



ANNUAL REPORT

2018

25 Years of Record
as a Professional Financial Service Player.

YEARLY

PERFORMANCE HIGHLIGHTS

FINANCIAL PERFORMANCE

	2018	2017
Total Assets (in million USD)	263.67	221.02
Total Liabilities (in million USD)	229.4	190.86
Total Equity (in million USD)	34.26	30.17
ROA	1.69%	2.05%
ROE	12.71%	15.15%
Operational Self-sufficiency	114%	115%

GENERAL INFORMATION

	2018	2017
Number of Offices	83	83
Number of District Covered	157	158
Number of Commune Covered	1,187	1,193
Number of Village Covered	7,123	7,142
Number of Staff	1,688	1,662
Number of ATM/CDM	15	15
ATM Cards Issued	4,951	3,834
Fast Payment (Transaction / Amount)	(78 / USD 316,446)	(138 / USD 676,818)
Loan Outstanding (in million USD)	221.94	190.67
Number of loan account	77,801	83,405
Number of Saving Account	68,265	63,419
Values of Deposit Collected (in million USD)	131.21	97.02

SOCIAL PERFORMANCE

	2018	2017
Borrowers from Rural Areas+Semi-Urban	91.55%	91.71%
Women Borrowers	87.69%	88.11%
% of Loan to Vulnerable Clients (without collateral)	16.42%	25.51%
Client's Retention Rate	85.93%	87.27%

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Message from Chairman



into one company in order to better serve all of its valued customers, providing the full range of financial services across all segments of Cambodia's economy – from large corporate borrowers to small-

On behalf of the Shareholders and Directors of KREDIT Microfinance Institution, I am pleased to present to you KREDIT's 2018 Annual Report. This will be the last annual report to be issued under the name of KREDIT MFI, as its legacy of providing high quality and compassionate financial services to small-scale entrepreneurs continues on in 2019 and beyond within a new organizational home as KREDIT merges with Phillip Bank Plc.

In recent years, the financial services and banking sector in Cambodia has been undergoing major changes through an era of convergence. Convergence between microfinance institutions and banks is occurring as Cambodia's emerging economy continues to draw more people out of poverty. Microfinance institutions are moving up-market by providing larger loans to small and medium sized enterprises; meanwhile Cambodia's banks are moving down-market by providing small loans within the traditional microfinance space. As a result of this convergence, banks and larger microfinance institutions are beginning to look a lot like each other.

In this era of convergence, the shareholder and boards of KREDIT and Phillip Bank have decided to merge

scale rural farmers and entrepreneurs. The Board of Directors and Management of KREDIT have been deeply engaged in preparing for a smooth merger with Phillip Bank while at the same time ensuring that KREDIT maintains a high standard of financial services for its customers.

During 2018, KREDIT has continued to grow its loan portfolio, surpassing the US\$200 million threshold. KREDIT grew by 16.40% over the previous year with a loan portfolio of US\$221.94 million by the end of 2018. This was accomplished through KREDIT's broad network of 83 branch offices in 20 provinces, serving 7123 villages across the nation.

Depositors also continued to come to KREDIT as a secure place to save their money because of the very favorable interest rates we provide through our various savings products. By the end of 2018, KREDIT customers deposited US\$131.21 million in savings with us, an increase of 35.24% over the previous year.

And as KREDIT prepares to merge with Phillip Bank, we will continue to carry forward our strong core commitment to serve the most economically vulnerable



Mr. TIM AMSTUTZ, Board Chair

within the merged company. We have a dedicated social performance team who support our customers at the bottom of the economic pyramid by giving them the financial literacy and agricultural skills they need to succeed economically. We are proud that so many of our customers, their family members, and their communities have benefitted from the training we have been able to provide over the years. 42,793 participants have joined our Financial Literacy Training, 12,944 participants have received our Agriculture Training, and through our close cooperation with CCWC's (Commune Council Women's Committees) around the country, 155,412 participants have benefitted from our Child Rights Promotion and Parenting Training. We are happy to announce that these valuable support services to our customers will continue after the merger through a new local NGO we have established called *Koampia Phum Yoeung*, or Our Caring Village in English.

As we begin to close this chapter in KREDIT's long history of lifting the entrepreneurial poor of Cambodia out of poverty, we are grateful that this legacy will continue for many years to come within a new organizational home and under the name of Phillip Bank. Thank you for your ongoing interest and support during KREDIT's long and impactful history.

With best wishes and warm regards from the Shareholders and Directors of KREDIT MFI,

Mr. TIM AMSTUTZ
Board Chair



Message from CEO



still run business under conservative manner for the year due to National Election and merging activities that we are doing with a commercial bank.

KREDIT is also committed to social performance goals of

In 2018, with political stability and security, Cambodian economy growth rate was estimated 7.3% with National's Nominal GDP about KHR99,116 billion (USD 24.5 billion), making GDP per capita for the year USD1,563. The inflation rate remained low and manageable at some 3.5%. In the last 6 years, the country managed well exchange our local currency, Khmer Riel (KHR) to USD, ranging from KHR4,037- KHR4,062 per USD. The garment and textile, construction and real estate, and tourism sectors are all still driving factors to support Cambodia's economic growth.

company by continuing provision of many different complementary trainings to clients and communities. As result, up to Dec 2018, a total of 42,793 participants received financial training, 12,944 received agriculture training, and 155,412 received parenting training. We also continued our intervention to enhance hygiene and sanitation situation of rural schools and emergency release to clients. These said social activities will be continued even after we merged and become a commercial bank under a separate NGO which will be functioning as CSR arm of the merged bank.

Within this auspicious context, KREDIT continued enjoying the growth: total asset was USD263.67 million (up 19.29%), loan outstanding reached to USD221.94 million (up 16.40%), saving value collected up to USD131.21 million (increased 35.24%). KREDIT's non-performing loan was also in good position at 1.01% as PAR30+ and write-off 0.28%, better than last year and better compared to peer players. Within the year, we successfully introduced a new saving scheme, "Future Account" to the market and also started partnership collaboration with Pi-Pay, the most innovative and complete cashless payment platform in Cambodia. We

There are some milestones for the year, including 1) World Relief Corporation sold out the remaining shares to PhillipCapital, making PhillipCapital 100% shareholder of the company. 2) kick-off merging process between KREDIT and PhillipBank started and planned to be fully merged in 2019, 3) Kick-off development of Credit Scoring and Model Development for IFRS 9 Impairment (planned to be finished in 2019), and 4) Upgrading Core banking System from Flexcube version 12 to Flexcube version 14 also started in the year and planned to go live in 2019 also.



Mr. CHAN MACH, CEO

For the years to come and with many new developments as well as the merge to become a commercial bank, we will become a larger entity with bigger asset, more staff, wider network coverage, more modern technology and we sure we will be able to better serve with full range of financial services across all segments of Cambodia's economy – from large corporate borrowers to small-scale rural farmers and entrepreneurs.

Finally, I would like to express my appreciation to all of KREDIT's staff and management for their hard work and commitment; mainly this year. I also wish to thank our customers, the Board of Directors and shareholders, and other stakeholders for their continuous support to KREDIT and looking forward to greater opportunity, greater development and greater partnership for the years to come.

Mr. CHAN MACH
CEO





New Year Perspective from Shareholder Representative

In 2018, PhillipCapital became 100% shareholder of KREDIT Microfinance Institution and they planned to help KREDIT grow up to another step in the years to come. Following interview with Mr. ONG TEONG HOON, Director and shareholder representative of PhillipCapital, he will describe his future perspective and strategic plan for the company.



Mr. ONG TEONG HOON, Shareholder Representative and Director

1

PhillipCapital recently took the remaining shares and became 100% shareholder of KREDIT, which is one of leading Microfinance Institutions in Cambodia. Please share us, what is your impression as KREDIT's 100% shareholder?

A

Mr. ONG: I think there is scope for greater synergy between the PhillipBank and KREDIT MFI as we see the convergence of MFIs with banks. With ourselves being 100% shareholder, this makes it easier for us to collaborate further like engaging in a merger between these 2 entities.

2

What is your key strategic perspective for year 2019?

A

Mr. ONG: the biggest strategic action will be to merge the 2 entities.

3

What is your message to KREDIT's staff, customers, and other related stakeholders about this perspective?

A

Mr. ONG: For staff, a larger entity after merger will mean greater stability and job security. For customers, it means more products to be made available to them and for stakeholders, it means they have a stronger counter-party to deal with.

4

What is your future development plan for the company and how you see KREDIT grow in the near future?

A

Mr. ONG: The future development is for us to merge so that as one entity we can cover the full spectrum of customers, from micro finance customers to commercial banking customers. This will bring in more loans and deposits and consequently, more profits.

MACRO BUSINESS SCAN

01

- Cambodia Business Environment
- Bank and Microfinance Development



Cambodia Business Environment

After the national election in July 2018, the Cambodian People's Party (CPP) received all 125 seats in the National Assembly to lead the new government. The country has continued with peace, security, and political stability.

The national economy growth rate was 7.3% in 2018 while the nation's Nominal GDP was estimated about KHR 99,116 Billion (USD 24.5 Billion), making GDP per capita for the year USD 1,563. The inflation rate remained low and manageable at 3.5%. In the last 6 years, the country has managed the exchange rate of its local currency well, with the Khmer Riel to USD rate ranging from KHR 4,037 - KHR 4,062 per USD. Cambodian products worth USD 11.9 Billion were exported in 2018, up 4% over 2017.

Tourist arrivals reached 6.2 million in 2018, up 11.5% from the previous year, but the increase rate was slightly lower compared to last year at 11.8%. The majority of tourists were from China, followed by Vietnam, Laos, Thai, Korean, USA, and others. In the future, Chinese are projected to continue being the highest number of visitors to come to Cambodia, and expect to reach 8 million Chinese tourists per year by 2030. Cambodia plans to build more international airports - one near the capital city of Phnom Penh on 2,600 hectares of land, costing US\$1.5 billion and another in Siem Reap on 1,700 hectares with a capital investment of USD 900 Million. Cambodia has seen an increase of direct flights from more countries in recent years.

Construction investment capital last year was worth USD 5.228 Billion, down 18.66 % compared to 2017, employing about 220,000 workers with main investments from China, Korea, Japan, Thai, Taiwan, Singapore, and the UK. Besides Phnom Penh, there are some new areas of investment surging in Siem

Reap, Sihanoukville, Poipet, Bavet (on the border with Vietnam), and in Kep and Kampot provinces. Condominium supply in Phnom Penh has increased by almost 120%. Credit growth remains strong and is increasingly concentrated in the construction and real estate sectors. Further policy measures are needed to address elevated financial sector vulnerabilities.

Garment and Footwear - The sector has created 1 million jobs for Cambodian people, including 800,000 workers in clothing and footwear factories. The total number of factories has increased 4.1% to 1,585, including 146 newly established in 2018. The exports from this sector reached US\$10 billion (73.7% of total export) which was an increase of 24.7% from last year. The EU was the biggest garment market, accounting for 46%, followed by the USA at 24%, Canada at 9%, and Japan at 8%. This year the minimum base wage of factory workers increased to US\$170 per month, similar to Vietnam and higher than Bangladesh and Myanmar. Recently, the European Union (EU) is undertaking an assessment process to decide if it will continue it is Everything But Arms (EBA) free trade deal with the Kingdom.

Agriculture still contributed about 18% to the GDP, although its growth was 1.3% lower than 2017. Cambodia's rice exports increased in quantity about 2% and price increased 28%. China is the biggest importer of Cambodian rice, followed by France and Malaysia. This year the price of rubber remained depressed which made exports decrease by 12%. Cambodia and Bangladesh committed to a host of initiatives to enhance trade ties, including updating the terms of their 2006 trade agreement. Cambodia will consider importing Bangladesh's environmentally friendly jute gunny bags, which will be used for rice storage, as well as its pharmaceuticals, ceramic ware, leather hides



Cambodia Business Environment

and finished leather products. In return, Bangladesh will consider buying some of Cambodia's agricultural products, primarily corn, pepper, dried cassava and cashew nuts.

Over the year, from a total amount of US\$ 6.7 billion, almost 70% of total foreign investments came from Asia. Infrastructure was the largest investment sector at 39%, followed by the industry sector at 32%, and tourism at 23%. Chinese investors were the most active, accountable for 53.24% of investment, and by local investors at 29.77%.

Many more investments were observed during the year. Electricite Du Cambodge contracted with three

foreign companies to expand Phnom Penh's energy transmission and distribution systems in a project that will cost \$66 million with a concessional loan from the Japan International Cooperation Agency. The government aims to have every village in the country connected to the national grid by 2020. Infrastructure development has grown more rapidly in 2018, with expanded development of roads and improved official water supply systems. Construction began on a skytrain AGT Transportation system called Tramways. A Shuttle Train service launched during April 2018 to reduce traffic from the Phnom Penh International Airport to the Phnom Penh Railway Station (City Center). The service was offered free of charge for 4 months after launch.

Sources: NBC annual report 2018; CDC report 2018; Ministry of Transportation's website, NEC website, Phnom Penh Post, Khmer Time News, Cambodia Daily, IMF, World Bank website, ADB website, CEVA report.





Bank and Microfinance Development

Cambodia's financial sector continued to expand robustly in 2018, with outstanding loans and deposits maintaining double-digit growth across the sector, and bad loans remaining low. The industry is being modernized parallel to the growth of financial technology and has seen important upgrades in financing infrastructure and electronic payment services. These factors have reduced the operating costs and increased efficiency, thereby more effectively supporting the increase of business and investment activities.

By end of 2018, the Cambodian financial system had 43 commercial banks, 14 specialized banks, 7 micro-deposit-taking institutions (MDI's) including KREDIT, 73 microfinance institutions (MFIs), 273 credit rural operators, 15 leasing players, 14 payment services providers, 5 Third party processors, 1 credit bureau, 5 overseas representative offices, and 2,737 money exchangers. Total assets of the sector increased 19.4% (year-over-year) reaching to KHR 163.1 Trillion (or about USD 40 Billion). Total offices and branches of all financial institutions totaled about 2,309 nationwide and ATMs/CDMs about 2,112 machines.

Outstanding loans in the Kingdom's financial industry – a combination of banks and microfinance institutions – grew by 19 % to USD 24.5 Billion by the end of 2018, while deposits increased by 15.3 per cent to USD 22.1 billion. The bank loans amounted to USD 19.4 Billion, 20 % up from 2017 and deposits grew 14 % to USD 19.8 Billion. The outstanding balance of all loans in arrears in the banking sector was at 2.8%. Microfinance institution loans reached a total of USD 5.4 Billion while deposits reached USD 2.5 Billion. The microfinance institution industry's loan portfolio at risk was at 1% for the year. Payment System- Fast Payment, after launching in 2017 by the National Bank of Cambodia, now operates among 42 Banks and MFIs. 7 financial players launched mobile banking services in 2018, and Cambodia Shared Switch (CSS) has been operating since October 2017 by some banks and MFIs while others are preparing to launch in 2019. A new QR code-based

payment system had also been announced to improve payment security and integrate payment standards in the region. The online payment system will encourage more Cambodians to open bank accounts in the local currency, as people will realize the multiple benefits within the country and abroad of banking in Khmer Riel currency. As part of the first step of the plans, Cambodia has selected Thailand as its country partner. Both countries have been developing the QR system together and expect to be operational by the middle of 2019. The system will expand to other countries in ASEAN.

To promote riel liquidity, in 2018 NBC operated 12 times of Liquidity Providing Collateralized Operation (LPCO) to commercial banks and Microfinance institutions with a total amount of KHR 6,969 Billion or USD172.1 Million.

One micro-deposit taking institution (MDI) was reported as the first firm to list its corporate bond on the market. The International Finance Corporation (IFC) was one of their buyers while other buyers include banks and insurers.

However, financial institutions continue to draw on external funding, suggesting liquidity risks as global financial conditions tighten. Bank profitability has declined as interest margins have fallen and nonperforming loans increased. The true level of non-performing loans may be understated. Risks to the banking system have also grown from increasing household and corporate leverage. The interest rate cap of 18% imposed by the NBC in 2017, has increased the average loan size across the sector, as MFI's reduce their loan portfolio among smaller borrowers in order to increase operating efficiency. This has unfortunately pushed some borrowers to the informal sector.

The National Bank of Cambodia (NBC) called for citizens to exercise caution when dealing with online and mobile lending companies, as many of these lenders had not yet been authorized by NBC to provide the services.

Sources: NBC's annual report 2018; NBC's website; IMF's report 2018; Khmer Times; and Phnom Penh Post.

GOVERNANCE

02

- Board of Directors
- Executive Committee
- Committee at Board level



Mr. TIM AMSTUTZ, Chairman

Mr. TIM AMSTUTZ has been KREDIT's Chairman since he joined the Board in 2003. He is an American citizen who was born and raised in India. He returned to the U.S. to complete his university studies at Wheaton College in Illinois, USA. Mr. TIM worked for World Relief in a number of leadership roles since 1982, including various U.S.-based positions. He was responsible for launching and leading a number of groundbreaking programs for World Relief in Chicago, including its Legalization and Immigration programs, its Education Services program, and ultimately World Relief's National Immigration Resource Network of which he was the

Founding Director. During this time, he also served as Midwest Regional Director for World Relief's U.S. operations. Mr. TIM moved with his family to Cambodia in 2001 to serve as Country Director for World Relief Cambodia. In 2007, he was appointed as Asia Regional Director, overseeing World Relief's work in Cambodia, Indonesia, India, and China. Mr. TIM now serves as an independent consultant in organizational leadership and development, serving business and NGO clients in Southeast Asia. Mr. TIM's broad management and leadership experience provides a platform for him to speak and lead seminars at numerous conferences and events on trends and developments in microfinance, social entrepreneurship, organizational development and leadership. Mr. TIM divides his time between the US and Cambodia.



Mr. LIM HUA MIN, Director

Mr. LIM is the Executive Chairman of PhillipCapital Group of Companies and was also appointed as Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore. In 1997, he was appointed as Chairman of the Stock Exchange of Singapore (SES) Review Committee,

which is responsible for devising a conceptual framework to make Singapore's capital markets more globalized, competitive and robust. For this service, he was awarded the Public Service Medal (PBM) in 1999 by the Singapore Government. He served as a board member in the Inland Revenue Authority Singapore from 2004 to 2010.

Mr. Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey. In addition, obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.



Mr. ONG TEONG HOON, Shareholder Representative and Director

Chartered Bank, as a Management Trainee. For 25 years with the Bank, he had been through all aspects of Commercial Banking, apart from treasury function and he ended his banking career as Country Manager for the Bank in Cambodia in 2002.

This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions. Almost immediately after that, he joined Phillip Securities Pte Ltd, and had covered various functions, including a stint

Mr. ONG started working in the financial sector in 1977, first as a Money Broker and then, after a year, with Standard in Phillip Securities Thailand PLC as its Ag CEO and was last, the Director OTC Capital prior to assign to KREDIT PLC in 2012. Currently, he is also serving on the Board of Phillip Bank PLC, Cambodia that is part of Phillip Capital Group and on the Board of First Finance PLC, which is a micro-mortgage firm in Cambodia in which Phillip Capital Group is also a minority shareholder. He's currently volunteers as Chairman of Methodist School in Cambodia and board member of ESTEM EDUCATION, a Private Public Partnership with Ministry of Education Youth and Sports that introduces STEM Education to Yukhonthor High School.

Mr. Ong is a graduate from the University of Singapore with a Bachelor of Business Administration and an Associate of the Chartered Institution of Bankers since 1978.



Mrs. SREYHEM ROBERTS, Director

NGOs and businesses in Cambodia. Her professional

Mrs. SREYHEM is a Cambodian/ Canadian national with over 20 years of experience working and consulting with activity in the non-profit and business worlds includes administration, human resources management, accounting, business development, and project management. She is working as a General Manager for First Trust Co; Ltd, a property holding company.



Ms. ING VARONY, Director

Ms. VARONY is a Cambodian national holding master in Public Administration from the University of North Texas, Denton, USA and University of Cambodia in 2005. She has thirty years of experience working with NGOs/International organizations, especially the United States Agency for International Development (USAID) where microfinance institutions were her main responsibility. Prior to that, she worked in the Poverty Reduction and Economic Management Unit (PREM) a World Bank program

where the financial reform program introduced to the Ministry of Economy, Finance, and Councils of Minister. She has six years work experience with the Cambodian government, Ministry of Industry, Energy, and Mine where she helped in developing the manufacturing public sector. Varony has spent with Hagar International for five years as Programming Manager who managed two main programs including children and women. She has spent with The Harpswell Foundation (HF) for longer than six years as Senior Manager in Cambodia. Currently she does freelance consulting in monitoring and evaluation (M&E).



Mrs. TEA CHANSOTHEARY, Director

Mrs. SOTHEARY is a Cambodian national who has been involved in the Cambodia microfinance sector since its infancy more than 20 years ago. She has a broad wealth of experience having worked for a number of institutions covering nearly every level of operations including training, human resource, finance and audit and various senior management positions. She also served as a board member for various institutions and as a shareholder representative.

Beside microfinance, Mrs. Sotheary have served as finance manager for Hagar international; country manager for the Ratanak Foundation which is based in Vancouver, Canada. She has done consulting work in Finance, Audit, Development and Microfinance both within Cambodia and internationally for organizations such as World Vision, Child fund, World Relief, PACT, JICA and UNDP. Currently she resides in Yangon, Myanmar where she takes care of her family and does freelance consulting.



Mr. FONG KIM CHOY (PHILIP), Director

Mr. FONG is the founder of JM Asia Cambodia Pte Ltd. He is the lead consultant and trainer who is fully qualified and accredited trainer under the Singapore Government Work Skills Qualification Initiatives. He is a C-suited executive with more than 30 years international business experience. Mr. FONG is the master trainer with Century 21 Cambodia, a member of Century 21 global real estate brand.

qualified and accredited trainer under the Singapore



Mr. ANTHONY NASH, Director

Mr. NASH is the CEO of Complete Intelligence. As a thought leader on economics and risk, Mr. Nash is a frequent public speaker and a facilitator of strategic discussions with business and government leaders. He is a regular contributor to leading global media, which include regular sessions on CNBC, Bloomberg, BBC World and Al Jazeera. He is also a key contributor to regional economic and industry forums and closed-door corporate executive dialogues. Mr. Nash has a longstanding record of accomplishment of creating, inspiring, motivating and leading culturally diverse teams in developed and developing markets across EMEA, North America and Asia, where he has lived and worked for over a decade. Previously, Mr. Nash was VP of Consulting at IHS (formerly Global Insight) overseeing Asia and the Middle East. Prior to IHS, Mr. Nash built and led the global research and consulting business for The Economist (EIU) and initiated their first Asia acquisition (ClearState). He has also been a social entrepreneur, media entrepreneur, writer and consultant. Mr. Nash has a Master degree in International Relations from the Fletcher School of Law & Diplomacy at Tufts University and a BA in Business Management from Texas A&M University.

frequent public speaker and a facilitator of strategic discussions with business and government leaders. He is a regular contributor to leading global media, which include regular sessions on CNBC, Bloomberg, BBC World and Al Jazeera. He is also a key contributor to regional economic and industry forums and closed-door corporate executive dialogues. Mr. Nash has a longstanding record of accomplishment of creating, inspiring, motivating and leading culturally diverse



Executive Committee



Mr. CHAN MACH

Chief Executive Officer (CEO)

MACH, the first local CEO of KREDIT, was promoted from his Operations Manager position in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mach joined KREDIT initially in 1999 as an Auditor and Trainer. His managerial

potential was recognized and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed the Operations Director. Under his leadership, KREDIT became sustainable,

tripled its portfolio, and expanded its operations to nearly every province in Cambodia. Mach has completed 2 Master Degrees: MBA and MFB. He has attended numerous national and international courses related to microfinance and banking. Mach serves as board and committee member of Phillip Bank Plc and for the Cambodian Microfinance Association (CMA). He is recognized for his consensus-building leadership.



Mr. SOUNG ENGCHHAY

Chief Administration Officer (CAO)

ENGCHHAY joined KREDIT in 1996 through the Kampong Cham branch. He advanced quickly as a result of his hard work. He initially worked as the Translator, followed by the Branch Bookkeeper, the Deputy Branch Manager, Branch Manager,

Deputy General Manager, Head of Internal Audit Department, COO, and lately he was appointed as CAO.

He has attended numerous national and international courses related to microfinance and banking. He obtained a Bachelor's Degree

in Business Administration, specializing in Management, a Master's Degree in Management (MBA) and a Master's Degree in Finance and Banking (MFB).



Executive Committee



Mrs. SOK CHANTHEARA

Chief Finance Officer

THEARA joined KREDIT as Head of Finance in 2015. She obtained two Bachelor Degrees in Accounting and English Teaching in 2006 from RULE and IFL respectively. In June 2013, she successfully completed the ACCA program from the UK and

received full ACCA certification

in the same year. THEARA has

collected extensive experiences as

an external auditor with PriceWaterhouse

Coopers (PWC). She was in charge of

difference types of clients, including financial

services, corporate, garment factories, and local & international NGOs. In November 2018, she was promoted to Chief Financial Officer (CFO) of KREDIT.



Mr. SOK KIMCHHAY, Head of IT Department

KIMCHHAY is currently Head of IT, focusing on supporting the critical technology services mission in the organization. He oversees the organization security, data center, network infrastructure, core banking, E-Banking Service, and application development as well as successful technology utilization by leveraging the centralized system to automate the process and reduce the paperwork for cost efficiency. He holds the MSIT degree from Norton

University and Bachelor of Computer Science from Royal University of Phnom Penh. Besides this, he also obtained other training and skills certificates from both national and international related to microfinance, banking, security, and compliance. He received an ASEAN CIO AWARD as one of the most outstanding Chief Information Officers in 2015 from IDG.



Executive Committee



Mr. HEANG KIM, Head of Corporate Secretary Department

KIM has devoted his working life within microfinance industry since 2002 ranging from management of marketing and research, customer service, and donor relations. He set up and led the Marketing Department at KREDIT from 2008 to 2018, supervising 4 units/sections: research, customer service and field promotion, branding and communication, and social performance and donor relations. In 2018, KIM was promoted to a new role as Head of Corporate Secretary Department to provide daily assistance and management support to the CEO. The new roles cover business plan development and monitoring, reviewing, summarizing and discussing with the CEO on business proposals, dealing with company legal issues to related ministries, providing leadership and support to social performance and community development unit, ensuring quality of high-level company meetings, including board and annual general meetings (AGM) of shareholders, board risk committee, board audit committee, ALCO committee, credit committee, and executive committee. He is also serving as a member of KREDIT trustee board and used to serve as editorial board of a financial education programme, called “life and finance” supported by Oikocredit. KIM is now holding a BBA in marketing and an MBA in management; additionally, he attended numerous nationally and internationally recognized courses related microfinance and banking.



Executive Committee



Mr. HUY BUNHUOT, Head of HR Department

BUNHOUT holds Bachelor's Degrees of Law from Royal University of Law and Economics and Bachelor's Degree in Education from Royal University of Phnom Penh. He attended numerous national and international courses related to microfinance and banking. He joined KREDIT in 2000 as Administrative Assistant and in October 2003, he

was promoted to an Administrator. After that, he was promoted to HR Officer/Administrator. In Oct 2006, his substantial achievements were recognized, as he was appointed Head of the Human Resources Department.



Mr. ROM VANARA, Head of Credit and Branch Supervision Department

VANARA holds the position of Head of Credit and Branch Supervision Department since January 2017. He began his career with KREDIT in March 2001 as a Credit Officer. He then served as Assistant to Branch Manager, then Branch Manager, and Deputy Operations Manager and then in January 2012 because of his achievements he was appointed to be Head of Operations Department to be in charge of Branch Performance

Management, Counter process management, Credit process management, and loan recovery management. He obtained the Diploma of Accounting and Finance at CIDH institution, and then Bachelor's degree of English Literature at Build Bright University. In 2010, he graduated with a Master's Degree in Finance and Banking at Build Bright University.



Executive Committee



Mr. KIM RATANA, Head of Product Development Department

RATANA joined KREDIT in December 2005 and was promoted to many different positions, including Credit Officer, Field Coordinator of the Vulnerable Service Unit, Sub Branch Manager, Assistant to Branch Manager, and Branch Manager. In Dec 2012, he was promoted to Deputy of Operations Department and in August 2014, he was promoted to a Deputy of Product Development Department, and now serves as the Head of Product Development Department. He graduated with a Bachelor's Degree from the Royal University of Law and Economics in Economic Science specialized in Banking and Finance in 2005 and Master of Business Administration from Norton University in 2010.



Mr. EAR NHAR, Head of Administration Department

NHAR started working for KREDIT in 2009 as the Administration Unit Manager and later on because of his talent and commitment; he was promoted as Head of Administration Department in 2013. NHAR graduated with a Bachelor of Business Administration majoring in Accounting from Institute of Technology and Management (ITM) in 2006, and a Master of Business Administration in Finance from National University of Management (NUM) in 2010. NHAR was an administrative supervisor for a human rights organization for over 10 years. He continues to strengthen his skills through attending numerous trainings and workshops.



Executive Committee



Mr. YOS VEASNA, Head Of Training and Capacity Building Department

VEASNA has more than 14 years professional experience in Microfinance. He began his career in 2004 as an auditor with KREDIT and after three years was promoted to Vulnerable Service Unit Manager, responsible for developing community bank loans (microloan) to vulnerable people in rural areas. In 2009, he worked as a Senior Trainer and Training Unit Manager in the HR Department, and in 2014 he was appointed as Deputy Head of Training and Capacity Building Department

and in 2015 he was promoted to the position of Head of Training and Capacity Building Department. He obtained a Bachelor's degree of Finance and Banking at Norton University and a Master's degree of Finance Management from Royal University of Law and Economics. He has attended numerous courses related to Microfinance and Banking operation, Auditing, Training and Facilitation skills in Cambodia and overseas.



Mr. TUN VIBOL, Head of Marketing and Sales Department

VIBOL joined KREDIT in 2003 as a Branch Manager of one of KREDIT's largest branches. In recognition of his strong performance in attracting customers to KREDIT, he was promoted to be Head of Sales and Customer Service Department in 2016, then as Head of Marketing and Sales department at the beginning of 2018 .

Prior to working for KREDIT, VIBOL worked in senior positions with NGOs for more than five years. VIBOL holds Bachelor's and Master's degrees in Business Administration and has attended numerous courses related to microfinance and banking, management and leadership, marketing and selling skill, motivation, and training of trainers.



Executive Committee



Mr. HAY VANHOM, Head of Treasury Department

VANHOM joined KREDIT in 2002. He obtained a Bachelor's degree in Accounting and Finance, and a Master's Degree in Auditing. He has attended numerous national and international courses related to microfinance and banking. He initially worked as a Bookkeeper, then as Accountant, Internal Auditor, Accounting Manager, Deputy Finance Manager, Head of Finance Department and ultimately was promoted to be Head of Treasury Department.



Mrs. KEO KALYAN, Head of Operation Department

KALYAN joined KREDIT in November of 2018 as the Head of Operations Department. She has more than 17 years' experience in the microfinance sector in Banking Operations. She obtained a BBA degree in accounting in 2004 at NUM and an MBA in Finance Banking at IIC University in 2011. She has attended numerous courses related to microfinance and banking, management and leadership skill, negotiation skill, communication skill, customer service skill, marketing and selling skill, motivation skill, and training of trainers.



Executive Committee



Mr. CHIV SAMRIT, Head of Internal Audit Department

SAMRIT was succeeded and appointed as a Head of Internal Audit in May 2017. He has earned experience in the Microfinance sector for more than 12 years in Auditing, Risk, and other areas. SAMRIT was quickly promoted to Audit Team Leader in 2009 and he was promoted to Deputy Head in 2012 with more than forty subordinate in AMK Microfinance. SAMRIT contributes a lot to effective internal control and risk management in the company.

SAMRIT was an outstanding university student, obtaining both his BA and MBA degrees. He holds two Bachelor's Degrees in the same year: one in Accounting & Finance and another one in Physics in 2002 from National Institute of Management and Royal University of Phnom Penh respectively. SAMRIT obtained his

Master Degree in Management from Norton University in 2012. With more than 12-years working experiences in Microfinance and Banking sector, SAMRIT has gained a lot of leadership and management skills in a variety of areas, including Enterprise Risk Management, Risk Management Framework, Professional Leadership, Fraud control and Prevention, Audit Manager Tools and Techniques, Risk Base Audit Methodology, Professional Development and Innovation, Fundamentals of IT audit, Creative problem-solving techniques for auditor, Financial Management, and Corporate Governance. In addition to that, he attended numerous nationally and internationally recognized courses related to microfinance and banking.



Mr. HONG RY, Head of Risk and Compliance Department

RY joined KREDIT in 2006, initially serving in the position of Internal Auditor and then Senior Internal Auditor. In 2011, he was promoted to Risk and Compliance Unit Manager and he became Head of Risk and Compliance Department in 2017. RY obtained a BBA degree in accounting in 2004 at Institute of Technology and Management and an MBA at Norton

University in 2011. He has attended Risk Management Excellence training in Luxembourg and Risk Management Framework training in Thailand. He also participated various training courses in Cambodia on Risk Management, Auditing, and Compliance. Previously he was an accountant for three years with two different companies.



Committee at Board Level

To Support the Board of Directors and Management, the KREDIT Board has established three committees at the Board level including: **Audit Committee, Risk Committee, and Social Performance Committee.**

Audit Committee, chaired by an independent Board member

Roles of the Audit Committee

The Audit Committee performs the following general functions:

- Establishes and monitors compliance of all KREDIT operations according to operating policies, internal financial controls, and the corporate code of conduct.
- Reviews the findings of audits examination conducted by the Internal Audit department.
- Discusses and resolves disagreements between internal or external auditors and management.
- Inquiries about the external auditor's opinion on the competence of financial and accounting personnel and the internal auditors.
- Reviews the adequacy of internal control systems over financial reporting.
- Oversees the company's internal controls for safeguarding its assets.
- Evaluates the internal auditor's objectives.
- Reviews the internal auditor's work and assesses their performance and capacity.
- Ensures that the internal auditor's involvement in auditing the financial reporting process is well-coordinated with the work of external auditors.

Results of the Audit Committee in 2018

- The Audit Committee met four times in 2018, in March, June, September, and December.
- The committee has approved the annual internal audit department plan for the year 2019.
- The committee and Board Chair approved the internal audit department report for each business and internal control report 2018 of National Bank of Cambodia (NBC)
- The internal audit department reported directly to the Audit Committee.
- All key operations, business, and management were audited according to risk-based methodologies, which provide independent and objective assurance over the adequacy, sustainability, and effectiveness of the company's governance, internal control, and risk management process.
- The internal audit department examined the strategies of the company, the adequacy, and effectiveness of the relevant policies, procedures, and regulatory guidelines.
- The internal audit department discussed the result of all assessment with management and reported its observation/findings, recommendations, and opinions, via a structured process to the Audit Committee.
- Within the year 2018, the internal audit department conducted 128 audits in which 119 were on operational scope (105 branches audit and 14 departments audit) and 9 special cases.

It is the opinion of the Audit Committee that the internal controls, audits procedures, and risk management process are adequate to safeguard the company's assets and to provide sufficient assurance and integrity of the financial accounts.



Committee at Board Level

Risk Committee, chaired by an independent Board member

Risk Management Committee (RMC)

The Board of Directors established the Risk Committee, in 2012 according to Board Bylaws Article V. Its mission is to assist the board and related departments of KREDIT to identify, measure, control, and mitigate risk at all levels of the organization. Its objective is to discharge the duty of Board of Directors to protect the interests of the shareholders by overseeing the risk of the organization, and to make recommendations to management on any decision and/or activities needed to mitigate risk for the whole company.

Roles of the Risk Committee:

The Risk Committee performs the following general functions:

- Critically assesses KREDIT's business strategies, processes, and plans from the risk perspective.
- Analyzes future risks including trends and provides comments to management.
- Monitors procedures for compliance with government regulation.
- Reviews all policies and procedures for risk mitigation.
- Sets out the nature, role, responsibility and authority of the risk management function with the outline of the scope of risk management framework.
- Reviews critical risk management activities of KREDIT as reported by the management and ensures that all requirements of the policy are being complied with.
- Suggests or recommends to management any pre-emptive action for any external factors influencing the company's operation such as political, economic, or regulatory factors.
- Reviews and estimates the integrity of the risk control system and ensures that the risk policy and strategies are managed effectively.
- Reviews and approves risk policies.
- Through reports generated by the Risk and Compliance Department or ALCO committee, it makes suggestions or recommendations to the management for any action to mitigate risk, risk acceptant or risk transfers

Achievements of BoD Risk Committee, risk, and Compliance Department in 2018

- The BoD Risk Committee met four times in 2018, in March, June, September and November.
- During the year, there were significant steps taken as follows:
 - Enhancing risk culture and governance in KREDIT to ensure that our risk management is able to respond to current and future business operational risks.
 - Reviewing regular reports on risk and compliance and report high risk issues or concerns to the Board
 - Providing oversight of KREDIT's risk management framework and significant inputs for enhancing our internal risk management practices.
- 88% of new products and processes have been done risk assessment
- Conducted Disaster Recovery Plan testing completely



Committee at Board Level

- Submitted Liquidity stress test Report to NBC
- Assisted in developing credit scorecard and IFRS 9 impairment completely
- Updated counterparty risk assessment result for 2018
- Implemented new engine search for blacklist clients with audit trail tracking
- Credit Scorecard validation policies and procedure was approved
- Risk indicator/risk appetite policy and procedure was approved
- Compliance policy was drafted
- Completed annual update on compliance checklist and annual Anti Money Laundering / Combating Financing to terrorist (AML/CFT) Report.
- Creates and reviews Social Performance Indicator to ensure they remain relevant to the strategic growth of KREDIT.
- Studies, initiates, proposes and implements relevant and impactful initiatives and programs to achieve both the short-term and long-term social performance goals of KREDIT.
- Comes up with measurements tools to measure and track the social performance activities of KREDIT approved by BoD.
- Establishes working groups with specific tasks and authorized to take any independent professional advice, as it considers necessary to assist the Committee.
- Manages the budget of KREDIT's Social Development Fund, current year and accumulated funds, approved by the Board and set aside by management of KREDIT to ensure the various strategic social programs and initiatives are carried out professionally and prudently; and to ensure the results and impacts of these fund disbursements are an integral part of KREDIT's overall social goals among its most vulnerable clients.
- Validates action plans and budgets related to social performance management , and monitors the implementation of the activities and programs to ensure quality and effectiveness.
- Monitors the trend of the endorsed indicators in the context of the market and country developments. In addition, report to the Board on any significant changes and analysis of the causes of key changes as well as recommend appropriate plans and actions to ensure KREDIT keeps to the core of these social performance expectations and achievements.

Social Performance Committee, chaired by an independent Board member

Roles of the Social Performance Committee:

The Social Performance Committee performs the following general functions:

- Sets clear goals and objectives and creates strategies to ensure that Board of Directors, Management, and Employee are aware of the goals and objectives and committed to achieving them in line with the universal standards as established by the Social Performance Task Force (SPTF) a coalition of social lenders and socially conscious MFI's committed to researching and following best practices in principles of community development.



Social Activities in 2018

- Continue a process to establish a separate NGO in conjunction with plans to merge with Phillip Bank
- 42,793 participants joined Financial Training
- 12,944 participants joined Agriculture Training
- 155,412 participants joined Child Rights Promotion and Parenting
- 168 Communes impacted from Child Rights Promotion and Parenting programs
- 77 sets of hand-washing facilities built for 77 primary schools.
- 15 preschools built
- 346 of Education Loan customer with totaling amount \$375,950
- 355 of families' death clients have written off loan totaling \$120,813

KREDIT

OVER VIEW

03

- About KREDIT
- Vision and Mission
- Milestone
- Top Branch Performance
- Interactive Communication Channels
- Business Partner
- Organization Chart



About KREDIT

KREDIT is one of the largest microfinance institutions (MFIs) in Cambodia established by World Relief US in 1993 as an International NGO. The organization became a Private Limited Liability Company in 2003 in response to the requirement of the Banking and Financial Institutions Act (2000) for organizations with a portfolio and clients above the stated threshold to become a licensed MFI in 2004. In 2010, KREDIT received another upgrade of license to Micro Deposit-Taking Institution (MDI) from the National Bank of Cambodia (NBC).

Currently, KREDIT is 100% owned by Phillip MFIs Pte Ltd, which is a member of the Phillip Capital Group based in Singapore, is a holding company for the Group's long-term investments in Cambodia. Since 1975, the

Phillip Capital network has grown into an integrated Asian financial house with a global presence that offers a full range of quality and innovative financial services. In Cambodia, in addition to wholly-owning KREDIT MFI PLC, it also owns Phillip Bank Cambodia, Phillip General Insurance PLC, and Phillip Life Assurance Cambodia PLC.

KREDIT is actively providing diverse and innovative financing and non-financing services to clients with the majority living in rural communities. Over its 25 years of experience, KREDIT has consistently focused on its vision and mission to help poor and vulnerable families with ready access to financial services to improve their lives.





VISION

To contribute to the social and economic development of communities by enabling the economically active poor to improve their lives.

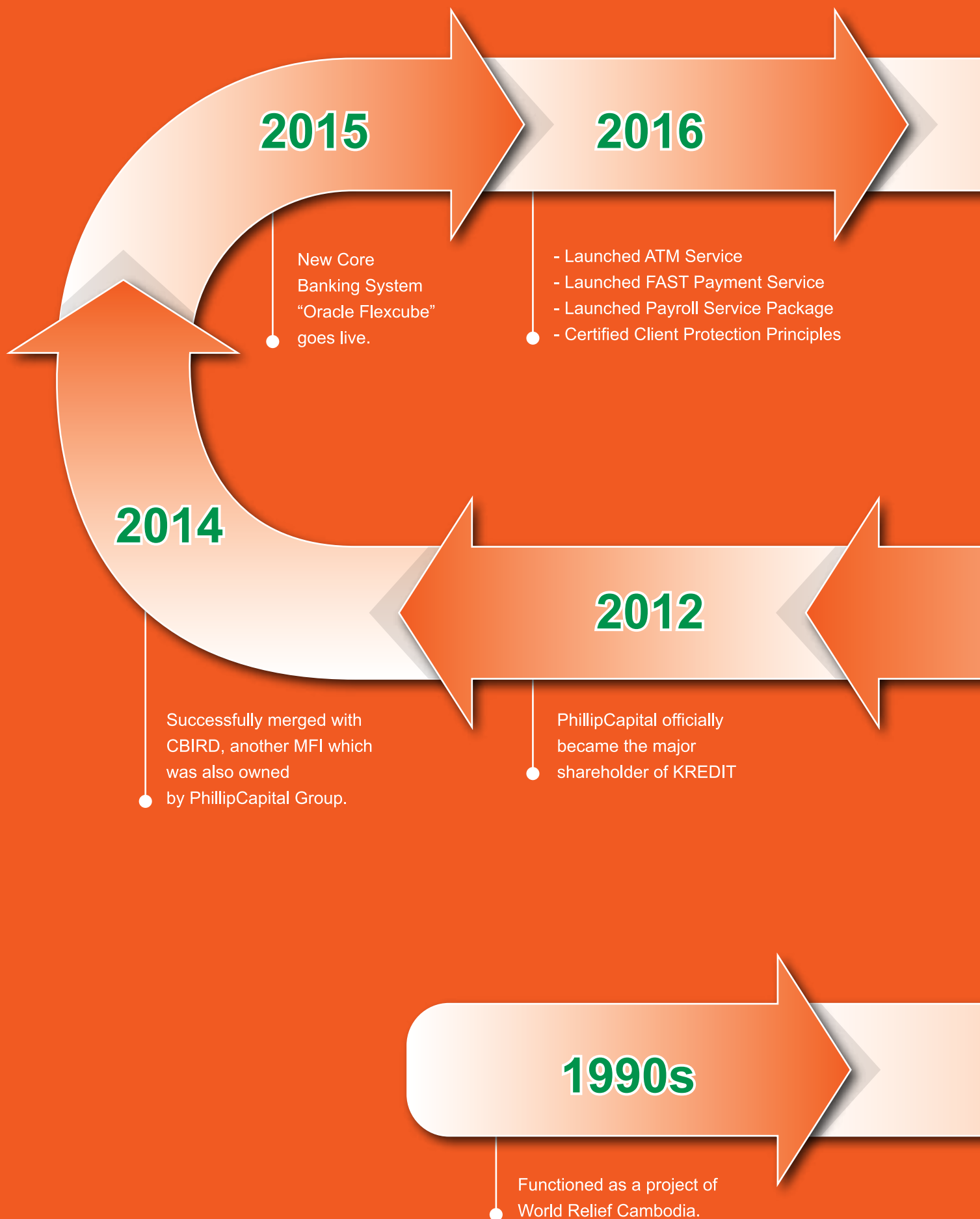


MISSION

To be a reliable and well known financial institution that provides diverse and innovative financial solutions to communities, serving and protecting our clients while maintaining organizational sustainability with a commitment to the poor.

CORE VALUE







MILESTONE

2017

- Launched loan repayment service through TRUEMONEY CAMBODIA partnership.
- Launched Life Insurance Program with Cambodia Life Insurance Plc partnership.
- Launched Parent and Child account.
- Home Improvement Loan
- Working Capital Loan
- Personal Loan
- Data Quality Award from Credit Bureau Cambodia (CBC)

2018

- KREDIT has reached its 25th growth year! This major milestone recorded by KREDIT is an important reminder of KREDIT's growth and adaptation from a small NGO project to its current position as a stable and leading Microfinance Institution in Cambodia: In 2018, its 25th anniversary year ...
- PhillipCapital became the sole shareholder of KREDIT, owning 100% of it's share capital.
 - KREDIT launched a new deposit product called "Future Account", allowing customers to plan and achieve their savings goals.
 - KREDIT established a partnership collaboration with Pi-Pay, the most innovative and complete cashless payment platform in Cambodia.

2011

- Revised vision, mission, and core values as well as name and logo.
- Summited the request to the NBC for approval on the restructuring of shareholders: PhillipCapital to get in while World Relief Canada and World Hope to move out.

2010

Received Micro Deposit-Taking Institution (MDI) license from the NBC, so that KREDIT can collect saving from the public. Social performance paper developed and approved in principle by the BoD.

2004

- Secured the license from the NBC as a formal microfinance institution (MFI)



Top Branch Performance



**Mr. Pok Sakhorn
Kamreang**

Secret Successful Keys:

- Quality focused and fast customer service oriented
- Work commitment and work hard.
- Leading by example Success comes from contribution from every staff who work with full commitment and share good experience to each other.
- Improving our knowledge and skill to stand strongly at the competitive market
- Shared achievement, happiness and sadness with the staff
- Knowledge about competition and find the strategy to market
- penetration Set plan and take action who staff poor productivity
- By inspiration Well-Supporting and coaching to all staff by example
- Inspiration to who staff high productivity with quality



**Mr. Ou Dara
Krong Siem Reap**

Secret Successful Keys:

- Work commitment and work hard.
- Sharing good experience with my subordinates
- Recognizing staff's achievement and productivity
- Sharing and remaining my staff about loan policy, procedure, guideline, and memo
- Building staff contribution with full commitment and knowledge.
- Management skill: Following up and monitoring.



**Mr. Met Sopanha
Krong Battambang**

Secret Successful Keys:

- Work commitment and work hard.
- Best productivity comes from everyone in the branch
- Inspiring staff to love KREDIT whole-heartedly
- Teamwork results from participating, sharing, supporting, and constructing
- Management skill: Following up and monitoring for best achievement
- Motivation is the best way to boost productivity. Build good working environment and build trust for staffs
- Accept all constraints from staffs and provide flexible and creative solutions for them
- Approach good strategies and action plan for staffs for high productivity
- Well-known the market competition and penetration



Operating Provinces



ATM location



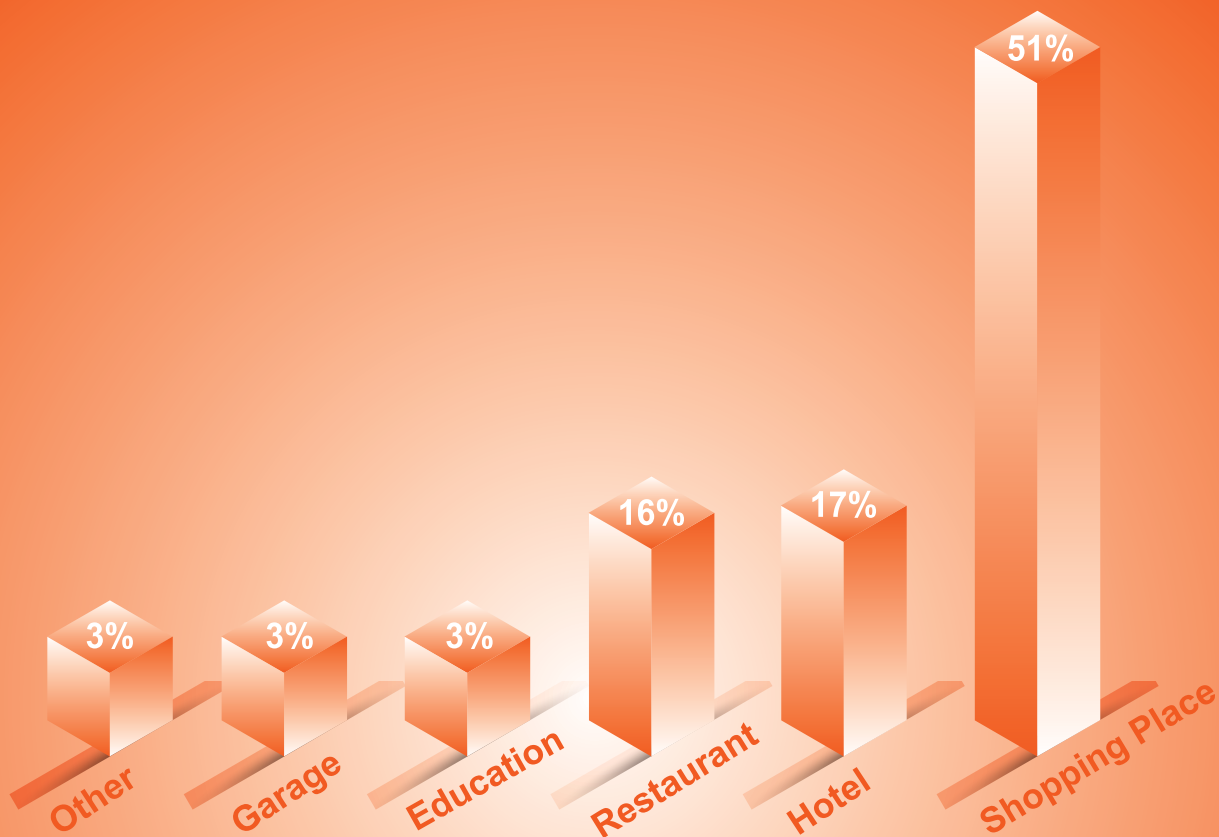
Potential Provinces





Interactive Communication Channels







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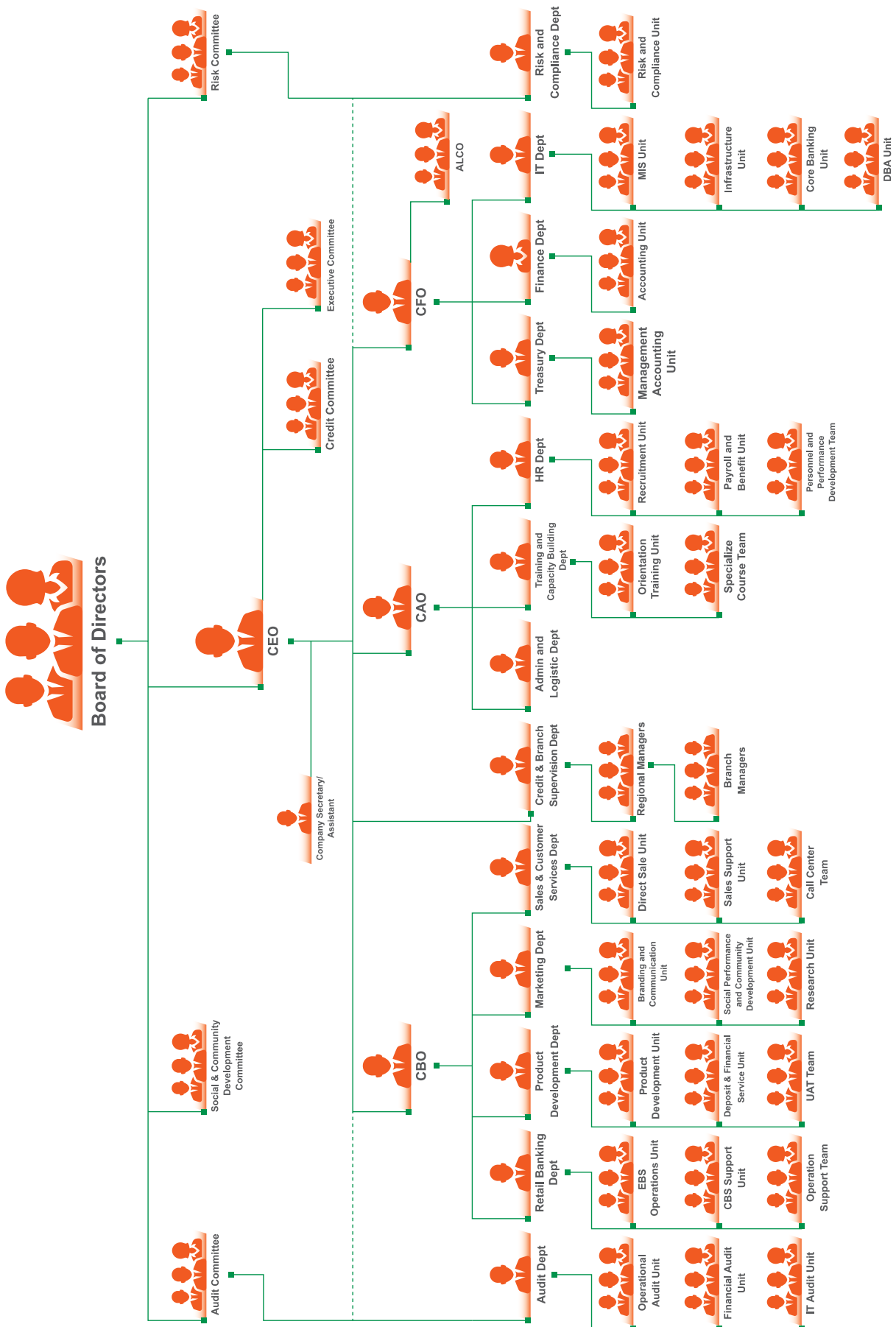
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Organization Chart



BUSINESS PERFORMANCE

04

- Operating Performance Report
- Risk Management Report
- Lender, Partner, and Networks
- KREDIT's Products and Services review
- FUTURE account, New Product launched
- Auto Reward, Public Campaign for the year
- KREDIT and Phillip Bank joint together for Social Responsible
- Capacity building among staff for 2018
- Social Performance Report



Operating Performance Report

Operational Area and Office Outreach

KREDIT continues to be the one of leading MFIs in Cambodia. Its high efforts and commitments on quality of products, customer orientation, customer caring, and respect as well as operational risk management, has helped KREDIT to achieve its mission and reach the yearly targeted plan.

As a result, at the end of 2018, KREDIT has been operating through 83 branch offices in 20 provinces and cities through out the country.

Number of Offices 2018	83
Number of Provinces 2018	20
Number of Districts 2018	157
Number of Communes 2018	1,187
Number of Villages 2018	7,123

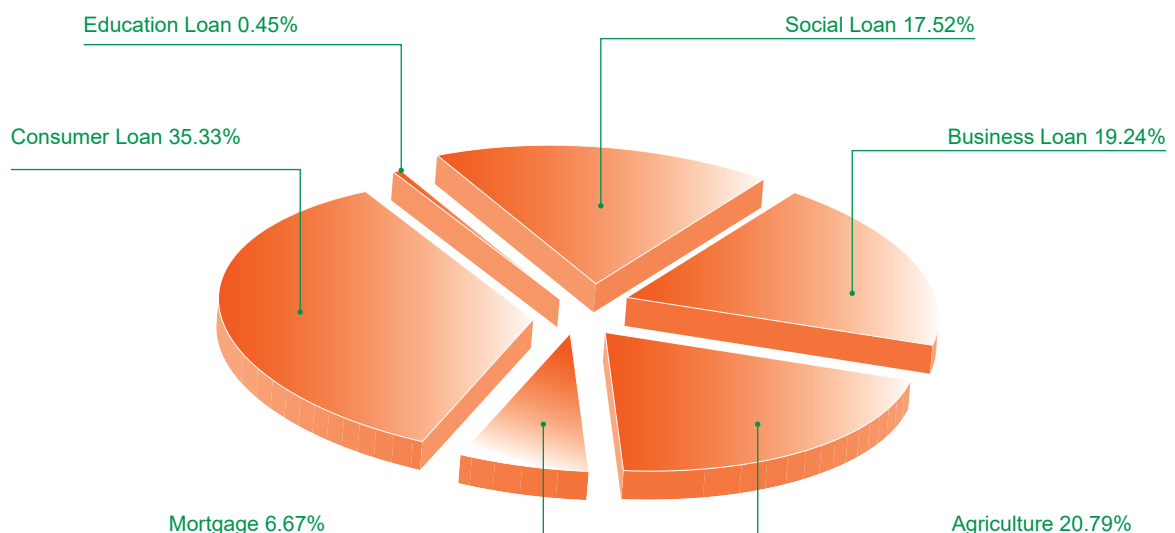
Loan Performance

KREDIT has provided many types of loans to serve customers' needs, including Business Loans, Consumption Loans, Home improvement Loans, Agriculture Loans, Working Capital Loans, SME Loans, Personal Loans, Education Loans, Solar Loans, and Community Bank Loans. By the end 2018, KREDIT

grew by 16.40% reaching a total loan portfolio of USD221.94million.

The largest percentage of clients by loan sectors in 2018 were in Consumer loans at 35%, followed by Agriculture loans at 21%, and Business loans at 19%.

Percentage of Client

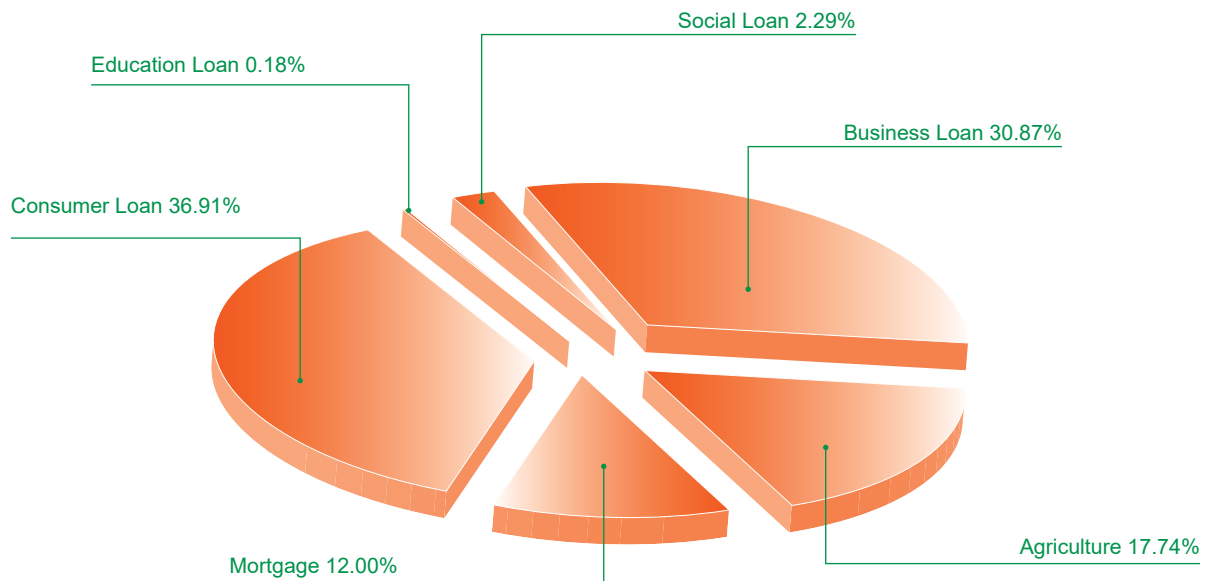




Operating Performance Report

The percentage of loan products based on the amount lent was led by Consumer Loans at 37% of the total loan portfolio, with the runner up being Business Loans at 31%, and Agriculture Loans at 18% of the total loan portfolio.

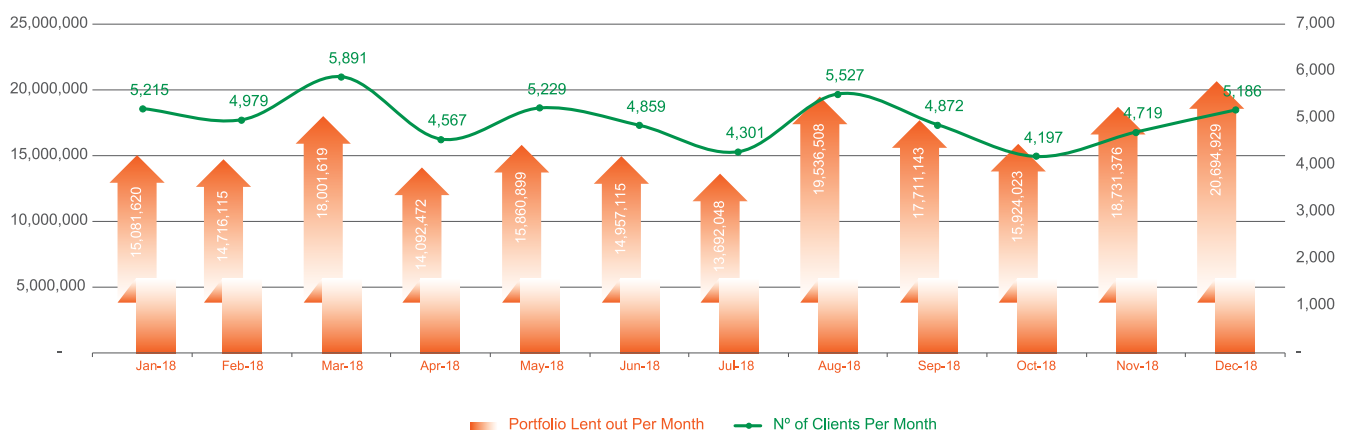
Percentage of Loan



Monthly Disbursement of Year 2018

In 2018 KREDIT disbursed loans total USD 221,942,586.126 to 77,801 borrowing clients. Here in the monthly disbursement trend for the year:

Trend Disbursement FY-2018

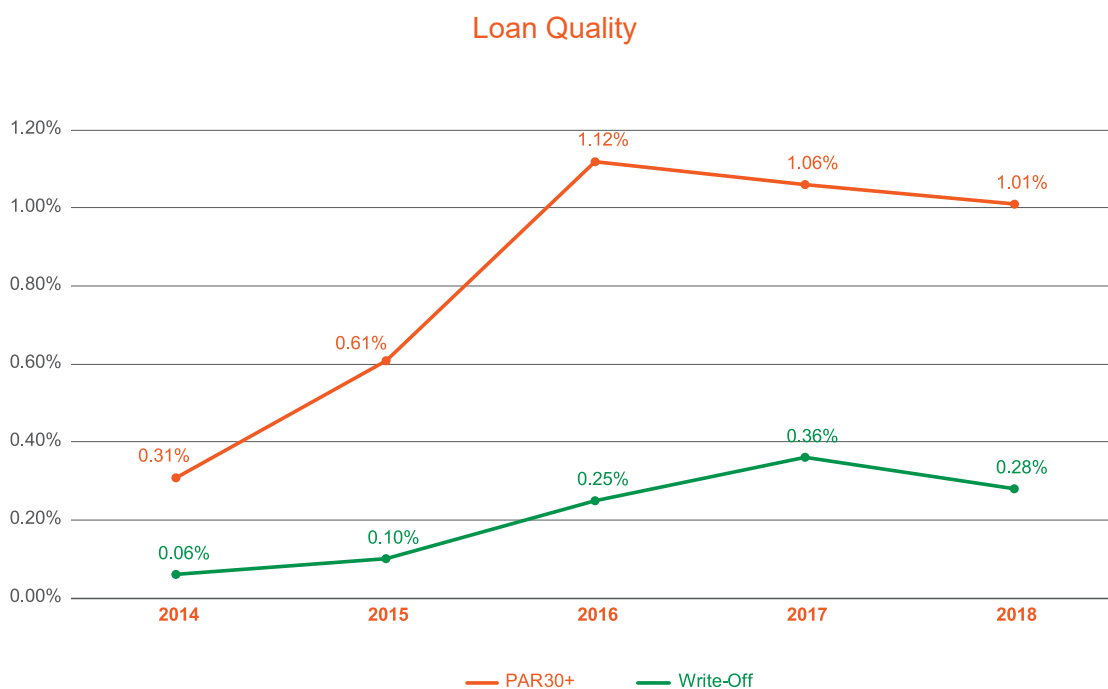




Operating Performance Report

▪ Loan Quality Structure

KREDIT's loan quality was higher than the industry standard performance. As of December 2018, the portfolio at risk (PAR30+) ratio of KREDIT was 1.01% and the percentage of write-off was only 0.28%.



▪ Staff Productivity and Workload

KREDIT has improved its staff productivity over the past years. On average, the loan outstanding per Credit Officer/Loan and Saving Officer (LSO) as well as per total staff has increased as shown below, although the number of borrowers per staff has declined.

Number and Value of Loan	2014	2015	2016	2017	2018
Amount Outstanding / CO&LSO (in USD)	230,465	228,374	248,381	312,578	370,521
Borrowers or borrowing account / CO&LSO	205	156	137	126	130
Amount Outstanding / Front line staff (in USD)	147,119	144,142	158,136	200,497	235,858
Borrowers or borrowing account / Front line staff	131	99	88	81	83
Amount Outstanding / Total staff (in USD)	79,433	77,736	84,766	114,725	131,482
Borrowers or borrowing account / Total staff	71	56	56	50	46

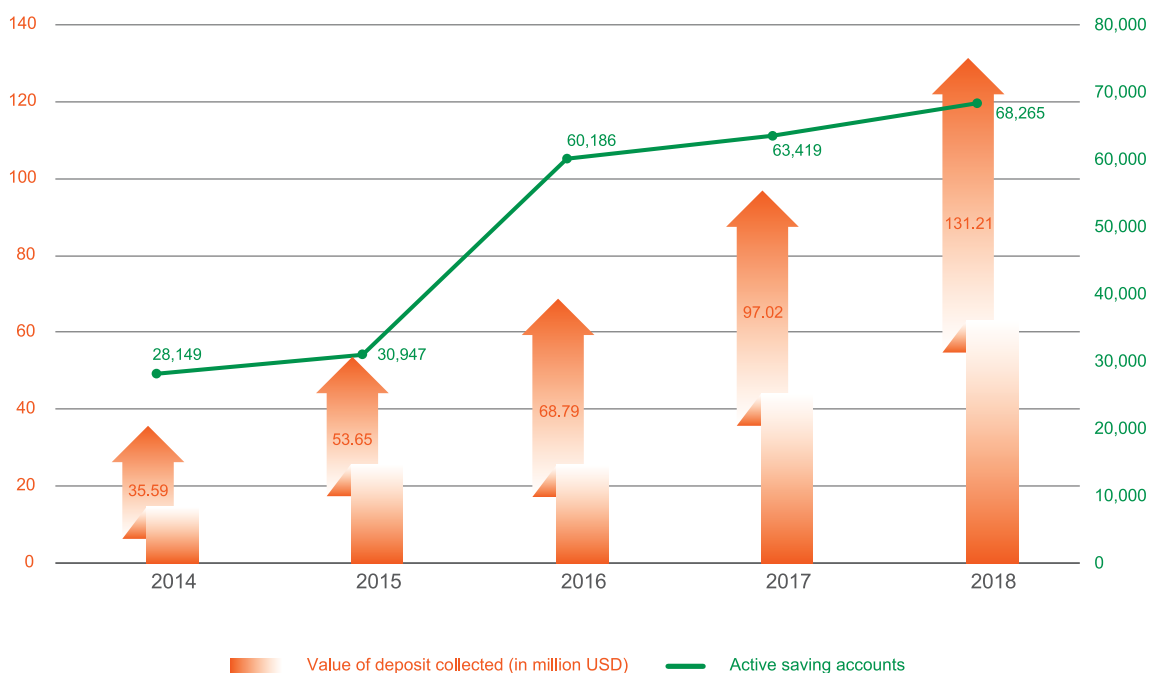


Operating Performance Report

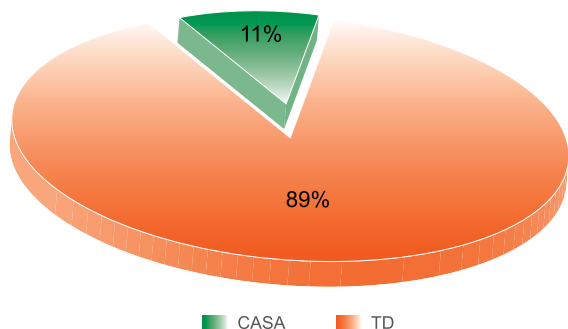
▪ Deposit

As of December 2018, KREDIT is managing 68,265 accounts, an increase of 7.64 % from last year, with a total value of savings collected at USD 131.21million, an increase of 35.24%.

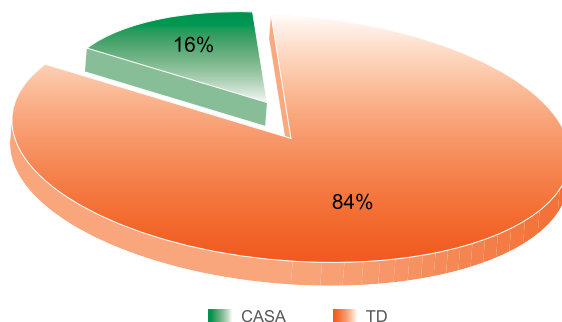
Deposit Performance



Percentage of Money collected by products



Percentage of Saving account by products

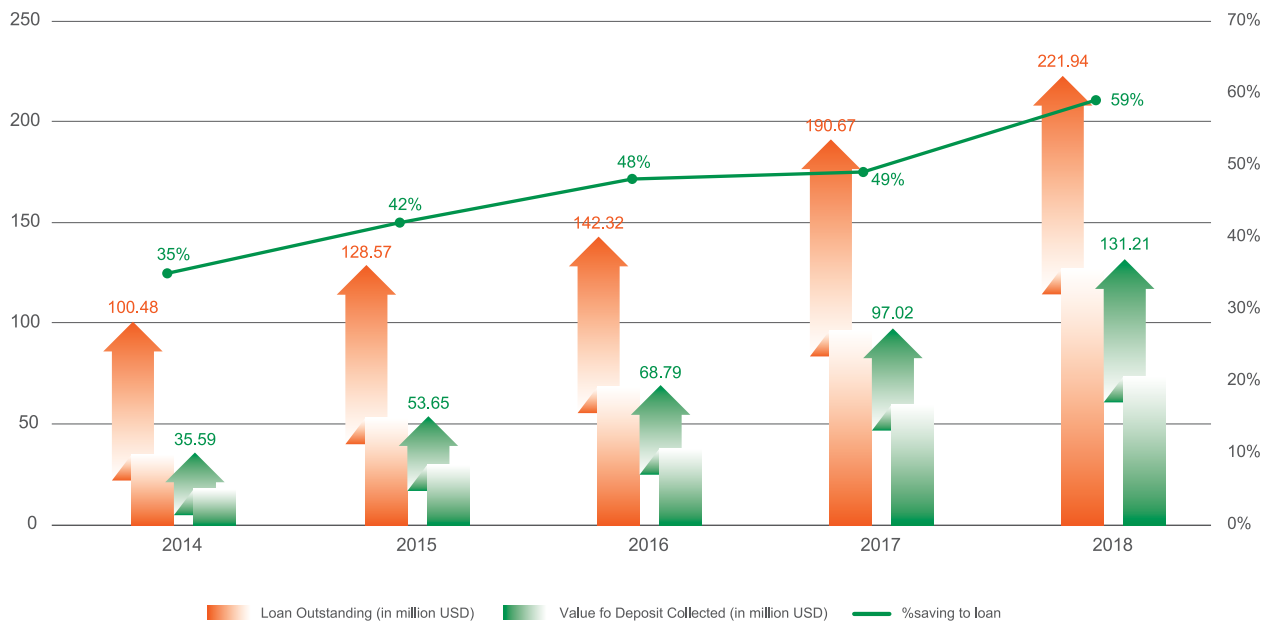




Operating Performance Report

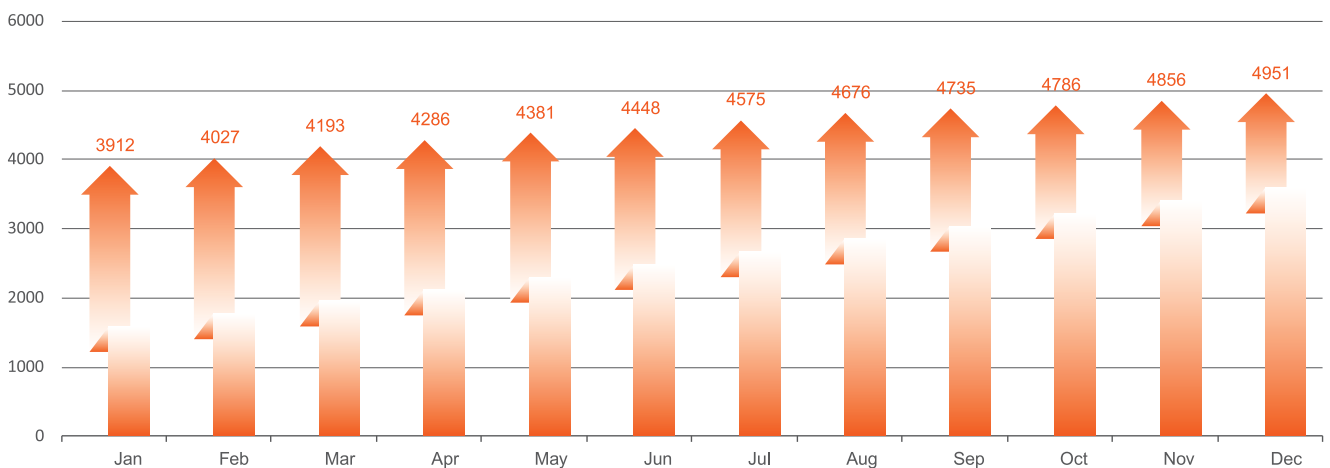
The below chart shows the relationship between loan and savings performance from one year to another. Savings to Loan has increased by 59% in 2018, which is higher compared to 2017 when it was 49%.

Percentage Saving to Loan Outstanding



ATM/CDM Service (K Card)

K Card holders have enjoyed KREDIT's 24/7 ATM services free of charge. As of December 2018, 4,951 K Cards issued and used by clients, with accumulated of 4,807 card users have added at the end 2018. Here in the trend of cards issued since January to December 2018.



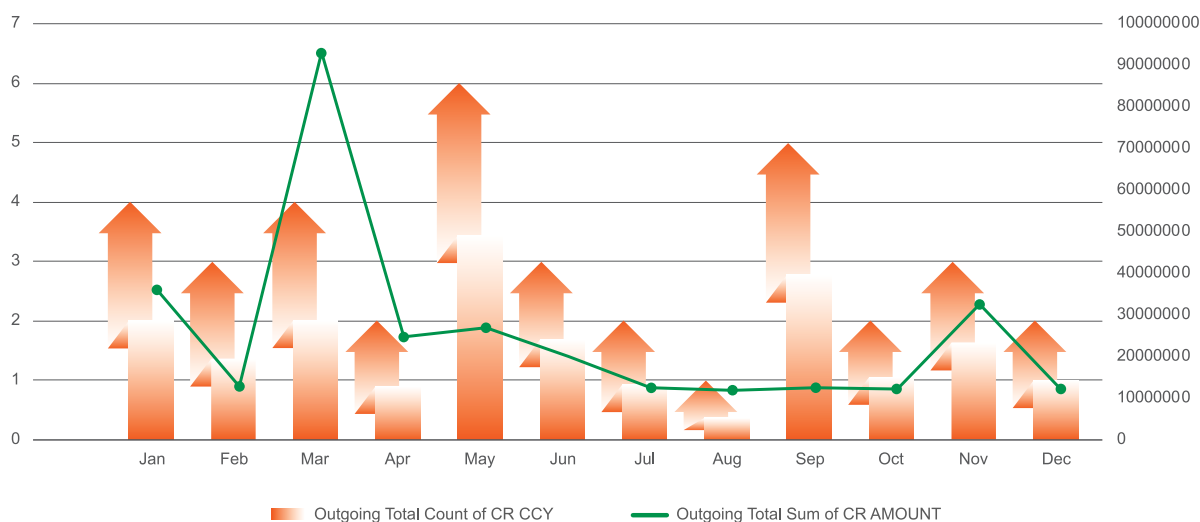


Operating Performance Report

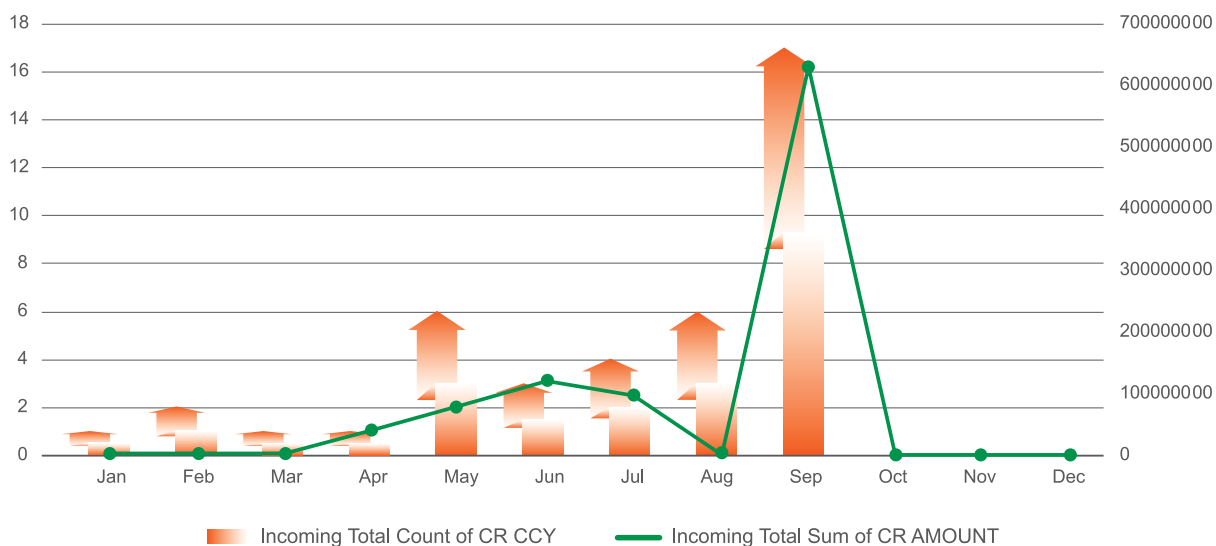
FAST Payment

By the end of 2018, we performed transactions through the FAST Payment service operated by the National Bank of Cambodia with total cash transactions of KHR 1,281,607,400 million or about USD 316,446.27 in which 37 were outgoing and 41 were incoming transactions.

Fast Payment 2018 - Outgoing



Fast Payment 2018 - Incoming



Payroll Service

KREDIT launched its Payroll Service to serve its business customers and help clients save time in preparing and managing payroll for staff, so that the company or organization can focus on their business operations. KREDIT's Payroll Service gives peace

of mind and improves the operating efficiency for companies or organizations who wish to reduce the administrative and record keeping burden of payroll by out-sourcing this function to KREDIT's professional team.

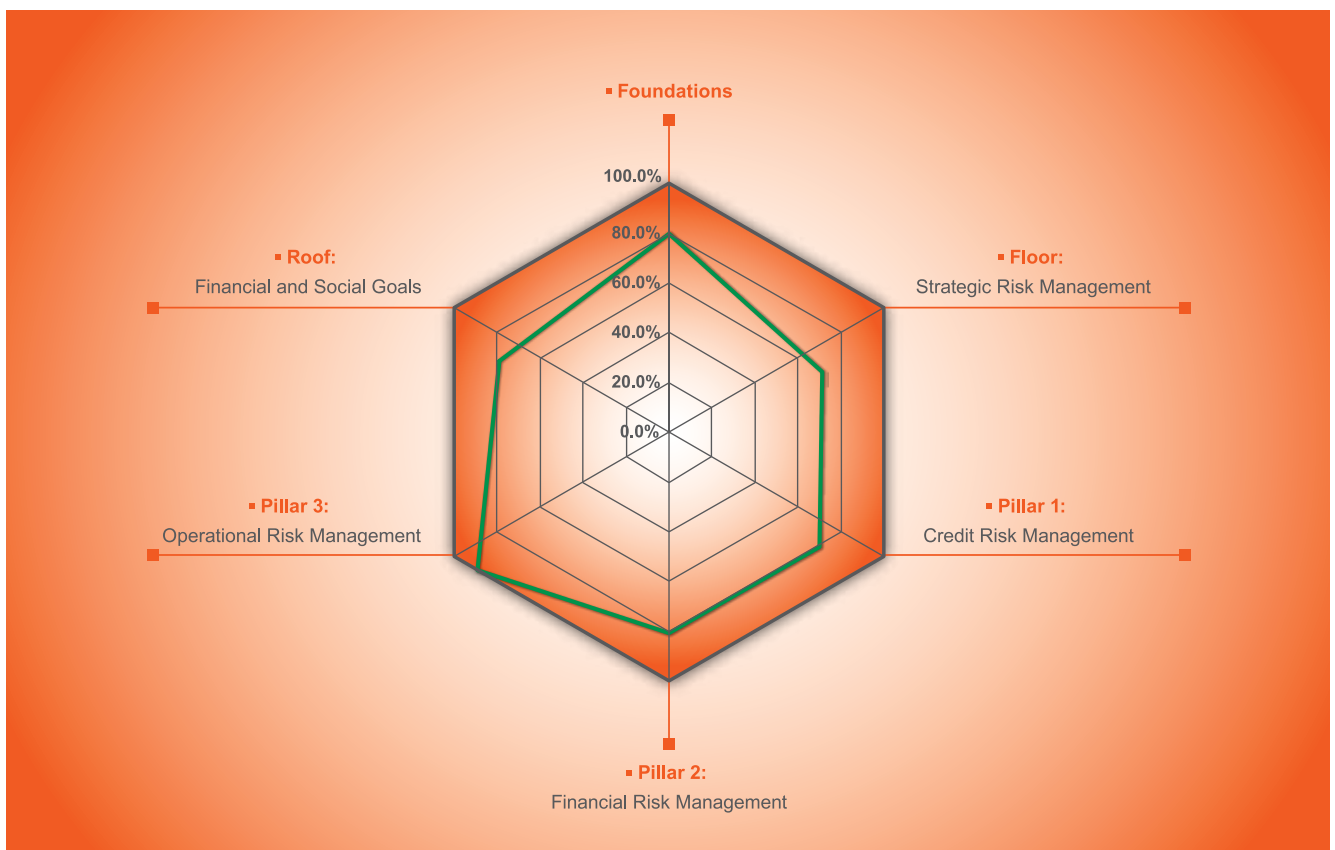


Risk Management Report

The risk management function plays an important role in managing various risks within the company and in supporting the achievement of its business goal by considering risk into decision making. KREDIT has adapted the 3 lines of defense model to embed strong risk culture into the day-to-day business operations and decision-making of the company with the purpose of establishing the proactive and robust risk management mechanisms to mitigate risks more effectively

From its overall risk assessment conducted by using Risk Management Graduation Model (RMGM) with an assessor from Risk management Initiative in Microfinance (RIM), it shows that KREDIT achieved a good score of adherence level in six categories measured—higher adherence level means lower risk level.

KREDIT MFI Score Summary



In this scoring, KREDIT did not see any significant risks in its operations particularly in the area of financial risk, credit risk, and operational risk with few items to be improved.

Financial Risk Management

Financial risk is the risk of financial losses and negative social performance related to the maturity, currency, re-pricing, and concentration structure of an MFI's assets and liabilities. As MFIs face product differentiation among loan assets and more choices in funding



Risk Management Report

sources, it becomes increasingly important to manage these risks effectively.

Liquidity Risk – Liquidity risk is the risk of financial losses and negative social performance related to the inability to meet current cash obligations in a timely and cost-efficient manner, to have adequate liquidity to fund planned growth and survive through crisis.

KREDIT is continually complying with laws and regulations relating to liquidity management. And has been implementing a liquidity management framework by monitoring and managing its liquidity risk on the basis of cash flow projections.

Market Risk – Market risk is the risk of financial losses and negative social performance related to changes in the value of an MFI's assets and liabilities. These changes are determined by fluctuations in interest and foreign exchange rates in the market. Market risk is subdivided into interest rate risk and foreign exchange risk.

Interest Rate Risk – is currently measured by the interest sensitivity gap (or repricing gap) and maintained fixed rate for both borrowing and lending sides. While Currency risk is measured by foreign exchange mismatch and maintained foreign currency exposure within regulatory limits.

Credit Risk Management

Credit risk encompasses the risks related to an MFI's credit activities. It is the most frequently addressed risk by MFIs since it directly affects their main earning asset: the loan portfolio. It includes the risk of financial loss resulting from the inability to collect anticipated interest earnings, or on capital resulting from loan default, as well as the negative social performance resulting from

credit activities which do not have the best interest of clients in mind (e.g., a lack of transparency toward the clients, continued lending to over-indebted clients).

Credit risk is mainly managed by comprehensive credit policies and procedures, credit approval, concentration limits, risk management tools, and risk-monitoring tools. The Credit Committee of KREDIT regularly tracks and monitors on the different credit risk limits and indicators, portfolio quality, PAR0+ for Loan disbursed within 3 months, trends of multiple debt clients, trends of early pay off clients, and risk by products, and lending guideline status. Due to our careful risk management, by end of 2018 KREDIT's overall loan repayment rate was very strong at 99.46%.

Operation Risk Management

Operational risk is the risk of financial losses and negative social performance related to failed people, processes, and systems in an MFI's daily operations. As MFIs decentralize and offer a wider range of financial products and alternative delivery channels, the operational risks multiply and it becomes increasingly important to manage them effectively.

Operational risks are monitored by Operational and Compliance Risk Committee. Operational risk policy and procedure has been approved and our operational risk is tracked and monitored on the operation risk indicators, the loss and incident cases, serious audit finding cases, new emerging risks, risk control self-assessment (RCSA) at departmental and branch management levels, and other operational and compliance risk issues. Also, KREDIT's Business Contingency Plan (BCP) and Disaster Recovery Plan (DRP) are the effective tools to manage the operational and compliance risk.



Partners

KREDIT believes our financial services and products alone are not enough to help our poor clients to move out of the poverty; the poor need much more than that. With this belief and to fill in the gaps, KREDIT has worked with partners whose visions are similar to bring holistic approaches to our poor clients.



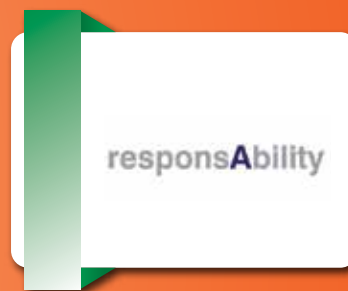


Lenders and Networks

KREDIT believes in the power of partnership, and our financial services alone are not enough to move our poor and poorest clients out of poverty because they usually need support and services through many different specialized interventions. Because of this holistic approach to poverty and development, KREDIT

works with many different development players to equip our poor clients with other complementary services. We collaborate together to provide many different services needed by our clients based on specializations of each individual organization. You can find links to our partners in KREDIT's website.







Product and Service

In order to provide greater flexibility to client's needs, KREDIT continued to develop quality of products and services form year to year by strengthened the quality of existing and new launched products, and increased its cooperation and partnership.

country. Licensed officially as Microfinance Finance institute, Deposit and Loan are mainly products offered. Additional on the existing products, the new saving product "Future Account" launched within the year into the market.

Reached 25 years of growth, the products and services have been supporting from clients throughout the

Here in reviews of products and services for the 2018:





FUTURE Account, New Product Launched

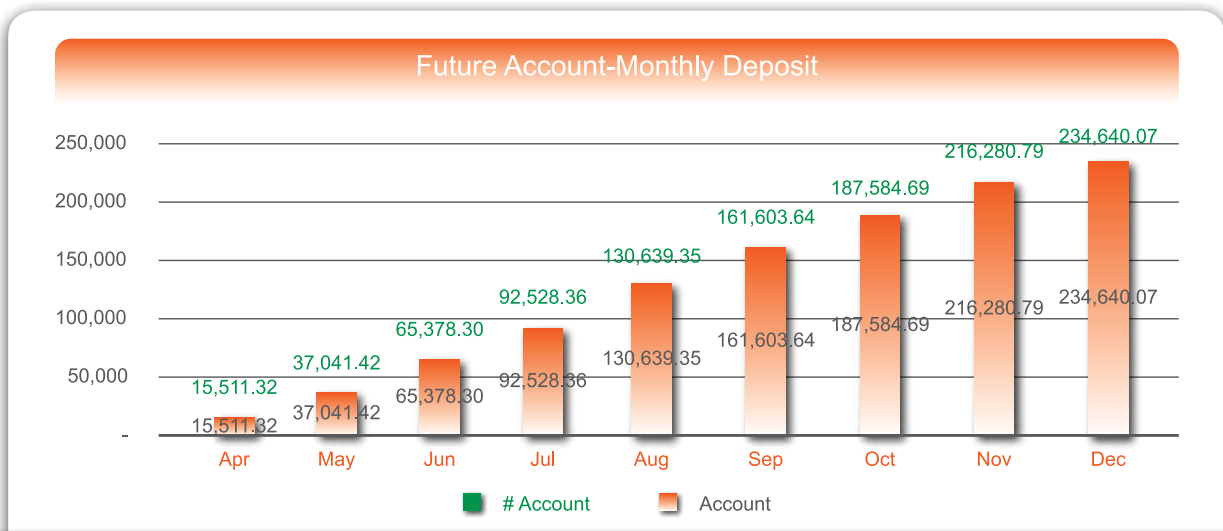
On April 2018, KREDIT launched a new deposit product to the market. Since the product was launched at all 83 KREDIT branches, it has been getting support from customers in urban and rural areas throughout the country.

Future Account is a kind of saving product having a specific agreement with monthly fixed deposit amount, term, and interest rate. With this Future Account, the customer is required to deposit every month by following conditions stated in the agreement. This saving product was developed for customers having regular income

and wanting to save money and earn interest to achieve their plan such as purchasing a house, motorbike, car, consumption material, increasing capital or savings for retirement, or reserving funds to support their child's education.

During the promotion campaign of this product, thousands of leaflets and announcements were spread out to the public and potential clients.

By the end of 2018, KREDIT had accumulated 723 new accounts with value of about US\$ 234,640.



**សន្សំ ដើម្បីសម្រេច
ក្តីស្រឡាច របស់អ្នក**



គណនីចម្រើនទ្រព្យ



Auto Reward, Public Campaign for the Year

In July 2018, KREDIT announced its campaign of the year called “Auto Reward for Depositors Program” which was available at its 83 offices in 20 provinces nationwide. Auto Reward for Depositors was an instant reward offered to customers who opened a Term Deposit account with KREDIT. The rewards included iPhone 7 Plus, rice cookers, refrigerators, TVs, fans, and other items.

The campaign helped KREDIT to promote its services for its valuable customers – an essential component of its performance plan carried out regularly. The program not only aimed to increase deposit collection but also to provide more value-added benefits of highest interest rate, fast service, a safe and trustworthy savings product, as well as going back home with a reward as a

souvenir of KREDIT’s brand and service.

The program started from 10 July until 11 October 2018 and until the gifts were out of stock.

During the campaign, KREDIT spread out thousands of flyers, displayed banners, and sent out news releases through online media channels. A 30 second of video spot was produced. The commercial spot took place on TV and Radio broadcasting throughout the nation wide.

As a result, the campaign collected Terms of Deposit worth about USD 19Million with 1422 account owners. The campaign allowed customer to deposit in Khmer riel, Thai baht, and US dollars currency.



KREDIT and Phillip Bank Join Together for Social Responsibility

KREDIT MFI and Phillip Bank initiated the campaign called “1+1 and 1+2 Donation Campaign” to help 300 victims of disastrous floods at Steung Treng and Kratie Provinces in August 2018 with total donations of US\$13,513.68. In addition, members of the Singapore Club Cambodia donated about US\$2,833.58 and canned food to the victims.

Through this campaign, both KREDIT and Phillip Bank collected donations from staff and customers to help the victims. Phillip Bank, which contributed the same amount on donated money (1+1), matched the amount (both USD and KHR) of donations collected from staff and customers and double-matched by KREDIT, which contributed twice the amount on the money donated (1+2).

Mr. Han Peng Kwang, General Manager of Phillip Bank, said, “This initiative is not only to run the corporate social responsibility campaign of the Phillip Bank and KREDIT MFI, but also to encourage the individual social responsibility of on the part of our staff and customers

to contribute back to the society on the individual level.” Mr. Chan Mach, Chief of Executive Officer of KREDIT MFI said, “We are clear that the flood victims need support quickly, both emotionally and with material help. From our donation, we hope that the donation will help them to get through this tough time until they can get back to normal life,” he added.

Mr. Ong Teong Hoon, Director of Phillip Bank and KREDIT MFI, also added, “I would like to express my greatest gratitude to all the staff from Phillip Bank and KREDIT who have shown your care over your own country. We are happy to have staff who have great consideration of their own country and the company. Again thank you so much for your contribution to the company and the country as a whole so far.”

Mr. Ng Chor Yee, Vice President of Singapore Club Cambodia said, “The donation from Singapore Club is about friendship and helping the flood victims. And we wish all the flood victims are sufficiently cared for.”





Capacity Building Among Staff for 2018

KREDIT provides different types of training to ensure its staff are qualified enough to perform their roles and duties with efficiency and effectiveness. KREDIT's training program includes internal, external, overseas, and degree courses.

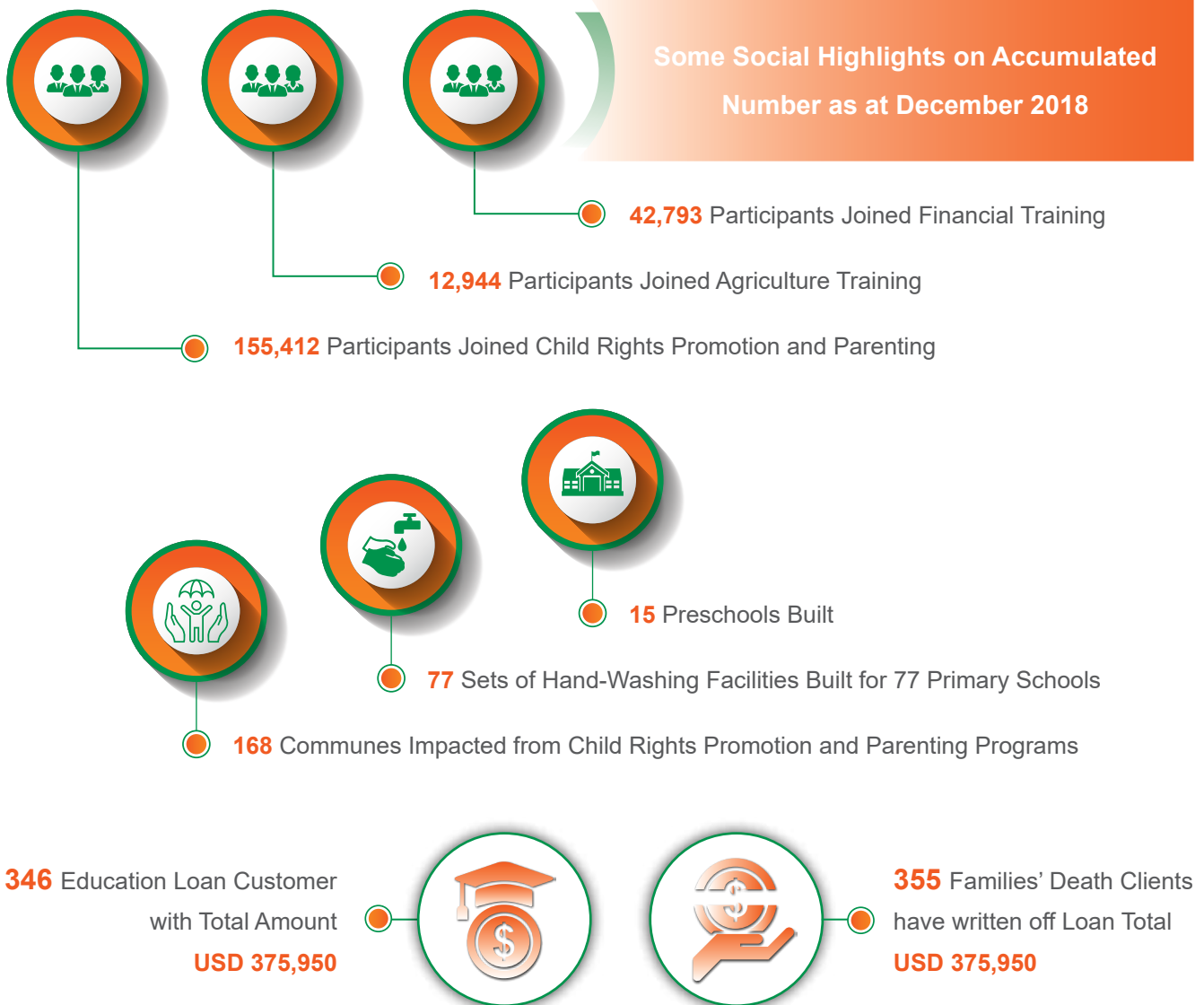
As of the end of 2018, the Training and Capacity Building Department provided 177 internal courses as well as more than 95 other courses including external courses, degree scholarship programs, and international training programs.

Course Title	Number of Courses	Number of Participants
Internal Course		
Orientation Training	12	241
Internal Specialized Course	94	1771
Refresher Training	71	1,658
External Training		
External Specialize Course	33	197
English Language Course		
English Language Course	54	182
Degree Scholarship Program		
Degree Scholarship Program	5	5
International Training Program		
International Training Program	3	7





Social Performance Report



KREDIT is strongly committed to contributing to sustainable community economic development of Cambodia. KREDIT allocates 5-10% of its annual profit to support its community development initiatives, which have provided huge benefits to the poor communities that KREDIT serves to live with better living conditions, and greater self-sufficiency both in knowledge and in practice.

▪ The Governance of Social Performance Management (SPM)

The top line of management of social performance is

Social Performance Management Committee (SPMC) at the Board level. The committee is responsible for designing and monitoring implementation of KREDIT's SPM work. In addition, the SPMC and KREDIT's Board of Directors offer strong expertise and are actively involved in monitoring and evaluating the community development programs that KREDIT has done. The Charter describes the nature of the social development fund; sets out the specific criteria for eligible projects or activities to be supported, and provides a general process for use of the funds.



Social Performance Report

▪ Social Responsibility Toward Clients

Financial Education (Consumer Awareness and Financial Empowerment- CAFÉ)



In 2018, KREDIT worked with local authorities and selected 103 villages for CAFÉ training to 2,054 trainees including 1,633 women on cash flow management. As a result, 60% of CAFÉ learners applied at least one of CAFÉ lessons and 64% had a form of savings in their families.



Mrs. Srun, 50, said “Before I joined CAFÉ training, my family had low income and we are at very difficult situation. We never planted vegetable, never raised chicken and I did not have any small business. What I did was farming only. I never saved any money, but I borrowed loans a lot from microfinance institutions. I did not have enough money for my children to go to school.” She added that “One day, KREDIT invited me to join CAFÉ training at my village along with other people. I was very interested in and I started saving since then. Currently, besides farming, I got some other incomes from production and sales of sugar palm. I can earn \$5-\$7 per day. I also can save money for my children to buy school materials and I have a good savings plan.

Agriculture Training



KREDIT does not only teach people to fish, but shares them some fishes to eat as well at the beginning. In 2018, KREDIT cooperated with district office of agriculture to provide special agriculture training to 1,162 CAFE farmers, of which 88% were woman. As a result, 67% have better knowledge on new agriculture technique and 60% applied at least one new technique in their agriculture practice. In addition, 85% of demonstration farms were observed to be well operated. Outcome from this intervention helped 10% of the farmers increased monthly incomes by at least \$50.



Mr. Seath, 44, a differently-abled man, said “I would like to thank KREDIT who provided me the chance to learn chicken raising in my village.” He added “I started to raise chicken as my second job. It made my livelihood improved. I am happy to get support from KREDIT.”



Child Rights Promotion and Parenting



KREDIT conducted ToT courses on Child Rights and Protection to 91 new Commune Council for Woman and Children (CCWC) members, 59 were female and 198 CCWCs including 78 women got refresher training. As a result, 69% of monitored CCWCs applied roles of good parenting and 67% applied punishment

only as the second priority.

CCWCs conducted Child Right and Protection training/promotion events to 8,359 (6,664 were women) parents from 43 communes. 87% of parents demonstrated positive attitudes toward their children.



Mrs. Khon, 40, one of the CCWC members in Punhear Kraek district, said “Before I joined the training provided by KREDIT, I lacked of knowledge on good parenting. I did what I thought right, did with habit, I did not care of children feeling, and I never listened to what they said.” She continued, “After I joined the training on Parenting and Child Protection, I am aware of how to care for children better.”

Child Friendly School



KREDIT cooperated with the Department of Education, Youth and Sports to conduct the training of Good Management, Leadership, School Management and School Director’s Roles to 25 school directors and deputy directors and deputy office managers of education, youth and sports. As well, KREDIT supported 17 schools with schooling materials, in

which 86% reported to use school learning materials. KREDIT installed 17 hand-washing stations at schools, with a 57% increase of surveyed students reporting that they washed their hand properly with soap at least 2 times within a day and night compared to prior to interviews.



Samphors, 12, a boy student in grade 6, and a child council major of Tuol Roveang primary school said “I did not know what the awareness on child abuse, positive punishment and child enrollment campaign, but when I joined those activities and I am very happy.” He continued, “My classroom was not beautiful and attractive, but now it is decorated with lovely color and full of hanging pictures, teaching and learning materials and student’s achievements on the wall.

He added “I didn’t know proper ways to wash my hands after playing and before eating, recently I have changed my habit to clean my hands 4 times per-day and every time after class. My school received many learning materials such as reading books, IQ learning games, sport materials, bench and dust bins. I also joined every child council meeting and what I excited the most is that I can do peer education on child abuse, child immigration, and how to share my voice to authority. I am learning quickly because of new teaching methods and many materials which helped me to understand easily”.



Mr. Kosal, 47, school director of Smoang Primary school, said “I am proud and very happy to see that everything has changed in my school. The rates of absences and fail were reduced because students are motivated to learn, using teaching and learning materials while teachers are active to produce teaching materials. Anyways, I appreciate the awareness on child abuse, positive punishment, child protection on immigration and washing hand contest which my school and I had never done before.” He reiterated, “I appreciate KREDIT that supported and made my school, teachers and students changed very well.”



Ms. Sophol, 36, Primary School teacher, joined the training on Teaching Methodologies and Material Creation, said “During training, I learnt a lot of teaching methods and new techniques for trainers and other trainees. I also got new techniques of creating teaching and learning materials.” She added, “After the training, I used the techniques in my teaching, I inserted games to absorb and attract students in learning. I created materials every week. My classroom was decorated and full of teaching and learning materials on the wall. I observed that my classroom environment is so attractive to make me feel good in teaching. I also noted my teaching and students learning are active and effective.”

In addition, KREDIT has developed the following customized social-related loan programs, which are designed to serve and empower our more vulnerable clients:

- **Loan write off when clients died:** For clients who are Community Bank Loan recipients and died, KREDIT will write off the balance of the loan. Over the past 5 years, 355 of clients and their families have been beneficiaries of this service, and we have written off loans totaling \$ 120,813.
- **Education Loan:** KREDIT is a market leader to provide education loans to Cambodian Youth to support them for higher skill education. The loan features offer special terms and conditions

customized to the needs of students and their families. As of Dec 2018, there are 350 active clients receiving education loans from KREDIT with the amount totaling \$394,624.64. Under this loan, student clients can use the loan to pay for their tuition and to buy study materials as needed.

- **Loan for Differently Abled People:** KREDIT is in a unique partnership with Handicap International (HI) to offer another type of social loan to differently abled people. KREDIT's staff received related training in order to have appropriate communication with differently abled clients when they come to get any services at KREDIT's office as well as in the field. Target KREDIT offices were renovated and equipped with new signs, toilet facilities,



main pathway gate, ramp, etc. that are suitable for respective differently abled clients. Under this partnership, KREDIT is serving such clients in 2 provinces: Kampong Cham and Siem Reap.

▪ Social Responsibility toward the Community

- **Community Development Program:** With the encouragement and support from the Board of Directors and shareholders, 5-10% of KREDIT's annual net income is allocated to implement this program. Potential funded activities are evaluated based on real needs of vulnerable communities using concrete indicators and criteria. Over the past few years, KREDIT has supported small scale community infrastructure projects such as canal renovation, school fence construction, preschool construction, and washing hand construction. We have funded other short-term needs for clients suffering from natural disaster and house burning, as well as other community development activities from ministries, churches, LNGOs and other associations that are working in same areas with KREDIT.

- **Social and Environmental Policy:** KREDIT recognizes the importance and relevance of social and environmental risk management in microfinance institutions. KREDIT is committed to identifying and addressing all short, medium, and long-term social and environmental risks associated with its activities by effective and sound social and environmental risk management at the microfinance level. This policy outlines the ways that KREDIT will put into practice its commitment to promote environmental and social sustainability.
- **KREDIT's Exclusion List:** The list clearly excludes prohibited activities or businesses in accordance with international conventions and national legislation and regulations pertaining to exploitative forms of forced or child labor, trade in weapons and munitions, gambling, sex trafficking, trade in wildlife or wildlife products as regulated under the Convention on International Trade in Endangered Species of Wildlife and Flora (CITES), production, trade, storage or transport of radioactive materials or significant volumes of hazardous chemicals, illegal fishing, illegal commercial logging, tobacco-related business, and other illegal activities.



EXTERNAL AUDIT REPORT

05

- Report of the Board of Directors
- To the Shareholders KREDIT Microfinance Institution Plc.
- Balance Sheet
- Income Statement
- Statement of Changes in Equity
- Statement of Cash Flows



Report of the Board of Directors

The Board of Directors (“the Board” or “the Directors”) has pleasure in submitting their report together with the audited financial statements of KREDIT Microfinance Institution Plc. (“the Company”) for the year ended 31 December 2018 (“the year” or “the financial year”).

Principal Activity

The principal activity of the Company is to provide credit to local customers through its head office in Phnom Penh and its various provincial and district offices in the Kingdom of Cambodia.

The Company received a licence from the National Bank of Cambodia (“NBC”) to conduct a deposit-taking business on 29 December 2010.

Financial Results

The financial results of the Company for the year ended 31 December 2018 is set out the income statement

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

Share Capital

The Company’s share capital as at 31 December 2018 was US\$18,395,200 by way of issuance of 367,904 ordinary shares of US\$50 per share.

No option to take up unissued shares in the Company was granted during the year and there were no shares under options at the end of the year in respect of shares in the Company.

Reserves and Provision

There were no material movements to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

Bad and Doubtful Loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that management action had been taken (or that “the Company had taken action”) in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate provision had been made for bad and doubtful loans.

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

Current Assets

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

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

Valuation Methods

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

Contingent and Other Liabilities

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



Report of the Board of Directors

(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; and

(b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the year of 12 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 Board of 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 Unusual Nature

The results of the operations of the Company for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

The Board of Directors

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

- **Mr. Timothy Mark Amstutz**, *Chairman*
- **Mr. Ong Teong Hoon**, *Member*
- **Ms. Ing Varony**, *Member*
- **Mrs. Srey Hem Roberts**, *Member*
- **Mrs. Tea Chansotheary**, *Member*
- **Mr. Fong Kum Choy**, *Member*
- **Mr. Anthony Nathan Nash**, *Member*
- **Mr. Lim Hua Min**, *Member*

Directors' Interests

Mr. Lim Hua Min who is the member of the Board of Directors holds 85% share in Phillip MFIS PTE LTD.

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 received or due and 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 2018, and its financial performance and its cash flows for the year then ended. In preparing these



Report of the Board of Directors

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 using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative; 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

The Board of Directors hereby approves the accompanying financial statements which comprise the

balance sheet as at 31 December 2018, and the related income statement, statements of changes in equity and cash flows for the year then ended, and notes as set out on pages 8 to 58 which, in our opinion, present fairly, in all material respects, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors

Mr. Ong Teong Hoon

Director

Phnom Penh, Kingdom of Cambodia

27 March 2019 Report of the independent auditors



To the Shareholders KREDIT Microfinance Institution Plc.

Opinion

We have audited the financial statements of KREDIT Microfinance Institution Plc. (“the Company”), which comprise the balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and statement of cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 58.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines of the National Bank of Cambodia 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 Board of Directors as set out on pages 1 to 4, 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.



To the Shareholders KREDIT Microfinance Institution Plc.

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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

For **KPMG Cambodia Ltd**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia
27 March 2019



Balance Sheet

As at 31 December 2018

		2018		2017	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	12,986,369	52,179,231	7,286,765	29,416,670
Balance with the National Bank of Cambodia	6	17,932,478	72,052,697	12,829,363	51,792,138
Balance with other banks	7	7,121,974	28,616,092	5,223,301	21,086,466
Loans to customer	8	218,502,672	877,943,736	188,659,327	761,617,703
Other assets	9	3,603,482	14,478,791	3,808,778	15,376,037
Property and equipment	10	1,847,676	7,423,962	1,913,274	7,723,887
Intangible asset	11	621,240	2,496,142	732,149	2,955,686
Investment in Credit Bureau (Cambodia) Co., Ltd.		17,500	70,315	17,500	70,648
Deferred tax assets	17(a)	1,032,777	4,149,698	552,404	2,230,055
Total Assets		263,666,168	1,059,410,664	221,022,861	892,269,290
LIABILITIES AND EQUITY					
Liabilities					
Deposits from customers	12	131,206,774	527,188,818	97,024,955	391,689,743
Borrowings	13	87,506,582	351,601,446	83,971,719	338,993,830
Deferred income	14	3,363,816	13,515,813	2,477,683	10,002,406
Deferred grants	15	50,682	203,640	48,930	197,530
Other liabilities	16	6,115,562	24,572,329	6,034,620	24,361,761
Currents income tax liabilities	17(b)	1,164,177	4,677,663	1,299,371	5,245,562
Total Liabilities		229,407,593	921,759,709	190,857,278	770,490,832
Equity					
Share capital	18	18,395,200	73,911,914	18,395,200	74,261,422
Reserves		2,863,943	11,507,323	2,575,030	10,395,396
Retained earnings		12,999,432	52,231,718	9,195,353	37,121,640
Total Equity		34,258,575	137,650,955	30,165,583	121,778,458
Total Liabilities and Equity		263,666,168	1,059,410,664	221,022,861	892,269,290

The accompanying notes form an integral part of these financial statements.



Income Statement

For the Year Ended 31 December 2018

		2018		2017	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	19	35,688,277	143,395,497	32,925,996	132,922,246
Interest expense	20	(14,741,534)	(59,231,484)	(12,124,770)	(48,947,696)
Net interest income		20,946,743	84,164,013	20,801,226	83,974,550
Fee and commission income	21	3,855,449	15,491,194	1,370,983	5,534,658
Fee and commission expense		(267,559)	(1,075,052)	(235,864)	(952,183)
Net fee and commission income		3,587,890	14,416,142	1,135,119	4,582,475
Other income	22	552,354	2,219,358	605,375	2,443,899
Total net operating income		25,086,987	100,799,513	22,541,720	91,000,924
Personnel expense	23	(11,832,120)	(47,541,458)	(10,843,436)	(43,774,951)
Depreciation and amortisation	24	(1,014,756)	(4,077,290)	(1,009,832)	(4,076,692)
Other operating expenses	25	(5,221,184)	(20,978,717)	(4,957,684)	(20,014,170)
		(18,068,060)	(72,597,457)	(16,810,952)	(67,865,813)
Grant income	26	214,357	861,286	302,016	1,219,238
Profit before allowance for bad and doubtful financial asset		7,233,284	29,063,334	6,032,784	24,354,349
Allowance for bad and doubtful financial assets	8(a)	(2,076,588)	(8,343,731)	(1,046,488)	(4,224,672)
Profit before income tax		5,156,696	20,719,603	4,986,296	20,129,677
Income tax expense	17(c)	(1,063,704)	(4,273,963)	(918,696)	(3,708,776)
Net profit for the year		4,092,992	16,445,640	4,067,600	16,420,901

The accompanying notes form an integral part of these financial statements.



Statement of Changes in Equity

	Share capital US\$	Share premium US\$	Donated capital US\$	Subordinated debts US\$	Reserves US\$	Retained earnings US\$	Total US\$
At 1 January 2017	5,869,054	2,811,431	95,896	3,000,000	2,228,337	12,189,161	26,193,879
Transfers	921,346	2,078,654	(95,896)	(3,000,000)	-	-	(95,896)
Transfer from share premium to share capital	4,890,085	(4,890,085)	-	-	-	-	-
Transfer from retained earnings to share capital and reserves	6,714,715	-	-	-	346,693	(7,061,408)	-
Net profit for the year	-	-	-	-	-	4,067,600	4,067,600
As at 31 December 2017	18,395,200	-	-	-	2,575,030	9,195,353	30,165,583
(KHR'000 equivalents-Note 4)	74,261,422	-	-	-	10,395,396	37,121,640	121,778,458
At 1 January 2018	18,395,200	-	-	-	2,575,030	9,195,353	30,165,583
Transfers	-	-	-	-	288,913	(288,913)	-
Net profit for the year	-	-	-	-	-	4,092,992	4,092,992
As at 31 December 2018	18,395,200	-	-	-	2,863,943	12,999,432	34,258,575
(KHR'000 equivalents-Note 4)	73,911,914	-	-	-	11,507,323	52,231,718	137,650,955

The accompanying notes form an integral part of these financial statements



Statement of Cash Flows

For the year ended 31 December 2018

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities				
Profit before income tax	5,156,696	20,719,603	4,986,296	20,129,677
Adjustments:				
Depreciation and amortisation	1,014,756	4,077,290	1,009,832	4,076,692
Allowance for bad and doubtful financial assets	2,076,588	8,343,731	1,046,488	4,224,672
Grant income	(214,357)	(861,286)	(302,016)	(1,219,238)
Gain on disposals of property and equipment	(5,060)	(20,331)	(5,532)	(22,333)
Property and equipment written off	5,366	21,561	1,914	7,727
Pension fund obligations	-	-	482,290	1,947,005
Net interest income	(20,946,743)	(84,164,013)	(20,801,226)	(83,974,550)
	(12,912,754)	(51,883,445)	(13,581,954)	(54,830,348)
Changes in:				
Balances with the NBC	(2,617,312)	(10,516,360)	(3,516,997)	(14,198,117)
Loans to customers	(30,956,736)	(124,384,165)	(46,783,452)	(188,864,796)
Other assets	371,160	1,491,321	(505,111)	(2,039,133)
Deposits from customers	34,181,819	137,342,549	28,225,407	113,945,968
Other liabilities	(709,800)	(2,851,976)	446,925	1,804,236
Cash used in operations	(12,643,623)	(50,802,076)	(35,715,182)	(144,182,190)
Income tax paid	(1,679,271)	(6,747,311)	(892,884)	(3,604,572)
Grant received	216,109	868,326	294,484	1,188,832
Pension fund paid	-	-	(482,290)	(1,947,005)
Interest received	35,522,413	142,729,055	32,776,825	132,320,043
Interest paid	(13,955,920)	(56,074,887)	(11,431,242)	(46,147,924)
Net cash generated from / (used in) operating activities	7,459,708	29,973,107	(15,450,289)	(62,372,816)
Cash flows from investing activities				
Purchase of property and equipment	(828,374)	(3,328,407)	(438,249)	(1,769,211)
Purchase of intangible assets	(19,668)	(79,026)	(11,865)	(47,900)
Proceeds from disposals of property and equipment	9,487	38,119	10,811	43,644
Fixed deposits with other banks	49,308	198,120	(17,642)	(71,222)
Net cash used in investing activities	(789,247)	(3,171,194)	(456,945)	(1,844,689)



Statement of Cash Flows

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from financing activities				
Proceeds from borrowings	35,602,740	143,051,809	48,924,045	197,506,369
Repayments of borrowings	(32,067,877)	(128,848,730)	(39,461,839)	(159,307,445)
Net cash generated from financing activities	3,534,863	14,203,079	9,462,206	38,198,924
Net increase/(decrease) in cash and cash equivalents	10,205,324	41,004,992	(6,445,028)	(26,018,579)
Cash and cash equivalents at the beginning of the year	15,784,990	63,724,004	22,230,018	89,742,583
Currency translation difference	-	(299,913)	-	-
Cash and cash equivalents at the end of the year (Note 28)	25,990,314	104,429,083	15,784,990	63,724,004

Significant non-cash transactions:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Conversion from subordinated debt to share capital and share premium	-	-	3,000,000	12,111,000
Conversion of donated capital to other liabilities	-	-	95,896	387,132
Conversion from share premium to share capital	-	-	4,890,085	19,741,273
Conversion from retained earnings to share capital and reserve	-	-	7,061,408	28,506,904

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CONGRATULATION

to

Mr. SA PENGUM

Frosh Loan and Saving Officer of Sa Ang Branch.

Achieving the **TOP 1** Highest saving performance.



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