



DRUK PNB BANK LTD

... your partner in growth!



ANNUAL REPORT 2012

Inauguration of our Gelephu Branch by H.E. Lyonpo Nand Lal Rai

Inauguration of our Paro Branch by Hon. Dasho Dawoo Tenzin, Governor, RMA of Bhutan and
Hon. Mrs. Usha Ananthasubramanian, Executive Director, Punjab National Bank, India.

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ABOUT DRUK PNB BANK LTD

Capital

Authorized Capital: 1000 Million

Paid Up Capital : 449.03 Million

Share holding Pattern

Punjab National Bank, India: 51%

Promoters in Bhutan: 19%

Public: 30%

CORPORATE OFFICE

Post Box No 502, Norzin Lam, Thimphu Bhutan
Tel. No +975-2--324497, 325936, 331291 Fax. No +975-2-327546, 333156
www.drukpnbbank.bt SWIFT Code: PUNBBTBT
Web site: www.drukpnbbank.bt

THIMPHU BRANCH

Post Box No 502, Norzin Lam,
Near Main Traffic,
Thimphu Bhutan
Tel. No +975-2--324497, 325936
Fax. No +975-2-327546, 333156

PHUENTSHOLING BRANCH

Post Box No 156,
Zhung Lam, Near RRCO,
Phuentsholing Bhutan
Tel. No +975-5-253660,
253661, 253662
Fax. No +975-5-253669

WANGDUE BRANCH

Post Box No 1305,
New Bajo Town,
Wangdue Phodrang Bhutan
Tel.No +975-2-481932, 481930
Fax No. +975-2-481931

Gelephu Branch

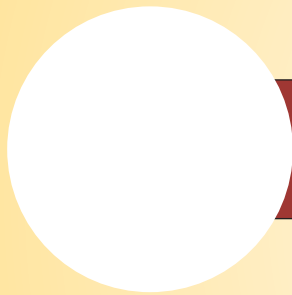
P.O. Box 156, Jangchub Lam,
Gelephu, Bhutan.
Tel No. +975-6-252246
Fax No. +975-6-252245

Paro Branch

Paro Town, Bhutan.
Tel No. +975-8-271036
Fax No. +975-8-271038

Board of Directors

Dasho Sangay Wangchuk
Chairman



Bidyut Prakash Ray
General Manager (PNB)

Parmod K. Sharma
General Manager (PNB)

Tandin Wangchuk
Public Shareholder Representative

Nand Kishore Arora
Chief Executive Officer

Financial Highlights:

Financial Highlights:

Assets/Liabilities Position(In million Ngultrum)

Item	As of 31.12.2011	As of 31.12.2012
Total Assets	4,814.41	6037.71
Capital Fund	505.32	767.95
Deposit Liabilities	4143.42	5015.95
Advances	2817.52	3575.76

Operating Results

Item	For the year 2011	For the year 2012
Income	309.79	451.40
Expenses	250.13	319.92
Net Profit (after tax)	45.30	85.98

Ratios

	2011	2012
Loan to Deposit		
Operating Efficiency	46%	37%
Net Interest Margin	5.39%	6.15%
Earning Base	0.59	0.59
Return on Assets(total)	1.00%	1.42%
Return on Capital	12%	18%
Profit Per Employee	0.58Mio	0.91Mio

Druk PNB Bank Ltd.,

Thimphu, Bhutan

Directors' Report: 2012

Dear Shareholders,

First of all I would like to welcome all the shareholders who are present here for the 3rd annual general meeting of the bank. On behalf of the Board of Directors of your bank I present before you the Annual Report of your bank for the year ended 31st December' 2012. Your bank has completed 3 years of successful operations in 2012 registering a growth in total business of over 23% to Nu 8,591.71 million, comprising of Nu 5,015.95 million as deposits and Nu 3,575.76 million as advances. In terms of customer base also, the bank has achieved encouraging results with number of accounts surpassing 50,000 mark as on 31st December 2012 an increase of over 50% over 2011. This satisfactory performance of your bank in a span of 3 years is an indicative of the quality services offered to the public. Your bank has not only registered satisfactory business growth, but also has maintained the quality of assets and liabilities much better than the Industry average. The retail deposit base of the Bank, which is considered to be stable deposit, is above 67% of the total deposits and also the performing advances are 98.21% of total advances.

Net Profit:

In 2012 the bank earned total income of Nu 451.40 million against total expenditure of Nu 319.92 million (after making provisions and writing of preliminary expenses) resulting in post-tax net profit of Nu 85.97 million. Net profit during the year of Nu85.97 million which is app.90% more than the net profit of Nu 45.30 million earned in 2011 has been achieved mainly with the prudent management of deposit cost and by maintaining asset quality.

Dividend, Capital & Reserve:

The Board of Directors is pleased to recommend a maiden dividend of 6% for the year 2012. This will result in profit distribution of Nu. 26.94 million out of total net profit of Nu. 85.97 million, thus ploughing back profit of 59.03 million towards strengthening of capital fund of the bank. Out of retained profit of Nu59.03 million, Nu. 42.99 million is transferred to General reserve in terms of the RMA guidelines and Nu. 15.88 million retained in P & L account after maintaining foreign exchange fluctuation reserve of Nu. 0.16 million.

Board of Directors:

As on 31st December 2012, there are 5 directors on the Board of the Bank, comprising the Chairman, the CEO, 2 PNB nominee directors and one public shareholder director. During the year 2012, following changes took place in the composition of the Board of Directors:

Mr. Parmod K. Sharma, GM – PNB was inducted as PNB nominee director on 7th June 2012 in place of Mr. Pankaj Bhardwaj who retired on superannuation from the service of PNB.

Mr. Bidyut Prakash Ray GM-PNB was inducted as PNB nominee director on 9th December 2012 in place of Mr. G. S. Dubey who retired on superannuation from the service of PNB.

The Board met four times during the year complying with the requirements of the Companies Act of the Kingdom of Bhutan, 2000 and RMA Prudential Regulations. The quorums of these meetings were duly maintained. The statutory records/documents have been duly maintained by the Bank as per the requirement of the Companies Act of the Kingdom of Bhutan, 2000.

Corporate Governance:

The bank is committed to best practices in Corporate Governance by adhering to high standard of transparency, accountability, ethical business practices, operational efficiencies and social responsiveness for maximizing interest of all the shareholders.

As a listed company, Bank is complying with various regulatory requirements. Bank has complied with the guidelines of the Royal Monetary Authority of Bhutan and the Royal Security Exchange of Bhutan on the matters relating to corporate governance, which has been examined by the Statutory Auditors.

Statutory Compliance:

The bank has complied with all regulatory norms in respect of classification of assets; provisioning on loans as per the quality, exposure limits to single largest borrower & ten largest borrowers; Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) at all times. The bank is in the process of further consolidation of its risk management techniques and establishment of an independent internal audit cell for improvement in compliance in future.

Business expansion:

In the year 2012 the bank opened two new branches, one at Gelephu and another at Paro to increase its customer base and business coverage. Similarly, in 2013 the bank is contemplating to open one more branch either in eastern or central Bhutan. To improve its alternate delivery channel, the bank installed 3 more ATMs during the year, thus raising the total number of ATMs to 13.

Corporate Social Responsibility:

The bank has concern towards society in which it operates. As a part of its CSR, Bank donated a sum of Nu 500,001.00 to Wangduephodrang Dzong reconstruction. Additionally, all the employees of the Bank also donated one day salary towards the same cause. To promote sports in the society the Bank also sponsored India House golf tournament during the year.

Staff training and welfare:

The bank gives top priority to the banking knowledge and skill development of its employees by providing them regular training to ensure efficiency in delivering service to its customers. During the year the bank provided training to 43 of its employees in PNB's Central Staff College in New Delhi India/National Institute of Bank Management Pune, India.

Considering its duty to the development of the Human Resource by rewarding the employees, the bank during the year with the approval of the Royal Securities Exchange of Bhutan (RSEBL) introduced Employees Stock Ownership Plan (ESOP). Under ESOP, the Bank offered allotment of 200 equity shares to each of the interested employees at face value of Nu.100 per share against market value of Nu 350 per share to be allotted over a period of three years.

Statutory Auditors:

M/s N. C. Mitra and Co, Chartered Accountants, Kolkata have audited the bank's books of accounts for the year ended 31st December 2012.

Acknowledgement:

The Board expresses its sincere gratitude to the Royal Government of Bhutan, the Royal Monetary Authority of Bhutan, the Royal Securities Exchange of Bhutan and other regulators for their valuable guidance and support. The Board also thanks all the financial institutions in Bhutan and correspondent banks in India & third countries for their cooperation and patronage. The Board acknowledges the gratifying confidence of the customers and shareholders and wishes to place on record its appreciation for the dedicated services and contribution made by the employees of the bank towards its growth and achievement during the year.

(Dasho Sangay Wangchuk)

Chairman

For and on behalf of the Board of Directors.

CEO's Report:

Year 2012, a third year of its operation, has been the year to be cherished in the history of this bank as it has recorded excellent level of profit in spite of economic slowdown in country and the world during this year. We are also pleased to share with stakeholders, in particular, our shareholders that we could achieve targets set for 2012 in mobilization of funds, its channelization to the various productive economic sectors and payment services despite competition in the market from the existing veteran banks and the other new entrants like this bank besides up gradation of status of BDFC to full fledged commercial Bank. All these achievements were due to one and the only reason, understanding customers' needs and providing them with appropriate banking solutions. Particularly, this bank's entrance has made remittance to India very fast and reliable making lives of Bhutanese people, particularly those whose children are studying in India very convenient to wire fund. Business community having financial dealings with India also acknowledges our Bank's commitment to smooth and efficient transfer of funds, both inward and outward.

Financial Aspect

Some of the key parameters from which the bank's outstanding performance can be seen are highlighted below:-

- Our Net profit of Nu 85.98 Million in 3rd year of operations
- Our Total Business grown by 23.44% from Nu 6960.94 Million in 2011 to Nu.8591.71 Million in 2012.
 - Total deposits increased by 21% from Nu.4143 Million of 2011 to Nu. 5016 Million in 2012.
 - Total Advances increased by 27% from Nu.2817 Million of 2011 to Nu. 3575 Million in 2012.
 - Capital fund registered a growth of 52% to Nu 767.95 Million
 - Our Customer base as of 31/12/2012 reached 52,000+
 - Earnings Base of your Bank is 59%.
 - Business per employee (excluding subordinate staff) recorded over Nu 90 million

Service Delivery Channel

Since the day it started its operation, the bank opened three branches in Thimphu, Phuentsholing and Wangdue with the sole aim to book good business and build

solid foundation of the bank as the prospective customers are mainly concentrated in these areas. The bank could realize this aim. In 2012, the bank has opened two more branches, one in Gelephu and another in Paro with the aim to make its service available in five Dzongkhags. Similarly, the bank is contemplating opening of branches in eastern region in year 2013/2014.

In three years time, the bank installed 14 ATMs in centers where it opened branches for the convenience of customers to withdraw cash 24x7 and reduce footfall in the branches. In 2013, the bank plans to install some additional ATMs after studying the viability.

Community Services

The bank not only focuses on its core business of providing banking services to the people, it values community services as well. As a part of its corporate social responsibility, your Bank has donated Nu. 500,001/- for reconstruction of Wangduephodrang Dzong. All our employees also have donated their one day salary for this noble cause. As a gesture of sports promotion in Bhutan, the Bank has sponsored India House Golf Tournament during the year 2012.

N.K.Arora
Chief Executive Officer

Auditors' Report to the Members,

DRUK PNB BANK LTD

- 1 We have audited the attached Balance Sheet of Druk PNB Bank Limited as at 31st December, 2012 and Cash Flow Statement for the year ended on that date, signed by us under reference to this report. We have also audited the branches of Phuentsholing and Thimphu for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We have conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - 2.1 We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - 2.2 In our opinion, proper books of account, as required by law, have been maintained by the Bank so far as appears from our examination of those books.
 - 2.3 The financial statements dealt with by this report are in agreement with the books of account.
 - 2.4 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read together with the statements on significant accounting policies and notes to the accounts, the given information required by the Companies Act 2000 of the Kingdom of Bhutan, in the manner so required and also give a true and fair view:
 - a) In the case of the Balance Sheet, of the state of the affairs of the Bank as at December 31, 2012.
 - b) In the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) In the case of Cash Flow Statement the movement of the cash during the year ended as on that date.
- 3 As required by the minimum audit examination and reporting requirements under 2nd paragraph of Schedule XIV under section 75 of The Companies Act of the Kingdom of Bhutan 2000, read with Part II of Schedule XIV to the extent applicable, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further report that:
 - 3.1 The Bank has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets but codification of fixed asset should be initiated by the management in order to maintain a proper internal control. No physical verification of fixed assets was conducted during the year.
 - 3.2 None of the Fixed Assets have been revalued during the year.

- 3.3 The company has not taken any loan secured or unsecured from Companies under the same management terms of which are prejudicial to the interest of the company.
- 3.4 The company has not granted any loan, secured or unsecured to other companies, firms or other parties and/or to companies under the same management terms of which are prejudicial to the interest of the company.
- 3.5 No excessive/frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
- 3.6 The loans/advances granted to officers/ staffs are in keeping with the provision of Service Rules and no excessive/ frequent advances are granted and accumulation of large advances against particular individual is avoided.
- 3.7 In our opinion and according to the information and explanation given to us the Bank has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Bank as well as to ensure adherence to the rules, regulations and systems and procedures.
- 3.8 Fund based /Non-fund based facilities were provided to the Directors or any other parties related to the Directors or with company or firms in which the Directors are directly or indirectly interested under similar terms and conditions as are applied with other parties. Such terms and conditions are not prejudicial to the interest of shareholders and other Directors of the Bank.
- 3.9 According to the records, the Bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority.
- 3.10 There are no undisputed amounts payable in respect of rates, taxes, duties, provident fund and other statutory dues outstanding at the year-end.
- 3.11 No personal expense of employees or directors have been charged to the Bank accounts other than that payable under contractual obligations or in accordance with generally accepted business practice
- 3.12 In our opinion and on the basis of information and explanation given to us, the management of liquid resources, particularly cash /bank and short term deposits etc is reasonably adequate and excessive amounts are not lying idle in non interest-bearing accounts.
- 3.13 In our opinion and on the basis of available records and information, the activities carried out by the Bank are lawful and intravires to the Articles of the Incorporation of the Bank.
- 3.14 The details of remuneration and other payment made to the Chief Executive Officer of the Bank have been suitably disclosed in Notes NO.14 (Schedule-19) on Accounts.
- 3.15 The bank has established and effective budgetary control system.
- 3.16 As represented to us, the directives of the Boards have been complied with.

- 3.17 So far as we have been represented and our knowledge is concerned, the officials of the Bank have not transmitted any price sensitive information which are not made public, unauthorized to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
- 3.18 The Bank has maintained the adequate documents and records where it has granted loans and advances for which agreements have been drawn up and timely entries have been made therein.
- 3.19 The Bank has not dealt or traded in shares, securities and other investment during the year.
- 3.20 The Bank has adequate records for funds collected from depositors and for interest payments.
- 3.21 The Bank has complied with the requirements of Financial Service Act of Bhutan, 2011 and any other applicable laws, rules and regulations and guidelines issued by the appropriate and ip
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General

1. Going Concern Problems:

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December, 2012 audited by us in accordance with the Generally Accepted Auditing Standards and on the basis of such other tests as we considered necessary in this regards, we have no reason to believe that the Bank is not a going concern on the Balance Sheet data and is not likely to become sick in the near future.

2. Ratio Analysis:

The significant ratios indicating the financial health and profitability of the Bank are given below:

Ratio	Amount in Millions	2012	2011
Current ratio Current Assets/Current liabilities	3694.57/3509.54	1.05	1.17
Core capital Tier I capital/Total Risk weighted assets	569.56/5227.61	10.98%	8.08%
Capital Adequacy Tier I & Tier II capital/Total Risk weighted assets	(569.56+179.71)/ 5227.61	14.33%	13.59%
Statutory Liquidity Requirement Quick Assets/Total liabilities less Capital fund and liabilities to RMA	2087.84/5204.10	40.11%	41.59%

Particulars	2012	2011
Credit Deposit Ratio – Loans & Advances / Deposits	71.29%	71.57%
NPA Ratios – Total NPA / Loans & Advances	1.79%	1.08%
Interest Expense / Deposits	3.11%	3.03%
Interest Income / Loans	10.44%	8.77%
Deposit Growth	21.06%	19.76%
Advance Growth	26.91%	63.55%
Increase / (Decrease) in Provision	92.73%	343.22%
Increase / (Decrease) in Forex Income	(38.87%)	2543.14%
Return on Investment (PAT / Capital employed x 100)	18.02%	11.17%
Earning per Share (PAT / No. of Shares issued)	Nu.19.15	Nu.11.17
Net Profit Ratio (PBT / Total Income x 100)	29.13%	19.26%

3. Compliance with the Companies Act of the Kingdom of Bhutan, 2000.

The Bank has complied with the various provisions of the Companies Act of the Kingdom of Bhutan, 2000 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares and all other matters specified in the said Act.

4. Adherence to Laws, Rules and Regulations

The audit of the Bank is governed by the Companies Act kingdom of Bhutan, 2000, RMA Prudential Regulations, 2002 and Financial Service Act of Bhutan 2011. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

The Bank has generally complied with the applicable laws, rules and regulations, systems, procedures and practices as informed and explained to us.

For N. C. Mitra & CO
Chartered Accountants (FRN 306027E)

U. K. Basu (Membership No. 52995
PARTNER

Date:

Place:

DRUK PNB BANK LIMITED

Balance Sheet as at 31st December, 2012

LIABILITIES	Schedule No.	As at 31/12/2012		As at 31/12/2011	
		Nu.	Ch.	Nu.	Ch.
Share Capital	1	449,027,300.00		300,000,000.00	
Subordinated Term Debts		144,000,000.00		144,000,000.00	
Reserve & Surplus	2	120,699,013.92		33,513,402.11	
Deposits	3	5,015,946,969.70		4,143,421,487.40	
Other liabilities & provisions	4	308,039,595.85		193,472,365.99	
		<u>6,037,712,879.47</u>		<u>4,814,407,255.50</u>	

ASSETS

Cash & balance with RMA	5	1,339,379,730.08	1,707,454,254.72
Balance with Banks	6	910,661,193.14	186,198,400.25
Loans & Advances	7	3,575,761,302.20	2,817,518,874.07
Fixed Assets	8	66,849,102.77	63,117,077.98
Other Assets	9	145,061,551.28	36,810,657.40
Preliminary expenses (to the extent not written off)	10	-	3,307,991.08
		<u>6,037,712,879.47</u>	<u>4,814,407,255.50</u>

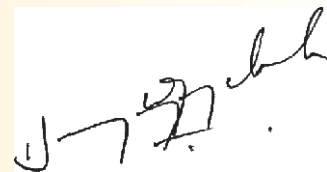
Contingent Liabilities	11	1,108,430,053.34	836,499,703.83
Significant Accounting Policies	18		
Notes on Accounts	19		

The schedules referred to above form an integral part of the Balance Sheet
Signed in terms of our attached report of even date

(CEO)

Director

(Chairman)



Director

For N. C. Mitra & Co
Chartered Accountants

(U. K. Basu)
Partner
Membership Number: 52995

DRUK PNB BANK LIMITED

Profit and Loss Account for the year ended 31st December 2012

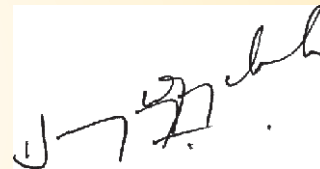
	Schedule No.	For the year ended 31/12/2012	For the year ended 31/12/2011
INCOME			
Interest earned	12	389,178,908.12	251,923,836.29
Other Income	13	62,224,616.45	57,870,028.12
		451,403,524.57	309,793,864.41
EXPENDITURE			
Interest Expended	14	166,692,287.96	129,481,453.11
Operating Expenses	15	106,654,849.06	83,640,682.04
Preliminary Expenses		3,307,991.08	6,615,982.17
Provisions & Contingencies	16	43,267,490.14	30,390,888.35
		319,922,618.24	250,129,005.67
Profit /Loss before tax		131,480,906.33	59,664,858.74
Loss brought forward		-	(11,788,570.01)
		131,480,906.33	47,876,288.73
Provision for income tax	17	45,504,456.52	14,362,886.62
		85,976,449.81	33,513,402.11
Significant Accounting Policies	18		
Notes on Accounts	19		

The schedules referred to above form an integral part of the Profit & Loss Account
Signed in terms of our attached report of even date

(CEO)

Director

(Chairman)



Director

For N. C. Mitra & Co
Chartered Accountants

(U. K. Basu)
Partner
Membership Number: 52995

DRUK PNB BANK LIMITED

Cash Flow Statement as on 31.12.2012

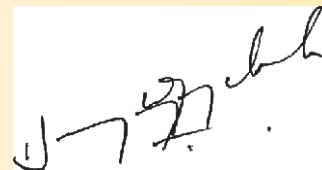
Particulars	Amounts(Nu.)	Amounts(Nu.)
A. Cash Flow From Operating Activity		
Profit/(loss)	131,480,906.33	-
Add: Depreciation	12,749,895.95	
Add: Preliminary expenses written off	3,307,991.08	-
Less: Profit on sale of assets	(34,434.80)	
	147,504,358.56	-
Increase/(Decrease) in other liabilities & provisions	62,544,206.58	
(Increase)/Decrease in other Assets	(100,717,609.88)	
	109,330,955.26	
Tax Paid	(27,956,355.24)	
Total of (A)		81,374,600.02
B. Cash Flow from Financing Activity		
Issue of share capital	177,178,100.00	
Deposits accepted	872,525,482.30	
Loans & Advances given	(758,242,428.13)	
Total of (B)		291,461,154.17
C. Cash Flow from Investing Activity		
Fixed Asset Purchase	(17,040,555.94)	
Sale of Fixed Asset	593,070.00	
Preliminary expenses Expenses	-	
Total of (C)		(16,447,485.94)
Change in Cash and cash equivalents (A+B+C)		356,388,268.25
Opening Cash and cash equivalents	1,893,652,654.97	
Closing Cash and cash equivalents	2,250,040,923.22	
Change in Cash and cash equivalents		356,388,268.25
SIGNIFICANT ACCOUNTING POLICIES	18	
NOTES TO ACCOUNTS	19	

The schedules referred to above form an integral part of the Cash Flow Statement

Signed in terms of our attached report of even date

CEO

Director



Chairman

For N. C. Mitra & Co
Chartered Accountants

Director

(U. K. Basu)
Partner
Membership Number: 52995

	As at 31/12/2012		As at 31/12/2011	
Schedule 1: Share Capital				
Tier I				
Authorised Capital 10,000,000 shares of Nu.100 each	1,000,000,000.00		1,000,000,000.00	
Issued and Paid Up 4,490,273 shares of Nu. 100 each	449,027,300.00		300,000,000.00	
Tier II				
Subordinated term debts 144,000 unsecured Bonds of Nu.1000 each	144,000,000.00		144,000,000.00	

Schedule 2: Reserves & Surplus				
Share Premium	28,150,800.00	28,150,800.00	-	
General Reserve	33,513,402.11		-	
Transferred from Profit & Loss account	42,988,224.91		33,513,402.11	
Closing Balance	76,501,627.02	76,501,627.02		33,513,402.11
Foreign Exchange Fluctuation Reserve	168,039.00	168,039.00		-
Profit & Loss Account	85,976,449.81		33,513,402.11	
Less: Transferred to General Reserve	42,988,224.91		-	
Proposed Dividend	26,941,638.00		-	
Closing Balance	15,878,547.90	15,878,547.90		
Total		120,699,013.92		33,513,402.11

Schedule 3: Deposits				
Demand Deposits:				
Current Deposits	1,526,006,671.87		307,707,305.47	
Savings Bank Deposits	1,651,821,306.33	3,177,827,978.20	1,741,591,663.97	2,049,298,969.44
Term Deposits:				
Fixed Deposits	1,619,895,750.00		1,752,778,556.00	
Recurring Deposits	111,844,199.00	1,731,739,949.00	64,640,194.00	1,817,418,750.00
Total Deposits				
Other Accounts:				
Balance from other banks in Current Deposits	106,379,042.50	106,379,042.50	276,703,767.96	276,703,767.96
Total		5,015,946,969.70		4,143,421,487.40

Schedule 4: Other Liabilities & Provisions				
Bills payable	40,390,223.76		25,371,555.38	
Interest accrued on deposits	72,984,010.99		50,679,164.89	
Balance with other offices	2,671,643.40		945,557.82	
Provision - Gratuity	1,779,140.00		1,028,380.00	
provision - Loans - General	35,545,675.14		27,814,919.73	
- Specific	28,501,561.04		11,480,804.48	
-Dynamic	18,515,978.17		-	
Provision for income tax	39,444,271.90		14,362,886.62	
Margin Money	19,828,706.00		52,417,542.00	
Suspended interest	3,378,621.59		818,977.00	
Dividend	26,941,638.00		-	
Others	18,058,125.86		8,552,578.07	
	308,039,595.85		193,472,365.99	

Schedule 5: Cash & Balances with RMA

Cash in hand:				
BTN	150,817,146.00		22,750,344.00	
INR	1,028,410.00		365,860.00	
FC	20,481,011.93	172,326,567.93	13,110,236.53	36,226,440.53
CRR with RMA	200,085,979.00		692,911,895.11	
Penalty Account with RMA	100,000.00		100,000.00	
Balance with RMA	966,867,183.15	1,167,053,162.15	978,215,919.08	1,671,227,814.19
Total		1,339,379,730.08		1,707,454,254.72

Schedule 6: Balance with other Banks

Balance with Banks in India & third countries				
Current Account	529,155,533.52		24,698,845.54	
Current Account in Bhutan	81,505,659.62		61,499,554.71	
Deposit Account in Bhutan	300,000,000.00		100,000,000.00	
	910,661,193.14		186,198,400.25	

Schedule 7: Loans & Advances

Demand loans	406,995,958.07		298,982,700.64	
Cash Credit	150,491,534.24		133,843,367.63	
Overdraft etc	641,069,236.52		560,094,480.44	
Term Loan	2,341,141,760.00		1,823,628,922.36	
Bills discounted & Pruchased	-		969,403.00	
Interest Receivable	36,062,813.37			
	3,575,761,302.20		2,817,518,874.07	

Schedule 8: Fixed Assets

Leased Premises				
As on 31/12/2011	4,461,530.00		4,461,530.00	
Addition during the year	-		-	
Total Cost as on 31.12.2012	4,461,530.00		4,461,530.00	
Less Depreciation Reserve as on 31.12.2012	2,676,918.00		1,784,612.00	
	1,784,612.00	1,784,612.00	2,676,918.00	2,676,918.00
SFF & MCC				
At cost as on 31/12/2011	77,032,427.07		63,017,238.92	
Addition during the year	17,040,555.94		14,015,188.15	
	94,072,983.01		77,032,427.07	
Sold during the year	876,005.00			
	93,196,978.01		77,032,427.07	
Less: Depreciation Reserve	28,132,487.24		16,592,267.09	
	65,064,490.77	65,064,490.77	60,440,159.98	60,440,159.98
		66,849,102.77		63,117,077.98

Schedule 9: Other Assets

Interest accrued	16,042.00		26,362.00	
Advances made recoverable/Adjustable	13,151,905.33		7,860,792.65	
Advance I.Tax	7,533,284.00			
Tax Deducted at Source	633,919.64		67,502.75	
Remittance in transit	19,010,000.00		16,856,000.00	
Contribution for Training Institute	12,000,000.00		12,000,000.00	
Govt. T Bills	90,643,818.44		-	
Stationery in hand	1,889,924.87		-	
Inward clearing cheques	182,657.00		-	
	145,061,551.28		36,810,657.40	

Schedule 10: Preliminary Expenses

As on 31/12/2011	3,307,991.08		9,923,973.25	
Less - written off during the year	3,307,991.08		6,615,982.17	
	-		3,307,991.08	
Schedule 11: Contingent Liabilities				
Acceptance, endorsement & other obligations	1,108,430,053.34		836,499,703.83	

Schedule 12: Interest earned

Interest from Loans & Advances	373,369,532.47		247,107,435.20	
Interest from Deposits with Banks in Bhutan	15,803,492.65		2,482,191.78	
Interest from Investments			1,405,958.90	
Other Interest Income	5,883.00		928,250.41	
	389,178,908.12		251,923,836.29	
Schedule 13: Other Income				
Commission & Exchange	31,944,661.95		35,675,046.17	
Exchange Profit	8,239,840.32		13,479,682.51	
Locker Rent	60,875.00		61,000.00	
Incidental charges deposits	3,706,815.98		29,100.00	
Income from FC	1,461,895.65		1,799,699.37	
ATM/Kiosk charges	10,327,718.07		3,236,129.22	
Profit on Sale of Assets	34,434.80			
Others	6,448,374.68		3,589,370.85	
	62,224,616.45		57,870,028.12	
Schedule 14: Interest Expenses				
Interest paid on Deposits	155,892,287.96		125,605,288.74	
Interest paid on Subordinated Term debts	10,800,000.00		3,876,164.37	
	166,692,287.96		129,481,453.11	

Schedule 15: Operating Expenses

Payment & Provision for employees	41,033,543.40		31,515,478.16	
Travelling expenses	3,871,525.50		1,859,826.57	
Audit fees & expenses	225,000.00		200,000.00	
Directors Sitting Fee	315,000.00		295,500.00	
Repair to rental premises	384,203.00		817,156.46	
Stationery, printing & Advertisement	3,071,632.53		3,188,843.54	
Depreciation on fixed assets	12,749,895.95		11,649,187.78	
Outsourcing of Financial services	10,526,242.44		7,577,346.64	
Other expenses	8,267,156.82		5,339,098.64	
Communication & networking	12,967,906.80		12,384,463.27	
Software	2,266,444.92		2,415,800.53	
Rent (Premises)	8,817,271.00		5,854,000.00	
AMC	2,159,026.70		543,980.45	
	106,654,849.06		83,640,682.04	

Schedule 16: Provisions and Contingencies

Provisions against loans:				
General	7,730,755.41		19,758,097.67	
Specific	17,020,756.56		10,628,313.68	
Dynamic	18,515,978.17			
Others			4,477.00	
	43,267,490.14		30,390,888.35	

Schedule 17: Provisions for Income tax

Tax for the year	39,444,271.90		14,362,886.62	
Tax for the earlier period	2,332,530.00			
Miscellaneous tax paid	3,727,654.62			
	45,504,456.52		14,362,886.62	

SCHEDULE: 18

Significant Accounting Policies for the Year ended 31st December 2012.

1. Accounting Convention

The financial statements have been prepared by following the going concern concept on historical cost basis and conform to generally accepted accounting policies and procedures prevailing in the country.

2. Revenue Recognition:

- i) Items of income and Expenditure are accounted for on accrual basis except commission of guarantee and Letter of credit, which is accounted for on cash basis.
- ii) Interest, Rent, etc. are accounted at gross value before deduction of tax.
- iii) Interest income on loans is recognized on accrual basis except for non-performing loans with default over 90 days in respect of which the interest income, as per the guidelines issued by the Royal Monetary Authorities of Bhutan is shown under the head "suspended interest" which is taken to profit and loss account on actual realization only.

3. Fixed Assets:

- i) Fixed assets are stated at cost less depreciation
- ii) Depreciation is calculated at original cost of the asset and chargeable in the year of purchase on pro-rata basis from the date it is ready for use as per provisions of income tax act of the kingdom of Bhutan 2001 and is computed under straight line method. However, classification of fixed asset and the corresponding rate of depreciation are based on assessment made by the management.
- iii) Cost incurred in respect of construction, modification, alteration etc. in a leased property has been capitalized under a separate head entitled "Leasehold Development ". The amount so incurred is being amortized in five equal annual installments or over a period of the lease period whichever is less.
- iv) Impairment loss of fixed asset are identified and treated in the accounts accordingly.

4. Loans:

Loans are stated at principal amount plus interest accrued thereon.

5. Retirement /employee benefits:

- i) Contribution to provident fund and other funds are accounted for as when accrued except leave encashment and leave travel concession (on declaration basis) which is accounted for on cash basis.
- ii) Gratuity is provided on accrual basis only in respect of national employees only as per the service rule read with the guidelines framed by the Royal Civil Service commission of Bhutan presuming that all employees cease to work as of the year end.

6 Provision for non performing Loans:

Provision for non performing loans is made as per the guidelines issued by the Royal Monetary Authority of Bhutan at the following rate.

Category	Provision on outstanding principal amount (Existing)		Provision on outstanding principal amount (revised w.e.f 31.12.2012)	
	Days	%	Days	%
1) Standard	Upto 30	1.5%	Upto 30	1%
2) Watch	31-90	1.5%	31-90	1.5%
3) Substandard	91-180	20% (30% for sector with highest exposure)	91-180	15% (30% for sector with highest exposure)
4) Doubtful	181-365	50% (60% for sector with highest exposure)	181-18 months	50% (60% for sector with highest exposure)
5) Loss	> 365	100%	> 18 months	100%

Provision has been made as per the revised norms and the excess amount of provision over the revised norms has been charged in this account as 'Dynamic Provision'.

7 Foreign exchange fluctuations:

- i) Foreign exchange transactions are converted into local currency by using exchange rates prevailing on the date of transaction as published by the Royal Monetary Authority of Bhutan.
- ii) Monetary assets and liabilities (denominated in foreign currencies) are converted at rates prevailing at the year end.

8 Contingent Liabilities:

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

9 Net Profit or Loss

The result declared in the Profit and Loss account is after considering:-

- i) Provision on non-performing loans.
- ii) Provision for depreciation on companies property, and
- iii) Other usual/ necessary provisions as required.

SCHEDULE 19

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2012

1. Druk PNB Bank Ltd. was formed by Punjab National Bank, a Commercial Bank registered in India and Bhutanese promoters, wherein Punjab National Bank participated in equity share capital to the extent of 51% as per the Joint Venture agreement.
2. The financial statements for the year have been drawn out in accordance with the Industry practice as well as prescribed formats of Royal Monetary Authority of Bhutan and the Companies Act of the Kingdom of Bhutan 2000, as far as practicable.
3. (a)The bank floated Rights Issue of its shares at par in the ratio of one equity share for two equity shares held. As against the total size of Right Issue of 1,500,000 shares of Nu.100 each, 1,346,169 No. shares were subscribed by public.
(b)The following Extraordinary Issue of shares were made with special permission from the Royal Monetary Authority of Bhutan and Royal Security Exchange of Bhutan Ltd –
 - (i) 140,754 No. of Shares to NPPF at a premium of Nu. 200/- each
 - (ii) 3,350 No. of Shares to the Employees at par.
4. Due to revision in the Asset Classification and Loan Provisioning norms by the RMA effective from 31.12.2012, the amount of provision based on the revised norms worked out to Nu.64,047,236.17 as against Nu.82,563,214.34 as per the old norms. This has resulted a difference (excess) of Nu.18,515,978.17 which has been provided as “Dynamic Provision”.
5. a) Interest income on loans of Nu. 373,369,532.47 is net of suspended interest of Nu.2,771,078.59 which conforms to the Prudential Regulation, 2002, issued by the Royal Monetary Authority of Bhutan.
b) Interest of Nu. 24,295,113.11 was not collected during the year but included in the above interest income.
6. Contingent liabilities as at the Balance Sheet date are as follows:
 - a) Letter of Credit: Nu. 196,948,638.48
 - b) Other guarantees: Nu. 911,481,414.86
Nu. 1,108,430,053.34
7. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.

8. (a) Gratuity of Nu. 750,760.00 have been provided in these accounts on the assumption that all the employees cease to be employed with effect from 01/01/2013. The accumulated provision (as on 31/12/2012) Nu.1,779,140.00 has been deposited into a separate account with other financial institution as per the provisions of the Income Tax Act of the kingdom of Bhutan 2001.
- (b) The gratuity liability in respect of employees on deputation from the parent bank (PNB) has not been provided in view of the fact that the same shall be borne by the parent Bank.
9. (a) Based on the tax audit/ field assessment of the Bank for the year 2010 &2011 the taxation authorities levied an additional CIT of Nu. 2,332,530.00 due to some un-admissible expenses, which has been paid from the current years after tax profit.
- (b) A sum of Nu.3,727,654.62 relating to other taxes (like PIT of IBOs, BST on purchases etc.) borne by the Bank during the current year has also been accounted for from after tax profits.
10. Difference of Depreciation as per rates assessed by the Bank Management and the rates prescribed in the Income Tax Act of Bhutan has caused overstatement of Profit by Nu. 716,303 for the year (P.Y. 573,169). The cumulative effect of such understatement of depreciation amount to Nu. 1,816,746.
11. Particulars of the transactions with the Directors and their relatives as per provisions of the Companies Act of the kingdom of Bhutan 2000:

Sl. No	Name	Nature of Transactions	Total outstanding as at 31/12/2012
1	Dasho Sangay Wangchuk	Loans–	9,999,192.16
		Personal/manufacturing/Transport	
		Bank Guarantee	593,154.50
		Total	10,592,346.66
2	Mr. Tandin Wangchuk	Loans- Overdraft & Transport	10,034,136.62
		Bank Guarantee	593,154.50
		Total	9,431,255.12
3	Hotel Riverview	Loans - Overdraft	34,175,256.17
4	Aum Sangay Om	Loans - Overdraft	6,433,127.38
5	Bhutan Spring (Penzongyam Durpchu)	Loan- Manufacturing	11,920,675.00

12. Preliminary Expenses- Expenses incurred prior to commencement of the business and directly related to such commencement of the commercial activities of the Bank have been charged to preliminary expenses, the balance amount of Nu. 3,307,991.08 have been written off during the year in accordance with section 13.1 of the Income Tax Act of the kingdom of Bhutan 2001.
13. Profit on sale of fixed assets Nu.34,434.80 is net of loss on sale of fixed assets Nu. 3340.00
14. Management expenses include:
 - a. Managerial remuneration paid or payable to the Managing Director (Chief Executive Officers):

Particulars	2012 (Amt. in Nu.)	2011 (Amt. in Nu.)
Remuneration	2,607,189.29	1,581,289.00
Directors sitting fees	60,000.00	60,000.00

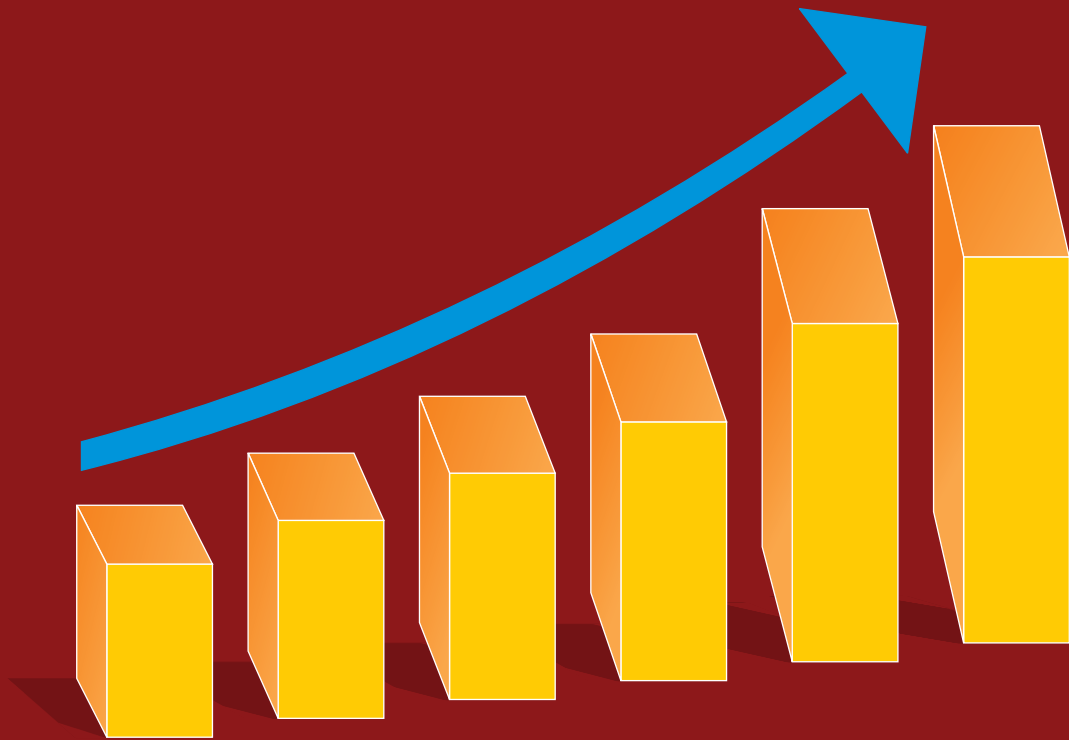
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	2012	2011
Audit fees and expenses:	Nu. 225,000.00	Nu. 200,000.00

15. In the opinion of the management, there is no impairment of fixed assets of the company, which may require any adjustment.
16. Previous year figures have been re-grouped /re-arranged wherever necessary.

OUR CORRESPONDENT BANKS

NAME OF THE BANK	SWIFT CODE
1. Punjab National Bank	All Branches in India
2. PNB International Ltd, London, UK	PUNBGB22
3. Standard Chartered Bank Ltd, New York	SCBLUS33
4. Standard Chartered Bank Ltd, Singapore	SCBLSGSG
5. Standard Chartered Bank Ltd, Honkong	SCBLHKHH
6. Standard Chartered Bank Ltd, Malaysia	SCBLMYKX
7. Standard Chartered Bank Ltd, India	SCBLINBB
8. Standard Chartered Bank Ltd, London	SCBLGB2L
9. Standard Chartered Bank Ltd, Taiwan	SCBLTWTP
10. Standard Chartered Bank Ltd, Japan	SCBLJPJT
11. Standard Chartered Bank Ltd, Sri Lanka	SCBLLKLX
12. Standard Chartered Bank Ltd, Thailand	SCBLTHBX
13. Standard Chartered Bank Ltd, Muscat	SCBLMRX
14. Standard Chartered Bank Ltd, Bahrain	SCBLBHBM
15. Standard Chartered Bank Ltd, Germany	SCBLDEFX
16. Standard Chartered Bank Ltd, Indonesia	SCBLIDJX
17. Standard Chartered Bank Ltd, Pakistan	SCBLPKKX
18. Standard Chartered Bank Ltd, Doha, Qatar	SCBLQAQX
19. Habib Bank AG Zurich, Dubai	HBZUAEAD
20. Bank of Asia Nepal Ltd, Kathmandu	BOALNPKA
21. Nepal Bangladesh Bank Ltd, Kathmandu	NPBBNPKA
22. Mizuho Corporate Bank Ltd, Japan	MHCBJPJT
23. Nordea Bank Finland PLC	NEAFIHH



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