



Microfinance Bhutan Private Limited.

## DIRECTOR'S REPORT 2022

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## DIRECTOR'S REPORT.

On behalf of the Board of Directors (the directors) of MBPL, I have the pleasure of presenting the Director's Report for the year ended 30 December 2022.

### 2.1. The Company

Microfinance Bhutan Private Limited (MBPL) is the first privately owned microfinance institution in Bhutan. The company is licensed by Royal Monetary Authority of Bhutan as a Deposit Taking Microfinance Institution (DMFI) to engage in rural financing and is incorporated under the Companies Acts of Bhutan 2016 bearing registration No. U20190314BHU0511 dated 14/03/2019. The primary goal of the company is to promote inclusive growth through access to finance for rural communities by providing banking services i.e., accepting deposits, extending credit, providing money transmission and insurance services. The Corporate office is located at Yardenlam-3, Chubachu, below Royal Textile Academy in Thimphu. It has three branches at Samtse, Zhemgang and Tsirang.

### 2.2. Principal Activities

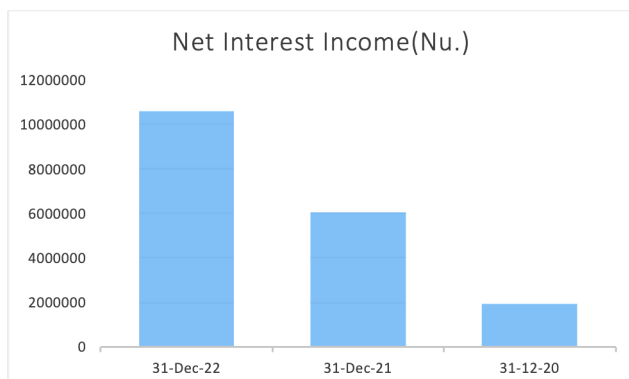
The Company is principally engaged in the provision of microfinance services comprising credit for rural households, individuals, and small enterprises operating in the country. As a DMFI, the company actively pursues deposits from both institutions and individuals.

### 2.3. Financial Performance

Despite the pandemic and associated impact on businesses, MBPL has performed well in terms of financial achievements. The net profit for the year ended 31 December 2022 touched **Nu.2,325,108.2** compared to net profit of **Nu. 62,991.81** only in the previous year ending 31 December 2021. Detailed information on the financial performance is given in the attached Statement of Comprehensive Income (SOCI).

The company's audited financial statements for the financial year 2022 have been endorsed and authorized for issue by the Board of Directors on 28<sup>th</sup> March 2023. The highlights of the financial performance of the company are presented below:

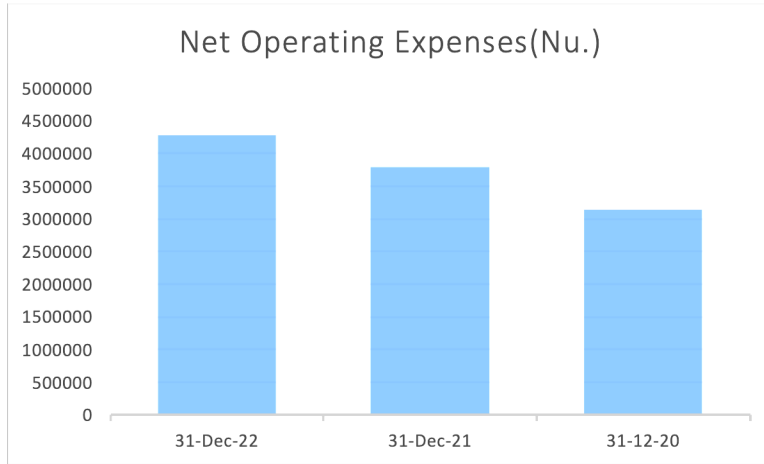
#### 2.3.1 Net Interest Income



The Net Interest Income generated during the income year 2022 has increased by **75.48%** reaching Nu. **10,594,292.22** from net interest income of **Nu. 6,037,001.42** from previous year. The increase in income is attributed to surge in net interest income from loans.

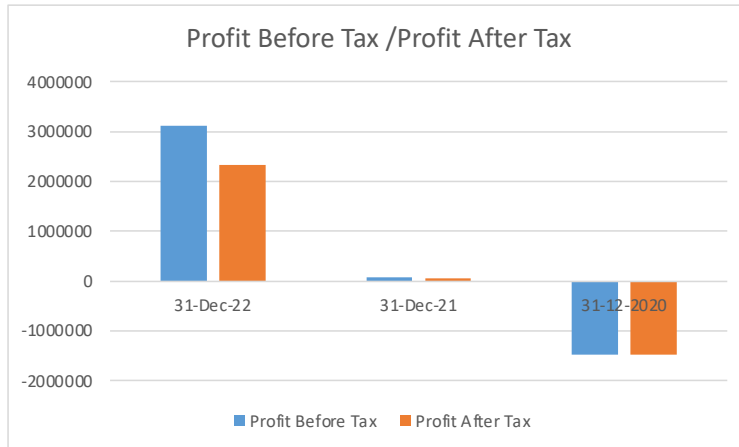


### 2.3.2 Net Operating Expenses



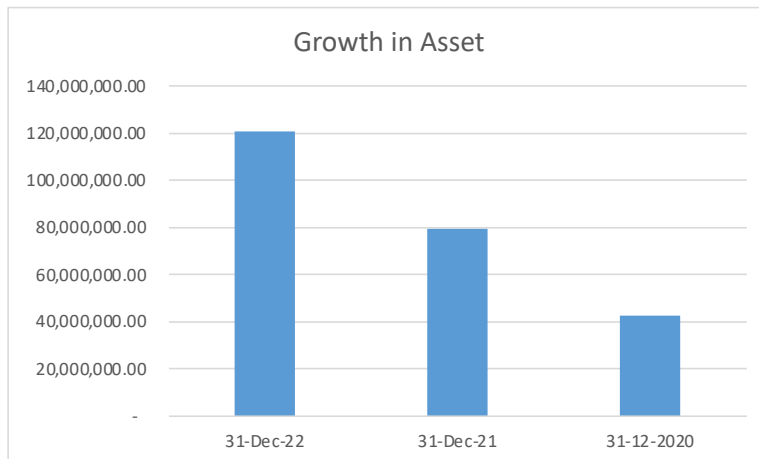
Alongside increased in the income of the institutes, it managed to control operating expenses at **Nu.4,289,056.52** from **Nu.3,795,879.86** with minimal increased by **12.99%**. Major operating expenses are attributed by Human Resource expenses of **Nu.2.55 million**.

### 2.3.3 Profit Before and After Tax.



The institutes registered a gross profit (before tax) of Nu.**3,117,649.10** as against Nu.**83,989.08** in the previous financial year ending 31.12.2021. Profit After Tax or the Net profit stood at Nu. **2,325,108.89** increase of **3591%** from previous years net profit of **Nu.62,991.81/-**

### 2.3.4 Asset



The institute's financial assets grew by **52.43%** from Nu.**79.19** million to Nu.**120.71** million. The increase in assets is largely attributed to:

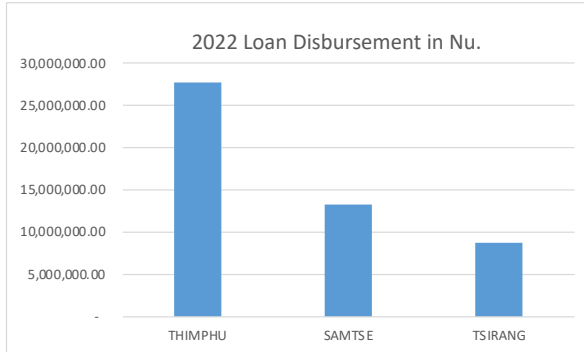
- Increase in disbursement of loans.



### 2.3.5 Loan Disbursements

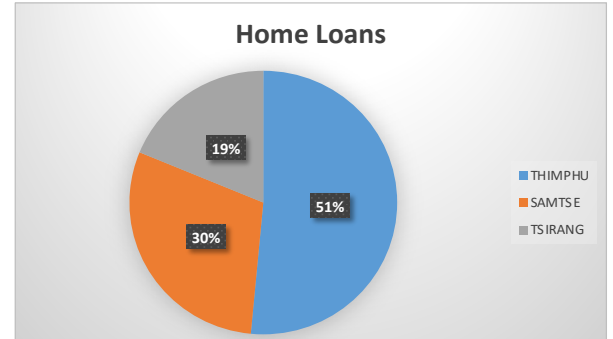
#### Overall

A Total of **Nu. 49.74** million was disbursed during the year of 2022 to **207 clients**.

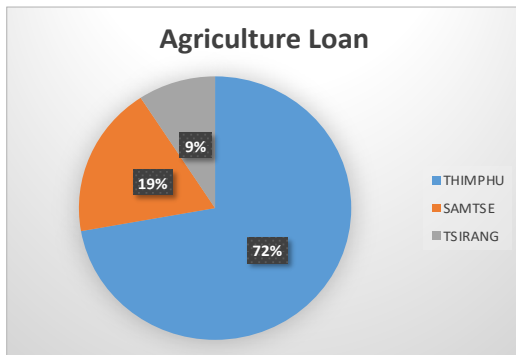


#### Product wise by Dzongkhag

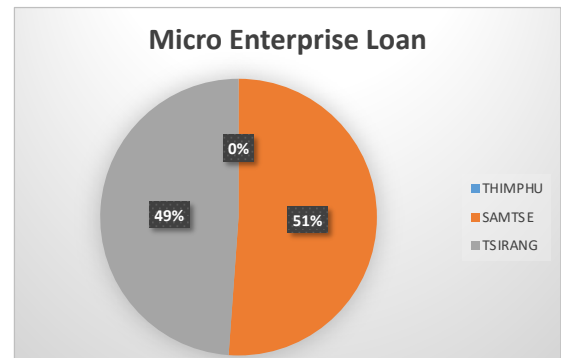
Home Loan of Nu. 18.43 million to 54 clients were disbursed.



Agriculture Loan of total Nu. 25.00 million to 126 clients was disbursed.

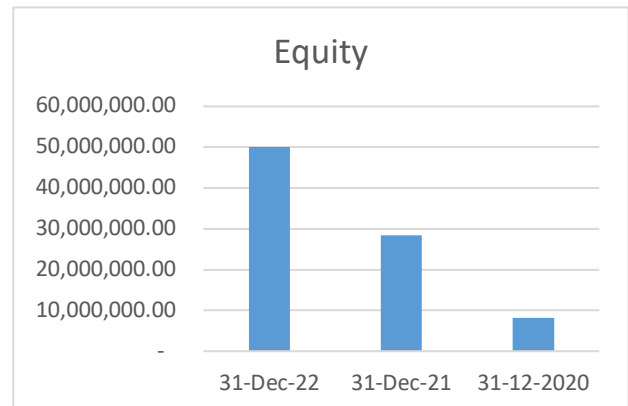


Micro Enterprise Loan of Nu. 6.1 million to 27 clients was also disbursed



### 2.4. Share Capital

The Total Equity increased by **76.47%** from **Nu. 28,333,100.00** in 2021 to **Nu.50,000,000.00** at end of 2022 due to additional equity injected by the shareholders as well as sold to our new shareholders. This increase in equity has helped the management in meeting the loan demands of our clients. Going forwards, the board, during it 13<sup>th</sup> Board meeting held on 28<sup>th</sup> March 2023, has endorsed the management proposal to increase the authorized capital to Nu. 500 million. The Board has also advised the management to carry out a company valuation in preparation for paid up capital enhancement as and when the need arises.





## 2.5.0 Ratios

Sl #	Particulars	Ratio %
1	Capital Adequacy Ratio (CAR)	49.81
2	Statutory Liquidity Ratio (SLR)	35.77
3	Return on Equity (RoE)	5
4	Gross NPL	7.25
5	Net NPL	4.67
6	Return on Asset (ROA)	1.93
7	Business per employee	9.5 million
8	Profit/ Employee	0.35 million

## 2.7. Contingent and Other Liabilities

At the date of this report, there is:

- a) No charge on the assets of the Company which has arisen since the end of the financial year that secures the liabilities of any other person and
- b) No contingent liability in respect of the Company has arisen since the end of the financial year other than in the ordinary course of business.
- c) No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the periods of 12 months after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

## 2.8. Items of an Unusual Nature

There were no items, transactions, or events of a material and unusual nature that, in the opinion of the directors, materially affected the financial performance of the Company for the year ended 31 December 2022.

No item, transaction, or event of a material and unusual nature has arisen in the interval between the end of the financial year and date of this report that, in the opinion of directors, is likely to affect substantially the result of the operations of the company for the current year.

## 2.9. Change in Circumstances

As at the date of this report, the directors are not aware of any circumstances not otherwise dealt within this report or the financial statements of the Company that render any amount stated in the financial statements misleading in any material respect.



## 2.10. The Board of Directors

The members of the Board of Directors during the year and as at the date of this report are:

1. Dr. Lam Dorji, Chairman
2. Mr. Nima Tshering- Board of Director
3. Mr. Phub Gyeltshen, Board of Director
4. Mr. Leki Dendup, Independent Board of Director
5. Mr. Ugyen Dorji, Chief Executive Officer and member Secretary

Appointments to the Board of Director's of MBPL have been after the fit and proper scrutiny and endorsement of the Royal Monetary Authority (RMA).

## 2.12. Future Outlook and Development Plan

The Microfinance Bhutan Private Limited will continue to pursue a business model to improve its probability through enhanced outreach and growth while being innovative, socially responsible, and efficient and effective in its service delivery. We consider services as best when customers are happy and satisfied while safeguarding shareholders' investments and aspirations for growth. Towards this objective, the management has proposed to expand our services to two more Dzongkhag while targeting a gross profit of Nu.6.7 million in 2023.

## 2.13. Appreciation and Acknowledgements

Without any doubt, 2022 was a challenging but a successful year as a microfinance service and product provider. I am convinced that our core value of professionalism, integrity, excellence, and loyalty we provide would ensure on achieving our long-term purpose of being the clear leader in the provision of microfinance services.

The Board of Directors, I would like to thank the management team and our outstanding employees (retired and current) for their commitment as well as esteemed shareholders for the trust and valuable support and loyalty during the year the year.

I would like to thank the Board of Directors and Executive Management for their invaluable contribution to the continued progress of the Institute.



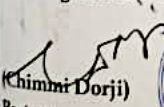

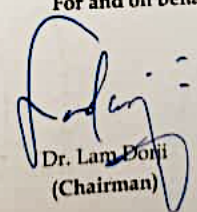


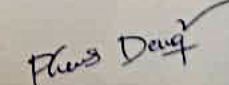
### 2.13. Approval of Audited Financial Statements

The Audited Financial Statement, as endorsed by the Board of Directors, is presented below:

#### Schedule I: Statement of Financial Position (SOFP)

MICROFINANCE BHUTAN PRIVATE LIMITED			
Statement of Financial Position as at 31st December, 2022			
Particulars	Notes	Amount in Nu.	
		31 December 2022	31 December 2021
<b>Assets</b>			
Cash & Cash Equivalents	2	2,663,130.98	1,686,136.28
Cash & Balances with Banks	3	22,866,014.50	14,592,410.36
Loans and advances to customers	4	86,383,419.37	59,114,238.13
Other assets	5	7,754,617.06	2,835,401.36
Property, Plant and Equipment	1	1,044,259.52	964,000.96
<b>Total assets</b>		<b>120,711,441.43</b>	<b>79,192,187.09</b>
<b>Liabilities</b>			
Due to customers	6	68,035,046.79	50,725,038.70
Other liabilities	7	416,560.27	286,178.67
Provisions	8	2,914,113.02	2,842,131.85
Retirement Benefit Obligations			
<b>Total liabilities</b>		<b>71,365,720.08</b>	<b>53,853,349.22</b>
<b>Equity attributable to equity holders</b>			
Issued capital	9	50,000,000.00	28,333,100.00
General Reserve			
Retained earnings		(654,278.66)	(2,994,262.13)
<b>Total equity</b>		<b>49,345,721.34</b>	<b>25,338,837.87</b>
<b>Total liabilities and equity</b>		<b>120,711,441.42</b>	<b>79,192,187.09</b>

For Karma & Associate Chartered accountants Firm Reg. No. BH-04  (Chimmi Dorji) Partner Place: Thimphu Date: 13/2/2023 	For and on behalf of board of directors  Dr. Lam Dorji (Chairman)	 Ugyen Dorji (Chief Executive Officer)
		 Phub Dem (Finance Officer)



## Schedule II: Statement of Comprehensive Income (SOCI)

MICROFINANCE BHUTAN PRIVATE LIMITED			
Statement of Comprehensive Income for the year ended 31st December, 2022			
Amount in Nu.			
Particulars	Notes	31 December 2022	31 December 2021
Interest and similar income	10	16,898,329.27	10,093,160.00
Interest and similar expense	11	6,304,037.05	4,056,158.58
<b>Net interest income</b>		<b>10,594,292.22</b>	<b>6,037,001.42</b>
Fees and commission income	12	129,286.54	136,882.82
Other Income	13	26,700.00	65,414.00
<b>Net fee and commission income</b>		<b>129,286.54</b>	<b>202,296.82</b>
<b>Total operating income</b>		<b>10,723,578.76</b>	<b>6,239,298.24</b>
Provisions	14	3,316,873.14	2,359,429.30
<b>Net operating income</b>		<b>7,406,705.62</b>	<b>3,879,868.94</b>
Personnel expenses	15	2,555,985.11	2,433,907.00
Depreciation of property and equipment	1	226,883.46	200,288.90
Other operating expenses	16	1,506,187.95	1,161,683.96
<b>Total operating expenses</b>		<b>4,289,056.52</b>	<b>3,795,879.86</b>
<b>Profit before tax from continuing operations</b>		<b>3,117,649.10</b>	<b>83,989.08</b>
Less: Provision-Others			
<b>Profit Before Tax</b>		<b>3,117,649.10</b>	<b>83,989.08</b>
Additions Fines and Penalties		52,511.73	
Income tax expense-Current Tax		792,540.21	20,997.27
Income tax expense-Deferred Tax			
<b>Profit for the year from continuing operations</b>		<b>2,325,108.89</b>	<b>83,989.08</b>

For Karma & Associate  
Chartered accountants  
Firm Reg. No. BH-04

(Chimmi Dorji)  
Partner  
Place: Thimphu  
Date: 13/2/2023

For and on behalf of board of directors

Dr. Lam Dorji  
(Chairman)

Ugyen Dorji  
(Chief Executive Officer)

Phub Dem  
(Finance Officer)





### Schedule III: Statement of Changes in Equity (SOCE)

MCFINANCE BHUTAN PRIVATE LIMITED				
Statement of Changes in Equity as at 31st December, 2022				
Particulars	Amount in Nu.			
	Issued Capital	General Reserve	Retained Earnings	Total
Balance as at Jan 2020	5,050,000.00		-1,634,951.50	3,415,048.50
Capital Contribution during the year	8,108,000.00			8,108,000.00
Profit / Loss for the year			-1,479,171.57	-1,479,171.57
Balance as at 31-12-2020	8,108,000.00		-3,114,123.07	4,993,876.93
Capital Contribution during the year	20,225,100.00			20,225,100.00
Prior Period adjustment			35,871.86	35,871.86
Dividend payment				
Other comprehensive income			83,989.08	83,989.08
Balance as at 31st December 2021	28,333,100.00		-2,994,262.13	25,338,837.87
Balance as at Jan 2022	28,333,100.00		-2,994,262.13	25,338,837.87
Capital Contribution during the year				
Profit/Loss for the year			-2,994,262.13	25,338,837.87
Balance as at Jan 2022	28,333,100.00			
Capital Contribution during the year	21,666,900.00			
prior Period Adjustment			14,874.58	14,874.58
Other Comprehensive Income			2,325,108.89	
Balance as at 31-DEC-2022	50,000,000.00		-654,278.66	49,345,721.34

For Karma & Associate  
Chartered accountants  
Firm Reg. No. BH-04



(Chimmi Dorji)  
Partner  
Place: Thimphu  
Date: 13/2/2023

For and on behalf of board of directors

Dr. Lam Dorji  
(Chairman)

Ugyen Dorji  
(Chief Executive Officer)

Phub Dem  
(Finance Officer)



Lam Dorji, Ph D  
Chairman  
Board of Directors