548,572,477</u>	<u>416,635,163</u>
LESS : EXPENSES			
Operating Expenses	14	137,041,567	110,993,349
Financial Expenses	15	152,251,632	111,780,484
Write-Off / Provisions	16	54,159,793	16,019,686
		<u>343,452,993</u>	<u>238,793,519</u>
OPERATING PROFIT		<u>205,119,484</u>	<u>177,841,644</u>
<u>Appropriation</u>			
General Reserve		61,535,845	53,352,493
Staff Training Fund		5,000,000	3,000,000
Retained Earning		138,583,639	121,489,151
		<u>205,119,484</u>	<u>177,841,644</u>
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of the Balance sheet.
In terms of our attached report of even date.

For S.N Mukherji & Co.
Chartered Accountants

Sudip K. Mukherji
Partner

Managing Director

Chairman

Membership No. 13321

Date : 12th April 2012

Place : Kolkata





CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2011

	(Nu.)	(Nu.)
Operating Profit as per Profit & Loss Account		205,119,483.86
Depreciation	14,124,899	
Loss on Sale of Fixed Assets	36,370.28	
Staff Training	(3,609,505.83)	
Provision for Loss	13,726,124.38	
Provision Against Loans	51,823,042.18	
Write off / Provisions	54,159,793.45	
Dividend on Share	431,000.00	
Interest on FDR	5,514,485.34	136,206,208.96
Cash Inflow from Operating Activities before Working Capital Changes		341,325,692.82
Increase in Current Liabilities including Liability for Gratuity	17,360,594.45	
Increase in Loans Receivable	(943,852,882.78)	
Increase in Loans & Advances	(20,949,508.38)	
Increase in Interest Receivable on Loan	(12,089,507.16)	(959,531,303.87)
Cash Inflow from Operating Activities		(618,205,611.05)
Purchase of Fixed Assets (Net)	(26,165,916.80)	
Increase in Investments	(3,000,000.00)	
Dividend on Shares	(431,000.00)	
Interest on FDR	(5,514,485.34)	(35,111,402.14)
Cash Inflow from Investing Activities		(35,111,402.14)
Utilisation of Grants	(1,805,199.81)	
Increase in Deposits	839,147,124.93	
Repayment of Borrowings	(87,428,836.18)	749,913,088.94
Cash Flow From Financing Activities		749,913,088.94
Increase in Cash & Bank as per Cash Flow		96,596,075.75
Opening Cash & Bank Balance	855,431,182.77	
Closing Cash & Bank Balance	758,835,107.02	
Actual Increase / (Decrease) in Cash & Bank Balance		96,596,075.75

For S.N Mukherji & Co.
Chartered Accountants
Firm's Registration No.301079E

Sudip K. Mukherji
Partner

Membership No. 13321

Date : 12th April 2012

Place : Kolkata

Managing Director

Chairman





	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
<u>SCHEDULE 1 : SHARE CAPITAL</u>		
<u>Authorized Share Capital</u>		
500000 Equity shares of Nu. 1000 each	500,000,000	500,000,000
<u>Issued, Subscribed and Paid up:</u>		
200,000 Equity shares of Nu.1,000 each fully paid-up.	200,000,000	200,000,000
	200,000,000	200,000,000

NOTE - Of the above 75,000 shares valuing Nu. 75,000,000 have been issued to Royal Government of Bhutan against conversion of Grants.





SCHEDULE 2: RESERVES & SURPLUS				31st Dec		31st Dec	
GENERAL RESERVES				(Nu.)		(Nu.)	
STAFF TRAINING FUND							
Opening Balance				384,558,684	446,094,529	384,558,683	
Transferred from Profit & Loss Account				61,535,845			
Add : Transferred from Profit & Loss Account				7,409,346	8,799,840	7,409,346	
Less : Expenditure during the year				(3,609,506)			
Opening Balance				7,409,346			
RETAINED EARNINGS							
Opening Balance				490,323,496	628,907,134	490,323,495	
Add : Transferred from Profit & Loss Account				138,583,639			
TOTAL				1,083,801,503	882,291,524		
SCHEDULE 3: GRANTS				31st Dec		31st Dec	
(i) UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)							
(ii) ASIAN DEVELOPMENT BANK (ADB)				12,087,955	12,087,955	12,087,955	
(iii) UNCDF GRANTS (For Revolving Bike Fund)				1,352,400	1,352,400	1,352,400	
(iv) SWISS DEVELOPMENT CORPORATION (SDC)				4,946,000	4,946,000	4,946,000	
(v) HELVETAS				446,151	446,151	446,151	
(vi) UNDP HSF LOAN FUND							
(Pilot micro finance to the rural community)				2,239,801	2,239,801	2,239,801	
(vii) ROYAL GOVT. OF BHUTAN GRANT				68,101,000	68,101,000	68,101,000	
(viii) UNDP HSF Project							
Opening Balance				218,260			
Less : Depreciation on assets				(21,376)	196,884	218,260	
(ix) UNCDF (Savings/Lending)							
Opening Balance				29,610,806			
Less : Utilized during the year (as loan fund)				(610,000)			
Less : Utilized during the year				(3,191,079)			
Less : Depreciation on assets				(210,376)			
(xv) UNCDF- Loan Fund (Fully Utilized)							
(xvi) BIO GAS - Credit				610,000			
(xvii) BIO GAS - Subsidy				1,335,337			
Opening Balance				(617,209)	718,129		
Less : utilized during the year							
Sengor Community Collateral Fund							
Add : Interest accrued during the year				2,088,436	2,144,788	2,088,436	
TOTAL				210,385,710	212,190,910		





		31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
<u>SCHEDULE 4: BORROWINGS</u>			
<u>a. Secured Loans</u>			
Asian Development Bank- Line of Credit (Phase 1)	1	31,588,699	33,446,858
Asian Development Bank - Line of Credit (Phase 2)		71,332,598	83,221,364
Asian Development Bank -Line of Credit - A/C # 0088/008		161,775,962	116,605,962
Kuwait Fund for Arab Economy Development - Line of Credit	2	17,566,371	26,349,556
International Fund for Agricultural Development - Line of Credit (Second Eastern Zone Agricultural Programme)	3	39,974,735	41,377,358
International Fund for Agricultural Development (Agriculture Marketing & Enterprise Promotion Programme)	4	53,279,646	51,945,677
Borrowing from National Pension & Provident Fund - II	5	500,000,000	500,000,000
Borrowing from Bhutan National Bank Limited		-	-
Borrowing from Bank of Bhutan Limited	6	400,000,000	500,000,000
Additional Fund Required			
	Sub Total	1,275,518,011	1,352,946,775
<u>b. Unsecured Loans</u>			
Borrowing from National Pension & Provident Fund - I		55,000,000	65,000,000
Borrowing from Bank of Bhutan Limited - Overdraft Facility		-	72
	Sub Total	55,000,000	65,000,072
	TOTAL	1,330,518,011	1,417,946,848

Note :

Borrowings from Asian Development Bank-line of credit is secured by guarantee of Royal Government of Bhutan.	1
Borrowing Kuwait Fund for Arab Economy Development is secured by guarantee of Royal Government of Bhutan.	2
Borrowing International Fund for Agricultural Development is secured by guarantee Royal Government of Bhutan guarantee.	3
Borrowing International Fund for Agricultural Development is secured by guarantee Royal Government of Bhutan.	4
Borrowings National Pension & Provident Fund is secured by pledge of FDR of Nu. 100 million with BNB and 40,000 sq.ft of land at Chubachu, Thimphu and guarantee by RGOB to the extent of Nu. 400 million	5
Borrowings from Bank of Bhutan is secured by guarantee of Royal Government of Bhutan.	6





	31st Dec 2011	31st Dec 2010
<u>SCHEDULE 5: DEPOSITS</u>		
Fixed Deposit	1,554,629,916	1,064,080,136
Recurring Deposit	50,944,200	36,707,318
Savings Deposit	576,208,554	334,384,001
Current Deposit	116,596,834	24,060,924
TOTAL	2,298,379,504	1,459,232,379

SCHEDULE 6 : CURRENT LIABILITIES & PROVISIONS**A. Current Liabilities**

Accrued Interest on Deposits	15,754,536	15,360,693
Accrued Interest on Borrowing	6,939,411	5,356,184
Accounts Payable	11,242,696	3,952,460
Tender Refundable Deposit	63,979	1,567,608
Margin Money Deposit	-	981,250
Income Received in Advance	4,473,693	3,197,353
Security Deposits	76,263	78,263
Provision for Audit Fees & Expenses	300,000	276,000
Accrued Expenses	15,540,071	8,111,855
Others	0	11,877
Sub Total	54,390,649	38,893,544

B. Provisions

Provision for Gratuity	33,841,522	31,978,031
Sub Total	33,841,522	31,978,031
Total	88,232,171	70,871,575



SCHEDULE 7 : FIXED ASSETS											
PARTICULARS	DEPRECIATION RATE	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING 01.01.2011	SALES/ ADJUSTMENT	ADDITIONS	AS AT 31.12.2011	OPENING 01.01.2011	SALES/ ADJUST.	FOR THE YEAR	AS AT 31.12.2011	AS AT 31.12.2011	AS AT 31.12.2010
		Nu.	Nu.	Nu.	Nu.	Nu.		Nu.	Nu.	Nu.	Nu.
LAND	0%	2,588,623	-	-	2,588,623	-	-	-	-	2,588,623	2,588,623
BUILDING	3%	59,480,214	-	255,284	59,735,498	1,520,995	-	1,789,673	3,310,668	56,424,830	57,959,219
FURNITURE & FIXTURES	15%	11,574,012	121,275	2,517,687	13,970,424	4,680,042	105,351	1,562,172	6,136,864	7,833,561	6,893,970
OFFICE EQUIPMENTS	15%	5,075,446	266,379	1,210,601	6,019,668	2,326,162	217,859	620,355	2,728,658	3,291,010	2,749,284
ELECTRICAL EQUIPMENT	15%	6,262,005	-	237,832	6,499,837	1,308,838	-	963,833	2,272,671	4,227,166	4,953,167
NETWORK EQUIPMENTS	15%	19,856,013	34,268.58	2,792,124	22,613,868	3,297,771	9,689	3,079,008	6,367,090	16,246,778	16,558,242
COMPUTER HARDWARE	15%	18,403,317	1,399,544	9,401,637	26,405,410	11,613,533	1,275,307	1,203,048	11,541,274	14,864,135	6,789,784
COMPUTER SOFTWARE	15%	11,419,072	-	9,392,546	20,811,618	3,090,513	-	3,587,537.58	6,678,051	14,133,567	8,328,559
MOTOR VEHICLES	15%	8,961,741	1,766,612.00	1,496,866	8,691,995	4,099,098	378,745	972,011	4,692,364	3,999,632	4,862,643
OTHER EQUIPMENTS	100%	97,408	40,900	108,000	164,508	97,347	42,396	109,446	164,397	111	61
ART & ARTIFACTS	0%	183,260	14,200	71,380	240,440	-	-	-	-	240,440	183,260
SECURITY EQUIPMENTS	15%	1,621,758	183,522.73	95,850	1,534,085	309,270	175,428	237,814	371,656	1,162,429	1,312,488
TOTAL FIXED ASSETS		145,522,868	3,826,700	27,579,807	169,275,975	32,343,568	2,204,775	14,124,899	44,263,692	125,012,283	113,179,301
CAPITAL W.L.P											
PREVIOUS YEAR		145,522,868	3,826,700	27,579,807	169,275,975	32,343,568	2,204,775	14,124,899	44,263,692	125,012,283	113,179,301
		110,772,534	259,464	35,009,798	145,522,868	21,348,977	248,799	11,243,389	32,343,567	113,179,301	

Notes : 1. No depreciation has been charged on Art&Artifacts as per the Income Tax Act of the Kingdom of Bhutan, 2001.

2. Depreciation for the year	14,124,899
Less : Depreciation on assets acquired out of Grants	231,753
Charged to Operating expenses Schedule 14	13,893,147





	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
<u>SCHEDULE 8 : INVESTMENTS (At Cost)</u>		
<u>Quoted</u>		
1) 2500 Equity Shares of Nu. 100 each of Bhutan Carbide and Chemicals Limited	500,000	500,000
3) 3810 Equity Shares of Nu. 100 each of Penden Cement Authority Limited	381,000	381,000
Sub Total	881,000	881,000
<u>Unquoted</u>		
1) 5000 Equity Shares of Nu. 100 each of Royal Securities Exchange of Bhutan Limited	500,000	500,000
2) Capital Contribution for Financial Institution Training Institute	3,000,000	-
Sub Total	3,500,000.00	500,000.00
TOTAL	4,381,000.00	1,381,000.00
Note : Market / Book value of Quoted Investments	5,869,500	4,035,000



**SCHEDULE 9 : LOANS (Recievable)**

	31st Dec	31st Dec
	2011	2010
	(Nu.)	(Nu.)
Term Loan	3,864,721,903	3,126,104,064
Continuous Loan	560,125,392	400,366,100
Staff Loan	24,615,231	22,220,164
Principal Outstanding	4,449,462,527	3,548,690,328
Add : Interest Receivable on Loans	103,800,336	91,710,829
Total Outstanding	4,553,262,863	3,640,401,157
Less : Provision For Loss		
Specific Provisions	235,772,614	187,085,068
General Provisions	61,713,254	47,790,058
Suspended Interest/Penalty	55,669,920	55,570,178
Total Provision for loss	353,155,789	290,445,304
Loans Net of Provisions	4,200,107,074	3,349,955,853





	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
SCHEDULE 10 - CURRENT ASSETS AND ADVANCES		
A. Current Assets		
Cash and Bank Balances		
(i) Cash in Hand	108,310,133	56,644,514
(ii) Cheques in Hand	977,830	629,545
(ii) Balances with Commercial Banks	251,092,676	205,179,430
(iii) CRR Deposit with Royal Monetary Authority	377,528,373	235,294,807
(iv) Balance with Royal Monetary Authority	2,522,169	886,812
Short Term deposit with Bhutan National Bank Ltd.	100,000,000	100,000,000
Short Term deposit with T-Bank Ltd -Gratuity Fund	15,000,000	10,200,000
Short Term deposit with T-Bank Ltd.	-	150,000,000
Sub Total	855,431,183	758,835,107
B. Loans & Advances		
Stock of Stationeries and Spares	1,827,512	1,154,264
Accounts/Other receivables	28,161,353	11,147,298
Asset Acquired on Settlement of Loans	15,000	15,000
Accrued Interest on short term deposits	1,755,436	3,241,732
Pre-Paid Tax	5,000	7,475
Advances & Prepayments	1,109,333	7,265,798
sub Total	32,873,633	22,831,567
Less: Provision For Loss		
Against Receivables	6,301,608	3,634,592
Against stock	13,248	-
Against Assets	158,418	
Against Asset Acquired on Settlement of Loans	15,000	15,000
Sub Total	26,385,359	19,181,975
TOTAL	881,816,542	778,017,082

SCHEDULE 11 : INTEREST ON LOANS

Term Loan	461,949,008	339,471,488
Continuous Loan	59,758,383	50,401,732
Staff Loan	1,337,348	1,214,466
TOTAL	523,044,738	391,087,687





SCHEDULE 12 : INTEREST & DIVIDEND ON DEPOSITS & INVESTMENTS

Interest on FDR -with Commercial Banks
Dividend on Shares

	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
	5,514,485	6,554,727
	431,000	437,250
TOTAL	5,945,485	6,991,977

SCHEDULE 13 - OTHER INCOME

Legal Documentation Fee
Comission on Guarantee
Audit Recovery
Rental Income
Recovery From Written Off Loan
Charges on repayment of loan of other Branches
Profit(Loss) on Asset Sold/Discarded
Charges on outstation withdrawal/deposit of deposits
Prior Period Income (Expense)Net
Penalty & Other Income on Deposit Accounts
Income on Fractional Amount Raised on Account Closing
Miscellaneous

	1,426,149	1,045,670
	11,355,926	11,724,178
	254,558	244,143
	3,417,156	2,823,815
	-	131,980
	1,063,984	720,355
	(36,370)	(10,664)
	205,933	-
	23,977	(922,959)
	20,269	24,220
	90,424	76,138
	1,760,248	2,698,623
TOTAL	19,582,253	18,555,499





	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
<u>SCHEDULE 14 : OPERATING EXPENSES</u>		
Salary and Personnel Expenses	84,852,804	70,541,721
Workshop/Seminar	693,850	2,027,633
Rent	1,779,346	1,389,991
Power and Water	624,768	550,089
Communications	5,088,197	4,210,707
Repairs and Maintenance	1,018,471	612,646
Annual Software Maintenance	2,389,907	1,299,984
Stationery and Supplies	4,618,931	3,943,528
Motor Vehicle Expenses	1,371,035	1,049,043
Subscriptions	834,954	568,711
Donation	65,000	30,000
Audit Fess	75,000	75,000
Auditor's Fees and Expenses	291,074	201,000
Travel Expenses	13,622,669	8,873,684
Insurance	261,234	162,703
Transportation Charges	343,580	164,331
Entertainment/Business Promotion	1,130,777	1,253,250
Land Tax	30,452	34,044
Advertisement and Publicity	937,392	685,187
Fees and Commission Expenses	99,425	144,470
Bank Charges	641,175	895,581
Depreciation	13,893,147	11,239,049
Consultancy Fees	742,568	10,000
Office Security Expense	956,000	928,800
Other Expenses	679,812	102,197
TOTAL	137,041,567	110,993,349





	31st Dec 2011 (Nu.)	31st Dec 2010 (Nu.)
<u>SCHEDULE 15: FINANCIAL EXPENSES</u>		
<u>a. Interest on Deposits</u>		
Savings Deposits	19,587,033	9,783,033
Recurring Deposits	2,950,429	1,948,806
Fixed Deposits	50,828,387	17,412,212
Sub Total	73,365,849	29,144,052
<u>b. Interest on Borrowings</u>		
In - Country	64,123,017	69,190,184
Third - Country Through Royal Government of Bhutan	14,762,766	13,446,248
Sub Total	78,885,783	82,636,432
TOTAL	152,251,632	111,780,484

SCHEDULE 16 :WRITE OFF / PROVISIONS

Provision against loss of Assets	171,666	-
Staff Advance written off	20,000	-
Loans Written off	708,190	-
Provision on Loans	53,259,938	16,019,686
TOTAL	54,159,793	16,019,686





Schedule forming part of the Accounts for the Year ended 31st December 2011

SCHEDULE 17 – SIGNIFICANT ACCOUNTING POLICIES:

1. SYSTEM OF ACCOUNTING

- 1.1 The financial statements have been prepared by following the going concern concept on historical cost basis and conform to the statutory provisions, various instructions, circulars and guidelines issued by the Royal Monetary Authority (RMA) of Bhutan from time to time and generally accepted accounting policies and procedures prevailing in the country unless otherwise stated.

2. REVENUE RECOGNITION

- 2.1 Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days, in respect of which the interest income as per the guidelines issued by the Royal Monetary Authority of Bhutan, is shown under the head “Interest Suspense” which is taken to Profit & Loss Account on actual realization only.
- 2.2 Interest on investment is recognized on accrual basis.
- 2.3 Dividend income is recognized in the accounts in the year of dividend declaration by the investee companies.
- 2.4 Commission and exchange on Guarantee and letters of credit are recognized on pro rata basis over the period of their validity.

3. LOANS

- 3.1 Loans are stated at principal amount plus interest accrued thereon.
- 3.2 Assets acquired from defaulted borrowers are shown at the corresponding value of balances outstanding on the date of acquisition. Provision is made for possible shortfall, if any, as considered appropriate by management. Claims on such property by third party, if any, is disclosed as contingent liability.

4. INVESTMENTS

- 4.1 Investments are stated at cost.
- 4.2 Provisions are made for any shortfall in the market value of quoted investments in comparison to their carrying cost. In case of unquoted/unlisted investments provisions for diminution in value (as considered appropriate by the management) are made. Appreciation in the value of the investments is ignored.





5. FIXED ASSETS

- 5.1 Fixed assets are stated at original cost, net of accumulated depreciation.
- 5.2 Depreciation is provided at the rates specified in the Annexure II of Rules on the Income Tax Act of the Kingdom of Bhutan 2001 and is computed under straight-line method on pro-rata basis from the date of acquisition.
- 5.3 Fixed Assets are verified on as Annual basis and are entered in the Fixed Assets Register. Discrepancies if any are accounted for during the year
- 5.4 Impairment loss on Fixed Assets are identified and treated in the accounts accordingly.

6. GRANTS

- 6.1 Grants received in kind/cash for acquisition of fixed assets are recognized in the account as capital reserve to be apportioned over the life of the related assets. Other grants related to revolving fund received from Royal Government of Bhutan and others for specific project are also recognized in the accounts as capital reserve.

7. INVENTORIES

- 7.1 Inventories are stated at lower of cost or net realizable value.
- 7.2 Obsolescence is recognized as and when required.
- 7.3 Small value items of assets cost of which are below Nu. 25,000 have been considered as stores purchased during the year and are fully charged against revenue in the year of purchase.

8. CURRENT LIABILITIES

- 8.1 Current liabilities are stated at their actual/estimated amount due on accrual basis.
- 8.2 Provision for bonus is considered in the accounts on the basis of board resolutions.

9. STAFF BENEFITS

- 9.1 Gratuity is provided on accrual basis, as per the corporation's service rules read with the guidelines framed by the Royal Civil Service Commission of Bhutan, presuming that all employees cease to work as of the year end.
- 9.2 Bonus is accounted for on accrual basis.





9.3 Leave encashment liability is provided on the basis of leave accrued to the employees as at the end of the year considering the last basic pay of each employee.

9.4 Leave travel concession (LTC) is accounted for on accrual basis.

10. CLAIMS

10.1 Claims if any are generally accounted for on settlement basis.

11. PROVISION FOR NON-PERFORMING LOANS

11.1 Provision for non-performing loans is made as per the guidelines issued by the Royal Monetary Authority of Bhutan at the following rate, except for loans under litigation against which 100% provision is made.

Credit Exposure	Provision on outstanding Principal amount. (%)
Standard	1.50
Watch	1.50
Substandard	20 (30 in case of Highest Exposure Sector)
Doubtful	50 (60 in case of Highest Exposure Sector)
Loss	100

12. CONTINGENT LIABILITY

12.1 Liabilities of contingent nature are disclosed in the notes on accounts.

13. BALANCE SHEET EVENTS

13.1 Material events occurring after the balance sheet date are taken into cognizance

14. FOREIGN EXCHANGE FLUCTUATIONS

14.1 Foreign exchange transactions are converted into local currency by using exchange rates prevailing on the date of transaction as published by the Royal Monetary Authority of Bhutan.

14.2 Monetary assets & liabilities (denominated in foreign currencies) are converted at Rates prevailing at the year end.

14.3 Acceptances, endorsement and other obligations are reported at the exchange rate prevalent on the date of the commitment.





15. NET PROFIT OR LOSS

The result declared in the Profit & Loss Account is after considering:-

15.1 Provision on non-performing assets.

15.2 Provision for depreciation on corporation's property, and

15.3 Other usual/ necessary provisions as required.





Schedule forming part of the Accounts for the year ended 31st December, 2011

SCHEDULE 18 – NOTES ON ACCOUNTS

1. Name of the Corporation has changed from Bhutan Development Finance Corporation Limited to Bhutan Development Bank Limited with effect from May 30th 2011.
2. In terms of tripartite agreement between Royal Government of Bhutan, Asian Development Bank / Kuwaiti Fund for Arab Economic Development / International Fund for Agriculture Development and Bhutan Development Bank Limited, exchange fluctuation in respect of foreign currency loans received by the Corporation from ADB/KFAED/IFAD has not been recognized in the books of the Corporation.
3. Confirmations from various parties are not available in respect of loans, advances, receivables, payable etc.
4. Bhutan Development Bank Limited has been granted tax holiday up to December, 2011 in accordance with Ministry of Finance letter F.MOF/PED/19/2011/4161, dated 29th June, 2011 and accordingly no provision for tax liability has been made in the accounts in 2011.
5. Provision amounting to Nu. 286,598,425.00 (Nu.234,875,126.32 in 2010) against Loans has been computed as per the RMA Prudential Guidelines
6. An amount of Nu.33,841,522.00 (Previous Year.31,978,031) has been ascertained as liability towards gratuity on the presumption that all employees cease to be employed with the corporation as on 31.12.11 .This liability has been funded by way of separate investment Nu.15,000,000 as against the total gratuity provision of Nu. 33,841,522.00 as at 31.12.11.
7. Out of total Borrowings, principal amount due for repayment in 2011 is Nu. 133.933 million.
8. During the year under review Nu. 3,609,506.00 spent on training staff outside the country has been adjusted with the Staff Training Fund created for the purpose.
9. During the year the Bank has paid Nu. 3,000,000 towards Capital contribution for Financial Institution Training Institute, as directed by Royal Monetary Authority. Further contribution of Nu. 3,000,000 will be made in the year 2012.





10. Remuneration and expenditure paid/reimbursed to the Managing Director subjected to Board's approval was as follows.

Sl.No	Particulars	Amount-2011	Amount-2010
1	Pay & Allowance	922,460.00	908,340.00
2	Leave Travel Concession	15,000.00	15,000.00
3	Leave Encashment	59,667.00	58,597.00
4	Bonus	113,092.00	112,022.00
5	Travel Expense (In-Country)	60,450.00	22,000.00
6	Travel Expense (Abroad)	-	573,763.00
8	Provident Fund	70,641.00	70,524.00
9	BDFCL's Board Sitting Fees in 2011	30,000.00	30,000.00
10.	Early Retirement Scheme	480,825.00	0
	TOTAL	1,752,135.00	1,790,246.00

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

Sl.No.	Particulars	Amount in 2011	Amount in 2010
A	Salary & Personnel Expenses includes	84,852,803.5	70,541,721
1	Manpower Expenses	59,684,377.18	47,565,820.68
2	Medical Expenses	49,154.00	157,096.86
3	GPF Contribution	4,737,973.00	4,286,011.00
4	Gratuity	3,610,567.00	3,564,082.00
5	Leave Travel Concession	2,636,116.00	2,537,017.00
6	Leave Encashment	3,056,941.45	2,791,041.00
7	Bonus to Staff	8,134,322.57	6,872,091.00
8	Staff Amenities	1,001,290.00	914,515.00
9	Cash Handling Allowance	805,920.00	721,800.00
10	Staff Transfer Expenses	985,142.30	632,246.60
11	Rent Expenses for personnel	151,000.00	0
12	Early Retirement Scheme	480,825.00	0
13	Staff Incentives	0	500,000.00
B	Repairs & Maintenances	1,081,591.48	612,646.00







12. The following are the contingent liabilities as at

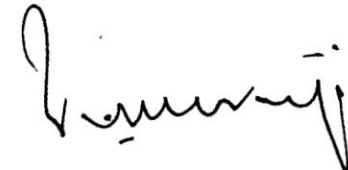
	31.12.2011 Nu.	31.12.2010 Nu.
a. Performance Bonds	423.5m	318.04m
b. Other Guarantees	62.6m	113.40m

13. Previous year's figures have been rearranged / regrouped wherever necessary to make them comparable with the current year's figure.


Managing Director
Dated :


DASHO NIMA WANGDI
Chairman
Dated :

For S.N Mukherji & Co.
Chartered Accountants


Sudip K. Mukherji
Partner

Dated : 12th April 2012

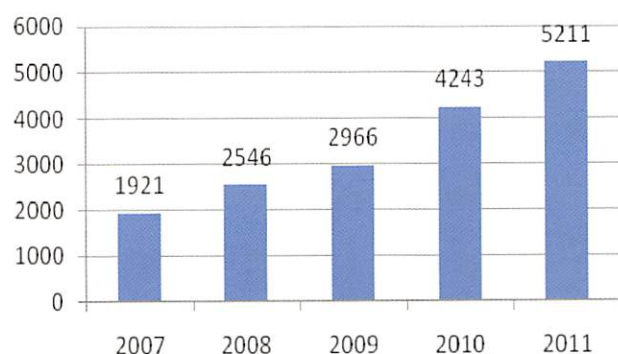




CONSOLIDATED PERFORMANCE INDICATORS

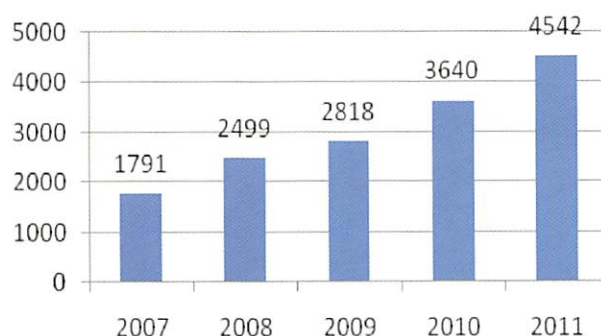
ASSET POSITION 2007-2011

(Amount in million)



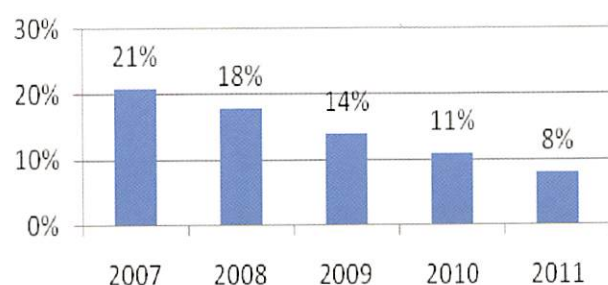
LOAN OUTSTANDING- 2007-2011

(Amount in Million)

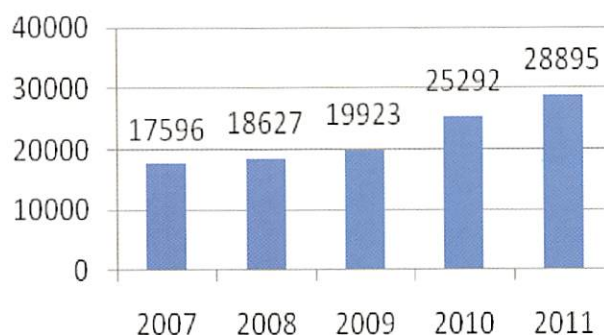


PORTFOLIO AT RISK-2007-2011

(> 90days)

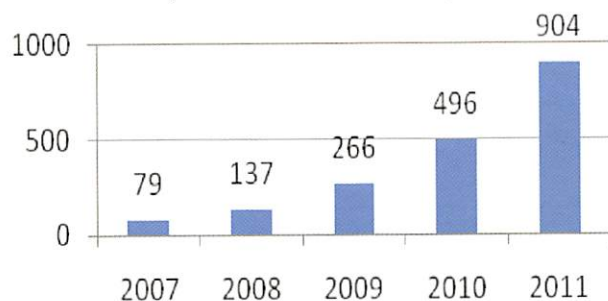


NOs. Of ACTIVE CREDIT ACCOUNTS

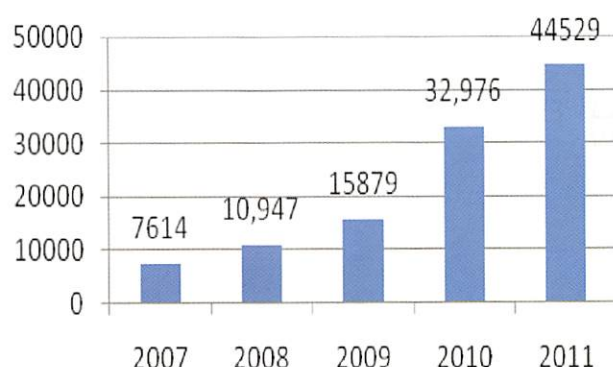


DEPOSIT GROWTH 2007-2011

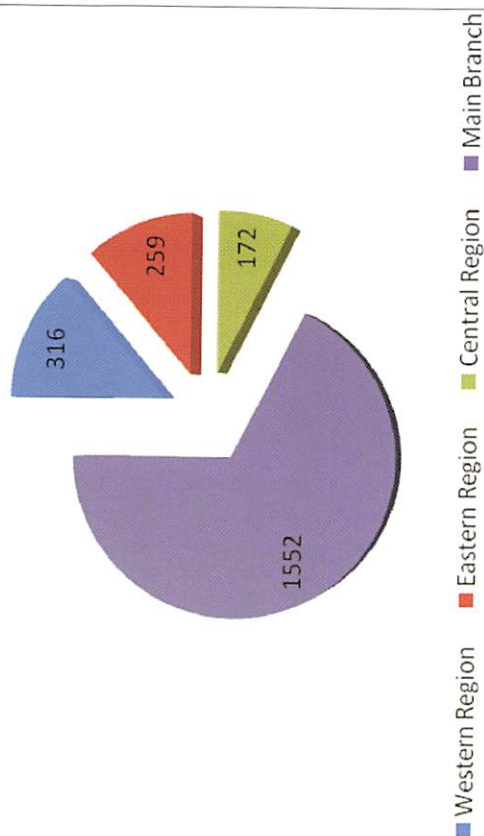
(amount in million)



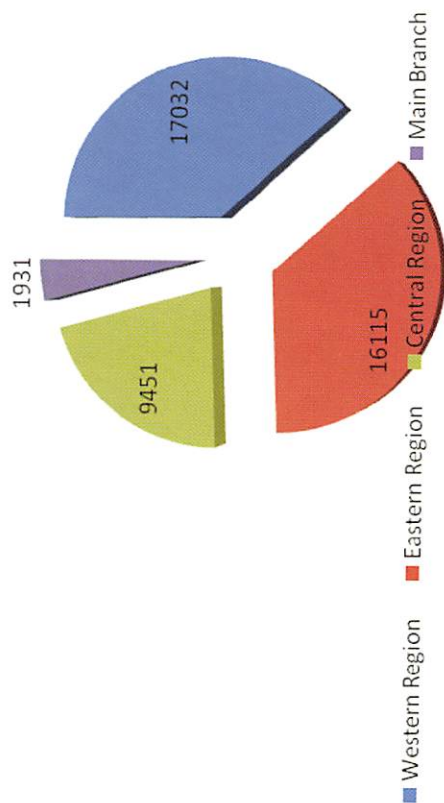
NOS. OF ACTIVE DEPOSIT ACCOUNTS



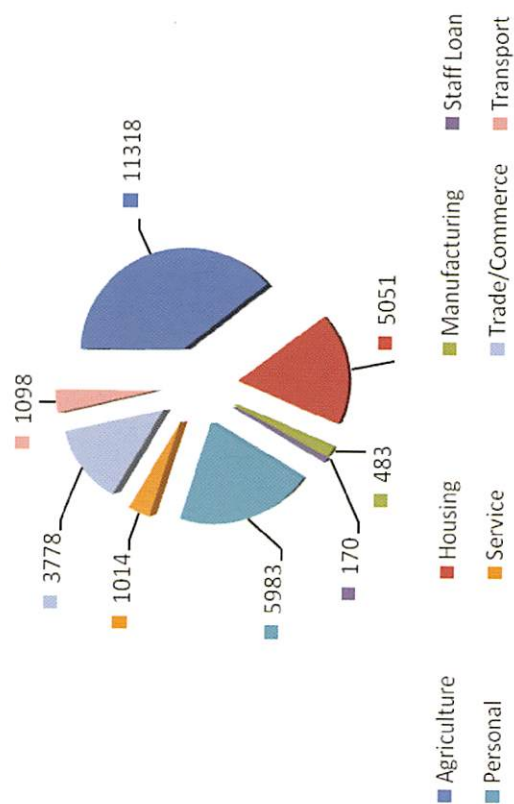
REGION -WISE DEPOSITS (Amount in million)



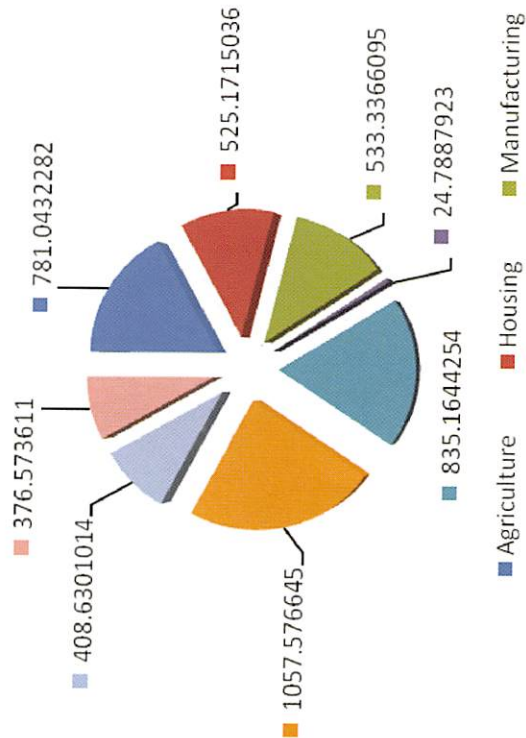
REGION - WISE NOS. OF DEPOSIT ACCOUNTS



SECTOR-WISE DISTRIBUTION OF LOAN ACCOUNTS



SECTOR- WISE LOAN OUTSTANDING





P.O Box 256 | Thimphu Bhutan | Telephone # 322579/323425/324687 | Fax # 323428/335081
E-mail – info@bdb.bt | Web – www.bdb.bt