# ANNUAL REPORT 2025

**MICROFINANCE BHUTAN**
PVT. LTD.

Prosper with MBPL - Your development partner.

**2025-The Year in Review**

As we reflect on the performance of 2025, we are pleased to share that Microfinance Bhutan Pvt. Ltd (MBPL) has continued its journey of steady growth, resilience, and transformation. Despite operating in a dynamic, competitive and evolving financial environment, the Company has achieved significant progress across key areas of business performance, outreach, and service delivery.

During the reporting year, MBPL recorded a strong growth in total assets, which increased by 37.25% from Nu. 198.24 million in 2024 to Nu. 272.10 million in 2025. This growth was primarily driven by the continued expansion of our loan portfolio and increasing confidence from our clients and stakeholders. Loans and advances also grew significantly to Nu. 236.51 million, reflecting the growing demand for accessible and inclusive financial services across the country. The Company's financial performance improved considerably during the year, with profit before tax increasing to Nu. 5.33 million compared to Nu. 3.47 million in 2024. This positive growth demonstrates the effectiveness of our operational strategies, prudent financial management, and the dedication of our employees in delivering quality and speedy services to our clients.

One of the major milestones in 2025 was the successful expansion of our branch network with the opening of the Paro Branch, further strengthening our presence and outreach to underserved communities. This expansion aligns with our long-term vision of improving access to financial services across Bhutan and supporting local economic development through inclusive finance. MBPL also made important progress in new product development during the year. In response to increasing customer demand, we successfully introduced the Education Loan product, aimed at supporting students and families in pursuing educational opportunities and investing in human capital development. Alongside our existing Agriculture Loan, Home Loan, and Micro-Enterprise/Small Business Loan products, the addition of Education Loans reflects our commitment to continuously innovating and responding to the evolving needs of our clients.

While challenges such as non-performing loans, human resource constraints, and evolving market conditions persisted, MBPL remained focused on prudent risk management, staff capacity development, and sustainable business growth. Our efforts to improve governance, operational efficiency, and customer engagement have positioned the Company well for continued progress in the years ahead.

As we move forward, MBPL remains committed to expanding its outreach, introducing innovative financial solutions, and strengthening institutional capacity to better serve communities across Bhutan. We will continue to focus on sustainable growth, customer-centric service delivery, and value creation for our shareholders and stakeholders.

On behalf of the Management and our employees, I would like to express my sincere gratitude and appreciation to the Royal Monetary Authority, Bhutan Development Bank Limited, our valued shareholders, clients, business partners and associates, and all stakeholders for their continued trust and support given to us. I would also like to extend my heartfelt gratitude to our Board of Directors and dedicated employees for their unwavering commitment and hard work throughout the year.

Together, we look forward to building a stronger, more inclusive, and sustainable future for Microfinance Bhutan Pvt. Ltd.

Karma Gayleg

**Chief Executive Officer**

## VISION

To be the Bhutan's most trusted financial institution for sustainable development.

## MISSION

Empower communities with accessible and inclusive financial services to promote entrepreneurship, rural development, human wellbeing and sustainable economic growth.

## CORE VALUES

Microfinance is essentially about providing financial services to Individuals/Groups who lack access to traditional banking. Our core values revolve around:

### Financial Inclusion

Bringing financial services to the underserved rural population of the nation, we aim to include marginalized and underserved individuals in the formal financial system by providing access to financial services and saving accounts.

### Poverty Alleviation

We believe that by providing access to financial resources, focusing our loan products and services on income generating activities, entrepreneurship and livelihood development, we can help individuals and communities break the cycle of poverty.

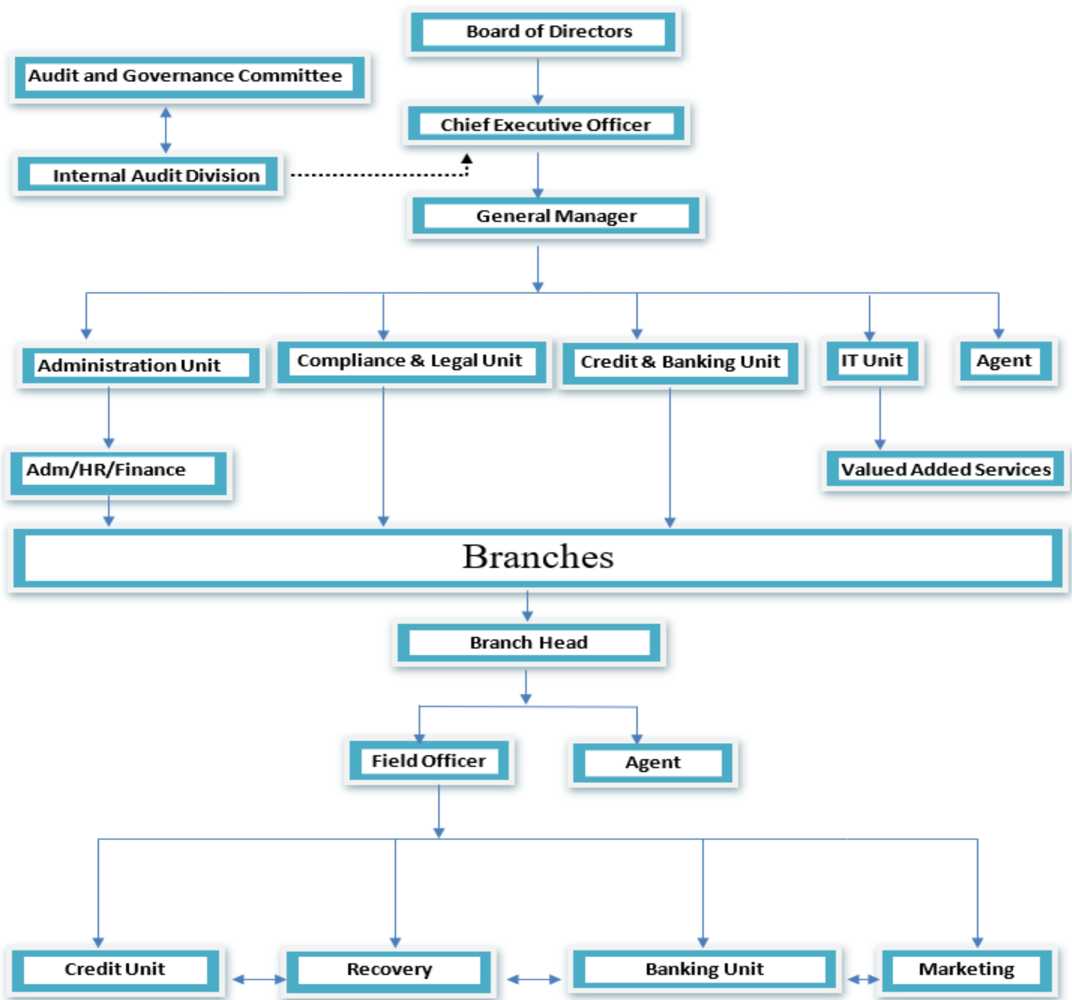
### Sustainable Economic Development

MBPL aims to create a self-sustaining rural economy, where financial services can be provided on an ongoing basis, ensuring availability of capital for future borrowers and expansion of services to more individuals and communities.

### Social Responsibility

MBPL prioritizes social mandate alongside financial sustainability. We focus not only on terms of financial metrics but also in terms of bringing positive changes to the lives of our clients and the society by prioritizing our services on projects that bring positive impacts.

## Organizational Structure



**Board of Directors**

Dr Lam Dorji (PhD), *Chairman*

Mr. Phub Gyeltshen, Non-Executive Director

Mr. Robert A. Dillman, Non-Executive Director

Mr. Tenzin Gonpo, Independent Director

*Mr. Chencho, Independent Director*

Mr. Karma Gayleg, Member Secretary/CEO

# DIRECTOR'S REPORT

Dear Shareholders,

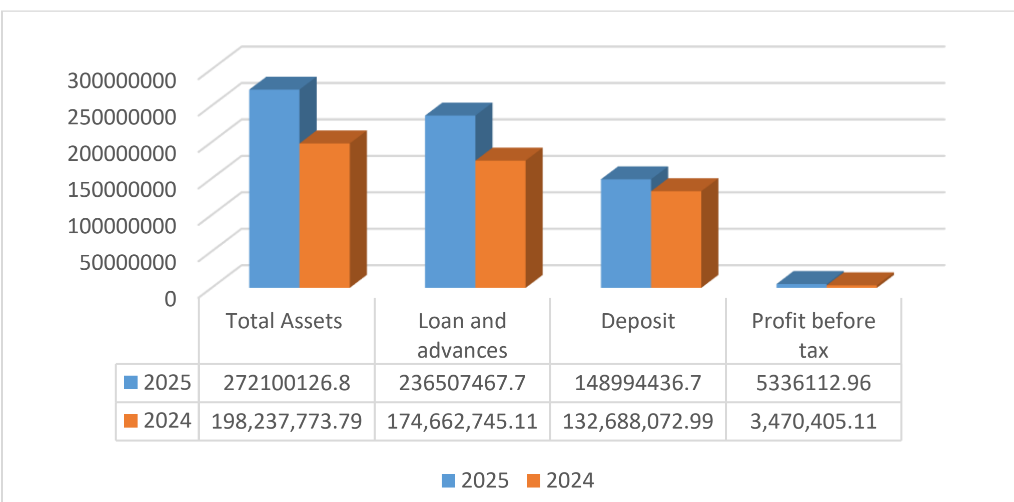
On behalf of the Board of Directors (the Directors) of Microfinance Bhutan Pvt. Ltd (MBPL), I have the pleasure of presenting the Director's Report for the financial year ended 31st December 2025. The business year 2025 had been both challenging, yet fulfilling and progressive, marking a period of steady growth and consolidation for the Company. Despite operating in a dynamic environment, MBPL has continued to strengthen its foundation and expand its outreach, reflecting its resilience and long-term commitment to financial inclusion.

I am pleased to report that the Company remains on a positive growth trajectory, with a notable increase in its client base and a strengthened presence across its service areas. Through continuous engagement and responsible lending practices, MBPL has been successful in building and reinforcing customer confidence, particularly among underserved and rural communities. The expansion of services, including the introduction of new financial products such as education loans, has further enhanced the Company's ability to meet the evolving needs of its clients.

The year under review also witnessed ongoing improvements in operational efficiency and governance, alongside a focused effort to deliver reliable and accessible financial services. These developments underscore MBPL's commitment to sustainable growth, customer-centric service delivery, and its broader mission of empowering communities through inclusive microfinance. The Board remains confident that the Company will continue to build on its progress and create lasting value for its stakeholders in the years ahead.

## 1. Overall Business Performance Highlights

Despite the challenges, the Asset of the company grew by 37.25% during the financial year mainly attributing to the continued disbursement of loans and advances to its customers. The highlights of the financial performance of the company are presented below:



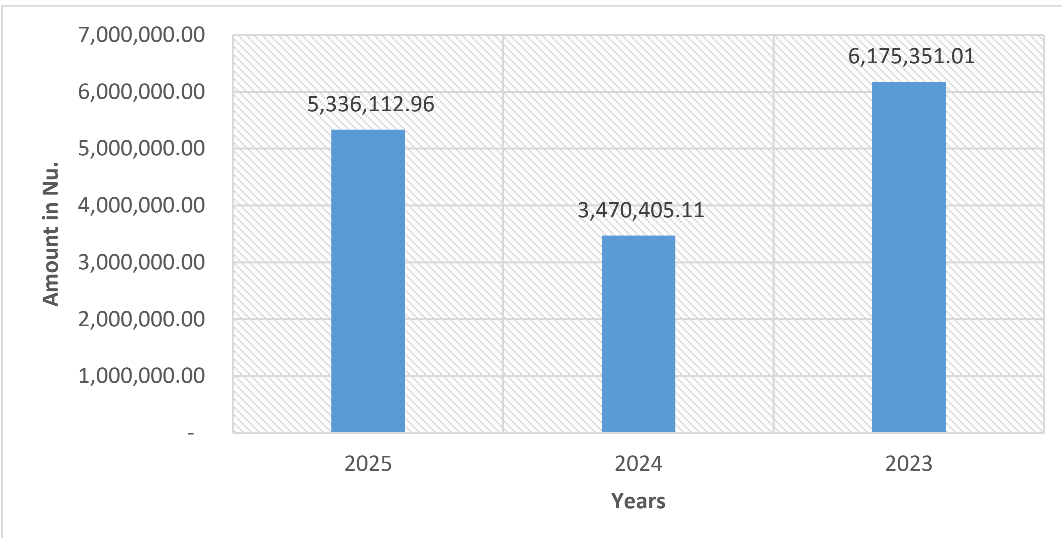

| | Total Assets | Loan and advances | Deposit | Profit before tax |
|---|---|---|---|---|
| 2025 | 272100126.8 | 236507467.7 | 148994436.7 | 5336112.96 |
| 2024 | 198,237,773.79 | 174,662,745.11 | 132,688,072.99 | 3,470,405.11 |

| Particular | 2025 | 2024 |
|---|---|---|
| **Total Assets** | 272,100,126.8 | 198,237,773.79 |
| **Loan and advances** | 236,507,467.7 | 174,662,745.11 |
| **Deposit** | 148,994,436.7 | 132,688,072.99 |
| **Profit before tax** | 5,336,112.96 | 3,470,405.11 |

## 2. Financial Performance

The company's audited financial statements for the financial year 2025 have been endorsed by the Board of Directors during its 27th Board Meeting held on 31st March, 2026 for further adoption by the shareholders.

**Gross profit**

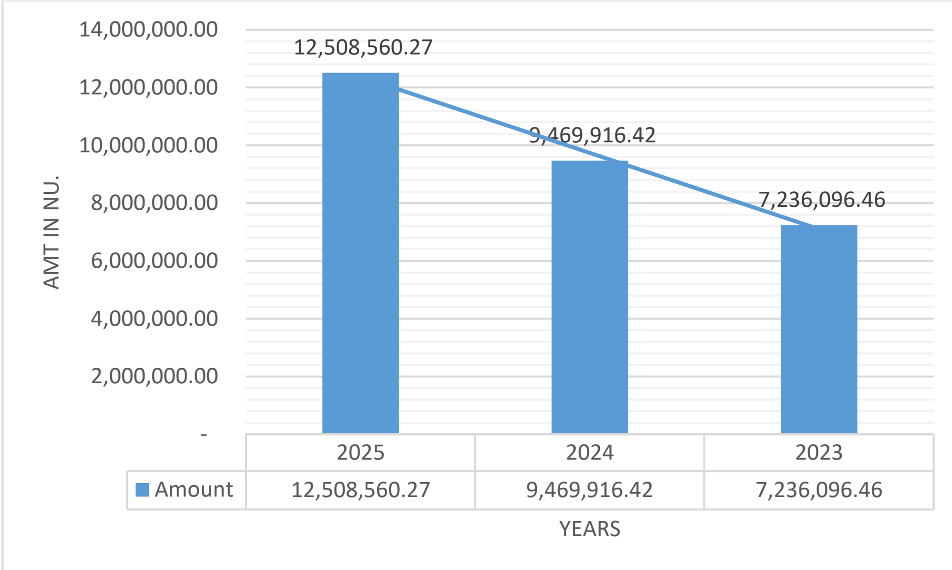



The company's financial performance for the fiscal year 2025 reflects a positive recovery and strengthened growth trajectory. Building on the foundation established in the previous years, the company successfully enhanced its operational outcomes, demonstrating improved efficiency and market responsiveness. Gross profit increased significantly to Nu. 5.33 million in 2025 from Nu. 3.47 million in 2024, indicating a strong upward trend in financial performance.

This growth was primarily driven by increased loan demand from customers, reflecting the company's strong market presence and the continued trust of its client base. This is in line with MBPL's commitment to serving the evolving financial needs of communities.

Furthermore, the opening of a new branch in Paro played a vital role in expanding the company's outreach, enabling access to a broader customer segment and supporting business diversification. These strategic initiatives collectively strengthened the company's core operations and enhanced ability to generate sustainable income.

## 3. Total Operating Expenses




The company maintained prudent oversight of its operating expenses during the financial year 2025, with total expenses recorded at Nu. 12.51 million, compared to Nu. 9.47 million in 2024. While this reflects an increase over the years, the rise in expenses is aligned with the company's strategic growth initiatives and expansion efforts.

A significant portion of the operating expenses in 2025 is attributed to Human Resource costs, driven by an increase in staffing strength to support business growth, branch expansion, and enhanced service delivery. This deliberate investment in human capital is essential for Microfinance Bhutan Pvt. Ltd. (MBPL) to strengthen its operational capacity, improve customer outreach, and effectively manage its growing loan portfolio.

In addition, the expansion of operations, including the opening of new branches and the introduction of new financial products, contributed to the overall increase in costs. Despite these upward pressures, the company has exercised careful cost control and management practices, ensuring that expenditures remain controlled and aligned with business priorities.

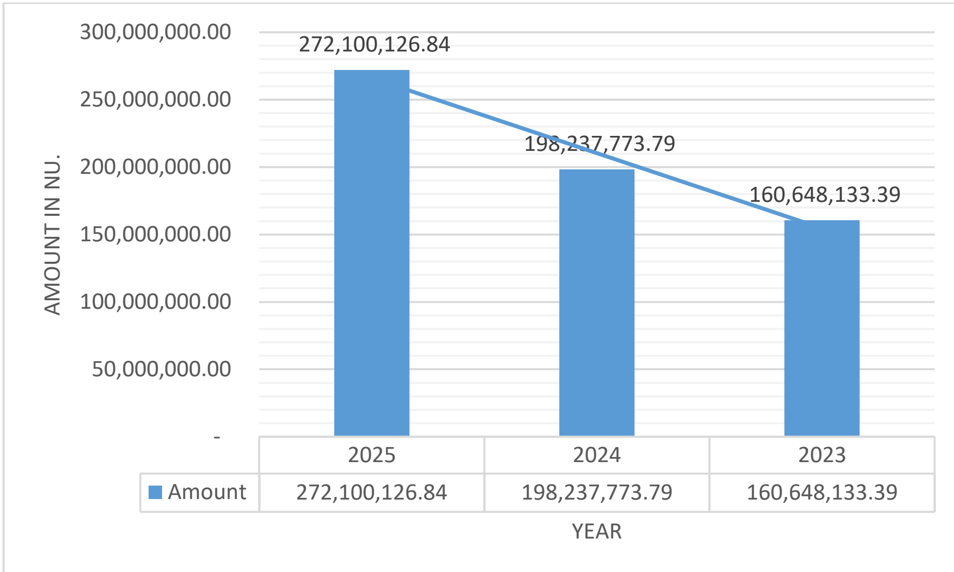
Overall, the increase in operating expenses reflects MBPL's commitment to building a strong foundation for sustainable growth. These investments are expected to yield long-term benefits through improved efficiency, enhanced customer service, and greater market penetration, positioning the company for continued success in the years ahead.

### 4. Assets

During the financial year 2025, the company's financial assets registered a strong growth of **37.25%**, reaching Nu. 272.10 million from Nu. 198.24 million in 2024.

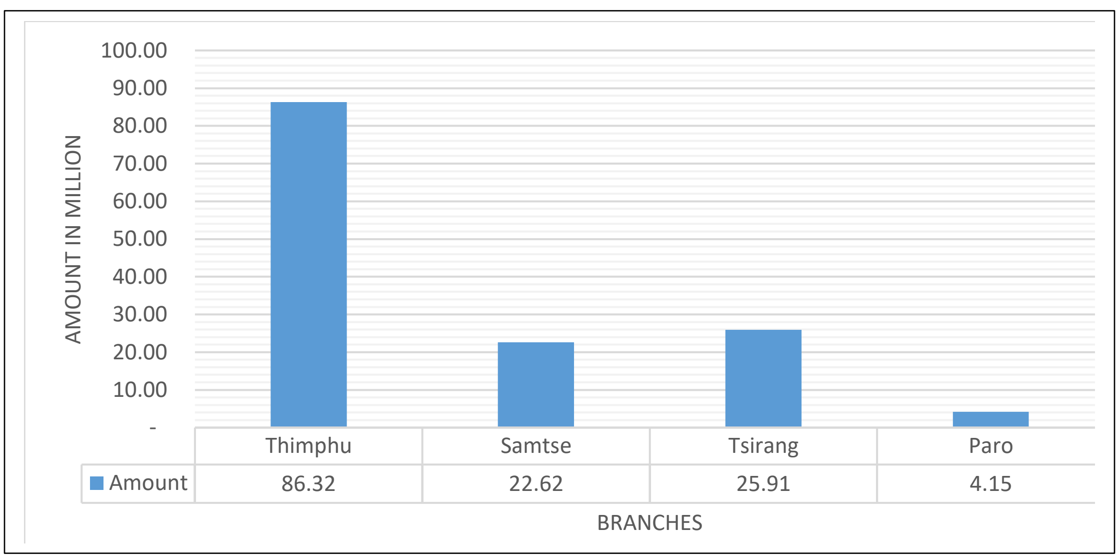
This substantial increase in assets is primarily attributed to the continued expansion in the disbursement of loans and advances, reflecting higher demand from clients and the company's enhanced outreach efforts. Additionally, the growth was supported by the creation of other assets in line with the company's operational and strategic expansion initiatives.

The rise in financial assets highlights the company's strengthened market position and its ability to effectively deploy resources to generate sustainable growth.



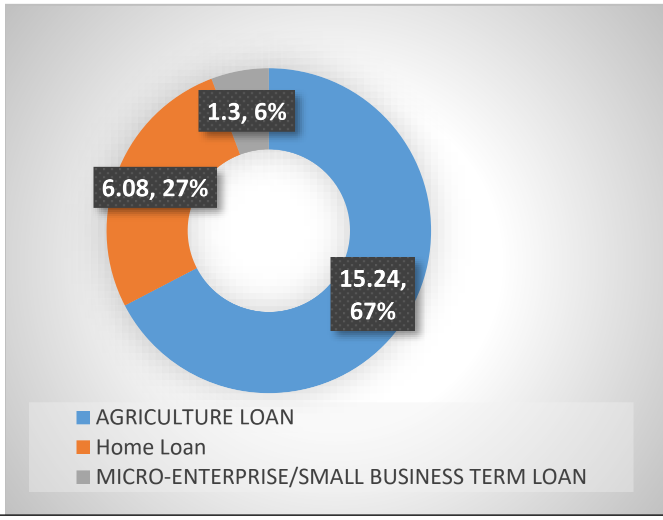

**Loan Disbursements during the financial year 2025**

MBPL currently has 4 loan products and they are Agriculture Loan (18.5% interest), Home Loan with 18% interest rate, Micro-Enterprise/Small Business Loan with 19.5% interest rate and Education Loan with 16% interest rate. A total of Nu. 139.00 million in loans was disbursed across all branches, benefiting 388 clients. Thimphu recorded the highest disbursement with Nu. 86.32 million for 229 clients, followed by Tsirang with Nu. 25.91 million serving 77 clients, and Samtse with Nu. 22.62 million for 69 clients. Paro as a new branch disbursed Nu. 4.15 million, reaching 13 clients.



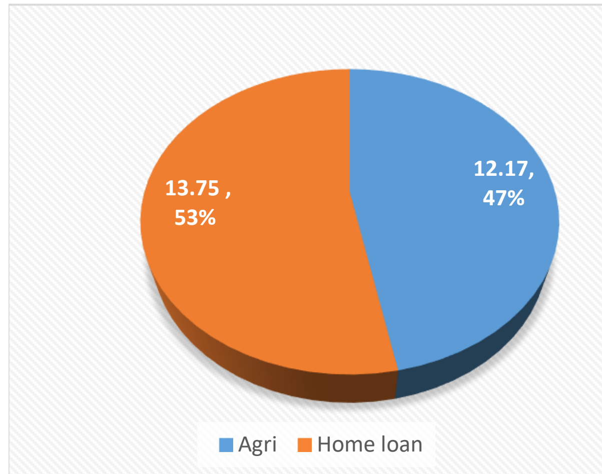
**Samtse Branch:**

Samtse disbursed loan of Nu. 22.62 million to 75 clients, mainly for agriculture, followed by home and small business loans.



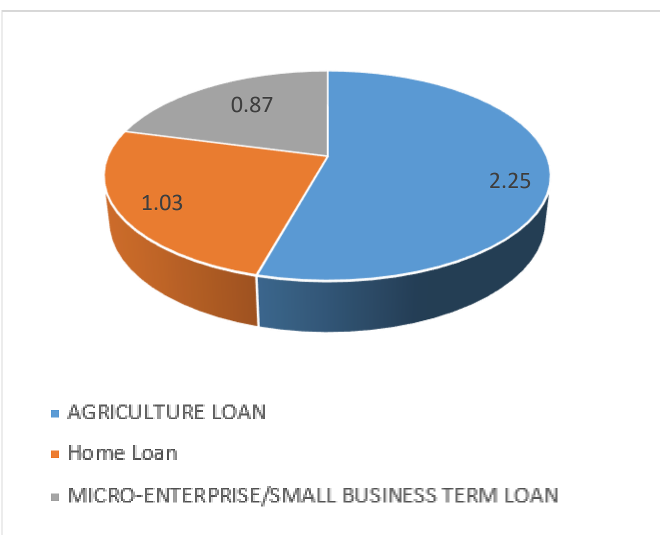

**Tsirang Branch:**

Tsirang disbursed Nu. 25.92 million out of which 12.17 million was agriculture loans to 33 clients and 13.75 million as home loan to 44 clients.



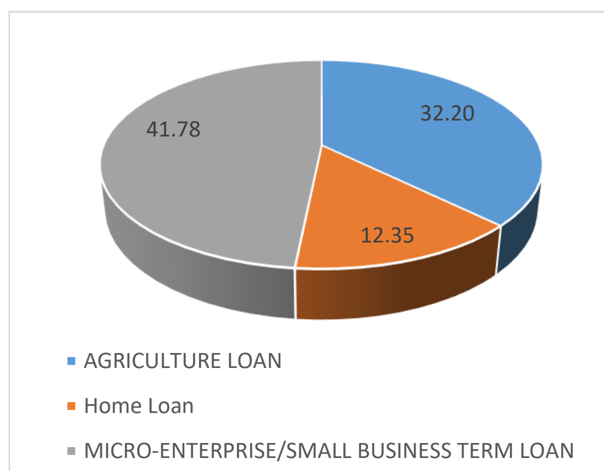

**Paro Branch:**

Paro Branch disbursed Nu. 4.15 million to 13 clients mainly for agriculture loans, followed by home and small business loans.




**Thimphu:**

Thimphu disbursed total loans of Nu. 86.33 million, with the highest share in micro and small business loans, followed by agriculture and home loans.



## 5. Ratio Analysis

The following table is the comprehensive ratio analysis regarding the company's performance for the financial year 2025.

| Particular | 2025 | 2024 |
|---|---|---|
| Deposit | 148,994,436.66 | 132,688,072.99 |
| Gross Loans and Advances | 236,507,467.70 | 174,662,745.11 |
| Total Business | 385,501,904.36 | 307,350,818.10 |
| Deposit Growth | 112.29% | 140.30% |
| Loan Growth | 135.408% | 131.16% |
| CD Ratio | 158.74% | 131.63% |
| Interest Income on Loans and Advances | 35,341,799.00 | 29,120,012.96 |
| Interest Expenses on Deposits | 11,119,274.78 | 10,780,794.18 |
| Interest Income/Loans | 14.94% | 16.67% |
| Interest Spread | 24,222,524.22 | 18,339,218.78 |
| Earnings per Share | 8.00 | 5.21 |
| ROA | 1.47% | 1.31% |
| ROE | 7.50% | 5.19% |
| CAR (Capital Adequacy Ratio) | 23.76% | 23.76% |
| SLR (Statutory Liquidity Ratio | 14.67% | 14.67% |
| Loan/ Employee | 13,912,203.98 | 12,475,910.37 |
| Profit/Employee | 235,416.75 | 185,914.56 |
| No. of Shares | 500,000 | 500,000 |
| Gross NPL | 9.71% | 10.47% |
| Net NPL | 3.71% | 4.08% |

## 6. Contingent and Other Liabilities

As on the date of reporting, 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.

## 7. Provisions and Contingencies

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Contingent assets and liabilities are not recognized but disclosed for all possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## 8. Challenges and Constraints

**Employee Attritions and HR capacity**

In 2025, Microfinance Bhutan Pvt Ltd experienced a moderate level of employee attrition, which has become a common trend among business entities in Bhutan. While some employees left the organization, the management ensured that vacant positions were filled at the earliest possible time to minimize disruption to business operations. However, it remains challenging to find experienced and well-suited candidates, as a significant portion of the active workforce continues to migrate to countries such as Australia, the USA, and Canada. At the same time, with the company's ongoing growth and expansion of services, additional recruitment has become essential to meet the increasing operational demands. It is hoped that the labor market situation will gradually improve in the future, enabling the company to attract and retain qualified professionals at all levels of operations.

**Non-Performing Loans (NPL)**

In 2025, Microfinance Bhutan Pvt Ltd continued to face challenges related to high non-performing loans (NPLs), particularly in sectors such as agriculture, retail, and small businesses. A significant portion of the loan portfolio remained at risk due to the vulnerability of rural livelihoods and limited financial literacy among clients. To address this, the company intensified its efforts through regular client education, close follow-ups, and awareness programs. However, given that many clients are rural farmers, effective communication and timely recovery remained difficult. In more severe cases, the company also engaged legal services to support recovery efforts and enforce repayment. Despite these challenges, the company was able to manage and contain NPL levels to some extent through a combination of proactive and corrective measures.

### 9. Improvement and systemization of CBS

In 2025, Microfinance Bhutan Pvt Ltd continued to strengthen its operations through ongoing system improvements, particularly in enhancing the Core Banking System (CBS) and other supporting platforms to provide more effective and reliable services. The company focused on refining workflows, automating processes, and integrating new functionalities to better serve its clients and improve overall operational efficiency. Continuous system enhancement remains a priority, as it enables the company to adapt to the evolving business needs, expand service delivery, and strengthen monitoring and management of financial transactions.

In parallel, the company continued to invest in training and human resource development activities as needed, both internally and in collaboration with stakeholders such as the Royal Monetary Authority, Credit Information Bureau, and the National Land Commission. Microfinance Bhutan Pvt Ltd recognizes that ongoing investment in human resources is essential to meet the challenges of changing market demands, evolving policies, and the increasing complexity of microfinance operations, ensuring that the company remains well-positioned for sustainable growth in the years to come.

### 10. Market expansion and product development

In 2025, Microfinance Bhutan Pvt Ltd introduced a new loan product—"Education Loan”—to respond to increasing client demand for financial support in education. The company had submitted proposals for two additional products, Education Loan and Vehicle Loan, and the management successfully presented these to the regulatory authority. While the Education Loan was approved, the Vehicle Loan was not authorized due to the existing loan ceiling of Nu. 500,000 and the need to strengthen capital adequacy. This milestone reflects the company’s commitment to continuously assess market needs and develop products that support clients’ financial goals while ensuring prudent risk management.

To further expand its reach, Microfinance Bhutan Pvt Ltd successfully opened an additional branch in Paro in 2025, aiming to serve a larger client base and meet growing demand in the region. Building on this success, the company plans to open more branches in 2026 to enhance outreach across the country, ensuring that microfinance services are accessible to underserved communities. Through product innovation, branch expansion, and continued engagement with clients, MBPL remains committed to exploring market needs and delivering solutions that benefit both clients and the company’s sustainable growth.

### 11. Board Recommendation of Dividend

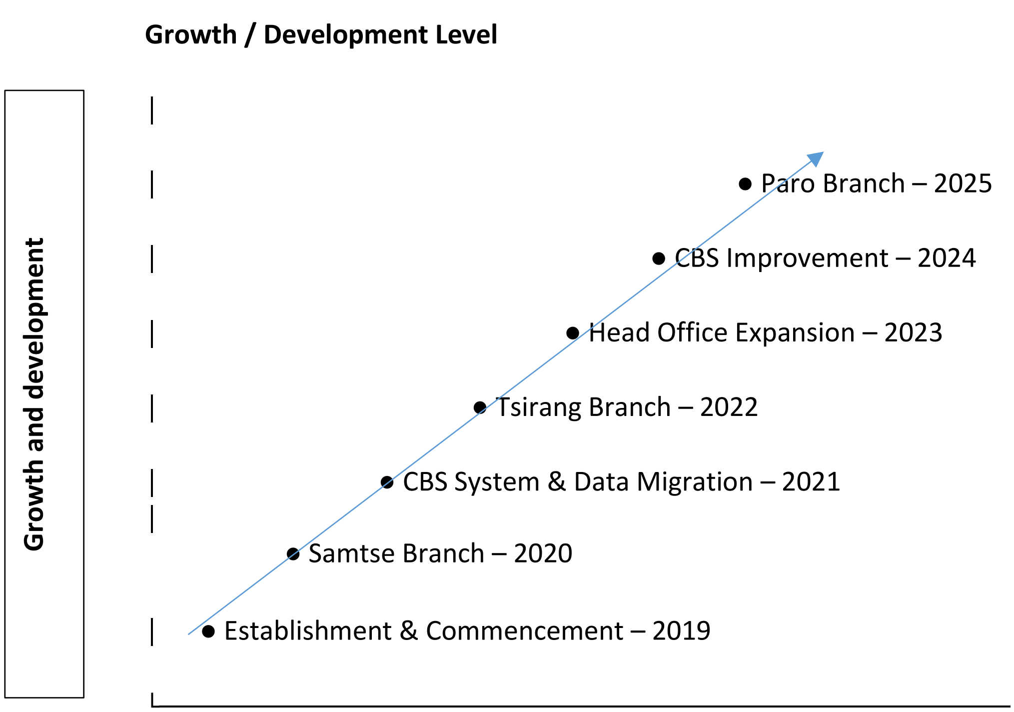
The Board of Directors of Microfinance Bhutan Pvt. Ltd. has reviewed the financial performance of the company for the year 2025 and noted that the Company recorded a net profit of Nu. 4,002,084.72. In line with the Prudential Regulations issued by the Royal Monetary Authority of Bhutan, the Board assessed the company's asset quality and observed that the Net NPL ratio stands at 3.71%, which falls within the 3% to less than 5% bracket. As per the regulatory norms, financial institutions within this range are permitted a maximum dividend payout of 45% of profit after tax. Accordingly, the Board, taking a prudent and compliant approach, recommends the declaration of a dividend equivalent to **45%** of the net profit for the year 2025.

The calculation is as follows:

| **Particulars** | **Amount/%** |
|---|---|
| Net Profit (PAT) | 4,002,084.72 |
| Dividend Payout Ratio | 45% |
| **Total Dividend** | **1,800,938.12** |
| Paid-up Capital | 50,000,000 |
| **Dividend Rate** | **3.60%** |

This recommendation had been submitted by the Board of Directors of Microfinance Bhutan Pvt. Ltd. for consideration. The shareholders at the last Annual General Meeting (AGM) endorsed the Board's recommendation for onward submission for RMA's final approval.

## 12. MBPL Roadmap: A Journey of Resilience, Expansion, and Innovation



2019 2020 2021 2022 2023 2024 2025

**Years**

Microfinance Bhutan Pvt. Ltd. (MBPL) began its journey in 2019 with its establishment and commencement of operations, marking the foundation of its mission to enhance financial inclusion across Bhutan. However, the early phase of the institution coincided with the unprecedented challenges of the COVID-19 pandemic, which created significant operational and economic disruptions and impedance to growth prospects. Despite these constraints, MBPL demonstrated resilience by continuing to serve its clients, many of whom were from vulnerable and underserved communities. In 2019-2020, while the pandemic persisted, the company expanded its outreach by establishing a new branch in Samtse, Tendruk, reinforcing its commitment to extending financial services to remote regions and supporting local livelihoods during a difficult period.

In 2021, MBPL achieved a major technological milestone by successfully migrating its data to a Core Banking System (CBS), significantly enhancing operational efficiency, data security, and service reliability. This digital transformation enabled the institution to streamline processes, improve customer service delivery, and strengthen internal controls. Building on this progress, MBPL continued its expansion in 2022 by opening a new branch in Tsirang and increasing its business capital, which allowed the institution to scale up its lending capacity and outreach. These developments reflected MBPL's growing stability and its strategic focus on sustainable growth through both technological advancement and geographic expansion.

The year 2023 marked another important phase with the expansion of MBPL's head office into a larger and more modern workspace, accommodating its growing workforce and rising customer base. This was followed by further improvements in 2024, including enhancements to the Core Banking System and the implementation of management reforms aimed at strengthening governance, efficiency, and service quality. In 2025, MBPL continued its upward trajectory by expanding its branch network to Paro and introducing a new loan product—Education Loans—designed to support human capital development and empower individuals through access to education financing. These milestones collectively highlight MBPL's steady growth, adaptability, and ongoing commitment to fostering inclusive financial services across Bhutan.

## 13. Resource Mobilization

In 2025, Microfinance Bhutan Pvt Ltd focused on strengthening its resource mobilization efforts to support its growing operations. During the year, the company successfully secured a loan of Nu. 50 million from Bhutan Development Bank Limited and received significant deposits from NGOs, other organizations, and individual clients. These resources helped the company maintain liquidity, expand lending capacity, and meet the financial needs of its clients more effectively. MBPL remained committed to exploring diverse avenues for raising funds, including institutional borrowings, deposits, grants, and support from both local and international stakeholders, to sustain growth and ensure long-term financial stability.

## 14. Change in Circumstances

As on 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.

## 15. Appointment of Board Directors

Microfinance Bhutan Private Limited has a board constituted in compliance with the regulatory & statutory guidelines and laws in accordance with best practices in corporate governance. Currently MBPL board consist of five members. The members met four times in the fiscal year 2024. The details are as given below:

| **Board Members** | **Number of Meeting attended** |
|---|---|
| Dr. Lam Dorji, Chairman | 4 |
| Mr. Nima Tshering- Board of Director | 2 |
| Mr. Phub Gyeltshen, Board of Director | 4 |
| Mr. Chencho, Independent Director (New) | 0 |
| Mr. Tenzin Gonpo, Independent Director (New) | 0 |
| Mr. Karma Gayleg, CEO/Member Secretary | 4 |

In 2025, appointments to the Board of Directors of Microfinance Bhutan Pvt Ltd continued to be made following fit and proper scrutiny and with the endorsement by the Royal Monetary Authority. Following the resignation of Ugyen Dorji, Dr. Lam Dorji assumed leadership of the company as an Executive Chairman in an interim capacity to ensure continuity in management operations. Subsequently, Karma Gayleg was appointed to the Board after obtaining the No Objection Letter (NOL) from the Royal Monetary Authority. During the year, Leki Dendup resigned from his position as the Independent Director and was replaced by Chencho and Tenzin Gonpo. Additionally, Nima Tshering resigned from the Board in 2025. These changes were carried out in compliance with regulatory requirements to maintain effective governance and leadership continuity within the company.

## 16. Compositions of Board Committees

The board has constituted three board committees, viz., Board Credit Review Committee, Board Audit Committee and Board HR Committee.
The Credit Review Committee comprise of two directors from the Board members, and GM (Credit and Banking) as member secretary.
The Board Audit Committee (BAC) comprises of independent directors and a Head, Finance & Accounts as the member secretary.
The Board HR Committee comprises of Chairman of Board of Directors and Head, HR/Admin as member secretary.

## 17. Future Outlook and Development Plan

Microfinance Bhutan Pvt Ltd remains committed to pursuing a sustainable business model focused on improving profitability through enhanced outreach, innovation, and efficient service delivery. The company maintained a positive outlook with clear strategic priorities, including expanding its customer base, improving customer satisfaction, and strengthening overall financial performance. By continuously refining its products and services, MBPL aims to deliver greater value to clients while safeguarding shareholders' interests. Building long-term customer relationships remains central to the company's strategy, supporting higher client retention, trust, and sustainable growth in an increasingly competitive market environment.

Looking ahead, the company plans to further expand its market presence through the opening of new branches and the introduction of additional financial products tailored to evolving client needs. Greater emphasis will also be placed on market penetration by extending services to underserved and remote areas. At the same time, MBPL recognizes that human resource development and capacity building are critical for future success, and will continue to invest in staff training and skill enhancement to meet changing market demands and regulatory requirements. In parallel, the company will actively explore diverse avenues for capital and fund mobilization to support its expansion plans, ensuring long-term stability and continued growth.

## 18. Appreciation and Acknowledgements

Without any doubt, 2025 was a challenging yet successful year for Microfinance Bhutan Pvt Ltd as a growing microfinance service provider. Despite an evolving operating environment, the company remained resilient and continued to deliver on its mandate of providing inclusive financial services. I am confident that our core values of professionalism, integrity, excellence, and loyalty will continue to guide us in achieving our long-term vision of becoming a leading provider of microfinance services in Bhutan.

On behalf of the Board and Management, I would like to express our sincere gratitude to the Royal Government of Bhutan, the Royal Monetary Authority, and other regulatory bodies for their continued guidance and support. We also extend our appreciation to the Dzongkhag and Gewog Administrations in all areas where our branches operate for their cooperation and facilitation in delivering our services at the grassroots level. We are deeply grateful to BDBL, all our valued clients—both loan and deposit clients, including individuals, corporate entities, and NGOs—for their continued trust and confidence in banking with us.

We would also like to acknowledge the contributions of all our service providers, including our Core Banking System (CBS) vendor, Land Mortgage System (LMS) support from the Royal Monetary Authority, the National Land Commission, and the Credit Information Bureau system providers, whose technical support has been instrumental in strengthening our operations. Finally, I extend my heartfelt appreciation to the Board of Directors, Board Committees, Executive Management, and all employees—both at the Head Office and across our branches—for their dedication and hard work. I would also like to thank our esteemed shareholders for their continued trust, support, and confidence in the company's growth and future.

**Lam Dorji, Ph.D**

**Chairman**
**Board of Directors**

Independent Auditor's Report

འཇིགས་མེད་རྩིས་ཞིབ་དང་དངུལ་འབྲེལ།

JIGMI Audit & Financials

(A Private Limited Company)

JAF FOR BETTER BUSINESS

**AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF MICROFINANCE BHUTAN PRIVATE LIMITED, THIMPHU FOR THE YEAR 2025**

To the Shareholders of Microfinance Bhutan Pvt Ltd, Thimphu

**Opinion**

We have audited the Financial Statements of **Microfinance Bhutan Private Limited**, (the MBPL) which comprise the Statement of Financial Position as at 31 December 2025, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the MBPL as at 31 December 2025 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards.

**Basis for Opinion**

We 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 MBPL in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other ethical responsibilities 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.

**Emphasis of Matter**

Without qualifying our Report, we invite your attention to the following:

i. During the course of our audit, we have noted an unreconciled balance of Nu.304,531.37, representing an excess of liabilities over asset. This difference has been recorded under 'Other Assets' as a Suspense Account. The underlying items comprising this balance have not been identified, and the amount remains unreconciled. The management is urged to investigate the nature of this difference and take appropriate steps to identify, reconcile, and clear the balance.

ii. As of 31 December 2025, the Company's cash and bank balances include an unreconciled amount of Nu.1,127,614.92 (Previous Year: Nu.2,398,338.34), arising from differences between the Cash Book (maintained in CBS) and the corresponding bank statements. Although the management has initiated efforts to investigate and resolve these discrepancies, the balance remains outstanding as of the reporting date. Therefore, the management is required to complete the reconciliation and make the necessary adjustments to clear the differences in a timely manner.



Bldg 11/B, Lodrey Zur Lam 6 SW, P.O. Box. No. 689, Thimphu 11001, Bhutan. Mobile: +975 17601963, +975 77719442, Website: www.jaf.bt, Email: ceo@jaf.bt, jafplc2018@gmail.com

JIGMI Audit & Financials Pvt. Ltd. Thimphu

iii. We also observed an outstanding discrepancy of Nu.1,748,050 (Previous Year: Nu.2,616,000.00) relating to one ex-employee of the Company. This balance remains unresolved as of 31 December 2025 albeit consistent effort from the management to recover the amount.

iv. As of the reporting date, the Company has not adopted the Expected Credit Loss (ECL) model in accordance with *BFRS-9: Financial Instruments*. This is primarily due to the Company's limited operational scale, constrained human resources, and the absence of adequate systems and technical capacity to implement the complex ECL framework at this stage. The Company is expected to implement ECL model with effect from January 2026.

v. The Company currently occupies the premises owned by National Pension and Provident Fund (NPPF), which is on lease rental for the tenancy period of three years from 1 December 2023 to 30 November 2026. However, considering the present inadequate human resource capacity to implement the 'Right-of-Use' (ROU) asset and a lease liability model, *BFRS-16: Leases* was not implemented for the reporting period. The Company is expected to implement *BFRS-16: Leases* model with effect from January 2026.

Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the period under audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon on the matters appended below:

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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.



Bldg 11/B, Lodrey Zur Lam 6 SW, P.O. Box. No. 689, Thimphu 11001, Bhutan. Mobile: +975 17601963, +975 77719442, Website: www.jaf.bt, Email: ceo@jaf.bt, jafplc2018@gmail.com

JIGMI Audit & Financials Pvt. Ltd. Thimphu

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

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

**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 misstatements, whether due to fraud or error and to issue an auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. 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 purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the MBPL's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit 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 audit report; and

v. 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.





JIGMI Audit & Financials Pvt. Ltd. ★ Thimphu ★

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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, actions taken to eliminate threats or safeguards applied. 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.

**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 by Section 265 of the Act, we report that:

a) We have obtained all the information and explanations to the best of our knowledge and belief were necessary, for the purpose of our audit.

b) In our opinion, proper books of accounts as required by law have been kept by the MBPL so far as it appears from our examination of those books.

c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

d) 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 to the extent applicable to the Company.

JIGMI Audit & Financials

Jigmi Rinzin FCCA
***(Membership No. 0283308)***
**Partner**

**Date:** 30 March 2026



Bldg 11/B, Lodrey Zur Lam 6 SW, P.O. Box. No. 689, Thimphu 11001, Bhutan. Mobile: +975 17601963, +975 77719442, Website: www.jaf.bt, Email: ceo@jaf.bt, jafplc2018@gmail.com

***Appendix – I***

**MINIMUM AUDIT EXAMINATIONS AND REPORTING REQUIREMENTS**

As required by Section 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 explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records of Property, Plant & Equipment (PPE) in the Assets Register to show full particulars including quantitative details and situation of the assets.

2. None of the PPEs have been revalued during the year under audit.

3. *The Company has availed a secured loan of Nu.50.00 million from the Bhutan Development Bank Ltd. (BDBL), Thimphu with an outstanding of Nu.47,626,678.24 as of 31 December 2025.*

4. The Company has not granted any loans to other companies, firms or other parties, which are ultra vires to the Articles of Incorporation and other relevant polices, except for loan provided to its clients as part of its normal banking activities.

5. Loans and advances granted by the Company to its officers/staff are as per the provisions of its service rules. No instance of excessive/frequent advances or accumulation of large advance against particular individuals has been noted during our test verification.

6. In our opinion, there are 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 Company as well as to ensure adherence to the rules/regulations, system and procedures. The Company has adopted, and following, the policies and system and procedures, as approved by the Board or the other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Company.

7. In our opinion, there is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of PPEs and other items, such as, stationeries and related expendable items, etc.

8. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties.

9. To the best of our knowledge, expenses charged to the Company's accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules.

10. In our opinion, the Company is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with appropriate authorities. *As of 31 December 2025, total statutory dues payable in the form of Salary TDS and health contribution amounted to Nu.41,085.67, which has been paid and settled in the following year.*

JIGMI Audit & Financials Pvt. Ltd. Thimphu

11. Considering the requirements of funds in the normal business, the management of the Company's liquid resources, particularly, cash/bank and short-term deposits etc. are adequate and no excessive amount is lying idle in non-interest-bearing accounts.

12. In our opinion and to the best of our knowledge, activities carried out by the Company are lawful and *intra vires* of the Articles of Incorporation of the Company.

13. The Company has system and procedures for obtaining approvals of the Board/delegated authority for all capital investment and also for investments. Investments made in the Fixed Deposit in banks and investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.

14. In our opinion, the Company has established an effective budgetary control system.

15. In our opinion, 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. Remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement under ***Note 19: Related Party Transactions Key Management Personnel.***

16. Directives of the Board have been found to be complied with by the Company.

17. Price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, unauthorized to any other person with intent to benefit themselves.

18. Proper records are kept for inter-Sales Agent transactions and services, wherever applicable.

19. In our opinion, the Company has generally maintained adequate documents and records for loans and advances granted, and has also drawn up adequate agreements for the same.

20. In our opinion, provisions towards permanent diminution, in the value of investments is made wherever, required and considered necessary.

**Computerized Accounting Environment:**

1. In our opinion, size and nature of IT (Computer) system and installations are adequate for organizational system development and other relevant internal control.

2. In our opinion, the Company has adequate safeguard measures and back-up facilities.

3. In our opinion, there are back-up facilities of keeping files at different and remote locations.

4. In our opinion, operational controls are adequate to ensure correctness and validity of input data and output information.

5. In our opinion, measures to prevent unauthorized access over the computer installation and files are in existence and adequate.

**General**

**1. Going Concern**

Based on the net asset position reflected in the statement of financial position as at 31 December 2025, audited by us in accordance with the ISAs and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Company is

JIGMI Audit & Financials Pvt. Ltd. Thimphu

not a going concern on the date of statement of financial position and is not likely to become sick in near future.

**2. Ratio Analysis (attached separately)**
Significant ratios indicating the financial health and performance of the Company are provided as *Annexure I*

**3. Compliance with the Companies Act of the Kingdom of Bhutan, 2016**
The MBPL has complied with the applicable provisions of the Companies Act of Bhutan, 2016. Details of Compliance calendar and Compliance checklist have been verified during the audit.

**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 reviews of the financial statements 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 Bhutanese Accounting Standards.

***For JIGMI Audit & Financials Pvt. Ltd.***

JIGMI Audit & Financials Pvt. Ltd. Thimphu

Jigmi Rinzin FCCA
***(Membership No. 0283308)***
**Partner**

**Date:** 30 March 2026

## Financial Statements

**Microfinance Bhutan Private Limited**
**Statement of Financial Position as at 31 December 2025**
***(All in Ngultrum)***

| Particulars | Notes | 31-Dec-25 | 31-Dec-24 |
|---|---|---|---|
| **Assets** | | | |
| Property, Plant and Equipment | 2 | 1,775,380.26 | 1,120,614.77 |
| Other Assets | 3 | 2,021,689.65 | 1,104,416.29 |
| Loans and advances to customers | 4 | 236,507,467.70 | 174,662,745.11 |
| Cash & Cash Equivalents | 5 | 32,024,509.46 | 21,349,997.62 |
| **TOTAL ASSETS** | | **272,329,047.070** | **198,237,773.79** |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Due to customers | 6 | 148,994,436.66 | 132,688,072.99 |
| Due to Financial Institution (BDBL) | | 47,626,678.24 | - |
| Employment Benefits Obligation | 7 | 1,112,237.22 | 895,712.71 |
| Loan Provisions | 8 | 16,585,799.32 | 11,151,329.72 |
| Other liabilities | 9 | 2.476,186.96 | 2,437,461.38 |
| Provision for Tax | 10 | 1,334,028.24 | 867,601.28 |
| **Total liabilities** | | **218,129,366.64** | **148,040,178.08** |
| **Equity** | | | |
| Issued capital | **11** | 50,000,000.00 | 50,000,000.00 |
| Retained earnings | | 4,199,680.43 | 197,595.71 |
| **Total equity** | | **54,199,680.43** | **50,197,595.71** |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **272,329,047.07** | **198,237,773.79** |

***For JIGMI Audit & Financials Pvt Ltd***

Jigmi Rinzin FCCA
(*Membership No. 0283308)*
**Partner**

**Date:** 30 March 2026

***For Microfinance Bhutan Private Limited***

Sonam Choki
**Finance Officer**

Karma Galeg
**Chief Executive Officer**

Dr. Lam Dorji
**Chairperson**

MICROFINANCE BHUTAN PVT. LTD

10

## Microfinance Bhutan Private Limited
## Statement of Income as at 31 December 2025
*(All in Ngultrum)*

| Particular | Notes | 31-Dec-25 | 31-Dec-2024 |
|---|---|---|---|
| Interest and Similar Income | 12 | 35,341,799.00 | 29,120,012.96 |
| Interest and Similar Expense | 13 | 11,119,274.78 | 10,780,794.18 |
| **Net Interest income** | | **24,222,524.22** | **18,339,218.78** |
| Fees and Commission Income | 14 | 599,902.45 | 292,670.15 |
| Other Income | 15 | 627,311.06 | 657,923.58 |
| **Net Fee and Commission Income** | | **1,227,213.51** | **950,593.73** |
| **Total Operating Income** | | **25,449,737.73** | **19,289,812.51** |
| Loan Provision Expenses | 16 | 5,434,469.60 | 6,349,490.98 |
| Other Expenses | | 24,727.80 | - |
| **Net Operating Income** | | **19,990,540.33** | **12,940,321.53** |
| Employment Benefits Expenses | 17 | 8,733,551.55 | 6,697,320.46 |
| Administrative Expenses | 18 | 3,438,623.21 | 2,484,169.86 |
| Depreciation Expenses | 2 | 336,385.51 | 288,426.10 |
| **Total Operating Expenses** | | **12,508,560.27** | **9,469,916.42** |
| **Profit Before Interest & Taxes** | | **7,481,980.06** | **3,470,405.11** |
| **Interest on borrowing from FI** | | **2,145,867.10** | - |
| **Profit Before Tax** | | **5,336,112.96** | - |
| Fines & Penalties | | - | - |
| Income Tax Expenses | | 1,334,028.24 | 867,601.28 |
| **Profit After Tax** | | **4,002,084.72** | **2,602,803.83** |

***For JIGMI Audit & Financials Pvt Ltd***

JIGMI Audit & Financials Pvt. Ltd Thimphu

Jigmi Rinzin FCCA
(*Membership No. 0283308)*
**Partner**

**Date:** 30 March 2026

***For Microfinance Bhutan Private Limited***

Sonam Choki
**Finance Officer**

Karma Galeg
**Chief Executive Officer**

MICROFINANCE BHUTAN PVT. LTD

Dr. Lam Dorji
**Chairperson**

11

**Microfinance Bhutan Private Limited**
**Cash Flow Statement for the year ended 31 December 2025**
***(All in Ngultrum)***

| Particular | 31-Dec-2025 | 31-Dec-2024 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit /Loss for the Year** | **4,002,084.72** | 2,602,803.83 |
| ***Adjustments:*** | | |
| Depreciation | 336,385.51 | 288,426.10 |
| Prior Period Tax Adjustment | - | (1,549,653.13) |
| **Net Cash Flows Before Changes in Working Capital** | **4,338,470.23** | **1,341,576.80** |
| **Net Cash Flows Changes in Working Capital** | | |
| Change in Loans and advances | (61,844,722.59) | (37,712,746.62) |
| Change in Due to customers | 16,306,363.67 | 38,105,170.95 |
| Change in Other Operating Assets | (917,273.36) | (1,034,636.29) |
| Increase in Bank loans/borrowings | 47,626,678.24 | - |
| Change in Other Operating Liabilities | 721,677.05 | (7,890,523.61) |
| Provisions | 5,434,469.60 | 6,349,490.98 |
| **Net Cash Flows After Changes in Working Capital** | **7,327,192.61** | **(2,183,244.59)** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES (A)** | **11,665,662.94** | **(841,667.79)** |
| | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from Issue of Share Capital | - | - |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES (B)** | **-** | **-** |
| | | |
| **CASH FLOW FROM INVESTING ACTIVITY** | | |
| Purchase of Property and Equipment | (991,151.00) | (688,112.00) |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES (C)** | **(991,151.00)** | **(688,112.00)** |
| | | |
| **Net Increase/(Decrease in Cash and Cash Equivalents** | **10,674,511.84** | **(1,529,779.79)** |
| **Cash & Cash Equivalent at the Beginning of the Year** | **21,349,997.62** | **22,879,777.41** |
| **Cash and & Equivalents at the End of the Year** | **32,024,509.46** | **21,349,997.62** |

***For JIGMI Audit & Financials Pvt Ltd***

JIGMI Audit & Financials Pvt. Ltd.

Jigmi Rinzin FCCA
(*Membership No. 0283308)*
**Partner**

**Date:** 30 March 2026

***For Microfinance Bhutan Private Limited***

Sonam Choki
**Finance Officer**

Karma Galeg
**Chief Executive Officer**

Dr. Lam Dorji
**Chairperson**

12

**Microfinance Bhutan Private Limited**
**Statement of Changes in Equity for the year 2025**
***(All in Ngultrum)***

| Particular | Capital | Retained Earning | Total |
|---|---|---|---|
| **As at 31 December 2023** | **50,000,000.00** | **(855,554.99)** | **49,144,445.01** |
| *Prior Period adjustment* | - | *(1,549,653.13)* | *(1,549,653.13)* |
| Profit/Loss for the year | - | 2,602,803.83 | 2,602,803.83 |
| **As at 31 December, 2024** | **50,000,000.00** | **197,595.71** | **50,197,595.71** |
| Profit/Loss for the year | - | 4,002,084.72 | 4,002,084.72 |
| **As at 31 December 2025** | **50,000,000.00** | **4,199,680.43** | **54,199,680.43** |

***For JIGMI Audit & Financials Pvt Ltd***

Jigmi Rinzin FCCA
(*Membership No. 0283308)*
**Partner**

**Date:** 30 March 2026

***For Microfinance Bhutan Private Limited***

Sonam Choki
**Finance Officer**

Karma Galeg
**Chief Executive Officer**

Dr. Lam Dorji
**Chairperson**

13

To know more, log on to www.mbpl.bt

**Visit your nearest MBPL Branch:**

Dial our office number as given below:
Head Office, Thimphu: 77184046
Tsirang Branch: 77194045
Tendruk Branch: 77194041
Norbugang Branch: 77184048
Paro Branch: 77194047

Follow us on:
Facebook: https://www.facebook.com/share/162yCq2TaDx/
Tik Tok: https://www.tiktok.com/@mbpl65?_r=1&_t=ZS-98F8S1lGHpd