

# THE KEY TO BETTER LIVELIHOODS



Annual Report **2014**

*Finance at your doorstep*

**Amk** 655 5555 62





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# HISTORY

The origins of AMK Microfinance Institution Plc. (AMK) trace back to Concern Worldwide's (Concern) 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 (NBC) 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, strategic transformation was implemented, turning AMK 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 livelihoods. 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 in 2011 and 2012.

In 2013 AMK launched ATMs/CDM as additional delivery channels to its customers. To give customers easier and more convenient access to AMK deposit services, AMK added 20 ATMs/CDMs at all branch offices nationwide by the end of 2014.

Moreover, an independent writer in UK wrote a book about AMK's successful business performance.

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 1,740 staff serve over 410,142 clients in 12,075 villages across Cambodia. This outreach represents 86% of all villages.



AMK's Head Office in Phnom Penh

## 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 & 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.

## 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 contributes 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 populations through its 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 clients with complete information on 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

## Tanmay Chetan

### CHAIRMAN, BOARD OF DIRECTORS

The Cambodian economy and politics continued to aid and support the development of the social and private sectors in 2014. The economy grew by an estimated healthy 7.0%, inflation was well within reason at 4.4%, and despite some political uncertainties arising from the national elections, the country had a largely stable economic outlook during the year.<sup>1</sup>

2014 was a year of diversification and consolidation for AMK. Its multiple business lines have now begun to make their presence felt, both in the towns, communes and villages of Cambodia as well as on the balance sheet of AMK. We reached the end of 2014 with our deposits having more than doubled, money transfers significantly expanded and we began selling micro-insurance policies to our customers. All this while, our loan business remained impeccably robust in both size as well as in quality. Aided by new product ideas, our loans have also been diversified into individual asset financing in addition to the financing of rural livelihoods that remains the core of our business.

The significant developments of the year relate to the creation of an extensive mobile agent network, which grew

<sup>1</sup> Data from the Asian Development Bank



from 200 to 1,200; and the successful pilot test of micro-insurance with some 10,000 policies sold. Both these steps mark the beginning of potentially large business volumes that will be generated in the coming years. These multiple channels and products now offer a wide range of financial options available to clients.

AMK's shareholding and governance structures went through further evolution during the year. Concern Worldwide, our principal shareholder since our inception, exited AMK completely during the year and I take this opportunity to offer our gratitude to them for conceiving, creating and carrying AMK with distinction through the last 12 years. Their role in AMK's history will be hard to match, as a shareholder who provided clarity within AMK on what responsible financial inclusion should mean. At the same time, it gives me satisfaction to report that the new incoming shareholders are fully committed to carrying on with the approach instilled in AMK by Concern. Our new shareholders, PROPARCO and CLDF, are warmly welcomed on board. A word of appreciation is also due to Agora Microfinance N.V., now the principal shareholder, and Incofin S.A., for their continued guidance to AMK.

Coinciding with Concern's exit as shareholders was the retirement of two of our brightest and longest shining lights on the Board of Directors. Tom O'Higgins and Howard Dalzell have both been at the helm of our governance for over 10 years, and we were saddened to see them go. It is hard to put in words what they meant to AMK: we were indeed fortunate to have their skill, wisdom and foresight to guide us through the past decade. At the same time, we were delighted to welcome our new Directors representing PROPARCO and CLDF.

Mr Joshua Morris and Ms Hannah Siedek began what we hope will be a long and bright innings as AMK Directors. We were also delighted to welcome Mr Michael Goh, an international expert in banking and risk management, to the Board Risk Committee of the Board.

The long strides of 2014 were made possible through some dynamic thinking and exemplary implementation of strategies by the management and staff of AMK, ably led by our CEO Kea Borann. I would like to thank them for another successful year and look forward to their continued contribution to our clients, to Cambodia's financial sector, and to AMK.

**Tanmay Chetan**  
Chairman, Board of Directors



# CHIEF EXECUTIVE OFFICER'S REPORT

## KEA BORANN

### CHIEF EXECUTIVE OFFICER

The year 2014 was another good year at AMK. AMK further consolidated its footprint in rural Cambodia with over 86% coverage of total villages, up from 81% in the previous year. With this strong presence, we continue to maintain a position as the primary financial services provider to rural Cambodian families.

With new business channels becoming operational, such as Deposits, Payments, Branchless Banking, and Micro-Insurance, AMK has taken a number of forward steps in its quest to offer more inclusive products and services to its target clients.

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 our alignment towards this goal. The total number of AMK clients increased to 410,142 in 2014 from 371,921 in 2013 representing a healthy 10.3% growth. As many as 42% of new group loans were to clients below Cambodia’s rural poverty line, another confirmation of our commitment to our mission and outreach.

During 2014, we expanded our office network to 139 from 128 in 2013. A number of branch offices have been upgraded to standardized front offices and allow the public to have easier access to our products and services. Moreover, we added 717 new villages to cover 12,075 villages as end of 2014. The total number of staff has increased to



1,740 in 2014 from 1,444 in 2013 representing a 20.5% increase. Much of this increase is targeted towards establishing new business lines and internal controls.

Loan portfolio grew by approximately 21.4% ending at USD 94.6 million. The portfolio quality remains strong with PAR30 days at 0.15% as of 31 December 2014. The amount of loans written off (excluding those written off due to client deaths) is only 0.39% for the whole year of 2014. The number of active borrower has increased only marginally to 329,760 from 323,828 in 2013. AMK's average loan size (disbursed amount) per client remains amongst the lowest among competitors at USD368 per client. Client dropout rate was at 24% (using the MIX Market formula).

With the introduction of ATMs and CDMs (cash deposit machines) the deposit business performed quite well in 2014. AMK added almost 37,000 new deposit accounts during the year to 95,281 depositors. The deposit balance has more than doubled to USD 38.72 million from USD 18.3 million in 2013. 67% of the total deposit balance continues to be in Khmer Riel, indicating our reach amongst the smaller depositors. The average deposit balance per account is at USD 406 of which over 92% of depositors have a balance of less than USD 300.

During the year AMK significantly expanded its mobile agent network that allows us to stay even closer to clients. We increased our network to 1,200 agents from only 200 at the beginning of the year. During 2014, AMK also worked with several NGOs to deliver cash transfers to their beneficiaries in rural Cambodia. Cash payments to 46,898 beneficiaries with the total amount of USD 1.5 million were made during the year. During 2014, our money transfer business also increased from 165,107 to 312,460 transactions, with a total value of USD 134.34 million

from USD 75.08 million in 2013, indicating increasing trust amongst clients to use AMK as their preferred channel for domestic remittances.

During 2014, AMK entered into a partnership with Forte Insurance, the leading insurance Company in Cambodia, to offer Health and Accident (micro) insurance to its loan clients. We tested demand in two provinces and sold 10,227 policies. In 2015 we plan to expand this partnership across our entire network.

The year 2015 offers many opportunities for AMK. We will continue to grow and diversify our credit operations by expanding to new villages in Cambodia with some new and innovative products. We will expand further our mobile agent network to provide better access to villagers who have previously had limited options to save and/or engage with formal financial institutions. We will continue investing in technology, human resources, branding, and enhancement of products and services to improve our 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 continued support of AMK and of building an inclusive financial sector.

**Kea Borann**  
Chief Executive Officer



# PERFORMANCE HIGHLIGHTS

DESCRIPTION	2010	2011	2012	2013	2014
<b>I- OPERATIONAL HIGHLIGHTS</b>					
Number of Branches	22	22	24	27	28
Number of Sub Branches	56	76	89	101	111
Number of Villages	8,032	9,152	10,116	11,358	12,075
Coverage of Total Village in Cambodia	57%	65%	72%	81%	86%
Number of Staff	844	973	1,187	1,444	1,740
Credit Officers over Total Staff	57%	52%	50%	48%	46%
Number of Clients	251,636	280,195	312,989	371,921	410,142
Number of Active Borrowers (Exc. Staff, EL)	250,930	275,251	291,859	323,828	329,760
Group Loan Borrowers	93%	93%	91%	90%	86%
Individual Loan Borrowers	7%	7%	9%	10%	14%
Loan Portfolio (USD, exc. staff loans)	\$ 31,329,857	\$ 47,248,599	\$ 61,367,475	\$ 77,878,716	\$ 94,575,515
Group Loans	85%	83%	77%	75%	65%
Individual Loans	15%	17%	23%	25%	35%
Active Borrowers/Avg. Credit Officer	522	559	522	475	427
Loan Outstanding/Avg. Credit Officer (USD)	\$65,124	\$95,884	\$109,811	\$114,346	\$122,598
Number of Depositors	2,781	8,924	29,910	58,642	95,281
Number of Depositors with Outstanding Loan	2,346	3,980	8,780	10,549	14,899
Deposit Balance (USD)	\$ 1,142,409	\$ 4,182,370	\$ 8,220,322	\$ 18,315,023	\$ 38,717,455
Number of Money Transfer Transactions	-	1,700	105,700	165,107	312,460
Value of Money Transfer (USD)	-	\$428,681	\$ 30,207,451	\$ 75,085,784	\$ 134,337,866
Number of ATM/CDM					20
Number of Micro Insurance Sold					9,886
<b>II- FINANCIAL HIGHLIGHTS</b>					
Net Profit (after tax, USD)	\$ 935,239	\$ 1,766,935	\$ 2,886,998	\$ 3,309,115	\$ 4,003,339
Operational Self Sufficiency (OSS)	113.1%	118.5%	121.4%	119.4%	119.9%
Return on Assets (RoA)	2.3%	3.1%	3.9%	3.6%	3.6%
Adjusted RoA (Less B2B)	2.7%	3.9%	4.5%	4.0%	3.7%
Return on Equity (RoE)	7.6%	13.9%	19.0%	18.0%	18.3%
Portfolio Yield	35.3%	35.2%	35.7%	35.0%	33.8%
Operating Cost Ratio	21.5%	19.3%	18.9%	18.7%	18.7%
Average Cost of Funds	10.6%	10.1%	10.4%	10.4%	9.9%
Leverage Ratio (Debt to Equity)	2.1	2.8	3.2	3.4	3.7
PAR 30 Days	1.57%	0.10%	0.12%	0.16%	0.15%
Write Off Ratio	1.14%	1.37%	0.39%	0.41%	0.39%

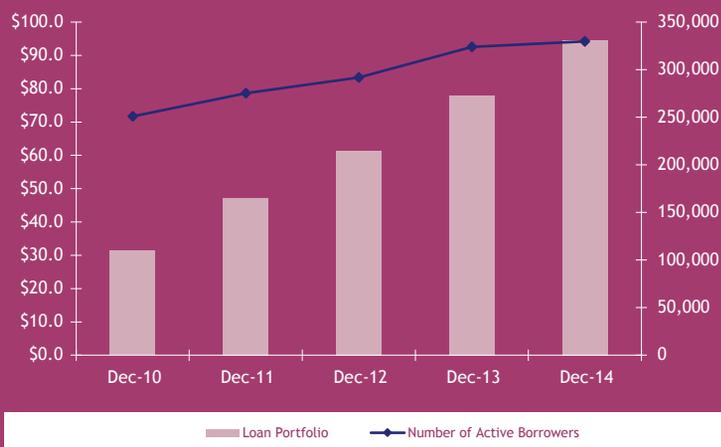
DESCRIPTION	2010	2011	2012	2013	2014
<b>III- SOCIAL HIGHLIGHTS</b>					
<b>Loan Highlights</b>					
Average Loan Size / GNI per Capita (loan disbursed)	21.7%	26.0%	29.5%	35.0%	38.7%
Percentage of Loans ≤USD 500	98.5%	98.3%	94.6%	94.2%	92.4%
Average Outstanding Loan Per Borrower (USD)	\$ 125	\$ 172	\$ 210	\$ 240	\$ 287
Group Borrowers	\$ 115	\$ 153	\$ 178	\$ 201	\$ 217
Individual Borrowers	\$ 245	\$ 397	\$ 526	\$ 589	\$ 702
Average Loan Disbursed (USD)	\$ 165	\$ 213	\$ 260	\$ 307	\$ 368
Group Borrowers	\$ 141	\$ 187	\$ 217	\$ 256	\$ 283
Individual Borrowers	\$ 427	\$ 571	\$ 703	\$ 735	\$ 880
<b>Deposit Highlights</b>					
Average Deposit Balance / GNI per Capita	54.1%	57.2%	31.2%	35.5%	42.8%
Percentage of Depositors with Balance ≤USD 300	95.6%	92.5%	94.5%	93.8%	91.6%
Average Deposit Per Depositor (USD)	\$ 411	\$ 469	\$ 275	\$ 312	\$406
<b>Money Transfer Highlights</b>					
Number of Money Transfer ≤USD 300	-	1,335	50,249	84,367	145,601
Average Transfer Balance/GNI per Capita	-	30.8%	42.3%	51.7%	48.8%
<b>Other Social Highlights</b>					
Women Borrowers as Percentage of Total	86.0%	87.5%	87.3%	85.3%	83.2%
Rural Borrowers as Percentage of Total*	92.0%	94.0%	91.0%	97.0%	97.0%
Drop-out Rate	23%	21%	18%	23%	24%
Depth of Outreach: New Clients (<1 year) Below Poverty Line % of New Village Bank Clients Below National Food Poverty Line (est.)	49%	55%	45%	48%	42%
New Village Bank Clients Below National Food Poverty Line (est.)	50,214	45,374	24,944	43,472	35,618

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

### LOANS BY SIZE, DEC-14



### LOAN PORTFOLIO, USD, MILLIONS



### RETURN ON AVERAGE ASSETS (ROA)

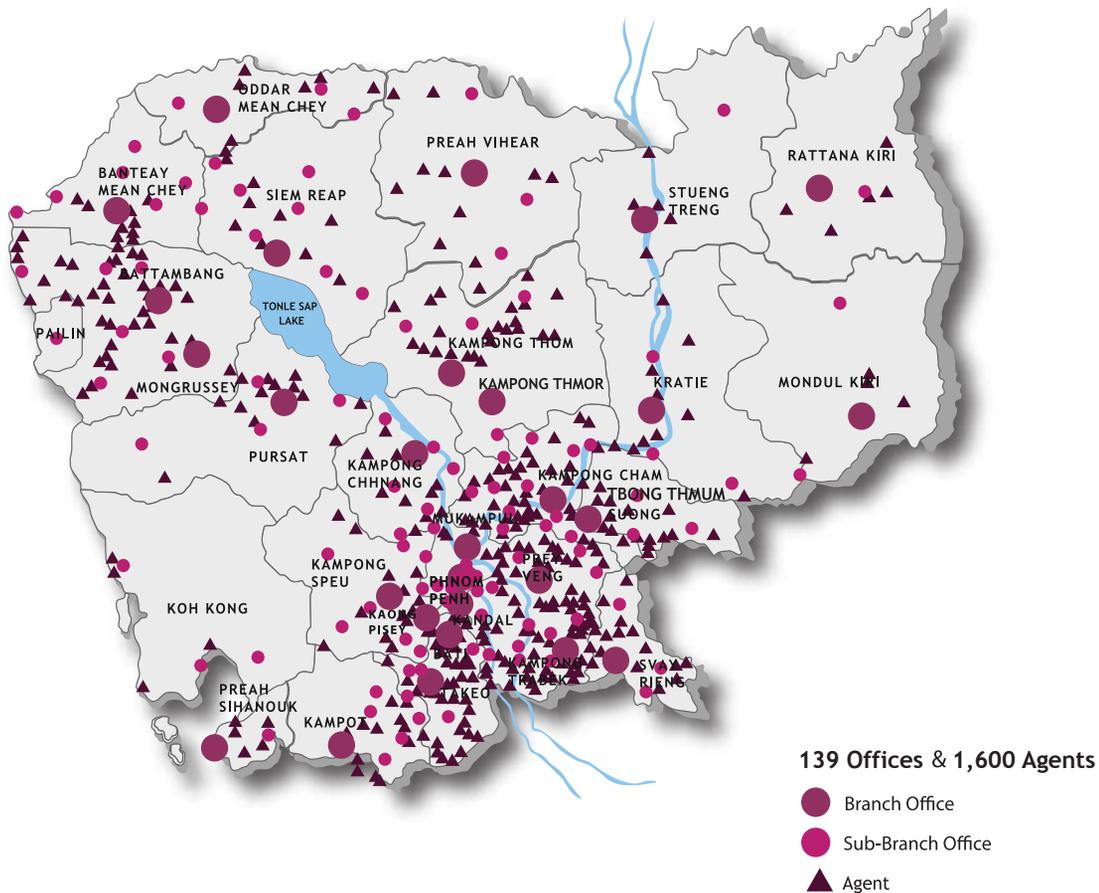




# OPERATIONAL COVERAGE

AMK reaches all districts in Cambodia and 98% of all communes. With operations in 12,075 villages, AMK now serves 85% of villages in the country. AMK is one

of Cambodia's leading MFIs in terms of outreach, with a total of 329,760 borrowers and 95,281 depositors.



Province	Districts	Communes	Villages	Borrowers*	Depositors
Banteay Meanchey	9	65	572	12,996	3,836
Battambang	14	97	712	19,081	4,680
Kampong Cham	10	109	801	24,199	3,673
Kampong Chhnang	8	68	466	13,485	2,116
Kampong Speu	8	87	1,188	27,336	3,642
Kampong Thom	8	80	675	20,919	6,210
Kampot	8	93	473	12,314	2,794
Kandal	11	127	748	26,003	5,374
Kep	2	5	17	774	62
Koh Kong	7	23	100	4,437	652

Province	Districts	Communes	Villages	Borrowers*	Depositors
Kratie	6	46	249	11,905	2,476
Mondul Kiri	5	18	71	2,011	1,024
Oddar Meanchey	5	24	264	10,097	1,053
Pailin	2	8	77	1,283	252
Phnom Penh	12	91	500	8,965	9,597
Preah Sihanouk	4	25	108	4,690	976
Preah Vihear	8	51	210	8,031	1,383
Prey Veng	13	116	974	24,888	13,174
Pursat	6	47	437	12,379	2,430
Ratanak Kiri	9	48	176	3,774	1,735
Siemreap	12	98	785	20,202	9,921
Stung Treng	5	30	103	4,000	1,499
Svay Rieng	8	80	663	15,618	2,263
Takeo	10	98	994	20,553	11,620
Tboung Khmum	7	64	712	19,820	2,839
<b>Total</b>	<b>197 (100%)</b>	<b>1,598 (98%)</b>	<b>12,075 (85%)</b>	<b>329,760</b>	<b>95,281</b>

\*Excluding staff and Emergency Loan.

## CORPORATE GOVERNANCE

As of the end of 2014, AMK's shareholders were:

1. Agora Microfinance N.V. (AMNV)
2. Rural Impulse Fund II S.A., SICAV-FIS (RIF II)
3. Société de Promotion et de Participation pour la Coopération Economique S. A. (PROPARCO)
4. Cambodia-Laos Development Fund S.C.A., SICAV-SIF (CLDF)
5. AMK Staff Association (AMK-SA)

AMK's shareholders appoint the Board of Directors, which is responsible for overall governance and strategic guidance of the institution. The nine-member Board (including 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), the Chief Financial Officer (CFO), the Chief Operations Officer (COO) and the Chief Business Officer (CBO) and The Chief Information Officer (CIO). This committee in turn

oversees the broader Management Team.

The Management Team consists of the following heads of department: Credit, Deposit & Service, Procurement & Property, Finance, Treasury, Human Resources, Training, Information Technology, Internal Audit, Marketing & Communication, Research, Risk, Product Development, Core Banking System, Call Center, Risk and Compliance and Branchless Banking & Channel Management.

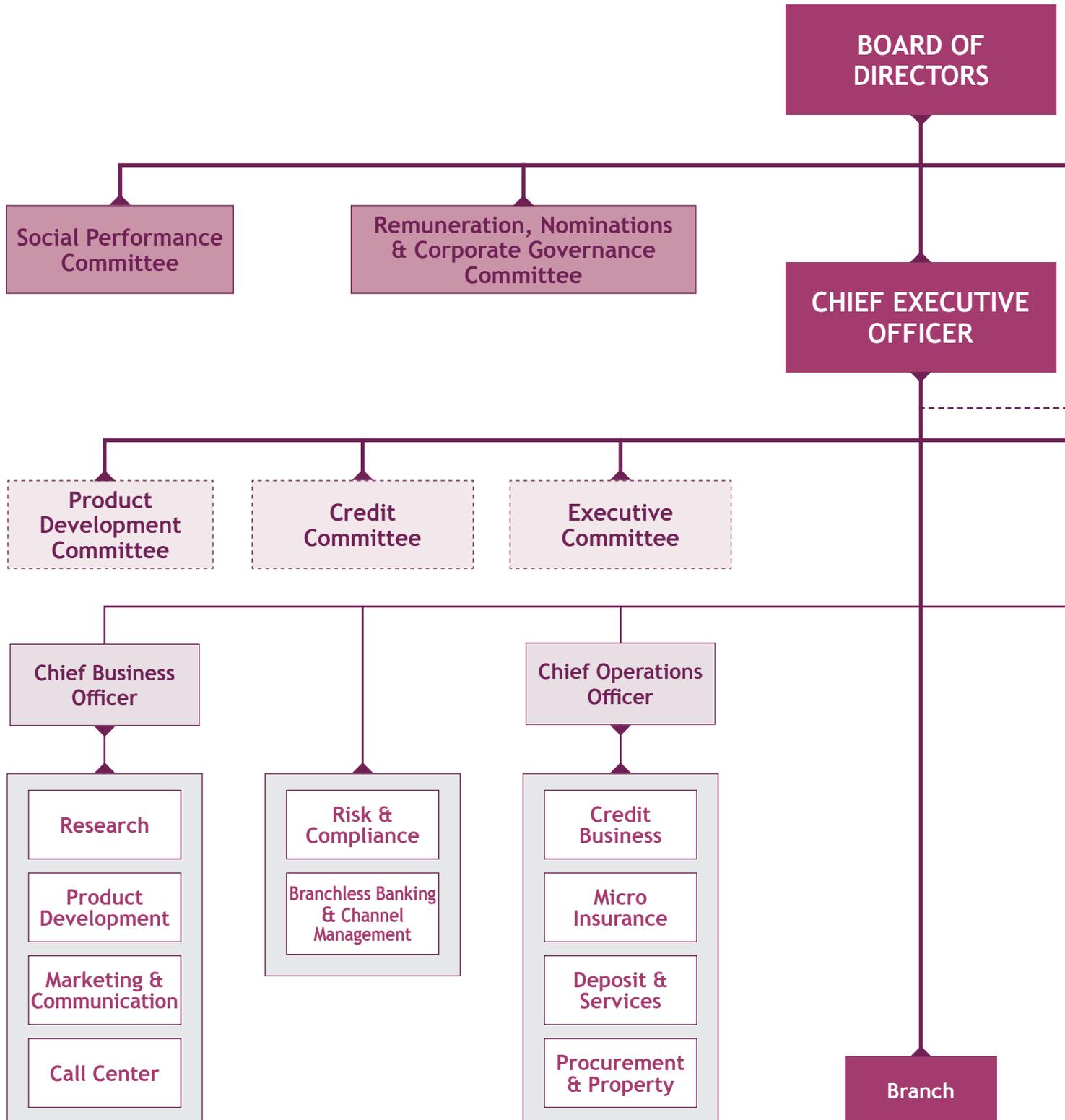
The Board of Directors has standing committees including:

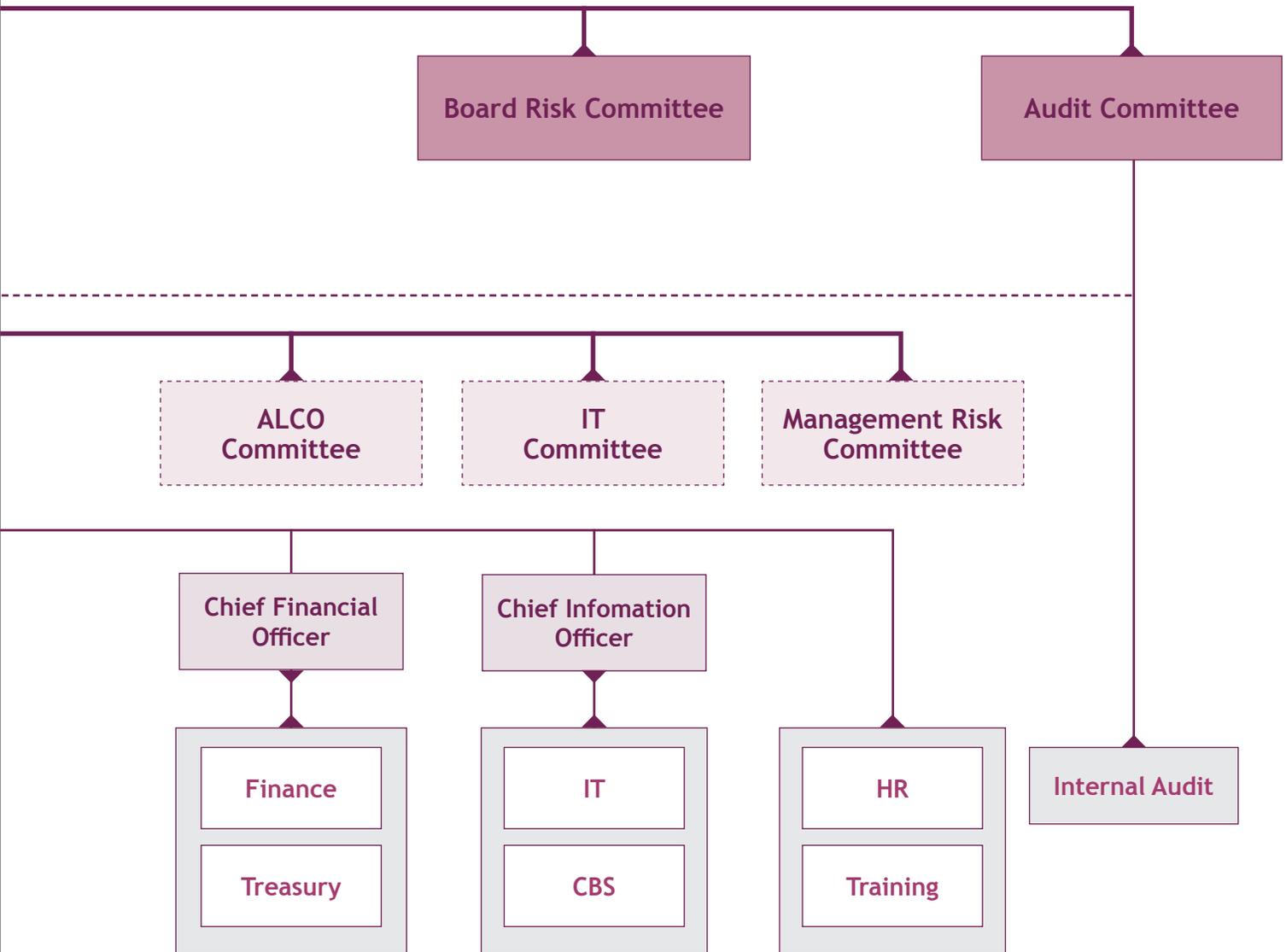
1. Audit Committee
2. Board Risk Committee
3. Remuneration, Nominations and Corporate Governance Committee
4. Social Performance Committee

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







# BOARD OF DIRECTORS & ADVISORY COMMITTEES





## BOARD OF DIRECTORS & COMMITTEE MEMBERS



### Tanmay Chetan

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*Director, Board Chairman, Chairperson of Remuneration, Nominations, & Corporate Governance Committee, Member of Audit Committee*

Tanmay is a co-founder of the Agora Group and Managing Partner at Agora Microfinance Partners LLP, and has worked in multiple roles in microfinance for over 18 years. Over the years, Tanmay has worked in operations (CEO of AMK), microfinance credit ratings and consulting in a number of countries.

Tanmay holds a master's degree in public administration from the Harvard Kennedy School and an MBA from the Indian Institute of Forest Management.



### Adrian Graham

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*Director, Chairperson of Audit Committee, Member of Board Risk Committee*

Adrian, 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 eight years, including five years as the Financial Controller and then Finance Director of Concern Worldwide.

Adrian is currently the Chief Financial Officer of UNICEF Australia.



### Kea Borann

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*Director and CEO*

Borann was appointed as CEO of AMK in 2012. Borann has been with AMK for over 10 years since 2004 and has held various leadership roles throughout the development of the organization such as: Finance Manager, CFO, and Deputy CEO. Before joining AMK, he worked for another MFI as Finance Director.

He 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

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*Director, Member of Social Performance Committee & Audit Committee*

Pete is currently Head of Strategy and Business Development at the newly merged Gorta-Self Help Africa (GSHA). Prior to the merger, Pete served as the CEO of Gorta and served as the CEO of AMK from 2010 to 2012. He has been on the Board of Directors since 2006 and has been involved with AMK since its early days.

Pete began his career as an accountant and has worked as a management consultant in the US and China. He led a successful technology start-up in the US before switching to the development sector.

Pete earned a Bachelor of Science in International Relations and Philosophy from the University of Scranton (USA), followed by an MA in European Integration from the University of Limerick (Ireland), and a MBA from Tulane University (USA).



## Rebecca McKenzie

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*Director, Member of Remuneration, Nominations, & Corporate Governance Committee*

Rebecca is the co-founder and Managing Director of Agora Microfinance N.V., and Director of Operations of Agora Microfinance Partners LLP. Rebecca has over 15 years of experience in banking, capital markets and microfinance. In her banking experience she has held different positions with Depfa Bank Plc, Credit Suisse First Boston, Paribas, and UBS.

Rebecca holds a Diploma in Corporate Finance from the London Business School, and a Bachelor of Arts in European Studies from Scripps College, California.



## Tip Janvibol

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*Director, Member of Remuneration, Nominations & Corporate Governance Committee*

Dr. Tip Janvibol is a managing partner of Tip & Partners, an independent law firm in Cambodia and a member of Cambodian Bar Association. He was elected from 1999 to 2002 to serve as a Board Member of the Cambodian Bar Association and re-elected again in 2010 to 2012. He has acted in both small and large-scale transactions involving both individual and corporate clients. He has served as consultant and legal adviser to numerous national and international institutions, including United Nations, World Bank, ADB, and other major corporations in Cambodia. Dr. Tip is an active member of both legal and business community in Cambodia.



## Blandine Claudia Marie Pons

*Director, Chairperson of Board Risk Committee, Chairperson of Social Performance Committee*

Dina is Incofin East Asia Regional Director and Social Performance Manager based in Phnom Penh and 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. Prior 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 French, English, and Spanish and 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.



## Hannah Siedek

*Director, Member of Board Risk Committee*

A passionate and highly competent chief executive with 12 years' experience in the international access-to-finance industry, Hannah works as an independent consultant on a range of different subjects including mobile banking, agent networks, microfinance strategy, and operational issues. Having spent three years in three countries during her Masters from ESCP-EAP in Oxford, Madrid and Paris, she spent five years with CGAP including two with the CGAP Technology Team.

She acquired hands-on microfinance experience during her time in DRC where she was the Managing Director of ProCredit Bank Congo. She sits on the board of MicroCred Nigeria and AMK in Cambodia.



## Joshua Morris

*Director, Member of Remuneration, Nominations & Corporate Governance Committee*

Joshua Morris is a Founding Partner and Managing Director of Emerging Markets Investments (EMI), a Singapore-registered, Cambodian-based Investment Advisory business.

He is a co-founder of EMI's parent company, Emerging Markets Group Holding and its first operating business, Emerging Markets Consulting.

Joshua is a member of the board of the group's holding company which oversees EMC and EMI. Before relocating to Cambodia, Joshua held senior management positions in marketing and corporate development for technology start-ups and a NASDAQ-listed e-commerce business. Prior to these management roles, Joshua spent five years in management consulting in the health care and insurance industries in the United States.

Joshua holds an MBA from Harvard Business School (1998) and a BA cum laude from Harvard University (1992).



## 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 LL P 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 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 five years and was Audit Manager with one of the big four auditing firms for a period of six years in the audit and advisory services in Cambodia and Malaysia.



## Michael Goh

### *Member of Board Risk Committee*

Michael's corporate career with financial institutions spans over 20 years. He was in charge of Governance, Enterprise Risk Management, Credit and Risk Management Operations for Asia Pacific Region. His executive positions were: Chief Risk Officer for AIG Group, CRO-Standard Chartered Bank's global JV in payment solutions, Regional Risk Head-CAI Investment Bank, Chief Credit & Risk Officer-Asian Hong Kong wholesale and retail banks. His commercial businesses include Private Equity Investments, Risk Advisory Services and Specialised Training for banking institutions and associations.

Michael is a Chartered Accountant and holds a Masters in Finance from New York. He is a Member of Institute of Directors and Board Member of Risk Management Association. Prior to his service with AMK, he was an Independent Director/Chairman of Board Risk Committee as well as Board Risk Advisor for two MFIs in Cambodia. He is also an Adjunct Senior Lecturer for Risk Management with UOL-LSE and the Master Trainer for HSBC-Global Compliance Risk Project in Asia.



## Edwin Zimmermann

### *Member of Remuneration, Nominations, & Corporate Governance Committee*

Edwin works as a Private Equity Manager at Incofin Investment Management and previously gained over 8 years investment experience at two venture capital funds. He has served on the Board of Directors in over 10 companies in various sectors including financial services, life sciences, and information and communications technology.

Edwin holds a M.Sc. in Management (Commercial Engineer), supplemented with a M.Sc. in Applied Economics from KU Leuven, Belgium.



# BOARD COMMITTEE

## AUDIT COMMITTEE (AC)

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

- ◆ Monitors the integrity of the financial statements of the company
- ◆ Make recommendations to the Board for shareholders' approval on the appointment of the external auditors
- ◆ Reviews and recommends audited financial statements for the Board's approval
- ◆ Reviews the company's internal control systems
- ◆ Monitors and reviews the effectiveness of the company's internal audit function (the Internal Audit Department)
- ◆ Monitors and reviews the external auditor's independence, objectivity and effectiveness

## SOCIAL PERFORMANCE COMMITTEE (SPC)

This committee is responsible for advising the Board on the social implications of AMK's work, analytical and reporting methods and assessments regarding 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 are accurately presented.

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

This committee is responsible for overseeing the remuneration of employees of the company and making sure that they are fairly rewarded for their contribution to the company's performance. This committee is also responsible for the selection of Board members, senior managers and non-executive directors. It is entrusted to oversee: the induction of new members, arrange briefings to keep the Board up to date on developments in corporate governance, update Board members about the role of the board and their responsibilities (for example legal obligations).

In regards to corporate governance, the committee is expected to: ensure that the Board works according to best practice, ensure the overall effectiveness of the Board, and to undertake or facilitate periodic self and peer evaluations of the Board.

## BOARD RISK COMMITTEE (BRC)

AMK board and management strong believe that sound risk management is crucial to the success of AMK's business activities as a Deposit Taking Microfinance Institution. Our philosophy is to ensure that the risks that we take are help us achieve our business strategy and corporate goals while remaining in line with risk appetite, allowing us to protect AMK's capital and striking the right balance between risks and returns.

In 2014, the board and management have taken significant steps to enhance the risk culture and governance in AMK to ensure that our risk management is able to respond to the current and future growth plan. The board of director establishes the risk appetite and risk principle. The Board Risk Committee (BRC) has the responsibility to oversee the enterprise risk management including internal and external risks such as operations, finance, credit, compliance, reputation, etc.

The role of the BRC includes:

- ◆ Provides oversight of the company's Risk Management Framework;
- ◆ Monitors the company's risk profile;
- ◆ Reports high risk issues or concerns to the Board;
- ◆ Reviews risk and compliance policies and endorses them for approval by the Board;
- ◆ Reviews risk appetite and risk limits and endorses them for approval by the Board;
- ◆ Reviews regular reports on risk and compliance;
- ◆ Approves the design of risk and compliance reports.



*Business activity of AMK's target client in Kandal province in April 2015*



# EXECUTIVE & MANAGEMENT TEAM



## EXECUTIVE TEAM

### Mr. Kea Borann

#### *Chief Executive Officer (CEO)*

Borann was appointed as CEO of AMK in 2012. Borann has been with AMK over 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, he worked for another MFI as the Finance Director. He 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.

### Mr. Huot Sokha

#### *Chief Business Officer (CBO)*

Sokha joined AMK as its Chief Business Officer in 2012. He has more than 15 years of experience in international trade, microfinance and banking. 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 in 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 and received an MBA from Charles Sturt University in Australia. He also did a post-graduate study on Finance Development Program at NAR OPA University, USA.

### Mr. Chheang Taing

#### *Chief Financial Officer (CFO)*

Taing joined AMK in 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 attended numerous training courses both locally and overseas including CAS, IFRS, ALM, Taxation, Treasury Management, Risk Management, Basel, ISDA agreement. 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. 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 six 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.

### Mr. Sok Kosal

#### *Chief Information Officer (CIO)*

Kosal joined AMK in April 2015 as Chief Information Officer (CIO). Kosal has more than 14 years of experiences in IT Career, moving from IT support level to a senior IT Manager in many multinational companies such as Imperial Tobacco Vietnam (Imperial Tobacco Group), Sotelco Ltd (Vimpelcom Group) and One TV (GS Group partners with Royal Group Cambodia). This had been a long journey where lots of Challenges and Changes had happened and been adapted successfully. Kosal holds a Master's Degree in IT Management from INNOTECH-CBAM.

## MANAGEMENT TEAM



### **Mrs. Long Chantha**

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#### *Head of Treasury Department*

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



### **Mrs. Roeung Viriny**

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#### *Head of Finance Department*

Viriny joined AMK as an Accountant and Administrator in 2003 when AMK was formed. She was promoted to Accounting Manager in 2008 and then to Head of Finance in 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. Peaing Pisak**

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#### *Head of Human Resource Department*

Pisak joined AMK as a Training Manager in 2011 and was promoted to Head of the Training Department in 2012. In 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 the National University of Management (NUM).



## Mrs. Pum Sophy

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### *Head of Research Department*

Sophy has worked at AMK almost ten years. She first joined AMK as a Training, Research, and Marketing Officer and held various positions before becoming Head of Research Department in 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 the Royal University of Agriculture, Cambodia and a master's degree in rural development management from Khon Kean University, Thailand.



## Mrs. Mao Sokhoeurn

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### *Head of Product Development*

Sokhoeurn joined AMK as the Head of Product Development in 2013. She has more than 10 years of experience in e-banking and payment services. Previously, she worked for commercial banks as 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

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### *Head of Information Technology Department*

Chandraboth joined AMK in 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 2011, Chandraboth was promoted to Head of Information Technology. Chandraboth holds a Bachelor Degree in Management Information System, a bachelor's degree in English education, and a master's degree in information technology from Sikkim Manipal University in India.



## Mr. Heak Thavuth

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### *Head of Internal Audit Department*

Thavuth joined AMK as an Internal Audit Officer in 2006 and was promoted to Inspections Team Leader in 2008. He was then promoted to Head of Internal Audit Department in 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 Vanda Institute.



## Mr. Nang Kinal

*Head of Marketing and Communication Department*

Kinal joined AMK in 2008 as Head of marketing. He previously worked for a range of private companies for over 14 years as a Lecturer, Project Manager, Marketing Manager, Operations Director, and General Manager. He holds a bachelor's degree in Public Law from the Royal University of Law and Economics and MBA in Management from Phnom Penh International University.



## Mr. Suon Pisey

*Head of Credit Business Department*

Pisey joined AMK in 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 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 Branchless Banking & Channel Management Department*

Before serving as Head of Branchless Banking, Roattana joined AMK as Mobile Banking Manager and Head of Deposit & E-Banking. He also had various experiences with Cellcard, Coca-Cola and Inter-Inox. Roattana holds an MBA in International Business from IAE-Lyon Business School, Jean Moulin Lyon III University, France.



## Mr. Kouch Sapanha

*Head of Procurement and Property Department*

Panha joined AMK as the Head of Procurement and Property in 2013. Before joining AMK, he had six 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. Hean Menghong

### *Head of Deposit and Services Department*

Menghong joined AMK as Saving Manager in 2012. Before joining AMK, he had six years' experience in various companies and organizations, where he worked as customer relationship officer, Micro-insurance Urban Market Manager, and Micro-insurance Business Specialist. He was promoted to Head of Deposit & Services Department in January 2015. He holds a Bachelor of Development Economics and a Masters of Business Administration from Norton University.



## Mr. Ang Leapheng

### *Head of Core Banking System Department*

Heng joined AMK in 2011 as Senior Business System Analyst. He has ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Teller, Field Trainer, General Trainer, and System Training Manager. He has attended several training courses related to microfinance. He was promoted to Head of Core Banking Support Department in 2015. He holds both a bachelor's and a master's degree in Banking and Finance from the Build Bright University in Phnom Penh.



## Mr. Cheang Vanna

### *Head of Training Department*

Vanna joined AMK in 2013 as Training Manager. He has ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Credit officer, Quality Assurance Officer, Provincial Branch Manager, Trainer, and Training & Development Manager. He has attended several training courses related to microfinance in and out country. Vanna was promoted to Head of Training Department in 2015. Vanna holds both a bachelor's degree in economic development and a master's degree in general management from the Royal University of Law and Economic in Phnom Penh.



## Mrs. Mut Chakriya

### *Head of Call Center Department*

Chakriya joined AMK in 2011 as Mobile Banking Operation Coordinator. Before joining AMK, she worked as an assistant IT manager at a garment factory for more than seven years. She was promoted to Call Center Manager in 2013 and to Head of Call Center In 2015. She holds an Associate Degree in Accounting from National Institute of Business, a bachelor's degree in computer science from the Royal University of Phnom Penh, and a master's Degree in information technology from Norton University of Cambodia.



# MANAGEMENT COMMITTEE

AMK went through a comprehensive Governance and Risk Management Review in 2014 which led to a number of changes in its governance, including the set up and enhancement of various management level committees. While some committees were already in place, the risk review highlighted the need for each of these committees to further increase their ownership of the specific risks inherent to their activities; they are the organization's first line of defense. These changes have greatly enhanced the visibility of risk within AMK and have enhanced the work of the Risk Function - the second line of defense.

To help facilitate the work of the Board Risk Committee, the following management Board Risk Committees have been enhanced or established:

## EXECUTIVE COMMITTEE (EXCO)

EXCO (chaired by the CEO and meets on monthly basis) is responsible for ensuring that AMK operates efficiently. It oversees a wide range of topics including: strategy and execution, performance management and any other types of risk that emerges during AMK's strategy execution including reputational risk.

## MANAGEMENT RISK COMMITTEE (MRC)

MRC's role is to monitor the implementation of the Company's overall enterprise risk management. This includes operational and financial risks, as well as compliance management and AML/CFT (anti money laundering and combating terrorism) related policies and procedures. MRC is a forum for members to

evaluate the risk implications of each of the strategic decisions made in their function within AMK.

## ASSET AND LIABILITY COMMITTEE (ALCO)

ALCO's primary responsibility is to manage all on and off balance sheet positions. The committee ensures that interest rate, maturity, currency, liquidity and other financial risks inherent in the mismatches between the institution's assets and liabilities are properly reported, analyzed and managed. This allows for the continued and sustainable growth of AMK, whilst also managing associated risks. AMK started mobilizing savings in 2011 however deposit to loan ratio now accounts for 40.8% and savings represents 41.3% of total liabilities. AMK significantly enhanced its ALCO practices in 2014 including: introducing KRIs, Gap analysis, Deposit run off ratio and other key liquidity prudential ratios. AMK has started conducting behavioral saving analysis, and has run several liquidity stress test scenarios to test the relevance of its contingency funding plan.

## CREDIT COMMITTEE (CRCO)

CRCO is responsible for the monitoring and implementation of sound credit risk management in lending practices including: compliance with credit policies, sound lending practices and the monitoring of portfolio quality. The committee is responsible for setting portfolio exposure limit (via client portfolios, sector or product) analyzing delinquency trend and reasons and taking remedial actions if needed. In 2014, the portfolio quality of AMK was good and stood at 0.15% as of 31 December 2014.

## PRODUCT DEVELOPMENT COMMITTEE (PDC)

PDC is responsible for reviewing new or existing product proposals including product policies, procedures, processes and legal requirements. The interest setting is proposed by PDC and validated by ALCO. Policies changes will be brought to the Board and board risk committee for review and approval.

## IT COMMITTEE (ITCO)

The ITCO is responsible for providing strategic guidance for managing overall technology systems and IT risks within AMK. The investment in IT for both short and long term must be in line with AMK's business strategy and account for the institution's increasing sophistication. The priority of system development and investment must meet the overall priorities of AMK's business and user requirement in order to ensure data reliability and safety.



*The target client is weaving the cloth at Koh Dach in April 2015*

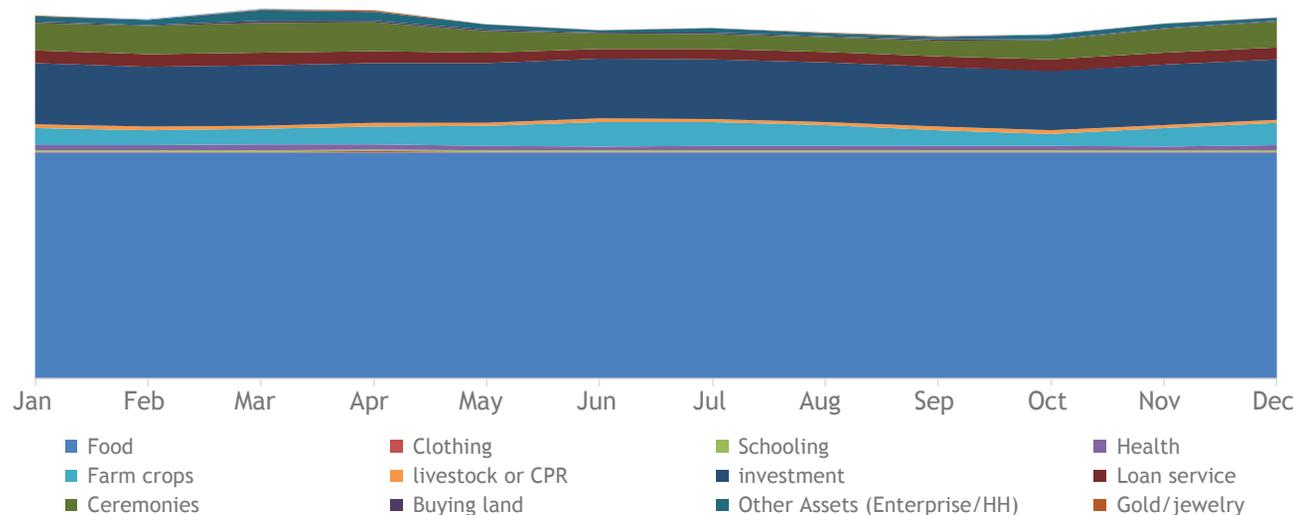


Regarding household expenses, food is one of the main expenses and the largest expense in the household. The seasonal variation is linked to investing in farm crop activities which clients spend more on from May to August.

Ceremonies such as weddings and traditional and religious rituals are the main expenditures that

occur from November to May. Non-farm investments, expenditures on health and schooling, expenses on livestock inputs or CPRs and loan servicing are constant throughout the year. Buying jewelry or land is traditionally a saving/investment behavior when households have disposable income during the post-harvest season.

**Cash Outflow Patterns for Client Households (Weighted by importance of expense flow)**



## AMK CLIENT ASSETS

- ◆ 81% of AMK's clients own cultivable land, with an average land size of 1.5 ha. About 37% own land less than 1ha.
- ◆ About 30% of the AMK's client households owned cows, 5% owned buffalo and 12% owned pigs. On average, AMK client households have 3.3 cows, 2.6 buffalo and 3.3 pigs.
- ◆ Nearly all of AMK's client households own at least one modest value asset valued at less than \$100, 88% own a mid-range value asset and only 65% own a high value asset which is valued at is more than \$500.
- ◆ Most of AMK's client households houses are built from low quality wood with a roof made from tin or zinc. Only 17% of AMK client households have houses build from brick/cement.

- ◆ Nearly 70% of AMK's client households have no toilet facility.

## AMK CLIENT HOUSEHOLD VULNERABILITY

- ◆ About 51% of AMK's client households have had their economic situation improved in the last 12 months, while about 14% thought that their economic situation worsened.
- ◆ 28% of the AMK's client households said their diet improved and about 4% has their diet has worsened.
- ◆ 18% of AMK's client households increased their economic activities in the past 12 months.
- ◆ When facing a crisis, about 62% of clients use their savings to help mitigate the problem, while 45% borrow.



# 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.

# SOCIAL PERFORMANCE REPORTING FRAMEWORK

AMK - Social Performance Reporting Framework					
Regular Monitoring					Periodic Research
	Depth of Outreach	Adequate Products	Transparency & Client Protection	Other CSR	Impact/Transformation effects
Period Evaluated: 1 January to 31 Dec 2014  Information presented: 16 Dec 2014  Sources of Information  Indicators	<ul style="list-style-type: none"> <li>Depth of Outreach loan client</li> <li>Depth of Outreach MMT client</li> <li>Wellbeing Score (Tercile + Quartile Analysis)</li> <li>ID poor</li> </ul>	<ul style="list-style-type: none"> <li>Loan Client Satisfaction</li> <li>MMT Client Satisfaction</li> <li>Exit Client Satisfaction</li> <li>Mystery Shopping</li> <li>Range of services</li> <li>Quality of services</li> <li>Accessibility of services</li> <li>Desertion rate</li> <li>Reason for exit</li> </ul>	<ul style="list-style-type: none"> <li>Multiple Loans Report</li> <li>Rejected Clients 2014</li> <li>Borrower Awareness</li> <li>Client Grievance</li> <li>MIX website</li> <li>Profile of multiple loan holders by poverty group and repayment problems</li> <li>Multiple loan rate found by Research, CBC</li> <li>Poverty levels of Exit Clients</li> <li>Server access to information (within)</li> <li>Mix Market Updated</li> </ul>	<ul style="list-style-type: none"> <li>Reasons for resignation of staff</li> <li>Staff Satisfaction Report</li> <li>Results of the Staff Satisfaction</li> <li>Staff turnover, reasons and explanations</li> </ul>	
YEAR OF ASSESSMENT: 2014 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY					
Methodology, Process and Reports/Sources of Info	Depth of Outreach	Adequate Products	Transparency & Client Protection	Other CSR	When applicable... Impact/Transformation effects
Are you satisfied with the accuracy of the methodology and process applied?  Is the result/finding in line with the mission?  Based on these findings, are there foreseeable issue in the future?  Is data or information missing: _____ at the Board levels?	    	    	    	    	
Issues to Report	<ul style="list-style-type: none"> <li>The SPC recommended some changes in the methodology and scope of some of the future research work to be conducted in 2015 to include Multi-product and multi-channel</li> </ul>	<ul style="list-style-type: none"> <li>The SPC recommended some changes in the methodology and scope of some research work to be conducted in 2015 to include New clients but also existing clients</li> </ul>	<ul style="list-style-type: none"> <li>Change of wording in the question on "know how to complaint" into "know how to contact"</li> <li>Category label from "grievance" into "complaint"</li> <li>Use of FGD for all types of clients</li> </ul>	<ul style="list-style-type: none"> <li>Ownership change from Research to HR</li> <li>Separate HR from this dimension</li> <li>Modify "CSR" to "SSR"</li> </ul>	
Other:.....					
This Social Performance Reporting Framework is an integral part of SPC meeting minutes					
Signature: SPC members:					



# KEY SOCIAL PERFORMANCE FINDINGS

Social performance approach is presented to the Social Performance Committee (SPC) through a Social Performance Reporting Framework based on five dimensions of Depth of Outreach, Adequate Product, Transparency, Client Protection and Corporate Social Responsibility (CSR).

such as client satisfaction, client exit and demand study in order to explore and understand the need, satisfaction and dissatisfaction of clients toward different types of products and services for better enhancement and development.

## DEPTH OF OUTREACH

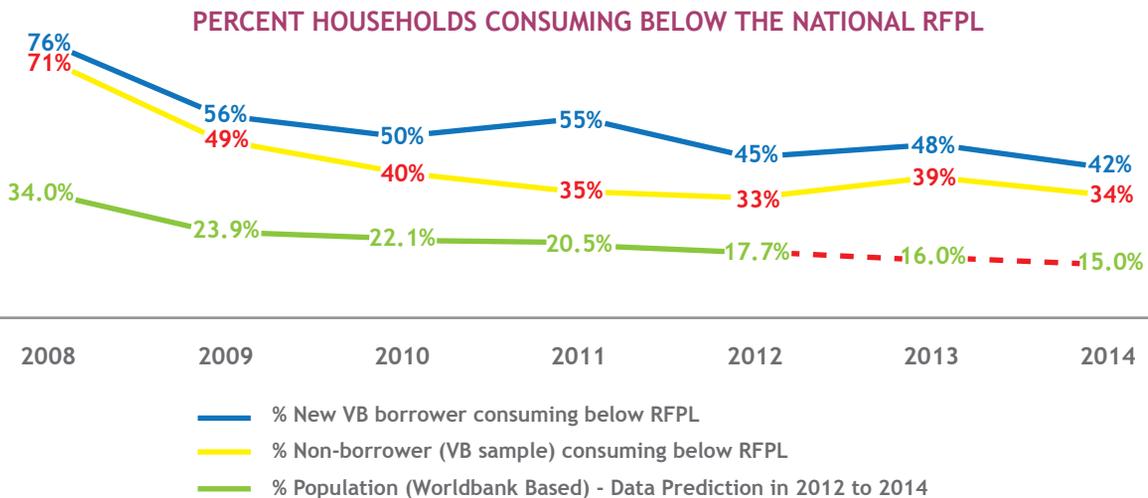
The 2014 loan customer research confirmed that AMK continued to reach poorer clients. As many as 42% of its new VB clients were below the Rural Food Poverty Line, compared to 34% in the control group of non-clients. However when compare to national poverty level, AMK clients remain poorer than general population.

## TRANSPARENCY AND CLIENT PROTECTION

AMK is fully implementing its code of conduct to protect its client as well as serve them in a transparency manner. The research department conducted several studies to ensure that AMK has treated its clients fairly and protected them, the multiple loan client study was considered as the monitor internal system that inform to the management whether the implement policy is being effect to client over-indebtenness. In addition, client rejection study, borrower awareness trend and client complaint mechanism is already in place and capture for reflect the institution's performance.

## ADEQUATE PRODUCTS

AMK regularly monitors the quality of its products and services. The research department conducts its annual and other ad-hoc surveys with its client





# PRODUCTS AND WORKING METHODOLOGY

AMK currently offers a range of financial products and services including different types of group and individual loans, deposits, money transfers, micro insurance, payment and other e-banking products and services.

## A- GROUP LOANS

Village Bank (VB) Loans have been introduced by adapting the methodology of the solidarity group

lending. The method begins with potential clients self-selecting themselves into joint-liability groups of three to six members that are organized into Village Banks consisting of twenty groups or twenty to one hundred members. 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 flow.

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
Currency	KHR and THB	KHR and THB	KHR and THB
Maximum Loan Size (equivalent in USD)	USD 300	USD 375	USD 300
Maximum Term	12 months	12 months	24 months
Interest Rate (Monthly)	2.80% to 3.00%	2.60% to 2.80%	2.80% to 3.00%
Repayment Condition	<ul style="list-style-type: none"> <li>◆ Interest payments due monthly</li> <li>◆ Principal payment due at end of term</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Interest and principal payments due monthly</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Interest payments due monthly</li> <li>◆ Flexible and multiple drawing amount during the loan contract</li> <li>◆ No unutilized fee</li> </ul>

## B- INDIVIDUAL LOANS

Individual Loans are designed for both new and existing clients who wish to increase their capital or grow their business. The Individual loan is available for both business and personal (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 an 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
Currency	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD
Maximum Loan Size (equivalent in USD)	USD 2,000	USD 1,500	USD 1,500	USD 2,500	USD 300
Maximum Term	24 months	12 months	12 months	36 months	12 months
Interest Rate (Monthly)	2.00% - 2.80%	2.00% - 2.80%	2.00% - 2.80%	2.00% - 2.80%	2.30% to 3.00%
Repayment Conditions	<ul style="list-style-type: none"> <li>◆ Interest and principal payments due monthly</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Interest payment due monthly</li> <li>◆ Principal payment due at end of term</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Interest repaid monthly</li> <li>◆ Flexible and multiple drawing amount during the loan contract</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Monthly fixed payment.</li> <li>◆ Prepayment allowed without penalty</li> </ul>	<ul style="list-style-type: none"> <li>◆ Interest and principal payments due monthly</li> <li>◆ Prepayment allowed without penalty</li> </ul>

## C- 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 referring to spouse (if married) is required when applying for this loan.

The key features 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
Currency	KHR and THB
Maximum Loan Size (equivalent in USD)	USD 100
Disbursement Timeline	4 working hours from time of request
Maximum Term	10 months
Interest Rate (Monthly)	2.50%
Repayment Condition	Monthly interest payments due on outstanding loan. Principal payment due on or before the end of term.

## D- 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 Savings Account, Fixed Deposit Account and Future Account:

Product Description	Easy Savings Account	Lucky Savings Account	Fixed Deposit	Future Account
Target Clients	Savers who need the flexibility of deposits and withdrawals for day to day transactions	Savers who need a better interest rate and the flexibility of deposits and withdrawals 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
Currency	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD
Minimum Balance (equivalent in USD)	N/A	USD 500	USD 25	USD 5
Term	N/A	N/A	1 month- 36 months	3 months-36 months
Interest	3.00% - 5.50%, depending on account balance and deposit currency	3.50% - 5.75%, depending on account balance and deposit currency	4.25% - 12.00% depending on term, frequency of interest withdrawal, and currency	4.25% - 10.00% depending on term and deposit currency

## E- MONEY TRANSFER

AMK launched a nationwide money transfer service in 2011 in order to facilitate money transfers across branches nationwide.

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

## F- MICRO INSURANCE

AMK's market survey, conducted in 2011, indicated that 90% of AMK's target clients expressed a strong interest in health and accident insurance service.

As a result, AMK partnered with Forte Insurance Company to trial a micro insurance (health and accident) product.

With a small premium (just USD 6 per year) AMK's customers can purchase this product for confidence and peace of mind that their family will have the means to maintain their lifestyle should an unfortunate event happen.

This product was trialed in the provinces of Takeo and Prey Veng in February of 2014 for approximately 10 months. AMK plans to officially launch this product in 2015.

## G- PAYMENT SERVICES

AMK provides means of payment services to its customers. This allows customers to facilitate payments such as donations to NGOs and utility or other bills.

Currently, the bill payment service is provided in cash or between accounts throughout AMK's offices across the country. To make this process more convenient for its customers, AMK will expand this payment service to all channels of agent network nationwide by 2015.

## H- E-BANKING SERVICES

AMK launched branchless banking service in late 2011. This is an extra delivery channel for rural households who wish to perform deposits, withdrawals, money transfers or other banking transactions via their mobile phone with their local AMK agent.

With this new channel, AMK can reach more target clients who may not already bank with a formal financial institution.

AMK has been building a large network of ATMs and CDMs since 2013 to improve access to funds for office-based savers. By end of 2014, 35 ATMs and CDMs have been installed across Cambodia. The service includes Cash withdrawal, Fund transfer, Balance enquiry, Mini statement, PIN change, Cross currency withdrawal, and Cash deposit.



ATM Card



AMK's ATM/CDM Machine



## CAMBODIAN COMPETITIVE LANDSCAPE

Despite a challenging year, the Cambodian microfinance sector saw positive growth across all business lines. Loan quality remains strong at an average PAR of 0.59% for the whole sector while loan write off is only 0.06%. Additional sector-wide trends include:

- ◆ The number of borrowers increased by 13.65% to 1,779,171.
- ◆ Loan portfolio increased by 53.08% to over USD 2,028 million.
- ◆ The number of savers increased by 24.76% to 1,122,630.
- ◆ Deposit balances increased by 101.56% to USD 896.92 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 seven 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
2014	1,779,171	2,028.56	1,140.17	1,122,630	896.92	798.94

\* Source - CMA Microfinance, Network Information Exchange (NIX), December 31, 2014.



# RISK MANAGEMENT

Effective risk management is fundamental to the success of AMK, and is recognized as a core deliverable in AMK's overall approach to strategy management. AMK has embedded a strong risk culture where risk management is a responsibility shared by all of AMK's staff. A key aspect of this culture is diversification across business lines, products and services.

The primary goals of risk management are to ensure that the results of risk-taking activities are consistent with AMK's strategies and risk appetite, and there is an appropriate balance between risk and reward in order to maximize shareholder returns and social returns. Risk Management Framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the markets in which AMK operates, including regulatory standards and industry 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.

## 1<sup>st</sup> Line: Business Line

- ◆ Own the risks associated with business activities
- ◆ Exercise business judgment to evaluate risk
- ◆ Ensure activities are within AMK's risk appetite and risk management policies.

## 2<sup>nd</sup> Line: Risk Management

- ◆ Facilitate and monitor the implementation of risk management practice
- ◆ Responsible for policies development, measurement and reporting, limits and controls, oversight and monitoring.
- ◆ Provide the objective challenges to the first line of defense

- ◆ Provide training, tools and advice to support policy and compliance

## 3<sup>rd</sup> Line: Internal Audit

- ◆ Independent monitoring and oversight function
- ◆ Focus on governance framework and control systems
- ◆ Audit finding reported to management and Audit Committee

The Board of Directors of AMK also has a standing Board 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.

A participatory four step process is utilized by AMK in which risks are identified, assessed, and managed and then monitored and controlled. 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.

Below are some highlights on the typical risk management activities routinely carried out by the Risk Department in 2014:

## A) CREDIT RISK MANAGEMENT

Credit risk management has been designed to oversee the credit business performance aiming to reduce the risk of non-performing loan portfolio. Credit Committee was established to responsible for the Credit risk management. This committee is regularly managed, reviewed and monitored by the Credit Department.

Credit committee has established the Key Risk Indicator (KRI) for credit risk. The risk appetite is set for both internal and external trigger. Internal triggers have been assigned base on the risk appetite approved by the board such as portfolio exposure limits by product, geography, sector, sub-sector, loan modality etc. The external triggers are adopting from regulatory, lender etc... AMK's MIS is also integrated with the Cambodian Credit Bureau (CBC), ensuring that for each loan enquiry, AMK is aware of the level of existing debt of the applicant. Moreover, AMK also started implementing portfolio monitoring with CBC in order to better understand it existing clients' borrowing behavior.

To allow management to proactively manage the risk, the Credit Committee has designed a three tiered detection system (Red, Orange and Green flag). This system helps management to take pro-active decisions and inform the board in a timely manner.

## B) OPERATIONAL RISK MANAGEMENT

Operational risk management has been continuously implemented at all levels in order to ensure that the most important risks are identified, assessed, managed and monitored. Several tools are used to assure a proper risk management:

- A Risk Register and a Risk and Control Self-Assessment are updated on quarterly basis;
- The Risk Incident Report requires everyone to report an occurred incident through the online incident report form as and when incident occurs;
- A Heat Map consolidates all events reported on the "Incident Report" and summarizes on a quarterly basis to the Board Risk Committee the top risks faced by AMK as well as their monetary implications.
- ◆ Information Technology Risk: AMK intensively uses technology to provide a better channel to deliver its services. IT is becomes a crucial part of AMK's business process and modeling. Therefore, AMK has decided to create the IT Committee in 2014. The IT Committee plays a key role to advise, monitor all IT risk related aspect as well as IT performance and aligning IT strategy with Business Strategy. To ensure that the system is running well at all times, a business continuity planning (BCP) is conducted at least twice a year on all core systems infrastructure. Moreover, AMK has contracted an external firm, Nettitude, to conduct a system penetration testing in 2014.
- ◆ 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, high cost, slow productivity, lost revenue, and delayed process.

At the end of 2014, the Risk and Compliance Department conducted a risk assessment on Money Laundering and Financing of Terrorist risk. This assessment is a new requirement of the Cambodia Financial Intelligence Unit (CAFIU). It is part of analyzing regulatory compliance risk with reference to AML/CFT law and regulations and offering recommendations on how to strengthen certain aspects of AMK's AML/CFT system.

- ◆ Reputational Risk has been recognized as a critical point where loss or damage to AMK’s reputation can happen and result in loss of customers, profit, and employees. In order to mitigate this risk, AMK set up a whistle blower system through an online risk incident report and mobile phone reporting, on which every staff can report any missed or near missed events that may impact AMK’s reputation.

### C) FINANCIAL RISK MANAGEMENT

- ◆ An Asset and Liability Management Committee (“ALCO”) is responsible for monitoring both financial risk and financial performance vs

projections. During 2014, ALCO has revised and approved a revised Treasury, Set KRIs and as well monitor the KPIs (base on approve budget by the board). The meeting is held on monthly basis to discuss all financial risks which include but are not limited to

- Liquidity, and cash flow
- Funding strategy
- Interest rate
- Foreign currency position
- Regulatory requirements
- Lender covenants
- Deposit behavior and concentration



*The target client’s harvesting corn in Kandal province in April 2015*

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# Financial Report & Report of the Independent Auditor

## Content:

- ◆ Report of the Board of Directors
- ◆ Report of the Independent Auditor
- ◆ Balance sheet
- ◆ 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 AMK Microfinance Institution Plc. (formerly known as Angkor Mikroheranhvatho (Kampuchea) Co., Ltd) (“the Company” or “AMK”) for the year ended 31 December 2014.

## PRINCIPAL ACTIVITY

The principal activity of AMK Microfinance Institution Plc. 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 2014 were as follows:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	20,563,859	5,046,345	16,275,893	4,074,066
Income tax expense	(4,250,267)	(1,043,010)	(3,055,981)	(764,951)
Net profit for the year	16,313,592	4,003,335	13,219,912	3,309,115

## SHARE CAPITAL

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 KHR 245,975 Thousand (US\$61,570) with a premium of KHR 22,521 Thousand (US\$5,638). This increase was approved by the National Bank of Cambodia and the Ministry of Commerce on 7 March 2014 and 20 November 2014 respectively.

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. 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. These transactions were approved by the National Bank of Cambodia and the Ministry of Commerce on 4 August 2014 and 20 November 2014 respectively.

Pursuant to the Board of Directors meeting on 24 March 2015, the Board of Directors declared a cash dividend of KHR1,631,312 thousand (US\$400,322) to the shareholders.

## 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. Tip Janvibol, Director
- ♦ Ms. Mckenzie Ann Rebecca, Director
- ♦ Mr. Adrian John Graham, Director
- ♦ Mr. Kea Borann, Director
- ♦ Ms. Blandine Claudia Marie Pons, Director
- ♦ Mr. Joshua Morris, Director (appointed on 12 August 2014)
- ♦ Ms. Hannah M. Siedek, Director (appointed on 12 August 2014)
- ♦ Mr. Howard William Dalzell, Director (resigned on 12 August 2014)
- ♦ Mr. Thomas James O'Higgins, Director (resigned on 12 August 2014)

## DIRECTORS' INTERESTS

No members held any direct 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 2014, 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.

## APPROVAL OF THE FINANCIAL STATEMENTS

I hereby approve the accompanying financial statements as set out on pages 48 to 77 which present fairly, in all material respects, the financial position of AMK Microfinance Institution Plc. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors



**MR. TANMAY CHETAN**

Chairman

Phnom Penh, Kingdom of Cambodia

Date: 31 March 2015



# REPORT OF THE INDEPENDENT AUDITORS

## TO THE SHAREHOLDERS

### AMK MICROFINANCE INSTITUTION PLC.

We have audited the accompanying financial statements of AMK Microfinance Institution Plc. (formerly known as Angkor Mikroheranhvatho (Kampuchea) Co., Ltd) (“the Company” or “AMK”), which comprise the balance sheet as at 31 December 2014, 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 8 to 53.

### 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 AMK Microfinance Institution Plc. as at 31 December 2014, 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

Phnom Penh, Kingdom of Cambodia

Date: 31 March 2015



# BALANCE SHEET

As at 31 December 2014

	Note	2014		2013	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>ASSETS</b>					
Cash on hand	5	25,603,288	6,283,015	13,051,323	3,266,914
Deposits with National Bank of Cambodia	6	25,339,156	6,218,198	14,788,065	3,701,643
Deposits and placements with banks	7	21,794,178	5,348,265	44,592,049	11,161,965
Loans to customers	8	388,323,570	95,294,128	313,393,956	78,446,547
Other assets	9	10,247,324	2,514,681	8,334,111	2,086,135
Property and equipment	10	11,188,578	2,745,663	8,143,319	2,038,378
Intangible assets	11	1,506,660	369,733	2,119,665	530,579
Deferred tax assets	12	1,821,796	447,067	1,492,582	373,613
<b>TOTAL ASSETS</b>		<b>485,824,550</b>	<b>119,220,750</b>	<b>405,915,070</b>	<b>101,605,774</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from customers	13	160,108,894	39,290,526	74,755,898	18,712,365
Provision for income tax	12	3,377,220	828,766	2,671,872	668,804
Other liabilities	14	17,989,074	4,414,498	12,453,341	3,117,231
Borrowings	15	199,153,791	48,872,096	228,745,576	57,257,966
Provision for staff pension funds	16	7,296,514	1,790,556	5,702,918	1,427,514
<b>TOTAL LIABILITIES</b>		<b>387,925,493</b>	<b>95,196,442</b>	<b>324,329,605</b>	<b>81,183,880</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	17	35,127,300	8,620,196	34,881,325	8,731,245
Share premium	17	149,505	36,688	126,984	31,786
Advance capital contribution	17	-	-	268,496	67,208
Reserves	18	11,228,229	2,755,394	8,551,904	2,140,652
Retained earnings		51,394,023	12,612,030	37,756,756	9,451,003
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>97,899,057</b>	<b>24,024,308</b>	<b>81,585,465</b>	<b>20,421,894</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>485,824,550</b>	<b>119,220,750</b>	<b>405,915,070</b>	<b>101,605,774</b>



# INCOME STATEMENT

for the year ended 31 December 2014

	Note	2014		2013	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	19	119,247,352	29,263,154	97,777,460	24,474,959
Interest expense	20	(30,133,655)	(7,394,762)	(25,980,544)	(6,503,265)
<b>Net interest income</b>		<b>89,113,697</b>	<b>21,868,392</b>	<b>71,796,916</b>	<b>17,971,694</b>
Fee and commission expenses	21	(9,032,614)	(2,216,592)	(7,110,828)	(1,779,932)
Other income	22	4,299,587	1,055,113	3,082,553	771,603
Other operating expenses	23	(62,284,055)	(15,284,431)	(49,491,329)	(12,388,318)
Allowance for bad and doubtful loans	8	(2,190,357)	(537,511)	(2,001,419)	(500,981)
<b>Operating income</b>		<b>19,906,258</b>	<b>4,884,971</b>	<b>16,275,893</b>	<b>4,074,066</b>
Grant income	24	657,601	161,374	-	-
Profit before income tax		20,563,859	5,046,345	16,275,893	4,074,066
Income tax expense	12	(4,250,267)	(1,043,010)	(3,055,981)	(764,951)
<b>NET PROFIT FOR THE YEAR</b>		<b>16,313,592</b>	<b>4,003,335</b>	<b>13,219,912</b>	<b>3,309,115</b>



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Share capital	Share premium	Advance capital contribution	Reserves	Retained earnings	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
At 1 January 2013	34,579,200	95,506	333,603	5,928,121	27,160,627	68,097,057
Additional share capital	302,125	31,478	(333,603)	-	-	-
Advance capital contribution	-	-	268,496	-	-	268,496
Transfers to reserves	-	-	-	2,623,783	(2,623,783)	-
Net profit for the year	-	-	-	-	13,219,912	13,219,912
						3,309,115
At 31 December 2013	34,881,325	126,984	268,496	8,551,904	37,756,756	81,585,465
(US\$ equivalents - Note 4)	8,731,245	31,786	67,208	2,140,652	9,451,003	20,421,894
At 1 January 2014	34,881,325	126,984	268,496	8,551,904	37,756,756	81,585,465
Additional share capital	245,975	22,521	(268,496)	-	-	-
Transfers to reserves	-	-	-	2,676,325	(2,676,325)	-
Net profit for the year	-	-	-	-	16,313,592	16,313,592
						4,003,335
At 31 December 2014	35,127,300	149,505	-	11,228,229	51,394,023	97,899,057
(US\$ equivalents - Note 4)	8,620,196	36,688	-	2,755,394	12,612,030	24,024,308



# STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014		2013	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Cash flows from operating activities</b>					
Net cash generated from/ (used in) operating activities	25	59,742,922	14,660,840	(2,614,487)	(654,442)
<b>Cash flows from investing activities</b>					
Purchase of property and equipment		(5,776,149)	(1,417,460)	(4,904,774)	(1,227,728)
Purchase of intangible assets		(233,248)	(57,239)	(703,058)	(175,984)
Proceeds from disposals of property and equipment		97,903	24,025	2,029	509
<b>Net cash used in investing activities</b>		<b>(5,911,494)</b>	<b>(1,450,674)</b>	<b>(5,605,803)</b>	<b>(1,403,203)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		78,432,743	19,247,299	101,667,270	25,448,628
Repayments of borrowings		(110,490,643)	(27,114,268)	(88,486,397)	(22,149,286)
Proceeds from advance capital contribution		-	-	268,496	67,208
<b>Net cash (used in)/generated from financing activities</b>		<b>(32,057,900)</b>	<b>(7,866,969)</b>	<b>13,449,369</b>	<b>3,366,550</b>
Net increase in cash and cash equivalents		21,773,528	5,343,197	5,229,079	1,308,905
Cash and cash equivalents at beginning of year		34,739,504	8,525,031	29,510,425	7,386,840
<b>Cash and cash equivalents at end of year</b>	26	<b>56,513,032</b>	<b>13,868,228</b>	<b>34,739,504</b>	<b>8,695,745</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

## 1. REPORTING ENTITY

AMK Microfinance Institution Plc. (formerly known as Angkor Mikroheranhvatho (Kampuchea) Co., Ltd) (“the Company” or “AMK”), a licensed micro-finance institution, was incorporated in Cambodia and registered with the Ministry of Commerce as a private limited liability company under registration number Co. 1698/03E, dated 30 April 2003. On 7 July 2014, the Company changed its name to AMK Microfinance Institution Plc. AMK is engaged primarily in the provision of micro-finance services to the poor population of Cambodia through its headquarters in Phnom Penh and various offices in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Programme by Concern Worldwide, Cambodia (“CWC”). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia.

AMK has the following main guiding principles:

- ◆ AMK provides micro-finance 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/ services and to adopting behaviours and standards that ensure optimum social performance, including client protection.
- ◆ AMK is a learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and system improvements.

The registered office of the Company is currently located at #285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tomnub Teuk, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2014, the Company had 1,740 employees (31 December 2013: 1,444 employees).

## 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 31 March 2015

### (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
<b>Short term loans (less than one year):</b>		
Sub-standard	30 days or more	10%
Doubtful	60 days or more	30%
Loss	90 days or more	100%
<b>Long term loans (more than one year):</b>		
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) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in the income statement. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

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 2014 of US\$1: KHR4,075 (31 December 2013 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

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Head office	824,090	202,230	34,573	8,654
Branches	24,779,198	6,080,785	13,016,750	3,258,260
	<b>25,603,288</b>	<b>6,283,015</b>	<b>13,051,323</b>	<b>3,266,914</b>

The above amounts are analysed as follows:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>By currency:</b>				
Khmer Riel	13,432,466	3,296,311	7,536,863	1,886,574
US Dollars	11,185,981	2,745,026	5,084,452	1,272,703
Thai Baht	984,841	241,678	430,008	107,637
	<b>25,603,288</b>	<b>6,283,015</b>	<b>13,051,323</b>	<b>3,266,914</b>

## 6. DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Statutory deposits:</b>				
Capital guarantee deposit	3,512,730	862,020	3,488,133	873,125
Reserve requirement	11,813,620	2,899,048	5,679,500	1,421,652
	<b>15,326,350</b>	<b>3,761,068</b>	<b>9,167,633</b>	<b>2,294,777</b>
Current accounts	10,012,806	2,457,130	5,620,432	1,406,866
	<b>25,339,156</b>	<b>6,218,198</b>	<b>14,788,065</b>	<b>3,701,643</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 BANKS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	1,338,170	328,385	1,551,615	388,389
Savings accounts	19,558,768	4,799,698	14,516,134	3,633,576
Fixed deposits	897,240	220,182	28,524,300	7,140,000
	<b>21,794,178</b>	<b>5,348,265</b>	<b>44,592,049</b>	<b>11,161,965</b>

Deposits and placements with banks are analysed as follows:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Within 1 month	20,896,938	5,128,083	16,067,749	4,021,965
More than 3 months	897,240	220,182	28,524,300	7,140,000
	<b>21,794,178</b>	<b>5,348,265</b>	<b>44,592,049</b>	<b>11,161,965</b>
<b>(b) By currency:</b>				
US Dollars	6,302,113	1,546,531	32,124,387	8,041,148
Khmer Riel	14,058,180	3,449,860	10,308,789	2,580,423
Thai Baht	1,433,885	351,874	2,158,873	540,394
	<b>21,794,178</b>	<b>5,348,265</b>	<b>44,592,049</b>	<b>11,161,965</b>
<b>(c) By interest rate (per annum):</b>				
Fixed deposits	1.00% - 5.00%		1.00% - 5.00%	
Savings accounts	0.25% - 0.75%		0.25% - 0.75%	

## 8. LOANS TO CUSTOMERS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Village Bank loans:</b>				
End of term	92,737,423	22,757,650	86,804,078	21,728,180
Credit line	68,562,582	16,825,173	64,756,592	16,209,410
Instalment	89,952,590	22,074,255	82,531,966	20,658,815
<b>Individual loans:</b>				
Instalment	81,519,375	20,004,755	37,097,151	9,285,895
End of term	27,981,405	6,866,602	26,589,948	6,655,807
Seasonal credit line	24,641,850	6,047,080	13,345,734	3,340,609
Staff loans	7,164,205	1,758,088	5,713,223	1,430,093
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>Allowance for bad and doubtful loans</b>				
Specific	(381,907)	(93,720)	(333,494)	(83,478)
General	(3,853,953)	(945,755)	(3,111,242)	(778,784)
	<b>(4,235,860)</b>	<b>(1,039,475)</b>	<b>(3,444,736)</b>	<b>(862,262)</b>
	<b>388,323,570</b>	<b>95,294,128</b>	<b>313,393,956</b>	<b>78,446,547</b>

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

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	3,444,736	845,334	2,617,310	655,147
Allowance for the year	2,190,357	537,511	2,001,419	500,981
Written off during the year	(1,399,233)	(343,370)	(1,173,993)	(293,866)
<b>At 31 December</b>	<b>4,235,860</b>	<b>1,039,475</b>	<b>3,444,736</b>	<b>862,262</b>

The loans to customers are analysed as follows:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By maturity:</b>				
Less than 1 month	27,578,395	6,767,704	25,298,229	6,332,473
1 to 3 months	96,374,429	23,650,167	89,867,488	22,494,991
3 to 12 months	194,883,146	47,824,085	163,426,887	40,907,857
More than 1 year	73,723,460	18,091,647	38,246,088	9,573,488
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>(b) By currency:</b>				
Khmer Riel	306,560,958	75,229,683	267,818,619	67,038,453
US Dollars	61,655,088	15,130,083	31,705,803	7,936,371
Thai Baht	24,343,384	5,973,837	17,314,270	4,333,985
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>(c) By economic sector:</b>				
Agriculture	219,000,713	53,742,506	199,722,779	49,993,186
Trade and commerce	74,253,792	18,221,789	62,779,009	15,714,395
Household/family	14,464,789	3,549,641	11,619,829	2,908,593
Services	18,427,405	4,522,063	13,480,637	3,374,377
Construction	63,158,805	15,499,093	26,112,882	6,536,391
Transportation	3,220,481	790,302	2,693,309	674,170
Other categories	33,445	8,209	430,247	107,697
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>(d) By residency status:</b>				
Residents	392,559,430	96,333,603	316,838,692	79,308,809
<b>(e) By relationship:</b>				
External customers	385,395,225	94,575,515	311,125,469	77,878,716
Staff loans	7,164,205	1,758,088	5,713,223	1,430,093
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(f) By location:</b>				
Head office	2,027,260	497,487	1,740,504	435,671
Branches	390,532,170	95,836,116	315,098,188	78,873,138
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>(g) By performance:</b>				
Standard loans:				
Secured	139,447,175	34,220,166	80,047,005	20,036,797
Unsecured	252,489,499	61,960,613	236,294,375	59,147,528
Sub-standard loans:				
Secured	68,270	16,753	17,646	4,417
Unsecured	108,124	26,533	83,071	20,794
Doubtful loans:				
Secured	18,312	4,494	45,793	11,463
Unsecured	98,967	24,286	58,740	14,703
Loans loss:				
Secured	114,867	28,189	156,705	39,225
Unsecured	214,216	52,569	135,357	33,882
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>
<b>(h) By interest rate (per annum):</b>	<b>2014</b>		<b>2013</b>	
External customers	24.00% - 36.00%		24.00% - 36.00%	
Staff loans	2.00% - 12.00%		2.00% - 12.00%	

## 9. OTHER ASSETS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest receivable	6,131,335	1,504,622	5,739,591	1,436,694
Prepayments	3,090,755	758,467	2,426,326	607,341
Accrued gain on forward exchange rate	269,242	66,072	-	-
Others	755,992	185,520	168,194	42,100
	<b>10,247,324</b>	<b>2,514,681</b>	<b>8,334,111</b>	<b>2,086,135</b>

## 10. PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
<b>2014</b>						US\$ (Note 4)
<b>Cost</b>						
At 1 January 2014	1,339,359	2,531,215	5,944,638	6,546,734	98,937	16,460,883
Additions	119,213	533,265	1,617,607	2,360,201	1,145,863	5,776,149
Transfers	124,373	-	-	580,315	(704,688)	-
Disposals	-	-	(240,305)	(449,499)	-	(689,804)
<b>At 31 December 2014</b>	<b>1,582,945</b>	<b>3,064,480</b>	<b>7,321,940</b>	<b>9,037,751</b>	<b>540,112</b>	<b>21,547,228</b>
<b>Less: Accumulated depreciation</b>						
At 1 January 2014	42,432	1,382,674	3,275,552	3,616,906	-	8,317,564
Depreciation for the year	357,194	173,510	682,330	1,463,263	-	2,676,297
Disposals	-	-	(193,069)	(442,142)	-	(635,211)
<b>At 31 December 2014</b>	<b>399,626</b>	<b>1,556,184</b>	<b>3,764,813</b>	<b>4,638,027</b>	<b>-</b>	<b>10,358,650</b>
<b>Carrying amounts</b>						
<b>At 31 December 2014</b>	<b>1,183,319</b>	<b>1,508,296</b>	<b>3,557,127</b>	<b>4,399,724</b>	<b>540,112</b>	<b>11,188,578</b>
<b>2013</b>						
<b>Cost</b>						
At 1 January 2013	-	2,596,647	4,759,955	4,216,264	-	11,572,866
Transfers/reclassifications	401,782	-	1,119,251	2,347,227	1,036,514	4,904,774
Transfers	937,577	(65,432)	65,432	-	(937,577)	-
Disposals	-	-	-	(16,757)	-	(4,194)
<b>At 31 December 2013</b>	<b>1,339,359</b>	<b>2,531,215</b>	<b>5,944,638</b>	<b>6,546,734</b>	<b>98,937</b>	<b>4,120,371</b>
<b>Less: Accumulated depreciation</b>						
At 1 January 2013	-	1,238,176	2,679,736	2,784,331	-	6,702,243
Depreciation for the year	42,432	146,798	593,516	847,123	-	1,629,869
Reclassifications	-	(2,300)	2,300	-	-	-
Disposals	-	-	-	(14,548)	-	(3,641)
<b>At 31 December 2013</b>	<b>42,432</b>	<b>1,382,674</b>	<b>3,275,552</b>	<b>3,616,906</b>	<b>-</b>	<b>2,081,993</b>
<b>Carrying amounts</b>						
<b>At 31 December 2013</b>	<b>1,296,927</b>	<b>1,148,541</b>	<b>2,669,086</b>	<b>2,929,828</b>	<b>98,937</b>	<b>8,143,319</b>
						<b>2,038,378</b>

## 11. INTANGIBLE ASSETS

	Computer Software			
	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Cost</b>				
At 1 January	4,743,911	1,164,150	4,040,853	1,011,478
Additions	233,248	57,239	703,058	175,984
<b>At 31 December</b>	<b>4,977,159</b>	<b>1,221,389</b>	<b>4,743,911</b>	<b>1,187,462</b>
<b>Less: Accumulated amortisation</b>				
At 1 January	2,624,246	643,987	1,886,599	472,240
Amortisation for the year	846,253	207,669	737,647	184,643
<b>At 31 December</b>	<b>3,470,499</b>	<b>851,656</b>	<b>2,624,246</b>	<b>656,883</b>
<b>Carrying amounts</b>				
<b>At 31 December</b>	<b>1,506,660</b>	<b>369,733</b>	<b>2,119,665</b>	<b>530,579</b>

## 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:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deferred tax assets	2,489,452	610,907	2,082,908	521,378
Deferred tax liabilities	(667,656)	(163,840)	(590,326)	(147,765)
	<b>1,821,796</b>	<b>447,067</b>	<b>1,492,582</b>	<b>373,613</b>
The movement of net deferred tax assets is as follows:				
At beginning of year	1,492,582	366,278	969,232	242,611
Credited to income statement	329,214	80,789	523,350	131,002
<b>At end of year</b>	<b>1,821,796</b>	<b>447,067</b>	<b>1,492,582</b>	<b>373,613</b>
Deferred tax assets/(liabilities) are attributable to the following:				
Provision for retirement benefits	1,037,215	254,531	908,920	227,514
General allowance	770,791	189,151	622,248	155,757
Khmer New Year and Pchum Ben bonuses	339,115	83,218	275,392	68,934
Unrealised exchange losses	332,635	81,628	228,408	57,173
Management incentives	9,696	2,379	47,940	12,000
Depreciation and amortisation	(667,656)	(163,840)	(590,326)	(147,765)
	<b>1,821,796</b>	<b>447,067</b>	<b>1,492,582</b>	<b>373,613</b>

**(b) Provision for income tax**

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	2,671,872	655,674	2,386,208	597,299
Current income tax expense	4,579,481	1,123,799	3,579,331	895,953
Income tax paid	(3,874,133)	(950,707)	(3,293,667)	(824,448)
<b>At 31 December</b>	<b>3,377,220</b>	<b>828,766</b>	<b>2,671,872</b>	<b>668,804</b>

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**

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	4,579,481	1,123,799	3,579,331	895,953
Deferred tax	(329,214)	(80,789)	(523,350)	(131,002)
	<b>4,250,267</b>	<b>1,043,010</b>	<b>3,055,981</b>	<b>764,951</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:

	2014			2013		
	KHR'000	US\$ (Note 4)	%	KHR'000	US\$ (Note 4)	%
<b>Profit before income tax</b>	<b>20,563,859</b>	<b>5,046,345</b>		<b>16,275,893</b>	<b>4,074,066</b>	
Income tax using statutory rate at 20%	4,112,772	1,009,269	20.00	3,255,179	814,813	20.00
Non-deductible expenses	59,600	14,626	0.29	63,061	15,784	0.39
Others	-	-	-	(256,225)	(64,136)	(1.57)
Under/(over) provision in prior year	77,895	19,115	0.38	(6,034)	(1,510)	(0.04)
<b>Income tax expense</b>	<b>4,250,267</b>	<b>1,043,010</b>	<b>20.67</b>	<b>3,055,981</b>	<b>764,951</b>	<b>18.78</b>

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

### 13. DEPOSITS FROM CUSTOMERS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Term Deposit	96,733,559	23,738,297	54,502,908	13,642,780
Savings accounts	62,032,338	15,222,660	19,988,972	5,003,497
Mobile saving accounts	1,342,997	329,569	264,018	66,088
	<b>160,108,894</b>	<b>39,290,526</b>	<b>74,755,898</b>	<b>18,712,365</b>

Deposits from customers are analysed as follows:

(a) By maturity:

Less than 1 month	68,496,466	16,808,949	26,804,889	6,709,609
1 to 3 months	17,939,145	4,402,244	13,077,890	3,273,564
3 to 12 months	41,543,193	10,194,649	21,438,845	5,366,419
More than 12 months	32,130,090	7,884,684	13,434,274	3,362,773
	<b>160,108,894</b>	<b>39,290,526</b>	<b>74,755,898</b>	<b>18,712,365</b>

(b) By currency:

US Dollars	50,193,868	12,317,514	27,629,721	6,916,075
Khmer Riel	107,787,148	26,450,834	45,558,463	11,403,871
Thai Baht	2,127,878	522,178	1,567,714	392,419
	<b>160,108,894</b>	<b>39,290,526</b>	<b>74,755,898</b>	<b>18,712,365</b>

(c) By relationship

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

(d) Interest rate by product (per annum)

	2014	2013
Term deposit	4.25% - 12%	4.25% - 12%
Savings accounts	3.00% - 5.75%	3.00% - 5.75%
Mobile saving	3.00% - 5.50%	3.00% - 5.50%

## 14. OTHER LIABILITIES

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Accrued interest payable	11,258,171	2,762,741	7,521,572	1,882,746
Staff bonus payable	1,695,573	416,092	1,376,609	344,583
Staff incentive	905,475	222,202	676,275	169,280
Other tax payables	501,568	123,084	540,100	135,194
Finance lease liabilities (*)	650,574	159,650	-	-
Accrued loss on forward exchange rate	-	-	1,128,572	282,496
Other accruals and payables	2,977,713	730,729	1,210,213	302,932
	<b>17,989,074</b>	<b>4,414,498</b>	<b>12,453,341</b>	<b>3,117,231</b>

\* The Company has entered into the ATM lease agreement with Novus Technologies (Cambodia) Company Limited for the period of 3 years starting from 1 August 2014 and lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The future minimum lease payments are as follows:

	Future minimum lease payment KHR'000	Interest KHR'000	Present value of minimum lease payment KHR'000
Less than one year	308,018	56,183	251,835
Between two to three years	435,877	37,138	398,739
	<b>743,895</b>	<b>93,321</b>	<b>650,574</b>

## 15. BORROWINGS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Non-related parties:</b>				
Instituto de Credito Oficial of the Kingdom of Spain ("ICO")	76,466,417	18,764,765	74,965,236	18,764,765
Oikocredit	24,920,000	6,115,337	22,880,000	5,727,159
Global Commercial Microfinance Consortium II B.V	16,300,000	4,000,000	15,980,000	4,000,000
BlueOrchard	14,998,603	3,680,639	11,917,350	2,983,066
ResponsAbility	12,441,577	3,053,148	18,899,420	4,730,768
Hivos-Triodos Fonds	12,000,000	2,944,785	18,000,000	4,505,632
Grameen Credit Agricole Microfinance Foundation	9,000,000	2,208,589	3,000,000	750,939
ASN Novib Microkredietfonds	8,146,000	1,999,018	-	-
DWM Asset Management	8,079,000	1,982,577	8,128,000	2,034,543
Oxfam Novib	4,423,194	1,085,446	4,423,194	1,107,182
Microvest GMG Local Credit Master Fund, Ltd	4,150,000	1,018,405	6,125,000	1,533,166
VDK-Spaarbank n.v	4,075,000	1,000,000	3,995,000	1,000,000
Rural Impulse Fund	2,116,500	519,387	3,990,376	998,844
Symbiotics SA Information	2,037,500	500,000	1,997,500	500,000
Foreign Trade Bank of Cambodia	-	-	30,050,000	7,521,902
MARUHAN Japan Bank Plc	-	-	2,397,000	600,000
Micro Credit Enterprise	-	-	1,997,500	500,000
	<b>199,153,791</b>	<b>48,872,096</b>	<b>228,745,576</b>	<b>57,257,966</b>

Borrowings are unsecured and are analysed as follows:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>(a) By currency:</b>				
US Dollars	102,953,917	25,264,765	109,322,236	27,364,765
Khmer Riel	79,971,444	19,624,894	102,461,194	25,647,358
Thai Baht	16,228,430	3,982,437	16,962,146	4,245,843
	<b>199,153,791</b>	<b>48,872,096</b>	<b>228,745,576</b>	<b>57,257,966</b>
<b>(b) By maturity:</b>				
Less than 1 month	6,400,002	1,570,553	2,719,750	680,788
1 to 3 months	8,900,334	2,184,131	19,586,750	4,902,816
3 to 12 months	41,533,297	10,192,220	66,223,630	16,576,628
1 to 5 years	85,830,612	21,062,727	76,844,896	19,235,268
Over 5 years	56,489,546	13,862,465	63,370,550	15,862,466
	<b>199,153,791</b>	<b>48,872,096</b>	<b>228,745,576</b>	<b>57,257,966</b>

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

	2014	2013
Khmer Riel	10.00% - 14.53%	10.00% - 14.53%
US Dollars	6.40% - 8.72%	6.40% - 8.72%
Thai Baht	11.05% - 11.45%	11.05% - 11.40%

## 16. PROVISION FOR STAFF PENSION FUNDS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At 1 January	5,702,918	1,399,489	4,143,372	1,037,140
<b>Addition:</b>				
Employer contributions at 6%	1,399,899	343,533	1,170,215	292,920
Employee contributions at 3%	699,950	171,767	585,108	146,460
Interest earned	161,103	39,534	292,933	73,325
Payments made during the year	(698,850)	(171,496)	(428,612)	(107,287)
Reversal	(82,708)	(20,296)	(56,861)	(14,233)
Currency translation	114,202	28,025	(3,237)	(811)
<b>At 31 December</b>	<b>7,296,514</b>	<b>1,790,556</b>	<b>5,702,918</b>	<b>1,427,514</b>

## 17. SHARE CAPITAL AND ADVANCE CAPITAL CONTRIBUTION

The Company's registered and fully paid up share capital is 1,405,092 shares (2013: 1,395,253 shares) at KHR25,000 per share. The details of shareholding are as follows:

	2014			2013		
	KHR'000	US\$ (Note 4)	%	KHR'000	US\$ (Note 4)	%
Agora Microfinance N.V	17,819,450	4,372,871	50.73	6,881,250	1,722,466	19.73
Rural Impulse Fund II	8,644,800	2,121,423	24.61	8,644,800	2,163,905	24.78
PROPARCO	5,250,000	1,288,344	14.95	-	-	-
CLDF	2,355,000	577,914	6.70	-	-	-
AMK - SA	1,058,050	259,644	3.01	812,075	203,273	2.33
Concern Worldwide (Dublin)	-	-	-	18,540,700	4,640,976	53.15
Concern Worldwide (UK)	-	-	-	2,500	625	0.01
	<b>35,127,300</b>	<b>8,620,196</b>	<b>100</b>	<b>34,881,325</b>	<b>8,731,245</b>	<b>100</b>

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 (US\$61,570) with a premium of KHR22,520

thousand (US\$5,638). This increase was approved by the National Bank of Cambodia and the Ministry of Commerce on 7 March 2014 and 20 November 2014 respectively.

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. 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. These transactions were approved by the National Bank of Cambodia and the Ministry of Commerce on 4 August 2014 and 20 November 2014 respectively.

Pursuant to the Board of Directors meeting on 24 March 2015, the Board of Directors declared a cash dividend of KHR1,631,312 thousand (US\$400,322) to the shareholders.

## 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

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers	118,315,266	29,034,421	96,017,344	24,034,379
Placements with banks	932,086	228,733	1,760,116	440,580
	<b>119,247,352</b>	<b>29,263,154</b>	<b>97,777,460</b>	<b>24,474,959</b>

## 20. INTEREST EXPENSE

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Borrowings	20,905,591	5,130,206	21,516,727	5,385,914
Deposits from customers	9,228,064	2,264,556	4,463,817	1,117,351
	<b>30,133,655</b>	<b>7,394,762</b>	<b>25,980,544</b>	<b>6,503,265</b>

## 21. FEE AND COMMISSION EXPENSES

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Fees on borrowings and swap	4,070,216	998,826	3,339,380	835,890
Village bank president and mobile banking agents incentive	4,962,398	1,217,766	3,771,448	944,042
	<b>9,032,614</b>	<b>2,216,592</b>	<b>7,110,828</b>	<b>1,779,932</b>

## 22. OTHER INCOME

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loan fees	2,619,321	642,778	2,072,461	518,764
Remittance fees	1,399,819	343,514	804,916	201,481
Bad debts recovered	55,442	13,605	62,377	15,614
Loss/(gain) on disposals of property and equipment	43,310	10,628	(180)	(44)
Payroll and payment fee	35,132	8,621	5,195	1,300
Micro-insurance commission	28,475	6,988	-	-
Other income	118,088	28,979	142,979	35,788
	<b>4,299,587</b>	<b>1,055,113</b>	<b>3,082,553</b>	<b>771,603</b>

## 23. OTHER OPERATING EXPENSES

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Staff costs	36,336,887	8,917,027	29,736,146	7,443,341
Transportation costs	4,312,932	1,058,388	3,302,934	826,767
Office supplies and equipment	4,002,317	982,164	3,365,280	842,373
Depreciation and amortisation	3,522,550	864,429	2,367,516	592,620
Rental expenses	3,731,451	915,693	2,633,840	659,284
Professional services	4,773,288	1,171,359	3,512,080	879,119
Communications	955,153	234,393	775,437	194,102
Utilities	1,018,636	249,972	863,880	216,240
Other expenses	3,220,076	790,205	2,080,664	520,817
	<b>61,873,290</b>	<b>15,183,630</b>	<b>48,637,777</b>	<b>12,174,663</b>
Losses on foreign exchange, net (*)	410,765	100,801	853,552	213,655
	<b>62,284,055</b>	<b>15,284,431</b>	<b>49,491,329</b>	<b>12,388,318</b>

\* This includes gain on foreign exchange amounting to KHR1,398 million (2013: KHR887 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

This represents the grant received from Agence Francasie De Development ("AFD") for the technical assistance assignment to support the Company in the following areas:

- i. Human resources and responsible treatment of staff;
- ii. Risk management and internal audit; and
- iii. Product development and expansion of rural outreach as set forth in schedule technical assistance memo.

## 25. CASH FLOWS FROM OPERATING ACTIVITIES

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	20,563,859	5,046,345	16,275,893	4,074,066
<b>Adjustments for:</b>				
Depreciation and amortisation	3,522,550	864,429	2,367,516	592,620
(Loss)/gain on disposals of property and equipment	(43,310)	(10,628)	180	44
Allowance for bad and doubtful loans	2,190,357	537,511	2,001,419	500,981
Unrealised exchange gains	2,466,115	605,182	(755,662)	(189,151)
	<b>28,699,571</b>	<b>7,042,839</b>	<b>19,889,346</b>	<b>4,978,560</b>
<b>Changes in:</b>				
Statutory deposits	(6,158,717)	(1,511,342)	(2,929,713)	(733,345)
Deposits and placement with banks	27,627,060	6,779,647	10,227,200	2,560,000
Loans to customers	(77,119,971)	(18,925,146)	(69,115,559)	(17,300,515)
Other assets	(1,913,213)	(469,500)	(1,037,200)	(259,625)
Deposits from customers	85,352,996	20,945,520	40,339,364	10,097,463
Other liabilities	5,535,733	1,358,462	1,746,196	437,094
Provident fund obligations	1,593,596	391,067	1,559,546	390,374
<b>Cash generated from operations</b>	<b>63,617,055</b>	<b>15,611,547</b>	<b>679,180</b>	<b>170,006</b>
<b>Income tax paid</b>	<b>(3,874,133)</b>	<b>(950,707)</b>	<b>(3,293,667)</b>	<b>(824,448)</b>
<b>Net cash generated from/ (used in) operating activities</b>	<b>59,742,922</b>	<b>14,660,840</b>	<b>(2,614,487)</b>	<b>(654,442)</b>

## 26. CASH AND CASH EQUIVALENTS

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	25,603,288	6,283,015	13,051,323	3,266,914
Deposits with NBC	10,012,806	2,457,130	5,620,432	1,406,866
Deposits and placements with banks	20,896,938	5,128,083	16,067,749	4,021,965
	<b>56,513,032</b>	<b>13,868,228</b>	<b>34,739,504</b>	<b>8,695,745</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.

## (iv) Exposure to credit risk

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to customers neither past due nor impaired	391,771,636	96,140,279	316,219,273	79,153,760
Loans to customers past due but not impaired	165,038	40,500	122,107	30,565
Loans to customers individually impaired	622,756	152,824	497,312	124,484
	<b>392,559,430</b>	<b>96,333,603</b>	<b>316,838,692</b>	<b>79,308,809</b>

**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. 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.

**Neither past due nor impaired**

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

**(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 2014	KHR'000 equivalent			Total
Denominated in	KHR	US\$	THB	KHR'000
<b>On-balance sheet financial assets and liabilities</b>				
<i>Financial assets</i>				
Cash on hand	13,432,466	11,185,981	984,841	25,603,288
Deposits with National Bank of Cambodia	25,116,909	222,247	-	25,339,156
Deposits and placements with banks	14,058,180	6,302,113	1,433,885	21,794,178
Loans to customers	303,177,170	61,073,104	24,073,296	388,323,570
Other assets	5,229,446	1,566,191	360,932	7,156,569
	<b>361,014,171</b>	<b>80,349,636</b>	<b>26,852,954</b>	<b>468,216,761</b>
<i>Financial liabilities</i>				
Deposits from customers	107,787,148	50,193,868	2,127,878	160,108,894
Other liabilities	10,969,233	6,696,833	323,008	17,989,074
Borrowings	79,971,444	102,953,917	16,228,430	199,153,791
<b>Total liabilities</b>	<b>198,727,825</b>	<b>159,844,618</b>	<b>18,679,316</b>	<b>377,251,759</b>
<b>Net financial asset/(liabilities)</b>	<b>162,286,346</b>	<b>(79,494,982)</b>	<b>8,173,638</b>	<b>90,965,002</b>
<i>Off-balance sheet items</i>				
Foreign exchange swap	(51,800,891)	55,997,683	(4,196,792)	-
Foreign exchange forward contracts	(28,525,000)	28,525,000	-	-
	<b>(80,325,891)</b>	<b>84,522,683</b>	<b>(4,196,792)</b>	<b>-</b>
<b>Net open position</b>	<b>81,960,455</b>	<b>5,027,701</b>	<b>3,976,846</b>	<b>90,965,002</b>
<b>As at 31 December 2013</b>	<b>KHR</b>	<b>US\$</b>	<b>THB</b>	<b>KHR'000</b>
<b>On-balance sheet financial assets and liabilities</b>				
Financial assets	299,269,701	72,445,301	20,018,176	391,733,178
Financial liabilities	154,780,957	141,825,478	18,808,280	315,414,715
<b>Net financial asset/(liabilities)</b>	<b>144,488,744</b>	<b>(69,380,177)</b>	<b>1,209,896</b>	<b>76,318,463</b>
<i>Off-balance sheet items</i>				
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>	<b>-</b>	<b>-</b>
<b>Net open position</b>	<b>73,777,244</b>	<b>1,331,323</b>	<b>1,209,896</b>	<b>76,318,463</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 2014	Up to 1 month KHR'000	1 - 3 months KHR'000	3 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 years KHR'000	Non-interest sensitive KHR'000	Total KHR'000	Weighted average interest %
<b>Financial assets</b>								
Cash on hand	-	-	-	-	-	25,603,288	25,603,288	-
Deposit with National Bank of Cambodia	-	-	3,512,730	-	-	21,826,426	25,339,156	3
Deposits and placements with banks	19,558,768	-	-	897,240	-	1,338,170	21,794,178	3.38
Loans to customers	9,799,272	36,984,247	234,953,592	104,188,084	2,398,375	-	388,323,570	33.21
Other assets	-	-	-	-	-	7,156,569	7,156,569	-
<b>Financial liabilities</b>								
Deposits from customers	68,496,466	17,939,145	41,543,193	32,130,090	-	-	160,108,894	6.28
Borrowings	6,400,002	8,900,334	41,533,297	85,830,612	56,489,546	-	199,153,791	9.48
Other liabilities	-	-	-	-	-	17,487,506	17,487,506	-
<b>Maturity gap</b>								
As at 31 December 2014	74,896,468	26,839,479	83,076,490	117,960,702	56,489,546	17,487,506	376,750,191	-
As at 31 December 2013	(45,538,428)	10,144,768	155,389,832	(12,875,378)	(54,091,171)	38,436,947	91,466,570	-
<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	33.74
Other assets	-	-	-	-	-	5,907,785	5,907,785	-
<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>Maturity gap</b>								
As at 31 December 2014	29,524,639	32,664,640	87,662,475	90,279,170	63,370,550	11,913,241	315,414,715	-
As at 31 December 2013	9,895,911	56,804,241	105,041,453	(53,135,980)	(62,184,576)	19,897,414	76,318,463	-

## (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 2014	Up to 1 month KHR'000	1 - 3 months KHR'000	3 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
Deposits from customers	68,496,466	17,939,145	41,543,193	32,130,090	-	160,108,894
Borrowings	6,400,002	8,900,334	41,533,297	85,830,612	56,489,546	199,153,791
Other liabilities	3,628,287	12,163,646	1,695,573	-	-	17,487,506
	<b>78,524,755</b>	<b>39,003,125</b>	<b>84,772,063</b>	<b>117,960,702</b>	<b>56,489,546</b>	<b>376,750,191</b>
As at 31 December 2013						
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>

## (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:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
<b>Tier 1 Capital</b>				
Share capital	35,127,300	8,620,196	34,881,325	8,731,245
Share premium	149,505	36,688	126,984	31,786
Advance capital contribution	-	-	268,496	67,208
Reserves	11,228,229	2,755,394	8,551,904	2,140,652
Retained earnings	51,394,023	12,612,030	37,756,756	9,451,003
	<b>97,899,057</b>	<b>24,024,308</b>	<b>81,585,465</b>	<b>20,421,894</b>
Less: loan to related parties	(1,105,398)	(271,263)	(1,024,059)	(256,335)
<b>Total regulatory capital</b>	<b>96,793,659</b>	<b>23,753,045</b>	<b>80,561,406</b>	<b>20,165,559</b>

## (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:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within one year	3,203,965	786,249	1,913,729	479,031
Two to five years	6,000,520	1,472,520	4,168,425	1,043,411
Over five years	723,893	177,642	4,234,476	1,059,944
	<b>9,928,378</b>	<b>2,436,411</b>	<b>10,316,630</b>	<b>2,582,386</b>

### (b) Loan and other commitments

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:

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Foreign exchange swap contracts	55,997,683	13,741,763	42,746,500	10,700,000
Foreign exchange forward contracts	28,525,000	7,000,000	27,965,000	7,000,000
Unused portion of credit line	22,056,948	5,412,748	20,701,745	5,181,914

In order to limit its exposure to foreign exchange risk, as at 31 December 2014, the Company has entered into 14 foreign exchange swap contracts (2013: 12 contracts) with ANZ Royal Bank and Foreign Trade Bank and 2 foreign exchange forward contracts (2013: 2 contracts) 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

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loans to key management personnel	1,105,398	271,263	1,024,059	256,335
Deposits from directors and key management personnel	1,898,696	465,938	1,462,287	366,029

### (b) Related party transactions

	2014		2013	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income from loans to key management personnel	117,417	28,814	76,234	19,082
Board of Director expenses	208,413	51,144	269,005	67,335
Key management remuneration and other short-term benefits	2,227,057	546,517	1,414,406	354,044
Consultation fees	-	-	35,156	8,800

## 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.



# AWARDS AND RECOGNITION

## 2014

Outstanding Customer Orientation microfinance institution award from IDG Asia during the 6th Banking and Microfinance Conference on June 2014 in Phnom Penh, Cambodia. This award recognizes AMK's ongoing achievement in relation to its mission of serving a large number of poor people to improve their livelihood options through variety of microfinance services.

## 2013

MFTransparency SEAL of PRICING TRANSPARENCY by mftransparency.org. This award was given in recognition of the commitment shown by AMK to transparent pricing.

## 2011

Fondazione Giordano Dell'Amore Microfinance International Best Practices Award. This award recognizes AMK's innovative Social Performance Management Framework.

Platinum level, MIX Social Performance Reporting and Management award, the highest award level, 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.





## 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 'Micol Pistelli'.

Micol Pistelli,  
Director, Social Performance  
MIX



Michael & Susan Dell  
FOUNDATION



FORD FOUNDATION









*AMK's Credit Officer is promoting Loan Product in Kompong Thom province in August 2014.*



*The Credit Officer is collecting Loan Repayment from clients in Kompong Thom province in August 2014*



# CONTACT US

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