

OPENING DOORS  
TO EASY FINANCING

 **2013**  
 ANNUAL REPORT



*Finance at your Doorstep*

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## VISION

AMK's long-term vision is of a Cambodian society where citizens have equal and sufficient economic and social opportunities to improve their standards of living and where they can contribute productively towards the overall development of the country.

## MISSION

AMK's mission is to help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services.

## HISTORY

The origins of Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK) trace back to Concern Worldwide's microcredit interventions in the 1990s. As operations grew, in 2002 Concern decided to create a separate microfinance company which became known as AMK. By 2003, AMK was functioning independently of Concern and subsequently received its license from the National Bank of Cambodia in 2004.

By 2005, AMK made its first operating profit, had its first external borrowing approved, and created a social performance management mechanism. In the following years, AMK experienced rapid growth in its core credit business, extending its branch network to every province in the country.

In 2010, AMK began a strategic transformation, turning from a rural credit-only business into a broader provider of microfinance services. This strategy was driven by a desire to provide a broader array of financial services to Cambodia's underserved poor

population and thereby assist these people to improve their livelihood options.

The granting of AMK's Microfinance Deposit Institution (MDI) license in 2010 represented a key milestone in this journey. It allowed AMK to implement several new products and channels. Savings products were rolled out to all branches by mid 2011, and a domestic money transfer product was launched in July 2011. Both of these services were expanded to all 113 AMK branch and sub-branch outlets during 2012. AMK also introduced an agent-based mobile banking solution during 2011 and 2012. Furthermore in 2013, AMK also launched ATMs/CDM as additional delivery channels to its customers. Throughout its history, AMK's commitment to social performance has been absolute. AMK has developed a comprehensive social performance management framework, which ensures that the organization stays focused on its mission to assist large numbers of poor people. Currently, AMK's 1,444 staff serves over 371,921 clients in 11,358 villages across Cambodia. This outreach represents 81% of all villages.



AMK' Credit officer collecting repayments In Prey Veng (September, 2013).



*AMK's credit officer facilitating with clients in Prey Veng province ( October, 2013)*

## GUIDING PRINCIPLES

- *AMK provides microfinance services to poor people in Cambodia that are grounded in sound financial discipline at all levels;*
- *AMK is committed to openness and transparency in all areas of management and operations;*
- *AMK is committed to developing processes and services and to adopting behaviors and standards that ensure optimum social performance, including client protection;*
- *AMK is a learning organization where appropriate exchange and sharing of information contribute to staff development, training, and improvements in policies and systems.*

## CODE OF PRACTICE FOR CLIENT PROTECTION

**Inclusion:** AMK will maximize the inclusion of the poor and other marginalized population with AMK's products and services.

**Avoidance of Over-Indebtedness:** AMK will limit client exposure to their capacity to repay and will seek to avoid client over-indebtedness.

**Transparent Pricing:** AMK will provide its clients with complete information on its product features, costs, and obligations and will ensure transparency in all product and transaction pricing.

**Ethical Staff Behavior:** AMK will ensure ethical and respectful behavior of staff towards clients.

**Freedom of Choice:** AMK will facilitate and promote freedom of choice to its clients.

**Appropriate Collection Practices:** AMK's debt collection practices will be reasonable and collaborative and never abusive or coercive.

**Mechanisms for Redress of Grievances:** AMK will provide clients with appropriate and accessible mechanisms for complaint and problem resolution.

**Privacy of Client Data:** The privacy of client data will be respected unless disclosure is required by law.

This Code is enshrined in AMK's operating policies and procedures and is monitored through AMK's internal audit and social performance management functions.

## CHAIRMAN'S REPORT



It gives me great pleasure to report on another successful year for AMK. Many significant milestones, were achieved during 2013, each of them contributing to the further establishment of AMK as a mature, responsible, and well-known financial institution of Cambodia.

The year began with the welcome news of the induction of two new shareholders to the institution. Rural Impulse Fund II, managed by Incofin S.A, is a respected microfinance investor that works globally. The new shareholder brings a deep understanding of microfinance in areas including social performance, corporate governance and overall strategy. Incofin has been active in Cambodia for many years. The arrival of Incofin adds significant strength and stability to AMK and augurs very well for our future. Similarly, Agora Microfinance N.V, a new microfinance investor also became a shareholder during the year.

The promoters of Agora have a long-standing relationship with AMK, including prior participation in the governance and management of the institution in the past. Their inclusion will ensure continuity to the institution alongside benefiting from their long history of association with AMK and with Cambodia.

The Board and committees of AMK were augmented with the inclusion of Dina Pons to the Board and Edwin Zimmermann to the Remuneration, Nominations, and Corporate Governance Committee. Both of them add crucial value to the company's corporate governance and we are delighted to have them on board. During 2013 we bid farewell to two significant contributors in the past - Irina Ignatieva and Marcus Fedder - who have performed stellar roles in the Board and their respective sub-committees during the last 3 years.

On the operational side, AMK saw a continued expansion of its non-credit business lines. Deposits rose steadily during the year, as did our domestic money transfer business. The fact that AMK is probably the only MFI with more deposits in Khmer Riel than in US\$ indicates its good reach amongst smaller, remoter customers who are not well covered by other financial institutions. Despite some political uncertainty during the year, we did not face any major slowdown in the development of these business lines. The credit business remained robust, resulting in a healthy balance sheet and good profits for the company during the year.

The Company remains as committed to its social goals as ever. During the year, the research department carried out a range of research activities, the most noteworthy of them being a study of AMK Clients and non-clients over a 5 year period, to ascertain changes - both positive and negative - that might have taken place in their lives. The study is particularly relevant in arriving at a degree of informed correlation between AMK's financial services and clients' well-being. The results were encouraging and will be shared on public platforms in the coming years.

A special word of appreciation is due for our colleague Kea Borann who completed his first full year as CEO in 2013. Borann's contribution to AMK spans much of the last 10 years, and it will be impossible for me to summarise it in a few words here, but we feel especially appreciative of the way in which he has led the company in his new role.

On behalf of the board, I would like to congratulate the management and staff of AMK for their continued excellence. As AMK completes its 10th year of existence, we can all look back with some satisfaction and pride and look ahead with enthusiasm, as the next phase of AMK's development will be as exciting, if not more than the past years. We look forward to your continued support in the coming years.

**TANMAY CHETAN**  
*Chairman, Board of Directors*

## CHIEF EXECUTIVE OFFICER'S REPORT



2013 was a good year for us at AMK. While maintaining our position as the primary provider of small loans to Cambodian families, we made significant strides in the expansion of our other business lines, including deposits, money transfers, mobile payments, and agent-based transactions.

In terms of our methodology and products, we added ATMs and CDM to our deposit business and a new Home Improvement loan product for our clients, and we standardized all our offices to establish a brand that signifies uniformity and consistency.

The commitment to our mission “to help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services” remains sacrosanct, and we continue to make good progress towards this goal. The total number of AMK clients increased to 371,921 in 2013 from 312,989 in 2012 representing a healthy 18.9% growth. 48% of new group loan were below Cambodia’s rural poverty level, another testament to AMK’s commitment its mission and outreach.

During 2013, AMK expanded its geographic outreach to cover all districts in Cambodia and reached more than 11,358 villages (about 81% of the total villages in Cambodia), an increase from 10,116 in 2012. AMK also added 3 branch and 12 sub-branch offices during 2013 to now working with 27 branch and 101 sub-branch offices. The number of staff has increased by about 22% ending with 1,444 staff to respond to the good growth in all its business lines (Credit, Saving, and Money Transfer).

AMK’s credit business remained strong and continued to grow well while maintaining good loan quality. AMK maintained its position as the largest MFI in Cambodia in term of active borrowers. The number of active loan borrowers increased by about 11% ending at 323,828 (291,859 in 2012). Loan quality remains strong at 0.16% (PAR 30+). Loan portfolio outstanding has increased to USD 77.88 million from USD 61.37 million in 2012 with the average loan outstanding per borrower at USD 240, still amongst the lowest in the market.

At the same time AMK’s deposit business grew rapidly during 2013. A first trial of 10 ATMs/CDM, launched during the year to offer better access and flexibility to clients, was completed. AMK’s branch based savings grew by more than 125% in value and more than 133% in number of saving accounts, ending at USD 18.3 million and 58,642 savings accounts respectively. During the year AMK expanded its Agent network after receiving an approval from National Bank of Cambodia that allows nationwide presence. As of 31 December 2013, AMK had 295 agents offering multiple services including cash deposit, withdrawal, and money transfer. The number of mobile saving accounts and their value have experienced growth rates of 220% and 250% respectively during the year.

The Money Transfer business has also grown rapidly during its first two years of operations. The number of money transfer transactions increased almost two-fold from 78,655 in 2012 to 165,107 in 2013. The value of money transfers increased almost three-fold from USD 29.26 million in 2012 to USD 75.09 million in 2013, indicating increasing trust amongst clients to use AMK as their channel for transfers.

The year 2014 offers many opportunities for AMK. AMK will continue to grow its credit operations organically by expanding to new villages in Cambodia with more new and innovative products. It will expand further its agent network across Cambodia to provide better access to villagers who have previously had limited options to save and/or engage with formal financial institutions. AMK will continue investing in technology, human resources, branding, and enhancement of its products and services to improve its customer experience.

On behalf of management and staff, I would like to thank our shareholders, the chairman, directors, and committees members for their leadership, support, and guidance throughout the year. I would like to thank my colleagues, both management and staff, for their hard work, diligence, and commitment to providing the best service for our clients. Lastly, I would like to express my sincere appreciation to all stakeholders, especially the National Bank of Cambodia, for their continuing support.

**KEA BORANN**  
*Chief Executive Officer*

# PERFORMANCE HIGHLIGHTS



DESCRIPTION	2010	2011	2012	2013
<b>I- OPERATIONAL HIGHLIGHTS</b>				
Number of Branches	22	22	24	27
Number of Sub Branches	56	76	89	101
Number of Villages	8,032	9,152	10,116	11,358
Coverage of total villages in Cambodia	57%	65%	72%	81%
Number of Staff	844	973	1,187	1,444
Client Officers over Total Staff	57%	52%	50%	48%
Number of Clients	251,636	280,195	312,989	371,921
Number of Active Borrowers (Exc. Staff, EL)	250,930	275,251	291,859	323,828
Group Loan Borrowers	93%	93%	91%	90%
Individual Loan Borrowers	7%	7%	9%	10%
Loan Portfolio (USD, exc. staff loans only)	\$ 31,329,857	\$ 47,248,599	\$ 61,367,475	\$ 77,878,716
Group Loans	85%	83%	77%	75%
Individual Loans	15%	17%	23%	25%
Active Borrowers/Avg. credit Officer	522	559	522	475
Loan Outstanding/Avg. credit Officer (USD)	\$65,124	\$95,884	\$109,811	\$114,346
Number of Depositors	2,781	8,924	29,910	58,642
Number of Depositors with Outstanding Loan	2,346	3,980	8,780	10,549
Deposit Balance (USD)	\$ 1,142,409	\$ 4,182,370	\$ 8,220,322	\$ 18,315,023
Number of Money Transfer Transactions	-	1,700	78,655	165,107
Value of Money Transfer (USD)	-	\$ 428,681	\$ 29,259,691	\$ 75,085,784
<b>II- FINANCIAL HIGHLIGHTS</b>				
Net Profit (after tax, USD)	\$ 935,239	\$ 1,766,935	\$ 2,886,998	\$ 3,309,115
Operational Self Sufficiency (OSS)	113.1%	118.5%	121.4%	119.4%
Return on Assets (RoA)	2.3%	3.1%	3.9%	3.6%
Adjusted RoA (Less B2B)	2.7%	3.9%	4.5%	4.0%
Return on Equity (RoE)	7.6%	13.9%	19.0%	18.0%
Portfolio Yield	35.3%	35.2%	35.7%	35.0%
Operating Cost Ratio	21.5%	19.3%	18.9%	18.7%
Average Cost of Funds	10.6%	10.1%	10.4%	10.4%
Leverage Ratio (Debt to Equity)	2.1	2.8	3.2	3.4
PAR 30 Days	1.57%	0.10%	0.12%	0.16%
Write off Ratio	1.14%	1.37%	0.39%	0.41%

**III- SOCIAL HIGHLIGHTS**

**Loan**

Average Loan Size / GNI per Capita (loan disbursed)	21.7%	26.0%	29.5%	34.9%
Percentage of Loans ≤USD 300	94.3%	94.0%	90.1%	69.0%
Average Outstanding Loan Per Borrower (USD)	\$ 125	\$ 172	\$ 210	\$ 240
Group Borrowers	\$ 115	\$ 153	\$ 178	\$ 201
Individual Borrowers	\$ 245	\$ 397	\$ 526	\$ 589
Average Loan Disbursed (USD)	165	213	260	307
Group Borrowers	141	187	217	256
Individual Borrowers	427	571	703	735

**Deposit**

Average Deposit Balance / GNI per Capita	54.1%	57.2%	31.2%	35.5%
Percentage of Depositors with Balance ≤USD 300	95.6%	92.5%	94.5%	93.8%
Average Deposit Per Depositor (USD)	\$ 411	\$ 469	\$ 275	\$ 312

**Money Transfer**

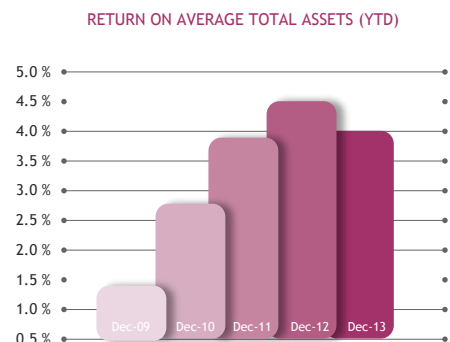
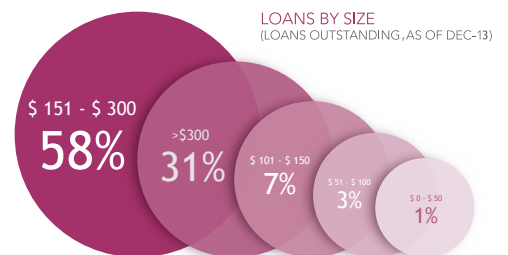
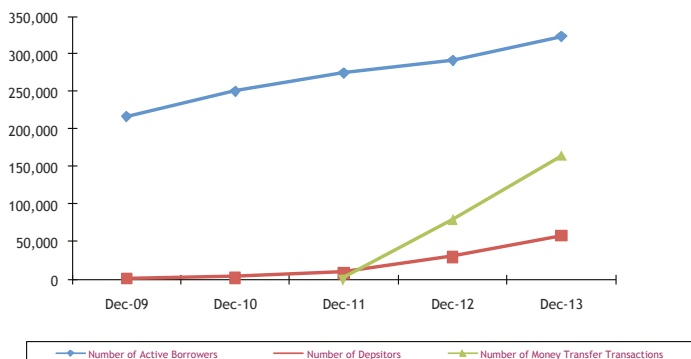
Number of Money Transfer ≤USD 300	-	1,335	50,249	84,367
Average Transfer Balance / GNI per Capita	-	30.8%	42.3%	51.7%

**Other Social**

Women Borrowers as Percentage of Total	86.0%	87.5%	87.3%	85.3%
Rural Borrowers as Percentage of Total*	92.0%	94.0%	91.0%	97.0%
Drop-Out Rate	31%	26%	23%	31%
Adjusted Drop-Out Rate (minus resters)**	15%	16%	13%	16%
Depth of Outreach: New Clients (<1 year) Below Poverty Line				
% of New Group Clients Below National Food Poverty Line(est.)	49%	55%	45%	48%
New Group Clients Below National Food Poverty Line (est.)	50,214	45,374	24,944	43,472

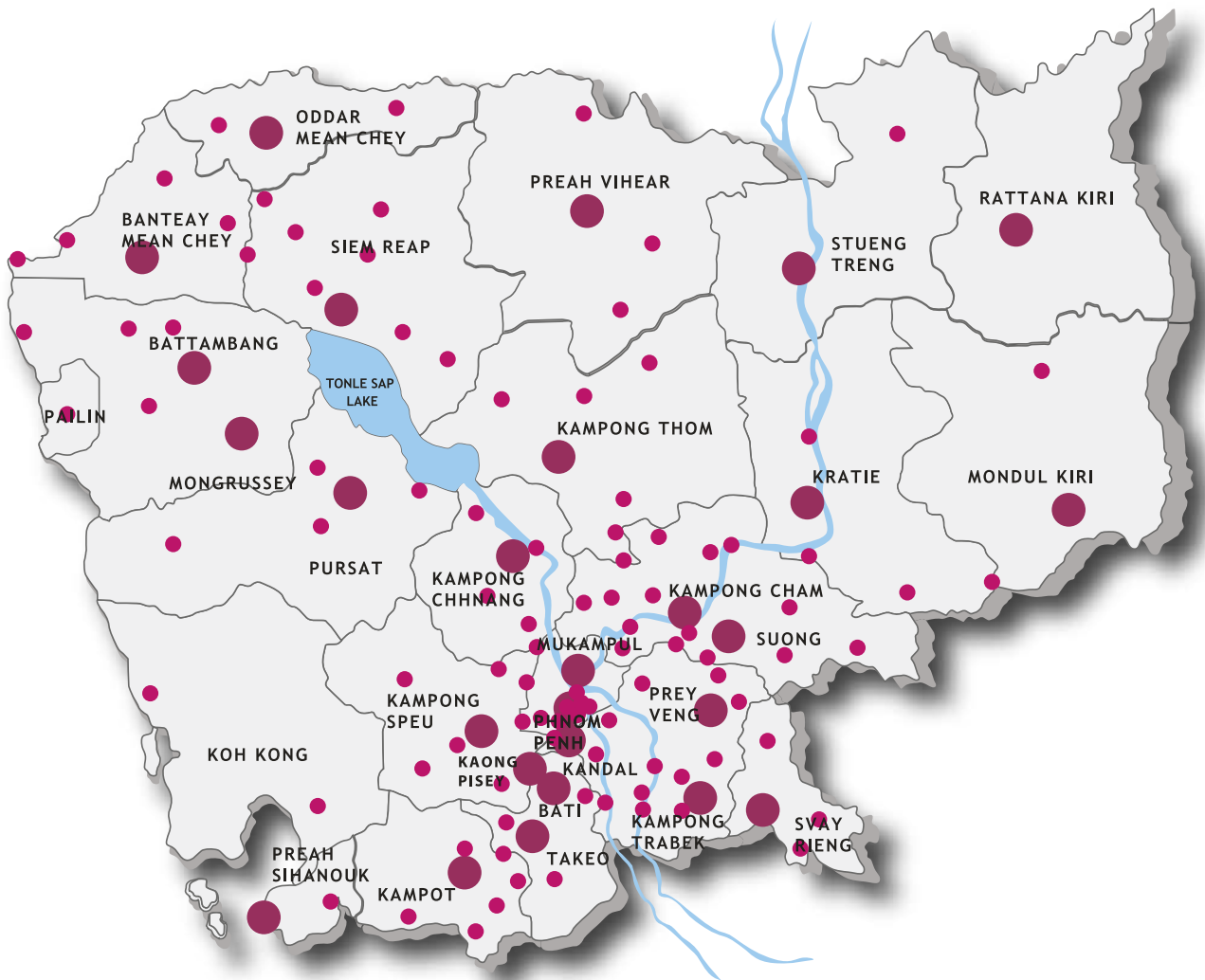
\* Calculated based on village classification as rural, urban, or peri-urban by the 2008 Census

\*\* % of resters is based on exit surveys ( 2010 and 2013) and revisited client survey (2012)



## OPERATIONAL COVERAGE

AMK reaches 100% of all districts in Cambodia and 97% of all communes. With operations in 11,358 villages, AMK now reaches 81% of the total villages in the country. AMK is one of Cambodia's leading MFIs in terms of outreach, with a total of 323,828 borrowers and 58,642 savers.



### 128 Offices

- Branch Offices : 27
- Sub-Branch Offices : 101

Province	Districts	Communes	Villages	Borrowers*	Depositors
Banteay Meanchey	9	66	552	11,504	2,144
Battambang	14	95	676	16,735	2,880
Pailin	2	8	69	1,080	164
Kampong Cham	15	141	1,208	36,595	3,829
Kampong Chhnang	7	61	432	11,875	1,419
Kampong Speu	8	84	1096	26,663	2,247
Kampong Thom	8	77	628	21,049	5,192
Kampot	8	92	457	11,531	1,807
Kep	2	5	16	766	-
Kandal	12	146	814	32,708	4,467
Koh Kong	7	23	97	2,129	460
Kratie	7	57	312	14,650	1,904
Mondulkiri	5	20	73	2,437	757
Otdar Meanchey	6	30	294	10,179	824
Phnom Penh	10	85	440	7,629	5,115
Preah Sihanouk	4	29	111	7,623	579
Preah Vihear	8	48	192	7,032	1,164
Prey Veng	13	115	922	24,901	5,584
Pursat	6	47	420	11,738	1,775
Ratankiri	9	45	169	3,459	1,127
Siem Reap	11	96	719	19,595	5,872
Stung Treng	5	30	94	3,976	1,065
Svay Rieng	8	80	634	17,139	1,325
Takeo	10	96	933	20,835	7,342
<b>Total</b>	<b>194 (100%)</b>	<b>1,576 (97%)</b>	<b>11,358 (80%)</b>	<b>323,828</b>	<b>58,642</b>

\*Excluding staff and Emergency Loan.

## CORPORATE GOVERNANCE

As of the end of 2013, AMK's shareholders were Concern Worldwide (Ireland), Concern Worldwide UK, the AMK Staff Association (AMK-SA), Rural Impulse Fund, and Agora Microfinance N.V.

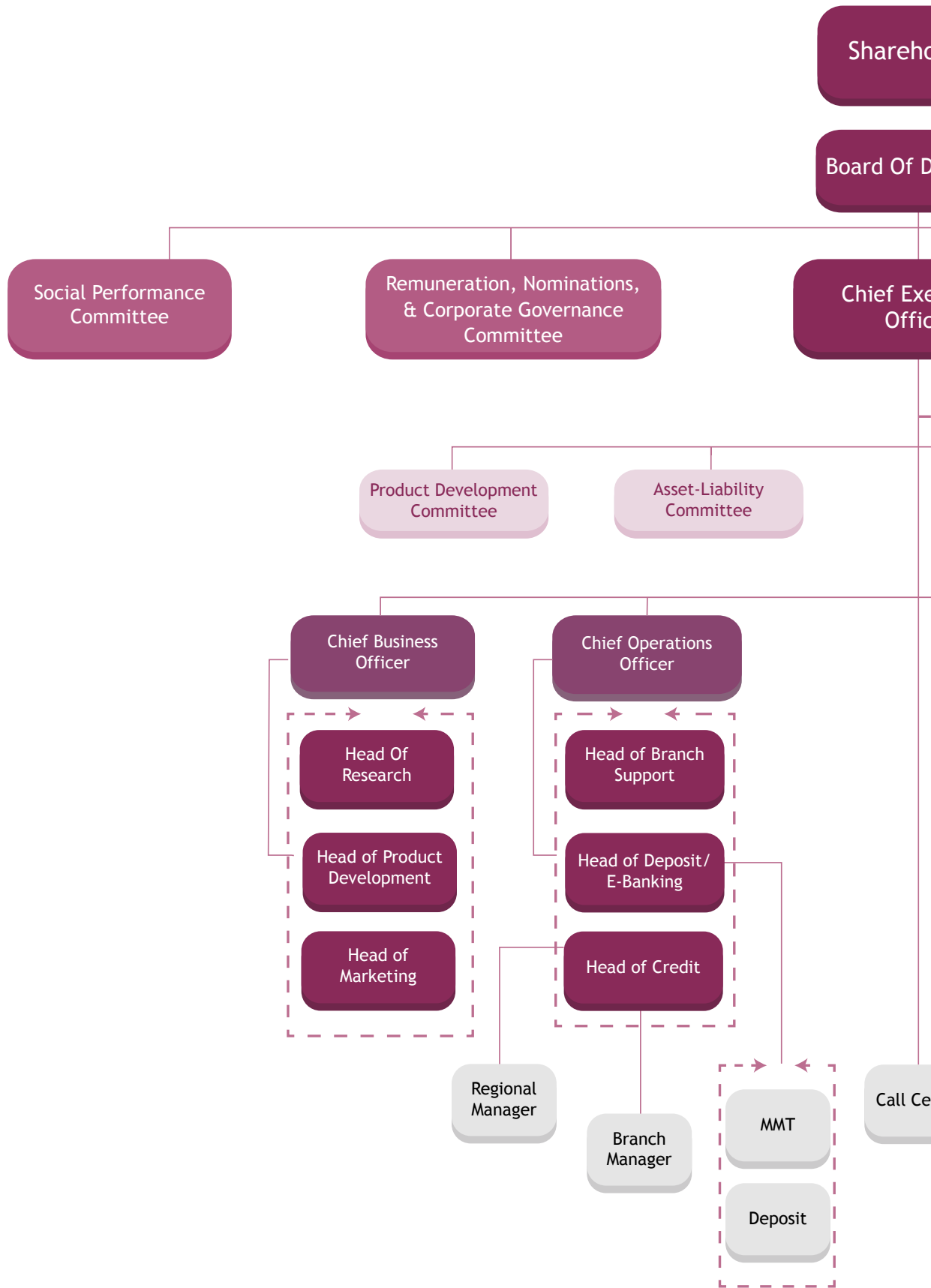
AMK's shareholders appoint the Board of Directors, which is responsible for overall governance and strategic guidance of the institution. The nine-member Board (excluding the CEO) has broad expertise in areas such as finance, audit, law, and development, as well as extensive experience in microfinance, commercial, and investment banking.

The Board of Directors appoints the Chief Executive Officer (CEO) who works with an executive committee. The executive committee consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Business Officer. This committee in turn oversees the broader management team. The management team consists of the following department heads: Credit, Deposit & E-banking, Branch Support, Finance, Treasury, Human

Resources, Information Technology, Internal Audit, Marketing, Research, Risk & Compliance, and Product Development. The Credit department includes five regional managers responsible for managing the credit performance of four to five branches each.

The Board of Directors has the following sub committees, (1) Audit and Finance Committee, (2) Risk Committee, (3) Remuneration, Nominations, and Corporate Governance Committee, and (4) Social Performance Committee. The first three committees perform traditional corporate governance functions. The Social Performance Committee advises the Board on AMK's performance in terms of poverty outreach, product suitability, client protection, and overall social responsibility.

# CORPORATE STRUCTURE



Shareholders

Board of Directors

Executive Officer

Risk Committee

Audit and Finance Committee

Management Risk Committee

Chief Financial Officer

Head of Finance

Head of Treasury

Business and System Analyst

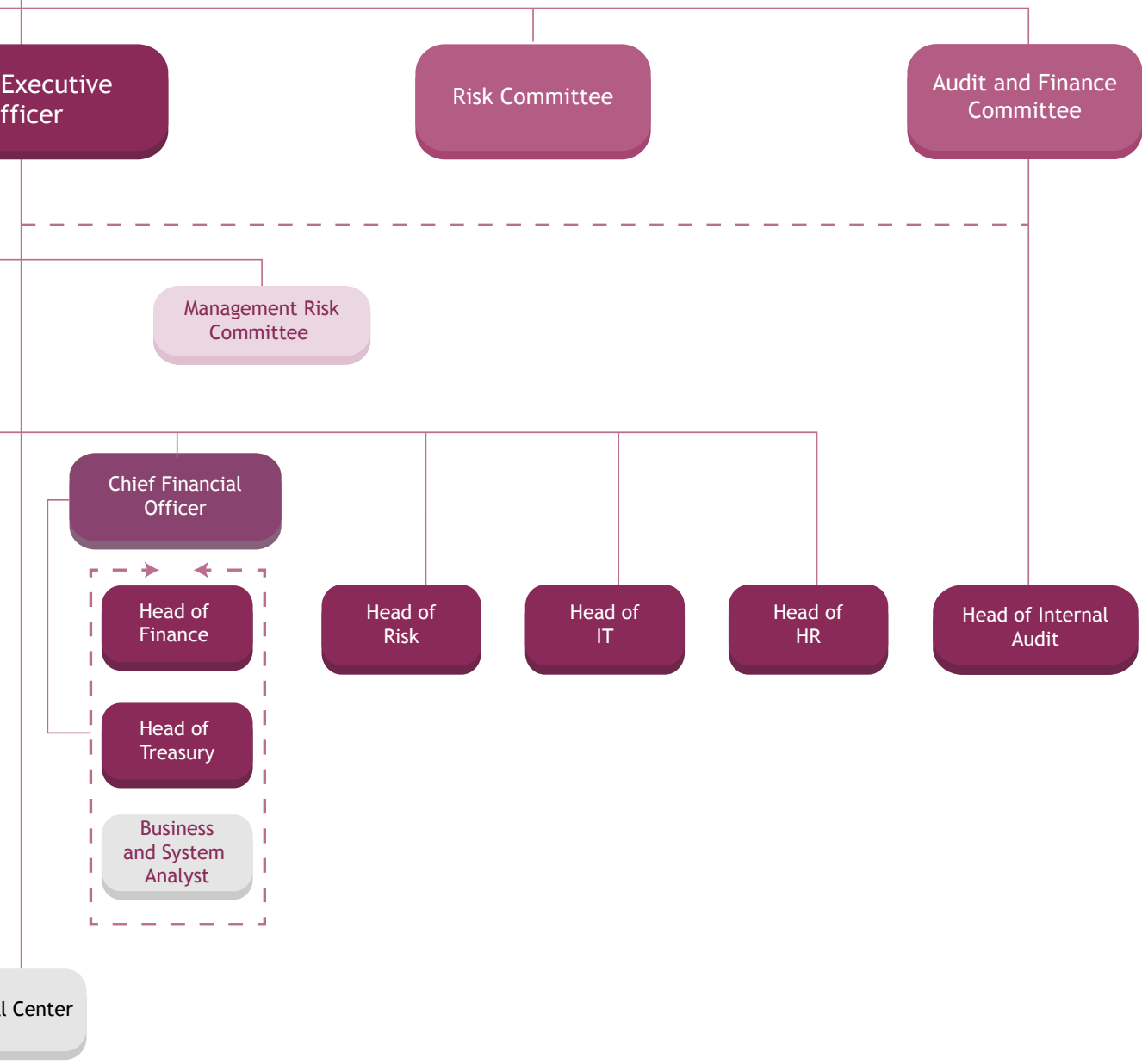
Head of Risk

Head of IT

Head of HR

Head of Internal Audit

IT Center



**BOARD OF DIRECTORS**





## BOARD AND COMMITTEE MEMBERS



◀ **TANMAY CHETAN**, *Director, Board Chairman, Chairperson of Remuneration, Nominations, & Corporate Governance Committee*

Tanmay is a Co-founder of the Agora Group and Managing Partner at Agora Microfinance Partners LLP. He has over 15 years of microfinance experience in areas such as credit ratings, consulting, and implementation. From 2003 to 2007, he served as the first CEO of AMK. Tanmay holds a Master's degree in Public Administration from the Harvard Kennedy School and an MBA from the Indian Institute of Forest Management.

**HOWARD DALZELL**, *Director, Chairperson of Social Performance Committee* ▶

Before his retirement from Concern Worldwide's Senior Management Team in 2008, Howard served in various positions in Concern, including Overseas Director and Policy Director. His first involvement in microfinance was in the 1970s in India, where he was based for 17 years. He has over 40 years' practical experience in development and humanitarian assistance and an extensive knowledge of social policy and impact-related assessments. Howard holds a Bachelor's degree in Agriculture and a Master' degree in Animal Nutrition.



◀ **ADRIAN GRAHAM**, *Director, Chairperson of Audit & Finance Committee, Member of Risk Committee*

Adrian Graham, raised in Bulawayo, Zimbabwe, brings 19 years of finance experience to the AMK board. He began his career with PricewaterhouseCoopers in audit and advisory services. He has worked in the NGO sector for the last 8 years, including 5 years as the Financial Controller and then Finance Director of Concern Worldwide. Adrian is currently the Chief Financial Officer of UNICEF Australia.

### KEA BORANN, *Director and CEO*

Borann was appointed as CEO of AMK in July 2012. Borann has been with AMK for almost 10 years since 2004 in different roles, and has held various leadership roles throughout the development of the organization, such as Finance Manager, CFO, and Deputy CEO. Before joining AMK, Borann worked for another MFI as the Finance Director. Borann holds a BBA in Finance and Accounting. He received ACCA (Association of Chartered Certified Accountants) accreditation and was accepted as an ACCA member in 2008.



### ◀ PETE POWER, *Director*

Pete was CEO of AMK from 2010 to 2012 and has been on the board since 2006. Pete has also served as Managing Director of Claritee Group, a US-based software company, and COO of Prosperity Initiative, a Vietnam-based NGO focused on private sector enterprise development. Pete spent much of his early career working as a management consultant for Arthur Andersen in the US, Ireland, and China. Pete holds a Bachelor's of Science in International Relations and Philosophy from the University of Scranton, an MA in European Integration from the University of Limerick, and an MBA from Tulane University.

### REBECCA MCKENZIE, *Director, Member of Remuneration, Nominations, & Corporate Governance Committee*

Rebecca is a Co-Founder of the Agora Group and Director of Operations at Agora Microfinance Partners LLP. She is a capital markets expert and was previously responsible for investor relations at DEPFA Bank plc. Prior to DEPFA Bank, she worked in capital markets sales at UBS, CreditSuisse and Paribas. Rebecca holds a Bachelor of Arts from Scripps College.



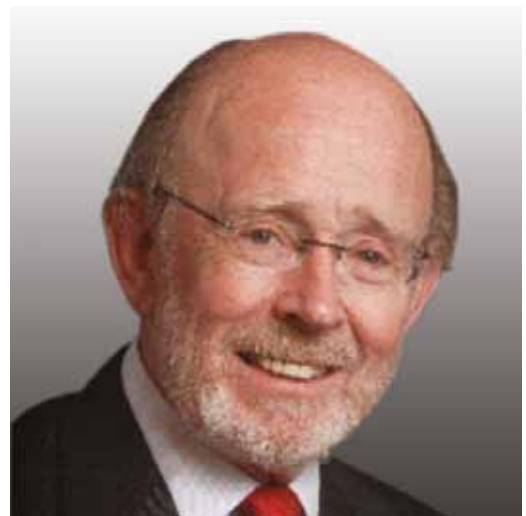


◀ **TIP JANVIBOL, *Director***

Tip is a Managing Partner at Tip & Partners law firm. He is a member of the Cambodian Bar Association and has served on the Governing Bar Council in Cambodia. Tip has also served as a legal consultant on numerous projects for organizations including the United Nations, The World Bank, and the Asian Development Bank.

**TOM O’HIGGINS, *Director*** ▶

Tom is a former partner at PricewaterhouseCoopers (PwC) and an expert in human resources, audit, and corporate governance. He is a member of the board and a former Chairman of both Concern Worldwide as well as AMK. He is also a member of the Irish Human Rights Commission.



**BLANDINE CLAUDIA MAIRE PONS, *Director, Chairperson of Risk Committee, Member of Social Performance Committee*** ▼



Dina is Incofin East Asia Regional Director and Social Performance Manager based in Phnom Penh. She is also a member of the board of the Social Performance Task Force (SPTF). Dina is in charge of all debt activities in Cambodia, China, Indonesia, Mongolia and the Philippines, managing a portfolio of USD 60M serving 18 MFIs. Previous to joining Incofin, Dina was a Senior Analyst for Southeast Asia at the microfinance specialized rating agency - Planet Rating. Prior to that time, Dina worked in microfinance as an Operations Consultant at PlaNet Finance and its sister company MicroCred in China. She was part of the team which set up MicroCred Nanchong in Sichuan. She also led capacity building projects for several Chinese rural microfinance institutions. Dina speaks fluent French, English, and Spanish and has a good command of Mandarin Chinese. She holds Master's degrees from Sciences Po Paris and the London School of Economics (LSE) in Development Studies and in International Relations respectively.

**FRANCES SINHA, Member of Social Performance Committee** ▶

Frances Sinha is a Co-Founder of the development consultancy EDA Rural Systems and the specialist rating agency M-CRIL. A graduate from Oxford University and the London School of Economics, UK, she has lived in India for over 25 years. Her experience includes social performance management and training with the Imp-Act consortium and with EDA, social performance assessments and ratings with M-CRIL and social performance reporting with country networks, the MIX, and the Social Performance Task Force. Currently she is a leading consultant to the Microcredit Summit Campaign for developing a Pro-Poor Seal of Excellence in microfinance.



◀ **OLGA TORRES, Member of Social Performance Committee**

Olga is the Head of Research at Agora Microfinance Partners LLP and is currently working full-time at Agora Microfinance Zambia. She has over 12 years of experience in microfinance as a manager, consultant, and researcher. From 2003 to 2009, Olga was a manager and advisor at AMK, where she led the work on analyzing client-level data and linking results to decision-making. Olga holds a PhD in Applied Economics from Universidad Complutense and a Master's degree of International Affairs from Columbia University.

**HENG SEIDA, Member of Audit and Finance Committee** ▶

Seida is a certified public accountant, a fellow member of Association of Certified Chartered Accountants (ACCA), UK, and a certified internal auditor from USA. She also holds a Bachelor's Degree in Accounting. Seida has over 10 years of experience in auditing and financial management. She is the Managing Partner of Fii & Associates, responsible for the overall operations of the firm, acts as the signing partner and ensures the high quality of services provided with due professionalism. Prior to this, Seida was a financial management specialist with the World Bank for a period of 5 years and was Audit Manager with one of the big 4 auditing firms for a period of 6 years in the audit and advisory services in Cambodia and Malaysia.





AMK's Head Office in Phnom Penh

## BOARD COMMITTEES

### AUDIT AND FINANCE COMMITTEE (AFC)

This committee is responsible for ensuring the integrity of the company's financial statements, the reporting and disclosure practices, and that the information provided to the public and the National Bank of Cambodia is clear, accurate and reliable. The committee also performs the following tasks on a regular basis:

- *Monitor the integrity of the financial statements of the company;*
- *Make recommendations to the Board for shareholders approval on the appointment of the external auditors;*
- *Review and recommend to the board to approve audited financial statements;*
- *Review the company's internal control system;*
- *Monitor and review the effectiveness of the company's internal audit function (the Internal Audit Department) and*
- *Monitor and review the external auditor's independence, objectivity and effectiveness.*

### SOCIAL PERFORMANCE COMMITTEE (SPC)

The committee is responsible for advising the board on the social implications of AMK's work, the analytical and reporting methods and assessment with regards to social performance. It is also tasked with updating the board and senior management on social performance issues and global developments, and determining whether the results obtained from client research processes are accurately presented.

### REMUNERATION, NOMINATIONS, AND CORPORATE GOVERNANCE COMMITTEE (RNCG)

The committee is responsible for overseeing the remuneration of employees of the company and making sure that they are all fairly rewarded for their contribution to the company's performance. The committee is also responsible for the selection of board members, senior management, and non executive directors. It is entrusted to oversee the induction of new members, arrange briefings to keep board up to date on developments in corporate governance, the role of the board and their legal and other responsibilities. In regards to corporate governance, the committee is expected to ensure that the board performs to best practice, to ensure the overall effectiveness of the board, and to undertake or facilitate periodic self and peer evaluations of the board.

### RISK COMMITTEE (BRC)

The committee does not have responsibility for risk management, but only of overseeing the risk management systems in the company. The role of BRC includes the following:

- *Maintain oversight on of the company's Risk Management Framework;*
- *Monitor the company's risk profile;*
- *Report high risk issues or concerns to the Board;*
- *Review risk and compliance policies and endorse them for approval by the Board;*
- *Review risk appetite and risk limits and endorse them for approval by the Board;*
- *Review regular reports on risk and compliance; and*
- *Approve the design of risk and compliance reports.*

## EXECUTIVE AND MANAGEMENT TEAM





## EXECUTIVE TEAM

### Mr. KEA BORANN, *Chief Executive Officer (CEO)*

Borann was appointed AMK as CEO in July 2012. Borann has been with AMK for almost 10 years, during which time he has held various leadership roles throughout the development of the organization, such as Finance Manager, CFO, and Deputy CEO. Before joining AMK, Borann worked for another MFI as the Finance Director. Borann holds a BBA in Finance and Accounting. He received ACCA accreditation and was accepted as an ACCA member in 2008.

### Mr. CHHEANG TAING, *Chief Financial Officer (CFO)*

Taing joined AMK in February 2012. He has eight years of banking experience in various positions including Assistant Manager of Management Accounting, Manager of Budgeting & Control, and Deputy Head of Finance Division. Taing holds a BBA in Accounting and Finance from the National University of Management, an MBA in Finance from Pannasastra University of Cambodia, and is now studying the ACCA program under the Ministry of Economy and Finance Scholarship at CamEd Business School.



**Mr. HUOT SOKHA, Chief Business Officer (CBO)**

Sokha joined AMK as its Chief Business Officer in May 2012. He has more than 15 years of experience in international trade, microfinance, and banking industry. He has worked as a Sales Manager, Marketing & Communications Manager, Business Relationship Manager and Head of Marketing & Product Development. Sokha also worked as a consultant for some projects on microfinance product development and savings mobilization in Cambodian rural areas for the Asian Development Bank and a microfinance project managed by GRET/CEDAC. Sokha earned a Bachelor's Degree in Management and Marketing from MVU University in 1997 and received an MBA from Charters Stuart University of Australia in 2004. He also did a post-graduate study on Finance Development Program at NAROPA University, USA.

**Mr. MAM CHOEURN, Chief Operations Officer (COO)**

Choeurn joined AMK in 2004 and served as the Operations Manager before being promoted to Chief Operations Officer (COO) in 2012. As COO, Choeurn has overall responsibility for all branch operational activities including credit, savings, money transfer, and mobile banking. Before joining AMK, Choeurn worked with another MFI for over 6 years in a variety of positions including Internal Auditor, Branch Manager, and Assistant Operations Manager. Choeurn holds two Bachelor's degrees; a BA in Khmer Literature from the Royal University of Phnom Penh and a BBA in Finance and Banking from the National University of Management. Choeurn also holds a Master's Degree in Finance and Banking from Build Bright University. Choeurn has attended international microfinance training at the Boulder Institute in Turin, Italy.



## MANAGEMENT TEAM

### *Mrs. LONG CHANTHA, Head of Treasury Department*

Chantha first joined AMK as a Senior Inspections Officer in September 2005 and was promoted to the position of Inspections Manager in January 2007. She subsequently moved to the Treasury Department in October 2008. Before joining AMK, Chantha worked for the National Bank of Cambodia in the Banking Supervision Department for 3 years. Chantha holds a Bachelor's Degree in Accounting from the National University of Management and is studying the ACCA program.

### *Mrs. ROEUNG VIRINY, Head of Finance Department*

Viriny joined AMK as an Accountant and Administrator in July 2003 when AMK was formed. She was promoted to Accounting Manager in July 2008 and then to Head of Finance in January 2010. Previously, she was an accountant for a private company. Viriny holds a BBA in Finance and Banking and is pursuing the ACCA program.

### *Mrs. PEANG PISAK, Head of Human Resource Department*

Pisak joined AMK as a Training Manager in September 2011 and was promoted to Head of the Training Department in March 2012. In January 2013, she became the Head of the Human Resource Department. Previously, Pisak worked as a capacity building advisor for an NGO in Cambodia, a general trainer at another MFI, and a senior officer at Interquess Enterprises. Pisak was a trainer/facilitator for micro credit training, rights-based approach to development (RBA) training, gender mainstreaming, leadership, management development program, small business, and TOT. Pisak holds a Bachelor's Degree in Marketing and Master's Degree in Management from National University of Management (NUM).

### *Mrs. CHHUN CHAKRYA, Head of Risk Department*

Chakrya joined AMK as the Head of Risk and Compliance in March 2013. Before joining AMK, Chakrya worked as an assistant audit manager for an international audit firm for more than 8 years and gained wide experience in the auditing field of different industries. Chakrya holds a Bachelor's Degree in Accounting from the National University of Management, a Bachelor's Degree in Sociology from the Royal University of Phnom Penh, and a Master's Degree of Public Policy from the KDI School of Public Policy and Management, Seoul, South Korea. She is also a qualified graduate student of Certified Accounting Technician ("CAT"), and currently pursuing the ACCA (Association of Chartered Certified Accountants) program.

### *Mrs. PUM SOPHY, Head of Research Department*

Sophy has worked at AMK for 8 years. She first joined AMK as a Training, Research, and Marketing Officer and held various positions before becoming Head of Research Department in January 2012. Within her current role, Sophy is responsible for ensuring the high quality of market and social research in order to implement and fulfill AMK's requirements. Sophy holds a Bachelor's Degree in Agricultural Science from Royal University of Agriculture, Cambodia and a Master's Degree in Rural Development Management from Khon Kean University, Thailand.

### *Mrs. MAO SOKHOEURN, Head of Product Development*

Sokhoeurn joined AMK as the Head of Product Development in May 2013. She has more than 10 years of experience in e-banking and payment services. Previously, she worked for commercial banks as the Operation & Finance Supervisor, Card Center Department and Head of Credit Card respectively. Sokhoeurn holds a Bachelor's Degree in Accounting & Finance from the National Institute of Management.

### *Mr. PREM CHANDRABOTH, Head of Information Technology Department*

Chandraboth joined AMK in February 2004 as an Information Technology Officer working to develop research applications. He was promoted to Senior Technology Engineer in 2007 and became Technology Development Manager in 2008. In January 2011, Chandraboth was promoted to Head of Information Technology. Chandraboth holds a Bachelor of Art in Management Information System, a Bachelor of Art in English Education, and a Master's degree in Information Technology from Sikkim Manipal University in India.

### *Mr. HEAK THAVUTH, Head of Internal Audit Department*

Thavuth joined AMK as an Internal Audit Officer in August 2006 and was promoted to Inspections Team Leader in 2008. He was then promoted to Head of Internal Audit Department in January 2012. Thavuth holds a Bachelor's Degree in Finance and Accounting from the National University of Management and a Master's degree in Accounting from the Vanda Institute.

### *Mr. NANG KINAL, Head of Marketing Department*

Kinal joined AMK in November 2008. He previously worked for a range of private companies for eight years as a Lecturer, Operations Director, Marketing Manager, Project Manager, and General Manager. Kinal holds a Bachelor's Degree in Public Law from the Royal University of Law and Economics and an MBA in Management from Phnom Penh International University.

### **Mr. SUON PISEY, Head of Credit Department**

Pisey joined AMK in November 2009 as Regional Manager. He has ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Credit Agent, Teller, District Manager, Senior Auditor, and Branch Manager. He has attended several training courses related to microfinance. Pisey was promoted to Head of Credit Department in March 2012. Pisey holds both Bachelor's and Master's degrees in General Management from the Build Bright University in Phnom Penh.

### **Mr. CHEA ROATTANA, Head of Deposit and E-Banking Department**

Before joining AMK as Head of Deposit and E-Banking, Roattana worked for Cellcard, Coca Cola, and Inter-Inox. Roattana holds an MBA in International Business from IAE Lyon Business School, Université Jean Moulin Lyon III France.

### **Mr. KOUCH SOPANHA, Head of Branch Support Department**

Panha joined AMK as the Head of Branch Support in October 2013. Before joining AMK, he had 6 years of experience with various multinational companies, where he worked as Management Support Officer, Administrative Support Officer, Lead Administration and Operations Support, Operations Support Manager, and Head of Administration. Panha holds a Bachelor's degree in Tourism and Hotel Management.

### **Mr. CHIV SAMRITH, Deputy Head of Internal Audit Department**

Samrith joined AMK as an Internal Audit Officer in August 2006 and was promoted to Inspection Team Leader in 2009 and to Deputy Head of Internal Audit Department in January 2011. Samrith holds a Bachelor Degree in Accounting and Finance from the National Institute of Management (NIM) and a Bachelor of Physics from the Royal University of Phnom Penh (RUPP) in 2002, and a Master's degree in Management from Norton University in 2012.

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## **MANAGEMENT COMMITTEES**

### **PRODUCT DEVELOPMENT COMMITTEE (PDC)**

The Product Development Committee (PDC) was established to bring world class microfinance business concepts and practices to AMK and ensure that AMK's products and services addressed client needs by designing creative and innovative products, which contribute to AMK's leadership in the microfinance market. The committee is also responsible for reviewing/suggesting new product initiatives to/from the Product Development Department, setting the price for each product being offered to customers presenting the final product to CEO and the board of directors for approval, and monitoring the product's performance.

### **MANAGEMENT RISK COMMITTEE (MRC)**

The Management Risk Committee (MRC) must keep the Board Risk Committee (BRC) informed of its activities and of any conflicting legal or regulatory requirements and where applicable resolve, determine finally, and approve all matters falling within the scope of its purpose and duties on risk management. Specific authorities that have been delegated by the BRC to the MRC include the following:

- Approval of risk and compliance reports prepared by the Head of Risk and Compliance for the BRC
- Recommendation for any changes to risk appetite and risk limits
- Approval of procedure manuals and other components of the risk management framework

### **ASSET AND LIABILITY COMMITTEE (ALCO)**

This Committee is responsible for the institution's Asset & Liability Management. The primary focuses of this committee are to source, and manage sufficient funds in order to facilitate the growth of the business to minimize the risks and maximize the returns. The committee is responsible for reviewing the management of liquidity, interest rate, capital structure and budgeting within AMK. The committee is also responsible for financial and contingency planning.



*AMK's client reaps the benefit of a productive season at Saarnng district ( December, 2013)*

## AMK'S CLIENTS

At the end of 2013, AMK had 323,828 active loan clients, most of whom are poor or near poor according to Cambodia's national rural food poverty line measurement. AMK's Research department conducts detailed loan client profile surveys on an annual basis. 2013 research indicates that:

- 85% of AMK's existing clients are female.
- The average age of an AMK client is 41 years old. The average number of household members of

AMK clients is 5.1 persons, 2.8 are adult and 2.3 are children. 70% of AMK borrowers' children are in school.

- 65% of clients are literate with the average highest class finished at 3.4.
- 81% of AMK households own at least some cultivable land with an average land area of 1.9 Ha. 35% own just one plot of land.

Although typically poor, most AMK client households have three or more sources of income and rely on a diverse array of income generating activities.



AMK's client is watering his field at Saarnng district ( December, 2013)

## SOCIAL PERFORMANCE MANAGEMENT FRAMEWORK

### SOCIAL PERFORMANCE MANAGEMENT APPROACH:

AMK is a socially motivated organization committed to its mission of helping large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services. It has double bottom lines, balancing both financial and social returns. While financial management systems and tools are well-established in the microfinance sector, AMK is a pioneer in the area of Social Performance Management (SPM). AMK's commitment to SPM is enshrined throughout the organization, both at management/staff and board/governance level.

### MANAGEMENT LEVEL

AMK's Research department leads and monitors the implementation of SPM within AMK. The department conducts social and market research to understand the issues facing AMK's clients and staff. Research works in cooperation with various other departments within AMK in order to ensure that effective social performance standards and controls are in place and are being successfully executed.

### BOARD LEVEL

Research results are reported to management and the Social Performance Committee. The SPC then advises the Board of Directors on the results and discusses implications for business strategy. The purpose of doing this is to give the Board a balanced view of AMK's overall institutional performance so that governance decisions are appropriately aligned with the institution's dual social and financial objectives.

# SPM FRAMEWORK

AMK - Social Performance Reporting Framework					
Regular Monitoring					Periodic Research
Period Evaluated: 1 January to 30 <sup>th</sup> Dec 2013	Information presented : Dec. 2013				Impact/Transformation effects
Sources of Information	Depth of Outreach	Adequacy of Products	Transparency & Client Protection	Other CSR	
<ul style="list-style-type: none"> <li>- Loan Client Satisfaction</li> <li>- Money Transfer Client Satisfaction</li> <li>- Saving Client Satisfaction</li> <li>- Multiple Product client report</li> <li>- Range of services</li> <li>- Quality of services</li> <li>- Accessibility of services</li> <li>- Deserion rate</li> <li>- Reason for joining multiple product</li> </ul>	<ul style="list-style-type: none"> <li>- Depth of Outreach</li> <li>- Wellbeing Score (Tercile + Quartile Analysis)</li> <li>- Geographic targeting and client accessibility</li> <li>- Daily food expenditures v. NPPL</li> <li>- Pro-poor methodology (collateral, size, ...)</li> <li>-ID poor</li> </ul>	<ul style="list-style-type: none"> <li>- Multiple Loans Report</li> <li>- Borrower awareness</li> <li>- Client grievance</li> <li>- Profile of multiple loan holders by poverty group and repayment problems</li> <li>- Multiple loan rate found by Research, CBC</li> </ul>	<ul style="list-style-type: none"> <li>- Reasons for resignation of staff</li> <li>- Staff Satisfaction Report</li> <li>- Staff turnover and explanations,</li> <li>- Satisfaction score by gender</li> </ul>	<ul style="list-style-type: none"> <li>- The Change study report</li> </ul>	
<p>Indicators</p>					
YEAR OF ASSESSMENT: 2013 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY	Depth of Outreach	Adequacy of Products	Transparency and Client Protection	Other CSR	When applicable.... Impact/Transformation effects
<p>Are you satisfied with the accuracy of the methodology and process applied?</p> <p>Is this result/finding in line with the mission?</p> <p>Based on these findings, are there foreseeable issues in the future?</p> <p>Is data or information missing: at the management level? at the Board level?</p>	<p>█</p> <p>█</p> <p>█</p> <p>█</p> <p>█</p>	<p>█</p> <p>█</p> <p>█</p> <p>█</p> <p>█</p>	<p>█</p> <p>█</p> <p>█</p> <p>█</p> <p>█</p>	<p>█</p> <p>█</p> <p>█</p> <p>█</p> <p>█</p>	<p>█</p> <p>█</p> <p>█</p> <p>█</p> <p>█</p>
<p>Issues to Report</p>					Analyze multiple products
<p>Any Other</p>					
<p>This Social Performance Reporting Framework is an integral part of SPC meeting minutes.</p>					
<p>Signature:</p>					
<p>SPC members:</p>					



AMK's credit officer making the selection for VBP at Kompong trabek ( November, 2013)

## KEY SOCIAL PERFORMANCE FINDINGS

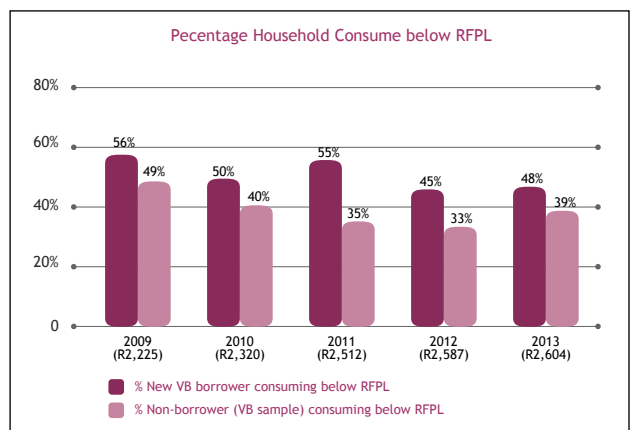
### SOCIAL PERFORMANCE HIGHLIGHTS

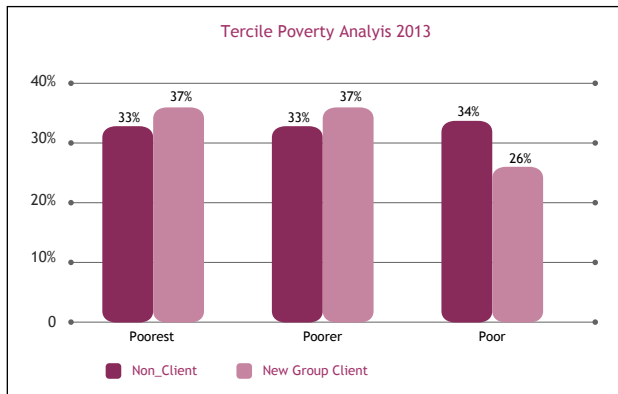
AMK's social performance leadership has been widely recognized throughout the microfinance sector and AMK was awarded MFTransparency SEAL of PRICING TRANSPARENCY from mftransparency.org in 2013. Moreover, in June 2013, AMK received “Σα” mean "The strong social commitment, very good systems, evidence for good adherence to social mission and values" and rating from the M-CRIL rating institution.

Social performance approach is presented to the SPC through a Social Performance Reporting Framework based on five dimensions of Depth of Outreach, Adequate Product, Transparency and Client Protection, Other Corporate Social Responsibility and Periodic Research-Change effects.

### DEPTH OF OUTREACH

The 2013 loan customer research confirmed that AMK continued to reach poorer clients. As many as 48% of its new VB clients were below the Rural Food Poverty Line, compared to 39% in the control group of non-clients.





### Depth of Outreach

Regarding tercile analysis on relative poverty, the findings reveal that AMK is reaching a higher percentage of the poorest and poorer households than its control group but lower for poor household clients.

### Adequate Products

AMK regularly monitors the quality of its products and services. The research department annually conducts both client satisfaction and exit surveys to explore and understand the satisfaction and dissatisfaction of clients toward different types of products and services for better enhancement.

### Borrower Satisfaction

Approximately 93% of clients gave at least one positive comment regarding their experiences with AMK, which included predominantly finance at the doorstep, staff friendliness, moderate interest rate, fast service and no collateral requirement.

**Saver satisfaction:** The comments received which highlight AMK's competitor advantage include the friendliness of AMK staff, fast service when serving clients and the ease of the withdrawal or deposit process.

**Money transfer client satisfaction:** Similar positive comments were received from money transfer clients, which included friendly staff and fast service as key feedback, as well as moderate / cheap fee charges.

### Transparency and Client Protection

**Multiple loans:** AMK has strengthened its cross finance policy by adjusting its internal cross finance policy to allow only one additional loan in mid 2012.

As a result, the rate of over indebtedness has fallen from 20% in 2012 to only 3% in 2013.

**Client awareness:** Most AMK clients are fully aware of their rights and responsibilities as AMK

customers.

**Grievance calls:** Two free of charge hotlines are available to clients to call in case any of them intends to report any issue relevant to AMK products and services.

### Overall Staff Satisfaction

AMK regularly conducts staff satisfaction surveys to explore and understand the satisfaction and dissatisfaction of staff toward its human resource policy, procedures, quality of leadership and working environment within AMK. The annual findings aim to contribute to an improvement of the human resources policies and procedures, making it more competitive within the industry.

### Client Change Study

Clients who had been visited in 2006/2007 were revisited in 2012 to assess changes to their well-being after that period. The findings argued that the availability of capital does improve the chances of economic improvement in a household. Conclusive evidence of causality will never be possible for an MFI, but this study indicates a strong correlation. Even after periods of severe macro-economic crises, more client households seem to have improved their condition.

It is heartening for AMK to note that more of its clients are now able to invest in longer-term household projects, both in terms of assets and education for their children. Both are likely to yield even higher dividends in the coming years.

In Cambodia's competitive microfinance environment, it is particularly noteworthy for AMK that its client households have outperformed non-client households, given the fact that about a third of the non-clients were actually clients of other MFIs. Therefore, the study also sheds light on the particular performance of AMK loans over other competing loan providers.

Alongside these promising results, it is also worthwhile noting the less positive ones. The most crucial among these is the healthcare challenges faced by poor households especially in the context of poor health services and the unexpected nature of such expenses. Indeed, AMK micro-credit can do little to address this issue, but AMK expansion into micro-insurance is likely to address this client need. For more detail please visit our website: [www.amkcambodia.com](http://www.amkcambodia.com)

## PRODUCTS AND WORKING METHODOLOGY

By studying client needs and analyzing feedback from all stakeholders on a regular basis, AMK has developed better products and services for its target clients. AMK currently offers a range of financial products and services including group and individual loans, deposits, money transfers, mobile banking, and ATM and CDM access.

### LOAN PRODUCTS GROUP LOAN

AMK offers Village Bank (VB) loan products that utilize the solidarity group lending methodology. The methodology begins with potential clients self-selecting themselves into solidarity groups of three to six members that are organized into Village Banks consisting of four to twelve groups (or twenty to one hundred clients). A Village Bank President (VBP) is elected by its members to serve as a representative of the Village Bank. Clients are free to decide which product best suits them according to their income flows.

Product Description	End of Term - Village Bank	Installment - Village Bank	Credit Line - Village Bank
Target Clients	Group members with seasonal cash flow	Group members with regular cash flow	Group members with seasonal cash flow who have completed one cycle or 12 months
Maximum Loan Size	USD 300	USD 375	USD 300
Maximum Term	12 months	12 months	24 months
Interest Rate (Monthly)	2.8% to 3%	2.6% to 2.8%	2.8% to 3%
Repayment Conditions	Interest payments due monthly Principal payment due at end of term Prepayment allowed without penalty	Interest and principal payments due monthly Prepayment allowed without penalty	Interest payments due monthly Flexible and multiple drawing amount during the loan contract No unutilized fee



AMK's Counter at Head Office in Phnom Penh.

## INDIVIDUAL LOAN

Individual loan products are designed for both new and existing group clients who wish to increase their capital or grow their business. The Individual loan is available for both business and consumption (home improvement loan) purposes. Depending on the client's business requirements and cash flow, the client can choose one of the following products:

Product Description	Business Expansion Loan	Seasonal Loan	Credit Line Seasonal Loan	Home Improvement Loan	Easy Loan
Target Clients	Individuals who need funds to expand existing business	Individuals who need funds to invest or buy inputs for agricultural production	Individual farm owners in need of revolving funds for agricultural purposes	Individuals who need funds for home improvement	Low income urban dwellers
Maximum Loan Size	USD 2,000	USD 1,500	USD 1,000	USD 2,500	USD 300
Maximum Term	18 months	12 months	12 months	36 months	12 months
Interest Rate (Monthly)	2.2% - 3%	2.3% - 3%	2.4% - 3%	2.2% - 3%	2.3% - 3%
Repayment Conditions	Interest and principal payments due monthly  Prepayment allowed without penalty	Interest repaid monthly  Flexible and multiple drawing amount during the loan contract  Prepayment allowed without penalty		Interest and principal payments due monthly  Prepayment allowed without penalty	Interest and principal payments due monthly  Prepayment allowed without penalty

## EMERGENCY LOAN

The Emergency loan is designed for active AMK group and individual loan clients in good standing to assist them in the unfortunate event that an emergency arises. Only one personal guarantor is required when applying for this loan. The specific details of this Emergency loan product are outlined below:

Product Description	Emergency Loan
Target Clients	Individual or group clients in good standing who have completed at least 6 months with AMK
Maximum Loan Size	USD 100
Disbursement Timeline	4 working hours from time of request
Maximum Term	10 months
Interest Rate (Monthly)	2.5%
Repayment Condition	Monthly interest payments due on outstanding loan. Principal payment due on or before the end of term

## DEPOSIT PRODUCTS

AMK has created a family of flexible deposit products to meet the savings needs of its customers. AMK currently offers four distinct deposit products. These include the Easy Savings Account, Lucky Saving Account, Fixed Deposit Account, and Future Account:

Product Description	Easy Savings Account	Lucky Account	Fixed Deposit Account	Future Account
Target Clients	Savers who need flexibility of deposit and withdrawal for day to day transactions	Savers who need better interest rate and flexibility of deposit and withdrawal for day to day transactions	Savers who wish to deposit for a specific period of time in order to gain a higher interest rate	Savers who wish to make regular deposits over a period of time
Minimum Balance	N/A	USD 500	USD 25	USD 5
Term	N/A	N/A	1 month- 36 months	3 months-36 months
Interest (Per annum)	3% - 5.50%, depending on account balance and deposit currency	3.50% - 5.75%, depending on account balance and deposit currency	4.25% - 12%, depending on term, frequency of interest withdrawal, and currency	4.25% - 10%, depending on term and deposit currency

### MONEY TRANSFER

AMK launched a nationwide money transfer service in 2011 in order to facilitate money transfers between all AMK branches and sub-branches.

With its simple documentation process, customers can easily transfer money to their family members, relatives, business partners, and other beneficiaries nationwide. The transfer fee for each transaction ranges from USD1-2 to 0.10% of the transfer amount depending on the amount transferred and the deposit currency.

### E-BANKING SERVICES

AMK launched mobile banking in late 2011 as an extra delivery channel for rural households who wish to deposit, withdraw, and conduct money transfers. With this new channel, AMK can reach more target clients who may not already bank with a formal financial institution. AMK also launched ATMs and CDM in 2013 to improve access for office-based savers. The service includes:

- Cash Deposit
- Cash Withdrawal
- Money Transfer
- Cross Currency Transaction
- Balance Enquiry
- Mini Statement
- Pin Change



## CAMBODIAN COMPETITIVE LANDSCAPE



*AMK's Client is happy with her harvest in Kandal Province ( December 2013).*

Despite a challenging year, the Cambodian microfinance sector saw positive growth across all business lines. Loan quality remains strong at an average PAR of 0.30% for the whole sector. Additional sector-wide trends include:

- The number of borrowers increased by 19% to 1,565,526.
- Loan portfolio increased by 48% to over USD 1,325 million.
- The number of savers increased by 19% to 899,829.

*Deposit balances increased by 59% to USD 444.98 million.*

AMK remained committed to the poorest segments of society, with the lowest average loan size and the largest number of clients among the larger national MFIs in Cambodia. Sector growth trends for the last five years are outlined below.

Cambodia Microfinance Sector Performance						
Year	Number of Borrowers	Loan Outstanding (Million USD)	Average Loan Size (USD)	Number of Depositors	Deposits (Million USD)	Average Deposit Size (USD)
2008	825,238	277.06	335.73	108,266	4.91	45.35
2009	878,559	299.30	340.67	126,099	9.70	76.96
2010	992,452	425.92	429.16	190,023	40.89	215.20
2011	1,151,340	644.64	559.91	280,538	114.61	408.52
2012	1,316,185	892.49	678.09	753,113	279.63	371.30
2013	1,565,526	1,325.20	846.49	899,829	444.98	442.00

\* Source - CMA Microfinance, Network Information Exchange (NIX), December 31, 2013.

## RISK MANAGEMENT

**A** strong risk culture has always been an essential element of AMK's business in order to ensure sustainability and success. As a result, AMK takes a proactive approach to constantly increase risk awareness and manage risk across the organization. In line with international best practices, AMK follows the three lines of defense approach to risk management, with Business, Risk, and Internal Audit contributing to the overall management of risk. AMK promotes risk awareness and visibility among its staff at all levels of the company. Training programs are held on an annual basis by the Risk department to educate Branch and Head Office employees about how to identify risks, promote methods to improve controls, and maintain full compliance with both internal and external policies and regulations. AMK's Board of Directors also has a standing Risk Committee which provides guidance on risk-related issues and which ensures that AMK's risk appetite is appropriate to deliver both the financial and social returns targets set by its BOD and shareholders

AMK uses a participatory 5 steps process : identified a risk, assessed the risk, managed the risk, monitored the risk and controlled the risk. In the identification stage, AMK's Risk department facilitates discussions with branch managers and department heads to determine potential issues relating to people, processes, systems, and external factors. After risks are identified, they are assessed through the use of tools such as AMK's Risk Register. This register is used to log each identified risk with regard to its likelihood of occurring and its potential consequences. Based on these factors, risks are assigned a rating with regard to their perceived potential impact on AMK. This then allows AMK to manage and prioritize risks based on their severity and to develop action plans accordingly. AMK then continues to monitor and control each item to ensure the identified steps have been taken to mitigate each risk appropriately. Through this systematic approach, management is able to stay abreast of outstanding and new risks faced by the company and make informed strategic decisions. Additionally, AMK's Risk Department runs a series of stress tests once a year to monitor its internal controls and likely responses to potential major shocks. By anticipating problems in advance, AMK can prepare adequate and effective responses.

One example on how AMK constantly adapts to evolving risks is the way the institution tackled the issue of flooding. In 2013, Cambodia faced significant floods, which seriously destroyed the farm lands and households of several provinces along the Mekong

River and Tonle Sap Lake. Very shortly after the flooding began, AMK's Risk and Credit departments identified several analytical procedures to quantify the financial impact from flooding as follows:

- *Consultations with Branch Managers of branches in flood impacted areas;*
- *Assessment of outstanding portfolio possibly at risk;*
- *Individual assessment of clients' repayment capacity situation;*
- *Provision of emergency loans;*
- *Creation of a flood area map monitored internally by Operations;*
- *Inclusion of flood risk in the heat map reviewed by Management Risk Committee before reporting to Board Risk Committee;*
- *Communication with external parties (regulators and lenders) of quantified financial impact.*

The Risk Department oversees a wide array of risks including operational, technology, liquidity, political, and compliance risks. Below are highlights of some typical risk management activities carried out by the Risk Department in 2013:

**1) Operational and Compliance Risk Management has been implemented at all levels in order to ensure that the most important risks are identified, assessed, managed, and monitored.**

Several tools are used to ensure proper risk management:

- a. Risk Register and Risk Control Self-Assessment are done on a quarterly basis
- b. Risk Incident Report requires everyone to report through an Online Incident Report Form as and when incident occurs.

The Heat Map is a tool consolidating and summarizing the top risks faced by AMK and their monetary implications on a quarterly basis for the BOD Risk Committee.

- Risk Department focused on Managing Information Technology Risk to ensure data reliability and security. Taking into account the potentials risks behind the use of a sophisticated core banking system as well as the more recent introduction of Automatic Teller Machine (ATM), Cash Deposit Machine (CDM), and Mobile Banking services, AMK has adapted its risk management framework. Also, a Business Continuity Plan Test is now conducted twice each year to ensure business sustainability and maintenance of critical systems and networks.

- Reputational Risk has been recognized as a critical

consideration, where loss or damage to AMK's reputation can lead to the loss of customers, profit, and employees. In order to mitigate this risk, AMK set up a whistle blower system and an Online Risk Incident Report, where anyone can report any missed or near missed events that may impact AMK's reputation.

- Compliance Risk has been monitored by AMK to ensure full compliance with both internal and external rules and regulations. Non-compliance with internal policies and procedures can result in lower quality work, higher costs, slow productivity, lost revenues, and delayed processes. For instance, AMK's Finance and Risk departments monitor its compliance with loan agreement covenants on a monthly basis, while reporting to the National Bank of Cambodia at the same frequency. A lender's covenants and NBC prudential ratios monitoring report is updated monthly to proactively anticipate and avoid any risk of breach.

**2) Financial Risk management has been implemented at all relevant levels in order to ensure proper financial management as follows:**

- Credit risk management is designed to oversee credit business performance and aims to reduce the risk of non-performing loans. AMK Risk Management has established Portfolio Exposure Limits at several levels with a goal of limiting AMK exposure by sector, sub-sector (for agriculture), product, loan modality (group vs. individual), repayment modality (Installment, End of Term, or Credit Line), and geography. Since 2012, AMK has fully integrated routine Credit Bureau checks (on all new clients) into its loan assessment process which has provided unique insights into client debt levels and enabled greater protection against over-indebtedness. On a quarterly basis, AMK reports its

total outstanding portfolio per number of AMK loans. As of 31 December 2013, 98% of clients had one loan with AMK, while 2% had two loans, in line with AMK's internal policy limiting the number of multiple borrowing.

- Since the acquisition of a savings mobilization license, AMK has significantly enhanced its mitigation of liquidity risk. Liquidity risk management has been designed to ensure sufficient liquid assets meet financial commitments and obligations in any currency. The Asset and Liability Committee ("ALCO") meets on a monthly basis to discuss the operational performance, cash flow projections, and foreign currency position, and to approve limits on borrowing from lenders and revised interest rates for any currency. The ALCO also discusses savings issues, including the concentration of risk among the largest savers, ALM and KYC background checks requisite to open all saving accounts, and maturity risks of savings products vs. AMK's assets.

- Meanwhile, interest rate risk management has been designed to oversee the risk of possible adverse movements of interest rates to AMK's financial condition given the maturities of assets and liabilities and sensitivity to interest rate change.



*AMK's Client feeding the livestock in Prey Veng Province ( September, 2013 )*

# Financial Report & Report of the Independent Auditor

## Content:

- Report of the Board of Directors
- Report of the Independent Auditor
- Income Statement
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to Financial Statements

## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”) for the year ended 31 December 2013.

### Principal activity

The principal activity of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd is to provide micro-finance services to the poor population of Cambodia through its head office in Phnom Penh and its various branch offices in Phnom Penh and provinces in the Kingdom of Cambodia.

### Financial results

The financial results of the Company for the year ended 31 December 2013 were as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	16,275,893	4,074,066	14,282,347	3,575,058
Income tax expense	(3,055,981)	(764,951)	(2,748,789)	(688,057)
Net profit for the year	13,219,912	3,309,115	11,533,558	2,887,001

### Share capital

In 2012, the Company issued additional share capital to AMK-SA, the existing minority shareholder, of 12,085 shares for KHR270,647 thousand with a premium of KHR31,478 thousand. In addition, one of the existing shareholders, Concern Worldwide (Dublin) resolved to sell a portion of its shareholding to Rural Impulse Fund II of 345,792 shares for KHR8,644,800 thousand and Agora Microfinance N.V. 275,250 shares for KHR6,881,250 thousand.

These increases were approved by the National Bank of Cambodia and the Ministry of Commerce on 28 January 2013 and 22 July 2013 respectively.

On 20 October 2013, the Board of Directors of the Company approved to issue additional share capital to AMK-SA of 9,839 shares for KHR245,976 thousand with a premium of KHR22,520 thousand. This increase was approved by the National Bank of Cambodia on 7 March 2014 and is in the process of updating the Memorandum and Articles of Incorporation with the Ministry of Commerce. Accordingly, the amount was recorded as advance capital contribution in the statement of changes in equity.

On 24 March 2014, Concern Worldwide (Dublin) and Concern Worldwide (UK) entered into the Sale and Purchase Agreements (SPA) with PROPARCO, CLDF and Agora Microfinance N.V to sell all of their shareholding. The acquisition is subject to approval by the NBC. Under the SPAs, Concern Worldwide (Dublin) agreed to sell 210,000 shares, 94,200 shares and 437,428 shares to PROPARCO, CLDF and Agora Microfinance N.V respectively and Concern Worldwide (UK) agreed to sell 100 shares to Agora Microfinance N.V. See Note 17 for detail.

### Reserves and provisions

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 actions had been taken 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 allowance 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 allowance 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 current 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 is not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Company misleading.

### Valuation methods

At the date of this report, the Board of Directors is 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:

(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;

(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 period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

### Change of circumstances

At the date of this report, the Board of Directors is 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.

### Events since the balance sheet date

No significant events occurred after the balance sheet date that requires disclosure or adjustment other than those already disclosed in the financial statements.

### The Board of Directors

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

*Mr. Tanmay Chetan, Chairman*

*Mr. Patrick Peter Power, Director*

*Mr. Howard William Dazell, Director*

*Mr. Tip Janvibol, Director*

*Ms. Mckenzie Geb. Sands Rebecca Ann, Director*

*Mr. Adrian John Graham, Director*

*Mr. Kea Borann, Director*

*Ms. Blandine Claudia Marie Pons, Director  
(appointed on 7 June 2013)*

*Mr. Thomas James O'Higgins, Director  
(appointed on 17 May 2013)*

*Mr. Marcus Fedder, Director  
(resigned on 26 March 2013)*

*Ms. Irina Ignatieva, Director  
(resigned on 18 July 2013)*

### Directors' interests

No members held any interest in the equity of the Company.

### 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 2013, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating the preparation and presentation of the 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) maintain adequate accounting records and an effective system of internal controls;

(iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; 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.

*On behalf of the Board of Directors*



**MR. TANMAY CHETAN**  
*Chairman*

## REPORT OF THE INDEPENDENT AUDITORS

*To the shareholders  
Angkor Mikroheranhvatho (Kampuchea) Co., Ltd*

**W**e have audited the accompanying financial statements of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd (“the Company” or “AMK”), which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 42 to 71.

### MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the 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.

### AUDITORS’ RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Angkor Mikroheranhvatho (Kampuchea) Co., Ltd as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

*For KPMG Cambodia Ltd*



**NGE HUY**  
*Audit Partner*

**BALANCE SHEET**

As at 31 December 2013



ASSETS	Note	2013		2012	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	5	13,051,323	3,266,914	8,194,253	2,051,127
Deposits with National Bank of Cambodia	6	14,788,065	3,701,643	6,692,144	1,675,130
Deposits and placements with other banks	7	44,592,049	11,161,965	59,613,892	14,922,126
Loans to customers	8	313,393,956	78,446,547	246,279,816	61,647,013
Other assets	9	8,334,111	2,086,135	7,296,911	1,826,511
Property and equipment	10	8,143,319	2,038,378	4,870,623	1,219,180
Intangible assets	11	2,119,665	530,579	2,154,254	539,238
Deferred tax assets	12	1,492,582	373,613	969,232	242,611
<b>TOTAL ASSETS</b>		<b>405,915,070</b>	<b>101,605,774</b>	<b>336,071,125</b>	<b>84,122,936</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	13	74,755,898	18,712,365	34,416,534	8,614,902
Provision for income tax	12	2,671,872	668,804	2,386,208	597,299
Other liabilities	14	12,453,341	3,117,231	10,707,145	2,680,137
Borrowings	15	228,745,576	57,257,966	216,320,809	54,147,887
Provision for staff pension funds	16	5,702,918	1,427,514	4,143,372	1,037,140
<b>Total liabilities</b>		<b>324,329,605</b>	<b>81,183,880</b>	<b>267,974,068</b>	<b>67,077,365</b>
<b>Shareholders' equity</b>					
Share capital	17	34,881,325	8,731,245	34,579,200	8,655,620
Share premium	17	126,984	31,786	95,506	23,906
Advance capital contribution	17	268,496	67,208	333,603	83,505
Reserves	18	8,551,904	2,140,652	5,928,121	1,483,885
Retained earnings		37,756,756	9,451,003	27,160,627	6,798,655
<b>Total shareholders' equity</b>		<b>81,585,465</b>	<b>20,421,894</b>	<b>68,097,057</b>	<b>17,045,571</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>405,915,070</b>	<b>101,605,774</b>	<b>336,071,125</b>	<b>84,122,936</b>

# INCOME STATEMENT

For the year ended 31 December 2013



	Note	2013		2012	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	19	97,777,460	24,474,959	80,063,162	20,040,842
Interest expense	20	(25,980,544)	(6,503,265)	(22,110,037)	(5,534,427)
<b>Net interest income</b>		<b>71,796,916</b>	<b>17,971,694</b>	<b>57,953,125</b>	<b>14,506,415</b>
Fee and commission expenses	21	(7,110,828)	(1,779,932)	(4,799,215)	(1,201,305)
Other income	22	3,082,553	771,603	2,272,590	568,859
Other operating expenses	23	(49,491,329)	(12,388,318)	(40,337,816)	(10,097,075)
Allowance for bad and doubtful loans	8	(2,001,419)	(500,981)	(812,344)	(203,340)
<b>Operating income</b>		<b>16,275,893</b>	<b>4,074,066</b>	<b>14,276,340</b>	<b>3,573,554</b>
Grant income	24	-	-	6,007	1,504
Profit before income tax		16,275,893	4,074,066	14,282,347	3,575,058
Income tax expense	12	(3,055,981)	(764,951)	(2,748,789)	(688,057)
<b>Net profit for the year</b>		<b>13,219,912</b>	<b>3,309,115</b>	<b>11,533,558</b>	<b>2,887,001</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital	Share premium	Advance capital contribution	Reserves	Retained earnings	Total	
						KHR'000	US\$
At 1 January 2012	34,579,200	95,506	-	3,304,338	18,250,852	56,229,896	14,075,068
Advance capital contribution	-	-	333,603	-	-	333,603	83,505
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-	-
Net profit for the year	-	-	-	-	11,533,558	11,533,558	2,886,998
<b>At 31 December 2012</b>	<b>34,579,200</b>	<b>95,506</b>	<b>333,603</b>	<b>5,928,121</b>	<b>27,160,627</b>	<b>68,097,057</b>	<b>17,045,571</b>
(US\$ equivalents - Note 4)	8,655,620	23,906	83,505	1,483,885	6,798,655	17,045,571	-
At 1 January 2013	34,579,200	95,506	333,603	5,928,121	27,160,627	68,097,057	17,045,571
Additional share capital	302,125	31,478	(333,603)	-	-	-	-
Advance capital contribution	-	-	268,496	-	-	268,496	67,209
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-	-
Net profit for the year	-	-	-	-	13,219,912	13,219,912	3,309,114
<b>At 31 December 2013</b>	<b>34,881,325</b>	<b>126,984</b>	<b>268,496</b>	<b>8,551,904</b>	<b>37,756,756</b>	<b>81,585,465</b>	<b>20,421,894</b>
(US\$ equivalents - Note 4)	8,731,245	31,786	67,208	2,140,652	9,451,003	20,421,894	-

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013		2012	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Cash flows from operating activities</b>					
<b>Net cash used in operating activities</b>	<b>25</b>	<b>(2,614,487)</b>	<b>(654,442)</b>	<b>(16,921,526)</b>	<b>(4,235,676)</b>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment		(4,904,774)	(1,227,728)	(1,966,615)	(492,269)
Purchase of intangible assets		(703,058)	(175,984)	(959,774)	(240,244)
Proceeds from disposals of property and equipment		2,029	509	127,483	31,911
<b>Net cash used in investing activities</b>		<b>(5,605,803)</b>	<b>(1,403,203)</b>	<b>(2,798,906)</b>	<b>(700,602)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		101,667,270	25,448,628	99,077,252	24,800,313
Repayments of borrowings		(88,486,397)	(22,149,286)	(70,684,846)	(17,693,328)
Proceeds from advance capital contribution		268,496	67,208	333,603	83,505
<b>Net cash generated from financing activities</b>		<b>13,449,369</b>	<b>3,366,550</b>	<b>28,726,009</b>	<b>7,190,490</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,229,079</b>	<b>1,308,905</b>	<b>9,005,577</b>	<b>2,254,212</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>29,510,425</b>	<b>7,386,840</b>	<b>20,504,848</b>	<b>5,132,628</b>
<b>Cash and cash equivalents at end of year</b>	<b>26</b>	<b>34,739,504</b>	<b>8,695,745</b>	<b>29,510,425</b>	<b>7,386,840</b>

## NOTES TO FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.

#### (b) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel (“KHR”), United States Dollars (“US\$”) and Thai Baht (“THB”). Management have determined the KHR to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

#### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### (a) Financial instruments

The Company’s financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, other receivables, borrowings and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

#### (b) Basis of aggregation

The Company’s financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

#### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### (d) Deposits and placement with banks

Deposits and placements with banks are stated at cost.

#### (e) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowance.

Loans are written off automatically when a client dies and in other case where the loans remain unpaid based on the assessment of the management and upon the approval of the Board of Directors as they are uncollectible. Loans written off are removed from the outstanding loan portfolio and from the allowance for bad and doubtful loans.

**(f) Allowance for bad and doubtful loans**

In compliance with the NBC Guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing, as follows:

Classification	Number of days past due	Allowance
Short term loans (less than one year):		
Sub-standard	30 days or more	10%
Doubtful	60 days or more	30%
Loss	90 days or more	100%
Long term loans (more than one year):		
Sub-standard	30 days or more	10%
Doubtful	180 days or more	30%
Loss	360 days or more	100%

An additional general allowance for bad and doubtful loans is set at the rate of 1% of all outstanding performing loans excluding staff loans.

The allowance will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The allowance is recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

Recoveries on loans previously written off and reversal of previous allowance are disclosed as a other income in the income statement.

**(g) Other assets**

Other assets are carried at lower of cost and estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the end of the reporting date.

**(h) Property and equipment**

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a straight line basis over the estimated useful lives of the individual assets as follows:

- Leasehold improvement 4 years
- Motor vehicles 8 years
- Motorcycles 5 years
- Computer and office equipment 3 to 4 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

**(i) Intangible assets**

Intangible assets consist of computer software licenses and related costs and are stated at cost less accumulated amortisation and accumulated impairment losses; if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight line method over five years.

**(j) Impairment****(i) Financial assets**

A financial asset, except loans to customers, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(f).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

#### (k) Deposits from customers

Deposits from customers are stated at cost.

#### (l) Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the year of the borrowings using the straight-line method.

#### (m) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (n) Provisions for staff pension funds

The Company provides its employees with benefits under the staff pension fund policy. Employees who complete three months of service with the Company have to participate in the staff pension fund scheme. The fund is sourced from the following:

- Employees contribute 3% of their monthly salary, and the Company contributes 6%. The Company's contribution is charged to the income statement.

- The Company contributes interest on the cumulative balance of the staff pension fund computed at 7% per annum. This interest is charged to the income statement.

The staff pension fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution and interest are paid in full accordingly.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Company.

#### (o) Income and expense recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

Loan administrative fee income is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate. Expenses are recognised on an accrual basis.

**(p) Grants**

Grants received from third parties to subsidise the Company's operating expenses are released to the income statement on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received from third parties for the purchase of property and equipment are amortised to the income statement on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

**(q) Operating leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

**(r) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(s) Related parties**

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

**4. TRANSLATION OF KHMER RIEL INTO UNITED STATES DOLLARS**

The financial statements are stated in Khmer Riel ("KHR"). The translations of Khmer Riel amount into United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate as of 31 December 2013 of US\$1: KHR3,995 (31 December 2012 of US\$1: KHR3,995) published by the NBC. These convenience translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into United States Dollars at this or any other rate of exchange.

**5. CASH ON HAND**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office	34,573	8,654	27,064	6,774
Branches	13,016,750	3,258,260	8,167,189	2,044,353
	<b>13,051,323</b>	<b>3,266,914</b>	<b>8,194,253</b>	<b>2,051,127</b>

The above amounts are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By currency:				
Khmer Riel	7,536,863	1,886,574	5,609,475	1,404,124
US Dollars	5,084,452	1,272,703	2,441,012	611,017
Thai Baht	430,008	107,637	143,766	35,986
	<b>13,051,323</b>	<b>3,266,914</b>	<b>8,194,253</b>	<b>2,051,127</b>

## 6. DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Statutory deposits:</b>				
Capital guarantee deposit	3,488,133	873,125	3,457,920	865,562
Reserve requirement	5,679,500	1,421,652	2,780,000	695,870
	<b>9,167,633</b>	<b>2,294,777</b>	<b>6,237,920</b>	<b>1,561,432</b>
Current accounts	5,620,432	1,406,866	454,224	113,698
	<b>14,788,065</b>	<b>3,701,643</b>	<b>6,692,144</b>	<b>1,675,130</b>

### Capital guarantee deposit

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 10% of the Company's registered share capital. The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The statutory deposit on registered capital placed with NBC earns interest at the rate of 3.00% per annum.

### Reserve requirement

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas No. B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

The statutory deposit relating to customers' deposits does not earn interest.

## 7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	1,551,615	388,389	894,639	223,940
Savings accounts	14,516,134	3,633,576	13,970,253	3,496,934
Fixed deposits(*)	28,524,300	7,140,000	44,749,000	11,201,252
	<b>44,592,049</b>	<b>11,161,965</b>	<b>59,613,892</b>	<b>14,922,126</b>

(\*) Fixed deposits consist of deposits with Foreign Trade Bank of Cambodia ("FTB") amounting to KHR28 billion (approximately US\$7,000,000) to secure back-to-back loans entered into in order to hedge currency exposure. (Note 15)

Deposits and placements with other banks are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	16,067,749	4,021,965	20,862,392	5,222,126
More than 3 months	28,524,300	7,140,000	38,751,500	9,700,000
	<b>44,592,049</b>	<b>11,161,965</b>	<b>59,613,892</b>	<b>14,922,126</b>

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(b) By currency:</b>				
US Dollars	32,124,387	8,041,148	44,235,837	11,072,800
Khmer Riel	10,308,789	2,580,423	14,873,999	3,723,154
Thai Baht	2,158,873	540,394	504,056	126,172
	<b>44,592,049</b>	<b>11,161,965</b>	<b>59,613,892</b>	<b>14,922,126</b>

### (c) By interest rate (per annum):

	2013	2012
Fixed deposits	1.00% - 5.00%	1.00% - 5.00%
Savings accounts	0.25% - 0.75%	0.25% - 0.75%

## 8. LOANS TO CUSTOMERS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Village Bank loans:</b>				
End of term	86,804,078	21,728,180	76,381,279	19,119,219
Credit line	64,756,592	16,209,410	78,577,194	19,668,885
Instalment	82,531,966	20,658,815	34,135,174	8,544,474
<b>Individual loans:</b>				
Instalment	37,097,151	9,285,895	22,554,211	5,645,610
End of term	26,589,948	6,655,807	26,518,298	6,637,872
Seasonal credit line	13,345,734	3,340,609	6,996,905	1,751,415
Staff loans	5,713,223	1,430,093	3,734,065	934,685
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>
<b>Allowance for bad and doubtful loans</b>				
Specific	(333,494)	(83,478)	(165,679)	(41,472)
General	(3,111,242)	(778,784)	(2,451,631)	(613,675)
	<b>(3,444,736)</b>	<b>(862,262)</b>	<b>(2,617,310)</b>	<b>(655,147)</b>
	<b>313,393,956</b>	<b>78,446,547</b>	<b>246,279,816</b>	<b>61,647,013</b>

The movements in allowance for bad and doubtful loans were as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	2,617,310	655,147	2,669,726	668,267
Allowance for the year	2,001,419	500,981	812,344	203,340
Reversals	-	-	(541,091)	(135,442)
Written off during the year	(1,173,993)	(293,866)	(323,669)	(81,018)
At 31 December	3,444,736	862,262	2,617,310	655,147

The loans to customers are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Less than 1 month	25,298,229	6,332,473	16,046,843	4,016,732
1 to 3 months	89,867,488	22,494,991	41,023,720	10,268,766
3 to 12 months	163,426,887	40,907,857	157,401,340	39,399,585
More than 1 year	38,246,088	9,573,488	34,425,223	8,617,077
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>

<b>(b) By currency:</b>				
Khmer Riel	267,818,619	67,038,453	220,199,567	55,118,790
US Dollars	31,705,803	7,936,371	16,383,041	4,100,886
Thai Baht	17,314,270	4,333,985	12,314,518	3,082,484
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>

The loans to customers are analysed as follows:

	<b>2013</b>		<b>2012</b>	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(c) By economic sector:</b>				
Agriculture	171,266,901	42,870,313	172,737,916	43,238,527
Trade and commerce	60,825,843	15,225,493	41,467,959	10,379,965
Household/family	6,690,813	1,674,797	15,881,393	3,975,317
Services	60,518,575	15,148,579	10,166,902	2,544,907
Construction	9,151,474	2,290,732	2,882,541	721,537
Transportation	1,704,466	426,650	868,120	217,302
Other categories	6,680,620	1,672,245	4,892,295	1,224,605
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>
<b>(d) By residency status:</b>				
Residents	316,838,692	79,308,809	248,897,126	62,302,160
<b>(e) By relationship:</b>				
External customers	311,125,469	77,878,716	245,163,061	61,367,475
Staff loans	5,713,223	1,430,093	3,734,065	934,685
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>
<b>(f) By location:</b>				
Head office	1,740,504	435,671	989,569	247,702
Branches	315,098,188	78,873,138	247,907,557	62,054,458
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>

The loans to customers are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(g) By performance:</b>				
Standard loans:				
Secured	80,047,005	20,036,797	57,802,598	14,468,735
Unsecured	236,294,375	59,147,528	190,802,205	47,760,252
Sub-standard loans:				
Secured	17,646	4,417	55,513	13,896
Unsecured	83,071	20,794	40,124	10,044
Doubtful loans:				
Secured	45,793	11,463	41,023	10,269
Unsecured	58,740	14,703	16,842	4,215
Loans loss:				
Secured	156,705	39,225	50,371	12,609
Unsecured	135,357	33,882	88,450	22,140
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>

**(h) By interest rate (per annum):**

	2013	2012
External customers	24.00% - 36.00%	26.40% - 36.00%
Staff loans	2.00% - 12.00%	2.00% - 12.00%

## 9. OTHER ASSETS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest receivable	5,739,591	1,436,694	5,159,459	1,291,479
Prepayments	2,426,326	607,341	1,906,474	477,215
Others	168,194	42,100	230,978	57,817
	<b>8,334,111</b>	<b>2,086,135</b>	<b>7,296,911</b>	<b>1,826,511</b>

## 10. PROPERTY AND EQUIPMENT

2013	Leasehold improvement KHR'000	Motor vehicles KHR'000	Motorcycles KHR'000	Computer and office equipment KHR'000	Construction in progress KHR'000	Total	
						KHR'000	US\$
<b>Cost</b>							
At 1 January 2013	-	2,596,647	4,759,955	4,216,264	-	11,572,866	2,896,837
Additions	401,782	-	1,119,251	2,347,227	1,036,514	4,904,774	1,227,728
Transfers/reclassifications	937,577	(65,432)	65,432	-	(937,577)	-	-
Disposals	-	-	-	(16,757)	-	(16,757)	(4,194)
At 31 December 2013	1,339,359	2,531,215	5,944,638	6,546,734	98,937	16,460,883	4,120,371
<b>Less: Accumulated depreciation</b>							
At 1 January 2013	-	1,238,176	2,679,736	2,784,331	-	6,702,243	1,677,657
Depreciation for the year	42,432	146,798	593,516	847,123	-	1,629,869	407,977
Reclassifications	-	(2,300)	2,300	-	-	-	-
Disposals	-	-	-	(14,548)	-	(14,548)	(3,641)
At 31 December 2013	42,432	1,382,674	3,275,552	3,616,906	-	8,317,564	2,081,993
<b>Carrying amounts</b>							
At 31 December 2013	1,296,927	1,148,541	2,669,086	2,929,828	98,937	8,143,319	2,038,378

2012	Motor Vehicles	Motorcycles	Computer and office equipment	Total	Total
	KHR'000	KHR'000	KHR'000	KHR'000	US\$ (Note 4)
<b>Cost</b>					
At 1 January 2012	2,196,192	4,076,322	3,638,107	9,910,621	2,480,756
Additions	400,455	903,664	662,496	1,966,615	492,269
Disposals	-	(220,031)	(84,339)	(304,370)	(76,188)
At 31 December 2012	2,596,647	4,759,955	4,216,264	11,572,866	2,896,837
<b>Less: Accumulated depreciation</b>					
At 1 January 2012	1,180,203	2,284,738	2,094,735	5,559,676	1,391,658
Depreciation for the year	117,855	510,543	770,512	1,398,910	350,165
Disposals	(59,882)	(115,545)	(80,916)	(256,343)	(64,166)
At 31 December 2012	1,238,176	2,679,736	2,784,331	6,702,243	1,677,657
<b>Carrying amounts</b>					
At 31 December 2012	1,358,471	2,080,219	1,431,933	4,870,623	1,219,180

## 11. INTANGIBLE ASSETS

Computer Software				
	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Cost</b>				
At 1 January	4,040,853	1,011,478	3,081,079	771,234
Additions	703,058	175,984	959,774	240,244
At 31 December	4,743,911	1,187,462	4,040,853	1,011,478
<b>Less: Accumulated amortisation</b>				
At 1 January	1,886,599	472,240	1,224,503	306,509
Amortisation for the year	737,647	184,643	662,096	165,731
At 31 December	2,624,246	656,883	1,886,599	472,240
<b>Carrying amounts</b>				
At 31 December	2,119,665	530,579	2,154,254	539,238

## 12. INCOME TAX

### (a) Deferred tax, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deferred tax assets	2,082,908	521,378	1,442,445	361,063
Deferred tax liabilities	(590,326)	(147,765)	(473,213)	(118,452)
	<b>1,492,582</b>	<b>373,613</b>	<b>969,232</b>	<b>242,611</b>

The movement of net deferred tax assets is as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of year	969,232	242,611	793,469	198,615
Credited to income statement	523,350	131,002	175,763	43,996
At end of year	1,492,582	373,613	969,232	242,611
<b>Deferred tax assets/(liabilities) are attributable to the following:</b>				
	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Provision for retirement benefits	908,920	227,514	628,047	157,208
General allowance	622,248	155,757	490,326	122,735
Khmer New Year and Pchum Ben bonuses	275,392	68,934	220,998	55,319
Unrealised exchange losses	228,408	57,173	44,744	11,200
Management incentives	47,940	12,000	58,330	14,601
Depreciation and amortisation	(590,326)	(147,765)	(473,213)	(118,452)
	<b>1,492,582</b>	<b>373,613</b>	<b>969,232</b>	<b>242,611</b>

#### (b) Provision for income tax

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	2,386,208	597,299	1,856,417	464,685
Current income tax expense	3,579,331	895,953	2,924,552	732,053
Income tax paid	(3,293,667)	(824,448)	(2,394,761)	(599,439)
At 31 December	2,671,872	668,804	2,386,208	597,299

In accordance with Cambodian law, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

#### (c) Income tax expense

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	3,579,331	895,953	2,924,552	732,053
Deferred tax	(523,350)	(131,002)	(175,763)	(43,996)
	<b>3,055,981</b>	<b>764,951</b>	<b>2,748,789</b>	<b>688,057</b>

The reconciliation of income tax computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	2013			2012		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	16,275,893	4,074,066		14,282,347	3,575,058	
Income tax using statutory rate at 20%	3,255,179	814,813	20.00	2,856,469	715,011	20
Non-deductible expenses	63,061	15,784	0.39	176,347	44,142	1
Others	(256,225)	(64,136)	(1.57)	-	-	-
Over provision in prior year	(6,034)	(1,510)	(0.04)	(284,027)	(71,096)	(2)
Income tax expense	3,055,981	764,951	18.78	2,748,789	688,057	19

The calculation of taxable income is subject to the review and approval of the tax authorities.

### 13. DEPOSITS FROM CUSTOMERS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Term Deposit	54,502,908	13,642,780	25,796,721	6,457,252
Savings accounts	19,988,972	5,003,497	8,546,355	2,139,263
Mobile saving accounts	264,018	66,088	73,458	18,387
	<b>74,755,898</b>	<b>18,712,365</b>	<b>34,416,534</b>	<b>8,614,902</b>

Deposits from customers are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Less than 1 month	26,804,889	6,709,609	10,292,070	2,576,238
1 to 3 months	13,077,890	3,273,564	6,646,193	1,663,628
3 to 12 months	21,438,845	5,366,419	14,056,487	3,518,519
More than 12 months	13,434,274	3,362,773	3,421,784	856,517
	<b>74,755,898</b>	<b>18,712,365</b>	<b>34,416,534</b>	<b>8,614,902</b>
<b>(b) By currency:</b>				
US Dollars	27,629,721	6,916,075	18,175,371	4,549,530
Khmer Riel	45,558,463	11,403,871	15,955,368	3,993,834
Thai Baht	1,567,714	392,419	285,795	71,538
	<b>74,755,898</b>	<b>18,712,365</b>	<b>34,416,534</b>	<b>8,614,902</b>

#### (c) By relationship:

Analysis of deposits from customers by relationship is disclosed in Note 29(a).

#### (d) Interest rate by product (per annum)

	2013	2012
Term Deposit	4.25% - 12%	4.25% - 12.00%
Saving accounts	3.00% - 5.75%	4.00% - 5.00%
Mobile saving	3.00% - 5.50%	4.00% - 5.00%

## 14. OTHER LIABILITIES

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Accrued interest payable	7,521,572	1,882,746	6,243,457	1,562,818
Accrued loss on forward exchange rate	1,128,572	282,496	1,201,685	300,797
Staff bonus payable	1,376,609	344,583	1,104,989	276,593
Staff incentive	676,275	169,280	669,214	167,513
Other tax payables	540,100	135,194	369,241	92,426
Other accruals and payables	1,210,213	302,932	1,118,559	279,990
	<b>12,453,341</b>	<b>3,117,231</b>	<b>10,707,145</b>	<b>2,680,137</b>

## 15. BORROWINGS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Non-related parties:</b>				
Foreign Trade Bank of Cambodia (*)	30,050,000	7,521,902	42,400,000	10,613,267
Instituto de Credito Oficial of the Kingdom of Spain ("ICO")	74,965,236	18,764,765	74,965,236	18,764,765
Hivos-Triodos Fonds	18,000,000	4,505,632	18,000,000	4,505,632
Oikocredit	22,880,000	5,727,159	20,330,000	5,088,861
ResponsAbility	18,899,420	4,730,768	11,375,052	2,847,322
DWM Asset Management	8,128,000	2,034,543	8,128,000	2,034,543
BlueOrchard	11,917,350	2,983,066	7,990,000	2,000,000
Symbiotics SA Information	1,997,500	500,000	6,089,275	1,524,224
MARUHAN Japan Bank Plc	2,397,000	600,000	3,196,444	800,111
Grameen Credit Agricole Microfinance Foundation	3,000,000	750,939	5,000,000	1,251,564
Oxfam Novib	4,423,194	1,107,182	4,423,194	1,107,183
Rural Impulse Fund	3,990,376	998,844	4,267,259	1,068,150
VDK-Spaarbank n.v	3,995,000	1,000,000	3,995,000	1,000,000
Micro Credit Enterprise	1,997,500	500,000	3,995,000	1,000,000
Microvest GMG Local Credit Master Fund, Ltd	6,125,000	1,533,166	-	-
Global Commercial Microfinance Consortium II B.V	15,980,000	4,000,000	-	-
Clann Credo	-	-	761,004	190,489
	<b>228,745,576</b>	<b>57,257,966</b>	<b>214,915,464</b>	<b>53,796,111</b>
<b>Related parties:</b>				
Agora Microfinance N.V	-	-	1,405,345	351,776
	<b>228,745,576</b>	<b>57,257,966</b>	<b>216,320,809</b>	<b>54,147,887</b>

(\*) Borrowings from Foreign Trade Bank of Cambodia ("FTB") consist of KHR28 billion (Note 7) in back-to-back loans entered into in order to hedge currency exposure. The remaining amount is debt secured by a letter of credit from Deutsche Bank Trust Company Americas.

Borrowings are unsecured (except borrowings from FTB) and are analysed as follows:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By currency:</b>				
US Dollars	109,322,236	27,364,765	88,910,184	22,255,365
Khmer Riel	102,461,194	25,647,358	115,764,539	28,977,357
Thai Baht	16,962,146	4,245,843	11,646,086	2,915,165
	<b>228,745,576</b>	<b>57,257,966</b>	<b>216,320,809</b>	<b>54,147,887</b>
<b>(b) By maturity:</b>				
Less than 1 month	2,719,750	680,788	10,106,802	2,529,863
1 to 3 months	19,586,750	4,902,816	24,168,880	6,049,783
3 to 12 months	66,223,630	16,576,628	34,124,937	8,541,912
1 to 5 years	76,844,896	19,235,268	80,045,433	20,036,404
Over 5 years	63,370,550	15,862,466	67,874,757	16,989,925
	<b>228,745,576</b>	<b>57,257,966</b>	<b>216,320,809</b>	<b>54,147,887</b>

**(c) By interest rate (per annum, including withholding tax):**

	2013	2012
Khmer Riel	10.00% - 14.53%	10.00% - 14.53%
US Dollars	6.40% - 8.72%	6.40% - 9.07%
Thai Baht	10.47% - 11.63%	11.05% - 11.40%

## 16. PROVISION FOR STAFF PENSION FUNDS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	4,143,372	1,037,140	3,011,281	753,763
<b>Addition:</b>				
Employer contributions at 6% to	1,170,215	292,920	907,173	227,077
Employee contributions at 3% to	585,108	146,460	453,584	113,538
Interest earned	292,933	73,325	225,390	56,418
Payments made during the year	(428,612)	(107,287)	(385,006)	(96,372)
Reversal	(56,861)	(14,233)	(33,298)	(8,335)
Currency translation	(3,237)	(811)	(35,752)	(8,949)
At 31 December	5,702,918	1,427,514	4,143,372	1,037,140

## 17. SHARE CAPITAL AND ADVANCE CAPITAL CONTRIBUTION

The Company's registered and fully paid up share capital is 1,395,253 shares (2012: 1,383,168 shares) at KHR25,000 per share. The details of shareholding are as follows:

	2013			2012		
	KHR'000	US\$ (Note 4)	%	KHR'000	US\$ (Note 4)	%
Concern Worldwide (Dublin)	18,540,700	4,640,976	53.15	34,066,750	8,527,347	98.52
Rural Impulse Fund II	8,644,800	2,163,905	24.78	-	-	-
Agora Microfinance N.V	6,881,250	1,722,466	19.73	-	-	-
AMK - SA	812,075	203,273	2.33	509,950	127,648	1.47
Concern Worldwide (UK)	2,500	625	0.01	2,500	625	0.01
	<b>34,881,325</b>	<b>8,731,245</b>	<b>100</b>	<b>34,579,200</b>	<b>8,655,620</b>	<b>100</b>

In 2012, the Company issued additional share capital to AMK-SA of 12,085 shares for KHR270,647 thousand with a premium of KHR31,478 thousand. In addition, one of the existing shareholders, Concern Worldwide (Dublin) resolved to sell a portion of its shareholding to Rural Impulse Fund II of 345,792 shares for KHR8,644,800 thousand and Agora Microfinance N.V. 275,250 shares for KHR6,881,250 thousand. These transactions were approved by the National Bank of Cambodia and the Ministry of Commerce on 28 January 2013 and 22 July 2013 respectively.

On 20 October 2013, the Board of Directors of the Company approved to issue additional share capital to AMK-SA of 9,839 shares for KHR245,976 thousand with a premium of KHR22,520 thousand. This increase was approved by the National Bank of Cambodia on 7 March 2014 and is in the process of updating the Memorandum and Articles of Incorporation with the Ministry of Commerce. Accordingly, the amount was recorded as advance capital contribution in the shareholders' equity.

On 24 March 2014, Concern Worldwide (Dublin) and Concern Worldwide (UK) entered into the Sale and Purchase Agreements (SPA) with PROPARCO, CLDF and Agora Microfinance N.V to sell all of their shareholding. The acquisition is subject to approval by the NBC. Under the SPAs, Concern Worldwide (Dublin) agreed to sell 210,000 shares, 94,200 shares and 437,428 shares to PROPARCO, CLDF and Agora Microfinance N.V respectively and Concern Worldwide (UK) agreed to sell 100 shares to Agora Microfinance N.V.

After the above transactions (subject to approval by the NBC), the new shareholding structure will be as follows:

	Current Shareholdings	Number of shares transferred/issued	Revised shareholding	
			No. of shares	%
Concern Worldwide (Dublin)	741,628	(741,628)	-	-
Rural Impulse Fund II	345,792	-	345,792	24.610
Agora Microfinance N.V	275,250	437,528	712,778	50.728
AMK - SA	32,483	9,839	42,322	3.012
Concern Worldwide (UK)	100	(100)	-	-
PROPARCO	-	210,000	210,000	14.946
CLDF	-	94,200	94,200	6.704
	<b>1,395,253</b>	<b>9,839</b>	<b>1,405,092</b>	<b>100.00</b>

**18. RESERVES**

Under the loan agreement with ICO, the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

**19. INTEREST INCOME**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers	96,017,344	24,034,379	77,839,975	19,484,349
Placements with banks	1,760,116	440,580	2,223,187	556,493
	<b>97,777,460</b>	<b>24,474,959</b>	<b>80,063,162</b>	<b>20,040,842</b>

**20. INTEREST EXPENSE**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Borrowings	21,516,727	5,385,914	20,263,345	5,072,176
Deposits from customers	4,463,817	1,117,351	1,846,692	462,251
	<b>25,980,544</b>	<b>6,503,265</b>	<b>22,110,037</b>	<b>5,534,427</b>

**21. FEE AND COMMISSION EXPENSES**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Fees on borrowings and swap	3,339,380	835,890	1,613,258	403,819
Village bank president and mobile banking agents incentive	3,771,448	944,042	3,185,957	797,486
	<b>7,110,828</b>	<b>1,779,932</b>	<b>4,799,215</b>	<b>1,201,305</b>

**22. OTHER INCOME**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loan fees	2,072,461	518,764	1,523,105	381,253
Remittance fees	804,916	201,481	399,984	100,121
Bad debts recovered	62,377	15,614	117,961	29,527
(Loss)/gains on disposals of property and equipment	(180)	(44)	79,456	19,889
Other income	142,979	35,788	152,084	38,069
	<b>3,082,553</b>	<b>771,603</b>	<b>2,272,590</b>	<b>568,859</b>

**23. OTHER OPERATING EXPENSES**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Staff costs	29,736,146	7,443,341	23,976,158	6,001,542
Transportation costs	3,302,934	826,767	2,756,290	689,935
Office supplies and equipment	3,365,280	842,373	2,995,319	749,767
Depreciation and amortisation	2,367,516	592,620	2,061,006	515,896
Office rentals	2,633,840	659,284	1,843,422	461,432
Professional services	3,512,080	879,119	2,303,355	576,560
Communications	775,437	194,102	613,062	153,457
Utilities	863,880	216,240	587,852	147,147
Other expenses	2,080,664	520,817	1,775,946	444,542
	<b>48,637,777</b>	<b>12,174,663</b>	<b>38,912,410</b>	<b>9,740,278</b>
Losses on foreign exchange, net (*)	853,552	213,655	1,425,406	356,797
	<b>49,491,329</b>	<b>12,388,318</b>	<b>40,337,816</b>	<b>10,097,075</b>

\* This includes losses on foreign exchange amounting to KHR887 million (2012: KHR 1,400 million) incurred on the recognition of forward exchange contracts in accordance with NBC's Circular No. 07-012-001 dated 19 January 2012 on "Accounting for Currency Swap or Forward Contract".

**24. GRANT INCOME**

Grant income in 2012 represents the remaining grant received from the International Labour Office ("ILO") for the data collection on work and/or services in connection with the microfinance for decent work action research performed by AMK in the head office and two other provinces of Kampong Cham and Kampong Thom in 2011.

## 25. CASH FLOWS FROM OPERATING ACTIVITIES

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	16,275,893	4,074,066	14,282,347	3,575,058
<b>Adjustments for:</b>				
Depreciation and amortisation	2,367,516	592,620	2,061,006	515,896
Gain on disposals of property and equipment	180	44	(79,456)	(19,889)
Allowance for bad and doubtful loans	2,001,419	500,981	812,344	203,340
Unrealised exchange gains	(755,662)	(189,151)	(583,505)	(146,059)
	<b>19,889,346</b>	<b>4,978,560</b>	<b>16,492,736</b>	<b>4,128,346</b>
<b>Changes in:</b>				
Statutory deposits	(2,929,713)	(733,345)	(1,495,995)	(374,467)
Deposits and placement with other banks	10,227,200	2,560,000	8,502,575	2,128,304
Loans to customers	(69,115,559)	(17,300,515)	(57,003,338)	(14,268,671)
Other assets	(1,037,200)	(259,625)	(630,171)	(157,740)
Deposits from customers	40,339,364	10,097,463	15,882,432	3,975,577
Other liabilities	1,746,196	437,094	2,592,905	649,037
Provident fund obligations	1,559,546	390,374	1,132,091	283,377
Cash generated/(used) in operations	679,180	170,006	(14,526,765)	(3,636,237)
Income tax paid	(3,293,667)	(824,448)	(2,394,761)	(599,439)
Net cash used in operating activities	(2,614,487)	(654,442)	(16,921,526)	(4,235,676)

## 26. CASH AND CASH EQUIVALENTS

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	13,051,323	3,266,914	8,194,253	2,051,127
Deposits with NBC	5,620,432	1,406,866	454,224	113,698
Deposits and placements with other banks	16,067,749	4,021,965	20,862,392	5,222,126
Bank overdraft	-	-	(444)	(111)
	<b>34,739,504</b>	<b>8,695,745</b>	<b>29,510,425</b>	<b>7,386,840</b>

## 27. FINANCIAL RISK MANAGEMENT

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

**(a) Credit risk**

Credit risk is the potential loss of revenue and principal losses in the form of specific allowance as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Company holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

#### (i) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit committee is responsible for approving loans to customers.

#### (ii) Risk limit control and mitigation policies

The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Company also accepts personal guarantee for the village bank loans. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

#### (iii) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. Refer to Note 3(f) for detail.

##### *Impaired loans and advances*

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days.

#### (iv) Exposure to credit risk

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers neither past due nor impaired	316,219,273	79,153,760	247,992,273	62,075,663
Loans to customers past due but not impaired	122,107	30,565	612,530	153,324
Loans to customers individually impaired	497,312	124,484	292,323	73,173
	<b>316,838,692</b>	<b>79,308,809</b>	<b>248,897,126</b>	<b>62,302,160</b>

A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(f).

##### *Past due but not impaired loans and advances*

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise.

**(b) Operational risk**

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

**(c) Market risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

**(i) Foreign currency exchange risk**

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and THB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by National Bank of Cambodia.

*Concentration of currency risk*

The aggregate amounts of assets and liabilities, by currency denomination, are as follows:

As at 31 December 2013	KHR'000 equivalent		Total	
	KHR'000	KHR	US\$	THB
<b>On-balance sheet financial assets and liabilities</b>				
<b>Financial assets</b>				
Cash on hand	7,536,863	5,084,452	430,008	13,051,323
Deposits with National Bank of Cambodia	14,199,697	588,368	-	14,788,065
Deposits and placements with other banks	10,308,789	32,124,387	2,158,873	44,592,049
Loans to customers	264,882,488	31,396,727	17,114,741	313,393,956
Other assets	2,341,864	3,251,367	314,554	5,907,785
	<b>299,269,701</b>	<b>72,445,301</b>	<b>20,018,176</b>	<b>391,733,178</b>
<b>Financial liabilities</b>				
Deposits from customers	45,558,463	27,629,721	1,567,714	74,755,898
Other liabilities	6,761,300	4,873,521	278,420	11,913,241
Borrowings	102,461,194	109,322,236	16,962,146	228,745,576
Total liabilities	154,780,957	141,825,478	18,808,280	315,414,715
Net financial asset/(liabilities)	144,488,744	(69,380,177)	1,209,896	76,318,463

As at 31 December 2013	KHR'000 equivalent		Total	
	KHR'000	KHR	US\$	THB
Net financial asset/(liabilities)	144,488,744	(69,380,177)	1,209,896	76,318,463
<b>Off-balance sheet items</b>				
Foreign exchange swap	(42,746,500)	42,746,500	-	-
Foreign exchange forward contracts	(27,965,000)	27,965,000	-	-
	<b>(70,711,500)</b>	<b>70,711,500</b>	-	-
Net open position	73,777,244	1,331,323	1,209,896	76,318,463
As at 31 December 2012	KHR'000	KHR	US\$	THB
<b>On-balance sheet financial assets and liabilities</b>				
Financial assets	248,698,466	64,457,126	13,014,950	326,170,542
Financial liabilities	137,776,272	111,032,518	12,266,457	261,075,247
Net financial asset/(liabilities)	110,922,194	(46,575,392)	748,493	65,095,295
<b>Off balance sheet items</b>				
Foreign exchange swap	(35,955,000)	35,955,000	-	-
Foreign exchange forward contracts	(11,985,000)	11,985,000	-	-
	<b>(47,940,000)</b>	<b>47,940,000</b>	-	-
<b>Net open position</b>	<b>62,982,194</b>	<b>1,364,608</b>	<b>748,493</b>	<b>65,095,295</b>

**(ii) Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the company does not use derivative financial instruments to hedge such risk.

As at 31 December 2013	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	%
<b>Financial assets</b>								
Cash on hand	-	-	-	-	-	13,051,323	13,051,323	
Deposit with National Bank of Cambodia	-	-	3,488,133	-	-	11,299,932	14,788,065	3
Deposits and placements with banks	14,516,134	-	27,965,000	559,300	-	1,551,615	44,592,049	4
Loans to customers	24,904,416	89,468,881	161,250,795	36,583,890	1,185,974	-	313,393,956	28
Other assets	-	-	-	-	-	5,907,785	5,907,785	
	<b>39,420,550</b>	<b>89,468,881</b>	<b>192,703,928</b>	<b>37,143,190</b>	<b>1,185,974</b>	<b>31,810,655</b>	<b>391,733,178</b>	
<b>Financial liabilities</b>								
Deposits from customers	26,804,889	13,077,890	21,438,845	13,434,274	-	-	74,755,898	7.5
Borrowings	2,719,750	19,586,750	66,223,630	76,844,896	63,370,550	-	228,745,576	9.75
Other liabilities	-	-	-	-	-	11,913,241	11,913,241	
	<b>29,524,639</b>	<b>32,664,40</b>	<b>87,662,475</b>	<b>90,279,170</b>	<b>63,370,550</b>	<b>11,913,241</b>	<b>315,414,715</b>	
Maturity gap	9,895,911	56,804,241	105,041,453	(53,135,980)	(62,184,576)	19,897,414	76,318,463	

As at 31 December 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	%
<b>Financial assets</b>								
Cash on hand	-	-	-	-	-	8,194,253	8,194,253	-
Deposit with National Bank of Cambodia	-	-	3,457,920	-	-	3,234,224	6,692,144	3.00
Deposits and placements with banks	19,967,753	-	38,751,500	-	-	894,639	59,613,892	3.37
Loans to customers	15,878,100	40,592,329	155,746,166	33,418,352	644,869	-	246,279,816	34.40
Other assets	-	-	-	-	-	5,390,437	5,390,437	-
	<b>35,845,853</b>	<b>40,592,329</b>	<b>197,955,586</b>	<b>33,418,352</b>	<b>644,869</b>	<b>17,713,553</b>	<b>326,170,542</b>	
<b>Financial liabilities</b>								
Deposits from customers	10,292,070	6,646,193	14,056,487	3,421,784	-	-	34,416,534	7.06
Borrowings	10,106,802	24,168,880	34,124,937	80,045,433	67,874,757	-	216,320,809	9.72
Other liabilities	-	-	-	-	-	10,337,904	10,337,904	-
	<b>20,398,872</b>	<b>30,815,073</b>	<b>48,181,424</b>	<b>83,467,217</b>	<b>67,874,757</b>	<b>10,337,904</b>	<b>261,075,247</b>	
Maturity gap	15,446,981	9,777,256	149,774,162	(50,048,865)	(67,229,888)	7,375,649	65,095,295	

**(d) Liquidity risk**

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

As at 31 December 2013	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Deposits from customers	26,804,889	13,077,890	21,438,845	13,434,274	-	74,755,898
Borrowings	2,719,750	19,586,750	66,223,630	76,844,896	63,370,550	228,745,576
Other liabilities	3,048,024	7,657,748	1,207,469	-	-	11,913,241
	<b>32,572,663</b>	<b>40,322,388</b>	<b>88,869,944</b>	<b>90,279,170</b>	<b>63,370,550</b>	<b>315,414,715</b>
<b>As at 31 December 2012</b>						
Deposits from customers	10,588,620	6,968,851	14,115,013	3,539,411	-	35,211,895
Borrowings	12,662,052	24,277,332	35,187,078	80,045,433	67,874,757	220,046,652
Other liabilities	10,337,904	-	-	-	-	10,337,904
	<b>33,588,576</b>	<b>31,246,183</b>	<b>49,302,091</b>	<b>83,584,844</b>	<b>67,874,757</b>	<b>265,596,451</b>

**(e) Capital management****(i) Regulatory capital**

The Company's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The table below summaries the composition of regulatory capital:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Tier 1 Capital</b>				
Share capital	34,881,325	8,731,245	34,579,200	8,655,620
Share premium	126,984	31,786	95,506	23,906
Advance capital contribution	268,496	67,208	333,603	83,505
Reserves	8,551,904	2,140,652	5,928,121	1,483,885
Retained earnings	37,756,756	9,451,003	27,160,627	6,798,655
	<b>81,585,465</b>	<b>20,421,894</b>	<b>68,097,057</b>	<b>17,045,571</b>
Less: loan to related parties	(1,024,059)	(256,335)	(497,779)	(124,601)
Total regulatory capital	80,561,406	20,165,559	67,599,278	16,920,970

**(ii) Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

**28. COMMITMENTS AND CONTINGENCIES****(a) Lease commitments**

These operating leases mainly relate to office and car park rental contracts which are renewable upon mutual agreement. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follow:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within one year	1,913,729	479,031	139,287	34,865
Two to five years	4,168,425	1,043,411	64,807	16,222
Over five years	4,234,476	1,059,944	-	-
	<b>10,316,630</b>	<b>2,582,386</b>	<b>204,094</b>	<b>51,087</b>

**(b) Loan and others commitment**

In the normal course of business, the Company makes commitments and incurs certain contingent liabilities with legal recourse. No material losses are anticipated from these transactions, which consist of:

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Foreign exchange swap contracts	42,746,500	10,700,000	35,955,000	9,000,000
Foreign exchange forward contracts	27,965,000	7,000,000	11,985,000	3,000,000
Unused portion of credit line	20,701,745	5,181,914	15,307,669	3,831,707

In order to limit its exposure to foreign exchange risk, as at 31 December 2013, the Company has entered into 12 foreign exchange swap contracts (2012: 8 contracts) with ANZ Royal Bank and Foreign Trade Bank and 2 foreign exchange forward contracts (2012: 1 contract) with The Currency Exchange Fund (TCX) to manage its exposure.

**(c) Taxation contingencies**

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

**29. RELATED PARTIES BALANCES AND TRANSACTIONS****(a) Related-party balances**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to key management personnel	1,024,059	256,335	497,779	124,601
Deposits from directors and key management personnel	1,462,287	366,029	481,641	120,561

**(b) Related party transactions**

	2013		2012	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income from loans to key management personnel	76,234	19,082	47,862	11,980
Board of Director expenses	269,005	67,335	127,623	31,946
Key management remuneration and other short- term benefits	1,414,406	354,044	1,102,842	276,055
Consultation fees	35,156	8,800	151,754	37,986

**30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The Company did not have financial instruments measured at fair value.

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.



*H.E Kim Vada, National Bank of Cambodia, signing the golden plaque to inaugurate AMK's new Head Office in Phnom Penh.*

## AWARDS AND RECOGNITIONS

### 2013

AMK was awarded the MFTransparency SEAL of PRICING TRANSPARENCY by [mftransparency.org](http://mftransparency.org). This award was given in recognition of the commitment shown by AMK to transparent pricing.

### 2011

AMK received the Fondazione Giordano Dell'Amore Microfinance International Best Practices Award. This award recognizes AMK's innovative Social Performance Management Framework and has a EUR 50,000 cash prize.

AMK received the platinum level, MIX Social Performance Reporting and Management award, the highest award level, in 2011 for its commitment to transparent social performance monitoring and

management. The platinum award was received by only 22 microfinance institutions globally in 2011.

The C5 Microfinance Summit rewarded AMKs high levels of responsibility towards customers with the Global Microfinance Highest Customer Orientation Achievement Award.

### 2010

AMK received the Microfinance Information Exchange (MIX) Social Performance Reporting Gold Award. This award is administered by MIX and sponsored by CGAP, the Michael & Susan Dell Foundation, and the Ford Foundation. This award recognizes outstanding efforts in reporting social performance information.



## Microfinance Information Exchange

*Presents this 2011 Social Performance Reporting Award*

to

# AMK

*For reporting Social Indicators to MIX  
at the Platinum level*

A handwritten signature in black ink, appearing to read 'Nicol Pistelli'.

Nicol Pistelli,  
Director, Social Performance  
MIX





Giordano Dell'Amore Microfinance Best Practices International Award  
2011

Certificate of appreciation to the Finalist:

**Angkor Mikroheranhvatho  
Kampuchea Co. Ltd (AMK), Cambodia**

For the proposal "AMK's Social Performance Framework" developed to guide its business, thus ensuring commitment to its social mission and optimal performance while realizing reasonable and sustainable returns.

Milan, October 24<sup>th</sup>, 2011

The Award Committee

President Fondazione Giordano Dell'Amore



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