



**DRUK PNB BANK LTD**

. . . your partner in growth!



**ANNUAL REPORT 2015**

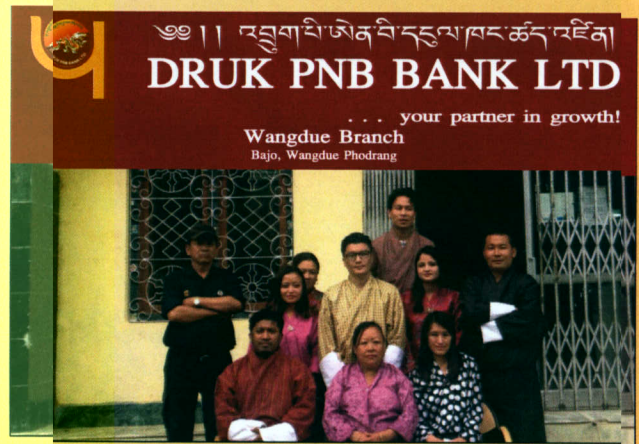




**Staff Members of Corporate Office & Thimphu Branch**



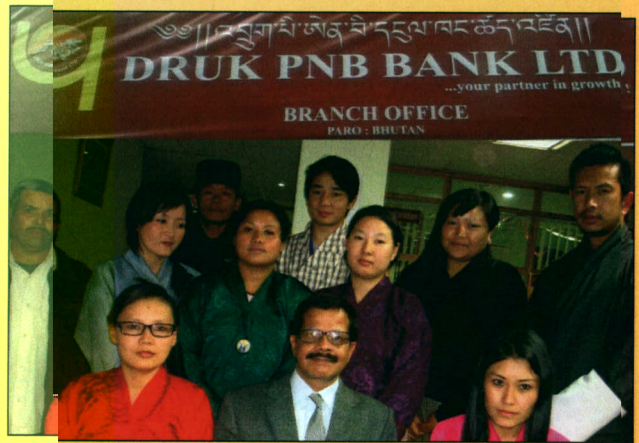
**Staff Members of Phuentsholing Branch**



**Staff Members of Wangdue Branch**



**Staff members of Gelephu Branch**



**Staff members of Paro Branch**



**Staff members of Dangdung, Trongsa Branch**



## Table of Contents

1. Board of Directors	1
2. Financial Highlights	2
3. Directors Report	3
4. CEO's Report	6
5. Auditor's Report	8
6. Financial Statements	
a. Statement of Financial Position	13
b. Income Statement	14
c. Statement of Comprehensive Income	15
d. Cash Flow Statement	16
e. Significant Accounting Policies	17
f. Reconciliation of Financial Capital	21
g. Notes to Accounts	22
h. Financial Statements	23



## ABOUT DRUK PNB BANK LTD

### Capital

Authorized Capital: 1000 Million

Paid Up Capital : 449.39 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](http://www.drukpnbbank.bt) SWIFT Code: PUNBBTBT  
Web site: [www.drukpnbbank.bt](http://www.drukpnbbank.bt)



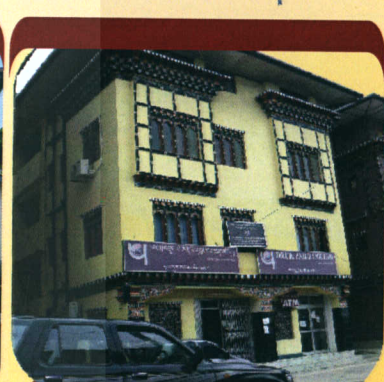
#### THIMPHU BRANCH

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



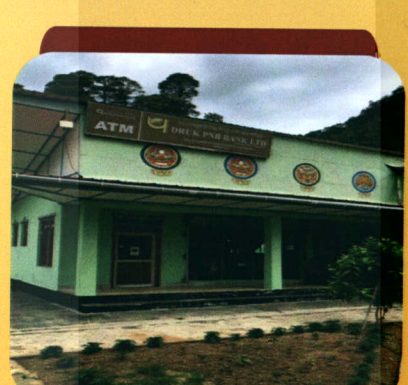
#### Gelephu Branch

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



#### Paro Branch

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



#### Trongsa Branch

MPHA Colony Dangdung  
Tel No. +975-3-528012  
Fax No. +975-3-528013



## Board of Directors



Dasho Sangay Wangchuk  
Chairman



Gauri Shankar  
Executive Director (PNB)



R. Subramania Kumar  
General Manager (PNB)



Parveen Kumar Chhokra  
Independent Director



Kesang Wangdi  
Independent Director



Tandin Tshering  
Public Shareholder Director



Mukesh Dave  
Chief Executive Officer



## Financial Highlights:

### Financial Highlights: Assets and Liabilities Position (In million Ngultrum)

Item	As of 31.12.2014	As of 31.12.2015
Total Assets	7261.32	8539.26
Capital Fund	977.77	1037.27
Deposit Liabilities	5720.31	6891.61
Advances	3917.07	4459.48

### Operating Results

Item	For the year 2014	For the year 2015
Income	577.52	656.31
Expenses	429.87	466.27
Net Profit (after tax)	99.56	128.98

### Ratio

	2014	2015
Loan to Deposit		
Operating Efficiency	42%	41%
Net Interest Margin	5.09%	5.71%
Earning Asset	54%	71%
Return on Assets (total)	1.37%	1.51%
Return on Capital	14.27%	11.93%
Profit Per Employee	0.96Mio	112.39Mio



## Directors' Report : 2015

Dear Shareholders,

I extend a very warm welcome to all the shareholders who are present here for the 6th Annual General Meeting of your Bank. On behalf of the Board of Directors I present before you the Annual Report of your bank for the year ended 31<sup>st</sup> December 2015.

Your bank has completed 6 years of successful operations in 2015 registering a growth in total business from Nu. 9,637 Mio in 2014 to Nu. 11,351 Mio, showing a growth of 17.8%, comprising of Nu. 6,892 Mio as Deposits and Nu. 4,459 Mio as Advances.

In terms of customer base also, the bank has achieved encouraging results with number of accounts surpassing 89,500 mark as on 31<sup>st</sup> December 2015 an increase of over 14% over 2014. This satisfactory performance of your bank in a span of 6 years is indicative of the quality services rendered. 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 79% of the total deposits, while the performing advances are 95.63% of total advances.

In terms of the instructions received from Bhutan Accounting Standards (BAS) established on 30<sup>th</sup> April 2010 for introduction of accounting standards based on the International Financial Reporting Standards (IFRS) we were amongst the first group of listed Companies which was chosen by the Authority for handholding while preparing the financial reports as per BAS for the year ended 31.12.2014 and 31.12.2015. Hence the annual report of your bank being presented today is in compliance to Bhutan Accounting Standards phase I.

### Net Profit:

In 2015, the Bank earned total income of Nu. 656.31 million against total expenditure of Nu. 466.27 million (after making provisions) resulting in post-tax net profit of Nu. 128.98 million, which is 29.55% more than the net profit of Nu. 99.56 million earned in 2014. Same was done with prudent management of liquidity and cost of deposit and by maintaining asset quality in spite of continued down turn of the Bhutanese economy under construction and production sectors.

### Dividend, Capital & Reserve:

The Board of Directors is pleased to recommend ploughing back of the entire distributable profit for the year ended 31.12.2015 after transferring Nu. 64.491 million to General Reserves as per the Financial Services Act 2011 (section 82) and Nu. 2.778 million for Foreign Exchange Fluctuation Reserve, to Bank's retained earnings in order to strengthen the Capital funds of the Bank, which crossed the 1 billion mark in 2015 and stands at Nu. 1.08 bn. This will improve the Capital Adequacy Ratio to 13.14% as against the stipulated minimum requirement of 10% under the prudential Regulations of RMA, and help in credit expansion by improving on the Single Largest Borrower limit and the Ten Largest Borrowers limit set by Royal Monetary Authority of Bhutan.

Further the fund so retained will enable the bank for expansion/growth plans in the coming years.



## Board of Directors:

As on 31<sup>st</sup> December 2015, there were 7 directors on the Board of the Bank, comprising the Chairman, the CEO, two PNB nominee directors, one public shareholder director and two Independent Directors. During the year 2015, following changes took place in the composition of the Board of Directors:

- Mr. Gauri Shankar- Executive Director of PNB was inducted as PNB nominated director in the Board on 11<sup>th</sup> December 2015 in place of Mr. Bidyut Prakash Ray, who resigned from the Board.

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) and other guidelines of RMA at all times. The overall rating of the Bank improved from 3 (Fair) during 2014 to 2 (Satisfactory) during 2015, as per the onsite inspection conducted by RMA, indicative of Bank's goal of achieving balanced growth with compliance to bring about financial stability in its working.

The bank is in the process of further consolidation of its Risk management techniques and establishment of Risk Based Internal Supervision model for bringing about qualitative improvement in compliance in future.

## Business expansion:

We are pleased to inform our esteemed shareholders that we have opened a new branch at Dangdung- Trongsa during the year, taking the number of branches to 6. We shall keep exploring viable sites for opening of new branch offices in the other parts of the country. To improve its alternate delivery channel, the bank installed 1 more ATM in the hitherto unbanked area near by JP colony area on the Wangdue - Tsirang high way during the year, thus raising the total number of ATMs to 17 including onsite ATM installed at the newly opened Trongsa Branch.



## Corporate Social Responsibility

The Bank has always been a society in which it operates. As a part of its CSR and to ensure equity in the society the Bank sponsored Injia House Golf tournament followed by promotion of road of Thimphu and Phuentsholing Branch in the local market and also in Open Mountain Bike Race 2015.

The Bank also joined the nation with hearty to celebrate the 60<sup>th</sup> birth Anniversary of the 14<sup>th</sup> Druk Gyalpo and participated in cultural events organized by PICSA, BCCI, HEMA Bhutan etc.

Continuing with the tradition of supporting initiatives in the education sector, the Bank also sponsored the "Ornamentation Competition" amongst college students of the state organized by the National Yangchuk Cultural Center, (Sport training and culture).

The Bank also put priority in the banking knowledge and skill development of its employees by providing their regular training to ensure efficiency in delivering services to the customers. During the year the bank provided training to 32 of its employees in various seminars as per details given as under:

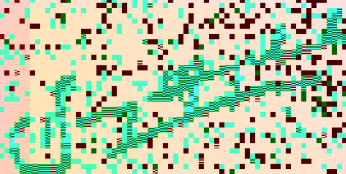
S.No.	Training Institute	No. of employees who attended the training.
1.	ICBI Global Conference, New Delhi	14
2.	National Institute of Banking & Finance, Pakistan	1
3.	Bank School, ICBI, New Delhi	2
4.	Regional Bank, Singapore & Philippines	1
5.	ICBI Global Global Meeting by Master Card	1
6.	ICBI International Meeting, Calcutta, India	1
7.	Regional Conference, Pakistan	12
8.	Total	32

## Statutory Auditing

M/s. M. J. BISHAL and Co. Chartered Accountants, Kolkata have audited the bank's financial statements for the year ended 31<sup>st</sup> December 2015.

## Acknowledgements

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



**Ananta Lakshmi Margandha**  
Chairman

**Pranab Chakrabarty**, Chairman, Board of Directors



## CEO's Report:

I, on behalf of the Board of Directors, have the opportunity to place before you the financial highlights of this bank for the year ended 2015.

The Year 2015 turned out to be a much better year in terms of business as compared to previous year. With the lifting of ban on import of vehicles and permission for financing of few other prospective sectors from September 2014, the bank got opportunity to provide number of fresh loans to service and housing sectors in particular. Resultantly, your bank has been able to record increase in net profit to Nu. 128.98 million for the last year. We are also pleased to share with stakeholders, that we could achieve targets set for 2015 in mobilization of funds, its channelization to the productive economic sectors and payment services, despite competition in the market from veteran banks. All these achievements were made possible due to our understanding of customer needs and providing them with appropriate customized banking solutions. Bank's high level of customer service ably backed by efficient technical support provided by the parent bank - Punjab National Bank, which is a leading public sector bank in India, has made remittances to India very fast and reliable. Business community having financial dealings with India has also been the beneficiary of our efficient facility for transfer of funds, both inward and outward.

## Financial Aspect

Some of the key parameters from which the bank's performance can be gauged are as under:

	31.12.2014	31.12.2015	Variance
Total Business	9,637.39	11,351.08	+17.8%
Total Deposits	5,720.31	6,891.61	+20.5%
Total Advances	3,917.07	4,459.48	+13.8%
Net Profit	99.56	128.98	+29.6%
Capital Funds	1,013.75	1,080.67	+6.6%
Customers	78,613	89,693	+14.1%
Business Performance	96.00	112.39	+20.8%
Earning Before Interest	54%	71%	+14.5%
Return on Investment	1.43%	2.21%	+54.5%
(Actual in Nu.)	Nu. 2.21	Nu. 2.87	+29.9%
Book Value	Nu. 16.39	Nu. 18.44	+12.5%
(Actual in Nu.)			

## Service Delivery Channel

The bank continues to serve Gelephu, Paro and Druk Wangsa as the prospective customers are mainly concentrated in these areas. The Bank's ATM network near Jaypee Colony, on the side of the Wangdue - Tsirang highway hitherto an unbanked area, for the convenience of customer to withdraw cash and reduce footfall in the branches. Your Bank's ATM's have been acknowledged to provide uninterrupted services to the customers with minimum down-time, which is redefining the way Banking is transacted in Bhutan. Besides, 2 self pass book printing kiosk machines are placed at Phuentsholing branch office. The need for a customer to stand in queue for a simple task of updating the pass book.

and the Management of DRUK PNB Bank Limited would like to take this opportunity to place before you the financial highlights of this bank for the year ended 2015.

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## Community Services

The bank not only focuses on its core business of providing services to the people, it values community services as well. As a part of its corporate social responsibility and as a gesture of sports promotion in Bhutan, our Bank has sponsored India House Golf Tournament, Dantak Open Mountain Bike Race, Local Football Tournament etc during the year 2015.

Tashi Delek


Mukesh Dave

Chief Executive Officer







- 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 transactions have been adequately disclosed in the financial statements. Such terms and conditions are not prejudicial to the interest of shareholders and other Directors of the Bank.
- 3.9 In our opinion, the transactions of purchase and sales of goods and services made in pursuance of contracts or arrangements entered into with the directors or their relatives, companies or firms in which the directors are directly or indirectly interested have been made at prices, at which the transactions for similar goods or services have been made with other parties. Such transactions have been adequately disclosed in the financial statements. Such terms and conditions are not prejudicial to the interest of shareholders and other Directors of the Bank.
- 3.10 According to the records, the Bank is regular in depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority.
- 3.11 There are no undisputed amounts payable in respect of rates, taxes, duties, provident fund and other statutory dues outstanding at the year-end.
- 3.12 No personal expenses 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.
- 3.13 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.
- 3.14 In our opinion and on the basis of available records and information, the activities carried out by the Bank are lawful and intra vires to the Articles of the Incorporation of the Bank.
- 3.15 The details of remuneration and other payment made to the Chief Executive Officer of the Bank have been suitably disclosed in Notes No.24 on Accounts.



- 3.16 The bank has established an effective budgetary control system.
- 3.17 As represented to us, the directives of the Boards have been complied with.
- 3.18 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.
- 3.19 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.
- 3.20 The Bank has not dealt or traded in shares, securities and other investment during the year.
- 3.21 The Bank has adequate records for funds collected from depositors and for interest payments.
- 3.22 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 Authorities.
- 3.23 The requirements of RMA Prudential Regulations, 2002 relating to provisioning for the non-performing assets including loans and advances have been complied with. However it is advisable to adopt generating system prompt NPAs especially in case of working capital advances.
- 3.24 Recognition of interest income in respect of non-performing assets has been complied with.
- 3.25 The assets hypothecated against loans and advances have been physically verified, properly valued, mortgage deed executed and ensured that the assets are free of any prior lien or charges.
- 3.26 Proper analysis is carried out before re-phasing / rescheduling of loans.
- 3.27 There is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

**Computerized Accounting Environment**

1. The Organizational and system development controls and other internal controls are adequate relative to size and nature of computer installations.
2. There are adequate safeguard measures and backup facilities exist in relation to computer facilities.
3. The backup facilities and disaster recovery measures include keeping files in different locations.
4. The Operational controls have been established with the implementation of the CBS to ensure correctness and validity of input data and output information.



5. The measures to prevent unauthorized access over the computer installation and files are adequate.

## General

### 1. Going Concern Problems

Based on the net asset position reflected by the Bank's Balance Sheet as at 31 December, 2015 and audited by us in accordance with the Generally Accepted Auditing Standards and on the basis of such other facts as we considered necessary in this report, we have no reason to believe that the Bank is not a going concern on the balance sheet date and is not likely to become such 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	2015	2014
Current ratio Current Assets/Current liabilities	5554.903/4616.776	1.20	1.15
Core capital Tier I capital/Total Risk weighted assets	823.880/8226.63	10.01%	10.54%
Capital Adequacy Tier I & Tier II capital/Total Risk weighted assets	1080.670/8226.63	13.14%	14.77%
Statutory Liquidity Requirement Quick Assets/Total liabilities less Capital fund and liabilities to RMA	3583.531/7458.587	48.05%	39.51%

Particulars	2015	2014
Credit Deposit Ratio - Loans & Advances / Deposits	64.71%	68.49%
NPA Ratios - Total NPA / Loans & Advances	4.37%	3.45%
Interest Expense / Deposits	4.29%	4.84%
Interest Income / Loans	11.99%	12.04%
Deposit Growth	20.48%	11.14%
Advance Growth	13.85%	4.91%
Increase / (Decrease) in Provision	20.70%	20.61%
Increase / (Decrease) in Forex Income	139.14%	(5.57%)
Return on Investment (PAT / Capital employed x 100)	2.21%	1.43%
Earnings per Share (PAT / No. of Shares Issued)	Nu.2.87	Nu.2.21
Net Profit Ratio (PBT / Total Income x 100)	28.96%	25.56%



Kingdom of Bhutan, 2000.

provisions of the Companies Act of the Kingdom of Bhutan, including requirements, maintenance of records, issuance of Act.

Companies Act kingdom of Bhutan, 2000, RMA Prudential Act of Bhutan 2011. The scope of audit is limited to statements as produced to us by the management.

applicable laws, rules and regulations, systems, obtained to us.





Statement of Financial Position

	Note	Amount in Nu.	
		As at December 31, 2015	As at December 31, 2014
<b>Assets</b>			
Cash and balances with central banks			
Due from banks	13	1,536,606,154	1,919,873,606.97
Cash collateral on securities borrowed and reverse repurchase agreements	14	2,414,002,208	1,121,773,704.24
Derivative financial instruments		-	-
Other financial assets held for trading		-	-
Financial assets held for trading pledged as collateral		-	-
Financial assets designated at fair value through profit or loss		-	-
Loans and advances to customers		-	-
Financial investments – available-for-sale	15	4,459,478,797	3,917,074,167.17
Financial investments – available-for-sale pledged as collateral		-	-
Financial investments – held-to-maturity		-	-
Other assets		-	-
Property, plant and equipment	16	94,541,137	83,910,247.39
Goodwill and other intangible assets	4	34,380,668	44,460,167.23
Deferred tax assets		-	-
Non-current assets and disposal groups held for sale	22	247,654	232,041.00
<b>Total assets</b>		<b>8,549,256,860</b>	<b>7,261,323,933.98</b>
<b>Liabilities</b>			
Due to banks			
Cash collateral on securities lent and repurchase agreements	17	128,206,175	258,108,194.63
Derivative financial instruments		-	-
Other financial liabilities held for trading		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Due to customers		-	-
Debt issued and other borrowed funds	18	5,763,400,731	5,462,205,233.75
Current tax liabilities	19	207,600,000	236,400,000.00
Other liabilities	12	57,027,577	44,292,711.58
Provisions	20	792,575,380	388,346,612.84
Deferred tax liabilities	21	160,780,614	135,598,909.07
Non-current liabilities and disposal groups held for sale		-	-
<b>Total liabilities</b>		<b>7,709,590,871</b>	<b>6,524,951,661.79</b>
Equity attributable to equity holders of parent			
Issued capital		450,000,000	449,712,300.00
Share premium		-	-
General Reserve		28,150,800	28,150,800.00
Retained earnings		239,452,333	174,960,836.67
Foreign Fluctuation Reserve		106,277,015	80,541,184.20
		5,785,837	3,007,151.39
Non-controlling interest		229,665,980	736,372,272.23
<b>Total equity</b>		<b>829,665,980</b>	<b>736,372,272.23</b>
<b>Total liabilities and equity</b>		<b>8,549,256,860</b>	<b>7,261,323,933.98</b>

  
(Chairman)

  
(Director)

For M. H. Samda & Co.  
Chartered Accountants

  
(Director)



# DRUK PNB BANK LIMITED

## Income Statement

	Note	Amount in Nu.	
		As at	
		December 31, 2015	December 31, 2014
Interest and similar income	5	534,625,353.17	471,526,820.27
Interest and similar expense	6	295,572,340.58	276,735,343.64
Net interest income		239,053,012.59	194,791,476.63
Fee and commission income	7	98,486,878.22	59,050,477.64
Fee and commission expense		-	-
Net fee and commission income		98,486,878.22	59,050,477.64
Net trading income		-	-
Net gain/loss on financial assets and liabilities designated at fair value through profit or loss		-	-
Other operating income	8	23,196,259.67	46,939,091.95
Total operating income		360,736,150.48	300,781,046.22
NPA provisions	9	23,300,440.36	26,304,467.25
Impairment losses on financial investments		-	-
Net operating income		337,435,710.12	274,476,578.97
Personnel expenses	10	57,518,176.45	50,274,230.77
Depreciation of property and equipment		14,604,649.06	14,910,947.69
Amortisation of intangible assets		-	-
Other operating expenses	11	75,272,487.12	61,649,028.57
Total operating expenses		147,395,312.63	126,834,207.03
Profit before tax from continuing operations		190,040,397.49	147,642,371.94
Income tax expense - Current Tax	12A	61,073,257.54	48,213,685.07
Income tax expense - Deferred Tax	12B	(15,853.00)	(130,366.00)
Profit for the year from continuing operations		128,982,992.96	99,559,052.87
Discontinued operations		-	-
Profit after tax for the year from discontinued operations		-	-
Profit for the year		128,982,992.96	99,559,052.87
Attributable to:			
Equity holders of the parent			
Profit for the year from continuing operations		128,982,992.96	99,559,052.87
Profit for the year from discontinued operations		-	-
Profit for the year attributable to equity holders of the parent		128,982,992.96	99,559,052.87
Non-controlling interest			
Profit for the year from continuing operations		-	-
Profit for the year from discontinued operations		-	-
Profit for the year attributable to non-controlling interests		-	-
Earnings per share	23		
Basic earnings per share		2.87	2.21
Diluted earnings per share		2.87	2.21
Basic earnings per share from continuing operations		2.87	2.21
Diluted earnings per share from continuing operations		2.87	2.21

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)

 (Mazhar Bhatti)  
Partner  
(Membership No. 300367)



  
For M. P. Sureka & Co.,  
Chartered Accountants



Statement of Changes in Equity

	General Reserve	Share Premium	General Reserve (Statutory Reserve)	Retained Earnings	Foreign Fluctuation Reserve	Total Equity
At 1 January 2014						
Total comprehensive Income	449,392,300.00	28,150,800.00	125,181,310.24	63,598,019.69	1,628,250.43	667,950,680.36
Issue of share capital				99,559,052.87	1,378,900.92	100,937,953.79
Share-based payments	320,000.00					320,000.00
Dividends paid for 2013						
Transfer to Foreign Fluctuation Reserve				31,457,461.00		31,457,461.00
Transfer to General Reserve			49,779,526.43	1,378,900.92		1,378,900.92
Dividends of subsidiaries			49,779,526.43			49,779,526.43
At 31 December 2014	449,712,300.00	28,150,800.00	174,960,836.67	80,541,184.20	3,007,151.35	736,372,772.22
Total comprehensive Income				128,982,992.96	2,778,681.42	131,761,674.38
Issue of share capital		281,700.00				281,700.00
Share-based payments						
Dividends paid of 2014						
Transfer to Foreign Fluctuation Reserve				35,976,984.00		35,976,984.00
Transfer to General Reserve			64,491,496.48	2,778,681.42		67,270,177.90
At 31 December 2015	450,000,000.00	28,150,800.00	239,452,333.15	64,491,496.48	5,785,832.77	829,665,992.38

Purpose of maintaining different reserves:-

- a) Share Premium: To maintain CAR and to maintain single borrower limit within norms.
- b) General reserves: Mandatory as per PSA (2011) chapter 6 Section 82 (i) which says as under: Every financial institution shall (a) Maintain a reserve fund; and (b) before declaring any dividend from its net profits of each year (after due provision for taxation), transfer to the reserve fund out of the net profits of each year - i. a sum equal to not less than 50 percent of the net profits of that year, so long as the amount of the reserve fund is less than 50 percent of its paid-up capital; and ii. a sum equal to not less than 25 percent of the net profits of that year, so long as the amount of the reserve fund is 50 percent or more of its paid-up capital.
- c) Foreign Exchange Fluctuation Reserves: To handle exchange fluctuations.

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

*[Signature]*  
 Director

*[Signature]*  
 Director

*[Signature]*  
 Chairman

*[Signature]*  
 (Mazhar Bhatt)  
 Partner  
 (Membership No. JUC367)

For Mazhar Bhatt & Co.  
 Chartered Accountants





# DRUK PNB BANK LIMITED

## Statement of Cash Flow

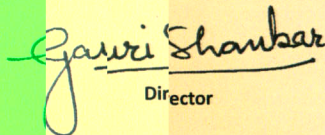
Particulars	31-Dec-15	31-Dec-14
	Amounts (Nu.)	Amounts (Nu.)
<b>A. Operating Activities</b>		
Profit before tax from continuing operations	190,040,397.49	147,642,371.94
Profit before tax from discontinued operations	-	-
Profit before tax	190,040,397.49	147,642,371.94
Adjustment for:-		
Change in operating assets	(542,404,630.71)	(183,323,188.59)
Change in operating liabilities	1,171,293,483.17	572,276,423.54
Change in other operating assets	(10,630,890.25)	179,608,428.86
Change in other operating liabilities	29,410,473.45	211,643,347.05
Other non-cash items included in profit before tax	14,604,649.08	14,910,947.69
Net gain/(loss) from investing activities	-	(197,640.00)
Profit on sale of PPE	-	-
Net gain/(loss) from financing activities	-	(197,640.00)
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(797,833.88)	(1,036,494.95)
Income tax paid	(48,337,996.47)	(47,205,031.89)
<b>Net cash flows from operating activities</b>	<b>803,177,651.88</b>	<b>894,319,163.65</b>
<b>B. Financing Activities</b>		
Proceeds from issue of share capital	287,700.00	685,000.00
Proceeds from issuance of bonds	(28,800,000.00)	121,200,000.00
Dividends paid to equity holders	(35,976,984.00)	(31,457,461.00)
<b>Net cash flows from/(used in) financing activities</b>	<b>(64,489,284.00)</b>	<b>96,427,539.00</b>
<b>C. Cash Flow from Investing Activity</b>		
Purchase of property and equipment	(4,525,150.00)	(5,247,979.20)
Proceeds from sale/damage of property and equipment	-	641,025.00
<b>Net cash flows from/(used in) investing activities</b>	<b>(4,525,150.00)</b>	<b>(4,606,954.20)</b>
<b>Change in Cash and cash equivalents</b>	<b>(A+B+C)</b>	
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	734,163,217.88	980,139,748.45
Opening Cash and cash equivalents	797,833.88	1,036,494.95
Closing Cash and cash equivalents	3,215,647,311.21	2,234,836,067.81
Change in Cash and cash equivalents	3,949,810,529.09	3,214,610,816.26
	734,163,217.88	979,774,748.45

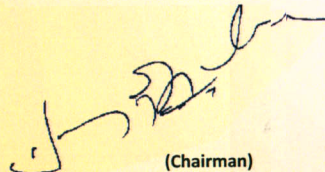
### Reconciliation of closing Cash and cash equivalent


As per Cash Flow Statement	3,949,810,529.09	3,214,610,816.26
As per Statement of Financial Position		
Cash and balances with central banks	1,536,606,154.19	2,093,873,606.97
Due from banks	2,414,002,208.78	1,121,773,704.24
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(797,833.88)	(1,036,494.95)
	3,949,810,529.09	3,214,610,816.26

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)

  
(Manoj Kumar)  
Partner  
(Membership No. 300367)



For M. S. Sureka & Co.  
Chartered Accountants





## Significant Accounting Policies for the Year ended 31<sup>st</sup> December 2015.

### 1. Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the BAS, the International Accounting Principles and the relevant provisions of The Companies Act of the Kingdom of Bhutan, 2000 including the Accounting Standard Rules for Companies in Bhutan, 2012.

The said financial statements have been prepared on the historical cost convention and going concern basis except accrual basis of accounting with the Statements. The preparation of the Financial Statements as stated otherwise in the Financial accounting estimates and judgments. It also requires management requires the use of certain critical process of applying the Company's accounting policies and management to exercise judgment in the expenses, assets and liabilities may differ from the estimates. and the reported amounts of revenue,

### 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. Property, Plant & Equipment:

The Company has adopted the transitional provision available under BAS-16 'Property, Plant and Equipment' and has calculated depreciation with retrospective effect.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant and equipment are initially recognized at cost. The initial cost of property, plant and equipment comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.



Plant and equipment is computed using the straight line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. Leasehold land is depreciated on a straight line method over the primary term of the lease.

The useful lives of assets for depreciating its property, plant and equipment as determined by the technical Department, established the useful lives of assets for depreciating its property, plant and equipment as follows:

Buildings (Capitalised expenses)	5 years
Machinery & Electrical Fittings	6.5 years
Plant Items	20 years
Woven Articles	10 years
Furniture & Electrical Goods	6.5 years
Vehicle	6.5 years
Computer Equipment	6.5 years
Miscellaneous items	6.5 years

The depreciation method and depreciation period are reviewed, and adjusted appropriately, to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the depreciation method, if any, is depreciated on the revised useful life.

Accumulated depreciation for property, plant and equipment sold, scrapped, disposed or otherwise eliminated from the financial statements and the resulting gain or loss is included in the Statement of Comprehensive Income.

Computer software and are carried at cost of acquisition/implementation less amortization. Amortization is recognized on a straight line basis over the estimated useful life as determined by the management.

Loans are carried at principal amount plus interest accrued thereon.

Employee benefits:

Provident fund and other funds are accounted for as when accrued except for leave travel concession (on declaration basis) which is accounted for on

accrual basis in respect of national employees only as per the service guidelines framed by the Royal Civil Service commission of Bhutan. Employees cease to work as of the year end.



**7. 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 effective 31.12.2015)		Provision on outstanding (revised)
	Days	%	Days	%	
1)Standard	Upto 30	1.5%	Upto 30	1.5%	1.5%
2)Watch	31-90	1.5%	31-90	1.5%	1.5%
3)Substandard	91-180	15% (30% for sector with highest exposure)	91-180	15% (30% for sector with highest exposure)	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)	50% (60% for sector with highest exposure)
5)Loss	> 18 months	100%	> 18 months	100%	100%

Provision has been made as per the revised norms.

**8. Income Tax:-**

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

**9. Foreign exchange fluctuations:**

**a) Functional and presentation currency-**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.



**b) Transactions and Balances:-**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

**10. Cash and Cash Equivalents:**

Cash and cash equivalents include cash in hand; bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

**11. Earning Per Share:**

The Company presents the basic and diluted EPS data for its ordinary shares. Basic EPS is computed by dividing the net profit for the year attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

**12. Contingent Liabilities:**

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

**13. 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.

**14. Dividends:**

Dividends (including interim dividends) to ordinary shareholders is recognized as a liability and deducted from shareholders' equity in the period in which the dividends are declared by the Board of directors and approved by the ordinary shareholders.



DRUK PNB BANK LIMITED

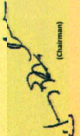
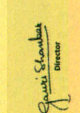



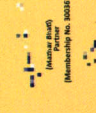
Reconciliation of Share Capital

	As at 31.12.2015	As at 31.12.2014
<b>SHARE CAPITAL</b>		
(A) Authorized Share Capital 100,000,000 Equity Shares of Nu.10/- each (Nu. 10,000,000 equity shares of Nu.100/- each)	1,000,000,000.00	1,000,000,000.00
(B) Issued, Subscribed and Fully Paid Up Share Capital 44,571,428 Equity Shares of Nu.10/- each (44,571,428 equity shares of Nu.100/- each)	445,714,280.00	445,714,280.00
(C) Free Reserve per share	10.00	10.00
(D) Reserve for Equity Shares of the company of the previous financial year	1,000,000,000.00	1,000,000,000.00
(E) Reserve for Equity Shares of the company of the current financial year	1,000,000,000.00	1,000,000,000.00

(E) The company has only one class of equity shares having a par value of Nu.10 per share (which has been converted during 2014 from Nu. 100 to Nu. 10 as per directions by RMA and RSEB of Bhutan). Each holder of equity shares is entitled to one vote per share. The holders of Equity Shares are entitled to receive dividends as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

**Notes:**  
 1. During the year, The Royal Securities Exchange of Bhutan has converted the face value of shares of all listed companies from Nu. 100/- to Nu. 10/- with effect from 1st August, 2014. Consequently, the face value of share of Druk PNB Bank Ltd. has also changed from Nu. 100/- to Nu. 10/-.  
 2. The following Extraordinary issue of shares was made with special permission from the Royal Monetary Authority of Bhutan and Royal Securities Exchange of Bhutan Ltd –  
 32,000 No. of Shares to the Employees at par (Nu. 10 each).

**3. Capital Management-**  
 Capital Management: The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.  
 The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the local regulator (Royal Monetary Authority of Bhutan). During the past year, the Bank had complied in full with all its externally imposed capital requirements.  
 Regulatory capital consists of Tier 1 capital, which comprises Paid up capital, share premium, general reserve (statutory reserve) and retained earnings less loss for the current year. The other component of regulatory capital is Tier 2 capital, which includes other reserves; General Provisions to the extent that they do not exceed 1.25% of the sum of total risk weighted assets, subordinated term debts with a minimum original maturity of at least 5 years and profit for the current year.

 Chairman  
 Director  
 Director  
 Director  
  
  
 Druk PNB Bank Ltd.  
 Director's Authorization



# Druk PNB Bank Limited

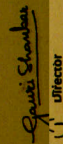
## NOTES TO ACCOUNTS

### Note 4: Property, Plant and equipment

Particulars	Land and Building	Vehicles	Machinery & Furniture Fittings	Steel Items	Wooden Articles	Electrical Goods	Computer Hardware	Miscellaneous	Amount in Nu.
									Total
<b>Cost:</b>									
At 1 January 2014	4,461,530.00	2,756,382.30	569,636.43	5,584,758.19	6,973,422.26	12,090,929.35	65,664,609.85	1,774,542.63	99,875,311.01
Additions	-	-	-	150,600.00	16,098.00	-	4,979,471.00	71,948.20	5,218,017.20
Disposals	-	-	-	-	-	-	1,102,365.00	-	1,102,365.00
Exchange adjustment	-	-	-	-	-	-	-	-	-
At 31 December 2014	4,461,530.00	2,756,382.30	569,636.43	5,734,758.19	6,989,520.26	12,090,929.35	69,541,715.85	1,846,490.83	103,990,963.21
Additions	-	-	23,630.00	599,796.00	356,068.00	1,731,521.00	1,648,055.00	166,080.00	4,525,150.00
Disposals	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	-	-	-	-	-	-	-	-
At 31 December 2015	4,461,530.00	2,756,382.30	593,266.43	6,334,554.19	7,345,588.26	13,822,450.35	71,189,770.85	2,012,570.83	108,516,113.21
<b>Depreciation and Impairment:</b>									
At 1 January 2014	3,569,224.00	1,625,749.48	279,973.92	918,254.29	2,090,156.54	4,367,561.13	31,706,727.66	721,176.61	45,278,823.63
Disposals	-	-	-	-	-	-	658,975.32	-	658,975.32
Depreciation charge for the year	892,306.00	424,058.82	87,636.37	286,462.22	670,488.27	1,860,142.98	10,245,731.00	264,122.03	14,910,947.69
At 31 December 2014	4,461,530.00	2,049,808.30	367,610.29	1,204,716.51	2,760,644.81	6,227,704.11	41,473,483.34	985,298.64	59,530,796.00
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	4,461,530.00	424,058.82	90,518.57	322,284.71	762,418.28	1,998,148.23	10,700,320.87	306,899.60	14,604,649.08
At 31 December 2015	4,461,530.00	2,473,867.12	458,128.86	1,527,001.22	3,523,063.09	8,225,852.34	52,173,804.21	1,292,198.24	74,135,445.08
<b>Net Book value:</b>									
At 1 January 2014	892,306.00	1,130,632.82	289,662.51	4,666,003.90	4,883,265.72	7,723,368.22	33,957,882.19	1,053,366.02	54,596,487.38
At 31 December 2014	706,574.00	706,574.00	202,026.14	4,530,041.68	4,228,875.45	5,863,225.24	28,058,232.51	851,192.19	44,460,167.21
At 31 December 2015	282,515.18	282,515.18	135,137.57	4,807,552.97	3,822,525.17	5,596,598.01	19,015,966.64	720,372.59	34,380,668.13

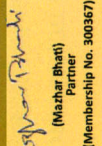
4.a. In the opinion of the management, there is no impairment of fixed assets of the company, which may require any adjustment.

  
Masfiah Purnadi  
(CEO)

  
Ganesha Shambhu  
Director

  
(Chairman)



  
Masfiah Purnadi  
(Masfiah Purnadi)  
Partner  
(Membership No. 300367)



For M. P. Sureka & Co.  
Chartered Accountants



4. Interest and similar income		As at 31-December-2015	As at 31-December-2014
Particulars			
Interest from Loans & Advances		471,001,093.73	425,720,019.42
Interest from Deposits with Banks in Bhutan		57,552,546.42	45,705,206.85
Other Interest Income		71,713.02	101,594.00
		<b>543,625,353.17</b>	<b>471,526,820.27</b>

Interest income on loans of Nu. 477001093.73/- is net of suspended interest of Nu. 25911428.09/- (after net passing MOC of Nu. 232495.66 suggested by the auditors which conforms to the Prudential Regulation, 2002, issued by Royal Monetary Authority of Bhutan.

5. Interest and similar expense		As at 31-December-2015	As at 31-December-2014
Particulars			
Interest paid on Deposits		275,575,080.30	259,376,439.53
Interest paid on Subordinated Term debts		19,997,260.28	17,358,904.11
		<b>295,572,340.58</b>	<b>276,735,343.64</b>

7. Net fees and commission income		As at 31-December-2015	As at 31-December-2014
Particulars			
Fees and commission income		98,486,878.22	59,050,477.64
Fees and commission expenses		-	-
		<b>98,486,878.22</b>	<b>59,050,477.64</b>

8. Other operating income		As at 31-December-2015	As at 31-December-2014
Particulars			
Dividend income		4,353,262.40	39,059,658.15
Other		18,842,997.27	7,879,433.80
Foreign Exchange Gain		18,842,997.27	7,879,433.80
Realized Gain & Unrealized		<b>23,196,259.67</b>	<b>46,939,091.95</b>

9. Credit loss expenses		As at 31-December-2015	As at 31-December-2014
Particulars			
Provisions against loans:			
General		2,425,377.15	2,718,753.74
Specific		20,875,063.15	25,789,680.65
Dynamic		-	(2,203,967.14)
Other		-	-
		<b>23,300,440.30</b>	<b>26,304,467.25</b>

10. Personnel expenses		As at 31-December-2015	As at 31-December-2014
Particulars			
Salaries and other allowances		57,518,176.49	50,274,230.77
		<b>57,518,176.49</b>	<b>50,274,230.77</b>

10.1. Provision for bonus payable to employees has neither been ascertained nor been provided for in these accounts.

10.2. Statute of Nu. 1081244.00 have been provided in these accounts on the assumption that all the employees cease to be employed with effect from 01/01/2016. The accumulated provision as on 31/12/2015 Nu. 5671840.00 have 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.

10.3. 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.

The schedules referred to above form an integral part of the Balance Sheet report of even date

*Zavri Shankar*  
Director

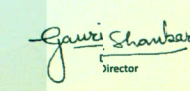
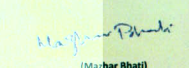


*[Signature]*  
(Chairman)





11. Other operating expenses		As at 31-December-2015	As at 31-December-2014
Particulars			
Advertising and marketing		1,524,368.90	2,848,998.92
Administrative		15,749,979.01	16,831,540.47
Outsourcing of Financial services		14,430,770.85	14,378,827.08
Professional fees		275,000.00	225,000.00
Rental charges payable under operating leases		12,772,140.92	12,019,632.00
Other		30,520,277.44	15,235,030.10
		75,272,487.12	61,619,028.57
12. Tax expenses		As at 31-December-2015	As at 31-December-2014
Particulars			
(A)			
Current tax for the year		57,027,972.65	44,292,711.58
Miscellaneous tax paid		4,045,284.89	3,520,973.49
Tax for earlier year period		-	-
(B)			
Deferred tax		61,073,257.54	48,213,685.07
		(15,853.00)	(13,036.00)
	<b>TOTAL (A+B)</b>	<b>61,057,404.54</b>	<b>48,083,319.07</b>
A sum of Nu. 4,045,284.89 relating to other taxes (like PIT of IBOs, SST on purchases etc) borne by the Bank during the current year has been accounted for from after tax profits.			
13. Cash and balances with central banks		As at 31-December-2015	As at 31-December-2014
Particulars			
<b>Cash in hand:</b>			
BTN		74,830,554.70	55,249,190.71
INR		894,600.00	1,57,120.00
FC		2,841,427.18	43,850,269.85
CRR with the Central Bank		-	-
Current account with the Central Bank		621,765,683.52	299,050,533.69
Balance with RMA		100,000.00	1,00,000.00
		826,173,888.79	1,695,466,492.72
		1,586,506,154.19	2,093,873,606.97
14. Due from banks		As at 31-December-2015	As at 31-December-2014
Particulars			
<b>Balance with Banks in India &amp; third countries</b>			
Current Account		824,598,785.44	535,093,016.43
Current Account in Bhutan		-	-
Deposit Account in Bhutan		222,326,448.34	26,403,617.81
		1,367,076,975.00	560,277,070.00
		2,414,002,208.78	1,121,773,704.24
15. Loans and advances to customers		As at 31-December-2015	As at 31-December-2014
Particulars			
<b>Demand loans</b>			
Cash Credit		253,448,819.95	267,941,360.93
Overdraft etc		358,790,490.89	259,983,387.00
Term Loan		991,455,691.13	810,109,437.98
Bills discounted & Pruchased		2,855,183,795.91	2,578,140,981.26
		600,000.00	899,000.00
		4,459,478,797.88	3,917,074,167.17
16. Other assets		As at 31-December-2015	As at 31-December-2014
Particulars			
Interest accrued		-	-
Advances made recoverable/Adjustable		48,460,374.12	63,640.30
Advance I.Tax		8,343,941.33	41,299,995.60
<b>Tax Deducted at Source</b>		23,012,112.30	22,796,678.69
Remittances in Transit		-	-
Contribution to CIB Bhutan		-	-
Contribution for Training Institute		1,375,000.00	1,375,000.00
Govt. T Bills		12,060,000.00	12,000,000.00
Stationery in hand		-	-
Prepaid expenses		1,469,709.80	-
		-	1,254,787.90
		94,541,137.64	5,120,144.90
		94,541,137.64	83,910,247.39

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

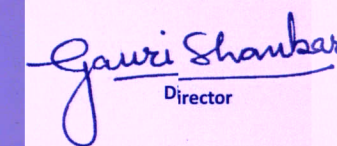
 Gauri Shamba  
 Director  
 Mahhar Bhatti  
 Partner  
 (Membership No. 300367)  
 M. P. Sareka & Co.  
 Chartered Accountants  
 DRUK PNB BANK LTD

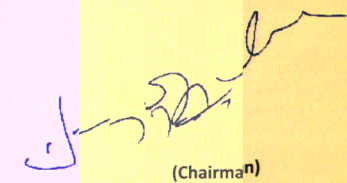


17. Due to banks		As at 31-December-2015	As at 31-December-2014
Particulars			
Balance from other banks in Current Deposits		125,991,569.43	256,707,663.18
Balances with other offices		2,214,610.33	1,400,531.45
		<b>128,206,179.86</b>	<b>258,108,194.63</b>
18. Due to Customers		As at 31-December-2015	As at 31-December-2014
Particulars			
Demand Deposits:		<b>4,189,664,503.06</b>	<b>3,412,802,450.12</b>
Current Deposits		1,334,734,247.53	803,777,535.15
Savings Bank Deposits		2,854,930,255.53	2,609,024,914.97
Term Deposits:		<b>2,573,736,228.59</b>	<b>2,049,402,783.59</b>
Fixed Deposits		2,385,884,342.59	1,872,619,905.59
Recurring Deposits		187,851,886.00	176,782,878.00
		<b>5,763,400,731.65</b>	<b>5,462,205,233.71</b>
19. Subordinated term debts		As at 31-December-2015	As at 31-December-2014
Particulars			
60% of 144000 unsecured Bonds of Nu. 1000 each and 150000 Bonds of Nu. 1000 each under Govt. ESP		207,600,000.00	236,400,000.00
		<b>207,600,000.00</b>	<b>236,400,000.00</b>
20. Other Liabilities		As at 31-December-2015	As at 31-December-2014
Particulars			
Interest Payable		122,903,134.57	152,593,549.22
Suspended Interest		25,911,426.05	14,420,284.07
Accounts Payable and sundry creditors		243,760,818.32	221,332,779.52
		<b>392,575,380.98</b>	<b>388,346,612.81</b>
21. Provisions		As at 31-December-2015	As at 31-December-2014
Particulars			
Provision - Gratuity		5,671,840.00	3,790,575.00
Provision - Loans - General		43,404,342.15	40,978,965.02
- Specific		111,704,432.15	90,829,369.00
- Dynamic		160,780,614.30	135,598,909.02
		<b>160,780,614.30</b>	<b>135,598,909.02</b>
22. Deferred tax		As at 31-December-2015	As at 31-December-2014
Particulars			
Depreciation as per CAS (based on useful life) during the year		14,604,649.05	14,910,947.69
Depreciation as per IT during the year		14,551,804.42	14,476,393.19
Timing Difference		52,844.66	434,554.50
Deferred Tax (Liability)/Asset		15,853.00	130,366.00
		<b>29,225,151.16</b>	<b>29,952,261.38</b>

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)

  
(Member)  
(Membership No. 300367)



Dr. M. P. Saha & Co.  
Chartered Accountants



23. EPS	Particulars	As at 31-December-2015	As at 31-December-2014
Net Profit attributable to the owners of the company	Net Profit	128,862,992.00	99,359,052.87
	Less: Dividend paid during the year	(44,971,230.00)	(44,971,230.00)
Total Shares outstanding at the end of the year	Basic	45,000,000.00	44,971,230.00
	Diluted	2.87	2.21

24. A. Particulars of the transactions with the Directors and their relatives as per provisions of the Companies Act of the Kingdom of Bhutan 2002:	S. No.	Name	Nature of Relationship	Mode of Transactions	Outstanding as on 31.12.2015	Outstanding as on 31.12.2014
1	Director/Dasho Sangay Wangchuk	Director	Overdraft		21,495,768.00	1,631,789.00
2	Relative of the Director/Asho Chimi Yangzom Wangchuk	Spouse of Director	Term Loan		1,409,248.45	2,255,541.00
3	Dasho Kuenley Wangchuk	Director's Father	Term Loan		122,418,350.96	40,886,016.00
4	Aunt/Aum Sangay Om	Director's Mother	Term Loan		76,467,836.24	79,042,415.00
5	Key Managerial Person/King Wangchuk	Director's Brother	Overdraft		19,207,768.34	5,553,399.00
6	Yantzen Wangchuk	Director's Sister	Cash Credit		8,710,702.71	9,014,795.00
7	Key Managerial Person/Chief Executive Officer		Remuneration	Paid in 2015	740,574.31	1,116,798.72
			Sitting Fees		60,000.00	60,000.00

B. Contingent Liability	Contingent liabilities as at the Balance Sheet date are as follows:		
a) Letter of Credit		401,807,214.53	
b) Other Guarantees		1,938,494,789.43	
	Total	1,938,494,789.43	

C. Management Expenses	Management expenses incurred:		
a) Managerial remuneration particulars	Amount paid or payable to the Chief Executive Officer:		
	2015 (Amt. In Nu.)	2014 (Amt. In Nu.)	
	3,409,743.31	3,116,798.72	
	Directors sitting fees	60,000.00	60,000.00
b) Audit Related: particulars			
	2015 (Amt. In Nu.)	2014 (Amt. In Nu.)	
	225,000.00	225,000.00	

D. Deferred Tax	The net position of deferred tax liability/asset during the year 2015 is as follows:	31.12.2015	31.12.2014
Opening Deferred Tax Liability / (Assets)		(242,041.00)	(101,675.00)
Provided during the year		(15,543.00)	(150,345.00)
Closing Deferred Tax Liability / (Assets)		(247,894.00)	(232,020.00)

E. The Company has made a provision of proposed dividend of Nu. 35,976,984/- for the year 2014. This amount has been booked from profit of the current year (2015) as per BAS.

F. Prior Period As per Management Letter to the Board, the Bank has paid Nu. 12,000,000.00 as their share for setting up Banking Training Institute which has been considered as a equity investment by the Bank. Further, the bank has also contributed to the Credit Information Bureau of Bhutan as a equity investment amounting Nu. 12,75,000/- issued by the respective institutions is held on record.

G. Prior Period Bank has received Nu. 150 million from the Ministry of Finance, RGOB on 9th April, 2014 in the form of subordinated debt (150,000,000/-) of subordinated debt having maturity of 10 years and coupon rate of 6%, payable annually.

  
Director  
  
Chairman

  
Chairman  
  
Director





**Income Tax Reconciliation as per BAS & IT depreciation 2015**

Profit before tax from continuing operations	1	90,040,397.49
Add Back Depreciation as per BAS		14,604,649.08
	2	104,645,046.57
Less : Depreciation as per IT Act		14,551,804.42
Profit before tax from continuing operation as per IT	1	90,093,242.15
Income Tax for the year		57,027,972.65

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



(CEO)

*Gauri Shanbar*  
Director

*Mazhar Bhati*

(Mazhar Bhati)  
Partner  
(Membership No. 306367)



(Chairman)



For M. P. Sureka & Co.  
Chartered Accountants

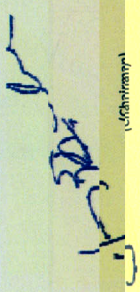


# SEGMENT WISE REPORTING

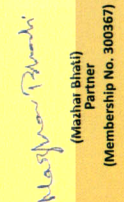
2014

2015

Particulars	2015			2014				
	Retail Segment	Corporate Segment	Others	Total	Retail Segment	Corporate Segment	Others	Total
<b>Operating Income</b>								
Third Party	431,684,469.83	224,624,021.23	-	656,308,491.06	529,832,742.13	47,869,090.47	-	577,701,832.60
Inter Segment	-	-	-	-	-	-	-	-
<b>Total Operating Income</b>	<b>431,684,469.83</b>	<b>224,624,021.23</b>	<b>-</b>	<b>656,308,491.06</b>	<b>529,832,742.13</b>	<b>47,869,090.47</b>	<b>-</b>	<b>577,701,832.60</b>
Credit Loss Expense	-	-	-	-	-	-	-	-
Impairment loss on Financial Investments	-	-	-	-	-	-	-	-
<b>Net Operating Income</b>	<b>431,684,469.83</b>	<b>224,624,021.23</b>	<b>-</b>	<b>656,308,491.06</b>	<b>529,832,742.13</b>	<b>47,869,090.47</b>	<b>-</b>	<b>577,701,832.60</b>
<b>Extracts of Results</b>								
Interest and Similer Income	310,001,331.94	224,624,021.23	-	534,625,353.17	422,859,651.54	47,869,090.47	-	470,728,742.01
Interest and Similer Expenses	284,694,121.58	10,878,219.00	-	295,572,340.58	255,856,128.64	20,879,215.00	-	276,735,343.64
<b>Net Interest Income/Expenses</b>	<b>25,307,210.36</b>	<b>213,745,802.23</b>	<b>-</b>	<b>239,053,012.59</b>	<b>167,003,522.90</b>	<b>26,989,875.47</b>	<b>-</b>	<b>193,993,398.37</b>
Fee and Commission Income	98,486,878.22	-	-	98,486,878.22	106,973,090.59	-	-	106,973,090.59
Fee and Commission Expense	147,379,459.69	-	-	147,379,459.69	126,482,821.94	-	-	126,482,821.94
<b>Net Fees and Commission Income/Expense</b>	<b>(48,892,581.47)</b>	<b>-</b>	<b>-</b>	<b>(48,892,581.47)</b>	<b>(19,509,731.35)</b>	<b>-</b>	<b>-</b>	<b>(19,509,731.35)</b>
Net Trading Income	-	-	-	-	-	-	-	-
Depreciation on PPE	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	-	-	-	-	-	-	-	-
<b>Segment Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income Tax Expenses	-	-	-	-	-	-	-	-
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets</b>								
PPE	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,897,082,672.51</b>	<b>994,524,239.00</b>	<b>-</b>	<b>6,891,606,911.51</b>	<b>5,153,121,994.89</b>	<b>565,790,902.00</b>	<b>-</b>	<b>5,718,912,896.89</b>

  
 Ravin Shambhu  
 Director



  
 Mahesh Bhat  
 (Mahaar Bhat)  
 Partner  
 (Membership No. 300367)



For M. P. Sureka & Co.  
 Chartered Accountants



**Item 1 Capital & its sub-components** **Applicable : Dec. 2015**

	Current Period	Corresponding Period of Previous Year (COPPY)
Tier 1 Capital	450000.00	449712.30
Reserves	239452.33	174960.84
Premium Account	28150.80	28150.80
Unearned Income	106277.02	80541.18
<b>Total for the Current Year</b>	<b>823880.15</b>	<b>733365.12</b>

**Item 2. Tier 2 capital & its sub-components** **Applicable : Dec. 2015**

	Current Period	Corresponding Period of Previous Year (COPPY)
Tier 2 Capital		
Capital Reserve		
Fixed Assets Revaluation Reserve	0.00	0.00
Exchange Fluctuation Reserve	0.00	0.00
Investment Fluctuation Reserve	5785.83	3007.15
Research & Development Fund	0.00	0.00
General Provision	0.00	0.00
Capital Grants	43404.34	40978.97
Subordinated Debt	0.00	0.00
Profit of the Year	207600.00	236400.00
<b>Total</b>	<b>256790.17</b>	<b>280386.12</b>

**Risk Weighted Assets (Current Period)**

	Current Period	COPPY
Government	114,868.81	92,415.47
Owned Corp. in Staff Incentive	115,267.05	129,444.22
Trade & Commerce	103,303.08	71,287.15
Support/Services/Housing	1,424,834.76	1,535,489.18
Other Services	1,909,925.77	1,667,063.01
Other	573,823.22	170,443.71
<b>Grand Total</b>	<b>4,459,478.80</b>	<b>3,917,074.17</b>

**Risk Weight %**

	Risk Weight %
Government	0%
Owned Corp. in Staff Incentive	20%
Trade & Commerce	50%
Support/Services/Housing	100%
Other Services	150%
Other	200%
<b>Grand Total</b>	<b>250%</b>
<b>Grand Total</b>	<b>300%</b>

**Risk Weighted Asset**

	Current Period	COPPY
Government	43,053.41	25,888.84
Owned Corp. in Staff Incentive	50571.79	31,907.79
Trade & Commerce	1,327,371.16	1,450,458.66
Support/Services/Housing	2,853,989.63	2,487,766.78
Other Services	1,125,107.74	340,887.42
<b>Grand Total</b>	<b>5,974,089.90</b>	<b>5,062,116.55</b>

Same Risk weights to different sectors, same RW% to be added and shown under Liquidity Ratio

**Liquidity Ratio**

	Current Period	Corresponding Period of Previous Year (COPPY)
Tier 1 Capital	823880.15	697429.44
Counter Cyclical Capital Buffer (CCyB) (if applicable)		
General Capital Requirements (SCR) (if applicable)		
Sector 1		
Sector 2		
Sector 3		
Capital Qualifying Assets (CQA)	256790.17	280386.12
Other (if applicable) expressed as % of RWA	1080670.32	977815.56
Other (if applicable) expressed as % of Sectoral RAW	10.01	10.50
Sector 1		
Sector 2		
Sector 3		
<b>Ratio</b>	<b>13.14</b>	<b>14.75</b>
	<b>12.88</b>	<b>13.05</b>

**NPL by Sectoral Classifications**

Sector	Total Loans	NPL	COPPY
Manufacturing / Industry	501,847.05	14,802.40	597.03
Trade & Commerce	1,177,079.14	54,156.62	501,706.03
Support	451,437.25	25,212.19	306,989.71
Government	1,201,999.93	7,352.29	474,443.46
Personal Loan	116,279.81	9,065.79	953,858.54
Investment Loan	264,638.73	109,719.97	109,719.97
Against Term Deposits	320,965.76	81,646.64	287,784.83
Against Loan Structure	19,089.37	503.19	376,256.54
Against Loan (Incentive)	114,735.66	21,384.43	21,384.43
Against Loan (Incentive)	33,683.08	86,733.69	86,733.69
Against Loan (Incentive)	35,258.14	100,957.55	100,957.55
Against Loan (Incentive)	115,267.05	22,219.37	22,219.37
Against Loan (Incentive)	56,307.64	1,730.88	129,444.22
<b>Grand Total</b>	<b>4,459,478.80</b>	<b>194,902.85</b>	<b>3,917,074.17</b>

**NPL**

	Current Period	COPPY
Manufacturing / Industry	42,469.69	2,187.69
Trade & Commerce	64,966.42	135,099.69
Support	12,955.65	
Government	9,631.48	
Personal Loan	21,576.40	
Investment Loan	312.57	
Against Term Deposits		
Against Loan Structure		
Against Loan (Incentive)		
Against Loan (Incentive)		
Against Loan (Incentive)		
Against Loan (Incentive)		
Against Loan (Incentive)		
<b>Grand Total</b>	<b>135,099.69</b>	<b>2,187.69</b>

**Loans (Overdraft and term Loans) by type of counter-party**

Counter Party	Current Period	COPPY
Government Corporations	61,895.53	46,421.09
Government Companies	616,484.67	431,944.63
Government Individuals	742,768.34	675,955.61
Commercial Banks	1,421,148.55	1,154,321.33
Financial Institutions		
Government Corporations	115,267.05	129,444.22
Government Companies		
Government Individuals	284,674.65	322,846.87
Commercial Banks	2,604,705.47	2,209,504.20
Financial Institutions	33,683.08	100,957.55
<b>Grand Total</b>	<b>4,459,478.80</b>	<b>3,917,074.17</b>

For Chartered Accountants





Item 7. Assets (net of provisions) and Liabilities by Residual Maturity (Current Period and COPPY)										
Sl. No.	As of period ending On	Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total	
1	Cash in hand	78567								78567
2	Govt. Securities									
3	Investment Securities									
4	Loans and Advances to Banks									
5	Loans and Advances to Customers									
6	Other Assets	8941	23007	150152	173485	164188	200675	3741030	445	4069478
7	<b>TOTAL</b>	<b>2673639</b>	<b>21007</b>	<b>150152</b>	<b>173485</b>	<b>164188</b>	<b>200675</b>	<b>5156111</b>	<b>445</b>	<b>85351212</b>
1	Amount owed to other banks	132206								132206
2	Demand deposits	1334734								1334734
3	Time deposits	2854930								2854930
4	Bonds and Other Mortgage Instruments	34904	298840	570806	518168	14590	133407	993019		2544930
5	Other liabilities	392575								392575
6	<b>TOTAL</b>	<b>4745350</b>	<b>208842</b>	<b>570806</b>	<b>518168</b>	<b>14590</b>	<b>133407</b>	<b>1255075</b>	<b>2248094</b>	<b>8537650</b>
1	Assets & Liabilities	2071712	89252	23091	39398	325158	881089	2522917	1647650	8537650
2	Net Movement in cash flow interval									
3	Cumulative Net Movement									19257

Item 8. Assets (net of provisions) and Liabilities by Original Maturity (Current Period and COPPY)										
Sl. No.	As of period ending On	Demand	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Over 1 year	Total	
1	Cash in hand	78567								78567
2	Govt. Securities									
3	Investment Securities									
4	Loans and Advances to Banks									
5	Loans and Advances to Customers									
6	Other Assets	1350246	8537	135609	137127	131466	160681	2535812	445	4069478
7	<b>TOTAL</b>	<b>4014944</b>	<b>8537</b>	<b>135609</b>	<b>137127</b>	<b>131466</b>	<b>160681</b>	<b>3950893</b>	<b>445</b>	<b>85351212</b>
1	Amount owed to other banks	132206								132206
2	Demand deposits	1334734								1334734
3	Time deposits	2854930								2854930
4	Bonds and Other Mortgage Instruments	34904	298840	570806	518168	25158	881089	1267842		2544930
5	Other liabilities	392575								392575
6	<b>TOTAL</b>	<b>4710466</b>	<b>298840</b>	<b>570806</b>	<b>518168</b>	<b>25158</b>	<b>881089</b>	<b>1267842</b>	<b>2248094</b>	<b>8537650</b>
1	Assets & Liabilities	695503	8537	23091	39398	325158	881089	2522917	1647650	8537650
2	Net Movement in cash flow interval									
3	Cumulative Net Movement									19257

Item 9. Assets & Liabilities by time-to-repricing (Current Period and COPPY)										
Sl. No.	As of period ending On	0-3 months	3-6 months	6-12 months	more than 12 months	non interest	Total	Annually		
1	Cash and balances with banks						78567		78567	
2	Time deposits									
3	Loans and Advances to Banks	180100	173485	364733	514030	130	4459478			
4	Investment Securities									
5	Other Assets									
6	<b>TOTAL</b>	<b>180100</b>	<b>173485</b>	<b>364733</b>	<b>514030</b>	<b>2634135</b>	<b>4001212</b>	<b>8539257</b>	<b>445</b>	<b>85351212</b>
1	Liabilities									
2	Borrowing	3076936	492930	59527	1219213	1462940	6891607			
3	Other liabilities									
4	<b>TOTAL</b>	<b>3076936</b>	<b>492930</b>	<b>59527</b>	<b>1219213</b>	<b>1462940</b>	<b>6891607</b>	<b>1647650</b>	<b>2522917</b>	<b>8539257</b>
5	Net Movement in cash flow interval	-2896836	723443	274804	981295	-10159				

Item 10. Non performing Loans and Provisions			
Sl. No.		Current Period	COPPY
1	Gross Loans	4459479	3917074
2	Amount of NPLs (gross)	194903	135100
3	Substandard	57305	22828
4	Doubtful	26267	41075
5	Loss	111330	71196
6	<b>TOTAL</b>	<b>194903</b>	<b>135100</b>
7	Specific Provisions	111704	90829
8	Substandard	8147	3153
9	Doubtful	12510	18418
10	Loss	91047	59258
11	<b>TOTAL</b>	<b>111704</b>	<b>90829</b>
12	Interest in Suspense	25911	14420
13	Substandard	2991	1806
14	Doubtful	2637	4240
15	Loss	20283	8374
16	<b>TOTAL</b>	<b>25911</b>	<b>14420</b>
17	Net NPLs	83199	44271
18	Substandard	46167	17803
19	Doubtful	11120	18418
20	Loss	0	0
21	<b>TOTAL</b>	<b>57287</b>	<b>36287</b>
22	Net Loans	432863	3813820
23	Gross NPLs to Gross Loans	4.37%	3.45%
24	Net NPLs to Net Loans	1.33%	0.94%
25	General Provisioning		
26	Standard	39441	30630
27	Watch	3963	10273

Item 18. Provisioning Coverage Ratio									
Year	Gross NPL	Additional NPL	Additional Specific Provisions	Additional Interest in Suspense A/C	Required PCR (60% of Add. NPL)	Accretion to the buffer	Countercyclical provisioning buffer (stock)		
Current	125,00								
Current year	194,903	59,803	20,875	12,481	35,882	3,516			
Net NPLs to Gross NPLs									
Current									
Current year									

Item 19. Concentration of Credit & Deposits									
Sl. No.	Particular	End of Current Period	COPPY						
1	Loans to Government	1319085	1071700						
2	Loans to Banks	459479	3817074						
3	Loans to other financial institutions	2958%	37.35%						
4	Loans to other entities	0.15%	0.09%						
5	Loans to individuals	0	57287						
6	Loans to other	891607	57287						

Item 20. Exposure to 5 Largest NPL accounts Concentration of Credit & Deposits									
Sl. No.	Particular	End of Current Period	COPPY						
1	Government	100535	62367						
2	Banks	194903	135100						
3	Other financial institutions	51.58%	46.20%						



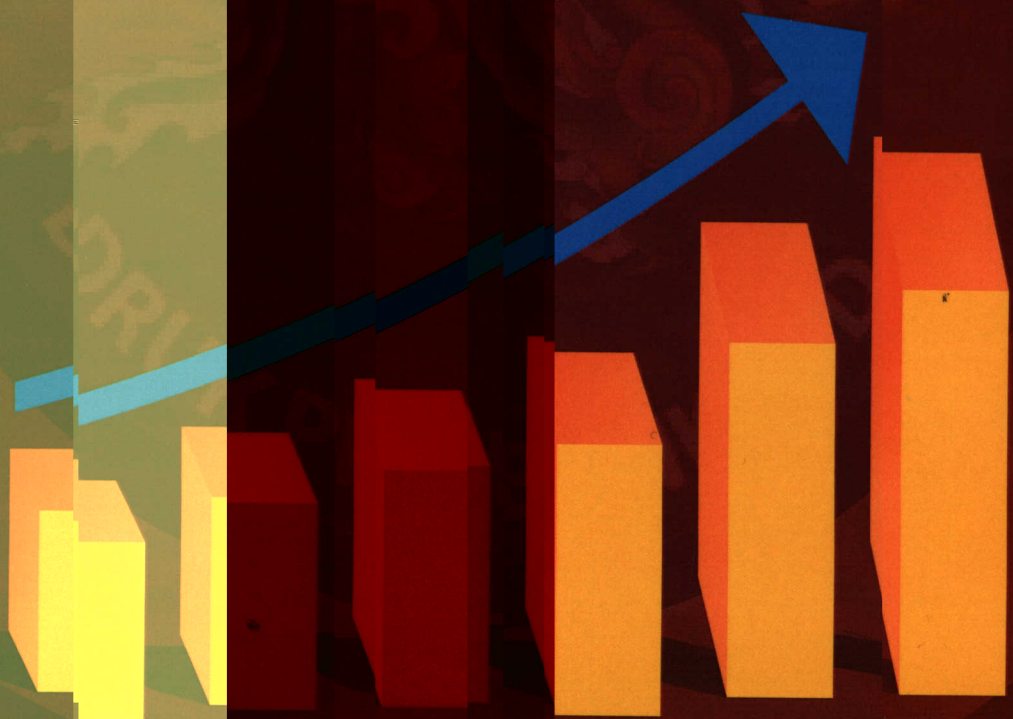
Dr. M. P. Sharma & Co.  
Chartered Accountants



## OUR CORRESPONDENT BANKS

NAME OF THE BANK	SWIFT CODE
Punjab National Bank in India	All Branches
Punjab National Bank(International) Ltd. London, UK	PUNBGB22
Standard Chartered Bank, New York, USA	SCBLUS33
Standard Chartered Bank, Singapore	SCBLSGSG
Standard Chartered Bank (Hong Kong), Limited, Hong Kong	SCBLHKHH
Standard Chartered Bank, Malaysia	SCBLMYKX
Standard Chartered Bank, Mumbai ( India)	SCBLINBB
Standard Chartered Bank(All U.K. Offices), London, UK	SCBLGB2L
Standard Chartered Bank, Taipei, Taiwan	SCBLTWTP
Standard Chartered Bank, Japan	SCBLJPJT
Standard Chartered Bank, Colombo, Sri Lanka	SCBLKLLX
Standard Chartered Bank(Thai)Public Company Limited, Bangkok, Thailand	SCBLTHBX
Standard Chartered Bank ,Muscat, Oman	SCBLMRX
Standard Chartered Bank, Manama, Bahrain (All Offices)	SCBLBHBM
Standard Chartered Bank , Frankfurt am Main Germany Branch	SCBLDEFX
Standard Chartered Bank , Jakarta, Indonesia	SCBLIDJX
Standard Chartered Bank (Pakistan)Limited, Karachi, Pakistan	SCBLPKKX
Standard Chartered Bank, Doha, Qatar	SCBLQAQX
Habib Bank Ag zurich, Dubai City, UAE	HBZUAEAD
Bank of Asia Nepal Ltd, Kathmandu	BOALNPKA
Nepal Bangladesh Bank Ltd., Kathmandu	NPBBNPKA
Mizuho Bank Ltd, Tokyo, Japan	MHCBJPJT
Nordea Bank Finland PLC	NEAFIHH





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