



ANNUAL REPORT | 2015 |

Finance at your doorstep

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KEY SUMMARY

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VISION & MISSION

VISION

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

MISSION

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

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.

KEY MILESTONES

DESCRIPTIONS	2005	2010	2015
Number of Offices	5	78	146
Number of Villages	912	8,032	12,394
Coverage of Total Village in Cambodia	7%	57%	88%
Number of Staff	108	844	2,126
Number of Total Active Clients (Excl. Staff, Duplicated Account)	36,087	251,342	445,251
Number of Total Active Client Accounts (Excl. Staff)	36,986	256,975	495,439
Number of Active Borrowers (Excl. Staff, EL, Duplicated Account)	36,087	250,907	326,121
Number of Active Loan Accounts (Excl. Staff)	36,221	253,241	333,711
Loan Portfolio (USD, Excl. Staff Loans)	\$ 2,444,106	\$ 31,329,857	\$ 125,872,345
Number of Active Depositors (Excl. Staff, Duplicated Account)	765	2,781	136,933
Number of Active Deposit Accounts (Excl. Staff)	765	3,734	161,728
Deposit Balance (USD)	\$ 4,677	\$ 1,142,409	\$ 63,993,220
Number of Money Transfer Transactions	-	-	959,002
Value of Money Transfer (USD)	-	-	\$ 300,565,970
Number of ATM / CDM	-	-	54

DESCRIPTIONS	2005	2010	2015
Number of Active Micro Insurance	-	-	127,057
Net Profit (After Tax, USD)	\$ 13,980	\$ 935,239	\$ 5,016,174
Operational Self Sufficiency (OSS)	103.4%	113.1%	119.6%
Return on Assets (RoA)	0.5%	2.3%	3.7%
Adjusted RoA (Less B2B)	0.5%	2.7%	3.7%
Return on Equity (RoE)	0.6%	7.6%	19.2%
Portfolio Yield	36.0%	35.3%	33.9%
Operating Cost Ratio	36.9%	21.5%	19.5%
Average Cost of Funds	12.6%	10.6%	9.4%
Leverage Ratio (Debt to Equity)	0.3	2.1	4.3
PAR 30 Days	0.05%	1.57%	0.41%
Write off Ratio	0.95%	1.14%	0.42%
Percent of Loans ≤USD 500	99.0%	98.5%	88.1%
Average Outstanding Loan Per Loan Account (USD)	\$ 68	\$ 124	\$ 377
Average Deposit Per Deposit Account (USD)	\$ 6	\$ 306	\$ 396
Women Borrowers as Percentage of Total	86.0%	86.0%	82.1%
Rural Borrowers as Percentage of Total	90.0%	92.0%	92.5%
Drop-out Rate**	15%	23%	24%

OUTREACH ▼

AMK REACHES
98%
OF ALL COMMUNES IN
CAMBODIA

OPERATING IN
12,394 
VILLAGES 

AMK IS ONE OF
CAMBODIA'S
LEADING MFI
IN TERMS OF OUTREACH

333,711  **161,728**
LOAN ACCOUNTS DEPOSIT ACCOUNTS

5-YEAR FINANCIAL HIGHLIGHTS

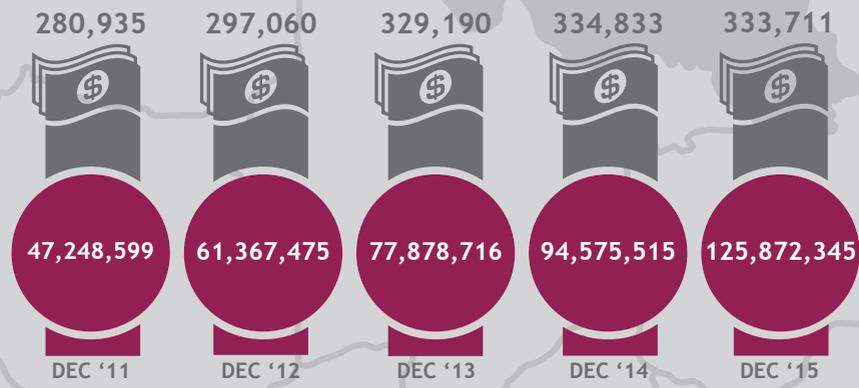
I- OPERATIONAL HIGHLIGHTS	2011	2012	2013	2014	2015
DESCRIPTION					
Number of Branches	22	24	27	28	31
Number of Sub Branches	76	89	101	111	115
Number of Villages	9,152	10,116	11,358	12,075	12,394
• Coverage of Total Village in Cambodia	65%	72%	81%	86%	88%
Number of Staff	973	1,187	1,444	1,740	2,126
• Client Officers Over Total Staff	52%	50%	48%	46%	41%
Number of Total Active Clients (Excl. Staff, Duplicated Account)	280,195	312,989	371,921	410,142	445,251
Number of Total Active Client Accounts (Excl. Staff)	289,912	328,504	392,960	442,894	495,439
Number of Active Borrowers (Excl. Staff, EL, Duplicated Account)	275,251	291,859	323,828	329,760	326,121
Number of Active Loan Accounts (Excl. Staff)	280,935	297,060	329,190	334,833	333,711
• Group Loan Account	93%	91%	90%	86%	81%
• Individual Loan Account	7%	9%	10%	14%	19%
Loan Portfolio (USD, Excl. Staff Loans)	\$ 47,248,599	\$ 61,367,475	\$ 77,878,716	\$ 94,575,515	\$ 125,872,345
• Group Loans	83%	77%	75%	65%	65%
• Individual Loans	17%	23%	25%	35%	35%
Active Loan Account / Avg. Credit Officer	570	532	483	437	409
Loan Outstanding / Avg. Credit Officer (USD)	\$ 95,884	\$ 109,811	\$ 114,346	\$ 122,598	\$ 154,372
Number of Active Depositors (Excl. Staff, Duplicated Account)	8,924	29,910	58,642	95,281	136,933

I- OPERATIONAL HIGHLIGHTS	2011	2012	2013	2014	2015
Number of Active Deposit Accounts (<i>Excl. Staff</i>)	8,977	31,444	63,770	108,061	161,728
Number of Depositors with Outstanding Loan	3,980	8,780	10,549	14,899	17,803
Deposit Balance (<i>USD</i>)	\$ 4,182,370	\$ 8,220,322	\$ 18,315,023	\$ 38,717,455	\$ 63,993,220
Number of Money Transfer Transactions	1,700	105,700	165,107	312,460	959,002
Value of Money Transfer (<i>USD</i>)	\$ 428,681	\$ 30,207,451	\$ 75,085,784	\$ 134,337,866	\$ 300,565,970
Number of ATM / CDM	-	-	-	20	54
Number of Active Micro Insurance	-	-	-	9,886	127,057

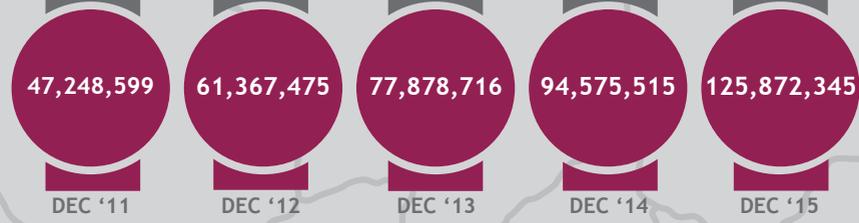
II- FINANCIAL HIGHLIGHTS	2011	2012	2013	2014	2015
Net Profit (<i>After Tax, USD</i>)	\$ 1,766,935	\$ 2,886,998	\$ 3,309,115	\$ 4,003,339	\$ 5,016,174
Operational Self Sufficiency (<i>OSS</i>)	118.5%	121.4%	119.4%	119.9%	119.6%
Return on Assets (<i>RoA</i>)	3.1%	3.9%	3.6%	3.6%	3.7%
Adjusted RoA (<i>Less B2B</i>)	3.9%	4.5%	4.0%	3.7%	3.7%
Return on Equity (<i>RoE</i>)	13.9%	19.0%	18.0%	18.3%	19.2%
Portfolio Yield	35.2%	35.7%	35.0%	33.8%	33.9%
Operating Cost Ratio	19.3%	18.9%	18.7%	18.7%	19.5%
Average Cost of Funds	10.1%	10.4%	10.4%	9.9%	9.4%
Leverage Ratio (<i>Debt to Equity</i>)	2.8	3.2	3.4	3.7	4.3
Per 30 Days	0.10%	0.12%	0.16%	0.15%	0.41%
Write off Ratio	1.37%	0.39%	0.41%	0.39%	0.42%

III- SOCIAL HIGHLIGHTS	2011	2012	2013	2014	2015
LOAN HIGHLIGHTS					
Average Loan Size / GNI per Capita (<i>Loan Disbursed</i>)	26.0%	29.5%	35.0%	38.7%	47.0%
Percentage of Loans ≤USD 500	98.3%	94.6%	94.2%	92.4%	88.1%
Average Outstanding Loan per Loan Account (<i>USD</i>)	\$ 168	\$ 207	\$ 237	\$ 282	\$ 377
• <i>Group Loan Account</i>	\$ 153	\$ 178	\$ 201	\$ 217	\$ 304
• <i>Individual Loan Account</i>	\$ 397	\$ 526	\$ 589	\$ 702	\$ 718
Average Loan Disbursed (<i>USD</i>)	\$ 213	\$ 260	\$ 307	\$ 368	\$ 475
• <i>Group Loan Account</i>	\$ 187	\$ 217	\$ 256	\$ 283	\$ 367
• <i>Individual Loan Account</i>	\$ 571	\$ 703	\$ 735	\$ 880	\$ 945
DEPOSIT HIGHLIGHTS					
Average Deposit Balance / GNI per Capita	56.8%	29.7%	32.6%	37.7%	39.2%
Percentage of Deposits with Balance ≤USD 300	92.5%	94.5%	93.8%	91.6%	92.1%
Average Deposit Balance per Deposit Account (<i>USD</i>)	\$ 466	\$ 261	\$ 287	\$ 358	\$ 396
MONEY TRANSFER HIGHLIGHTS					
Number of Money Transfer ≤USD 300	1,335	50,249	84,367	145,601	569,802
Average Transfer Balance / GNI per Capita	30.8%	42.3%	51.7%	48.8%	31.1%
OTHER SOCIAL HIGHLIGHTS					
Women Borrowers as Percentage of Total	87.5%	87.3%	85.3%	83.2%	82.1%
Rural Borrowers as Percentage of Total	94.0%	91.0%	97.0%	97.0%	92.5%
Drop-Out Rate	21%	18%	23%	24%	24%
DEPTH OF OUTREACH: NEW CLIENTS (<1 YEAR)					
• <i>% of New Group Clients below National Food Poverty Line (Est.)</i>	55%	45%	48%	42%	N/A
• <i>% of New Group Clients Identified as Poor (Base on ID Poor 1 and Poor 2)</i>	N/A	29%	37%	37%	32%
• <i>New Group Clients Identified as Poor (Base on ID Poor 1 and Poor 2)</i>	N/A	16,075	33,510	31,378	23,802

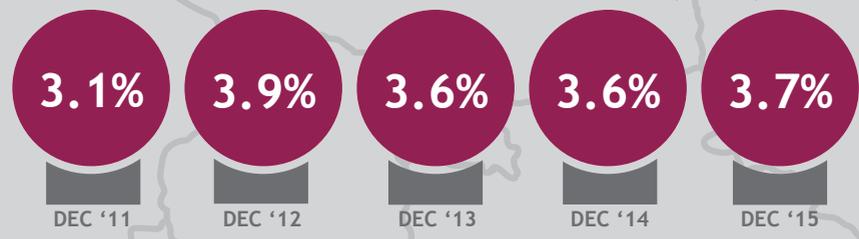
NUMBER OF ACTIVE LOAN ACCOUNTS



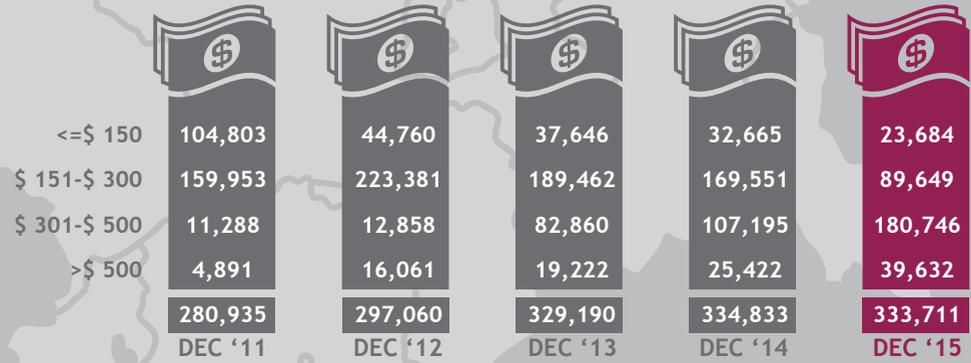
LOAN PORTFOLIO USD



RETURN ON AVERAGE ASSETS (RoA)



LOANS BY SIZE, DECEMBER 2011 - 2015



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HISTORY

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

Deposit 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/CDMs as additional delivery channels to its customers. To give customers easier and more convenient access to AMK deposit services, AMK added 34 ATMs/CDMs at branch offices and potential areas by the end of 2015, which is 54 in total.

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 2,126 staff serve over 445,251 clients in 12,394 villages across Cambodia. This outreach represents 88% of all villages.



CHAIRMAN'S REPORT

Cambodia enjoyed another year of economic, political and overall stability in 2015. The economy grew by estimated 6.9% (World Bank, 2014: 7.1%), and the national financial infrastructure continued to develop, with domestic private credit now estimated to exceed 50% of GDP (World Bank, 2014: 47%). The state institutions, particularly in our case the National Bank of Cambodia, continued to support microfinance through its pro-active regulatory framework.

TANMAY CHETAN
Chairman, Board of Directors

AMK progressed on its path of diversification during the year. One major achievement was the promising start to our health insurance product and a pilot-test of weather-indexed insurance for small farmers.

As we speak a potentially far-reaching partnership is developing between the country's premier insurance company, a dedicated investment firm and AMK to launch a wide range of insurance services in the coming years. We expect concrete positive developments on this during 2016.

We maintained our market share in the lending business, increased our reach amongst depositors and improved further on domestic remittances, thereby acquiring an ever-increasing profile as a 'one-stop financial service provider'. This was indeed the theme of the new five-year business plan presented by the management and approved by the Board towards the end of 2015. It is estimated that our operations will keep growing organically over the next five years, with significant increases in the deposit, insurance as well as payment services.

The demands of technology are significant in our quest to become a multi-product, multi-channel option for customers. As a result a number of technical and operational upgrades were started or were underway during 2015. These included the expansion of agent network, better technology for payment systems and overall upgrade of the core banking system. These activities enable AMK to continue as an even more reliable and low-risk option for customers.

With a network that includes over 140 offices, more than 2,500 payment agents, and 1,000 credit officers, AMK is never too far from its clientele. This network is crucial to timely and appropriate provision of financial services.

We can safely say that our reach is now in the most remote parts of Cambodia as well as increasing in the business hubs in urban centers. With the agent and Client Officer network, we now offer approximately one contact point for every 850 families of Cambodia.

During the year the Board of Directors and its committees met regularly and helped guide the management through a busy but productive year. Towards the end of the year we bid goodbye to Ms. Hannah Siedek from the Board. Hannah represented our shareholder Proparco during her short tenure with AMK and provided important insights for which we extend our gratitude to her. At the management level we welcomed two new members in the senior management - Miss. Puth Phally as Chief Risk Officer and Mr. Sok Kosal as Chief IT Officer. We wish them many successful years with AMK.

During 2016 we expect long strides to be made on new product lines which encompass insurance, loans, payments and deposits. We continue to remain thankful to the multitude of stakeholders who make our work exciting and help us remain relevant - the Shareholders, the Board and its committees, the staff and importantly, the management of AMK. As always, we extend a special word of appreciation for our CEO Kea Borann for his exemplary leadership to the institution during the year.



CHIEF EXECUTIVE OFFICER'S REPORT

The growth and development of the Cambodian economy continued in 2015 along expected levels, thereby creating stability and predictability in the financial sector. As a result, the overall banking and financial industry also continued to perform well under the proactive supervision of the National Bank of Cambodia.

In 2015, AMK continued to expand its outreach and establish a strong footprint in most rural areas of Cambodia. As of end 2015, AMK covers over 12,394 villages, approximately 88% of all villages in the country, as many as 98% of all the communes and 100% of all the districts, provinces and cities in Cambodia. Therefore it gives me pleasure to report that AMK continued to maintain its position as the premier financial service provider to rural families.

AMK has made good progress towards its goal of becoming a “one-stop financial service provider” by providing its clients with multiple product lines

KEA BORANN
Chief Executive Officer

including loans, deposits, health and accident insurance, money transfers and other payment services through its multiple channels: direct reach via staff, branch offices, mobile agents, and ATMs/CDMs.

As of December 2015, AMK has 2,126 staff across its 146 branch and sub-branch offices across Cambodia. AMK has further increased its ATMs/CDMs to 54 from 20 at the beginning of the year. The number of mobile agents also increased to almost 2,500 by the end of 2015.

The number of AMK's loan clients remained at the same levels as the previous year but the number of its depositors grew at the rate of 50% this year. The total number of client accounts has increased from 442,894 in 2014 to 495,439 a 12% growth. AMK continued to focus and working with rural poor people in all its business lines. Approximately 32% of new group loan clients are amongst the poorest as per our internal research findings.

AMK's loan portfolio grew by 33.20% and stood at USD125.9 million as on 31st December 2015. The portfolio quality remained strong at PAR30 days of 0.41% as of 31 December 2015. The loan write off ratio for the year was 0.42% (including 0.36% loan write off due to client death). The average loan balances of AMK remain amongst the lowest in the market at USD 382 and approximately 70% of them has average loan size of USD 300. Moreover, 77% of loan portfolio is dominated in Khmer Riel currency. Client dropout rate was at 24% (using the MIX Market formula).

AMK's deposit business continued to perform well in 2015. The number of deposit accounts stood at 161,728 up from 108,061 at end 2014. The deposit balance grew by 65% to USD 63.9 million from USD 38.7 million in 2014. The average deposit balance per account remains small at USD 396 and 92.1% of depositors have a balance of below USD 300. Moreover, AMK continued to promote Khmer Riel deposits which represent more than 65% of total deposit

balances. This is a strong indicator of our appeal amongst the smaller depositors.

With the successful pilot test of micro health and accident insurance in 2014, AMK rolled out - in partnership with Forte Insurance - this product nationwide in 2015 with a low premium at just USD 6.25 per person per year. During 2015, AMK issued 127,323 insurance policies to its loan clients. It is noteworthy that 82% of the policy holders were group loan clients, again an indicator of the product's relevance amongst lower income households. The claims ratio was approximately 31% of the premium collected for 2015. During the year AMK took another forward step to pilot a weather index insurance for small holder farmers with the aim to provide protection against weather related losses in farming. AMK continue to find better option to offer the protection to its client in the upcoming year.

In 2016, AMK will continue to grow and diversify its credit business by offering more diversified products to various market segments and also expanding to some new villages in Cambodia. On our deposit business we will continue to focus on small rural depositors as well as on money transfers and other payment services. We are also investing significantly in technology, human resources, branding, and enhancement of products and services to improve our customer experience at all levels.

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 in building an inclusive financial sector.

CORPORATE GOVERNANCE

AS OF THE END OF 2015, 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.

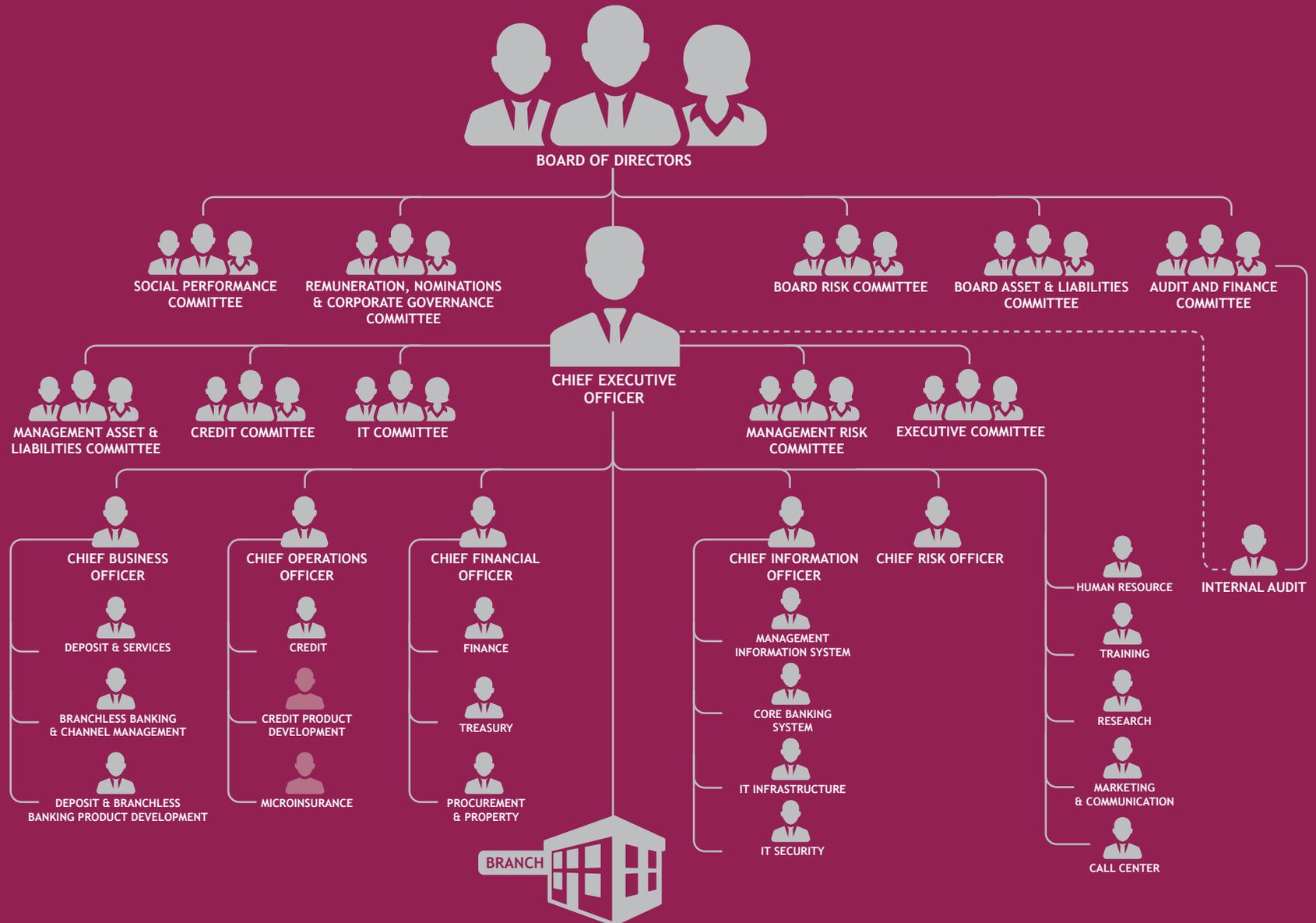
The Board of Directors appoints the Chief Executive Officer (CEO) who works with an executive committee. The executive committee consists of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO) and Chief Business Officer (CBO) and Chief Information Officer (CIO), and Chief Risk Officer (CRO). This committee in turn oversees the broader Management Team and the Management Team consists of heads of department.

THE BOARD OF DIRECTORS HAS STANDING COMMITTEES INCLUDING:

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

The first four 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
AND ADVISORY COMMITTEE**



TANMAY CHETAN

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

Tanmay Chetan is the co-founder of the Agora Group, wherein he manages the group's equity investments across Asia and Africa. Tanmay's previous experience includes microfinance ratings, consulting and operations, including at AMK where he served as the CEO during 2003-2007. Tanmay holds an MBA from IIFM, India and a Master's in Public Administration from the Harvard Kennedy School.



KEA BORANN

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 received ACCA (Association of Chartered Certified Accountants) accreditation and was accepted as an ACCA member in 2008.

ADRIAN GRAHAM

Director, Chairperson of Audit and Finance 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.



PETE POWER

Director, Member of Social Performance Committee & Audit Committee

Pete is currently Head of Strategy and Business Development at the newly merged Irish NGO Gorta-Self Help Africa (GSHA). GSHA focuses on agriculture and enterprise development in Africa. Prior to the merger, Pete served as the CEO of Gorta, Ireland's oldest NGO. Pete has a long history of involvement with AMK, having served on the Board of Directors since 2006 and served as CEO from 2010 to 2012.

Pete began his career as an accountant and then management consultant working for Arthur Andersen in the US and China.

He then led a successful technology start-up in the US before switching to the development sector in 2005. 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).





TIP JANVIBOL

Director, Member of Remuneration, Nominations, and Corporate Governance Committee

Dr. Tip Janvibol is senior managing partner of Tip & Partners. He is a licensed attorney and authorized to practice law in Cambodia. He obtained a Doctor Degree (PhD) from California Coast University, Master Degree from University of Massachusetts, Lowell and Bachelor degree from University Maine at Preque Isle. He has acted in both small and large-scale transactions involving both individual and corporate clients.

Dr. Tip 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.

REBECCA MCKENZIE

Director, Chairperson of Board Asset and Liability Committee, Member of Remuneration, Nominations, and 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.



JOSHUA MORRIS

Director, Member of Remuneration, Nominations, and 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).

DINA PONS

Director, Chairperson of Board Risk Committee, Chairperson of Social Performance Committee, Member of Board Asset & Liability Committee

Dina is Incofin East Asia Regional Director and Social Performance Manager, based in Phnom Penh Cambodia. She also sits at the BOD of the Social Performance Task Force (SPTF) and co-chairs the Social Investors Working group.

Dina manages a portfolio of USD 80 millions, serving more than a dozen of financial service-providers across East Asia. Previous to joining Incofin, Dina lived in the Philippines, where she worked as a senior analyst for the microfinance specialized rating agency Planet Rating.

Dina also lived in China, she was part of the team which set up MicroCred Nanchong in Sichuan. She also led capacity building projects.



EDWIN ZIMMERMANN

Member of Remuneration, Nominations, and 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.

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. Her expertise is in the fields of accounting, auditing (both external & internal), review and setting up internal control structure, policies and procedure. She is currently the Managing Partner of Fii & Associates, an accounting firm. 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.





OLGA TORRES

Member of Social Performance Committee

Olga is part to Agora group and currently the CEO of Agora Microfinance Zambia. She has over 15 years of experience in financial inclusion and rural finance 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 from Universidad Complutense and a Master of International Affairs from Columbia University (SIPA).



FRANCES SINHA

Member of Social Performance Committee

Frances Sinha is 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. She has in-depth experience of microfinance and livelihoods, and has contributed to the global work pioneering social performance in microfinance - through the development of social rating and social performance reporting. Currently she is leading teams for impact research, social performance management and client protection assessments in India and the region.



MICHAEL GOH

Member of Board Risk Committee

Michael's corporate career with financial institutions spans over 20 years. He was in charge of Governance ERM, Credit Approval and Risk Management Operations for Asia Pacific Region. His executive positions were: Chief Risk Officer-AIG Group, CRO-Standard Chartered Bank's global JV in payment solutions, Senior Regional Risk Head-CAI Investment Bank, Chief Credit & Risk Head-commercial banks in Hong Kong. He co-owned PE Investment business including entities sold and listed in Singapore. His company also provides Risk Advisory and Specialized Training services. 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 was designated Master-Trainer Consultant for HSBC Global Compliance Risk Project and a certified corporate trainer-vendor for global rating agencies in Asia.







BOARD COMMITTEE

AUDIT AND FINANCE COMMITTEE (AFC)

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

BOARD RISK COMMITTEE (BRC)

AMK board and management strongly 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 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 2015, 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 directors 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 and reputation among others.

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; and
- Approves the design of risk and compliance reports.

REMUNERATION, NOMINATION, AND CORPORATE GOVERNANCE (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 like 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.

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.

BOARD ASSET AND LIABILITY COMMITTEE (BOARD ALCO)

This committee provides the Board strategic oversight of the Company's balance sheet management.

It gives strategic input and ideas to the ALM process, and serves as the approving body for ALM policies, risks and resources.

The assets and liabilities of AMK is managed by the Committee in order to maximize shareholder value, to enhance sustainable growth and profitability, optimize capital management and protect the Company from any excessive financial risks arising from changes in the market environment.

The Board ALCO is particularly concerned with the management of liquidity, funding and capital, foreign exchange rate and counter party risks, changes in products and annual budgeting.

EXECUTIVE TEAM





KEA BORANN

Chief Executive Officer (CEO)

Borann was appointed as Chief Executive Officer of AMK in 2012. He 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. Borann holds a BBA in Finance and Accounting. He received ACCA (Association of Chartered Certified Accountants) accreditation and was accepted as an ACCA member in 2008.



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 & Communication 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 ADB and a microfinance project managed by GRET/CEDAC. Sokha holds 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.



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. He 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.



MAM CHOERN

Chief Operations Officer (COO)

Choern joined AMK in 2004 and served as the Operations Manager before being promoted to Chief Operations Officer in 2012. As Chief Operations Officer, Choern has overall responsibility for all credit business operations. Before joining AMK, he worked with another MFI for over six years in a variety of positions including Internal Auditor, Branch Manager, and Assistant Operations Manager. Choern holds two Bachelor's Degrees: a BA in Khmer Literature from Royal University of Phnom Penh and a BBA in Finance and Banking from National University of Management. He also holds a Master's Degree in Finance and Banking from Build Bright University. He has attended international microfinance training courses at the Boulder Institute in Turin, Italy.



SOK KOSAL

*Chief Information Officer
(CIO)*

Kosal joined AMK in April 2015 as Chief Information Officer. He has more than 14 years of experience in IT career, moving from IT support level to a senior IT Manager in many multinational companies. This had been a long journey where lots of challenges and changes have happened and have been adapted successfully. Kosal holds a Master's Degree in IT Management from INNOTECH-CBAM.



PUTH PHALLY

Chief Risk Officer (CRO)

Phally joined AMK as Chief Risk Officer in September 2015. She has over 10 years of banking experience in Cambodia and overseas and has held various roles in credit, risk, relationship banking, transaction banking, product development, trade finance, and wealth management. Prior to joining AMK, she sat as one of the executive members with one international bank in overseas. Phally was awarded a two-year French government funded scholarship where she earned her Master Degree in Banking from University of Lumière Lyon II, France.

MANAGEMENT TEAM





LONG CHANTHA

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, she 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 under the ACCA program.



ROEUNG VIRINY

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. With her experience and qualification, she brings value to AMK by managing Finance department to ensure the high quality of Accounting information to fulfill AMK's requirements. Viriny holds a BBA in Finance and Banking and the ACCA affiliate.



PEAING PISAK

Head of Human Resource Department

Pisak was appointed to be Head of Human Resource Department in 2013. She joined AMK as Training Manager in 2011 and was promoted to be Head of Training Department in 2012. Pisak has over 10 years experience in many different sectors including private companies, microfinance, international and local NGOs. She was in charge of capacity building advisor/trainer/facilitator for micro-credit training, rights-based approach (RBA) to development and training, gender mainstreaming, leadership, management development programs, small business, and TOT among others. Pisak holds a Bachelor's Degree in Marketing and Master's Degree in Management from the National University of Management (NUM).



PUM SOPHY

Head of Research Department

Sophy has worked at AMK for almost ten years. She first joined AMK as Training, Research, and Marketing Officer and held various positions before becoming Head of Research in 2012. In her current role, she 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.



MAO SOKHOEURN

*Head of Deposit & Branchless
Banking Product Development
Department*

Sokhoeurn joined AMK as the Head of Non-Credit 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.



PREM CHANDRABOTH

*Head of Management
Information System
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, he was promoted to Head of Management Information System. 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.



NANG KINAL

*Head of Marketing &
Communication Department*

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



HEAK THAVUTH

*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 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 Accounting Institute.



SUON PISEY

Head of Credit 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. He was promoted to Head of Credit in 2012. Pisey holds both Bachelor's and Master's Degrees in General Management from the Build Bright University in Phnom Penh.



CHEA ROATTANA

Head of Branchless Banking & Channel Management Department

Before serving as Head of Branchless Banking and Channel Management, Roattana joined AMK as Mobile Banking Manager in 2010. He also had various experiences with MNO and FMCG industry. Roattana holds an MBA in International Business from IAE-Lyon Business School, Jean Moulin Lyon III University, France.



KOUCH SOPANHA

Head of Procurement & 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.



HEAN MENGHONG

Head of Deposit & Services Department

Menghong joined AMK as Saving Manager in 2012. Before joining AMK, he had six years of 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 in January 2015. Menghong holds a Bachelor of Development Economics and a Masters of Business Administration from Norton University.



ANG LEAPHENG

*Head of Core Banking System
Department*

Heng joined AMK in 2011 as Senior Business System Analyst. He had 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 System in 2015. Leapheng holds both a Bachelor's and a Master's Degree in Banking and Finance from Build Bright University in Phnom Penh.



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 both locally and overseas. He was promoted to Head of Training in 2015. Vanna holds both a Bachelor's Degree in Economics Development and a Master's Degree in General Management from the Royal University of Law and Economics in Phnom Penh.



MUT CHAKRIYA

*Head of Call Center
Department*

Chakriya joined AMK in 2011 as Mobile Banking Operations 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. Chakriya holds an Associate Degree in Accounting from the 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 2015 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 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.

MANAGEMENT ASSET AND LIABILITY COMMITTEE (MANAGEMENT ALCO)

Management 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 significantly enhanced its Management ALCO practices in 2015 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 (CRC)

CRC 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.

IT COMMITTEE (ITC)

ITC 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.



AMK'S CLIENTS

ប្រាក់បញ្ញើ	រយៈពេលកម្ចី	ថ្លៃសេវា	អន្តរាគមន៍ប្រាក់ក្នុង១ខែ
1,000,000	រហូតដល់ 12 ខែ	0.5% នៃទំហំកម្ចី	3%
1,000,000	រហូតដល់ 12 ខែ	0.5% នៃទំហំកម្ចី	2.8%
1,000,000	1 ខែ	0.5% នៃទំហំកម្ចី	3%

ប្រាក់បញ្ញើ	ថ្លៃសេវា	អន្តរាគមន៍ប្រាក់ក្នុង១ខែ
1,000,000	នៃទំហំកម្ចី	2.7% - 2.8% 2.4% - 2.6%
1,000,000	នៃទំហំកម្ចី	2.5% - 2.8% 2% - 2.6%
1,000,000	នៃទំហំកម្ចី	2.5% - 2.8% 2% - 2.6%
1,000,000	នៃទំហំកម្ចី	2.5% - 2.7% 2% - 2.6%
1,000,000	នៃទំហំកម្ចី	2.5% - 2.8% 2% - 2.6%
1,000,000	នៃទំហំកម្ចី	2.5%



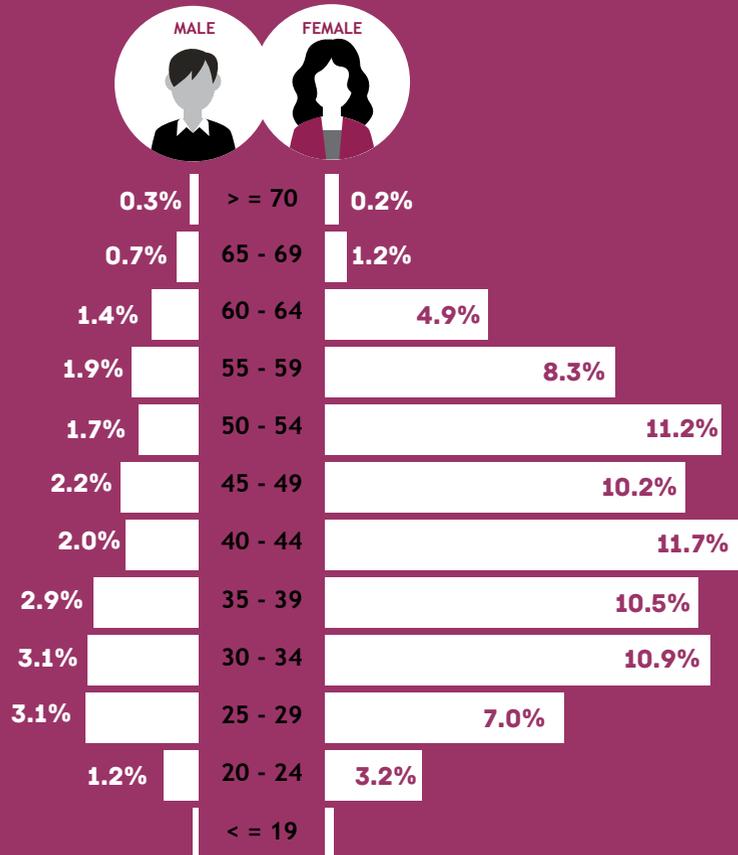
As of December 2015 there are 326,121 clients have loans active with AMK and about 28% of them are poor according to ID Poor Program. AMK conducting annually research on variety of surveys aim to understand borrower's socio economic profile. The 2015 research indicates the following:

- About 42% of AMK clients are heads of household and 51% are spouses.
- Eighty percent (80%) are female.
- The average age is 42 years old.
- The average household size is 5 members where 60% of them are adults and 40% are children.
- Eighty one percent (81%) of AMK clients are married and 14% are widows/divorced.
- Sixty nine percent (69%) of AMK clients can read or write simple language. About 50% finished their school year in primary level, 22% in secondary level. On average, the years of schooling among AMK client is 3.8 years.
- The literacy ratio amongst female clients is lower than males, 64% vs 88%. Similarly, the average school year of male clients is also higher than female clients, 5.8 years vs 3.3 years.
- About 80% of the AMK children are at school age and about 70% of them attended school and about 30% is dropped out. The dropout rate among female and male children is not so much different, 31% female vs 30% male.
- Most of AMK clients are living in a semi-permanent house structure, and about 43% of those has no toilet and about 58% owned pit toilet/latrine or flush toilet.

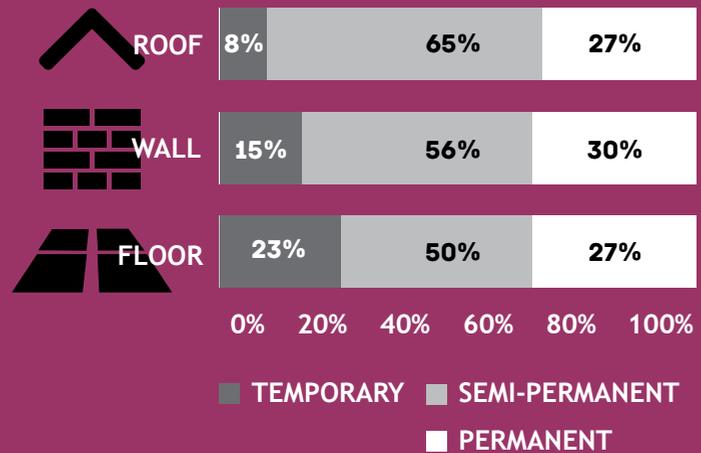
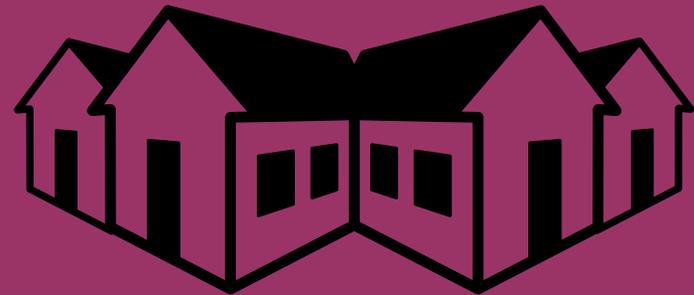
To assess clients' household vulnerability, clients were asked on how difficult it is for them when they have a large expense. Clients were also asked about their food security.

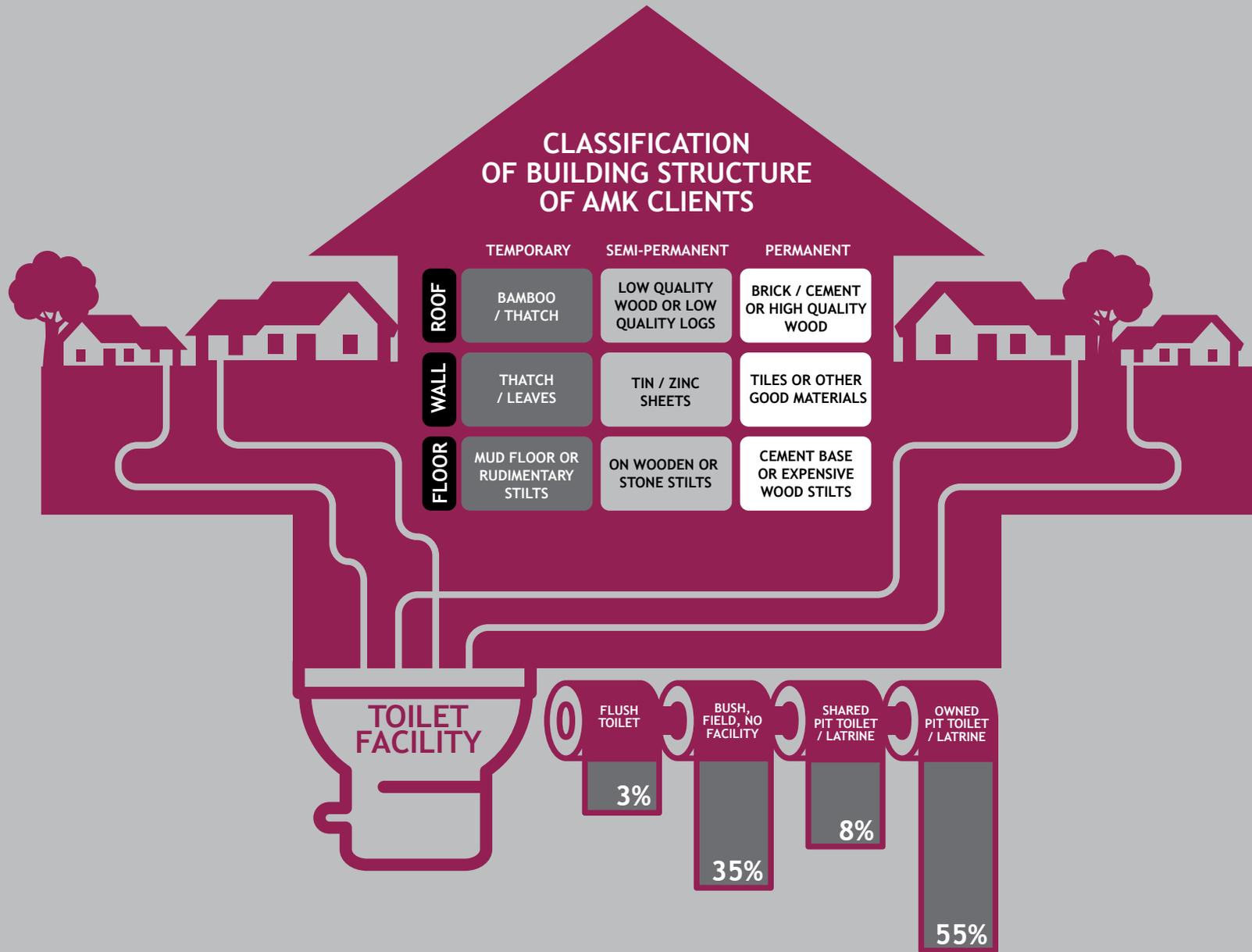
- Results show that about 20% of AMK clients faced great difficulty in affording large expenses, another 57% faced some difficulty and about 23% don't have any difficulty affording large expenses.
- During the last 12 months about 95% of AMK clients' households have their food secure - 77% had enough food to eat even though it is not always what they wanted, and about 18% had enough food to eat and all kinds of food that they wanted, and about 5% had food shortage.

AGE PYRAMID OF AMK CLIENTS (SURVEY)



AMK CLIENT'S HOUSING STRUCTURE





CLIENT CASE STUDY

“Mrs. Meak Chreab, 8-cycle loan client, Ampou Khmau Village, Toul Totueng Commune, about 16 kilometers from Prey Nob district, Sihanouk Ville province.”

In Sihanouk Ville Province, about 16 Kilometers to the south of Prey Nob District, Toul Totueng commune there is Ampou Khmau village where villagers generate income by sea fishing, freshwater fishing, agriculture farming and other small businesses.

Mrs. Meak Chreab, 44 years old, and her whole family live in her small house along Veal Rinh bay in Ampou Khmau village. She shares with us her successful life experience.

In 1993, she got married to a fisherman, bearing him five lovely children (four sons and one daughter). Mrs. Chreab took up a small trade that required her an hour walk every day by foot carrying a heavy basket of breakfast porridge to sell at a local bazaar, selling it from 6am to 8am. Eventually, she was able to set up a breakfast shop in front of her house.

In 2008, in order to supplement the family income, Mrs. Chreab decided to join the microfinance program of AMK, the only MFI that provided financial service in her area at that time. The main motivation of Mrs. Chreab was to learn and wanted to add more income generating activities for her family livelihood improvement. She made the decision with her husband to borrow from AMK with the first loan of KHR100, 000 (~USD25) for 12 months term to buy a finer fishing-net for freshwater fishing.



After successfully completing her first loan, she took the following loans of KHR 800,000 (~USD 200) for her porridge shop at home. Then, she used another loan of KHR 1,200,000 (~USD 300) to purchase a boat engine. With a powered boat, her family increased their catch daily to almost 50% resulting to having extra money.

She then started saving using the Easy Saving of AMK. An AMK Client Officer would visit her village every month and she deposited with the Officer approximately KHR 50,000 per month (~USD 12.5). Her objective was to have a saving account for her youngest son's higher education, for him to get a bachelor's degree and get a good paying job.

Further than the loan and savings products, she also bought a micro-insurance policy from AMK in July 2015. Even though, she and her husband never had any experience in claiming, she felt very happy that her family could access this type of services, where she found herself a protection shield.

Now, in term of income activities to support her family, she has since diversified her income generation activities including small breakfast stall, sea fishing and freshwater fishing in small scale, and rice farming. Recently, she had bought one plot of paddy field (0.5 hectare) cost of KHR 4,000,000 (~USD 1,000) with her existing savings and loan KHR 1,400,000 (~USD 350) from AMK.

She is so delighted with all the things she received and opportunity that her family can access and use all financial services from AMK, "I don't worry much if I or my husband get sick because we will get covered by our micro-insurance policy. I save for my youngest son's education to raise him out of fishing and find a better job. I used the loans to increase my income, buy land... I'm definitely happy and thankful to AMK", she added.

In the future, she hopes that she can build a new house, expand to medium scale of fishing and her youngest son can complete a bachelor's degree.

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.



AMK - SOCIAL PERFORMANCE REPORTING FRAMEWORK

Period Evaluated: 1st January to 30th November, 2015		Regular Monitoring		
Information Presented: November 2015	Depth of Outreach	Adequacy of Products	Transparency & Client Protection	Responsibility to Staff
Sources Of Information	<ul style="list-style-type: none"> Depth of Outreach 2015 of Loan Client Depth Of Outreach of MMT Client 	<ul style="list-style-type: none"> Loan Client Satisfaction Exit Client Report Micro Insurance Exit 	<ul style="list-style-type: none"> Multiple Loans Report 2015 Rejected Client 2015 Borrower Awareness as of October 2015 Saver Awareness as of October 2015 Client Grievance as of September 2015 	<ul style="list-style-type: none"> Exit Surveys: Reasons for Resignation of Staff Staff Satisfaction Report
Indicators	<ul style="list-style-type: none"> Wellbeing Score (<i>Tercile + Quartile Analysis</i>) ID Poor PPI 	<ul style="list-style-type: none"> Range of Services Quality of Services Accessibility of Services Desertion Rate Reason for Exit 	<ul style="list-style-type: none"> Multiple Loan Ratio Rejected Ratio and Reasons 	<ul style="list-style-type: none"> Staff Turnover and Explanations Satisfaction Score by Gender

Year of Assessment: 2014 Social Performance Assessment - Summary		Depth of Outreach	Adequacy of Products	Transparency & Client Protection	Responsibility to Staff
Methodology, Process and Reports / Sources of Info	Are you satisfied with the accuracy of the methodology and process applied?				
	Is this result/finding in line with the mission?				
	Based on these findings, are there foreseeable issues in the future?				
	Is data or information missing: at the management level? at the Board level?	 	 	 	

This Social Performance Reporting Framework is an integral part of SPC meeting minutes.

Signature:

SPC Chairperson

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).

DEPTH OF OUTREACH

AMK new clients are poorer than the general population, which confirms alignment with social mission. The 2015 survey result confirmed a higher poverty incidence, (using ID Poor measure), amongst new Village Bank clients compared to non-client (32% vs 21%).

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 satisfaction and dissatisfaction of clients toward different types of products and services for better enhancement and development. In 2015, 93% of active clients had at least one positive comment on AMK. The most common feature which appreciated by clients is AMK's "Door Step" services.

TRANSPARENCY AND CLIENT PROTECTION

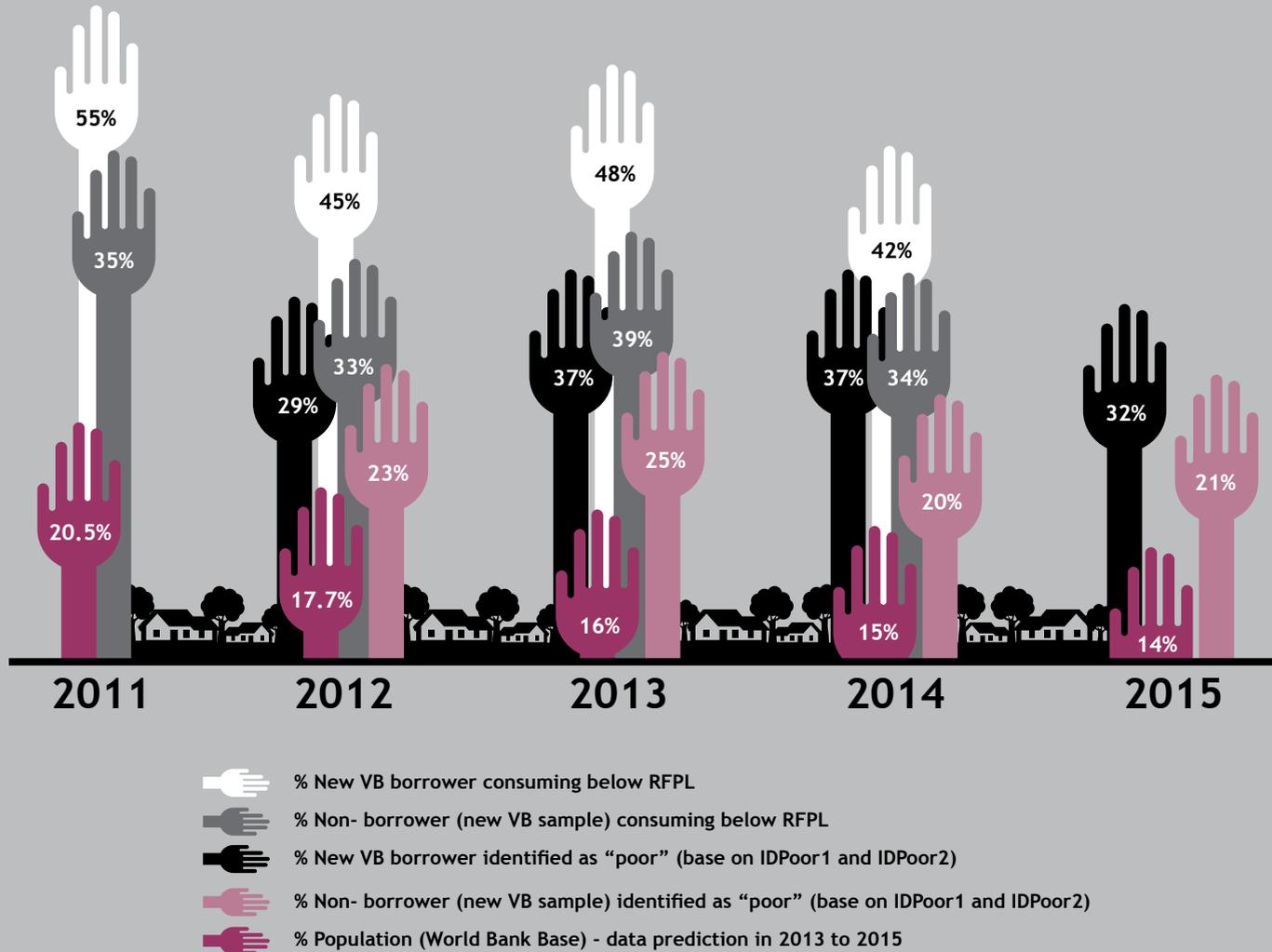
AMK is constantly striving to implement best practices in terms of client protection principles.

AMK offers one of the most diversified product offering including micro-insurance (CPP1). AMK uses a Credit Bureau monitoring report in order to properly assess multiple borrowing (CPP2). AMK abides by the central bank's guidelines on pricing publication (CPP3) while a code of conduct is in place, and all staff are trained on it and expected to sign it during recruitment (CPP5). AMK's research team is also in charge of assessing client's awareness and understanding of product features on an annual basis. AMK has made a hotline available to all its clients (CPP7) and a consolidated picture of clients complaints is shared with the BOD on a quarterly basis.

RESPONSIBILITY TO STAFF

The overall satisfaction score of the 2015 staff satisfaction was 3.7/5 where 95% of the total staff are satisfied. The highest levels of satisfaction were: *i) medical reimbursement procedure; ii) HR policy and iii) annual leave procedure.*

POVERTY OUTREACH AMONGST NEW VB SAMPLE (ID POOR)



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 up 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	KHR 2,000,000	KHR 2,000,000	KHR 2,000,000
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 Conditions	<ul style="list-style-type: none"> • Interest payments due monthly • Principal payment due at end of term • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest and principal payments due monthly • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest payments due monthly • Flexible and multiple drawing amount during the loan contract • No unutilized fee • Prepayment allowed without penalty

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 chose one of the following products:

PRODUCT DESCRIPTION	BUSINESS EXPANSION LOAN	SEASONAL LOAN	CREDIT LINE SEASONAL LOAN	HOME IMPROVEMENT LOAN	MOTOR 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	Individual client who needs funds for motor buying(new branding and used branding.)	Low income urban dwellers
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	THB, USD	KHR, THB, USD
Maximum Loan Size	KHR 20,000,000	KHR 6,000,000	KHR 6,000,000	KHR 20,000,000	KHR 8,000,000	KHR 1,200,000
Maximum Term	36 months	12 months	12 months	36 months	36 months	12 months
Interest Rate / Monthly	2.00% - 2.80%	2.00% - 2.80%	2.00% - 2.80%	2.00% - 2.80%	2.00% - 2.80%	2.30% - 3.00%
Repayment Conditions	<ul style="list-style-type: none"> • Interest and principal payments due monthly • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest repaid monthly and principal payment due at end of term • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest repaid monthly and principal payment due at end of term • Prepayment allowed without penalty • Flexible and multiple drawing amount during the loan contract 	<ul style="list-style-type: none"> • Monthly fixed payment • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest and principal payments due monthly • Prepayment allowed without penalty 	<ul style="list-style-type: none"> • Interest and principal payments due monthly • Prepayment allowed without penalty

PRODUCT DESCRIPTION	AGRI-EQUIPMENT LOAN	UTILITIES LOAN	GENERAL LOAN
Target Clients	Individual client who need funds to buy new Agri-Equipment for agri-business	Low income client and need funds for utilities expense	Old or new client who need fund for general expense and consumption
Currency	THB, USD	KHR	KHR, THB, USD
Maximum Loan Size	KHR 12,000,000	KHR 1,200,000	KHR 2,000,000
Maximum Term	36 months	12 months	12 months
Interest Rate (Monthly)	2.00% - 2.80%	2.80%	2.80% - 2.40%
Repayment Conditions	<ul style="list-style-type: none"> • Interest and principal payments due monthly • Prepayment allowed without penalty 	<p><i>Clients are free to decide which method of payment best suits them according to their income flow as following:</i></p> <ul style="list-style-type: none"> • Interest and principal payments due monthly / Interest paid monthly and prepayment allowed without penalty • Interest repaid monthly, principal payment due at end of term and prepayment allowed without penalty 	<p><i>Clients are free to decide which method of payment best suits them according to their income flow as following:</i></p> <ul style="list-style-type: none"> • Interest and principal payments due monthly/ Interest paid monthly and prepayment allowed without penalty • Interest repaid monthly, principal payment due at end of term and prepayment allowed without penalty • Interest repaid monthly, principal payment due at end of term, prepayment allowed without penalty and Flexible and multiple drawing amount during the loan contract

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	KHR 400,000
Disbursement Timeline	4 working hours from time of request
Maximum Term	10 months
Interest Rate (<i>Monthly</i>)	2.50%
Repayment Conditions	<ul style="list-style-type: none"> • 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	SMART KID 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	Savers who wish to make save for future's child
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD
Minimum Balance	N/A	KHR 2,000,000	KHR 100,000	KHR 20,000	KHR 4,000
Term	N/A	N/A	1-36 months	3-36 months	N/A
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	4.00% - 5.00% 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 KHR 4,000 to KHR 8,000 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. Currently AMK has officially launched this product nationwide by 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 2015, 54 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.

CAMBODIA 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 0.67% for the whole sector while loan write off is only 0.132%. Additional sector-wide trends include:

- The number of borrowers increased by 13.66% to 2,022,235.
- Loan portfolio increased by 45.51% to over USD 2,951.72 million.

- The number of savers increased by 26.38% to 1,418,732.
- Deposit balances increased by 46.93% to USD 1,317.82 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
2015	2,022,235	2,951.72	1,459.63	1,418,732	1,317.82	928.87

* Source - CMA Microfinance, Network Information Exchange (NIX), December 31, 2015

RISK MANAGEMENT

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

AMK has adopted full Enterprise Risk Management Framework (ERMF) aiming at formulating general policies, guidelines, and strategies to be implemented for managing the major categories of risks that the AMK faces.

Enterprise 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.

1st Line of Defense - Risk Owner/Taker who assumes full responsibility of its own risk framework, and controls.

The role of the First Line of Defense is:

- 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

2nd Line of Defense - Risk Management Function as Risk Controller whose role is to add value to the risk owner in managing risks within the ownership of the latter. For an effective control, the role of the Second Line of Defense is:

- Facilitate and monitor the implementation of risk management practice
- Responsible for policies development, measurement and reporting, limits and controls, oversight and monitoring
- Provide training, tools and advice to support policy and compliance

3rd Line of Defense - Audit as Risk Assurer whose function is to provide independent value added assurance of enterprise risks. The role of the 3rd line of defense is:

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

With the commitment and objective for a fully independent ERMF, AMK has set up risk management governance structure from Board of Directors, Executive Team, until Risk Management function on day to day.

1. AT THE BOARD LEVEL

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 Board of Directors and shareholders. The role of BRC includes:

- Providing oversight and approval of AMK's overarching integrated Risk Management Framework;
- Endorsing, monitoring, and periodically reviewing enterprise Risk Appetite Level and Key Risk Indicators;
- Reviewing, approving, and monitoring AMK's risk profile, risk tolerance and strategy, and risk management policies/procedures to ensure that these are effective and fit within the organizational context and AMK's long-term strategic plan;
- Approving the specific policies, charters, and terms of reference of all the Management/Executive risk committees;
- Delegating authority to the respective Management/Executive Risk Committees and acting as the latter's governance body to ensure risk is well enhanced at the management level.

2. AT THE EXECUTIVE/MANAGEMENT LEVEL

AMK deals with different kinds of risk on day-to-day using 5 executive risk committees who oversees different types of risk:

NAME OF COMMITTEES	TYPES OF RISKS HANDLED
Credit Risk Committee "CRC"	<ul style="list-style-type: none"> • Credit Risk • Portfolio Risk
Management Asset & Liabilities Committee "ALCO"	<ul style="list-style-type: none"> • Capital Management • Contingency Funding Plan • Interest Rate Risk • Liquidity Risk • Market Risk • Foreign Exchange Risk
Management Risk Committee "MRC"	<ul style="list-style-type: none"> • Operational Risk • Compliance Risk • Legal Risk
Information Technology Committee "ITC"	<ul style="list-style-type: none"> • Technology Risk • Business Continuity/Disaster • Recovery Plan
Executive Committee (EXCO)	<ul style="list-style-type: none"> • Business Strategic Risk • Reputational Risk

Towards the end of 2015, the board and executive committee team are actively exploring the possibility for:

- The Board ALCO
- Revamping Management ALCO particularly in the area of liquidity management and capital planning
- Proactive portfolio analysis and stress testing analysis
- Reviewing the robustness of the credit process in line with the possible changes of market environment and target market

In addition to the above committees as standing governance body to manage/monitor risk, AMK has set up proper mechanism for each different risk. The mechanism starts with the approved risk appetite level set by the board. The risk appetite determines the internal/external triggers being Key Risk Indicators (KRI) and used as monitoring tools for each risk. Policies, procedures, and guidelines are initiated by the first line of defense get support from the

2nd line of defense being risk department and appropriately approved by the respective risk management body before putting in practice. These policies/procedures are used as the guidance to perform the task within the well-controlled environment.

To properly identify and assess risk, AMK also uses the feedback-loop-mechanism taking into account of the risk incidents incurred both internal and external, the finding from the 3rd line of defense, different scenarios, and stress testing analysis with the objective to plan ahead of other shocks in the future and ensure that AMK is equipped with the proper monitoring tools and system. This bottoms-up approach to get feedbacks from various incidents and relevant team allows AMK to have a complete picture of potential risk incurred in AMK and also constantly review its system, process, and policies for more controlled business environment while the business is growing.



FINANCIAL REPORT

AND INDEPENDENT AUDITORS' REPORT

REPORT OF THE BOARD OF DIRECTORS
REPORT OF THE INDEPENDENT AUDITORS
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 of AMK Microfinance Institution Plc. (“The Company”) is pleased to present its report and the Company’s financial statements as at and for the year ended 31 December 2015.

THE COMPANY

The Company is a licensed micro-finance institution, 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. The Company 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 from the National Bank of Cambodia (“NBC”) to conduct deposit-taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

RESULTS OF OPERATIONS

The Financial Results of the Company for the Year are as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
Profit Before Income Tax	25,453,698	6,284,863	20,563,859	5,046,345
Income Tax Expense	(5,138,194)	(1,268,690)	(4,250,267)	(1,043,010)
Net Profit for the Year	20,315,504	5,016,173	16,313,592	4,003,335

DIVIDENDS

On 24 March 2015, the Board of Directors approved the declaration and payment of cash dividends amounting to KHR 1.63 billion during the year (USD 400,322) on the basis of 2014 results. On 15 September 2015, the dividends were paid to the shareholders.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS

Before the financial statements of the Company were drawn up, the Board of Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for bad and doubtful loans, and satisfied themselves that all known bad loans had been written off and that adequate provisions 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 the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

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

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 or inappropriate in any material respect.

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets

and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liabilities of the Company have become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become 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

On 22 March 2016, the Board of Directors approved to declare cash dividends amounting to KHR 2.03 billion subject to approval by the NBC.

Except for the above and as disclosed elsewhere in the financial statements, at the date of this report, there were no other events, which occurred subsequent to 31 December 2015 that had significant impact on the financial position of the Company as at 31 December 2015.

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. Rebecca Ann Mckenzie - Director

Mr. Adrian John Graham - Director

Mr. Kea Borann - Director

Ms. Blandine Claudia Marie Pons - Director

Mr. Joshua Morris - Director

Ms. Hannah M. Siedek - Director

(resigned on 3 December 2015)

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Company.

DIRECTORS' INTERESTS

No members of the Board of Directors hold any direct interest in the equity of the Company.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was 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 corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest other than as disclosed elsewhere in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with Cambodian Accounting Standards, and relevant regulations and guidelines issued by the NBC or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- 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
- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company

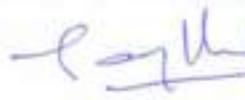
and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

On behalf of the Board of Directors:



Mr. Tanmay Chetan
Chairman

Phnom Penh, Kingdom of Cambodia

22 MAR 2016

REPORT OF THE INDEPENDENT AUDITORS ▼

To: The Shareholders of AMK Microfinance Institution Plc.
We have audited the accompanying financial statements of AMK Microfinance Institution Plc. (“The Company”), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia, 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 the auditors’ 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, the auditors consider internal control relevant to the Company’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. 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 give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2015.



Jeta E. Hsiao M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

22 March 2016

BALANCE SHEET

(AS AT 31 DECEMBER 2015)

	Notes	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Assets					
Cash on Hand	3	45,460,719	11,224,869	25,603,288	6,283,015
Balances with the National Bank of Cambodia	4	29,393,520	7,257,659	25,339,156	6,218,198
Balances with Banks	5	19,481,594	4,810,270	21,794,178	5,348,265
Loans to Customers	6	512,985,627	126,663,118	388,323,570	95,294,128
Other Assets	9	14,396,198	3,554,617	10,247,324	2,514,681
Property and Equipment	7	18,454,696	4,556,715	11,188,578	2,745,663
Software	8	1,540,788	380,441	1,506,660	369,733
Deferred Tax Assets	13	2,977,177	735,105	1,821,796	447,067
Total Assets		644,690,319	159,182,794	485,824,550	119,220,750
Liabilities and Shareholders' Equity					
Liabilities					
Deposits from Customers	10	261,875,569	64,660,634	160,108,894	39,290,526
Income Tax Payable	13	4,890,319	1,207,486	3,377,220	828,766
Other Liabilities	14	27,617,336	6,819,096	17,989,074	4,414,498
Borrowings	11	224,480,853	55,427,371	199,153,791	48,872,096
Provision for Staff Pension Funds	12	9,243,062	2,282,237	7,296,514	1,790,556
Total Liabilities		528,107,139	130,396,824	387,925,493	95,196,442
Shareholders' Equity					
Share Capital	15	35,127,300	8,673,407	35,127,300	8,620,196
Share Premium		149,505	36,915	149,505	36,688
Reserve	15	13,888,134	3,429,169	11,228,229	2,755,394
Retained Earnings		67,418,241	16,646,479	51,394,023	12,612,030
Total Shareholders' Equity		116,583,180	28,785,970	97,899,057	24,024,308
Total Liabilities and Shareholders' Equity		644,690,319	159,182,794	485,824,550	119,220,750

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Operating Income					
Interest Income	16	146,935,811	36,280,447	119,247,352	29,263,154
Interest Expense	17	(34,746,787)	(8,579,453)	(30,133,655)	(7,394,762)
Net Interest Income		112,189,024	27,700,994	89,113,697	21,868,392
Fee and Commission Expense	18	(12,823,370)	(3,166,264)	(9,032,614)	(2,216,592)
Other Income	19	9,382,169	2,316,585	4,299,587	1,055,113
Total Operating Income		108,747,823	26,851,315	84,380,670	20,706,913
Grant Income	21	386,476	95,426	657,601	161,374
Provision for Losses on Loans to Customers	6	(4,367,201)	(1,078,321)	(2,190,357)	(537,511)
Other Operating Expenses	20	(79,313,400)	(19,583,557)	(62,284,055)	(15,284,431)
Profit Before Income Tax		25,453,698	6,284,863	20,563,859	5,046,345
Income Tax Expense	13	(5,138,194)	(1,268,690)	(4,250,267)	(1,043,010)
Net Profit for the Year		20,315,504	5,016,173	16,313,592	4,003,335

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital	Share Premium	Advance Capital Contribution	Reserves	Retained Earnings	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	US\$ (Note 2.3.1)
Balance as at 1 January 2015	35,127,300	149,505	-	11,228,229	51,394,023	97,899,057	24,172,607
Net Profit for the Year	-	-	-	-	20,315,504	20,315,504	5,016,173
Appropriation to Reserves	-	-	-	2,659,905	(2,659,905)	-	-
Dividends Declared	-	-	-	-	(1,631,381)	(1,631,381)	(402,810)
Balance as at 31 December 2015	35,127,300	149,505	-	13,888,134	67,418,241	116,583,180	28,785,970
<i>US\$ Equivalent (Note 2.3.1)</i>	8,673,407	36,915	-	3,429,169	16,646,479	28,785,970	
Balance as at 1 January 2014	34,881,325	126,984	268,496	8,551,904	37,756,756	81,585,465	20,020,973
Additional Share Capital	245,975	22,521	(268,496)	-	-	-	-
Appropriation to Reserves	-	-	-	2,676,325	(2,676,325)	-	-
Net Profit for the Year	-	-	-	-	16,313,592	16,313,592	4,003,335
Balance as at 31 December 2014	35,127,300	149,505	-	11,228,229	51,394,023	97,899,057	24,024,308
<i>US\$ Equivalent (Note 2.3.1)</i>	8,620,196	36,688	-	2,755,394	12,612,030		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Operating Activities					
Profit before Income Tax		25,453,698	6,284,863	20,563,859	5,046,345
<i>Add Back:</i>					
Depreciation and Amortization	20	5,023,215	1,240,300	3,522,551	864,430
Gain on Disposals of Property and Equipment		-	-	(43,310)	(10,628)
Operating Cash Flows before Changes in Operating Assets and Liabilities:		30,476,913	7,525,163	24,043,100	5,900,147
Balances with The National Bank of Cambodia		(8,356,128)	(2,063,241)	(6,158,717)	(1,511,342)
Balances with Banks		(1,292,228)	(319,069)	27,627,060	6,779,647
Loans to Customers		(124,662,057)	(30,780,755)	(74,929,614)	(18,387,635)
Other Assets		(4,148,874)	(1,024,413)	(1,913,214)	(469,500)
Deposits from Customers		101,766,675	25,127,574	85,352,996	20,945,520
Provision for Staff Pension Funds		1,946,548	480,629	1,593,596	391,067
Other Liabilities		9,628,262	2,377,349	5,535,733	1,358,462
		5,359,111	1,323,237	61,150,940	15,006,366
Income Tax Paid	13	(4,780,476)	(1,180,364)	(3,874,133)	(950,707)
Net Cash from Operating Activities		578,635	142,873	57,276,807	14,055,659
Investing Activities					
Acquisition of Property and Equipment		(11,747,821)	(2,900,697)	(5,776,149)	(1,417,460)
Acquisition of Software		(575,640)	(142,134)	(233,248)	(57,239)

Proceeds from Disposal of Property and Equipment		-	-	97,903	24,025
Net Cash used in Investing Activities		(12,323,461)	(3,042,831)	(5,911,494)	(1,450,674)
Financing Activities					
Proceeds from Borrowings		87,478,841	21,599,714	61,818,081	19,247,299
Repayment of Borrowings		(62,151,779)	(15,346,118)	(91,409,866)	(27,114,268)
Dividends Paid		(1,631,381)	(402,810)	-	-
Net Cash from used in Financing Activities		23,695,681	5,850,786	(29,591,785)	(7,866,969)
Net Increase in Cash and Cash Equivalents		11,950,855	2,950,828	21,773,528	4,738,016
Cash and Cash Equivalents at Beginning of Year		56,513,032	13,868,228	34,739,504	8,695,745
Foreign Exchange Difference		-	85,608	-	434,467
Cash and Cash Equivalents at End Of The Year	3	68,463,887	16,904,664	56,513,032	13,868,228

For the Purpose of The Statement of Cash Flows, Cash and Cash Equivalents Comprise:

	Notes	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Cash on Hand	3	45,460,719	11,224,869	25,603,288	6,283,015
Balances with The NBC	4	5,711,042	1,410,134	10,012,806	2,457,130
Balances with Banks	5	17,292,126	4,269,661	20,896,938	5,128,083
		68,463,887	16,904,664	56,513,032	13,868,228

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2015 AND FOR THE YEAR THEN ENDED

1. CORPORATE INFORMATION

AMK Microfinance Institution Plc. (“the Company”) is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company 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. The Company 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 from the National Bank of Cambodia (“NBC”) to conduct deposit taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

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. The Company operates its business in 31 branches and 115 sub-branches (2014: 28 branches and 111 sub-branches).

The Company has the following guiding principles:

- Provide micro-finance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- Committed to openness and transparency in all areas of management and operations.
- Committed to developing processes/services and to adopting behaviours and standards that ensure optimum social performance, including client protection.
- A learning organisation where appropriate exchange and sharing of information will contribute to staff development, training and in policy and system improvements.

Paid-Up Capital

The paid-up capital of the Company as at 31 December 2015 was KHR 35.13 billion or USD 8.67 million (2014: KHR 35.13 billion or USD 8.62 million).

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. Rebecca Ann Mckenzie - Director

Mr. Adrian John Graham - Director

Mr. Kea Borann - Director

Ms. Blandine Claudia Marie Pons - Director

Mr. Joshua Morris - Director

Ms. Hannah M. Siedek - Director (*resigned on 3 December 2015*)

Employees

As at 31 December 2015, the Company had a total of 2,126 employees (2014: 1,740 employees).

The financial statements were authorized for issue by the Board of Directors on 22 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The Company maintains records and prepares financial statements in Khmer riel (“KHR”) in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007 on Using Language, Currency Unit and Exchange Rate for Accounting Records and Reports.

The financial statements of the Company have been prepared in compliance with Cambodian Accounting Standards (“CAS”) and relevant regulations and guidelines issued by the NBC.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than KHR at the balance sheet date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

2.1.1 FISCAL YEAR

The Company’s fiscal year starts on 1 January and ends on 31 December.

2.1.2 Presentation Of Financial Statements

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia’s accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Company during the year.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In applying the Company’s accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

2.2.1 ESTIMATED USEFUL LIVES OF PROPERTY AND EQUIPMENT

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts

and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment during the year.

2.2.2 LEASES

Operating Lease

The Company has entered into property leases as a lessee for its office premises. The Company has determined that the lessor retained all the significant risks and rewards of ownership over this property based on the indicators of operating lease treatment. In determining whether or not there is an indication of operating lease treatment, the Company considers the following factors: retention of ownership title to the leased property, and period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, among others.

Finance Lease

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. The Company has entered into ATM lease agreement and is classified as finance lease.

2.2.3 IMPAIRMENT LOSSES ON LOANS TO CUSTOMERS

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of impairment losses, as more fully disclosed in Note 2.3.8.1.

2.2.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.2.5 RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's estimates of future taxable income indicate that temporary differences will be realized in the future. As such, the Company recognized deferred tax assets as at 31 December 2015 amounting to KHR2.98 billion (US\$0.74 million) (2014: KHR1.82 billion or US\$0.45 million) as disclosed in Note 13.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is KHR. The financial statements are translated in United States dollar ("US\$") based on the closing exchange rate of KHR4,050 per US\$1 ruling at the reporting date (2014: KHR4,075: US\$1), as announced by the NBC. Such translation should not be construed as a representation that US\$ amounts represent, or have been or could be, converted into US\$ at that or any other rate. All values in KHR and US\$ are rounded to the nearest thousand ("KHR'000") and dollar, respectively, except as otherwise indicated.

2.3.2 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Evidence of impairment for loans to customers may include indications that a borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. There is however a mandatory credit classification and minimum provisioning that the Company has to follow to meet the requirement of the NBC, as disclosed in Note 2.3.8.1.

2.3.3 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

2.3.4 OPERATING LEASES

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.3.5 CASH AND CASH EQUIVALENTS

For cash flow statement purposes, 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.

2.3.6 BALANCES WITH THE NATIONAL BANK OF CAMBODIA

Capital guarantee deposit and reserve balance are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. This account also includes current account carried at cost.

2.3.7 BALANCES WITH OTHER BANKS

Balances with other banks are carried at cost.

2.3.8 LOANS TO CUSTOMERS

Loans to customers are stated in the balance sheet at the amount of principal less any amounts written off and allowance for losses on loans.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans to customers previously written off, or provided for, decrease the amount of the provision for losses on loans to customers in the income statement. Loans classified as substandard, doubtful or loss are considered non-performing.

2.3.8.1 LOAN CLASSIFICATION AND ALLOWANCE FOR LOSSES ON LOANS TO CUSTOMERS

The Company follows the mandatory credit classification and provisioning as required by Prakas No. B7-02-186 dated 13 September 2002. The Prakas requires licensed MFIs to classify their loan portfolio into four classes based on number of days past due of principal and/or interest repayment. The mandatory level of specific provisioning is provided depending on the loan classification, regardless of the assets (except cash) pledged as collateral, as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Rate of provision</i>
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Loans (term of up to one year)

• Standard	Less than 30 days	0%
• Substandard	30 days or more	10%
• Doubtful	60 days or more	30%
• Loss	90 days or more	100%

<i>Classification</i>	<i>Number of days past due</i>	<i>Rate of provision</i>
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Loans (term of more than one year)

• Standard	Less than 30 days	0%
• Substandard	30 days or more	10%
• Doubtful	180 days or more	30%
• Loss	360 days or more	100%

In addition to the mandatory level of specific provisioning, the Company provides, as a matter of policy, an additional general allowance for bad and doubtful loans at a rate of 1% of all outstanding performing loans excluding staff loans.

The specific provision is calculated as a percentage of the loan outstanding at the time the loan is classified, excluding accrued interest, and is charged as an expense. Interest accrued from non-performing loans is recorded as interest in suspense in balance sheet.

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.

Loans are written off automatically when a client dies and in case where the loans remain unpaid based on the assessment of the management and upon the approval of the Board of Directors. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans. Recoveries on loans previously written off and reversals of previous allowance are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

Overdue Loans

In accordance with NBC Prakas B7-00-51K dated 17 February 2000, overdue loans are defined as the total outstanding principal where principal or interest are past due unless the payment terms on interest or principal have been adjusted. In general, loans are not allowed to be restructured. However,

on certain rare cases, loans are allowed to be restructured once per cycle. The maximum additional extension of the term is up to 5 months and 50% of the original amount only.

2.3.9 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized 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 recognized as an expense in the year in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight line basis over the respective estimated useful life of the asset as follows:

Computer and Office Equipment	3 to 4 years
Motor Vehicles	8 years
Motorcycles	5 years
Leasehold Improvements	4 years

Construction in progress is not depreciated until such time as the relevant asset is completed and put into operational use. Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

If there is any indication that there has been a significant change in depreciation or amortization rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.3.10 SOFTWARE

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

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

2.3.11 OTHER ASSETS

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

2.3.12 DEPOSITS FROM CUSTOMERS

Deposits from customers are stated at placement value.

2.3.13 BORROWINGS

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

2.3.14 FOREIGN CURRENCY FORWARD AND SWAP CONTRACTS

Foreign currency forward and swap contracts are initially measured at nil and subsequently measured at market value as the difference of the forward or swap rate compared with the spot rate. This measurement is in accordance with NBC's Circular No. 07-012-001 dated 19 January 2012 on "Accounting for Currency Swap or Forward Contract".

2.3.15 PROVISION 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% for employees who are working less than three years and 7% for employees working in the Company for over three years. 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.

2.3.16 PROVISIONS

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

2.3.17 RECOGNITION OF INCOME OR EXPENSE

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest Income or Expense

Interest income from loans to customers, and balances with the NBC and other banks is recognized on an accrual basis, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans shall instead be credited to an interest in suspense account. Subsequently, interest income from these loans is recognized on a cash basis. Interest in suspense is presented net of accrued interest receivable in 'Other assets'. Interest expense is recognized on an accrual basis.

(ii) Fee and Commission Income and Expense

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from loan processing.

Loan administrative fee income is recognized as income when the loan is disbursed to customers. The loan fee is based on a percentage of the loan principal. The account is presented as part of other income.

Fee and commission expense are charged to income statement when the expense is incurred. Fees on borrowings are amortised on a straight-line basis over the term of the related borrowings.

(iii) Operating Expenses are Recognized on an Accrual Basis

2.3.18 DIVIDENDS ON SHARE CAPITAL

Dividends on share capital are recognized as a liability and deducted from equity when approved by the Board of Directors and the NBC. Dividends declared during the year but are approved by the NBC after the balance sheet date is dealt with as an event after the balance sheet date.

2.3.19 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.

2.3.20 RELATED PARTIES

Parties are considered to be related if the Company 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 vice-versa, or where the Company and the 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.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) any company of which the Company directly or indirectly holds at least 10% of the capital or voting rights;
- (c) any individual who participates in the administration, direction, management or internal control; and
- (d) the external auditors.

2.3.21 INCOME TAX

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

3. CASH ON HAND

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Head Office	1,792,187	442,515	824,090	202,230
Branches	43,668,532	10,782,354	24,779,198	6,080,785
	45,460,719	11,224,869	25,603,288	6,283,015

Analysis of cash on hand by currency is as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Khmer Riel (“KHR”)	20,234,413	4,996,151	13,432,466	3,296,311
US Dollar (“US\$”)	23,776,159	5,870,657	11,185,981	2,745,026
Thai Baht (“THB”)	1,450,147	358,061	984,841	241,678
	45,460,719	11,224,869	25,603,288	6,283,015

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Current Accounts	5,711,042	1,410,134	10,012,806	2,457,130
Capital Guarantee	3,512,730	867,341	3,512,730	862,020
Reserve Requirement	20,169,748	4,980,184	11,813,620	2,899,048
	29,393,520	7,257,659	25,339,156	6,218,198

Under Prakas No. B7-00-06 on the Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit earns annual interest at 3% in 2015 (2014: 3%) whereas the current accounts do not earn interest.

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on Licensing of MDIs. The reserve requirement fluctuates depending on the level of deposits from customers and it does not earn interest.

5. BALANCES WITH BANKS

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Current Accounts	2,829,399	698,617	1,338,170	328,385
Savings Accounts	14,462,727	3,571,044	19,558,768	4,799,698
Placements and Term Deposits	2,189,468	540,609	897,240	220,182
	19,481,594	4,810,270	21,794,178	5,348,265

The current accounts earn no interest, savings accounts earn annual interest at 0.25% to 0.75% in 2015 (2014: 0.25% - 0.75%) whereas placements and term deposits earn annual interest at 1.00% to 5.00% in 2015 (2014: 1.00% to 5.00%).

Balances with banks analyzed by currency are as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Khmer Riel (<i>KHR</i>)	9,004,657	2,223,372	14,058,180	3,449,860
US Dollar (<i>US\$</i>)	8,082,578	1,995,698	6,302,113	1,546,531
Thai Baht (<i>THB</i>)	2,394,359	591,200	1,433,885	351,874
	19,481,594	4,810,270	21,794,178	5,348,265

6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

2015		2014	
KHR'000	US\$	KHR'000	US\$
	(Note 2.3.1)		(Note 2.3.1)

Village Bank Loans

Credit Line	134,400,526	33,185,315	68,562,582	16,825,173
End of Term	124,004,270	30,618,338	92,737,423	22,757,650
Installment	72,395,566	17,875,448	89,952,590	22,074,255

Individual Loans

Installment	116,096,518	28,665,808	88,683,580	21,762,843
Credit Line	57,400,889	14,173,059	24,641,850	6,047,080
End of Term	15,392,839	3,800,701	27,981,405	6,866,602
Gross Loans to Customers	519,690,608	128,318,669	392,559,430	96,333,603

Allowance for losses on loans to customers

Specific	1,606,639	396,701	381,907	93,720
General	5,098,342	1,258,850	3,853,953	945,755
Allowance at End of Year	6,704,981	1,655,551	4,235,860	1,039,475
Loans to Customers - Net	512,985,627	126,663,118	388,323,570	95,294,128

Movements of allowance for losses on loans to customers:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
At Beginning of Year	4,235,860	1,039,475	3,444,736	862,262
Provision During the Year	4,367,201	1,078,321	2,190,357	537,511
Write Offs During the Year	(1,898,080)	(468,662)	(1,399,233)	(343,370)
Foreign Exchange Difference	-	6,417	-	(16,928)
At End of Year	6,704,981	1,655,551	4,235,860	1,039,475

Further analyses of loans to customers are set out below.

(a) Grading of loans to customers:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Standard Loans:				
Secured	187,082,783	46,193,280	139,447,175	34,220,166
Unsecured	330,493,448	81,603,320	252,489,499	61,960,613
Substandard Loans:				
Secured	204,367	50,461	68,270	16,753
Unsecured	264,138	65,219	108,124	26,533
Doubtful Loans:				
Secured	132,960	32,830	18,312	4,494
Unsecured	214,120	52,869	98,967	24,286
Loss Loans:				
Secured	213,082	52,613	114,867	28,189
Unsecured	1,085,710	268,077	214,216	52,569
Total Gross Loans	519,690,608	128,318,669	392,559,430	96,333,603

(b) Analyses of loan portfolio by maturity are as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Within one month	29,386,902	7,256,025	27,578,395	6,767,704
More than 1 month to 3 months	106,967,536	26,411,737	96,374,429	23,650,167
More than 3 months to 12 months	250,307,307	61,804,274	194,883,146	47,824,085
More than 1 year to 5 years	130,967,477	32,337,649	72,404,555	17,767,989
More than 5 years	2,061,386	508,984	1,318,905	323,658
	519,690,608	128,318,669	392,559,430	96,333,603

(c) Analyses of loan portfolio by residency, relationship, currency, industry sector and office location are as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Residence Status:				
Residents	519,690,608	128,318,669	392,559,430	96,333,603
Relationship:				
External customers	509,782,999	125,872,345	385,395,225	94,575,515
Staff Loans	9,907,609	2,446,324	7,164,205	1,758,088
	519,690,608	128,318,669	392,559,430	96,333,603
Currency:				
Khmer Riel (KHR)	404,254,360	99,815,892	306,560,958	75,229,683
US Dollar (US\$)	86,826,413	21,438,620	61,655,088	15,130,083
Thai Baht (THB)	28,609,835	7,064,157	24,343,384	5,973,837
	519,690,608	128,318,669	392,559,430	96,333,603
Industry Sector:				
Agriculture	282,081,940	69,649,862	219,000,713	53,742,506
Trade and Commerce	98,143,560	24,232,978	74,253,792	18,221,789
Household	23,441,420	5,788,005	14,464,789	3,549,641
Services	20,347,380	5,024,044	18,427,405	4,522,063
Construction	89,921,570	22,202,857	63,158,805	15,499,093
Transportation	4,165,570	1,028,536	3,220,481	790,302
Others	1,589,168	392,387	33,445	8,209
	519,690,608	128,318,669	392,559,430	96,333,603
Office Location:				
Head Office	2,518,062	621,744	2,027,260	497,487
Branches	517,172,546	127,696,925	390,532,170	95,836,116
	519,690,608	128,318,669	392,559,430	96,333,603

(d) Annual interest rates are as follows:

	2015	2014
External Customers	20.40% - 36.00%	24.00% - 36.00%
Staff Loans	2.00% - 11.00%	2.00% - 12.00%

7. PROPERTY AND EQUIPMENT

Leasehold improvements	Motor Vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total	
KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	US\$
						(Note 2.3.1)

Cost

As at 1 January 2015	1,582,945	3,064,480	7,321,940	9,037,751	540,112	21,547,228	5,320,303
Additions	346,042	869,188	1,531,041	7,681,422	1,320,128	11,747,821	2,900,697
Transfer in (out)	568,284	-	-	678,313	(1,520,383)	(273,786)	(67,062)
As at 31 December 2015	2,497,271	3,933,668	8,852,981	17,397,486	339,857	33,021,263	8,153,398

Accumulated Depreciation

As at 1 January 2015	399,626	1,556,184	3,764,813	4,638,027	-	10,358,650	2,557,691
Depreciation	497,289	250,792	790,327	2,669,509	-	4,207,917	1,038,992
As at 31 December 2015	896,915	1,806,976	4,555,140	7,307,536	-	14,566,567	3,596,683

Net Book Value

As at 31 December 2015	1,600,356	2,126,692	4,297,841	10,089,950	339,857	18,454,696	4,556,715
As at 31 December 2014	1,183,319	1,508,296	3,557,127	4,399,724	540,112	11,188,578	2,745,663

US\$ Equivalent (Note 2.3.1)

As at 31 December 2015	395,150	525,109	1,061,195	2,491,346	83,915	4,556,715
As at 31 December 2014	290,385	370,134	872,914	1,079,687	132,543	2,745,663

8. SOFTWARE

	KHR'000	US\$	
		(Note 2.3.1)	
Cost			
As at 1 January 2015	4,977,159	1,228,926	
Addition	575,640	142,134	
Transfer In	273,786	67,601	
As at 31 December 2015	5,826,585	1,438,661	
Accumulated Amortization			
As at 1 January 2015	3,470,499	856,912	
Amortization	815,298	201,308	
As at 31 December 2015	4,285,797	1,058,220	
Net Book Value			
As at 31 December 2015	1,540,788	380,441	
As at 31 December 2014	1,506,660	369,733	

9. OTHER ASSETS

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Interest Receivable	7,996,669	1,974,486	6,131,335	1,504,622
Prepayments	4,859,903	1,199,976	3,090,755	758,467
Accrued Gain on Forward Exchange Contracts	-	-	269,242	66,072
Other Assets	1,539,626	380,155	755,992	185,520
	14,396,198	3,554,617	10,247,324	2,514,681

10. DEPOSITS FROM CUSTOMERS

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Savings Deposits	93,916,638	23,189,293	63,375,335	15,552,229
Term Deposits	167,958,931	41,471,341	96,733,559	23,738,297
	261,875,569	64,660,634	160,108,894	39,290,526

Further analyses on deposits from customers follow:

(a) By Currency:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Khmer Riel (KHR)	169,752,147	41,914,110	107,787,148	26,450,834
US Dollar (US\$)	87,621,158	21,634,854	50,193,868	12,317,514
Thai Baht (THB)	4,502,264	1,111,670	2,127,878	522,178
	261,875,569	64,660,634	160,108,894	39,290,526

(b) By Relationship:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Non-Related party	259,219,056	64,004,704	159,910,233	39,241,487
Related party	2,656,513	655,930	198,661	49,039
	261,875,569	64,660,634	160,108,894	39,290,526

(c) By Maturity:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Within 1 month	108,064,227	26,682,525	68,496,466	16,808,949
More than 1 month to 3 months	37,093,177	9,158,809	17,939,145	4,402,244

More than 3 months to 12 months	82,984,747	20,490,061	41,543,193	10,194,649
More than 12 months	33,733,418	8,329,239	32,130,090	7,884,684
	261,875,569	64,660,634	160,108,894	39,290,526

(d) By Interest Rates Per Annum:

	2015	2014
Savings Deposits	3.00% - 5.75%	3.00% - 5.75%
Term Deposits	4.25% - 12.25%	4.25% - 12.00%

11. BORROWINGS

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Instituto de Credito Oficial of the Kingdom of Spain (ICO)	75,997,298	18,764,765	76,466,417	18,764,765
Oikocredit	30,400,000	7,506,173	24,920,000	6,115,337
Symbiotics SA Information	12,009,174	2,965,227	2,037,500	500,000
Hivos-Triodos Fonds	12,000,000	2,962,963	12,000,000	2,944,785
BlueOrchard	11,959,188	2,952,886	14,998,603	3,680,639
ResponsAbility	10,606,061	2,618,781	12,441,577	3,053,148
Rural Impulse Fund	5,625,000	1,388,889	2,116,500	519,387
Microvest GMG Local Credit Master Fund, Ltd	9,487,500	2,342,593	4,150,000	1,018,405
Global Commercial Microfinance Consortium II B.V	16,200,000	4,000,000	16,300,000	4,000,000
ASN Novib Microkredietfonds	8,146,000	2,011,358	8,146,000	1,999,018
Grameen Credit Agricole Microfinance Foundation	4,800,000	1,185,185	9,000,000	2,208,589
VDK-Spaarbank n.v	4,050,000	1,000,000	4,075,000	1,000,000
ICBC Limited Phnom Penh Branch	8,100,000	2,000,000	-	-
Bank im Bistum Essen EG	4,050,000	1,000,000	-	-

Foreign Trade Bank of Cambodia	9,109,488	2,249,256	-	-
Vattanac Bank	1,941,144	479,295	-	-
DWM Asset Management	-	-	8,079,000	1,982,577
Oxfam Novib	-	-	4,423,194	1,085,446
	224,480,853	55,427,371	199,153,791	48,872,096

All the above borrowings of the Company from non-related parties are unsecured.

(a) By Currency:

	2015		2014	
	KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Khmer Riel (KHR)	72,519,488	17,906,047	79,971,444	19,624,894
US Dollar (US\$)	124,513,442	30,744,059	102,953,917	25,264,765
Thai Baht (THB)	27,447,923	6,777,265	16,228,430	3,982,437
	224,480,853	55,427,371	199,153,791	48,872,096

(b) By Maturity:

	2015		2014	
	KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Within one month	23,316,679	5,757,205	6,400,002	1,570,553
More than 1 month to 3 months	10,539,000	2,602,222	8,900,334	2,184,131
More than 3 months to 12 months	25,802,211	6,370,916	41,533,297	10,192,220
More than 1 year to 5 years	87,924,956	21,709,866	85,830,612	21,062,727
Over 5 years	76,898,007	18,987,162	56,489,546	13,862,465
	224,480,853	55,427,371	199,153,791	48,872,096

12. PROVISION FOR STAFF PENSION FUNDS

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Balance at Beginning of Year	7,296,514	1,790,556	5,702,918	1,427,514
Additions During the Year:				
Employer Contribution	1,752,003	432,593	1,399,899	343,533
Employee Contribution	876,002	216,297	699,950	171,767
Interest	555,031	137,045	161,103	39,534
Paid During the Year	(1,047,896)	(258,740)	(698,850)	(171,496)
Reversal	(188,546)	(46,555)	(82,708)	(20,296)
Foreign Exchange Difference	(46)	11,041	114,202	-
Balance at end of Year	9,243,062	2,282,237	7,296,514	1,790,556

13. INCOME TAX

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

Applicable Tax Rates

In accordance with Cambodian Tax Law, the Company has the obligation to pay tax on profit ("ToP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

13.1 INCOME TAX EXPENSE

Income tax expense comprises:

	2015		2014	
	KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Current Income Tax	6,293,575	1,553,969	4,579,481	1,123,799
Deferred Tax	(1,155,381)	(285,279)	(329,214)	(80,789)
	5,138,194	1,268,690	4,250,267	1,043,010

Movements of income tax payable are as follows:

	2015		2014	
	KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Balance at Beginning of Year	3,377,220	828,766	2,671,872	668,804
Income Tax Expense	6,293,575	1,553,969	4,579,481	1,123,799
Income Tax Paid	(4,780,476)	(1,180,364)	(3,874,133)	(950,707)
Foreign Exchange Difference	-	5,115	-	(13,130)
Balance at End of Year	4,890,319	1,207,486	3,377,220	828,766

The reconciliation of income tax expense shown in profit or loss is as follows:

	2015		2014	
	KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Profit Before Income Tax	25,453,698	6,284,863	20,563,859	5,046,345
Income Tax Expense at Applicable Tax Rate of 20%	5,090,740	1,256,973	4,112,772	1,009,269
Non-Deductible Expenses	1,208,292	298,344	59,600	14,626
Other	(1,160,838)	(286,627)	77,895	19,115
Effective Income Tax	5,138,194	1,268,690	4,250,267	1,043,010

13.2 DEFERRED INCOME TAX

Details of deferred income tax asset (liability) recognized during the year are as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Provision for Staff Pension Funds	1,848,612	456,447	1,037,215	254,531
Allowance for Loan Losses	1,019,668	251,770	770,791	189,151
Accruals	425,625	105,093	348,811	85,597
Unrealized Loss on Foreign Exchange	131,943	32,578	332,635	81,628
Property and Equipment	(448,671)	(110,783)	(667,656)	(163,840)
	2,977,177	735,105	1,821,796	447,067

14. OTHER LIABILITIES

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Interest Payable	10,151,349	2,506,506	7,230,066	1,774,249
Accrued and other Payables	5,088,857	1,256,509	2,977,713	730,729
Finance Lease Liability	4,375,616	1,080,399	650,574	159,650
Swap and Forward Exchange Contract	4,169,009	1,029,385	4,028,105	988,492
Personnel and other Related Costs	3,250,374	802,561	2,601,048	638,294
Taxes Payable	27,617,336	6,819,096	17,989,074	4,414,498

The Company entered into an ATM lease agreement with Novus Technologies (Cambodia) Company Limited for a 3-year period starting from 1 August 2014. The lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default. The future minimum lease payments (“MLP”) are as follows:

	Future Minimum Lease Payments	Interest	Present Value of MLP
	KHR'000	KHR'000	KHR'000
31 December 2015			
Less than one year	2,094,328	342,833	1,751,495
More than 1 year to 3 years	2,866,230	242,109	2,624,121
	4,960,558	584,942	4,375,616
US\$ equivalent (Note 2.3.1)	1,224,829	144,430	1,080,399
31 December 2014			
Less than one year	308,018	56,183	251,835
More than 1 year to 3 years	435,877	37,138	398,739
	743,895	93,321	650,574
US\$ equivalent (Note 2.3.1)	182,551	22,901	159,650

15. EQUITY

Details of shareholding are as follows:

	2015			2014		
	KHR'000	US\$	%	KHR'000	US\$	%
		(Note 2.3.1)			(Note 2.3.1)	
Agora Micro-finance N.V	17,819,450	4,399,864	50.73	17,819,450	4,372,871	50.73
Rural Impulse Fund II	8,644,800	2,134,519	24.61	8,644,800	2,121,423	24.61
PROPARCO	5,250,000	1,296,296	14.95	5,250,000	1,288,344	14.95
CLDF	2,355,000	581,481	6.70	2,355,000	577,914	6.70
AMK - Staff Association	1,058,050	261,247	3.01	1,058,050	259,644	3.01
	35,127,300	8,673,407	100.00	35,127,300	8,620,196	100.00

The Company's registered and fully paid up share capital is 1,405,092 shares (2014: 1,405,092 shares) at KHR 25,000 per share.

Dividends

Pursuant to the Board of Directors' meeting on 24 March 2015, the Board of Directors declared cash dividends of KHR 1.63 billion (USD 400,322) to the shareholders. The dividends declaration was approved by the NBC on 15 August 2015 and paid to the shareholders on 15 September 2015.

On 22 March 2016, the Board of Directors approved to declare cash dividends amounting to KHR 2.03 billion subject to approval by the NBC.

Reserve

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.

16. INTEREST INCOME

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Loans to Customers	146,838,901	36,256,519	118,315,266	29,034,421
Balances with Banks	96,910	23,928	932,086	228,733
	146,935,811	36,280,447	119,247,352	29,263,154

17. INTEREST EXPENSE

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Borrowings	18,874,727	4,660,426	20,905,591	5,130,206
Deposits from Customers	15,317,029	3,781,982	8,781,649	2,155,006
Staff Pension Funds	555,031	137,045	446,415	109,550
	34,746,787	8,579,453	30,133,655	7,394,762

18. FEE AND COMMISSION EXPENSE

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Village Bank President and Mobile Banking Agent Commission	8,395,914	2,073,065	4,962,398	1,217,766
Fees and Commissions on Borrowings and Swaps	4,427,456	1,093,199	4,070,216	998,826
	12,823,370	3,166,264	9,032,614	2,216,592

19. OTHER INCOME

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Mobile Banking Fees from Customers	3,997,214	986,966	666,078	163,455
Loan Fees	3,167,685	782,144	2,619,321	642,778
Micro-Insurance Commissions	1,134,991	280,245	28,475	6,988
Remittance Fees	595,650	147,074	733,741	180,059
Payroll Processing Fees from Customers	165,577	40,883	35,132	8,621
Loan Recovery	49,246	12,160	55,442	13,605
Gain on Disposals of Property and Equipment	-	-	43,310	10,628
Other Income	271,806	67,113	118,088	28,979
	9,382,169	2,316,585	4,299,587	1,055,113

20. OTHER OPERATING EXPENSES

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Personnel and other Related Costs	44,660,784	11,027,354	36,336,888	8,917,028
Depreciation and Amortization	5,023,215	1,240,300	3,522,551	864,430
Rental	4,922,798	1,215,506	3,731,451	915,693
Transportation	4,217,556	1,041,372	4,313,651	1,058,565

Professional Fees	3,438,345	848,974	2,846,741	698,587
Non-capitalisable Furniture and Fixtures	2,205,738	544,626	1,288,129	316,105
Security Guard	2,201,194	543,505	1,926,547	472,772
Marketing	2,181,750	538,704	675,604	165,792
Printing	1,895,330	467,983	1,226,719	301,035
Stationeries and Supplies	1,729,685	427,083	1,273,954	312,627
NBC License	1,440,250	355,617	1,465,290	359,580
Utilities	1,373,447	339,123	1,018,636	249,972
Foreign exchange loss, net*	1,230,866	303,917	410,768	100,802
Communication	1,164,445	287,517	955,153	234,393
Other Expenses	1,627,997	401,976	1,291,973	317,050
	79,313,400	19,583,557	62,284,055	15,284,431

* This includes foreign exchange loss amounting to KHR 1.47 billion (USD 362,546) (2014: KHR 0.14 billion or USD 33,709) incurred on the recognition of forward exchange contracts in accordance with NBC Circular No. 07-012-001 dated 19 January 2012 on “Accounting for Currency Swap or Forward Contract”.

21. GRANT INCOME

This represents the grant received from Agence Française De Développement (“AFD”) for the technical assistance assignment to support the Company in various areas as set forth in the grant agreement.

22. COMMITMENTS

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Within one Year	3,055,030	754,328	3,203,965	786,249
More than 1 Year to 5 Years	7,664,826	1,892,550	6,000,520	1,472,520
More than 5 Years	2,962,347	731,444	723,893	177,642
	13,682,203	3,378,322	9,928,378	2,436,411

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

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Foreign Exchange Swap Contracts	78,570,000	19,400,000	55,997,683	13,741,763
Foreign Exchange Forward Contracts	16,200,000	4,000,000	28,525,000	7,000,000
Unused Portion of Credit Line	51,429,623	12,698,672	22,056,948	5,412,748

The Company has 21 foreign exchange swap contracts (2014: 14 contracts) with certain commercial banks and 1 foreign Currency Exchange Fund (“TCX”) which are outstanding as at 31 December 2015. The Company enters into these exchange forward contract (2014: 2 contracts) with The contracts in order to manage its foreign exchange risk.

23. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the year were as follows:

Related Party	Transaction	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Board Of Directors	Remuneration	232,432	57,391	208,413	51,144
Key Management Personnel	Interest Income	8,983	2,218	117,417	28,814
	Remuneration	1,214,591	299,899	1,090,409	267,585
AMK - Staff Association (Shareholder)	Capital Contribution	-	-	245,975	60,361

Balances with related parties at the reporting year were as follows:

Related Party	Transaction	2015		2014	
		KHR'000	US\$	KHR'000	US\$
			(Note 2.3.1)		(Note 2.3.1)
Key Management Personnel	Deposit	122,876	30,340	190,152	46,951
	Loan	77,653	19,174	93,263	23,028
Agora Micro-Finance N.V (Shareholder)	Deposit	2,533,637	625,590	8,509	2,088

24. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

The Company entered into certain foreign currency forward swap and forward contracts to manage its risk exposure (Note 22).

The Company intends to comply with the NBC's regulations for financial risk management purposes. The Company however recognizes that international best practices on risk management are yet to be fully implemented. The Board of Directors has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Financial Assets				
Cash on Hand	45,460,719	11,224,869	25,603,288	6,283,015
Balances with the NBC	5,711,042	1,410,134	10,012,806	2,457,130
Balances with Banks	19,481,594	4,810,270	21,794,178	5,348,265
Loans to Customers	512,985,627	126,663,118	388,323,570	95,294,128
Other Assets	7,996,669	1,974,486	6,131,335	1,504,622
Total Financial Assets	591,635,651	146,082,877	451,865,177	110,887,160
Financial Liabilities				
Deposits from Customers	261,875,569	64,660,634	160,108,894	39,290,526
Borrowings	224,480,853	55,427,371	199,153,791	48,872,096
Other Liabilities	27,035,205	6,675,360	17,487,506	4,291,414
Total Financial Liabilities	513,391,627	126,763,365	376,750,191	92,454,036

Capital Management

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements and it maintains a strong financial position and healthy capital ratios to support its business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends payment to shareholders, return the capital, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

As at 31 December 2015, the Company is compliant with the solvency ratio prescribed by the NBC at 15%, as shown in the table below:

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Share Capital	35,127,300	8,673,407	35,127,300	8,620,196
Share Premium	149,505	36,915	149,505	36,688
Reserve	13,888,134	3,429,169	11,228,229	2,755,394
Retained Earnings	67,418,241	16,646,479	51,394,023	12,612,030
	116,583,180	28,785,970	97,899,057	24,024,308
Less Loans to Related Parties	(1,618,691)	(399,677)	(1,105,398)	(271,263)
Total Regulatory Capital	114,964,489	28,386,293	96,793,659	23,753,045
Total Risk-Weighted Assets	620,060,659	153,101,397	456,939,054	112,132,283
Solvency Ratio	18.54%	18.54%	21.18%	21.18%

The loans to related parties deducted from capital of the Company follows the definition in Articles 49 and 50 of the Cambodian Law on Banking and Financial Institutions (Note 2.3.19).

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Company has complied with all externally imposed capital requirements.

24.1 CREDIT RISK

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) Credit Risk Measurement

The Company assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The Credit Committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) Risk Limit Control and Mitigation Policy

The Company operates and provides loans to individuals within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Company's net worth under the conditions of Prakas No. B7-07-163 of the NBC.

The Company also 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.

(c) Impairment and Provisioning Policy

The Company is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 2.3.8.1.

(d) Loans to Customers

Loans to customers are summarized in the next page.

	2015		2014	
	KHR'000	US\$	KHR'000	US\$
		(Note 2.3.1)		(Note 2.3.1)
Loans to Customers Neither Past Due nor Impaired (i)	517,576,231	127,796,600	391,771,636	96,140,279
Loans to Customers Past Due But not Impaired (ii)	449,736	111,046	165,038	40,500
Loans to Customers Individually Impaired (iii)	1,664,641	411,023	622,756	152,824
Loans to Customers, Gross	519,690,608	128,318,669	392,559,430	96,333,603

For purposes of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration based on NBC's requirement.

(i) Loans to customers neither past due nor impaired

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans to customers past due but not impaired

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary.

(iii) Loans to customers individually impaired

In accordance with Prakas No. B7-02-186 dated 13 September 2002 on the classification and provisioning for bad and doubtful debts, loans and advances past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

24.2 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 entails 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 business.

24.3 MARKET RISK

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices.

Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Foreign Exchange Risk

The Company operates in the Kingdom of Cambodia and transacts in US\$, THB and KHR.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Company's functional currency.

The balances of monetary assets and liabilities translated into KHR equivalent of their respective original currency are as follows:

	2015			2014		
	KHR	US\$	THB	KHR	US\$	THB
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
On-Balance Sheet Items						
Financial Assets						
Cash on Hand	20,234,413	23,776,158	1,450,147	13,432,466	11,185,981	984,841
Balances with The NBC	2,376,750	3,334,292	-	25,116,909	222,247	-
Balances with Banks	8,960,515	8,131,230	2,389,849	14,058,180	6,302,113	1,433,885
Loans to Customers	398,912,844	85,925,345	28,147,438	303,177,170	61,073,104	24,073,296
Other Assets	6,733,786	993,777	1,339,739	5,229,446	1,566,191	360,932
Total Financial Assets	437,218,308	122,160,802	33,327,173	361,014,171	80,349,636	26,852,954
Financial Liabilities						
Deposits from Customers	169,752,147	87,621,158	4,502,264	107,787,148	50,193,868	2,127,878
Borrowings	72,519,488	124,513,442	27,447,922	79,971,444	102,953,917	16,228,430
Other Liabilities	14,340,429	12,187,446	507,330	10,969,233	6,696,833	323,008
Total Financial Liabilities	256,612,064	224,322,046	32,457,516	198,727,825	159,844,618	18,679,316
Net Open Position	180,606,244	(102,161,244)	869,657	162,286,346	(79,494,982)	8,173,638

	2015			2014		
	KHR	US\$	THB	KHR	US\$	THB
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Off-Balance Sheet Items						
Foreign Exchange Swap Contracts	(78,570,000)	78,570,000	-	(51,800,891)	55,997,683	(4,196,792)
Foreign Exchange Forward Contracts	(16,200,000)	16,200,000	-	(28,525,000)	28,525,000	-
	(94,770,000)	94,770,000	-	(80,325,891)	84,522,683	(4,196,792)
Net Open Position	85,836,244	(7,391,244)	869,657	81,960,455	5,027,701	3,976,846
US\$ Equivalent (Note 2.3.1)	21,194,134	(1,824,999)	214,730	20,112,995	1,233,792	975,913

The Company enters into these contracts in order to manage its foreign exchange risk. As exposure is deemed

(ii) Price Risk

The Company is not exposed to securities price risk because it does not hold any investment classified on the balance sheet either as available for sale or at fair value through profit or loss.

(iii) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. At this stage, management does not have a policy to set limits on the level of mismatch of interest rate re-pricing

to be minimal, no sensitivity analysis for foreign currency exchange risk was presented.

that may be undertaken; however, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Company has no significant financial assets and liabilities with floating interest rates. Balance with the NBC, balance with banks earn fixed interest rates for the period of the deposit and placement and loans to customers earns fixed interest rate based on outstanding balance over the agreed terms.

Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average
KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	Interest %

As at 31 December 2015

Financial Assets

Cash on Hand	-	-	-	-	-	45,460,719	45,460,719	-
Balances with The NBC	-	-	-	-	-	5,711,042	5,711,042	-
Balances with Banks	17,292,126	-	2,189,468	-	-	-	19,481,594	1.00
Loans to Customers	29,386,903	106,967,535	250,307,307	124,262,496	2,061,386	-	512,985,627	33.22
Other Assets	-	-	-	-	-	7,996,669	7,996,669	-
	46,679,029	106,967,535	252,496,775	124,262,496	2,061,386	59,168,430	591,635,651	

Financial Liabilities

Deposits from Customers	108,064,227	37,093,177	82,984,747	33,733,418	-	-	261,875,569	7.52
Borrowings	2,400,000	15,055,480	58,617,617	117,597,202	30,810,554	-	224,480,853	8.97
Other Liabilities	1,158,985	784,101	20,716,503	4,375,616	-	-	27,035,205	-
	111,623,212	52,932,758	162,318,867	155,706,236	30,810,554	-	513,391,627	
Maturity Gap	(64,944,183)	54,034,777	90,177,908	(31,443,740)	(28,749,168)	59,168,430	78,244,024	

US\$ equivalent (Note 2.3.1)	(16,035,601)	13,341,920	22,266,150	(7,763,886)	(7,098,560)	14,609,489	19,319,512	
	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	Interest %

As at 31 December 2014

Financial Assets

Cash on Hand	-	-	-	-	-	25,603,288	25,603,288	-
Balances with The NBC	-	-	-	-	-	10,012,806	10,012,806	-
Balances with Banks	19,558,768	-	-	897,240	-	1,338,170	21,794,178	3.38
Loans to Customer	9,799,272	36,984,247	234,953,592	104,188,084	2,398,375	-	388,323,570	33.21
Other assets	-	-	-	-	-	6,400,577	6,400,577	-
	29,358,040	36,984,247	234,953,592	105,085,324	2,398,375	43,354,841	452,134,419	

Financial Liabilities

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	-
	74,896,468	26,839,479	83,076,490	117,960,702	56,489,546	17,487,506	376,750,191	
Maturity Gap	(45,538,428)	10,144,768	151,877,102	(12,875,378)	(54,091,171)	25,867,335	75,384,228	
US\$ Equivalent (Note 2.3.1)	(11,175,074)	2,489,514	37,270,454	(3,159,602)	(13,273,907)	6,347,812	18,499,197	

24.4 LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Management monitors balance sheet liquidity and manages the concentration and profile of debt maturities.

Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The table next page is an analysis of the assets and liabilities of the Company by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000

As at 31 December 2015

Financial Assets							
Cash on Hand	45,460,719	-	-	-	-	-	45,460,719
Balances with The NBC	5,711,042	-	-	-	-	-	5,711,042
Balances with Banks	17,292,126	-	2,189,468	-	-	-	19,481,594
Loans to Customers	29,386,903	106,967,535	250,307,307	124,262,496	2,061,386	-	512,985,627
Other Assets	7,996,669	-	-	-	-	-	7,996,669
Total Financial Assets	105,847,459	106,967,535	252,496,775	124,262,496	2,061,386	-	591,635,651
Financial Liabilities							
Deposits from Customers	108,064,227	37,093,177	82,984,747	33,733,418	-	-	261,875,569
Borrowings	2,400,000	15,055,480	58,617,617	117,597,202	30,810,554	-	224,480,853
Other Liabilities	1,158,985	784,101	20,716,503	4,375,616	-	-	27,035,205
Total Financial Liabilities	111,623,212	52,932,758	162,318,867	155,706,236	30,810,554	-	513,391,627

Net liquidity surplus (Gap) - KHR'000	(5,775,753)	54,034,777	90,177,908	(31,443,740)	(28,749,168)	-	78,244,024
US\$ Equivalent (Note 2.3.1)	(1,426,112)	13,341,920	22,266,150	(7,763,886)	(7,098,560)	-	19,319,512
	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000

As at 31 December 2014

Financial Assets

Cash on Hand	25,603,288	-	-	-	-	-	25,603,288
Balances with The NBC	10,012,806	-	-	-	-	-	10,012,806
Balances with Banks	21,794,178	-	-	-	-	-	21,794,178
Loans to Customers	23,342,535	96,374,429	194,883,146	72,404,555	1,318,905	-	388,323,570
Other Assets	6,400,577	-	-	-	-	-	6,400,577
Total Financial Assets	87,153,384	96,374,429	194,883,146	72,404,555	1,318,905	-	452,134,419

Financial Liabilities

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
Total Financial Liabilities	78,524,755	39,003,125	84,772,063	117,960,702	56,489,546	-	376,750,191
Net Liquidity Surplus (Gap) - KHR'000	8,628,629	57,371,304	110,111,083	(45,556,147)	(55,170,641)	-	75,384,228
US\$ Equivalent (Note 2.3.1)	2,130,526	14,165,754	27,187,922	(11,248,431)	(13,622,380)	-	18,613,391

24.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. In making this assessment, the management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans to customers adjusted for provision for loan losses, if any.

25. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no other events, which occurred subsequent to 31 December 2015 that had significant impact on the financial position of the Company as at 31 December 2015.

26. TAX CONTINGENCY

The taxation system in Cambodia is relatively new and is characterized 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 since the incorporation of the Company could be significant.





CONTACT US

Head Office:

Building 285, Yothapol Khemarak Phoumin Blvd
(271), Sangkat Tumnobteuk, Khan Chamkarmorn,
Phnom Penh, Cambodia

- Postal Address: PO Box 480
- Tel: (855) 23 86 14 61 | (855) 23 99 30 62
- E-mail: info@amkcambodia.com
- Website: www.amkcambodia.com

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