



AMK: Close To You

ANNUAL REPORT 2016



TABLE OF CONTENTS

KEY SUMMARY

05

VISION & MISSION

06

KEY MILESTONE

07

OPERATIONAL
OUTREACH

08

5-YEAR HIGHLIGHTS

CONTENT

13	AMK History	46	Products and Working Methodology
14	Chairman's Report	51	Cambodia Competitive Landscape
16	Chief Executive Officer's Report	52	Risk Management
18	Corporate Governance	55	Financial Report & Independent Auditor's Report
19	Corporate Structure		<i>Report of the Board of Directors</i>
20	Board of Directors and Advisory Committees		<i>Independent Auditor's Report</i>
28	Executive Team		<i>Balance Sheet</i>
30	Management Team		<i>Income Statement</i>
36	AMK's Clients		<i>Statement of Changes in Equity</i>
41	Social Performance Management Framework		<i>Statement of Cash Flows</i>
43	Key Social Performance Findings		<i>Notes to the Financial Statements</i>
		108	Awards and Recognition
		109	Contact us



Vision and 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	2016	DESCRIPTIONS	2005	2010	2015	2016
Number of Offices	5	22	146	151	Return on Equity (RoE)	0.6%	7.6%	19.2%	20.9%
Number of Villages	912	8,032	12,394	12,513	Portfolio Yield	36.0%	35.3%	33.9%	33.8%
Coverage of Total Villages in Cambodia	7%	57%	88%	89%	Operating Cost Ratio	36.9%	21.5%	19.5%	18.4%
Number of Staff	108	844	2,126	2,349	Average Cost of Funds	12.6%	10.6%	9.4%	9.5%
Number of Active Accounts	73,946	512,460	499,691	616,271	Leverage Ratio (Debt to Equity)	0.3	2.1	4.3	4.8
Number of Active Loan Accounts	73,073	507,882	335,837	345,126	PAR 30 Days	0.05%	1.57%	0.41%	1.24%
Loan Portfolio (USD)	\$10,174,859	\$31,715,578	\$128,318,668	\$151,146,698	Write-off Ratio	0.95%	1.14%	0.42%	0.57%
Number of Deposit Accounts	873	4,578	163,854	271,077	Percentage of Loans ≤USD 500	99.0%	98.5%	88.1%	84.6%
Deposit Balance (USD)	\$0	\$1,929,691	\$66,942,872	\$90,671,972	Average Outstanding Loan Per Loan Account (USD)	\$68	\$124	\$377	\$433
Number of ATM / CDM	-	-	54	58	Average Deposit Balance Per Deposit Account (USD)	\$6	\$306	\$396	\$323
Number of Active Micro-insurance	-	-	127,057	182,309	Women Borrowers as Percentage of Total	86.0%	86.0%	82.1%	81.5%
Net Profit (after tax, USD)	\$13,980	\$935,239	\$5,016,174	\$6,632,341	Rural Borrowers as Percentage of Total	90.0%	92.0%	92.5%	96.7%
Operational Self Sufficiency (OSS)	103.4%	113.1%	119.6%	119.4%	Drop-out Rate	15%	23%	24%	23%
Return on Assets (RoA)	0.5%	2.3%	3.7%	3.6%					

AMK REACHES ALL
DISCTRICTS AND

98%

OF ALL COMMUNES
IN CAMBODIA.

TOTAL OFFICES

151

BRANCH OFFICES

33

SUB BRANCH OFFICES

118

OPERATING IN VILLAGES



12,513

89%
OF THE
COUNTRY

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



345,126

LOAN ACCOUNTS



271,077

DEPOSIT ACCOUNTS



182,309

MICRO-INSURANCE

5-Year Highlights

DESCRIPTIONS	2012	2013	2014	2015	2016
I- OPERATIONAL HIGHLIGHTS					
Number of Branches	24	27	28	31	33
Number of Sub-Branches	89	101	111	115	118
Number of Villages	10,116	11,358	12,075	12,394	12,513
. Coverage of Total Villages in Cambodia	72%	81%	86%	88%	89%
Number of Staff	1,187	1,444	1,740	2,126	2,349
. Credit Officer	50%	48%	46%	41%	39%
Number of Total Active Accounts	322,098	385,299	431,475	481,890	616,271
Number of Active Loan Accounts	298,247	330,634	336,573	335,837	345,126
. Group Loan Account	91%	90%	86%	81%	79%
. Individual Loan Account	9%	10%	14%	19%	21%
Loan Portfolio (USD)	\$62,302,159	\$79,308,809	\$96,333,603	\$128,318,668	\$151,146,698
. Group Loans	77%	75%	65%	65%	62%
. Individual Loans	23%	25%	35%	35%	38%
Active Loan Account / Avg. Credit Officer	532	483	437	409	372
Loan Outstanding/Avg. Credit Officer (USD)	\$109,811	\$114,346	\$122,598	\$154,372	\$161,008
Number of Depositors with Outstanding Loan	8,780	10,549	14,899	17,803	28,633
Number of Active Depositors	32,631	65,214	109,801	163,856	271,077
Deposit Balance (USD)	\$9,652,041	\$20,139,879	\$41,081,082	\$66,942,872	\$90,671,972
Number of ATM / CDM	-	-	20	54	58
Number of Micro-insurance Sold	-	-	9,886	127,057	182,309

5-Year Highlights

DESCRIPTIONS	2012	2013	2014	2015	2016
II- FINANCIAL HIGHLIGHTS					
Net Profit (after tax, USD)	\$2,886,998	\$3,309,115	\$4,003,339	\$5,016,174	\$6,614,180
Operational Self Sufficiency (OSS)	121.4%	119.4%	119.9%	119.6%	119.4%
Return on Assets (RoA)	3.9%	3.6%	3.6%	3.7%	3.6%
Return on Equity (RoE)	19.0%	18.0%	18.3%	19.2%	20.9%
Portfolio Yield	35.7%	35.0%	33.8%	33.9%	33.8%
Operating Cost Ratio	18.9%	18.7%	18.7%	19.5%	18.4%
Average Cost of Funds	10.4%	10.4%	9.9%	9.4%	9.5%
Leverage Ratio (Debt to Equity)	3.2	3.4	3.7	4.3	4.8
PAR 30 Days	0.12%	0.16%	0.15%	0.41%	1.24%
Write-off Ratio	0.39%	0.41%	0.39%	0.42%	0.57%
III- SOCIAL HIGHLIGHTS					
Loan Highlights					
Average Loan Size / GNI per Capita* (loan disbursed)	29.5%	35.0%	38.7%	47.0%	54.6%
Percentage of Loans ≤USD 500	94.6%	94.2%	92.4%	88.1%	84.6%
Average Outstanding Loan Per Loan Account (USD)	\$207	\$237	\$282	\$377	\$433
. Group Loan Account	\$178	\$201	\$217	\$304	\$344
. Individual Loan Account	\$526	\$589	\$702	\$718	\$774
Average Loan Disbursed (USD)	\$260	\$307	\$368	\$475	\$552
. Group Loan Account	\$217	\$256	\$283	\$367	\$418
. Individual Loan Account	\$703	\$735	\$880	\$945	\$1,046

GNI per capita in 2015 is \$1,070

<http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?end=2015&locations=KH&start=2015&view=bar>

5-Year Highlights

DESCRIPTIONS	2012	2013	2014	2015	2016
Deposit Highlights					
Average Deposit Balance/GNI per Capita	29.7%	32.6%	37.7%	39.2%	32.0%
Percentage of Deposit with Balance ≤USD 300	94.5%	93.8%	91.6%	92.1%	94.0%
Average Deposit Balance per Deposit Account	\$261	\$287	\$358	\$396	\$323
Money Transfer Highlights					
Average Transfer Balance/GNI per Capita*	42.3%	51.7%	48.8%	31.1%	27.8%
Other Social Highlights					
Women Borrowers as Percentage of Total	87.3%	85.3%	83.2%	82.1%	81.5%
Rural Borrowers as Percentage of Total	91.0%	97.0%	97.0%	92.5%	96.7%
Drop-out Rate	18%	23%	24%	24%	23%
Depth of Outreach: New Clients (<1 year) Below Poverty Line					
. % of New Group Clients Below National Food Poverty Line (est.)	45%	48%	42%	42%	n/a
. % of New Group Clients Identified as Poor (Base on ID poor1 and poor2)	29%	37%	37%	34%	n/a
. New Group Clients Identified as Poor (Base on ID poor1 & poor2)	16,075	33,510	31,378	23,802	29,988

GNI per capita in 2015 is \$1,070

<http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?end=2015&locations=KH&start=2015&view=bar>

Loan Portfolio

	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16
	\$62,302,159	\$79,308,809	\$96,333,603	\$128,318,668	\$151,146,698
	298,247	330,634	336,573	335,837	345,126

Return on Average Assets (RoA)

	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16
	3.9%	3.6%	3.6%	3.7%	3.6%



AMK's client - Kandal, July 2016

CONTENTS

13	AMK History	30	Management Team
14	Chairman's Report	36	AMK's Clients
16	Chief Executive Officer's Report	41	Social Performance Management Framework
18	Corporate Governance	43	Key Social Performance Findings
19	Corporate Structure	46	Products and Working Methodology
20	Board of Directors and Advisory Committees	51	Cambodia Competitive Landscape
28	Executive Team	52	Risk Management

AMK History

1990s

The origins of AMK Microfinance Institution PLC. (AMK) trace back to Concern Worldwide's microcredit interventions.

2002 - 2004

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.

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.

2010 - 2012

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.

2013

AMK launched ATMs/CDMs as additional delivery channel to its customers. To give customer easier and more convenient access to AMK deposit services.

2014

AMK has partnered with Forte Insurance Company to launch Micro Health and Accident Insurance to its loan clients.

2015

AMK officially launched Smart Kid Savings Account to its clients who want to save for their kid's future to guarantee that even they are in trouble, their kids are still able to achieve their dream.

2016

AMK Microfinance Institution Plc. (AMK) maintained the total active account number of 616,271

of which the number of active loan accounts has increased to 345,126 with a loan portfolio of over USD 151,146,698. The number of active depositors has increased to 271,077 with deposit balance of USD90,671,672. AMK also offered micro-insurance on health and accident to 182,309 of its loan clients nationwide to cover them from undue financial stress.

AMK operates in 12,513 villages. This outreach represents 89% of all villages nationwide. In addition AMK has 151 offices with 2,349 experienced staff, 58 ATMs/CDMs and 2,500 agents operating in 25 provinces and city.

Chairman's Report

TANMAY CHETAN

CHAIRMAN, BOARD OF DIRECTORS



It gives me pleasure to report on another good year for Cambodia as well as AMK. Cambodia continued to move ahead on its socio-economic indicators and moved from a 'low-income' to a 'lower middle-income' country under the World Bank's classification, based on its increased national income and GDP. Overall, it experienced a GDP growth estimated at 6.9% (2015: 7.04%)¹, remaining one of the very few countries that have consistently shown this level of economic growth. Another important indicator - particularly for AMK - is the level of financial depth as measured by the share of private credit in the economy. The last few years have seen a rapid increase, and the overall level of private credit to the GDP has doubled during 2012-2015 and is currently estimated at 63.1% (The World Bank, 2016). The International Monetary Fund, in its assessment during 2016², mentioned this rapid increase fueled by the

real estate and construction sectors as a systemic risk to the economy.

AMK continued its progress while remaining mindful of the emerging risks to its credit activity. It has, over the years, placed significant emphasis on its non-credit business to diversify its lending risk but also to ensure that customers have access to a range of financial services and credit does not remain the only affordable financial product for lower income Cambodians.

After a strong start of its micro-insurance operations in 2015, AMK significantly expanded its reach during 2016 in partnership with Forte Insurance. The positive results from its micro-insurance expansion can be seen in the high level of enrolments during the year. By the end of 2016, Forte and AMK had signed an agreement alongside the Cambodia-Laos-

¹ <http://data.worldbank.org/country/cambodia>

² <https://www.imf.org/en/NewsArticles/2016/07/18/13/34/PR16343-Cambodia-IMF-Staff-Completes-2016-Article-IV-Mission>

Myanmar Development Fund, to launch a joint venture micro-insurance company to further the start made in 2016. This will further solidify the provision of micro-insurance in Cambodia.

In similar vein, the strong customer response to AMK as a deposit taking institution was reflected in a strong 35% growth in deposits during the year. AMK continued to be perhaps the only significant deposit taking institution in the country with a larger share of local currency deposits, which signals the depth of its deposit business and its commitment to the small depositors in Cambodia. Almost two thirds of AMK's depositors use its agent network to deposit and withdraw their savings, another first in the financial sector of the country.

The year 2016 was also a year of sustained progress on AMK's other business line of payment processing, which encompasses not just

domestic remittances but also bulk payments, bill payments and merchant payments. AMK was able to grow steadily in this business line during the year.

AMK's loan business remained steady as it retained the largest share of small rural customers in the industry. Its loan book grew organically as it is slowly diversifying into a few new market segments such as education and SMEs. At the same time AMK also experienced a manageable but noteworthy deterioration in its portfolio quality. While its portfolio quality remains very good and is comparable with the overall industry, its management and Board is closely monitoring the effects of increased credit in the market and is adjusting its approaches accordingly. While this rapid increase in credit availability across the country determined much of AMK's cautious approach to credit operations

during 2016, we nevertheless expect to stay relevant by providing responsible but competitive loan products in the years to come.

As always, much of the above achievements are due to AMK's strong management and staff, both in their skills as well as their commitment. On the behalf of the Board, I thank our CEO Kea Borann, our senior management team as well as our branch and head office teams for their continued strong performance.

The AMK Board has been an important guide to the management and it continued its strong support mixed with close scrutiny during the year, for which I thank all members of the Board and its committees. Lastly, my appreciation to the shareholders and customers of AMK for their support to the activities of 2016, without which much of what AMK achieves would not be possible.

Chief Executive Officer's Report

KEA BORANN

CEO



The fiscal year 2016 was another year of good progress for AMK in realization of its goal to provide a 'one-stop shop' financial service to low income people in Cambodia in a viable manner, by providing its clients with multiple product lines including loans, deposits, health and accident insurance, money transfers, payroll services, and other payment services through its network of direct reach, branch offices, mobile payment agents, and ATMs/CDMs.

As of end-2016, AMK worked with 2,349 staff members throughout its 151 offices across the country. The number of ATM and CDMs increased to 58, and the machines processed over 311,000 cash transactions with approximately USD35.7 million in value. The number of mobile agents remained stable during the year, at around 2,500 and offered a range of services such as money transfers, deposits collections and withdrawals, and bill payments.

AMK's geographical coverage increased to 89% of total villages in Cambodia at the end of 2016, with 345,126 active loan accounts and

271,077 active deposit accounts. The number of accounts has increased this year by 23.4%, up from 495,439 in 2015. Internal research shows that customer satisfaction rates remain high at 91% for loan client and 97% for deposit clients. Customers with both a savings and a loan balance with AMK also increased by 61%, to 28,633 in 2016. Moreover, as many as 57% of borrowers also bought the launched Health and Accident Insurance Policies which shows the immense potential of insurance products.

Business performance remained strong, with a Return on average Equity at 20.9% and Return on average Assets at 3.6%. This was achieved despite a deliberate slowdown in the credit operations in response to over-crowding in some market segments, which resulted in increased levels of Non-Performing Loans which were at 1.2% at year-end. Careful cost management and improvements in efficiency/productivity led to the strong financial performance despite these challenges. The operating cost ratio therefore dropped from 19.5% in 2015 to 18.4% in 2016.

I am pleased to provide further details of each business line below.

CREDIT AND MICRO-INSURANCE

During the year the number of active loan accounts increased by 2.7% to 345,126 while the outstanding loan portfolio increased by 17.8% to over USD151 million at the end of 2016. The average loan outstanding per client stands at USD433 (USD344 for group loans and USD774 for individual loans). AMK continues to be focused on its core rural market, as evidenced by the fact that an overwhelming 96% of AMK's clients reside in rural areas. According to the PPI index, the industry standard tool for measuring poverty, about 43% of AMK loan clients are classified as poor using 150% government definition of poverty. AMK aims to remain the first choice for those Cambodians who continue in their efforts to break out of poverty. AMK's client retention rate, a proxy measure of satisfaction, improved marginally from 76% in 2015 to 77% in 2016 using industry definitions (MIX Market). AMK launched nationwide Health and Accident Insurance (H&A) during 2015 with the aim of creating an affordable social safety net for unexpected shocks faced by many clients.

As of end 2016, 182,309 A policies had been sold to AMK's clients, up from 127,057 in 2015.

For 2016, USD651,495 were paid out as claims to policy holders, translating to a 55% claim ratio and showing the utility of this product for clients. During 2016 AMK also tested a Weather Index Insurance in two provinces and issued 86 policies covering 110 hectares of paddy cultivation. AMK aims to learn more about the relevance and suitability of this product in the coming year.

DEPOSITS AND SERVICES

AMK continues to offer a wide range of deposit options to the public. Approximately 89% of AMK depositors are classified as 'small depositors' who hold less than USD50 balances, showing its depth in the market. During 2016 the number of deposit accounts increased markedly by 66% to 271,077. The average deposit balance per account is approximately USD323, and the overall deposit balance has increased to USD90.67 million, up from USD66.94 million in 2015. Off Balance Sheet, fee based business lines also continue to evolve in 2016. AMK offer multiple services such as money transfer, payroll and other type of payment services throughout its channels. The total number of transaction has increased by 31% during to 2016.

The 2017 macro-economic outlook is forecast to be stable at GDP growth rate of 7.1% and

inflation at 3.4%¹. AMK expects to continue its business line establishment with an even stronger focus on the below to retain its market leadership:

- Enhancing overall risk management, especially the credit underwriting process, credit risk management, overall enterprise risk management and Balance Sheet risk management (including liquidity risk)
- Digitization of operational processes for better controls and efficiency
- Further integrating its channels and services for better customer experience
- Continuing to develop a robust core technology

On behalf of management and staff, I would like to thank our Shareholders, the Chairman, Directors, and Committee Members for their leadership, support, and guidance throughout the year. I would like to also thank my colleagues, both management and staff, especially our field 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 to AMK and to building an inclusive financial sector.

¹ <https://www.adb.org/countries/cambodia/economy>

Corporate Governance

AS THE END OF 2016, **AMK'S SHAREHOLDERS**

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.

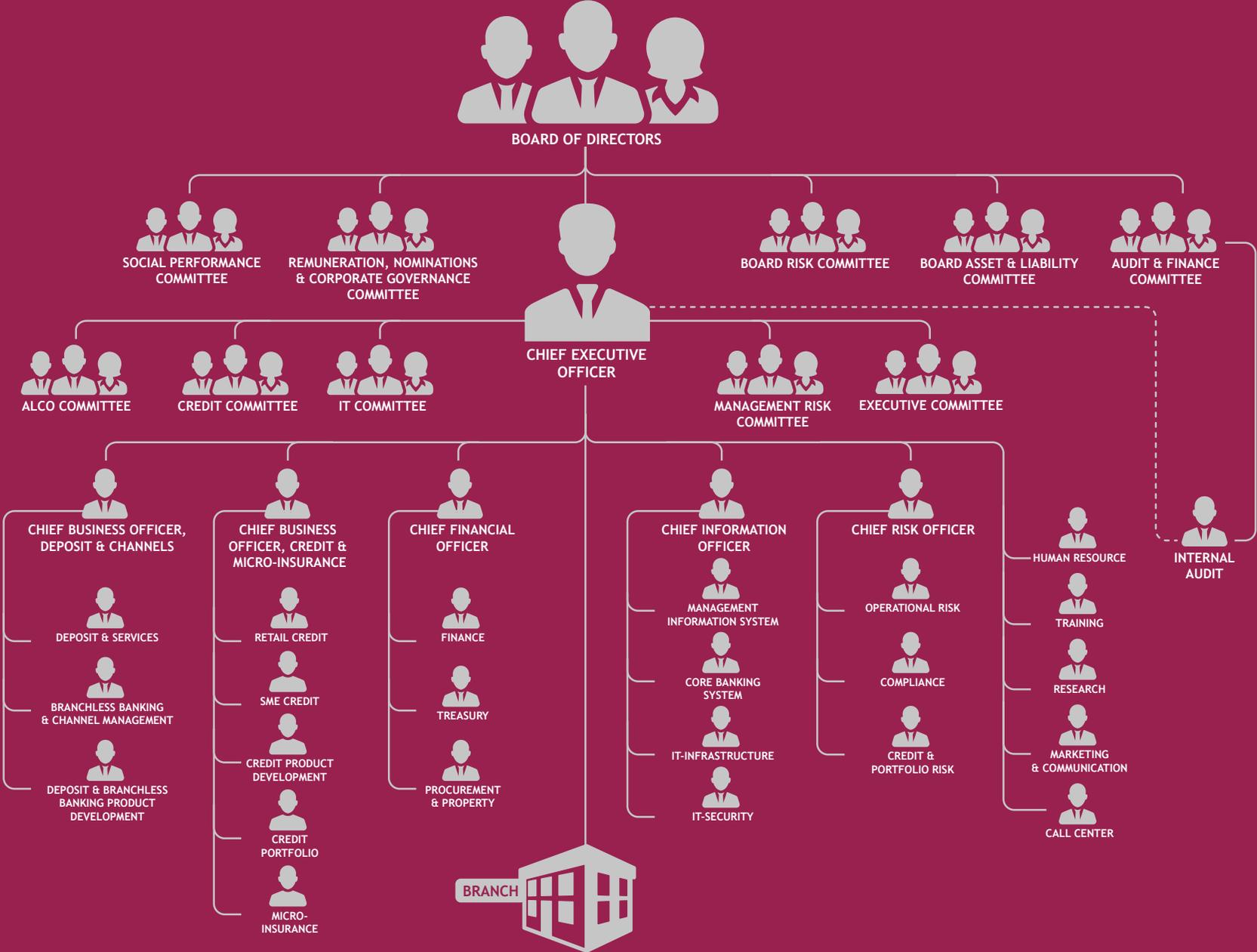
The board of Directors appoints the Chief Executive Officer (CEO) who works with an executive committee. The executive committee consists of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Business Officer (CBO, Deposit & Channels), Chief Business Officer (CBO, Credit & MI), Chief 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.

BOARD STANDING COMMITTEES

1. Audit and Finance Committee (AFC)
2. Board Risk Committee (BRC)
3. Remuneration, Nominations and Corporate Governance Committee (RNCG)
4. Board Asset and Liability Committee (Board ALCO)
5. Social Performance Committee (SPC)

The first four committees perform traditional corporate governance functions. The Social Performance Committee advises the Board on AMK's performance in term of poverty outreach, product suitability, client protection, and overall social responsibility.

Corporate Structure





BOARD OF DIRECTORS AND ADVISORY COMMITTEES



TANMAY CHETAN
 Director, Board Chairman,
 Chairperson of Remuneration,
 Nominations, and Corporate
 Governance Committee,
 Member of Audit & Finance
 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, and as the CEO of AMK from 2003 to 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 & 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 & Finance 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 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



REBECCA MCKENZIE
Director, Chairperson of Board Asset and Liability Committee, Member of Remuneration, Nominations, and Corporate Governance Committee



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



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



MICHAEL GOH
Director, Member of Board Risk Committee, Member of Board Asset and Liability 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 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 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 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 million, 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.

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.



EDWIN ZIMMERMANN
Member of Remuneration,
Nominations, & Corporate
Governance Committee



HENG SEIDA
Member
of Audit & Finance
Committee



OLGA TORRES
Member of
Social Performance
Committee



FRANCES SINHA
Member of Social
Performance
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.

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 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 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.

Board Committees

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:

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

In 2016, the AFC met 3 times to discuss the following strategic issues:

- Approved interim 2016 financial reports
- Discussed material audit findings and feedback for rectification and improvement
- Discussed strategic review of internal audit function and approved the 2017 Internal Audit Plan
- Reviewed and discussed the impact on AMK's financial statements of the adoption of new International Financial Reporting Standards (IFRS)
- Discussed and recommended the 2017 Budget to the Board for approval

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 are helping us to achieve our business strategy and

corporate goals while remaining in line with risk appetite. Ultimate responsibility for setting the risk appetite and for the effective management of risk rests with the Board of Directors.

Acting within an authority delegated by the Board of Directors, the BRC has responsibility for oversight and review of overall enterprise risks including, but not limited to, business and strategy, credit portfolio quality and concentration, capital planning, liquidity and funding, technology, operational, and reputational risks. It reviews AMK's overall risk appetite and make recommendations thereon to the Board. The responsibilities also include reviewing the appropriateness and effectiveness of the whole AMK's risk management systems and controls, considering the implications of material regulatory changes and the growth of AMK's business within the evolving competitive landscape.

In 2016, the BRC meeting was held 3 times and has taken significant steps to enhance the company level risk management framework. Key achievement of BRC in 2016 includes:

- Complete set-up of overall risk appetite framework including relevant thresholds
- Whole Enterprise Risk Management Key Risk Indicators (ERM KRI) is enhanced to include the increasing technology risk and other emerging risks related to market penetration and competition evolution
- Micro and Small Medium Enterprise (MSME) credit policy is approved to cater to AMK's need in its diversification into the MSME market
- Holistic credit manual for Group and Micro loan is simplified to enhance internal control and risk ownership at field level
- Comprehensive risk register for overall AMK from the top executive level to the branch management is completed.
- Business Continuity Policy is approved and put for the implementation in 2017.
- Detailed policy and procedures of Anti-Money Laundering (AML) and Know Your Customer (KYC) is reviewed and approved to comply with the National Bank of Cambodia's new requirements.

REMUNERATION, NOMINATIONS, AND CORPORATE GOVERNANCE COMMITTEE (RNCG)

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

In 2016, RNCG held two meetings and provided the following oversight and resulting recommendations to the board

- Appointment of new Directors / re-appointment of existing Directors
- Reviewed and recommended the

remuneration on director fees

- Reviewed and recommended the remuneration for AMK's staff and management
- Reviewed and recommended performance incentive policies and other benefits

SOCIAL PERFORMANCE COMMITTEE (SPC)

This committee is intended to assist the Board of Directors in its oversight of the social value of AMK's work. Its work including assessing the implications of AMK's business strategy on the achievement of its social mission. The committee is also in charge of advising on the reliability of the analytical and reporting methods and frameworks with respect to the main dimensions of social performance (depth of outreach, demand-driven products, client protection, social responsibility and contribution to positive change for client households).

From 2016 to Q1 2017, the SPC has held one informal meeting with 2 members and 2 formal meetings through conference calls to grade AMK's Social Performance Framework which can be found in page 42 of this report.

BOARD ASSET AND LIABILITY COMMITTEE (BOARD ALCO)

The Board Asset and Liability Committee (Board ALCO) provides the Board with strategic input regarding the Company's balance sheet management and serves as the approving body for Asset and Liability Management (ALM) policies. Board ALCO is responsible for the strategic management of interest and liquidity risk of the Company with the objective to maintain sustainable growth and profitability and maximize shareholder value.

The committee performs the following tasks on a regular basis:

- Reviews the Company's liquidity and funds management
- Evaluates the Company's interest rate, liquidity and foreign exchange risk tolerance
- Reviews periodic stress testing on key market drivers and their impact on ALM strategies
- Reviews and recommends funding strategy and contingency funding plan
- Recommends for approval all policies relating to ALM

- Reviews new product offerings and changes and their impact on profitability, liquidity and foreign currency exchange position
- Reviews the annual budget and strategic plan with regards to balance sheet management.

In 2016, the Board ALCO meeting was held 3 times to discuss the following key strategic issues in relation to balance sheet risk management

- Approved the ALM tools which enables the Company to proactively quantify financial risks
- Reviewed the impact of new regulations on balance sheet risk management and recommended to the board the strategies to mitigate the balance sheet impact.
 - PRAKAS on Liquidity Coverage Ratio issued in December 2015;
 - PRAKAS on Minimum Registered Capital of Banking and Financial Institutions issued in March 2016, and
 - PRAKAS on Provision of lending in National Currency of Banking and Financial Institutions issued in December 2016

- Reviewed 2016 financial projections, quantifying the financial risks and recommended to the board the strategies to manage the risks.
- Reviewed and monitored the financial Key Risk Indicators
- Reviewed and recommended new balance sheet products issued in 2016, assessing the key products features which could impact the maturity mismatch, currency mismatch and net interest margin.
- Reviewed and recommended to the board for approval the Contingency Funding Plan policy.
- Reviewed the Stress Tests conducted by management pertaining to the Contingency Funding Plan.
- Reviewed the 2017 budget in respect to balance sheet management, liaised with other committees on other aspects of the budget and proposed to the Board its approval alongside other committees.



AMK Board Meeting - Phnom Penh, March 2016



**EXECUTIVE
TEAM**



KEA BORANN
Chief Executive
Officer (CEO)



HUOT SOKHA
Chief Business Officer,
Deposit & Channels (CBO)



SUON PISEY
Chief Business Officer,
Credit & Micro-insurance
(CBO)



SOK KOSAL
Chief Information
Officer (CIO)



PUTH PHALLY
Chief Risk Officer
(CRO)

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.

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 Relations 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 NAROPA University, USA.

Pisey joined AMK in 2009 as Regional Manager, he was promoted to Head of Credit department in 2012. He is now promoted as Chief Business Officer for Credit and Micro-insurance. Pisey has ten years' 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 holds both bachelor and master's degrees in general management from the Build Bright University in Phnom Penh.

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 INNOTECHCBAM.

Phally joined AMK as Chief Risk Officer in September 2015. She has over 10 years of banking experience in Cambodia and overseas and she 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.

A photograph of several hands stacked on top of each other, all wearing white business shirts with visible cuffs. The image is overlaid with a semi-transparent purple filter. The hands are positioned in a way that suggests a team huddle or a gesture of support and unity.

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 Inspection 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 the Finance Department to ensure the high quality of accounting information in fulfilling AMK's requirements.

Viriny holds a Bachelor's Degree in Finance and Banking from Royal University of Law and Economics Science (RULES) and completed as an affiliate of Association of Chartered Certified Accountants (ACCA) from UK.



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.



PUM SOPHY
Head of Deposit &
Branchless Banking Product
Development Department

Sophy possess about 10 years of experience in microfinance focused on research. She served as the Head of Research from 2012-2016 to ensure the high quality of market and social research in order to implement and fulfill AMK's short and long term strategy. She became head of deposit & branchless banking product development in mid-2016. In her current role, she focuses on overall management of Product Development and ensures that AMK is in the forefront of Cambodian microfinance market in terms of diversifying product offerings to meet customers' needs.

She 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.



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. He is also selected as member of the Board of Directors of AMK Staff Association (AMK-SA).

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.



PEAING PISAK
Head of Human Resource
Department



HEAK THAVUTH
Head of Internal Audit
Department



MUT CHAKRIYA
Head of Call Center
Department



CHEA ROATTANA
Head of Branchless Banking
& Channel Management
Department



KOUCH SOPANHA
Head of Procurement &
Property 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 company, Microfinance Institution, international and local NGOs in Training & Development Work. Currently Pisak is also selected as a member of the Board of Directors of AMK Staff Association and Chairwoman of HR CLUB of Cambodia Microfinance Association (CMA).

Pisak holds a Bachelor's Degree in Marketing and Master's Degree in Management from the National University of Management (NUM).

Thavuth joined AMK as an Internal Audit Officer in 2006 and was promoted to Inspection 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.

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.

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.

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 Administrative 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 over 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.



VA VANDY
Head of IT Infrastructure
Department

Vandy joined AMK in 2013 as Senior Network Infrastructure Engineer. He was promoted to Technical Support/IT Infrastructure Manager in 2014. He is now promoted to Head of IT Infrastructure Department. Vandy has over 7 years of experiences in IT Career. Before joining AMK, he held various positions at other ISP companies, such as Technical Support Officer, Senior Technical Support, and Technical Project Coordinator.

Vandy holds a bachelor's degree in IT Computer Science from the Norton University.

Management Committees

AMK set up various committees at management level to handle and manage various aspects of company operation according to the nature of its business and risk that AMK takes. Those committees are:

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, policies development, 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 risk, compliance management and AML/CFT (anti money laundering and combating terrorism) related policies and procedures.

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 while managing associated risks

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.

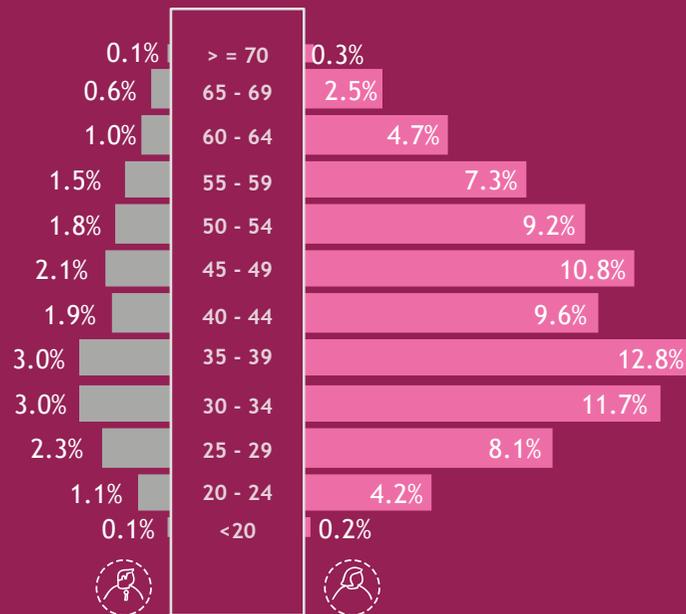


AMK's client - Svay Reing, September 2016

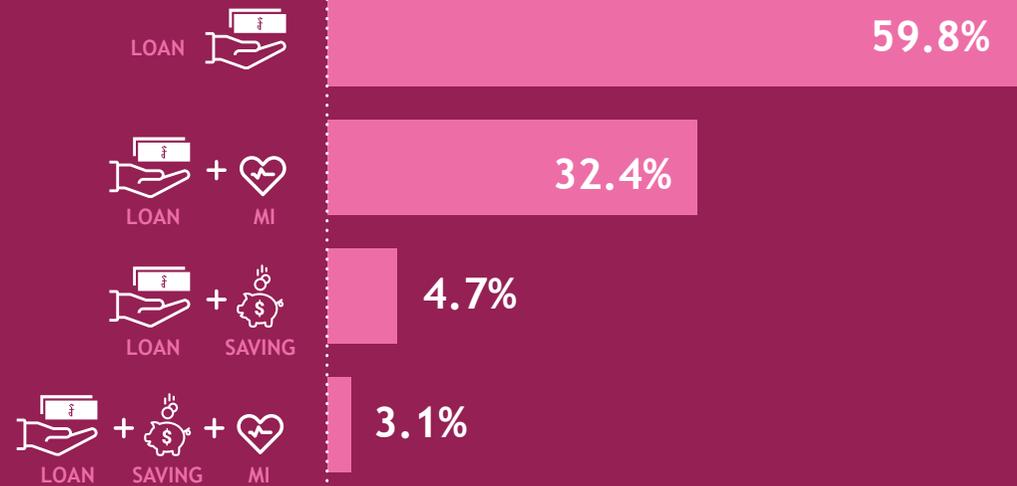
AMK's Clients

In year 2016, AMK has 345,126 active loan clients and 81.5% of them are female clients. The average age of AMK loan clients is 42 years old and the average loan cycle is 3.6 cycles. The average loan size is USD433. The below figure illustrates detail information of AMK clients.

AGE PYRAMID OF AMK CLIENTS (SURVEY)



NUMBER OF CLIENTS BY CATEGORIES



RURAL

- Proportion of client: 96.90%
- ID = 20.41% vs VB = 79.59%
- Average loan cycle: 3.60 cycles
- Average age: 42 years old
- 35.27% has MI
- 7.42% has Saving
- 2.40% has Saving + MI

URBAN

- Proportion of client: 3.10%
- ID = 63.07% vs VB = 36.00%
- Average loan cycle: 2.90 cycles
- Average age: 38 years old
- 21.72% has MI
- 22.54% has saving
- 1.70% has Saving + MI

Case Study: The Success of AMK Agent

Being an AMK agent has a multiplier effect on Mr. Chheng Thoeurn's livelihood, a 40-year old tailor and farmer, and who has been with AMK for about 3 years. He lives in Troak Village Teuk Thla Commune Svay Antor District Prey Veng Province. With the constant mentoring from AMK's Mobile Banking Officer, he persisted and is now totally happy to be an AMK agent. He will never give up this business.

Travelling on tarmac from Prey Veng provincial capital for about 25 km and continuing for about 7 km on a path, you will find an AMK agent named Chheng Thoeurn living in Troak village, Teuk Thla commune, Svay Antor district, Prey Veng province. Mr. Chheng Thoeurn an AMK agent, who is happily providing services to clients, shares his successes and experiences as an active AMK's agent.

He grew up in that village and in 1999, Mr. Chheng Thoeurn married his wife who is also a villager in his area. They have 2 children, one boy and one girl. The couple had to fight really hard to fill the shortage in livelihood. When they got married, he and his wife started a small business of tailoring and selling clothes at his own house aside from their agriculture

cultivation. Even with a small business, raising 2 children proved to be a demanding burden, thus his family faced a tough life. As fate would have it, an AMK Mobile Banking Officer (MBO) got into his area and promoted about being an AMK agent and the benefits from this business. It attracted him so much that he discussed with his wife before making the decision. The couple decided and he sold a plot of land and 8 cows for his capital in this business with AMK.

In 2014, Mr. Thoeurn became an AMK agent in his area. When he first started with AMK, it made him feel happy but nervous at the same time as he was scared of losing his capital, the sale of his plot of land and 8 cows. In the first 2-3 months, he was really scared and found it tough to manage his cash flow. But



Mr. Chheng Thoeurn,
a 40-year old

the AMK's Mobile Banking Officer constantly explained to him the business processes plus the monitoring from one transaction to another transaction confirming that he didn't lose any cash. His fears were released and made him fully trust the AMK institution.

Being an agent for the first time, he got very few clients as they did not know his place. Even then, he persisted to continue this work and made him work harder for this business until he could get a good result. Eventually, more clients knew him and did more transactions with him. This made him truly happy and it shows all the time when he serves clients.

Currently, Mr.Thoearn, an AMK's agent, provides a lot of transactions such as money transfer (send and receive), loan repayment, electric bill payment, deposit and withdrawal

from their savings card. The average number of clients to do transactions is about 15 people per day. Since he started as an agent, he noticed that his other business is growing as well. As more clients get to know his location, his tailoring and the wife's clothes shop get more and more support. He mentions "Before, there were a few customers coming to buy clothes or tailor at my shop but since I became an agent there were a lot more customers and most of them were the customers who did the transaction with me. This also contributed to my family able to earn more income and I am so glad to see my family's growth like this". This contribution has made his family's life improve especially for this past few years since he became an AMK agent. "As daily life is about growing, my children can get enough food." Before, his children could not take extra class to expand their knowledge. Now he

has enough ability to support them and boost them to study hard because he wishes to see his children graduate with a bachelor's degree.

Mr.Thoearn is so happy for being AMK's agent as he said "Being an AMK's Agent is easy and not complicated, then we get commission". In the future, he expects that his children will graduate and get a good job "I expect that my children will graduate with bachelor's degree and get a good job like an AMK officer too. If they want to do business, I want to open a shop (agent) of this business for them to manage because this work is not difficult and can get commission. At the same time they can have another business too." Last but not least, he wishes for the AMK institution to grow more and get a lot of clients.

Case Study: The Success of AMK Loan Client

Another success is that of Mrs. Cheav, a farmer who lives in Trapaing Chark village, Somroang commune, Svay Antor district, Preyveng province. She lives in a Khmer traditional house surrounded by her vegetables and fruit trees 15 kilometers from the main road. She is a 7-cycle AMK's loan client and her case proves that with wise use of loans, one can vastly improve one's way of life.

Agriculture plays a very important role in the Cambodian economy and about 80% of Cambodian labor force relies on this sector including Mrs. Chaev Nov's family. Mrs. Chaev Nov has worked very hard to make money to support her family and her main source of income is from agriculture. She has shared her own experiences as a successful client who availed of loans from AMK.

Mrs. Chaev Nov is a farmer living in Trapaing Chark village, Samroang commune, Svay Antor district, Prey Veng province. She has been living with her husband for about 30 years and they both have four children. Among the four children, two of them have gotten married while another son and another daughter are still living with her. Her family is recognized as

a model family in the village and Mrs. Nov and her husband have worked very hard to lead and improve the livelihood of the family. Under Mrs. Nov and her husband's leadership, the whole family is admired by all residents in their village. Mrs. Chaev Nov said that "I used to cultivate paddy rice and harvest only 80 kg which was not sufficient for three-month household consumption. Now, I could gain higher yield from my harvest. I can have surplus paddy rice that I sell for extra income to use in an emergency."

Mrs. Chaev Nov knew AMK Microfinance Plc. through an AMK credit officer (CO). AMK was the first institution to come to her village. As AMK was the only one microfinance institution working in the village and was the



Mrs. Cheav Nov
The farmer lives in
Trapaing Chark village

only institution that disburses loan and collect interest and principal in the village using a simple process, she decided to take the loan from AMK. At first, she borrowed End of Term (EoT) loan with the amount of KHR 500,000 (USD 125) to buy fertilizer for her paddy rice cultivation because this type of loan permits her to repay only monthly interest and the principal could be repaid at the end of the loan cycle. This makes it more convenient for her to repay back the loan as her household income rely on seasonal harvest. After having a good experience with AMK loan, she decided to take the second loan from AMK with the amount of KHR 2,500,00 (USD 625). At the same time she sold her buffalos to get some more money and then she invested all the money that she got from her buffalos sale and loan to buy a power tiller. She said that modernized agricultural machineries would facilitate her agricultural activities, one that her husband can operate by himself. The power tiller sure eased their agricultural activities reducing use of human labor.

Productive results made her more confident and trust AMK loans more, that she decided to take the third loan with the amount of KHR 6,000,000 (USD 1,500) to buy 1/2 ha agricultural land to cultivate rice. She expected that this would allow her to get extra paddy rice for her household and she was right. She

got more yield as expected. After repaying the third loan, she took the fourth loan with the amount of KHR 1,000,000 (USD 250) to buy fertilizer and gasoline for her rice cultivation. She has continued to stay with AMK and she took the fifth loan with the amount of KHR 4,000,000 (USD 1,000) to buy gasoline, fertilizer and other needed instruments that could be used for her dry-rice farming activities. In the sixth cycle, she borrowed KHR 4,000,000 (USD 1,000) to buy a motorcycle for her children to ride from home to school since her home is far away from school.

For her seventh loan, she borrowed only KHR 100,000 (USD 25) due to the fact that she did not need much money for her agricultural activities. Furthermore, she has learnt that micro-insurance product has effectively served clients and this product is trusted by many clients. Therefore, she took the seventh loan along with the purchase of micro-insurance product from AMK. Mrs. Chaev Nov learnt a lot from her neighbors about the benefit that AMK clients could get from purchasing micro-insurance product and that convinced her to buy this product. Although she has not experienced claiming, she said that “I do not feel worried at all if I fall sick because I have bought AMK micro-insurance product so that AMK will cover some expenses. Although I have never claimed the compensation from

this service, I am very happy that I have bought this product and I will buy this micro-insurance for my husband in the next cycle. With a smiling face, she added that “My family livelihood has improved and we have enough food to eat. Additionally, we have surplus paddy rice for sale to repay AMK and for additional household expenses. Previously, we have only a very old motorcycle, but now we have two motorcycles, one motorcycle for my husband and another is for my children to ride to school. And we have a power tiller.” Her family’s livelihood has substantially improved with the help of loans from AMK. Mrs. Chaev Nov added that “I really like AMK and I can give all my trust to AMK because the AMK staff is friendly, well-behaved, and respectful. Moreover, AMK staff comes to disburse the loan and collect interest and principal in the village so that I do not need to go to AMK office. Another thing I like is that I do not need a guarantor since I have my land title. Next year I am planning to borrow KHR 8,000,000 (USD 2,000) to renovate my home as my home’s wall would not last any longer.”

In the end, she wished AMK to continue its service so that she could keep getting loans from AMK. She also expressed her sincere thanks to AMK for lending her money she could use to make more money and improve her life.

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.

Table of AMK Social Performance Reporting Framework

PERIOD EVALUATED: 1 JANUARY TO 31 DECEMBER 2016		REGULAR MONITORING				
Information presented : December 2016		Depth of Outreach	Adequacy of Products	Transparency and Client Protection	Responsibility to Staff	
Sources of Information		<ul style="list-style-type: none"> Depth of Outreach 2016 of loan client Client Profile 	<ul style="list-style-type: none"> Exit Client Report Micro-insurance Exit Agent Service MMT Dormant Client ATM/OTC Dormant Client ATM Client Never Use Field Agent Awareness 2016 Exit Agent Money Transfer Client who stops using AMK service MMT Saving Satisfaction Mystery Shopping (BMRS) MMT Campaign Evaluation 	<ul style="list-style-type: none"> Multiple Loans Report 2016 (in-house data) Loan Rejection Borrower Awareness as of October 2016 Saver Awareness as of October 2016 Client Grievance as of September 2016 Financial Inclusion Award (Top 3 Finalist - Wall Street Journal) 	<ul style="list-style-type: none"> Staff Exit Surveys Staff Satisfaction Report 	
Indicators		<ul style="list-style-type: none"> Wellbeing Score (Tercile + Quartile Analysis) ID poor PPI List of Loan List of Saving List of MI 	<ul style="list-style-type: none"> Range of Services Quality of Services Accessibility of Services Reason for Joining Multiple Product Satisfaction on the Service Desertion Rate Reason for Exit 	<ul style="list-style-type: none"> Multiple Loan Ratio Rejection Cube CBC Batch Review Audit Report Length of Awareness 	<ul style="list-style-type: none"> Staff Turnover and Explanations on Reasons for Resignation Satisfaction Score by Gender 	
YEAR OF ASSESSMENT: 2016 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY		Depth of Outreach	Adequacy of Products	Transparency and 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?				
Issues to Report	Issues to Report/Action items	<ul style="list-style-type: none"> Pursue and enhance quality of ID poor info Pursue PPI information collection (Research department only) 	<ul style="list-style-type: none"> Disaggregate information and analysis on clients' experience not only per product but also per channel 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> For staff satisfaction and exit surveys: Improvement area on data design and analysis 	

Key Social Performance Findings

To measure AMK’s alignment towards its social mission, a number of social surveys and research are conducted throughout of the year and summarized through the Social Performance Framework Report which is discussed by the Social Performance Committee and presented to the Board of Directors. This report analyzes the following four Dimensions: Depth of Outreach, Adequacy of Products, Transparency and Client Protection, and Responsibility to Staff.

The results of each dimension are shown using a Traffic- Light method “Green, Yellow and Red” which represent which items need further action; red signaling urgent action is required, and green signaling low urgency. Thanks to this tool, the board and management team of AMK can discuss and decide on the measures which need to be implemented for AMK to continue fulfilling its social mission. Please read the table on page 42 for detail social performance reporting framework.

DEPTH OF OUTREACH

AMK uses several methods to measure, track and analyze the poverty level of its clients.

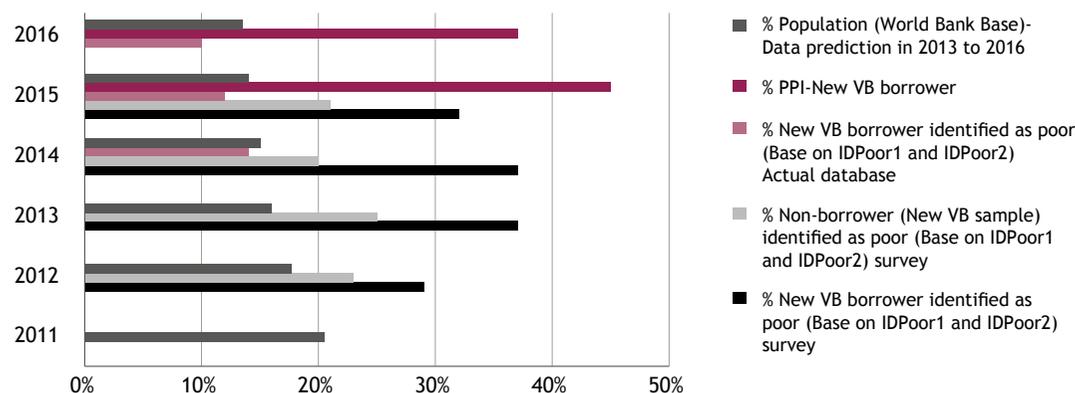
This analysis, conducted by the Research Department, helps AMK have greater insight about client’s characteristics and provides

evidence about whether the institution is targeting poor households as per the mission statement, or not. To analyze this dimension, the following tools are used:

The **IDPoor**¹ (Identification of Poor Household Programs), a program developed by the Ministry of Planning (MOP), allows AMK access information on household poverty

levels across most regions in the country. In addition, AMK uses the **Progress out of Poverty Index (PPI)**², a tool that is used to capture client’s poverty likelihood, and helps measure the impact AMKs products and services have on clients poverty levels throughout time. In 2016, the results from the PPI survey show that overall poverty likelihood of new Village Bank (VB) client is 37%.

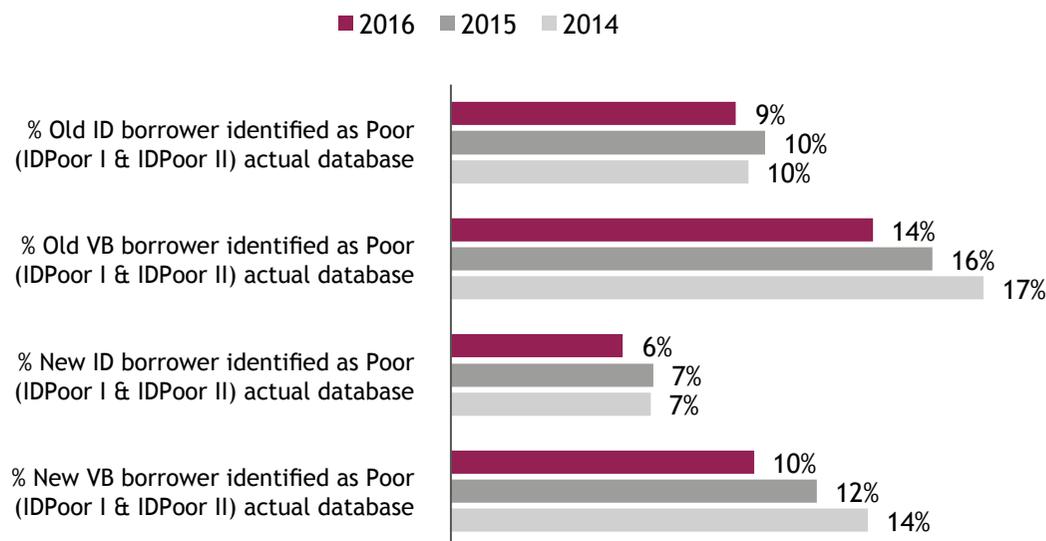
Poverty Outreach Amongst New VB Sample (ID Poor)



¹ The IDPoor Program, established in 2006 within the Ministry of Planning, is part of the Royal Government of Cambodia’s ongoing efforts to reduce poverty and support socioeconomic development throughout the country. The Program provides regularly updated information on poor households to a large number of Government and non-governmental agencies to help them target services and assistance to the poorest and most vulnerable households. The IDPoor Program’s main objectives are to reduce duplication of effort and resources by different institutions and organizations in identifying their target groups for various poverty reduction interventions, and to ensure that assistance is provided to those households who most need it. <http://www.idpoor.gov.kh>

² The Progress out of Poverty Index® (PPI®) is a poverty measurement tool for organizations and businesses with a mission to serve the poor. The PPI is statistically-sound, yet simple to use: the answers to 10 questions about a household’s characteristics and asset ownership are scored to compute the likelihood that the household is living below the poverty line - or above by only a narrow margin. <http://www.progressoutofpoverty.org>

ID poor level per year



ADEQUATE PRODUCTS

AMK puts great effort into delivering products and services that meet client's needs and preferences, and thus use different tools to measure their overall adequacy. The Research Department conducts **annual client exit analysis**. Additional Call Center Telephone Survey Projects have been put in place to have in depth information about **reasons for Dormant saving clients OTC and ATM dormancy, MMT stop usage, ATM usage, Agent Awareness and Agent Exit**. These surveys help AMKs

management team have a better understanding of clients' behavior, and enhances decision making. Many conclusion can be drawn from these surveys, and actions can be taken to mitigate risks or improve the institutions performance. For example, the 2016 surveys have helped management understand why many micro-insurance clients did not renew their policy upon maturity date; there was a lack of communication between AMKs staff and clients, which meant clients were not aware when their insurance had to be renewed.

TRANSPARENCY AND CLIENT PROTECTION

Cheerfully, AMK has received award of Client Protection Certification from Smart Campaign last November 2016 that this award illustrates all of the effort of every staff from the grass root level to the top level. Moreover, AMK implements a **Code of Conduct** to protect clients and to serve them in a more transparent way. The Research Department conducts and analyzes several studies in order to ensure that AMK has treated clients fairly and protected them equally.

AMK conducts a **multiple loan client study** to avoid over-indebtedness of clients, doing a cross check between AMK data and CBC Batch Review Data. For 2016, the multiple loan ratio has improved compared to the previous year, standing at 35%.

Loan rejection is also analyzed, reflecting AMKs commitment to adequately measuring client's repayment capacity and avoidance of over-indebtedness. For 2016, AMK shows a rejection ratio of 15%, which reflects AMKs diligent screening mechanisms. In addition, saver awareness, borrower awareness and micro-insurance awareness is analyzed through the implementation of surveys. Moreover, AMK has put in place a client grievance as a complaint mechanism for clients.

RESPONSIBILITY TO STAFF

AMK is aware of the importance of recruiting and retaining the best staff, as employees largely determine the success of the company. For this reason, AMK is highly aware of the importance of understanding employees' levels of satisfaction, and understanding why staff might leave the institution. The Human Resources Department is in charge of conducting **Staff Satisfaction Survey** and **Staff Exit Survey**, and as the result of the overall satisfaction score is 4.83 over the total score is 6.



AMK's client - Stung Treng, October 2016

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, THB	KHR, THB	KHR, THB
Maximum Loan Size	KHR 2,000,000 or equivalent currency	KHR 2,000,000 or equivalent currency	KHR 2,000,000 or equivalent currency
Maximum Term	12 months	12 months	24 months
Interest Rate / Monthly	2.80% - 3.00%	2.60% - 2.80%	2.80% - 3.00%
Repayment Condition (prepayment allowed without penalty)	<ul style="list-style-type: none"> Interest payments due monthly Principal payment due at end of term 	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<ul style="list-style-type: none"> Interest payments due monthly Flexible and multiple drawing amount during the loan contract No unutilized fee

B- INDIVIDUAL LOANS

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

PRODUCT DESCRIPTION	BUSINESS EXPANSION LOAN	SEASONAL LOAN	CREDIT LINE SEASONAL LOAN	HOME IMPROVEMENT LOAN	SME 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, any associations or entity who needs capital to expand their existing business or short term financing for specific business activity.	Individual client who needs fund for motorbike buying (brand new or second hand)	Low income urban dwellers
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	USD, THB, KHR	THB, USD	KHR, THB, USD
Maximum Loan Size	KHR 20,000,000 or equivalent currency	KHR 6,000,000 or equivalent currency	KHR 6,000,000 or equivalent currency	KHR 20,000,000 or equivalent currency	USD 5,001 - 50,000 or equivalent currency.	KHR 8,000,000 or equivalent currency	KHR 1,200,000 or equivalent currency
Maximum Term	36 months	12 months	12 months	36 months	60 months	36 months	12 months
Interest Rate / Monthly	1.70% - 2.90%	1.80% - 2.90%	1.80% - 2.90%	1.70% - 2.90%	1.40% - 2.50%	1.80% - 2.70%	2.30% - 3.00%
Repayment Condition (prepayment allowed without penalty)	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<ul style="list-style-type: none"> Interest repaid monthly and principal payment due at end of term 	<ul style="list-style-type: none"> Interest repaid monthly and principal payment due at end of term Flexible and multiple drawing amount during the loan contract No unutilized fee 	<ul style="list-style-type: none"> Monthly fixed payment 	Offering flexible repayment method below: <ul style="list-style-type: none"> Simi Balloon: offered to borrower to amortize principal in three options (3, 4 and 6 months). Annuity Payment: offered to borrower who wants to pay loan monthly with fixed amount. Straight-line monthly amortization: offered to borrower to amortize principal in monthly or grace period 	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<ul style="list-style-type: none"> Interest and principal payments due monthly

PRODUCT DESCRIPTION	AGRI-EQUIPMENT LOAN	UTILITIES LOAN	GENERAL LOAN
Target Clients	Individual client who needs funds to buy new Agri.-Equipment for agri-business	Low income client who needs funds for utilities expense	Old or new client who needs fund for general expense and consumption
Currency	THB, USD	KHR	KHR, THB, USD
Maximum Loan Size	KHR 12,000,000 or equivalent currency	KHR 1,200,000 or equivalent currency	KHR 2,000,000 or equivalent currency
Maximum Term	36 months	12 months	12 months
Interest Rate (Monthly)	1.70% - 2.70%	2.80%	2.40% - 3.00%
Repayment Condition (prepayment allowed without penalty)	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<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 Interest repaid monthly, principal payment due at end of term 	<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 Interest repaid monthly, principal payment due at end of term Interest repaid monthly, principal payment due at end of term, 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, THB
Maximum Loan Size	KHR 400,000 or equivalent currency
Disbursement Timeline	4-working hours from time of request
Maximum Term	10 months
Interest Rate (Monthly)	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	Depositors who need the flexibility of deposits and withdrawals for day to day transactions	Depositors who need a better interest rate and the flexibility of deposits and withdrawals for day to day transactions	Depositors who wish to deposit for a specific period of time in order to gain a higher interest rate	Depositors who wish to make regular deposits over a period of time	Depositors 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 Rate	3.00% - 5.00%, depending on account balance and deposit currency	3.50% - 5.50%, 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	<ul style="list-style-type: none"> • 4.00% - 5.00%, depending on account balance and deposit currency. • The account holder will get 300% insurance protection to the account holder for Personal accident (PA)

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 2,000 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 USD6.25

or KHR25.000 per year) AMK's customers can purchase this product for confidence and peace of mind that their family will have the means to maintain their lifestyle should an unfortunate event happen. This product was trialed in the provinces of Takeo and Prey Veng in February of 2014 for approximately 10 months. AMK has officially launched this product nationwide since 2015.

G- PAYMENT SERVICES

The bill payment service is provided in cash or between accounts throughout AMK's offices across the country and Agent Channel.

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 2016, 58 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

2016 is a challenging year faced with increasing growth in Non-Performing loans. The credit growth has slowed down in the last two quarter of 2016 with annual growth rate for 2016 at 24%. Loan quality remains manageable level at PAR of 1.40% for the whole sector while loan write off is only 0.19%. Additional sector-wide trends include:

- The number of borrowers increased by 1% to 2,038,749
- Loan portfolio increased by 24% to over USD 2,636.44 million
- The number of depositors increased by 28% to 1,790,989
- Deposit balances increased by 57% to USD 2,045.01 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 nine years are outlined below.

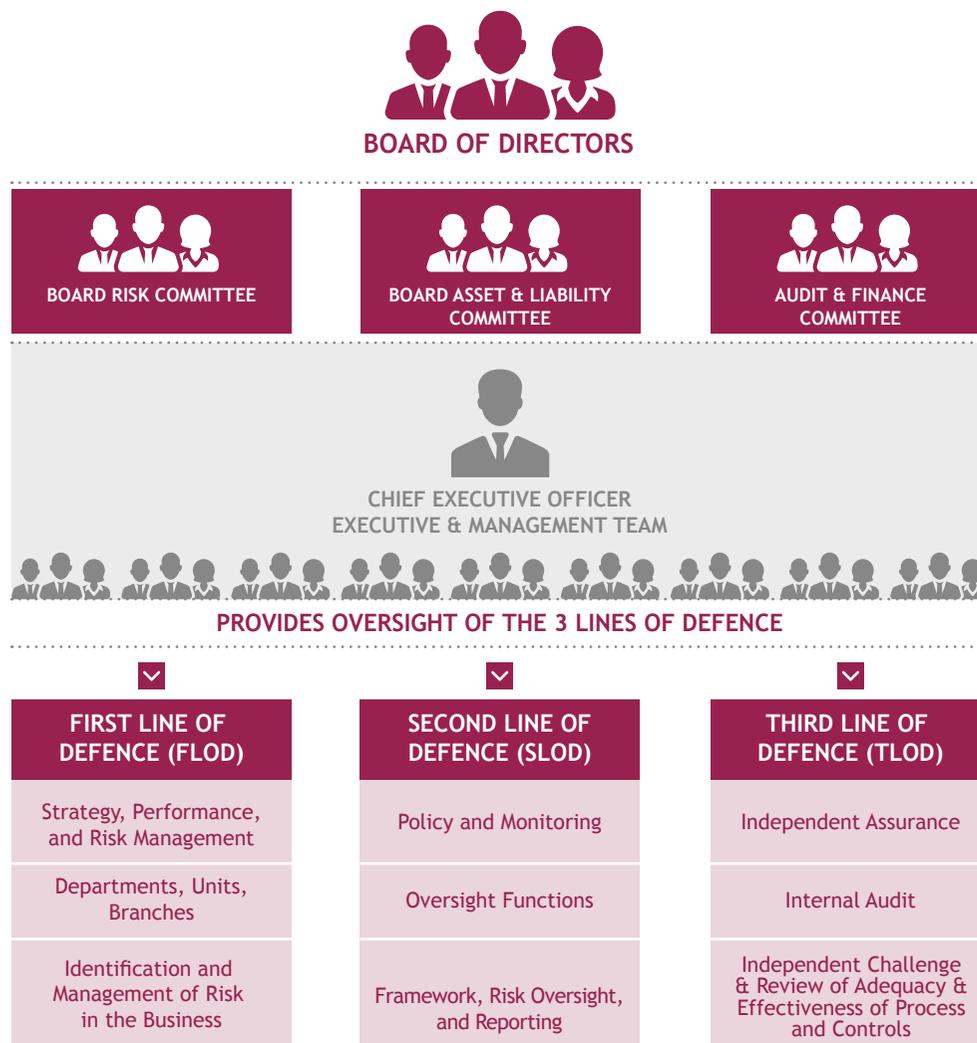
YEAR	NUMBER OF BORROWERS	LOAN OUTSTANDING (MILLION USD)	AVERAGE LOAN SIZE (USD)	NUMBER OF DEPOSITORS	DEPOSITS (MILLION USD)	AVERAGE DEPOSIT SIZE (USD)
2008	825,238	277.06	335.73	108,266	4.91	45.35
2009	878,559	299.30	340.67	126,099	9.70	76.96
2010	992,452	425.92	429.16	190,023	40.89	215.20
2011	1,151,340	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
2016	2,038,749	3,636.44	1,783.66	1,790,989	2,045.01	1,141.83

Note: NIX-Data from CMA 2016

Risk Management

The pursuit of AMK’s business strategy and operation model inherently carries risk, AMK thus recognizes that sound risk management is crucial to the success of its business activities.

In 2016, AMK continued to improve the risk awareness and culture through the implementation of the Enterprise Risk Management Framework (ERMF) across all business and enablement functions. The Framework is subject to constant evaluation to ensure that it meets the evolving challenges and requirements of the markets in which AMK operates, including regulatory standards and industry best practices. The Framework serves to constantly disseminate a risk culture, defined by the ‘tone from the top’ approach, aims to provide a coherent understanding of risk management across the institution. AMK’s risk culture, which believes risk management is a responsibility shared by all AMK’s staffs, is embedded through the following risk governance structure:



Working closely with the support functions, the First Line of Defence is the front office that has a clear responsibility for risk in terms of identifying them and reporting on any changes in the risk profile of its respective business.

As a Second Line of Defense, Risk and Compliance Function has its own responsibilities to develop, oversee and provide reporting on risk frameworks. In addition, Risk Function is also responsible to identify individual and portfolio risk, approve transactions, ensure that they are within approved limits, monitor the reporting and portfolio, taking into account current and future potential developments of the business and evolving risk environment.

Finally, Internal Audit forms the Third Line of Defense as a completely independent check to ensure adherence to approved policies and procedures.

Amongst the risks identified in the overall ERMF, some are well-known to AMK, others are relatively newer due to changes in regulations, stakeholders' concerns, or the competition landscape. All of them, whether old or emerging, are considered critical by AMK.



Under the framework, the above structure was set up in order to allow full alignment between the Board and the management level. Key achievements in 2016 are:

- Formation of an ALCO at the Board level focusing on liquidity risk, funding risk, interest rate risk, foreign exchange risk, and capital planning management. Board ALCO also discusses in details risks and implications happening at both sides of AMK's balance sheet derived by

changes in product (new product and variations to existing products), evolving business competition landscape, and other financial impact from the business plan and budgeting. As a result of this, Management ALCO's reporting line was moved from BRC to Board ALCOM.

- Charters of all the committees, both at Board-level and Management-level, were amended to align roles and responsibilities to this ERMF and to the newly created Board ALCO.

- AMK's overall Risk Appetite was established by the Board and is now supervised by the BRC. BRC oversees the risk strategy and its implementation making sure it is linked to AMK's Risk Appetite and operational needs across all material risk types.
- The Risk Appetite Matrix considers the various risk types and is operationalized via Key Risk Indicators (KRI), limits, policies, processes and controls. KRI for each business are continuously reviewed with alignment to its respective Key Performance Indicators (KPI).

Within the defined KRI and policies set, AMK's Risk Management function continues to use the bottom-up approach to get the structured feedbacks for constant improvement of the system and process in place with the clear objective to ensure AMK's business is operated within an acceptable and well-mitigated risk level. The structured-loop-feedback consists of periodical reviews of each business risk register, risk incidents which happened internally and externally to AMK, and audit finding reports. As a result, enhancement of many policies and procedures were conducted across the AMK.

Looking forward to 2017, AMK's key focus in Risk Management are the following:

- **Credit Risk:** The credit market in Cambodia is becoming more mature and highly competitive. Non-Performing Loan has been increasing across the industry driven by market competition, Cambodian macro-economic performance and global economic outlook. With the strategy to stay on top of its core market and to diversify to the Micro-Small & Medium Enterprise (MSME) segment, credit risk management requires a full revamping. Loan underwriting process continues to be the most crucial part of AMK's credit risk management including, but not limited to, cash flow assessment, product structuring, credit administration, digitalization of the credit process with the plan to use risk-based approach for an informed credit risk decision.
- **Operational Risk:** the key strategy in Operational Risk Management is Risk Management Uplift. The uplift plan is aimed to be held across functions, including Credit, Deposit, Channel Management, and Support Functions. The uplift's objective is to further enhance the effectiveness and efficiency of the existing key controls to ensure that AMK's operations are well functioning.
- **Technology Risk and Information Security:** With the broadening and increasing distribution channels, this is becoming an important

emerging risk. AMK takes this threat seriously and has implemented a broad range of controls to identify and mitigate risk to its customer and business. Top emerging risks and incidents of 2016 have already fed a discussion within the executive team and led to a clear Information Technology (IT) / Management Information System (MIS) security enhancement plan to be fully rolled out in 2017.

- **Regulatory Development:** The evolving regulatory landscape requires continuous vigilance in tracking international and domestic regulatory developments to ensure that AMK stays on top of changes applicable to its business. New requirements are analyzed and disseminated to the respective action parties and, where applicable, embedded into the processes and systems.
- **Financial Risk:** In line with the National Bank of Cambodia's Liquidity Risk Coverage Framework, Liquidity Risk Management continues to be the key focus amongst other financial risks. AMK's strategy is to ensure that both short and long term commitment are met and AMK is well prepared to any potential changes. Liquidity stress testing exercise and enhancement of cash management processes are the aims in 2017.



FINANCIAL REPORT & INDEPENDENT AUDITOR'S REPORT

Report of the Board of Directors
Independent Auditor's Report
Balance Sheet
Income Statement
Statement of Changes in Equity
Statement of Cash Flows
Notes to the 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 2016.

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”). The Company, before 7 July 2014, is known as Angkor Mikroheranhvatho (Kampuchea) Co.,

Ltd. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution (“MDI”) license to conduct deposit-taking business from the National Bank of Cambodia. 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:

	2016		2015	
	KHR’000	US\$ equivalent	KHR’000	US\$ equivalent
Profit before income tax	33,088,748	8,196,371	25,453,698	6,284,863
Income tax expense	(6,387,307)	(1,582,191)	(5,138,194)	(1,268,690)
Net profit for the year	26,701,441	6,614,180	20,315,504	5,016,173

DIVIDENDS

On 22 March 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to KHR2.03 billion during the year (US\$0.50 million) based on 2015 financial results. On 29 August 2016 the NBC approved the dividends. On 14 September 2016, 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

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 2016 that had significant impact on the financial position of the Company as at 31 December 2016.

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
Mr. Michael Goh Chiang Huat	Director (appointed 7 February 2017)

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 2016, 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 2016, and its financial performance and its 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

Independent Auditor's Report

To: The Shareholders of AMK Microfinance Institution Plc.

OPINION

We have audited the accompanying financial statements of AMK Microfinance Institution Plc. (“the Company”), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its 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.

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS 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.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a

whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



The image shows a blue circular stamp of Ernst & Young (Cambodia) Ltd. with Khmer text around the perimeter. Overlaid on the stamp is a handwritten signature in black ink that reads "Maria Cristina M. Calimbas".

Partner

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

Phnom Penh, Kingdom of Cambodia

31 March 2017

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Assets					
Cash on hand	3	49,579,891	12,281,370	45,460,719	11,224,869
Balances with the National Bank of Cambodia	4	118,688,171	29,400,092	29,393,520	7,257,659
Balances with banks	5	46,252,421	11,457,127	19,481,594	4,810,270
Loans to customers	6	598,146,744	148,166,149	512,985,627	126,663,118
Other assets	9	16,358,118	4,052,048	14,396,198	3,554,617
Property and equipment	7	26,356,818	6,528,813	18,454,696	4,556,715
Software	8	1,077,376	266,875	1,540,788	380,441
Deferred tax assets	14	3,548,865	879,085	2,977,177	735,105
Total assets		860,008,404	213,031,559	644,690,319	159,182,794
Liabilities and shareholders' equity					
Liabilities					
Deposits from customers	10	354,405,385	87,789,295	261,875,569	64,660,634
Income tax payable	14	5,686,194	1,408,520	4,890,319	1,207,486
Other liabilities	15	28,932,442	7,166,817	27,617,336	6,819,096
Borrowings	11	293,841,948	72,787,205	224,480,853	55,427,371
Subordinated debt	12	24,252,000	6,007,431	-	-
Provision for staff pension funds	13	11,637,366	2,882,677	9,243,062	2,282,237
Total liabilities		718,755,335	178,041,945	528,107,139	130,396,824
Shareholders' equity					
Share capital	16	35,127,300	8,701,338	35,127,300	8,673,407
Share premium		149,505	37,034	149,505	36,915
Reserve	16	16,414,114	4,065,919	13,888,134	3,429,169
Retained earnings		89,562,150	22,185,323	67,418,241	16,646,479
Total shareholders' equity		141,253,069	34,989,614	116,583,180	28,785,970
Total liabilities and shareholders' equity		860,008,404	213,031,559	644,690,319	159,182,794

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016		2015	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Operating income					
Interest income	17	193,791,247	48,003,777	146,935,811	36,280,447
Interest expense	18	(50,417,076)	(12,488,748)	(34,746,787)	(8,579,453)
Net interest income		143,374,171	35,515,029	112,189,024	27,700,994
Fee and commission expense	19	(14,799,347)	(3,665,927)	(12,823,370)	(3,166,264)
Other income	20	10,177,528	2,521,062	9,382,169	2,316,585
Total operating income		138,752,352	34,370,164	108,747,823	26,851,315
Grant income	22	644,364	159,615	386,476	95,426
Provision for losses on loans to customers	6	(8,690,754)	(2,152,775)	(4,367,201)	(1,078,321)
Other operating expenses	21	(97,617,214)	(24,180,633)	(79,313,400)	(19,583,557)
Profit before income tax		33,088,748	8,196,371	25,453,698	6,284,863
Income tax expense	14	(6,387,307)	(1,582,191)	(5,138,194)	(1,268,690)
Net profit for the year		26,701,441	6,614,180	20,315,504	5,016,173

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Reserve	Retained earnings	Total	US\$ equivalent (Note 2.3.1)
	(Note 16) KHR'000	KHR'000	(Note 16) KHR'000	KHR'000	KHR'000	
Balance as at 1 January 2016	35,127,300	149,505	13,888,134	67,418,241	116,583,180	28,878,667
Net profit for the year	-	-	-	26,701,441	26,701,441	6,614,180
Appropriation to reserves	-	-	2,525,980	(2,525,980)	-	-
Dividends declared	-	-	-	(2,031,552)	(2,031,552)	(503,233)
Balance as at 31 December 2016	35,127,300	149,505	16,414,114	89,562,150	141,253,069	34,989,614
US\$ equivalent (Note 2.3.1)	8,701,338	37,034	4,065,919	22,185,323	34,989,614	
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
US\$ equivalent (Note 2.3.1)	8,673,407	36,915	3,429,169	16,646,479	28,785,970	

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

Notes	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Operating activities				
	33,088,748	8,196,371	25,453,698	6,284,863
	<i>Add back:</i>			
21	6,332,641	1,568,650	5,023,215	1,240,300
	605,479	149,982	-	-
	40,026,868	9,915,003	30,476,913	7,525,163
	<i>Changes in operating assets and liabilities:</i>			
	(7,552,247)	(1,870,757)	(8,356,128)	(2,063,241)
	2,189,468	542,350	(1,292,228)	(319,069)
	(85,161,117)	(21,095,149)	(124,662,057)	(30,780,755)
	(1,961,920)	(485,985)	(4,148,874)	(1,024,413)
	92,529,816	22,920,440	101,766,675	25,127,574
	2,394,304	593,090	1,946,548	480,629
	5,113,137	1,266,569	9,628,262	2,377,349
	47,578,309	11,785,561	5,359,111	1,323,237
14	(6,163,120)	(1,526,658)	(4,780,476)	(1,180,364)
	41,415,189	10,258,903	578,635	142,873
Investing activities				
	(17,794,211)	(4,407,781)	(11,747,821)	(2,900,697)
	(380,650)	(94,290)	(575,640)	(142,134)

STATEMENT OF CASH FLOWS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016		2015	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Net cash used in investing activities		(18,174,861)	(4,502,071)	(12,323,461)	(3,042,831)
Financing activities					
Proceeds from borrowings		162,706,199	40,303,740	87,478,841	21,599,714
Proceeds from subordinated debt		24,252,000	6,007,431	-	-
Repayment of borrowings		(93,345,104)	(23,122,394)	(62,151,779)	(15,346,118)
Dividends paid		(2,031,552)	(503,233)	(1,631,381)	(402,810)
Net cash from financing activities		91,581,543	22,685,544	23,695,681	5,850,786
Net increase in cash and cash equivalents		114,821,871	28,442,376	11,950,855	2,950,828
Cash and cash equivalents at beginning of year		68,463,887	16,904,664	56,513,032	13,868,228
Foreign exchange difference		-	54,436	-	85,608
Cash and cash equivalents at end of the year		183,285,758	45,401,476	68,463,887	16,904,664

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	Notes	2016		2015	
		KHR'000	US\$ (Note 2.3.1)	KHR'000	US\$ (Note 2.3.1)
Cash on hand	3	49,579,891	12,281,370	45,460,719	11,224,869
Balances with the NBC	4	87,453,446	21,662,979	5,711,042	1,410,134
Balances with banks	5	46,252,421	11,457,127	17,292,126	4,269,661
		183,285,758	45,401,476	68,463,887	16,904,664

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016 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 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 33 branches and 118 sub-branches (2015: 31 branches and 115 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 2016 was KHR35.13 billion or US\$8.70 million (2015: KHR35.13 billion or US\$8.67 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
Mr. Michael Goh Chiang Huat	Director (appointed 7 February 2017)

Employees

As at 31 December 2016, the Company had a total of 2,349 employees (2015: 2,126 employees).

The financial statements were authorized for issue by the Board of Directors on 31 March 2017.

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 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.

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 can be realized in the future. As such, the Company recognized deferred tax assets as at 31 December 2016 amounting to KHR3.55 billion (US\$0.88 million) (2015: KHR2.98 billion or US\$0.74 million) as disclosed in Note 14.

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 KHR4,037 per US\$1 ruling at the reporting date (2015: KHR4,050: 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:

CLASSIFICATION	NUMBER OF DAYS PAST DUE	RATE OF PROVISION
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%
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 above mandatory level of specific provisioning, the Company provides, as a matter of policy, an additional general allowance for bad and doubtful loans at 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.

Overdue loans are also required to comply with the above mandatory level of specific provisioning depending on the loan classification.

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 Subordinated debt

Subordinated debt is a long-term debt that is subordinated to all other liabilities of the Company. This is treated as part of the Company's liabilities and included in the Company's net worth computation under the NBC's guidelines. Foreign exchange differences on subordinated debt are taken through the income statement.

2.3.15 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 Circular No. 07-012-001 dated 19 January 2012 on “Accounting for Currency Swap or Forward Contract”.

2.3.16 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.

2.3.17 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.

2.3.18 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.

2.3.19 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.

2.3.20 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.

2.3.21 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.

2.3.22 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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	3,011,397	745,949	1,792,187	442,515
Branches	46,568,494	11,535,421	43,668,532	10,782,354
	49,579,891	12,281,370	45,460,719	11,224,869

Analysis of cash on hand by currency is as follows:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Khmer Riel ("KHR")	23,911,184	5,923,008	20,234,413	4,996,151
US Dollar ("US\$")	24,242,974	6,005,196	23,776,159	5,870,657
Thai Baht ("THB")	1,425,733	353,166	1,450,147	358,061
	49,579,891	12,281,370	45,460,719	11,224,869

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	31,460,386	7,793,011	5,711,042	1,410,134
Negotiable certificate of deposit (“NCD”)	55,993,060	13,869,968	-	-
Capital guarantee	3,512,730	870,134	3,512,730	867,341
Reserve requirement	27,721,995	6,866,979	20,169,748	4,980,184
	118,688,171	29,400,092	29,393,520	7,257,659

Under NBC 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 and NCD earns annual interest at 3.00% in 2016 (2015: 3.00%), and at 1.00% - 2.00% in 2016, respectively, whereas the current accounts do not earn interest.

The NCD amounting to KHR200.00 million is used as collateral against the overdraft for FAST service with the NBC. The overdraft line as at 31 December 2016 is unutilized. The NCD amounting to KHR25.76 billion was used as collateral against the borrowing with the NBC (Note 11).

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by NBC Prakas No. 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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	9,788,828	2,424,778	2,829,399	698,617
Savings accounts	14,463,593	3,582,758	14,462,727	3,571,044
Placements and term deposits	22,000,000	5,449,591	2,189,468	540,609
	46,252,421	11,457,127	19,481,594	4,810,270

The current accounts do not earn interest. Savings accounts earn annual interest at 0.05% - 1.50% in 2016 (2015: 0.25% - 0.75%) whereas placements and term deposits earn annual interest at 2.75% in 2016 (2015: 1.00% to 5.00%).

Balances with banks analyzed by currency are as follows:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	29,925,385	7,412,778	8,960,515	2,212,473
US\$	6,986,425	1,730,598	8,131,230	2,007,711
THB	9,340,611	2,313,751	2,389,849	590,086
	46,252,421	11,457,127	19,481,594	4,810,270

6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Village bank loans				
Credit line	180,980,942	44,830,553	134,400,526	33,185,315
End of term	120,913,693	29,951,373	124,004,270	30,618,338
Installment	70,689,134	17,510,313	72,395,566	17,875,448
Individual loans				
Installment	158,739,336	39,321,114	116,217,763	28,695,744
Credit line	59,558,962	14,753,273	57,400,889	14,173,059
End of term	19,297,152	4,780,072	15,271,594	3,770,765
Gross loans to customers	610,179,219	151,146,698	519,690,608	128,318,669
Allowance for losses on loans to customers				
Specific	6,042,578	1,496,799	1,606,639	396,701
General	5,989,897	1,483,750	5,098,342	1,258,850
Allowance at end of year	12,032,475	2,980,549	6,704,981	1,655,551
Loans to customers - net	598,146,744	148,166,149	512,985,627	126,663,118

Movements of allowance for losses on loans to customers:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
At beginning of year	6,704,981	1,655,551	4,235,860	1,039,475
Provision during the year	8,690,754	2,152,775	4,367,201	1,078,321
Write-offs during the year	(3,363,260)	(833,109)	(1,898,080)	(468,662)
Foreign exchange difference	-	5,332	-	6,417
At end of year	12,032,475	2,980,549	6,704,981	1,655,551

Further analyses of loans to customers are set out below.

(a) Grading of loans to customers:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Standard loans				
Secured	234,502,340	58,088,269	187,082,783	46,193,280
Unsecured	368,104,190	91,182,608	330,493,448	81,603,320
Substandard loans				
Secured	932,379	230,958	204,367	50,461
Unsecured	1,482,989	367,349	264,138	65,219
Doubtful loans				
Secured	476,089	117,931	132,960	32,830
Unsecured	900,638	223,096	214,120	52,869
Loss loans				
Secured	797,049	197,436	213,082	52,613
Unsecured	2,983,545	739,051	1,085,710	268,077
Total gross loans	610,179,219	151,146,698	519,690,608	128,318,669

(b) Loan portfolio by maturity:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	38,794,210	9,609,663	29,386,902	7,256,025
More than 1 month to 3 months	126,036,750	31,220,399	106,967,536	26,411,737
More than 3 months to 12 months	301,347,425	74,646,377	250,307,307	61,804,274
More than 1 year to 5 years	141,709,966	35,102,791	130,967,477	32,337,649
More than 5 years	2,290,868	567,468	2,061,386	508,984
	610,179,219	151,146,698	519,690,608	128,318,669

(c) By residency, relationship, currency, industry sector and location:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Residence status:</i>				
Residents	610,179,219	151,146,698	519,690,608	128,318,669
<i>Relationship:</i>				
External customers	598,989,716	148,374,961	509,782,999	125,872,345
Staff loans	11,189,503	2,771,737	9,907,609	2,446,324
	610,179,219	151,146,698	519,690,608	128,318,669
<i>Currency:</i>				
KHR	459,047,183	113,709,978	404,254,360	99,815,892
US\$	121,332,002	30,054,992	86,826,413	21,438,620
THB	29,800,034	7,381,728	28,609,835	7,064,157
	610,179,219	151,146,698	519,690,608	128,318,669
<i>Industry sector:</i>				
Agriculture	306,822,550	76,002,614	282,081,940	69,649,862
Trade and commerce	126,051,720	31,224,107	98,143,560	24,232,978
Household	30,107,770	7,457,956	23,441,420	5,788,005
Services	25,402,550	6,292,432	20,347,380	5,024,044
Construction	114,552,250	28,375,588	89,921,570	22,202,857
Transportation	5,135,660	1,272,148	4,165,570	1,028,536
Others	2,106,719	521,853	1,589,168	392,387
	610,179,219	151,146,698	519,690,608	128,318,669
<i>Location:</i>				
Head office	2,922,360	723,894	2,518,062	621,744
Branches	607,256,859	150,422,804	517,172,546	127,696,925
	610,179,219	151,146,698	519,690,608	128,318,669

(d) Annual interest rates are as follows:

	2016	2015
External customers	19.20% - 36.00%	20.40% - 36.00%
Staff loans	2.00% - 11.00%	2.00% - 11.00%

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\$ equivalent (Note 2.3.1)
Cost							
As at 1 January 2016	2,497,271	3,933,668	8,852,981	17,397,486	339,857	33,021,263	8,179,654
Additions	358,572	210,473	3,860,634	2,215,871	11,148,661	17,794,211	4,407,781
Disposals/write-offs	(32,072)	-	-	(6,584,948)	(35,855)	(6,652,875)	(1,647,975)
Transfers	456,889	-	-	755,084	(1,434,755)	(222,782)	(55,185)
As at 31 December 2016	3,280,660	4,144,141	12,713,615	13,783,493	10,017,908	43,939,817	10,884,275
Accumulated depreciation							
As at 1 January 2016	896,915	1,806,976	4,555,140	7,307,536	-	14,566,567	3,608,265
Depreciation	728,318	284,129	1,117,251	3,143,707	-	5,273,405	1,306,268
Disposals/write-offs	(11,723)	-	-	(2,245,250)	-	(2,256,973)	(559,072)
As at 31 December 2016	1,613,510	2,091,105	5,672,391	8,205,993	-	17,582,999	4,355,461
Net book value							
As at 31 December 2016	1,667,150	2,053,036	7,041,224	5,577,500	10,017,908	26,356,818	
As at 31 December 2015	1,600,356	2,126,692	4,297,841	10,089,950	339,857	18,454,696	
US\$ equivalent (Note 2.3.1)							
As at 31 December 2016	412,968	508,555	1,744,172	1,381,595	2,481,523	6,528,813	
As at 31 December 2015	395,150	525,109	1,061,195	2,491,346	83,915	4,556,715	

8. SOFTWARE

	KHR'000	US\$ equivalent (Note 2.3.1)
Cost		
As at 1 January 2016	5,826,585	1,443,296
Addition	380,650	94,289
Disposal	(8,031)	(1,989)
Transfer	222,782	55,185
As at 31 December 2016	6,421,986	1,590,781
Accumulated amortization		
As at 1 January 2016	4,285,797	1,061,629
Amortization	1,059,236	262,382
Disposal	(423)	(105)
As at 31 December 2016	5,344,610	1,323,906
Net book value		
As at 31 December 2016	1,077,376	266,875
As at 31 December 2015	1,540,788	380,441

9. OTHER ASSETS

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest receivable				
Prepayments	6,333,132	1,568,772	4,932,036	1,217,787
Other assets	617,860	153,049	1,465,777	361,920
	16,358,118	4,052,048	14,396,198	3,554,617

10. DEPOSITS FROM CUSTOMERS

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Savings deposits	109,560,934	27,139,196	93,916,638	23,189,293
Term deposits	244,844,451	60,650,099	167,958,931	41,471,341
	354,405,385	87,789,295	261,875,569	64,660,634

Further analyses on deposits from customers follow:

(a) By maturity:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within 1 month	133,740,609	33,128,711	108,064,227	26,682,525
More than 1 month to 3 months	55,416,847	13,727,235	37,093,177	9,158,809
More than 3 months to 12 months	126,642,812	31,370,526	82,984,747	20,490,061
More than 12 months	38,605,117	9,562,823	33,733,418	8,329,239
	354,405,385	87,789,295	261,875,569	64,660,634

(b) By currency:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	244,761,444	60,629,537	169,752,147	41,914,110
US\$	102,339,152	25,350,298	87,621,158	21,634,854
THB	7,304,789	1,809,460	4,502,264	1,111,670
	354,405,385	87,789,295	261,875,569	64,660,634

(c) By relationship:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Non-related party	350,210,970	86,750,302	259,219,056	64,004,704
Related party	4,194,415	1,038,993	2,656,513	655,930
	354,405,385	87,789,295	261,875,569	64,660,634

(d) By interest rate per annum:

	2016	2015
Savings deposits	3.00% - 5.50%	3.00% - 5.75%
Term deposits	4.25% - 12.50%	4.25% - 12.25%

11. BORROWINGS

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Instituto de Credito Official of the Kingdom of Spain (“ICO”)	72,170,845	17,877,345	75,997,298	18,764,765
National Bank of Cambodia	24,000,000	5,945,009	-	-
Oikocredit	21,600,000	5,350,508	30,400,000	7,506,173
Symbiotics SA Information	20,198,052	5,003,233	12,009,174	2,965,227
BlueOrchard	20,059,495	4,968,911	11,959,188	2,952,886
Global Commercial Microfinance Consortium II B.V	16,148,000	4,000,000	16,200,000	4,000,000
Hivos-Triodos Fonds	16,000,000	3,963,339	12,000,000	2,962,963
Microvest GMG Local Credit Master Fund, Ltd	15,600,667	3,864,421	9,487,500	2,342,593
Rural Impulse Fund	11,803,000	2,923,706	5,625,000	1,388,889
ResponsAbility	11,234,572	2,782,901	10,606,061	2,618,781
Grameen Credit Agricole Microfinance Foundation	10,366,960	2,567,986	4,800,000	1,185,185
Bank im Bistum Essen eG	10,092,500	2,500,000	4,050,000	1,000,000
NMI KS	10,000,000	2,477,087	-	-
ICBC Limited Phnom Penh Branch	9,285,100	2,300,000	8,100,000	2,000,000
ASN Novib Microkredietfonds	8,146,000	2,017,835	8,146,000	2,011,358
Foreign Trade Bank of Cambodia	5,055,704	1,252,342	9,109,488	2,249,256
VDK-Spaarbank n.v	4,037,000	1,000,000	4,050,000	1,000,000
Kookmin Bank Cambodia Plc	4,037,000	1,000,000	-	-
Vattanac Bank	4,007,053	992,582	1,941,144	479,295
	293,841,948	72,787,205	224,480,853	55,427,371

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

(a) By currency:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	104,712,204	25,938,123	72,519,488	17,906,047
US\$	158,451,958	39,249,928	124,513,442	30,744,059
THB	30,677,786	7,599,154	27,447,923	6,777,265
	293,841,948	72,787,205	224,480,853	55,427,371

(b) By maturity:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	10,400,000	2,576,170	23,316,679	5,757,205
More than 1 month to 3 months	30,913,704	7,657,593	10,539,000	2,602,222
More than 3 months to 12 months	44,100,095	10,923,977	25,802,211	6,370,916
More than 1 year to 5 years	190,342,053	47,149,382	87,924,956	21,709,866
Over 5 years	18,086,096	4,480,083	76,898,007	18,987,162
	293,841,948	72,787,205	224,480,853	55,427,371

12. SUBORDINATED DEBT

This pertains to subordinated debt from Société de Promotion et de Participation pour la Coopération Economique (“PROPARCO”). On 14 June 2016, the NBC approved the subordinated debt from PROPARCO amounting to KHR24.252 billion (US\$5.94 million) obtained by the Company on 29 February 2016. This subordinated has a five-year term maturing on 15 September 2021.

13. PROVISION FOR STAFF PENSION FUND

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	9,243,062	2,282,237	7,296,514	1,790,556
Additions during the year				
Employer contribution	2,298,656	569,397	1,752,003	432,593
Employee contribution	1,056,744	261,765	876,002	216,297
Interest	709,074	175,644	555,031	137,045
Paid during the year	(788,949)	(195,430)	(1,047,896)	(258,740)
Reversal	(881,221)	(218,286)	(188,546)	(46,555)
Foreign exchange difference	-	7,350	(46)	11,041
Balance at end of year	11,637,366	2,882,677	9,243,062	2,282,237

14. INCOME TAX

14.1 Income tax expense

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.

Income tax expense comprises:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current	6,958,995	1,723,804	6,293,575	1,553,969
Deferred	(571,688)	(141,613)	(1,155,381)	(285,279)
	6,387,307	1,582,191	5,138,194	1,268,690

Movements of income tax payable are as follows:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	4,890,319	1,207,486	3,377,220	828,766
Income tax expense	6,958,995	1,723,804	6,293,575	1,553,969
Income tax paid	(6,163,120)	(1,526,658)	(4,780,476)	(1,180,364)
Foreign exchange difference	-	3,888	-	5,115
Balance at end of year	5,686,194	1,408,520	4,890,319	1,207,486

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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Profit before income tax	33,088,748	8,196,371	25,453,698	6,284,863
Income tax expense at applicable tax rate of 20%	6,617,750	1,639,274	5,090,740	1,256,973
Non-deductible expenses	341,245	84,530	1,202,835	296,996
Temporary differences	(571,688)	(141,613)	(1,155,381)	(285,279)
Effective income tax	6,387,307	1,582,191	5,138,194	1,268,690

14.2 Deferred income tax

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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Provision for staff pension funds	1,630,277	403,834	1,848,612	456,447
Allowance for loan losses	1,246,287	308,716	1,019,668	251,770
Accruals	505,992	125,339	425,625	105,093
Unrealized loss on foreign exchange	347,508	86,081	131,943	32,578
Property and equipment	(181,199)	(44,885)	(448,671)	(110,783)
	3,548,865	879,085	2,977,177	735,105

15. OTHER LIABILITIES

	31 December 2016		31 December 2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest payable	15,680,274	3,884,140	10,151,349	2,506,506
Accrued and other payables	5,944,503	1,472,505	5,088,857	1,256,509
Finance lease liability	-	-	4,375,616	1,080,399
Swap and forward exchange contract	2,073,627	513,655	4,169,009	1,029,385
Personnel and other related costs	4,193,436	1,038,751	3,250,374	802,561
Taxes payable	1,040,602	257,766	582,131	143,736
	28,932,442	7,166,817	27,617,336	6,819,096

16. EQUITY

Details of shareholding are as follows:

	2016			2015		
	KHR'000	US\$ equivalent (Note 2.3.1)	%	KHR'000	US\$ equivalent (Note 2.3.1)	%
Agora Micro-finance N.V	17,819,450	4,414,033	50.73	17,819,450	4,399,864	50.73
Rural Impulse Fund II	8,644,800	2,141,392	24.61	8,644,800	2,134,519	24.61
PROPARCO	5,250,000	1,300,471	14.95	5,250,000	1,296,296	14.95
CLDF	2,355,000	583,354	6.70	2,355,000	581,481	6.70
AMK - Staff Association	1,058,050	262,088	3.01	1,058,050	261,247	3.01
	35,127,300	8,701,338	100.00	35,127,300	8,673,407	100.00

The Company's registered and fully paid up share capital is 1,405,092 shares (2015: 1,405,092 shares) at KHR25,000 per share.

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires commercial banks including foreign subsidiaries a minimum registered capital of KHR120.000 billion (approximately US\$30.00 million).

Subsequently, on 16 June 2016, the NBC issued Circular B7-016-001 on Implementation of Prakas on Minimum Registered Capital of Banking and Financial Institutions that requires banks and financial institutions to inject half of the additional required capital to comply with the requirements of the Prakas by 31 March 2017 and to fully comply by 22 March 2018.

Complying with the requirement of the Prakas, on 13 February 2017, the NBC approved the increase of capital by KHR44 billion. The Company paid up the additional capital guarantee resulting from the capital increase on 17 February 2017.

Dividends

On 22 March 2016, the Board of Directors approved the declaration and payment of cash dividends amounting to KHR2.03 billion during the year (US\$0.50 million) on the basis of 2015 results. On 29 August 2016 the NBC approved the dividends. On 14 September 2016, the dividends were paid to the shareholders.

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.

17. INTEREST INCOME

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loans to customers	193,337,438	47,891,365	146,838,901	36,256,519
Balances with banks	453,809	112,412	96,910	23,928
	193,791,247	48,003,777	146,935,811	36,280,447

18. INTEREST EXPENSE

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Borrowings	26,939,404	6,673,124	19,211,952	4,743,692
Deposits from customers	22,768,598	5,639,980	14,979,804	3,698,716
Staff pension fund	709,074	175,644	555,031	137,045
	50,417,076	12,488,748	34,746,787	8,579,453

19. FEE AND COMMISSION EXPENSE

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Village Bank President and mobile banking agent commission	9,821,231	2,432,804	8,395,914	2,073,065
Fees and commissions on borrowings and swaps	4,978,116	1,233,123	4,427,456	1,093,199
	14,799,347	3,665,927	12,823,370	3,166,264

20. OTHER INCOME

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Mobile banking fees from customers	4,019,681	995,710	3,997,214	986,966
Loan fees	3,391,414	840,083	3,167,605	782,125
Micro-insurance commissions	1,367,262	338,683	1,134,991	280,245
Remittance fees	571,281	141,511	595,650	147,074
Payroll processing fees from customers	398,744	98,772	165,577	40,883
Loan penalties	195,905	48,527	73,751	18,210
Loan recovery	52,575	13,023	49,246	12,160
Other income	180,666	44,753	198,135	48,922
	10,177,528	2,521,062	9,382,169	2,316,585

21. OTHER OPERATING EXPENSES

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Personnel and other related costs	57,568,808	14,260,294	44,660,784	11,027,354
Depreciation and amortization	6,332,641	1,568,650	5,023,215	1,240,300
Rental	6,757,297	1,673,841	4,922,798	1,215,506
Professional fees	4,979,105	1,233,368	3,438,345	848,974
Transportation	4,026,531	997,407	3,658,579	903,353
Non-capitalisable furniture and fixtures	2,217,437	549,278	2,205,738	544,626
Stationeries and supplies	1,982,497	491,082	1,750,196	432,147
Security guard	1,908,089	472,650	2,201,194	543,505
Utilities	1,732,924	429,260	1,373,447	339,123
Printing	1,649,633	408,628	1,895,330	467,983
Marketing	1,649,150	408,509	2,174,076	536,809
NBC license	1,552,000	384,444	1,440,250	355,617
Communication	1,357,342	336,225	1,164,445	287,517
Repairs and maintenance	1,054,186	261,131	899,449	222,086
Bank charges	662,084	164,004	512,313	126,497
Loss of disposal of fixed assets	605,479	149,982	-	-
Foreign exchange loss, net*	438,490	108,618	1,230,866	303,917
Other expenses	1,143,521	283,262	762,375	188,241
	97,617,214	24,180,633	79,313,400	19,583,557

* This includes foreign exchange gain amounting to KHR392.93 million (US\$97,333) (2015: foreign exchange loss of KHR1.47 billion or US\$362,546) 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”.

22. GRANT INCOME

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

23. COMMITMENTS

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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one year	4,346,077	1,076,561	3,055,030	754,328
More than 1 year to 5 years	6,957,539	1,723,443	7,664,826	1,892,550
More than 5 years	3,402,424	842,810	2,962,347	731,444
	14,706,040	3,642,814	13,682,203	3,378,322

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

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Foreign exchange swap contracts	52,481,000	13,000,000	78,570,000	19,400,000
Foreign exchange forward contracts	2,018,500	500,000	16,200,000	4,000,000
Unused portion of credit line	45,871,948	11,362,880	51,429,623	12,698,672

The Company has 14 foreign exchange swap contracts (2015: 21 contracts) with certain commercial banks which are outstanding as at 31 December 2016. The Company enters into these contracts in order to manage its foreign exchange risk.

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Transaction	2016		2015	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
PROPARCO (shareholder)	Consultant fee	173,514	42,981	-	-
Board of directors	Remuneration	144,692	35,841	232,432	57,391
Key management personnel	Interest income	-	-	8,983	2,218
	Remuneration	2,000,640	495,576	1,214,591	299,899

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

Related party	Transaction	2016		2015	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Key management personnel	Deposit	706,710	175,058	122,876	30,340
	Loan	-	-	77,653	19,174
Agora Micro-finance N.V (shareholder)	Deposit	2,641,846	654,408	2,533,637	625,590

25. 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 23).

The Company intends to comply with the NBC 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:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Financial assets				
Cash on hand	49,579,891	12,281,370	45,460,719	11,224,869
Balances with the NBC	87,453,446	21,662,979	5,711,042	1,410,134
Balances with banks	46,252,421	11,457,127	19,481,594	4,810,270
Loans to customers	598,146,744	148,166,149	512,985,627	126,663,118
Other assets	9,407,126	2,330,227	7,998,385	1,974,910
Total financial assets	790,839,628	195,897,852	591,637,367	146,083,301
Financial liabilities				
Deposits from customers	354,405,385	87,789,295	261,875,569	64,660,634
Borrowings	293,841,948	72,787,205	224,480,853	55,427,371
Subordinated debt	24,252,000	6,007,431	-	-
Other liabilities	27,800,191	6,886,349	27,035,205	6,675,360
Total financial liabilities	700,391,173	173,492,982	513,391,627	126,763,365

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 2016, the Company is compliant with the solvency ratio prescribed by the NBC at 15%, as shown in the table below:

	2016 (Unaudited)		2015 (Unaudited)	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Share capital	35,127,300	8,701,338	35,127,300	8,673,407
Share premium	149,505	37,034	149,505	36,915
Reserve	16,414,114	4,065,919	13,888,134	3,429,169
Retained earnings	89,562,150	22,185,323	67,418,241	16,646,479
	141,253,069	34,989,614	116,583,180	28,785,970
Add subordinated debt	24,252,000	6,007,431	-	-
Less loans to related parties	(1,427,000)	(353,480)	(1,618,691)	(399,677)
Total regulatory capital	164,078,069	40,643,656	114,964,489	28,386,293
Total risk-weighted assets	737,535,980	182,694,075	620,060,659	153,101,397
Solvency ratio	22.25%	22.25%	18.54%	18.54%

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 2.3.21).

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

25.1 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 as follows:

	2016		2015	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loans to customers neither past due nor impaired (i)	602,606,529	149,270,877	517,576,231	127,796,600
Loans to customers past due but not impaired (ii)	2,494,910	618,011	449,736	111,046
Loans to customers individually impaired (iii)	5,077,780	1,257,810	1,664,641	411,023
Loans to customers, gross	610,179,219	151,146,698	519,690,608	128,318,669

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 NBC 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.

25.2 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.

25.3 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\$ 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

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

	2016			2015		
	KHR KHR'000	US\$ KHR'000	THB KHR'000	KHR KHR'000	US\$ KHR'000	THB KHR'000
On-balance sheet items						
Financial assets						
Cash on hand	23,911,184	24,242,974	1,425,733	20,234,414	23,776,158	1,450,147
Balances with the NBC	39,233,659	48,219,787	-	2,376,750	3,334,292	-
Balances with banks	29,925,385	6,986,425	9,340,611	8,960,515	8,131,230	2,389,849
Loans to customers	449,382,005	119,864,885	28,899,854	398,912,844	85,925,345	28,147,438
Other assets	7,578,212	1,370,494	458,420	6,585,094	436,484	976,807
Total financial assets	550,030,445	200,684,565	40,124,618	437,069,617	121,603,509	32,964,241
Financial liabilities						
Deposits from customers	244,761,444	102,339,152	7,304,789	169,752,147	87,621,158	4,502,264
Borrowings	104,712,204	158,451,958	30,677,786	72,519,489	124,513,442	27,447,922
Subordinated debt	24,252,000	-	-	-	-	-
Other liabilities	17,780,535	9,465,455	645,850	14,340,429	12,187,446	507,330
Total financial liabilities	391,506,183	270,256,565	38,628,425	256,612,065	224,322,046	32,457,516
Net open position	158,524,262	(69,572,000)	1,496,193	180,606,244	(102,161,244)	869,657
Off-balance sheet items						
Foreign exchange swap contracts	(52,481,000)	52,481,000	-	(78,570,000)	78,570,000	-
Foreign exchange forward contracts	-	2,018,500	(2,018,500)	(16,200,000)	16,200,000	-
	(52,481,000)	54,499,500	(2,018,500)	(94,770,000)	94,770,000	-
Net open position	106,134,911	(15,072,500)	(522,307)	85,836,244	(7,391,244)	869,657
US\$ equivalent (Note 2.3.1)	26,290,540	(3,733,589)	(129,380)	21,194,134	(1,824,999)	214,730

The Company enters into these contracts to manage its foreign exchange risk. As exposure is deemed to be minimal, no sensitivity analysis for foreign currency exchange risk was presented.

(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 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. Balances with the NBC and banks earn fixed interest for the respective period of the deposit and placement, and loans to customers earns fixed interest based on outstanding balance and the agreed maturity term.

	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 2016								
Financial assets								
Cash on hand	-	-	-	-	-	49,579,891	49,579,891	-
Balances with the NBC	-	-	55,993,060	-	-	31,460,386	87,453,446	0.64
Balances with banks	22,000,000	9,788,828	14,463,593	-	-	-	46,252,421	1.59
Loans to customers	38,794,211	85,799,779	341,584,396	129,677,490	2,290,868	-	598,146,744	32.84
Other assets	9,407,126	-	-	-	-	-	9,407,126	-

	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 Interest %
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	
	70,201,337	95,588,607	412,041,049	129,677,490	2,290,868	81,040,277	790,839,628	
Financial liabilities								
Deposits from customers	130,513,144	55,416,847	130,837,230	37,638,164	-	-	354,405,385	7.81
Borrowings	2,400,000	30,913,704	52,100,095	190,342,053	18,086,096	-	293,841,948	8.74
Subordinated debt	-	-	4,850,400	19,401,600	-	-	24,252,000	17.69
Other liabilities	-	113,873	27,777,967	-	-	-	27,891,840	-
	132,913,144	86,444,424	215,565,692	247,381,817	18,086,096	-	700,391,173	
Maturity gap	(62,711,807)	9,144,183	196,475,357	(117,704,327)	(15,795,228)	81,040,277	90,448,455	
US\$ equivalent (Note 2.3.1)	(15,534,260)	2,265,094	48,668,654	(29,156,385)	(3,912,615)	20,074,382	22,404,870	
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	-	-	-	-	-	7,998,385	7,998,385	-
	46,679,029	106,967,535	252,496,775	124,262,496	2,061,386	59,170,146	591,637,367	
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)	59,170,146	78,245,740	
US\$ equivalent (Note 2.3.1)	(16,035,601)	13,341,920	22,266,150	(7,763,886)	(7,098,560)	14,609,913	19,319,936	

25.4 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	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
As at 31 December 2016						
Financial assets						
Cash on hand	49,579,891	-	-	-	-	49,579,891
Balances with the NBC	31,460,386	-	55,993,060	-	-	87,453,446
Balances with banks	22,000,000	9,788,828	14,463,593	-	-	46,252,421
Loans to customers	38,794,211	85,799,779	341,584,396	129,677,490	2,290,868	598,146,744
Other assets	9,407,126	-	-	-	-	9,407,126
Total financial assets	151,241,614	95,588,607	412,041,049	129,677,490	2,290,868	790,839,628
Financial liabilities						
Deposits from customers	130,513,144	55,416,847	130,837,230	37,638,164	-	354,405,385
Borrowings	2,400,000	30,913,704	52,100,095	190,342,053	18,086,096	293,841,948
Subordinated debt	-	-	4,850,400	19,401,600	-	24,252,000
Other liabilities	-	113,873	27,777,967	-	-	27,891,840
Total financial liabilities	132,913,144	86,444,424	215,565,692	247,381,817	18,086,096	700,391,173
Net liquidity surplus (gap) - KHR'000	18,328,470	9,144,183	196,475,357	(117,704,327)	(15,795,228)	90,448,455

US\$ equivalent (Note 2.3.1)	4,540,121	2,265,094	48,668,654	(29,156,385)	(3,912,614)	22,404,870	
	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	7,998,385	-	-	-	-	-	7,998,385
Total financial assets	105,849,175	106,967,535	252,496,775	124,262,496	2,061,386	-	591,637,367
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	(5,774,037)	54,034,777	90,177,908	(31,443,740)	(28,749,168)	-	78,245,740
US\$ equivalent (Note 2.3.1)	(1,425,688)	13,341,920	22,266,150	(7,763,886)	(7,098,560)	-	19,319,936

25.5 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.

26. SUBSEQUENT EVENTS

On 13 March 2017, the NBC issued Prakas B7-017-109 Prokor, requiring microfinance institutions (MFIs), including microfinance deposit-taking institutions (MDIs) to observe a ceiling on interest rate charged to its borrowers. The cap is set at 18% per annum. This is applicable to all new credit facilities, including restructured and refinanced loans, issued and disbursed from 1 April 2017.

As at the report date, the Company is assessing the potential effect of this new regulation in its operations.

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 2016 that had significant impact on the financial position of the Company as at 31 December 2016.

27. 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.

Awards and Recognition YEAR 2016



The microfinance is recognized for the most use of Khmer currency (riel) from the National Bank of Cambodia (NBC) and the Young Entrepreneurs Association of Cambodia (YEAC).



The microfinance is recognized for fully implementing 7 Client Protection Principles (This policy can help client to avoid over-indebtedness) from Smart Campaign.



Runner up candidate for financial exclusive challenge (in the topic of expanding Health Insurance to the spouse who used AMK's loan) from The Wall Street Journal, a US international press.

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