



We care for your future

ANNUAL REPORT 2022



RENEW Microfinance Private Limited

The cover features a light pink background with a large, semi-transparent white circle in the upper right quadrant. The text 'ANNUAL REPORT 2022' is centered within this white circle in a bold, red, serif font. The overall design is clean and modern.

ANNUAL REPORT 2022

RENEW Microfinance Private Limited



Tshering Uden Penjor

Foreword from the Chair

It gives me great pleasure to reflect upon the accomplishments of RENEW Microfinance Private Limited over the past year. RENEW Microfinance has appointed Tshering Dema as the new CEO and she is assigned to take over the responsibilities from Mr. Bernd Baehr on 11th August 2022. Under her leadership our hard working and dedicated team have propelled the company forward, furthering our mission to provide financial services to the under served and marginalized communities in Bhutan. RENEW Microfinance has made a conscious effort to prioritize green finance by educating our clients on environmentally sustainable practices, such as adoption of eco-friendly technologies and reduction of waste. Recognizing the need for sustainability and environmental responsibility, RENEW Microfinance is taking significant strides

towards reducing carbon footprint and promoting the use of renewable energy sources.

We were deeply honored to have Her Majesty Gyalum Sangay Choden Wangchuck, Queen Mother of Bhutan, and Her Royal Highness the Princess Ashi Euphelma Choden Wangchuck grace the innauguration of the renovated RENEW building and the launch of the Solar Power Plant on 14th May, 2022. With the support from the German Ministry for Economic Co-operation and Development (BMZ), the Deutsche Sparkassenstiftung für internationale Kooperation (DSIK), RENEW Microfinance, and the B&C Foundation, we were able to modernize the RENEW building and install a 42kW/h Grid Tied Photovoltaic Plant which is projected to produce 65,000 kW/h of green energy annually for the next 30

years is a significant milestone in our efforts towards energy efficiency and sustainability.

Furthermore, the opening of our new branch in Zhemgang Dzongkhag allowed us to extend our products and services to a total of 11 Dzongkhags. This brings us closer to our goal of reaching the underserved and marginalized communities across the country.

To commemorate World Savings Day, activities were organized in Trashigang and Thimphu Dzongkhags to educate people on the importance of saving and financial management. These activities culminated in the World Savings Day celebration on 31st October, 2022 held in the capital Thimphu, Her Majesty the Gyalum Sangay Choden Wangchuck graced the occasion and awarded prizes to our young clients for their savings in the Piggy Bank program, the best clients

from the Thimphu branch, and the World Savings Day team.

The past year has further strengthened our resolve to deliver financial services to the underserved communities throughout the nation. We remain steadfast in our commitment to providing high-quality financial services to those who need it the most.

I would like to express my gratitude to the board, management, and staff of RENEW Microfinance for their unwavering dedication and service, and to our clients, partners and stakeholders for their continued support and guidance.



Tashi Delek!!



Tshering Dema

Foreword from the CEO

2022 was a year of hope for normalcy after 2 years of pandemic, resulting in economic slowdown. The savings increased by only 4% but the loan portfolio grew by 21%.

The general kidu and deferment provisions under the Monetary Measures III ended in June 2022, requiring borrowers to clear their loan overdue, hence the low growth on savings. At the same time, it is a good indication that our clients were financially secure as they have had their savings with us over the years. And, due to the relaxation on restrictions and economy opening, the loan portfolio saw a significant growth rate.

RENEW Microfinance Private Limited (RMF) has always promoted and advocated financial literacy among the clients as one of the crucial tools towards financial stability. We emphasize and inculcate the importance of budgeting and savings through the World Savings

Day training and celebrations. I am confident that the COVID-19 pandemic has taught us all the need to be financially prepared and secure for uncertainties.

RMF caters its financial and non-financial services to more than 28,000 clients in 435 access points, covering 103 gewogs (village blocks).

I would like to thank RENEW Organization, the Board of Directors, the Deutsche Sparkassenstiftung fuer internationale Kooperation (DSIK) and the Whole Planet Foundation (WPF) for their support and successful collaboration with RMF. This cooperation has opened doors for easy and accessible financial services for the unbanked and underserved segment of the Bhutanese population. I would also like to thank our valuable clients for their trust and the staff of RMF for contributing consistently to the success of the Company.

Thank you.

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**About
Us**

RENEW Microfinance Private Limited (RMF) is the first microfinance institution in Bhutan to have received Deposit-Taking Microfinance Institution License and was later incorporated as Private Limited Company under the Companies Act of Bhutan 2016.

With the blessings of Her Majesty Gyalum Sangay Choden Wangchuck, RMF till date covers 11 Dzongkhags and 103 Gewogs. With 435 access points, RMF offer those vulnerable and low-income women and their families with the facilities to save money, avail loan and financial literacy.



RENEW Microfinance Timeline





Overview

Vision and Mission Statement

Our vision is to become the leading provider of financial services to low-income women and their families in the kingdom of Bhutan, with the mission of improving the quality of life and the status of vulnerable women and their families mainly in rural areas by providing savings and credit products.

Objectives and Operation

Objectives

- To ensure long-lasting access to finance for the benefit of the target groups.
- To achieve a long-term sustainable solution for providing financial services to needy people in the remote areas.
- Educate people in rural regions on financial products and services.
- Impart knowledge on income management to households with low income.
- Provide continuous access to financial services by organizing and empowering women.

Operation

Our staff are broadly classified into two categories, the field staff, and the head office staff. At the end of December 2022, the MFI had a total of 56 staff.

More than 60% of the staff provide banking services in the field covering 11 Dzongkhags.

40% Head Office Staff

Resources

1. Loan Capital, Investment and Financial Mobility
2. Field Staff
3. Infrastructure, IT Support
4. Policies and Procedures

Activities

1. Providing active financial services
2. Dedicating staff in field for financial services support
3. Equipping better infrastructure, IT support to branch
4. Complying with applicable policies and procedures

60% Field Staff

Output

1. Offer saving and loan products
2. Support and foster financially literate community
3. Smooth operational transaction
4. NPL monitoring

Impact

1. Educate people in rural regions on financial products and services.
2. Impart knowledge on income management to households with low income.
3. Provide continuous access to financial services by organizing and empowering women.
4. Risk management, maintaining NPLs

2022 Review

RENEW Microfinance made good progress in delivering its products and services for the year 2022.

Savings

Aims:

- To overcome unforeseen emergencies and build financial resilience.
- To empower clients and contribute to the overall economic development of Bhutan.

Achievements:

- Increased number of clients from 2,676 in 2012 to 27,831 in 2022.
- Increased savings volume from BTN 2,947,000 in 2012 to BTN 266,174,000 in 2022.

Membership Savings Types:

- 1) Compulsory Savings:
 - A minimum of BTN 100 per month to be saved by clients.
 - 5% interest rate per annum.

- 2) Voluntary Savings:
 - Savings up to BTN 500,000.
 - 5% interest rate per annum.

Yeshey Dawa Premium Savings

- 10 years, 15 years, 20 years.
- Premium interest rate: 20%, 30%, 40%,
- 5% interest rate per annum.

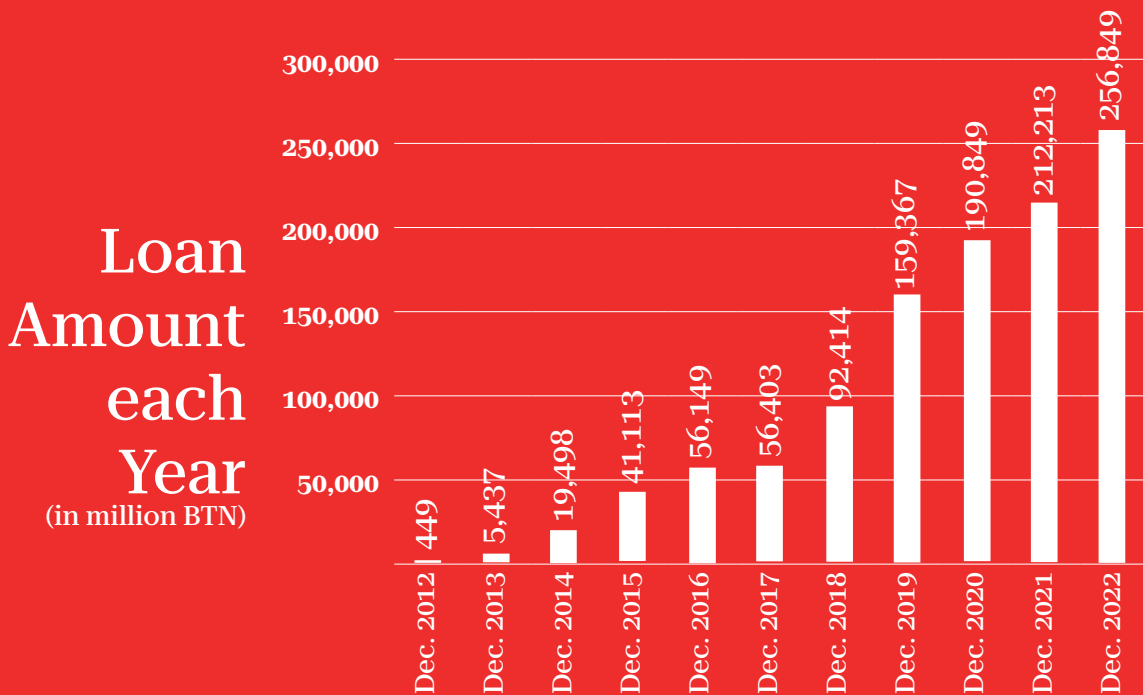
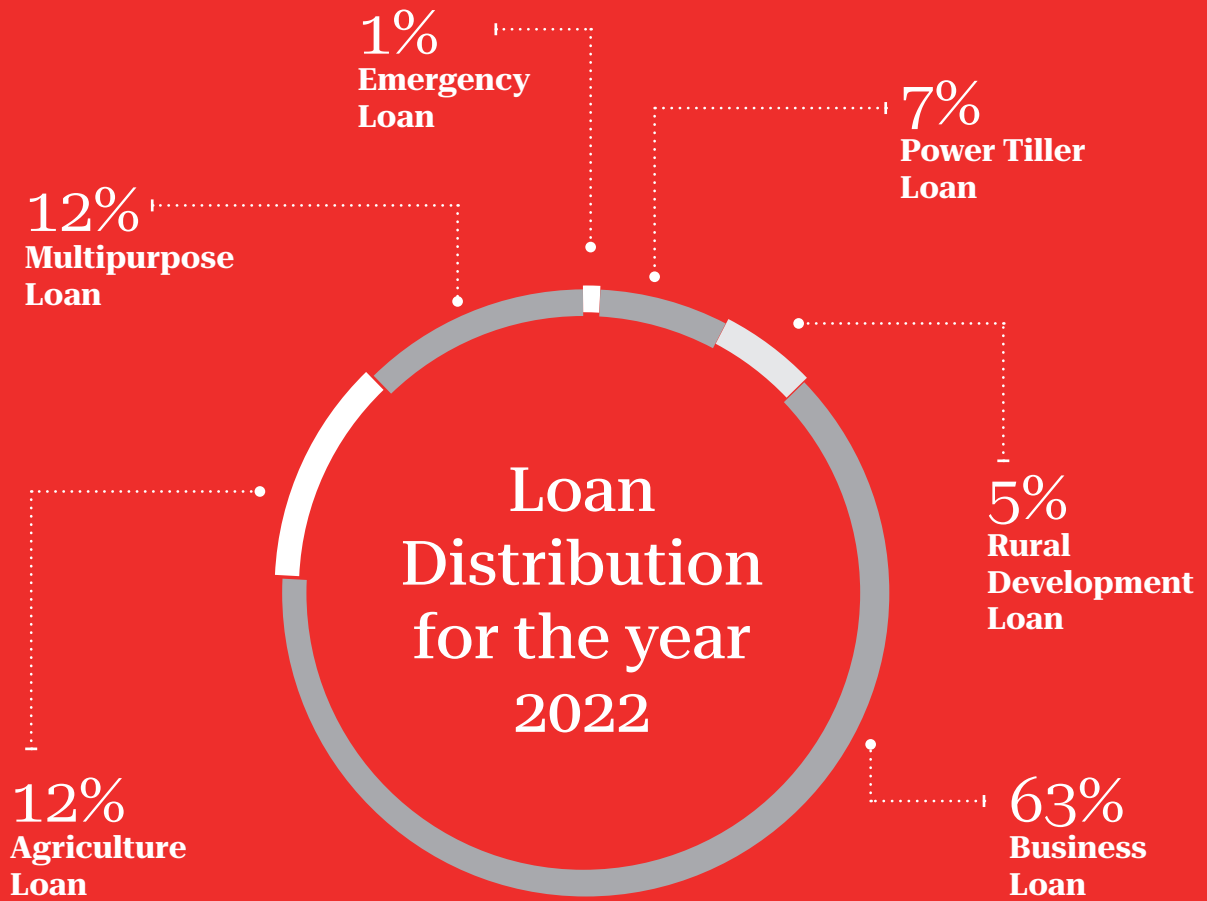
Loans

Aims:

- To overcome financial distress and build up capital for future investment.
- Provide accessible and affordable financial services and products.

Achievements:

- Increased the amount of loans from BTN 449,000 in 2012 to BTN 256,849,000 in 2022.



Success Stories



**Tashi Yangdon
Businesswoman**

Tashi Yangdon owns a successful restaurant.

"I am divorced with a child. He is currently in high school. I got married at a very young age and left my village for the city because I thought I would have a better life there, but then my marriage failed. The moment I knew that our marriage would end, the only thing on my mind was: How can I support myself? How can I raise my child when I have no income or wealth? But RMF gave me strength and opportunity. I started saving whenever I could, until I was able to apply for a loan to start my own restaurant. Thankfully, Tsirang has a good market opportunity. I

managed to earn enough to support my son's school expenses and save at the same time. I am grateful that I won this battle with support from RMF. Now, that my son is in high school, I have opted for Yeshey Dawa Premium Savings, to build a secure future for him.

I had a difficult life in my youth, enduring exhausting challenges, but RMF gave me the strength to rise and succeed. Today, I feel free, appreciated and of use to myself, my son, and my parents!"



**Choki Wangmo
Farmer**

RMF brings financial services, and creates better conditions for rural families.

Even with cash crops and roadside shop, farmer Choki Wangmo's net income always fell short. Profits were never enough to feed and care for her husband, eight children, and parents, for which she had to moonlight as a seasonal farm worker just to make ends meet.

Mrs. Wangmo lives in Drametse village in Mongar dzongkhag, one of the most geographically diverse areas in Bhutan. On a plot of land nestled between hills, Choki Wangmo's family used to grow vegetables. In the past, the land would only produce enough for themselves and very little surplus for sale. Without any earnings, she was unable to cover the living costs and education fees of her family.

When RMF began operating in Mongar dzongkhag, encouraged by the promotion and immediate fund, she applied for a loan. She started her own grocery store with

the loan and saw immediate results. Now her shop attracts customers and helps her provide well for her family.

"As an illiterate rural resident, I found it difficult to adjust to modern life with its associated costs. Fortunately RMF's door-to-door services simplified the process, requiring minimal formalities. Their support has improved the living condition of my family and education for my children" said Mrs. Wangmo.

Mrs. Wangmo is one of the thousands of farmers who have benefited from the RMF support to initiate and expand businesses/projects in Bhutan. In addition RMF helps improve all levels of value chain through literacy and trainings.

Financial Literacy

The Third World Savings Day

The World Savings Day, established during the first International Savings Bank Congress in Milan, Italy on 31st October 1924, is celebrated globally to promote financial literacy and awareness on savings. In 2020, RMF celebrated the day for the first time in Bhutan across the country. The event in Thimphu was graced by Her Majesty Gyalyum Sangay Choden Wangchuck.

RMF recognizes the significance of financial literacy in enabling individuals to make informed decisions about their finances and achieve their financial objectives. To promote financial literacy, RMF conducts programs at schools and institutes. One such program was held at the Muenselling Institute in Khaling, Trashigang. It included poetry recitation and storytelling contests, aimed at



promoting financial literacy in a fun and engaging way. The primary objective was to create awareness and impart financial literacy skills to individuals, especially to students, to give them a head start in the world of finance. Through this initiative, RMF aims to empower the next generation with the knowledge and skills required to build a secure financial future.





World Savings Day Roadshow

On 17th of September 2022, a roadshow was held at Changjiji Square as part of the lead-up to World Savings Day on 31st October 2022. The roadshow aimed to promote financial literacy and healthy savings habits among the public. The

event was a success, with a large turnout of spectators who participated in various activities, including interactive sessions, quiz contests, and storytelling. Children also had the opportunity to learn about financial literacy and develop a saving mindset. The event received positive feedback from the public, who appreciated RMF's efforts to improve their financial well-being.



Green Finance

The world is threatened by a range of global problems and these problems originate from three different spheres: the social, ecological, and economic sphere. These spheres are labelled as ESG (Environmental, Social, and Governance). One of the most pressing problems is climate change. Due to the pivotal role of the problem within the society, “Corporate Sustainability” is the focus. A transition plan has been formulated to enable RMF to foster our own corporate sustainability and hence be a part of the global effort to make the world a sustainable place. In addition, regardless of our position in the transformation and individual efforts towards sustainability, there will be catastrophes which shall affect not only us but also our clients. Clients’ losses shall further affect their ability to pay back their financing – risks to banks. For this matter, the link between “Green Finance” and the financial institutions becomes more important. Green finance comprises the integration of climate change mitigation, adaptation, and other environmental aspects in the financial decision-making, inclusive of social aspects. Three pillars can be identified under Green Financing, namely, “Action-based Green Finance,” “Risk-based Green Finance,” and “Value-based Green Finance.” While all the three pillars are important, the third pillar has the least momentum.

To give the concept the weight and the priority it deserves and at the same time prevent an actionist and hasty approach

that could prove counterproductive, RMF chose a systematic, rational approach in July 2021; RMF conducted a systematic self-assessment using the “Green Finance Compass,” structured using the “Green Finance Landscape.” All the sectors and the aspects to be considered in the scope of the implementation are considered in the transition plan. For the transition plan, both the status quo of the implementation and its desired state are translated into a score using the “Green Finance Tachometer.” This scoring system helps to illustrate the level of Green Finance implementation achieved in accordance with the self-assessment. To compare the status quo with a desired objective, for most of fields of action the target position of a “score of 2” has been used. The self-assessment of the implementation for different sectors in RMF is as presented in the figures.

Subsequently, for banks, the influence of climate risks on the credit risk is most relevant, for which banks need to identify, measure, evaluate, monitor, report, and manage the concentration within and between risk types associated with climate related financial risks. For this, RMF employs “Risk Radar Tool,” and “Heat maps.” Risk Radar uses a scoring scheme of a total of 5 levels ranging between 0 and 4.

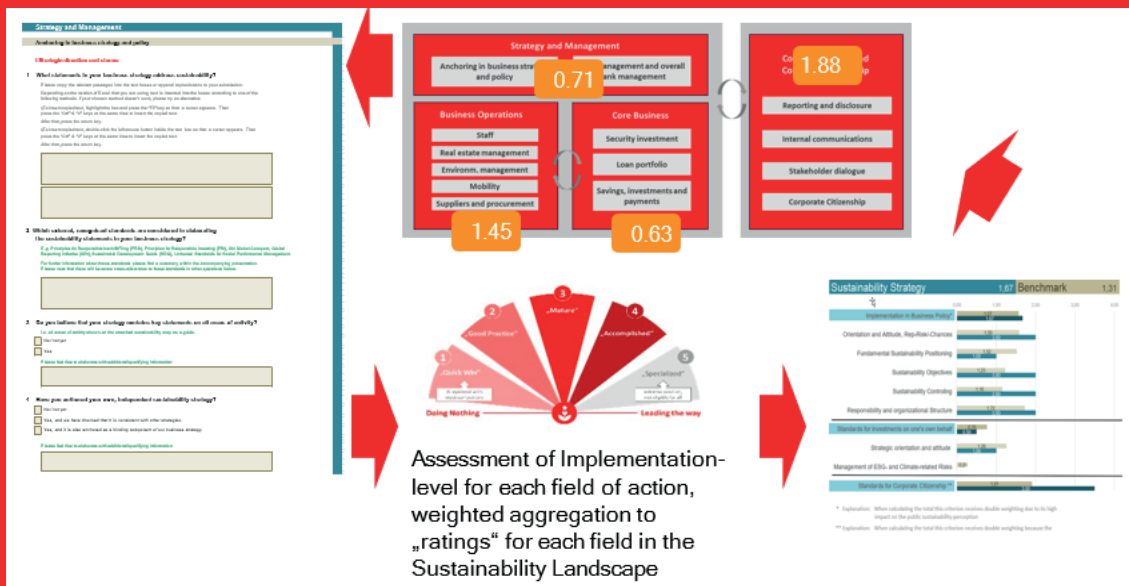


Figure 1 Summary of the assessment results 2021

- 0 Level 0: Risk-related developments are still **theoretical** in nature but there is no obvious proof yet; they are classified as currently not relevant.
- 1 Level 1: Risk-related developments tend to be **perceptible** and can already be proven in individual cases.
- 2 Level 2: Risk-related developments are **obvious** and there is widely accepted proof of their potential harmful impact.
- 3 Level 3: Risk-related developments are associated with **significant** economic damage and are commonly recognized as being very serious.
- 4 Level 4: Risk-related developments threaten the existence of a company/system and are universally recognized as such, they are thus considered to be **existential**.

Figure 2 Risk radar scoring scheme

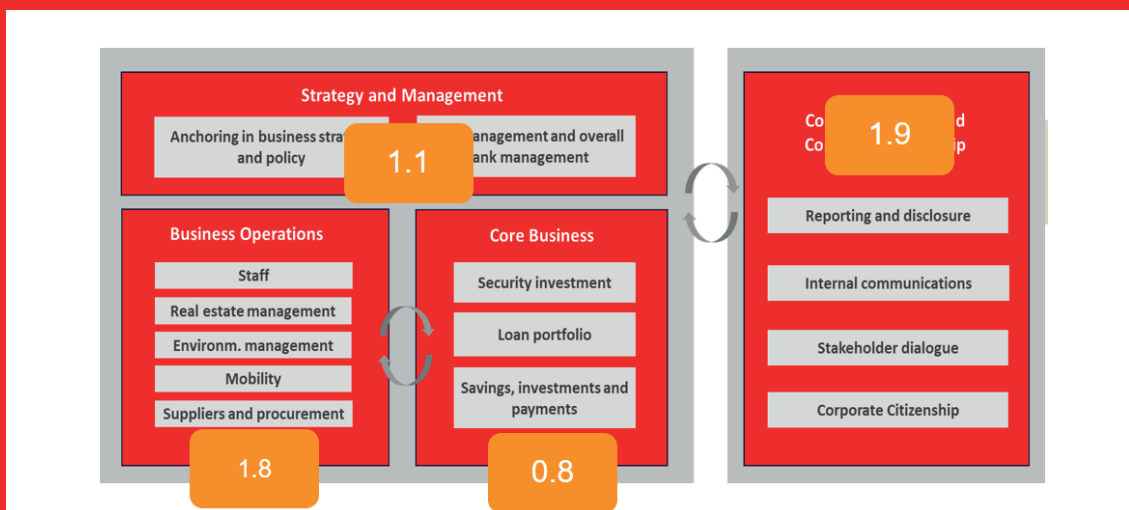


Figure 3 Summary of the assessment results 2022



The Board of Directors



Tshering Uden Penjor
CHAIRPERSON



Sonam Tobgay Dorji
BOARD MEMBER



Ilonka Maria Ruehle-Stern
BOARD MEMBER



Tshering Dolkar
BOARD MEMBER



Tshering Dema
CEO & BOARD MEMBER



The appointment of the new Chief Executive Officer

As a microfinance institution committed to providing financial inclusion and empowering women entrepreneurs in Bhutan, RMF knows that strong leadership is essential to achieving our goals. The new CEO, Mrs. Tshering Dema brings experience, fresh ideas, and a passion for our mission that will help to drive growth and innovation in the years to come. We are committed to improving our performance and taking steps to address any challenges we may face. We believe that she will inspire and motivate the employees to work together towards common goals and build a culture of collaboration, innovation, and performance.

The passion and dedication of RMF in serving the clients and fostering transparency, integrity, and accountability in terms of work can be seen in the confidence that our leader portrays. Together, we firmly believe that we can make a meaningful impact on the lives of our clients and the communities we serve.



COMMUNITY

Community we serve in

11
Dzongkhags
435
Access points

CUSTOMER

27,831
Clients

Gender of Clients

1887
Male
25,156
Female

BTN 256,849,000
Loan Amount

BTN 266,174,000
Savings Amount

2022 Highlights

BTN 66,948,505.51
Comprehensive Income
for the year

BTN 125,972,183.23
Operating Income

BTN 397,179,135.16
Total Assets

BTN 58,960,867.92
Closing Cash and
Cash Equivalents

OUR TEAM

Our People:

60%
Engaged in field support.

46%
Female Staff

54%
Male Staff

88%
Women Executive

SHAREHOLDERS

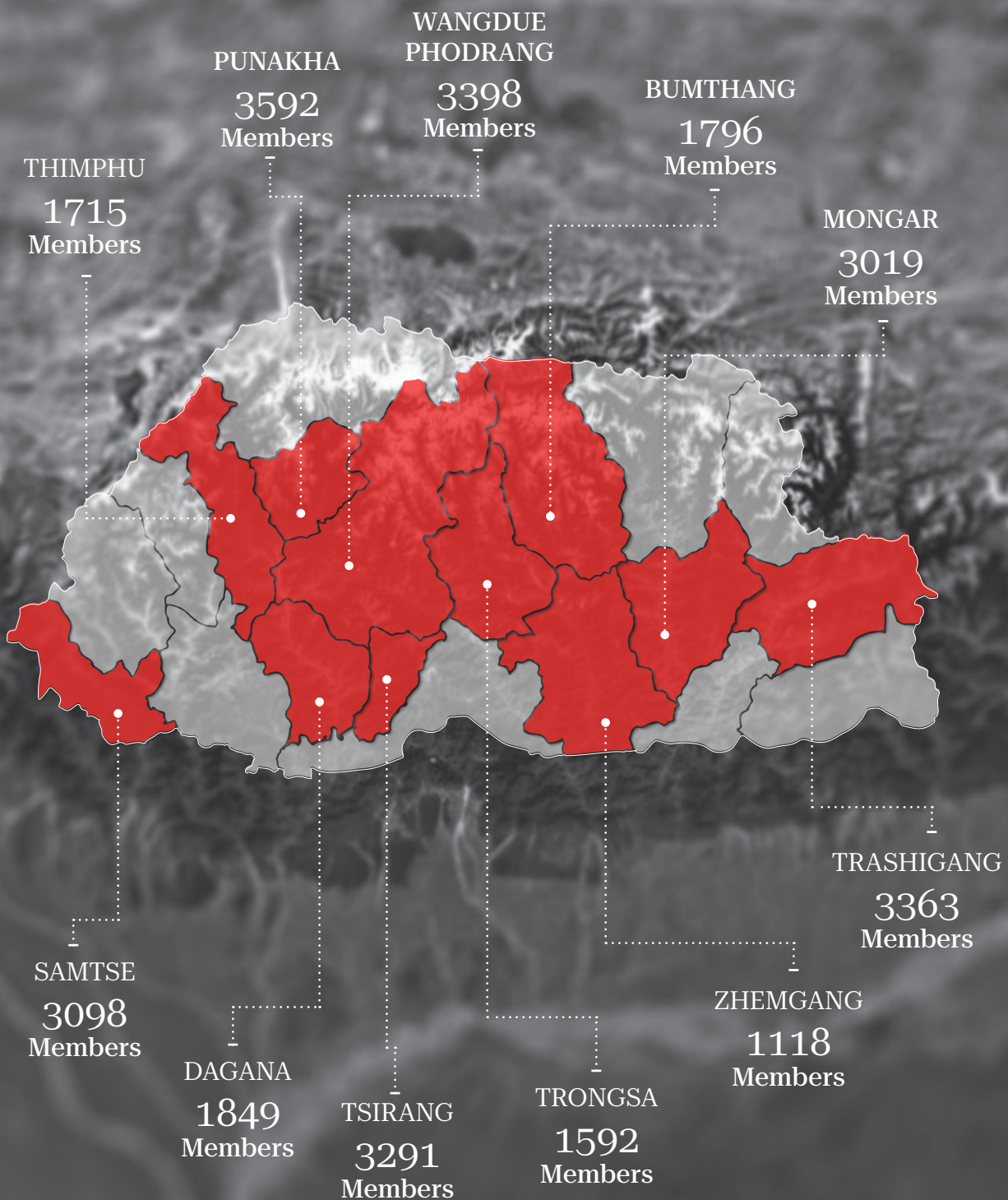
Shareholders:

34%
RENEW Organization (CSO)

33%
Sparkassen International
Development Trust GmbH

33%
Gyalyum Charitable Trust

2022 Branch Outreach





Financial Review

Statement of Financial Position

Particular	2022	2021
Assets		
Property, Plant & Equipment	5,914,629.01	6,124,518.47
Intangible Assets	3,181,199.29	1,095,860.65
Non-Current Assets	6,949,423.31	10,007,028.77
Financial Investments	67,900,000.00	136,900,000.00
Current Assets	249,891.71	1,453,752.42
Loans and Advances to Customers	253,964,050.65	211,300,756.52
Short-term Advances	59,073.27	10,933.00
Cash and Cash Equivalents	58,960,867.92	18,895,096.10
Total Assets	397,179,135.16	385,787,945.92
Liabilities		
Non-Current Liabilities	2,495,028.00	
Employee Benefit Liabilities	3,213,525.00	2,408,615.00
Other Liabilities	22,870,879.56	90,503,149.49
Current Liabilities	266,174,199.61	254,743,588.98
Total Liabilities	294,753,632.17	347,655,353.47
Equity		
Paid up Capital	25,000,000.00	25,000,000.00
Retained Earnings	77,425,502.98	11,106,731.87
General Provision	0	2,025,860.59
Total Equity	102,425,502.98	38,132,592.46
Total Liabilities & Equity	397,179,135.16	385,787,945.92

Statement of Comprehensive Income

Particulars	2022	2021
Interest Income	55,521,760.71	66,109,646.82
Interest Expense	12,943,953.28	22,820,189.25
NET INTEREST INCOME	42,577,807.43	43,289,457.57
Fees and Commission Income	88,643,438.24	2,512,184.19
Fees and Commission Expense	5,549,062.44	4,767,876.63
NET NON-INTEREST INCOME	83,394,375.80	-2,555,692.24
Total Operating Income	125,972,183.23	41,033,765.33
Net Operating Income	125,972,183.23	41,033,765.33
Personnel Expenses	20,718,312.73	20,111,195.44
Other Operating Expenses	13,202,459.38	14,146,807.47
Depreciation on Property, Plant & Equipment	2,452,568.46	1,393,005.96
Impairment Charges/ (reversal) for Loans and Other Losses		
Total Operating Expenses	36,373,340.57	35,651,008.87
Profit Before Tax from continuing Operations	89,598,842.66	5,382,756.46
PROFIT BEFORE TAX	89,598,842.66	5,382,756.46
Tax Expenses for the Current Year	22,339,710.66	1,345,689.12
Net Profit for the year	67,199,131.99	4,037,067.35
Other Comprehensive Income		
Actuarial (Gain)/Losses on Retirement Benefits	-212,238.00	
Unrealized (Gain)/ Losses on Foreign Exchange	-38,388.48	
Other Comprehensive Income, Net of Tax	67,199,131.99	4,037,067.35
Total Comprehensive Income for the year	66,948,505.51	8,074,134.69

Statement of Cash Flow

Particular	2022	2021
A. Operating Activities		
Profit from Operating Operations (i)	67,199,131.99	4,037,067.35
Adjustment for:		
Depreciation	2,452,568.46	1,393,005.96
Tax Expenses	22399710.66	1,345,689.12
Net Cash flows before change in Working Capital (ii)	24,852,279.13	2,738,695.08
Net Cash flows changes in Working Capital		
(Increase) / Decrease on Loans and Advances to customers	-42,663,294.13	-21,369,238.16
Change in Operating Liabilities	11,430,610.63	42,121,499.06
Change in Other Operating Assets	4,213,325.90	-12,600,621.10
Change in Other Operating Liabilities	-64,332,331.92	83,588,659.22
Income Tax	-22,399,710.66	-1,345,689.12
Net Cash Flows from Change in Working Capital (iii)	-113,751,400.19	90,394,609.91
Net Cash Flows from Operating Activities (A=i+ii+iii)	-21,699,989.07	97,170,372.33
B. Financing Activities		
Proceeds from issue of Share Capital	-2,906,221.47	-80,638,317.27
Dividends paid to equity holders	0	0
Increase in Financial Investments	69,000,000.00	-95,900,000.00
Net Cash Flows from / (used in) Financing Activities (B)	66,093,778.53	176,538,317.27
C. Cash Flow from Investing Activity		
Purchase of Property and Equipment	-4,339,253.40	-4,307,699.37
Proceeds from sale / damage of Property and Equipment	11,235.76	149,427.35
Net Cash Flows from / (used in) Investing Activities (C)	(4,328,017.64)	-4,158,272.02
Change in Cash and Cash Equivalents (A+B+C)	40,065,771.82	-83,526,216.97
Opening Cash and Cash Equivalents	18,895,096.10	102,421,313.06
Closing Cash and Cash Equivalents	58,960,867.92	18,895,096.10

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