



Annual Report

2016

Banco Nacional de Comercio de Timor-Leste

Contents

1. Governing Board Letter to the Shareholder	3
2. Executive Summary	4
3. The objectives of “BNCTL, S.A.	5
4. Assumptions about the business environment in which “BNCTL, S.A.” operates	6
5. The business strategies of “BNCTL, S.A.”	10
6. The dividend policy of “BNCTL, S.A.”	11
7. ”BNCTL, S.A.”’s compliance with the law applicable to banks, including any prudential regulations, instructions and guidelines issued by the Central Bank	12
8. Review of performance against previous strategic plans and established targets	13
9. Analysis of factors likely to affect achievement of targets and create significant financial risk for “BNCTL, S.A.” or for the State of Timor-Leste	22
10. Human resources strategies and industrial relations strategies	25
11. Relationships with stakeholders and the strategies for managing these relationships	26
12. Affirmation from the Governing Board	27
13. Approval of 2016 Audited Report from External Audit	28
14. Composition of Governing Board and Management	29
15. Annexes	

1. Governing Board Letter to the Shareholder

The Board of BNCTL is pleased to submit its 2016 Annual Report of BNCTL which was elaborated on:

- i. The financial and non-financial data and information as of 31st December 2016 the summary of which is shown in Section 2 (Executive Summary) and details in Section 11 of the report.
- ii. The report also consists of the challenges, obstacles including an analysis of the Strengths, Weaknesses, Opportunities & Threats (SWOT) faced by the bank during the year which is shown in Section 12.
- iii. The bank's key objectives are those that have been stated and agreed in previous Annual Reports and is shown in Section 3
- iv. The Macro economy environment under which the bank operated during 2016 is detailed in Section 4.
- v. Action taken by the bank to address the issues relating to the economic environment is contained in the strategies that are shown in Section 5. And also in Section 11 (c) which is the Transformation Program
- vi. The details of Key achievements of the bank in terms of financial and non-financial performance in 2016 are contained in Section 11
- vii. We wish to also confirm that the Board is committed to continue transforming the bank to become a viable, successful and best practice bank that meets the needs of the people of Timor Leste and in changes for the better. The Transformation Program is designed to achieve this objective
- viii. The External audit report with regard to the operational results is indicated in Section 16. It must be mentioned that the bank has obtained an "unqualified audit opinion" from the external auditors for the past 4 consecutive years
- ix. The Transformation Program tasks outlined in Section 11 (c) will drive the way forward in terms of what the bank will initiate and continue to do. Additionally, the Short, Medium and Long-Term strategies outlined in Section 5- 8 (a), (b) and (c) will also drive the way forward.
- x. We would be happy to answer any questions, clarify any issues and provide further explanations as required that are related to this report at your convenience.

Sincerely yours,

Board of Directors

Brigido de Sousa
Chairman

Antonio F. Abrantes
Vice-Chaiman

Fausto Bernardino
Executive Director

Sergio M.S. Santo
Executive Director

Bina Goncalves
Executive Directo

2. Executive Summary

During 2016, BNCTL achieved substantial financial as well as non financial results as follows:

Financial Performance

- Total Assets increased by 14,6%
- Total Loans increased by 36.6%
- Total Deposits increased by 9.7%
- Net After Tax Profit increased by 129.6%
- Return on Average Equity to Shareholder was 7.52% (higher than any other GoTL Investment)
- Liquidity Ratio of 68.35 %- providing strong basis for continuing high loan growth
- Capital Adequacy Ratio of 33.18% (higher than the regional average)
- NPL's are a low 0.12%
- In comparison to other banks in Timor Leste BNCTL performed its intermediation role remarkably better in almost all important aspects of banking

Non-Financial Performance

- BNCTL completed its first outreach objective program by having branches in each of the 13 municipalities in in the country with additional sub branches in Dili- the only bank to be represented in all municipalities, with 13 mobile vehicle banking units servicing remote communities through district centres. These services allows BNCTL to facilitate a number of payments from government to beneficiaries such as elderly, deficiencies, subsidy to mothers, veterans and civil servants salary. In addition, BNCTL managed to execute payment to small contractors for small scale projects managed at suco and village level, effectively and efficiently.
- Additionally, 24 hour/7 days access to cash withdrawals were made available by installing ATM's in all municipalities in the country with additional sub branches. The delivery channel services has reduce pressure, queue on the branches on pay days, and clients are free to withdraw money from any ATM throughout the municipalities at any time, at their convenience and affordable fee charged.
- The advancement of communications and technology and providers enabled BNCTL to implement SMS, Mobile Devices, internet banking including Point of Sale (POS) making banking products and services further available to even remote locations. These services are to be offered when BNCTL has changed its current core banking system to a more sophisticated CBS design to meet the need of commercial bank.
- During 2016 BNCTL also implemented overseas remittances (inward and outward) enabling its customers to send and receive funds internationally. This has been made possible through cooperation with Telkomsel via Finnet, the establishment of corresponding bank with Bank Rakyat Indonesia (BRI). These services permit clients to transfer and receive money to and from their relatives reside abroad. In 2016, BNCTL started to approach the swift provider in order to be registered as a member whereby BNCTL will be exposed to international recongnized remmitance system and be able to undertake remmitance directly and be permitted to step into trade finance and international banking operations such export and import services through letter of credit and guarantee.

- In early 2016 BNCTL inaugurated a Transformation Program designed to take BNCTL to the next level of banking products and services- the key aspects and order of priority of this program involves the implementation of a new core banking system (Temenos T 24) to replace Microbanker, ITC infrastructure, Integrated Delivery Channels. Financial Management System and enhancement of Bank wide Risk Management. It is expected that some aspects of the Core banking System will be operational mid 2017.
- BNCTL also channelled salary payments for over 200,000 government officers and also benefit payments to the elderly, invalid, veterans and pensioners which has been conducted in such a way that the recipients will have the opportunity to receive their rights closer to their homes which has saved a lot of time and energy. The BNCTL facilitation on these payments has reduced significantly the fraud cases and is highly appreciated by the ministry in charge and the beneficiaries.

3. The Objectives of BNCTL S.A (BNCTL)

The objectives of BNCTL are contained in the Mission and Vision statement stated when BNCTL was given a banking license in 2011

- “The Government of Timor Leste has expressed its desire for BNCTL to become a commercially run bank that will cater for Timorese individuals, micro, small & medium enterprises interests in both urban and rural areas. This has driven the development of BNCTL's mission statement and has formed the basis for the strategy and business plans that have been developed
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- In providing micro loans, BNCTL has and will continue to adopt some aspects of the Grameen Bank’s business model taking into account the population density, terrain, culture, customs and social relationships, nature of business within the recipient communities, thereby aiming to empower both men and women in the low-income categories (Endorsed by The Council of Ministers)
- BNCTL will maintain its focus and expand on this mission throughout the business plan period (2017 to 2022) and beyond.
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- In pursuing this strategy BNCTL has now opened branches in all the municipalities of the GoTL and a few sub-branches in Dili. Further expansion of its services and coverage has been implemented through Mobile Vehicle Banks (MVB) operating from district offices to sub- municipalities and the interior regions of sub municipalities through a combination of motorcycles operating in tandem with the MVB’s. Plans are also in place to open sub branches in GOTL sub district offices that would serve the banking needs of sub district offices as well nearby BNCTL clients.
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- The advancement of technology and communications has also enabled BNCTL to commence SMS, POS banking facilities to areas not serviced by branch and MBV operations. Customers can now also access 24/ 7 to cash withdrawal that has been made possible through the implementation and operation of Automated Teller Machines (ATM’s) in all 13 municipalities and Point of Sale (POS) equipment and additional strategically located locations in the capital, Dili. BNCTL is further in the process of implementing internet banking which will enable our clients to perform a variety of banking transactions through their mobile devices and computers. Further penetration of banking into remote areas are in the process of being implemented that will enable BNCTL’s clients to perform essential banking services such as deposit and withdraw cash, apply for loans through agents to be appointed in selected remote locations.

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- BNCTL has recently also provided internal and external money transfer services through reputable intermediaries and banks that enables its customers to remit funds overseas for trade and personal expenses as well as to receive inward remittances for their families from those citizens working overseas.
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- As technology and communications advances, BNCTL will continue to design, expand and implement additional and supplementary banking services. In this regard BNCTL has commenced replacing its “Microbanker” core banking system with a more advanced and popular regional core banking system Temenos T24. This will enable the bank to expand into other more advanced commercial banking services and products for its customers and to diversify its products and services. The first stage of the new CBS is due to go live in early August 2017

4. Assumptions about the Business Environment in which BNCTL Operates.

External: In terms of the external factors 2016 was a year that experienced slow global and regional economic growth with drops in commodity prices including GoTL’s major export products of oil and gas. This general slower growth environment resulted in a substantially reduced national income for the GoTL (Government of Timor Leste) from oil and gas and a general tightening of large infrastructure expenditure. During 2016 GoTL’s economy grew by 5.4 % (3.5 % in 2015). Inflation was –0.1 % in 2016 (-0.7% in 2015). The year also saw an increase in savings by 14.2% in 2016 (7.1% in 2015). While loan growth overall was -4.3% in 2016 (+7.9% in 2015) The Current Account balance was -US\$ 523 million compared to +US\$ 238.7 million in 2015- the drop being as a result of the fall in oil and gas revenue. The country’s external debt was US\$ 30 million (US\$ 24 million in 2015).

The outcome of the US elections towards the end of 2016 added further uncertainty to the global community arising from some of the perceived “America First“ policies of the new US administration. It is also perceived that US investment overseas and AID programmes will be reduced during the years ahead in addition to re-negotiated trade agreements that are aimed to be” Free but Fair” for all concerned. Regionally the slowdown of the Chinese economy and shift of focus from export to consumption and services has also resulted in regional economies slowing down with uncertain outlook for 2017. However Chinese investment in the region has been maintained.

Internal : the projected outlook for 2017 is for little change from 2016 and a possible further slowdown. It is also expected that growth in Timor Leste will likewise experience some slowdown in economic activity. With the expected cuts in the US overseas aid programme it is expected that a number of social projects funded through aid funds may be affected. It is also expected that investment from the US to also experience some cut backs.

While donor support has been progressively reduced, GoTL has been able to obtain finance for its infrastructure financing from international lenders such as the Asian Development Bank, World Bank, International Finance Corporation, and also through bilateral loans from Japan and China.

The pace of development and growth can be considerably increased with speedy resolution of the land law, insolvency/ bankruptcy laws, mortgages and contract enforcement. The shortage of the capacity, expertise and experience in business in the private sector can result in much of the businesses being controlled and run by foreign entities or through joint ventures between overseas and local partners. Furthermore, the imminent joining of ASEAN by GoTL is likely to put pressure on competition and

pricing of products and services from within the group and this will affect the development and advancement of local entrepreneurs

In terms of the internal factors, seeing that GoTL's banking industry has been gradually evolving and is increasing pace with the rapid availability and advancement in technology and communications BNCTL has had a very promising 2016 in all aspects of its business as shown in greater detail in Section 11 of this report. Having opened branches in all 13 municipalities and a few sub branches in Dili and installed ATM machines in these locations and commenced advancing towards the provision of SMS and internet banking services.

The key aspects of the budget for 2016 and the performance in 2016 against budget are shown in Section 11.

A number of key factors that has impacted the BNCTL in 2016 are not new from the previous years. Despite of the fact, that BNCTL managed to increase the deposit mobilization but it still far behind the fund captured by foreign banks.

On the other hand, BNCTL loan portfolio steadily rises but has not reached the optimal level as expected (LDR >90%). This particularly noted in relatively small portfolio in investment and business loans (for small, medium businesses) compared to project financing and multi-purpose loan. Low rate of loan also noted in the micro-credit which serve as one of the BNCTL key pillar and niche market.

Despite of growth in BNCTL loan portfolio, BNCTL acknowledges that there are tremendous opportunities out there that the Bank has not been able to seize. There is still a gap between huge interests from Timor-Leste private sector for funding support, the capacity of private sector itself and the BNCTL resources which often seen as barriers for the parties to cooperate and conclude an agreement for mutual benefits.

From a number of difficulties the bank faced in dealing with private sector/firm who approach the bank to seek financial support, below are the key issues even constraints BNCTL frequently encounters in undertaking analysis of loan proposals:

- i. **Reliability and trusted financial reports.** Most of the financial reports are prepared by the firms themselves with limited knowledge in accounting. These reports are unaudited and frequently, the figures are not match and contain numerous inaccuracies. This fact has placed BNCTL into difficulty to fairly assess the client financial state;
- ii. **Financial capacity to invest-self-finance.** BNCTL requires that for investment loan, the owner must invest from it own finance not less than 30% of total capital expenditure. Firms/investors find this requirement to be too high. The requirement of self-financing is key to ensure the seriousness of the client in the business and to ensure how much the client own money has been put in into a project.
- iii. **Loan interest rate.** It is viewed that BNCTL's loan interest rate remained to be despite of the fact the interest rate have been brought down from 18%/pa to 8%-14%. For some cases, BNCTL had given out loan at 6%/pa. It will never

be an easy decision for BNCTL to further bring down the interest rate below 5% for a number of reasons: BNCTL is at developing and consolidation stage, it requires huge investment, it is the only bank with 13 branches in TL, the overhead cost is high. More importantly, the business enabling environment in TL is at the development stage, uncertainty is high, the absence of a number of key laws and regulations preventing any bank to offer concessional interest rate. However, naturally, the bank has to lend but it has to bear with the risks of possible default and the bank will run into difficulty in re-collection of principal + interest and often, any assets of the borrowers being pledged as guarantee cannot be repossessed to repay the borrowers obligation, simply because the required legal framework does not exist.

- iv. **The credit guarantee.** Firms hesitate to use the existing insurance to guarantee the credit from the bank for the reasons that by doing so will point them additional cost. Less consideration is given to the benefit it will enjoy if for one or another reason, they come across the situation where they fail to fulfill their obligations to the creditor. However, the hesitation may be understood as the premium against credit risk or total lost being charged by the insurance companies relatively expensive;
- v. **Legal Statue of the firm, business authorization and the necessary license.** Frequently, clients approach the bank with incomplete legal requirements. Bank has to return the proposals, follow up frequently but the response often to be extremely lengthy; This issues even worst for entrepreneurs reside in the districts as some of the license can only be obtained in Dili which often time consuming and costly;
- vi. **Business proposal and feasibility study.** Many firms intend to invest fail to present generally acceptable business proposal and subsequently, the feasibility study. On the other hand, the presentation of these two key documents serve as pre-requisites for the bank to assess a loan proposal specially for large investment and working capital proposals. The background, the objectives, methodology, the targeted market, the investment cost and expected returns, including the cash flow and relevant licenses are not defined or no where to be found in the proposals. Without these data, it its almost impossible for the bank to undertake thoroughly study on any proposals and consider to finance the project/business in question.
- vii. **Uncertainty on land ownership in the absence of land law.** Often, BNCTL finds out from proper authority that the lands being offered as additional collateral are under dispute despite of the fact the clients has all the documentation such as land trading papers signed by local authorities, and notification is issued by National Directorate of Land and Property with drawing and confirmation of ownership. This document was issued by proper authority through the program” Ita Nia Rai” supported by USAID. This fact will discourage the bank to accept the land as a pledged guarantee. Even so, BNCTL often accept the documents on hand but it requires back and forward communication with proper authorities to confirm the land ownership. This

practice is time consuming and costly. Eventually, the borrowers will have to pay these additional costs.

- viii. **Absence of Contract:** For project finance, on numerous occasions, contractors approach the bank and seeking for finance without proper contract but rather present order to work. Order to work as per the BNCTL loan guideline, cannot be accepted. It was often complained that the finalization of a proper contract takes too long. As results, so many contractors who in dreadful need of working capitals to start execute the project will turn to individual lenders with huge interest. This situation certainly far from ideal as the contractors prevented to enjoy finance from bank with reasonable interest and the bank itself, will miss the business opportunity;

- ix. **Change of the bank account** – it was noted a number of times, that contractor accounts with BNCTL which was clearly identified in a contract gets changed to other banks, when progress payment is made without BNCTL knowledge. On the other hand, BNCTL has provided project finance based on the contract. This practice may put BNCTL into risk for not being able to recollect the loans as the payment is coursed through other banks; There is a need to have a close coordination between relevant ministries/departments to discontinue this practice and prevent banks from lost.

- x. **BNCTL own resource:** Lastly but not the least, BNCTL own capacity, to be honest remained to be limited. This includes funding and human capacity. Most of BNCTL source funding is short, maturity wise. Naturally, in a bank asset and liability management, basic principle applies. Bank will extra careful to invest in long- term investment using funding with very short maturity. The risk of financial gap may emerge at any point of time which could lead to disaster of bank insolvency. The strategy to overcome this is to lend for a short term (2-3 years) at extremely prudential approach. In the long run, the strengthening of BNCTL funding basis in term deposit and the injection of capital from the shareholder. The latter will equip BNCTL with solid funding, bring up BNCTL capital adequacy ratio (CAR) and permits BNCTL to finance any type of productive and transformative business at greater amount (BCTL rule on large exposure credit: $\leq 25\%$ of BNCTL capital).

On the other side as a five years old bank, BNCTL is at development stage. This include the strengthening of the capacity of its staff even up to the management level by allocating significant resource for training in key banking areas. Ultimately, with the improved skill and knowledge of the staff, the change of BNCTL core banking system, plus simplification of the processes, BNCTL should able to be more responsive and meeting clients needs. Our desire is to become a key agent of the development towards a strong, solid, and competitive private sector of Timor-Leste.

5 Business Strategies of BNCTL

The Business Strategies of BNCTL which also include the required investment and financing programs and business initiatives (client facing and internal) can be divided into the following and are included in the Transformation Program:

(a) Short Term Strategies (2018 to 2019)

- a. Mobilization of deposits and creation of new deposit products and enhancements to existing products
- b. IT Infrastructure and core banking system enhancement/ replacement. National Switch
- c. Credit expansion of 30-35% targeting commercial loans, Project, Investment and Housing loans with targeted sector are agriculture, manufacturing, small and medium industries and tourism related business such as accommodation and handicrafts and consumptive loans for vehicle and home appliances acquisitions.
- d. Delivery channels: ATM, internet banking, POS, mobile phone banking
- e. Strengthening of risk management and internal controls
- f. Capacity building, training & skills development/enhancement
- g. International banking: import and export related trade finance and remittances and Credit Card cooperation with bank(s) overseas
- h. Office infrastructure – building of 4 new branches each year costing US\$ 700,000 each plus 5 new sub branches in Dili and one in Suai costing US\$ 1.2 million including the rehabilitation of the existing Head Office
- i. Complete arrangements for construction of the new Head Office which is to be constructed gradually with BNCTL own resources or government support.
- j. Continue to enhance and develop new loan and deposit products and mobile and internet banking services using mobile devices, computers and agents

(b) Medium Term Strategies (2019 to 2020)

- a. Further Strengthening and expanding of the above short term strategies and initiatives
- b. Building 4 new branches each year costing US\$ 700,000 each
Emphasis on investment loans for transformative industry, economic growth and job creation with sector to be focused are agriculture, medium industries and manufacturing;
- c. Strengthening of bank management and conduct according to international best practice and independency norms;
- d. Building new and modest Head Office phase one costing about US\$ 4.0 million (total cost estimated to be about US\$ 12 million)
- e. Kick off arrangements direct with VISA/ Mastercard.

(c) Long Term Strategies (2021 to 2022 and beyond)

- a. Become a front line of banking services in Timor-Leste in terms of banking services, deposits, loans and assets (\$500 million – 1 billion).
- b. Involvement in Derivative transactions and foreign exchange, retail and non-retail
- c. Knowledge centre in retail banking
- d. Go international- possible overseas representation and participation in loan syndications

- e. Issue “back to back” guarantees to international firms tendering for work in GoTL

(d) Key Financial Projections (2017 to 2022)

BNCTL has made its 2017 projections based on the results of 2016 combined with the outstanding initiatives rolled over from 2016 and 2015 and most importantly taking into consideration the implementation of initiatives arising from the Transformation Program referred to above.

The Transformation Program also includes initiatives in process or carried over from 2016 and before. The projections have been made on a conservative basis with ability for BNCTL to generate higher loan and deposit growth as the numbers and ratios progressing up to 2022 signal the opportunity for BNCTL to be able to grow its loans and deposits strongly. In loans, the areas of high growth are likely to be in infrastructure financing, housing finance for owner occupation as well as for investment although the initial focus will be for owner occupied housing finance. Likewise, high value Project Loans would also be considered as the legal and regulatory environment enables collateralised and secured lending with laws in place to clarify and determine ownership rights, mortgagee rights and general contract enforcement.

It is expected that these legal and regulatory hurdles will be cleared by the end of 2018 clearing the way to a substantial growth of high value collateralised investment and project financing as well business loan for working capital for small-medium ventures in key sectors most needed by the country to ensure sustainable economic growth and development.

A separate report contains the detailed Strategy, Business Plan and Financial Projections for the period 2018 to 2022. The Budget for 2017 is already included in the 2016 Annual Report section

6. Dividend Policy

In 2016, BNCTL recorded net profit of \$2,167, 893 which is 43.5% higher than 2015.

According to decree law 3/2011 establishing BNCTL, article 30 (1), the annual net profit once approved shall be applied as follows:

- 25% for the establishment of, or reintegration to legal reserve;
- The remaining of 75% allocation should be decided by general assembly following a proposal from the Governing board

So far GoTL as the shareholder has opted to retain accumulated profits in BNCTL but has the option of distributing or re allocating or withdrawing such retained earnings at any time in part or in full.

Taking that into account, the governing board proposes to the general assembly the allocation of 75% of the net profit into the retained earnings to strengthen the BNCTL capital base for loan expansion and the liquidity of the bank and accordingly, no dividend to be paid to the shareholder.

7 Legal, Regulatory & Prudential Compliance

BNCTL has a proactive and long-established Risk Management Committee (RMC) that now also includes the Compliance function and meets once a month to review the quantitative and qualitative risks facing the bank. These risks consist of Credit Risk, Currency & Market (FX) Risk, Interest Rate Risk, Liquidity Risk and all types of Operational risk (that includes Compliance, Legal, Reputation, IT and Cyber Security Risk, Strategic Risk).

The Compliance function was previously performed by the Internal Audit Department, but is now part of the Risk Management & Compliance Department. This department supports the activities of the Risk Management Committee and has one unit focussing on Risk Management while another unit focuses on compliance. Compliance in this case includes external compliance with the laws of GoTL, the key laws include the laws governing Commercial Companies, The Decree Law governing the operations of BNCTL, BCTL laws, regulations, directives and guidelines. In terms of internal compliance these include BNCTL's policies, procedures, limits and delegated authorities.

The Risk Management & Compliance Department will report any and all breaches of internal and external compliance violations to the RMC. Additionally, the Internal Audit Department of BNCTL also reviews compliance during their annual audits of branches and Head Office departments.

The role, dedication, and actions taken by the Audit Committee has been instrumental in ensuring that the conduct of the bank in general is in accordance with the laws, regulations, guidelines. The AC by its own initiative and plan or at the request of the Board of Directors identified a number of irregularities and immediately undertook investigations, collecting evidences, analyse and offer recommendations to the Board for further actions/decision within its authority.

The AC has also working very closely with the internal audit, provided guidance and developed plans which serves as the basis for the internal audit department to perform its duties which close supervision from the AC and support from a renown audit firm.

The firm provided the hands-on training, develop audit guidelines, procedures, assess the capacity of the internal audit which served as reference in strengthening the capacity of the audit department.

The Central Bank has initiated Anti Money Laundering and Financing of Terror policies and regulations. BNCTL has been diligent in adhering to and enforcing these requirements as it is now included as an international standard.

The Risk Management Department in conjunction with the Internal Audit Department has initiated the now widely accepted international standard of Risk Based Audit (RBA). This means that the Internal Audit Department when auditing branches and Head Office departments will focus not only on the financial and compliance audit but also on the risks associated with the operations of branches and Head Office departments. It is expected that RBA would be fully operational by early 2018 throughout BNCTL. The bank's Risk Management Report with relevant commentaries and graphs as at 31st December 2016 is attached as **Annex X**.

BNCTL adopted zero tolerance to frauds and wrongdoings. Since its inception BNCTL has sanctioned ranging from disciplinary measures up to dismissal a number of staff members and managers who were proven to committed frauds in any ways. The Bank takes full responsibility of the safety of the clients funds being entrusted in

BNCTL to safeguard. A number of cases are in litigation process to ensure that those who committed frauds will be sufficiently punished.

8 Review of 2016 Performance against previous strategic plans and established targets

(a) 2016 Consolidated Financial Performance

The following tables show BNCTL's key financial performance numbers for 2016 against those of 2015 and also against the 2016 Budget and the variance against budget and pertinent comments and observations. It also includes the Budget for 2017 that has been approved by the bank's Board of Directors (BOD)

- **Total Assets Growth**

Account Titles (All amounts in US\$)	Actual Vs Budget for 2016		Projections 2017				
	Consolidated Dec 2015	Consolidated Dec 2016	% change 2016 on 2015	PROJECTIONS 2016	Var Amount	Var %	2017 /2016 Act
	Amounts (Audited)	Amounts (Audited)	Amounts	Amounts	Amounts		Amounts Vari % (amts)
ASSETS:							
LIQUID FUNDS	68,986,348	\$ 68,568,325	0.61	46,380,373	\$ 22,187,952		68,225,945 -0.50
LOAN,ADVANCES & DISCOUNTS	44,346,738	\$ 60,441,721	36.29				80,277,274 32.82
CURRENT LOAN	44,231,188	\$ 60,421,900	36.60	66,000,000	-\$ 5,578,100	-9.23	80,277,168 32.86
PAST DUE LOANS	188,947	\$ 64,001	66.13				31,193 -51.26
FIXED ASSETS	1,311,015	\$ 1,715,865	30.88				8,532,988 397.30
OTHER ASSETS	1,035,075	\$ 1,891,006	82.69				922,572 -51.21
Total Assets :	115,961,248	\$ 132,876,169	14.59	125,032,500			158,195,861 19.06

Table 1- Key Asset items 2015, 2016 actuals & variation %, budget & 2017 projections

Liquid Funds

Liquid funds are quite high whereby such funds are idle/ earning very low rates of interest, the Liquidity/ Total assets ratio is a high 51.6% in 2016 (59.49% in 2015), the usual ratio that needs to be kept is around 30% (of total assets). However, 15% of Total Assets must be kept with BNCTL as a liquidity reserve, plus the bank keeps 20% of its total assets in cash in branch vaults to meet customers cash requirements. Hence there is potential for BNCTL to increase its lending to utilize the excess and residual portion of liquidity, especially given that the bank's NPL's are a low 0.12%. The shareholders added US\$ 5.0 million of equity in 2016 that has contributed to the excess liquidity. BNCTL plans to increase its loan growth to between 30 to 35% p.a from 2018 to utilize this excess liquidity

Current Loans & NPL's

Total assets have increased by 14.59% from 2015. Mostly due to the increase in loans by over 36% with marginal drop in the bank's liquid assets which stands at a healthy amount of over US\$ 68 million. Loan growth was short of the 2016 budget by about US\$ 2.0 million as the legal situation relating to land ownership and mortgages did not permit BNCTL to implement its Housing Loan financing program.

One of the key developments was the drastic reduction of non-performing loans by 66% compared to 2015, showing disciplined collection and continuing good and

prudent lending policies whereby Non-Performing Loans (NPL's) to total loans was 0.12% in 2016 (0.53% in 2015) – substantially lower than the < 5% ceiling considered by regional and international banks. The Weighted Average Interest Rate (WAIR) obtained from Loans was 11.25% in 2016 (13.38% in 2015). The bank continued to reduce its interest rate to borrowers in 2016.

The increase in loans is also due to new loan products introduced such as Investment Loans and Project Loans. BNCTL has decided to selectively grant Market Vendor loans due to the high risk of default as a result of the mobility of these categories of borrowers'. Loan related ratios show a mixed performance.

The Loan to Deposit Ratio (LDR) was 62.21% in 2016 (38.2% in 2015) while some improvement has been seen this is well short of the regional and international benchmark of around 80 to 90%. Loans to total assets are about 45.48% (38.2% in 2015) this again highlights the opportunity for the bank to increase the pace of its existing loan portfolios and develop new loan products such as Housing Loans, and substantially increase Project Loans, Investment Loans and Agricultural and Livestock re-habilitation loans.

In terms of composition, 50% of loans were Payroll Loans, 30% Project Loans, ad 13 % of Business Loans, 2 % of Investment Loans and 1.6 % of Seasonal Crop loans. Average Loan sizes were \$ 3,349 for total loans, \$ 296 for Microfinance Loans, \$ 2,916 for Business Loans, \$1,478 for Payroll Loans, \$ 646 for Seasonal Crop Loans, \$ 252,472 for Project Loans, \$8,021 for Investment Loans, \$9,302 for Staff Loans, while the average size of NPL's was \$ 121.

Fixed Assets

Fixed Assets which are still quite low because until now BNCTL does not own its bank offices. However, this is set to change as the bank embarks on a program to build its own branches and a new Head Office rather than renting and renovating office premises. However, with the rapidly expanding communications and mobile banking technology the modern trend is for banks regionally and globally to reduce investment in building elaborate and prestigious brick and mortar branches and move towards branchless banking driven by advancements in telecommunications and mobile technology.

In 2017 the bank will also implement a new and widely used Core Banking System (CBS) (Temenos T 24) to replace the MB Win/ Microbanker system that had served BNCTL well starting from its IMfTL era. The replacement of the CBS while also adding to the asset values will also greatly enable the bank to increase its banking products, services. Total asset growth has exceeded both 2015 actuals as well as the 2016 budget mainly due to the substantial increase in loan growth. BNCTL plans to build 4 branches a year costing about US\$ 700,000 each plus 5 new sub branches in Dili and one in Suai costing US\$ 1.2 million in total including the rehabilitation of the existing Head Office starting in 2017 and also completing arrangements and planning, design of a new Head Office building. It is estimated that the new but modest Head Office building would cost about US\$ 12 million and would be financed entirely or partly by the shareholder through an injection of additional capital.

- **Total Liability & Capital Account Growth**

Account Titles	Consolidated Dec 2015	Consolidated Dec 2016	% Var 2016 on 2015	Actual Vs Budget for 2016			Projections 2017	
				PROJECTIONS 2016	Var Amount	Var %	2017 /2016 Actu	
(All amounts in US\$)	Amounts (Audited)	Amounts (Audited)	Amounts	Amounts			Amounts	Vari % (amts)
LIABILITIES :								
DEPOSITS	88,613,356	\$ 97,233,792	9.73	93,266,125	3,967,667	4.08	118,140,000	21.50
Demand Deposit:	29,342,523	\$ 28,031,736	- 4.47	35,000,000	- 6,968,264	-24.86	36,700,000	30.92
Time Deposits (Others)	2,395,206	\$ 2,740,595	14.42	2,500,000	240,595	8.78	3,640,000	32.82
Other (Passbook Saving):	56,875,627	\$ 66,461,460	16.85	52,090,000	14,371,460	21.62	77,800,000	17.06
Others	45,895,467	\$ 46,456,239	1.22				76,000,000	63.59
Other Sundry Current Liabilities	1,209,641	\$ 2,011,061	66.25	3,266,125			2,742,926	36.39
CAPITAL ACCOUNTS :	25,059,606	\$ 32,551,527	29.90	32,644,723			37,312,934	14.63
Capital Paid-Up & Assigned	20,020,160	\$ 25,020,160	24.97				27,522,176	10.00
Profits / Losses	4,151,187	\$ 6,319,080	52.22				8,397,466	32.89
Previous Financial Year	3,206,780	\$ 4,151,187	29.45				5,201,844	25.31
Current Financial Year	944,407	\$ 2,167,893	129.55				3,195,621	47.41
Total Liabilities & Capital Accounts :	115,961,248	\$ 132,876,169	14.59	125,273,945			158,195,861	19.06

Table 2- Key Liability & Capital items 2015, 2016 actuals & variation %, budget & 2017 projections

Deposits

Total Deposits have grown strongly against both the 2015 actuals and those of the budget for 2016. As customers become more “bank- savvy” they have opted to save their monies in savings and time deposits rather than keeping large amounts in Demand or Current accounts, consequently demand deposit growth is marginally lower than both 2015 actuals and the 2016 budget.

Strong growth continues in Savings and Time Deposit products and also in the recently (2015) implemented savings products such as “Pledged Savings” accounts which are savings accounts for children built up usually by their parents, relatives and “pocket money” until they reached 17 years old. Essentially such savings are designed to provide some or all financing for the education of these child depositors.

The “Elderly Savings” accounts started in 2015 are essentially designed for retired and elderly citizens and those receiving state and Indonesian government benefits. Both these segments have shown strong growth since their implementation in 2015 with 76% and 83 % growth experienced in 2016 over 2015 actuals. Likewise the “Deposito Hau Nia Fururu” has shown strong growth since its introduction in 2015

The Weighted Average Interest Rate (WAIR) paid to depositors was 0.25% in 2016 (0.23% in 2015) showing low interest expense costs. In terms of composition of Total deposits 68.3% were Passbook Savings, 28.8% Demand Deposits, and 2.8% for Time Deposits. Average size of deposits were as follows: Overall size was \$ 381, \$ 103 for Demand Deposits, \$ 4,766 for Time Deposits and \$ 265 for Savings accounts. In terms of number of deposit accounts 98.3% were Passbook Savings Accounts, 1.4% were Demand Deposits and 0.2% of Time Deposits.

Equity

The shareholders funds or equity has shown an almost 30% increase above the 2015 actuals but is about the same as budgeted for 2016. The shareholder (GoTL) injected additional capital of US\$ 5.0 million during 2016. Paid up Capital is now US\$ US\$ 25,020,160 and retained earnings at a healthy US\$ 6.319.080. Total Liabilities and Capital has increased by 14.59 % since 2015. The Return on Equity (ROE) to the shareholder was 7.52 % in 2016 (3.84% in 2015). GoTL's investment in BNCTL has shown that it exceeds other investments of GoTL including its rate of return on investment in the Petroleum Fund.

• Income Performance

INCOME :	Dec 2015	Dec 2016	2015/16	Actual Vs Budget for 2016			Projections 2017	
	(Audited)	(Audited)		PROJECTIONS	Var Amount	Var %	Amounts (US\$)	Var % over 2016
(All amounts in US\$)	Amounts	Amounts	Var %					
INTEREST INCOME	5,575,683	7,848,017	40.75	7,210,247	637,770	8.85	11,593,816	47.73
Interest Income on Loans	4,786,220	6,800,208	42.08				8,414,589	23.74
Loan Fee Income	672,455	889,775	32.32	1,121,403	- 231,628	- 20.66	2,803,811.18	215.11
NON INTEREST INCOME	851,829	1,431,974	68.11	1,049,000	382,974	36.51	1,629,678	13.81
TOTAL OPERATING INCOME :	6,432,598	9,279,991	44.27	9,380,650	- 100,659	- 1.07	14,243,494	53.49

Table 3- Key Income items 2015, 2016 actuals & variation %, budget & 2017 projections

Total Operating Income has increased by 44.27 % in 2016 over 2015 and also against the 2016 budget mainly due to the strong growth of both loans and deposits during 2016, this trend is expected to continue into 2017 and beyond, with fee based income continuing to increase as the bank continues to grow its internet and technology driven mobile banking and other fee based services such as ATM's and international banking related products. The capacity for BNCTL to increase its loan growth substantially given its current excess liquidity will further increase both interest and fee income.

- **Expenses Performance**

EXPENSE :	Dec 2015	Dec 16	2015/16 Var %	Actual Vs Budget for 2016			Projections 2017	
	(Audited)	(Audited)		PROJECTIONS	Var Amount	Var %	Amounts (US\$)	Variation %
(All amounts in US\$)	Amounts	Amounts						
INTEREST EXPENSE	175,030	231,833	32.45				395,360	70.54
NON INTEREST EXPENSE	9,770	67,082	586.60				40,550	39.55
OPERATING EXPENSE	5,700,733	6,381,020	11.93				7,185,227	12.60
Salaries and Employee Benefits	2,645,180	2,960,699	11.93				3,616,500	22.15
OTHER ADMINISTRATIVE EXPENSE	880,526	946,585	7.50				834,800	11.81
Other Operating Expense	653,505	1,113,117	70.33				1,584,563	42.35
TOTAL OPERATING EXPENSES :	5,383,257	6,773,036	25.82	8,189,043	- 1,416,007	- 17.29	10,670,125	57.54
NET INCOME (LOSS) BEFORE TAX :	1,049,341	2,506,955	138.91	1,191,607	1,315,348	110.38	3,573,369	42.54
PROVISION FOR INCOME TAX :	- 79,060	- 271,461	243.36	94,807	- 366,268	- 386.33	377,748	239.15
Deferred Income Tax (expense)	- 25,874	- 67,600						
NET INCOME (LOSS) AFTER TAX :	944,407	2,167,893	129.55	1,096,800	1,071,093	97.66	3,195,621	47.41

Table 4- Key Expense items 2015, 2016 actuals & variation %, budget & 2017 projections

Operating Expenses

Total operating expenses have increased by 25.82 % during 2016 over that of 2015 as the growth in business activity as seen in the substantial increase in loan and deposit growth and expenses relating to increased staffing, expenditure related to developing communications and internet based products, costs relating to implementation and installation of ATM's in each of the 13 municipalities and selected ATM's in Dili together with the renovation and building maintenance costs of the bank's existing Head Office and Dili branch. Total employee costs (including Executive Directors) represent 48% of total operating costs in 2016 (57.92% in 2015). Taxation has also increased substantially from 10% of net profit in 2015 to 13.5% in 2016 which is a consequence of the large increase in operating profit.

Consequently, taxation has increased by 243.36% in 2016 compared to 2015. Interest Expense has increased as a result of the substantial increase in deposits. Furthermore, the Cost to Income Ratio is a high 72.98% in 2016 (83.68 % in 2015).

Banks usually maintain this ratio at around 60%. However, given that BNCTL is still in the process of re-inventing, developing and expanding its products, services and customer base, these high ratios are only seen as part of the development process and should progressively come down and stabilize in a few years time.

Profit & Loss

The bank increased its net after tax profit by 129.56 % in 2016 compared to 2015 due to the increased revenue from loan and fee income, the Net Interest Margin (NIM) at 11.02% in 2016 (13.38% in 2015) is generally regarded has been considered as being too high given that the regional average for banks is < 6%. The lower than external US\$ market costs of deposits and the relatively moderate lending costs have increased the NIM.

It however has to be remembered that presently with there being no effective and widely operating Land Law, Bankruptcy law, enforcement of legal ownership rights and collateral recovery to support secured lending there is relative high risk for banks that lend money that is effectively unsecured. For this reason the high NIM may be justified. However, as the legal shortcomings mentioned are resolved in in 2017 and 2018 and the risks of collateralised lending become substantially reduced, the NIM will progressively become less, as loan interest rates come down.

Key Financial Ratios:

KEY FINANCIAL RATIOS	BNCTL		REGIONAL BENCHMARK	COMMENTS
	2015	2016		
RETURN ON AVERAGE ASSETS (ROA)	0.91%	1.74%	Around 4%	Potential to grow progressively
RETURN ON AVERAGE EQUITY (ROE)	3.84%	7.52%	Around 15%	Potential to grow progressively
LOAN TO DEPOSITS (LDR)	50%	62%	80- 90 %	Should achieve in short term
LIQUID FUNDS TO TOTAL ASSETS	59.49%	51.60%	Around 30%	Should convert excess to loans
TOTAL LOANS TO TOTAL ASSETS	38.20%	45.48%	Around 60%	Should achieve in short term
FIXED ASSETS TO TOTAL ASSETS	1.13%	1.29%	Around 5%	New CBS and Buildings will increase this
INTEREST INCOME TO TOTAL INCOME	86.60%	84.57%	Around 70%	Fee based income can grow substantially
COST TO INCOME	83.68%	72.98%	< 60 %	Should progressively reduce
EMPLOYEE COSTS TO TOTAL COSTS	57.92%	48,00 %	Around 50%	Can be reduced
NPL's TO TOTAL LOANS	0.53%	0.12%	< 5%	Good credit management & collection
WAIR ON LOANS (WEIGHTED)	13.61%	12.98%	Varies by country	Potential to reduce rates progressively
WAIR ON DEPOSITS (WEIGHTED)	0.23%	0.25%	Varies by country	Potential to increase rates progressively
NET INTEREST MARGIN (NIM)	13.38%	12.73%	Around 4-6%	Progressively will come down

Table 5- Financial Ratios 2015, 2016

(b) Branch Key Financial Performance

Profit:

Account Titles	Dili Main	Gleno	Maliana	Alieu	Oe-cusse	Baucau	Same	Ainaro	Suai	Viqueque	Lospalos	Liquica	Manatuto	Consolidated
	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts
Profits / Losses	10,165,017	1,161,513	1,299,858	872,120	747,263	818,921	810,842	700,763	579,265	357,952	388,523	372,207	292,407	6,283,532
Previous Financial Year (2015)	6,665,139	962,646	1,105,591	723,599	626,111	684,331	692,262	554,249	418,796	249,398	305,370	262,324	170,477	4,151,187
Current Financial Year (2016)	3,499,878	198,866	194,267	148,521	121,152	134,591	118,581	146,514	160,470	108,554	83,153	109,883	121,930	2,132,346

Table 6- Key Branch Net After Tax Profits 2015 & 2016 & Retained Earnings

All branches were profitable during 2016, with the Top 5 branches contributed 81% of the bank's total net after tax profit led by Dili, with 68%, Gleno 3.8%, Maliana 3.7%, Suai 3.1 and Alieu 2.8%. Head Office being a cost centre incurred expense of \$ 3,014,000. There has been no cost allocation of Head office costs to branches as the bank has not yet developed a full and complete Profitability Measurement and Transfer Pricing methodology-this is planned for 2017/2018

Loans

Account Titles	Dili Main	Gleno	Maliana	Aileu	Oe-cusse	Baucau	Same	Ainaro	Suai	Viqueque	Lospalos	Liquica	Manatuto	Consolidated
	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts	Amounts
LOANADV. & DISC.	34,532,068	2,309,751	2,865,706	2,146,683	2,020,637	2,439,655	1,906,011	2,085,595	1,940,070	2,086,251	1,908,514	2,133,344	2,064,237	60,438,521
CURRENT LOAN	34,526,914	2,307,974	2,865,706	2,146,683	2,020,637	2,439,269	1,906,011	2,085,595	1,939,131	2,086,251	1,908,514	2,124,978	2,064,237	60,421,900
Market Vendor Daily L.	-	-	-	-	167	-	-	-	-	-	-	-	-	167
Seasonal Crop Loans	-	224,908	59,013	116,902	31,700	82,789	63,341	122,700	58,900	44,520	55,750	96,930	50,720	1,008,174
Other Business Loans	1,992,916	383,805	838,006	452,222	559,122	597,485	382,870	433,915	426,539	589,833	458,025	539,441	456,721	8,110,900
Project Loan	17,464,864	-	40,000	-	49,098	100,000	44,300	60,000	-	65,000	120,000	79,800	-	18,023,061
Investment Loans	1,084,893	82,800	-	7,800	-	-	-	25,738	98,286	-	-	-	-	1,299,516
Microfinance Group L.	107,882	32,232	3,702	16,342	15,866	6,244	36,516	18,541	35,837	7,796	20,215	16,221	9,673	327,067
Payroll Loans	13,159,769	1,500,721	1,841,559	1,487,961	1,286,726	1,574,154	1,342,137	1,317,163	1,295,205	1,312,956	1,173,147	1,314,505	1,456,325	30,062,328
Loans to Empl. & Staff	716,591	83,508	83,425	65,456	77,959	78,597	36,847	107,538	24,365	66,145	81,377	78,081	90,798	1,590,687
PASTDUE LOANS	22,328	11,937	3,551	0	-	514	-	-	7,934	-	-	17,738	-	64,001
PROV. FOR L. LOSSES	(17,173)	(10,160)	(3,551)	(0)	-	(129)	-	-	(6,994)	-	-	(9,372)	-	(47,380)

Table 7- Key Branch Loans amounts Dec 2016

In terms of loan values the Top 5 branches contributed 73% of the bank's loan portfolios as follows: Dili 57%, Maliana 4.7%, Baucau 4%, Gleno 3.8%, and Aileu 3.5%.

In terms of values of products in each of these branches loan portfolios:

Dili had: 50% in Payroll Loans, 38% of Project Loans, 3% of Investment Loans

Maliana had: 64% in Payroll Loans, 16% of Business Loans, 3% of Staff Loans, 2% of Seasonal Crop Loans

(c) Non-Financial Performance- Transformation Program

In early 2015 with the sponsorship of the ADB an external consultant was appointed to co-ordinate and drive BNCTL's internal and external facing initiatives. Most of the non-financial performance items are covered under the Transformation Program

The key tasks and responsibilities of the Transformation Consultant who started in early 2016 were stated as follows as follows:

- Establish a Transformation Program (TP):
 - Establish a banking transformation program (done)
 - Recruit and appoint a TP Director (done)
 - Establish a TP Division (done)
 - Establish a change management unit (included in TM Division)
- New Head Office Building (design complete start building 2018)
- Branch Refurbishment (continue existing and planned initiatives)
- ICT Infrastructure (to be done after appointment of ADB IT consultant)
- New Core banking System (CBS):
 - Review existing loan products and activities of Microbanker (done)
 - Investigate Housing Loans inclusion (in progress)
 - Investigating new loans and deposit products (in progress)
 - Upgrade existing Core Banking System (CBS) (new Temenos T24 system)

- Separate Lending & Credit Units (to enhance /restructure existing units)
- Establish Relationship Banking Unit (to be done in August 2017)
- Establish Business Development Unit (in discussion- not yet done)
- Establish a Marketing Unit (in discussion- not yet done)
- Establish a Credit Unit (to enhance/ restructure existing units)
- Establish a Recovery Unit (to restructure existing functions)
- Go live of CBS- first stage in August 2017
- Integrated Delivery Channels:
 - Design and acquire an integrated platform for Delivery Channels (acquired)
 - Establish a Delivery Channels unit (dedicated unit established)
- Financial Management System (FMS):
 - Develop comprehensive Annual Business Plan (Budget 2017 & beyond being prepared)
 - Implement continuous Business Planning cycle (BCP done for IT not yet for others)
 - Appoint Managers for: Treasury, Finance, International Banking (exists for each)
 - Prepare specification for FMS (In progress. Greatly enhance once ERP is integrated)
 - Review all of Banks 'Chart of Accounts (done and in CBS)
 - Produce Daily Management report (not yet done- tender is out)
 - Produce End of Month Management report (existing Risk and Management reports need enhancement)
 - Prepare a comprehensive spread sheet Budget Model (being developed)
 - Establish a treasury Unit (already exists)
 - Establish a ALM Committee (exists part of Risk Management Committee as per BCTL directives)
 - Make preparations to support an International Unit (established in 2017)
- Enterprise Risk Management Unit (RMU):
 - Appoint Manager for Risk Management & Compliance (in place since 2012)
 - Review & Strengthen Risk Management Unit (to be enhancement in 2017)
 - Review & strengthen Compliance Function (now part of RMU starting 2017)
 - Review & Strengthen Internal Audit Function (Risk Based Audit to be implemented in 2017/2018)
- New CBS Software:
 - T24 MCB of Temenos (being implemented- stage one due Aug 2017)
- Introducing New Products & Services:
 - New Loan and Deposit Products (6 credit and 2 savings products currently being tested in CBS)
- Organisational Development:
 - New Organisational & Functional Structure (to be done by HR Consultant)

- Human Resources recruitment, skills development and training:
 - Continue with Bank Officer training at LPPI (ongoing to include short on the job attachment following formal training)
 - Deliver regular general staff development courses (still being implemented)
- Others:
 - Establish a Corporate Services & Legal Division (Legal unit done, other to be done in 2017/2018)

See details in [Annex 4](#)

(d) Risk Management & Compliance

The bank's Risk Management Department has been re configured to now also include the Compliance function. Most banks have a Risk Management & Compliance Department with one division handling Risk Management and the other division handling Compliance. The compliance function includes both external legal and regulatory (including BCTL) compliance as well as internal compliance with BNCTL's policies, procedures, limits and delegated authorities. As Operational Risk usually also includes compliance risk, the amalgamation of the risk and compliance function under one department is a logical and widely adopted model.

The Risk Management & Compliance function provides all of the reporting and support for the bank's Board Risk Management Committee (RMC). This committee in addition to overseeing the total bank wide risk now also oversees the bank wide compliance function. The Risk Management & Compliance department reports functionally to the RMC but organisationally to one of the Executive Director's who is not on the RMC.

The Risk Management Department measures and quantifies the bank's Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk, Credit Risk and all aspects of Operational Risk and produces a comprehensive report at the end of each month that is reviewed by the RMC that also includes the key financial and performance ratios as shown in Section 11 of the report and also specific risk related ratios.

RISK MEASUREMENT COMPONENTS			COMMENTS
(ALL NUMBERS IN %)	2015	2016	COMMENTS- REGIONAL BENCHMARK MAX RISK LIMIT < 25 % of Equity
CREDIT RISK	3.72	3.86	
INTEREST RATE RISK	3.38	2.99	
LIQUIDITY RISK	-	-	Excess Liquidity and as such no liquidity risk
FX & MARKET RISK	-	-	No Foreign Exchange Assets or Liabilities
OPERATIONAL RISK	3.54	3.29	Based on Basel II formula
TOTAL RISK/ SHAREHOLDERS FUNDS (%)	10.63	10.13	RMC needs to increase Risk limit or reduce risk
TOTAL SHAREHOLDER FUNDS %	25,060	32,551	
INTERNAL TOTAL RISK LIMIT / EQUITY(%)	10.00	10.00	Maximum Risk Limit may need to be increased or risk reduced

Table 8- Risk Measurement components 2015, 2016

(e) Correspondent Banking Relations

The bank has established some correspondence relations with banks overseas and has promoted inward and outward trade and non-trade related transactions through such banks, including the conformation of BNCTL’s Letters of Credit as well as providing BNCTL’s customers with international Visa and Master cards.

A new International Banking Department has been created to handle all inward and outward trade and non-trade related international transactions and has been fully in charged of managing relationship with other banks, undertake preparations and obtained the membership in the swift and prepared guidance for remittances and supervisory. The staff of international banking department attended key training in the area as well as participated in seminar/workshop in trade finance in Singapore, Indonesia and Fiji.

9. Analysis of factors likely to affect achievement of targets and create significant financial risk for BNCTL or for the State of Timor Leste

Factors likely to impact achievement of national initiatives by GoTL

External factors that are likely to affect GoTL in 2017 are stated in section 4 of this report. As far as internal factors are concerned the completion of the cadastral plan, the successful resolution of the land ownership issues, legal contract enforcement and bankruptcy laws need to be resolved as a pre-request to new investment. The reduced revenue from a fall in oil and gas prices will likely restrict GoTL in its plan to increase much needed infrastructure spending.

It must also be noted that 2017 is the election year which is naturally will slowdown the government machine and the community engagement in day to day will be affected due to campaign and election. This may have impact in the decision making and approval of the necessary laws and regulations prior the formation of the new government post election.

Factors likely to impact achievement targets of BNCTL

This can be expressed by the following SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis:

Strengths	Weaknesses
<p>Strong track record –</p> <ul style="list-style-type: none"> increased business activities, profitable, continuing low NPL’s, widening coverage <p>Niche market-</p> <ul style="list-style-type: none"> upper end of the microfinance market / lower end of the commercial markets diversifying its loan portfolio The only bank that has effectively performed its intermediary function of increased lending using locally accessed deposits <p>Strong and expanding branch network-</p> <ul style="list-style-type: none"> Branches in all 13 municipalities, and some sub branches in Dili 	<p>External & Internal Restrictions-</p> <ul style="list-style-type: none"> The uncertainty of the global growth situation likely to restrict GoTL and consequently some infrastructure development <p>Independent BOD Oversight-</p> <ul style="list-style-type: none"> Since 2015 all BOD members have been executive directors and from a governance perspective there is no independent oversight <p>Staff Skills & Training-</p> <ul style="list-style-type: none"> expenditure on training has been low at under 6% of total expenses, whereas the

<p>Strong, experienced, focused team-</p> <ul style="list-style-type: none"> • strong, focused, cohesive team with proven track record <p>Upgrading Systems and MIS-</p> <ul style="list-style-type: none"> • The implementation of a new Core Banking System (Temenos T 24) is in progress to replace the previous Microbanker system as the nature of banking needs and products has increased <p>Continuing transformation-</p> <ul style="list-style-type: none"> • A new transformation program has been initiated to take BNCTL upwards following the implementation of the T24 system in a positive market environment with stable economic growth and continued government spending <p>Sovereign ownership-</p> <ul style="list-style-type: none"> • provides new opportunities • gives stakeholders confidence 	<p>minimum standard is 10% The staff training plan has not been fully followed or utilized</p> <p>Limited business skills and experience in the private sector-</p> <ul style="list-style-type: none"> • The private sector lacks the capacity to undertake large value and complicated infrastructure projects, consequently such projects need to be done on a joint venture basis as an alternative to 100% by foreign companies. Joint venture experience will progressively assist local businessmen to be able to undertake large projects themselves in a few years time
<p>Opportunities</p>	<p>Threats</p>

<p>BNCTL a truly Timorese bank-</p> <ul style="list-style-type: none"> • there is currently no bank that caters solely for Timorese banking needs or that performs the intermediary function better <p>Learn from others mistakes-</p> <ul style="list-style-type: none"> • BNCTL is in a unique position to benefit from this hindsight from various financial crises <p>An “agent of development” in rural areas-</p> <ul style="list-style-type: none"> • 13 branches in all municipalities • Mobile Vehicle Banking used to expand into sub municipalities • rural outreach through technology and communications based devices <p>Relationship with the government-</p> <ul style="list-style-type: none"> • as its sole shareholder GoTL should continue its support to BNCTL objectives and business strategy as it is synonymous with their own at a ROE of 6.5% the revenue to GoTL is higher than its other investments (e.g. Petroleum Fund) <p>Innovative outreach mechanisms-</p> <ul style="list-style-type: none"> • mobile banking units, telecommunications and technology improvements will enable BNCTL to deliver its program of rural outreach. 	<p>Direction and focus-</p> <ul style="list-style-type: none"> ○ BNCTL’s mission and vision statement clearly focusses on the small to medium market segment. However recently BNCTL has been involved in large value lending projects and should align its products and services of not neglecting the mass market <p>Deviation from the above goal-</p> <ul style="list-style-type: none"> • is regarded as a high-risk strategy <p>Shareholder Independence-</p> <ul style="list-style-type: none"> • being a state-owned bank can subject BNCTL to outside interference and undue political pressure- this has not happened so far <p>Unrealistic growth expectations-</p> <ul style="list-style-type: none"> • being a state-owned bank can expect a policy of being able to “do all things to all men” <p>Unrealistic customer expectations-</p> <ul style="list-style-type: none"> • being the first state owned bank could give customers the expectation of grants or concessional lending rates and terms. <p>Delays in <u>Implementation</u> of the Land Law, Bankruptcy Law, Ownership Rights, Mortgagee Rights, Contract Enforcement-</p> <ul style="list-style-type: none"> • These will severely curtail the ability of BNCTL to increase its secured loan growth in years to come
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Table 9: SWOT analysis

As the number of persons who have access to banking services nationwide is still relatively small for individuals and small and micro businesses, the potential for BNCTL to expand its loans, deposits and other services remains high especially considering the rapidly expanding and advancing technology and communications, also communications stability is still lagging behind the technological advancements in the manner in which banking products and services are provided. Hence while the outlook for the global economy, trade and investment remains uncertain it is unlikely to impact much on BNCTL’s business focus and projected performance.

A comparison of the 2016 performance of banks in Timor Leste shows that BNCTL is the only bank that is effectively performing its intermediation function:

	BANK MANDIRI	BNU TIMOR	ANZ TIMOR	BNCTL
KEY FINANCIAL & PERFORMANCE RATIOS % AS AT 31 DECEMBER 2016				
Liquid Funds/ Total Assets	84.85	68.95	73.85	49.13
Loan to Deposit Ratio (LDR)	1.71	20.15	27.59	62.21
Loan Loss Provision/Total Loans	- 0.12	- 52.93	- 5.82	- 0.08
Fixed & Other Assets/ Total Assets	0.32	1.70	1.56	3.36
Cost to Income Ratio	- 46.80	- 56.93	- 38.06	- 72.69
Return on Assets (ROA)	0.65	1.22	0.85	1.74
Return on Equity (ROE)	28.60	83.78	14.36	7.52
Tax/Net Profit Ratio (Tax Rate)	- 9.52	- 3.36	- 10.01	- 9.62
COMPARED TO REGIONAL BENCHMARKS				
Ratio is much worse				
Ratio is at the upper limit				
Ratio is at a reasonable level				
Ratio is better				
Ratio is much better				

Table 10- Key Financial & Performance Numbers for banks in Timor Leste as at 31st Dec 2016

It can be seen from the above comparisons that BNCTL is the only bank that is performing its intermediation function effectively- especially with regard to loan disbursements, while some of the others are gathering deposits from Timorese residents and placing these funds overseas for the benefit of their parent organisations and locations with only a fraction of such deposits being on lent to businesses in Timor Leste. One of the bank's has been plagued with NPL's resulting with very small loan growth. The ROE of other banks shows a high number because they do not have much capital in Timor Leste, as being branches of foreign banks their capital is consolidated at their head offices. This ratio for other banks in Timor Leste is therefore not comparable to the "real" ROE for BNCTL

10. Human Resources (HR) Strategies and Industrial Relations Strategies

- Identify the gap and weakness in HR in BNCTL in relation with the bank expansion and future needs in terms of knowledge and right number of staff. The initiatives detailed in the Transformation Program will require the bank to strengthen existing weaknesses in terms of adopting to changes in the nature of the banking business, its strategy and the changes in technology that is driving changes in the way banks deliver products and services;
- Continue to update and develop the training need analysis that is consistent with the needs arising from the initiatives of the Transformation Program. Undertake training in all key banking areas with focus on practical hands-on training, in-house technical training and study visit to reputable banks overseas- mostly in Indonesia. Entry level and basic training will be conducted within the country by visiting training experts, while training and short on the job secondments for senior staff, management and Board members will continue to be done through the training programs provided by the LPPI (Banking Institute of Indonesia);

- Implementation of KPIs and Performance Based Remuneration to all categories of management and staff according to best practices for the banking sector will be implemented as this issue has been discussed and agreed by the BOD. In future remuneration will be based on a pre- determined set of KPI's and Performance Measures for all categories of staff including management. This system will be transparent, fair and open and implemented without exception;
- Recruitment of staff – good educational qualifications, experience and integrity and strong determination and a gender balance. BNCTL aims to get the best quality of graduates. Bright students will be identified during their last high school and university/ academy year in collaboration with the educational institutions as is the practice widely used in recruiting the best quality students and graduates in other countries. BNCTL has always ensured that there is equal opportunity to both genders;
- The bank will continue to improve and strengthen employment contracts including terms and conditions, benefits that are transparent, fair and in accordance with the legal and regulatory requirements, comparable with the banking industry and in compliance with the bank's internal regulations, that will be reviewed and updated regularly. Staff annual reviews will be modified to ensure that staff and management are adjudged fairly and that there is no discrimination or favouritism what so ever. An appeal system will be implemented;
- Better compensation and recognition of performance will continue to be evaluated reviewed and amended at least annually to ensure that BNCTL's staff are not disadvantaged compared to their peers in other banks in Timor Leste. Promotions and transfers will be done based on merit, needs and taking into consideration staff family situations- especially when transfers are contemplated to another branches/ Head Office;
- The bank's policy relating to its staff and management is based on the principle of being "firm but fair" this involves the use of the "stick and carrot" strategy whereby serious faults, errors, fraud are treated accordance with the seriousness of the offense. Fraud, breach of confidentiality, collusion, theft would be regarded as serious offenses warranting dismissal and or prosecution. Likewise good deeds and performance in excess of allocated duties and responsibilities will be noted in staff files and taken into consideration during annual reviews of staff. The staff annual review form will be redesigned to include staff signing the form after review and agreement in order to outlaw favouritism or discrimination.

11. Relationship with stakeholders and the strategies for managing these relationships

- The bank recognises the importance of building and maintain excellent relationships with all stakeholders such as the Government Ministries, Shareholder Representatives, Parliament, BCTL, Business Associations and other regulators and the bank's customers.
- This relationship is built and maintained through the regularly updating and providing information about the bank's current news, policies, products, services, initiatives, annual report and financial results on its official websites. In addition, the the BNCTL management attended a number of workshops/meetings/seminars and informal discussions where BNCTL introduced its services and its business

plan and strategies as well as advocating the stakeholders of the measures to be approached to promote the development of business in Timor-Leste;

- The Management also undertake visits to see client needs, explore business opportunities and held discussions with local authorities;
- The Management at its own initiatives or as called met on a regular basis with the shareholder representatives to discuss performance, strategies and plans and obtain guidance on a number of policies as adopted by the Government and BNCTL was expected to play key role on those initiatives;
- The bank also plans to introduce face to face strategies such as dialogues, field trips to maintain relationships through having regular meetings with industry leaders, trade groups, customer segments and conducting research surveys to determine the requirements of the various stakeholder groups;
- Build strategies to meet demands for changes and better services to all stakeholders that include the provision of enhanced and new products and services (including branchless banking delivery products) and pricing. Currently interest rates are relatively high because lending is virtually unsecured. However, as the land law, bankruptcy law, certainty of land, building titles and ownership is determined, mortgagee rights, and contract enforcement is implemented it will enable the bank to provide fully secured lending which would reduce interest rates for all categories of customers quite substantially;
- Regularly updating of the key stakeholders of BNCTL's development, progress, new products and services, financial performance and important news through the bank's website and also important information through customers mobile devices;
- The Transformation Program that is driving the bank's short, medium and long-term strategies and direction will provide robust promotion efforts through various approaches such as direct person to person marketing through mobile devices, media (TV and Newspapers) and regular press conferences and briefings of progress, products and services to Municipality heads and sub heads throughout the country.

12. Affirmation from the Governing Board

- The conduct of the bank strictly adheres and follows the laws, regulator's regulations and internal policies, limits and guidelines
- The bank uses International Accounting Standards as required and embraces best practices in bank operations
- Immediately address any issues as raised by regulators and audit by undertaking measures to correct, mitigate and prevention
- Zero tolerance of misconduct including frauds
- BNCTL financial report has been given "unqualified" opinion for 4 years in a row by the external auditors
- Professional and timely intervention of Audit Committee and internal audit.

13. Approval of the audit report of 2016 & Accounting Principles used

The BOD reviewed the results of the External Auditors report on the Financial Performance of BNCTL, including the use of International Accounting Standards as required by BCTL. Issues and recommendations for improvement recommended by the external auditors were accepted and an implementation plan for addressing these issues has been put in place. Some items have already been completed while others are expected to be completed by June 2017.

The BOD hereby affirms that all relevant and applicable laws, regulations and guidelines applicable to BNCTL have been duly followed and complied with.

The External Auditors, Syarief Basir & Rekan (associated with the international audit firm Russell Bedford) completed their 2016 audit of BNCTL and issued their report on 10th February 2017 and provided the following opinion:

“In our opinion, the financial statements present fairly, in all material respects, the financial performance of Banco Nacional de Comercio de Timor Leste as of 31st December 2016, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards”

BNCTL has received an “unqualified opinion” from the external auditors for the past 4 years in a row

The key audited results are shown and discussed in section 11 above.

The final audited detailed copy of the external auditors Income Statement and Balance Sheet for 2015 and 2016 are attached as [Annex 3](#)

14.. Composition of Governing Board and Management

The current composition of the Governing Board (Executive Directors) and the management team is shown in the attached organisational and functional structure diagram.

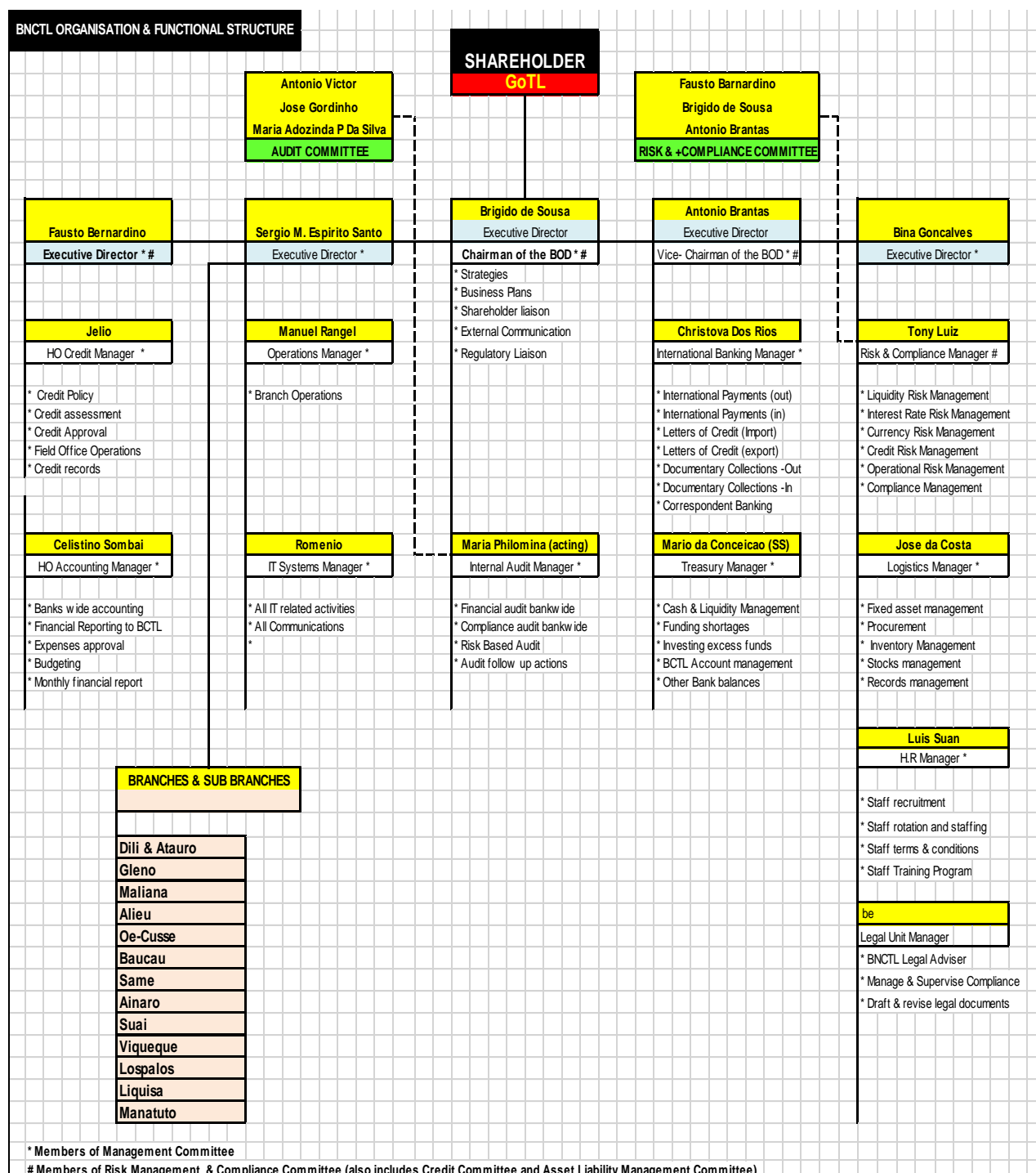


Table 11 Current Governing Board and Management Organisational & Functional Structure

The shareholder temporarily appointed a fully Executive Board of Directors in order to strengthen and support the management while the bank is in development mode and to ensure that BNCTL takes advantage of the opportunities arising from impending passing of the long-awaited Land Law, Bankruptcy Law, Legal Contract Enforcement, ownership certainty and other associated regulations.

It is the plan of the shareholder to revert to a BOD that is mostly independent in order to ensure proper oversight and non-interference with management functions in accordance with universally accepted banking practice in the management.

16. Annexes:

Annex 1 (a)- Actuals 2015 & 2016 against Budget and Budget for 2017 - Balance Sheet-
Assets

Account Titles (All amounts in US\$)	Actual Vs Budget for 2016		Actual Vs Budget for 2016				Projections 2017	
	Actual Dec 2015	Actual Dec 2016	2016 on 2015	PROJECTIONS 2016	Var Amount	Var %	2017 /2016 Actu	
	Amounts (Audited)	Amounts (Audited)	% Change	Amounts	Amounts	Actual Vs Budget	Amounts	Vari % (amts)
ASSETS :								
LIQUID FUNDS	68,986,348	\$ 68,568,325	- 0.61	46,380,373	\$ 22,187,952		68,225,945	-0.50
Cash in Vault/ on hand	19,098,241	\$ 23,322,051	22.12				18,517,745	-20.60
Due from Banco Central	39,729,966	\$ 15,093,054	- 62.01				16,082,623	6.56
Items in course of collection	60	\$ -	- 100.00				112,293	
Due from Commercial Banks	10,158,081	\$ 30,153,220	196.84				33,513,285	11.14
Domestic Currency	0	\$ 833,830					32,620,854	3812.17
Foreign Currency (IDR)	0	\$ 29,319,389					892,431	-96.96
INVESTMENT	0							
LOAN,ADVANCES & DISCOUNTS	44,346,738	\$ 60,441,721	36.29				80,277,274	32.82
CURRENT LOAN	44,231,188	\$ 60,421,900	36.60	66,000,000	-\$ 5,578,100	-9.23	80,277,168	32.86
Market Vendor Daily Loans	527	\$ 167	- 68.37	10,000	-\$ 9,833	-5897.72	83	-50.00
Seasonal Crop Loans	858,249	\$ 1,008,174	17.47	2,282,000	-\$ 1,273,826	-126.35	1,766,587	75.23
Other business Laons	6,015,847	\$ 8,110,900	34.83	10,097,200	-\$ 1,986,300	-24.49	12,552,085	54.76
Project Loan	11,837,197	\$ 18,023,061	52.26	22,400,000	-\$ 4,376,939	-24.29	18,288,224	1.47
Investment Loans	949,707	\$ 1,299,516	36.83	3,610,000	-\$ 2,310,484	-177.80	5,634,685	333.60
Housing Loans	-	\$ -	0%	4,000,000	-\$ 4,000,000	-100.00		
Microfinance Group Loans (Direct)	204,597	\$ 327,067	59.86	1,420,800	-\$ 1,093,733	-334.41	1,116,044	241.23
Payroll Loans	22,886,068	\$ 30,062,328	31.36	22,180,000	\$ 7,882,328	26.22	40,919,460	36.12
Loans to Employee and Staff	1,478,997	\$ 1,590,687	7.55				-	-100.00
PAST DUE LOANS	188,947	\$ 64,001	- 66.13				31,193	-51.26
Past Due Market Vendor Daily Loans	1,772	\$ 1,772	-				403	-77.26
Past Due Seasonal Crop Loans	11,560	\$ 19,397	67.80				14,690	-24.27
Past Due Business Loans	27,971	\$ 11,628	- 58.43				4,206	-63.83
Past Due Project Loans	0	\$ -					-	
Past Due Investment Loans	133,486	\$ -					-	
Past Due Microfinance Group Loans	11,220	\$ 12,787	13.97				8,519	-33.38
Past Due Payroll Loans	841	\$ 7,856	833.59				-	-100.00
Past Due Loans to Employee & Staff	2,098	\$ 10,561	403.37				3,375	-68.04
PROVISION FOR LOAN LOSSES	- 73,398	-\$ 44,180	- 39.81				- 31,087	-29.63
Business Interprises	- 59,831	-\$ 23,267	- 61.11				- 16,255	-30.14
Others	- 13,567	-\$ 20,913	54.15				- 14,832	-29.08
ACCOUNTS RECEIVABLE	214,472	\$ 259,253	20.88				237,081	-8.55
Interest Accrued	214,472	\$ 185,519	- 13.50				232,081	25.10
Other Receivable	-	\$ 73,735	#DIV/0!				5,000	
FIXED ASSETS	1,311,015	\$ 1,715,865	30.88				8,532,988	397.30
Offices								
Office Under Construction	18,664	\$ 42,852	129.60				4,455,593	10297.52
Leasehold Improvements	278,935	\$ 267,936	- 3.94				270,082	0.80
Furniture and Fixtures	467,635	\$ 445,282	- 4.78				507,663	14.01
Machinery and Equipment	1,248,247	\$ 1,938,660	55.31				2,720,965	40.35
Vehicles	1,504,408	\$ 1,475,133	- 1.95				2,032,169	37.76
Non Physical Assets	237,522	\$ 239,698	0.92				2,297,383	858.45
RESERVE FOR DEPRECIATION	- 2,444,395	-\$ 2,693,696	10.20				- 3,750,867	39.25
Accum.Depr.Fumeture & Fixture	- 421,108	-\$ 420,593	- 0.12				- 427,565	1.66
Accum.Depr.Mechinary & Equipment	- 1,067,442	-\$ 1,070,557	0.29				- 1,454,967	35.91
Accum.Depr.Vehicles	- 856,883	-\$ 1,022,332	19.31				- 1,218,335	19.17
Accum.Depr. Non-Physical Assets	- 98,962	-\$ 180,215	82.11				- 650,000	260.68
OTHER ASSETS	1,035,075	\$ 1,891,006	82.69				922,572	-51.21
Prepaid Expenses	26,063	\$ 24,378	- 6.46				150,000	515.30
Office Accounts	166,583	\$ 183,781	10.32				171,111	-6.89
Petty Cash Fund	-	\$ -					-	
Stationery and Office Supplies	166,583	\$ 183,781	10.32				171,111	-6.89
Shortages	-	\$ -					-	
Asset Held In Res. of Debt	-	\$ -					67,600	100.00
Assets Held In Res. of Debt	-	\$ -					67,600	100.00
Allowance for Probable Losses	-	\$ -					-	
Items in Suspense							-	
Miscellaneous Assets	-	\$ -					533,861	100.00
Intangible Assets (Assets in Progress)	-	\$ 1,613,051					-	-100.00
Other Assets-Deposit Payment Emp	842,429	\$ 69,795	- 91.72				533,861	664.90
Deffered Charges	67,600	\$ -						
Total Assets :	115,961,248	\$132,876,169	14.59	125,032,500			158,195,861	19.06

Annex 1 (b)- Actuals 2015 & 2016 against Budget and Budget for 2017 - Balance Sheet-Liabilities & Capital

			Actual Vs Budget for 2016				Projections 2017	
Account Titles	Actual Dec 2015	Actual Dec 2016	2016 on 2015	PROJECTIONS 2016	Var Amount	Var %	2017 /2016 Actu	
	Amounts	Amounts		Amounts	Amounts	Actual Vs	Amounts	
(All amounts in US\$)	(Audited)	(Audited)	% Change			Budget	Vari % (amts)	
LIABILITIES :								
DEPOSITS	88,613,356	\$ 97,233,792	9.73	93,266,125	3,967,667	4.08	118,140,000	
Demand Deposit:	29,342,523	\$ 28,031,736	- 4.47	35,000,000	- 6,968,264	-24.86	36,700,000	
Financial Institutions	471,923	\$ 956,686	102.72				-	
Government	18,852,597	\$ 9,699,824	- 48.55				-	
Business Enterprises	5,392,522	\$ 7,692,174	42.65				-	
Others	4,625,481	\$ 9,683,053	109.34				36,700,000	
Time Deposits (Others)	2,395,206	\$ 2,740,595	14.42	2,500,000	240,595	8.78	3,640,000	
Other (Passbook Saving):	56,875,627	\$ 66,461,460	16.85	52,090,000	14,371,460	21.62	77,800,000	
Financial Institutions	513,856	\$ 501,638	- 2.38				-	
Government	68,756	\$ 37,021	- 46.16				-	
Business Enterprises	388,809	\$ 191,727	- 50.69				-	
Others	45,895,467	\$ 46,456,239	1.22				76,000,000	
Service Account	60,876	\$ 13,288	- 78.17				-	
Pledge Saving	67,006	\$ 116,427	73.76				-	
Saving Enderly	9,687,790	\$ 18,098,861	86.82				-	
Deposito Hau Nia Futuru	193,067	\$ 1,046,260	441.91	410,000	636,260	60.81	1,800,000	
Other Sundry Current Liabilities	1,209,641	\$ 2,011,061	66.25	3,266,125			2,742,926	
Staff Expense	0	\$ 524,369					450,000	
Income Tax	0	\$ 170,119					327,000	
Tax Payable	0	\$ 32,693					8,725	
Interest Accrued	0	\$ 5,594					6,058	
Item in Suspense	0	\$ 786,529					751,143	
Descricted Deposit (Bank Garansi)	0	\$ 1,079,789					1,200,000	
Unearned Interest (Loan Fee)	0	\$ 1,175,615					-	
Other Liabilities/Due To Dili Branch	0	\$ -					0	
Others/Overages	0	\$ -					-	
CAPITAL ACCOUNTS :	25,059,606	\$ 32,551,527	29.90	32,644,723			37,312,934	
Provisioning	888,260	\$ 1,212,287	36.48				1,393,293	
Capital Paid-Up & Assigned	20,020,160	\$ 25,020,160	24.97				27,522,176	
Capital Reserve	-	\$ -					-	
Profits / Losses	4,151,187	\$ 6,319,080	52.22				8,397,466	
Previous Financial Year	3,206,780	\$ 4,151,187	29.45				5,201,844	
Current Financial Year	944,407	\$ 2,167,893	129.55				3,195,621	
Total Liabilities & Capital Accounts :	115,961,248	\$132,876,169	14.59	125,273,945			158,195,861	

Annex 1 (c)- Actuals 2015 & 2016 against Budget and Budget for 2017 - Income Statement- Income

INCOME :	Dec 2015	Dec 2016	2015/16	Actual Vs Budget for 2016			Projections 2017	
	(Audited)	(Audited)		PROJECTIONS	Var Amount	Var %	Amounts (US\$)	Var % over 2016
(All amounts in US\$)	Amounts	Amounts	Var %					
INTEREST INCOME	5,575,683	7,848,017	40.75	7,210,247	637,770	8.85	11,593,816	47.73
Interest on Due from Banks	117,008	158,033	35.06				250,000	58.19
Interest & Fees on Loans & Discounts	5,458,674	7,689,983	40.88				11,218,400	45.88
Interest Income on Loans	4,786,220	6,800,208	42.08				8,414,589	23.74
Market Vendor Daily Loans	523	274	- 47.63				137	- 50.12
Seasonal Crop Loans	121,944	138,093	13.24				220,275	59.51
Other Business Loan	851,996	920,252	8.01				1,123,363	22.07
Microfinance Group Loans	59,651	59,817	0.28				111,394	86.23
Payroll Loans	2,888,360	3,944,082	36.55				4,266,051	8.16
Employee and Staff Loans	103,561	129,630	25.17				-	100.00
Project Loan	676,715	1,446,379	113.74				2,238,910	54.79
Investment Loan	83,471	161,683	93.70				454,458	181.08
Loan Fees	-	-					-	-
Loan Fee Income	672,455	889,775	32.32	1,121,403	- 231,628	- 20.66	2,803,811.18	215.11
Loan Fee Income Microfin Group	27,233	26,745	- 1.79				44,366	65.88
Loan Fee Income Market Vendor	109	98	- 10.51				9	- 90.61
Loan Fee Income Seasonal Crop Loan	31,472	36,807	16.95				62,102	68.72
Loan Fee Income Business Loan	108,608	119,032	9.60				375,729	215.65
Loan Fee Income Payroll	307,596	338,524	10.05				1,202,510	255.22
Loan Fee Income Employee and Staff Loans	2,369	3,538	49.37				12,480	252.74
Loan Fee Income Project Loan	191,877	356,449	85.77				928,962	160.62
Loan Fee Income Investment Loans	3,191	8,582	168.94				177,653	1,970.15
Other Interest Income	-	-					125,416	100.00
NON INTEREST INCOME	851,829	1,431,974	68.11	1,049,000	382,974	36.51	1,629,678	13.81
Commission Income & Transaction Fees	626,724	675,183	7.73				729,268	8.01
Other Non Interest Income	225,105	124,144	- 44.85				900,410	625.29
Atm Fee	0	32,728	100.00				170,000	419.43
Foreign Transfer Fees	0	3,196	100.00				7,500	134.65
Foreign Exchange Gains	0	10,216	100.00				14,500	41.94
Others	0	-	100.00				156,093	#DIV/0!
Fee From Government	0	324,145	100.00				260,000	19.79
Fee From Bank Guarante	0	16,918	100.00				20,000	18.22
Urgent Fee, OTS Fee and SI	0	245,444	100.00				272,317	10.95
EXTRAORDINARY INCOME	5,086	-	- 100.00				1,020,000	100.00
Miscellaneous Income / Loss	5,086	-	- 100.00				1,020,000	100.00
TOTAL OPERATING INCOME :	6,432,598	9,279,991	44.27	9,380,650	- 100,659	- 1.07	14,243,494	53.49

Annex 1 (d)- Actuals 2015 & 2016 against Budget and Budget for 2017 - Income Statement- Expenses & Net Profit

EXPENSE :	Dec 2015	Dec 16	2015/16	Actual Vs Budget for 2016			Projections 2017	
	(Audited)	(Audited)		PROJECTIONS	Var Amount	Var %	Amounts (US\$)	Variation %
(All amounts in US\$)	Amounts	Amounts	Var %					
INTEREST EXPENSE	175,030	231,833	32.45				395,360	70.54
Interest by Individual Deposits	171,980	227,544	32.31				253,400	11.36
Saving Deposits	153,705	205,121	33.45				224,500	9.45
Time Deposits	18,275	22,423	22.70				28,900	28.88
Interest on Legal Entities Deposits	3,050	4,290	40.66				4,760	10.97
Saving Deposits	3,050	4,290	40.66				4,760	10.97
Interest On Expense On Other Borrowing (Inter Branch)	-	-	-				137,200	100.00
NON INTEREST EXPENSE	9,770	67,082	586.60				40,550	39.55
Commission Expense & Transaction Fees	9,770	29,610	203.07				40,550	36.95
Gain / Loss on Foreign Exchange rate	9,770	37,471	283.53					
OPERATING EXPENSE	5,700,733	6,381,020	11.93				7,185,227	12.60
Salaries and Employee Benefits	2,645,180	2,960,699	11.93				3,616,500	22.15
Salaries and Wages	1,727,757	2,276,627	31.77				2,639,000	15.92
Fringe Benefits - Employee	673,889	684,072	1.51				977,500	42.89
Administrative Expenses			100.00				1,254,800	#DIV/0!
Directors Fees and Honoraria			100.00				305,000	#DIV/0!
Employee Benefits	243,533							
Representation & entertainment							30,000	100.00
Travelling Expenses							85,000	100.00
OTHER ADMINISTRATIVE EXPENSE	880,526	946,585	7.50				834,800	11.81
Information Tech./Automation Expenses	66,449	70,525	6.13				150,000	112.69
Communication Expense	116,795	119,726	2.51				156,000	30.30
Power, Light and Water	50,389	51,631	2.46				68,500	32.67
Fuel and Lubricants	64,377	52,381	- 18.64				63,900	21.99
Traveling Expenses	119,812	110,114	- 8.09				123,800	12.43
Stationery and Office Supplies	154,079	126,891	- 17.65				141,300	11.36
Representation and Entertainment	23,851	58,049	143.38				65,100	12.15
Repairs and Maintenance	55,199	57,062	3.38				66,200	16.01
Fee For Board Meeting	229,575	300,206	100.00				0	-
Advertising and Public Relation	83,444	74,489	- 10.73				94,000	26.19
Audit, Legal & Professional Fees	155,027	227,360	46.66				820,000	260.66
Rents Paid	73,088	85,053	16.37				237,338	179.05
Rent Paid	67,327	77,012	14.39				218,575	183.82
Car Rents	5,761	8,041	39.57				18,763	133.36
Expense on Premises and Fixed Assets	3,812	47,522	1,146.52				252,470	431.27
Insurance	-	29,048	100.00					
Building Maintenance	-	18,474	100.00					
Depreciation and Amortization	727,371	631,385	- 13.20				1,019,744	61.51
Depr. Machinery & Equipment	193,652	177,862	- 8.15				373,644	110.08
Depr. Furniture & Fixture	86,385	48,848	- 43.45				59,800	22.42
Depr. Vehicles	262,198	246,168	- 6.11				293,800	19.35
Depr-Non Physical Assets	89,826	81,253	- 9.54				108,000	32.92
Amort. Leasehold Right & Improvement	95,311	77,254	- 18.94				184,500	138.82
Amort. Deferred Charges	-	-	-				-	-
Provision	478,779	294,810	- 38.42				449,800	52.57
Provision for loans losses	478,779	294,810	- 38.42				449,800	52.57
Other Operating Expense	653,505	1,113,117	70.33				1,584,563	42.35
Security, Janitorial & Messengerial Services	339,023	356,200	5.07				383,000	7.52
Freight and Handling Expenses	968	2,370	144.78				10,000	321.88
Taxes and Licenses	407	497	22.11				1,953	292.96
Bad-Debts Written Off	-	-	-				28,000	100.00
Miscellaneous Expenses/Over time	21,821	24,306	11.39				33,200	36.59
Miscellaneous Expenses/Cleanliness	2,137	3,098	44.95				94,750	2,958.92
Miscellaneous Expenses/Kitchenette	62,255	51,910	- 16.62				59,650	14.91
Miscellaneous Expenses/Annual Leave	-	183,940	100.00				227,500	23.68
Miscellaneous Expenses/Dokumentation	1,093	3,167	189.79				4,510	42.39
Training Expenses	175,839	410,446	133.42				500,000	21.82
Miscellaneous Expenses/Dead Contribution	7,538	8,461	12.25				12,000	41.82
Staff Uniform Expense							190,000	100.00
Miscellaneous Expenses/Others	42,425	68,723	61.99				40,000	41.80
EXTRAORDINARY EXPENSE	-	-	-				1,020,000	100.00
Losses With disposal of Fixed Assets	-	-	-				-	-
Other Extraordinary Expenses	-	-	-				1,020,000	100.00
Actuarial (gain) loss	- 502,776	93,101						
TOTAL OPERATING EXPENSES :	5,383,257	6,773,036	25.82	8,189,043	- 1,416,007	- 17.29	10,670,125	57.54
NET INCOME (LOSS) BEFORE TAX :	1,049,341	2,506,955	138.91	1,191,607	1,315,348	110.38	3,573,369	42.54
PROVISION FOR INCOME TAX :	- 79,060	- 271,461	243.36	94,807	- 366,268	- 386.33	377,748	239.15
Deferred Income Tax (expense)	- 25,874	- 67,600						
NET INCOME (LOSS) AFTER TAX :	944,407	2,167,893	129.55	1,096,800	1,071,093	97.66	3,195,621	47.41

Annex 2- BNCTL Risk Management Report as at 31st December 2016

KEY FINANCIAL RATIOS	BNCTL		REGIONAL BENCHMARK	COMMENTS
	2015	2016		
RETURN ON AVERAGE ASSETS (ROA)	0.91%	1.74%	Around 4%	Potential to grow progressively
RETURN ON AVERAGE EQUITY (ROE)	3.84%	7.52%	Around 15%	Potential to grow progressively
LOAN TO DEPOSITS (LDR)	50%	62%	80- 90 %	Should achieve in short term
LIQUID FUNDS TO TOTAL ASSETS	59.49%	51.60%	Around 30%	Should convert excess to loans
TOTAL LOANS TO TOTAL ASSETS	38.20%	45.48%	Around 60%	Should achieve in short term
FIXED ASSETS TO TOTAL ASSETS	1.13%	1.29%	Around 5%	New CBS and Buildings will increase this
INTEREST INCOME TO TOTAL INCOME	86.60%	84.57%	Around 70%	Fee based income can grow substantially
COST TO INCOME	83.68%	72.98%	< 60 %	Should progressively reduce
EMPLOYEE COSTS TO TOTAL COSTS	57.92%	48,00 %	Around 50%	Can be reduced
NPL's TO TOTAL LOANS	0.53%	0.12%	< 5%	Good credit management & collection
WAIR ON LOANS (WEIGHTED)	13.61%	12.98%	Varies by country	Potential to reduce rates progressively
WAIR ON DEPOSITS (WEIGHTED)	0.23%	0.25%	Varies by country	Potential to increase rates progressively
NET INTEREST MARGIN (NIM)	13.38%	12.73%	Around 4-6%	Progressively will come down
RISK MEASUREMENT COMPONENTS			COMMENTS	
(ALL AMOUNTS IN US\$, 000"S)	2015	2016		
CREDIT RISK	931	1256		
INTEREST RATE RISK	847	972		
LIQUIDITY RISK	-	-	Excess Liquidity and as such no liquidity risk	
FX & MARKET RISK	-	-	No Foreign Exchange Assets or Liabilities	
OPERATIONAL RISK	886	1,071	Based on Basel II formula	
TOTAL RISK	2,664	3,299		
TOTAL SHAREHOLDER FUNDS	25,060	32,551		
TOTAL RISK/ SHAREHOLDERS FUNDS (%)	10.63	10.13	RMC needs to increase Risk limit or reduce risk	
INTERNAL TOTAL RISK LIMIT / EQUITY(%)	10.00	10.00	Maximum Risk Limit may need to be increased or risk reduced	
(ALL NUMBERS IN %)	2015	2016	COMMENTS- REGIONAL BENCHMARK MAX RISK LIMIT < 25 % of Equity	
CREDIT RISK	3.72	3.86		
INTEREST RATE RISK	3.38	2.99		
LIQUIDITY RISK	-	-	Excess Liquidity and as such no liquidity risk	
FX & MARKET RISK	-	-	No Foreign Exchange Assets or Liabilities	
OPERATIONAL RISK	3.54	3.29	Based on Basel II formula	
TOTAL RISK/ SHAREHOLDERS FUNDS (%)	10.63	10.13	RMC needs to increase Risk limit or reduce risk	
TOTAL SHAREHOLDER FUNDS %	25,060	32,551		
INTERNAL TOTAL RISK LIMIT / EQUITY(%)	10.00	10.00	Maximum Risk Limit may need to be increased or risk reduced	

Annex3 (a)- External Auditors 2015 and 2016 Audited Statements- Consolidated Income Statement

CONSOLIDATED STATEMENT OF INCOME & EXPENSE		
for the period of : 01 January - 31 December 201		
Account Titles		
	Audited	Audited
	31-Dec-16	31-Dec-15
INCOME :		
INTEREST INCOME	7,848,017	5,575,683
Interest on Due from Banks	158,033	117,008
Interest & Fees on Loans & Discounts	7,689,983	5,458,674
Interest Income on Loans	6,800,208	4,786,220
Market Vendor Daily Loans	274	523
Seasonal Crop Loans	138,093	121,944
Other Business Loan	920,252	851,996
Microfinance Group Loans	59,817	59,651
Payroll Loans	3,944,082	2,888,360
Employee and Staff Loans	129,630	103,561
Project Loans	1,446,379	676,715
Investment Loans	161,683	83,471
Loan Fees	0	0
Loan Fee Income	889,775	672,455
Loan Fee Income Microfin Group	26,745	27,233
Loan Fee Income Market Vendor	98	109
Loan Fee Income Seasonal Crop Loan	36,807	31,472
Loan Fee Income Business Loan	119,032	108,608
Loan Fee Income Payroll	338,524	307,596
Loan Fee Income employee & staff Loan	3,538	2,369
Loan Fee Income project loan	356,449	191,877
Loan Fee Income investment loan	8,582	3,191
Other Interest Income	0	0
NON INTEREST INCOME	1,431,974	851,829
ATM Fee	32,728	0
Foreign Transfer Fees	3,196	0
Foreign Exchange Gains	10,216	0
Commission Income & Transaction Fees	675,183	626,724
Other Non Interest Income	124,144	225,105
Fee From Government	324,145	0
Fee From Bank Guarante	16,918	0
Urgent Fee, OTS Fee and SI	245,444	0
EXTRAORDINARY INCOME	0	5,086
Miscellaneous Income / Loss	0	5,086
TOTAL OPERATING INCOME :	9,279,991	6,432,598

Annex3 (b)- External Auditors 2015 and 2016 Audited Statements- Consolidated Expenses & Profit & Loss Statement

EXPENSE :		
INTEREST EXPENSE	231,833	175,030
Interest by Individual Deposits	227,544	171,980
Saving Deposits	205,121	153,705
Time Deposits	22,423	18,275
Interest on Legal Entities Deposits	4,290	3,050
Saving Deposits	4,290	3,050
Interest On Expense On Other Borrowing (Inter Br	0	0
NON INTEREST EXPENSE	67,082	9,770
Loss foreign exchange rate	29,610	9,770
Commission Expense & Transaction Fees	37,471	9,770
OPERATING EXPENSE	6,381,020	5,700,733
Salaries and Employee Benefits	2,960,699	2,645,180
Salaries and Wages	2,276,627	1,727,757
Fringe Benefits - Employee	684,072	673,889
ADMINISTRATIVE EXPENSES	0	0
Directors Fees and Honoraria	0	0
Employee Benefits	0	243,533
OTHER ADMINISTRATIVE EXPENSE	946,585	880,526
Information Tech./Automation Expenses	70,525	66,449
Communication Expense	119,726	116,795
Power, Light and Water	51,631	50,389
Fuel and Lubricants	52,381	64,377
Traveling Expenses	110,114	119,812
Stationery and Office Supplies	126,891	154,079
Representation and Entertainment	58,049	23,851
Repairs and Maintenance	57,062	55,199
Fee For Board Meeting	300,206	229,575
Advertising and Public Relation	74,489	83,444
Audit,Legal & Professional Fees	227,360	155,027
Rents Paid	85,053	73,088
Rent Paid	77,012	67,327
Car Rents	8,041	5,761
Expense on Premises and Fixed Assets	47,522	3,812
Insurance	29,048	0
Building Maintenance	18,474	0
Depreciation and Amortization	631,385	727,371
Depr.Mechinery & Equipment	177,862	193,652
Depr.Furneture & Fixture	48,848	86,385
Depr.Vehicles	246,168	262,198
Depr. Non Physical Asset	81,253	89,826
Amort.Leasehold Right & Improvement	77,254	95,311
Amort. Deffered Charges	0	0
Provision	294,810	478,779
Provision for loans losses	294,810	478,779
Other Operating Expense	1,113,117	653,505
Security,Janitorial & Messengerial Services	356,200	339,023
Freight and Handling Expenses	2,370	968
Taxes and Licenses	497	407
Bad-Debts Written Off	0	0
Miscellaneous Expenses/Over time	24,306	21,821
Miscellaneous Expenses/Cleanliness	3,098	2,137
Miscellaneous Expenses/Kitchenette	51,910	62,255
Miscellaneous Expenses/Annual Leave	183,940	0
Miscellaneous Expenses/Dokumentation	3,167	1,093
Training Expenses	410,446	175,839
Miscellaneous Expenses/Dead Contribution	8,461	7,538
Miscellaneous Expenses/Others	68,723	42,425
EXTRAORDINARY EXPENSE	0	0
Losses with disposal of fixed aset	0	0
Adjusment for Prior Periods	0	0
Other Extraordinary Expenses	0	0
Actuarial (gain) Loss	93,101	-502,276
TOTAL OPERATING EXPENSES :	6,773,036	5,383,257
NET INCOME (LOSS) BEFORE TAX :	2,506,955	1,049,341
PROVISION FOR INCOME TAX :	-271,461	-79,060
DEFERRED TAX INCOME (EXPENSE)	-67,600	-25,874
NET INCOME (LOSS) AFTER TAX :	2,167,893	944,407

Annex3 (c)- External Auditors 2015 and 2016 Audited Statements- Consolidated Balance Sheet- Assets

As of 31 DECEMBER 2016		
Account Titles	Audited 31-Dec-16	Audited 31-Dec-15
A S S E T S :		
LIQUID FUNDS	68,568,325	68,986,348
Cash in Vault/ on hand	23,322,051	19,098,241
Due from BPA	15,093,054	39,729,966
Items in course of collection	0	60
Due from Commercial Banks	30,153,220	10,158,081
Domestic Currency	29,319,389	0
Foreign Currency	833,830	0
INVESTMENT		
LOAN,ADVANCES & DISCOUNTS	60,441,721	44,346,738
CURRENT LOAN	60,421,900	44,231,188
Market Vendor Daily Loans	167	527
Seasonal Crop Loans	1,008,174	858,249
Other busines Laons	8,110,900	6,015,847
Project Loans	18,023,061	11,837,197
Investment Loans	1,299,516	949,707
Microfinance Group Loans (Direct)	327,067	204,597
Payroll Loans	30,062,328	22,886,068
Loans to Employee and Staff	1,590,687	1,478,997
PAST DUE LOANS	64,001	188,947
Past Due Market Vendor Daily Loans	1,772	1,772
Past Due Seasonal Crop Loans	19,397	11,560
Past Due Business Loans	11,628	27,971
Pas Due Project Loans	0	0
Past Due Investment Loans	0	133,486
Past Due Microfinance Group Loans	12,787	11,220
Past Due Payroll Loans	7,856	841
Past Due Loans to Employee & Staff	10,561	2,098
PROVISION FOR LOAN LOSSES	-44,180	-73,398
Busines Interprises	-23,267	-59,831
Others	-20,913	-13,567
ACCOUNTS RECEIVABLE	259,253	214,472
Interest Accrued	185,519	214,472
Other Receivable	73,735	3,400
Provision loss - Other Receivable	0	-3,400
FIXED ASSETS	1,715,865	1,311,015
Offices		
Office Under Construction	42,852	18,664
Leasehold Improvements	267,936	278,935
Furniture and Fixtures	445,282	467,635
Machinery and Equipment	1,938,660	1,248,247
Vehicles	1,475,133	1,504,408
Non-Physical asset	239,698	237,522
RESERVE FOR DEPRECIATION	-2,693,696	-2,444,395
Accum.Depr.Furneture & Fixture	-420,593	-421,108
Accum.Depr.Mechinery & Equipment	-1,070,557	-1,067,442
Accum.Depr.Vehicles	-1,022,332	-856,883
Accum. Depr. Non-Physical asset	-180,215	-98,962
DEFERRED TAX ASSETS	0	67,600
OTHER ASSETS	1,891,006	1,035,075
Prepaid Expenses	24,378	26,063
Office Accounts	183,781	166,583
Petty Cash Fund	0	0
Stationery and Office Supplies	183,781	166,583
Shortages	0	0
Asset Held In Res. of Debt		
Assets Held In Res. of Debt		
Items in Suspense	0	0
Miscellaneous Assets	0	0
Intangible Assets	1,613,051	0
Other Assets-Depisit Payment Emp	69,795	842,429
Allowance for Probable Losses	0	0
Asset in Progres - Mbwin	0	0
Deposit (Payment employee benefit 2012)	0	0
Total Assets :	132,876,169	115,961,248

Annex3 (d)- External Auditors 2015 and 2016 Audited Statements- Consolidated Balance Sheet- Liabilities & Capital.

Account Titles	Audited 31-Dec-16	Audited 31-Dec-15
LIABILITIES :		
DEPOSITS	97,233,792	88,613,356
Demand Deposit	28,031,736	29,342,523
Time deposit	2,740,595	2,395,206
Other (Passbook Saving)	66,461,460	56,875,627
Other Sundry Current Liabilities	2,011,061	1,209,641
Account payables	0	0
Item suspense	566,529	238,231
Unearned interest	1,175,615	859,769
Provision for taxation	263,322	105,923
Income tax	230,630	48,298
Collection tax	32,693	57,625
Interest accrued	5,594	5,719
Staff Expense - Provision for post employee benefit obligation	0	676,001
Restricted deposit	1,079,789	402,644
Other Liabilities/Due To Dill Branch	0	0
Unearned Interest	0	
CAPITAL ACCOUNTS :	32,551,527	25,059,606
Provisioning	1,212,287	888,260
Capital Paid-Up & Assigned	25,020,160	20,020,160
Capital Reserve	0	0
Profits / Losses	6,319,080	4,151,187
Previous Financial Year	4,151,187	3,206,780
Current Financial Year	2,167,893	944,407
Total Liabilities & Capital Accounts :	132,876,169	115,961,248

Annex 4- Transformation Program Initiatives.

ATUS OF TASKS AS AT 20TH APRIL 2017

TPD Sub-Project	Operations Review Summary Recommendation	Comments & questions by Pat Lisk
0	Establish a Banking Transformation Program.	Established in 2015 and planning done in 2015, BOD Steering Committee established in 2015
	Recruit and appoint a Transformation Program Director.	TD started March 2016,
	Establish a Transformation Program division.	PM Tech staff and office established 2016 (?), Training Credit others done 2017
	Establish a Change Management unit.	Incorporated into all of the items above
1	New Head Office Building	Design completed, discussion ongoing about size given increasing branchless banking and mobile and internet
2	Branch Refurbishments	Continue the Branch Rebuild / Refurbishment program
3	ICT Infrastructure	To be done- when expected to start/ complete?- Ongoing with support from ADB IT Consultants
4	Review Microfinance Loan Product and activities.	Done, continuing to refine and enhance
	Investigate Motor Vehicle Loans.	CBS can do awaiting acceptance from BOD
	Investigate Housing Loans.	CBS can do for owner occupied and for Investment- awaiting acceptance from BOD
	Investigate new Deposit and Loan Products.	Extra Savings deposit product variation of Futua, additional loan products awaiting BOD acceptance
	Upgrade existing Core Banking System.	Phase 1- implement current CBS modules. Phase 2- add features, apps, functions and enhancements
	Separate Lending and Credit Units.	In place but overall review of Organisational and Functional structure and job responsibilities to be commissioned. To be reviewed by HR Consultant- tender out
	Establish a Relationship Banking unit.	Not yet done- when to be done ? after the CBS goes live in July. The RBU will be established in Aug
	Establish a Business Development unit.	Not yet done- when to be done ?- same as above
	Establish a Marketing unit.	Not yet done- when to be done ? same as above. The new structure to included the units above after the assessment done by an HR expert
	Establish a Credit unit.	Functional structure and job responsibilities to be commissioned - Same as above
Establish a Recoveries unit.	Part of Credit separate but overall review of Organisational and Functional structure and job responsibilities to be commissioned same as above	
5	Design and acquire an integrated platform of Delivery Channels.	Acquired but will be operational in ????. Delivery channels unit is in place including the platform
	Establish a Delivery Channels unit.	Dedicated unit under Luis Suan in place in 2016 (?) Yes
6	Develop a comprehensive Annual Business Plan.	Plan for 2017 and beyond currently under preparation
	Implement a continuous Business Planning cycle.	BCP for IT is in process but for others need to be done
	Appoint a Manager for Finance, Treasury and International Division.	Managers for each of these three units already in place
	Prepare a specification for a Financial Management System.	In process, the Chart of Accounts is already in the CBS. Once ERP is integrated this will be greatly enhanced
	Review whole-of-bank Chart of Accounts.	Already done
	Produce a Daily Management Report.	???? Not aware that there is a daily written management report? after new CBS is operational. Tender is out.
	Produce and End-of-Month Management Report.	Already in place including monthly Risk Report that also includes ALM components and performance components and financial ratios but need to be improved and enhanced
	Prepare a comprehensive Spreadsheet Budget Model.	Basic model in place more comprehensive model needs to be done
	Establish a Treasury unit.	Already in place
	Establish an Assets and Liability Management Committee.	Management Committee are all combined under Risk Management Committee
7	Make preparations for infrastructure to support an International unit.	International Banking Unit established in 2017
	Appoint a Manager for Risk Management & Compliance.	Already done since 2012
	Review and strengthen a BNCTL Risk Management function.	Enhancements to be continued
	Review and strengthen a BNCTL Compliance function.	Compliance part of Risk Management Unit since 2016 and needs further enhancement
Other	Review and strengthen a BNCTL Internal Audit function.	Risk Based Audit needs to be implemented in conjunction with Risk Management & Compliance unit
	Establish a Corporate Services and Legal division.	Legal Unit in process of being established, Corporate Office to be done
	Continue with Bank Officer Training through LPPI.	LPPI training (technical and on the job) needs to be continued whereby the technical training is followed by LPPI arranging training related on the job training with a bank, this requires additional accommodation costs during on the job training
	Deliver regular general staff development courses, by HR staff.	Need to know about "staff training staff" There used to be a requirement previously that one of the conditions of accepting training is that those trained must in turn train staff upon returning in the topics Yes. Still being