



របាយការណ៍ប្រចាំឆ្នាំ

Annual Report

2017





Annual Report

2017

Content

| | |
|--|----|
| Vision and Mission | 2 |
| History of CAMMA | 4 |
| Core Value | 5 |
| Message from Board of Directors | 6 |
| Message from Chief Executive Director | 8 |
| Highlights about Key Achievements | 10 |
| Our Successful Partners | 13 |
| Operational Performance | 18 |
| Corporate Governance | 19 |
| Organizational Chart | 19 |
| Management Team | 20 |
| Lenders and Partners | 24 |
| Our Products and Services | 25 |
| Capacity Building | 27 |
| Performance Based Compensation | 27 |
| Staff Competency Development | 27 |
| Staff Welfare | 29 |
| Internships Opportunities for Students | 30 |
| Risk Management and Internal Control | 31 |
| Report of the Board of Directors | 33 |
| Report of the independent auditors | 37 |
| Financial Report | 40 |
| Balance Sheet | 40 |
| Income Statement | 41 |
| Statement of Changes in Equity | 42 |
| Statement of Cash flows | 43 |

VISION

Become a reliable microfinance institution which provides Cambodian people with opportunities to improve their livelihoods through accessing the loans from **CAMMA MICROFINANCE LIMITED**.





MISSION

Our mission is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, handicrafts and business persons and to ensure great benefits for shareholders, staff and the society as a whole.



In 2008, Camma Microfinance Limited was initiated and established by two founders, Mrs Ou San and Mrs Dith Nita while at the time Camma was a private credit operator which provided loan service to Cambodian people in Phnom Penh City and Kandal Province.

The needs for loan to expand its business and improve the living standard of people have increased from year to year. Clients, who have received loans, have a better living standard and continuously to develop. In order to respond to the growth in the demand for loan of clients as well as to help to reduce the level of poverty, it is important that Camma needs to expand the scope of its operation, be more reliable and strengthen the quality of its operation.

The above factors have urged both founders to transform Camma from private credit operator to Camma Microfinance Limited, which is registered with Ministry of Commerce under the license number Co.0700 KH/2010 on 31st of March 2010 with the registered capital of USD 200,000. In 2015, Camma had increased its capital of USD 2,103,000.

On 29th of July 2010, Camma officially received license from National Bank of Cambodia as a microfinance institution that could formally provide loan to clients. Camma has started their formal operation since the date it received license from National Bank of Cambodia. Camma has established itself to be a microfinance institution that has good corporate governance, proper working standard system and a clear client protection principle.

As of December 2017, through its network of 3 branches and 94 staff, Camma serves more than 1,264 clients with loan portfolio of USD 7,746,418. Going forward, Camma will continue its expansion in rural and urban areas, developing new and innovative financial products and services for its clients. With experienced management team, strong corporate governance and social commitment, Camma is ready with well positioned to further expand the network operation and its influence throughout the country.



CORE VALUE

Delivering the best services with equality, efficiency and fast service to clients.

Excellent Service

Honesty

The loyalty of staff at all level in providing financial services and products to inside and outside clients with a professional code of ethics.

Providing comprehensive and detailed information to clients about products and services in order to gain a better understanding of its.

Transparency

Respect

Staff at all level has to be dignity, friendly, respectful to clients and understand about clients' situation.



2017 is the year when Royal Government of Cambodia paid its ultimate attentions to the protection of poor citizens through the interest rate limitation. Compliance with such limitation would be a new turning point of financial sector in Cambodia and it is also a big challenge in this sector. Clearly, the profit of CAMMA fell sharply, which required us to strengthen employees' productivity and effectiveness of our services.

Such strengthening of productivity and effectiveness can only be accomplished when all employees love and help each other out as well as collaborating with each other to



create innovative and new ideas towards strengthening employees' productivity and reducing operational costs and investment funds. If this can be achieved, then the service of CAMMA microfinance institution will continue to grow for customers in the current operational area and will move to other new operational areas through network expansion, product development and other new services in response to the change in customers' demands. CAMMA is determined to follow the guideline of multiple institutions giving credits and continues to develop its own strategy in order to reduce risks by paying close attention towards the development of credit provision activities within its own operational area.

Refer to annual strategic plan of CAMMA for 2018, we expect that total loan portfolio will be increased to USD 10,573,183.00 with 2,035 clients for all operational provinces as following:

- **Operation Branch:** is planning to achieve loan portfolio USD 5,853,467 with 1,010 clients and loan portfolio at risk 2.00%.
- **AngkSnoul Branch:** is planning to achieve loan portfolio USD 2,075,318 with 477 clients and loan portfolio at risk 0.98%.
- **Takhmao Branch:** is planning to achieve loan portfolio USD 2,644,398 with 548 clients and loan portfolio at risk 2.64%.



Through the efforts of employees and the institution's management board, together with the new strategy in response to the change in Cambodian financial sector, we strongly hope to achieve fruitful results in this upcoming 2018.

Finally, on behalf of CAMMA microfinance institution's board, I would like to express my deepest respect and gratitude towards the government, the National Bank of Cambodia, shareholders, customers and all the general public for always believing in CAMMA. I also would like to express my gratitude towards the management board and all employees of CAMMA for continuing to be determined, and to sacrifice valuable time and efforts to help CAMMA to achieve the current success and achievements. Moreover, I also would like to express my gratitude towards all shareholders for the continuous supports. We will continue the culture of collaboration to guarantee that our institution shall remain the fastest services providing and best institution with high responsibility in response to the demands of Cambodian people and the markets.

With greatest respects,

Mr. Thun Vathana

Chairman



MESSAGE

from

MRS. DITH NITA
Chief Executive Officer

Over the years, microfinance in Cambodia has been a dynamic sector. The increases of microfinance institutions and the financial competitions within free markets have significantly reduced the interest rate. With such decrease of the interest rate based on the power of free market competitions, in 2017 the National Bank of Cambodia decides to set an interest rate ceiling of 18% as stipulated in Prakas No. B7-017-109 Prokor, dated 13 March 2017. Furthermore, the National Bank of Cambodia had also established a protection mechanism for the clients through Prakas No. B7-017-299 Prokor, which requires each financial institution to be responsible and solve client's complaints and issues. Meanwhile, in order to improve the microfinance sector as a whole and to manage potential risks effectively, the National Bank of Cambodia issued Prakas No. B7-016-344 Prokor,

dated 01 December 2017 on the classification of loans and provisions over the impairments of microfinance institution. These Prakas were highly welcomed by the citizens of Cambodia but at the same time enforcements of some Prakas had severely affected the planning and operations of microfinance institutions. In fact, the achievements of CAMMA MFI in 2017 are as follows:

As of December 31, 2017, CAMMA MFI has a total number of client's up to 1,264, of which 586 are female equal to 46.36% of the total clients. Number of clients grew 10% compared to year 2016. Most of CAMMA's clients request loan for their family needs and small businesses. Loans used for both purposes are 81.26% of the total loan outstanding of 31.2 billion Riel (equivalent to US\$7,746,419). In 2017, portfolio at risk is 2.74% and the total

interest income is approximately 5.8 billion riels (equivalent to US\$1,444,168).

Even though the financial outcomes of 2017 were affected by the interest rate ceiling and the additional provision as well as the highly competitive market, our institution continued to be developed and even managed to open its 3rd branch located in Street 115, Sangkat Ta Khmao, Ta Khmao City, Kandal Province. Meanwhile, CAMMA had successfully completed the data migration of its core banking system and has been developing a new system to respond to the needs of the productions and clients as well as the requirements of the relevant authorities and the changing-nature of microfinance sector in Cambodia. This new system enables CAMMA to operate in many branches, inter-branches as well as the ability to extract information in a timely manner. In addition, the system also enables us to give loans in Riel currency, in response to the Prakas of the National Bank of Cambodia No. B7-016-344 Prokor, dated 01 December 2016, requiring banks and microfinance institutions to have at least 10% loan in the national currency of the total loan starting from 31 December 2019.

In 2018, the board or directors of CAMMA is expecting that with the commitment and

cooperation of the employees as well as several new strategies that were designed and implemented, the institution will successfully accomplish its plans. The institution will further focus on human resource development through trainings within and outside the institution and encourage all employees and working teams to realize its common goals. Concurrently, our priorities and our core values in operations are to provide best, fast, equitable, transparent and respectful services. I hope that each individual employee of CAMMA can execute these values for the dignity and reputation of the institution in the banking and microfinance sector.

In conclusion, on behalf of the board of directors of CAMMA, I would like to thank all the employees of the whole CAMMA for your great effort and honesty, which are an important success for both the employees themselves and the institution. I cannot forget the trust and the belief that all the employees, shareholders, board, partner institutions, authorities at the National Bank of Cambodia and the Cambodia Microfinance Association have towards CAMMA. This has helped paved the ways for the institution to develop while having a strong foundation within the microfinance sector to this very day.

Your Sincerely

Mrs Dith Nita

Chief Executive Officer

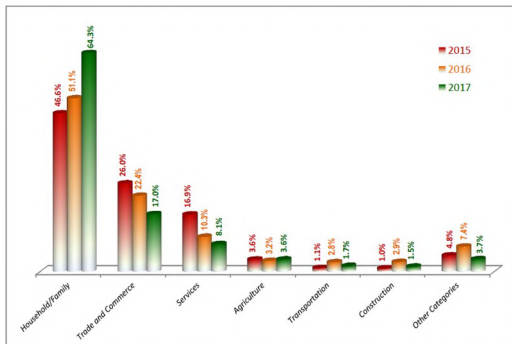


HIGHLIGHTS ABOUT KEY ACHIEVEMENTS

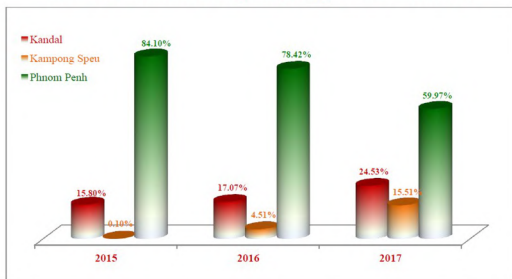
| OPERATIONAL HIGHLIGHT | 2015 | 2016 | 2017 | %Change |
|--|------------------|------------------|------------------|----------------|
| Total Staff | 54 | 79 | 94 | 27.78% |
| Number of Credit Officers | 29 | 38 | 40 | 6.90% |
| Number of Village | 287 | 361 | 402 | 14.29% |
| Number of Active Borrowers | 1,000 | 1,154 | 1,264 | 11.00% |
| Loan Outstanding | 5,929,114 | 7,430,686 | 7,746,419 | 5.33% |
| Individual Loan Outstanding | 5,843,466 | 7,331,588 | 7,631,694 | 5.14% |
| Motor Loan Outstanding | - | - | - | 0.00% |
| Staff Loan Outstanding | 85,648 | 99,098 | 114,725 | 18.25% |
| Financial Highlight | | | | |
| Assets | 6,552,833 | 7,784,786 | 8,129,756 | 4.43% |
| Liabilities | 4,101,215 | 5,181,894 | 5,528,286 | 6.68% |
| Shareholder Equity | 2,451,618 | 2,602,892 | 2,601,470 | -0.05% |
| Share Capital | 2,103,000 | 2,103,000 | 2,103,000 | 0.00% |
| Retained earning | 48,618 | 499,892 | 498,470 | -0.28% |
| Interest Income | 1,107,366 | 1,354,914 | 1,444,169 | 6.59% |
| Interest Expense | (358,967) | (392,032) | (450,476) | 14.91% |
| Net interest income | 48,399 | 62,882 | 93,693 | 3.20% |
| Provision for bad and doubtful Loan | (28,612) | (47,021) | (108,829) | 131.45% |
| Net interest income after provision for bad and doubtful loan | 719,787 | 915,861 | 884,864 | -3.38% |
| Other None Interest Income | 76,760 | 92,697 | 140,210 | 51.26% |
| Personal Expense | (217,304) | (365,633) | (491,913) | 34.54% |
| Operating and Other Expense | (157,767) | (222,069) | (274,657) | 23.68% |
| Depreciation Expense | (24,662) | (38,586) | (51,345) | 33.07% |
| Profit before Income Tax | 396,814 | 382,270 | 207,159 | -45.81% |
| Income tax expense | (80,980) | (70,996) | (58,581) | -17.49% |
| Profit for the year | 315,834 | 311,274 | 148,578 | -52.27% |
| Return on Asset | 4.82% | 4.00% | 1.83% | -54.29% |
| Return on Equity | 12.88% | 11.96% | 5.71% | -52.24% |
| Portfolio at Risk | 1.00% | 1.96% | 2.71% | 38.08% |
| Operational Self Sufficiency | 99.63% | 77.09% | 55.65% | -27.81% |



Number of Clients by Business Type

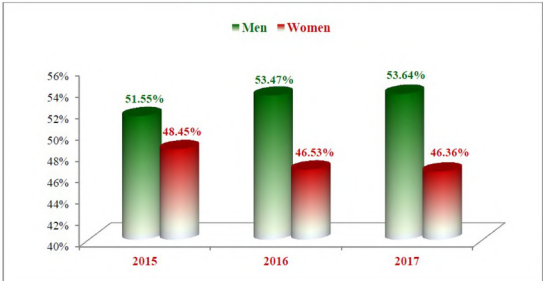


Number of Clients in Kandal, Kampong Speu and Phnom Penh

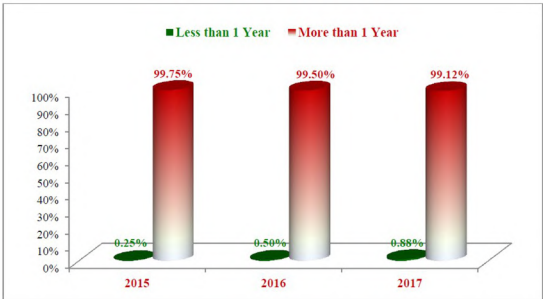




Number of Clients by Gender



Number of Clients by Maturity





Through vision and mission of CAMMA institution, we have provided a broad chance of micro finance service for farmers, artisans and businessmen in order to improve the living conditions in an able, sustainable manner and to achieve the greatest benefits. The following are the customers that received financial service from CAMMA institution in order to support and promote their business growing forward.



MRS MORN SOPHEAP

Lotus Farm Owner in Khan Prek Pnov, Phnom Penh.

Mrs. Morn Sopheab, aged 41, currently is a lotus farm owner in Kab Srov Touch Village, Sangkat Kouk Roka, Khan Preaek Pnov, Phnom Penh. She and her spouse (Mr. Chan Sophorn) have been doing as lotus farmers for a long time, but since the cultivated area for lotus farm consisted of only 1 hectare, the supply was only available for the sellers in the public area nearby her house. Day after day, market demands were gradually increased, thus she intended to expand the cultivated area to meet the market demands.

After having discussed with her husband and also getting recommended by the neighbors, she requested for a loan of 5,000 US dollars from CAMMA institution in May 2014 in order to rent additional cultivated area for lotus cultivation. Due to the smooth progress of her farming career and increased in market demands, she continued to request for more loans and at present, her loan is at 22,000 US dollars for the purpose of increasing additional cultivated area for lotus farming.



She stated "Up until now, there have been many financial institutions contacting me, but I decided to choose CAMMA as a partner because CAMMA has an appropriate interest rate, does not require many documents, credit agents of CAMMA institution have favorably good relations, ethics, and make it easy in getting the loans".

After getting the loan from CAMMA, her life changed a lot because she currently has a cultivated lotus up to three (3) hectares of her own land and a higher profit than before by using the loans from CAMMA to support the lotus selling business throughout Phnom Penh.

She continued with a smile "I would like to express my gratitude towards CAMMA institution for providing us loan and I am very happy because these loans not only help my business to growth bigger but it also helps change my family's life by earning more profits. Together with the development of this farm, I plan to get more loans after having repaid all the current debt, so that I can expand my farm even bigger than before".



MRS LUN YUTHY

The owner of Laundry Shop

Mrs. Lun Yuthy, aged 38, a customer whose occupation is a laundry in Preaek Kampues Village, Preaek Kampues Commune, Dangkao District, Phnom Penh. Mrs. Yuthy stated "I decided to start this business since 2010, At first, I only had an old version of laundry washing machine

and a few equipment. I sometimes did not meet the demands of my customers in time. Since I was one of the first to start this business back then, it was why there were a lot of customers and it made me not being able to do the laundry for the customers in time, there were also times when the laundry washing machine got broken and it made some customers dissatisfied with my service.

Mrs. Yuthy continued to describe with a sad face that "Since I was not able to get high education, had no capital to start a big business, and did not dare to get loan because I felt embarrassed of being known by others, thus I still continued doing this business. However, my customer, who is an employee at CAMMA institution, introduced me and offered good discussions about how the products and services of CAMMA institution could truly solve this problem of mine. I, then, had a discussion with my husband and family and I came to the decision of requesting for the first loan from CAMMA at a value of 20,000 US dollars in 2017 for the purposes of renovating and designing the laundry shop as well as expanding extra space and buy more equipment to be used in my shop". Because Mrs. Yuthy had experiences in the career, and was also wise in using the loan efficiently she gained the full support from her family.



Since using the credit from CAMMA institution, she had a chance to expand her business, purchased equipment and many other products to serve the demands of the customers. Together with her ability and experience, she was able to expand the business for better. At present, her shop has become a very modern laundry shop equipped with many modern equipment and laundry washing machines, and with faster service, thus having strong supports from her customers after using the loans from CAMMA.

In the future, her family hopes that her business will run smoothly to make living conditions even better and to continue to move forwards with the financial support from CAMMA institution. Mrs. Lun Yuthy and her husband expressed their greatest gratitude towards CAMMA for always paying attention, providing high confidence and fast services to the customers like her through continuous financial support for business expansion to increase the profits. She and her family wish CAMMA institution to achieve success in Cambodian microfinance sector.





Mrs REM Sarom is PHENG Yun's daughter
The owner of Chicken Farm

Mrs. Pheng Yun, aged 60 and her daughter, Mrs. Reum Sarom are model customers of CAMMA institution, whose current address is in Tmei Village, Samraong Leu Commune, Angk Snuol District, Kandal Province and who are poultry farm owners. Mrs. Yun has experience in this poultry farming for nearly 8 years. Mrs. Yun confirmed, "At first I only had one poultry farm with 2 hutches. Due to the increased demands from the customers from month to month, I decided to use the loan from CAMMA institution for the first time, a loan of 4,500 US dollars, to expand poultry hutches at the end of 2016. In using the loan from CAMMA, I achieved better results in just over one year.

"Since the expansion of the hutches was not able to meet customers' demands. I decided to once again use the loan from CAMMA for the second time at a value of 7,000 US dollars at the beginning of October 2017 in order to expand another chicken farm that is located in Chamkar Doung area". She observed that her living condition is one step better than before and profit is also increased. Mrs. Yun strongly hopes that her family, especially her small children, will have a bright future.

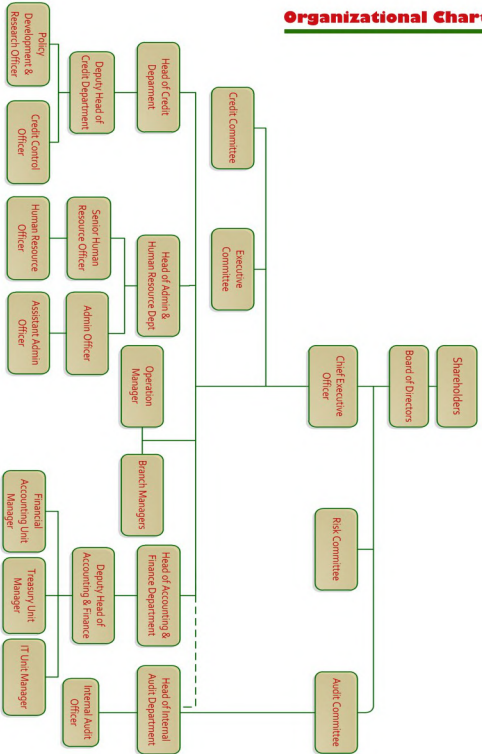
Mrs. Yun also stated that "CAMMA Microfinance Limited is the best problem solver for my business. Not only is the interest rate appropriate, the payment is also flexible in accordance with my financial situation. I now no longer have to worry about supporting my family's living conditions. Moreover, I can save money for the expansion of my business in the future. I am really satisfied with this result. I will continue to use the loan again in the upcoming years to satisfy market demands and to have enough capital in the career as well as to have the ability to open more farms from one year to another according to my future plan".

Ms. Yun said, "CAMMA is one of the best solutions for my business. It offers with reasonable interest rate and a flexible settlement to fit with my financial situation. Now, I am no longer in concern about the support for my family's daily expenses. In addition to that I am able to save money for my future business expansion. I am truly happy with this result. I will add some additional loans in the following years to meet with market demands and to have enough capital investment, which enable me to run more farms from year to year according to my future plan.





Organizational Chart





Management Team



MRS. DITH NITA
Chief Executive Officer

Mrs. Dith Nita graduated in her Bachelor degree of Commerce in 2003 and Master degree of Financial Management in 2005 at Australian National University. She has experience in business management and credit management since 2008. Prior to establish CAMMA Microfinance Limited, she owned and managed the Construction Company. At the same time, she also operated the Credit Operator and then registered it as Microfinance Institution, which recognized officially by National Bank of Cambodia since 2010

Mrs Dith Nita is a founder and Chief Executive Officer of Camma Microfinance Limited.



MR. TITH VANNARITH
Head of Accounting & Finance
Department

Mr. Tith Vannarith was born in 11th January 1977. He graduated in Master degree of Finance at National University of Management in 2008 and he also has IT Skills on Programing VB6, VB.Net and Sql Server Database Management. He has seventeen years of experiences in retail banking specialized in accounting finance and Information Technology. At the meantime, he had worked for Aclea Bank Plc more than 13 years on various positions such as accountant, AVP & Manager of Cashier and AVP of Accountant before joining to Camma Microfinance Limited.

Now, he is holding the position of Head of Accounting and Finance Department at Camma Microfinance Limited.



MR. LY CHHEANG
Head of Credit Department

Mr. Ly Chheang graduated in Master degree of Business Administration in major of General Management at Royal University of Law and Economics in 2009. He has more than 10 years of experiences in bank and microfinance sector. He held various positions with other Banks including Micro loan, small loan, medium loan, housing loan, Deputy Branch Credit Manager and Chief of Branch Credit Manager.

Before joining to serve Camma Microfinance Limited as the Operation Unit Manager in 2015 and then was promoted to Head of Credit Department in March 2016 till now.



MR. MOM CHANSOTHEA
Head of Administration and Human Resource Department

He has been at CAMMA since 2016. He has almost extensive 10 years of experience in administration management, human resource and financial management, organizational development and management with local and international organizations and other microfinance sector. Furthermore, he was a member of Board of Directors at credit operator. He received a Master Degree of Agriculture Science, a Bachelor Degree of Education in English at Human Resources University and has certified as a senior technical teacher (Bachelor +1) in 2007.

He is currently holding the position of Head of Administration and Human Resource Department.



MR. YANG HAI

Head of Internal Audit Department

Mr. Yang Hai obtained his Master degree of Finance and Banking at Build Bright University in 2010 and Bachelor degree of Accounting and Finance at National Institute of Management in 2003. He has attended numerous training courses such as effective internal control, internal audit, advance credit risk management, report writing, leadership skill, Cambodian Taxes, International Financial Report Standard (IFRS) and Fraud. He has more than ten years experiences worked with Prasac and LOLC as credit officer, internal audit officer, senior internal auditor and operation audit unit manager.

He starts working at CAMMA as Head of Internal Audit Department in November 2015.



MR. HEM KOSAL

Operation Manager

He has been at CAMMA since 2016. He has almost 9 years of experience sale, marketing, and management within private companies and banking sector such as Sathapana Bank Plc, Vattanac Bank and Khmer Specialize Bank. Mr Hem Kosal received a Master Degree of Business Administration in major of Finance at Pan-nasastra University of Cambodia in 2012 and Bachelor Degree of Science in Mathematics at Royal University of Phnom Penh in 2004.

He is currently holding the position of Operation Manager at CAMMA Microfinance limited.



MR. SENG CHAMNANG

Takhmao Branch Manager

He has been at CAMMA as AngkSnoul Branch Manager since 2016 by transferred to Takhmao Branch Manager 2017. Mr Seng Chamnang has 11 years of credit and management in CamCapital Microfinance Plc and Thaneakea Phum (Cambodia) Ltd – LOLC; he promoted as Branch Manager in 2014. He held Master Degree of Business Administration in major of Management at Royal University of Law and Economics in 2017 and Bachelor Degree of Management at Asia-Europe University in 2011. Additionally, he also attended numerous training courses included capacity building, marketing selling and encouragement.

In the present, he is Takmao Branch Manager.



MR. CHAP RAMONY

AngkSnoul Branch Manager

He has been at CAMMA since 2012 as a credit agent and promoted as Credit Team Leader in 2016. Before joining with CAMMA Microfinance Limited, he worked for private institutions and microfinance on loan products. He has almost 8 years of experience in education, sale, marketing and credit. He received Bachelor Degree of Science in major of Chemistry at Royal University of Phnom Penh in 2007.

In the early 2017, he promoted as AngkSnoul Branch Manager.



LENDERS AND PARTNERS



Advanced Bank of Asia
Limited



ANZ Royal Bank
(Cambodia) Limited



RHB Indochina Bank
Limited



ACLEDA Bank Plc.



Vattanac
Bank Limited



ធនាគារ កាតេ យូណៃតឺត
Cathay United Bank 匯豐銀行

Cathay
United
Bank



Phillip Bank Plc.



Cambodia Microfinance
Association



Credit Bureau
Cambodia (CBC)



Wing (Cambodia)
Limited Specilised
Bank



Good Return



CAMMA's product is loan service. This service provides to clients with general utilization and makes micro, small and medium businesses. To provide the CAMMA's service, it is preferred to the standard of clients' service as the following:

- **Fast and Efficiency:** Loan disbursement takes for 3 days if all relevant documents submitted for new clients and 2 days for existing clients with CAMMA.
- **Toward to target:** CAMMA's agents will disburse loan at client's house.
- **Client Service Control:** Marketing sector of CAMMA will survey and interview the clients about our service. Any compliant and comment from client will be documenting and reporting to management in order to correct and improve it to provide the best service.

GROUP LOAN

CAMMA's group loans offer to lower and low income households in Khmer Riel and have an occupation related to farming activities and other income-generating activities related to agriculture. The kind of this loan requires for clients in group that has one leader with 2 – 5 members in each group. The amount of the group loan is up to 2,000,000 Khmer Riel or equivalent in USD per group member in period of up to 24 months. The annual interest rate is 18% with flexible repayment.

MICRO LOANS

Micro loans offer for micro-enterprises' purpose in rural, urban and other provinces in Kingdom of Cambodia. Micro loans offer for clients with the amount of such loans is up to USD 4,000 or equivalent in Khmer Riel with loan terms up to 36 months and the annual interest rate is from 18% with flexible repayment options.

SMALL LOANS

Small loans refer to loans offered specifically for small enterprises such as production, trade, agriculture service sectors and tourist in purpose to increase their income. This loan offers for clients with the amount of such loans is 4,001 to USD 10,000 or equivalent in Khmer Riel with loan terms up to 60 months and the annual interest rate is from 18% with flexible repayment options.

MEDIUM LOANS

Medium loans refer to loans offered specifically for medium enterprises such as production, trade, agriculture service sectors and tourist, which get license for business with good reputations and communications. This loan offers for clients with the amount of such loans is up to USD 100,000 or equivalent in Khmer Riel with loan terms up to 60 months and the annual interest rate is from 14.4% - 18% with flexible repayment options.



QUICK LOAN

CAMMA offers loans to clients who have individual person in their business' activities such as agriculture, trade, service, crafts, industry, family's purpose etc. The annual interest rate is 18% with a loan size of USD 1,000 or equivalent in Khmer Riel with a loan term up to 18 months and flexible repayment options.

STAFF LOAN

CAMMA offers staff loans to help fulfil staff livelihood challenges in purchasing important consumption materials as well as other challenges in their daily life. The loan amount is up to 40% - 80% of gross salary plus some benefits and with a loan term up to 60 months, annual interest rate of 13.2% to 15.6%.





| Key Performance Indicators | 2014 | 2015 | 2016 | 2017 |
|----------------------------|------|------|------|------|
| Number of Personnel | 35 | 56 | 79 | 94 |
| Number of Loan Officers | 16 | 29 | 38 | 48 |
| % of Female Staff | 30% | 30% | 28% | 28% |
| % of Male Staff | 70% | 70% | 72% | 72% |

Performance Based Compensation

Positive performance and stable growth of CAMMA Microfinance Limited are a result of the efforts and commitments of management board and CAMMA institution's employees, who continue to develop and achieve the targets set. In response to these efforts, a few changes in benefits and additional incentives are carried out in order to encourage the employees through personal and group benefits.

Year after year, CAMMA Microfinance continued to update employees' benefit calculation such as: method in calculating benefits and incentives by focusing on the frontline employees, the incentive calculation is linked with the position and the time period of employment in the institution.

This new incentive and benefit calculation are done in order to encourage the management board and our employees. Our purpose is to encourage the employees to maintain and improve the positive growth of the institution in both operational and social performance.

Staff Competency Development (SCD)

Human resource target of CAMMA institution is to build a very powerful team and to see our employees possessing sufficient qualifications as the institution progresses. CAMMA Microfinance Limited intends to build a team with skill and to show strong collaboration in development in order to achieve good results related to our strategic goals.

In 2017, CAMMA institution provided 18 training courses in total to 156 employees; including technical skills, daily operational-related skills, working-attitude related skills as well as management and leadership ones. The development of employees' skills in all levels is to meet the appropriateness of the bank and financial markets and the context of developmental strategy of CAMMA Microfinance Limited. Every year, the institution sends employees to many other external training courses, supports and continues to provide scholarships for employees in all levels.



Training Activities on Technical Skills



Group Discussion Activities



Activity of Soft Skill Training



Capacity Building Activities



Staff Welfare

For this 2017, CAMMA still continued to provide a great and happy working environment that our employees can develop and grow. Our institution is the one with a strong culture in encouraging teamwork for the purpose of strengthening relations between management board and employees in head office as well as other branches of CAMMA Microfinance Limited. We love our employees, products, services, our community and the society that we are collaborating with.





Risk management and internal control are the main points which require CAMMA Microfinance Limited to pay careful attention, because it is a force that leads the whole institution towards success and sustainability. Meanwhile, to make sure that the risk management and internal control are effective, CAMMA Microfinance Limited must adhere to prioritized principle and procedure to prevent any possible risks on the institution.

The principle and procedure of the institution were established with the inclusion of internal control system to reduce and to prevent risks. A proper duty distribution is to reduce or to prevent one employee from operating alone. Each employee is responsible and must follow internal control principle. Employees must inform top officials about any problem, for instance, the disrespect of the principle and procedure.

All employees have roles in managing risks of the institution. All the management board, branch managers, department managers and employees are responsible for implementing internal control and risk management that could occur in daily operation.

As a result, each operational implementation of each department is conducted independently and with high responsibility. At present, the institution also prepares to create principle and procedure to manage operational risk, financial risk and credit risk for the purpose of supporting employees' operational implementation.



In addition, to make it easier for the management board to track and seek solutions for the risks, the institution also set 4 processes including: risk determination, risk assessment, risk management and risk control. Internal audit department has a role in determining risks which are related to operational implementation of the employees, and the principle and procedure of each department. After a risk is determined, the assessment of the negative impacts on the institution is required.

The institution will determine an appropriate strategy to solve and to reduce the risk level such as solution accepting, transferring and avoiding. Next, the institution will continue to check to make sure that those risks are managed and solved appropriately or a new action plan shall be established for using and for reducing high level risks which are not solved yet.



The Board of Directors has pleasure in submitting their report together with the audited financial statements of CAMMA Microfinance Limited ("the Company") for the year ended 31 December 2017.

Principal activity

The Company's principal activity is to efficiently and sustainably provide a wide variety of microfinance services to entrepreneurs of small and medium enterprises who are farmers, artisans and business persons.

Financial results

The financial results of the Company for the year ended 31 December 2017 were as follows:

| | 2017 | | 2016 | |
|--------------------------|----------------|---------------------|----------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Profit before income tax | 207,159 | 836,301 | 382,270 | 1,543,224 |
| Income tax expense | (58,581) | (236,492) | (70,996) | (286,611) |
| Net profit for the year | <u>148,578</u> | <u>599,809</u> | <u>311,274</u> | <u>1,256,613</u> |

Dividends

On 28 August 2017, the Board of Directors declared and paid the dividend of US\$150,000.

Share capital

On 21 April 2015, the Board of Directors of the Company approved to issue the additional share capital of 1,050,000 shares for US\$1,050,000. On 5 September 2015, the Company obtained approval from National Bank of Cambodia to increase its share capital from US\$1,053,000 to US\$2,103,000 through cash injection and transfer from retained earnings of US\$850,000 and US\$200,000 respectively.

The amendment of the Articles of Incorporation was acknowledged by the Ministry of Commerce ("MoC") on 26 February 2018.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.



Bad and doubtful loans

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and the making of allowances for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for doubtful loans in the financial statements of the Company, inadequate to any material extent.

Current assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen which render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Company as misleading or misappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial statements year other than in the ordinary courses of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.



Items of an unusual nature

In the opinion of the Directors:

- (a) The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any item, transaction or event of a material and unusual nature; and
- (b) There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no other significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

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

- Mr. Thun Vathana Chairman
- Ms. Khat Sokean Vice-chairwoman
- Mr. Khov Soviet Member

Directors' interests

None of the Directors held or dealt directly in the shares of the Company during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.



Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and during 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; and
- (v) control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 9 to 45 which present fairly, in all material respects, the financial position of CAMMA Microfinance Limited as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed in accordance with a resolution of the Board of Directors,



Mr. Thun Vathana
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 27 APR 2018

Madam Dith Nita
Chief Executive Officer



To the shareholders of CAMMA Microfinance Limited

Opinion

We have audited the financial statements of CAMMA Microfinance Limited (“the Company”), which comprise the balance sheet as at 31 December 2017, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 45 (hereafter referred to as “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards (“CAS”) and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, 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 basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Directors as set out on pages 1 to 5, and the annual report which is expected to be made available to us after that date.

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 on the other information obtained prior to the date of this auditors’ report, 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 Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Balance Sheet**

As at December 31, 2017

| Description | 2017 | | 2016 | |
|-------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | USD | KHR'000 | USD | KHR'000 |
| Assets | | | | |
| Cash on hand | 148,494 | 599,470 | 82,936 | 334,813 |
| Balances with banks | 26,951 | 108,801 | 21,072 | 85,068 |
| Balances with | | | | |
| National Bank of Cambodia | 105,833 | 427,248 | 105,570 | 426,186 |
| Loans to customers, net | 7,592,198 | 30,649,703 | 7,385,295 | 29,814,436 |
| Other assets | 122,452 | 494,339 | 120,612 | 486,910 |
| Property and equipment | 59,938 | 241,970 | 62,515 | 252,374 |
| Intangible assets | 43,442 | 175,375 | 48 | 194 |
| Deferred tax asset, net | <u>30,448</u> | <u>122,919</u> | <u>6,738</u> | <u>27,200</u> |
| Total assets | <u>8,129,756</u> | <u>32,819,825</u> | <u>7,784,786</u> | <u>31,427,181</u> |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Other liabilities | 156,438 | 631,541 | 94,799 | 382,704 |
| Current income tax liabilities | 52,873 | 213,448 | 63,623 | 256,846 |
| Borrowings | <u>5,318,975</u> | <u>21,472,702</u> | <u>5,023,472</u> | <u>20,279,756</u> |
| Total liabilities | <u>5,528,286</u> | <u>22,317,691</u> | <u>5,181,894</u> | <u>20,919,306</u> |
| Equity | | | | |
| Share capital | 2,103,000 | 8,489,811 | 2,103,000 | 8,489,811 |
| Retained earnings | <u>498,470</u> | <u>2,012,323</u> | <u>499,892</u> | <u>2,018,064</u> |
| Total equity | <u>2,601,470</u> | <u>10,502,134</u> | <u>2,602,892</u> | <u>10,507,875</u> |
| Total liabilities and equity | <u>8,129,756</u> | <u>32,819,825</u> | <u>7,784,786</u> | <u>31,427,181</u> |



Income Statement

For the year ended December 31, 2017

| Description | 2017 | | 2016 | |
|---|------------------|--------------------|------------------|--------------------|
| | USD | KHR'000 | USD | KHR'000 |
| Interest income | 1,444,169 | 5,830,110 | 1,354,914 | 5,469,788 |
| Interest expense | <u>(450,476)</u> | <u>(1,818,571)</u> | <u>(392,032)</u> | <u>(1,582,633)</u> |
| Net interest income | 993,693 | 4,011,539 | 962,882 | 3,887,155 |
| Provision for bad and doubtful loans | <u>(108,829)</u> | <u>(439,343)</u> | <u>(47,021)</u> | <u>(189,824)</u> |
| Net interest income after provision for bad and doubtful loans | 884,864 | 3,572,196 | 915,861 | 3,697,331 |
| Other operating income | 140,210 | 566,028 | 92,697 | 374,218 |
| Personnel expenses | <u>(491,913)</u> | <u>(1,985,853)</u> | <u>(365,633)</u> | <u>(1,476,060)</u> |
| Depreciation and amortisation expenses | <u>(51,345)</u> | <u>(207,280)</u> | <u>(38,586)</u> | <u>(155,772)</u> |
| General and administrative expenses | <u>(274,657)</u> | <u>(1,108,790)</u> | <u>(222,069)</u> | <u>(896,493)</u> |
| Profit before income tax | 207,159 | 836,301 | 382,270 | 1,543,224 |
| Income tax expense | <u>(58,581)</u> | <u>(236,492)</u> | <u>(70,996)</u> | <u>(286,611)</u> |
| Net profit for the year | 148,578 | 599,809 | 311,274 | 1,256,613 |





Statement of Changes in Equity

For the year ended December 31, 2017

| | Share capital | Retained earnings | Total |
|---------------------------------------|-------------------------|-------------------------|--------------------------|
| | USD | USD | USD |
| Balance as at 1 January 2016 | 2,103,000 | 348,618 | 2,451,618 |
| Net profit for the year | - | 311,274 | 311,274 |
| Dividend paid during the year | - | (160,000) | (160,000) |
| Balance as at 31 December 2016 | <u>2,103,000</u> | <u>499,892</u> | <u>2,602,892</u> |
| (KHR'000 equivalents - Note 4) | <u>8,489,811</u> | <u>2,018,064</u> | <u>10,507,875</u> |
| Balance as at 1 January 2017 | 2,103,000 | 499,892 | 2,602,892 |
| Net profit for the year | - | 148,578 | 148,578 |
| Dividend paid during the year | - | (150,000) | (150,000) |
| Balance as at 31 December 2017 | <u>2,103,000</u> | <u>498,470</u> | <u>2,601,470</u> |
| (KHR'000 equivalents - Note 4) | <u>8,489,811</u> | <u>2,012,323</u> | <u>10,502,134</u> |





Statement of cash flows

| | 2017 | | 2016 | |
|---|-----------------|------------------|--------------------|--------------------|
| | USD | KHR'000 | USD | KHR'000 |
| Cash flows from operating activities | | | | |
| Net profit for the year | 148,578 | 599,809 | 311,274 | 1,256,613 |
| Adjustments for: | | | | |
| Depreciation and amortisation expenses | 51,345 | 207,280 | 38,586 | 155,772 |
| Allowance for bad and doubtful loans | 108,829 | 439,343 | 47,021 | 189,824 |
| Net interest income | (993,693) | (4,011,539) | (962,882) | (3,887,155) |
| Income tax expense | 58,581 | 236,492 | 70,996 | 286,611 |
| Property and equipment written off | 58 | 234 | - | - |
| | (626,302) | (2,528,381) | (495,005) | (1,998,335) |
| Changes in: | | | | |
| Loans to customers | (315,732) | (1,274,610) | (1,518,720) | (6,131,073) |
| Other assets | (2,358) | (9,519) | (7,340) | (29,632) |
| Other liabilities | 60,618 | 244,715 | 22,320 | 90,106 |
| Cash used in operations | (883,774) | (3,567,795) | (1,998,745) | (8,068,934) |
| Income tax paid | (93,041) | (375,607) | (82,728) | (333,973) |
| Interest received | 1,444,687 | 5,832,201 | 1,343,205 | 5,422,519 |
| Interest paid | (449,455) | (1,814,450) | (383,875) | (1,549,703) |
| Net cash generated from/(used in) operating activities | 18,417 | 74,349 | (1,122,143) | (4,530,091) |
| Cash flows from investing activities | | | | |
| Term deposits | - | - | 200,000 | 807,400 |
| Purchased of property and equipment | (43,435) | (175,347) | (67,359) | (271,928) |
| Purchased of intangible assets | (48,785) | (196,945) | - | - |
| Net cash (used in)/generated from investing activities | (92,220) | (372,292) | 132,641 | 535,472 |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 7,205,111 | 29,087,033 | 7,016,208 | 28,324,431 |
| Repayments of borrowings | (6,909,608) | (27,894,088) | (5,961,012) | (24,064,605) |
| Dividend paid | (150,000) | (605,550) | (160,000) | (645,920) |
| Net cash generated from financing activities | 145,503 | 587,395 | 895,196 | 3,613,906 |
| Net increase/(decrease) in cash and cash equivalents | 71,700 | 289,452 | (94,306) | (380,713) |
| Cash and cash equivalents at beginning of the year | 104,428 | 421,576 | 198,734 | 804,873 |
| Currency translation difference | - | - | - | (2,584) |
| Cash and cash equivalents at end of the year | 176,128 | 711,028 | 104,428 | 421,576 |
| Cash and cash equivalents represented by: | | | | |
| Cash on hand | 148,494 | 599,470 | 82,936 | 334,813 |
| Balances with banks | 26,951 | 108,801 | 21,072 | 85,068 |
| Balances with NBC | 683 | 2,757 | 420 | 1,695 |
| | 176,128 | 711,028 | 104,428 | 421,576 |



រាជធានីភ្នំពេញ

កម្រៃយល់យកស្តារល

ថ្ងៃលេខ ១០១អា ផ្លូវ២៨៩ សង្កាត់បឹងកក់ទី១ ខណ្ឌទួលគោក
រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា ។

ទូរស័ព្ទ៖ (+៨៥៥)២៣ ៥៣៣ ៩៩៩៩ / ០៨៩ ៦៦៦ ០១៤

អ៊ីម៉ែល ៖ info@camma.com.kh

គេហទំព័រ ៖ www.camma.com.kh

HEAD OFFICE

#101A, Street 289, Sangkat Beoung Kak 1, Khan Toul Kork,
Phnom Penh, Kingdom of Cambodia.

Telephone: (+855)23 533 9999 / 089 666 014

Email: info@camma.com.kh

Website: www.camma.com.kh

សាខាអង្គស្នួល

ថ្ងៃលេខ ៣៨អា១ ផ្លូវជាតិលេខ៤ ភូមិស្វាយជ្រំ ឃុំបែកទាន
ស្រុកអង្គស្នួល ខេត្តកណ្តាល ។

ទូរស័ព្ទ៖ (+៨៥៥)៨៩ ៩៩៩ ១៧៤

អ៊ីម៉ែល ៖ ans@camma.com.kh

សាខាក្រុងតាខ្មៅ

ថ្ងៃលេខ (គ្មាន) ផ្លូវជាតិលេខ ១១៥ ភូមិព្រែកសំរោង
សង្កាត់តាខ្មៅ ក្រុងតាខ្មៅ ខេត្តកណ្តាល ។

ទូរស័ព្ទ៖ (+៨៥៥)៨៩ ៦៦៦ ០០៣

អ៊ីម៉ែល ៖ tkm@camma.com.kh