



ANNUAL REPORT 2025



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DRUK PNB BANK LTD.
ཨ་ལུག་ལྷན་ཁུངས་ལེ་སྒྲིག་ལྷན་ཁུངས་



ANNUAL REPORT 2025





VISION:

To Position Druk PNB Bank Ltd. as the “Most Preferred Bank” for customers, the “Best Place to Work In” for employees, and a “Benchmark of Excellence” for the Industry.



MISSION:

Providing personalized, efficient, quick and competitively priced financial services and implementing sound policies in order to benefit clients, staff, investors and the community.

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BOARD OF DIRECTORS



Aum Sangay Om
Chairman



Mr. K V. Satyanarayana
Director



Mr. Sumesh Kumar
Director



Mr. Pawan Singh
Director



Mr. Ugyen Namgyal
Director



Mr. Sonam Tshering Dorji
Director



Mrs. K. Meera Bai
C.E.O

CORPORATE



THIMPHU BRANCH





**PHUENTSHOLING
BRANCH**



**WANGDUE
BRANCH**



GELEPHU BRANCH



PARO BRANCH



**TRONGSA
BRANCH**



**SAMTSE
BRANCH**



**BUMTHANG
BRANCH**



**OLAKHA
BRANCH**



DIRECTOR'S REPORT

Dear Shareholders,

It gives me great pleasure, on behalf of the Board of Directors of Druk PNB Bank Limited (DPNBL), to present the Annual Report for the year ended 31st December 2025. This report outlines the Bank's performance, key achievements, and financial results, prepared in compliance with the Bhutanese Accounting Standards (BAS).

In 2025, your Bank completed 15 successful years of operations. During the year, total business increased from Nu. 53,214.66 million to Nu. 56,385.00 million—reflecting a healthy growth of 5.96%. This comprises Nu. 32,697.91 million in deposits and Nu. 23,687.09 million in advances.

Financial Performance

Net Profit:

The Bank earned a net income of Nu. 988.25 million during the year, against a net expenditure of Nu. 834.30 million. Consequently, the Bank recorded a net profit of Nu. 153.95 million (as per BAS).

Capital and Reserves:

As for the Bank's capital base, the Board recommends the following allocations from profits:

- Nu. 38.49 million to the General Reserve,

- Nu. 3.16 million to the Foreign Exchange Fluctuation Reserve,
- Nu. 168.00 million towards dividend paid for FY 24,
- Nu. 84.00 million towards dividend to be paid for FY 25 and
- Nu. 139.70 million to be taken from Retained Earnings for adjustment.

The Board also recommended Dividend paid for financial year to be adjusted in the same year and not carried to next year for adjustment.

As a result, the Bank's capital funds as of 31st December 2025, is Nu. 4,952.87 million compared to Nu. 4,594.31 million in the previous year.

Board of Directors

As of 31st December 2025, the Board comprised seven members, including the Chairperson, the CEO, two nominee directors from Punjab National Bank (PNB), one public shareholder director, and two independent directors.

The Board convened four meetings during the year, in compliance with the Companies Act of Bhutan 2016 and the Royal Monetary Authority's Prudential Regulations. Proper quorum was maintained for all meetings, and statutory records have been duly maintained in accordance with the legal requirements.

Composition of Board and attendance in FY 2025

Sl. No	Name of Directors	Designation in Board Chairman/Director	Date of appointment	Expiry of Tenure	Current Term of BoD	Board Meeting Attended
1	Aum Sangay Om	Chairperson	15.09.2020	14.09.2026	2 nd	5 of 5
2	Mr. Sonam Tashi	Independent Director	11.04.2019	10.04.2025	2 nd	1 of 1
3	Mr. Alok Vardhan Chaturvedi	Independent Director	17.10.2019	16.10.2025	2 nd	4 of 4
4	Mr. Amit Kumar Srivastava	PNB Nominee Director	30.11.2022	29.11.2025	1 st	3 of 4
5	Mr. Sanjay Varshney	PNB Nominee Director	01.04.2023	31.03.2026	1 st	2 of 4

Sl. No	Name of Directors	Designation in Board Chairman/Director	Date of appointment	Expiry of Tenure	Current Term of BoD	Board Meeting Attended
6	Mr. Ugyen Namgyal	Public Shareholders Director	29.03.2024	28.03.2027	1 st	5 of 5
7	Mr. Sonam Tshering Dorji	Independent Director	20.06.2025	19.06.2026	1 st	4 of 4
8	Mr. K.V. Satyanarayana	Independent Director	05.12.2025	04.12.2026	1 st	1 of 1
9	Mr. Sumesh Kumar	PNB Nominee Director	05.12.2025	04.12.2026	1 st	1 of 1
10	Mr. Pawan Singh	PNB Nominee Director	05.12.2025	04.12.2026	1 st	1 of 1
11	Mr. Vijay Kumar	CEO/ Executive Director	30.11.2022	18.12.2025	1 st	5 of 5
12	Mrs. K. Meera Bai	CEO/ Executive Director	19.12.2025	18.12.2028	1 st	1 of 1

Board Remuneration

The following table contains the details of the remuneration paid to the Board Directors during the year 2025:

Sl. No	Designation in Board Chairman Director	Sitting fees
1	Chairperson	100,000.00
2	Independent Director	200,000.00
3	Public Shareholders Director	100,000.00
Total		400,000.00

Corporate Governance

The Bank remains committed to upholding the highest standards of corporate governance, emphasizing transparency, accountability, ethical practices, operational efficiency, and social responsibility in the interest of all stakeholders.

As a listed company, DPNBL has complied with all relevant regulations and guidelines issued by the Royal Monetary Authority of Bhutan and the Royal Securities Exchange of Bhutan. The Bank's corporate governance practices have been duly reviewed and verified by the statutory auditors.

Regulatory Compliance

The Bank has consistently adhered to all regulatory requirements, including asset classification, loan provisioning based on asset quality, exposure limits to single and top-ten borrowers, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), and other RMA directives.

Staff Training and Development

In 2025, the Bank provided various training programs to enhance the professional capabilities of its staff. The details are as follows:

Sl. No	Training Program	No. of Participants
1	Credit Risk Assessment	1
2	Good Governance and Company Secretary's Perspective	1
3	FITI (Induction Course for New Recruit)	10
4	Familiarization on Implementation on Foreign Exchange	15
5	Correspondent Banking	1
6	Leadership and Customer Service	9
7	AML/CFT Digital Future Made Real India	29
8	Policies, Procedure and practises	40
9	Mediation Training	1
10	Union Pay International Payment	2
11	Training on Exports Proceed from India	7

Sl. No	Training Program	No. of Participants
12	Training on Law and Finance	3
13	Mastercard Customer Tech Conference	3
14	Ethics, Integrity and Accountability	15
15	Compliance	1
16	Land Rate Revision	1
17	Integrity, Ethics, CBS Training, Regulatory Compliance and AML, Fraud Prevention and cyber-Security, Credit Policies and Execution, Risk Management of the Bank, Risk Appetite Statement of the Bank, Risk Champion in Business and Department	44
18	New Generation Ngultrum Bank Note	4
19	Prevention of Sexual Harassment	20
20	Credit Management Risk Management of the Bank, Audit Planning and Execution	41
Total		248

Dividend

The Board is pleased to recommend a dividend of 5% per share for the financial year 2025, subject to approval from RMA. This would result in a total dividend outflow of Nu. 84 million.

Internal Financial Controls

The Bank has established robust internal financial controls with respect to financial reporting. During the year, these controls were thoroughly evaluated, and no material weaknesses in design or implementation were observed.

Statutory Auditors

M/s. M P Sureka & Co, Chartered Accountants, Kolkata, conducted the statutory audit of the Bank's financial statements for the year ended 31st December 2025.

Acknowledgements

The Board expresses its sincere appreciation to the Royal Government of Bhutan, the Royal Monetary Authority of

Bhutan, the Royal Securities Exchange of Bhutan, and other regulatory bodies for their continuous support and guidance.

We extend our heartfelt thanks to our correspondent banks in India and other countries, as well as to our fellow financial institutions in Bhutan for their cooperation.

To our valued customers and shareholders, we are deeply grateful for your trust and confidence. Lastly, we commend our dedicated employees for their hard work and commitment, which have been vital to the Bank's continued success and growth.

Warm regards,



(Aum Sangay Om)
Chairperson

For and on behalf of the Board of Directors.



CEO'S REPORT

Druk PNB Bank Limited

Tashi Delek!

On behalf of the Board of Directors and the Management of Druk PNB Bank Limited, I am pleased to present to you our performance report for the financial year ended 31st December 2025. This year was marked by both opportunities and challenges. While competition in the financial sector intensified, we remained focused on our strategic goals—delivering customer-centric services, maintaining financial discipline, expanding our digital footprint, and investing in operational resilience.

Financial Performance Overview

1. Total Business Performance

The Bank's total business stood at Nu. 56,385.00 million, for the year. Though overall business volume remained stable, the Bank registered a moderate 5.96% growth in its key areas, reflecting effective market positioning and customer confidence.

Particulars	2025 (Nu. Mn)	2024 (Nu. Mn)
Total Deposits	32,697.91	32,089.51
Total Advances	23,687.09	21,125.15
Total Business	56,385.00	53,214.66
Net Profit	153.95	281.71
Operating Profit	607.66	732.03
Gross NPL Ratio	0.81%	0.75%
Net NPL Ratio	0.12%	0.02%
Capital Adequacy Ratio	18.09%	20.62%
Capital Fund (Nu. Mn)	4,207.62	4,300.64

- The meagre growth in deposits is due to management decision in reducing high-cost deposits.

- The increase in advances is due to bank's credit strategy amid volatile market conditions, focusing on quality assets.
- Net Profit** contracted due to higher provisioning as we adopted ECL provisioning norms as per BFRS standards.
- Net Interest Margin** narrowed slightly, reflecting rising competition and tighter margins.
- Cost-to-Income Ratio** rose, indicating increased operating expenditure on long-term capacity-building initiatives.
- Asset quality remained **exceptionally strong**, with one of the **lowest NPL ratios** in the Bhutanese banking sector.
- Our **Capital Adequacy Ratio (CAR) at 18.09%** is well above the regulatory minimum, indicating strong capital buffers and the ability to support future growth.

Strategic and Operational Highlights

Digital Banking and Remittance Services

- Continued leadership in cross-border remittance services to India, with same-day online transfers enhancing convenience for both business and personal customers.
- SWIFT-based international remittance services maintained high levels of efficiency and reliability.
- International ATM and Mastercard usage provided uninterrupted financial access for Bhutanese students and travelers globally.
- Bank renewed ISO 27001:2022 certification.

- Ongoing development of mobile and internet banking platforms, including enhance user experience, security, and multi-language support.

Network & Customer Outreach

- The Bank operates through nine strategic branches across Bhutan, including Thimphu, Phuentsholing, Wangdue, Gelephu, Paro, Dangdung-Trongsa, Samtse, and Bumthang.
- Focused initiatives on financial literacy, SME lending, and rural outreach continue to build stronger community engagement.

Future Outlook and Strategic Direction (2025 and beyond)

In the coming year, we aim to sharpen our strategic focus on the following areas:

1. Digital Transformation

- Launching **next-gen mobile banking** with biometric authentication and real-time alerts.
- Expanding **API-based** services to integrate with fintechs and corporate clients.
- Introducing **branchless banking** solutions in remote regions through digital kiosks and agent networks.
- Promoting **women entrepreneurship financing and youth banking programs**.
- Opening of New branches to cover other unexposed geographies to tap new business.

2. Risk & Compliance

- Strengthening **credit underwriting systems and automated monitoring** to reduce default risks.

- Enhancing **cybersecurity framework** aligned with global best practices.

3. Sustainability & Governance

- Launching **green banking initiatives**: paperless services, energy-efficient branches, and ESG-conscious lending.
- Continued focus on **transparent governance, regulatory compliance, and ethical banking practices**.

Acknowledgement

I extend my sincere appreciation to all stakeholders whose continued support has been instrumental in our progress.

I am deeply grateful to our valued customers for their enduring trust and confidence. I commend our employees for their dedication, professionalism, and unwavering commitment to excellence. I also express my appreciation to the Board of Directors for their strategic guidance and oversight, which have been vital in shaping our direction.

I would like to acknowledge the steadfast technical and operational support of our parent institution, Punjab National Bank.

Together, we remain committed to advancing innovation, fostering inclusive growth, and strengthening financial stability, in alignment with Bhutan's broader economic development goals.

Tashi Delek!



(K. Meera Bai)
Chief Executive Officer



M. P. Sureka & Co.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR YEAR ENDED 31st DECEMBER 2025

To,
The Shareholders of the Druk PNB Bank Limited Thimphu
Bhutan.

1. Opinion

We have audited the financials statements of Druk PNB Bank Limited ('the Company'), which comprises the Statement of Financial Position as at 31 Dec. 2025, and the Statement of Comprehensive Income, Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 Dec. 2025, and its financial performance and cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

2. Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our

responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

3. 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 for the financial year ended December 31, 2025. 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.



Key Audit Matter	How the Matter was addressed
<p>Expected Credit Loss allowance on financial assets:</p> <p>The estimation of ECL on financial assets is complex and involves significant management judgement and estimates, including the following:</p> <ol style="list-style-type: none"> Models used to estimate ECL are inherently judgmental with high estimation uncertainty which involves determining Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). Completeness and accuracy of the data from internal and external sources used in the models. BFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting future economic conditions. Significant management judgement is applied in determining the economic scenario used and probability weights applied to them. Qualitative adjustments are made by the Management to the results obtained from ECL models to address any identified impairment or emerging trends as well as risks not captured by models. These adjustments are inherently subjective and significant management judgement is involved in estimating these amounts. <p>Considering the significance of ECL to the overall financial statements and the degree of management's estimates and judgments involved in this matter that requires significant auditor attention, we have considered expected credit loss allowance on financial assets to be a key audit matter.</p>	<p>Our Audit Procedure:</p> <p>Our audit focused on assessing the appropriateness of the models used including management's judgment and estimates used in the expected credit loss assessment through procedures that included, but were not limited to, the following:</p> <ul style="list-style-type: none"> -- Considered the Bank's accounting policies for expected credit loss of financial assets and assessed compliance of the policies in terms of BFRS 9. -- Understood management's processes, systems and controls implemented in relation to ECL allowance process. Evaluated the design and tested the operating effectiveness of key internal financial controls over such process. -- Obtained an understanding of the models adopted by the Bank including the key inputs and assumptions. Since modeling assumptions and parameters are based on historical as well as external data, we assessed whether the same were relevant and representative of current circumstances. -- Assessed the critical assumptions and input data used in the estimation of expected credit loss for specific key credit risk parameters, such as the classification of loan assets into stages as described in the accounting policy, Exposure at default (EAD), probability of default (PD) or loss given default (LGD); -- On sample basis tested the completeness and accuracy of the input data used for determining the PD and LGD rates and agreed the data with the underlying books of accounts and records; -- Evaluated whether the methodology applied by the Bank is compliant with the requirements of the relevant accounting standards and confirmed that the calculations are performed in accordance with the approved methodology, including mathematical accuracy of the workings. -- Assessed the appropriateness and adequacy of the related presentation and disclosures made in the accompanying financial statements in accordance with the applicable accounting standards and related RMA guidelines.

Fair Value measurement of Financial Instruments:

Fair value of financial assets and financial liabilities are measured using valuation techniques including the Adjusted Net Asset Method where the financial instruments are not quoted in active markets. The inputs to these models are taken from observable markets where possible. However, where this is not feasible, a degree of judgment is required in establishing fair values. This especially pertains to investments in unlisted private companies. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility that involve a high degree of estimation and judgment and could affect the reported fair value of the financial instruments.

Our Audit Procedure:

The Bank has carried out the valuation of its financial instruments per their policy which is consistent with prior years. Fair value estimation for their investments in unlisted companies was based on recent financial data received from the underlying investments. We reviewed the valuation methodology of all of the Bank's financial instruments including a review of the controls over adjustments to mitigate model limitations and assumptions and made some recommendations to make the valuation policy more robust especially around the valuation of unlisted companies.



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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS 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 these 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.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financials' statements.

As part of audit in accordance with ISAs, we have exercised professional judgment and maintained professional scepticism throughout the audit. Our additional responsibilities are:

- i. To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- ii. To obtain an understanding of internal control relevant to the audit 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;
- iii. To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- v. To evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely



rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- i. We have obtained all the information and explanations to the best of our knowledge and belief were necessary for the purpose of the audit;
- ii. In our opinion, proper books of accounts have been kept by the Company insofar as it appears from our examination of those books;
- iii. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, and Statement of Changes in Equity dealt with in this Report have been prepared in accordance with BAS; and

- iv. Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements provide the information in the manner so required and give a true and fair view in conformity with the BAS, and provisions of the Companies Act of Bhutan, 2016.

For, M. P. Sureka & Co.
Chartered Accountants
(Firm Reg. No. 322097E)



M. P. Sureka (Membership No. 050560)

Partner

UDIN - 26050560XHQQFD7169

Date: 23.03.2026

Place: Phuentsholing, Bhutan



Appendix I

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:

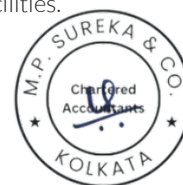
1. The Bank has maintained proper records of the property, plant & equipment in the assets register to show full particulars including quantitative details and situation of the assets. As explained to us, the property, plant & equipment have been physically verified by the management during the year in a phased/ periodical manner which in our opinion is reasonable having regard to the size of Bank and nature of its assets. As informed, no material discrepancies were noted in the physical verification.
2. None of the property, plant & equipment has been revalued during the year.
3. The Bank 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 Bank 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 intra vires to the Articles of the Incorporation of the Bank.
15. In our opinion and according to the information and explanations given to us, other than the remunerations to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement.
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 is 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, 2024 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.
6. As informed, wherever there is data migration during change over to new system, it is managed effectively to ensure completeness and integrity of data as well as smooth operation of the system.

General

1. Going Concern

Based on the net asset position reflected by the statement of financial position as at 31 December, 2025 and audited by us in accordance with the Bhutan Accounting and Auditing Standard of Bhutan and on the basis of such other tests as we considered necessary in this regard alongside with the forecast by the management, the company cannot be judged as sick business entity.

2. Ratio Analysis

Financial and Operational Ratio Analysis for 2025 and 2024 in respect of the company is annexed.

3. Compliance with the Companies Act of Bhutan

The Company has complied with the applicable laws, rules & regulations, systems, procedures & practices as per the requirements of the Companies Act of Bhutan, 2016.

4. Adherence to Laws, Rules and Regulations

The audit of the company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the Financial Statement as produced to us by the management. In the course of the audit we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable BAS, and also the Corporate Governance Guidelines. For,

For, M. P. Sureka & Co.
Chartered Accountants
(Firm Reg. No. 322097E)



M. P. Sureka (Membership No. 050560)
Partner
UDIN - 26050560XHQQFD7169
Date: 23.03.2026
Place: Phuentsholing, Bhutan

	2025	2024
Core Capital	16.88%	19.14%
Capital Adequacy Ratio	18.09%	20.62%
Current Ratio	0.78	0.61
Credit Deposit Ratio	72.44%	65.83%
Gross NPA Ratio	0.81%	0.75%
Net NPA Ratio	0.12%	0.02%
Interest Expense to Deposit Ratio	4.39%	4.41%
Interest Income to Loan Ratio	10.15%	10.48%
Deposit Growth	1.90%	27.91%
Advance Growth	10.57%	6.69%
Return on Equity	3.78%	6.20%
Return on assets	0.40%	0.69%
Earning per shares (Nu.)	0.95	1.59
Net Profit Ratio	6.52%	11.80%



Statement of financial position as at 31st December, 2025

All figures in Nu.

Particulars	Note no	As at 31st December, 2025	As at 31st December, 2024
Asset			
Cash and cash equivalents	13	1,443,748,047.68	1,105,364,904.68
Cash & Balances with Central Bank	13	7,632,699,655.65	10,979,653,949.37
Loans and advances to customers	14	22,865,126,762.24	20,679,913,051.35
Investment securities	15	5,834,132,318.70	4,466,127,927.24
Current tax assets	16	57,914,648.00	32,355,195.27
Property, Plant and equipment	4	122,888,376.91	80,561,640.03
Intangible assets	4A	9,218,650.97	3,292,186.48
Deferred tax assets	3	7,454,282.32	7,441,578.73
Other assets	17	1,333,591,670.55	1,130,722,324.41
Total assets		39,306,774,413.05	38,485,432,757.57
Liabilities			
Deposits from banks	18	331,509,914.53	435,128,814.89
Deposits from customers	19	32,697,907,353.81	32,089,514,681.62
Debt securities in issue	20	855,265,560.00	714,943,699.18
Provisions	21	61,044,734.47	86,475,010.97
Deferred tax liabilities	3	-	-
Other liabilities	22	1,153,430,876.52	858,734,116.01
Total liabilities		35,099,158,439.33	34,184,796,322.67
Equity			
Share capital	23	1,680,040,440.00	1,680,040,440.00
Share premium	24	741,164,954.00	741,164,954.00
Reserves			
Statutory reserves	24	986,273,421.31	947,784,965.71
Retained earnings	24	755,369,039.37	895,069,244.66
Other comprehensive income	24	(30,929,260.20)	(35,961,042.61)
Assets Pending Foreclosure Reserve	24	-	-
Foreign fluctuation reserve	24	75,697,379.24	72,537,873.14
Total equity		4,207,615,973.71	4,300,636,434.89
Total liabilities and equity		39,306,774,413.05	38,485,432,757.56
Significant accounting policies	1		

The accompanying notes form an integral part of the Financial Statements

Signed in terms of our attached report of even date
For M.P. Sureka & Co.
Chartered Accountants
Firm Registration Number: 322097E

For and on behalf of the Board of Directors



Partner: M.P Sureka
Membership No: 050560
Place: Thimphu, Bhutan
Date: 23.03.2026




K. Meera Bai
(Chief Executive Officer)


(Director)


Aum Sangay Om
(Chairperson)



Statement of profit or loss and other comprehensive income For the year ended 31st December, 2025

All figures in Nu.

Particulars	Note no	For the year ended 31 st December, 2025	For the year ended 31 st December, 2024
Interest income calculated using the effective interest method	5	2,320,262,916.49	2,166,737,121.41
Other interest income	5	-	-
Interest expense	6	(1,451,277,579.40)	(1,433,338,308.73)
Net interest income		868,985,337.09	733,398,812.68
Fee and commission income	7	75,091,781.86	75,098,164.29
Fee and commission expense	8	(61,571.20)	(850,093.85)
Net fee and commission income		75,030,210.66	74,248,070.44
Net trading income		12,638,024.38	12,696,600.58
Other income	9	31,591,947.50	6,252,934.58
Total revenue		988,245,519.63	826,596,418.28
Impairment losses on financial instruments	10	376,729,740.00	92,320,320.44
Personnel expenses	11	196,718,901.32	189,885,557.17
Depreciation and amortisation	4	21,074,929.78	15,547,432.32
Other expenses	12	182,219,366.67	147,629,815.08
Total expense		776,742,937.77	445,383,125.01
Profit before tax		211,502,581.86	381,213,293.27
Income tax expense	3	(57,548,759.45)	(99,505,201.98)
Profit for the period		153,953,822.41	281,708,091.29
Other comprehensive income			
(i) Items that will not be reclassified to profit and loss			
-Remeasurement of defined benefit liability (asset)		3,317,551.05	(12,444,620.98)
-Equity investments at FVOCI – net change in fair value		1,179,791.46	796,071.57
-Related tax		534,439.90	(3,310,173.14)
Total (i)		5,031,782.41	(14,958,722.55)
(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		5,031,782.41	(14,958,722.55)
Total comprehensive income		158,985,604.82	266,749,368.74
Earning per Equity Share of Nu. 10 each			
Basic & Diluted EPS	25	0.95	1.59

Signed in terms of our attached report of even date
For M.P. Sureka & Co.
Chartered Accountants
Firm Registration Number: 322097E



Partner: M.P. Sureka
Membership No: 050560
Place: Thimphu, Bhutan
Date: 23.03.2026



For and on behalf of the Board of Directors


K. Meera Bai
(Chief Executive Officer)


(Director)


Aum Sangay Om
(Chairperson)

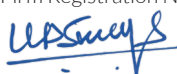


Cash flow statement for the year ended 31st December, 2025

All figures in Nu.

A. Cash flow from operating activities:	For the year ended 31st December, 2025	For the year ended 31st December, 2024
Profit / (Loss) before tax	211,502,581.86	381,213,293.27
Add: Adjustment for Non-cash and non-operating items		
Depreciation and amortisation	21,074,929.78	15,547,432.32
Impairment losses on financial instruments	376,729,740.00	92,320,320.44
Other comprehensive income	5,031,782.41	(14,958,722.55)
Interest expense recognised on fixed deposits as per EIR method	614,847.07	551,748.65
(Gain)/Loss on discard of property, plant and equipment	(30,951,789.50)	(4,880,277.58)
Operating profit before working capital changes	584,002,091.62	469,793,794.55
Adjustments for movement in:		
(Increase)/decrease in loans and advances to customers	(2,561,943,450.89)	(1,388,492,184.97)
(Increase)/ decrease in other assets	(202,869,346.14)	(452,013,157.99)
(Increase)/ decrease in current tax assets	(25,559,452.73)	54,390,449.31
(Increase)/decrease in deferred tax assets	(12,703.59)	(719,907.08)
Increase/(decrease) in deposits from banks	(103,618,900.36)	175,605,492.25
Increase/(decrease) in deposits from customers	608,392,672.19	7,001,416,561.05
Increase/(decrease) in provisions	(28,242,401.66)	(107,832,060.72)
Increase/(decrease) in deferred tax liabilities	-	-
Increase/(decrease) in other liabilities	294,106,184.43	(139,225,249.93)
Cash flow from operating activities before taxes	(1,435,745,307.13)	5,612,923,736.48
Income tax (paid) / refund (Net)	(57,914,648.00)	(32,355,195.27)
Net cash flow from operating activities (A)	(1,493,659,955.13)	5,580,568,541.21
B. Cash flow from investing activities:		
Purchase of Property plant & equipment	(62,552,402.15)	(45,518,387.27)
Purchase of Intangible asset	(6,800,000.00)	(1,945,700.00)
Proceeds from sale/discard of property and equipment	30,951,789.50	9,228,603.18
(Investment in)/proceeds from investment securities	(1,368,004,391.46)	2,045,817,183.43
Net cash used in investing activities (B)	(1,406,405,004.11)	2,007,581,699.34
C. Cash flow from financing activities:		
Dividend paid	(252,006,066.00)	-
Proceeds / (repayment) of borrowings/debt securities	140,321,860.82	43,158,951.41
Proceeds from issue of equity rights shares	-	-
Net cash flow from/(used in) financing activities (C)	(111,684,205.18)	43,158,951.41
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(3,011,749,164.43)	7,631,309,191.96
Cash and cash equivalents at the beginning of the year	12,085,018,854.05	4,453,709,662.09
Cash and cash equivalents at the end of the year	9,073,269,689.62	12,085,018,854.05

Signed in terms of our attached report of even date
For M.P. Sureka & Co.
Chartered Accountants
Firm Registration Number: 322097E



Partner: M.P. Sureka
Membership No: 050560
Place: Thimphu, Bhutan
Date: 23.06.2026



For and on behalf of the Board of Directors


K. Meera Bai
(Chief Executive Officer)


Aum Sangay Om
(Chairperson)



Statement of changes in equity for the year ended 31st December 2025 Attributable to owners of the Bank

	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Foreign Fluctuation Reserve	Assets Pending	Other Comprehensive Income/(loss)	Total Equity
Balance at 1 January 2025	1,680,040,440	741,164,954	947,784,966	895,069,245	72,537,873	-	(35,961,043)	4,300,636,435
Profit for the period	-	-	-	153,953,822	-	-	-	153,953,822
Issue of share capital	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(252,006,066)	-	-	-	(252,006,066)
Transfer to retained earnings	-	-	-	-	-	-	-	-
Transfer from Other Comprehensive income	-	-	-	-	-	-	5,031,782	5,031,782
Transfer to Foreign Fluctuation Reserve	-	-	-	(3,159,506)	3,159,506	-	-	-
Transfer to Statutory Reserve	-	-	38,488,456	(38,488,456)	-	-	-	-
Balance at 31 December 2025	1,680,040,440	741,164,954	986,273,421	755,369,039	75,697,379	-	(30,929,260)	4,207,615,974
Balance at 1 January 2024	1,680,040,440	741,164,954	877,357,943	686,962,326	69,363,723	-	(21,002,320)	4,033,887,066
Issue of share capital	-	-	-	281,708,091	-	-	-	281,708,091
Share-based payments	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Transfer from the Provision	-	-	-	-	-	-	-	-
Transfer from Other Comprehensive income	-	-	-	-	-	-	(14,958,723)	(14,958,723)
Transfer to Foreign Fluctuation Reserve	-	-	-	(3,174,150)	3,174,150	-	-	0
Transfer to Statutory Reserve	-	-	70,427,023	(70,427,023)	-	-	-	-
Balance at 31 December 2024	1,680,040,440	741,164,954	947,784,966	895,069,244.66	72,537,873	-	(35,961,043)	4,300,636,435

Signed in terms of our attached report of even date

For M.P. Sureka & Co.

Chartered Accountants

Firm Registration Number: 322097E



M.P. Sureka
Partner: M.P. Sureka
Membership No: 050560
Place: Thimphu, Bhutan
Date: 23.03.2026

For and on behalf of the Board of Directors

K. Meera Bai
K. Meera Bai
(Chief Executive Officer)

Alum Sangay Om
Alum Sangay Om
(Chairperson)



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2025

1. CORPORATE INFORMATION

Druk PNB Bank Limited (the Bank) provides Commercial Banking services in various parts of the Kingdom of Bhutan. It is a Licensed Commercial Bank under the Financial Institutions' Act of Bhutan 2011. Druk PNB Bank Limited is a joint venture bank with 51% shareholding by Punjab National Bank, India. It is incorporated and domiciled in the Kingdom of Bhutan. Its registered office is at P.O. Box 502, Head Office, Norzin Lam, Thimphu, Bhutan.

The financial statements for the year ended 31st December 2025 were authorized for issue in accordance with a 14th Resolution of the 69th Board of Directors meeting on 20th March 2026 held in Thimphu, Bhutan.

i. Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments and Land & Buildings. The financial statements are presented in Bhutan Ngultrum rounded (Nu.).

ii. Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Bhutanese Accounting Standards (BAS).

iii. Presentation of Financial Statements

The Bank presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

iv. Basis of Financial Statements

The financial statements comprise of financial statements of the Bank for the year ended 31 December 2025, which was authorized for issue by at the 14th Resolution of the 69th Board of Directors meeting on 20th March 2026 held in Thimphu, Bhutan.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's 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.

i. Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

ii. 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.



iii. 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.

iv. Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential, etc. For the purpose of valuing the quoted equity, the Bank used the Dividend Growth Model and, in certain circumstances, the growth was anticipated to be in line with the GDP growth/Business sector of the economy.

v. Impairment Losses on Loans and Advances

The Bank reviews its individually significant loans and advances at each statement-of-financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in blocks of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan type, etc.) and judgement on the effect of economic and market conditions.

vi. Impairment of Available-for-Sale Investments

The Bank reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

2.1. Analysis of Financial Instruments by Measurement Basis

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognized.

2.2. Adoption of BAS Phase III

The Bank has prepared financial statements which comply with BAS applicable for the period ending 31st December 2025.



2.3. Summary of Significant Accounting Policies

i. Foreign Currency Translation

The financial statements are presented in Bhutan Ngultrum (Nu) which is the functional currency of the Bank.

ii. Transactions and Balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other operating income in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

iii. Fair Value of Financial Instruments

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments. Financial Investments available-for-sale financial assets (primarily consist of quoted equities and Government debt securities) are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Trading assets and other assets measured at fair value are the Government debt securities and quoted equities. For Government debt securities and quoted equities, the Bank uses quoted market prices in the active market as at the reporting date.

iv. Financial Instruments - Initial Recognition and Subsequent Measurement

a. Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace i.e. Refundable Deposits/Staff Loans.

b. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

c. Financial Assets or Financial Liabilities Held for Trading

Currently the Bank does not have any Financial Assets classified as held for trading.

d. Financial Assets and Financial Liabilities Designated at Fair Value Through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when criteria are met, and designation is determined on an instrument-by-instrument basis. Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established. Currently the Bank does not have any Financial Instruments designated as Fair Value through Profit or Loss.



e. 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

f. Available-for-Sale Financial Investments

Available-for-sale investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the Available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in other operating income. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve. Currently, Druk PNB Bank Limited has no financial investments available-for-sale.

g. Held-to-Maturity Financial Investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the Effective Interest Rate (EIR). The amortization is included in Interest and similar income in the income statement. The losses arising from impairment of such investments are recognized in the income statement line Credit loss expense. If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

h. Due from Banks and Loans and Advances to Customers

Due from banks and Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale;
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from banks and Loans and advances to customers are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The amortization is included in Interest and similar income in the income statement. The losses arising from impairment are recognized in the income statement in Credit loss expense.



i. Debt Issued and Other Borrowed Funds

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR).

j. Reclassification of Financial Assets

The Bank is permitted to reclassify, in certain circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It is also permitted to reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

2.4. De-recognition of Financial Assets and Financial Liabilities**(i) Financial Asset**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

a. The Bank has transferred substantially all the risks and rewards of the asset, or

b. The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. The difference between the carrying value of the original financial asset and the consideration received is recognized in profit or loss.

(ii) Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

2.5. Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined



by using the dividend growth model (i.e. quoted equity in Royal Securities Exchange of Bhutan). An Active Market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2.6. Impairment of Financial Assets

The adoption of BFRS 9 (IFRS 9) has fundamentally changed the Bank's accounting for loan loss impairments by replacing BAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. BFRS 9/IFRS 9 requires the Bank to record an allowance for ECLs for all loans. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Movement of Impairment Loss Allowance	31st December, 2025
Opening balance	445,233,054.68
Addition - Current year provision	376,729,740.00
Closing Balance	821,962,795.00

2.7.

(i) Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost (such as amounts due from banks and loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. The interest income is recorded as part of Interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (EIR). If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new Effective Interest Rate (EIR) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a Bank of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.



Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and as appropriate. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

(v) Collateral repossessed

The Bank's policy is to auction all repossessed collateral provided.

2.8. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of financial position.

2.9. Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.



As per the lease agreement, one of the clauses mentioned that the rent may be increased every after two years in accordance with the Tenancy Act of Bhutan. However, the non-cancellable period/notification of vacation period is one year as per the agreement. Hence, the rent escalation and subsequent straight-lining of rental expense don't arise.

2.10. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

i. Interest and similar income and expense

Interest income on loans and advances is recognized on accrual basis except for nonperforming loans and advances, in respect of which the interest income, as per the guidelines issued by the Royal Monetary Authority of Bhutan is deferred and shown under the head "Interest Suspense Account" in the liabilities, and is taken to the Other Comprehensive Income on actual realization only.

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR).

Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

ii. Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a. Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

b. Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

iii. Dividend income

Revenue is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

iv. Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

2.11. Cash and Cash Equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.



2.12. Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of BAS 16 (Property, Plant and Equipment) in accounting for these assets.

The Bank applies the cost model to the entire class of freehold land and buildings. 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 cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Examples of directly attributable costs are:

- (a) costs of employee benefits (as defined in BAS 19 Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;
- (b) costs of site preparation;
- (c) initial delivery and handling costs;
- (d) installation and assembly costs;
- (e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
- (f) professional fees.

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. Currently, the bank do not have high value assets which require revaluation at the end of reporting period that would have significant impact in the financial statements. Hence, revaluation of assets are not carried out at the end of the reporting period.

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:



Asset Type	Useful Life
Machinery & Electrical Fittings	6.5 Years
Steel Items	20 Years
Wooden Articles	10 Years
Vehicle	6.5 Years
Computer Hardware	6.5 Years
Computer Software	6.5 Years
Miscellaneous items	6.5 Years

Property and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognized.

2.13. Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.14. Contingent Liabilities

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement in Credit loss expense. The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

During the year the bank has issued a financial guarantee amounting to Nu. 1.157 billion as presented below:

Letter of Credit	13,504,897.63
Other Guarantees	1,143,675,111.70
Total	1,157,180,009.33

2.15. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.16. Employee Benefits

The Bank measures the present value of the Pension obligation, which is a defined benefit plan using the Projected Unit Credit method (PUC) as required by BAS 19 Employee Benefits (in line with IFRS). A valuation has been carried out at every year to ascertain the full liability under the Fund.



Recognition of Gains and Losses: The gains and losses occur when the actual plan experience differs from the assumed. The Bank recognizes the total gains and losses that arise in calculating the Bank's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

2.17. Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.18. Earnings Per Share

The Bank presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.19. Operating Segment

An Operating Segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information available with the bank and are reported separately.

The segment is based on the type of clients to whom the bank provides services, viz., corporate and retail segments. The corporate segment includes such as government corporations, public corporations, commercial banks, non-bank financial institutes and private limited companies. Whereas retail segment includes unincorporated business and individuals. All the loans & advances and deposits are categorized under these two segments based on the loan and deposit facilities as presented below:

Segment Reporting for the year ended 31st December 2025:

Assets & Liabilities	2025			2024		
	Retail Segment	Corporate Segment	Total	Retail Segment	Corporate Segment	Total (2024)
Assets						
Loans and advances to customers						
OD/Cash Credit/Demand Loan	4,237,596,586.81	2,053,078,157.74	6,290,674,744.55	5,202,639,651.92	1,408,317,490.59	6,610,957,142.51
Term Loan	13,515,064,797.90	3,754,535,240.93	17,269,600,038.83	12,068,252,111.26	2,313,499,629.46	14,381,751,740.72
Total Assets	17,752,661,384.71	5,807,613,398.67	23,560,274,783.38	17,270,891,763.18	3,721,817,120.05	20,992,708,883.23
	75.35%	24.65%		82.27%	17.73%	
Liabilities						
Due to customers:						
Current Deposits	3,545,748,481.60	1,541,178,335.75	5,087,226,817.35	4,009,809,575.16	2,358,792,444.41	6,368,602,019.57
Savings Bank Deposits	6,165,899,306.42	0.00	6,165,899,306.42	5,495,841,234.40	0.00	5,495,841,234.40
Fixed Deposits	8,630,659,312.81	12,792,657,990.47	21,423,317,303.28	6,903,940,759.81	13,217,888,091.00	20,121,828,850.81
Recurring Deposits	189,103,804.00	0.00	189,103,804.00	176,534,475.00	0.00	176,534,475.00
Total Liabilities	18,531,410,904.83	14,334,136,326.22	32,865,547,231.05	16,586,129,044.37	15,576,680,535.41	32,162,809,579.78
	56.39%	43.61%		51.57%	48.43%	



Income & Expenses						
Income						
Interest and similar income	1,748,317,549.72	571,945,366.77	2,320,262,916.49	1,780,183,310.63	383,612,538.50	2,163,745,849.13
Fees and commission income	56,381,639.58	18,510,142.28	75,091,781.86	70,014,249.92	15,087,827.40	85,102,077.32
Miscellaneous Income	23,804,524.85	7,787,422.65	31,591,947.50	7,260,845.16	1,564,686.88	8,825,532.04
Total Income	1,828,703,714.14	598,242,931.71	2,426,946,645.85	1,857,408,405.70	400,265,052.79	2,257,673,458.49
Expenses						
Interest and similar expense	818,310,462.68	632,967,116.72	1,451,277,579.40	738,877,700.33	693,908,859.75	1,432,786,560.08
Fees and commission expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Expense	818,310,462.68	632,967,116.72	1,451,277,579.40	738,877,700.33	693,908,859.75	1,432,786,560.08

2.20. Standards Issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

2.21. BFRS 9 Financial Instruments

BFRS 9, as issued by the Accounting & Auditing Standards Board of Bhutan (AASBB) applies to classification and measurement of financial assets and financial liabilities as defined in BAS 39. As notified by Ministry of Economic Affairs, the "expected credit loss model" of IFRS 9 shall remain out of the scope of BFRS 9 and the companies shall comply with "incurred loss model" of BAS 39 for impairment, until the new set of standards are issued by AASBB.

2.22. Retirement benefit plans

A defined benefit plan defines, an amount of benefit that an employee is entitled to receive on (a) retirement/resignation or (b) on superannuation or (c) on death or disablement due to accident or disease as per the terms and conditions specified in the service rule of the bank. The benefit is dependent on factors such as age, number of years served and last drawn basic pay.

As required under BAS 19, valuation of scheme benefits is done using projected Unit Credit Method. Under this method, only benefits accrued till the date of valuation (i.e. based on service till date of valuation) is to be considered for valuation. Present value of Defined Benefit Obligation is calculated by projecting future salaries, exits due to death, resignation and other decrements (if any) and benefit payments made during each year till the time of retirement of each active member, using assumed rates of salary escalation, mortality and employee turnover rates. The expected benefit payments are then discounted back from the expected future date of payment to the date of valuation using the assumed discount rate.

BAS 19 also requires that "Service Cost" be calculated separately in respect of the benefit accrued during the current period. Service Cost is calculated using the same method as described above. The retirement benefit asset is recorded as separate line item in Statement of Financial Position.

2.23. Gratuity

1. Discount rate:

BAS 19 highlights that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. In this valuation the discount rate of 9.5% is being used.



2. Salary increment rate:

The increment rate has been calculated based on the data given and the rate was arrived at 11%.

3. Employee turnover rate:

The employee turnover rate was calculated as follows:

The Staff turnover factor can be computed as follows:

$$\frac{\text{Number of employees whose service is terminated during the year}}{\text{Average number of staff employed by the entity}} = t$$

The turnover rate is being arrived at 6% based on the data given.

2.24. Commitment and Contingencies

To meet the financial needs of customers in the ordinary course of business, the Bank enters into various irrevocable commitments and incurs certain contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Letters of credit & guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. No material losses are anticipated as a result of these commitments and contingencies.

3. INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted in the country where the Bank and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.



Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity as presented below:

A. Amounts recognised in profit or loss

Particulars	31 st December, 2025	31 st December, 2024
Current tax expense		
Current year	57,561,463.04	100,225,109.06
Changes in estimates related to prior years	-	-
Deferred tax expense/ (income)		
Creation of new deferred tax income	(307,651.45)	(918,924.97)
Creation of new deferred tax expense	294,947.87	199,017.89
Subtotal Deferred Tax	(12,703.59)	(719,907.08)
Total income tax expense	57,548,759.45	99,505,201.98

B. Amounts recognised in OCI

Particulars	31 st December, 2025	31 st December, 2024
Remeasurements of defined benefit liability (asset)	(829,387.76)	3,111,155.25
Equity investments at FVOCI - net change in fair value	294,947.87	199,017.89
Total	(534,439.90)	3,310,173.14

C. Reconciliation of effective tax rate

Particulars	31 st December, 2025	31 st December, 2024
Profit before tax	211,502,581.86	381,213,293.27
Other comprehensive Income before tax	4,497,342.51	(11,264,829.52)
Tax using the Bank's domestic tax rate @25% (PY:25%)	53,999,981.09	92,391,185.97
Add: deferred tax created on OCI	(534,439.90)	3,310,173.14
Less net deferred tax asset created	(12,703.59)	(719,907.08)
Add: Net provision for expenses made during the year	4,685,817.58	4,921,785.74
Add/(less): Miscellaneous items	(589,895.73)	(398,035.79)
Income tax expense	57,548,759.45	99,505,201.98



D. Movement in deferred tax balances

Particulars	31 st December, 2025	31 st December, 2024
Deferred tax Liabilities:		
Opening Balance	(199,017.89)	-
On Net block of Property, Plant and Equipment	-	-
On Fair valuation of financial instruments	(294,947.87)	(199,017.89)
Closing Balance (Liabilities)	(493,965.76)	(199,017.89)
Deferred tax Assets:		
Opening Balance	7,640,596.63	6,721,671.65
On Provision for employee benefits	441,519.48	(3,174,623.78)
On Provision for expenses	-	2,456,982.25
On loss on fair valuation of plan assets	(133,868.03)	1,636,566.51
On Impairment of loans	-	-
Closing Balance (Assets)	7,948,248.08	7,640,596.63
Net Deferred Tax Asset/(Liability)	7,948,248.08	7,441,578.73



Notes forming part of Financial Statements

Note-4. Property and equipment Current year

All figures in Nu.

Description	Gross Block			Depreciation			Net Block				
	As at 1st January, 2025	Additions	Adjustment	As at 31st December, 2025	Disposals	For the year	As at 1st January, 2025	Adjustment	Disposals	As at 31st December, 2025	As at 31st December, 2024
Vehicles	5,729,312.00	4,785,000.00	-	6,827,362.00	3,686,950.00	838,596.10	4,685,194.12	-	-	1836,840.22	4,990,521.78
Steel Items	16,156,209.32	26,500.00	-	16,182,709.32	-	679,320.11	6,437,593.61	-	-	7,116,913.72	9,065,795.60
Wooden Articles	10,992,735.56	1,558,610.87	-	12,551,344.43	-	306,701.67	9,194,020.81	-	3,686,950.00	9,500,722.48	30,506,219.55
Machinery & Electrical Goods	67,806,468.81	1,042,900.00	-	68,849,368.81	-	7,731,193.05	25,787,167.12	-	-	33,518,360.17	35,331,008.64
Computer Hardware	150,839,379.47	55,008,641.28	-	205,848,020.75	-	10,142,563.99	127,105,501.60	-	-	137,248,065.59	68,599,955.16
Misc Items	7,799,853.08	130,750.00	-	7,930,603.08	-	503,019.35	5,577,109.94	-	-	6,080,129.29	1,850,473.79
Total	259,323,956.24	62,552,402.15	-	318,189,408.39	-	20,201,394.27	178,786,587.21	-	3,686,950.00	195,301,031.48	122,888,376.91

Previous year

Description	Gross Block			Depreciation			Net Block				
	As at 1st January, 2024	Additions	Adjustment	As at 31st December, 2024	Disposals	For the year	As at 1st January, 2024	Adjustment	Disposals	As at 31st December, 2024	As at 31st December, 2023
Vehicles	5,729,312.00	-	17,600.00	5,729,312.00	-	468,174.63	4,217,019.49	-	-	4,685,194.12	1,512,292.51
Steel Items	16,136,609.32	99,450.00	-	16,156,209.32	-	643,697.48	5,793,896.13	-	-	6,437,593.61	10,344,713.19
Wooden Articles	10,942,251.96	33,422,523.58	-	10,992,735.56	5,661,491.63	292,823.60	8,757,160.62	-	55,963.41	9,194,020.81	1,798,712.75
Machinery & Electrical Goods	40,045,456.86	11,954,530.69	-	67,806,468.81	5,469,231.00	4,468,523.86	25,458,487.26	-	4,139,844.00	25,787,167.12	42,019,301.69
Computer Hardware	144,354,079.78	12.00	-	150,839,379.47	228,791.45	8,413,473.86	121,350,241.76	-	213,135.45	127,105,501.60	14,589,851.18
Misc Items	8,028,632.53	-	-	7,799,853.08	-	589,386.65	5,200,858.74	-	-	5,577,109.94	23,003,880.02
Total	225,245,322.45	45,494,116.27	-	259,323,956.24	11,415,482.48	14,876,080.08	170,977,664.01	-	7,067,156.88	178,786,587.21	80,537,369.03

Note-4A. Intangible assets

Current year

Description	Gross Block			Depreciation			Net Block				
	As at 1st January, 2025	Additions	Adjustment	As at 31st December, 2025	Disposals	For the year	As at 1st January, 2025	Adjustment	Disposals	As at 31st December, 2025	As at 31st December, 2024
Software	5,566,200.00	6,800,000.00	-	12,366,200.00	-	873,535.51	2,274,013.52	-	-	3,147,549.03	9,218,650.97
Total	5,566,200.00	6,800,000.00	-	12,366,200.00	-	873,535.51	2,274,013.52	-	-	3,147,549.03	9,218,650.97

Previous year

Description	Gross Block			Depreciation			Net Block				
	As at 1st January, 2024	Additions	Adjustment	As at 31st December, 2024	Disposals	For the year	As at 1st January, 2024	Adjustment	Disposals	As at 31st December, 2024	As at 31st December, 2023
Software	3,620,500.00	1,945,700.00	-	5,566,200.00	-	671,352.24	1,602,661.28	-	-	2,274,013.52	3,292,186.48
Total	3,620,500.00	1,945,700.00	-	5,566,200.00	-	671,352.24	1,602,661.28	-	-	2,274,013.52	3,292,186.48



Notes forming part of Financial Statements

Note-5. Interest income

All figures in Nu.

Particulars	31 st December, 2025	31 st December, 2024
Interest on Cash Credit	125,377,220.27	125,065,589.00
Interest on Demand Loan	81,493,811.16	91,231,556.54
Interest on OD Loan	580,306,106.54	548,733,330.54
Interest on Term Loan	1,294,570,118.81	1,129,195,078.69
Interest from Deposits with Banks in Bhutan	238,515,659.71	272,511,566.64
Total	2,320,262,916.49	2,166,737,121.41
Total interest income	2,320,262,916.49	2,166,737,121.41
Interest income on staff loan	-	-
Total interest income	2,320,262,916.49	2,166,737,121.41

Note-6. Interest expense

Particulars	31 st December, 2025	31 st December, 2024
Fixed Deposit	1,181,749,633.35	1,165,044,731.73
Saving Deposit	256,121,952.05	256,186,620.00
Recurring deposit	13,405,994.00	12,106,957.00
Total interest expense	1,451,277,579.40	1,433,338,308.73

Note-7. Fee and commission income

Particulars	31 st December, 2025	31 st December, 2024
IDBC and IUBC	43,800.00	40,350.00
Issue/Cancellation of Drafts/Transfers	94,155.00	100,166.48
Inland Letters of Guarantee	8,762,018.75	7,642,847.46
Foreign Letters of Guarantee	11,606,119.87	15,035,137.92
Foreign Documentary Credits	522,838.81	421,383.98
Foreign Bills	40,301.01	65,525.16
Incidental Charges on Deposits	7,031,560.85	7,070,164.80
Service Charges/Processing Fees	2,289,050.00	1,842,240.00
Rent on Safe Deposit Vaults	109,609.00	127,510.00
ATM/Kiosks Charges	4,633,029.39	6,098,854.93
ATM inter-change fees from other banks	5,447,113.50	5,419,736.87
RTGS/NEFT/ECS	30,137,539.38	28,111,539.87
Others	4,374,646.30	3,122,706.82
Total fee and commission income	75,091,781.86	75,098,164.29

Note-8. Fee and commission expense

Particulars	31 st December, 2025	31 st December, 2024
Remitting Charges(Including RTGS/NEFT/ECS charges)	61,571.20	58,400.00
MICR Processing/Clearing Charges/Interchange Fee	-	791,693.85
Total fee and commission expense	61,571.20	850,093.85



Note-9. Other Income

Particulars	31 st December, 2025	31 st December, 2024
Gain on sale of Property and equipment	30,951,789.50	4,880,277.58
Income from writing back old provisions	-	700,000.00
Miscellaneous income- retail banking	292,658.00	392,657.00
Miscellaneous income- corporate finance	347,500.00	280,000.00
Total	31,591,947.50	6,252,934.58

Note No. 10 – Impairment Losses on Financial Instruments

During the year, the impairment losses on financial instruments have increased significantly to **Nu. 376.73 million** as compared to the previous year. The closing impairment allowance stands at **Nu. 821.96 million** as per the ECL framework, as detailed in the ECL workings and read together with Notes 13 to 17.

As per the ECL analysis, the total exposure (EAD) of the loan portfolio is **Nu. 25,319.09 million**, against which total impairment of **Nu. 821.96 million** (approx. 2%) has been recognised. The increase in impairment is primarily attributable to the following:

- **Stage-wise migration of exposures:**
A significant portion of the portfolio has moved to lifetime ECL categories:

The higher concentration in Stage 2 and Stage 3 categories has resulted in a substantial increase in lifetime ECL provisions.

- Stage 1 (Current): EAD **Nu. 15,580.44 million**, ECL **Nu. 142.84 million** (~0.9%)
- Stage 2 (31–60 days): EAD **Nu. 6,853.41 million**, ECL **Nu. 463.65 million** (~3.8%)
- Stage 2 (61–90 days): EAD **Nu. 1,255.55 million**, ECL **Nu. 135.91 million** (~10.9%)
- Stage 3 (>90 days): EAD **Nu. 170.47 million**, ECL **Nu. 76.71 million** (~45%)

- **Increase in credit-impaired assets:**
As detailed in Notes 13 to 17, there is an increase in delinquent accounts and non-performing exposures, which has led to higher provisioning requirements.
- **Growth in advances portfolio:**
The total loan portfolio has increased during the year, contributing to a higher absolute impairment charge.
- **Strengthening of provision coverage:**
The Bank has maintained a prudent provisioning approach, including recognition of additional provisions and overlays, resulting in an incremental provision of **Nu. 376.73 million** during the year.

Accordingly, the increase in impairment losses is driven by portfolio growth, migration to higher-risk categories, and application of prudent ECL provisioning norms in line with applicable accounting standards.

Particulars	31 st December, 2025	31 st December, 2024
Impairment loss allowance on loans and advances	376,729,740.00	92,320,320.44
Impairment loss allowance on other financial assets	-	-
Total	376,729,740.00	92,320,320.44



Notes forming part of Financial Statements

Note-11. Personnel expenses

All figures in Nu.

Particulars	31 st December, 2025	31 st December, 2024
Wages and salaries	155,273,482.39	149,984,225.50
Social security contributions	10,096,771.24	8,309,204.41
Gratuity expense	7,875,544.92	12,506,395.58
Leave encashment	15,495,170.13	6,261,818.67
Separation and travelling expense	118,287.47	437,394.79
Loss on fair valuation of plan assets	(401,604.08)	4,909,699.52
Leave fare concession	2,593,000.00	2,267,000.00
Staff welfare expense	5,668,249.25	5,209,818.70
Total	196,718,901.32	189,885,557.17

Refer Note- 25 for disclosure related to post-employment defined benefit plans

Note-12. Other expenses

Particulars	31 st December, 2025	31 st December, 2024
Advertising and marketing	908,280.00	2,614,462.00
Stationery and Printing	2,212,190.00	2,008,024.00
Travel	7,161,920.53	4,017,019.18
Transportation and Conveyance Charges	892,238.00	1,603,046.40
Annual Maintenance Charges and repairs of SFF	13,860,560.61	16,009,128.78
Outsourcing of Financial services	56,106,993.34	46,456,021.12
Professional fees	-	-
Audit Fees	605,000.00	1,000,000.00
Director Sitting Fees	500,000.00	-
Rent for office premises	25,573,620.08	24,672,014.10
Postage	374,678.00	373,316.00
Telephone	7,707,895.92	3,780,990.23
Telex/Fax/Swift	1,597,823.34	1,626,993.46
Networking	20,776,988.62	8,595,068.60
Software Charges	13,662,028.05	8,755,337.99
Legal Charges	85,391.00	333,244.00
Insurance	2,653,319.50	2,365,354.50
Repair and Maintenance: Rented Premises	8,565.00	158,650.00
Repair and Maintenance: MCC	68,118.00	158,903.00
Newspapers and Periodicals	134,604.00	148,250.00
Entertainment	1,967,868.36	1,997,893.85
Sumptuary	2,013,399.03	996,657.32
Recruitment and Training	1,476,092.85	360,000.00
Water and Electricity	1,012,245.83	1,163,517.78
Miscellaneous expense	20,859,546.61	18,435,922.77
Total	182,219,366.67	147,629,815.08



Notes forming part of Financial Statements

Note-13. Cash and cash equivalents

All figures in Nu.

Particulars	31 st December, 2025	31 st December, 2024
CRR balance with central bank	2,342,080,535.88	2,125,075,975.86
Current account with central bank	250,000.00	250,000.00
Balance with RMA	5,290,369,119.77	8,854,327,973.51
Cash & Balances with Central Bank	7,632,699,655.65	10,979,653,949.37
Cash in hand	252,600,592.76	177,869,505.45
Cash and balances with other banks	1,191,147,454.92	927,495,399.23
Cash & cash equivalents	1,443,748,047.68	1,105,364,904.68
Total	9,076,447,703.33	12,085,018,854.05

Note-14. Loans and advances to customers

Particulars	31 st December, 2025	31 st December, 2024
Loans and advances to customers at amortised cost	23,687,089,556.93	21,125,146,106.03
Less: impairment loss allowance	(821,962,794.69)	(445,233,054.68)
Total	22,865,126,762.24	20,679,913,051.35

Particulars	31 st December, 2025	31 st December, 2024
Cash Credit, Overdrafts & loans repayable on demand	8,321,350,527.52	7,894,868,127.93
Term Loan	15,350,866,973.41	13,215,407,160.44
Other loan	14,872,056.00	14,870,817.66
Total loans and advances to customers	23,687,089,556.93	21,125,146,106.03

Movement of impairment loss allowance	31 st December, 2025	31 st December, 2024
Opening balance	445,233,054.69	352,912,734.25
Addition- Current year provision	376,729,740.00	92,320,320.44
Closing Balance	821,962,794.69	445,233,054.69

Note-15. Investment securities

Particulars	31 st December, 2025	31 st December, 2024
Investment securities measured at amortised cost	5,816,288,000.00	4,449,463,400.00
Investment securities measured at FVOCI – debt instruments	-	-
Investment securities measured at FVOCI – equity instruments	17,844,318.70	16,664,527.24
Total	5,834,132,318.70	4,466,127,927.24

Investment securities measured at amortised cost

Particulars	31 st December, 2025	31 st December, 2024
Government bonds	489,812,000.00	782,400,400.00
Fixed deposits	5,317,488,000.00	3,658,500,000.00
Others	8,988,000.00	8,563,000.00
Total	5,816,288,000.00	4,449,463,400.00



Note-16. Current tax assets

Particulars	31 st December, 2025	31 st December, 2024
TDS receivable/asset	-	-
Advance tax	57,914,648.00	32,355,195.27
Total	57,914,648.00	32,355,195.27

Note-17. Other asset

Particulars	31 st December, 2025	31 st December, 2024
Accrued Interest	206,369,438.61	145,635,602.45
Advances - recoverable/adjustable	1,123,835,539.34	981,655,659.40
Staff Advances	683,000.00	754,500.00
Other	2,703,692.60	2,676,562.56
Total	1,333,591,670.55	1,130,722,324.41

Note-18. Deposits from banks

Particulars	31 st December, 2025	31 st December, 2024
Balance from other banks in Current Deposits	167,639,877.24	73,294,898.07
Balances with other offices (Imprest)	-	-
Call/Short Term money (Inter-Bank)/ATM Payable	163,870,037.29	361,833,916.82
Total	331,509,914.53	435,128,814.89

Note-19. Deposits from customers

Particulars	31 st December, 2025	31 st December, 2024
Demand Deposits:		
Current Deposits	4,919,586,940.11	6,295,340,177.15
Savings Bank Deposits	6,165,899,306.42	5,495,811,178.66
	11,085,486,246.53	11,791,151,355.81
Term Deposits:		
Fixed Deposits	21,423,317,303.28	20,121,828,850.81
Recurring Deposits	189,103,804.00	176,534,475.00
	21,612,421,107.28	20,298,363,325.81
Total	32,697,907,353.81	32,089,514,681.62

Note-20. Debt securities in issue

Particulars	31 st December, 2025	31 st December, 2024
At amortised cost	855,265,560.00	714,943,699.18
Designated as at FVTPL	-	-
Total	855,265,560.00	714,943,699.18

Debt securities at amortised cost (All debt securities issued under fixed interest rate)

Particulars	31 st December, 2025	31 st December, 2024
Borrowings from other banks	855,265,560.00	714,943,699.18
150,000 Bonds of Nu. 1000 each under Govt. ESP	-	-
Total	855,265,560.00	714,943,699.18



Note-21. Provisions

Particulars	31 st December, 2025	31 st December, 2024
Provision or employee benefits		
Gratuity*	49,891,854.65	11,199,887.72
Leave encashment*	9,722,704.63	5,499,252.70
Transfer grant and travelling allowance*	1,783,360.15	1,905,956.76
	61,397,919.43	18,605,097.18
Provision for pending litigations	-	-
Provision for tax	(353,184.96)	67,869,913.79
Total	61,044,734.47	86,475,010.97

*Refer Note-27

Note-22. Other liabilities

Particulars	31 st December, 2025	31 st December, 2024
Creditors and accruals	21,609,649.77	25,515,938.78
Interest payable	742,026,453.17	527,283,161.28
Suspended interest	21,083,836.08	18,303,384.98
Others	71,502,260.35	51,750,298.82
TDS payable	297,208,677.15	235,881,332.15
Total	1,153,430,876.52	858,734,116.01

Note-23. Share capital

All figures in Nu.

	31 st December, 2025	31 st December, 2024
Authorised capital		
1,000,000,000 Equity Shares of Nu.10 Each	10,000,000,000.00	10,000,000,000.00
	10,000,000,000.00	10,000,000,000.00
Issued, Subscribed & Paid-up Capital		
168,004,044 Equity shares of Nu. 10 each*	1,680,040,440.00	1,680,040,440.00
	1,680,040,440.00	1,680,040,440.00

*Including 84,002,022 Equity shares of Nu. 10 each @ Nu.17 each (Nu.7 bieng premium) issued in financial year 2023 as rights issue.

The company has paid dividend of 10% on equity shares to their shareholders in the financial year ended 31st December 2024.

a) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	31 st December, 2025		31 st December, 2024	
	No of shares	Amount	No of shares	Amount
	168,004,044	1,680,040,440.00	168,004,044	1,680,040,440.00
Add: Share issued during the year	-	-	-	-
Equity shares at the end of the year	168,004,044	1,680,040,440.00	168,004,044	1,680,040,840.00



b) Rights/preferences/restrictions attached to equity shares

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

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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/-.

Note-24. Nature and purpose of Reserves**Share Premium**

Share premium comprises of the premium amount received at the time of issue of shares and will be utilised in accordance with Butan Companies Act.

Statutory Reserves

Special reserve was created by the company, the amount of which will be utilised in compliance with RMA read with its rules.

Retained Earnings

Represents surplus in statement of Profit and Loss.

Other comprehensive income

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity.

Foreign fluctuation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Note-25. Earnings per share

The Company's Earnings Per Share (EPS) is determined based on the net profit / (loss) attributable to the shareholders' of the Company. Basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common equivalent shares outstanding during the year.

Particulars	31 st December, 2025	31 st December, 2024
Net Profit / (Loss) attributable to equity shareholders	158,985,604.82	266,749,368.75
Nominal value of equity share (in Nu.)	10.00	10.00
Issued and outstanding equity shares at the beginning of the period	168,004,044.00	168,004,044.00
Shares issued during the year	-	-
Weighted-average number of equity shares for basic & Diluted EPS (in numbers)	168,004,044.00	168,004,044.00
Basic & Diluted earnings per share (Nu.)	0.95	1.59



Note-26. Commitments and Contingent liabilities

Particulars	31 st December, 2025	31 st December, 2024
(A) Capital Commitments:	-	-
Total Project Cost	-	37,342,872.27
50% Payment to be release as advance	-	18,671,436.14
Balance	-	18,671,436.14
(40% payment on Commissioning)	-	14,937,148.91
Balance 10% on total Project Cost on Live	-	3,734,287.23
(B) Contingent Liabilities:		
Letter of Credit	13,504,897.63	8,643,874.71
Other Guarantees	1,143,675,111.70	1,447,307,541.20
	1,157,180,009.33	1,455,951,415.91
Total	1,157,180,009.33	1,459,685,703.14

Note-27. Employee benefit obligations**(I) Defined Contribution Plans**

The Company makes contributions towards social security schemes to a defined contribution retirement benefit plan for qualifying employees. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits.

The Company recognised Nu. 10,096,771.24 (31 December 2024: Nu 8,309,204.41) for social security contributions in the Statement of Profit and Loss.

The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(II) Defined Benefit Plan:

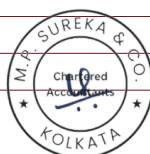
The Company makes contributions to the following defined benefit plan along with its brief summary:

- a. **Gratuity Plan (Funded):** The scheme provides for payment on retirement/resignation/death while in service with vesting period of 5 years of service.
- b. **Earned Leave:** The scheme provides for payment on retirement/resignation/death while in service with no vesting period of service having maximum benefit of 90 days per employee.
- c. **Travel Allowance:** The scheme provides for payment on retirement/resignation/death while in service with vesting period of 15 years of service for resignation and no vesting period for others.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2024. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(A) Movement in net defined benefit (asset) / liability**(a) Gratuity Plan (Funded)**

Particulars	31 st December, 2025	31 st December, 2024
Present value of defined benefit obligation		
Opening Balance	46,133,576.70	26,474,889.84
Included in statement of profit and loss		
Current Service Cost	5,400,314.85	5,384,888.82
Past Service Cost	(1,173,832.07)	7,506,311.96



Interest Cost	3,649,062.14	1,984,965.19
	7,875,544.92	14,876,165.97
Included in Other Comprehensive Income		
Actuarial (gain) or losses due to experience adjustment	(3,076,666.97)	8,108,170.89
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
	(3,076,666.97)	8,108,170.89
Others		
Benefits paid by the plan	-	-
Benefits paid by the employer	(1,040,600.00)	(3,325,650.00)
	(1,040,600.00)	(3,325,650.00)
Closing Balance (A)	49,891,854.65	46,133,576.70
Plan Assets		
Fair value at the beginning of period	34,933,688.98	26,677,215.79
Contribution paid into the plan	11,199,887.72	9,215,478.23
Expected return on plan assets	3,201,066.63	2,369,770.39
Benefits paid from the plan	(1,040,600.00)	(3,325,650.00)
Return on plan assets greater or (less) than discount rate	(417,592.10)	(3,125.43)
Fair value at the end of period (B)	47,876,451	34,933,688.98
Net defined benefit asset (liability) (B-A)	(2,015,403.42)	(11,199,887.72)
Current portion	3,066,678.66	4,909,806.49
Non-current portion	(1,051,275.24)	6,290,081.23
Total	(2,015,403.42)	(11,199,887.72)

(b) Earned Leave

Particulars	31 st December, 2025	31 st December, 2024
Opening Balance	5,499,252.70	5,994,286.39
Included in statement of profit and loss		
Current Service Cost	4,223,451.93	(495,033.69)
Past Service Cost	398,870.09	(1,951,603.27)
Interest Cost	(10,928.51)	248,506.72
Actuarial (gain) or losses due to experience adjustment	10,883,776.62	8,459,948.91
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
	15,495,170.13	6,261,818.67
Others		
Benefits paid by the plan	-	-
Benefits paid by the employer	(11,271,718.20)	(6,756,852.36)
	(11,271,718.20)	(6,756,852.36)
Closing Balance	9,722,704.63	5,499,252.70
Current portion	419,694.12	719,567.55
Non-current portion	9,303,010.51	4,779,685.15
Total	9,722,704.63	5,499,252.70



(c) Transfer Allowance

Particulars	31 st December, 2025	31 st December, 2024
Opening Balance	1,905,956.76	1,160,578.20
Included in statement of profit and loss		
Current Service Cost	189,660.87	250,621.73
Past Service Cost	(223,849.94)	254,940.44
Interest Cost	152,476.54	(68,167.38)
	118,287.47	437,394.79
Included in Other Comprehensive Income		
Actuarial (gain) or losses due to experience adjustment	(240,884.08)	4,333,324.66
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
	(240,884.08)	4,333,324.66
Others		
Benefits paid by the plan	-	-
Benefits paid by the employer	-	(4,025,340.89)
	-	(4,025,340.89)
Closing Balance	1,783,360.15	1,905,956.76
Current portion	125,645.15	335,002.16
Non-current portion	1,657,715.00	1,570,954.60
Total	1,783,360.15	1,905,956.76

(B) Actuarial assumptions

Particulars	31 st December, 2025	31 st December, 2024
Discount rate	8.00%	8.00%
Salary escalation rate	11.00%	11.00%
Mortality rate	100% of IALM (2012-14)	100% of IALM (2012-14)
Employee turnover rate	6.00%	6.00%

Note-28. Leases as lessee

The company has taken a number of branch and office premises on operating lease for banking facility. The leases typically run for a period of 15-20 years, with an option to renew the lease after that date. The company also has taken space on lease for ATM with contract terms of one to three years.

Information about operating leases for which the Company is a lessee is presented below.

Particulars	31 st December, 2025	31 st December, 2024
Within 1 year	22,919,024.27	19,836,406.35
More than 1 year	148,731,919.54	132,751,334.82



Note-29. Related Party Transactions

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Bhutanese Accounting Standard - BAS 24 (Related Party Disclosures), the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

Key Managerial Person's Remuneration

All figures in Nu.

Name	Nature of Relationship	Amount
Vijay Kumar	Chief Executive Officer	4,335,882.28
K Meera Bai	Chief Executive Officer	251,821.40
A. B. Rai	Dy.Chief Executive Officer	2,449,820.00
Amit Kumar	Executive Vice President	2,459,895.78
Ashish Verma	Executive Vice President	2,764,080.53
Shivoham sharma	Executive Vice President	4,104,693.31
Chandan Kumar	Executive Vice President	2,408,234.78
T C Ghimirey	Executive Vice President	2,170,543.00
Santanu Debnath	Sr.Vice President	3,877,492.93
Manoj Chellaiya	Sr.Vice President	3,789,839.28
Pendray Drukpa	Sr.Vice President	1,644,460.40

Name of the Account	Nature of Relationship	Sanction Limit	Balance
Hotel Riverview	In the name of Director's daughter	60,174,983.1	48,507,400.2
Quality Stones And Aggregates	In the name of Director's son	25,262,716.3	24,912,524.5
Dasho Sangay Wangchuk	Director's son	677,582,969.1	665,150,109.3
Bhutan Spring	In the name of Director's son	91,930,120.9	50,562,858.7
Ash Bahadur Rai	Deputy CEO	2,610,000.0	10,470,739.0
Kesang Wangchuk	Director's son	108,723,035.5	104,739,189.9
Druk Ventures	In the name of Director's sons'	109,200,000.0	26,372,310.1
Trowa Theatre	In the name of Director's husband	38,981,164.9	18,756,893.7

Note-30. Operating segments

Current Year: 2025

All figures in Nu.

Particulars	Retail Segment	Corporate Segment	Unallocated	Total
1. SEGMENT REVENUE (external revenue)	1,701,156,408.16	556,517,050.33	-	2,257,673,458.49
2. SEGMENT RESULTS	893,272,203.55	(68,385,305.14)	-	824,886,898.41
3. Other expenses	-	-	61,571.20	61,571.20
4. OPERATING PROFIT (2-3)	893,272,203.55	(68,385,305.14)	(61,571.20)	824,825,327.21

Other Information

5. Segment assets	17,752,661,384.71	5,807,613,398.67	15,746,499,629.67	39,306,774,413.05
6. Segment liabilities	18,531,410,904.83	14,334,136,326.22	2,233,611,208.28	35,099,158,439.33



Previous Year : 2024

Particulars	Retail Segment	Corporate Segment	Unallocated	Total
1. SEGMENT REVENUE (external revenue)	1,857,408,405.70	400,265,052.79	-	2,257,673,458.49
2. SEGMENT RESULTS	1,145,325,591.99	(91,301,749.92)	21,895,346.17	1,075,919,188.24
3. Other expenses	-	-	850,093.85	850,093.85
4. OPERATING PROFIT (2-3)	1,118,530,705.37	(293,643,806.96)	(850,093.85)	824,036,804.56
Other Information				
5. Segment assets	17,270,891,763.18	3,721,817,120.05	17,492,723,874.34	38,485,432,757.57
6. Segment liabilities	16,586,129,044.37	15,576,680,535.41	2,021,986,742.89	34,184,796,322.67

Note-31. Financial instruments by category

For amortised cost instruments, carrying value represents the best estimate of fair value.

All figures in Nu.

Particulars	31 st December, 2025			31 st December, 2024		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Cash and cash equivalents	-	-	1,443,748,047.68	-	-	1,105,364,904.68
Cash & Balances with Central Bank	-	-	7,632,699,655.65	-	-	10,979,653,949.37
Loans and advances to customers	-	-	22,865,126,762.24	-	-	20,679,913,051.35
Investment securities	-	17,844,318.70	5,816,288,000.00	-	16,664,527.24	4,449,463,400.00
Other assets	-	-	206,369,438.61	-	-	145,635,602.45
Total financial assets	-	17,844,318.70	37,964,231,904.18	-	16,664,527.24	37,360,030,907.85
Financial liabilities						
Deposits from banks	-	-	331,509,914.53	-	-	435,128,814.89
Deposits from customers	-	-	32,697,907,353.81	-	-	32,089,514,681.62
Debt securities in issue	-	-	855,265,560.00	-	-	714,943,699.18
Other liabilities	-	-	1,153,430,876.52	-	-	858,734,116.01
Total financial liabilities	-	-	35,038,113,704.86	-	-	34,098,321,311.70

Note-32. Fair value heirarchy

Particulars	31 st December, 2025			31 st December, 2024		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investment securities measured at FVOCI –equity instruments	-	17,844,318.70	-	-	16,664,527.24	-
Total financial assets	-	17,844,318.70	-	-	16,664,527.24	-
Financial liabilities						
Financial liabilities	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-



Level 1 : Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, mutual funds that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

Level 2 : The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3 : If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

Note-33. Financial risk management objectives and policies

The Company is exposed to various financial risks. These risks are categorized into market risk, credit risk and liquidity risk. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

(A) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency rate risk. Financial instruments affected by market risk include loans and borrowings, payables, receivables and other market changes that affect market risk sensitive instruments.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(B) 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 are 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.



(C) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Note-34. Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value and to ensure the Company's ability to continue as a going concern.

The Company has not distributed any dividend to its shareholders in current year. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025.

Note-35 :Risk Management**Credit Risk**

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:

- For commercial lending: charges over real estate properties, inventory and trade receivables
- 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.

For M.P. Sureka & Co.
Chartered Accountants

Firm Registration Number: 322097E



Partner: M.P Sureka
Membership No: 050560
Place:Thimphu, Bhutan
Date: 23.06.2026



For and on behalf of the Board of Directors



K. Meera Bai
(Chief Executive Officer)



(Director)



Aum Sangay Om
(Chairperson)



Note-36 RMA Disclosures

1. Qualitative Disclosures

i. Capital Adequacy Ratio

The capital of the bank consists of Tier 1, which forms a core capital and Tier 2, which is a supplementary capital. Tier 1 capital, which constitutes paid up capital, general reserves, share premium and retained earnings is Nu. 4.16 billion compared to Nu. 4.26 billion previous year.

The Tier 2 capital consists of Exchange Fluctuation Reserve, Research and Development Fund, General Provisions and Subordinated Debts. Tier 2 capital is Nu. 790.02 million compared to Nu. 330.25 million in the previous year.

ii. Non-performing Loans & Provisioning

Loans and advances of the Bank have been classified under non-performing as per the definition provided in section 4.4 of the RMA Prudential Regulation 2017. In the current year, the gross NPL stands at 0.82% and net NPL stands at 0.12% as against 0.75% and 0.02% in the previous year.

The general provision on loans and advances provided by the Bank for the current year is Nu. 745.25 million and the specific provision is Nu. 76.71 million during the year compared to Nu. 293.67 million and Nu. 151.56 million respectively in the previous year.

iii. Risk Management

DPNBL has introduced risk management function formally to monitor and manage various risks the Bank is exposed to. The bank has now implemented a comprehensive written policy on Risk Management to identify, measure, manage and mitigate the risk. The policy also has a detailed controlling tools, methodologies and reporting principles. The major risks the policy emphasizes are Credit Risk, Market Risk, Operational Risk and Liquidity Risk.

The risk governance structure is defined in three tiers, namely the Board Level Committee, Management Level Committee and Functional Risk Organization. Under Functional Risk Organization, we have Risk Management Department (RMD) which consists of three sub units, namely, Credit Risk Management Unit, Market Risk Management Unit and Operational Risk Management Unit. However, presently these Units are not handled separately by different personnel but managed together under RMD. As the Risk function matures in the Bank, the said Units will be handled by experienced personnel in the future reporting to Head of Risk. Credit Risk forms the major risk of the Bank. The Bank has a robust credit approval process in place to assess the credit worthiness of a client to receive credit.

Under Credit Risk we monitor the concentration risk- single borrower limit, Bank borrower limit, sector limit rating grade concentration and also the prohibited industry/ sector or product. These risks were managed well within the pre-approved limits during the year.

Under market risk, the Bank monitors the net Foreign Exchange position, movement of equity/ commodity prices and Interest rate risk. Currently there is no tolerance limit defined for equity/commodity risk and the Interest Rate Risk.

Operational Risk is enterprise-wide. The Bank has implemented robust measures and processes in all operational areas in accordance with the standard operational procedures (SOP) and anti-money laundering and combating the financing of terrorism policy.

Besides the above risks, the Bank also monitors liquidity risk, reputation risk, strategic risk which are material to the Bank.



2. Quantitative Disclosure

The disclosures are as per the requirements under section 3.2.2 of Macro-prudential rules and regulations–Disclosure Requirements and the figures are presented in “000” Nguntrum unless specified.

3. Tier 1 Capital and its Sub-component

(Figures in Nu. '000)

Sl.#	Particular	Year 2025	Year 2024
1	Total Tier I Capital		
a	Paid up Capital	1,680,040.44	1,680,040.44
b	General Reserve	986,273.42	947,784.96
c	Share Premium Account	741,164.95	741,164.95
d	Retained Earning	755,369.04	895,069.24
	Total	4,162,847.85	4,264,059.60

i. Tier 2 Capital and its Sub-components

Sl.#	Particular	Year 2025	Year 2024
1	Total Tier II Capital		
a	Exchange Fluctuation Reserve	75,697.38	72,537.87
b	General Provision	745,250.43	293,669.81
c	Assets Pending Foreclose Reserve	0	0
d	Subordinate Debt	0.00	0.00
e	Other Comprehensive Income/Loss Account	(30,929.26)	(35,961.04)
	Total	790,018.55	330,246.64

ii. Risk weighted Assets

(Figures in Nu. '000)

Risk Weighted Assets	Balance Sheet Amount		Risk Weight	Risk Weight Amount	
	Year 2025	Year 2024		Year 2025	Year 2024
L & A other than LAFD & NPL	20,912,426.45	19,190,934.28	100%	20,912,426.45	19,190,934.28
NPL Less specific Prov. & Suspense Interest	27,298.95	-	150%	40,948.42	0.00
Claim on Commercial Bank	5,948,270.48	3,883,971.54	20%	1,189,654.10	776,794.31
Bonds/ Securities	209,915.00	168,750.00	100%	209,915.00	168,750.00
Claims on FIs in India	267,046.27	404,600.29	50%	133,523.13	202,300.15
Fixed Assets	127,348.32	79,410.22	100%	127,348.32	79,410.22
Other Assets	2,840,575.44	2,692,472.64	100%	2,840,575.44	2,692,472.64
Off-balance sheet items (Direct Credit Substitute)	524,574.94	739,150.46	100%	524,574.94	739,150.46
Sectoral Exposure above 30%	1,334,401.80	361,971.97	150%	2,001,602.70	542,957.95
Operational Risk	0	-		0.00	0.00
	32,191,857.65	27,521,261.41		27,980,568.50	24,392,770.01



iii. Loan & NPL by Sectorial Classification

(Figures in Nu. '000)

Sl. No	Particulars	31-12-25		31-12-24	
		Total Loans	NPL	Total Loans	NPL
a.	Agriculture	13,051.27	-	17,990.63	0.00
b.	Manufacturing / Industry	5,332,450.42	1,985.24	3,582,506.20	0.00
c.	Service & Tourism	5,640,933.07	134,818.61	4,127,792.42	117,816.42
d.	Trade & Commerce	2,061,374.16	21,467.02	1,884,831.57	7,221.58
e.	Housing	8,019,718.82	11,268.55	7,012,746.54	1,987.63
f.	Transport	227,363.54	21,467.02	183,901.65	17,262.75
g.	Personal Loan	108,895.76	-	357,462.15	462.39
h.	Education Loan	287,059.25	1,340.75	136,186.39	0.00
i.	Loan Against Term Deposit	133,439.70	-	1,133,261.82	0.00
j.	Loans to FI(s)	1,120,577.72	-	0.00	0.00
k.	Staff loan (incentive)	242.03	-	134,754.95	415.85
l.	Others	-	-	2,421,274.57	14,318.54
	Grand Total	23,560,574.78	192,347.19	20,992,708.88	159,485.16

iv. Loans (Over-draft and Term Loans) By type of counter-party

(Figures in Nu. '000)

Sl. No	Counter-Party	31.12.25	31.12.24
1	Overdrafts		
a.	Government Corporations	-	-
b.	Private Companies	1,909,919.32	1,223,840.63
c.	Individuals	987,360.56	1,088,614.73
d.	Non-Bank Financial Institutions	242.03	12.70
	Public Companies	0.00	106,654.00
	Sole Proprietorship	3,247,063.54	4,114,024.93
	State Owned Enterprises	146,089.30	77,810.16
	Total	6,290,674.75	6,610,957.15
2	Term Loans		
a.	Government Corporations	70,681.94	147.89
b.	Private Companies	3,467,674.63	2,082.24
c.	Individuals	9,356,474.87	12,057.08
d.	Non-Bank Financial Institutions	10,681.73	10.93
e.	Public Companies	0.00	0.00
f.	Sole Proprietorship	4,142,515.02	3,647,673.86
g.	State Owned Enterprises	221,571.84	147,886.16
	Total	17,269,600.03	14,381,751.74
		23,560,274.78	20,992,708.88



v. Non-Performing Loans and Provisions

(Figures in Nu. '000)

SI. No.	Particulars	Year 2025	Year 2024
1	Amount of NPLs (Gross)	192,868.82	159,485.16
	Substandard	24,337.97	6,766.12
	Doubtful	22,456.98	0
	Loss	146,073.87	152,719.03
2	Specific Provisions	76,712.37	136,647.46
	Substandard	21,551.00	1,204.44
	Doubtful	3,248.13	0
	Loss	51,913.23	135,443.02
	Additional provision (as per RMA direction)	-	-
	Total Provision	821,962.79	445,223.05
3	Interest-in-Suspense	22,396.90	18,019.94
	Substandard	1,023.00	743.94
	Doubtful	2,380.83	0
	Loss	18,993.07	17,276.01
4	Net NPLS	28,690.05	4,817.75
	Substandard	18,651.97	4,817.75
	Doubtful	10,038.07	0
	Loss	0	0
	Net Loans	22,865,126.76	20,838,041.48
5	Gross NPLs to Gross Loans	0.82%	0.75%
6	Net NPLs to Net loans	0.12%	0.02%
7	General Provisions	745,250.43	293,669.81
	Standard	145,688.08	289,294.91
	Watch	599,562.35	4,374.90

vi. Concentration of credit and Deposits

(Figures in Nu. '000)

SI. No	Particular	Year 2025	Year 2024
1	Total Loan of 10 Largest borrowers	5,032,416.24	4,270,757.16
	Total Loan	23,560,274.78	20,992,708.88
2	As % of total Loans	21.36%	20.34%

vii. Exposure of 5 Largest NPL accounts

(Figures in Nu. '000)

SI. No	Particulars	Year 2025	Year 2024
1	Five Largest NPL Accounts	165,970.45	1,46,766.49
	Total NPL	192,868.82	159,485.16
2	As % of total NPLs	86.05%	92.03%





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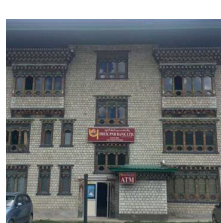
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