Directors’ Report - 2015

On behalf of the Board of Directors of T Bank Ltd., I have the privilege to present the 6th Annual Report and Audited Statement of Accounts of the Bank along with the Audited financial statement, Auditors’ Report and the report on the banking business and its operation for the year ended 31st December 2015.

Brief Background

In line with the license issued by the Royal Monetary Authority of Bhutan (RMA), T Bank Limited was established as a fourth commercial bank on 10th March 2010 to carry out banking business in the country. It commenced its banking operation with establishment of Corporate Office and Thimphu branch office on 12th March 2010 with the objective to meet the growing demand of the banking services of the general public and to provide cohesive competition in the financial sector in Bhutan. The second branch office was opened at Phuentsholing in September 2010, a third branch at Bajo town in Wangdue Phodrang in March 2012, and the fourth branch at Gelephu in early 2013. The paid-up capital of the Bank stands at Nu. 300 million. The bank has been listed in the Royal Securities Exchange of Bhutan Limited (RSEBL) on 17th March 2011. The Bank has successfully completed its sixth year of its operation with guidance and support from the Board members, our valued customers and the shareholders. During the year under review, the Bank has brought about growth and performance in its overall activities.

During the year, the Bank has adopted the first phase of the Bhutan Accounting Standards (BAS) requirements and the remaining two phases will be fully complied during 2016.

Ownership

T Bank Limited has been promoted by three prominent business personnel of Bhutan. Upon issue of shares to the general public in 2011 and rights offer in 2013, the share holding pattern of the bank remains as follows:

1. Ashi S. Dorji - 20%
2. Dasho Wangchuk Dorji - 20%
3. Dasho Togyal Dorji - 20%
4. General Public - 40%
Main Activities

The bank has been continuously providing an enabling environment for financial service delivery in the country and has been offering an array of comprehensive financial products and services including personal, retail business and international banking, fund transfers and other investments.

Financial highlights

I also have my pleasure like mention here that T Bank Ltd has adopted its final accounts in line with the 1st Phase of BAS and all such amounts have been realigned accordingly. As at end of December 2015, total assets of the Bank amounted to Nu 4,666.68 million as against Nu 4,730.19 million in 2014. This decline has been attributed to the slowdown in the economic activities in the country resulting in lower demand in loans and advances. Total loans and advances stood at Nu 2,270.01 million as compared to Nu 2,287.62 million a year ago. Deposit liabilities also decreased from Nu 4,013.23 million in 2014 to Nu 3,914.29 million in December 2015.

Despite the above facts, the bank was able to generate a total income of Nu 379.25 million during the year up from Nu 335.37 million in the previous year. This growth was mainly contributed by increase in interest income on loans amounting to Nu 363.44 million in 2015 as against Nu 318.87 million in 2014. On the other hand, interest expenses on deposit liabilities also marked an increase from Nu 186.15 million in 2014 to Nu 214.69 million in 2015. As mentioned in this report, due to economic scenario, there is an increasing trend in the Non-Performing Loans (NPL). In order to safeguard the deterioration of our loan assets, the bank has kept additional provisions on these loans amounting to Nu 35.07 million up from Nu 26.95 million in the previous year. Therefore, the bank’s profit after tax has been maintained at Nu 36.75 million as against Nu 36.02 million in 2014.

It is also worth mentioning that the Bank had handled foreign exchange business to the tune of Nu 1,953 million registering a growth of more than 58% from that of 2014.
SUMMARY OF FINANCIAL STATEMENTS

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<tbody>
<tr>
<td>1. Total Assets/ Liabilities</td>
<td>4,666.68</td>
<td>4,730.192</td>
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<tr>
<td>2. Total Loans &amp; Advances</td>
<td>2,270.01</td>
<td>2,287.62</td>
</tr>
<tr>
<td>3. Total Deposit Liabilities</td>
<td>3,914.29</td>
<td>4,013.23</td>
</tr>
<tr>
<td>4. Total Income</td>
<td>379.25</td>
<td>335.37</td>
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<tr>
<td>5. Total Expenses</td>
<td>326.74</td>
<td>283.01</td>
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<tr>
<td>6. Profit Before Tax</td>
<td>52.51</td>
<td>52.36</td>
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<tr>
<td>7. Profit After Tax</td>
<td>36.75</td>
<td>36.02</td>
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While taking into consideration all the above development, the Bank was able to fulfill all the requirements of Prudential Regulation 2002 of Royal Monetary Authority of Bhutan. It has been observed that the Capital Adequacy Ratio (CAR) stood at 19.79 percent in December 2015 as against the RMA requirement of 10 percent; Single Largest Borrower stood at 12.85 percent and Ten Largest Borrower is within the limit at 16.9 percent. The Statutory Liquidity Ratio has also improved from 51.42 percent in 2014 to 45.56 percent as of the end 2015.

KEY RATIOS

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<tr>
<td>1. Credit to Deposit</td>
<td>62.28%</td>
<td>60.31%</td>
</tr>
<tr>
<td>2. Capital Adequacy Ratio</td>
<td>19.79%</td>
<td>17.29%</td>
</tr>
<tr>
<td>3. Statutory Liquidity Requirement</td>
<td>45.56%</td>
<td>51.42%</td>
</tr>
<tr>
<td>4. Single Largest Borrower</td>
<td>12.85%</td>
<td>12.44%</td>
</tr>
<tr>
<td>5. Ten Largest Borrower</td>
<td>16.90%</td>
<td>17.26%</td>
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Therefore, during the reporting year, there was no violation on any of the key ratios of the Bank.

Corporate Governance

As believed by the Bank that good corporate governance is much more important than complying with the regulatory and legal requirements. The Bank is therefore committed to achieving a high standard of corporate governance and has been implementing best practices in all areas of its banking operations.
During 2014, the Board met four times meeting the minimum requirements of the Companies Act of the Kingdom of Bhutan 2000 and RMA’s Prudential Regulations 2002. The quorums of these meetings were also duly maintained. The Board Audit Committee also met four times to perform the internal auditing of the affairs of the bank in 2015.

In accordance with the Companies Act of the Kingdom of Bhutan 2000, all the documents have been duly maintained. The terms of the Act so far as relevant to the Bank have been generally followed. Overall, the Bank has followed best practices of good corporate governance during the year 2015.

**Compliance**

Despite unfavorable economic scenario in the country, the Bank has complied with the rules and regulations in line with the RMA Prudential Regulations 2002 and the Companies Act of the Kingdom of Bhutan 2000. All prudential requirements stipulated by the RMA such as requirements on general provision of 1 percent to 1.5 percent on good loans were met in 2015 and specific provision on non-performing loans as well. During the year, Bank’s Capital Adequacy Ratio (CAR) at minimum of 10 percent was met. The Statutory Liquidity Ratio (SLR) of 20 percent of its total liabilities excluding capital fund was also complied. The bank also disclosed on the liquidity and related party transactions for the period ended 2015. As a part of its risk management, the Bank will continue to improve its compliance requirements in line with the laws, by laws and other related rules and regulation.

**Board of Directors**

As per the requirements of the RMA and the Companies Act of Bhutan, the Board inducted new Directors, who have the collective responsibility of ensuring that the affairs of the Bank are managed ably and with integrity. The following are the present Board of Directors:

1. Dasho Wangchuk Dorji - Chairman
2. Ashi S. Dorji - Director
3. Mr. Lamkey Tshering - Director
4. Mr. Passang Dorji - Director
5. Mr. Gem Tshering - Director
6. Mr. Bedu Prasad Bhattarai - Director
7. Mr. Tshering Dorji - Director/Chief Executive Officer
As per our record, the directors have also been providing effective leadership and guidance to the management on the day to day banking activities for the future growth of the Bank.

**Audit Committee**

In accordance with Section 1, Schedule 1 of Prudential Regulation 2002, the Bank has established the Audit Committee during its 9th Board Meeting. The non executive directors were nominated which was ratified by the shareholders then.

**Investment**

The Royal Monetary Authority of Bhutan is currently in the process of establishing Financial Institutions Training Institute (FITI) with a paid up capital of Nu. 300 million. As T Bank holds 2 percent of its paid up capital, Nu 6 million has already been contributed to RMA in 2012. The bank had also contributed Nu 1.75 million as its share for the establishment of Credit Information Bureau.

Further, the Bank had invested Nu 20.00 million each in two corporate bonds issued by the Dungsam Cement Corporation Ltd and Tashi Air Pvt. Ltd in April/May 2014 for a period of 10 years.

**Training & Seminars**

As human resource development is important for the Bank, it had allocated separate budget to train the staff. During the period under review, the Bank has trained 9 officials abroad and 3 officials in different courses in India under the HRD budget allocated for 2015. Further, 20 officials attended in-country training programmes organized by various agencies and institutions in Bhutan.

**Future prospect and plan**

In accordance to the requirement of the “Establishment of commercial banks in Bhutan” the Bank has plans to expand its branch network/branchless banking services to cater to financial services to the general public at large. For better customer service and modernization, the Bank will further enhance its core banking solutions and provide better services to its clients.
It will also include marketing, brand building and expansion of customer base by providing personalized banking services and include alternate channels of payment and settlement system such as internet banking, ATMs and Point of Sale services.

Auditors

T Bank Ltd’s books of accounts for the year ended 31st December 2015 have been audited by M/s N C Mitra & Company, Chartered Accountants, Kolkata, who were appointed as Auditor of the Bank by the Board and the AGM.

Acknowledgement

The Chairperson and the Board of Directors would like to place on record its gratitude to the Royal Government of Bhutan, Royal Monetary Authority of Bhutan, the Auditors, other Regulatory Authorities, Financial Institutions and Correspondent Banks for their support and guidance. The Board would also like to convey its appreciation to the bank’s shareholders, customers and the investors for their support and goodwill. The Board also expresses its appreciation to the management and all employees of the Bank for their hard work and team work in building a strong base for the future growth of the bank.

Tashi Delek!

For and on behalf of the Board of Directors

Dasho Wangchuk Dorji
Chairman