



DRUK PNB BANK LTD
CO: THIMPHU

BALANCE SHEET
AS ON
31.12.2017

INDEPENDENT AUDITORS' REPORT

To The Members of
DRUK PNB BANK LIMITED
THIMPU, BHUTAN

Report on the Audit of the Financial Statements

Opinion

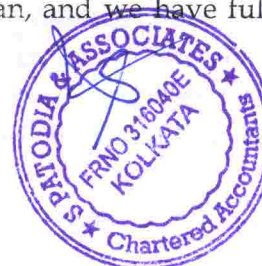
We have audited the accompanying financial statements of Druk PNB Bank Limited (DPNBL), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements of DPNBL give the information required by the Companies Act of Bhutan, 2016 in the manner so required and give a true and fair view in conformity with the Bhutanese Accounting Standard as notified by the Accounting and Auditing Standards Board of Bhutan ("AASBB")

- a) in the case of the statement of financial position, of the state of affairs of the Company as at 31st December, 2017;
- b) in the case of the statement of comprehensive income, of the financial performance for the year ended on that date;
- c) in the case of the statement of changes in equity, of the changes in equity for the year ended on that date; and
- d) in the case of the consolidated statement of cash flows, of the cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bhutan, and we have fulfilled our



other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Bhutanese Accounting Standard as notified by the Accounting and Auditing Standards Board of Bhutan ("AASBB") read with the Companies Act of Bhutan, 2016 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act of Bhutan, 2016 (The Minimum Audit Examination and Reporting Requirements) issued by the Royal Audit Authority and on the basis of such checks as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure, a statement on the matters specified therein to the extent applicable to the Corporation

As required by the Act, we report that:

- a) we have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purpose of our audit.
- b) in our opinion, proper books of accounts as required by law as stated in the Companies Act of Bhutan, 2016, have been kept by the Company so far as it appears from our examination of those books.
- c) the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow with by this report are in agreement with the books of account;
- d) in our opinion, the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow, comply with the Bhutanese Accounting Standards and provisions of the Companies Act of Bhutan, 2016.

Place: Thimphu, Bhutan
Date: 19.03.2018



For, S. Patodia & Associates
Chartered Accountants
F.R.N: 316040E

S. Patodia

(Satish Patodia)
Membership No: 052583

DRUK PNB BANK LIMITED

Thimphu : Bhutan

ANNEXURE REFERRED TO OUR AUDIT REPORT OF EVEN DATE **MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

As required by the minimum audit examination and reporting requirements under clause 266 of the Companies Act of Bhutan 2016, 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:

1. The Bank has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets. The codification of fixed asset has been done by the management in order to maintain a proper internal control. The physical verification of fixed assets has also been conducted during the year.
2. None of the Fixed Assets have been revalued during the year.
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.
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.
5. No excessive / frequent advances are generally granted and accumulation of large advances against particular individual is generally avoided.
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.
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.
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.



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.
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.
11. There are no undisputed amounts payable in respect of rates, taxes, duties, provident fund and other statutory dues outstanding at the year-end.
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.
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.
14. 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.
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.
16. The Bank has established an effective budgetary control system
17. As represented to us, the directives of the Boards have been complied with.
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.
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.



20. The Bank has not dealt or traded in shares, securities and other investment during the year.
21. The Bank has adequate records for funds collected from depositors and for interest payments.
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.
23. The requirements of RMA Prudential Regulations, 2016 relating to provisioning for the non-performing assets including loans and advances have been complied with.
24. Recognition of interest income in respect of non-performing assets has been complied with.
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.
26. Proper analysis is carried out before re-phasing / rescheduling of loans.
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 Perspective:

Based on the net asset position reflected by the Bank's Balance Sheet as at 31st December, 2017 audited by us in accordance with the International 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 date and is not likely to become sick in the near future.

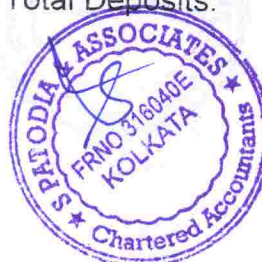
2. Ratio Analysis:

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

Ratio	Amount in Mio	2017	2016
Current ratio Current Assets/Current liabilities	7815.32/6534.72	1.20	1.19
Core capital Tier I capital/Total Risk weighted assets	1135.70/9489.65	11.97%	13.08%
Capital Adequacy Tier I & Tier II capital/Total Risk weighted assets	1361.54/9489.65	14.35%	16.18%
Statutory Liquidity Requirement Quick Assets/Total liabilities less Capital fund	3826.78/12436.14	30.77%	25.61%

Particulars	2017	2016
Credit Deposit Ratio – Loans & Advances / Deposits	*59.85%	60.63%
NPA Ratios – Total NPA / Loans & Advances	2.75%	3.25%
Interest Expense / Deposits	3.28%	4.14%
Interest Income / Loans	9.52%	11.00%
Deposit Growth	28.99%	20.67%
Advance Growth	27.34%	13.02%
Increase / (Decrease) in Provision	10.41%	(11.46%)
Increase / (Decrease) in Forex Income	(28.69%)	(21.64%)
Return on Equity (PAT / Equity x 100)	15.93%	17.51%
Return on Assets (PAT / Total Assets x 100)	1.32%	1.74%
Earnings per Share (PAT / No. of Shares issued)	Nu.4.09	Nu.3.92
Net Profit Ratio (PAT / Total Income x 100)	21.47%	22.85%

*CD ratio/Deposit Growth has been calculated after deducting the temporary fund of Nu. 1042.32Mio in the A/c of Embassy of India from the Total Deposits.



3. Compliance with the Companies Act of Bhutan, 2016.

The Bank has complied with the various provisions of the Companies Act of Bhutan, 2016 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 of Bhutan, 2016, RMA Prudential Regulations, 2016 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 S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

S. Patodia

Satish Patodia (Membership No. 052583)
PARTNER

Date: Thimphu, Bhutan
Place: 19.03.2018



DRUK PNB BANK LTD.
Statement of Financial Position

	Note	Amount in Nu.	
		As at	
		December 31, 2017	December 31, 2016
-Assets			
Cash and balances with central banks	13	2,968,240,338.81	2,354,534,331.34
Due from banks	14	2,731,612,655.44	2,154,638,329.40
Cash collateral on securities borrowed and reverse repurchase agreements		-	-
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	15	6,418,289,047.40	5,040,229,401.56
Financial investments – available-for-sale		-	-
Financial investments – available-for-sale pledged as collateral		-	-
Financial investments	15A	1,467,278,464.00	463,750,000.00
Other assets	16	155,591,462.25	110,361,370.11
Property, Plant and equipment	4	56,434,825.73	42,838,892.79
Goodwill and other intangible assets		-	-
Deferred tax assets	22	236,535.00	234,986.00
Non-current assets and disposal groups held for sale		-	-
Total assets		13,797,683,328.63	10,166,587,311.20
-Liabilities			
Due to banks	17	90,707,766.12	142,309,000.46
Cash collateral on securities lent and repurchase agreements		-	-
Derivative financial instruments		-	-
Other financial liabilities held for trading		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Due to customers	18	11,678,025,244.22	8,177,702,606.13
Debt issued and other borrowed funds	19	150,000,000.00	178,800,000.00
Current tax liabilities	12	80,677,325.18	79,092,773.39
Other liabilities	20	452,321,669.32	401,225,979.12
Provisions	21	199,201,838.53	179,848,137.22
Deferred tax liabilities		-	-
Non-current liabilities and disposal groups held for sale		-	-
Total liabilities		12,650,933,843.37	9,158,978,496.32
Equity attributable to equity holders of parent			
Issued capital		450,000,000.00	450,000,000.00
Share premium		28,150,800.00	28,150,800.00
General Reserve		419,738,250.33	327,667,915.14
Retained earnings		237,811,416.96	193,420,247.72
Foreign Fluctuation Reserve		11,049,017.97	8,369,852.03
		1,146,749,485.26	1,007,608,814.89
Non-controlling interest		-	-
Total equity		1,146,749,485.26	1,007,608,814.89
Total liabilities and equity		13,797,683,328.63	10,166,587,311.20

Signed in terms of our attached report of even date
For S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

(CEO)

(Chairman)

(Director)



DRUK PNB BANK LTD.
Statement of Comprehensive Income

				Amount in Nu.	
				As at	
Note		December 31, 2017		December 31, 2016	
Interest and similar income	5	721,343,373.59		642,549,342.69	
Interest and similar expense	6	405,581,051.42		344,345,209.93	
Net interest income		315,762,322.17		298,204,132.76	
Fees and commission income	7	113,242,250.06		109,239,217.02	
Fees and commission expense		-		-	
Net fee and commission income		113,242,250.06		109,239,217.02	
Net trading income		-		-	
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss		-		-	
Other operating income	8	14,452,910.54		20,198,474.77	
Total operating income		443,457,482.77		427,641,824.55	
Provision for Loans (Standard/NPL)	9A	7,348,987.31		17,778,092.90	
Impairment losses on financial investments		-		-	
Net operating income		436,108,495.46		409,863,731.65	
Personnel expenses	10	72,202,364.08		65,609,523.18	
Depreciation of property and equipment		12,357,095.05		14,479,511.35	
Amortisation of intangible assets		-		-	
Other operating expenses	11	71,980,033.67		66,089,091.48	
Total operating expenses		156,539,492.80		146,178,126.01	
Profit from continuing operations		279,569,002.66		263,685,605.64	
Less: Provision- Others	9B	10,649,750.00		-	
Profit Before Tax		268,919,252.66		263,685,605.64	
Income tax expense-Current Tax	12A	84,564,235.21		83,517,441.70	
Income tax expense-Deferred Tax/Additional Tax	12B	214,347.08		3,736,999.98	
Profit for the year from continuing operations		184,140,670.37		176,431,163.96	
Discontinued operations					
Profit after tax for the year from discontinued operations		-		-	
Profit for the year		184,140,670.37		176,431,163.96	
Attributable to:					
Equity holders of the parent					
Profit for the year from continuing operations		184,140,670.37		176,431,163.96	
Profit for the year from discontinued operations		-		-	
Profit for the year attributable to equity holders of the parent		184,140,670.37		176,431,163.96	
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		-		-	
		184,140,670.37		176,431,163.96	
Earnings per share	23				
Basic earnings per share		4.09		3.92	
Diluted earnings per share		4.09		3.92	
Basic earnings per share from continuing operations		4.09		3.92	
Diluted earnings per share from continuing operations		4.09		3.92	

Signed in terms of our attached report of even date

For S. Patodia & Associates

Chartered Accountants (FR No. 316040E)

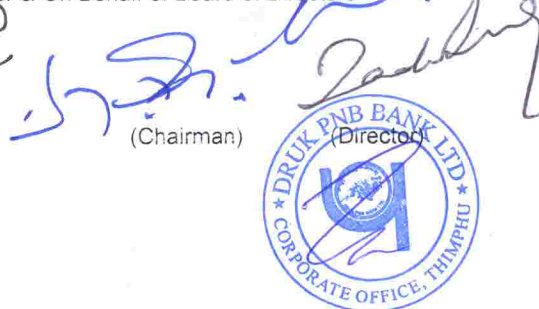
S. Patodia

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

Place: Thimphu

For & On Behalf of Board of Directors



DRUK PNB BANK LTD.

Statement of Changes in Equity

	Issued Capital	Share Premium	General Reserve (Statutory Reserve)	Retained Earnings	Foreign Fluctuation Reserve	Total Equity
At 1 January 2016	450,000,000.00	28,150,800.00	239,452,333.15	106,652,015.26	5,785,832.77	830,040,981.18
Total comprehensive income	-	-	-	176,431,163.97	2,584,019.26	179,015,183.23
Issue of share capital	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Dividends paid for 2015	-	-	-	-	-	-
Transfer to Foreign Fluctuation Reserve	-	-	-	-2,584,019.26	-	-2,584,019.26
Transfer to General Reserve	-	-	88,215,581.99	-88,215,581.99	-	-
Prior Period Adjustments	-	-	-	-	-	-
At 31 December 2016	450,000,000.00	28,150,800.00	327,667,915.14	193,420,247.72	8,369,852.03	1,007,608,814.88
Total comprehensive income	-	-	-	184,140,670.37	2,679,165.94	186,819,836.31
Issue of share capital	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Dividends paid for 2016	-	-	-	-45,000,000.00	-	-45,000,000.00
Transfer to Foreign Fluctuation Reserve	-	-	-	-2,679,165.94	-	-2,679,165.94
Transfer to General Reserve	-	-	92,070,335.19	-92,070,335.19	-	-
At 31 December 2017	450,000,000.00	28,150,800.00	419,738,250.33	237,811,416.96	11,049,017.97	1,147,886,154.98

Purpose of maintaining different reserves:-

- Share Premium lying in reserves: To maintain CAR and to maintain single borrower limit within norms.
- General reserves: Mandatory as per FSA (2011) chapter 6 Section 82(b)(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 made for taxation), transfer to its 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; or 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 but less than 100 percent of its paid-up capital.
- Foreign Exchange Fluctuation Reserves: To handle exchange fluctuations.

For S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

Satish Patodia

(Membership No. 052583)

Date: 19.03.2018

Place: *Tumpu*



(CFO)

(Chairman)

(Director)

S. Patodia



DRUK PNB BANK LTD.

Statement of Cash Flow

Particulars	31-Dec-17 Amounts(Nu.)	31-Dec-16 Amounts(Nu.)
A. Operating Activities		
Profit before tax from continuing operations	279,569,002.66	263,685,605.64
Profit before tax from discontinued operations	-	-
Profit before tax	279,569,002.66	263,685,605.64
Adjustment for:-		
Change in operating assets	(1,378,059,645.84)	(580,750,603.68)
Change in operating liabilities	3,448,721,403.75	1,428,404,695.08
Change in other operating assets	(45,230,092.14)	(29,195,232.47)
Change in other operating liabilities	70,449,391.51	27,718,121.06
Other non-cash items included in profit before tax	12,357,095.05	14,479,511.34
Net gain/(loss) from investing activities	-	-
Profit on sale of PPE	-	-
Net gain/(loss) from financing activities	(4,049,160.58)	(4,077,172.92)
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	(82,979,683.42)	(61,452,640.96)
Income tax paid	-	-
Net cash flows from operating activities	2,300,778,310.99	1,058,812,283.09
Total of (A)		
B. Financing Activities		
Proceeds from Issue of share capital	-	-
Proceeds from issuance of bonds	(28,800,000.00)	(28,800,000.00)
Dividends paid to equity holders	(45,000,000.00)	-
Net cash flows from/(used in) financing activities	(73,800,000.00)	(28,800,000.00)
Total of (B)		
C. Cash Flow from Investing Activity		
Purchase of property and equipment	(25,953,028.00)	(22,963,541.00)
Proceeds from sale/damage of property and equipment	-	25,805.00
Net cash flows from/(used in) investing activities	(25,953,028.00)	(22,937,736.00)
Total of (C)		
Change in Cash and cash equivalents (A+B+C)	2,201,025,282.99	1,007,074,547.09
Unrealised foreign exchange Gain on conversion of cash and cash equivalent	4,049,160.58	4,077,172.92
Opening Cash and cash equivalents	4,505,095,487.82	3,949,810,529.09
Closing Cash and cash equivalents	5,695,803,833.67	4,505,095,487.82
Change in Cash and cash equivalents	1,190,708,345.85	555,284,958.73
Reconciliation of closing Cash and cash equivalent		
As per Cash Flow Statement	5,695,803,833.67	4,505,095,487.82
As per Statement of Financial Position		
Cash and balances with central banks	2,968,240,338.81	2,354,534,331.34
Due from banks	2,731,612,655.44	2,154,638,329.40
Unrealised foreign exchange Gain on conversion of cash and cash equi	(4,049,160.58)	(4,077,172.92)
	5,695,803,833.67	4,505,095,487.82

Signed in terms of our attached report of even date

For S. Patodia & Associates

Chartered Accountants (FR No. 316040E)

S. Patodia

For & On Behalf of Board of Directors

Satish Patodia (Membership No. 052583)

Date: **19.03.2018**

Place: **Thimphu**

(CEO)

(Chairman)

(Director)



Significant Accounting Policies for the Year ended 31st December 2017

1. Basis of Preparation :

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the Bhutan Accounting Standard, the International Accounting Principles and the relevant provisions of The Companies Act of Bhutan, 2016.

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

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 Authority 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, 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 whereas leasehold land is depreciated on a straight line method over the primary term of the lease.

The Company has based on evaluation performed by the technical Department, established the estimated range of useful lives of assets for depreciating its property, plant and equipment as follows:

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

The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and / or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

4. Intangible Assets:

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



5. Loans:

Loans are stated at principal amount plus interest accrued thereon.

6. 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 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.

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	
	Days	%
1)standard	Upto 30	1%
2)Watch	31-90	1.5%
3)Substandard	91-180	20% (30% for sector with highest exposure)
4)Doubtful	181- 365 days	50% (60% for sector with highest exposure)
5)Loss	> 12 months	100%

Provision has been made as per the norms issued by RMA.

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.

15. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

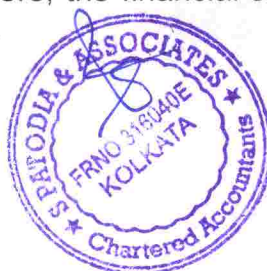
In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Estimates and assumptions

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

Going concern

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



Reconciliation of Share Capital		
	As at 31.12.2017	As at 31.12.2016
SHARE CAPITAL		
(a) Authorised Share Capital		
100,000,000 Equity Shares of Nu. 10 Each (P.Y. 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		
45,000,000 Equity Shares of Rs. 10 each fully paid up (P.Y. 45,000,000 equity shares of Nu. 10 each)	450,000,000.00	450,000,000.00
	450,000,000.00	450,000,000.00
(c) Par Value per Share	10.00	10.00
(d) Number of Equity Shares at the beginning of the year	45,000,000.00	45,000,000.00
Add: Issue	-	-
Less: Buy Back	-	-
Number of Equity Shares at the end of the year	45,000,000.00	45,000,000.00
(e) The company has only one class of equity shares having a par value of Rs. 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. 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. 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.		

For S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

S. Patodia

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

Place: Thimphu

For & On Behalf of Board of Directors

(CEO)

(Chairman)

(Director)



NOTES TO ACCOUNTS									
Note 4:	Property, Plant and equipment								Amount in Nu.
Particulars	Land and Building	Vehicles	Machinery & Furniture Fittings	Steel Items	Wooden Articles	Machinery & Electrical Goods	Computer Hardware/Software	Misc. Items	Total
Cost:									
At 1 January 2016	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
Additions	-	-	5,900.00	539,200.00	49,500.00	1,344,040.00	20,857,285.00	167,616.00	22,963,541.00
Disposals	-	-	-	-	-	-	25,805.00	-	25,805.00
Exchange adjustment	-	-	-	-	-	-	-	-	-
At 31 December 2016	4,461,530.00	2,756,382.30	599,166.43	6,873,754.19	7,395,088.26	15,166,490.35	92,021,250.85	2,180,186.83	131,453,849.21
Additions	-	3,686,950.00	130,050.00	1,275,324.00	438,670.00	569,550.00	19,521,779.00	330,705.00	25,953,028.00
Disposals	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	-	-	-	-	-	-	-	-
At 31-December-2017	4,461,530.00	6,443,332.30	729,216.43	8,149,078.19	7,833,758.26	15,735,040.35	111,543,029.85	2,510,891.83	157,406,877.21
Depreciation and impairment:									
At 1 January 2016	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
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	224,513.18	71,187.64	331,397.78	763,205.34	2,154,430.99	10,635,177.29	299,599.13	14,479,511.35
At 31 December 2016	4,461,530.00	2,698,380.30	529,316.50	1,858,399.00	4,286,268.43	10,380,283.33	62,808,981.50	1,591,797.37	88,614,956.43
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	244,367.75	41,625.05	405,347.19	796,485.98	1,778,394.17	8,879,629.21	211,245.69	12,357,095.05
At 31-December-2017	4,461,530.00	2,942,748.05	570,941.55	2,263,746.19	5,082,754.41	12,158,677.50	71,688,610.71	1,803,043.06	100,972,051.47
Net Book value:									
At 1 January 2016	-	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
At 31 December 2016	-	58,002.00	69,849.93	5,015,355.19	3,108,819.83	4,786,207.02	29,212,269.35	588,389.46	42,838,892.79
At 31-December-2017	-	3,500,584.25	158,274.88	5,885,332.00	2,751,003.85	3,577,362.85	39,854,419.14	707,848.77	56,434,825.73

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

Signed in terms of our attached report of even date

For S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

S. Patodia

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

Place: Thimphu

For & On Behalf of Board of Directors

S. Patodia (CEO)
S. Patodia (Chairman)
S. Patodia (Director)



NOTES TO ACCOUNTS

5. Interest and similar income

Particulars	As at 31-December- 2017	As at 31-December-2016
Interest from Loans & Advances	610,927,928.46	554,391,349.94
Interest from Deposits with Banks in Bhutan	110,415,445.13	88,060,199.28
Other Interest Income	-	97,793.47
	721,343,373.59	642,549,342.69

Interest income on loans of Nu. 611273904.45 is net of suspended interest of Nu.32373422.49, which conforms to the Prudential Regulation, 2016, issued by Royal Monetary Authority of Bhutan.

6. Interest and similar expense

Particulars	As at 31-December- 2017	As at 31-December-2016
Interest paid on Deposits	385,756,393.89	324,436,716.79
Interest paid on Subordinated Term debts	19,824,657.53	19,908,493.14
	405,581,051.42	344,345,209.93

7. Net fees and commission income

Particulars	As at 31-December- 2017	As at 31-December-2016
Fees and commission income	113,242,250.06	109,239,217.02
Fees and commission expenses	-	-
	113,242,250.06	109,239,217.02

8. Other operating income

Particulars	As at 31-December- 2017	As at 31-December-2016
Dividend income	-	-
Other	3,736,246.77	5,432,650.42
Foreign Exchange Gain	10,716,663.77	14,765,824.35
-Realized Gain & Unrealized	10,716,663.77	14,765,824.35
	14,452,910.54	20,198,474.77

9. Credit/Other loss expenses

Particulars	As at 31-December- 2017	As at 31-December-2016
(A) Provisions against loans:		
General	4,499,491.97	6,239,707.65
Specific	2,949,495.34	11,538,385.25
Dynamic	-	-
	7,348,987.31	17,778,092.90
(B) Other Provisions	10,649,750.00	-
Total (A+B)	17,998,737.31	17,778,092.90

10. Personnel expenses

Particulars	As at 31-December- 2017	As at 31-December-2016
Salaries and other allowances	72,202,364.08	65,609,523.18
	72,202,364.08	65,609,523.18

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

10.2. Gratuity of Nu. 1,354,964.00 have been provided in these accounts on the assumption that all the employees cease to be employed with effect from 01/01/2018. The accumulated provision (as on 31/12/2017) Nu. 8,316,234.00 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.

11. Other operating expenses

Particulars	As at 31-December- 2017	As at 31-December-2016
Advertising and marketing	2,062,850.75	1,775,930.97
Administrative	14,996,165.18	8,254,981.56
Outsourcing of Financial services	12,326,797.63	15,562,227.08
Professional fees	680,000.00	280,400.00
Rental charges payable under operating leases	14,181,305.13	13,444,500.12
Other	27,732,914.98	26,771,051.75
	71,980,033.67	66,089,091.48



12. Tax expenses		
Particulars	As at 31-December- 2017	As at 31-December-2016
(A)		
Current tax for the year	80,677,325.18	79,092,773.39
Miscellaneous tax paid	3,886,910.03	4,424,668.31
	84,564,235.21	83,517,441.70
(B)		
Additional Tax Paid	215,896.08	3,724,091.98
Deferred tax	(1,549.00)	12,908.00
TOTAL (A+B)	84,778,582.29	87,254,441.68
A sum of Nu. 3,886,910.03 relating to other taxes (like PIT of IBOs, BST 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 bank		
Particulars	As at 31-December- 2017	As at 31-December-2016
Cash in hand:		
BTN	118,975,908.20	68,538,007.24
INR	86,500.00	1,500.00
FC	24,564,370.63	9,026,778.37
CRR with the Central Bank	1,038,461,219.42	787,984,422.15
Current account with the Central Bank	100,000.00	100,000.00
Balance with Central Bank	1,786,052,340.56	1,488,883,623.58
	2,968,240,338.81	2,354,534,331.34

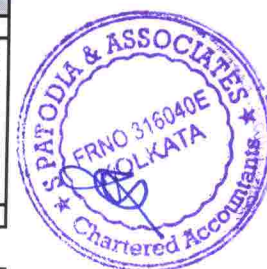
14. Due from banks		
Particulars	As at 31-December- 2017	As at 31-December-2016
Balance with Banks in India & third countries		
Current Account	1,044,325,077.05	876,688,035.96
Balance with other offices	-	-
Current Account in Bhutan	143,610,508.39	255,789,023.44
Deposit Account in Bhutan	1,543,677,070.00	1,022,161,270.00
	2,731,612,655.44	2,154,638,329.40

15. Loans and advances to customers		
Particulars	As at 31-December- 2017	As at 31-December-2016
Demand loans		
Cash Credit	251,301,491.28	235,864,244.77
Overdraft etc	590,404,134.84	403,605,989.67
Term Loan	1,380,621,120.91	1,136,959,441.31
Bills discounted & Pruchased	4,195,962,300.37	3,263,799,725.81
	0.00	0.00
	6,418,289,047.40	5,040,229,401.56

15 A. Investments		
Particulars	As at 31-December- 2017	As at 31-December-2016
Financial investments- Others	1,217,278,464.00	213,750,000.00
Financial investments – held-to-maturity	250,000,000.00	250,000,000.00
	1,467,278,464.00	463,750,000.00

16. Other assets		
Particulars	As at 31-December- 2017	As at 31-December-2016
Interest accrued	85,595,580.73	52,135,820.59
Advances made recoverable/Adjustable	11,583,585.00	9,546,139.52
Advance I.Tax	41,833,001.53	28,556,553.00
Tax Deducted at Source	1,001,119.74	2,979,330.36
Remittances in Transit	-	-
Other investments	9,987,374.00	10,891,650.00
Stationery in hand	2,843,538.81	1,725,224.80
Prepaid expenses	2,747,262.44	4,526,651.84
	155,591,462.25	110,361,370.11

17. Due to banks		
Particulars	As at 31-December- 2017	As at 31-December-2016
Balance from other banks in Current Deposits	88,300,641.58	135,972,763.25
Balances with other offices	2,407,124.54	6,336,237.21
	90,707,766.12	142,309,000.46



18. Due to Customers		
Particulars	As at 31-December- 2017	As at 31-December-2016
Demand Deposits:	6,314,861,388.63	4,900,787,385.54
Current Deposits	2,959,560,082.25	1,559,608,371.08
Savings Bank Deposits	3,355,301,306.38	3,341,179,014.46
Term Deposits:	5,363,163,855.59	3,276,915,220.59
Fixed Deposits	5,155,515,750.59	3,085,881,136.59
Recurring Deposits	207,648,105.00	191,034,084.00
	11,878,025,244.22	8,177,702,606.13

19. Subordinated term debts		
Particulars	As at 31-December- 2017	As at 31-December-2016
150000 Bonds of Nu. 1000 each under Govt. ESP	150,000,000.00	178,800,000.00
	150,000,000.00	178,800,000.00

20. Other Liabilities		
Particulars	As at 31-December- 2017	As at 31-December-2016
Interest Payable	187,315,241.17	157,151,927.99
Suspended Interest	32,719,398.48	30,769,677.15
Subordinate Debt Payable	144,000,000.00	115,200,000.00
Accounts Payable and sundry creditors	88,287,029.67	98,104,373.98
	452,321,669.32	401,225,979.12

21. Provisions		
Particulars	As at 31-December- 2017	As at 31-December-2016
Provision - Gratuity	8,316,234.00	6,961,270.00
Provision - Loans - General	64,793,291.79	49,644,049.82
- Specific	115,442,562.74	123,242,817.40
- Dynamic	-	-
Provision - Others	10,649,750.00	-
	199,201,838.53	179,848,137.22

22. Deferred tax		
Particulars	As at 31-December- 2017	As at 31-December-2016
Depreciation as per BAS (based on useful life) during the year	12,357,095.05	12,357,095.03
Depreciation as per IT during the year	12,351,930.43	14,522,539.03
Timing Difference	5,164.62	(2,165,444.00)
Deferred Tax (Liability)/Asset	1,549.00	(649,633.00)
	-	-

23. EPS		
Particulars	As at 31-December- 2017	As at 31-December-2016
Net Profit attributable to the owners of the company	184,140,670.37	177,916,855.28
issued and outstanding ordinary shares at the beginning of the year	45,000,000.00	45,000,000.00
Shares issued during the year	-	-
Total Shares outstanding at the end of the year	45,000,000.00	45,000,000.00
Basic and Diluted EPS	4.09	3.95

Signed in terms of our attached report of even date
For S. Patodia & Associates
Chartered Accountants (FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

Satish Patodia (Membership No. 052583)
Date: 19.03.2018
Place: Thimphu



[Signature]
(CEO)

[Signature]
(Chairman)

(Director)



24. Other Notes

A. Particulars of the transactions with the Directors and their relatives as per provisions of the Companies Act of Bhutan 2016:

Sl. No.	Name	Nature of Relationship	Nature of Transactions/Loan Facility	Outstanding as on 31.12.2017	Outstanding as on 31.12.2016
	Director/ Associates				
	Relative of the Director				
1	Ashi Chimi Yangzom Wangchuk	Spouse of Director	Term Loan	-	839,098.45
2	Dasho Kuenley Wangchuk	Director's Father	Term Loan	144,272,231.96	131,552,237.96
3	Aum Sangay Om	Director's Mother	Term Loan / Overdraft	27,374,562.00	48,553,120.11
4	Kesang Wangchuk	Director's Brother	Overdraft	24,992,761.56	31,558,801.88
5	Yangchen Wangchuk	Director's Sister	Cash Credit	38,023,310.45	8,841,283.57
6	Key Managerial Person			Paid in 2017	Paid in 2016
	Chief Executive Officer		Remuneration	3745381.42	4556190.05
			Sitting Fees	60000.00	60,000.00/-

B. Contingent Liability

Contingent liabilities as at the Balance Sheet date are as follows:

	Nu.
a) Letter of Credit	219,617,692.01
b) Other Guarantees	2,605,960,563.66
Total	2,825,578,255.67

C. Management Expenses:

Management expenses include:

- a) Managerial remuneration paid or payable to the Chief Executive Officer:

Particulars	2017 (Amt. in Nu.)	2016 (Amt. in Nu.)
Remuneration	3,745,381.42	4,556,190.05
Directors sitting fees	60,000.00	60,000.00

- b) Audit Related:

Particulars	2017 (Amt. in Nu.)	2016 (Amt. in Nu.)
Audit fees and expenses:	275,000.00	275,000.00

D. Deferred Tax:

The net position of deferred tax liability/asset during the year 2017 is as follow:-

	31.12.2017	31.12.2016
Opening Deferred Tax Liability/ (Assets)	(234,986.00)	(247,894.00)
Provided during the year	(1,549.00)	12,908.00
Closing Deferred Tax Liability / (Assets)	(236,535.00)	(234,986.00)

E. The Company has made a provision for proposed dividend of Nu. NIL for the year 2017. A dividend of Nu.45.00Mio was paid to the shareholders in the year 2017 which was based on the performance of the Company in 2016 as per BAS. Out of the dividend of Nu.45.00Mio for the year 2016, the unclaimed dividend is Nu.5.317Mio as on 31.12.2017 and unclaimed dividend for the previous years is Nu.6.01Mio as on 31.12.2017.

F. Equity Investment:

As per MOU with RMA, 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 management. Further, the Bank has also contributed to the Credit Information Bureau of Bhutan as Equity Investment amounting Nu. 1,750,000/-.

Letter certifying the allotment issued by the respective institutions is held on record.

G. Physical Shortage of Cash in ATMs: A physical shortage of cash amounting to Nu.10649750/- was found in the ATMs during the year 2017. The matter is under investigation with ACC. The Bank has provided 100% provision for the shortage of funds. Details as per Note No. 9B

H. Bank has received Nu. 150 million from the Ministry of Finance, RGoB on 9th April, 2014 in the form of subordinated debt (1,50,000 scripts of subordinated bonds at face value of Nu. 1,000/- each) having maturity of 10 years and coupon rate of 6%, payable annually.

I. Un-responded balance in RMA Current Account in respect of BFS ATM transactions as on 31.12.2017 is a net credit of Nu.5,133,850/-. Against this, there is an un-responded credit balance of Nu.3,466,049/- in BFS/ATM payable accounts and a debit balance of Nu.10,921,700/- in BFS/ATM receivable accounts, representing difference in GL payable and receivable balances. Above transactions are presently in the course of reconciliation as informed to us by the Management.

J. Previous year figures have been regrouped/ re-classified where ever found necessary

Signed in terms of our attached report of even date

For S. Patodia & Associates
Chartered Accountants(FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

[Signature]
(CEO)

[Signature]
(Chairman) (Director)

Satish Patodia (Membership No. 052583)

Date: 19.03.2018

Place: Thimphu



Income Tax Reconciliation as per BAS & IT depreciation 2017	
Profit before tax from continuing operations	268,919,252.66
Add Back Depreciation as per BAS	12,357,095.05
	281,276,347.71
Less : Depreciation as per IT Act	12,351,930.43
Profit before tax from continuing operations as per IT	268,924,417.28
Income Tax for the Year	80,677,325.18

Signed in terms of our attached report of even date

For S. Patodia & Associates

Chartered Accountants (FR No. 316040E)

For & On Behalf of Board of Directors

S. Patodia

Satish Patodia (Membership No. 052583)

Date: *19.03.2018*Place: *Thimphu**[Signature]*
(CEO)*[Signature]*
(Chairman)*[Signature]*
(Director)

MPRR-Disclosures Requirements

Amount 000* Nu.

Reporting : Annual & Quarterly.

Effective : July, 2015

Applicable : Dec. 2017 '000'

1 Item 1 : Tier I Capital and its sub-components

SI		Current Period	Corresponding Period of Previous Year (COPPY)
1	Total Tier I Capital		
a	Paid - Up Capital	450,000.00	450,000.00
b	General Reserves	419,738.25	327,667.91
c	Share Premium Account	28,150.80	28,150.80
d	Retained Earning	237,811.42	193,420.25
	Less		
e	Losses for the Current Year	-	-
	Total	1,135,700.47	999,238.96

2 Item 2 : Tier 2 Capital and its sub-components

SI		Current Period	COPPY
1	Tier II Capital		
a	Capital Reserve	-	-
b	Fixed Assets Revaluation Reserve	-	-
c	Exchange Fluctuation Reserve	11,049.02	8,369.85
d	Investment Fluctuation Reserve	-	-
e	Research and Development Fund	-	-
f	General Provision	64,793.29	49,644.05
g	Capital Grants	-	-
h	Subordinate Debt	150,000.00	178,800.00
i	Profit for the Year		
	Total	225,842.31	236,813.90

3 Item 3 : Risk weighted assets (Current period and

SI	Risk Weighted Assets	Balance Sheet Amount		Risk Weight %	Risk Weighted Asset	
		Current Period	COPPY		Current Period	COPPY
1	LAFD	117,255.05	89,775.37	0%	-	0.00
2	L & A other than LAFD & NPL	6,124,289.74	4,786,472.04	100%	6,124,289.74	4,786,472.04
3	Non Performing Loan less specific prov. & Susp. Interest	17,932.55	40,739.18	150%	26,898.83	61108.77
4	Claim on Commercial Banks	2,329,477.06	2,154,638.33	20%	465,895.41	430,927.67
	Bonds/Securities	250,000.00	250,000.00	20%	50,000.00	50,000.00
	Claims on Fis in India	403,920.40		50%	201,960.20	
5	Fixed Assets	56,434.83	42,838.89	100%	56,434.83	42,838.89
6	Other Assets	155,591.46	574,346.35	100%	155,591.46	574,346.35
7	Off Balance Sheet Items (Direct Credit Substitute)	574,263.49	428,333.88	100%	574,263.49	428333.88
8	Off Balance Sheet Items (Transaction related contingent item)	1,094,195.33	1,728,706.98	100%	1,094,195.33	864353.49
	Total Credit Risk				8,749,529.29	7,238,381.09
9	Operational risk	519,391.94	452,305.15		519,391.94	452,305.15
	Grand Total	11,642,751.85	10,548,156.17		9,268,921.23	7,640,686.24

Note : In case of same risk weights to different sectors, same RW % to be added and shown under one head.

4 Item 4 : Capital Adequacy Ratios

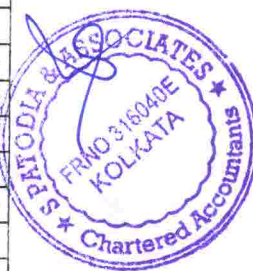
SI		Current Period	COPPY
1	Tier 1 Capital	1,135,700.47	999,238.96
a	Of which Counter-Cyclical Capital Buffer (CCyB) (if applicable)		
b	Of which Sectoral Capital Requirements (SCR) (if applicable)		
i	Sector 1		
ii	Sector 2		
iii	Sector 3		
2	Tier 2 Capital	225,842.31	236,813.90
3	Total Qualifying capital	1,361,542.78	1,236,052.86
4	Core CAR	12.25%	13.08%
a	Of which CCyB (if applicable) expressed as % of RWA		
b	Of which SCR (if applicable) expressed as % of Sectoral RWA		
i	Sector 1		
ii	Sector 2		
iii	Sector 3		
5	CAR	14.69%	16.18%
6	Leverage ratio	9.75%	9.47%



	MPRR-Disclosures Requirements			Reporting : Annual & Quarterly.	
5	Item 5 : Loans and NPL by Sectoral Classifications			Effective : July, 2015	
	31.12.2017			Applicable : Dec. 2017	
Sl. No.	Sector	Current Period		COPPY	
		Total Loans	NPL	Total Loans	NPL
a	Agriculture	16,987.91	524.30	15,476.59	473.46
b	Manufacturing / Industry	1,476,105.08	41,898.44	628,520.44	42,790.00
c	Service & Tourism	1,692,205.63	85,255.36	1,367,953.08	68,605.50
d	Trade & Commerce	436,698.83	14,061.20	414,741.59	15,896.48
e	Housing	1,635,507.36	7,320.37	1,455,969.94	7,531.68
f	Transport	121,380.53	5,568.21	127,774.74	7,556.28
g	Loans to Purchase Securities	273,335.74	-	289,420.34	0
h	Personal Loan	135,867.79	8,102.11	259,550.26	20,636.49
i	Education Loan	9,859.14	141.98	14,860.63	492.11
j	Loan Against Term Deposits	117,255.05	-	89,775.37	0
k	Loans to FI (s)	331,233.83	-	250,075.34	0
l	Infrastructure Loan	-	-	-	0
m	Staff loan (incentive)	40,752.47	-	20,545.03	0
n	Loans to Govt. Owned Corporation	-	-	105,566.04	0
o	Consumer Loan (GE)	119,037.54	1,810.12	-	0
p	Others	12,062.16	12,062.16	-	-
	Total	6,418,289.05	176,744.26	5,040,229.40	163,982.00

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

Sl. No.	Counter-Party	Current Period	COPPY
1	Overdrafts		
a	Government	-	-
b	Government Corporations	68,708.99	40,099.16
c	Public Companies	49,194.65	-
d	Private Companies	655,656.58	538,463.19
e	Individuals	963,760.75	776,503.36
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	331,233.83	250,075.34
	Sub-total	2,068,554.79	1,605,141.05
2	Term Loans		
a	Government	-	-
b	Government Corporations	96,438.49	105,566.04
c	Public Companies	2,281.65	-
d	Private Companies	889,826.91	406,116.05
e	Individuals	3,361,187.21	2,923,406.26
f	Commercial Banks	-	-
g	Non-Bank Financial Institutions	-	-
	Sub-total	4,349,734.26	3,435,088.35
	Total loans	6,418,289.05	5,040,229.40



MPRR-Disclosures Requirements

Item 7: Assets (net of provisions) and Liabilities by Residual Maturity (Current Period and COPPY)

Reporting : Annual & Quarterly
Effective : January, 2017
Applicable : December, 2017

SI	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	143,626.78							143,626.78
2	Govt. Securities								
3	Investment Securities		384,650.72	272,526.92	163,843.84	27,771.53	27,771.53	371,324.76	1,247,889.30
4	Loans and Advances to Banks								
5	Loans and Advances to customers	7,666.24	63,603.18	301,664.57	220,159.28	255,605.83	255,605.83	5,158,964.72	6,263,189.66
6	Other assets	1,754,688.63	2,735,515.51	337,124.10	202,679.62	34,354.23	34,354.23	892,175.66	5,990,892.18
	TOTAL	1,905,971.65	3,183,669.41	911,345.59	586,662.84	317,731.59	317,731.59	6,422,465.14	13,645,597.92
1	Amount owed to other banks								
2	Demand deposits	304,097.65	608,195.30					2,128,883.54	3,040,976.49
3	Saving deposits	134,800.36	269,600.72					2,965,607.94	3,370,009.02
4	Time deposits	18,859.17	371,459.04	831,317.32	975,376.00	483,837.41	483,837.41	2,190,654.02	5,365,340.38
5	Bonds & other negotiable instruments								
6	Other liabilities	866.97	33,484.44	46,305.06		10,577.33	10,577.33	1,762,570.21	1,879,272.04
	TOTAL	488,614.15	1,282,736.50	877,622.38	990,276.70	494,414.74	494,414.74	9,047,515.72	13,645,597.92
1	Assets/Liabilities	1,447,357.50	1,900,929.91	33,723.22	(403,593.76)	(176,683.15)	(176,683.15)	(2,625,050.57)	-
2	Net Mismatch in each Time Interval								
3	Cumulative Net Mismatch								

SI	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	143,626.78							143,626.78
2	Govt. Securities								
3	Investment Securities		384,650.72	272,526.92	163,843.84	27,771.53	27,771.53	371,324.76	1,247,889.30
4	Loans and Advances to Banks								
5	Loans and Advances to customers	7,666.24	63,603.18	301,664.57	220,159.28	255,605.83	255,605.83	5,158,964.72	6,263,189.66
6	Other assets	1,754,688.63	2,735,515.51	337,124.10	202,679.62	34,354.23	34,354.23	892,175.66	5,990,892.18
	TOTAL	1,905,971.65	3,183,669.41	911,345.59	586,662.84	317,731.59	317,731.59	6,422,465.14	13,645,597.92
1	Amount owed to other banks								
2	Demand deposits	304,097.65	608,195.30					2,128,883.54	3,040,976.49
3	Saving deposits	134,800.36	269,600.72					2,965,607.94	3,370,009.02
4	Time deposits	18,859.17	371,459.04	831,317.32	975,376.00	483,837.41	483,837.41	2,190,654.02	5,365,340.38
5	Bonds & other negotiable instruments								
6	Other liabilities	866.97	33,484.44	46,305.06		10,577.33	10,577.33	1,762,570.21	1,879,272.04
	TOTAL	488,614.15	1,282,736.50	877,622.38	990,276.70	494,414.74	494,414.74	9,047,515.72	13,645,597.92
1	Assets/Liabilities	1,447,357.50	1,900,929.91	33,723.22	(403,593.76)	(176,683.15)	(176,683.15)	(2,625,050.57)	-
2	Net Mismatch in each Time Interval								
3	Cumulative Net Mismatch								

SI	As of period ending	0-3 months	3-6 months	6-12 months	More than 12 months	Non-Interest bearing	Total
1	Assets						
1	Cash and Balances with banks	143,626.78					143,626.78
2	Treasury Bills						
3	Loans and Advances	372,853.99	220,159.28	511,211.67	5,158,964.72		6,263,189.66
4	Investment securities	384,650.72	436,370.76	55,543.06	371,324.76		1,247,889.30
5	Other Assets	4,490,204.14	539,803.92	66,708.46	892,175.66		5,990,892.18
6	Total financial assets	5,391,335.63	1,196,333.96	635,483.19	6,422,465.14		13,645,597.92
	Liabilities						
1	Deposits	2,618,976.03	990,276.70	988,829.48	7,284,945.51		11,883,027.71
2	Borrowings						
3	Other Liabilities						
4	Total financial liabilities	2,618,976.03	990,276.70	988,829.48	9,047,515.72		13,645,597.92
5	Total interest Re-pricing gap						



MPRR-Disclosures Requirements

Reporting : Annual & Quarterly.

10 Item 10 : Non Performing Loans and Provisions

Effective : July, 2015

31.12.2017

Applicable : Dec. 2017

Sl.		Current Period	COPPY
	Gross Loans	6,418,289.05	5,040,229.40
1	Amount of NPLs (Gross)	176,744.26	163,982.00
a	Substandard	6,366.39	2,347.19
b	Doubtful	32,501.58	19,328.90
c	Loss	137,876.29	142,305.91
		176,744.26	163,982.00
2	Specific Provisions	123,242.82	123,242.82
a	Substandard	1,438.45	425.01
b	Doubtful	16,523.03	9,642.85
c	Loss	108,130.83	113,174.96
		126,092.31	123,242.82
3	Interest - in Suspense	32,719.40	30,769.68
a	Substandard	114.28	222.13
b	Doubtful	2,859.67	1,416.60
c	Loss	29,745.45	29,130.95
		32,719.40	30,769.68
4	Net NPLs	17,932.55	9,969.50
a	Substandard	4,813.66	1,700.05
b	Doubtful	13,118.88	8,269.45
c	Loss	-	-
		17,932.55	9,969.50
	Net NPLs	17,932.55	9,969.50
	Net Loans	6,259,477.34	4,886,216.91
5	Gross NPLs to Gross Loans	0.03	0.03
6	Net NPLs to net Loans	0.00	0.00
7	General Provisioning	64,793.29	49,644.05
a	Standard	56,558.23	44,701.99
b	Watch	8,235.06	4,942.06

18 Item 18 : Provisioning Coverage Ratio

Annually

Year	Gross NPL	Additional NPL	Additional Specific Provisions	Additional-Interest-in-Suspense A/c.	Required PCR (60% of Additional NPL)	Accretion to the buffer	Countercyclical provisioning buffer (Stock)
1	2	3.00	4.00	5	6= (60% of Col 3)	7 = (6-5-4)	8
COPPY	163,982.00	-	-	-	-	-	-
Current year	176,744.26	12,762.26	2,849.50	1,949.72	7,657.36	2,858.14	-

19 Item 19 : Concentration of Credit & Deposits

Annually

S. No.	Particular	End of Current Period	COPPY
1	Total loans to 10 largest borrowers	2,267,147.64	1,412,896.71
	Total loans	9,243,510.70	5,040,229.40
2	As % of total Loans	24.53	28.032.39
3	Total deposits of the 10 largest depositors	3,549,313.89	2,780,484.00
4	As % of total Deposits	1.00	1.00

Note:

Deposits to 10 LD

3,549,313.89

2,780,484.00

20 Item 20: Exposure to 5 Largest NPL accounts.

Annually

S.No.	Particular	End of Current Period.	COPPY
1	Five largest NPL accounts.	84,236.55	83,004.23
	Total NPLs	176,744.26	163,982.00
2	As % of total NPLs	47.66	50.62

