



**DRUK PNB BANK LIMITED ISSUE
OFFER DOCUMENTS**

DRUK PNB BANK LIMITED RIGHTS ISSUE OFFER DOCUMENTS

The following constitutes full and true disclosure of all material facts relating to the shares offered by this prospectus as required by the Rules Governing the Official Listing of Securities.

1. General Information

Name of the Company: Druk PNB Bank Limited

Registered Office: P.O. Box 502, Norzin Lam, Main Traffic, Thimphu.

Name & Address of Auditors: Raj Kumar Kothari & CO., 32, Ezra Street, 4th Floor, Suite # 403, Kolkata-700001, West Bengal India.

2. Objective of the issue

The issue is being made to augment the capital of bank under Tier I capital thus ensuring business growth of the bank while maintaining the minimum capital adequacy ratio (CAR) requirement as per the prudential regulation guidelines of Royal Monetary Authority of Bhutan

3. Capital Structure of the Company

Authorized Share Capital: Nu. 10.00 Billion Equity shares of Nu. 10 Each

Issued and Paid-up Capital: Nu. 840 Million Equity Shares of Nu. 10 Each

4. Particulars of the Offer

4.1 Number of shares on offer for Rights Issue: 84,002,022

4.2 Issue Price.: Nu. 17.00 Per share (Face value of Nu. 10, Premium of Nu.7)

4.3 Reason for Issue of Share at Premium: Considering the book value per share as of 31.12.2022, Nu. 26.30, the shareholder approved Issue Price of Right Share at Nu. 17 per shares after a discount of Nu. 9.30 per share on book value.

Sl. No	Particulars	Unit	Value
1	Net Worth as on 31.12.2022	Nu Million	2209
2	Equity Shares	in Million	84
	Book Value Per Share	Nu	26.30

4.4 Rights share offered: 1:1 (Allotment of 1 share for every existing 1 share held)

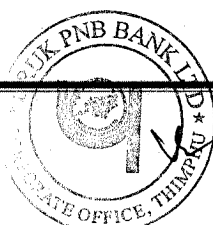
4.5 Total Capital raised from rights shares.: Nu. 1,428,034,374.00

4.6 Allotment: The Offer of rights share is in the ratio of 1:1 equity share held, and allotment will be confirmed in that ratio.

4.7 Eligibility: All existing Shareholders.

4.8 Timeline of the issue subscription

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Opening Date	Closing Date	Allotment Date
20 th June, 2023	14 th July, 2023	24 th July, 2023

5. Market Value of the Shares

The market value of the DPNB shares as per RSEBL web sites Nu. 67.20 Per share as on 31.05.2023

6. Method of Application

6.1 Brokerage Firm: RICBL Securities Broker

6.2 Application Form: Application form & Offer Document will be available at the following centers:

RICB Securities, Thimphu

Druk PNB Bank website

RSEBL website

7. Terms of the Present Issue

7.1 Shareholders shall be issued 84,002,022 Shares.

7.2 Shares will be traded from the existing system of RSEBL.

7.3 Individual confirmation of subscription shall be issued to the subscriber immediately upon subscription of the rights shares by the dealing broker.

7.4 In the event of shares being unsubscribed following unsuccessful auction or if the right issue is partially auctioned, the remaining issue shall be exercised by the Company in the most beneficial manner that it deems.

8. Terms of Payment

8.1 The dealing broker shall receive the share application with the money and deposit into their account.

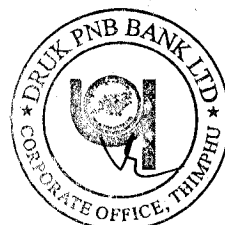
8.2 Upon allotment of shares, the share money after adjusting the agreed brokerage commissions the dealing broker shall deposit the money with RSEBL along with the complete list of shareholders in excel format (in both hard and soft copies).

9. Renunciation of Rights Issue

9.1 The shareholders shall have the right to renounce the rights offered partially or in full favor of any person other than the promoters, substantial shareholders of the issuing company and other than a person who is not 18 years of age as per Companies Act of Bhutan 2016.

9.2 The shareholder who do not want to renounce their right shall have the option to sell their rights as per Item No. 8 below.

9.3 Any shareholder not exercising their rights as above, their rights shall be treated as renounced and the option shall be sold as per RSEBL norms.

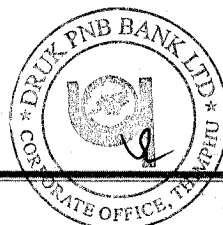


10. Option for Sale of the Rights Issue

- 10.1 The shareholder shall have the option for sale of their rights through the RSEBL auctioning process. All shareholders who agree to sell their rights shall inform the executing broker through the rights issue form.
- 10.2 The RSEBL shall offer sale of rights issue through an auctioning process where the buyers shall be allowed to bid for the sale volume. The best price shall be determined through RSEBL auctioning process where the prices shall be placed in descending order, the price at which the total volume gets filled shall be the auction price. The orders shall be allocated as per pro-rata allocation method with time priority.
- 10.3 After the close of the rights issue, the executing broker shall submit the list of the shareholder in following format:
 - 10.3.1 Shareholders who have subscribed;
 - 10.3.2 Shareholders who have renounced;
 - 10.3.3. Shareholders who have not subscribed.
- 10.4. The RSEBL shall announce the sale for the auction of the rights within two (2) working days from the receipt of the list of the shareholders from the executing broker;
- 10.5. The auction shall open for three (3) working days, after the announcement;
- 10.6. Interested bidders shall submit their bids for the rights issue through any broker according to the bid order as per schedule B and the minimum lot size shall be 100 shares.
- 10.7. Interested bidders shall deposit 25% as advance of the initial bid value in order to qualify for the auction. Successful bidders shall deposit the remaining amount on the allotment date. If the successful bidders fail to deposit the amount on the allotment date, 25% advance shall be forfeited in favor of RSEBL.
- 10.8. In the event of unsuccessful auction or if the right issue is partially auctioned, the remaining rights issue shall be exercised by the company in the most beneficial manner that the company deems fit.

11. Risk Factors

Any investment in Equity Shares involves certain degree of risk. One should carefully consider all the information in this Offer Document, general investment risks, including the risk and uncertainties described below, before making an investment in the Equity shares. The risk and uncertainties described in this section are not the only risk and uncertainties we currently face. Additional risk and uncertainties not known to us or that we currently deem immaterial may adversely affect our business, financial condition and operations. If any of the following risks, or other risk that are not currently known or are now deemed immaterial, actually occur, our business, results of the operations and financial condition could suffer. The price of our equity shares could decline, and one may lose all or part of your investment. The following are the possible risks:



A. Financial Risk Management

Overview the Company has exposure to the following risks from its use of financial instruments

Credit risk

Liquidity risk

Market risk

Operational risk

This note presents information about the Company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Financial Statements.

Risk Management Framework

The management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

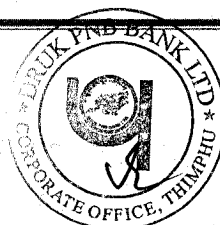
a) Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contracts leading to financial loss. The company is exposed to credit risk from its operating activities (primarily advancing loans). The maximum exposure to credit risk is equal to the carrying value of the financial assets. The amount and type of collateral required depends on an assessment of the credit risk of the counter party. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

- i) For commercial lending: charges over real estate properties, inventory and trade receivables
- ii) For retail lending: mortgages over residential properties Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The table below summaries the maturity profile of the financial assets of the Company based on their market value. The Company maintains portfolio of highly marketable securities that can be easily liquidated in the event of an



unforeseen interruption of cash flow. The Company to mitigate the liquidity risk has maintained short term deposits.

c) Market Risk

Market risk refers to the risk of possible adverse movements in the values of assets due to changes in market factors including interest rates, foreign exchange rates and equity prices. The current uncertainties in the local and international markets and investment climate have increased the degree of impact of market risk to the Company.

a. Interest Rate Risk

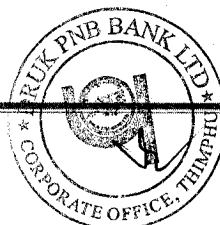
Interest rate risk Interest rate risk is the risk of interest rate volatility adversely affecting the market value of the investment portfolio. In an increasing interest rate environment, there will be a drop in the value of treasury bills and bonds when they are marked-to-market. The Company monitors its interest rate risk on a monthly basis by analyzing the movement in the interest rate sensitive asset duration, the allocation to interest rate sensitive assets, and the sensitivity of interest rate movements on the solvency margin. The report is reviewed by the Druk PNB Team.

b. Currency Risk

Currency risk the risk of fluctuation of fair values or future cash flows of a financial instrument due to change in exchange rates is referred to as currency risk. The Company's principal transactions are carried on in Bhutanese's as well as other currencies. The foreign exchange risk arises primarily with respect to the US Dollar and other currency denominated assets maintained in order to honor liabilities of foreign currency denominated insurance policies sold in the ordinary course of business. However, Receivables and Payables were recorded on Bhutanese currency after converting them with exchange rates at the reporting date.

c. Operational Risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational failures could result indirect consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational risks arise from all operations of the Company. While it is acknowledged that the Company cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks. The Company's Risk Management team assesses all foreseeable risk involved in its operation and they develop and implementation plans to control those identified operational risk. These



action plans recommended by the team are to manage the operational risk in the following areas:

Requirements for having appropriate segregation of duties including the independent authorization of transactions;

Requirements for the reconciliation and monitoring of transactions;

Compliance with regulatory and other legal requirements;

Documentation of controls and procedures;

Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;

Requirements for the reporting of operational losses and proposed remedial action;
Development of contingency plans;

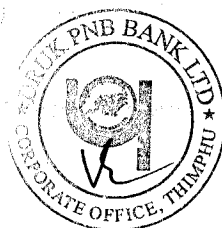
Training and professional development;

Ethical and business standards;

Risk mitigation including reinsurance where this is cost effective.

12. Particulars of Present Board of Directors and Company Secretary

1. Aum Sangay Om	: Chairperson
2. Mr. Sonam Tashi	: Independent Director
3. Mrs. Tashi Pem	: Public Shareholder Director
4. Mr. Amit Kumar Srivastava	: PNB Nominated Director
5. Mr. Alok Vardhan Chaturvedi	: Independent Director
6. Mr. Sanjay Varshneya	: PNB Nominated Director
7. Mr. Vijay Kumar	: CEO (Executive Member)
8. Mrs. Kesang Pem	: Company Secretary

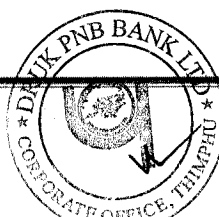


13. Projected Financial Statement (In Nu/INR)

DRUK PNB BANK LIMITED

13.1 Statement of Financial Position

Particulars	Note no	As at 31st December, 2022	As at 31st December, 2023	As at 31st December, 2024	As at 31st December, 2025
Assets					
Cash and cash equivalents	13	652,936,660.63	2,110,980,070.51	2,188,162,852.49	2,257,950,388.71
Cash & Balances with Central Bank	13	5,205,390,437.79	6,767,007,569.13	8,458,759,461.41	8,705,796,193.26
Loans and advances to customers	14	16,488,375,888.74	21,434,888,655.36	26,793,610,819.20	32,152,332,983.04
Investment securities	15	3,407,569,869.44	4,429,840,830.27	5,537,301,037.84	6,644,761,245.40
Current tax assets	16	66,812,802.87	86,856,643.73	108,570,804.66	130,284,965.60
Property, Plant and equipment	4	57,366,993.97	71,708,742.46	89,635,928.07	112,044,910.09
Intangible assets	4A	2,574,838.72	3,218,548.41	4,023,185.51	5,028,981.88
Deferred tax assets	3	207,049.89	258,812.36	323,515.46	404,394.32
Other assets	17	418,010,533.47	545,336,182.77	681,670,228.47	818,004,274.16
Total assets		26,299,245,075.53	35,450,096,055.00	43,862,057,833.10	50,826,608,336.47
Liabilities					
Deposits from banks	18	267,532,130.37	347,791,769.48	434,739,711.85	443,434,506.09
Deposits from customers	19	22,473,703,533.66	29,215,814,593.76	36,519,768,242.20	42,428,483,290.38
Debt securities in issue	20	502,696,990.88	653,506,088.14	816,882,610.18	980,259,132.22
Provisions	21	105,217,034.23	136,782,144.50	170,977,680.63	205,173,216.76
Deferred tax liabilities	3	432,324.88	540,406.11	675,507.63	844,384.54
Other liabilities	22	741,264,550.22	963,643,915.28	1,204,554,894.10	1,445,465,872.92
Total liabilities		24,090,846,564.25	31,318,078,917.28	39,147,598,647.59	45,503,660,404.90
Equity					
Share capital	23	840,002,022.00	1,680,004,044.00	1,680,004,044.00	1,680,004,044.00
Share premium	24	153,150,800.00	741,152,215.40	741,152,215.40	741,152,215.40
<i>Reserves</i>					
Statutory reserves	24	605,218,014.98	786,783,419.48	983,479,274.35	1,180,175,129.22
Retained earnings	24	546,299,267.98	842,502,535.70	1,207,854,997.82	1,594,262,760.85
Other comprehensive income	24	-161,480.13	1,712,565.09	2,140,706.36	2,568,847.63
Assets Pending Foreclosure Reserve	24				
Foreign fluctuation reserve	24	63,889,886.45	79,862,358.06	99,827,947.57	124,784,934.47
Total equity		2,208,398,511.28	4,132,017,137.72	4,714,459,185.51	5,322,947,931.57
Total liabilities and equity		26,299,245,075.53	35,450,096,055.00	43,862,057,833.10	50,826,608,336.47



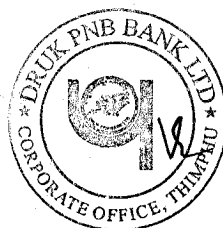
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13.2 Statements of Comprehensive Income

<i>All figures in Nu.</i>					
Particulars	Note no	For the year ended 31st December, 2022	For the year ended 31st December, 2023	For the year ended 31st December, 2024	For the year ended 31st December, 2025
Interest income calculated using the effective interest method	5	1,509,491,722.65	1,962,339,239.45	2,452,924,049.31	2,929,654,038.14
Other interest income	5	-	-	-	-
Interest expense	6	(938,105,802.67)	(1,219,537,543.47)	(1,524,421,929.33)	(1,860,236,154.02)
Net interest income		571,385,919.98	742,801,695.98	928,502,119.97	1,069,417,884.12
Fee and commission income	7	122,639,532.91	159,431,392.78	199,289,240.98	239,147,089.17
Fee and commission expense	8	(905,893.84)	(1,177,661.99)	(1,472,077.49)	(1,766,492.99)
Net fee and commission income		121,733,639.07	158,253,730.79	197,817,163.49	237,380,596.19
Net trading income		28,615,213.84	37,199,777.99	46,499,722.49	55,799,666.99
Net income from other financial instruments at FVTPL		-	-	-	-
Net loss arising from derecognition of financial assets measured at amortized cost		-	-	-	-
Other income	9	6,345,177.44	8,248,730.67	10,310,913.34	12,373,096.01
Total revenue		728,079,950.33	946,503,935.43	1,183,129,919.29	1,374,971,243.30
Impairment losses on financial instruments	10	156,403,080.72	203,324,004.93	254,155,006.16	304,986,007.40
Personnel expenses	11	131,405,321.10	170,826,917.43	213,533,646.79	256,240,376.15
Depreciation and amortization	4	14,573,599.27	18,216,999.08	22,771,248.85	28,464,061.07
Other expenses	12	126,448,129.68	164,382,568.58	205,478,210.73	246,573,852.88
Total expense		428,830,130.76	556,750,490.03	695,938,112.53	836,264,297.48
Profit before tax		299,249,819.57	389,753,445.41	487,191,806.76	538,706,945.82
Income tax expense	3	(84,908,514.78)	(89,853,082.97)	(117,217,976.23)	(146,522,472.28)
Profit for the period		214,341,304.79	299,900,362.44	369,973,830.53	392,184,473.54
Other comprehensive income					
(i) Items that will not be reclassified to profit and loss					
-Remeasurement of defined benefit liability (asset)		(5,736,856.38)	(5,378,302.86)	(6,722,878.57)	(8,403,598.21)
-Equity investments at FVOCI – net change in fair value		(178,495.18)	(167,339.23)	(209,174.04)	(261,467.55)
-Related tax		1,478,837.89	1,848,547.36	2,310,684.20	2,888,355.25
Total (i)		(4,436,513.67)	(3,697,094.72)	(4,621,368.41)	(5,776,710.51)
(ii) Items that will be reclassified to profit and loss					
-Debt investments at FVOCI – net change in fair value		-	-	-	-
-Related tax		-	-	-	-
Total (ii)		-	-	-	-
Other comprehensive income for net of tax		(4,436,513.67)	(3,697,094.72)	(4,621,368.41)	(5,776,710.51)
Total comprehensive income		209,904,791.12	296,203,267.72	365,352,462.13	386,407,763.03
Earning per Equity Share of Nu. 10 each					
Basic & Diluted EPS	25	2.50	1.64	2.04	2.45

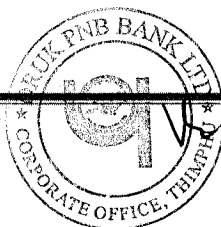
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13.3 Ratio Analysis

	2022	2023	2024	2025
Core Capital	11.02%	16.74%	15.25%	13.74%
Capital Adequacy Ratio	13.36%	18.30%	16.81%	15.30%
Current Ratio	0.52	0.55	0.54	0.52
Credit Deposit Ratio	74.87%	72.10%	72.10%	74.47%
Gross NPA Ratio	0.92%	0.96%	0.91%	0.87%
Net NPA Ratio	0.05%	0.049%	0.047%	0.045%
Interest Expense to Deposit Ratio	4.13%	4.16%	4.40%	4.57%
Interest Income to Loan Ratio	9.15%	10.56%	10.85%	10.92%
Deposit Growth	37.03%	30.00%	25.00%	16.18%
Advance Growth	24.04%	30.00%	25.00%	20.00%
Return on Equity	9.50%	7.17%	7.75%	7.26%
Return on assets	0.80%	0.84%	0.83%	0.76%
Earning per shares (Nu.)	2.50	1.76	2.17	2.30
Statutory Liquidity Requirement	16.64%	17.92%	18.64%	22.45%
Net Profit Ratio	12.59%	13.67%	13.49%	11.94%

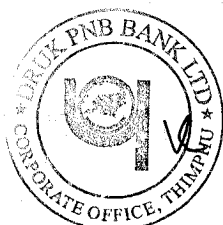


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13.4 Cash Flow

	31st December, 2023	31st December, 2024	31st December, 2025	31st December, 2026	31st December, 2027
A. Cash flow from operating activities:					
Profit / (Loss) before tax	389,753,445.41	487,191,806.76	538,706,945.82	586,584,222.70	643,681,154.19
Add: Adjustment for Non-cash and non-operating items	-	-	-	-	-
Depreciation and amortization	18,216,999.08	22,771,248.85	28,464,061.07	34,156,873.28	40,988,247.94
Impairment losses on financial instruments	203,324,004.93	254,155,006.16	304,986,007.40	365,983,208.87	439,179,850.65
Other comprehensive income	(3,697,094.73)	(4,621,368.41)	(5,776,710.51)	(6,932,052.61)	(8,318,463.14)
Interest expense recognized on fixed deposits as per EIR method	1,076,659.44	1,345,824.30	1,614,989.16	1,937,986.99	2,325,584.38
Operating profit before working capital changes	608,674,014.13	760,842,517.66	867,995,292.92	981,730,239.22	1,117,856,374.02
Adjustments for movement in:					
(Increase)/decrease in loans and advances to customers	(3,981,225,207.18)	(5,175,592,769.33)	(6,728,270,600.13)	(8,073,924,720.16)	(9,688,709,664.19)
(Increase)/ decrease in other assets	(374,942,262.04)	(487,424,940.65)	(633,652,422.85)	(823,748,149.71)	(988,497,779.65)
(Increase)/ decrease in current tax assets	(16,157,602.14)	(21,004,882.78)	(27,306,347.61)	(35,498,251.89)	(46,147,727.46)
Increase/(decrease) in deposits from banks	233,943,484.44	292,429,355.55	365,536,694.44	456,920,868.05	571,151,085.06
Increase/(decrease) in deposits from customers	8,502,820,282.67	9,353,102,310.94	10,288,412,542.03	12,860,515,677.54	15,432,618,813.05
Increase/(decrease) in provisions	5,003,908.52	5,504,299.37	6,054,729.31	6,660,202.24	7,326,222.46
(Increase)/decrease in deferred tax assets	14,778,202.25	16,256,022.48	17,881,624.72	19,669,787.19	21,636,765.91
Increase/(decrease) in deferred tax liabilities	(798,444.56)	(878,289.01)	(966,117.91)	(1,062,729.71)	(1,169,002.68)
Increase/(decrease) in other liabilities	21,502,826.30	23,653,108.94	26,018,419.83	28,620,261.81	31,482,287.99
Cash flow from operating activities before taxes	5,013,599,202.40	4,766,886,733.15	4,181,703,814.74	5,419,883,184.59	6,457,547,374.52
Income tax (paid) / refund (Net)	(106,135,643.47)	(132,669,554.34)	(159,203,465.21)	(191,044,158.25)	(238,805,197.82)
Net cash flow from operating activities (A)	4,907,463,558.92	4,634,217,178.81	4,022,500,349.53	5,228,839,026.34	6,218,742,176.70
	-	-	-	-	-
B. Cash flow from investing activities:					
Purchase of Property plant & equipment	(27,835,547.70)	(34,794,434.62)	(41,753,321.55)	(50,103,985.86)	(60,124,783.03)
Purchase of Intangible asset	(384,150.00)	(480,187.50)	(576,225.00)	(691,470.00)	(829,764.00)
Proceeds from sale/discard of property and equipment	-	-	-	-	-
(Investment)/proceeds from investment securities	(2,210,957,005.91)	(3,270,135,436.99)	(4,191,499,600.40)	(4,343,782,756.72)	(5,127,108,565.33)
Net cash used in investing activities (B)	(2,239,176,703.61)	(3,305,410,059.11)	(4,233,829,146.94)	(4,394,578,212.58)	(5,188,063,112.36)
	-	-	-	-	-
Principal portion of the lease liabilities paid	-	-	-	-	-
Proceeds / (repayment) of borrowings/debt securities	352,102,043.66	440,127,554.57	528,153,065.49	633,783,678.58	760,540,414.30
Interest expense on subordinated liabilities	-	-	-	-	-
Net cash flow from/(used in) financing activities (C)	352,102,043.66	440,127,554.57	528,153,065.49	633,783,678.58	760,540,414.30
	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C)	3,020,388,898.97	1,768,934,674.27	316,824,268.07	1,468,044,492.34	1,791,219,478.64
Cash and cash equivalents at the beginning of the year	5,857,598,740.66	8,877,987,639.63	10,646,922,313.90	10,963,746,581.97	12,431,791,074.31
Cash and cash equivalents at the end of the year	8,877,987,639.63	10,646,922,313.90	10,963,746,581.97	12,431,791,074.31	14,223,010,552.95



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14. Market Value of the Shares

The average market value of our shares as per RSEBL website is Nu. 63 per share for the last six months.

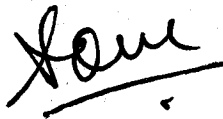
15. Outstanding Litigation

The Company has no outstanding statutory dues as of date. No litigation is pending against the company.

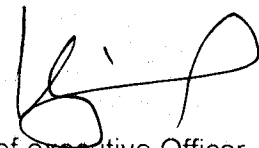
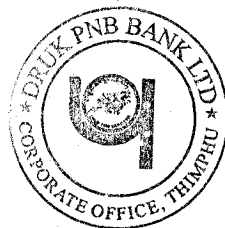
16. Declaration

We hereby declare that all the relevant provision of the Companies Act of Bhutan, 2016, and the guidelines issued by the Securities Exchange have been complied with and no statement made in prospectus is contrary to the provision of the Companies Act of Bhutan, 2016.

Date: 01/06/2023



Chairperson
Druk PNB Bank Limited



Chief executive Officer
Druk PNB Bank Limited