

2016 ANNUAL REPORT



R I C B

**ROYAL INSURANCE CORPORATION
OF BHUTAN LIMITED**

Insure with RICB to be sure



TRAVEL WITH EASE

GO FOR RICB'S TRAVEL
INSURANCE

For more details, please visit:

www.ricb.com.bt

Toll Free No. # 181 (THIMPHU)

Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure

The only thing certain in life is uncertainty. Yet there is so much one can do to make it a lot easier. Take this, for instance: whether you are on a business or holiday or official work, you can vastly ease your own concerns and worries - and that of your loved ones - by simply subscribing to RICB's travel insurance.

During overseas travel, in the event of an accident or sickness or loss of baggage, passport or third party property damage or injury, you are fully secured. Likewise, for in-country travel, you are fully insured against accident and other mishaps for the duration of the journey.

So, what is stopping you?



PLAN FOR YOUR FUTURE LIFE ANNUITY SCHEME

To overcome the hardships of old age, all it requires is a little effort from your side - today. Just set aside a little bit of your income to join the RICB's Life Annuity Scheme. The amount accumulated over the years coupled with additional returns will ensure that you are able to live with **HOPE** and **DIGNITY** after retirement. The beauty of this scheme is that it provides an opportunity for everyone – irrespective of the size of their income – to participate.



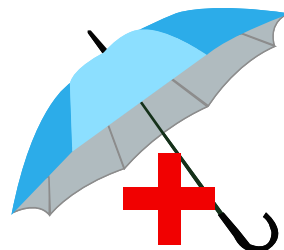
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Insure to be sure



HEALTH
insurance

HEALTH IS WEALTH

Our darkest hour comes when our loved ones are sick or dying. This is the time when we are most in need. Knowing this, RICB has come up with Health Insurance Scheme – I. All you do is subscribe to this policy and your nightmare is over.

From emergency hospitalization and treatment in 3500+ network hospitals in India and pre- and post-hospitalization expenses to costs of day care and ambulance, the policy will take care of your most pressing needs.



For more details, please visit

www.ricb.com.bt

Toll Free No. # 181 (THIMPHU)

Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure



HIGHER EDUCATION INSURANCE **OUR CHILDREN'S FUTURE LIES IN OUR HANDS**



Knowledge is power. And we, as parents and guardians, can determine the kind of future our children will have. A little investment today will make all the **DIFFERENCE** tomorrow. Thus the reason why we must embrace RICB's higher education insurance scheme.

Returns

20% of sum assured on the attainment of age 18 years
20% of sum assured on the attainment of age 19 years
20% of sum assured on the attainment of 20 years
20% of sum assured on the attainment of 21 years
20% of sum assured on the attainment of 22 years

Conditions

Parents or guardian age: 18 to 50 years

Child's age: 0 to 10 years

Minimum Sum Assured: Nu 30,000

Maximum Sum Assured: Nu 10,00,000

For more details, please visit

www.ricb.com.bt

Toll Free No. # 181 (THIMPHU)

Toll Free No. # 151 (PHUENTSHOLING)

Insure to be sure





R I C B

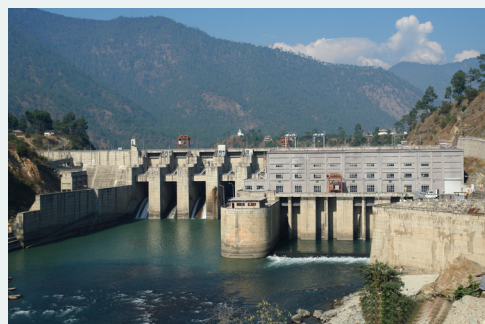
**ROYAL INSURANCE CORPORATION
OF BHUTAN LIMITED
ANNUAL REPORT 2016**



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BHUTANESE ECONOMY

Riding high on a positive trajectory

Bhutan's impressive economic growth trajectory in 2016 has been attributed to the ongoing investments in hydropower projects and supportive fiscal and monetary policies. A stable macroeconomic environment enabled by a single-digit inflation, a relatively stable exchange rate and growing international reserves translated into 6.5% GDP growth, higher than the previous year's 5.9%. And this growth is expected continue for the next few years.

Bhutan is the third fastest growing economy in the world riding on accelerated investments in hydropower, good agricultural harvests, combined with robust tourism industry created by a conducive environment. On the demand front, resumption of credit stimulated private consumption and its benefits were felt across every sector, especially construction and automobile.

Although Bhutan slipped two places in the Ease of Doing Business, from 71 to 73, out of 189 countries, it is still a pleasant scenario considering Bhutan has left most of its giant neighbors behind. Today, the country has adequate foreign reserves to fund nine months of projected imports. The year

2016 also recorded the lowest inflation rate of the last one and half decade at just over 3%.

However, large current account deficits, high public debt, an underdeveloped private sector and high youth unemployment rate are still a cause for concern. To address these challenges, measures are being put in place through the revised Economic Development Policy, which will directly benefit hydropower, cottage and small Industries, mining, tourism and agriculture — the “five jewels” of Bhutanese economy.

The construction and commissioning of hydropower projects is likely to stimulate domestic demand, which would result in additional pressure on the balance of payments (BoP). To mitigate these risks, credit growth and international reserves will have to be carefully monitored.

Increasing foreign direct investment (FDI) and remittances will be important to finance the current account deficits, according to the World Bank. Bhutan's external debt risk is moderate as per the latest debt sustainability analysis. Much of the debt is linked to loans availed for hydropower construction.



The RICB's headquarters in the heart of Thimphu

RICB

A Profile

“

The primary mandate of RICB is to meet the insurance needs of the people and help spur the economic development of Bhutan.

”

Established on January 7, 1975, through the Royal Charter of His Majesty Jigme Singye Wangchuck, the Fourth King of Bhutan, the Royal Insurance Corporation of Bhutan Limited (RICB) is Bhutan's second oldest financial institution.

The company started with a paid up capital of Nu 1.00 million against an authorized capital of Nu 2.00 million. The government injected 51% of the seed capital with the rest ploughed in by Dasho Ugyen Dorji, a reputed businessman and industrialist, and the general public.

On October 11, 1991, RICB was incorporated as a public limited company.

Two years later, it was listed on the Royal Securities Exchange of Bhutan.

Meanwhile, the government divested part of its equity to the public to promote private sector growth. Today 61 percent of the company is owned by public and private organizations, 18 percent by Druk Holding and Investments, and the remaining 21 percent by His Majesty's Welfare Fund.

The primary mandate of RICB is to meet the insurance needs of the people and help spur the economic development of Bhutan. In so doing, RICB is the only multi-faceted financial service provider catering life insurance, general insurance, credit facilities and other social security schemes.



VISION, MISSION & CORE VALUE



OUR VISION

To be the premier financial services provider in the country and beyond, securing the ever evolving aspiration of the society.

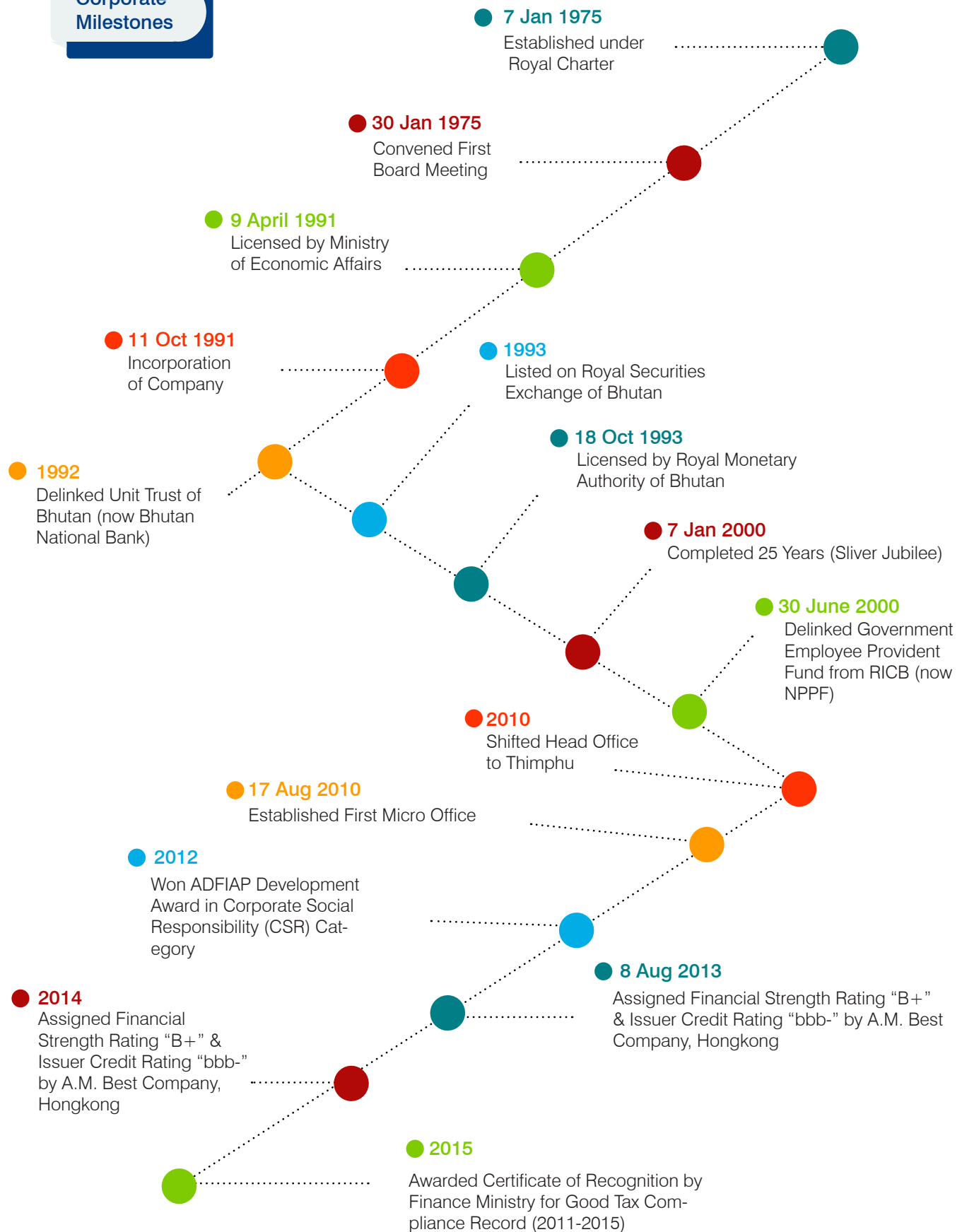
OUR MISSION

We offer premier insurance, credit and other social security services, delivering personalized services at affordable cost by professional employees through a comprehensive network. We strive to enhance mutually beneficial relationship to satisfy our stakeholders.

CORE VALUE

- Transparency : Openness is our name
- Accountability : Honoring our responsibility
- Commitment : Delivering our promises
- Team Work : United we stand
- Integrity : Playing by the rules
- Creativity : New day, new ideas
- Specialization : Pursuing greater heights

Corporate Milestones



GENERAL INFORMATION

HEAD OFFICE

Thimphu, Post Box: 315
 Telephone (PABX): +975-02-321037, 322426, 321161,
 323487, 324282, 325858
 Fax No. : 02-323677, 336085, 336086, 325725
 Toll Free No. : 181
 E-mail: contactus@ricb.com.bt/ feedback@ricb.com.bt
 Website: www.ricb.com.bt

REGIONAL OFFICE

Phuentsholing, Post Box: 77
 PABX : +975-05-252482, 252509, 252453, 252869
 Fax No. : 05-252441
 Toll Free No. : 151

RICB BRANCH OFFICES

	Telephone	Fax
BAJOTHANG	02-481927/481929	02-481928
BUMTHANG	03-631101	03-631333
DAGANA	06-481289	03-481290
GASA	02-688221	02-688122
GEDU	05-282330	05-282564
GELEPHU	06-251070	06-251782
GOMTU	05-371255	05-371256
HAA	08-375351	08-375301
JOMOTSHANGKHA	07-264032	07-264033
KHURUTHANG	02-584310/584346	02-584309
LHAMOIZINGKHA	+975-17161718	-
LHUEENTSE	04-545176	04-545176
MONGGAR	04-641116/641104	04-641446
NGANGLAM	07-481221	07-481222
PARO	08-271281/272853	08-272019
PEMAGATSHEL	07-471290	07-471291
SAKTEN	04-594642	04-594642
SAMDRUP JONGKHAR	07-251095/251491	07-251492
SAMTSE	05-365235	05-365591
TRASHIGANG	04-521156/521324	04-521298
TRASHIYANGTSE	04-781270	04-781270
TRONGSA	03-521444	03-521403
TSIRANG	06-471420	06-471421
WAMRONG	04-571155	04-571155
ZHEMGANG	03-741291	03-741292



BANKS

BANK OF BHUTAN

H.O. Thimphu, Bhutan

BHUTAN NATIONAL BANK

H.O. Thimphu, Bhutan

DRUK PNB BANK

H.O. Thimphu, Bhutan

T-BANK

H.O. Thimphu, Bhutan

BDBL

H.O. Thimphu, Bhutan

SBI BANK

New York

HDFC BANK LTD

India

AXIS BANK

India

AUDITORS

T.R CHADHA & CO. LLP.

Chartered Accountants
 359. Ground Floor, Udyog Vihar
 Phase-II, Gurgaon- 122016(Hr)

BOARD OF DIRECTORS



(Chairman)
Dasho Topgyal Dorji
Managing Director
Bhutan Ferro Alloys Ltd.

Schooled in India, the US, and Norway, Dasho Topgyal Dorji is the scion of Tashi Group who chairs and heads businesses ranging from silicon and ferro-alloys, beverages, carbide & chemicals and eco-ventures to aviation, hotels and telecommunications.



(DIRECTOR)
Dasho Thinley Dorji
Member, Royal Privy Council

Dasho Thinley Dorji was instrumental in establishing the Bhutan India Friendship Association (Phuentsholing Chapter) in his capacity as its General Secretary. He was appointed as a member of the Royal Privy Council in March, 2014.



(Director)
Mr. Tshenchok Thinley
Executive Director
Tashi Groups of Companies

An alumni of St. Augustine's School, Kalimpong, Mr. Tshenchok Thinley is the Executive Director of Bhutan Airlines, and the Managing Director of Tashi Beverages Limited and Tashi Tours and Treks. He is a respected veteran in Bhutan's private sector.



(Director)
Mr. Phub Dorji
 Proprietor,
 Utpal Academy Paro

Phub Dorji studied at Dr Graham's Homes, India, and has had invaluable stints, among others, in audit, trade, industries and, in recent years, in the fields of tourism and education. He is the founder of Utpal Academy, a girl's school in Paro.



(Director)
Mr. Sangay Tenzin
 Senior Analyst
 Druk Holding & Investments

Sangay Tenzin is a senior analyst at the Druk Holding and Investments (DHI). Before joining DHI in 2013, he served as a Senior Planning Officer in the Ministry of Finance. He has a Master's Degree in Public Policy from Lee Kaun Yew School, University of Singapore.



(Director)
Ms. Tshering Lham
 Senior Manager,
 Investment Department
 National Pension & Provident Fund

Ms. Tshering Lham is the Head of the Investment Division of the National Pension & Provident Fund (NPPF). She looks after the supervision and management of investments, including handling processing/approval of housing loans to the members.



(Director)
Mr. Namgyal Lhendup
 Chief Executive Officer
 RICB

With a master's degree in Economics from Northeastern University, Mr. Namgyal Lhendup enjoyed a stellar career in the civil service as, among others, a planner and Dzongkhag administrator before taking over the RICB as its CEO.

MANAGEMENT TEAM



Chief Executive Officer
Dasho Namgyal Lhendup

With a master's degree in Economics from Northeastern University, Mr. Namgyal Lhendup enjoyed a stellar career in the civil service as, among others, a planner and Dzongkhag administrator before joining the RICB.



Executive Director
Mr. Sonam Dorji

Mr. Sonam Dorji studied CPA & BBA at the University of South Australia and is also an alumni of Sherubtse College. He currently serves as a Director in the Board of State Trading Corp. Bhutan, GIC-Re Bhutan, Zimdra Foods Products Ltd and RICB Securities Ltd.



General Manager
Credit & Investment
Mr. Kinzang Dorji

Mr. Kinzang Dorji graduated with a B.Com degree from Sherubtse College in Kanglung, Trashigang. He has presently completed 24 years of service with the organization and is the head of the Credit & Investment Department of the RICB.



General Manager
General Insurance
Mr. Sangay Wangdi

Mr. Sangay Wangdi is an alumni of Malaviya National Institute of Technology and MREC, Jaipur, India. Prior to becoming the General Manager of Non-Life Insurance Department in 2012, he looked after the real estate development of the RICB.



General Manager
Life Insurance
Mr. Karma S. Tshering

Mr. Karma Sonam Tshering graduated with a BA Eco/Maths Degree from Sherubtse College. He received a masters degree in insurance, specifically life insurance business, from the Insurance Institute of India in Mumbai, India. He also served as the RICB branch manager in Monggar.



General Manager
FSSD
Mr. Ugyen Tshewang

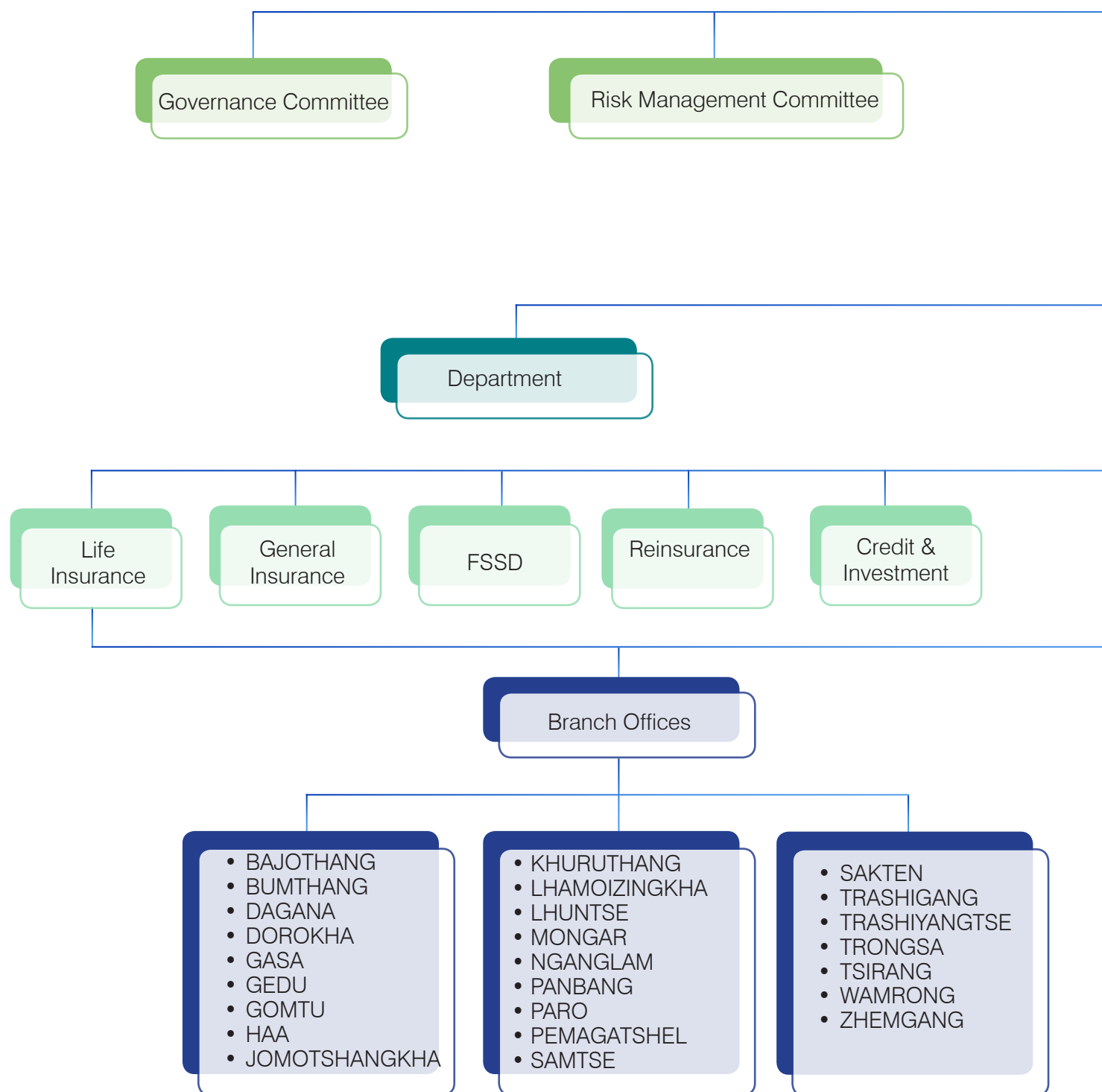
Mr. Ugyen Tshewang began his career with the National Pension & Provident Fund. He joined RICB in April 2013 and now heads its Financial Security & Services Department. His expertise include investment analyses & management, social security benefit design, financing & valuations; insurance pricing & valuations and other actuarial applications. Mr. Ugyen holds Bachelor of Science in Statistics, Master of Science in Social Protection Financing and Master of Actuarial Statistics. He is the Fellow of the Insurance Institute of India (AIII).

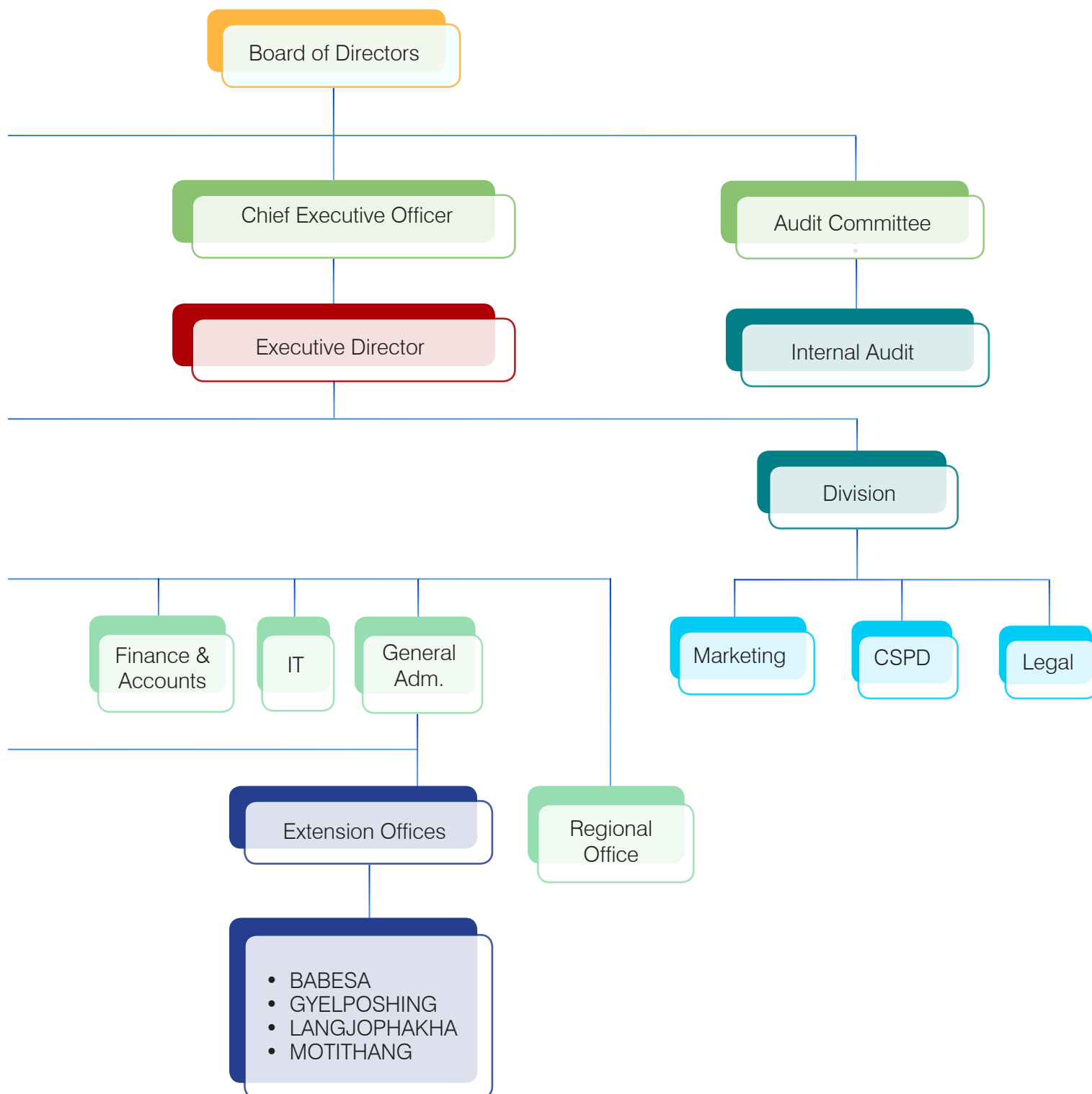


General Manager
Regional Office, Phuentsholing
Mr. Kinga Thinley

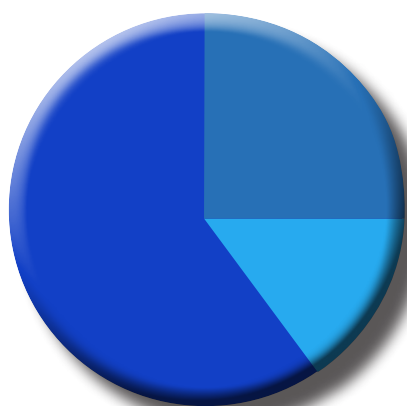
Mr. Kinga Thinley has an MBA in International Business from the University of Thai Chamber of Commerce in Bangkok. He is also an alumni of Sherubtse College. Prior to working with the RICB, he headed several departments in the National Pension & Provident Fund.

ORGANOGRAM





SHAREHOLDING PATTERNS



- 20.83% His Majesty's Secretariat
- 60.76% Private & Public Holding
- 18.41% Druk Holding & Investments

“

The government disinvested parts of its equity to the public to enable private sector growth.

”

The shareholding patterns of RICB have undergone considerable changes since its inception 41 years ago on January 7, 1975 under the Royal Charter of the Fourth King, His Majesty Jigme Singye Wangchuck.

When the company was established then, with a paid up capital of Nu 1 million against an authorised capital of Nu 2 million, the royal government of Bhutan invested 51 percent of the seed capital. Dasho Ugyen Dorji, a renowned businessman and reputed industrialist of Bhutan, and the general public, financed the remaining 49 percent.

A metamorphosis of sorts took place on October 11, 1991, when RICBL was incorporated as a public limited company. Two years later, the company was listed on the securi-

ties exchange following the establishment of the Royal Securities Exchange of Bhutan in 1993. The government disinvested parts of its equity to the public so as to enable private sector growth, and thereby empower the private sector to play a pivotal role in the economic growth of the country.

From being an entity mostly owned by the government earlier, today 61 percent of the company is owned by public and private organisations, 18 percent by Druk Holding & Investments Ltd. (a government holding), and the remaining 21 percent by His Majesty's Welfare Fund.

Both the authorised capital and the paid up capital of RICBL rose to Nu 1,000 million and Nu 240 million respectively as of December 31, 2012.



INTERNATIONAL TIE-UPS

The annual turnover of Nu. 435 million from the reinsurance business in 2016 is a huge milestone for RICB, and it has set the tone for all its future (global) investments. Today, it has business links with more than 60 companies, across 20 countries globally.

Reinsurance increases the underwriting capacity, provides protection against market upheavals and helps RICB maintain a strong global foothold. It is an arrangement through which the risk is transferred from an insurance company to a reinsurance company, in exchange of a payment.

To streamline this new venture, RICB launched the reinsurance manual, which would bring in more prospective businesses from markets around the world. Further, the impressive credit rating assigned by A M. Best, the renowned US based rating agency for three consecutive years, has enabled RICB to attract inward insurance business and maintain a progressive growth trajectory.

These ratings have been instrumental in allowing RICB's reinsurance business, which began but a few years ago, to realize the company's vision of taking its services beyond the domestic market.

RICB's partner companies are mostly located in South East Asia, Europe and Africa. It has also been exploring new countries to expand its reinsurance venture.

RICB'S REINSURANCE PARTNERS

India

National Insurance Company Limited
The Oriental Insurance Company Limited
General Insurance Corporation of India
United India Insurance Company Limited
New India Assurance Company Limited
L&T General Insurance Company Limited
Universal Sompo General Insurance Co. Ltd
Reliance General Insurance Company Limited
IFFCO Tokio General Insurance Company Limited

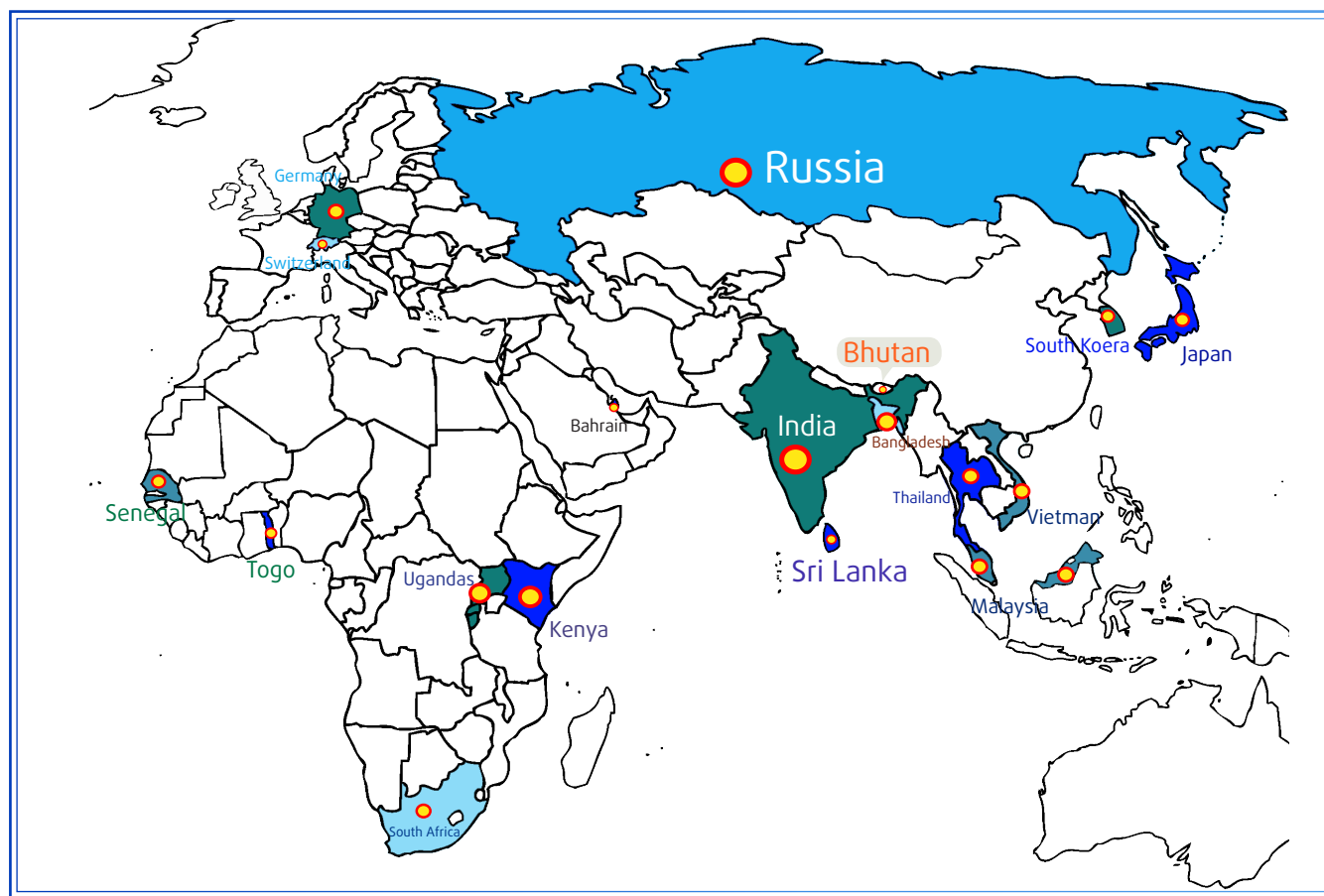


Bangladesh

Eastland Insurance Company Ltd
Green Delta Insurance Co. Ltd
Phoenix Insurance Company Ltd
Pioneer Insurance Company Ltd
Pragati Insurance Ltd
Prime Insurance Company Ltd
Reliance Insurance Ltd

Other Countries

Munich Re, Germany
Swiss Re, Switzerland
Hanover Re, Germany
Korean Re, South Korea
Trust Re, Bahrain
Nationale Suisse, Switzerland
Asian Reinsurance Corporation, Thailand
PVI Re, Vietnam
Kenya Re, Kenya
Continental Insurance Lanka Limited, Sri Lanka
Nipponkoa Insurance Company Limited, Japan
Tokyo Marine Global Re Asia Limited, Malaysia
Santam Re, South Africa
Infrassure, Switzerland
Unity Re, Russia
Zep Re, South Africa
Best Re, Malaysia
CICA Re, Togo
Sen Re, Senegal
East Africa Re, Africa
Uganda Re, Uganda



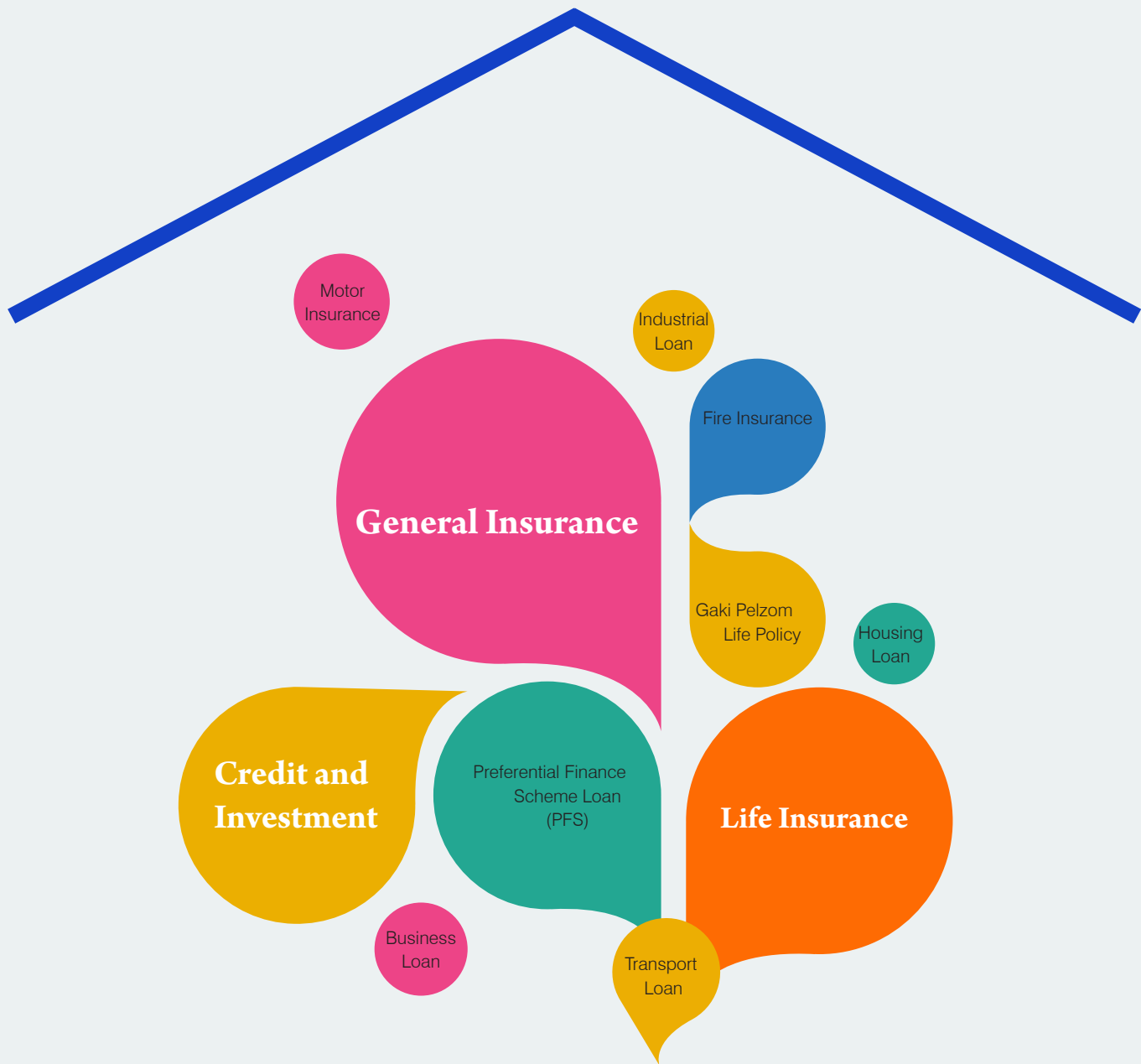
RICB's global reinsurance partners

RICB'S PERFORMANCE

The past five years

	2016	2015	2014	2013	2012	2011
SHARE CAPITAL & RESERVES						
Paid up Capital	1,200.00	1,200.00	480.00	240.00	240.00	240.00
Total Reserves & Surplus	2,097.65	1,868.61	2,685.91	1,524.56	1,267.06	982.52
Net Worth	3,297.65	3,068.61	2,685.91	1,764.56	1,507.06	1,222.52
ASSETS						
Loans & Investments	14,908.18	12,092.08	8,607.97	6,848.87	5,796.58	5,524.09
Cash & Bank Balance	2,445.77	1,882.24	2,679.94	1,608.60	1,489.20	979.52
Net Fixed Assets	855.95	831.53	835.09	162.01	157.20	131.48
Total Assets	19,418.01	15,204.75	12,347.31	9,078.02	7,747.27	6,773.40
PROFITABILITY						
Profit Before Tax	753.89	731.34	570.88	521.65	501.06	450.94
Profit After Tax	472.68	510.65	401.63	365.16	350.74	315.66
RATIOS						
Dividend	300.00	240.00	168.00	108.00	84.00	72.00

Networth to Total Assets	16.91	20.09	22.57	19.44	19.45	18.05
Capita, Adequacy	15.90	16.00	18.99	14.46	17.05	17.20
SLR (Liquidity)	15.16	15.54	25.07	22.03	23.86	17.65
NPL Ratio	3.37	3.29	3.37	3.50	3.55	3.86
Earnings Per Share	3.95	4.20	8.36	152.15	146.15	131.52
Book Value Per Share	27.35	25.42	57.99	735.23	627.94	509.38
Solvency Ratio (General Insurance)	7.55	6.78	7.48	5.76	5.64	5.47
Combined Ratio (General Insurance)	0.72	0.70	0.84	0.93	0.73	0.60
LIFE INSURANCE						
Net Premium	903.69	809.83	570.31	396.08	304.93	222.18
Net Claims	219.12	198.57	205.02	61.13	40.12	27.17
Interest earned	249.46	207.58	125.67	76.44	54.66	38.73
Fund Balance	3,083.46	2,356.57	1,639.85	1,216.59	906.22	654.27
Actuarial Surplus	-	-	0.29	4.90	3.49	2.78
Net Claim Ratio	0.15	0.16	0.16	0.15	0.13	0.12
GROUP INSURANCE						
Risk Premium	73.18	68.94	53.75	41.10	37.12	33.73
Claims	47.95	36.29	28.10	17.00	17.86	14.90
Interest earned	86.88	72.77	58.80	52.03	44.83	39.28
Interest paid on savings	131.47	105.11	82.93	54.85	40.14	35.11
Fund Balance	73.4	84.28	64.21	723.66	647.07	572.96
Claim Ratio	0.65	0.53	0.52	0.41	0.48	0.44
GENERAL INSURANCE						
Gross Premium	994.13	900.58	760.15	696.82	662.63	618.79
Reinsurance	575.05	524.88	483.12	442.37	378.41	297.57
Net Premium	419.08	375.69	277.05	254.44	284.23	321.22
Gross Claims	621.46	99.04	337.41	582.48	196.01	440.54
Reinsurance	439.28	-77.91	178.81	415.40	35.03	293.13
Net Claims	182.18	176.96	158.55	167.08	160.98	147.41
Commission in Reinsurance	121.64	139.26	131.69	112.51	100.95	89.59
Interest Earned	114.1	97.79	76.67	70.36	62.28	52.37
Unexpired Risk Premium	251.44	225.42	166.22	152.66	170.53	192.72
Net Claim Ratio	43.47	47.10	57.23	0.66	0.57	0.46
Profit	332.35	303.19	228.69	222.08	248.85	186.19
CREDIT & INVESTMENT						
Interest Income (Net)	1,809.14	1,368.42	1,110.27	861.67	707.50	674.56
Interest Expenses	1152.35	846.20	675.56	526.50	412.89	369.14
Net Interest Differential	656.79	522.22	434.72	335.17	294.61	305.42
Other Income	82.29	69.71	50.39	42.88	36.20	37.70
Provisions	253.13	61.55	69.53	7.95	5.88	10.98
Profit	470.89	478.84	740.38	324.08	281.30	291.34



RICB products

ALL UNDER ONE ROOF ricb products

RICB is without doubt the only multi-faceted financial service provider in Bhutan that offers life insurance, general insurance, credit facilities, and other social security schemes.

With the introduction of two new non-life policies in 2015 - Hoteliers and Restaurants Insurance Policy and Dha-tsip Ngen-sung Ley-char – the Royal Insurance Corporation of Bhutan today offers a total of 29 non-life policies. Additionally, the company has on offer around 18 life policies and more than 11 types of loan, besides administering the Private Provident Fund, RICB Securities limited, and Group Insurance Scheme of the entire armed forces and government employees.

Furthermore, with the country's huge investment in hydropower projects, which make up the backbone of the nation's economy, RICB has also been providing comprehensive insurance for all hydropower plants with a sum insured/risk limit of over Nu 65 billion (USD 1.46 billion). Additionally, RICB's reinsurance department has been catering to both inward and outward reinsurance.

As new products are being introduced, the departments of life insurance and general insurance, in tandem, are also revising policy wordings to align their products with the changing times and needs of Bhutanese customers.

The following comprise a myriad of insurance policies that RICB has to offer today:

General Insurance

1. Fire Insurance
2. Storage cum Erection All Risk Insurance
3. Contractor's All Risk Insurance
4. Contractor's Plant and Machinery Insurance
5. Marine/Transit Insurance
6. Motor Insurance
7. Group /Personal Accident Insurance
8. Cash In-transit Insurance
9. Cash In-safe Insurance
10. Burglary Insurance
11. Fidelity Guarantee Insurance
12. Aviation Insurance
13. Cattle Insurance
14. Rural House Insurance Scheme
15. Householder's Insurance
16. Trekking Insurance
17. Overseas Travel Insurance

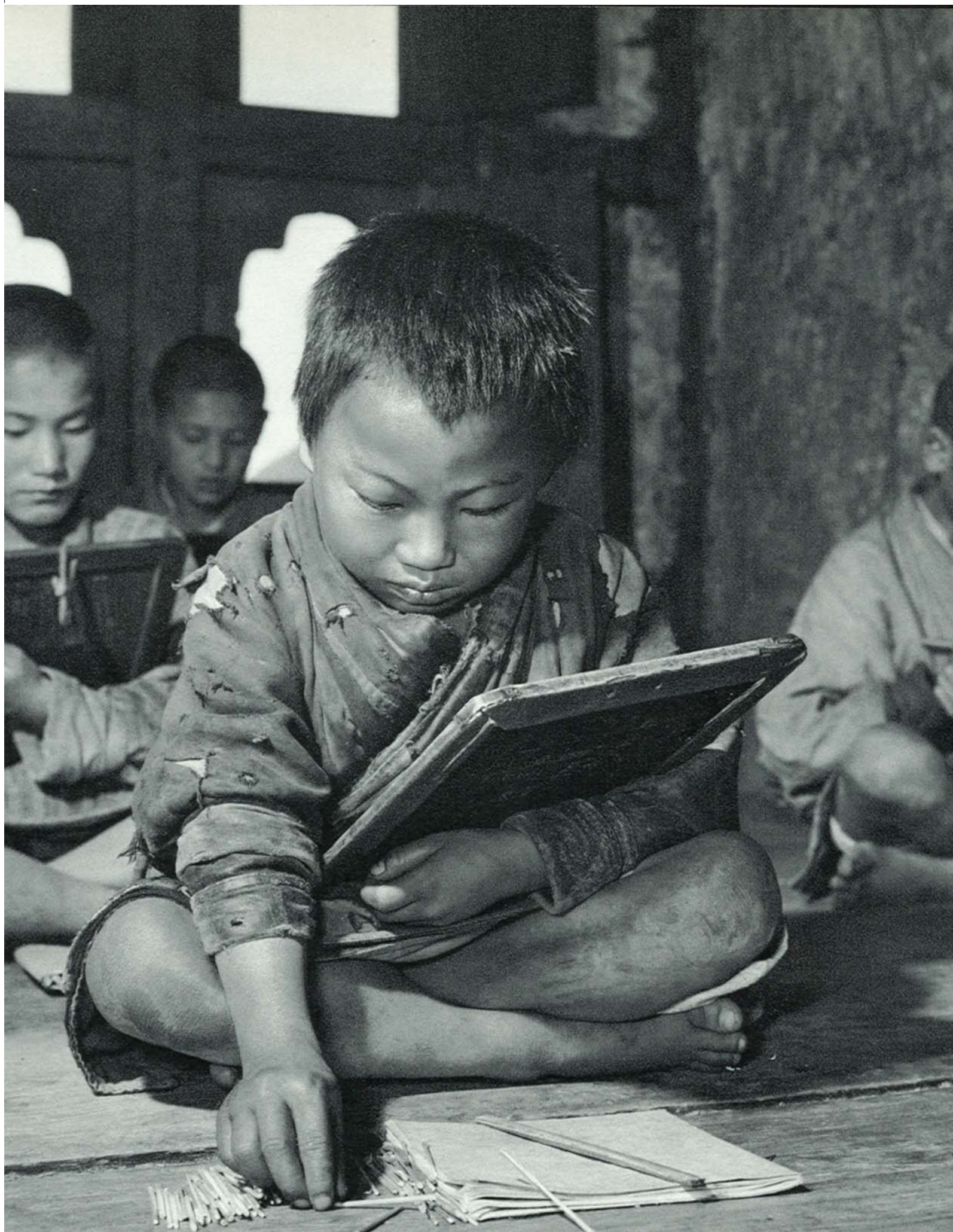
18. Shopkeeper's Insurance
19. Industrial Insurance Policy
20. Health Insurance Scheme
21. Hydropower Insurance Policy
22. Dratsang Sowai Ngenchoel Thuenken
23. Travel Insurance (Internal)
24. Flight Coupon Insurance (in flight)
25. Professional Indemnity Policy
26. Directors and Officers Insurance
27. Dhe-yob Ngen-sung Lay-char
28. Hoteliers and Restaurants Insurance Policy
29. Dha-tsip Ngen-sung Ley-char

Life Insurance

1. Limited Payment Life Policy
2. Money Back Policy with Profit
3. Money Back Policy – New version
4. Ashi Nangsey Living Policy
5. Millennium Education Scheme
6. Children's Money Back
7. Silver Jubilee Term Policy
8. Endowment Assurance
9. Double Cover Endowment Plan with profit
10. Youth Endowment Assurance Plan
11. Gaki Pelzom Life Policy
12. Quendue Ngensung Life Policy
13. Ten-Tsai Mangul Ngenchoel
14. Ten-Tsai Mangul Ngenchoel-II
15. Double Cover Endowment Plan - Without Profit
16. Endowment Plan for Senior Citizens - With Guaranteed Additions
17. Drongseb Quendue Tse-sog Ngenchoel
18. Drongseb Kuendrul Tshe-sog Ngensung

Credit and Investment

1. Housing Loan
2. Transport Loan
3. Industrial Loan
4. Business Loan
5. Loan against Shares
6. Personal Loan
7. Card Loan
8. Preferential Finance Scheme Loan (PFS)
9. Contractor's Revolving Credit (CRCS)
10. Private Provident Fund Loan (PPF)
11. Machinery and Equipment Loan





EDUCATION FOR ALL millennium education scheme-III

Education is pivotal in shaping the overall outlook and personality of our younger generation. It has the power to touch life and society in profound ways, instilling strong social and moral conscience in our youth, thereby ensuring harmony in the society.

However, education is expensive nowadays, often putting huge financial strain on the family members.

“This scheme is an answer to the financial woes caused by the rising education cost. With this insurance policy, Bhutanese parents will no longer be helpless by the time their children are ready to leave for college.”

Millennium Education Scheme-III was developed exclusively to ease the predicament of our Bhutanese parents. Their children will now be able to fulfill their academic aspirations with this scheme, which is designed to secure their education and give them a comfortable life.

Education is critical in today's highly competitive society and the pressure to obtain a degree from a prestigious university has become more compelling than ever. Millennium Education Scheme III will enable the youth to pursue higher education with their own money, which their parents have set aside as premiums for 18 years — the standard duration of the policy.

Unlike many unfortunate youths, whose desire for further studies is cut short by financial difficulties, those under this scheme can follow their dreams unimpeded. RICB believes their creativ-

ity, innovation and resilience will take our nation to greater socio-economic heights one day.

When the policy holder turns 18, RICB will pay 20% of the sum assured as survival benefit. The beneficiary will get this amount annually for the next four years, till he/she reaches the age of 22.. On the 23rd year, the policyholder will receive Guaranteed Additions for the number of years premium paid as maturity benefit.

This scheme is an answer to the financial woes caused by the rising education cost. With this insurance policy, Bhutanese parents will no longer be helpless by the time their children are ready to leave for college. Further, this scheme is doing incredibly well in the market, with over 39,500 policy subscribers.

RICB management believes investing in the youth, is investing in the country's future.





EMPOWERING WOMEN ashi nangsey living policy

“

RICB's clientele base of close to 50% women, speak volumes about its commitment to provide financial security to Bhutanese women.

”

The notion of woman empowerment sits well with the core values of RICB. It has reached out to women across the country through various insurance schemes, designed exclusively for them.

RICB's clientele base of close to 50% women, speak volumes about its commitment to provide financial security to Bhutanese women. Its insurance schemes have enabled them to live with dignity, and lead a more fulfilling life.

RICB's female beneficiaries comprises of young mothers, housewives, office-goers, farmers and many more, and they have all entrusted their future to RICB. It is crucial for women to be financially secured today, especially the housewives, who are vulnerable without any direct income. Financial insecurity often brings disharmony in the family, causing major social problems in the society.

Ashi Nangsey Living Policy (new version) was designed exclusively for women to attain greater financial independence in life. This scheme can be availed by women between 18 to 45 years of age. Job holders and women with income from interest, dividend and rent can avail this policy.

Further, this scheme is accessible to the housewives, whose spouses will pay

the premium on their behalf. Under this scheme, they will be entitled to survival benefits, which is 20% of the Sum Assured (SA), payable to the policy holder every four years, over the next 20 years.

This policy will also participate in the profit till the end of the policy term, provided on the date of valuation, it is in force for full SA. The bonus will be calculated on the basic Sum Assured. The vested bonus will be payable on the date of maturity or upon death. Death Compensation equivalent to the full SA together with accrued bonus for the completed years is paid to the nominee / legal heir without deductions of any survival benefit, if paid earlier

RICB aspires to launch more insurance schemes for women in the coming years.



RICB TO THE RESCUE loan care insurance policy

“**Loss of employment due to sickness, termination from the job, and imprisonment are also covered under this scheme. This way the financial burden does not fall on the family members or the guarantors, in case the borrower fails to pay back the loan.**”

RICB's Loan Care Insurance Policy is specifically designed to protect those people, who have availed loans from financial institutions within the country, and are unable to repay due to misfortune, permanent disability or death.

Loss of employment due to sickness, termination from the job, and imprisonment are also covered under this scheme. This way the financial burden does not fall on the family members or the guarantors, in case the borrower fails to pay back the loan.

As per the policy, the maximum limit of liability for the insurer is Nu. One and half million per borrower, and the policy subscriber must be between 18 to 65 years of age. The policy is valid (strictly) from the time the premium is earned, until the duration of the loan term, specified in the policy, or when the loan is liquidated. The client should submit the amortization schedule at the beginning of the underwriting and also submit the revised amortization schedule after sanctioning of additional loan.

However, this policy does not cover those borrowers, who fail to repay their loan

because of their involvement in anti-government and terrorism activities. Loss of employment attributed to absconding from the country, claim resulting after the transfer of the loan to a different borrower, additional loan or insurance premium paid from the borrower's loan account without paying the corresponding premium, are some of the exclusions, where RICB won't be liable for their clients.

Further, there will be no premium refund in case the policy holder liquidates the loan earlier. The premium on the enhancement of the loan amount by the insured shall be calculated as per the rates prescribed in this policy, according to the loan term. Rates shall be subjected to review depending upon the claim ratio i.e. yearly premium versus claim.

In the event of any claim arising due to misfortune as specified above, the client shall intimate the insurer within a period of six months from the date of such incidences. The claimed amount is paid directly to the client for loan adjustment, subject to submission of all documents.





A UNIQUE APPROACH TO INSURANCE gaki pelzom life policy

“**This approach to insurance service is the first of its kind in Bhutan and it is expected to ease the dilemma of most people who are concerned about their future.**”

Gaki Pelzom Life Policy (GPLP) was launched by RICB in 2011 to provide better safety net to its clients.

One particular feature that separates GPLP from other insurance schemes is that it continues to be active even after the premium paying term is over, and the policy holder is paid the full Sum Assured (maximum SA Nu. 500,000) plus accumulated bonus by the RICB upon completion of the policy term. This means, the policy will remain active until the death of the policy holder, where again the dependents of the deceased will be given another full Sum Assured.

Death in a family puts a lot of financial pressure on the surviving members. So, the money received as death benefits can be utilized to cover the funeral expenses of the policy holder. This approach to insurance service is the first of its kind in

Bhutan, and it is expected to address the concern of the Bhutanese people, who are worried about their families, especially when they are gone.

Beside survival and death benefits, accident and disability benefits are also integrated in this scheme. Double accident benefit is available under this plan by paying additional premium. In case the policy holder dies due to an accident during the premium paying term, twice the Sum Assured plus accumulated bonus is payable to the legal heir/nominee. Likewise, if the policy holder has double accident benefit cover and becomes permanently disabled, the future premium will be waived and the Sum Assured would be paid in monthly installments, spread over 10 years.

Further, tax exemption of 50% is allowed on the annual premium, and loan will be available after paying the premium for 3 years. Presently, there are 1,751 subscribers for GPLP, and the RICB is positive that this figure would rise significantly in the near future.







RESPONDING TO THE NATIONAL CALL a social safety net

Perched high in the Himalayas, where the climate is highly erratic and the landscape is very harsh, Bhutan, a country heavily dependent on agriculture and hydropower, has started to beef up its social securities.

The devastating Nepal Earthquake of 2015 was a major wake up call for the people and the government of Bhutan, to start investing in social securities. The havoc it caused was a bitter reminder of our vulnerability, especially in the wake of major natural calamities. Bhutan falls in Seismic Zone V, the highest risk zone that suffers earthquake of mega intensities, and further its towns and villages are often ravaged by heavy floods, landslides and rainstorms.

These recurrent climatic conditions have prompted many in Bhutan to insure their lives and properties. On its part, RICB launched and updated several of its insurance policies, and also instituted the Performance Management System for effective service delivery, in response to the national call.

Every citizen in the country has the right to social security. It is important to ensure their wellbeing during the time of crisis, be it a nationwide economic turmoil or a personal one such as injury, sickness or loss of job. Today, people have started to see insur-

ance as an efficient way to manage their family's money, and earn a profit in the process.

In Bhutan, free electricity, water supply, subsidized insurance policies, agricultural subsidies and other income generating programs are part of the social welfare scheme, which is expected to reduce poverty in the country. For years, RICB has assisted the government and collaborated with the National Pension and Provident Fund to strengthen the social security of the Bhutanese people. If the declining poverty rate are any indication, down from 31.7% in 2003 to 12% in 2012, the partnership with the government has been very successful.

So far around 80% of the population are at least covered under a basic life insurance scheme. The sharp rise in the number of policy subscribers in 2016 indicates that RICB is very close to fulfilling its vision.

“

Every citizen in the country has the right to social security. It is important to ensure their wellbeing during the time of crisis, be it a nationwide economic turmoil or a personal one such as injury, sickness or loss of job.

”





A PARTNERSHIP WITH GOVERNMENT ten-tsai mangul ngenchoel - II

“

This fund will be used by the ministry to promote action research among schools, to address challenges related to quality of teaching and learning, school management and emerging youth issues.

”

RICB and the Ministry of Education signed a Memorandum of Understanding (MoU) on the Sherig Endowment Fund (SEF) to provide every child in the country with equitable access to quality education.

Following the signing of the MoU in November, 2016, the Education Secretary handed over a cheque of Nu. 8 million to RICB, which was invested in Ten-Tsai Mangul-II scheme for a period of five years. RICB on the other hand offered 10% annual interest rate on the amount invested.

This fund will be used by the ministry to promote action research among schools, address challenges related to quality of teaching and learning, school management and emerging youth issues.

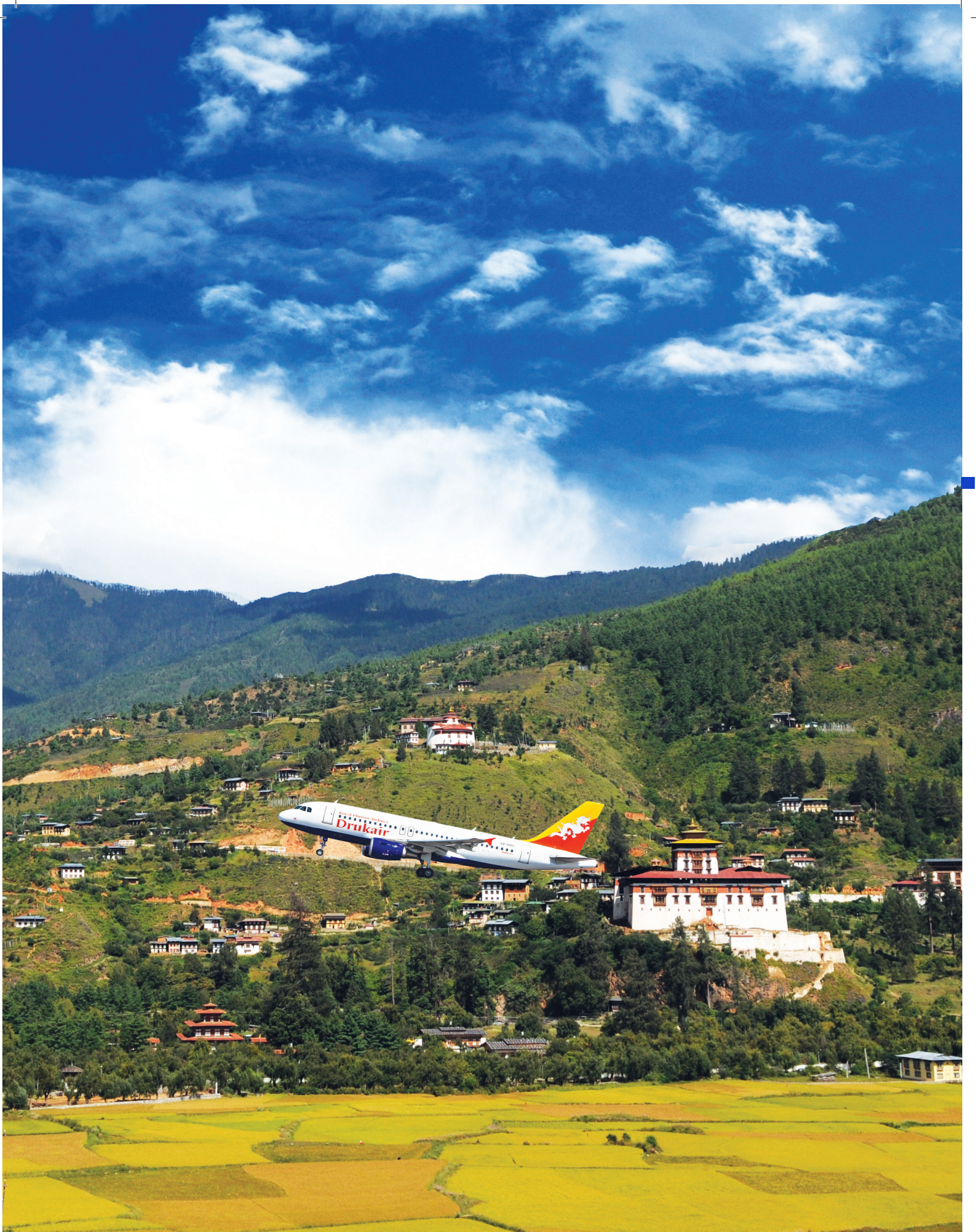
Ten-tsai Mangul Ngenchoel – II is a life insurance policy designed particularly for groups, institutions and companies. It is a non-participating Guaranteed Endowment Assurance Policy, which will provide an

avenue for investment by way of guaranteed additions, coupled with life insurance benefit.

With this fund, the schools will be able to generate useful literature on school management, pedagogy, curriculum, school discipline and assessment. As the funds grow, the grant will be extended to the principals, vice principals and teachers, who wish to take up individual research work.

Like most other insurance schemes, Ten-tsai Mangul Ngenchoel – II also comes with guaranteed addition, maturity and death benefits. Under this policy, the subscriber is entitled to 8% interest per annum on the sum assured. Maturity benefits include sum assured plus guaranteed addition for the duration of the scheme, while the death benefits payable is the sum assured plus the return of 75% of the premium paid by the policy holder.

Through this investment, the ministry aspires to generate adequate income for sustaining the Sherig Endowment Fund, and RICB as a partner is indispensable in this pursuit





RICB headquarters in Thimphu

THE WAY FORWARD

RICB's excellent track record as a premier financial service provider in the country is a testimony to its longstanding commitment of ensuring safe and secure future for all Bhutanese people. Be it a child dreaming of going to college or a father insuring his life as a safety net for his children; an elderly couple living the final years of their life comfortably or an aspiring entrepreneur whose business venture see the light of day - RICB has always been there, touching lives and making a difference.

To secure the ever evolving aspirations of the society and to render services at par with the international standard, RICB has been exploring new strategies to streamline its operations. And the inception of Performance Management System (PMS), to incentivize the members of its staff is one such approach, which is expected to boost the morale of the employees and encourage them to strive harder.

The management believes with a team of highly competent and driven employees, RICB will be able to achieve all its future goals. In addition, it would come up with an elaborate plan to invest in the young minds, whose contribution to the organization has been critical. The management has strong conviction in their young employees leading the way forward.

Some of RICB's latest accomplishments include upgrading the branch office in Samdrup Jongkhar to regional office, which will further strengthen its foothold in the East. General Insurance recorded 5% increase in 2016, earning Nu. 950 million in gross premium and the estimated net claims in GID was Nu. 203 million, which translated into Nu. 380 million in profit. Insurance policy has been re-examined to standardize the policy rates, wording, proposal forms and endorsements in line with international best practices.

M-BOB and online payment systems will be put in place to enable faster and secure payment of loan releases, claim payments and others. Annuities for Monks and Nun's will now include pension benefits, while Group Saving Linked Insurance Scheme (GSLI) for the private sector employees will be amended to provide enhanced insurance and saving benefits at par with civil servant's Group Insurance Scheme (GIS).

Further, RICB will design and launch an exclusive insurance product to cover risks associated with completed civil engineering works. Online Performance Management System will replace the paper based appraisal process in 2017, and GSLI and Annuity schemes will be further marketed to attract more potential clients. RICB will also venture into Life Reinsurance and set up a department exclusively for the same. It will enable the company to maintain its foothold in the global market.

Directors' Report for the Year 2016

To the Members

On behalf of the Board of Directors and on my own behalf, I am pleased to present the 42nd Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st December 2016.

Operational & Performance Highlights

The Financial Year 2016 was yet another commendable year for RICB similar to the previous year's achieving desired financial results and improved operational efficiencies. RICB have performed exceptionally

well despite the reduction in lending rates from the starting of the fourth quarter, and also after implementing stringent provision norms with the amendment of the Prudential Regulation by the RMA. The company has managed to produce an impressive financial result and continues to maintain its growth trajectory.

This year, RICB's Profit before Tax recorded at Nu 753.89 million, which is a significant increase from Nu 731.34 million in the year 2015. The total gross business posted at Nu 5,412.56 million from the previous year's Nu 4,294.76 million, resulting in the growth of 26.02%.

Significant Financial Indicators

Indicators	2016	2015
Profit Before Tax(PBT)	753.89	731.34
Total Turn over	5,412.56	4,294.76
Return on Core Equity	39.52	41.96
Earnings per share	3.95	4.20
Book Value per Share	27.35	25.42
Net-worth	3,297.65	3,068.61
Paid up Capital	1,200.00	1,200.00
Cash/Bank Balance	2,445.77	1,882.24
Balance Sheet	19,418.01	15,204.75

Credit and Investment business continues to be the major contributor to RICB's coffers. The gross interest earned during the year, including the interest from fixed deposits, amounts to Nu 1,829.25 million, and the net interest earned, after loan impairment as per IFRS, is Nu 1,576.12 million.

The year witnessed a dramatic growth in the general insurance business from the previous year, mainly due to aggres-

sive marketing. The net revenue from the general insurance underwriting was Nu 332.35 million, as compared to Nu 303.17 million during the last financial year, which is transferred to the Income Statement of the Company. The net premium, after affecting the re-insurance premiums, fetched Nu 419.07 million. Correspondingly, the net claims after considering reinsurance recoveries posted at Nu 200.27 million. The overall net

claim ratio during the financial year 2016 stands at 31.31% as against 47.10% in the previous year.

premium income of Nu.905 million, followed by Annuity business of Nu 722.52 million and Nu 496.60 million from inward reinsurance premium.

It is significant to note that life insurance has also recorded huge growth with the

Business Income for the Period ended 31.12.2016

DEPARTMENT	2016	2015
Interest Income (CID)	1,809,147,960	1,368,420,997
Commission, Dividend & Others (CID)	82,297,294	69,712,046
General Insurance Premium	994,130,742	900,588,370
Life Insurance Premium	906,276,823	806,774,165
Group Insurance Premium	73,188,054	68,936,257
Reinsurance Premium	496,609,345	289,741,389
Annuity Contribution during the year	722,524,567	547,573,992
PPF Contribution during the year	317,377,458	269,693,122
Rent & Others	11,004,065	11,532,944
TOTAL	5,412,556,308	4,332,973,282

Financial Performance for the year 2016

Particulars	2016 (Nu in millions)	2015 (Nu in millions)	Variance '16 & '15 %
Income			
Net Premium Earned	1,678.28	1,453.03	15.50
Net Fee & Commission Income	114.92	184.17	(37.60)
Net Interest Income	1,165.37	837.95	39.07
Other Operating Income	26.73	52.28	(48.87)
Total Revenue (I)	2,985.30	2,527.43	18.12
Expenses			
Net Claims	1,388.48	1,237.13	12.23
Other Operating Expenses (Net)	842.92	558.98	50.80
Total Expenses (II)	2,231.40	1,796.11	24.24
Profit Before Tax (I) - (II)	753.90	731.32	3.09
Profit After Tax	472.69	510.63	(7.43)
Earnings Per Share	3.95	4.20	(5.95)
Book Value Per Share	27.35	25.42	7.59
Net-worth of the Company	3,297.65	3,068.61	7.46
Return on Core Equity (%)	39.52	41.96	(5.82)

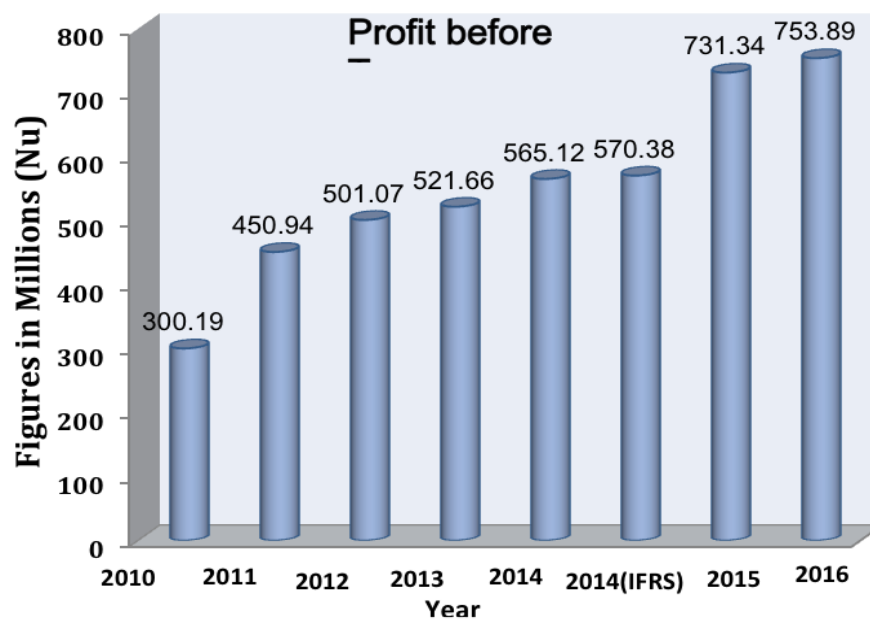
The earnings per share of the Company during the year was recorded at Nu 3.95 vis-a-vis Nu 4.20 in the last financial year. The reduction in EPS was due to increase in the tax liability and also deferred tax liability, as per the requirement of IFRS. The net worth of the company as of December 31, 2016, was valued at Nu 3,297.65 million, compared to Nu 3,068.61 million in the last financial year, and the book value per share increased to Nu 27.35 due to

increase in the reserves. Due to reduction in profit after tax, the return to core equity was recorded at 39.52%, compared to 41.96% during the last financial year.

Considering the fund position and profits in 2016, the Board has recommended a dividend of 20% of the face value of shares (Nu 2.00 per share at a face value of Nu 10 per share), equivalent in the previous year.

Performance Highlights (Gross Profit) from 2010-2016

	Year	Nu in Million	%
GAAP	2010	300.19	14.90
	2011	450.94	50.22
	2012	501.07	11.12
	2013	521.66	4.11
	2014	565.12	8.33
IFRS	2014	570.38	6.04
	2015	731.34	28.22
	2016	753.89	3.09



The company continues to perform consistently year-on-year with an average growth of (before tax) 15.75% in the last six years.

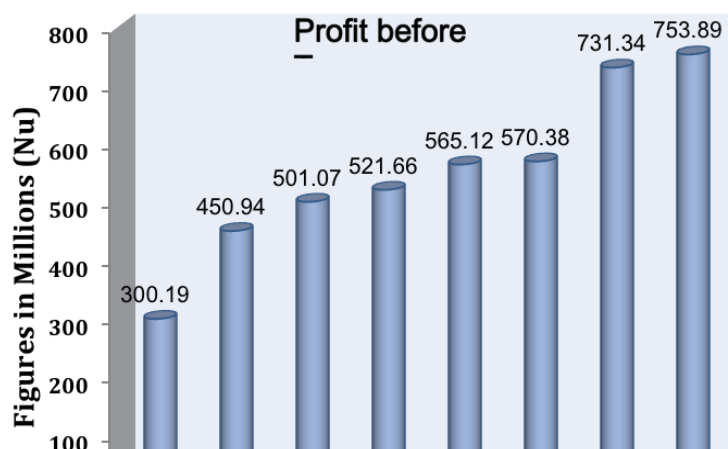
Financial Position of the Company

The total asset of the company has increased by 27.71%, amounting to Nu 19.41 billion in 2016, against Nu 15.20 billion in 2015. At Nu 3.29 billion, RICB's net worth also grew by 7.46%, compared to Nu. 3.06 billion in the previous financial year.

The net fund balance has increased to Nu 6.13 billion from Nu 4.22 billion in 2015. The RICB is expected to contribute about Nu 226.16 million to the national exchequer in the form of Corporate Income Tax during the financial year 2016.

Growth in Balance sheet size

	Year	Nu. In million	%
GAAP	2010	5,835.39	63.57%
	2011	6,773.40	16.07%
	2012	7,747.29	14.38%
	2013	9,078.28	17.18%
IFRS	2014	12,332.66	35.85%
	2015	15,204.75	23.29%
	2016	19,418.01	27.71%



Statutory Compliances

Royal Monetary Authority

RICB has complied with most of the provisions of the Prudential Regulations of RMA.

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to the financial year 2015.

Statutory Auditors

T.R. Chadha co. & LLP. Chartered Accountants were appointed as the Statutory Audi-

tors of RICB for the financial year 2016.

Company Registrar

The Company Registrar has inspected the company's compliance to the Companies Act of the Kingdom of Bhutan (2000) up to the financial year 2011, and have not received any adverse comments.

Business Highlights

The management continues to explore markets both within and outside the country for business opportunities. This include developing and redesigning insurance and other products based on the growing consumer needs.

A new scheme, Zero Depreciation Insurance Policy, was launched in 2016, as an add-on cover to motor comprehensive Insurance policies. Further, in order to ensure effective internal control and risk deduction, a reconciliation unit was formed within the Finance & Accounts Department.

The efficiency of service delivery system and performance of branch offices have been improved by building capacity and enhancing infrastructures in all the branch offices.

RICB has also recruited 196 additional sales executives in 2016, which takes the total number of sales executives to 1,612.

The management has firmly supported the strengthening of human resource development through professional and other relevant trainings. For this purpose, sufficient budget has been allocated.

In order to realize the vision of taking services to the international market, and to transform RICB into a creative and dynamic organization, new lines of businesses such as reinsurance, pension and other social security services for the general public have been initiated. Such new initiatives have enabled the company to maintain a progressive growth trajectory. With the commencement of inward reinsurance business, the reinsurance department has expanded its network globally. In order to further streamline the operations, the re-insurance manual was developed. In order to realize the vision of taking services to the international market and

to transform RICB into a creative and dynamic organization, new lines of business such as reinsurance, pension and other social security services for general public have been initiated. Such new initiatives have enabled the company to maintain a progressive growth trajectory. With the commencement of inward reinsurance business, the reinsurance department has expanded its network globally. Thus, in order to further streamline the operations the Re-Insurance Department has developed a re-insurance manual.

An important milestone of RICB was initiating the company rating in 2013 by A.M. Best, a reputed U.S based rating agency which awarded RICB bbb- for Credit Rating and B+ financial strength.

The rating had a tremendous positive impact on the image of the company in the international arena, especially in the reinsurance venture. The rating has enabled the reinsurance department to explore and procure prospective businesses on the global front.

The other plans in the offing include upgrading branch offices to regional offices. The new regional offices would facilitate prompt services and provide technical support to the branch offices in their region. Further, in order to enhance outreach and connectivity, three new branch offices in Panbang, Dorokha Drungkhag and Tsimasham, two new extension offices in Thimphu Thromde, one in Gyelposhing, Mongar have been opened in 2016.

RICB has also introduced Life Annuity for monks and nuns and Lotedh Scheme, a social security scheme, for the entire pensioners under the FSSD Department. The Life and General Insurance Department has revised its policy wordings to align the products with the changing needs of the consumers. The General Insurance Department also reviewed its existing claim manual, taking into consideration the current best insurance claim practices.

RICB also revised its Service Rules and Regulations 2009 for effective and efficient management of the company's operation.

RICB also carried out Business Information Systems Audit to determine the Return of Investment in IT system and assessed the same. It also conducted its first ever retreat, involving all employees across its

offices, with the theme "RICB's roadmap - 2025".

RICB was also awarded with the best tax compliance institution for the years 2011-2015 by the Department of Revenue and Customs, Ministry of Finance. compliance institution for the year 2011-2015 by the Department of Revenue and Customs under the Ministry of Finance.

Acknowledgement

On behalf of the Board of Directors, and on my own behalf, I would like to take this opportunity to thank all our business partners and valued clients, whose confidence and faith in RICB has enabled it to achieve the impressive results of 2016. The board also puts it on record its deep appreciation for the Royal Government and its various agencies for its continued support and cooperation to the Royal Insurance Corporation of Bhutan Limited (RICB).

In particular, I would like to thank the Royal Monetary Authority of Bhutan, the Royal Audit Authority of Bhutan, the Registrar of Companies and the Department of Revenue and Customs for their patronage and continued support.

The directors are also pleased to convey their sincere appreciation to all our agents, reinsurance partners and surveyors in India without whose support it would have been difficult to achieve the plans and goals of the company.

I would also like to congratulate the management and staff of RICB for their dedication to the company, which has resulted in yet another year of record growth in the history of RICB. I extend my good wishes to them for the success of the corporation in the years to come.

Tashi Delek



(Topgyal Dorji)
CHAIRMAN

Compliance Checklist : (Extracts from the Companies Act of the Kingdom of Bhutan 2016) Exhibit- B

SL	SECTIONS	Yes	No	N.A	Remarks
P-II: INCORPORATION OF COMPANY & MATTERS INCIDENTAL THERETO					
1	28 Alteration of Articles		No		
2	47 Changes of name			N.A.	
3	123 Increase or consolidation of Share capital		No		
4	124 Reduction of Share Capital			N.A.	
P-VII: MANAGEMENT & ADMINISTRATION					
5	217 Registered Office of Company	Yes			
6	221 Publication of name by Company	Yes			
7	214 Financial year of Companies	Yes			
8	267 Annual return	Yes			
9	177 Annual General Meeting	Yes			
10	180 Extraordinary General Meeting			N.A.	
11	185 Notice for calling General Meeting		No		Notice has been published in Newspaper and record for sending the same to all shareholders has not been maintained by the company.
12	190 Chairman of meeting	Yes			
13	192 Representation of corporation of meeting	Yes			
14	193 Ordinary and special resolutions			N.A.	
15	195 Minutes of general meetings and of Board	Yes			The name of the directors dissenting from or not concurring in resolution is not recorded in Minutes of Board Meeting. It was informed that all resolutions were unanimously passed but the fact was not recorded in Minutes of the meeting.
16	178 Declaration & payment of dividend	Yes			
17	232 Books of account to be kept by company	Yes			
18	238 Inspection of Books of account	Yes			
19	244 Annual Accounts & Balance Sheets	Yes			
20	247 Filing of Balance Sheets etc. with the Registrar	Yes			
21	249 Board's Report	Yes			The explanation or information on every reservation/qualification contained in the auditor's report is not given in Board's report.
22	251 Appointment and Removal of Auditors	Yes			
23	260 Resignation of Auditors from office	Yes			
24	266 Auditing Standards	Yes			
25	133 Number of Directors	Yes			



T R Chadha & Co LLP

Compliance Checklist : (Extracts from the Companies Act of the Kingdom of Bhutan 2016) Exhibit- B

SL	SECTIONS	Yes	No.	N.A	Remarks
26	139 Additional Directors			N.A	
27	140 Consent to act as Directors	Yes			
28	141 Certain persons not to be appointed as directors	Yes			
29	142 Resignation by Directors	Yes			
30	143 Removal of Directors			N.A	
31	146 Board of Meetings	Yes			
32	152 General powers of Board	Yes			
33	156 Restrictions of powers of Board	Yes			
34	210 Appointment of Chief Executive Officer	Yes			
35	157 No loans to directors	Yes			
36	53 Inter-corporate loans and Investment	Yes			
37	213 Companies to have Secretaries	Yes			
38	161 Standards of care required by Directors	Yes			
P IX: STATUTORY RECORD AND INSPECTION					
40	228 Statutory record and inspection	Yes			
	a. Register of buy-back of Shares			N.A	
	b. Register of transfer of Shares	Yes			
	c. Register of Charges	Yes			
	d. Register of Inter- corporate loans	Yes			
	e. Register of Inter- Corporate investments	Yes			
	f. Register of contracts in which directors are interested		No		Not updated.
	g. Register of directors	Yes			
	h. Register of Share directors's shareholding	Yes			
OTHERS					
42	229 Inspection of Statutory Registers	Yes			
	85 Register of Shareholders/Members	Yes			

Place: Thimphu
Date: 16/03/2017



For T R Chadha & Co LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Vikas Kumar

Vikas Kumar
Partner
Membership No. 75363

T R Chadha & Co LLP

Chartered Accountants



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED, BHUTAN

1. Report on the Financial Statements

We have audited the accompanying Consolidated and Standalone financial statements of **Royal Insurance Corporation of Bhutan Limited** ('the Corporation'), which comprises the Statement of Financial Position as at 31st December, 2016, the Income Statement and the Cash Flow & Reconciliation Statement for the year ended on that date and a summary of the significant accounting policies and other explanatory information for the year then ended. The accounts/returns of unaudited twenty five Branches not visited by us have also been incorporated in the Financial Statements.

2. Management's Responsibility for the Financial Statements

The Corporation's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the International Financial Reporting Standards ('IFRS') and the accounting principles generally accepted, including the provisions of the Companies Act of the Kingdom of Bhutan, 2016 ('the Act'). This responsibility

also includes maintenance of adequate accounting records in accordance with the act for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

The actuarial valuation of liabilities for the Life/Group Insurance business is the responsibility of the Corporation's appointed actuary in accordance with the policies adopted by the Corporation. The said valuation has been certified by the Actuary, on which we have relied upon to express an opinion on the financial statements of the Corporation.

3. Auditor's Responsibility

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

We have taken into account the provisions of the Act, the International Financial Reporting Standards (IFRS) and matters which are required to be included in the audit report under the provisions of the Act.

We conducted our audit in accordance with the Generally Accepted Auditing Standards. 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 judgment, including the assessment of the risks 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 Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Corporation has in place an adequate internal financial

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control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, 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 qualified audit opinion on the financial statements.

4. Basis for Qualified Opinion

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

- (a) Note no. 38 to the financial statements, regarding non-reconciliation of unadjusted deposits in respect of Life Insurance Policies aggregating to Nu. 14,619,770 (Previous Year Nu. 11,097,174) against which eventual adjustment are not ascertainable at this stage, therefore, impact on the financial statements, if any, cannot be commented upon.
- (b) Note no. 39 to the financial statements, regarding Income tax liability being provided by applying tax rate of 30% on book profits and not on the taxable Income as per Income Tax Act of the Kingdom of Bhutan, 2001. In the absence of the computation of Income tax liability, the impact on the financial statements, if any, cannot be commented upon.
- (c) Note no. 40 to the financial statements regarding non-reinstatement of the balances due from and to the Re-insurers and brokers where transactions are being carried out in

foreign currency resulting in non-compliance of the IAS-21 on 'The Effect of Changes in Foreign Exchange Rates'. In the absence of computation of the same, the impact on the financial statements, if any, cannot be commented upon.

- (d) Note no. 41 of financial statements, regarding certain debit/ credit balances included in Trade Payables, Short/ Long Term Loan and Advances, Other Current Assets and Current Liabilities being pending for confirmations and consequential reconciliation. In the absence of the relevant details, the impact on the financial statement cannot be commented upon.

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the generally accepted accounting principles, of the statement of financial position of the Corporation as at 31st December, 2016, and its Income Statement and its cash flows & reconciliation statement for the year ended on that date.

6. Report on Other Legal and Regulatory Requirements

- I. As required by section 266 of the Companies Act of the Kingdom of Bhutan, 2016 read with Part II of Schedule XIV there to (Minimum Audit Examination and Reporting Requirements), we give in the **Annexure**, a statement on the matters specified therein, to the extent applicable.



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- II. As required by Section 265 of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) Except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books.
 - (c) The Consolidated and Standalone Statement of Financial Position, Income Statement and Cash Flow & Reconciliation Statement dealt with by this Report

are in agreement with the books of account.

- (d) Except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraph above, in our opinion, the aforesaid financial statements comply with the International Financial Reporting Standards and provision of the Companies Act of the Kingdom of Bhutan, 2016.

Place: Thimphu
Date: 16/03/2017



For T R Chadha & Co LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Vikas Kumar

Vikas Kumar
Partner
Membership No. 75363

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Annexure to Auditors' Report

[Referred to in paragraph – 6(I) thereof]

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

1. In relation with Fixed Assets of the Corporation:

- (a) The company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) Physical verification of Fixed Assets has been carried out during the year for all branches except Head office.
- (c) The reconciliation between the book records and physical verification is under process for branches. Hence, the impact of the same on financial statement cannot be ascertained.

2. As per information and explanations provided to us, none of the Fixed Assets have been revalued during the year.

3. Since, the Corporation is operating as Insurance Company and Financial Institution, the Clause - 3 to Clause - 6 of the reporting requirements are not applicable to it.

4. The Corporation has borrowed money from various organizations and the terms and conditions of such loans are, prima

facie, not prejudicial to the interest of the Corporation. According to information and explanations provided to us, there is no Company under the same management.

5. The Corporation, in normal course of its operations, has granted loan to other companies, firms or other parties wherein the rate of interest and the other terms and conditions of loans availed are not, *prima facie*, prejudicial to the interest of the Corporation. According to the information and explanations provided to us, the Corporation has granted loans to companies under the same management, but the same are not prejudicial to the interest of the Corporation.

6. The parties to whom the loans or advances have been given by the Corporation are generally repaying the principal amounts, as stipulated and are also generally regular in payment of interest, except for certain parties in which cases, the outstanding loan balances comprising of principal and interests, are considered as non-performing assets as per Prudential Regulations 2016 of the 'Royal Monetary Authority of Bhutan' and for which accrued interest as recognized have been reversed and provisioning for principal amounts have been done as per the said Regulations and as considered prudent and appropriate by the management. Further, we cannot comment on the compliances of other conditions mention in prudential norms related with identifica-



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tion of non-performing assets due to the worsened of debtor's financial position and declining trend in borrower's conditions due to non-availability of information with the company.

7. The advances to officers/ staff are generally granted in keeping with the applicable provisions of service rules and no excessive/ frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.

8. The Corporation has in general, an established system of internal control 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 Corporation as well as to ensure adherence to the rules/ regulations and system and procedures. *However, loan appraisal, processing, claim settlement, bank reconciliation and internal control requires periodical review and improvement especially in view of the fact that fraud/ embezzlement of funds have taken place in past.*

The following is required as per Prudential Regulation 2016 w.e.f. Sep'16, which is not done:

A. The internal audit reports had not been presented to the board.

B. Internal Audit department does not keep a track of ensuring compliances

relating to policies, resolutions and rules approved by the Board of Directors of RICB.

C. Internal audit team does not keep a track of compliances of relevant laws, regulations and notifications issued by RMA.

9. There is, in general, a system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including equipment and other assets and for the services. Since, the Corporation is in insurance business and financial services, it is not engaged in the purchase of stores and raw materials and sale of goods.

10. The transactions entered into by the Corporation wherein the directors are directly or indirectly interested are not prejudicial to the interest of the shareholders and the Corporation. Further, records under Section 228 of the Companies Act of the Kingdom of Bhutan, 2016 are not updated by the company.

11. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 14 to Clause - 17 of the reporting requirements are not applicable to it.

12. The Corporation has generally been regular in depositing the rates and taxes, duties, provident funds, and other statutory dues with the appropriate authorities.

However, the provision for corporate tax was made @ 30% of book profit rather than to calculate the income tax liability as required under the Income Tax Act of the Kingdom of Bhutan, 2001. In the absence of the computation of Income tax liability, the impact on the financial statements, if any, cannot be commented upon.

13. According to the information and explanations provided to us, as on the last day of the financial year, there were no disputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions.

14. According to the information and explanations given to us, and on the basis of our test 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 and/or in accordance with generally accepted business practice.

15. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 21 to Clause - 26 of the reporting requirements are not applicable to it.

16. As per the information and explanation provided to us, in our opinion, the credit sales policy of the Company is reasonable and proper credit rating is carried out for its customers.



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17. The Corporation is engaged in insurance business and its system of screening commission agents is generally adequate, although the Corporation is yet to formulate a structured documented procedures to this effect. The agency commission structure is in keeping with the industry norms/ market conditions, as we have been given to understand by the management. As informed to us, the Corporation has, in general, a system of evaluating performance of each agent on a periodic basis.

18. There has been, in general, a reasonable system for continuous follow-up of receivables for recovery of its outstanding amounts **but the same offers further scope for improvement. Also, age-wise analysis of outstanding amounts is generally not been carried out for management information and follow-up actions.**

19. On the basis of examination of the books of account and according to the information and explanations provided to us, the management of liquid resources particularly cash/ bank and short term deposits, etc., are prima-facie appears to be adequate and as such no excessive amounts are lying idle in non-interest bearing accounts. Withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amount is withdrawn lead-

ing to avoidable interest burden on the Corporation.

20. Based on the information and explanations/ representations given to us and on the basis of the examination of the books of account in accordance with the generally accepted auditing practices, the activities carried out by the Corporation are lawful and intra-vires to the Articles of Incorporation of the Corporation.

21. Based on the information and explanations/ representations given to us and on the basis of the examination of the books of account in accordance with the generally accepted auditing practices, the activities/ investments are made, subject to prior approval of the Board and investments in new projects are generally made only after ascertaining the technical and economic feasibility of such new ventures. Based on RAA Audit report on observation regarding RICB's financial activities with M/s. Nubri capital Limited, the Board passed a resolution on 13th May'16 and give directives to management to withdraw all investments made with M/s Nubri capital on immediate basis. However, an amount of Nu. 78,673,260 is still outstanding to be recovered as on 31.12.2016.

22. According to the information and explanations given to us, there has been

an effective budgetary control system for the Corporation, as a whole.

23. Since, the Corporation is operating as Insurance business and Financial Institution, the Clause - 34 of the reporting requirements are not applicable to it.

24. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Company, directly or indirectly, are disclosed. The details of remuneration of the directors of the Corporation are disclosed in the Note no.-36 to the financial statements.

25. In our opinion and on the basis of examination of books and records, the directives of the Board have generally been complied with, by the management of the Corporation during the year.

26. According to the information and explanations given to us, the officials of the company have not transmitted any price sensitive information, which are not made publicly available, unauthorizedly to their relatives/ friends/ associates or close persons which directly or indirectly benefit themselves. We have, however, relied on the management assertion on the same and cannot independently verify the same.



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Reporting Requirements for Finance and Investment Company

27. In our opinion and on the basis of examination of books and records, adequate documents and records are generally maintained in respect of loans and advances and those agreements have been drawn up and timely entries have been made therein.

28. In our opinion and on the basis of examination of books and records, proper records of the transactions have been maintained by the Corporation which have been timely updated for investments made in equity shares of the companies, both quoted and unquoted.

29. In our opinion and on the basis of examination of books and records, reasonable records are generally maintained for funds collected from depositors and for interest payment.

30. In our opinion and on the basis of examination of books and records, the Corporation follows the accounting policy of making provisions for diminution, other than temporary, if any, in the value of investment in shares.

31. In our opinion and on the basis of

examination of books and records, the Corporation has generally complied with the requirements of Financial Services Act, 2011 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities, ***except none of the members of the Audit Committee and the Risk Management Committee is an independent director.***

32. On the basis of examination of books and records, required provisions have been made in terms of Prudential Regulations, 2016.

33. On the basis of examination of books and records, recognition of interest income in respect of non-performing assets has been deferred in terms of Prudential Regulations, 2016

34. According to information and explanation provided to us, for the assets hypothecated against loans and advances, the Corporation, in general, has a system of performing physical verification, proper valuation and execution of mortgage deeds at the disbursement stage and the Corporation, also, ensures that at that stage, such assets are free of any prior lien or charges. However, there is scope for ***improvement*** with regard to the same.

35. According to the information and explanations given to us, the Corporation has, in general, 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.

36. According to the information and explanations given to us, the Corporation, in general, has a system of disposing assets taken over through open auction/ sealed bids.

37. The Corporation, in general, has the system for carrying out proper analysis before permitting re-phasing/rescheduling of loans (including non-performance loans). On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, rephasing has generally not been permitted in respect of non-performing loans.

38. On the basis of examination carried out in accordance with the generally accepted auditing procedures and based on the information and explanations provided by the management to us, the Corporation, in general, has the system to ensure that additional loans are not granted to those who have defaulted in repayment of previous advances.



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Reporting Requirements for Other Service Sector Companies

39. According to the information and explanations given to us, the Corporation maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

40. In our opinion and based on the examination of books and records, proper

records are kept for inter unit transactions/ services and arrangement for services made with other agencies engaged in similar activities.

41. According to explanation and information provided to us, the corporation has not acquired any machinery/equipment on lease or leased out to others.

Reporting requirements on computerized accounting environment

42. According to the information and explanations provided to us, the organizational and system development controls and other internal controls are generally adequate commensurate with size and nature of computer installations.

43. According to information and explanations provided to us, back-up is stored at third party location. The back-up, restoration process and other safeguard measures are appear to be adequate.

44. According to information and explanations provided to us, the operational controls are generally adequate to ensure correctness and validity of input data and output information.

45. According to information and explanations provided to us, the measures to prevent unauthorized access over the computers installations and files are generally adequate.

General:

1. Going concern problems

On the basis of the attached Financial Statements as at 31st December, 2016 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis

Financial and Operational Results of the Company has been given in **Exhibits-A** to this report.



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3. 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 completed by the Company Officials, the Company has generally complied with the provisions of the Companies Act of the Kingdom of Bhutan, 2016. Details are given in **Exhibit- B** to this report.

4. Adherence to Laws, Rules and Regulations

Audit of the Corporation is governed by "The Companies Act of the Kingdom of Bhutan, 2016" 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. *The Corporation 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 Corporation during the year 2016.*

Further, the company are under process to comply with the disclosure requirements as mention in "Macro-prudential rules and regulations" for the year 2016.

Place: Thimphu
Date: 16/03/2017



For T. R. Chadha & Co.
Firm Registration Number: 006711N/ N500028
Chartered Accountants

Vikas Kumar
Vikas Kumar
Partner
Membership No. 75363

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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

1. Corporate information

1.1 General

Royal Insurance Corporation of Bhutan Limited ('the Company') is a public limited company incorporated and domiciled in the Kingdom of Bhutan, and listed on the Royal Securities Exchange of Bhutan. The registered office of the Company is P.O. Box 315, Thimphu, Bhutan. The Company and its wholly owned subsidiary (RICB Securities Ltd.) collectively referred as 'the Group'.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the group comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity, Notes to the Financial Statements and Significant Accounting Policies for the year ended 31st December each year.

1.3 Principal Activities and nature of operations

The principle activities of the Company continued to be carrying on insurance business (life, non-life and reinsurance), Private Provident Fund, Annuity business, Group Insurance and lending business. The principal activity of the wholly owned subsidiary of the Company is to render brokerage services.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

The consolidated financial statements have been prepared on an historical cost basis except for

those financial assets and financial liabilities that have been measured at fair value.

As permitted by IFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts and investment contracts with a discretionary participation feature (DPF).

2.3 Functional and Presentation currency

The consolidated financial statements values are presented in Bhutan Ngultrum rounded (Nu.) unless otherwise indicated.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

2.4 Materiality and Aggregation

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

2.6 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Going concern

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

financial statements continue to be prepared on the going concern basis.

Impairment losses on Loans and advances

The Group review their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar product characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios etc.) and judgement on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates, sovereign rating etc.).

Impairment of Available for sale assets

The Group review their debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied on the individual assessment of loans and advances.

The Group also record impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'signifi-



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

cant' or 'prolonged' requires judgment. In making this judgement the Group evaluates, among other factors, historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

Defined benefit plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the actual returns earned from the gratuity fund. The mortality rate is based on publicly available mortality tables. Mortality - Indian Assured Lives Mortality (IALM-2006-2008). Future salary increases and pension increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Useful life time of the Property, Plant and Equipment

The Group review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7 Summary of significant accounting policies

(a) Product classification

Insurance contracts are those contracts when the

Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without **Discretionary participation features (DPF)**. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on;
- The performance of a specified pool of con-



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tracts or a specified type of contract;

- Realised and or unrealised investment returns on a specified pool of assets held by the issuer;
- The profit or loss of the company, fund or other entity that issues the contract.

(b) Intangible assets

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

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives of Intangible Assets are as follows:

Computer Software -10 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(c) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impair-

ment testing for an asset is required, the Group should estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.



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(d) Deferred expenses
Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for life insurance and investment contracts with DPF are amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Deferred expenses-Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

(e) Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Asset Type	Useful Life
Buildings	50 years
Furniture & Fitting	6-7 years
Office Equipment	7 years
Computer Equipment	5 years
Motor Vehicle	7 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

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

(f) Investment properties

Investment properties are stated at cost, including transaction costs. The carrying amount includes the



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cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

(g) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associ-

ate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

(h) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at



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initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis

Or

- The assets and liabilities are part of a Group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the effective interest rate (EIR). Dividend income is recorded in 'Other operating income' when the right to the payment has been established.

Available-for-sale financial assets

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

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve (equity).

Where the insurer holds more than one investment in the same security that they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the income statement as 'Investment income' when the right of the payment has been established. When the asset is derecognised the cumulative gain or loss is



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recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'finance income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'investment income' in the income statement. Gains and losses are recognised in the income statement when the investments are

derecognised or impaired, as well as through the amortisation process. Currently, no financial assets have been classified as held to maturity.

De-recognition of financial assets

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

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

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obli-



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gations that the Company has retained.

(i) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the carrying amount of the

asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the characteristics of Group's loan products.

Future cash flows on a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Available-for-sale financial investments

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




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In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income

(j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(k) Fair value of financial instruments

The financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's

best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Notes 22.

(l) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's



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policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business non-life insurance contracts. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on

the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

(m) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in clause – 'h' above, have been met.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.



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Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



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Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax



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items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) Foreign currency translation

The Group's consolidated financial statements are presented in Ngultrum which is also the parent Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Insurance contract liabilities

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Gross change in contract liabilities'. Profits originated from margins of adverse deviations on run-off contracts are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF and DAC, by using an existing liability adequacy test in accordance with IFRS. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration



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expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied. Aggregation levels and the level of prudence applied in the test are consistent with IFRS requirements. Any inadequacy is recorded in the income statement, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under IFRS.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that

portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

(r) Investment contract liabilities (Annuity Contracts)

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the consolidated income statement.



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Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

Fair value adjustments are performed at each reporting date and are recognised in the income statement in "gross change in contract liabilities". Fair value is determined through the use of prospective discounted cash flow techniques.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

For deferred annuities, actuarial liability has been taken as actuarial present value of all future payments less present value of future premiums net of commissions subject to a minimum surrender value.

For immediate annuity with return of purchase price the benefit has been valued as composed of life annuity and whole life assurance.

The liability for each immediate fixed term annuity policy is the actuarial present value of all future payments discounted at the valuation rate of interest.

For employee annuity, actuarial liability has been taken as actuarial present value of accumulated value of all premiums paid as of the valuation date.

The cover for rider death benefit has been valued as present value of future benefits less present value of future premium net of commissions subject to a minimum zero value.

(s) Discretionary participation features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

(t) Financial liabilities – initial recognition and subsequent measurement
Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The Group's financial liabilities include investment contracts without DPF, trade and other payables, borrowings, insurance payables (see clause- 'u' below).

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(u) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

De-recognition insurance payables

Insurance payables are de-recognised when the obligation under the liability is settled, cancelled or expired.

(v) Classification of financial instruments between debt and equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity
- Or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

(w) Deferred revenue

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, are deferred and recognised as revenue when the related services are rendered.

(x) Provisions General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

(y) Equity movements

Ordinary share capital

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

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

(z) Revenue recognition

Gross premiums

Gross recurring premiums on life, investment contracts with DPF and group insurance are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premium has been recognised in the statement of income on pro-rate basis (1/24th method) under IFRS 4 requirement.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on pro-rate basis (1/24th method) under IFRS 4 requirement. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

In general insurance, Liability adequacy test has been performed to allocate insurance provision for each year for Incurred But Not Report (IBNR) and for impairment of insurance receivables which is outstanding more than 365 days.

Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts on pro-rate basis (1/24th method) under IFRS 4 requirement.

In reinsurance, Liability adequacy test has been performed to allocate insurance provision for each year for Incurred But Not Report (IBNR) and for impairment of insurance receivables which is outstanding more than 365 days.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income

Interest income is recognised in the income statement as investment income. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(aa) Benefits, claims and expenses recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal

and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.8 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to



Royal Insurance Corporation of Bhutan Limited
NOTES TO THE FINANCIAL STATEMENTS AS PER IFRS

For the year ended 31 December 2016

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

IFRS 15 Revenue from Contracts with Customers

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




REFERRED TO IN THE RATIO ANALYSIS OF OUR OBSERVATIONS UNDER MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000) FOR THE YEAR ENDED 31ST DECEMBER, 2016 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

STATEMENT OF SIGNIFICANT RATIOS

FINANCIAL RATIOS:			2016	2015
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	15.90	16.00
2	Solvency Ratio (General Insurance)	(%)	7.55	7.55
3	Net Worth to Total Liabilities	(%)	16.98	20.09
4	Equity Investments to (Net Worth + Insurance Fund)	(%)	4.85	4.97
B	PROFITABILITY RATIOS:			
1	Operating Income to Net worth -Net	(%)	90.53	83.03
2	Operating Income to Total Assets	(%)	15.37	16.68
3	Net Profit (After Tax) to Net Worth	(%)	14.33	16.50
4	Net Profit (After Tax) to Total Assets	(%)	2.43	3.32
5	Return on Core Equity (Profit After Tax)	(%)	39.39	41.96
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio		5.44	4.05
2	Long Term Debt to Net Worth		1.98	1.31
3	Net Fixed Assets to Long Term Debt		0.13	0.21
4	Net Fixed Assets to Net Worth		0.26	0.27

Financial Data		2016	2015
Face Value of share	(Nu.)	10.00	10.00
Earning per Share	(Nu.)	3.94	4.20
Book Value per Share	(Nu.)	27.48	25.42
Market price per Share	(Nu.)	45.00	37.60
Dividend per share	(Nu.)	2.50	2.00
No. of Shareholders		1,484	1,493
Shareholding pattern: No of shares		120,000,000	120,000,000
His Majesty's Secretariat	(%)	20.83	20.83
Druk Holding & Investment	(%)	18.41	18.41
Private & Public Holders	(%)	60.76	60.76



Royal Insurance Corporation of Bhutan Limited

INCOME STATEMENT

For the year ended 31 December 2016

	Notes	Group		Company	
		2016 Nu	2015 Nu	2016 Nu	2015 Nu
Gross written premiums	4	2,468,705,660	2,069,113,408	2,468,705,660	2,069,113,408
Premiums ceded to reinsurers	4.1	(638,143,873)	(579,124,398)	(638,143,873)	(579,124,398)
Net written premiums		1,830,561,786	1,489,989,010	1,830,561,786	1,489,989,010
Change in unearned premium provision		(152,271,874)	(36,956,180)	(152,271,874)	(36,956,180)
Net earned premium		1,678,289,913	1,453,032,831	1,678,289,913	1,453,032,831
Finance income	5	117,877,824	131,429,183	119,691,524	137,958,503
Fee and commission income	6	209,724,069	177,560,970	208,222,980	176,713,469
Fee and commission expense	7	(126,952,340)	(124,816,890)	(126,952,340)	(124,816,890)
Net fee & commission income		200,649,553	184,173,263	200,962,164	189,855,082
Interest income on financial services	8	1,829,255,592	1,296,914,294	1,829,255,592	1,296,914,294
Less : Interest expense on financial services	9	(749,609,891)	(458,956,758)	(749,609,891)	(458,956,758)
Net interest income		1,079,645,701	837,957,536	1,079,645,701	837,957,536
Total revenue		2,958,585,167	2,475,163,630	2,958,897,777	2,480,845,449
Other operating income	10	26,728,586	52,284,240	26,532,292	52,207,408
Total operating income		2,985,313,753	2,527,447,869	2,985,430,070	2,533,052,858
Gross benefits and claims paid	11(a)	(1,120,094,367)	(419,777,447)	(1,120,094,367)	(419,777,447)
Claims ceded to reinsurers	11(b)	458,248,873	(78,116,985)	458,248,873	(78,116,985)
Change in contract liabilities	11(c)	(726,641,053)	(739,240,189)	(726,641,053)	(739,240,189)
Net benefits and claims		(1,388,486,546)	(1,237,134,621)	(1,388,486,546)	(1,237,134,621)
Expenses relating to private provident fund		(76,537,251)	(60,189,271)	(76,537,251)	(60,189,271)
Other operating and administrative expenses	12	(478,887,573)	(376,427,329)	(478,443,903)	(376,043,895)
Impairment gain / (loss)	13	(286,572,436)	(135,730,225)	(286,572,436)	(135,730,225)
Share of profit of an associate	21	(930,800)	13,370,871	-	-
10% Share of Life Fund Surplus		-	-	-	-
Profit before tax		753,899,146	731,337,294	755,389,933	723,954,845
Income tax expense	14	(281,210,777)	(220,690,148)	(281,104,552)	(220,454,612)
Profit for the year		472,688,369	510,647,147	474,285,381	503,500,233
Profit Attributable to Equity Holders of the parent		472,688,369	510,647,147	474,285,381	503,500,233
Earnings per share					
Basic profit for the year attributable to ordinary equity holders of the parent	15	3.94	4.26	3.95	4.20

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP

Chartered Accountants

Firm Registration No. - 06711N/ N500028

Vikas Kumar

(Vikas Kumar)

Partner

Membership No. - 075363

Place: Thimphu

Date: 16/03/2017



Executive Director



Chief Executive Officer

Chairman

Director

Royal Insurance Corporation of Bhutan Limited

STATEMENTS COMPREHENSIVE INCOME

For the year ended 31 December 2016

Note	Group		Company	
	2016 Nu	2015 Nu	2016 Nu	2015 Nu
Profit for the year	472,688,369	510,647,147	474,285,381	503,500,233
Other comprehensive income / (expenses)				
Net gain /loss on available for sale assets	(26,646,520)	60,388,542	(26,646,520)	60,388,542
Income tax effect on available for sale assets	7,993,956	(18,116,562)	7,993,956	(18,116,562)
Gains (losses) on defined benefit plans	6,647,684	(2,985,026)	6,647,684	(2,985,026)
Income tax effect on defined benefit plans	1,994,305	763,560	1,994,305	763,560
Total other comprehensive income	(10,010,575)	40,050,514	(10,010,575)	40,050,514
Total comprehensive income for the year net of tax	462,677,794	550,697,660	464,274,806	543,550,747

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP

Chartered Accountants
Firm Registration No. - 06711N/ N500028

Vikas Kumar

(Vikas Kumar)
Partner
Membership No. - 075363

Place: Thimphu
Date: 16/03/2017



[Signature]
Executive Director

[Signature]
Chief Executive Officer

[Signature]
Chairman

[Signature]
Director



Royal Insurance Corporation of Bhutan Limited

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

		Group		Company	
	Notes	2016 Nu	2015 Nu	2016 Nu	2015 Nu
Assets					
Property, plant and equipment	16	478,160,584	447,398,302	478,160,582	447,397,037
Investment properties	17	355,833,041	357,768,844	355,833,041	357,768,844
Intangible assets	18	21,957,515	26,368,212	21,957,515	26,368,212
Loans and receivables	19	14,908,180,185	11,521,000,604	14,908,180,185	11,521,000,604
Long term investment classified as Loans and receivables		-	-	-	-
Investment in subsidiary	20	-	-	500,000	500,000
Investment in associate	21	36,450,811	39,195,312	24,311,650	24,311,650
Available-for-sale financial assets	22	457,635,406	362,138,904	457,135,406	361,638,904
Insurance Receivables	23	442,432,987	285,907,289	442,432,987	285,907,289
Net defined benefit assets		-	14,294,261	14,294,261	14,294,261
Other Assets	24	271,591,674	268,433,739	271,222,746	268,345,583
Cash and Cash Equivalents	25	2,445,777,457	1,882,241,807	2,443,605,064	1,879,768,077
Total Assets		19,418,019,661	15,204,747,273	19,403,339,177	15,187,300,461
Equity & Liabilities					
Capital & Reserves					
Share Capital	26	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Retained earnings		1,754,923,684	1,524,219,101	1,738,789,276	1,506,487,682
Other reserves		210,933,729	193,933,729	210,933,729	193,933,729
Available for Sale reserve		131,800,715	150,453,279	131,800,715	150,453,279
Total equity		3,297,658,129	3,068,606,109	3,281,523,721	3,050,874,691
Liabilities					
Insurance contract liabilities	27	3,643,054,686	2,668,690,179	3,643,054,686	2,668,690,179
Reinsurance contract liabilities		-	-	-	-
Investment contract liabilities	28	2,491,880,864	1,553,802,334	2,491,880,864	1,553,802,334
Insurance Payable	29	240,787,789	75,381,860	240,787,789	75,381,860
Contribution received by private provident fund		1,068,458,873	893,147,882	1,068,458,873	893,147,882
Debt issued and other borrowed funds	30	6,532,475,864	4,853,624,996	6,534,476,521	4,854,624,996
Employee benefit obligation	31	15,974,936	9,327,252	15,974,936	9,327,252
Deferred tax liability	32	255,947,548	205,841,538	255,947,548	205,841,538
Tax payable		271,222,516	238,192,604	271,116,291	237,807,613
Trade and other payables	33	1,600,558,454	1,638,132,518	1,600,117,946	1,637,802,116
Total Liabilities		16,120,361,532	12,136,141,163	16,121,815,456	12,136,425,770
Shareholders' Equity & Liabilities		19,418,019,661	15,204,747,273	19,403,339,177	15,187,300,461

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP

Chartered Accountants

Firm Registration No. - 06711N/ N500028



(Vikas Kumar)

Partner

Membership No. - 075363

Place: Thimphu
Date: 16/03/2017

Executive Director



Chief Executive Officer

Chairman

Director

Royal Insurance Corporation of Bhutan Limited

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2016

Group	Note	Share Capital	Retained Earnings	AFS reserve	Other Reserves	In Nus Total Shareholders' Funds
Balance as at 1st January 2015	26	480,000,000	1,920,793,420	108,181,299	176,933,729	2,685,908,448
Net profit for the year		-	510,647,147	-	-	510,647,147
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(12,000,000)	-	12,000,000	-
Bonus Share Issue Adjustment		720,000,000	(720,000,000)	-	-	-
Other comprehensive income		-	(2,221,466)	42,271,980	-	40,050,514
Dividend paid		-	(168,000,000)	-	-	(168,000,000)
Balance as at 31st December 2015		1,200,000,000	1,524,219,102	150,453,279	193,933,729	3,068,606,109
Net profit for the year		-	472,688,369	-	-	472,688,369
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(12,000,000)	-	12,000,000	-
Bonus Share Issue Adj		-	-	-	-	-
Other comprehensive income		-	8,641,989	(18,652,564)	-	(10,010,575)
Dividend paid		-	(240,000,000)	-	-	(240,000,000)
Increase in Reinsurance Reserve		-	6,374,224	-	-	-
Balance as at 31st December 2016		1,200,000,000	1,754,923,684	131,800,715	210,933,729	3,297,658,128
Company	Note	Share Capital	Retained Earnings	AFS Reserve	Other Reserves	In Nus Total Shareholders' Funds
Balance as at 1st January 2015	26	480,000,000	1,910,208,915	108,181,299	176,933,729	2,675,323,943
Net profit for the year		-	503,500,233	-	-	503,500,233
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(10,000,000)	-	10,000,000	-
Technical reserve - Health		-	(2,000,000)	-	2,000,000	-
Other comprehensive income		-	(2,221,466)	42,271,980	-	40,050,514
Bonus Share Issue Adjustment		720,000,000	(720,000,000)	-	-	-
Dividend paid		-	(168,000,000)	-	-	(168,000,000)
Balance as at 31st December 2015		1,200,000,000	1,506,487,682	150,453,279	193,933,729	3,050,874,690
Net profit for the year		-	474,285,381	-	-	474,285,381
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(10,000,000)	-	10,000,000	-
Technical reserve - Health		-	(2,000,000)	-	2,000,000	-
Other comprehensive income		-	8,641,989	(18,652,564)	-	(10,010,575)
Bonus Share Issue Adjustment		-	-	-	-	-
Dividend paid		-	(240,000,000)	-	-	(240,000,000)
Increase in Reinsurance Reserve		-	6,374,224	-	-	-
Balance as at 31st December 2016		1,200,000,000	1,738,789,276	131,800,715	210,933,729	3,275,149,496



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CASH FLOW & RECONCILIATION STATEMENTS

For the year ended 31 December 2016

For the year ended 31st December	Note	Group		Company	
		2016 Nu	2015 Nu	2016 Nu	2015 Nu
Cash flows from operating activities					
Profit before tax		753,899,146	731,337,294	755,389,933	723,954,845
Adjustment for:					
Depreciation of Property plant & equipment	16	15,142,799	16,012,354	15,138,629	16,008,184
Depreciation of investment property	17	1,935,802	1,935,802	1,935,802	1,935,802
Amortization of Intangible assets	18	4,410,697	4,210,973	4,410,697	4,210,973
Gratuity		(3,956,371)	954,800	(3,956,371)	954,800
Leave encashment provision		2,691,313	3,839,885	2,691,313	3,839,885
Share of profit of an associate	21	2,744,500	(6,841,551)	-	-
Impairment of Loans & Advances	13	286,572,436	135,730,225	286,572,436	135,730,225
Life fund surplus		-	-	-	-
Operating profit before changes in operating assets & liabilities		1,063,440,323	887,179,783	1,062,182,439	886,634,715
(Increase)/Decrease in operating assets					
Loans and advance to customers	19	(3,538,021,792)	(3,465,281,340)	(3,538,021,792)	(3,465,281,340)
Insurance receivables	23	(156,525,699)	(60,650,141)	(156,525,699)	(60,650,141)
Other assets	24	(3,157,935)	(145,566,481)	(2,877,162)	(145,743,020)
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	27	974,364,507	711,753,471	974,364,507	711,753,471
Reinsurance Contract Liabilities		(6,374,224)	(60,537,145)	(6,374,224)	(60,537,145)
Investment contract liabilities	28	938,078,531	626,734,176	938,078,531	626,734,176
Insurance payable	29	165,405,930	(33,520,929)	165,405,930	(33,520,929)
Contribution received by private provident fund		175,310,991	173,274,385	175,310,991	173,274,385
Trade and other payables	33	(37,852,827)	353,309,554	(37,684,170)	357,044,560
Net cash flow from operating activities before income tax		(1,488,772,519)	(1,900,484,450)	(1,488,323,088)	(1,896,925,984)
Gratuity paid	15	(3,956,371)	(3,500,000)	(3,956,371)	(3,500,000)
Leave encashment paid		(13,426,029)	(3,400,059)	(13,426,029)	(3,400,059)
Income tax paid		(291,199,038)	(220,690,148)	(291,092,813)	(220,454,612)
Net cash flow from operating activities		(308,581,438)	(227,590,207)	(308,475,213)	(227,354,671)
Cash flow from Investing activities					
Available for sale investments	22	(95,496,502)	(82,900,020)	(95,496,502)	(83,100,020)
Long term investments		-	100,000,000	-	100,000,000
Investment in fixed deposits		-	-	-	-
Technical reserve		-	2,000,000	-	2,000,000
Purchase of property & equipment		(45,905,081)	(14,642,396)	(45,902,174)	(14,642,396)
Purchase of intangible assets		-	(2,025,827)	-	(2,025,827)
Disposal of investment property		-	-	-	-
Purchase of investment property		-	(1,929,941)	-	(1,929,941)
Net cash flow from investing activities		(141,401,583)	501,816	(141,398,676)	301,816
Cash flow from financing activities					
Borrowings during the year	31	1,678,850,868	610,696,294	1,679,851,525	611,311,303
Dividends paid		(240,000,000)	(168,000,000)	(240,000,000)	(168,000,000)
Issue of Shares		-	-	-	-
Net cash flow from financing activities		1,438,850,868	442,696,294	1,439,851,525	443,311,303
Net increase/(decrease) in cash and cash equivalents		563,535,650	(797,696,764)	563,836,987	(794,032,821)
Cash and cash equivalents at the beginning of the year	25	1,882,241,807	2,679,938,571	1,879,768,077	2,673,800,897
Cash and cash equivalents at the end of the year		2,445,777,457	1,882,241,807	2,443,605,064	1,879,768,077

The accounting policies and notes forms an integral part of the Financial Statements.

For T R Chadha & Co LLP
Chartered Accountants
Firm Registration No. - 06711N/ N500028

(Vikas Kumar)
Partner
Membership No. - 075363
Place: Thimphu
Date: 16/03/2017



Executive Director

Chief Executive Officer

Chairman

Director

Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2016

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance
Gross written premiums	994,130,742	905,111,473	72,445,084	409,016
Premiums ceded to reinsurers	(575,058,450)	(1,415,860)	-	-
Net written premiums	419,072,293	903,695,613	72,445,084	409,016
Net change in Reserve for unearned premium	(15,303,986)	-	-	-
Net Earned premium	403,768,306	903,695,613	72,445,084	409,016
Finance Income	114,108,197	249,466,895	86,884,607	100,324,630
Fee and commission income -External	143,686,833	-	-	-
Fee and commission expense - External	(7,004,825)	(50,921,545)	-	(2,849,750)
Net fee & commission income	250,790,205	198,545,351	86,884,607	97,474,880
Interest Income - External	-	-	-	-
Less : Interest expense - External	-	(85,726,427)	(83,527,484)	(80,984,121)
Net interest income	-	(85,726,427)	(83,527,484)	(80,984,121)
Total revenue	654,558,511	1,016,514,537	75,802,207	16,899,775
Other operating income	1,595,872	1,893,176	1,336,360	975,509
Total operating income	656,154,383	1,018,407,713	77,138,567	17,875,284
Gross benefits and claims paid	(639,557,971)	(219,128,172)	(47,950,000)	-
Claims ceded to reinsurers	439,282,545	-	-	-
Gross change in contract liabilities	-	(725,724,888)	11,616,962	(12,533,127)
Net benefits and claims	(200,275,426)	(944,853,060)	(36,333,038)	(12,533,127)
Expenses relating to praiivate provident fund	-	-	-	-
Other operating and administrative expenses	(108,020,197)	(73,554,653)	(40,805,529)	(5,342,157)
Impairment gain / (loss) on loans and advances	(15,505,068)	-	-	-
Share of profit of an associate	-	-	-	-
Profit before tax	332,353,692	-	-	(0)
Income tax expense	-	-	-	-
Profit for the year	332,353,692	-	-	(0)
Other comprehensive income / (expenses)				
Net gain /loss on available for sale assets	-	-	-	-
Income tax effect	-	-	-	-
Re-measurement gains (losses) on defined benefit plans	-	-	-	-
Income tax effect	-	-	-	-
Total other comprehensive income	-	-	-	-
other comprehensive income	-	-	-	-
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income for the year net of tax	332,353,692	-	-	(0)



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Re insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary/ Associate	Group
1,071,667,795	-	-	-	(575,058,450)	2,468,705,660	-	2,468,705,660
(636,728,013)	-	-	-	575,058,450	(638,143,873)	-	(638,143,873)
434,939,781	-	-	-	-	1,830,561,786	-	1,830,561,786
(136,967,887)	-	-	-	-	(152,271,874)	-	(152,271,874)
297,971,894	-	-	-	-	1,678,289,913	-	1,678,289,913
17,482,871	84,717,034	119,691,524	-	(652,984,234)	119,691,524	(1,813,700)	117,877,824
121,282,348	-	64,896,167	-	(121,642,368)	208,222,980	1,501,089	209,724,069
(187,818,588)	-	-	-	121,642,368	(126,952,340)	-	(126,952,340)
(49,053,370)	84,717,034	184,587,691	-	(652,984,234)	200,962,164	(312,611)	200,649,553
-	-	1,829,255,592	-	-	1,829,255,592	-	1,829,255,592
-	-	(1,152,356,093)	-	652,984,234	(749,609,891)	-	(749,609,891)
-	-	676,899,499	-	652,984,234	1,079,645,702	-	1,079,645,702
248,918,525	84,717,034	861,487,190	-	-	2,958,897,778	(312,611)	2,958,585,167
3,255,693	5,528	6,466,088	11,004,065	-	26,532,292	196,294	26,728,586
252,174,217	84,722,563	867,953,278	11,004,065	-	2,985,430,070	(116,317)	2,985,313,753
(652,740,769)	-	-	-	439,282,545	(1,120,094,367)	-	(1,120,094,367)
458,248,873	-	-	-	(439,282,545)	458,248,873	-	458,248,873
-	-	-	-	-	(726,641,053)	-	(726,641,053)
(194,491,895)	-	-	-	-	(1,388,486,546)	-	(1,388,486,546)
-	(76,537,251)	-	-	-	(76,537,251)	-	(76,537,251)
(14,939,735)	(8,509,320)	(125,280,325)	(80,506,859)	(21,485,129)	(478,443,904)	(443,670)	(478,887,573)
(17,937,025)	-	(253,130,343)	-	-	(286,572,436)	-	(286,572,436)
-	-	-	-	-	-	(930,800)	(930,800)
-	-	-	-	-	-	-	-
24,805,562	(324,008)	489,542,610	(69,502,794)	(21,485,129)	755,389,933	(1,490,787)	753,899,146
-	-	-	-	(281,104,552)	(281,104,552)	(106,225)	(281,210,777)
24,805,562	(324,008)	489,542,610	(69,502,794)	(302,589,681)	474,285,381	(1,597,012)	472,688,369
-	-	(26,646,520)	-	-	(26,646,520)	-	(26,646,520)
-	-	7,993,956	-	-	7,993,956	-	7,993,956
-	-	-	-	6,647,684	6,647,684	-	6,647,684
-	-	-	-	1,994,305	1,994,305	-	1,994,305
-	-	(18,652,564)	-	8,641,989	(10,010,575)	-	(10,010,575)
-	-	-	-	-	-	-	-
-	-	(18,652,564)	-	8,641,989	(10,010,575)	-	(10,010,575)
24,805,562	(324,008)	470,890,046	(69,502,794)	(293,947,691)	464,274,806	(1,597,012)	462,677,794



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2015

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance
Gross written premiums	900,588,371	809,832,413	68,658,517	292,719
Premiums ceded to reinsurers	(524,889,720)	(2,238,200)	-	-
Net written premiums	375,698,651	807,594,213	68,658,517	292,719
Net change in Reserve for unearned premium	34,357,034	-	-	-
Net Earned premium	410,055,685	807,594,213	68,658,517	292,719
Finance Income	97,797,741	207,580,555	72,776,677	14,486,683
Fee and commission income - External	111,553,190	-	-	-
Fee and commission expense - External	(8,860,419)	(65,186,857)	-	(2,147,891)
Net fee & commission income	200,490,512	142,393,698	72,776,677	12,338,792
Interest Income - External	-	-	-	-
Less : Interest expense - External	-	-	(68,826,597)	(10,483,217)
Net interest income	-	-	(68,826,597)	(10,483,217)
Total revenue	610,546,197	949,987,911	72,608,597	2,148,294
Other operating income	685,925	13,345,616	9,234,699	262,755
Total operating income	611,232,122	963,333,527	81,843,295	2,411,049
Gross benefits and claims paid	(88,438,139)	(198,567,567)	(36,287,654)	-
Claims ceded to reinsurers	(77,918,066)	-	-	-
Gross change in contract liabilities	-	(719,786,609)	(19,791,276)	(207,224)
Net benefits and claims	(166,356,204)	(918,354,177)	(56,078,930)	(207,224)
Expenses relating to praiivate provident fund	-	-	-	-
Other operating and administrative expenses	(75,945,769)	(44,979,350)	(25,764,365)	(2,203,825)
Impairment gain / (loss) on loans and advances	(65,733,914)	-	-	-
Share of profit of an associate	-	-	-	-
10% Surplus of Life Insurance	-	-	-	-
Profit before tax	303,196,235	-	-	-
Income tax expense	-	-	-	-
Profit for the year	303,196,235	-	-	-
Other comprehensive income / (expenses)				
Net gain /loss on available for sale assets	-	-	-	-
Income tax effect	-	-	-	-
Re-measurement gains (losses) on defined benefit plans	-	-	-	-
Income tax effect	-	-	-	-
Total other comprehensive income	-	-	-	-
other comprehensive income	-	-	-	-
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income for the year net of tax	303,196,235	-	-	-



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Re insurance	PPF	Credit & Invest- ment	GAD	Adjustments	Company	Subsidiary/ Associate	Group
814,631,109	-	-	-	(524,889,720)	2,069,113,408	-	2,069,113,408
(576,886,198)	-	-	-	524,889,720	(579,124,398)	-	(579,124,398)
237,744,911	-	-	-	-	1,489,989,010	-	1,489,989,010
(71,313,214)	-	-	-	-	(36,956,180)	-	(36,956,180)
166,431,697	-	-	-	-	1,453,032,831	-	1,453,032,831
8,451,606	65,461,818	137,958,503	-	(466,555,080)	137,958,503	(6,529,320)	131,429,183
156,919,685	-	47,505,680	-	(139,265,085)	176,713,469	847,500	177,560,970
(187,711,808)	-	(175,000)	-	139,265,085	(124,816,890)	-	(124,816,890)
(22,340,517)	65,461,818	185,289,182	-	(466,555,080)	189,855,082	(5,681,820)	184,173,263
-	-	1,296,914,294	-	-	1,296,914,294	-	1,296,914,294
-	-	(846,202,024)	-	466,555,080	(458,956,758)	-	(458,956,758)
-	-	450,712,270	-	466,555,080	837,957,536	-	837,957,536
144,091,180	65,461,818	636,001,452	-	-	2,480,845,450	(5,681,820)	2,475,163,630
1,726,033	6,611	15,412,826	11,532,944	-	52,207,408	76,831	52,284,240
145,817,213	65,468,429	651,414,278	11,532,944	-	2,533,052,858	(5,604,988)	2,527,447,869
(18,566,022)	-	-	-	(77,918,066)	(419,777,447)	-	(419,777,447)
(78,116,985)	-	-	-	77,918,066	(78,116,985)	-	(78,116,985)
544,921	-	-	-	-	(739,240,189)	-	(739,240,189)
(96,138,086)	-	-	-	-	(1,237,134,621)	-	(1,237,134,621)
-	(60,189,271)	-	-	-	(60,189,271)	-	(60,189,271)
(7,933,273)	(6,333,670)	(153,282,704)	(37,445,979)	(22,154,960)	(376,043,896)	(383,434)	(376,427,329)
(8,438,144)	-	(61,558,168)	-	-	(135,730,225)	-	(135,730,225)
-	-	-	-	-	-	13,370,871	13,370,871
-	-	-	-	-	-	-	-
-	33,307,710	(1,054,513)	436,573,406	(25,913,034)	723,954,845	7,382,449	731,337,294
-	-	-	-	(220,454,612)	(220,454,612)	(235,536)	(220,690,148)
33,307,710	(1,054,513)	436,573,406	(25,913,034)	(242,609,572)	503,500,233	7,146,913	510,647,146
-	-	60,388,542	-	-	60,388,542	-	60,388,542
-	-	(18,116,563)	-	-	(18,116,563)	-	(18,116,563)
-	-	-	-	(2,985,026)	(2,985,026)	-	(2,985,026)
-	-	-	-	763,560	763,560	-	763,560
-	-	42,271,979	-	(2,221,466)	40,050,513	-	40,050,513
-	-	42,271,979	-	(2,221,466)	40,050,513	-	40,050,513
33,307,710	(1,054,513)	478,845,386	(25,913,034)	(244,831,038)	543,550,746	7,146,913	550,697,660



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(3) Operating segment Information

Operating segment statement of financial position as at 31 December 2016

	"Non Life Insurance"	"Life Insurance"	Group Life Insurance	Annuity Insurance	Re insurance
Assets					
Property, plant and equipment	-	-	-	-	-
Investment properties	-	-	-	-	-
Intangible assets	-	-	-	-	-
Loans and receivables	-	916,444	-	-	-
Long term investment classified as Loans and receivables	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Investment in associate	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-
Insurance Receivables	284,938,823	(1,165,351)	(742,970)	36,832	159,365,652
Net defined benefit assets	-	-	-	-	-
Other Assets	2,651,938	-	-	-	(1,785,634)
Cash and Cash Equivalents	17,926,036	(10,233,293)	17,720,316	5,047,229	135,177,459
Total Assets	305,516,798	(10,482,200)	16,977,346	5,084,061	292,757,478
Equity & Liabilities					
Capital & Reserves					
Share Capital	-	-	-	-	-
Retained earnings	-	-	-	-	-
Other reserves	-	-	-	-	-
Available For Sale reserve	-	-	-	-	-
Total equity	-	-	-	-	-
Liabilities					
Insurance contract liabilities	229,978,228	3,082,300,987	72,660,419	7,566,265	250,548,788
Reinsurance contract liabilities	-	-	-	-	-
Investment contract liabilities	-	-	1,158,890,063	1,332,990,801	-
Insurance Payable	116,600,031	4,557,566	1,473,987	-	118,156,205
Contribution received by private provident fund	-	-	-	-	-
Debt issued and other borrowed funds	-	-	-	-	-
Employee benefit obligation	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Tax payable	-	-	-	-	-
Trade and other payables	39,885,371	983,405,296	2,259,590	2,907,131	90,933,346
Total Liabilities	386,463,630	4,070,263,850	1,235,284,058	1,343,464,197	459,638,340
Shareholders' Equity & Liabilities	386,463,630	4,070,263,850	1,235,284,058	1,343,464,197	459,638,340



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

PPF	"Credit & Investment"	GAD	Adjustments	Company	Subsidiary	Adjustments	Group
-	-	-	478,160,582	478,160,582	0	-	478,160,583
-	-	-	355,833,041	355,833,041	-	-	355,833,041
-	-	-	21,957,515	21,957,515	-	-	21,957,515
-	14,907,263,742	-	-	14,908,180,185	-	-	14,908,180,185
-	-	-	-	-	-	-	-
-	500,000	-	-	500,000	-	(500,000)	-
-	24,311,650	-	-	24,311,650	-	12,139,161	36,450,811
-	457,135,406	-	-	457,135,406	2,500,657	(2,000,658)	457,635,405
-	-	-	-	442,432,987	-	-	442,432,987
-	-	-	-	-	-	-	-
9,554,723	90,683,668	170,118,050	-	271,222,746	368,929	-	271,591,674
10,181,288	2,271,383,678	(3,597,648)	-	2,443,605,064	2,172,393	-	2,445,777,457
19,736,010	17,751,278,144	166,520,402	855,951,138	19,403,339,176	5,041,979	9,638,503	19,418,019,659
-	-	1,200,000,000	-	1,200,000,000	500,000	(500,000)	1,200,000,000
-	-	-	1,738,789,276	1,738,789,276	3,995,248	12,139,161	1,754,923,685
-	-	-	210,933,729	210,933,729	-	-	210,933,729
-	131,800,714	-	-	131,800,714	-	-	131,800,714
-	131,800,714	1,200,000,000	1,949,723,005	3,281,523,720	4,495,248	11,639,161	3,297,658,129
-	-	-	-	3,643,054,686	-	-	3,643,054,686
-	-	-	-	-	-	-	-
-	-	-	-	2,491,880,864	-	-	2,491,880,864
-	-	-	-	240,787,789	-	-	240,787,789
1,068,458,873	-	-	-	1,068,458,873	-	-	1,068,458,873
-	14,890,176,922	260,972,603	(8,616,673,004)	6,534,476,521	-	(2,000,658)	6,532,475,863
-	-	-	15,974,936	15,974,936	-	-	15,974,936
-	-	-	255,947,548	255,947,548	-	-	255,947,548
-	-	-	271,116,291	271,116,291	106,225	-	271,222,516
278,340,242	786,686,495	41,804,767	(626,104,291)	1,600,117,946	440,505	-	1,600,558,452
1,346,799,114	15,676,863,417	302,777,370	(8,699,738,519)	16,121,815,456	546,731	(2,000,658)	16,120,361,529
1,346,799,114	15,808,664,131	1,502,777,370	(6,750,015,514)	19,403,339,176	5,041,979	9,638,503	19,418,019,659



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(3) Operating segment Information

Operating segment statement of financial position as at 31 December 2015

	"Non Life Insurance"	"Life Insurance"	Group Life Insurance	Annuity Insurance	Re insurance
Assets					
Property, plant and equipment	-	-	-	-	-
Investment properties	-	-	-	-	-
Intangible assets	-	-	-	-	-
Loans and receivables	-	546,918	-	-	-
Long term investment classified as Loans and receivables	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Investment in associate	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-
Insurance Receivables	169,878,577	3,058,247	(277,740)	1,922	113,246,282
Net defined benefit assets	-	-	-	-	-
Other Assets	1,852,764	-	-	-	(1,886,536)
Cash and Cash Equivalents	8,887,023	1,540,482	8,922,104	2,424,681	46,048,183
Total Assets	180,618,365	5,145,648	8,644,364	2,426,603	157,407,929
Equity & Liabilities					
Capital & Reserves					
Share Capital	-	-	-	-	-
Retained earnings	-	-	-	-	-
Other reserves	-	-	-	-	-
Available For Sale reserve	-	-	-	-	-
Total equity	-	-	-	-	-
Liabilities					
Insurance contract liabilities	143,351,453	2,328,241,892	83,999,641	(4,966,863)	118,064,056
Reinsurance contract liabilities	-	-	-	-	-
Investment contract liabilities	-	-	970,115,006	583,687,328	-
Insurance Payable	67,021,923	4,289,491	1,582,519	-	2,487,927
Contribution received by private provident fund	-	-	-	-	-
Debt issued and other borrowed funds	-	-	-	-	-
Employee benefit obligation	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Tax payable	-	-	-	-	-
Trade and other payables	41,918,532	965,462,110	1,753,659	41,606	164,518,294
Total Liabilities	252,291,908	3,297,993,493	1,057,450,826	578,762,070	285,070,277
Shareholders' Equity & Liabilities	252,291,908	3,297,993,493	1,057,450,826	578,762,070	285,070,277



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

PPF	"Credit & Investment"	GAD	Adjustments	Company	Subsidiary	Adjustments	Group
-	-	-	447,397,037	447,397,037	1,265	-	447,398,302
-	-	0	357,768,844	357,768,844	-	-	357,768,844
-	-	0	26,368,212	26,368,212	-	-	26,368,212
-	11,520,453,686	-	-	11,521,000,604	-	-	11,521,000,604
-	-	-	-	-	-	-	-
-	500,000	-	-	500,000	-	(500,000)	-
-	24,311,650	-	-	24,311,650	-	14,883,662	39,195,312
-	361,638,904	-	-	361,638,904	1,500,000	(1,000,000)	362,138,904
-	-	-	-	285,907,289	-	-	285,907,289
-	-	-	14,294,261	14,294,261	-	-	14,294,261
-	120,831,697	147,547,658	-	268,345,584	88,156	-	268,433,739
(2,112,919)	1,813,236,238	822,285	-	1,879,768,077	2,473,730	-	1,882,241,807
(2,112,919)	13,840,972,175	148,369,943	845,828,353	15,187,300,461	4,063,151	13,383,662	15,204,747,274
-	-	1,200,000,000	-	1,200,000,000	500,000	(500,000)	1,200,000,000
-	-	-	1,506,487,682	1,506,487,682	2,847,760	14,883,662	1,524,219,104
-	-	-	193,933,729	193,933,729	-	-	193,933,729
-	150,453,278	-	-	150,453,278	-	-	150,453,278
-	150,453,278	1,200,000,000	1,700,421,411	3,050,874,690	3,347,760	14,383,662	3,068,606,111
-	-	-	-	2,668,690,179	-	-	2,668,690,179
-	-	-	-	-	-	-	-
-	-	-	-	1,553,802,334	-	-	1,553,802,334
-	-	-	-	75,381,860	-	-	75,381,860
893,147,882	-	-	-	893,147,882	-	-	893,147,882
-	11,459,468,489	260,972,603	(6,865,816,096)	4,854,624,996	-	(1,000,000)	4,853,624,996
-	-	-	9,327,252	9,327,252	-	-	9,327,252
-	-	-	205,841,538	205,841,538	-	-	205,841,538
-	-	-	237,807,614	237,807,614	384,991	-	238,192,605
191,688,266	560,956,519	17,174,784	(305,711,655)	1,637,802,116	330,400	-	1,638,132,516
1,084,836,148	12,020,425,008	278,147,387	(6,718,551,347)	12,136,425,771	715,391	(1,000,000)	12,136,141,162
1,084,836,148	12,170,878,287	1,478,147,387	(5,018,129,935)	15,187,300,461	4,063,151	13,383,662	15,204,747,274



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Note	Group		Company	
	Nu 2016	Nu 2015	Nu 2016	Nu 2015
4 GROSS WRITTEN PREMIUM				
Non life insurance	994,130,742	900,588,371	994,130,742	900,588,371
Life insurance	905,111,473	809,832,413	905,111,473	809,832,413
Group life insurance	72,445,084	68,658,517	72,445,084	68,658,517
Annuity insurance	409,016	292,719	409,016	292,719
Re insurance	496,609,345	289,741,389	496,609,345	289,741,389
Total gross written premium	2,468,705,660	2,069,113,408	2,468,705,660	2,069,113,408
4.1 Premiums ceded to reinsurance				
Life insurance	(1,415,860)	(2,238,200)	(1,415,860)	(2,238,200)
Re insurance	(636,728,013)	(576,886,198)	(636,728,013)	(576,886,198)
Total premium ceded to reinsurance	(638,143,873)	(579,124,398)	(638,143,873)	(579,124,398)
Total net premium	1,830,561,786	1,489,989,010	1,830,561,786	1,489,989,010
5 FINANCE INCOME				
Income from investment securities	117,877,824	131,429,183	119,691,524	137,958,503
	117,877,824	131,429,183	119,691,524	137,958,503
6 FEES AND COMMISSION INCOME				
Agent commission	143,686,833	111,553,190	143,686,833	111,553,190
Reinsurance commission	(360,020)	17,654,600	(360,020)	17,654,600
Credit related fees and commissions	61,527,110	45,631,510	61,527,110	45,631,510
Guarantee fee	2,024,750	979,850	2,024,750	979,850
Other	2,845,396	1,741,820	1,344,307	894,320
Total fees and commission income	209,724,069	177,560,970	208,222,980	176,713,469
7 FEES AND COMMISSION EXPENSE				
Commission expense on Re insurance accepted	(66,176,220)	(48,446,723)	(66,176,220)	(48,446,723)
Agent commission	(60,776,119)	(76,195,167)	(60,776,119)	(76,195,167)
Brokerage Fees	-	(175,000)	-	(175,000)
Total fees and commission expense	(124,816,890)	(124,816,890)	(126,952,340)	(124,816,890)



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Royal Insurance Corporation of Bhutan Limited

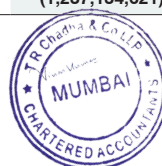
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
8	INTEREST INCOME ON FINANCIAL SERVICES				
	Loans & receivables from customers	1,744,925,895	1,261,567,310	1,744,925,895	1,261,567,310
	Interest income received from impaired loans	84,329,697	35,346,984	84,329,697	35,346,984
	Total interest income	1,829,255,592	1,296,914,294	1,829,255,592	1,296,914,294
9	INTEREST EXPENSE ON FINANCIAL SERVICES				
	Interest on group life insurance	(83,527,484)	(68,826,597)	(83,527,484)	(68,826,597)
	Interest on annuity contribution	(80,984,121)	(10,483,217)	(80,984,121)	(10,483,217)
	Interest on bank borrowings	(271,976,900)	(151,165,797)	(271,976,900)	(151,165,797)
	Debt issued and borrowed funds	(227,394,960)	(228,481,147)	(227,394,960)	(228,481,147)
		(85,726,427)		(85,726,427)	
	Total interest expense	(749,609,891)	(458,956,758)	(749,609,891)	(458,956,758)
10	OTHER OPERATING INCOME				
	Rental income	8,921,072	9,193,217	8,921,072	9,193,217
	Interest income on plan assets	-	-	-	-
	Other	17,807,514	43,091,023	17,611,220	43,014,192
	Total other operating income	26,728,586	52,284,240	26,532,292	52,207,408
11	NET BENEFITS AND CLAIMS				
11(a)	Gross benefits and claims paid				
	Non Life Insurance	(639,557,971)	(88,438,139)	(639,557,971)	(88,438,139)
	Life Insurance	(219,128,172)	(198,567,567)	(219,128,172)	(198,567,567)
	Group Life Insurance	(47,950,000)	(36,287,654)	(47,950,000)	(36,287,654)
	Re insurance	(213,458,224)	(96,484,088)	(213,458,224)	(96,484,088)
	Total gross benefit and claims paid	(1,120,094,367)	(419,777,447)	(1,120,094,367)	(419,777,447)
11(b)	Claims ceded to reinsurers				
	Non Life Insurance	439,282,545	(77,918,066)	439,282,545	(77,918,066)
	Re insurance	18,966,328	(198,919)	18,966,328	(198,919)
	Total claims to reinsurers	458,248,873	(78,116,985)	458,248,873	(78,116,985)
11(c)	Change in contract liabilities				
	Life Insurance	(725,724,888)	(719,786,609)	(725,724,888)	(719,786,609)
	Group Life Insurance	11,616,962	(19,791,276)	11,616,962	(19,791,276)
	Annuity Insurance	(12,533,127)	(207,224)	(12,533,127)	(207,224)
	Re insurance	-	544,921	-	544,921
	Total change in contract liabilities ceded to reinsurers	(726,641,053)	(739,240,189)	(726,641,053)	(739,240,189)
	Net benefit claims and paid	(1,388,486,546)	(1,237,134,621)	(1,388,486,546)	(1,237,134,621)



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES					
Amortization of intangible assets		(4,410,697)	(4,210,973)	(4,410,697)	(4,210,973)
Depreciation on property, plant and equipment		(15,142,799)	(16,012,354)	(15,138,629)	(16,008,184)
Depreciation on investment property		(1,935,802)	(1,935,802)	(1,935,802)	(1,935,802)
Professional & legal expenses		(688,249)	(1,948,830)	(688,249)	(1,948,830)
Bank Charges		(843,484)	(661,521)	(843,484)	(661,521)
Management expenses		(107,265,503)	(146,356,387)	(107,265,503)	(146,356,387)
Employee benefits expense	12.1	(222,406,184)	(74,458,575)	(222,406,184)	(74,458,575)
Provision for Embezzlement of Funds		(33,541,482)	(60,000,000)	(33,541,482)	(60,000,000)
Other		(92,653,373)	(70,842,886)	(92,213,873)	(70,463,622)
Total other operating and administrative expenses		(478,887,573)	(376,427,329)	(478,443,903)	(376,043,895)
12.1 Employee benefits expense					
Salaries and bonus		(188,856,302)	(47,695,282)	(188,856,302)	(47,695,282)
Staff welfare and expenses		(7,990,640)	(6,749,783)	(7,990,640)	(6,749,783)
Leave travel concession		(4,898,256)	(1,522,560)	(4,898,256)	(1,522,560)
Defined benefit costs		-	-	-	-
Leave encashment		(15,867,997)	(1,342,212)	(15,867,997)	(1,342,212)
Pre-paid employee benefit		3,956,371	(14,309,270)	3,956,371	(14,309,270)
Contribution to private provident fund		(8,749,360)	(2,839,469)	(8,749,360)	(2,839,469)
Total employee benefit expense		(222,406,184)	(74,458,575)	(222,406,184)	(74,458,575)
13 IMPAIREMENT GAIN /(LOSS)					
Impairment loss on reinsurance receivables		(33,442,093)	(74,172,057)	(33,442,093)	(74,172,057)
Impairment loss on loans and receivables		(253,130,343)	(61,558,168)	(253,130,343)	(61,558,168)
Total impairment gain /loss on loans and advances		(286,572,436)	(135,730,225)	(286,572,436)	(135,730,225)



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 INCOME TAX EXPENSES

(a) Current tax charge

Current income tax	(223,615,013)	(207,353,227)	(223,508,788)	(207,117,691)
Adjustment in respect of current income tax of prior years	-	-	-	-
Deferred tax	-	-	-	-
Relating to origination and reversal of temporary differences	(57,595,764)	(13,336,921)	(57,595,764)	(13,336,921)

Total income tax expense

(281,210,777)	(220,690,148)	(281,104,552)	(220,454,612)
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(b) Tax recorded in other comprehensive income (see note 18)

Current tax	-	-	-	-
Deferred tax	9,988,261	(17,353,002)	9,988,261	(17,353,002)
		-		

Total tax charge to the other comprehensive income

9,988,261	(17,353,002)	9,988,261	(17,353,002)
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15 EARNING PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary shareholders of the parent.

Profits attributable to the equity holders of the parent	472,688,369	510,647,147	474,285,381	503,500,233
Nominal Value of Equity Shares	10	10	10	10
Number of Shares	120,000,000	120,000,000	120,000,000	120,000,000
	3.94	4.26	3.95	4.20




Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

16 PROPERTY, PLANT AND EQUIPMENT

Group

In Nus

Cost:

	Land	Buildings	Furniture and Fixtures	Office Equip-ment	Motor Ve-hicles	Computer Equip-ments	Total
At 1 January 2015	269,565,362	161,508,502	14,315,885	15,677,742	3,766,039	47,706,592	512,540,123
Additions	-	1,910,395	3,986,555	4,086,172	-	4,659,273	14,642,396
Disposals	-	-	-	-	-	-	-
At 31 December 2015	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,365,865	527,182,519
At 1 January 2016	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,365,865	527,182,519
Additions	-	23,188,280	3,987,360	5,196,235	8,532,682	5,000,524	45,905,081
Disposals	-	-	-	-	-	-	-
At 31 December 2016	269,565,362	186,607,177	22,289,801	24,960,149	12,298,721	57,366,389	573,087,600

Depreciation and impairment:

At 1 January 2015	-	15,608,557	7,465,314	5,328,848	2,135,352	33,233,791	63,771,862
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,285,303	2,035,027	2,227,974	294,987	6,169,063	16,012,354
At 31 December 2015	-	20,893,860	9,500,341	7,556,821	2,430,340	39,402,855	79,784,217
At 1 January 2016	-	20,893,860	9,500,341	7,556,821	2,430,340	39,402,855	79,784,217
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,847,942	1,789,155	4,611,423	400,185	2,494,095	15,142,799
At 31 December 2016	-	26,741,801	11,289,496	12,168,244	2,830,525	41,896,950	94,927,016

Net book value:

At 31 December 2015	269,565,362	142,525,038	8,802,099	12,207,093	1,335,700	12,963,010	447,398,302
At 31 December 2016	269,565,362	159,865,376	11,000,305	12,791,905	9,468,197	15,469,439	478,160,584

Company

In Nus

Cost:

	Land	Buildings	Furniture and Fixtures	Office Equip-ment	Motor Ve-hicles	Computer Equip-ments	Total
At 1 January 2015	267,370,680	161,508,502	14,315,885	15,677,742	3,766,039	47,678,792	512,512,323
Additions	2,194,682	1,910,395	3,986,555	4,086,172	-	4,659,273	14,642,396
Disposals	-	-	-	-	-	-	-
At 31 December 2015	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,338,065	527,154,719
At 1 January 2016	269,565,362	163,418,897	18,302,441	19,763,914	3,766,039	52,338,065	527,154,719



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Additions	-	23,188,280	3,987,360	5,196,235	8,532,682	4,997,617	45,902,174
Disposals	-	-	-	-	-	-	-
At 31 December 2016	269,565,362	186,607,177	22,289,801	24,960,149	12,298,721	57,335,682	573,056,893
Depreciation and impairment:							
At 1 January 2015	-	15,608,557	7,465,314	5,328,848	2,135,352	33,211,426	63,749,497
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,285,303	2,035,027	2,227,974	294,987	6,164,893	16,008,184
At 31 December 2015	-	20,893,860	9,500,341	7,556,821	2,430,340	39,376,320	79,757,682
At 1 January 2016	-	20,893,860	9,500,341	7,556,821	2,430,340	39,376,320	79,757,682
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	5,847,942	1,789,155	4,611,423	400,185	2,489,925	15,138,629
At 31 December 2016	-	26,741,801	11,289,496	12,168,244	2,830,525	41,866,245	94,896,311
Net book value:							
At 31 December 2015	269,565,362	142,525,038	8,802,099	12,207,093	1,335,700	12,961,745	447,397,037
At 31 December 2016	269,565,362	159,865,376	11,000,305	12,791,905	9,468,197	15,469,437	478,160,582



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
17	INVESTMENT PROPERTY (Stated at Cost)				
	Cost				
	At 1 January	363,570,389	361,640,447	363,570,389	361,640,447
	Additions	-	1,929,941	-	1,929,941
	Disposals	-	-	-	-
		363,570,389	363,570,389	363,570,389	363,570,389
	Depreciation				
	At 1 January	5,801,545	3,865,743	5,801,545	3,865,743
	For the year	1,935,802	1,935,802	1,935,802	1,935,802
		7,737,347	5,801,545	7,737,347	5,801,545
	At 31 December	355,833,041	357,768,844	355,833,041	357,768,844
18	INTANGIBLE ASSETS				
	Cost:				
	At 1 January 2015	46,052,316	46,052,316		
	Additions	2,025,827	2,025,827		
	Disposals	-	-		
	At 31 December 2015	48,078,143	48,078,143		
	At 1 January 2016	48,078,143	48,078,143		
	Additions	-	-		
	Disposals	-	-		
	At 31 December 2016	48,078,143	48,078,143		
	Depreciation and impairment:				
	At 1 January 2015	17,498,958	17,498,958		
	Disposals	-	-		
	Amortization	4,210,973	4,210,973		
	At 31 December 2015	21,709,931	21,709,931		
	At 1 January 2016	21,709,931	21,709,931		
	Disposals	-	-		
	Amortization	4,410,697	4,410,697		
	At 31 December 2016	26,120,628	26,120,628		
	Net book value:				
	At 31 December 2015	26,368,212	26,368,212		
	At 31 December 2016	21,957,515	21,957,515		



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
19 LOANS AND RECEIVABLES					
Loans and receivable from customers	19.1	14,908,180,185	11,521,000,604	14,908,180,185	11,521,000,604
Loans and receivables from banks and financial institutions		-	-	-	-
		14,908,180,185	11,521,000,604	14,908,180,185	11,521,000,604
19.1 Loans given against life policies		916,444	546,918	916,444	546,918
Housing Loans		2,920,466,862	2,599,338,544	2,920,466,862	2,599,338,544
Transport Loans		1,034,627,721	715,783,745	1,034,627,721	715,783,745
Term Loans		4,145,044,691	3,282,295,920	4,145,044,691	3,282,295,920
Over draft		6,884,762,217	4,878,967,881	6,884,762,217	4,878,967,881
Staff Loan		471,460,479	345,055,808	471,460,479	345,055,808
Less: Provision for impairment losses		(554,118,555)	(300,988,211)	(554,118,555)	(300,988,211)
Total loans and receivables from customers at fair value		14,903,159,859	11,521,000,605	14,903,159,859	11,521,000,605

Impairment Allowance for loans & advances to customers

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

	Housing	Transport	Term	OD	Total
At 1st January 2015	31,427,635	34,338,275	57,804,079	115,860,055	239,430,044
Charges/Reversal for the year	181,722	9,412,046	22,449,315	29,515,085	61,558,168
Recoveries	-	-	-	-	-
Additions	-	-	-	-	-
At 31st December 2015	31,609,357	43,750,321	80,253,394	145,375,140	300,988,212
Individual Impairment	-	-	-	-	-
Collective Impairment	31,609,357	43,750,321	80,253,394	145,375,140	300,988,212
At 1st January 2016	31,609,357	43,750,321	80,253,394	145,375,140	300,988,212
Charges/Reversal for the year	27,736,975	7,693,501	83,498,991	134,200,877	253,130,343
Recoveries	-	-	-	-	-
Additions	-	-	-	-	-
At 31st December 2016	59,346,332	51,443,822	163,752,385	279,576,017	554,118,555
Individual Impairment	-	-	-	-	-
Collective Impairment	59,346,332	51,443,822	163,752,385	279,576,017	554,118,555



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
20	INVESTMENT IN SUBSIDIARY COMPANY RICB securities limited (50,000 No of Shares, Face Value Nu. 10/-)			500,000	500,000
				500,000	500,000
21	INVESTMENT IN ASSOCIATE (1,813,700 No. of Shares having Face Value of Nu. 10/- of Bhutan Carbide & Chemicals Ltd.)				
	Opening balance	39,195,311	32,353,760	24,311,650	24,311,650
	For the year profit	(930,800)	13,370,871	-	-
	Less	-	-	-	-
	Dividend received	(1,813,700)	(6,529,320)	-	-
		36,450,811	39,195,312	24,311,650	24,311,650
Note: The financial statements for 2016 of the associate company was not available. Therefore, effect on the value of investment in consolidation was taken on the basis of 2015 as it was not considered in 2015.					
22	AVAILABLE FOR SALE FINANCIAL ASSETS				
	Quoted investments				
	Equity investment	346,124,384	315,847,904	346,124,384	315,847,904
	Unquoted investments				
	Equity investment	111,011,022	45,791,000	111,011,022	45,791,000
	Statutory Investment	500,000	500,000	-	-
	Total available for sale financial assets	457,635,406	362,138,904	457,135,406	361,638,904



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

22.1	Quoted equity securities	2016			2015		
		No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
	Bhutan Ferro Alloys Ltd.	800,000	8,100,000	47,950,320	800,000	8,100,000	76,277,118
	Penden Cement Authority Ltd.	183,150	3,169,400	11,025,630	183,150	3,169,400	8,980,192
	Bhutan National Bank Ltd	8,300,000	103,523,000	240,617,000	6,300,000	43,125,000	183,198,670
	State Trading Corporation of Bhutan Ltd.	882,000	980,000	24,634,260	882,000	980,000	2,716,560
	Bhutan Board Products Ltd.	118,300	1,229,250	447,174	118,300	1,229,250	364,364
	GIC Bhutan Re Ltd	2,500,000	25,000,000	5,250,000	2,500,000	25,000,000	25,000,000
	Royal Securities Exchange of Bhutan Limited	162,000	19,311,000	16,200,000	157,000	19,311,000	19,311,000
	Total	12,945,450	161,312,650	346,124,384	10,940,450	100,914,650	315,847,904

Quoted equity securities do not have active market as defined in IAS 39. Hence, fair value were arrived by using valuation model based on data available upto 31st December 2015 due to unavailability of information for the current year.

22.2	Un-quoted equity securities	2016			2015		
		No of Ordinary Shares	Cost of Investment	Fair Value	No of Ordinary Shares	Cost of Investment	Fair Value
	Bhutan Development Finance Corporation.	5,091	5,091,000	-	5,091	5,091,000	-
	Zimdra Foods Private Limited	200,000	20,000,000	-	200,000	20,000,000	-
	Financial Institution Training Institute	-	12,000,000	-	-	12,000,000	-
	Tara Dolma	-	6,950,000	-	-	6,950,000	-
	CIB	-	1,750,000	-	-	1,750,000	-
	Karuna Private Limited	1,000,000	10,000,000	-			
	Neethsel Private Limited	213,729	25,220,022	-			
	Sherub Reldri HSS	300,000	30,000,000	-			
	Total	1,718,820	111,011,022	-	205,091	45,791,000	-



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
23 INSURANCE RECEIVABLES					
Due from policyholders		(1,871,489)	2,782,429	(1,871,489)	2,782,429
Due from reinsurers		477,746,569	357,296,916	477,746,569	357,296,916
Rural claim and subsidy		-	-	-	-
Employee short fund		-	-	-	-
Impairment of insurance receivables		(33,442,093)	(74,172,057)	(33,442,093)	(74,172,057)
Total insurance receivables		442,432,987	285,907,289	442,432,987	285,907,289
24 OTHER ASSETS					
Advances, Deposits & Prepayments		23,072,890	146,722,843	23,072,890	146,722,843
Interest, Rent and Other Receivables		232,237,911	419,679	231,868,982	331,523
Other		16,280,873	121,291,217	16,280,873	121,291,217
		271,591,674	268,433,739	271,222,674	268,345,583
25 CASH AND CASH EQUIVALENTS					
Local currency in hand		12,990,322	15,140,056	12,990,322	15,140,056
Balances with local banks		841,681,020	352,367,700	839,508,627	349,893,970
Balances with foreign banks		141,040,768	48,646,312	141,040,768	48,646,312
Fixed Deposits with banks		1,450,065,348	1,466,087,740	1,450,065,348	1,466,087,740
		2,445,777,457	1,882,241,807	2,443,605,064	1,879,768,077
26 SHARE CAPITAL					
Authorized and issued share capital					
Authorized share capital					
Equity shares of Nu.10 (Previous year 10 each)		5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Equity shares issued and fully paid					
At beginning of the year		1,200,000,000	480,000,000	1,200,000,000	480,000,000
Bonus share issued during the year		-	720,000,000	-	720,000,000
At end of the year		1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000

All Equity shares issued are fully paid.

* During the year 2015, The Company has issued 72,000,000 bonus share in the ratio of 1:1.5 of Nu. 10/- each fully paid up.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company			
		Nu 2016		Net	Nu 2016		Net
27 Insurance contract liabilities		Insurance contract liabilities	Reinsurance contract liabilities		Insurance contract liabilities	Reinsurance contract liabilities	
Non Life Insurance	27.1	252,022,693	(22,044,465)	229,978,228	252,022,693	(22,044,465)	229,978,228
Re insurance	27.2	250,548,788	-	250,548,788	250,548,788	-	250,548,788
Life Insurance	27.3	3,082,300,987	-	3,082,300,987	3,082,300,987	-	3,082,300,987
Group Life Insurance	27.4	72,660,419	-	72,660,419	72,660,419	-	72,660,419
Annuity Insurance	27.5	7,566,265	-	7,566,265	7,566,265	-	7,566,265
		3,665,099,151	(22,044,465)	3,643,054,686	3,665,099,151	(22,044,465)	3,643,054,686
27.1 Insurance contract liabilities - Non Life Insurance		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policyholders		251,443,376	(22,044,465)	229,398,911	251,443,376	(22,044,465)	229,398,911
Reinsurance share of claims		-	-	-	-	-	-
IBNR		18,094,847	-	18,094,847	18,094,847	-	18,094,847
Provision for unearned premiums		(10,720,199)	-	(10,720,199)	(10,720,199)	-	(10,720,199)
Deferred Acquisition Cost		(6,795,331)	-	(6,795,331)	(6,795,331)	-	(6,795,331)
		252,022,693	(22,044,465)	229,978,228	252,022,693	(22,044,465)	229,978,228

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2015 as required by IFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2016. No additional provision was required against the LAT as at 31st December 2016.

27.2 Insurance contract liabilities - Re Insurance

Provision for reported claims by policyholders	260,963,869	-	260,963,869	260,963,869	-	260,963,869
IBNR	9,915,894	-	9,915,894	9,915,894	-	9,915,894
Provision for unearned premiums	18,650,965	-	18,650,965	18,650,965	-	18,650,965
Deferred commission	(38,981,940)	-	(38,981,940)	(38,981,940)	-	(38,981,940)
	250,548,788	-	250,548,788	250,548,788	-	250,548,788

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Re insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2016 as required by IFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2016. No additional provision was required against the LAT as at 31st December 2016.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

27.3 Insurance contract liabilities - Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product

Mortality rates based on published mortality tables adjusted for actual experience

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2016 was made by Mr. Ugyen Tshewang an inhouse actuary.

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2016 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2016. No additional provision was required against the LAT as at 31st December 2016.

27.4 Insurance contract liabilities - Group Life Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Group Life Insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2016 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2016. No additional provision was required against the LAT as at 31st December 2016.

27.5 Insurance contract liabilities - Annuity Insurance

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Annuity Insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2016 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2016. No additional provision was required against the LAT as at 31st December 2016.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group			Company		
		Nu 2015			Nu 2015		
		Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
27 Insurance contract liabilities							
Non Life Insurance	27.1	115,639,557	27,711,895	143,351,453	115,639,557	27,711,895	143,351,453
Re Insurance	27.2	118,064,056	-	118,064,056	118,064,056	-	118,064,056
Life Insurance	27.3	2,328,241,892	-	2,328,241,892	2,328,241,892	-	2,328,241,892
Group Life Insurance	27.4	83,999,641	-	83,999,641	83,999,641	-	83,999,641
Annuity Insurance	27.5	118,064,056	-	(4,966,863)	(4,966,863)	-	(4,966,863)
		2,764,009,203	27,711,895	2,668,690,179	2,640,978,284	27,711,895	2,668,690,179

Insurance contract liabilities - Life insurance

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and nonparticipating Life insurance products. The actuarial reserves have been established based upon the following.

Interest rates which vary by product

Mortality rates based on published mortality tables adjusted for actual experience

Surrender rates based upon actual experience.

The valuation of the Life Insurance business as at 31 December 2015 was made by Mr. Ugyen Tshewang an inhouse actuary.

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. Ugyen Tshewang an inhouse actuary as at 31st December 2015 as required by IFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2015. No additional provision was required against the LAT as at 31st December 2015.

27.1 Insurance contract liabilities - Non Life Insurance

	Insurance contract liabilities	Reinsurance contract liabilities	Net	Insurance contract liabilities	Reinsurance contract liabilities	Net
Provision for reported claims by policy-holders	22,419,190	27,711,895	197,707,295	22,419,190	27,711,895	197,707,295
Reinsurance share of claims	-	-	-	-	-	-
IBNR	(10,611,022)	-	(10,611,022)	(10,611,022)	-	(10,611,022)
Provision for unearned premiums	(93,546,236)	-	(93,546,236)	(93,546,236)	-	(93,546,236)
Deferred Acquisition Cost	(5,622,374)	-	(5,622,374)	(5,622,374)	-	(5,622,374)
	115,639,557	27,711,895	115,639,557	115,639,557	27,711,895	115,639,557

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2014 as required by IFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the actuary's report, the company adequately satisfies the LAT as at 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

27.2 Insurance contract liabilities - Re Insurance

Provision for reported claims by policy-holders	142,646,947	-	142,646,947	142,646,947	-	142,646,947
IBNR	(544,921)	-	(544,921)	(544,921)	-	(544,921)
Provision for unearned premiums	(5,565,433)	-	(5,565,433)	(5,565,433)	-	(5,565,433)
Deferred commission	(18,472,537)	-	(18,472,537)	(18,472,537)	-	(18,472,537)
	118,064,056	-	118,064,056	118,064,056	-	118,064,056



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE CONSOLIDATED STATEMENTS

Note	Group		Company	
	Nu 2016	Nu 2015	Nu 2016	Nu 2015
28 Investment Contract Liabilities				
Life Insurance	-	-	-	-
Group Life Insurance	1,158,890,063	970,115,006	1,158,890,063	970,115,006
Annuity Insurance	1,332,990,801	583,687,328	1,332,990,801	583,687,328
	2,491,880,864	1,553,802,334	2,491,880,864	1,553,802,334

Investment contract liabilities with a DPF and without DPF are represent above, i.e- Ten-Tsai Mangu! Ngenchoel Policy II which has the features of an investment contract have been classified accordingly. As permitted by IFRS 7, the Group has not disclosed fair values for investment contract liabilities with a DPF as estimated. There is no active market for these course of business

29 Insurance Payable				
Non Life Insurance	116,600,031.29	67,021,923.03	116,600,031	67,021,923
Life Insurance	4,557,566.12	4,289,491.50	4,557,566	4,289,491
Group Life Insurance	1,473,986.78	1,582,518.77	1,473,987	1,582,519
Re insurance	118,156,205.21	2,487,926.52	118,156,205	2,487,927
	240,787,789	75,381,860	240,787,789	75,381,860

The carrying amounts disclosed above approximate fair value at the reporting date.

30 Debt issued and other borrowed funds				
Long term bond	2,926,602,579	2,936,787,671	2,926,602,579	2,936,787,671
Term borrowings	3,605,873,286	1,976,837,325	3,607,873,943	1,971,837,325
	6,532,475,864	4,853,624,996	6,534,476,521	4,854,624,996

Terms and Conditions

Security Guarantee

The loan shall be secured by the book debts of RICB

Failure to pay principal & interest

Failure to pay two consecutive quarters, at any point of time, the lender shall have right to take appropriate action as deem fit as per law of the Kingdom

Jurisdiction

If any dispute arise between RICBL and lender during the period of the loan, the Thimphu Dzongkhag Court shall have sole jurisdiction.

Long Term Bonds	Outstanding Balance	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Bond Series III & IV @ 9.50% p.a.	2,500,000,000	-	-	-	-	2,500,000,000	2,500,000,000
Interest on Series III & IV	165,629,976	-	-	165,629,976	-	-	165,629,976
Subordinate Debt @ 6% p.a.	250,000,000	-	-	-	-	250,000,000	250,000,000
Interest on Subordinate Debt	10,972,603	-	-	10,972,603	-	-	10,972,603
	2,926,602,579	-	-	176,602,579	-	2,750,000,000	2,926,602,579
Term borrowings							
Bhutan Development Bank Limited	410,870,520	-	-	-	410,870,520	-	410,870,520
Bank of Bhutan Limited	596,875,764	-	-	-	596,875,764	-	596,875,764
National Pension & Provident Fund	852,224,426	-	-	-	852,224,426	-	852,224,426
Druk PNB Bank Limited	450,000,000	-	-	450,000,000	-	-	450,000,000
GIC Bhutan Re Limited	243,000,000	243,000,000	-	-	-	168,000,000	243,000,000
Bhutan National Bank Limited	843,451,346	-	-	843,451,346	-	-	843,451,346
RICB Securities Ltd.	1,000,658	1,000,658	-	-	-	-	1,000,658
T Bank Ltd.	200,000,000	-	-	200,000,000	-	-	200,000,000
Interest on Above loans	10,451,230	-	10,451,230	-	-	-	10,451,230
	3,607,873,943	244,000,658	10,451,230	1,493,451,346	1,859,970,709	-	3,607,873,943



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	Group		Company	
		Nu 2016	Nu 2015	Nu 2016	Nu 2015
31 EMPLOYEE BENEFITS OBLIGATION					
Net defined benefit assets		(3,856,971)	14,294,261	(3,856,971)	14,294,261
Leave encashment liability		12,018,565	9,327,252	12,018,565	9,327,252
31.1 Net defined benefit assets					
The amounts recognised in the income statement are as follows:					
Current service cost		(3,995,189)	(2,365,085)	(3,995,189)	(2,365,085)
Interest cost on behalf obligation		1,000,598	1,301,262	1,000,598	1,301,262
Net actuarial loss recognised in the year		(3,648,648)	4,981,378	(3,648,648)	4,981,378
		6,643,239	3,917,555	6,643,239	3,917,555
The movement in the Net defined benefit obligation is, as follows:					
Opening balance		21,976,097	20,067,746	21,976,097	20,067,746
Current service cost		3,995,189	2,365,085	3,995,189	2,365,085
Past Service Cost		18,904,688	-	18,904,688	-
Payments made during the year		(1,309,720)	(1,461,140)	(1,309,720)	(1,461,140)
Interest cost on benefit obligation		1,492,487	1,353,602	1,492,487	1,353,602
Net actuarial loss recognized in the year		865,471	(349,196)	865,471	(349,196)
Actuarial (gains)/Losses due to change in demographic assumptions		(3,527,614)	-	(3,527,614)	-
		42,396,598	21,976,097	42,396,598	21,976,097
The amounts recognised in the statement of financial position at the reporting date are, as follows:					
Present value of the defined benefit obligation		(42,396,598)	(21,976,099)	(42,396,598)	(21,976,099)
Fair value of plan assets		38,440,227	36,270,360	38,440,227	36,270,360
Net defined benefit obligation		(3,956,371)	14,294,261	(3,956,371)	14,294,261
Total net defined benefit obligation		3,956,371	14,294,261	3,956,371	14,294,261
Gratuity measured using actuarial valuation of projected unit credit method.					
The principle assumption used in determining the gratuity obligation was					
Salary escalation rate - 7%					
Discount rate - 7%					
Attrition Rate - 6%					
Normal Retirement age - 60 years for the Executives and 58 years for the rest					
Mortality - Indian Assured Lives Mortality (IALM-2006-2008).					
31.2 Leave encashment liability					
A1. Change in defined benefit obligation (DBO)					
DBO at the beginning of the current period		9,327,252	8,887,426	9,327,252	8,887,426
Current service cost		2,691,313	323,943	2,691,313	323,943



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Past service cost	3,795,752	-	3,795,752	
Interest cost	644,330	617,431	644,330	617,431
Benefits paid by the plan	-	-		
Benefits paid by the employer	(245,081)	(133,956)	(245,081)	(133,956)
Actuarial (gains)/losses due to plan experience	764,674	(367,592)	764,674	(367,592)
Actuarial (gains)/losses due to change in demographic assumptions	-	-		
Actuarial (gains)/losses due to change in financial assumptions	(4,959,675)	-	(4,959,675)	-
DBO at the end of the current period	12,018,565	9,327,252	12,018,565	9,327,252
A2. Change in fair value of plan assets				
Fair Value of Assets at the beginning of current period	-	-	-	-
Contributions paid into the plan	-	-	-	-
Expected return on the plan assets	-	-	-	-
Benefits paid by the plan	-	-	-	-
Return on plan assets greater or (less) than discount rate	-	-	-	-
Fair Value of assets at the end of the current the period	-	-	-	-
A3. Income statement				
	42,735	42,369	42,735	42,369
Current service cost	2,691,313	323,943	2,691,313	323,943
Past service cost	3,795,752	-	3,795,752	-
Net interest cost on net DB liability/(asset)	644,330	617,431	644,330	617,431
Remeasurement (gains)/losses	(4,195,001)	(367,592)	(4,195,001)	(367,592)
Net cost for the year recognised in income statement	2,936,394	573,782	2,936,394	573,782
A4. Development of net financial position				
Defined benefit obligation	(12,018,565)	(9,327,252)	(12,018,565)	(9,327,252)
Fair value of plan assets	-	-	-	-
Funded status - (deficit)/surplus	(12,018,565)	(9,327,252)	(12,018,565)	(9,327,252)
Net defined benefit asset/(liability)	(12,018,565)	(9,327,252)	(12,018,565)	(9,327,252)
A5. Reconciliation of net financial position				
	42,735	42,369	42,735	42,369
Net defined benefit liability/(asset) at the beginning of current period	9,327,252	8,887,426	9,327,252	8,887,426
Amount recognized in the income statement	2,936,394	573,782	2,936,394	573,782
Contributions paid into the plan	-	-	-	-
Benefits paid by employer	(245,081)	(133,956)	(245,081)	(133,956)
Net defined benefit liability/(asset) at the end of current period	12,018,565	9,327,252	12,018,565	9,327,252

Leave Encashment measured using actuarial valuation of projected unit credit method.

The principle assumption used in determining the gratuity obligation was

Salary escalation rate - 7%

Discount rate - 7%

Attrition Rate - 6%

Normal Retirement age - 60 years for the Executives and 58 years for the rest

Mortality - Indian Assured Lives Mortality (IALM-2006-2008).



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Note	Consolidated statement of financial position		Consolidated income statement	
	2016 Nu	2015 Nu	2016 Nu	2015 Nu
32 Deferred tax liability (Net)				
Deferred tax assets				
Property plant & equipment	-	-	-	-
	-	-	-	-
Deferred tax liability				
Property Plant & Equipment	87,919,135	29,742,631	(58,176,504)	(372,114)
Investment Property	106,749,912	107,330,653	580,741	(14,383,708)
Intangible Assets	-	-	1,418,901	1,418,901
Net defined benefit assets	4,792,481	4,288,278		
Available for sale assets	56,486,020	64,479,976		
	255,947,548	205,841,538		
Deferred income tax charge/(reversal)			(57,595,764)	(13,336,921)
Deferred income tax charge/(reversal) - OCI				
Net defined benefit assets			1,994,305	763,560
Available for sale assets			7,993,956	(18,116,562)
			9,988,261	(17,353,002)
Net deferred tax liability or assets	(255,947,548)	(205,841,538)		

Note	Group		Company	
	2016 Nu	2015 Nu	2016 Nu	2015 Nu
33 TRADE AND OTHER PAYABLES				
Policyholders payment in Advance	595,209,210	732,769,030	595,209,210	732,769,030
Agency commission payable	31,723,007	29,615,348	31,723,007	29,615,348
Interest credited to employees' account	398,920,312	186,753,189	398,920,312	186,753,189
Bonus payables	309,340,000	221,347,982	309,340,000	221,347,982
Government levy payable	1,472,000	1,472,000	1,472,000	1,472,000
Deposits	60,492,368	15,411,724	60,492,368	15,411,724
Other	203,401,556	450,763,243	202,961,050	450,432,843
Total trade and other payables	1,600,558,452	1,638,132,516	1,600,117,946	1,637,802,116

34 CONTINGENCIES AND COMMITMENTS

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

As at 31st December**Contingent Liabilities**

Guarantees

2016	2015	2016	2015
3,142,663,629	2,565,532,587	3,142,663,629	2,565,532,587
3,142,663,629	2,565,532,587	3,142,663,629	2,565,532,587



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

Insurance and financial risk

35 (a) Insurance risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

The Group considered insurance risk to be a combination of the following components of risks:

- * Product design risk;
- * Underwriting and expense overrun risk;
- * Claims risk

Life Insurance contracts

Product design risk

Life insurance contracts offered by the Group include term assurance, endowment plans, annuity plans and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Endowment products acquire a surrender value upon completion of three years.

The main risks that the Company is exposed to under product design risk are as follows:

Mortality risk	risk of loss arising due to policyholders' death experience being different from expected
Morbidity risk	risk of loss arising due to policyholders' health experience being different from expected
Investment return risk	risk of loss arising from actual returns being different from expected
Expense risk	risk of loss arising from the expense experience being different from expected
Policyholder decision risk	risk of loss arising due to policyholder's experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

Underwriting and expense overrun risk

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits.

Thus is largely achieved through prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions as well as detailed claims handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Contd..)

The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, wider spread changes in lifestyle and natural disasters, resulting in earlier or more than expected.

Some of the specific actions by the Group to mitigate the underwriting risk are shown below.

Life Underwriting Risk Management

An in-house Actuarial Department headed by a qualified Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions.

Claims risk

Risk arises due to the possibility that the frequency of claims arising from life insurance contracts exceeds the expected level when pricing the products.

Some of the specific actions by the Company to mitigate the underwriting risks are shown below.

Life Claims Risk Management

An in-house Actuarial Department headed by a qualified Actuary is in place to review the Life Insurance business more closely and guide the management to take more informed pricing decisions.

Claims are reserved immediately at intimation or on the availability of information of the death or injury of insured.

Key assumptions for valuation of liabilities in Life Insurance

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data.

Assumptions and prudent estimated are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on standard mortality tables which are used by the industry.

Longevity

Longevity is not applicable for the Group as the products offered are for a limited term.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premi-

ums. Surrenders relate to the voluntary termination of policies by policyholders after acquiring surrender value.

An increase in lapse rates early in the life of the policy would tend to reduce profit for shareholders, but later increments are broadly neutral in effect.

Discount Rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash flows.

A decrease in the discount rate will increase the value of the insurance liabilities and therefore reduces profits for the shareholders.

Non- Life Insurance Contracts

Product design risk;

The Company principally issues the following main types of Non- Life Insurance contracts.

- *Motor
- *Fire
- *Miscellaneous

The significant risk arising under the Non- Life Insurance portfolio emanates from changes in the climate leading to natural disasters, behavioral trends of people due to change in life styles and the steady escalation of costs in respect of spare parts in the auto industry.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Furthermore, a strict claim review process to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as using reinsurance arrangements in order to limit exposure to catastrophic events (landslides, earthquakes, floods etc.)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes.

The Company uses its own risk management framework to a risk that the assumptions and techniques used in these assessments could fail or that claims arising from an u-assessed event is greater than those arising from an assessed event.

Some of the specific actions by the Company to mitigate Non-Life Insurance Risks are shown below.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**35 FINANCIAL RISK MANAGEMENT
(Condt..)****Reinsurance Risk**

The Company purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quoted Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Company's net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

Premium ceded to the reinsurers is in accordance

with the terms on the programmes already agreed based on the risks written by the Company. Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policy holders rests with the Company.

Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer. The Company's placement of reinsurance is arranged in a manner (particularly in Non-Life Insurance as the exposure is very high) that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract.

Some of the specific actions by the Company to mitigate Reinsurance Risk are shown below.

- * Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time
- * A very close and professional relationship is maintained with all reinsurers
- * No cover is issued without a confirmed reinsurance in place
- * Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used

The following table show the credit ratings of the reinsurance companies with whom the Company has arrangements.

Reinsurer	Rating	Rating Agency
General Insurance Corporation of India Limited	A-	AM Best
National Insurance Company Limited	B++	AM Best
Oriental Insurance Company Limited	B++	AM Best
United India Insurance Company Limited	B++	AM Best
New India Assurance Company Limited	A-	AM Best
Asian Reinsurance Corporation Limited	B	AM Best
Hannover Re	A+	AM Best
Munich Re	A+	AM Best
Allianz	A+	AM Best
ACE Group	A+	AM Best
Swiss Re	A+	AM Best
Aspen Insurance UK Limited	A	AM Best
Liberty Mutual Insurance Europe Limited	A	AM Best
XL syndicate	A	AM Best
CATLIN syndicate	A	AM Best
ARIG (Arab Reinsurance Group) RE	B++	AM Best
Trust Re	A-	AM Best
RSA Insurance Company	A+	S & P
Eurasia Insurance Company	B++	AM Best
Cathedral Syndicate	A	AM Best
Canopus Syndicate	A	AM Best
AIG Europe Ltd	A	AM Best
Ironshore Europe Ltd	A	AM Best
Kiln Syndicate	A	AM Best
Cathedral Syndicate	A	AM Best
Meacok	A	AM Best
Lancashire	A	AM Best
Canopus	A	AM Best
Sogaz Insurance co.Ltd	B++	AM Best
VINA Re	B++	AM Best



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Condt..)

35 (b) Financial Risk Management

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is mainly exposed to;

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk
- Interest Rate Risk

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has delegated its authority to Management Committee (MC) which is responsible for developing and monitoring Group's risk management policies. The Committee comprises of Managing Director, Executive Director and all Divisional General Managers. Meetings of MC are held regularly, and the Board of Directors are duly updated of its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Integrated Risk Management Unit

The Business units (i.e. Credit Departments, Branches & Regional Offices etc.) have primary

responsibility for Risk Management. The Integrated Risk Management Unit, which has no responsibility for profit or volume targets, acts as the second line of defense and reports to the Group Risk Officer (GRO) who, in turn, directly reports to the Board Risk Management Committee (BRMC).

ALCO Committee

ALCO is Chaired by the Managing Director with Executive Director and all the General Managers from each division. The Committee meets regularly to monitor and manage the overall liquidity position to keep the Group's liquidity at healthy levels, whilst satisfying regulatory requirements.

Risk Measurement & Reporting

The Group's Risks are measured using appropriate techniques based on the type of risk, and industry best practices.

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept (Risk Appetite).

Risk Mitigation

As part of its overall risk management, the Group obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Group and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

Credit risk

Credit risk is the risk of financial loss to the Group if a borrower or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector concentration risks) to ensure stringent Credit Risk Management.

LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial commitments that are settled by delivering cash or another financial asset. Hence the Group may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Royal Insurance Corporation of Bhutan maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow.

The Group also has committed lines of credit that could be utilized to meet liquidity needs. Further, the Group maintains a statutory deposit with the various banks in Bhutan. In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the Group. The most important of these is to maintain the required ratio of liquid assets to liabilities, to meet the regulatory requirement. Liquid assets consist of cash, short-term Group deposits and liquid debt securities available for immediate sale.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Contd..)

35 (c) Fair value of Financial Instruments

A. Determination of fair value hierarchy

	Group	
	Level I	Level II
31 December 2016		
Financial Investments Available for sale		
Quoted Equities	-	-
Loans & Receivables		
Loans & Advances to Employees	-	471,460,479
31 December 2015		
Financial Investments Available for sale		
Quoted Equities	-	-
Loans & Receivables		
Loans & Advances to Employees	-	345,055,808

A. Determination of fair value hierarchy (contd.)

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

	2016	
	Carrying Value	Fair Value
Financial Assets		
Financial Investments available for sale - Quoted Equities	161,312,650	346,124,384
Loans and advances to customers	15,462,298,740	14,908,180,185
Statutory investment	500,000	500,000
Long term investment	-	-
Insurance Receivables	475,875,080	442,432,987
Other Assets	271,591,674	271,591,674
Cash and Cash Equivalents	2,445,777,457	2,445,777,457
	18,817,355,602	18,414,606,688
Financial Liabilities		
Insurance contract liabilities	3,643,054,686	3,643,054,686
Reinsurance contract liabilities	-	-
Investment contract liabilities	2,491,880,864	2,491,880,864
Insurance Payable	240,787,789	240,787,789
Debt issued and other borrowed funds	6,532,475,864	6,532,475,864
	12,908,199,204	12,908,199,204



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Level III	Total	Level I	Company Level II	Level III	Total
346,124,384	346,124,384	-	-	346,124,384	346,124,384
-	471,460,479	-	471,460,479	-	471,460,179
315,847,904	315,847,904	-	-	315,847,904	315,847,904
-	345,055,808	-	345,055,808	-	345,055,808

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Group		Company			
2015		2016		2015	
Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
100,914,650	315,847,904	100,914,650	346,124,384	100,914,650	315,847,904
11,821,988,816	11,521,000,604	15,462,298,740	14,908,180,185	11,821,988,816	11,521,000,604
500,000	500,000	-	-	-	-
-	-	-	-	-	-
360,079,346	285,907,289	475,875,080	442,432,987	360,079,346	285,907,289
268,433,739	268,433,739	271,222,746	271,222,746	268,345,583	268,345,583
1,882,241,807	1,882,241,807	2,443,605,064	2,443,605,064	1,879,768,077	1,879,768,077
14,434,158,358	14,273,931,343	18,814,314,280	18,411,565,366	14,431,096,472	14,270,869,458
2,668,690,179	2,668,690,179	3,643,054,686	3,643,054,686	2,668,690,179	2,668,690,179
-	-	-	-	-	-
1,553,802,334	1,553,802,334	2,491,880,864	1,553,802,334	1,553,802,334	1,553,802,334
75,381,860	75,381,860	240,787,789	240,787,789	75,381,860	75,381,860
4,853,624,996	4,853,624,996	6,534,476,521	6,534,476,521	4,854,624,996	4,854,624,996
9,151,499,369	9,151,499,369	12,910,199,861	12,910,199,861	9,152,499,369	9,152,499,369



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3.5 FINANCIAL RISK MANAGEMENT (Contd..)

35 (d) Credit Risk

Maximum Exposure to Credit Risk/Type of collateral or credit enhancement

31st December 2016	Maximum Exposure to credit Risk (Nu)	Cash	Fair value of Collateral or credit enhancement held	
			Properties	
Financial Assets				
Due from banks	-	-	-	-
Loans & advances to customers	15,457,278,414	-	-	204,334,529,903
Financial Liabilities				
Long term bond	2,926,602,579	-	-	
Term borrowings	3,607,873,943	1,195,000,000	1,117,970,000	
31st December 2015	Maximum Exposure to credit Risk (Nu)	Cash	Fair value of Collateral or credit enhancement held	
			Properties	
Financial Assets				
Due from banks	-	-	-	-
Loans & advances to customers	11,835,749,137	-	-	134,060,698,287
Financial Liabilities				
Long term bond	2,936,787,671	-	-	
Term borrowings	1,917,837,325	935,000,000	1,117,970,000	

Credit quality by class of financial asset

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

31st December 2016	Group		
	Neither past due nor Individually impaired	Past due but not impaired individually	Individually Impaired
Due from Banks	-	-	-
Loans & Advances to Customers	-	-	15,457,278,414
31st December 2015	Group		
	Neither past due nor Individually impaired	Past due but not impaired individually	Individually Impaired
Due from Banks	-	-	-
Loans & Advances to Customers	-	11,835,749,137	-



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Net Collateral

Net Exposure

-
204,334,529,903

-
(188,877,251,489)

-
2,312,970,000

2,926,602,579
1,294,903,943

Net Collateral

Net Exposure

134,060,698,287

(122,224,949,150)

-
2,052,970,000

2,925,183,970
(135,132,675)

Company					
	Total	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
	-	-	-	-	-
	15,457,278,414	-	-	15,457,278,414	15,457,278,414

Company					
	Total	Neither past due nor Individually impaired	Past due but not impaired	Individually Impaired	Total
	-	-	-	-	-
	11,835,749,137	-	-	11,835,749,137	11,835,749,137



Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Condt..)

Liquidity Risk & Funding management

Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2016	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	-	-	-	-	-	-
Loans & Advances to Customers	916,444	783,456,921	6,494,581,042	5,518,293,867	2,660,030,141	15,457,278,414
Financial Investments Available for Sale	457,135,406	-	-	-	-	457,135,406
Total undiscounted Assets	458,051,850	783,456,921	6,494,581,042	5,518,293,867	2,660,030,141	15,914,413,820
Debts Issued & Other Borrowed Funds	244,000,658	10,451,230	1,670,053,925	1,859,970,709	2,750,000,000	6,534,476,521
Total Undiscounted Liabilities	244,000,658	10,451,230	1,670,053,925	1,859,970,709	2,750,000,000	6,534,476,521
Net Undiscounted Financial Assets/(Liabilities)	214,051,192	773,005,691	4,824,527,118	3,658,323,157	(89,969,859)	9,379,937,299
31st December 2015	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due from Banks	-	-	-	-	-	-
Loans & Advances to Customers	-	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	11,835,749,137
Financial Investments Available for Sale	361,638,904	-	-	-	-	361,638,904
Total undiscounted Assets	361,638,904	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	12,197,388,041
Debts Issued & Other Borrowed Funds	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	6,907,960,227
Total Undiscounted Liabilities	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	6,907,960,227
Net Undiscounted Financial Assets/(Liabilities)	361,638,904	627,533,593	3,537,765,681	56,126,712	706,362,924	5,289,427,814

Liquidity Risk & Funding management

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

31st December 2016	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	103,334,688	2,323,822,208	715,506,733	-	3,142,663,629
	-	103,334,688	2,323,822,208	715,506,733	-	3,142,663,629
31st December 2015	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	160,302,665	687,926,397	1,734,766,501	143,251,707	-	2,726,247,270
	160,302,665	687,926,397	1,734,766,501	143,251,707	-	2,726,247,270



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

MARKET RISK – NON-TRADING**INTEREST RATE RISK**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's policy is to continuously monitor positions on a daily basis to ensure positions are maintained within prudential levels.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement and equity.

Interest rate sensitivity - interest rate risk analysis of assets and liabilities

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

Comments on Guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position. Commitments & Contingencies according to the remaining matures as 31 December 2012 has summarized below.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Condt..)

Market Risk - Interest Rate Risk

31 December 2016

Currency of Borrowing/Advance	Increase/ (decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	124,536,409	124,563,409
	-10%	(124,563,409)	(124,563,409)

31 December 2015

Currency of Borrowing/Advance	Increase/ (decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10%	88,192,102	47,904,282
	-10%	(88,192,102)	(53,754,650)

Market Risk - Interest Rate Risk
(Contd.)

The below table analyses the company interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

31st December 2016	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Due from Banks	-	-	-	-	-	-	-
Loans & Advances to Customers	916,444	783,456,921	6,494,581,042	5,518,293,867	2,660,030,141	-	15,457,28,414
Financial Investments Available for Sale	457,135,406	-	-	-	-	-	457,135,406
Total Assets	458,051,850	783,456,921	6,494,581,042	5,518,293,867	2,660,030,141	-	15,914,413,820
Debts Issued & Other Borrowed Funds	244,000,658	10,451,230	1,670,053,925	1,859,970,709	2,750,000,000	-	6,534,476,521
Total Liabilities	244,000,658	10,451,230	1,670,053,925	1,859,970,709	2,750,000,000	-	6,534,476,521
31st December 2015	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-Interest Bearing	Total
Due from Banks	-	-	-	-	-	-	-
Loans & Advances to Customers	-	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	-	11,835,749,137
Financial Investments Available for Sale	361,638,904	-	-	-	-	-	361,638,904
Total Assets	361,638,904	660,866,593	4,169,365,717	1,131,153,903	5,874,362,924	-	12,197,388,041
Debts Issued & Other Borrowed Funds	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	-	6,907,960,227
Total Liabilities	-	33,333,000	631,600,036	1,075,027,191	5,168,000,000	-	4,907,960,227



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

CURRENCY RISK

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Company's Board has set limits on positions by currency. In accordance with the Company's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The analysis calculates the effect of a reasonably possible movement of the currency rate against the Nu., with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges).

A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against Nu. would have resulted in an equivalent but opposite impact.

EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. Investment Committee reviews and approves all equity investment decisions.

OPERATIONAL RISK

Operational risk is the risk of losses arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Strategic and Reputational Risks are not covered in Operational Risk.

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



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

35 FINANCIAL RISK MANAGEMENT (Condt..)

Geographical Risk

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

Financial Assets	2016					
	Thimphu	Chuka	Punaka	Samdrup Jongkar	Others	Total
Loans & Advances to Customers	9,474,473,596	2,667,291,412	310,034,864	271,937,698	2,732,624,400	15,456,361,971
	9,474,473,596	2,667,291,412	310,034,864	271,937,698	2,732,624,400	15,456,361,971
Financial Assets	2015					
	Thimphu	Chuka	Punaka	Samdrup Jongkar	Others	Total
Loans & Advances to Customers	6,947,878,404	2,223,617,566	299,024,465	202,472,581	2,162,756,121	11,835,749,137
	6,947,878,404	2,223,617,566	299,024,465	202,472,581	2,162,756,121	11,835,749,137



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 Related Party Transactions

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

36.1 Parent and Ultimate Controlling Party

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

36.2 Transactions with Key Managerial Personnel (KMPs)

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

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by

that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependants of the KMPs and the KMPs domestic partner.

Name of Board of Directors:-

1	Dasho Topgyal Dorji
2	Dasho Thinley Dorji
3	Mr. Tshenchok Trinley
4	Mr. Phub Dorji
5	Mr. Sangay Tenzin
6	Miss Tshering Lham
7	Mr. Namgyal Lhendup

Name of the Companies where Directors/KMP are interested :-

1	Tashi Air Pvt. Ltd.
2	Bhutan International Company
3	Bhutan Silicon Metal (P) Ltd.
4	Kingyal Coke and Chemicals
5	M/s Tashi commercial corporation
6	M/s Tashi Thuendel Lerig Pvt. Ltd.
7	Yuedrung construction

36.3 Transactions, Arrangements and Agreements Involving KMPs and Their CFMs**36.3.1 Loans and Advances to KMPs and their CFMs are detailed below:**

	O/s as on 31.12.16	O/s as on 31.12.15
1 Bhutan Brewery Private Limited	-	-
2 Bhutan International Company	81,433	5,950,510
3 Bhutan Silicon Metal (P) Ltd.	401,703,467	339,146,287
4 Kingyal Coke and Chemicals	461,685,706	117,066,573
5 M/s Tashi commercial corporation	55,140	11,980,890
6 M/s Tashi Thuendel Lerig Pvt. Ltd.	4,603,028	5,133,007
7 Yuedrung construction	-	-
8 Dasho Topgyal Dorji	65,664,613	31,161,285
9 Mr. Phub Dorji	7,693,178	5,334,605
10 Mr. Tshenchok Trinley	4,326,077	7,589,167
	945,812,644	523,362,323



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

36.3.2 Insurance Policies on KMPs and their CFMs are detailed below:**General Insurance:-**

Dasho Topgyal Dorji
 Dasho Thinley Dorji
 Director Tshenchok Thinley
 Director Phub Dorji

Life Insurance:-

Miss Tshering Lham

2016	2015
137,796	169,103
60,677	60,027
52,440	52,597
28,588	29,920
650,000	650,000
1,129,501	1,161,647

36.3.4 Remuneration of KMP

Key Management Personnel Expenses Include

Mr. Namgyal Lhendup:-

Remuneration
 Other Benefits

Directors Sitting Fee

2016	2015
3,185,086	1,782,428
999,450	924,421
1,817,104	635,000
6,001,640	3,341,849

37 Embezzlement of Funds

- a) In 2009, a fraud amount of Nu. 11,263,659 have been reported at Thimphu Regional Bank Account No. 292. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect. Further, Nu. 529,608 have been recovered during the year and necessary adjustments done accordingly.
- b) In 2009, there was a burglary case at Paro Branch office and the office safe has been stolen containing the Cash Nu. 300,000, blank cheque books and digital camera. The case is still pending with the Royal Bhutan Police as no one could be held responsible. Accordingly, in reference to this case amount aggregated to the extent of Nu. 300,000 had been already provided in the accounts.
- c) In 2011, a fraud amounting to Nu 1,472,000 has been reported at Head Office Thimphu, in the General

Insurance Department. The matter is lying before appropriate Court of Law. Necessary provisions have been made in the accounts in this respect.

- d) In 2014, a fraud amounting to Nu. 865,058 have been reported at Dagana Branch, in the General Insurance Department and Credit and Investment Department. The matter is pending before anti-corruption commission. Accordingly, necessary provisions have been made in the books of account in the current year.
- e) In 2015, misappropriation of Nu. 98,000 have been reported at Pema Gatshel Branch, in the Credit and Investment Department. Thus, in this regard the required provision has been made in the accounts.
- f) In 2015, misappropriation of Nu. 3,993,791 have been reported in the Head Office, Thimphu. The matter is pending with the Anti-corruption Commission. The mentioned amount has been adjusted in the accounts and provision of Nu. 1,985,651 is provided during the year.



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Royal Insurance Corporation of Bhutan Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

g) In 2015, misappropriation of Nu. 93,249,102 have been reported in the Paro branch, in the Credit and Investment Department. The matter is pending with the Anti-corruption Commission. Accordingly, provision of Nu. 60,000,000 have been created and included under provision amount in the books of accounts during the year. Further provision for the same will be provided in the coming years.

38 Unadjusted deposits in respect of Life Insurance policies aggregating to Nu. 11,097,174 (Previous Year Nu. 9,615,414) included in Trade and Other Payables are outstanding on account of reconciliation process, against which eventual adjustments thereof are not ascertainable at this stage.

39 Provision @ 30% on the book profits calculated as per these account is made towards Corporate Income Tax for the year 2015. However, necessary adjustments have not been made for inadmissible expenditure to calculate the income tax liability as required under the "Income Tax Act of Bhutan, 2001".

40 Provision for bonus payable to employees for the current year has neither been ascertained nor been provided in these accounts. An amount of Nu. 26,885,458 have been paid for the year 2014 (For the Year 2013 Nu. 20,592,349).

41 Reinsurance Payables and Receivables in Non-Life Policies

a) The balances outstanding, both receivable and payable, as at the reporting date from/to various re-insurers aggregating to Nu. 357,296,917 (Previous Year Nu. 324,073,682) and Nu. 226,130,334 (Previous Year Nu. 86,044,362) respectively are pending final reconciliation process/ confirmation and acceptance of the re-insurers. Any further adjustments thereof are not ascertainable at this stage.

b) The balance due from and to the re-insurers have not been netted-off in the books of accounts.

c) The balances from and to the reinsurers and the brokers, where the transactions are being carried out in foreign currency (except INR), are not re-instated based on the exchange rate as on the reporting date.

42 Certain debit/ credit balances included in Trade Receivable, Trade Payables, Short/ Long Term Loan and Advances, Other Current Assets and Current Liabilities are pending for confirmations and consequential reconciliation.

43 Events after the reporting Date

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



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Annexure.1 Formats for Annual Disclosures 1

Item 1: Tier 1 Capital and its sub-components

S. No			Current Period	Corresponding Period of Previous Year (COPPY)
	1	Total Tier 1 Capital		
a.		Paid-Up Capital	1,200,000	1,200,000
b.		General Reserves	-	-
c.		Share Premium Account	-	-
d.		Retained Earnings	1,174,996	953,475
Less:-				
e.		Losses for the Current Year	-	-

Item 2: Tier 2 Capital and its sub-components

S. No			Current Period	COPPY
	1	Tier II Capital		
a.		Capital Reserve	-	-
b.		Fixed Assets Revaluation Reserve	-	-
c.		Exchange Fluctuation Reserve	-	-
d.		Investment Fluctuation Reserve	-	-
e.		Research and Development Fund	-	-
f.		General Provision	167,255	80,807
g.		Capital Grants	-	-
h.		Subordinated Debt	250,000	250,000
i.		Profit for the Year	-	-

Item 3: Risk weighted assets (Current Period and COPPY2)3

S. No	Assets	Balance Sheet Amount	Risk Weight %	Risk Weighted Asset
1	Zero-Risk Weighted Assets	12,990	0.00%	-
2	20% Risk Weighted Assets	2,175,504	20.00%	435,101
3	50% Risk Weighted Assets	44	50.00%	22
4	100% Risk Weighted Assets	18,957,561	100.00%	18,957,561
5	150% Risk weighted Assets	87,381	150.00%	131,072
6	200% Risk Weighted Assets	-	-	-
7	250% Risk weighted Assets	-	-	-
8	300% Risk Weighted Assets	-	-	-
Grand Totals		21,233,480		19,523,755

Item 4: Capital Adequacy ratios

S. No		Current Period	COPPY
1	Tier 1 Capital	2,374,996	2,374,996
a.	<i>Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)</i>	-	-
b.	<i>Of which Sectoral Capital Requirements (SCR) (if applicable)</i>	-	-
i.	<i>Sector 1</i>		
ii.	<i>Sector 2</i>	-	-
iii.	<i>Sector 3</i>	-	-
2	Tier 2 Capital	417,255	167,255
3	Total qualifying capital	2,792,251	2,792,251
4	Core CAR	12.16%	14.59%
a.	<i>Of which CCyB (if applicable) expressed as % of RWA</i>		
b.	<i>Of which SCR (if applicable) expressed as % of Sectoral RWA</i>		
i.	<i>Sector 1</i>		
ii.	<i>Sector 2</i>		
iii.	<i>Sector 3</i>		
5	CAR	15.90%	16.00%
6	Leverage ratio	11.68%	12.72%

Item 5: Loans and NPL by Sectoral Classification⁴

S. No	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	-	-	-	-
b.	Manufacturing/Industry	1,478,746	11,326	1,394,539	361
c.	Service & Tourism	799,546	7,160	557,552	2,220
d.	Trade & Commerce	7,411,922	288,231	4,803,884	246,876
e.	Housing	2,920,466	19,404	2,599,339	10,705
f.	Transport	1,034,627	66,764	715,784	33,683
g.	Loans to Purchase Securities	99,022	-	88,674	-
h.	Personal Loan	1,240,568	116,050	1,400,882	88,333
i.	Education Loan	-	-	-	-
j.	Loan Against Term Deposit	-	-	-	-
k.	Loans to FI(s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff loan (incentive)	471,460	11,580	359,365	9,894
n.	Loans to Govt. Owned Corporation	-	-	-	-
o.	Consumer Loan (GE)	-	-	-	-

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

S. No	Counter-party	Current Period	COPPY
1	Overdrafts		
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	1,500,618	391,970
e.	Individuals	5,384,144	4,532,821
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
2	Term Loans		
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	838,844	483,211
e.	Individuals	7,733,672	6,512,018
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-

Item 10: Non performing Loans and Provisions

S. No		Current Period	COPPY
1	Amount of NPLs (Gross)		
a.	Substandard	38,262	71,395
b.	Doubtful	55,741	78,526
c.	Loss	361,039	242,151
2.	Specific Provisions		
a.	Substandard	8,770	16,343
b.	Doubtful	27,725	39,039
c.	Loss	293,360	210,410
3	Interest-in-Suspense		
a.	Substandard	1,150	3,637
b.	Doubtful	5,065	7,768
c.	Loss	67,679	31,742
4	Net NPLS		
a.	Substandard	28,342	51,415
b.	Doubtful	22,951	31,718
c.	Loss	-	-
5	Gross NPLs to Gross Loans	3.37%	3.29%
6	Net NPLs to Net loans	0.57%	0.70%
7	General Provisions		
a.	Standard	148,942	104,302
b.	Watch	24,038	10,969

Item 11: Assets and Investments

S. No	Investment	Current Period	COPPY
1	Marketable Securities (Interest Earning)		
a.	RMA Securities	-	-
b.	RGOB Bonds/Securities	-	-
c.	Corporate Bonds	-	-
d.	Others	-	-
	Sub-total	-	-
2.	Equity Investments	-	-
e.	Public Companies	57,601	37,790
f.	Private Companies	105,920	26,950
g.	Commercial Banks	103,523	48,216
h.	Non-Bank Financial Institutions	30,091	58,561
Less			
i.	Specific Provisions	3,475	-
3	Fixed Assets		
j.	Fixed Assets (Gross)	340,537	319,908
Less			
k.	Accumulated Depreciation	155,443	137,960
l.	Fixed Assets (Net Book Value)	185,094	181,948

Item 12: Foreign exchange assets and liabilities (Current Period and COPPY10)

S. No	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than one week)			Nu. In millions	
CURRENCY	Assets in Foreign Currency	Liabilities in Foreign Currency	Net Short Term Position	Assets in Foreign Currency	Liabilities in Foreign Currency	Long Term Net Position	OVERALL NET POSITION	Overall Net Position*/Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	1,139.00	-	1,139.00	-	-	-	76,359.815	76,359.815

Item 12: Foreign exchange assets and liabilities (Current Period and COPPY10)

	Domestic		India		Other	
	Current Pe- riod	COPPY	Current Period	COPPY	Current Period	COPPY
Demand deposits held with other banks	917,179	395,655	44	44	76,359	2,839
Time deposits held with other banks	1,195,000	1,385,000	-	-	-	-
Borrowings	6,096,422	6,096,422	-	-	-	-

Item 14: Credit Risk Exposures by collateral

S. No	Particular	Current Period	COPPY
1	Secured Loans	12,878,615	11,835,750
a.	Loans secured by physical/ real estate collateral	2,557,746	10,562,089
b.	Loans secured by financial collateral	20,000	1,273,661
c.	Loans secured by guarantees		
2	Unsecured Loans	-	-
3	Total Loans	15,456,361	15,456,361

Item 19: Concentration of Credit and Deposits

S. No	Particular	End of Current Period	COPPY
1	Total loans to 10 largest borrowers	2,150,145	1,910,681
2	As % of total Loans	13.91%	16.14%
3	Total deposits of the 10 largest depositors	-	-
4	As % of total deposits	-	-

Item 20: Exposure to 5 Largest NPL accounts

S. No	Particular	End of Current Period	COPPY
1	Five largest NPL accounts	68,714	34,216
2	As % of total NPLs	13.20%	12.30%



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