Royal Insurance Corporation of Bhutan Limited

RICB

"Your partner for growth and security"

Annual Report 2018

"In pursuit of transparency & openness"

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

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"Your partner for growth and security"

"In pursuit of transparency and openness"

Annual Report 2018

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Company Profile

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 business man and industrialist, and the general public.

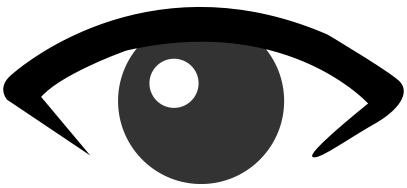
On October 11, 1991, RICB was incorporated as a public limited company. Two years later, it was listed on the Royal Securities Exchange of Bhutan.

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

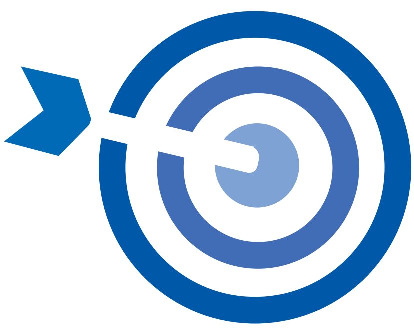


OUR VISION

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

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



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.

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 ferroalloys, 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 Group of Companies

An alumni of St. Augustine's School, Kalimpong, Mr. Tshenchok Thinley is the Executive Director of Tashi Group of Companies. 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. Sonam Tobjey
Bhutan Power Corporation Limited

Sonam Tobjey is a Chief Finance Officer/Director (F) at the Bhutan Power Corporation Limited. Before joining BPC in 2012, he served as a Chief Financial Officer in the Ministry of Finance. He has a M.Com (Accountancy) from University of Canberra, Australia.

(Executive Director)
Mrs. Karma Choden
Keshet Foundation

Mrs. Karma Choden has been appointed as the Executive Director of Keshet Foundation registered under the Civil Societies Organization Authority of Bhutan in March, 2014. It is a Public Benefit Organization.

Till her new appointment, she served as a General Manager of Credit Operations of the Bhutan Development Bank Limited (previously known as Bhutan Development Finance Corporation Limited) since 1991 till March 15, 2014.

(Director)
Mr. Karma
Chief Executive Officer, RICB

Prior to joining RICB, Mr. Karma was the founder CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco National De Commercial De Timor Leste, Bhutan National Bank and Royal Monetary Authority of Bhutan. He has a Master and Bachelor Degree in Economics from New York University, USA.

MANAGEMENT TEAM

Chief Executive Officer
Mr. Karma

Prior to joining RICB, Mr. Karma was the founder CEO of SAARC Development Fund and had worked with the International Finance Corporation (IFC), Banco National De Commercial De Timor Leste, Bhutan National Bank and Royal Monetary Authority of Bhutan. He has a Master and Bachelor Degree in Economics from New York University, USA.

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 Mongar.

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.

General Manager, FSSD

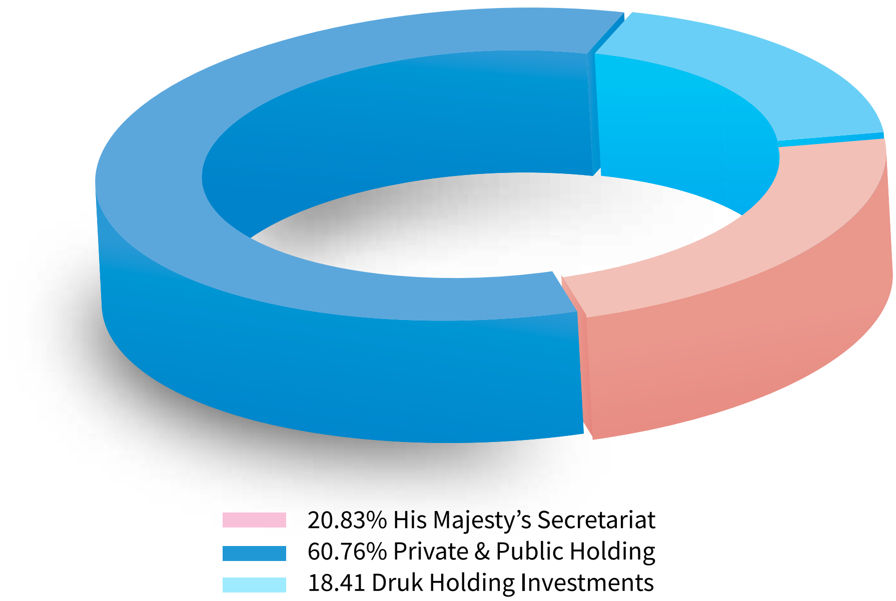
Mr. Ugyen Tshewang

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 invest ment 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).

Head, Finance and Accounts

Ms. Zarna Moktan

Ms. Zarna has MBA from Hague University of Applied Sciences, Netherland. She graduated with Bachelors in Commerce from St. Joseph College, North Bengal University India. With 15 years of service with the corporation, she has various experience in the fields of Finance, Accounting, Customer Serivice, Life Insurance and Auditing.



SHARE HOLDING PATTERNS

The shareholding patterns of RICB have undergone considerable changes since its inception 43 years ago on January 7, 1975 under the Royal Charter of the Fourth King, His Majesty Jigme Singye Wangchuck.

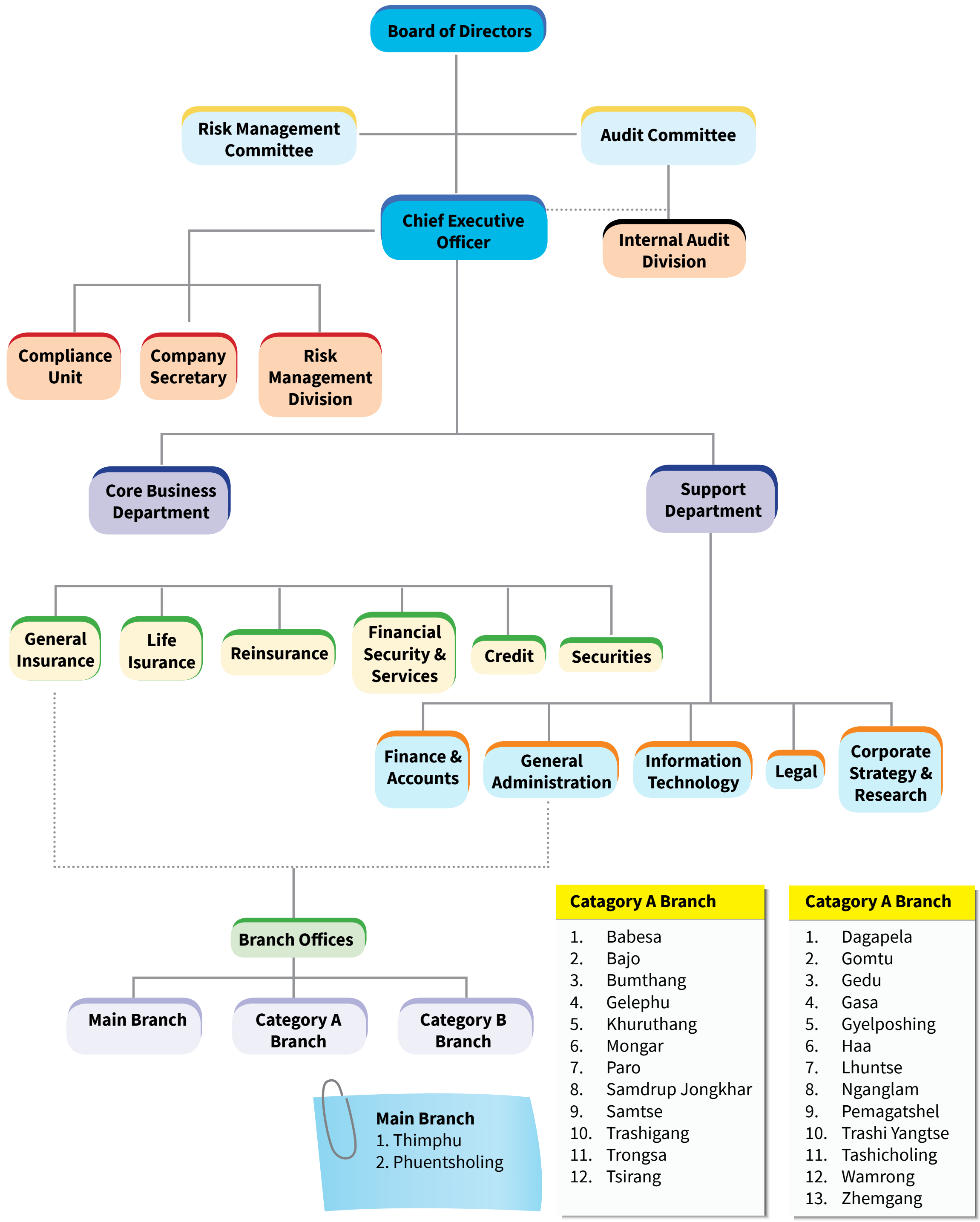
When the company was established then, with a paid up capital of Nu. 1 million against an authorised capital of Nu 2 million, the royal government of Bhutan invested 51 percent of the seed capital. Dasho Ugyen Dorji, a renowned businessman and reputed industrialist of Bhutan, and the general public, 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 securities 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. 5,000 million and Nu 1200 million respectively as of December 31, 2015.

Organogram


Board of Directors
Risk Management Committee
Audit Committee
Chief Executive Officer
Internal Audit Division
Compliance Unit
Company Secretary
Risk Management Division
Core Business Department
Support Department
General Insurance
Life Isurance
Reinsurance
Financial Security & Services
Credit
Securities
Finance & Accounts
General Administration
Information Technology
Legal
Corporate Strategy & Research
Branch Offices
Main Branch
Category A Branch
Category B Branch
Main Branch
1. Thimphu
2. Phuentsholing
Catagory A Branch
1. Babesa
2. Bajo
3. Bumthang
4. Gelephu
5. Khuruthang
6. Mongar
7. Paro
8. Samdrup Jongkhar
9. Samtse
10. Trashigang
11. Trongsa
12. Tsirang
Catagory A Branch
1. Dagapela
2. Gomtu
3. Gedu
4. Gasa
5. Gyelposhing
6. Haa
7. Lhuntse
8. Nganglam
9. Pemagatshel
10. Trashi Yangtse
11. Tashicholing
12. Wamrong
13. Zhemgang

HEALTH INSURANCE

Cover your Health Expenses by Insuring with RICB's Health Insurance

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

Directors' Report for the Year 2018 To the Shareholders

On behalf of the Board of Directors and on my own behalf, I present the 44th Annual Report, together with the Audited Financial Statements of the Company for the year ended 31st December 2018.

Operational & Performance Highlights

The financial year 2018 saw many changes undertaken in RICB with the change in the top management. The changes have been focused on strengthening financial soundness and enhancing institutional integrity. Financial management is one of the core areas the company focused during the year. RICB's reliance on external borrowings was reduced during the financial year by paying off high interest-bearing loans. During the year external borrowing was reduced by Nu. 1.24 billion saving an interest expense of Nu. 188 million. The net loan growth during the year amounted to Nu. 1.58 billion. The increase in the loans are all funded through the internal source of the funds. The operational efficiency has been also achieved during the year by reducing non-essential costs. The management expenses during the year decreased by Nu. 110.17 million. The General and Life insurance business performed exceptionally well generating surplus during the year amounting to Nu. 521.65 million and Nu. 890.49 million respectively.

Even so, the financial year 2018 has been a challenging year for RICB. During the financial year 2018 the impairment against loans and advances increased substantially. With the implementation of the BFRS 9 effective from 1st January 2018, the total impairment against loans and advances amounted to Nu. 2.27 billion resulting in a loss of Nu. 1.44 billion from the credit business. The increase in the non-performing loan is attributable to slow economic activities and non-fulfillment of commitments by the borrowers. The reinsurance business has also incurred loss during the year owing to increase in claims during the year. The gains from the performing line of businesses were insufficient to offset the loss generated from credit business and thus the company incurred a loss of Nu. 1.19 billion during the year.

This year, RICB's financial performance recorded after tax adjustment loss at Nu. 1,233.74 million compared to after tax profit of Nu 265.40 million during the previous year. The deterioration of the financial performance is mainly attributed to the increase in the impairment of loans and advances. The total gross business posted at Nu. 5,954.58 million from the previous year's Nu. 6,062.97 million, resulting in decline of 3.62%.

Significant Financial indicators

Indicators	2018	2017
Profit Before Tax (PBT)	(1,190.40)	428.49
Total Turn over	5,954.58	6,062.97
Return on Core Equity	(102.81)	22.12
Earnings per share	(10.28)	2.21
Book Value per Share	18.79	27.53
Net-worth	2,255.30	3,303.03
Paid up Capital	1,200.00	1,200.00
Cash/Bank Balance	2,962.03	3,068.96
Balance Sheet	21,042.97	21,595.64

The gross interest earned during the year, including the interest from fixed deposits, amounts to Nu 2,276.91 million compared to Nu. 2,018.11 million during the previous year recording a growth of 12.82%. However, unlike in the previous years, the Credit business incurred significant loss during the year owing to increase in the NPL ratio of 27.65% compared to 6.21% in 2017.

The year also witnessed a significant growth in the general insurance business from the previous year, mainly due to aggressive marketing and retaining of the existing clients despite the stiff competition in the insurance market. The net revenue from the general insurance underwriting was Nu 389.60 million, as compared to Nu 358.45 million during 2017, which is transferred to the Income Statement of the Company. The net premium, after affecting the re-insurance premiums, fetched Nu 453.22 million. Correspondingly, the net claims after considering reinsurance recoveries posted Nu 262.11 million. The overall net claim ratio during the financial year 2018 stands at 57.83% as against 46.33% in the previous year.

It is significant to note that life insurance has also recorded growth with the premium income of Nu.1,190.97 million, followed by inward

Business Income for the Period ended 31.12.2018

DEPARTMENT	2018	2017
Interest Income (CID)	2,276,913,306	2,018,119,041
Commission, Dividend & Others (CID)	76,633,944	83,837,698
General Insurance Premium	1,095,310,119	996,870,327
Life Insurance Premium	1,190,487,107	1,031,858,874
Group Insurance Premium	74,649,030	76,482,798
Reinsurance Premium	449,280,477	456,813,602
Annuity Contribution during the year	372,412,456	1,055,574,228
PPF Contribution during the year	405,394,973	332,837,916
Rent & Others	13,503,556	10,137,127
TOTAL	**5,954,584,968**	**6,062,531,611**

Financial Performance for the year 2018

Particulars	2018 (Nu in millions)	2017 (Nu in millions)	Variance '18 &'17%
Income			
Net Premium Earned	2,196.75	1,957.56	16.64
Net Fee & Commission Income	152.72	158.45	(21.03)
Net Interest Income	835.16	1,132.16	4.86
Other Operating Income	26.25	29.08	8.79
Total Revenue (I)	**3,210.89**	**3,277.27**	**9.78**
Expenses			
Net Claims	2,170.43	1,691.38	21.82
Other Operating Expenses (Net)	1,190.40	1,157.39	37.31
Total Expenses (II)	**4,401.29**	**2,848.77**	**27.67**
Profit Before Tax (I) – (II)	**(1,190.40)**	**428.49**	**(43.16)**
Profit After Tax	**(1,233.74)**	**265.40**	**(43.85)**
Earnings Per Share	**(10.28)**	**2.21**	**(44.05)**
Book Value Per Share	**18.79**	**27.53**	**0.66**
Net-worth of the Company	**2,255.31**	**3,303.03**	**0.17**
Return on Core Equity (%)	**(102.81)**	**22.12**	**(44.03)**

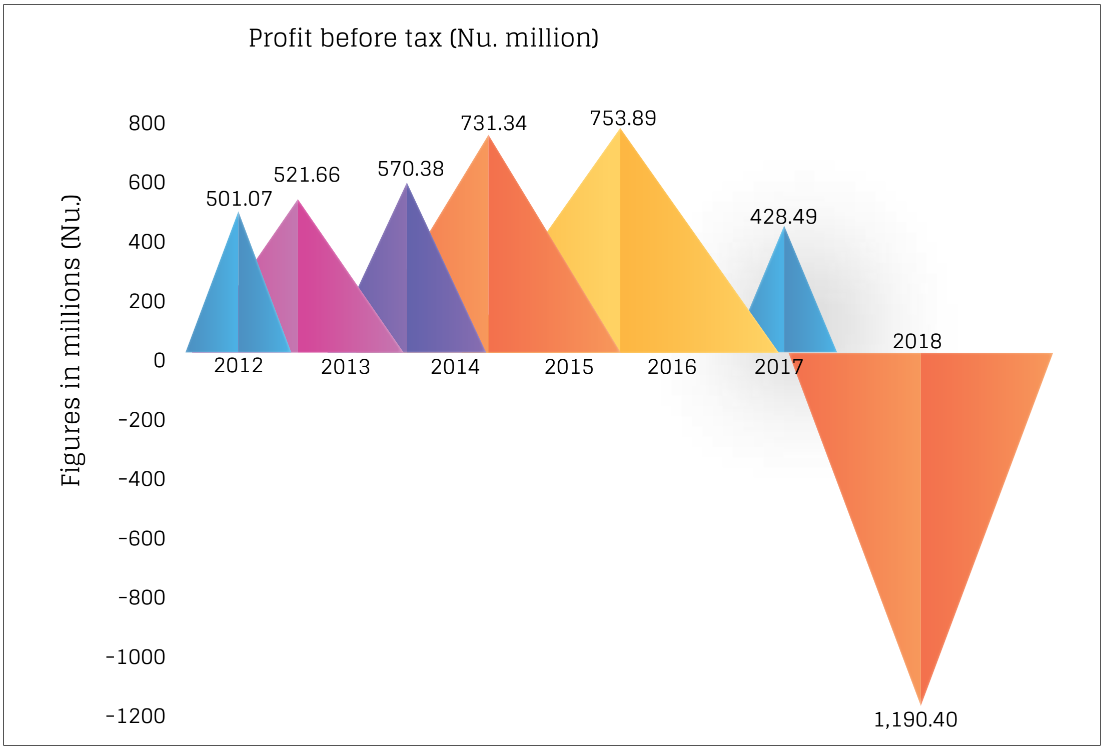
reinsurance premium of Nu. 477.20 million. Annuity business contributed Nu. 372.41 million and Nu. 405.39 million from Private Provident Fund business.

The earnings per share of the Company during the year deteriorated to Nu (10.28) vis-a-vis Nu 2.12 in the last financial year. The reduction in EPS is due to significant loss during the financial year. The net worth of the company as on 31.12.2018, was valued at Nu 2,255.31 million, compared to Nu 3,303.03 million in the last financial year, and the book value per share decreased to Nu 18.79, due to decrease in reserves after transfer of loss. Considering the financial performance for the year the return to core equity resulted in negative figure of 102.81% compared with 22.12% during the last financial year.

Since the company has incurred significant loss during the year, there would be no profit to declare dividend.

Performance Highlights (Gross Profit) from 2010-2018

	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
	2017	428.49	(43.16)
	2018	(1,190.40)	(377.81)



The company recorded consistent growth in insurance business accounting for 12.47% growth in premium income over the previous year. However, during the current financial year the profitability of the company is significantly impacted with the increased impairment loss against loans and advances.

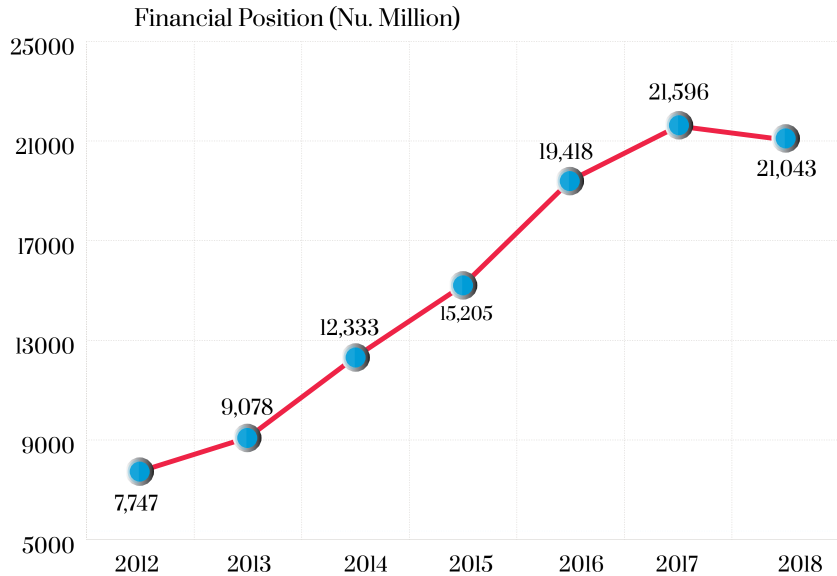
Financial Position of the Company

The total asset of the company has decreased by 4.34% amounting to Nu 21.04 billion during the year, from Nu 21.99 billion in the previous financial year. The decrease in the asset is caused by the netting off the impairment loss from the total loans and advances. RICB's net worth recorded at Nu 2.25 billion, a decrease of 39.14% from the previous year's Nu 3.70 billion. The total equity is impacted by the transfer of loss to the reserves during the financial year.

The net fund balance has increased to Nu 10.36 billion from Nu 8.84 billion in the previous year. The corporation will not be paying any Corporate Income Tax for the financial year 2018.

Growth in Statement of Financial Position

	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%
	2017	21,595.64	11.28%
	2018	21,042.97	(4.34)%



Statutory Compliances

Royal Monetary Authority
Most of the provisions of the Prudential Regulations of RMA have been complied with during the financial year.

Royal Audit Authority

The Royal Audit Authority has inspected and audited the operations and performance of the company up to financial year 2016.

Statutory Auditors

S. Jaykishan, Chartered Accountants were appointed as the Statutory Auditors of RICB for the financial year 2018.

Company Registrar

The Company Registrar has inspected the company's compliance to the Companies Act of the Kingdom of Bhutan 2016 up to the financial year 2011, and no adverse comments have been noted.

Future outlook

RICB initiated structural changes by mid 2018 to achieve operational efficiency, strengthen financial soundness and institutional integrity. The changes were made in corporate governance, credit management, underwriting, claims and enhancing Information technology tools. Some of the changes brought in during the financial year includes:

i. Reconstitution of the Board with the appointment of two independent directors and fulfilling all the requirements of the Corporate Governance Rules and Regulations;
ii. Focus on operational discipline through standardized and consistent service delivery to ensure customer satisfaction;
iii. Instituted institutional integrity through culture of accountability, performance and continuous learning being promoted to supplement the organizational culture building;
iv. The systems and processes were reviewed to reduce the turnaround time and enhance efficiency of our service delivery;

v. To start with the institutional integrity from within, the spouses working as sales agents were deregistered with effect from 1st of July 2018;

vi. Strengthening the financial soundness of the company was considered one of the priorities for the year. After analysing the assets and liabilities of the company, it was felt optimal to retire borrowings with high interest rates;

vii. During the Annual Branch Meeting, the ways to reduce cost through reduction in nonessential expenses were implemented. As a result of the same the total management expenses during the year was reduced from Nu. 387.02 million in 2017 to Nu. 276.84 million during the financial year;

viii. Credit Management was strengthened during the year by segregating investment from credit department, separation of business and legal decision whereby the loan appraisal will be carried out by the credit department and all documentation will be done by legal division with the branch managers to performing early review of the credit proposals and will also be held accountable for management of credit portfolio originating from respective branches;

ix. To optimize the delivery channels, RICB had embarked on mobile applications by integrating with mBOB and mPay. RICB has also developed a mobile APP 'MyRICB';

x. Initiatives are already put in place to measure the performance of the branch offices;

xi. IT has been treated as a power tool in doing business. The company has implemented Microsoft Office 365 Enterprise version. Automation of back office functions by minimizing human intervention are under process such as excel updating for Salary Saving Scheme, rural life insurance and group insurance; and

xii. Efforts have been made to strengthen the relationship with the regulators, stakeholders, software vendors, reinsurance partners and brokerage firms.

Considering the dynamic nature of business environments today, it has become imperative to review the organizational structures and align its functions with the changing needs and times so that RICB as a premier insurance company remains the top choice of its clients in the Bhutanese market. The management prepared for comprehensive structural changes/re-organization since mid 2018. The organizational restructuring has been implemented from January 2019.

The management continues to explore opportunities in the market both within and outside the country. This includes developing and redesigning insurance and other products based on growing consumer needs. The Management has given its unwavering support to strengthen Human Resource Development (HRD) through professional and other relevant trainings by allocating sufficient budget for Human Resource development.

Acknowledgement

On behalf of the Board of Directors, and on my own behalf, I would like to take the opportunity to thank all our business partners and valued clients, whose enduring confidence and faith reposed in the Company has made the company to transform amidst challenges. The Board also places on record its deep appreciation to the Royal Government and its various agencies for continued support and cooperation provided 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, Royal Securities Exchange of Bhutan and the Department of Revenue and Customs for their continued support.

The Directors are also pleased to convey their sincere appreciation to all our agents who are our 'feet on the street' and reinsurance partners and surveyors in India.

I would also like to congratulate the management and staff of RICB for their dedicated service. I extend my good wishes for the success of the corporation in the years ahead. I am confident that the organizational transformation that is now implemented will take RICB to newer heights.

Tashi Delek

(Topgyal Dorji)
Chairman on behalf of Directors

S. JAYKISHAN
CHARTERED ACCOUNTANTS

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12, Ho-chi-minh Sarani, Kolkata - 700 071
(033) 4003-5801, Fax : (033) 4003-5832
E-mail : info@sjaykishan.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

Qualified Opinion

We have audited the financial statements of Royal Insurance Corporation of Bhutan Limited (referred to as "the Corporation"), which comprise the statement of financial position as on December 31, 2018, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The accounts/returns of un-audited twenty four Branches not visited by us have also been incorporated in the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the company of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS/BFRS).

Basis for Qualified Opinion

(a) Note no. 41 to the financial statements, regarding non-reconciliation of unadjusted deposits in respect of Life Insurance Policies aggregating to Nu. 17,614,572 (Previous Year Nu. 15,741,787) 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. 43(C) 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 BAS-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.

(c) Note no. 44 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.

We conducted our audit in accordance with Bhutanese Accounting Standards (BAS/BFRS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of IESBA Code and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. JAYKISHAN
KOLKATA
Chartered Accountants

Why the matter was determined to be a Key Audit Matter	How the matter was addresses in the audit
1. Valuation of technical provisions The estimation of liabilities arising from insurance contracts such as unearned premium reserve, deferred commission reserve, incurred but not reported reserve and deferred acquisition cost reserve as disclosed in the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policyholder behavior). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.	**We assessed management's calculations of the technical reserves by performing the following procedures:** • Using our specialist team members, we applied our industry knowledge and experience and we compared the methodology, data, models and assumptions used against recognised actuarial practices; • Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework; and • We also evaluated the methodology and assumptions, or performed a diagnostic check to identify and follow up any anomalies.
2. Recoverability of insurance receivables from policy holders, insurance companies and reinsurance companies The Company in its normal course of business is exposed to risks of non - recoverability from policyholders, insurance companies and reinsurance companies due to disputes / litigations or due to deterioration of financial conditions of the counter party. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.	• We reviewed the past trend of actual amounts written off and the credit ratings of the counter parties (where available) to assess the provision held as at year-end. We also discussed with management and reviewed correspondence, to identify any disputes and assessed whether such matters had been considered in the bad debt provision.

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

3. Impairment of loans and advances to customers and other parties The allowance of loan losses are significant as they represent a substantial amount of impairment regonised in Balance Sheet. The same is considered as a KAM since it relates to an accounting estimate which implies a high level of judgement on part of the management and are requirements in applicable BAS/BFRS, Royal Monetary Authority Directions and other relevant regulations. Impairment of loans and advances to customers and others are either calculated on individual basis or a collective basis. The Company had established a policy to perform an assessment, at the end of reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate.	• We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers and other parties, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). • We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. • For those loans and advances to customers and other parties which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Our additional responsibilities are provided in **Annexure I.**

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016 (the Minimum Audit Examination and Reporting Requirements), we give in the Annexure II, a statement on the matters specified therein to the extent applicable.

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

a) We have obtained, except for matters described in the Basis for Qualified Opinion section, all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.

b) Except for the effects of 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 company so far as appear from our examination of the books, proper returns adequate for purpose of our audit have been received,

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.

d) Except for the effects of the matter described in the 'Basis of Qualified Opinion' paragraph above, in our opinion, the financial statements dealt with the report have been prepared in accordance with Bhutanese Accounting Standards (BAS/ BFRS) and according to the provision of the Companies Act of Bhutan 2016.

For S. Jaykishan
Firm Registration Number: 309005E
Chartered Accountants

S. JAYKISHAN KOLKATA Chartered Accountants

Ritesh Agarwal
Partner
Membership No. 062410

Place: KOLKATA
Date: 06/05/2019

ANNEXURE I TO AUDITOR'S REPORT

Responsibilities for Audit of Financial Statements

(Audit Report of Royal Insurance Corporation of Bhutan Limited for the year ended on 31st December, 2018)

As part of an audit in accordance with BSAs, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidences that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For S. Jaykishan
Firm Registration Number: 309005E
Chartered Accountants

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

Ritesh Agarwal

Ritesh Agarwal
Partner
Membership No. 062410

Place: KOLKATA
Date: 06/05/2019

ANNEXURE II TO AUDITOR'S REPORT MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

[Referred to our Auditor's Report of even date to the Members of Royal Insurance Corporation of Bhutan Limited on the financial statements for the year ended on 31st December' 2018]

1. The Corporation has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As explained to us, the fixed assets have been physically verified by the management during the year in a phased/periodical manner, in all branches and head office, which in our opinion is reasonable having regard to size of Company and nature of its assets. In some cases, the impact of discrepancies noted in the physical verification has not been given in the accounts as the same, as informed, are under reconciliation, however, considering the nature of discrepancies, as explained to us, there will be no material impact on the accounts.

2. The fixed assets of the Company have not been revalued during the year under audit.

3. 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.

4. 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.

5. 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 2017 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 identification 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.

6. 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 any particular individual is generally avoided.

7. In our opinion and according to the information and explanations given to us in course of the audit, the Corporation has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems 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 2017 w.e.f. Jan'18, 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

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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.*

8. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including plant and machinery, equipment and other assets. 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.

9. 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 Bhutan 2016 are not updated by the company.

10. As informed to us, the Corporation, in generally, has a system of ascertaining and identifying unserviceable or damaged stores and loss, if any, on the sale of the same, which are duly accounted /charged in these accounts.

11. The Corporation is maintaining reasonable records for sale and disposal of realizable scrap.

12. According to the information and explanations provided to us and so far it appears from the examination of the books, there were no undisputed amounts payable in respect of rates and taxes, duties, royalties, provident fund, and other statutory dues as on the last day of Financial Year 2018.

13. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

14. According to information and explanation given to us, in our opinion, the credit sales policy of the Corporation is reasonable and proper credit rating is carried out for its customers.

15. 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 procedure 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.

16. 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.

17. 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 leading to avoidable interest burden on the Corporation.

18. Based on the information and explanations/ representations given to us and on the basis of

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

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.

19. According to the information and explanations given to us, there has been an effective budgetary control system for the Corporation, as a whole.

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

21. 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.-39 to the financial statements.

22. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued have been complied with.

23. 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, unauthorized 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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, Prudential Regulations 2017, BAS & BFRS, The Companies Act of Bhutan 2016 and other applicable laws, rules and regulations and guidelines issued by the appropriate Authorities.

29. In our opinion and according to the information and explanations furnished to us, the requirements prescribed by the 'Royal Monetary Authority' relating to provisioning for the non-performing assets including loans and advances have been complied with generally.

30. 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 2017.

31. 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

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

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.

32. 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. However, in case of loans where there is moratorium period for payment of principal and gestation of interest, the branch need to keep a register to keep track of progress of project, timely disbursement request by customer, cost overrun, site inspection at regular interval may be quarterly/ half yearly or annual for individual projects, when the loan or interest moratorium of gestation is ending.

33. 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.

34. 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, re-phasing has generally not been permitted in respect of non-performing loans.

35. 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.

36. 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.

37. 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.

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

39. COMPUTERISED ACCOUNTING ENVIRONMENT

1. 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 except at few instances which has been reported elsewhere.

2. 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 appear to be adequate.

3. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.

4. The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

6. Tracking of NPA is half manual and half system driven. It is advisable to make a module as per RMA prudential regulations norms so that the entire system of NPA tracking becomes system driven. As informed by the management, only additional provisioning is done manually and all other financial institutions are doing the same in Bhutan and also it requires approval from the RMA for the same.

40. GENERAL

1. Going Concern:

On the basis of the attached Financial Statements as at 31st December, 2018 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 Exhibit - A to this report.

3. Compliances with the Companies Act of Bhutan 2016

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 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 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 2018.

Further, the company are under process to comply with the disclosure requirements as mention in "Abandoned Properties Rules and Regulations" for the year 2018.

For S. Jaykishan
Firm Registration Number: 309005E
Chartered Accountants

S. JAYKISHAN KOLKATA Chartered Accountants

Ritesh Agarwal
Partner
Membership No. 062410

Place: KOLKATA
Date: 06/05/2019

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

INCORPORATION OF COMPANY & MATTERS INCIDENTAL THERETO

No.	Ss.		YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval		No.		
2	47	Change of name/Approval			N.A.	
3	123	Increase or consolidation of share capital		No.		
4	124	Reduction of share capital			N.A.	
5	82	License Copy and Share Certificate filing			N.A.	
6	107	Public offer of shares & Debentures-ROC Approval			N.A.	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	Yes			
8	221	Publication of name by Company	Yes			
9	241	Financial Year of Companies as of 31st Dec.	Yes			
10	245	Financial Statements to follow BAS	Yes			
11	267	Annual Return Submission	Yes			
12	177	Annual General Meeting (Minutes)	Yes			
13	180	Extraordinary General Meeting (Minutes)			N.A.	
14	185	Notice for calling general meeting	Yes			
16	190	Chairman of meeting	Yes			
17	192	Representation of corporations at meetings	Yes			
18	193	Ordinary and special resolutions (Minutes)	Yes			
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	Yes			
20	199	Declaration and payment of dividend(199-209)	Yes			
21	232	Books of account to be kept by company	Yes			
22	238	Inspection of Books of account	Yes			
23	244	Annual Accounts & Balance Sheets	Yes			
24	247	Filing of Balance Sheets etc. with the Registrar	Yes			
25	249	Board's report (signed by Chairman) (249 & 250)	Yes			
26	252	Appointment and removal of Auditors	Yes			
27	260	Resignation of Auditors from office (Annual Resignation)	Yes			
28	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	Yes			
29	133	Number of directors	Yes			
30	134	One third of all Public Companies shall be independent	Yes			
31	138	(Minimum No. & retirement on rotation)	Yes			
32	139	Additional directors			N.A.	
33	140	Consent to act as directors	Yes			
34	141	Certain persons not to be appointed as Directors	Yes			
35	142	Resignation by a director	Yes			
36	143	Removal of directors			N.A.	
37	146	Board meetings	Yes			
38	152	General powers of the board	Yes			

39	156	Restriction on powers of Board	Yes			
40	210	Appointment of Chief Executive Officer	Yes			
41	213	Company Secretary required in all Public Companies	Yes			
42	414	Appointment of selling or buying agents	Yes			
43	157	No loans to directors (only for Public Co.)	Yes			
44	53	Inter-corporate investments	Yes			
45	161	Standard of care rquired by directors	Yes			
		STATUTORY RECORD AND INSPECTION				
46	228	Statutory record and inspection	Yes			
	(a)	Register of buy-back of shares			N.A.	
	(b)	Register of transfers	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	Yes			
	(g)	Register of directors	Yes			
	(h)	Register of directors' shareholding	Yes			
		OTHERS				
47		229 Inspection of Statutory Registers	Yes			
48		85 Register of Shareholders/Members	Yes			

For S. Jaykishan
Firm Registration Number: 309005E
Chartered Accountants

S. JAYKISHAN KOLKATA Chartered Accountants

Ritesh Agarwal
Partner
Membership No. 062410

Royal Insurance Corporation of Bhutan Thimphu

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, 2018 OF ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

STATEMENT OF SIGNIFICANT RATIOS

	FINANCIAL RATIOS:		**2018**	**2017**
A	STABILITY RATIOS:			
1	Capital Adequacy Ratio	(%)	10.85	15.70
2	Solvency Ratio (General Insurance)	(%)	9.23	7.02
3	Net Worth to Total Liabilities	(%)	10.71	15.29
4	Equity Investments to (Net Worth + Insurance Fund)	(%)	3.89	3.59
B	PROFITABILITY RATIOS:			
1	Operating Income to Net worth -Net	(%)	142.45	99.22
2	Operating Income to Total Assets	(%)	15.25	15.18
3	Net Profit (After Tax) to Net Worth	(%)	(54.73)	8.04
4	Net Profit (After Tax) to Total Assets	(%)	(5.86)	1.23
5	Return on Core Equity (Profit After Tax)	(%)	(102.81)	22.12
C	STRUCTURAL RATIOS :			
1	Debt/Core Equity Ratio		3.55	4.61
2	Long Term Debt to Net Worth		1.89	1.67
3	Net Fixed Assets to Long Term Debt		0.21	0.09
4	Net Fixed Assets to Net Worth		0.39	0.14

Financial Data		**2018**	**2017**
Face Value of share	(Nu.)	10.00	10.00
Earning per Share	(Nu.)	(10.28)	2.23
Book Value per Share	(Nu.)	18.78	27.53
Market price per Share	(Nu.)	71.00	59.00
Dividend per share	(Nu.)	-	1.26
No. of Shareholders		1,549	1,279
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

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 at P.O. Box 315, Thimphu, Bhutan. The Company and its associates 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, brokerage services and lending business.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with Bhutanese Financial Reporting Standards (BFRS), as issued by the Accounting and Auditing Standard Board of Bhutan (AASBB)

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.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Company'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. In the process of applying the Company's accounting policies, management has made the following judgements and 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

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.

S. JAYKISHAN Chartered Accountants

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 contracts 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 impairment 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.

(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 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

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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 associate, 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) New and amended standards and interpretations

In these financial statements, the Company has applied BFRS 9 and BFRS 7, effective for annual periods beginning on or after 1 January 2018, for the first time. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. The Company have restated comparative information for 2017 for financial instruments in the scope of BFRS 9.

Changes to classification and measurement

To determine their classification and measurement category, BFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The BAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under BAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Changes to the impairment calculation

The adoption of BFRS 9 has fundamentally changed the Company's accounting for loan loss impairments by replacing BAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. BFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

To reflect the differences between BFRS 9 and BAS 39, BFRS 7 Financial Instruments: Disclosures was updated, and the Company has adopted it, together with BFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 36, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 38.

Recognition of interest income:

Under both BFRS 9 and BAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under BFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under BAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate method:

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest and similar income:

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

(i) Financial assets

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

From 1 January 2018, the company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Before 1 January 2018, the Company classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Due from banks, Loans and advances to customers, Financial investments at amortised cost

Before 1 January 2018, Due from bank and Loans and advances to customers, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the company intended to sell immediately or in the near term;
- That the company, upon initial recognition, designated as at FVPL or as available-for-sale;
- For which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale;
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets or financial liabilities held for trading

The company classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value.

Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.
Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Debt instruments at FVOCI

The Company applies the new category under BFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available for- sale under BAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under BAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The company has issued financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the company first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with BAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders.

When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Company has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under BFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- 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 them on a different basis
  Or
- The liabilities (and assets until 1 January 2018 under BAS 39) are part of a group of financial liabilities (or financial assets, or both under BAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
  Or
- The liabilities (and assets until 1 January 2018 under BAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss.

Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate, Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.
Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under BAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under BFRS 9. The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under BAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

(j) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterpart

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where 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 financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

  Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement
  Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

- The company cannot sell or pledge the original asset other than as security to the eventual recipients

- The company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- ✓ The Company has transferred substantially all the risks and rewards of the asset Or
- ✓ The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

(k) Impairment of financial assets

Overview of the ECL principles

As described above, the adoption of BFRS 9 has fundamentally changed the Company's loan loss impairment method by replacing BAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under BFRS 9.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained below.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The company does not have any POCI assets as of the reporting date.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, either scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Company considers three scenarios base case, best case, and worst case. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR. The Company does not have any POCI assets as of the reporting date.
- Financial Guarantee contracts: For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the company only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rate
- Interest Rates
- Exchange Rate US$:Nu
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Therefore Company also considers the following qualitative factors

- ✓ Average LTV
- ✓ Government Policies
- ✓ Status of the Industry Business
- ✓ Regulatory impact

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Company's accounting policy for collateral assigned to it through its lending arrangements under BFRS 9 is the same is it was under BAS 39.

Collateral repossessed

The Company's accounting policy under BFRS 9 remains the same as it was under BAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the company's policy.

In its normal course of business, the company does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

The Company's accounting policy under BFRS 9 remains the same as it was under BAS 39. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Impairment losses on financial assets:

The measurement of impairment losses both under BFRS 9 and BAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The company's criteria for assessing if there has been a significant increase in credit risk and so allowances for
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
  Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive

(l) 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.

(m) 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.

(n) 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 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.

(o) 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 de-recognition criteria for financial assets, as described in clause – 'h' above, have been met.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at Company 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 Company overdrafts.

(q) 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.

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.

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 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.

(r) 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.

(s) 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 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.

(t) 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.

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.

(u) 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.

(v) 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 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.

(w) 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.

(x) Classification of financial instruments between debt & 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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.

Fees and commission income

Insurance and investment contract policy holders 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 (The effective interest rate method)

Under both BFRS 9 and BAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under BFRS 9, similarly to interest bearing financial assets classified as available-for sale or held to maturity under BAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest and similar income

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

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.

(cc) 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.

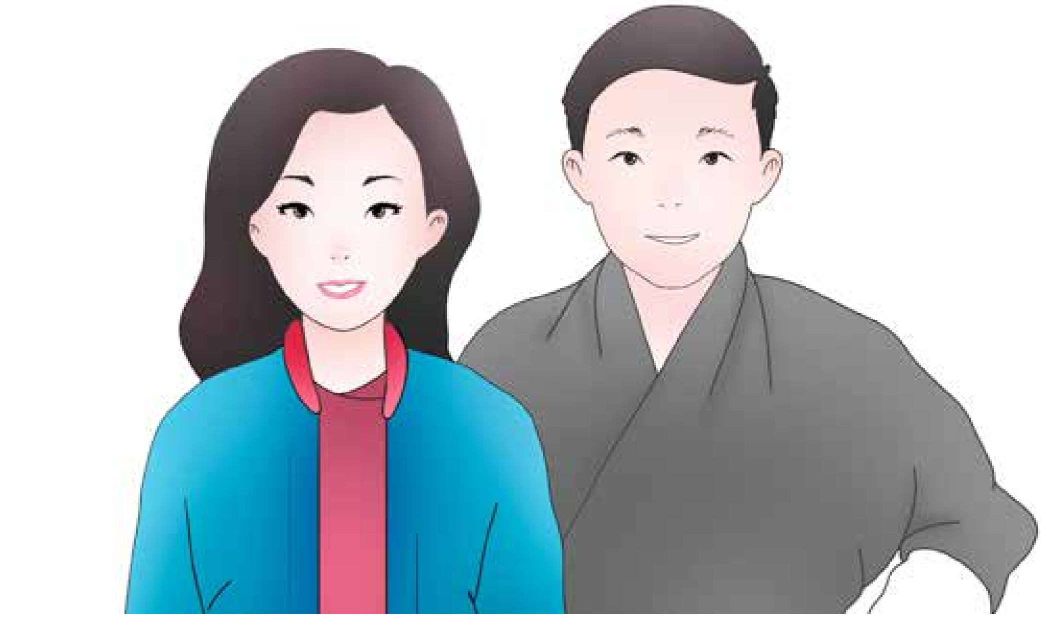
General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments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



PHO-MO JOINT LIFE ENDOWMENT ASSURANCE POLICY

People say marriages are made in heaven and nurturing the success of this sacred promise is everyone aim. Show your love for your life partner by purchasing Pho-Mo Joint Life Endowment Assurance Policy with the dual protection for you and your better half against the unpredictable happenings.

Eligibility:

- Entry age : 20 to 50 years
- Term : 15 to 30 years
- Sum Assured (SA) : 30,000 to 500,000
- Accident Benefit (AB) : upto 100,000/-
  Mode of payment : All mode

BENEFITS

Maturity Benefit:

If both husband and wife survive till date of maturity, sum assured plus bonus is payable.

Death Benefits:

CONDITION	BENEFITS
Death of either one spouse	The survivor gets SA immediately and future premium is waived. The policy continues till maturity
If the survivor also dies before maturity	The nominee or the assignee or legal heir will get SA+ Bonus immediately

Accident Benefits (optional):

The accident benefit can be opted by paying extra premium which is available only under the yearly mode and the benefits are as follows:

Sum Assured	Condition	Benefits
Maximum limit of 100,000/-	Death of Both spouse	The nominee will receive 2X AB Cover + Double SA+ Accrued Bonus
	Death of one spouse	The survivor gets AB cover + SA immediately and SA + Accrued Bonus at the time of maturity. Future premiums waived off during the policy period.

Loan:

- If the policy has acquired paid-up value, (3 years from the inception) loan is granted subject to other conditions.
- PIT Deductible: 50% of the premiums paid for such schemes is tax deductible annually upto a maximum of Nu.50,000/-.

Loan:

- If the policy has acquired paid-up value (3 years from the inception of policy), loan is granted subject to conditions.

PIT Deductible:

50% of the premiums paid for such schemes is tax deductible annually up to a maximum of Nu.50,000/-.

MOTOR INSURANCE

In this fast-paced world, owing a vehicle has made our life much easier and it is one of the most common investment that people make. Just fueling and maintaining will not protect your car, it needs an insurance cover that will protect the vehicle from unforeseen accidents. RICB motor insurance offers three types of cover for your protection and worry-free life;

A. Third Party Liability Motor Insurance is an insurance policy which covers the liability under the Road Safety and Transport Act 1999.

Benefits

- Injury to a third party;
- Damage to properties belonging to third party;
- Covers Drivers and Passengers against risk of accidental death and injuries.
- The coverage are limited as per RSTA Act 1999.

B. Comprehensive Insurance provides total protection of your vehicle against the damages arising from any type of risks. A comprehensive motor insurance also covers the third-party liabilities including;

- Fire, explosion, self-ignition or lightning;
- Theft.
- Malicious act.
- Damage caused by earthquake, flood & Inundation, storm, hailstorm, frost, landslide and rockslide.
- Damage to third party.
- Damage to own vehicle.
- No claim bonus (NCB); NCB is a discount that you enjoy when you have not made any claims during your previous policy period. This discount will keep increasing progressively for each claim-free year until the motor insurance premium is reduced up to 60%. This is a discount offered as gratitude for taking care of your vehicle and for being a responsible human being.

C. Zero Depreciation Motor Insurance Policy is issued to new private vehicles and taxis which are less than 3 years old. This is an additional cover in which there will be no depreciation applied at the time of first two claims during the same policy period. The claim is settled in full for both partial and total loss.

Benefits:

- No depreciation – for the first two admissible claims
- Pay little extra premium to avoid huge depreciation costs during a claim.

INCOME STATEMENT

For the year ended 31 December 2018

		Group		Company	
	Notes	2018	2017	2018	2017
		Nu	Nu	Nu	Nu
Gross written premiums	4	2,882,160,547	2,562,534,171	2,882,160,547	2,562,534,171
Premiums ceded to reinsurers	4.1	(674,784,015)	(652,571,840)	(674,784,015)	(652,571,840)
Net written premiums		2,207,376,532	1,909,962,332	2,207,376,532	1,909,962,332
Change in unearned premium provision		(10,673,153)	47,606,621	(10,673,153)	47,606,621
Net earned premium		**2,196,703,379**	**1,957,568,953**	**2,196,703,379**	**1,957,568,953**
Finance Income	5	133,230,518	116,922,313	133,230,518	116,922,313
Fee and commission income	6	179,775,531	202,460,824	179,775,531	202,093,948
Fee and commission expense	7	(160,280,957)	(167,723,675)	(160,280,957)	(167,723,675)
Net fee & commission income		**152,725,092**	**151,659,462**	**152,725,092**	**151,292,586**
Interest income on financial services	8	1,680,963,452	1,915,820,455	1,680,963,452	1,915,820,455
Less : Interest expense on financial services	9	(845,801,352)	(879,491,194)	(845,801,352)	(879,491,194)
Net interest income		**835,162,100**	**1,036,329,261**	**835,162,100**	**1,036,329,261**
Total revenue		**3,184,590,571**	**3,145,557,677**	**3,184,590,571**	**3,145,190,800**
Other operating income	10	26,255,239	29,088,164	26,255,239	28,922,978
Total operating income		**3,210,845,810**	**3,174,645,841**	**3,210,845,810**	**3,174,113,778**
Gross benefits and claims paid	11(a)	(1,188,435,715)	(1,110,956,108)	(1,188,435,715)	(1,110,956,108)
Claims ceded to reinsurers	11(b)	8,475,175	240,685,403	8,475,175	240,685,403
Change in contract liabilities	11(c)	(990,425,750)	(821,112,939)	(990,425,750)	(821,112,939)
Net benefits and claims		**(2,170,386,290)**	**(1,691,383,644)**	**(2,170,386,290)**	**(1,691,383,644)**
Expenses relating to private provident fund		(113,986,132)	(94,570,900)	(113,986,132)	(94,570,900)
Other operating and administrative expenses	12	(367,781,010)	(508,225,018)	(367,781,010)	(507,820,951)
Impairment gain / (loss)	13	(1,751,733,710)	(107,175,333)	(1,751,733,710)	(107,175,333)
Share of profit of an associate	21	2,640,120	(1,631,875)	-	-
10% Share of Life Fund Surplus		-	-	-	-
Profit before tax		**(1,190,401,212)**	**771,659,071**	**(1,193,041,332)**	**773,162,950**
Income tax expense	14	(43,343,070)	(163,094,613)	(43,343,070)	(163,020,229)
Profit for the year		**(1,233,744,283)**	**608,564,458**	**(1,236,384,402)**	**610,142,722**
Profit attributable to equity holders of the parent		(1,233,744,283)	608,564,458	(1,236,384,402)	610,142,722
Earnings per share Basic profit for the year attributable to ordinary equity holders of the parent	15	(10.28)	5.07	(10.30)	5.08

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

For S JAYKISHAN
Chartered Accountants

Firm Registration No. - 309005E

(Ritesh Agarwal) **Chief Executive Officer** **Director** **Chairman**
Partner
Membership No. - 062410

Place: KOLKATA
Date: 06/05/2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	Group		Company	
		2018	2017	2018	2017
		Nu	Nu	Nu	Nu
Profit for the year		(1,233,744,283)	608,564,458	(1,236,384,402)	610,142,722
Other comprehensive income / (expenses)					
Net gain /loss on available for sale assets		51,154,709	(38,576,088)	51,154,709	(38,576,088)
Income tax effect on available for sale assets		(15,346,413)	11,572,826	(15,346,413)	11,572,826
Gains (losses) on defined benefit plans		(20,198,174)	(2,392,921)	(20,198,174)	(2,392,921)
Income tax effect on defined benefit plans		(5,098,547)	(491,871)	(5,098,547)	(491,871)
Total other comprehensive income		**10,511,576**	**(29,888,053)**	**10,511,576**	**(29,888,053)**
Total comprehensive income for the year net of tax		**(1,223,232,707)**	**578,676,404**	**(1,225,872,827)**	**580,254,668**

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

For S JAYKISHAN
Chartered Accountants
Firm Registration No. - 309005E

Ritesh Agarwal

(Ritesh Agarwal) **Chief Executive Officer** **Director** **Chairman**

Parther
Membership No. -062410

Place: KOLKATA
Date: 06/05/2019

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

		Group			Company		
	Notes	2018	2017	2016	2018	2017	2016
		Nu	Nu	Nu	Nu	Nu	Nu
Assets							
Property, plant and equipment	16	468,041,885	471,786,975	478,160,584	468,037,713	471,782,803	478,160,582
Investment properties	17	388,859,205	353,897,239	355,833,041	388,859,205	353,897,239	355,833,041
Intangible assets	18	17,880,772	20,559,719	21,957,515	17,880,772	20,559,719	21,957,515
Loans and receivables	19	16,048,386,119	16,674,645,181	14,928,304,654	16,048,386,119	16,674,645,181	14,928,304,654
Investment in subsidiary	20	-	-	-	-	500,000	500,000
Investment in associate	21	37,459,056	34,818,936	36,450,811	24,311,650	24,311,650	24,311,650
Equity instrument measured at Fairvalue through OCI	22	486,739,027	435,584,318	457,635,406	486,739,027	435,084,318	457,135,406
Insurance Receivables	23	378,829,062	646,250,405	475,188,908	378,829,062	646,250,405	475,188,908
Other Assets	24	261,120,152	291,976,928	271,591,674	261,120,152	291,523,118	271,222,746
Cash and Cash Equivalents	25	2,962,039,678	3,068,764,745	2,445,577,991	2,962,039,678	3,066,918,485	2,443,405,599
Total Assets		**21,049,354,956**	**21,998,284,445**	**19,470,700,585**	**21,036,203,378**	**21,985,472,919**	**19,456,020,101**
Equity & Liabilities							
Capital & Reserves							
Share Capital	26	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Retained earnings		684,356,229	2,183,445,098	1,793,016,489	671,204,653	2,168,888,954	1,776,882,081
Other reserves		227,933,729	227,933,729	210,933,729	227,933,729	227,933,729	210,933,729
Available for Sale reserve		140,605,750	104,797,454	131,800,715	140,605,750	104,797,454	131,800,715
Total equity		**2,252,895,708**	**3,716,176,281**	**3,335,750,934**	**2,239,744,132**	**3,701,620,137**	**3,319,616,526**
Liabilities							
Insurance contract liabilities	27	5,499,402,842	4,459,139,798	3,657,642,805	5,499,402,842	4,459,139,798	3,657,642,805
Reinsurance contract liabilities		94,621,516	-	-	94,621,516	-	-
Investment contract liabilities	28	4,769,154,272	4,375,112,454	2,491,880,864	4,769,154,272	4,375,112,454	2,491,880,864
Insurance Payable	29	598,394,896	431,936,549	240,787,789	598,394,896	431,936,549	240,787,789
Contribution received by private provident fund		1,901,336,483	1,247,785,407	1,068,458,873	1,901,336,483	1,247,785,407	1,068,458,873
Debt issued and other borrowed funds	30	4,259,242,978	5,529,420,207	6,532,475,864	4,259,242,978	5,531,500,917	6,534,476,521
Employee benefit obligation	31	34,609,660	17,614,505	15,974,936	34,609,660	17,614,505	15,974,936
Deferred tax liability	32	268,958,728	249,654,138	255,947,548	268,958,728	249,654,138	255,947,548
Tax payable		44,483,440	158,253,872	271,222,516	44,483,440	158,232,683	271,116,291
Trade and other payables	33	1,326,254,431	1,813,191,232	1,600,558,454	1,326,254,431	1,812,876,330	1,600,117,946
Total Liabilities		**18,796,459,245**	**18,282,108,163**	**16,134,949,651**	**18,796,459,245**	**18,283,852,782**	**16,136,403,575**
Shareholders' Equity & Liabilities		**21,049,354,955**	**21,998,284,445**	**19,470,700,585**	**21,036,203,378**	**21,985,472,919**	**19,456,020,101**

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

For S JAYKISHAN
Chartered Accountants
Firm Registration No. - 309005E

Ritesh Agarwal

(Ritesh Agarwal) **Chief Executive Officer** **Director** **Chairman**
Parther
Membership No. -062410

Place: KOLKATA
Date: 06/05/2019

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

Group						In Nus
	Note	Share Capital	Retained Earnings	AFS reserve	Other Reserves	Total Shareholders' Funds
Balance as at 1st January 2016	**26**	**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 Adjustment		-	-	-	-	-
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			6,374,224
Balance as at 31st December 2016		**1,200,000,000**	**1,754,923,685**	**131,800,715**	**210,933,729**	**3,297,658,129**
Adjustment for Previous Year		-	(14,588,119)	-	-	(14,588,119)
IFRS 9 Transitional Adjustment			52,680,924			52,680,924
Adjusted Opening Retain Earnings 1st Jan 2017		1,200,000,000	1,793,016,490	131,800,715	210,933,729	3,335,750,934
Net profit for the year		-	608,564,457	-	-	608,564,457
Adjustment for previous year		-	31,880,229	-	-	31,880,229
Catastrophe fund		-	(5,000,000)	-	5,000,000	-
Technical reserve		-	(12,000,000)	-	12,000,000	-
Bonus Share Issue Adjustment		-	-	-	-	-
Other comprehensive income		-	(2,884,792)	(27,003,262)	-	(29,888,053)
Dividend paid		-	(300,000,000)	-	-	(300,000,000)
Increase in Reinsurance Reserve			69,868,714			69,868,714
Balance as at 31st December 2017		**1,200,000,000**	**2,183,445,099**	**104,797,453**	**227,933,729**	**3,716,176,281**
Net profit for the year		-	(1,233,744,283)	-	-	(1,233,744,283)
Catastrophe fund		-	-	-	-	-
Adjustment for previous year		-	(12,319,082)	-	-	(12,319,082)
Technical reserve		-	-	-	-	-
Bonus Share Issue Adj		-	-	-	-	-
Other comprehensive income		-	(25,296,721)	35,808,296	-	10,511,576
Dividend paid		-	(151,200,000)	-	-	(151,200,000)
Increase in Reinsurance Reserve		-	(76,242,938)	-	-	(76,242,938)
Securities Reserve		-	(285,847)			(285,847)
Balance as at 31st December 2018		**1,200,000,000**	**684,356,229**	**140,605,750**	**227,933,729**	**2,252,895,708**

Company						In Nu
	Note	Share Capital	Retained Earnings	AFS Reserve	Other Reserves	Total Shareholders' Funds
Balance as at 1st January 2016	**26**	**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	-	-	6,374,224
Balance as at 31st December 2016		**1,200,000,000**	**1,738,789,276**	**131,800,715**	**210,933,729**	**3,281,523,721**
Adjustment for Previous Year		-	(14,588,119)	-	-	(14,588,119)
IFRS 9 Transitional Adjustment			52,680,924			52,680,924
Adjusted Opening Retain Earings 1st Jan 2017		1,200,000,000	1,776,882,081	131,800,715	210,933,729	3,319,616,526
Net profit for the year		-	610,142,722	-	-	610,142,722
Adjustment for Previous Year		-	31,880,229	-	-	31,880,229
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		-	(2,884,792)	(27,003,262)	-	(29,888,053)
Bonus Share Issue Adjustment		-	-	-	-	-
Dividend paid		-	(300,000,000)	-	-	(300,000,000)
Increase in Reinsurance Reserve		-	69,868,714	-	-	69,868,714
Balance as at 31st December 2017		**1,200,000,000**	**2,168,888,954**	**104,797,454**	**227,933,729**	**3,701,620,137**
Net profit for the year		-	(1,236,384,402)	-	-	(1,236,384,402)
Catastrophe fund		-	-	-	-	-
Adjustment for Previous Year		-	(12,319,082)	-	-	(12,319,082)
Technical reserve - Health		-	-	-	-	-
Other comprehensive income		-	(25,296,721)	35,808,296	-	10,511,576
Bonus Share Issue Adjustment		-	-	-	-	-
Dividend paid		-	(151,200,000)	-	-	(151,200,000)
Increase in Reinsurance Reserve		-	(76,242,938)	-	-	(76,242,938)
Securities Reserve		-	3,758,842	-	-	3,758,842
Balance as at 31st December 2018		**1,200,000,000**	**671,204,653**	**140,605,750**	**227,933,729**	**2,239,744,132**

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

For S JAYKISHAN
Chartered Accountants
Firm Registration No. - 309005E

Ritesh Agarwal

(Ritesh Agarwal) **Chief Executive Officer** **Director** **Chairman**
Partner
Membership No. - 062410

Place: KOLKATA
Date: 06/05/2019

CASH FLOW & RECONCILIATION STATEMENT

For the year ended 31 December 2018

	Note	Group		Company	
For the year ended 31st December		**2018**	**2017**	**2018**	**2017**
		Nu	**Nu**	**Nu**	**Nu**
Cash flows from operating activities					
Profit Before Tax		(1,190,401,212)	428,495,409	(1,193,041,332)	429,999,289
Adjustment for:					
Depreciation of Property plant & equipment	16	20,306,618	20,602,577	20,306,618	20,602,577
Depreciation of investment property	17	1,935,802	1,935,802	1,935,802	1,935,802
Amortization of Intangible assets	18	4,664,111	4,487,103	4,664,111	4,487,103
Gratuity		-	3,203,019	-	3,203,019
Leave encashment provision		-	-	-	-
Share of profit of an associate	21	(2,640,120)	1,631,875	-	-
Impairment of Loans & Advances	13	1,751,733,710	552,968,531	1,751,733,710	552,968,531
Life fund surplus		-	-	-	-
Operating profit before changes in operating assets & liabilities		**585,598,909**	**1,013,324,315**	**585,598,909**	**1,013,196,320**
(Increase)/Decrease in operating assets					
Loans and advance to customers	19	(1,123,119,976)	(1,915,689,264)	(1,123,119,976)	(1,915,689,264)
Insurance receivables	23	265,134,614	(204,722,174)	265,134,614	(204,722,174)
Other assets	24	30,856,776	(20,442,616)	30,402,966	(20,300,372)
Increase/(Decrease) in operating liabilities					
Insurance contracts liabilities	27	1,040,263,044	826,581,891	1,040,263,044	826,581,891
Reinsurance Contract Liabilities		5,773,649	69,868,714	9,818,338	69,868,714
Investment contract liabilities	28	394,041,818	1,883,231,590	394,041,818	1,883,231,590
Insurance payable	29	166,458,347	191,148,760	166,458,347	191,148,760
Contribution received by private provident fund		653,551,076	179,326,535	653,551,076	179,326,535
Trade and other payables	33	(486,936,801)	212,632,778	(486,621,899)	212,758,384
Net cash flow from operating activities before income tax		**946,022,546**	**1,221,936,213**	**949,928,327**	**1,222,204,063**
Gratuity paid	15	(3,203,019)	(3,956,371)	(3,203,019)	(3,956,371)
Income tax paid		(158,253,872)	(271,222,516)	(158,232,683)	(271,116,291)
Net cash flow from operating activities		**(161,456,891)**	**(275,178,887)**	**(161,435,702)**	**(275,072,662)**
Cash flow from Investing activities					
Available for sale investments	22	-	(16,525,000)	-	(16,525,000)
Purchase of property & equipment		(16,561,528)	(14,224,798)	(16,561,528)	(14,224,798)
Purchase of intangible assets		(1,985,164)	(3,089,307)	(1,985,164)	(3,089,307)
Purchase of investment property		(36,897,768)	-	(36,897,768)	-
Net cash flow from investing activities		**(55,444,460)**	**(33,839,105)**	**(55,444,460)**	**(33,839,105)**
Cash flow from financing activities					
Borrowings during the year	31	(1,270,177,230)	(1,003,055,657)	(1,272,257,940)	(1,002,975,604)
Dividends paid		(151,200,000)	(300,000,000)	(151,200,000)	(300,000,000)
Issue of Shares		-	-	-	-
Net cash flow from financing activities		**(1,421,377,230)**	**(1,303,055,657)**	**(1,423,457,940)**	**(1,302,975,604)**
Net increase/(decrease) in cash and cash equivalents	25	(106,657,124)	623,186,879	(104,810,864)	623,513,012
Cash and cash equivalents at the beginning of the year		3,068,964,336	2,445,777,457	3,067,118,075	2,443,605,064
Cash and cash equivalents at the end of the year		**2,962,307,211**	**3,068,964,336**	**2,962,307,212**	**3,067,118,076**
Balance as per Statement of Financial Position		**2,962,307,212**	**3,068,964,335**	**2,962,307,212**	**3,067,118,075**

NOTES TO THE FINANCIAL STATEMENTS

(3) Operating segment Information

Operating segment Income statement for the year ended 31 December 2018

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Subsidiary/ Associate	Group
Gross written premiums	1,095,310,119	1,190,970,127	76,520,760	543,233	1,122,308,028	-	-	-		(603,491,720)	2,882,160,547	-	2,882,160,547
Premiums ceded to reinsurers	(603,491,720)	(1,756,464)	-	-	(673,027,551)	-	-	-		603,491,720	(674,784,015)	-	(674,784,015)
Net written premiums	491,818,399	1,189,213,663	76,520,760	543,233	449,280,477	-	-	-		-	2,207,376,532	-	2,207,376,532
Net change in Reserve for unearned premium	(38,599,199)	-	-	-	27,926,046	-	-	-		-	(10,673,153)		(10,673,153)
Net Earned premium	**453,219,200**	**1,189,213,663**	**76,520,760**	**543,233**	**477,206,523**	-	-	-		-	**2,196,703,379**	-	**2,196,703,379**
Finance Income	166,399,205	359,742,531	118,562,665	370,598,453	16,811,133	128,357,452	133,230,518	-	91,517	(1,160,562,956)	133,230,518	-	133,230,518
Fee and commission income -External	134,633,605	-	-	-	145,470,486	-	44,604,444	-	1,652,618	(146,585,622)	179,775,531	-	179,775,531
Fee and commission expense - External	(15,590,432)	(52,710,472)	-	(4,067,238)	(234,498,438)	-	-	-		146,585,622	(160,280,957)	-	(160,280,957)
Net fee & commission income	**285,442,378**	**307,032,060**	**118,562,665**	**366,531,215**	**(72,216,819)**	**128,357,452**	**177,834,963**	-	**1,744,135**	**(1,160,562,956)**	**152,725,092**	-	**152,725,092**
Interest Income - External	-	-	-	-	-	-	1,680,963,452	-	-	-	1,680,963,452	-	1,680,963,452
Less : Interest expense - External	-	(95,690,187)	(112,695,605)	(291,894,743)	-	-	(1,506,083,773)	-	-	1,160,562,956	(845,801,352)	-	(845,801,352)
Net interest income	-	**(95,690,187)**	**(112,695,605)**	**(291,894,743)**	-	-	**174,879,679**	-	-	**1,160,562,956**	**835,162,100**	-	**835,162,100**
Total revenue	**738,661,577**	**1,400,555,536**	**82,387,820**	**75,179,705**	**404,989,704**	**128,357,452**	**352,714,642**	-	**1,744,135**	-	**3,184,590,571**	-	**3,184,590,571**
Other operating income	1,976,050	991,638	1,027,632	1,869,482	-	11,240	6,795,245	13,503,557	80,396	-	26,255,239	-	26,255,239
Total operating income	**740,637,627**	**1,401,547,173**	**83,415,452**	**77,049,187**	**404,989,704**	**128,368,691**	**359,509,887**	**13,503,557**	**1,824,531**	-	**3,210,845,810**	-	**3,210,845,810**
Gross benefits and claims paid	(230,705,417)	(448,953,025)	(33,400,000)	-	(443,966,602)	-	-	-	-	(31,410,671)	(1,188,435,715)	-	(1,188,435,715)
Claims ceded to reinsurers	(31,410,671)	-	-	-	8,475,175	-	-	-	-	31,410,671	8,475,175	-	8,475,175
Gross change in contract liabilities	-	(890,497,670)	(16,071,073)	(72,117,026)	(11,739,981)	-	-	-	-	-	(990,425,750)	-	(990,425,750)
Net benefits and claims	**(262,116,088)**	**(1,339,450,695)**	**(49,471,073)**	**(72,117,026)**	**(447,231,408)**	-	-	-	-	-	**(2,170,386,290)**	-	**(2,170,386,290)**
Expenses relating to private provident fund	-	-	-	-	-	(113,986,132)	-	-	-	-	(113,986,132)	-	(113,986,132)
Other operating and administrative expenses	(86,858,617)	(62,096,478)	(33,944,380)	(4,932,160)	(12,485,723)	(7,513,059)	(86,547,249)	(45,977,390)	(519,423)	(26,906,532)	(367,781,010)	-	(367,781,010)
Impairment gain / (loss) on loans and advances	(2,061,536)	-	-	-	(225,193)	-	(1,749,446,981)	-	-	-	(1,751,733,710)	-	(1,751,733,710)
Share of profit of an associate						-	-	-	-	-	-	2,640,120	2,640,120
Profit before tax	**389,601,387**	-	-	(0)	**(54,952,620)**	**6,869,500**	**(1,476,484,343)**	**(32,473,833)**	**1,305,108**	**(26,906,532)**	**(1,193,041,333)**	**2,640,120**	**(1,190,401,213)**
Income tax expense		-	-	-	-	-	-	-	-	(43,343,070)	(43,343,070)	-	(43,343,070)
Profit for the year	**389,601,387**	-	-	(0)	**(54,952,620)**	**6,869,500**	**(1,476,484,343)**	**(32,473,833)**	**1,305,108**	**(70,249,602)**	**(1,236,384,403)**	**2,640,120**	**(1,233,744,283)**
Other comprehensive income / (expenses)													
Net gain /loss on available for sale assets						-	51,154,709	-	-	-	51,154,709	-	51,154,709
Income tax effect						-	(15,346,413)	-	-	-	(15,346,413)	-	(15,346,413)
Re-measurement gains (losses) on defined benefir plans						-		-	-	(20,198,174)	(20,198,174)	-	(20,198,174)
Income tax effect						-		-	-	(5,098,547)	(5,098,547)	-	(5,098,547)
Total other comprehensive income	-	-	-	-	-	-	35,808,296	-	-	(25,296,721)	10,511,576	-	10,511,576
Income tax(charge) / credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	35,808,296	-	-	(25,296,721)	10,511,576	-	10,511,576
Total comprehensive income for the year net of tax	**389,601,387**	-	-	(0)	**(54,952,620)**	**6,869,500**	**(1,440,676,047)**	**(32,473,833)**	**1,305,108**	**(95,546,322)**	**(1,225,872,827)**	**2,640,120**	**(1,223,232,707)**

S. JAYKISHAN * Chartered Accountants * KOLKATA

Royal Insurance Corporation of Bhutan * Thimphu *

NOTES TO THE FINANCIAL STATEMENTS

(3) Operating segment Information
Operating segment Income statement for the year ended 31 December 2017

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary/ Associate	Group
Gross written premiums	996,870,327	1,033,200,095	75,199,248	450,899	998,849,511	-	-	-	(542,035,909)	2,562,534,171	-	2,562,534,171
Premiums ceded to reinsurers	(542,035,909)	(2,343,299)	-	-	(650,228,541)	-	-	-	542,035,909	(652,571,840)	-	(652,571,840)
Net written premiums	454,834,418	1,030,856,796	75,199,248	450,899	348,620,970	-	-	-	-	1,909,962,332	-	1,909,962,332
Net change in Reserve for unearned premium	(29,575,858)	-	-	-	77,182,480	-	-	-	-	47,606,621		47,606,621
Net Earned premium	**425,258,560**	**1,030,856,796**	**75,199,248**	**450,899**	**425,803,450**	-	-	-	-	**1,957,568,953**	-	**1,957,568,953**
Finance Income	128,803,159	305,027,179	103,298,910	214,573,969	21,987,651	106,159,544	116,922,313	-	(879,850,412)	116,922,313	-	116,922,313
Fee and commission income -External	132,619,486	-	-	-	128,240,599	-	68,786,048	-	(127,552,185)	202,093,948	366,876	202,460,824
Fee and commission expense - External	(13,965,261)	(51,505,705)	-	(5,466,662)	(224,338,233)	-	-	-	127,552,185	(167,723,675)	-	(167,723,675)
Net fee & commission income	**254,252,715**	**253,521,474**	**103,298,910**	**209,107,307**	**(74,109,983)**	**106,159,544**	**185,708,361**	-	**(879,850,412)**	**151,292,586**	**366,876**	**151,659,462**
Interest Income - External	-	-	-	-	-	-	1,915,820,455	-	-	1,915,820,455	-	1,915,820,455
Less : Interest expense - External	-	(93,727,081)	(96,678,636)	(155,346,391)	-	-	(1,413,675,956)	-	879,936,869	(879,491,194)	-	(879,491,194)
Net interest income	-	**(93,727,081)**	**(96,678,636)**	**(155,346,391)**	-	-	**502,144,499**	-	**879,936,869**	**1,036,329,261**	-	**1,036,329,261**
Total revenue	**679,511,275**	**1,190,651,190**	**81,819,522**	**54,211,815**	**351,693,467**	**106,159,544**	**687,852,861**	-	**86,458**	**3,145,190,800**	**366,876**	**3,145,557,677**
Other operating income	832,930	570,201	484,283	1,107,095	3,421,366	32,674	12,337,301	10,137,127	-	28,922,978	165,187	29,088,164
Total operating income	**680,344,205**	**1,191,221,391**	**82,303,805**	**55,318,910**	**355,114,833**	**106,192,218**	**700,190,162**	**10,137,127**	**86,458**	**3,174,113,778**	**532,063**	**3,174,645,841**
												-
Gross benefits and claims paid	(440,233,448)	(337,323,446)	(36,400,000)	-	(533,241,942)	-	-	-	236,242,728	(1,110,956,108)	-	(1,110,956,108)
Claims ceded to reinsurers	236,242,728	-	-	-	240,685,403	-	-	-	(236,242,728)	240,685,403	-	240,685,403
Gross change in contract liabilities	-	(767,748,845)	2,233,456	(48,515,782)	(7,081,767)	-	-	-	-	(821,112,939)	-	(821,112,939)
Net benefits and claims	**(203,990,719)**	**(1,105,072,291)**	**(34,166,544)**	**(48,515,782)**	**(299,638,307)**	-	-	-	-	**(1,691,383,644)**	-	**(1,691,383,644)**
												-
Expenses relating to private provident fund	-	-	-	-	-	(94,570,900)	-	-	-	(94,570,900)	-	(94,570,900)
Other operating and administrative expenses	(115,916,153)	(86,149,100)	(48,137,261)	(6,803,127)	(24,881,412)	(10,923,147)	(126,188,124)	(61,797,145)	(27,025,482)	(507,820,951)	(404,066)	(508,225,017)
Impairment gain / (loss) on loans and advances	-	-	-	-	(33,660,677)	-	(73,514,656)	-	-	(107,175,333)	-	(107,175,333)
Share of profit of an associate						-	-	-	-	-	(1,631,875)	(1,631,875)
10% Surplus of Life Insurance		-							-	-		-
Profit before tax	**358,452,717**	-	-	**0**	**(8,855,618)**	**698,171**	**500,487,382**	**(51,660,017)**	**(26,939,024)**	**773,162,950**	**(1,508,050)**	**771,659,072**
Income tax expense		-	-	-	-	-	-	-	(163,020,229)	(163,020,229)	(74,385)	(163,094,613)
Profit for the year	**358,452,717**	-	-	**0**	**(8,855,618)**	**698,171**	**500,487,382**	**(51,660,017)**	**(189,959,253)**	**610,142,722**	**(1,582,434)**	**608,564,458**
Other comprehensive income / (expenses)												
Net gain /loss on available for sale assets						-	(38,576,088)	-	-	(38,576,088)	-	(38,576,088)
Income tax effect						-	11,572,826	-	-	11,572,826	-	11,572,826
Re-measurement gains (losses) on defined benefir plans						-		-	(2,392,921)	(2,392,921)	-	(2,392,921)
Income tax effect						-		-	(491,871)	(491,871)	-	(491,871)
Total other comprehensive income	-	-	-	-	-	-	(27,003,262)	-	(2,884,792)	(29,888,053)	-	(29,888,053)
Income tax(charge) / credit relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	(27,003,262)	-	(2,884,792)	(29,888,053)	-	(29,888,053)
Total comprehensive income for the year net of tax	**358,452,717**	-	-	**0**	**(8,855,618)**	**698,171**	**(81,009,785)**	**(51,660,017)**	**(192,844,045)**	**580,254,668**	**(1,582,434)**	**578,676,404**

S. JAYKISHAN ★ KOLKATA ★ Chartered Accountants

Royal Insurance Corporation of Bhutan ★ Thimphu ★

NOTES TO THE FINANCIAL STATEMENTS

(3) Operating segment Information
Operating segment Income statement for the year ended 31 December 2018

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Securities	Adjustments	Company	Adjustments	Group
Assets													
Property, plant and equipment	-	-	-	-	-	-	-	-	-	468,037,713	468,037,713	4,170	468,041,883
Investment properties	-	-	-	-	-	-	-	-	-	388,859,205	388,859,205	-	388,859,205
Intangible assets	-	-	-	-	-	-	-	-	-	17,880,772	17,880,772	-	17,880,772
Loans and receivables	-	934,574	-	-	-	-	16,047,451,545	-	-	-	16,048,386,119	-	16,048,386,119
Long term investment classified as Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in associate							24,311,650	-	-	-	24,311,650	13,147,406	37,459,056
Available-for-sale financial assets	-	-	-	-	-	-	486,739,027	-	-	-	486,739,027	-	486,739,027
Insurance Receivables	200,052,071	6,318,640	2,211,000	83,575	170,163,776	-	-	-	-	-	378,829,062	-	378,829,062
Net defined benefit assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	3,258,905	564,040	-	-	-	-	111,855,084	144,264,739	1,177,384	-	261,120,152	-	261,120,152
Cash and Cash Equivalents	153,416,816	5,341,853	4,391,267	5,777,431	257,060,553	7,668,104	2,519,833,909	5,229,911	3,587,367	(267,533)	2,962,039,678	-	2,962,039,678
Total Assets	356,727,792	13,159,107	6,602,267	5,861,006	427,224,329	7,668,104	19,190,191,215	149,494,650	4,764,750	874,510,157	21,036,203,378	13,151,576	21,049,354,956
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	1,200,000,000	-	-	1,200,000,000	-	1,200,000,000
Retained earnings	-	-	-	-	-	-	-	-		671,204,653	671,204,653	13,151,576	684,356,229
Other reserves	-	-	-	-	-	-	-	-		227,933,729	227,933,729	-	227,933,729
Available For Sale reserve			-	-	-	-	140,605,750	-		-	140,605,750		140,605,750
Total equity	-	-	-	-	-	-	140,605,750	1,200,000,000	-	899,138,382	2,239,744,132	13,151,576	2,252,895,708
Liabilities													
Insurance contract liabilities	344,930,794	4,748,234,316	88,863,826	128,197,151	189,176,755	-	-	-	-	-	5,499,402,842	-	5,499,402,842
Reinsurance contract liabilities		-	-	-	94,621,516	-	-	-	-	-	94,621,516	-	94,621,516
Investment contract liabilities	-	-	1,580,163,155	3,188,991,117	-	-	-	-	-	-	4,769,154,272	-	4,769,154,272
Insurance Payable	235,631,189	33,247,305	804,215	-	328,712,186	-	-	-	-	-	598,394,896	-	598,394,896
Contribution received by private provident fund						1,901,336,483	-	-	-	-	1,901,336,483	-	1,901,336,483
Debt issued and other borrowed funds	-	-	-	-	-	-	16,874,695,474	260,972,603	-	(12,876,425,099)	4,259,242,978	-	4,259,242,978
Employee benefit obligation	-	-	-	-	-	-	-	-	-	34,609,660	34,609,660	-	34,609,660
Deferred tax liability	-	-	-	-	-	-	-	-	-	268,958,728	268,958,728	-	268,958,728
Tax payable	-	-	-	-	-	-	-	-	-	44,483,440	44,483,440	-	44,483,440
Trade and other payables	195,596,970	979,461,510	1,245,466	289,474	403,651	10,275,628	1,274,649,559	23,962,768	959,485	(1,160,590,080)	1,326,254,431	-	1,326,254,431
Total Liabilities	776,158,953	5,760,943,131	1,671,076,663	3,317,477,742	612,914,109	1,911,612,110	18,149,345,033	284,935,371	959,485	(13,688,963,352)	18,796,459,246	-	18,796,459,245
Shareholders' Equity & Liabilities	776,158,953	5,760,943,131	1,671,076,663	3,317,477,742	612,914,109	1,911,612,110	18,289,950,783	1,484,935,371	959,485	(12,789,824,969)	21,036,203,378	13,151,576	21,049,354,956

S. JAYKISHAN ★ Chartered Accountants ★ KOLKATA

Royal Insurance Corporation of Bhutan ★ Thimphu ★

NOTES TO THE FINANCIAL STATEMENTS

(3) Operating segment Information
Operating segment Income statement for the year ended 31 December 2017

	Non Life Insurance	Life Insurance	Group Life Insurance	Annuity Insurance	Re insurance	PPF	Credit & Investment	GAD	Adjustments	Company	Subsidiary	Adjustments	Group
Assets													
Property, plant and equipment	-	-	-	-	-	-	-	-	471,782,803	471,782,803	-	4,170	471,786,973
Investment properties	-	-	-	-	-	-	-	-	353,897,239	353,897,239	-	-	353,897,239
Intangible assets	-	-	-	-	-	-	-	-	20,559,719	20,559,719	-	-	20,559,719
Loans and receivables	-	1,206,693	-	-	-	-	16,673,438,488	-	-	16,674,645,181	-	-	16,674,645,181
Long term investment classified as Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-	-	500,000	-	-	500,000	-	(500,000)	-
Investment in associate							24,311,650	-	-	24,311,650	-	10,507,286	34,818,936
Available-for-sale financial assets	-	-	-	-	-	-	435,084,318	-	-	435,084,318	2,580,710	(2,080,710)	435,584,318
Insurance Receivables	368,615,980	1,341,221	(1,283,550)	11,467	278,470,044	-	-	-	(904,756)	646,250,405	-	-	646,250,405
Net defined benefit assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2,138,832	-	-	-	-	-	107,065,569	182,318,716	-	291,523,118	453,810	-	291,976,928
Cash and Cash Equivalents	38,388,314	4,811,681	2,647,316	44,873,446	138,913,829	4,887,331	2,832,158,037	438,121	(199,590)	3,066,918,485	1,846,260	-	3,068,764,745
Total Assets	407,158,510	7,359,595	1,363,766	44,884,913	377,933,141	4,887,331	19,710,249,148	182,756,837	846,239,761	21,985,472,919	4,880,779	7,930,746	21,998,284,445
Equity & Liabilities													
Capital & Reserves													
Share Capital	-	-	-	-	-	-	-	1,200,000,000	-	1,200,000,000	500,000	(500,000)	1,200,000,000
Retained earnings	-	-	-	-	-	-	-	-	2,168,888,954	2,168,888,954	4,044,689	10,511,455	2,183,445,098
Other reserves	-	-	-	-	-	-	-	-	227,933,729	227,933,729	-	-	227,933,729
Available For Sale reserve			-	-	-	-	104,797,452	-	-	104,797,454			104,797,454
Total equity	-	-	-	-	-	-	104,797,452	1,200,000,000	2,017,648,970	3,701,620,137	4,544,689	10,011,455	3,716,176,281
Liabilities													
Insurance contract liabilities	278,559,410	3,851,215,183	71,169,933	56,043,293	202,151,980	-	-	-	-	4,459,139,798	-	-	4,459,139,798
Reinsurance contract liabilities		-	-	-	-	-	-	-	-	-	-	-	-
Investment contract liabilities	-	-	1,364,791,282	3,010,321,172	-	-	-	-	-	4,375,112,454	-	-	4,375,112,454
Insurance Payable	151,135,305	34,010,969	885,484	-	245,904,792	-	-	-	-	431,936,549	-	-	431,936,549
Contribution received by private provident fund						1,247,785,407	-	-	-	1,247,785,407	-	-	1,247,785,407
Debt issued and other borrowed funds	-	-	-	-	-	-	16,720,060,347	260,972,603	(11,449,532,033)	5,531,500,917	-	(2,080,710)	5,529,420,207
Employee benefit obligation	-	-	-	-	-	-	-	-	17,614,505	17,614,505	-	-	17,614,505
Deferred tax liability	-	-	-	-	-	-	-	-	249,654,138	249,654,138	-	-	249,654,138
Tax payable	-	-	-	-	-	-	-	-	158,232,683	158,232,683	21,189	-	158,253,872
Trade and other payables	83,200,219	1,044,407,689	2,427,547	597,795	144,399,416	353,729,572	1,003,323,262	56,622,390	(875,831,558)	1,812,876,330	314,902	-	1,813,191,232
Total Liabilities	511,372,144	4,929,633,840	1,439,274,246	3,066,962,260	604,475,756	1,601,514,979	17,723,383,609	317,594,993	(11,910,174,529)	18,283,852,782	336,090	(2,080,710)	18,282,108,163
Shareholders' Equity & Liabilities	511,372,144	4,929,633,840	1,439,274,246	3,066,962,260	604,475,756	1,601,514,979	17,828,181,061	1,517,594,993	(9,892,525,559)	21,985,472,919	4,880,779	7,930,747	21,998,284,445

S. JAYKISHAN * Chartered Accountants * KOLKATA

Royal Insurance Corporation of Bhutan * Thimphu *

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
4	**GROSS WRITTEN PREMIUM**					
	Non life insurance		1,095,310,119	996,870,327	1,095,310,119	996,870,327
	Life insurance		1,190,970,127	1,033,200,095	1,190,970,127	1,033,200,095
	Group life insurance		76,520,760	75,199,248	76,520,760	75,199,248
	Annuity insurance		543,233	450,899	543,233	450,899
	Re insurance		518,816,309	456,813,603	518,816,309	456,813,603
	Total gross written premium		**2,882,160,547**	**2,562,534,171**	**2,882,160,547**	**2,562,534,171**
4.1	**Premiums ceded to reinsurance**					
	Life insurance		(1,756,464)	(2,343,299)	(1,756,464)	(2,343,299)
	Re insurance		(673,027,551)	(650,228,541)	(673,027,551)	(650,228,541)
	Total premium ceded to reinsurance		(674,784,015)	(652,571,840)	(674,784,015)	(652,571,840)
	Total net premium		**2,207,376,532**	**1,909,962,332**	**2,207,376,532**	**1,909,962,332**
5	**FINANCE INCOME**					
	Income from investment securities		133,230,518	116,922,313	133,230,518	116,922,313
			133,230,518	**116,922,313**	**133,230,518**	**116,922,313**
6	**FEES AND COMMISSION INCOME**					
	Agent commission		134,633,605	132,619,486	134,633,605	132,619,486
	Reinsurance commission		(1,115,136)	688,414	(1,115,136)	688,414
	Guarantee fee		42,887,025	65,577,931	42,887,025	65,577,931
	Credit related fees and commissions		1,276,400	1,500,450	1,276,400	1,500,450
	Broking Fees and Commisison		1,652,618	-	1,652,618	-
	Other		441,019	2,074,543	441,019	1,707,667
	Total fees and commission income		**179,775,531**	**202,460,824**	**179,775,531**	**202,093,948**
7	**FEES AND COMMISSION EXPENSE**					
	Commission expense on Re insurance accepted		(87,912,816)	(96,786,048)	(87,912,816)	(96,786,048)
	Agent commission		(72,368,142)	(70,937,628)	(72,368,142)	(70,937,628)
	Brokerage Fees		-	-	-	-
	Total fees and commission expense		**(160,280,957)**	**(167,723,675)**	**(160,280,957)**	**(167,723,675)**

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
8	**INTEREST INCOME ON FINANCIAL SERVICES**					
	Loans & receivables from customers		1,680,963,452	2,011,394,660	1,680,963,452	2,011,394,660
	Interest income received from impaired loans		-	260,000	-	260,000
	Total interest income		**1,680,963,452**	**2,011,654,660**	**1,680,963,452**	**2,011,654,660**
9	**INTEREST EXPENSE ON FINANCIAL SERVICES**					
	Interest on group life insurance		(112,695,605)	(96,678,636)	(112,695,605)	(96,678,636)
	Interest on annuity contribution		(291,894,743)	(155,346,391)	(291,894,743)	(155,346,391)
	Interest on bank borrowings		(108,020,817)	(296,239,086)	(108,020,817)	(296,239,086)
	Debt issued and borrowed funds		(237,500,000)	(237,500,000)	(237,500,000)	(237,500,000)
	Interest on TMN policies (Life Insuarnce)		(95,690,187)	(93,727,081)	(95,690,187)	(93,727,081)
	Total interest expense		**(845,801,352)**	**(879,491,194)**	**(845,801,352)**	**(879,491,194)**
10	**OTHER OPERATING INCOME**					
	Rental income		10,305,331	8,577,050	10,305,331	8,577,050
	Interest income on plan assets		-	-	-	-
	Securities business		80,396	-	80,396	-
	Other		15,869,512	20,511,115	15,869,512	20,345,928
	Total other operating income		**26,255,239**	**29,088,164**	**26,255,239**	**28,922,978**
11	**NET BENEFITS AND CLAIMS**					
	11(a) Gross benefits and claims paid					
	Non Life Insurance		(230,705,417)	(440,233,448)	(230,705,417)	(440,233,448)
	Life Insurance		(448,953,025)	(337,323,446)	(448,953,025)	(337,323,446)
	Group Life Insurance		(33,400,000)	(36,400,000)	(33,400,000)	(36,400,000)
	Re insurance		(475,377,273)	(296,999,214)	(475,377,273)	(296,999,214)
	Total gross benefit and claims paid		**(1,188,435,715)**	**(1,110,956,108)**	**(1,188,435,715)**	**(1,110,956,108)**
	11(b) Claims ceded to reinsurers					
	Non Life Insurance		(31,410,671)	236,242,728	(31,410,671)	236,242,728
	Re insurance		39,885,846	4,442,674	39,885,846	4,442,674
	Total claims to reinsurers		**8,475,175**	**240,685,403**	**8,475,175**	**240,685,403**
	11 (c) Change in contract liabilities					
	Life Insurance		(890,497,670)	(767,748,845)	(890,497,670)	(767,748,845)
	Group Life Insurance		(16,071,073)	2,233,456	(16,071,073)	2,233,456
	Annuity Insurance		(72,117,026)	(48,515,782)	(72,117,026)	(48,515,782)
	Re insurance		(11,739,981)	(7,081,767)	(11,739,981)	(7,081,767)
	Total change in contract liabilities ceded to reinsurers		**(990,425,750)**	**(821,112,939)**	**(990,425,750)**	**(821,112,939)**
	Net benefit claims and paid		**(2,170,386,290)**	**(1,691,383,644)**	**(2,170,386,290)**	**(1,691,383,644)**

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
12	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**					
	Amortization of intangible assets		(4,664,111)	(4,487,103)	(4,664,111)	(4,487,103)
	Depreciation on property, plant and equipment		(20,306,618)	(20,602,577)	(20,306,618)	(20,602,577)
	Depreciation on investment property		(1,935,802)	(1,935,802)	(1,935,802)	(1,935,802)
	Professional & legal expenses		-	(1,803,437)	-	(1,803,437)
	Bank Charges		(820,365)	(692,713)	(820,365)	(692,713)
	Management expenses		(132,119,000)	(190,965,192)	(132,119,000)	(190,965,192)
	Employee benefits expense		(172,198,551)	(260,559,306)	(172,198,551)	(260,559,306)
	Provision for Embezzlement of Funds		-	-	-	-
	Bad Debts	12.1	-	(2,066,965)	-	(2,066,965)
	Securities business		-	-	-	-
	Other		(35,736,563)	(25,107,751)	(35,736,563)	(24,707,855)
	Total other operating and administrative expenses		**(367,781,010)**	**(508,220,847)**	**(367,781,010)**	**(507,820,951)**
12.1	**Employee benefits expense**					
	Salaries and bonus		(140,040,916)	(223,250,584)	(140,040,916)	(223,250,584)
	Staff welfare and expenses		(2,702,404)	(4,445,700)	(2,702,404)	(4,445,700)
	Leave travel concession		(5,734,550)	(6,011,635)	(5,734,550)	(6,011,635)
	Defined benefit costs		-	-	-	-
	Leave encashment		(12,886,800)	(12,330,872)	(12,886,800)	(12,330,872)
	Pre-paid employee benefit		-	(3,203,019)	-	(3,203,019)
	Contribution to private provident fund		(10,833,881)	(11,317,497)	(10,833,881)	(11,317,497)
	Total employee benefit expense		**(172,198,551)**	**(260,559,306)**	**(172,198,551)**	**(260,559,306)**
13	**IMPAIREMENT GAIN /(LOSS)**					
	Impairment loss on reinsurance receivables		(2,286,729)	(33,660,677)	(2,286,729)	(33,660,677)
	Impairment loss on loans and receivables		(1,749,179,448)	(73,514,656)	(1,749,179,448)	(73,514,656)
	Impairment loss on cash and cash equivalent		(267,533)	-	(267,533)	-
	Total impairment gain /loss on loans and advances		**(1,751,733,710)**	**(107,175,333)**	**(1,751,733,710)**	**(107,175,333)**
14	**INCOME TAX EXPENSES**					
(a)	Current tax charge					
	Current income tax		-	(130,398,250)	-	(130,323,865)
	Adjustment in respect of current income tax of prior years		(44,483,440)	(27,908,818)	(44,483,440)	(27,908,818)
	Deferred tax					
	Relating to origination and reversal of temporary		-	-	-	-
	differences		1,140,370	(4,787,546)	1,140,370	(4,787,546)
	Total income tax expense		**(43,343,070)**	**(163,094,613)**	**(43,343,070)**	**(163,020,229)**
(b)	**Tax recorded in other comprehensive income (see note 32)**					
	Current tax		-	-	-	-
	Deferred tax		(20,444,959)	11,080,956	(20,444,959)	11,080,956
	Total tax charge to the other comprehensive income		**(20,444,959)**	**11,080,956**	**(20,444,959)**	**11,080,956**
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		(1,233,744,283)	608,564,458	(1,236,384,402)	610,142,722
	Nominal Value of Equity Shares		10	10	10	10
	Number of Shares		120,000,000	120,000,000	120,000,000	120,000,000
			(10.28)	**5.07**	**(10.30)**	**5.08**

16 PROPERTY, PLANT AND EQUIPMENT

Group — In Nus

	Land	Buildings	Furniture & Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
Cost:							
At 1 January 2017	269,565,362	186,607,177	22,289,801	24,964,319	12,298,721	57,366,389	573,091,770
Additions	1,122,177	90,463	1,834,680	6,154,973	-	5,022,506	14,224,798
Disposals	-	-	-	-	-	-	-
At 31 Dec 2017	**270,687,539**	**186,697,640**	**24,124,481**	**31,119,292**	**12,298,721**	**62,388,895**	**587,316,568**
At 1 Jan 2018	270,687,539	186,697,640	24,124,481	31,119,292	12,298,721	62,388,895	587,316,568
Additions	-	1,433,859	1,756,628	10,135,721	-	3,235,320	16,561,528
Disposals	-	-	-	-	-	-	-
At 31 Dec 2018	**270,687,539**	**188,131,499**	**25,881,109**	**41,255,013**	**12,298,721**	**65,624,215**	**603,878,096**
Depreciation and impairment:							
At 1 Jan 2017	-	26,741,801	11,289,496	12,168,244	2,830,525	41,896,950	94,927,016
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,051,137	3,067,142	4,271,505	1,372,160	5,840,633	20,602,577
At 31 Dec 2017	**-**	**32,792,938**	**14,356,638**	**16,439,750**	**4,202,685**	**47,737,582**	**115,529,593**
At 1 Jan 2018	-	32,792,938	14,356,638	16,439,750	4,202,685	47,737,582	115,529,593
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,079,814	3,251,488	4,356,351	1,372,160	5,246,805	20,306,618
At 31 Dec 2018	**-**	**38,872,752**	**17,608,126**	**20,796,101**	**5,574,845**	**52,984,387**	**135,836,211**
Net book value:							
At 31 Dec 2017	270,687,539	153,904,702	9,767,843	14,679,542	8,096,037	14,651,312	471,786,975
At 31 Dec 2018	270,687,539	149,258,747	8,272,983	20,458,912	6,723,876	12,639,827	468,041,885

Company — In Nus

Cost:	Land	Buildings	Furniture & Fixtures	Office Equipment	Motor Vehicles	Computer Equipments	Total
At 1 January 2017	269,565,362	186,607,177	22,289,801	24,960,149	12,298,721	57,335,682	573,056,893
Additions	1,122,177	90,463	1,834,680	6,154,973	-	5,022,506	14,224,798
Disposals	-	-	-	-	-	-	-
At 31 Dec 2017	**270,687,539**	**186,697,640**	**24,124,481**	**31,115,122**	**12,298,721**	**62,358,188**	**587,281,691**
At 1 Jan 2018	270,687,539	186,697,640	24,124,481	31,115,122	12,298,721	62,358,188	587,281,691
Additions	-	1,433,859	1,756,628	10,135,721	-	3,235,320	16,561,528
Disposals	-	-	-	-	-	-	-
At 31 Dec 2018	**270,687,539**	**188,131,499**	**25,881,109**	**41,250,843**	**12,298,721**	**65,593,508**	**603,843,219**
Depreciation and impairment:							
At 1 Jan 2017	-	26,741,801	11,289,496	12,168,244	2,830,525	41,866,245	94,896,311
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,051,137	3,067,142	4,271,505	1,372,160	5,840,633	20,602,577
At 31 Dec 2017	**-**	**32,792,938**	**14,356,638**	**16,439,750**	**4,202,685**	**47,706,877**	**115,498,888**
At 1 Jan 2018	-	32,792,938	14,356,638	16,439,750	4,202,685	47,706,877	115,498,888
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	-	6,079,814	3,251,488	4,356,351	1,372,160	5,246,805	20,306,618
At 31 Dec 2018	**-**	**38,872,752**	**17,608,126**	**20,796,101**	**5,574,845**	**52,953,682**	**135,805,506**
Net book value:							
At 31 Dec 2017	270,687,539	153,904,702	9,767,843	14,675,372	8,096,037	14,651,310	471,782,803
At 31 Dec 2018	270,687,539	149,258,747	8,272,983	20,454,742	6,723,876	12,639,825	468,037,713

		Note	Group		Company	
			Nu 2018	**Nu 2017**	**Nu 2018**	**Nu 2017**
17	**INVESTMENT PROPERTY (Stated at Cost)**					
	Cost					
	At 1 January		363,570,389	363,570,389	363,570,389	363,570,389
	Additions		36,897,768	-	36,897,768	-
	Disposals		-	-	-	-
			400,468,157	**363,570,389**	**400,468,157**	**363,570,389**
	Depreciation					
	At 1 January		9,673,149	7,737,347	9,673,149	7,737,347
	For the year		1,935,802	1,935,802	1,935,802	1,935,802
			11,608,952	9,673,149	11,608,952	9,673,149
	At 31 December		**388,859,205**	**353,897,239**	**388,859,205**	**353,897,239**

18	**INTANGIBLE ASSETS**	**Group**	**Company**
	Cost:	**Nu**	**Nu**
	At 1 January 2017	48,078,143	48,078,143
	Additions	3,089,307	3,089,307
	Disposals	-	-
	At 31 December 2017	**51,167,450**	**51,167,450**
	At 1 January 2018	51,167,450	51,167,450
	Additions	1,985,164	1,985,164
	Disposals	-	-
	At 31 December 2018	**53,152,614**	**53,152,614**
Depreciation and impairment:			
	At 1 January 2017	26,120,628	26,120,628
	Disposals	-	-
	Amortization	4,487,103	4,487,103
	At 31 December 2017	**30,607,731**	**30,607,731**
	At 1 January 2018	30,607,731	30,607,731
	Disposals	-	-
	Amortization	4,664,111	4,664,111
	At 31 December 2018	**35,271,842**	**35,271,842**
	Net book value:		
	At 31 December 2017	20,559,719	20,559,719
	At 31 December 2018	17,880,772	17,880,772

		Group		Company	
		Nu 2018	**Nu 2017**	**Nu 2018**	**Nu 2017**
19	**LOANS AND RECEIVABLES**				
	Loans and receivable from customers	18,323,040,749	17,199,920,773	18,323,040,749	17,199,920,773
	Loans and receivables from banks and finanacial institutions	-	-	-	-
	Less: Provision for impairment losses	(2,274,654,630)	(525,275,591)	(2,274,654,630)	(525,275,591)
		16,048,386,119	**16,674,645,181**	**16,048,386,119**	**16,674,645,181**

Impairment Allowance for loans & advances to customers

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

	Overdraft	Card Loan	Housing	Transport	Service, T&C,P&M	Personal	Others	Gurantees	Total
At 1st January 2017	157,027,039	120,591,043	13,676,550	1,002,926	146,843,709	10,881,900	1,243,684	494,209	451,761,060
Charges/Reversal for the year	63,051,415	5,249,360	1,872,126	891,762	(2,353,996)	3,365,189	1,417,020	21,655	73,514,531
Recoveries	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31st Dec 2017	**220,078,454**	**125,840,403**	**15,548,676**	**1,894,688**	**144,489,713**	**14,247,089**	**2,660,704**	**515,864**	**525,275,591**
Individual Impairment	-	-	-	-	-	-	-	-	-
Collective Impairment	220,078,454	125,840,403	15,548,676	1,894,688	144,489,713	14,247,089	2,660,704	515,864	525,275,591
At 1st January 2018	220,078,454	125,840,403	15,548,676	1,894,688	144,489,713	14,247,089	2,660,704	515,864	525,275,591
Charges/Reversal for the year	1,036,121,478	62,566,484	86,863,359	12,980,861	518,940,590	23,724,029	8,296,269	(114,030)	1,749,379,040
Recoveries	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31st Dec 2018	**1,256,199,932**	**188,406,887**	**102,412,035**	**14,875,549**	**663,430,303**	**37,971,118**	**10,956,973**	**401,834**	**2,274,654,630**
Individual Impairment	-	-	-	-	-	-	-	-	-
Collective Impairment	1,256,199,932	188,406,887	102,412,035	14,875,549	663,430,303	37,971,118	10,956,973	401,834	2,274,654,630

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
20	**INVESTMENT IN SUBSIDIARY COMPANY** RICB securities limited (50,000 No of Shares, Face Value Nu. 10/-)		-	-	-	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		34,818,936	36,450,811	24,311,650	24,311,650
	For the year profit		2,640,120	(1,631,875)	-	-
	Less		-	-	-	-
	Dividend received		-	-	-	-
			37,459,056	**34,818,936**	**24,311,650**	**24,311,650**
Note: The financial statements for the year 2018 of the associate company is incorpoarted during the year						
22	**AVAILABLE FOR SALE FINANCIAL ASSETS**					
	Quoted investments					
	Equity investment		362,678,005	311,023,296	362,678,005	311,023,296
	Unquoted investments					
	Equity investment		124,061,022	124,061,022	124,061,022	124,061,022
	Statutory Investment		-	500,000	-	-
	Total available for sale financial assets		**486,739,027**	**435,584,318**	**486,739,027**	**435,084,318**

		2018			2017		
22.1	**Quoted equity securities**	**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	88,453,851	800,000	8,100,000	47,999,840
	Penden Cement Authority Ltd.	183,150	3,169,400	12,849,257	183,150	3,169,400	6,929,637
	Bhutan National Bank Ltd	8,300,000	103,523,000	220,052,920	8,300,000	103,523,000	223,816,140
	State Trading Corporation of Bhutan Ltd.	882,000	980,000	17,966,902	882,000	980,000	7,405,505
	Bhutan Board Products Ltd.	118,300	1,229,250	(894,348)	118,300	1,229,250	447,174
	GIC Bhutan Re Ltd	2,500,000	25,000,000	7,549,423	2,500,000	25,000,000	8,225,000
	Royal Securities Exchange of Bhutan Limited	162,000	19,311,000	16,700,000	162,000	19,311,000	16,200,000
	Total	**12,945,450**	**161,312,650**	**362,678,005**	**12,945,450**	**161,312,650**	**311,023,296**

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 2017 due to unavailability of information for the current year.

		2018			2017		
22.2	**Un-quoted equity securities**	**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	-
	Less: Provison for diminishing in value of shares	-	(6,950,000)	-	-	(6,950,000)	-
	CIB	-	1,750,000	-	-	1,750,000	-
	Karuna Private Limited	3,000,000	30,000,000	-	3,000,000	30,000,000	-
	Neethsel Private Limited	213,729	25,220,022	-	213,729	25,220,022	-
	Sherub Reldri HSS	300,000	30,000,000	-	300,000	30,000,000	-
	Total	**3,718,820**	**124,061,022**	**-**	**3,718,820**	**124,061,022**	**-**

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	**2017**	**2018**	**2017**
23	**INSURANCE RECEIVABLES**					
	Due from policyholders		8,613,215	69,138	8,613,215	69,138
	Due from reinsurers		373,407,333	647,086,023	373,407,333	647,086,023
	Rural claim and subsidy		-	-	-	-
	Employee short fund		-	-	-	-
	Impairment of insurance receivables		(3,191,486)	(904,756)	(3,191,486)	(904,756)
	Total insurance receivables		**378,829,062**	**646,250,405**	**378,829,062**	**646,250,405**
24	**OTHER ASSETS**					
	Advances, Deposits & Prepayments		128,573,004	151,052,162	128,573,004	151,052,162
	Interest, Rent and Other Receivables		106,343,801	98,092,834	106,343,801	97,639,024
	Other		26,203,347	42,831,931	26,203,347	42,831,931
			261,120,152	**291,976,928**	**261,120,152**	**291,523,118**
25	**CASH AND CASH EQUIVALENTS**					
	Local currency in hand		124,023,913	12,861,827	124,023,913	12,861,827
	Balances with local banks		1,194,215,220	1,424,938,502	1,194,215,220	1,423,092,242
	Balances with foreign banks		141,500,031	144,967,995	141,500,031	144,967,995
	Fixed Deposits with banks		1,502,568,048	1,486,196,012	1,502,568,048	1,486,196,012
	Allowance for Expected Credit Loss		(267,533)	(199,590)	(267,533)	(199,590)
			2,962,039,678	**3,068,764,745**	**2,962,039,678**	**3,066,918,485**
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	1,200,000,000	1,200,000,000	1,200,000,000
	Bonus share issued during the year		-	-	-	-
	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.

		Note	Group			Company		
			Nu			Nu		
			2018			2018		
			Insurance contract liabilities	**Reinsurance contract liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurance contract liabilities**	**Net**
27	**Insurance contract liabilities**							
	Non Life Insurance	27.1	256,749,370	88,181,424	344,930,794	256,749,370	88,181,424	344,930,794
	Re insurance	27.2	189,176,755	-	189,176,755	189,176,755	-	189,176,755
	Life Insurance		4,748,234,316	-	4,748,234,316	4,748,234,316	-	4,748,234,316
	Group Life Insurance		88,863,826	-	88,863,826	88,863,826	-	88,863,826
	Annuity Insurance		128,197,151	-	128,197,151	128,197,151	-	128,197,151
			5,411,221,418	**88,181,424**	**5,499,402,842**	**5,411,221,418**	**88,181,424**	**5,499,402,842**
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		-	88,181,424	88,181,424	-	88,181,424	88,181,424
	Reinsurance share of claims		-	-	-	-	-	-
	IBNR		76,529,180	-	76,529,180	76,529,180	-	76,529,180
	Provision for unearned premiums		187,008,167	-	187,008,167	187,008,167	-	187,008,167
	Deferred Acquisition Cost		(6,787,977)	-	(6,787,977)	(6,787,977)	-	(6,787,977)
			256,749,370	**88,181,424**	**344,930,794**	**256,749,370**	**88,181,424**	**344,930,794**

	Liability adequacy testing (LAT) A Liability Adequacy Test ("LAT") for Non - Life insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.							
27.2	**Insurance contract liabilities - Re Insurance**							
	Provision for reported claims by		-	-	-	-	-	-
	policyholders		36,916,595	-	36,916,595	36,916,595	-	36,916,595
	IBNR		191,470,635	-	191,470,635	191,470,635	-	191,470,635
	Provision for unearned						-	
	premiums		(39,210,475)	-	(39,210,475)	(39,210,475)		(39,210,475)
	Deferred commission							
			189,176,755	**-**	**189,176,755**	**189,176,755**	**-**	**189,176,755**
	Liability adequacy testing (LAT) A Liability Adequacy Test ("LAT") for Re insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.							

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 2018 was made by Mr. G .N. Agarwal, Consulting Actuary.

Liability adequacy testing (LAT)

A Liability Adequacy Test ("LAT") for Life insurance contract liability was carried out by Mr. G .N. Agarwal, Consulting Actuary as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.

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. G .N. Agarwal, Consulting Actuary as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.

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. G .N. Agarwal, Consulting Actuary as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.

		Note	Group			Company		
			Nu			Nu		
			2017			2017		
			Insurance contract liabilities	**Reinsurance contract liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurance contract liabilities**	**Net**
27	**Insurance contract liabilities**							
	Non Life Insurance	27.1	202,330,003	76,229,407	278,559,410	202,330,003	76,229,407	278,559,410
	Re insurance	27.2	202,151,979	-	202,151,979	202,151,979	-	202,151,979
	Life Insurance		3,851,215,183	-	3,851,215,183	3,851,215,183	-	3,851,215,183
	Group Life Insurance		71,169,933	-	71,169,933	71,169,933	-	71,169,933
	Annuity Insurance		56,043,293	-	56,043,293	56,043,293	-	56,043,293
			4,382,910,391	**76,229,407**	**4,459,139,798**	**4,382,910,391**	**76,229,407**	**4,459,139,798**

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 2017 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 2017 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 2017. No additional provision was required against the LAT as at 31st December 2017.

		Insurance contract liabilities	**Reinsurance contract liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurance contract liabilities**	**Net**
27.1	**Insurance contract liabilities - Non Life Insurance**						
	Provision for reported claims by policyholders	-	(5,067,301)	(5,067,301)	-	76,229,407	76,229,407
	Reinsurance share of claims	-	-	-	-	-	-
	IBNR	8,645,388	-	8,645,388	61,481,736	-	61,481,736
	Provision for unearned premiums	281,019,234	-	281,019,234	148,408,968	-	148,408,968
	Deferred Acquisition Cost	(7,560,701)	-	(7,560,701)	(7,560,701)	-	(7,560,701)
		282,103,921	**(5,067,301)**	**277,036,620**	**202,330,003**	**76,229,407**	**278,559,410**

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 2017 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 2017. No additional provision was required against the LAT as at 31st December 2017.

27.2	**Insurance contract liabilities - Re Insurance**				
	Provision for reported claims by policyholders	-	-	-	-
	IBNR	7,081,767	7,081,767	25,176,614	7,081,767
	Provision for unearned premiums	183,781,389	183,781,389	219,396,681	219,396,681
	Deferred commission	23,308,392	23,308,392	(42,421,316)	23,308,392
		214,171,548	**214,171,548**	**202,151,979**	**249,786,840**

Liability adequacy testing (LAT)
A Liability Adequacy Test ("LAT") for reinsurance contract liability was carried out by Mr. Ugyen Tshewang as at 31st December 2017 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 2017. No additional provision was required against the LAT as at 31st December 2017.

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
28	**Investment Contract Liabilities**					
	Life Insurance		-	-	-	-
	Group Life Insurance		1,580,163,155	1,364,791,282	1,580,163,155	1,364,791,282
	Annuity Insurance		3,188,991,117	3,010,321,172	3,188,991,117	3,010,321,172
			4,769,154,272	**4,375,112,454**	**4,769,154,272**	**4,375,112,454**
Investment contract liabilities with a DPF and without DPF are represent above, i.e- Ten-Tsai Mangul 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		235,631,189	151,135,305	235,631,189	151,135,305
	Life Insurance		33,247,305	34,010,969	33,247,305	34,010,969
	Group Life Insurance		804,215	885,484	804,215	885,484
	Re insurance		328,712,186	245,904,792	328,712,186	245,904,792
			598,394,896	**431,936,549**	**598,394,896**	**431,936,549**
	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	2,926,602,579	2,926,602,579	2,926,602,579
	Term borrowings		1,332,640,399	2,602,817,629	1,332,640,399	2,604,898,338
	Total debt issued and other borrowed funds		**4,259,242,978**	**5,529,420,207**	**4,259,242,978**	**5,531,500,917**

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 (2018)	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 (2018)							
Bhutan Development Bank Limited	260,000,000	-	-	260,000,000	-	-	260,000,000
Druk PNB Bank Limited	300,000,000	-	-	300,000,000	-	-	300,000,000
GIC Bhutan Re Limited	121,500,000	121,500,000	-	-	-	-	121,500,000
Bhutan National Bank Limited	497,097,056	-	-	497,097,056	-	-	497,097,056
T Bank Ltd.	150,000,000	-	-	150,000,000	-	-	150,000,000
Interest on Above loans	4,043,343	-	4,043,343	-	-	-	4,043,343
	1,332,640,399	**121,500,000**	**4,043,343**	**1,207,097,056**	**-**	**-**	**1,332,640,399**

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
31	**EMPLOYEE BENEFITS OBLIGATION**					
	Net defined benefit assets/(liabilities)		(23,241,491)	(3,203,019)	(23,241,491)	(3,203,019)
	Leave encashment liability		11,368,169	14,411,486	11,368,169	14,411,486
			34,609,660	**17,614,505**	**34,609,660**	**17,614,505**
31.1	**Net defined benefit assets**					
	The amounts recognised in the income statement are as follows:					
	Current service cost		(9,034,114)	(4,487,906)	(9,034,114)	(4,487,906)
	Interest cost on behalf obligation		(3,206,525)	(130,792)	(3,206,525)	(130,792)
	Net acturial loss recognised in the year		(14,713,055)	(1,196,220)	(14,713,055)	(1,196,220)
			(26,953,694)	**(5,814,918)**	**(26,953,694)**	**(5,814,918)**
	The movement in the Net defined benefit obligation is, as follows:					
	Opening balance		49,621,976	42,396,598	49,621,976	42,396,598
	Current service cost		9,034,114	4,487,906	9,034,114	4,487,906
	Past Service Cost		-	-	-	-
	Payments made during the year		(7,628,950)	(1,529,180)	(7,628,950)	(1,529,180)
	Interest cost on benefit obligation		3,206,525	2,914,241	3,206,525	2,914,241
	Net actuarial loss recognized in the year		14,713,055	1,352,411	14,713,055	1,352,411
	Acturial (gains)/Losses due to change in demographic assumptions		-	-	-	-
			68,946,720	**49,621,976**	**68,946,720**	**49,621,976**
	The amounts recognised in the statement of financial position at the reporting date are, as follows:					
	Present value of the defined benefit obligation		(68,946,720)	(49,621,976)	(68,946,720)	(49,621,976)
	Fair value of plan assets		45,705,229	46,418,959	45,705,229	46,418,959
	Net defined benefit obligation		(23,241,491)	(3,203,017)	(23,241,491)	(3,203,017)
	Total net defined benefit obligation		**(23,241,491)**	**(3,203,017)**	**(23,241,491)**	**(3,203,017)**
	Gratuity measured using actuarial valuation of projected unit credit method as certified by Mr. G .N. Agarwal, Consulting Actuary The principle assumption used in determining the gratuity obligation was Salary escalation rate - 6%, (2017: 7%) Discount rate - 7.50%, (2017: 7%) Attrition Rate - 6%, (2017: 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		14,411,486	12,018,565	14,411,486	12,018,565
	Current service cost		14,249,833	2,392,921	14,249,833	2,392,921
	Past service cost		-	-	-	-
	Interest cost		748,447	839,684	748,447	839,684
	Benefits paid by the plan		-	-		
	Benefits paid by the employer		(7,438,759)	(46,149)	(7,438,759)	(46,149)
	Actuarial (gains)/losses due to plan experience		(10,602,838)	(793,535)	(10,602,838)	(793,535)
	Actuarial (gains)/losses due to change in demographic assumptions		-	-		
	Actuarial (gains)/losses due to change in financial assumptions		-	-	-	-
	DBO at the end of the current period		**11,368,169**	**14,411,486**	**11,368,169**	**14,411,486**
	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		**-**	**-**		**-**

			-	-		
			2018	2017	2018	2017
	A3. Income statement					
	Current service cost		14,249,833	2,392,921	14,249,833	2,392,921
	Past service cost		-	-	-	-
	Net interest cost on net DB liability/(asset)		748,447	839,684	748,447	839,684
	Remeasurement (gains)/losses		(10,602,838)	(793,535)	(10,602,838)	(793,535)
	Net cost for the year recognised in income statement		**4,395,442**	**2,439,070**	**4,395,442**	**2,439,070**
	A4. Development of net financial position		-	-		
	Defined benefit obligation		(11,368,169)	(14,411,486)	(11,368,169)	(14,411,486)
	Fair value of plan assets		-	-	-	-
	Funded status - (deficit)/surplus		(11,368,169)	(14,411,486)	(11,368,169)	(14,411,486)
	Net defined benefit asset/(liability)		**(11,368,169)**	**(14,411,486)**	**(11,368,169)**	**(14,411,486)**
	A5. Reconciliation of net financial position		-	-		
	Net defined benefit liability/(asset) at the beginning of current period		14,411,486	12,018,565	14,411,486	12,018,565
	Amount recognized in the income statement		4,395,442	2,439,070	4,395,442	2,439,070
	Contributions paid into the plan		-	-	-	-
	Benefits paid by employer		(7,438,759)	(46,149)	(7,438,759)	(46,149)
	Net defined benefit liability/(asset) at the end of current period		**11,368,169**	**14,411,486**	**11,368,169**	**14,411,486**

Leave Encashment measured using actuarial valuation of projected unit credit method as certified by Mr. G .N. Agarwal, Consulting Actuary
The principle assumption used in determining the gratuity obligation was
Salary escalation rate - 6%, (2017: 7%)
Discount rate - 7.50%, (2017: 7%)
Attrition Rate - 6%, (2017: 6%)
Normal Retirement age - 60 years for the Executives and 58 years for the rest
Mortality - Indian Assured Lives Mortality (IALM-2006-2008).

Note		**Consolidated statement of financial position**		**Consolidated income statement**	
		2018	**2017**	**2018**	**2017**
32	**Deferred tax liability (Net)**	**Nu**	**Nu**	**Nu**	**Nu**
	Deferred tax assets				
	Property plant & equipment	-	-	-	-
	Deferred tax liability	-	-	-	-
	Property Plant & Equipment	81,658,462	93,287,421	11,628,959	(5,368,286)
	Investment Property	116,657,762	106,169,172	(10,488,590)	580,740
	Intangible Assets	-	-	-	-
	Net defined benefit assets	10,382,898	5,284,352		
	Available for sale assets	60,259,607	44,913,194		
		268,958,728	249,654,138		
	Deferred income tax charge/(reversal)			**1,140,370**	**(4,787,546)**
	Deferred income tax charge/(reversal) - OCI				
	Net defined benefit assets			(5,098,547)	(491,871)
	Available for sale assets			(15,346,413)	11,572,826
				(20,444,959)	**11,080,956**
	Net deferred tax liability or assets	**(268,958,728)**	**(249,654,138)**		

		Note	Group		Company	
			Nu	Nu	Nu	Nu
			2018	2017	2018	2017
33	**TRADE AND OTHER PAYABLES**					
	Policyholders payment in Advance		535,052,326	480,205,415	535,052,326	480,205,415
	Agency commission payable		46,310,679	40,158,370	46,310,679	40,158,370
	Interest credited to employees' account		-	294,561,304	-	294,561,304
	Bonus payables		410,433,031	354,329,322	410,433,031	354,329,322
	Government levy payable		1,472,000	1,472,000	1,472,000	1,472,000
	Deposits		178,229,360	16,834,666	178,229,360	16,834,666
	Other		154,757,035	625,630,155	154,757,035	625,315,253
	Total trade and other payables		**1,326,254,431**	**1,813,191,232**	**1,326,254,431**	**1,812,876,330**

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	2018	2017	2018	2017
Contingent Liabilities				
Guarantees	1,389,853,404	2,820,823,721	1,389,853,404	2,820,823,721
	1,389,853,404	**2,820,823,721**	**1,389,853,404**	**2,820,823,721**

35 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. 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. The company have also appointed an external consultant actuary Mr. G. N. Agarwal to review the LAT of the business. Claims are reserved immediately at intimation or on the availability of information of the death or injury of insured.

35 FINANCIAL RISK MANAGEMENT (Contd..)

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 used by the Consulting Acatuary.

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 premiums. 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, behavioural 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.

Financial Risk Management (Contd..)

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 unassessed 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.

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 Quota 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
* Every 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

Financial Risk Management (Contd..)

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
Munich Re	A+	AM Best
Hannover Re	A+	AM Best
Asian Capital Reinsurance Group	A-	S & P
Swiss Re	A+	AM Best
XL CATLIN syndicate	A	S & P
ARIG (Arab Reinsurance Group) RE	A-	AM Best
Trust Re	A-	AM Best
RSA Insurance Company	A	S & P
Cathedral Syndicate	A	AM Best
Canopius Syndicate	A	AM Best
AIG Europe Ltd	A	AM Best
Ironshore Europe Ltd	A	AM Best
Kiln Syndicate	A	AM Best
Meacok Syndicate	A	AM Best
“AIG Asia Pacific Insurance Pte. Ltd.”	A	AM Best
HDI Global SE	A	AM Best
Kuwait Re	A-	AM Best
Blenheim Syndicate	A	AM Best
Inter Hannover XIS	A+	AM Best
AMTRUST Syndicate	A	AM Best
Skuld Syndicate	A	AM Best
Korean Reinsurance Company	A	AM Best
Allianz Global corporate & specialty	A+	AM Best
Eurasia Insurance Company JSC	B++	AM Best
SOGAZ	B++	AM Best
Misr Insurance Company	B++	AM Best
Zep Re	B++	AM Best

35. FINANCIAL RISK MANAGEMENT (Contd..)

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 Chief Executive Officer, Executive Director and all Departmental 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 Chief Executive Officer with Executive Director and all the General Managers from each department. 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.

Financial Risk Management (Contd..)

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 counterparty 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 Limited 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.

35 FINANCIAL RISK MANAGEMENT (Contd..)

35 (c) Fair value of Financial Instruments
A. Determination of fair value hierarchy

	Group			Total	Company			Total
	Level I	Level II	Level III		Level I	Level II	Level III	
31 December 2018 Financial Investments Available for sale Quoted Equities	-	-	362,678,005	362,678,005	-	-	362,678,005	362,678,005
Loans & Receivables Loans & Advances to Employees	-	375,533,053	-	375,533,053	-	375,533,053	-	375,533,053
31 December 2017 Financial Investments Available for sale Quoted Equities	-	-	311,023,296	346,124,384	-	-	311,023,296	346,124,384
Loans & Receivables Loans & Advances to Employees	-	421,545,040	-	471,460,479	-	421,545,040	-	471,460,479

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.

Group					Company			
	2018		2017		2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets								
Financial Investments available for sale -	161,312,650	362,678,005	161,312,650	311,023,296	161,312,650	362,678,005	161,312,650	311,023,296
Quoted Equities	18,976,110,630	16,048,386,119	17,377,988,004	16,674,645,181	18,976,110,630	16,048,386,119	17,377,988,004	16,674,645,181
Loans and advances to customers	-	-	500,000	500,000	-	-	-	-
Statutory investment	382,020,548	378,829,062	647,155,161	646,250,405	382,020,548	378,829,062	647,155,161	646,250,405
Insurance Receivables	261,120,152	261,120,152	291,976,928	291,976,928	261,120,152	261,120,152	291,523,118	291,523,118
Other Assets								
Cash and Cash Equivalents	2,962,307,211	2,962,039,678	3,068,964,335	3,068,764,745	2,962,307,211	2,962,039,678	3,067,118,075	3,066,918,485
	22,742,871,191	**20,013,053,016**	**21,547,897,078**	**20,993,160,556**	**22,742,871,191**	**20,013,053,016**	**21,545,097,008**	**20,990,360,486**
Financial Liabilities								
Insurance contract liabilities	5,499,402,842	5,499,402,842	4,469,636,577	4,469,636,577	5,499,402,842	5,499,402,842	4,469,636,577	4,469,636,577
Reinsurance contract liabilities	94,621,516	94,621,516	-	-	94,621,516	94,621,516	-	-
Investment contract liabilities	4,769,154,272	4,769,154,272	4,375,112,454	4,375,112,454	4,769,154,272	4,769,154,272	4,375,112,454	4,375,112,454
Insurance Payable	598,394,896	598,394,896	431,936,549	431,936,549	598,394,896	598,394,896	431,936,549	431,936,549
Debt issued and other borrowed funds	4,259,242,978	4,259,242,978	5,529,420,207	5,529,420,207	4,259,242,978	4,259,242,978	5,531,500,917	5,531,500,917
	15,220,816,504	**15,220,816,504**	**14,806,105,788**	**14,806,105,788**	**15,220,816,504**	**15,220,816,504**	**14,808,186,498**	**14,808,186,498**

35 FINANCIAL RISK MANAGEMENT (Contd..)

35 (d) Credit Risk

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

			Fair value of Collateral or credit enhancement held		
31st December 2018	**Maximum Exposure to credit Risk (Nu)**	**Cash**	**Properties**	**Net Collateral**	**Net Exposure**
Financial Assets					
Due from banks	-	-	-	-	-
Loans & advances to customers	18,976,110,630	-	295,985,353,276	295,985,353,276	(277,009,242,645)
Financial Liabilities					
Long term bond	2,926,602,579	-	-	-	2,926,602,579
Term borrowings	1,332,640,399	-	-	-	1,332,640,399
			Fair value of Collateral or credit enhancement held		
31st December 2017	**Maximum Exposure to credit Risk (Nu)**	**Cash**	**Properties**	**Net Collateral**	**Net Exposure**
Financial Assets					
Due from banks	-	-	-	-	-
Loans & advances to customers	17,390,325,306	-	110,208,506,954	110,208,506,954	(92,818,181,648)
Financial Liabilities					
Long term bond	2,926,602,579	-	-	-	2,926,602,579
Term borrowings	2,604,898,338	1,195,000,000	1,557,350,000	2,752,350,000	(147,451,662)

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

	Group				Company			
31st December 2018	**Neither past due nor Individually impaired**	**Past due but not impaired individually**	**Individually Impaired**	**Total**	**Neither past due nor Individually impaired**	**Past due but not impaired**	**Individually Impaired**	**Total**
Due from Banks	-	-	-	-	-	-	-	-
Loans & Advances to Customers	-	-	18,975,176,060	18,975,176,060	-	-	18,975,176,060	18,975,176,060
	Group				**Company**			
31st December 2017	**Neither past due nor Individually impaired**	**Past due but not impaired individually**	**Individually Impaired**	**Total**	**Neither past due nor Individually impaired**	**Past due but not impaired**	**Individually Impaired**	**Total**
Due from Banks	-	-	-	-	-	-	-	-
Loans & Advances to Customers	-	-	16,459,927,056	16,459,927,056	-	-	16,459,927,056	16,459,927,056

FINANCIAL RISK MANAGEMENT (Contd..)

Liquidity Risk & Funding management
Maturity analysis (Contractual undiscounted cash flow basis)

31st December 2018	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	1,984,292,886	570,313,750	4,639,874,075	3,824,883,811	7,955,811,540	18,975,176,060
Financial Investments Available for Sale	498,911,323	-	-	-	-	498,911,323
Total undiscounted Assets	**2,483,204,209**	**570,313,750**	**4,639,874,075**	**3,824,883,811**	**7,955,811,540**	**19,474,087,383**
Debts Issued & Other Borrowed Funds	302,145,922	-	1,207,097,056	-	2,750,000,000	4,259,242,978
Total Undiscounted Liabilities	**302,145,922**	**-**	**1,207,097,056**	**-**	**2,750,000,000**	**4,259,242,978**
Net Undiscounted Financial Assets/(Liabilities)	**2,181,058,287**	**570,313,750**	**3,432,777,019**	**3,824,883,811**	**5,205,811,540**	**15,214,844,405**
31st December 2017	**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	511,984,119	730,957,749	6,973,154,159	1,883,040,725	7,291,188,554	17,390,325,306
Financial Investments Available for Sale	435,300,318	-	-	-	-	435,300,318
Total undiscounted Assets	**947,284,438**	**730,957,749**	**6,973,154,159**	**1,883,040,725**	**7,291,188,554**	**17,825,625,625**
Debts Issued & Other Borrowed Funds	-	-	1,496,334,313	1,295,085,894	2,738,000,000	5,529,420,207
Total Undiscounted Liabilities	**-**	**-**	**1,040,661,125**	**1,295,085,894**	**2,738,000,000**	**5,073,747,019**
Net Undiscounted Financial Assets/(Liabilities)	**947,284,438**	**730,957,749**	**5,932,493,035**	**587,954,831**	**4,553,188,554**	**12,751,878,606**

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 2018	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial Guarantees	-	920,194,609	410,316,771	59,312,025	30,000	1,389,853,404
	-	**920,194,609**	**410,316,771**	**59,312,025**	**30,000**	**1,389,853,404**
31st December 2017	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Financial Guarantees	205,000,000	55,267,377	1,271,486,252	1,313,380,618	2,117,364	2,847,251,611
	205,000,000	**55,267,377**	**1,271,486,252**	**1,313,380,618**	**2,117,364**	**2,847,251,611**

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.

Financial Risk Management (Contd..)

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 2017 has summarized below.

Market Risk - Interest Rate Risk

31 December 2018

Currency of Borrowing/Advance	Increase/(decrease) in basis points	Sensitivity of Profit/(Loss)	Sensitivity of Equity
Nu	+10% -10%	202,819,194 (202,819,194)	202,819,194 (202,819,194)
31 December 2017			
Currency of Borrowing/Advance	**Increase/(decrease) in basis points**	**Sensitivity of Profit/(Loss)**	**Sensitivity of Equity**
Nu	+10% -10%	147,765,557 (147,765,557)	147,765,557 (147,765,557)

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 Dec 2018	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	1,984,292,886	570,313,750	4,639,874,075	3,824,883,811	7,955,811,540	-	18,975,176,060
Financial Investments Available for Sale	487,588,984	-	-	-	-	-	487,588,984
Total Assets	**2,471,881,870**	**570,313,750**	**4,639,874,075**	**3,824,883,811**	**7,955,811,540**	**-**	**19,462,765,045**
Debts Issued & Other Borrowed Funds	302,145,922	-	1,207,097,056	-	2,750,000,000	-	4,259,242,977
Total Liabilities	**302,145,922**	**-**	**1,207,097,056**	**-**	**2,750,000,000**	**-**	**4,259,242,977**
31st Dec 2017	**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	511,984,119	730,957,749	6,973,154,159	1,883,040,725	7,291,188,554	-	15,457,278,414
Financial Investments Available for Sale	435,300,318	-	-	-	-	-	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	-	-	1,496,334,313	1,295,085,894	2,738,000,000	-	5,529,420,207
Total Liabilities	**244,000,658**	**10,451,230**	**1,670,053,925**	**1,859,970,709**	**2,750,000,000**	**-**	**5,529,420,207**

Financial Risk Management (Contd..)

CURRENCY RISK

Currency risk arises as a result of fluctuations in the value of a financial instruments 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.

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.

2018						
Financial Assets	**Thimphu**	**Chukha**	**Punakha**	**Samdrup Jongkhar**	**Others**	**Total**
Loans & Advances to Customers	10,225,364,395	2,677,387,843	409,376,331	302,619,054	5,360,428,437	18,975,176,060
	10,225,364,395	**2,677,387,843**	**409,376,331**	**302,619,054**	**5,360,428,437**	**18,975,176,060**
2017						
Financial Assets	**Thimphu**	**Chukha**	**Punakha**	**Samdrup Jongkhar**	**Others**	**Total**
Loans & Advances to Customers	10,666,731,515	2,976,419,225	352,644,934	305,877,622	3,087,445,315	17,389,118,611
	10,666,731,515	**2,976,419,225**	**352,644,934**	**305,877,622**	**3,087,445,315**	**17,389,118,611**

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 Kunzang Wangdi
3 Mr. Sonam Tobjey
4 Mrs. Karma Choden
5 Mr. Ugyen Wangdi
6 Mr. Karma

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 Doed Jung Kuen Phen Trading House

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 31.12.18	O/s as on 31.12.17
1	Tashi Air Pvt. Ltd.	-	-
2	Bhutan International Company	5,304,120	5,433,077
3	Bhutan Silicon Metal (P) Ltd.	436,325,424	451,563,565
4	Kingyal Coke and Chemicals	263,482,342	235,668,182
5	M/s Tashi commercial corporation	4,179,949	2,252,038
6	M/s Tashi Thuendel Lerig Pvt. Ltd.	3,719,620	4,003,683
7	Doed Jung Kuen Phen Trading House	14,630,735	14,975,344
8	Dasho Topgyal Dorji	39,282,311	56,742,794
		766,924,502	**770,638,684**

36.3.2	**Insurance Policies on KMPs and their CFMs are detailed below:**	**2018**	**2017**
	General Insurance:-		
	Dasho Topgyal Dorji	48,108	122,415
	Director Sonam Tobjey	9,736	-
	Director Ugyen Wangdi	15,348	-
	Director Karma	28,571	-
		101,763	**122,415**
36.3.3	**Remuneration of KMP**		
	Key Management Personnel Expenses Include	**2018**	**2017**
	Mr. Karma:-		
	Remuneration	2,714,400	-
	Other Benefits	135,000	-
	Directors Sitting Fee	2,292,500	1,665,000
		5,141,900	**1,665,000**

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. An amount of Nu. 529,608.95 was recovered during the year 2015 and Nu. 260,000.00 during the year 2017 against the embezzled amount and adjustments made in the accounts.

b) In 2009, there was a burglary case at Paro Branch office and the office safe has been stolen containing cash of Nu. 300,000, blank cheque books and a 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. During the year the defendant deposited Nu. 50,000 against the embezzled amount and the same is accordingly adjusted. 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 with the High Court. Accordingly, necessary provisions have been provided in the books of account.

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 Court of law. The mentioned amount has been adjusted in the accounts and provision of Nu. 1,985,651 were provided during the year 2015. Further provision of Nu. 292,379.30 are provided during the year 2016. During the financial year 2017 additional provision of Nu. 1,715,760 was provided

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 district court, Paro. Accordingly, provision of Nu. 60,000,000 have been created in the year 2015. Further, remaining provision of Nu. 33,249,102 have been provided during the financial year 2016.

38 Unadjusted deposits in respect of Life Insurance policies aggregating to Nu. 17,614,572 (Previous Year Nu. 15,741,787) have been reported in the accounts; the total amount in the underwriting accounts at Nu. 18,915,872. The difference amount of Nu. 1,301,300 remain to be reconciled during the current year.

39 Considering the financial performance of the company provision against corporate tax have not been provided during the year (Previous Year Nu. 130,323,865). Advance Income Tax paid during the year is Nu. 98,044,993 (Previous year Nu. 103,000,000).

40 Reinsurance Payables and Receivables in Non-Life Policies

a) The balances outstanding, both receivable and payable, as at the Balance Sheet date from/to various re-insurers aggregating to Nu. 373,407,333 (Previous Year Nu. 647,086,023) and Nu. 200,858,704 (Previous Year Nu. 275,553,531) 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.

41 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.

42 According to the letter issued by the Hon'ble Governor of 'Royal Monetary Authority of Bhutan' dated 24th July, 2015 providing approval to the financial institutions for rendering brokerage services as part of the normal services, the Company has approved the scheme of Merger with the holding company i.e. Royal Insurance Corporation of Bhutan Limited, in the board meeting and shareholders meeting dated 17th November, 2015. Further approval has been accorded by RMA allowing RICB to carry on securities business through their letter RMA/FRSD/16/2018-2019/2473 dated 19th November 2018. Subsequently RICB Securities Limited, fully owned subsidiary company is merged with RICB and the accounts consolidated as on the balance sheet date.

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.

S. JAYKISHAN Chartered Accountants KOLKATA

Royal Insurance Corporation of Bhutan Thimphu

EDUCATION INSURANCE

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Annexure.1 Formats for Annual Disclosures1

Item 1: Tier 1 Capital and its sub-components

SL. 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	(623,710)	1,299,976
	Less:-		
e.	Losses for the Current Year	-	-

Item 2: Tier 2 Capital and its sub-components

SL.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	142,993	186,101
g.	Capital Grants	-	-
h.	Subordinated Debt	250,000	250,000
i.	Profit for the Year	-	-

1 All items reported in 000' Ngultrum

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	8,463	0.00%	-
2	20% Risk Weighted Assets	2,604,775	20.00%	520,955
3	50% Risk Weighted Assets	141,500	50.00%	70,750
4	100% Risk Weighted Assets	16,139,372	100.00%	16,139,372
5	150% Risk weighted Assets	1,829,262	150.00%	2,743,893
6	200% Risk Weighted Assets	-	-	-
7	250% Risk weighted Assets	-	-	-
8	300% Risk Weighted Assets	-	-	-
	Grand Totals	**20,723,372**		**19,474,970**

Item 4: Capital Adequacy ratios

S.no.		Current Period	COPPY
1	Tier 1 Capital	576,290	2,499,976
a.	Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)	-	-
b.	Of which Sectoral Capital Requirements (SCR) (if applicable)	-	-
	i. Sector 1	-	-
	ii. Sector 2	-	-
	iii. Sector 3	-	-
2	Tier 2 Capital	392,993	436,101
3	Total qualifying capital	969,283	2,936,077

2 COPPY figures to be reported in parenthesis next to the figures for the current reporting period
3 (i)This format is subject to change in line with a change in Form M12 of the monthly returns submitted by financial institutions to the RMA. (ii) In case of sector-specific risk-weights, loans to different sectors having the same risk weight can be summed together and reported under one risk weight heading. For example, if housing and transport loans are to receive the same 150% risk weight, then loans to the two sectors may be added together and reported as part of 'Loans and Advances' under the 150% risk-weight category.

S.no.		Current Period	COPPY
4	Core CAR	2.96%	12.05%
a.	Of which CCyB (if applicable) expressed as % of RWA		
b.	Of which SCR (if applicable) expressed as % of Sectoral RWA		
	i. Sector 1		
	ii. Sector 2		
	iii. Sector 3		
5	CAR	4.72%	12.86%
6	Leverage ratio	4.83%	11.79%

Item 5: Loans and NPL by Sectoral Classification4

S.no	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	3,496	407	3,787	277
b.	Manufacturing/Industry	2,246,656	654,408	2,034,560	180,351
c.	Service & Tourism	6,596,413	2,189,856	5,489,680	322,355
d.	Trade & Commerce	3,924,136	1,123,060	3,604,138	171,726
e.	Housing	2,673,550	368,660	2,749,642	38,720
f.	Transport	742,583	164,514	629,822	45,201
g.	Loans to Purchase Securities	143,483	616	70,561	-
h.	Personal Loan	2,172,492	715,969	2,329,649	311,045
i.	Education Loan	102,416	18,646	43,393	665
j.	Loan Against Term Deposit	-	-	-	-
k.	Loans to FI(s)	-	-	-	-
l.	Infrastructure Loan	-	-	-	-
m.	Staff loan (incentive)	369,976	10,188	433,882	10,382
n.	Loans to Govt. Owned Corporation	-	-	-	-
o.	Consumer Loan (GE)	-	-	-	-

4 The sectoral classification may be subject to change as directed by RMA time to time.

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	2,101,983	1,957,260
e.	Individuals	7,031,935	6,393,671
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-
2	**Term Loans**	**-**	**-**
a.	Government	-	-
b.	Government Corporations	-	-
c.	Public Companies	-	-
d.	Private Companies	1,756,443	2,031,568
e.	Individuals	8,084,842	7,007,824
f.	Commercial Banks	-	-
g.	Non-Bank Financial Institutions	-	-

Item 10: Non performing Loans and Provisions

		Current Period	COPPY
1	**Amount of NPLs (Gross)**		
a.	Substandard	1,123,009	90,701
b.	Doubtful	903,314	87,801
c.	Loss	3,220,006	902,222
2	**Specific Provisions**		
a.	Substandard	255,490	18,785
b.	Doubtful	414,510	41,855
c.	Loss	2,747,066	734,112
3	**Interest-in-Suspense**		
a.	Substandard	75,791	3,573
b.	Doubtful	97,542	6,383
c.	Loss	472,939	168,109
4	**Net NPLS**		
a.	Substandard	791,728	68,343
b.	Doubtful	391,262	39,563
c.	Loss	-	-
5	**Gross NPLs to Gross Loans**	**27.65%**	**6.21%**
6	Net NPLs to Net loans	7.93%	1.64%
7	General Provisions		
a.	Standard	115,596	151,686
b.	Watch	27,397	34,415

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	37,790	37,790
f.	Private Companies	112,170	112,170
g.	Commercial Banks	108,614	108,614
h.	Non-Bank Financial Institutions	58,561	58,561
Less			
i.	Specific Provisions	6,950	6,950
3	Fixed Assets		
j.	Fixed Assets (Gross)	431,198	385,388
Less			
k.	Accumulated Depreciation	199,563	176,458
l.	Fixed Assets (Net Book Value)	231,635	208,930

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

	Liquid Foreign Currency Holdings (Up to one week)			Long Term Foreign Currency Holdings (More than one week)			Nu. In millions	
CURRENCY	Assets in Foreign Currenc y	Liabilitie s in Foreign Currency	Net Short Term Position	Assets in Foreign Currenc y	Liabilitie s in Foreign Currency	Long Term Net Positio n	OVERALL NET POSITIO N	Overall Net Position*/ Core Capital
	1	2	3 = 1 - 2	4	5	6 = 4 - 5	7 = 3 + 6	8
USD	1,655.00	-	1,655.00	-	-	-	114,989.400	114,989.400

10 COPPY figures to be reported in parenthesis next to the figures for the current reporting period

Item 13: Geographical Distribution of Exposures

	Domestic		India		Other	
	Current Period	COPPY	Current Period	COPPY	Current Period	COPPY
Demand deposits held with other banks	1,300,541	1,560,306	14,209	44	144,989	20,615
Time deposits held with other banks	1,295,000	1,195,000	-	-	-	-
Borrowings	4,078,597	5,323,747	-	-	-	-

Item 14: Credit Risk Exposures by collateral

S. No	Particular	Current Period	COPPY
1	Secured Loans	18,973,176	12,878,615
a.	Loans secured by physical/ real estate collateral	18,973,176	2,557,746
b.	Loans secured by financial collateral	-	20,000
c.	Loans secured by guarantees		
2	Unsecured Loans	1,999	-
3	**Total Loans**	**18,975,175**	**15,456,361**

Item 15: Earnings Ratios (%)

S. no	Ratio	Current Period	COPPY
1	Interest Income as a percentage of Average Assets11	9.36%	6.35%
2	Non-interest income as a percentage of Average Assets	7.64%	9.97%
3	Operating Profit as a percentage of Average Assets	-10.12%	3.20%
4	Return on Assets	-13.42%	4.81%
5	Business (Deposits plus advances) per employee		
6	Profit per employee	(4,633.00)	1,799.58

Item 16: Penalties imposed by the RMA in the past period

S.No	Current Period (year for which the disclosure is being made)		Corresponding period of the previous year (COPPY)	
	Reason for Penalty Imposed	Penalty Imposed	Reason for Penalty Imposed	Penalty Imposed
1	Non-reporting of Corporate Guarantee as OBS	1,000.00	-	-
2	Incomplete reporting for related Party transaction	1,000.00		

Item 17: Customer Complaints

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

11 Average Assets is the average of the total assets at the beginning and closing of a particular accounting period

Item 18: Provisioning Coverage Ratio

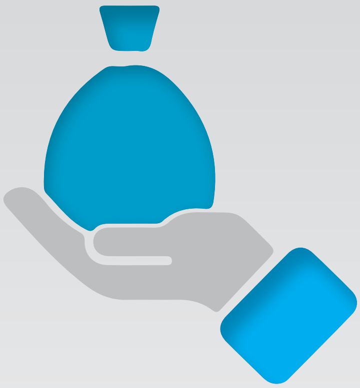
Year	Gross NPL	Additional NPL	Additional specific provisions	Additional Interest-in-suspense A/C	Required PCR (60% of Additional NPL)	Accretion to the buffer	Countercyclical provisioning buffer (Stock)
1	2	3	4	5	6= (60%* Col. 3)	7 = (6-5-4)	8
COPPY	1,080,725	494,855	444,170	95,406	296,913	(242,663)	
Current Year	5,246,330	4,165,604	2,622,313	468,207	2,499,362	(591,158)	

Item 19: Concentration of Credit and Deposits

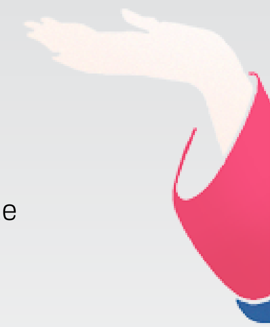
S. No	Particular	End of Current Period	COPPY
1	Total loans to 10 largest borrowers	2,765,591	2,230,217
2	As % of total Loans	14.57%	12.83%
3	Total deposits of the 10 largest depositors	-	-
4	As % of total deposits	-	-

Item 20: Exposure to 5 Largest NPL accounts

S. No	Particular	End of Current Period	COPPY
1	Five largest NPL accounts	242,541	227,213
2	As % of total NPLs	4.62%	21.02%



A BOUQUET OF CREDIT SERVICES OFFERED BY RICB



In addition to being one of the providers of insurance, RICB also offers market-driven credit facilities to the Bhutanese society for the overall economic development.

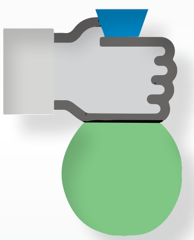
The RICB Credit department pools resources from insurance related businesses and invests through the various loan schemes.

Agriculture loan
Interest rate:
12.00%
Maximum term
5 YEARS

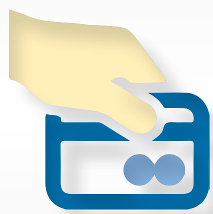
Housing Loan
(Construction & purchase of build-ing (s) /flat (s)
Interest rate:
12.00%
Maximum term
20 YEARS

Housing Loan (Renovation)
Interest rate:
12.00%
Maximum term
10 YEARS

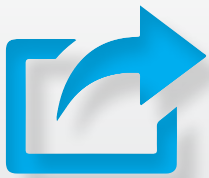
Business Term Loan
Interest rate:
12.50%
Maximum term
15 YEARS



Business Overdraft
Interest rate:
12.50%
Maximum term
1 YEAR
(renewable)



Card Loan
Interest rate:
13.50%
Maximum term
1 YEARS
(renewable)



Loan against Shares
Interest rate:
12.50%
Maximum term
10 YEARS

Contractor Revolving Credit Scheme (CRCS)
Interest rate:
13.00%
Maximum term
1 YEARS
(renewable)

Transport Loan (Commer-cial Light Vehicles)
Interest rate:
12.50%
Maximum term
5 YEARS

Industrial Term Loan (Service)

Interest rate:
12.00%

Maximum term
20 YEARS

Industrial Term Loan (Manufacturing)

Interest rate:
12.00%

Maximum term
10 YEARS

Industrial Working Capital

Interest rate:
12.00%

Maximum term
1 YEARS
(renewable)

Special Study Loan

Interest rate:
12.00%

Maximum term
5 YEARS

Transport Loan (Heavy Vehicles)

Interest rate:
12.50%

Maximum term
5 YEARS

Private Provident Fund Loan

Interest rate:
12.00%

Maximum term
5 YEARS

Personal Car Loan

Interest rate:
13.00%

Maximum term
5 YEARS