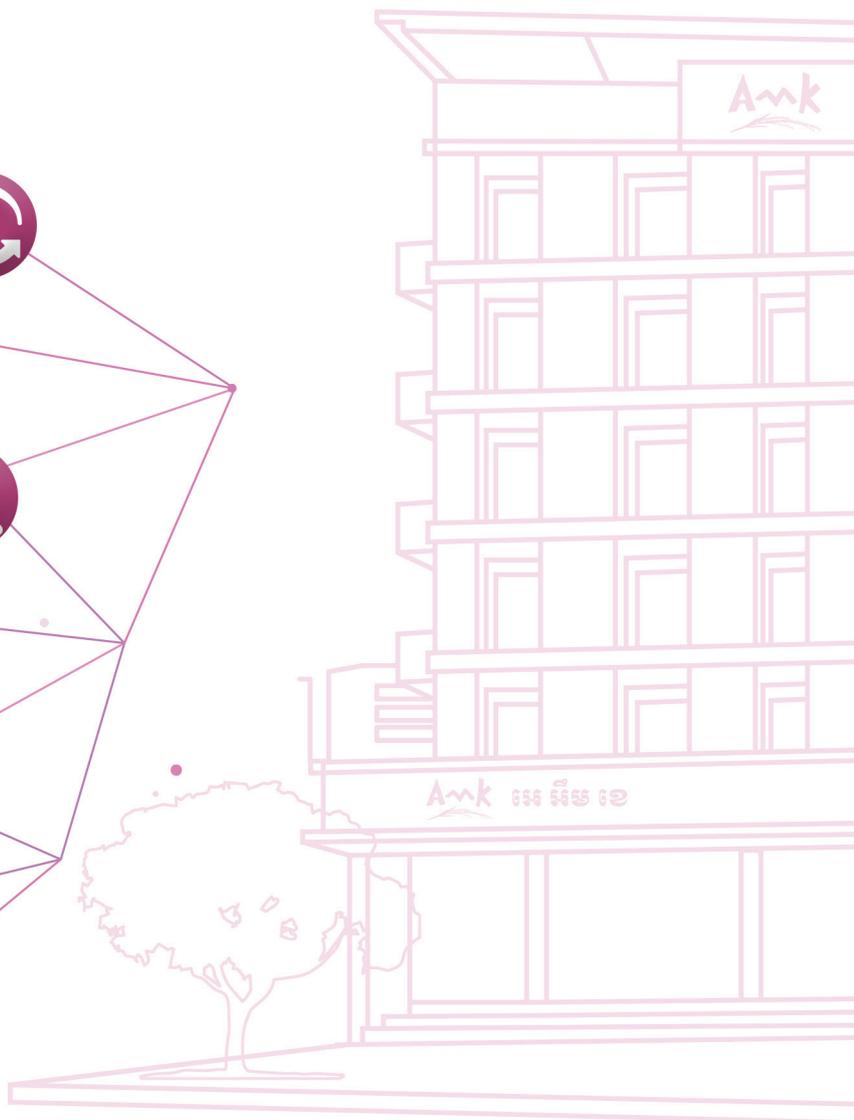


ANNUAL REPORT 2018



ONE-STOP SHOP

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VISION

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

MISSION

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

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.

TRANSPARENT PRICING

AMK will provide clients with complete information on product features, costs, and obligations and will ensure transparency in all products and transaction pricing.

FREEDOM OF CHOICE

AMK will facilitate and promote freedom of choice to its clients.

MECHANISMS FOR REDRESS OF GRIEVANCES

AMK will provide clients with appropriate and accessible mechanisms for complaint and problem resolution.

AVOIDANCE OF OVER-INDEBTEDNESS

AMK will limit client exposure to their capacity to repay and will seek to avoid client over-indebtedness.

ETHICAL STAFF BEHAVIOR

AMK will ensure ethical and respectful behavior of staff towards clients.

APPROPRIATE COLLECTION PRACTICES

AMK's debt collection practices will be reasonable and collaborative and never abusive or coercive.

PRIVACY OF CLIENT DATA

The privacy of client data will be respected unless disclosure is required by law.

KEY MILESTONES

DESCRIPTIONS	2005	2010	2015	2018
Number of Offices	5	22	146	149
Number of Villages	912	8,032	12,394	12,614
Coverage of Total Villages in Cambodia	7%	57%	88%	89%
Number of Staff	108	844	2,126	2,811
Number of Total Client Accounts	73,946	251,636	481,890	765,058
Number of Active Loan Accounts	73,073	250,930	335,837	359,681
Loan Portfolio (USD)	\$10,174,859	\$31,715,578	\$128,318,669	\$252,910,502
Number of Active Depositor Accounts	0	4,578	163,856	793,526
Deposit Balance (USD)	\$0	\$1,929,691	\$66,942,872	\$159,864,077
Number of ATMs / CDMs	0	0	54	61
Number of Active Micro-Insurance	0	0	127,057	285,646
Net Profit (after tax, USD)	\$13,980	\$935,239	\$5,016,174	\$6,659,344
Operational Self Sufficiency (OSS)	103.4%	113.1%	119.6%	115.8%

DESCRIPTIONS	2005	2010	2015	2018
Return on Assets (RoA)	0.5%	2.3%	3.7%	2.2%
Return on Equity (RoE)	0.6%	7.6%	19.2%	15.3%
Portfolio Yield	36.0%	35.3%	33.9%	25.2%
Operating Cost Ratio	36.9%	21.5%	19.5%	13.9%
Average Cost of Funds	12.6%	10.6%	9.4%	6.9%
Leverage Ratio (Debt to Equity)	0.3	2.1	4.3	5.0
PAR 30 Days	0.05%	1.57%	0.41%	1.09%
Write off Ratio	0.95%	1.14%	0.42%	1.14%
Percent of Loans ≤USD 500	99.0%	98.5%	88.1%	21.5%
Average Outstanding Loan Per Loan Account (USD)	\$68	\$124	\$377	\$687
Average Deposit Per Deposit Account (USD)	\$6	\$306	\$395	\$200
Women Borrowers as Percentage of Total	86.0%	86.0%	82.1%	81.3%
Rural Borrowers as Percentage of Total	90.0%	92.0%	92.5%	93.1%
Drop-out Rate**	15%	23%	24%	19%

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



100% AMK REACHES OF ALL COMMUNES IN CAMBODIA

12,614
OPERATING IN
VILLAGES
89% OF THE
COUNTRY



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



34
BRANCH OFFICES



115
SUB BRANCH OFFICES



359,681
LOAN ACCOUNTS

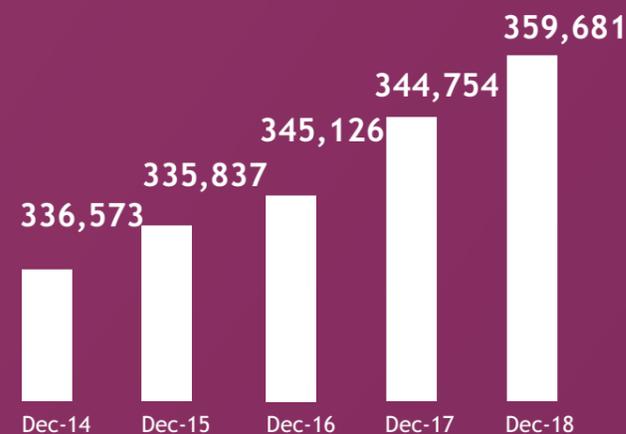


793,526
DEPOSIT ACCOUNTS

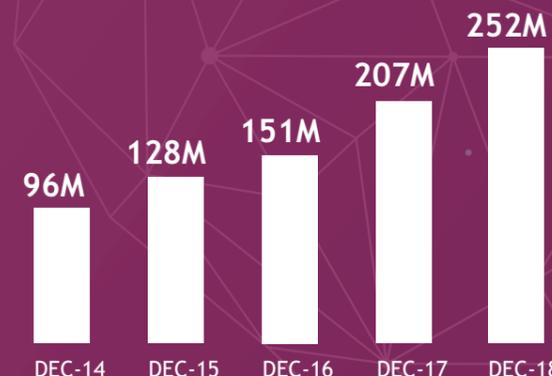


285,646
MICRO-INSURANCE

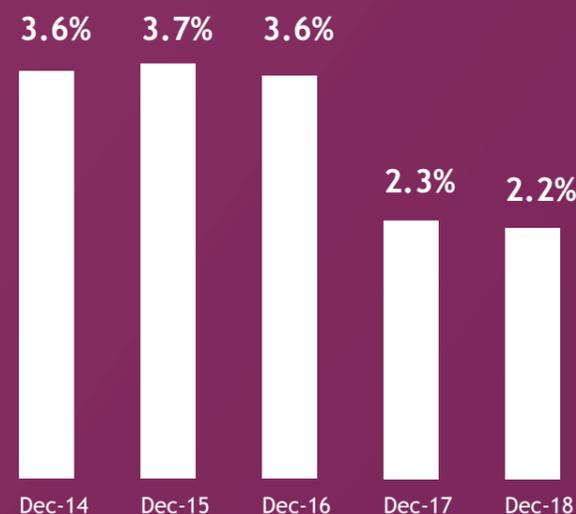
5-YEAR PERFORMANCE HIGHLIGHTS



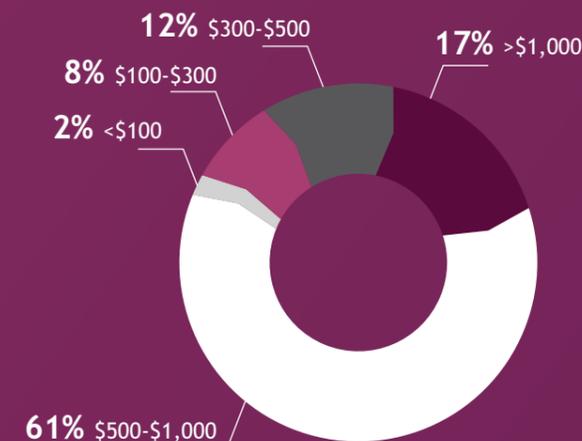
NUMBER OF ACTIVE LOAN ACCOUNTS



LOAN PORTFOLIO (USD)



RETURN ON AVERAGE ASSETS (ROA)



LOAN DISBURSEMENT BY SIZE, DEC-18

5-YEAR PERFORMANCE HIGHLIGHTS

DESCRIPTIONS

I- Operational Highlights

	2014	2015	2016	2017	2018
Number of Branches	28	31	33	34	34
Number of Sub-Branches	111	115	118	116	115
Number of Villages	12,075	12,394	12,513	12,560	12,614
• Coverage of total villages in Cambodia	86%	88%	89%	89%	89%
Number of Staff	1,740	2,126	2,349	2,494	2,811
• Client Officers over Total Staff	46%	41%	39%	38%	35%
Number of Total Client Accounts	431,475	481,890	616,271	683,354	765,058
Number of Active Loan Accounts	336,573	335,837	345,126	344,754	359,681
• Group Loan Account	86%	81%	79%	76%	78%
• Individual Loan Account	14%	19%	21%	24%	22%
Loan Portfolio (USD)	\$96,333,603	\$128,318,669	\$151,146,698	\$207,280,282	\$252,910,502
• Group Loans	65%	65%	62%	60%	52%
• Individual Loans	35%	35%	38%	40%	48%
Active Loan Accounts/Avg. Client Officer	437	409	372	360	359
Loan Outstanding/Avg. Client Officer (USD)	\$122,598	\$154,372	\$161,008	\$214,131	\$248,204
Number of Depositors with Outstanding Loan	14,899	17,803	28,633	236,871	388,149
Number of Active Depositor Accounts	109,801	163,856	271,077	575,471	793,526
Deposit Balance (USD)	\$41,081,082	\$66,942,872	\$90,671,972	\$121,622,558	\$159,864,077
Number of ATM / CDM	20	54	58	61	61
Number of Micro-insurance Sold	9,886	127,057	195,805	286,872	285,646

II- Financial Highlights

Net Profit (after tax, USD)	\$4,003,339	\$5,016,174	\$6,632,341	\$5,277,866	\$6,659,344
Operational Self Sufficiency (OSS)	119.9%	119.6%	119.4%	114.8%	115.8%
Return on Assets (RoA)	3.6%	3.7%	3.6%	2.3%	2.2%
Return on Equity (RoE)	18.3%	19.2%	20.9%	13.9%	15.3%
Portfolio Yield	33.8%	33.9%	33.8%	29.2%	25.2%
Operating Cost Ratio	18.7%	19.5%	18.4%	16.4%	13.9%
Average Cost of Funds	9.9%	9.4%	9.5%	7.8%	6.9%
Leverage Ratio (Debt to Equity)	3.7	4.3	4.8	4.5	5.0
PAR 30 Days	0.15%	0.41%	1.24%	1.48%	1.09%
Write off Ratio	0.39%	0.42%	0.57%	0.94%	1.14%

DESCRIPTIONS

III- Social Highlights

Loan Highlights

	2014	2015	2016	2017	2018
Average Loan Size/GNI per Capita (loan disbursed)	38.7%	47.0%	54.6%	52.6%	59.4%
Percent of Loans ≤ USD500	92.4%	88.1%	84.6%	36.9%	21.5%
Average Outstanding Loan Per Loan Account (USD)	\$282	\$377	\$433	\$596	\$687
• Group Loan Account	\$217	\$304	\$344	\$470	\$504
• Individual Loan Account	\$702	\$718	\$774	\$1,005	\$996
Average Loan Disbursed (USD)	\$368	\$475	\$552	\$755	\$852
• Group Loan Account	\$283	\$367	\$418	\$570	\$599
• Individual Loan Account	\$880	\$945	\$1,046	\$1,342	\$1,354

Deposit Highlights

Average Deposit Balance /GNI per Capita	37.7%	39.2%	32.0%	14.3%	14.0%
Percentage of Deposits with Balance ≤ USD300	91.6%	92.1%	94.0%	96.7%	97.4%
Average Deposit Per Deposit Account (USD)	\$358	\$395	\$324	\$205	\$200

Money Transfer Highlights

Number of Money Transfer ≤ USD300	145,601	569,802	736,217	713,085	525,254
Average Transfer Balance/GNI per Capita	48.8%	31.1%	27.8%	28.8%	30.5%

Other Social Highlights

Women Borrowers as Percentage of Total	83.2%	82.1%	81.5%	81.5%	81.3%
Rural Borrowers as Percentage of Total	97.0%	92.5%	96.7%	96.7%	93.1%
Drop-out Rate	24%	24%	23%	26%	19%
Depth of Outreach: New Clients (<1 year) Below Poverty Line					
• Poverty Likelihood among New VB borrower - PPI (Government definition at 150%)	-	45%	36%	37%	44%
• % of New Group Clients Identified as Poor (Base on ID poor1 and poor2)	37%	34%	29%	23%	22%
• New Group Clients Identified as Poor (Base on ID poor1 and poor2)	31,378	23,802	29,988	20,031	14,354

CHAIRMAN'S REPORT



AMK continued to provide stable and reliable financial services to its clients despite many changes in the politico-economic landscape of Cambodia. While the country continued to experience robust GDP growth [Asian Development Bank estimate of 7.0%] and moderate inflation [ADB estimate of 3.2%], much of this growth continued to be dependent on the key sectors of agriculture and garment exports. As a result, weather patterns and international trade and politics always have an impact on Cambodia's economy, and this year was no different. Recent political partnerships in the region are a good step forward for Cambodia as it reduces its dependence on countries further away on the map.

For AMK, the year 2018 heralded a major shift in the shareholder composition of AMK. Long-term supporters Incofin (RIF II), Proparco and CLDF exited the shareholding of AMK after a strong run of 6 years. All three shareholders played a crucial role in AMK's progress and we were happy to see them exit while achieving substantial social and financial impact during their engagement at AMK. Agora Microfinance, AMK's promoter-shareholder, also diluted its shareholding alongside.

A word on the shareholder change is due. AMK's erstwhile shareholders had recognized that the complexity and scale of AMK's operations were more akin to a retail bank than a microfinance company. Given the stronger regulations, deeper capital needs and future investments foreseen in technology and infrastructure, it was felt appropriate that a suitable banking institution is sought as AMK's key shareholder going forward. In a way, the mission of the erstwhile shareholders had been accomplished successfully.

After a detailed search, we found a strong, stable and very like-minded shareholder in the Shanghai Commercial and Savings Bank (SCSB), who I warmly welcome to the AMK fold through this message. SCSB has a rich 100-year-old history of providing suitable financial products to the common public in Taiwan, Hong Kong, and mainland China. It is one of the first mass-market banks in China which opened its doors to small depositors in 1915. Agora Microfinance, now as a minority shareholder, continued to help with the transition in shareholding in order to achieve the best of new ideas as well as continuity through this partnership.

Away from shareholder changes, AMK continued its strong march and expanded further on its loan, deposit, and micro-insurance business, while adding more agents for mobile-based banking as well. More details on the business are outlined in our CEO's report. In terms of business numbers, the year saw us regain greater market share while efficiency in operations continued to improve, resulting in a strong RoE of 15.27% despite having lowered interest rates on loans. A substantial task of a change to our core-banking system was completed alongside the upgrading of our agent-banking infrastructure. We also went almost entirely paper-less in our loan operations in the villages, through a loan origination, assessment and approval process which has now been completely

digitized. All these upgrades to our technology will help us continue to be nimble-footed and also pass on the benefits through even more competitive product delivery and pricing.

As always, my thanks go out to our management, led by CEO Kea Borann, for achieving excellent results in such a fast-moving environment. Their commitment and leadership have been exemplary year after year, and 2018 was no exception. Similarly, I extend my appreciation to our middle and branch management, and our thousands of field staff whose tireless quest for quality and service is unquestionable.

I particularly delighted that our independent Directors Tip Janvibol and Seida Heng continue to support AMK post the transition.

I would like to deeply thank our outgoing Board members Joshua Morris and Michael Goh, who retired as their nominee shareholders exited. We were lucky to be able to retain Dina Pons on the Board as an independent Director going forward.

I warmly welcome John Con-Sing Yung, Pi-Fen Hsieh, Ru-Hung Wei, and Chin-Kang Liu as new Board members representing SCSB on the Board.

Finally, I would like us to take a moment to note the passing of our Board member Pete Power at the end of 2018. Pete was involved with AMK since 2005, as a Director and ex-CEO, and was highly admired and loved by all of his AMK family. His contribution to AMK was unmatched, and we are deeply sorry that his association with us came to an abrupt end due to his passing away. May he rest in peace.

TANMAY CHETAN

Chairman, Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT



The year 2018 ended with a remarkable new milestone for AMK. To continue its objective to offer sound and viable “One-Stop Shop” financial services to the unbanked low-income customers, especially those who live in a rural area. AMK has successfully upgraded its core IT system for both Core Banking and agent banking in 2018. This not only allows AMK to offer faster and better service but also ensures further security and stronger privacy of customer data.

During the year, AMK continued to deliver its services to all of rural Cambodia. Over 96% of its loan customers live in rural areas, and approximately 33% of a new client who joined AMK in 2018 are classified as poor using our definition of poverty, which is 1.5 times the government definition of poverty (following the PPI index, the industry standard tool for measuring poverty).

AMK also continued to establish strong footprints in its distribution network, with 2,811 full-time employees, almost 4,000 agents, 61 ATM/CDMs, and 149 offices across Cambodia. AMK currently works in 12,614 villages (89% of a total village), 1,611 communes and all of the 25 provinces and cities.

AMK reached out to more low-income people than ever before. The number of loan accounts increased from 342,579 in 2017 to 359,981 end of 2018. The value of loans outstanding has increased to US\$ 252.9 million from US\$ 204 million in the same period. The average loan outstanding per account remains amongst the lowest within the peer group at US\$ 703. Non-Performing Loans remains at more than acceptable level of 1.09% at the end of 2018. Moreover, over 80% of AMK's loan clients hold health and accident insurance policies with AMK's insurance partner. The customer retention rate significantly improves in 2018 to 89% compared to 74% in 2017 using standard industry definitions (MIX Market). The customer satisfaction rate also remains good standing at a high 5.02 points over a total of 6 points on our internal metrics.

Deposit clients also grew well during 2018 ending with 793,526 deposit accounts and a balance of US\$ 158.8 million, representing a growth rate of 38% and 34% respectively. Over 80% of AMK's deposit account balances are small, of less than US\$100, reflecting our depth of reach in deposits. During the year AMK also launched a savings campaign targeting the rural population for group accounts led by an elected group leader (Savings Association Program). Currently, AMK has 571 such savings group with a total of 21,967 accounts held by 12,470 clients. The total saving balance is US\$261,300, which in average each client save about \$20.

AMK expanded further its payment, payroll and money transfer services in 2018 across its distribution network. The total number of transaction increased by 25% ending with 2.6 million transactions for fully 2018.

AMK also put significant effort on client education toward the responsibility of using financial service, especially on credit. AMK produced three short education videos that reached more than 2.6 million people.

AMK, with the support from a donor, has recently developed and launched a mobile application called “Tonlesap” aiming to provide good practices, lesson learn and new technology and techniques to improve farming activities. Tonlesap App also offers information on the price of input supplies and as well as market prices of farm products. Farmers will soon be able to list their product as well.

The overall performance in 2018 slightly improved from 2017. The Return on Equity and Return on Asset is at 15.27% and 2.24% respectively. The improvement is largely resulting from the improvement of operating cost through process digitizing, and lower cost of fund from both deposit and borrowing.

Cambodia macro-economic outlook in 2019 is favorable, with a GDP growth forecast of 7% and an inflation rate of 3.5%¹. AMK expects to continue to establish its multiple business lines to retain market leadership, with an even stronger focus on the strategic priorities below:

- 1- Enhancing overall risk management, especially the credit underwriting process, credit risk management, overall enterprise risk management, and Balance Sheet risk management (including liquidity risk).
- 2- Digitization of operational processes for greater control and efficiency.
- 3- Further integrating its channels and services to improve the customer experience.
- 4- Continuing to develop a robust core technology platform.
- 5- Collaborate with a business partner to offer a better and wider range of services to its customers.
- 6- Continued portfolio diversification and extension to other market segments.
- 7- Joining National Share Switch (CSS).

We would like to express our thank to outgoing shareholders (Incofin (RIF II), Proparco and CLDF) who have been a great support to AMK's management to continue our mission and goal. Without their strong support and guidance, AMK may not have achieved where we are today. We would also like to express our warm welcome to our new shareholders “The Shanghai Commercial & Savings Bank, Ltd. (SCSB)” who believe in AMK's mission and value and the commitment to support the future growth of AMK and as well as Cambodia in general.

On behalf of AMK's 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 services 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.

KEA BORANN
Chief Executive Officer

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

CORPORATE GOVERNANCE



AMK'S SHAREHOLDERS AT THE END OF 2018

AMK's shareholders appoint the Board of Directors which is responsible for overall governance and strategic guidance of the institution. The eight-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.

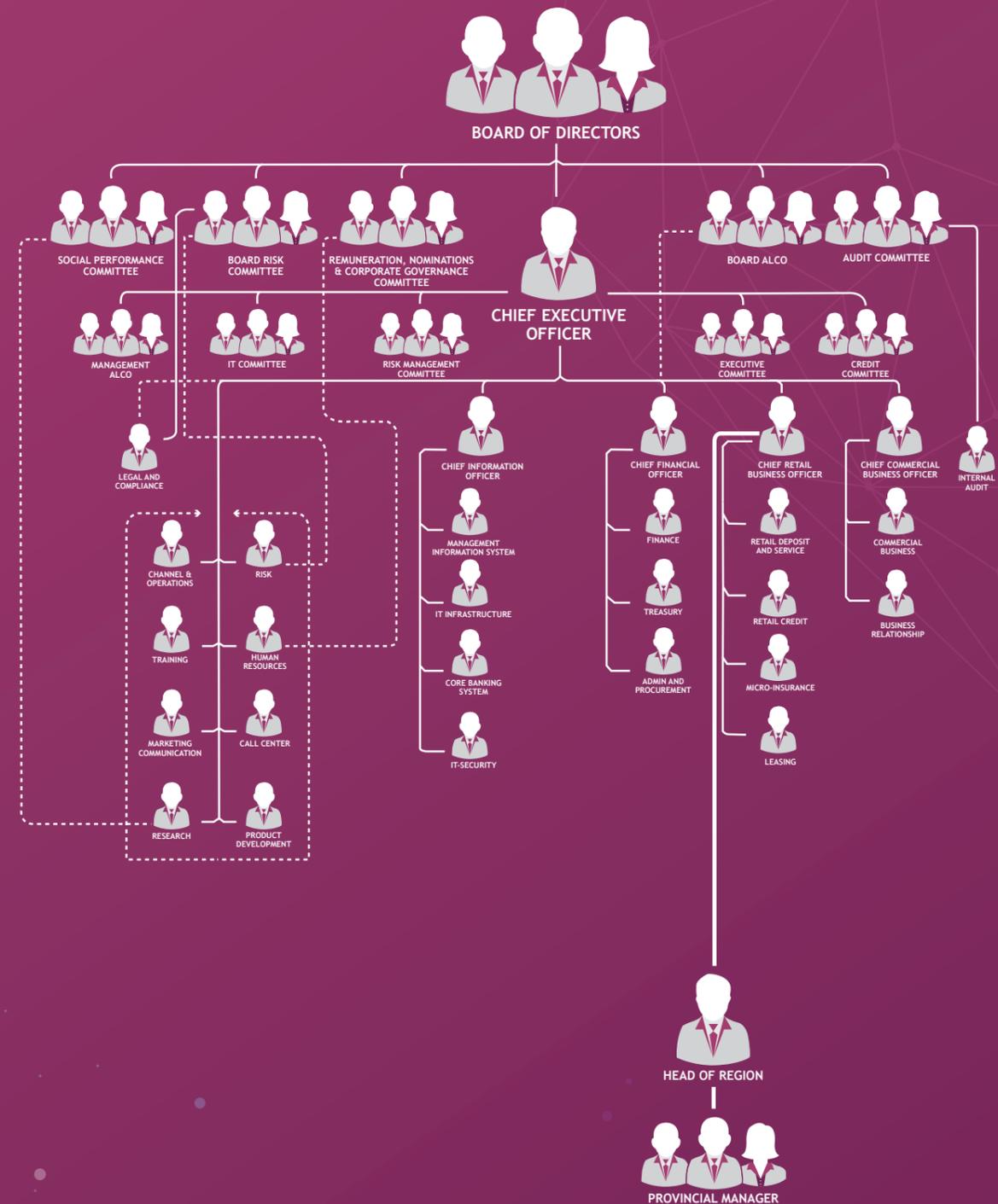
The board of Directors appoints the Chief of Executive Officer (CEO) who works with an executive committee which consists of C-Suit and other key departments. This committee in turn oversees the boarder Management Team and the Management Team consisting of Heads of Department.

THE BOARD OF DIRECTORS HAS STANDING COMMITTEES INCLUDING:

- AFC** Audit and Finance Committee
- BRC** Board Risk Committee
- RNCG** Remuneration, Nominations and Corporate Governance Committee
- B.ALCO** Board Asset and Liability Committee
- SPC** Social Performance Committee

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





Over 80% of AMK's clients are women, and mostly use loan fund to operate and expand their small businesses for a daily income to support her family and children education.

BOARD OF DIRECTORS AND ADVISORY COMMITTEES



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

Tanmay Chetan is the co-founder of the Agora Group, wherein he managed 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.



JOHN CON-SING YUNG
 Director and Chairperson of SPC,
 Member of AFC, RNCG and B.ALCO

JOHN CON-SING YUNG is currently Board member, Executive Vice President and Chief Information Officer of the Shanghai Commercial & Savings Bank, Ltd., in charge of IT, Oversea expansion, Mainland China Business and Three Shanghai Bank cooperation. He also holds several key positions on behalf of the Shanghai Commercial and Savings Bank subsidiaries and affiliated companies. John started his career at Chase Manhattan Bank in Hong Kong as a management trainee, ending his time there as a manager in the Credit Card Risk Management Department. After Chase, John spent time starting up Shenzhen Concord, a JV investment company between Canadian Eastern Finance and the Shenzhen Government. For next decade John focused on building IT and Telecommunication business in Asia Pacific Region before joining the Shanghai Commercial and Savings Bank, Ltd. He received his AB and MBA degree from University of Chicago.



KEA BORANN
 Director and CEO

Borann was appointed as Chief Executive Officer of AMK in 2012. He has been with AMK over 10 years since 2004 in different roles, and has held various leadership roles throughout the development of the organization such as Finance Manager, CFO, and Deputy CEO. Before joining AMK, he worked for another MFI as Finance Director. Borann also hold a position as director in different institutions such as the Association of Banks in Cambodia, Cambodia Microfinance Association and Credit Bureau Cambodia. 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.



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

Dr. Tip Janvibol, founder and senior managing partner of Tip & Partner, brings over 20 years of legal experience to the Board of Directors of AMK. He is a licensed attorney, and member of the Cambodian Bar Association. Dr. Tip effectively leads both small and large-scale transactions involving both individual and corporate clients, while managing and overseeing implementation of law and related legal issues.

In prior years, Dr. Tip worked in both the public and private sector, as a consultant and legal adviser for private enterprises, government institutions, international agencies including International Committee for the Red Cross (ICRC), UNICEF, World Bank, and United Nations.

He holds a Doctorate Degree (PhD) from California Coast University, Master's Degree from the University of Massachusetts, Lowell, Bachelor's degree from University of Maine, Presque Isle, and numerous legal training certificates, including ones from The Hague Academy of International Law, Legal and Judicial Cooperation of JICA, and United Nations.



HENG SEIDA
 Director & Chairperson of AFC and member of BRC

Seida is a certified public accountant, a fellow member of the 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.



RU-HUNG WEI
 Director and Member of B.ALCO

RU-HUNG WEI is currently Deputy Executive Vice President, Overseas Regional Manager and General Manager of Hong Kong Branch of the Shanghai Commercial and Savings Bank, Ltd, in charge of Overseas Branches including Singapore, Vietnam and Hong Kong. He served the Shanghai Commercial and Savings Bank, Ltd over 27 years with various position including Import, Export, Foreign Exchange and Credit Investigation. He received his BBA degree from Soochow University and MBA degree from University of New Haven.



CHIN-KANG LIU
 Director and Chairperson of BRC

CHIN-KANG LIU is currently Head of Risk Management Department and Executive Vice President of the Shanghai Commercial and Savings Bank, Ltd, mainly responsible for FATCA, CRS, Basel III and whole bank risk management including Credit, Market, Operational, Liquidity Country and Financial Derivatives. Before this, he also served International Department, Auditing Department, Treasury Department and Headquarter of the Shanghai Commercial and Savings Bank Ltd. He earned his Bachelor of Economics degree from National Taiwan University.



PI-FEN HSIEH
 Director and Member SPC

PI-FEN HSIEH is currently Head of Digital Banking Department and Deputy Executive Vice President of the Shanghai Commercial and Savings Bank, Ltd. Prior to this, she also in charge project management and oversea branch setup. Her team successfully built branches in Hong Kong, Vietnam and Singapore and representative office in Thailand, Cambodia and Indonesia. Before the Shanghai Commercial and Savings Bank, Ltd, she was in HSBC Taipei Branch covering Bills, Loan, Financial Analysis and System conversion. She earned her BBA degree from Fu Jen Catholic University and Master of Information Management from Kainan University.

BOARD COMMITTEE



**BLANDINE CLAUDIA
MARIE PONS**
Member of Social
Performance Committee

Dina is Incofin East Asia Regional Director and Social Performance Manager, based in Phnom Penh Cambodia. She also sits at the BOD of the Social Performance Task Force (SPTF) and co-chairs the Social Investors Working group. Dina manages a portfolio of USD 80 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.



FRANCES SINHA
Member of Social
Performance Committee

Frances Sinha is Co-Founder of the development consultancy EDA Rural Systems and the specialist rating agency M-CRIL. A graduate from Oxford University and the London School of Economics, UK, she has lived in India for over 25 years. She has in-depth experience of microfinance and livelihoods, and has contributed to the global work pioneering social performance in microfinance - through the development of social rating and social performance reporting.

Currently she is leading teams for impact research, social performance management and client protection assessments in India and the region.

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 relevance of accounting methods used to prepare the individual and consolidated accounts, if any,
- The quality of the company's internal control system (the internal audit department), and
- The independence and performance of the company's external auditors.

The committee also performs the following tasks on a regular basis:

- Reviews and recommends the company's accounting policies and internal audit policy for the Board's approval
- Reviews and monitors the integrity of the financial statements of the company and recommends audited financial statements for the Board's approval
- Reviews and makes recommendations for improvement in the efficiency of the Company's performance
- Makes 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
- Reviews discusses and approves the internal audit plans
- Review and propose for Board's approval of the internal audit budget plan
- Monitors and evaluate the effectiveness of the internal audit function.

In 2018, the AFC met 4 times to discuss the following strategic issues:

- Reviewed and recommended the 2017 audited financial statement, June-2018 audited accounts to the Board for approval
- Discussed 2018 and 2019 external audit plans with an external auditor
- Reviewed and recommended 2019 external auditor to the Board for approval
- Discussed business line performance, allocation logic, business line profitability, and efficiency
- Reviewed progress against 2018 Internal Audit Plan and reviewed and approved proposed 2019 Internal Audit Plan
- Discussed material audit findings and feedback for rectification and improvement
- Reviewed and approved the proposed Risk-Based Audit Approach/Methodology for adoption by the company's Internal Audit Department
- Reviewed and discussed the impact on AMK's financial statements of the adoption and implementation of new Cambodian International Financial Reporting Standards (CIFRS)
- Discussed and recommended the 2019 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, 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 2018, the BRC meeting was held 4 times and has taken significant steps to enhance the company level risk management framework. Key achievements of BRC in 2018 include:

- Reviewed Risk Management Framework (RMF)
- Reviewed and approved Internal Control Report
- Reviewed and endorsed Credit Manual
- Reviewed and approved Contingency Funding Plan
- Reviewed and approved IT Policies and Standards
- Reviewed and endorsed Policy on Customers' Suggestions and Complaints
- Revised and approved sales team structure
- Revised and approved SME loan enhancement proposals
- Reviewed and approved financial lease products
- Reviewed and endorsed the acquisition of AML system
- Revised and approved AML & CTF - KYC Policies and Procedures
- Revised and approved Compliance Policy and Procedures
- Discussed and assessed the various risks involved in company initiatives such as new core banking system implementation, tablet loan assessment, loan repayment at agent.

REMUNERATION, NOMINATION, AND CORPORATE GOVERNANCE COMMITTEE (RNCG)

This committee is responsible for overseeing the remuneration of employees of the company and making sure that they are fairly rewarded for their contribution to the company's performance. It is also responsible for the nomination of new Directors, members of Board's committees and senior managers. The committee also sets the compensation policies for Directors, Committee members and senior management of the Company. 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 2018, RNCG held three meetings and provided the following oversight and resulting recommendations to the board:

- Appointed new Directors/re-appointment of existing Directors
- Reviewed and recommended the new salary scale for AMK's staff and management
- Reviewed and recommended performance incentive and other benefits
- Reviewed and recommended revised human resource policies
- Recommended the appointment of new Head of Risk and Head of Legal & Compliance.

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 includes 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, staff responsibility and contribution to positive change for client households).

In 2018, the SPC held 3 meetings session which 2 of them had been made through Webinar. The meetings were all about the discussion to grade on AMK's Social Performance Framework on the following items:

- Depth of outreach
- Adequacy of product
- Transparency and client protection
- Responsibility to staff
- Change effect

BOARD ASSET AND LIABILITY COMMITTEE (B.ALCO)

The Board Asset and Liability Management Committee (B.ALCO) provides the Board with strategic input regarding the Company's balance sheet management and serves as the approving body for AML policies. Board ALCO is responsible for the strategic management of interest and liquidity risk of the Company with the objective of maintaining sustainable growth and profitability and achieve optimal 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 AML strategies

- Reviews and recommends funding strategy and contingency funding plan
- Recommends for approval of all policies relating to AML
- Reviews new product offerings and changes and their impact on profitability, liquidity and FX position
- Reviews the annual budget and strategic plan with regards to balance sheet management.

In 2018, the Board ALCO meeting was held 4 times to discuss the following key strategic issues in relation to balance sheet risk management:

- 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 Minimum Registered Capital of Banking and Financial Institutions
 - ◊ PRAKAS on Payment Service Providers new licensing and capital requirement
 - ◊ PRAKAS on Credit Risk Grading and Impairment Provision
 - ◊ PRAKAS on Determination of Capital Buffer.
- Reviewed 2018 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 monitored the results of stress testing.
- Reviewed and recommended new balance sheet products issued in 2018, assessing the features of the key product which could impact the maturity mismatch, currency mismatch, and net interest margin.
- Reviewed and recommended to the board for approval on pricing in consultation with the Risk Committee.
- Reviewed the 2019 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.



EXECUTIVE TEAM



KEA BORANN
Chief Executive Officer

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 Finance Director. Borann also hold a position as director in different institutions such as the Association of Banks in Cambodia, Cambodia Microfinance Association and Credit Bureau Cambodia.

Borann holds a BBA in Finance and Accounting. He received ACCA (Association of Chartered Certified Accountants) Accreditation and was accepted as an ACCA member in 2008.



HUOT SOKHA
Chief Commercial Business Officer

Sokha joined AMK as Chief Commercial Business Officer in 2012. He has more than 20 years of experience in international trading, marketing management, product development, sales management and business planning within FMCG, Microfinance and Banking industry. 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 of Australia. He also did a post-graduate study on Finance Development Program at NAROPA University, USA.



SUON PISEY
Chief Retail Business Officer

Pisey joined AMK in 2009 as Regional Manager and he was promoted to Head of Credit department in 2012. In 2017, he was promoted to Chief Retail Business Officer where he oversaw AMK's retail business operation including credit operation, deposit, money transfer service, and micro-insurance business.

Pisey has over fifteen years of experience in the microfinance sector with solid skills in business operation, audit, product development, and branch management. He has attended several training courses related to microfinance both local and international programs.

He holds both bachelor and master's degrees in business management from a local university.

Kampot Pepper was awarded a geographical indication (GI) status by the European Union in 2016 and became the first Cambodian product that earned this status in the European market. AMK's Clients in Kampot, Kampong Cham, Monduliri, Rattanakiri and Preah Vihear are growing pepper for local market consumption and export, and it becomes the main income to support their families.



SOK KOSAL
Chief Information Officer

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

Kosal holds a Master's Degree in IT Management from INNOTECH-CBAM.



TAING HAVDY
Chief Financial Officer

Havdy joined AMK as Chief Financial Officer in early 2018. He has over 12 years of professional experience within the microfinance and banking industry and various other sectors. He started his career at PriceWaterhouseCoopers (PwC) where he specialized in the financial services sector, working on financial assurance services, processes improvement, system process assurance, and internal audit within microfinance and banking organizations both in Cambodia and overseas. He also held various positions including Deputy Head of Internal Audit, Division Internal Audit Manager and other management roles.

He is a certified public accountant and a member of the Association of Chartered Certified Accountants (ACCA), UK. He also gained Certified Accounting Technician certification from ACCA and holds a Bachelor Degree in Accounting.



MANAGEMENT TEAM



LONG CHANTHA
Head of Treasury Department

Chantha has more than ten years of experience in Microfinance sector and a couple of years in regulation authority. She has also held different positions within AMK. She first joined AMK in 2005 in internal audit department for a few years and moved to Treasury department where her primary roles are to oversee the fund raising activity and manage the currency mismatch of AMK's banking book.

Before joining AMK, she worked for the National Bank of Cambodia in the Banking Supervision Department for three years. She holds a Bachelor's Degree in Accounting from the National University of Management.



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 BBA in Finance and Banking and the ACCA affiliate and is also a member of KICPAA in 2017.



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 Product Development Department

Sophy possesses more than 10 years of experience in the microfinance sector focused on research, marketing, and product development. 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 Product Development in mid-2016, within the current role, she oversees the 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.

Sophy holds a Bachelor's Degree in Agricultural Science from the Royal University of Agriculture, Cambodia and a Master's Degree in Rural Development Management from Khon Kean University, Thailand.



PEAING PISAK
Head of Human Resource Department

Pisak was appointed to be Head of Human Resource Department in 2013. She joined AMK as Training Manager in 2011 and was promoted to be Head of Training Department in 2012. Pisak has over 15 years' experience in many different sectors including private companies, microfinance institution, international and local NGOs in charge of Training and Human Resources Management. Currently, Pisak is also a member of the Board of Directors of AMK Staff Association (AMK-SA) 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).



HEAK THAVUTH
Head of Internal Audit Department

Thavuth joined AMK as an Internal Audit Officer in 2006 and 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.



MUT CHAKRIYA
Head of Call Center Department

Chakriya joined AMK in 2011 as Mobile Banking Operations Coordinator. She was promoted to Call Center Manager in 2013 and to Head of Call Center in 2015. Before joining AMK, she worked as an assistant Group IT Manager at a group of garment factory for more than seven years.

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 MSIT from the Norton University of Cambodia.



CHEA ROATTANA
Head of Channel and Operations Department

Before serving as Head of Channel and Operations, 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.



HEAN MENGHONG
Head of Commercial Business 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 a customer relationship officer, Micro-insurance Urban Market Manager, and Micro-insurance Business Specialist. He was promoted to Head of Deposit and Services in January 2015 and in April 2018, he became Head of Commercial Business.

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 more than ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Teller, General Trainer, and 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.



CHEANG VANNA
Head of Training Department

Vanna joined AMK in 2013 as Training Manager. He has over fourteen 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.



VONG PHEAKYNY
Head of Research Department

Pheakyny joined AMK as a Training Research and Marketing Officer in 2007. He was promoted to Social Research Manager in 2012 and was promoted to Head of Research Department in May 2017.

Pheakyny holds a Bachelor's degree in Program and Project Development Management from Build Bright University. He has also attended several training courses related to researches.



REAM KERITHEA
Head of IT Infrastructure
Department

Mr. Ream Kerithea joined AMK as Head of IT Infrastructure in 2017. Before joining AMK, Rithea worked for various positions at other Bank, Telecom, System Integration and Media companies as Business Intelligence Engineer, Business Application Support Engineer, Senior Server Engineer, Senior Network Engineer, IT Deputy Manager, Server and Network Supervisor, Acting IT Project Manager among others. He has ten years of experience with national and multinational companies. Rithea has attended several training courses related to IT infrastructure both locally and internationally.

Rithea holds a Bachelor's Degree in Management Information System from SETEC Institute.



LONG CHAMNAN
Head of Retail Credit
Department

Chamnan joined AMK as a Credit Officer in 2006, and a year later he was promoted to Area Manager. With a successful career path and personal development, Chamnan was promoted to Branch Manager in 2009 and to Regional Manager in 2014. Following his upright success, he was promoted to Deputy Head of Credit in 2016 and was appointed as Head of Retail Credit Department in early 2018.

Chamnan holds a Bachelor's degree in Rural Development from Prek Leap National School of Agriculture, and Master's degree in Banking and Finance from the National University of Management.



TUM CHANDET
Head of Commercial Business
Department

Chandet has joined AMK since 2016 as Deputy Head of Credit who responsible for Small and Medium Enterprise Loan (SME). He has over ten years of financial experiences within Microfinance Institution in Cambodia, in various positions as Credit Officer, Sub and Branch Manager, and Credit Control Manager. Throughout his successful career path, he appointed as Head of Commercial Business in early 2018.

Chandet holds the Bachelor's and Master's Degree in Finance and Banking from Build Bright University in Phnom Penh.



NOU MANELL
Head of Retail Deposit & Service
Department

Manell joined AMK in 2012 then she was promoted as Senior Customer Relationship Officer, Saving Manager, and Deputy Head of Deposit and Service in Deposit and Service Department. In April 2018 she was promoted as Head of Retail Deposit and Service. She has nine years of experience in Microfinance and eight years in other private sectors.

Manell holds a Bachelor's Degree in Finance and Banking at the Pannasastra University of Cambodia, and she is pursuing a Master's Degree in Management at Norton University, Phnom Penh.



UK KOSAL
Head of Legal & Compliance
Department

Kosal joined AMK as Head of Legal and Compliance in April 2018. Prior to joining AMK, Kosal spent around 8 years working for microfinance institution, microfinance deposit taking institution, specialized bank and commercial bank.

Having earned through his work as a Senior Legal Officer and Company Secretary, Legal and Compliance Manager and Senior Legal Manager, Kosal's professional experience includes management of company's legal affairs, corporate secretarial tasks and compliance matters.

Kosal holds a Master of International Commercial Laws from Transnational Laws and Business University, South Korea. Kosal also holds a Bachelor of Laws from Royal University of Law and Economics and a Bachelor of English Literature from Phnom Penh International University.



SORINCHAN SUZANA
Head of Marketing &
Communication Department

Suzana joined AMK as Head of Marketing and Communication in June 2018. She has extensive experiences, management skills and works in the field of integrated marketing communications, public relations, media outreach, and social behavior change communication.

Suzana holds a Master of Communication from Victoria University, Australia, a Postgraduate Diploma in Business from EFI/CSU, and a Bachelor's Degree in Marketing from the National University of Management.

MANAGEMENT COMMITTEES



PRAV SOKMEI
Head of Leasing Department

Sokmei joined AMK as Head of Leasing Business in June 2018. Before joining AMK, he held various positions at MFIs such as Head of Business Development responsible for leading and managing Product Development and Sales and Marketing at Mega Leasing Plc. He also used to work as Research and Business Development Officer at VisionFund Cambodia. What is important, Sokmei used to work with AMK as Market Research Analyst and then Market Research Manager from 2012 to 2015.

Sokmei graduated Bachelor's Degree of Finance and Banking from Cambodian Mekong University (CMU) and Bachelor of Education in English from Institute of Foreign Languages (IFL).



PEN VANNDARONG
Head of Risk Department

Vanndarong joined AMK as Head of Risk in August 2018. Having spanned across the industry, he brings along a wealth of experience in credit analysis & underwriting, deal structuring, credit scoring, portfolio management, and credit risk management. Prior to his current role, he used to work in a range of position, including senior management, at various commercial banks and microfinance institutions in Cambodia.

Vanndarong graduated Master's Degree in International Business Economics from Oxford Brookes University (sponsored by British Chevening Scholarship) and Bachelor of Business Management from University of Cambodia.

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)

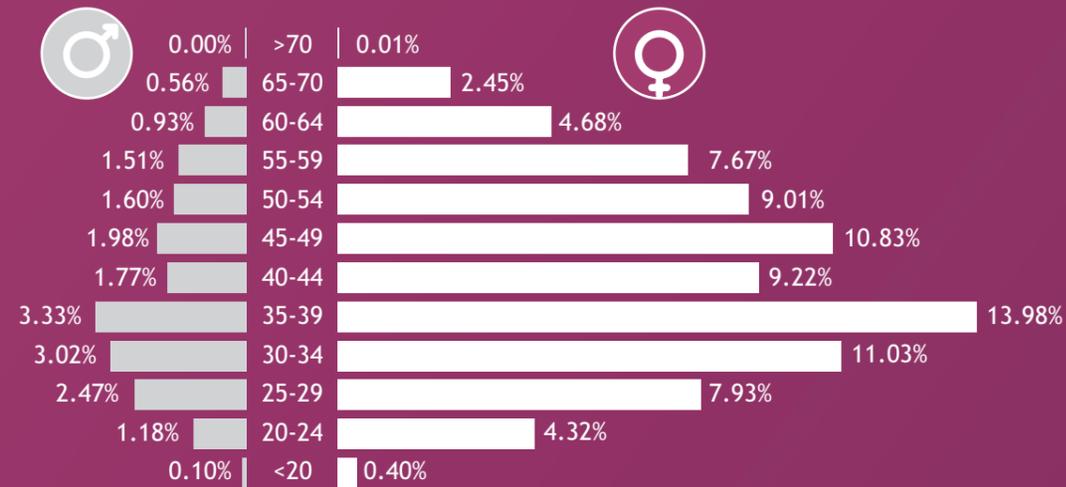
CRC is responsible for the monitoring and implementation of sound credit risk management in lending practices including: compliance with credit policies, sound lending practices and the monitoring of portfolio quality. The committee is responsible for setting portfolio exposure limit (via client portfolios, 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.

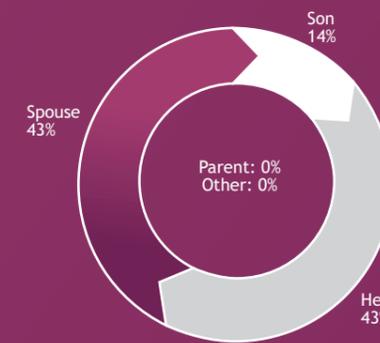
AMK'S CLIENTS

As of December 31, 2018, AMK has 359,681 active loan accounts and 81% of them are female borrowers. The average age of AMK loan clients is 42 years old and the average loan cycle is 4.3 cycles. The overall average ID loan disbursement is USD 1,394 while group loan is only USD 614. The below figure illustrates detail demographic information of AMK borrowers.

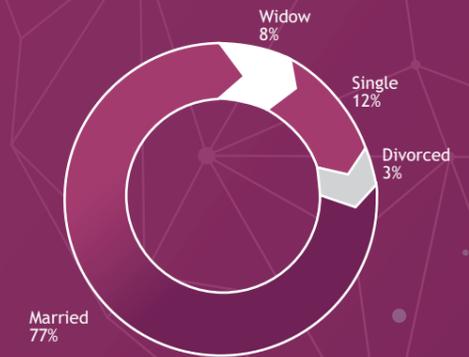


AGE PYRAMID OF AMK CLIENT (SOURCE: MIS)

Despite the fact that most of AMK borrowers reside in the rural areas, the survey indicates that 81% of the overall borrowers are able to read and write simple Khmer language. Ninety-four percent (94%) of all AMK borrowers are active in income generating activities at least over the last 6 months. The average AMK client household size is 4.8 in which the average children per household is about 2.3. For the detail profile of AMK client and AMK client household, please refer to the below figures.



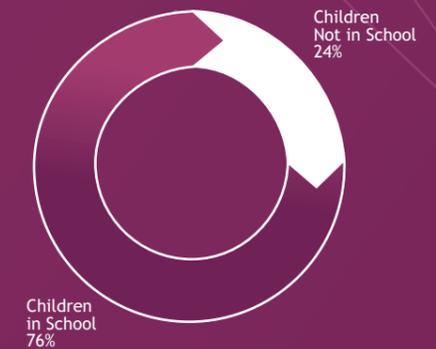
RELATION OF AMK CLIENT TO HOUSEHOLD HEAD (SURVEY)



AMK CLIENT MARITAL STATUS (SURVEY)

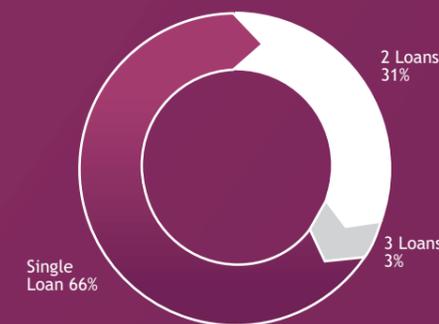


AMK CLIENT HIGHEST EDUCATION ATTENDED (SURVEY)

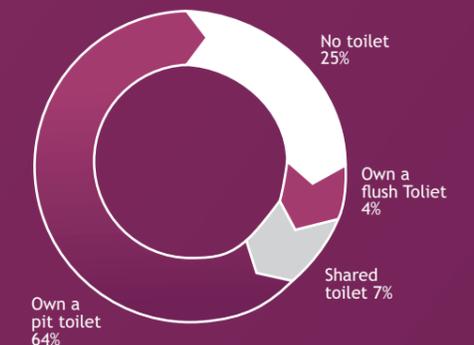


CHILDREN IN SCHOOLING AGE ATTENDING SCHOOL (SURVEY)

Rural	Urban
Proportion of client: 93%	Proportion of client: 7%
ID: 21% Vs VB: 79%	ID: 24% Vs VB: 75%
Average loan cycle: 4.4	Average loan cycle: 4.1
Average age: 42 years old	Average age: 40 years old



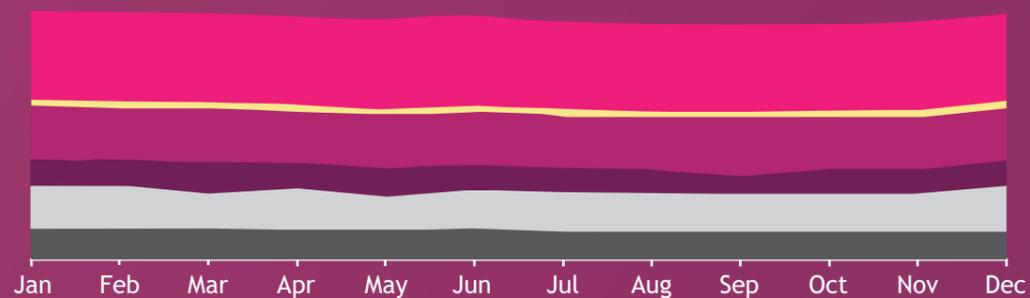
AMK CLIENT HOUSEHOLD MULTIPLE LOAN STATUS (SURVEY)



CLIENT HOUSEHOLD ACCESSIBILITY TO TOLIET (SURVEY)

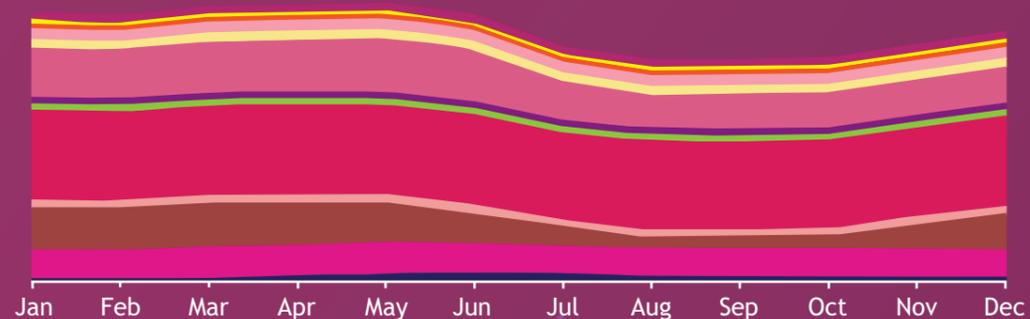
The below figure illustrates the seasonality proportion of various main three sources of income and various main three sources of expenditures that AMK client's households have involved over the last 12 months. As can be seen in Panel (a), household income generating activities mainly happens from November to April as this is the period of dry season which has conducive condition for other income generating activity, especially involving farming activity and selling of casual labor. The most involved income generating activities include salary or wage from non-civil services, owning business, selling casual labor, and involving in agricultural activities.

Panel (b) informs that, the highest proportion of clients' household cash outflows consists of food and beverage expenditure, loan repayment, ceremony, and business input spending. It is also observed that the main expenses on ceremony happen between December to June.



- Casual labor
- Farming and aquaculture
- Own business
- Salary/wage from non-civil services
- Cropping
- Other
- Salary/wage from civil services

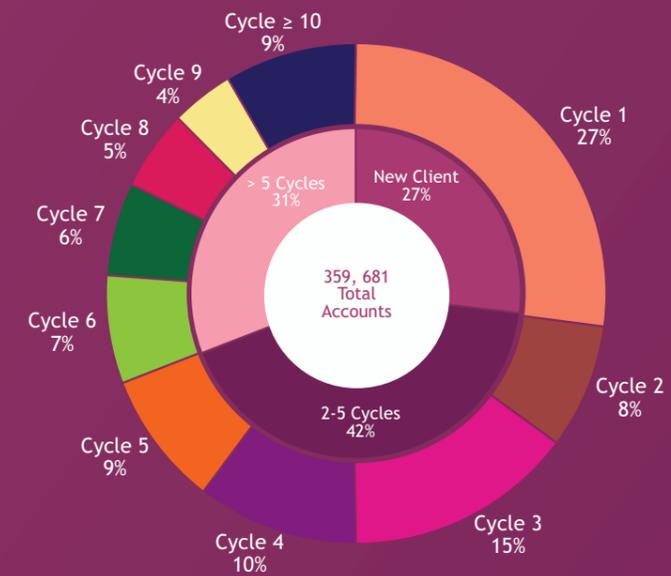
SEASONALITY OF INFLOWS IN CLIENT HH (SURVEY)



- Agriculture
- Health care
- Schooling
- Business
- House rent
- Shoes and Clothes
- Ceremony
- Loan
- Transportation
- Durable assets
- Other
- Utility expenses
- Food and beverage
- ROSCAR

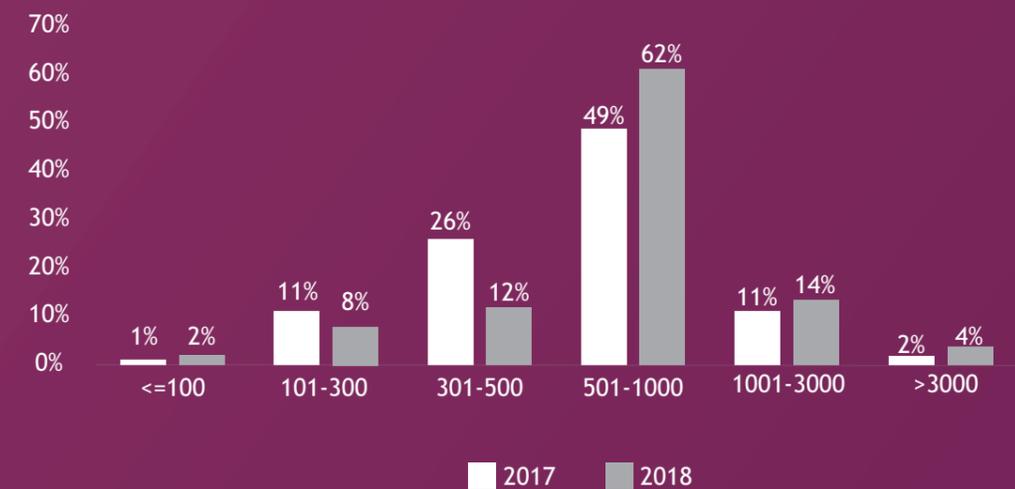
SEASONALITY OF OUTFLOWS IN CLIENT HH (SURVEY)

The below Pie Chart indicates that 27% of the overall loan clients are the new borrowers who have just joined AMK in the first cycle. To the junior clients who are the combination of those who are from 2 to 5 cycles account for 42% in which 8% is in cycle 2, 15% in cycle 3, 10% in cycle 4 and 9% in cycle 5. To the senior clients who have been with AMK more than 5 cycles account for 31%.



AMK CLIENT BY LOAN CYCLE (MIS)

In 2018, 83% of disbursed loan is less than or equal to USD 1,000 per borrower. This testifies that AMK is still committed to its vision and mission despite the fact that the operation in lending small loan size needs high level of work efficiency and high operation cost. Furthermore, AMK could still manage to lend micro loan even though the financial institutions as a whole has to challenge in refining its policies and procedures in response to the circulation restricting the annual interest rate charge issued by the National Bank of Cambodia (NBC).



SHARE OF LOAN DISBURSEMENT SIZE GROUP 2017 VS 2018 (MIS)

CASE STUDY: AMK CLIENT

MRS. KHON MON
A 40-YEAR OLD

WOMEN IN RURAL CAMBODIA BENEFIT FROM AMK MICRO-INSURANCE TO IMPROVE THEIR FAMILY'S WELFARE

Making it easier for women and families in rural Cambodia to get a credit and better welfare has been the keystone of AMK mission to expand access to financial inclusion. Approximately, 80 percent of AMK's loan clients are women who live in rural areas.

Health is very important to everyone, and as many are struggling with health and accident issues that limit them to make a daily income to support their family. AMK in partnership with Forte Insurance Company offers the Micro-Insurance (MI) on health and accident as a safety net to over 285,000 AMK's Loan customers in 2018. With a small premium of 30,000 riels per annum (about USD7.50), they can purchase this insurance to protect themselves and their family member.

With two children and an unhealthy husband, Mrs. Khon Mon could hardly bear with daily expenses including health cost for her family. As a breadwinner with limited ability and education, a 40-year-old woman living in Bos Village, Siem Reap province, Mon makes most of her income working in a local brick factory to support the family.

Thinking it was wise, Mon has decided to get a personal loan and bought MI for herself and the family from AMK to improve her family livelihood. She spent the fund on her children's education and raising domestic animals like cattle, pig, chicken, and ducks with support from her husband to feed that livestock. Mon has taken three-loan cycles along with the purchase of MI policy on health and accident from AMK since 2015. She has bought MI along since her first loan for her husband and herself through AMK without hesitation after understanding clearly about the benefits.

Not so long after buying MI through AMK in 2015, her husband fell sick and was sent to Soutr Nikom Hospital. Her husband had to stay in the Hospital for 3 nights. An AMK Credit Officer (CO) visited him. She was advised to properly document all official receipts from the hospital for MI reimbursement. A day after leaving the hospital, AMK's CO came to her home and gave her KHR 60,000 (USD 15) MI reimbursement for the 3-nights stay in the hospital. Her husband got the second compensation for typhoid fever treatment at

Soutr Nikom referral hospital. The MI reimbursement amount was KHR 100,000 (USD 25) for 5-nights stay in the hospital.

A few months later, Mrs. Khon Mon got sick from eating a poisonous fruit and got the MI compensation of KHR 40,000 (USD 10) for two-nights stay. Not so long after she recovered, her husband got gastritis and stayed in the hospital for 10 nights. This time she got MI reimbursement up to KHR 200,000 (USD 50).

The last MI reimbursements was KHR 340,000 (USD 85) when her husband was sick and sent to the hospital again. Mon said, "I almost could not believe that MI product really helps financially on my family health care cost and if there was no compensation from AMK, I could have borrowed money from traders or a private lender to cover this cost."

"I am very happy that AMK shares in my financial burden on health care. I hope that AMK will continue to offering this product to everyone.", said Mrs. Khon Mon, one of many people who live in rural Cambodia who benefit from Micro-Insurance.

"I love my family, I do not want either my husband or myself to get sick at all even though we have MI. And the main reason that I buy MI is because I want a shield to protect my husband and myself.", said Mrs. Khon Mon, AMK's MI beneficiary.

CASE STUDY: AMK CLIENT



MR. KUON NABB
A 48-YEAR OLD

MY FAMILY AND I LOVE AMK

Siem Reap Province - Kuon Nabb is a 48 years old, father of four children, three sons and a daughter living in Chrey Khang Tbong Village, Kien Sangkae Commune, Sotr Nikom District. Nabb and his wife are farmers. They earn most of their income from growing crops.

Looking back into the past, Nabb recalls that the family condition was not pleasant and they struggled to survive as his family depended on subsistence farming. Besides working at his own farm, Nabb had to sell his labor cultivating and harvesting rice at other farms for additional income to support the family.

In 2006, an AMK's Credit Officer came to his village promoting financial products and services to the people in the community, and he was there at the meeting. Nabb learned more about the benefit of AMK products and adequate interest. AMK friendly staff were very different from the private money lenders that the villagers usually borrowed money from. The AMK Credit officer was not just giving the session on loan products but also provided financial education related to how to use and manage fund properly with a clear objective, and saving for kid's education and the family.

Nabb decided to take a group loan from AMK starting from 200,000 riels up to 3,000,000 riels for 12 cycles. He used the fund to buy seeds and fertilizer to improve his agriculture yield. He was able to repay the loan without a day late for the twelve loan cycles. Nabb is one amongst AMK loyal customers who completely understood his obligation as a borrower.

"AMK's loan really contributed to improving my family life and children's education. I could be able to save some money to renovate my home and afford to buy some assets. My children are able to get a higher education, as my first son graduated with bachelor degree, and my other two sons finished their high school education, and my youngest daughter continues her study at secondary school.", said Kuon Nabb.

A thoughtful head of the family, Nabb also bought a Micro-Insurance (MI) on health and accident to protect himself and his wife from any unforeseen situation.

Since he bought MI product in 2015, his family has never claimed any cost on health or accident. No one has ever wanted to.

AMK in partnership with Forte Insurance offers MI policy in the cost of KHR 30,000 (USD 7.5) per policy, yet the compensations that the clients might get include KHR 20,000 (USD 5) allowance per day for hospital stay, up to KHR 600,000 (USD 150) surgery cost cover, KHR 6,600,000 (USD 1,650) accidental death compensation and more.

In 2017, Nabb's third son, Beng Chhola, who just finished high school diploma applied for a job at AMK as a Credit Officer in Sotr Nikom District. He passed the exam and got a job offer from AMK. Beng Chhola is a responsible and hardworking staff, requires minimum supervision and willing to learn more to upgrade his knowledge and experiences. Chhola recently enrolled his weekend class to continue his bachelor degree at University in Siem Reap Town.

Nabb was so proud of his son to be part of AMK, and happy to see his son have a good job with a good salary, benefits, and working environment. "I hope my youngest daughter will be able to work at AMK in the near future as well.", said Mr. Kuon Nabb.

"AMK is not only the most well-known microfinance institution but also a great financial advisor to community people and with good-heart working staff. AMK has changed our family life better than ever before. My family and I love AMK MFI.", sad Kuon Nabb.

SOCIAL PERFORMANCE MANAGEMENT FRAMEWORK

SOCIAL PERFORMANCE MANAGEMENT

AMK is committed to balancing financial and social work by trying to transform its mission into practice accompanying with social value and overall acknowledgment. Social Performance Management is the process of transforming the mission of a microfinance institution to real practices. This means that AMK has indicated its hard work in creating social goals, designing monitoring mechanism toward those goals and the making use of information that acquired in order to strengthen Institution performance. AMK social aim is established through combining AMK's mission and guideline principle which produces five strong pillars such as Depth of outreach, Adequacy of products, Transparency and client protection, Responsibility to staff and Changes effect.

SOCIAL PERFORMANCE MANAGEMENT FRAMEWORK

To achieve the balance between financial purpose and social purpose, AMK has established Social Road Map as well as created specific and robust mechanisms to monitor and evaluate AMK's social performance by Social Performance Committee (SPC) through social performance management tool called Social Performance Management (SPM) Framework.

This Social Performance Management Framework is mainly divided into two parts, one for management level and one for Board level, and it will be filled in by SPC committee to send to Board of Director enclosing with the summarized reports of the SPC meeting.

- 1. At 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.
- 2. At 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.

The SPM framework reflects about the structures of reports from audit committee by practicing evaluation system through traffic light colors "Red-Yellow-Green" in which the Red means that there is are problems and the Green means that everything is better, while the Yellow means that immediate action should be taken. At first, the SPC committee evaluates whether all those necessary information has been given by RSD or not. Is it accurate? Are those results aligned with AMK's mission? Then, the descriptions of any issues highlighted in Yellow or Red are elaborated by SPC in the row "Issues to Report." The Board of Directors can make use of this framework for AMK strategic development.

The Social Performance Management Framework is reported to the Board of Directors by the Chairman of the SPC committee and the minute documentation during SPC meeting is taken in as well.

AMK - SOCIAL PERFORMANCE REPORTING FRAMEWORK

PERIOD EVALUATED:

1ST JAN TO 30TH SEP 2018

REGULAR MONITORING

Information presented: November 2018	Depth of Outreach	Adequacy of Products	Transparency & Client Protection	Responsibility to Staff	Change Effect
Sources of Information	<ul style="list-style-type: none"> - Depth of Outreach of Loan Client report - Client profile report 	<ul style="list-style-type: none"> - Loan satisfaction - MI satisfaction - Exit client - Rejected client - Service quality measurement - Saving satisfaction 	<ul style="list-style-type: none"> - Multiple loan - Loan use - Borrower awareness - MI client awareness - Saving Awareness report - Client grievance - CPP 2.0 	<ul style="list-style-type: none"> - Staff Exit report - Staff Satisfaction report - AMK is our home report 	<ul style="list-style-type: none"> - Change study draft data analysis
Indicators	<ul style="list-style-type: none"> - ID Poor - PPI 	<ul style="list-style-type: none"> - Range of Services - Quality of Services - Accessibility of Services - Reasons for Having multiple product - Satisfaction on the services - Desertion rate - Rejection rate - Reason of Exit 	<ul style="list-style-type: none"> - Multiple Loan Ratio - Loan Usage by Client - Awareness Score over products and services - Number of Tracking Issues - Percentage of refinance in AMK and industry 	<ul style="list-style-type: none"> - Staff Turnover and Explanations on Reasons for resignation - Satisfaction Score by gender, position, branch. - Reason why staff considering to resign from AMK 	<ul style="list-style-type: none"> - Livelihood and well-being score - Change on food consumption (food poverty line) - Change on other social indicators - Propensity score matching and Different in different methodology

KEY SOCIAL PERFORMANCE FINDINGS

YEAR OF ASSESSMENT: 2018 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY		DEPTH OF OUTREACH	ADEQUACY OF PRODUCTS	TRANSPARENCY AND CLIENT PROTECTION	RESPONSIBILITY TO STAFF	CHANGE EFFECT
Methodology, Process and Reports / Sources of Info	Are you satisfied with the accuracy of the methodology and process applied?	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red
	Is this result/finding in line with the mission?	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red
	Based on these findings, are there foreseeable issues in the future?	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red
	Is data or Information Missing:					
	At the management level	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red
	At the Board level	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red	Green, Yellow, Red
Issues to report	Issues to Report					
Any Other	Other:					

To measure AMK's alignment toward its social mission, a number of social surveys and researches were conducted throughout the year and were summarized through the Social Performance Framework Report which was discussed by the Social Performance Committee (SPC) 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 (Red, Yellow and Green) in which Red signaling urgent action, Yellow representing which item needs further action, and Green signaling low urgency.

DEPTH OF OUTREACH

The analyses, conducted by the Research Department, to assess the poverty outreach helps AMK to have greater insight about clients' characteristics and it provides evidence whether the institution is targeting poor households as per mission statement. AMK uses two primary methods to measure poverty level of its clients and those two tools are as follows:

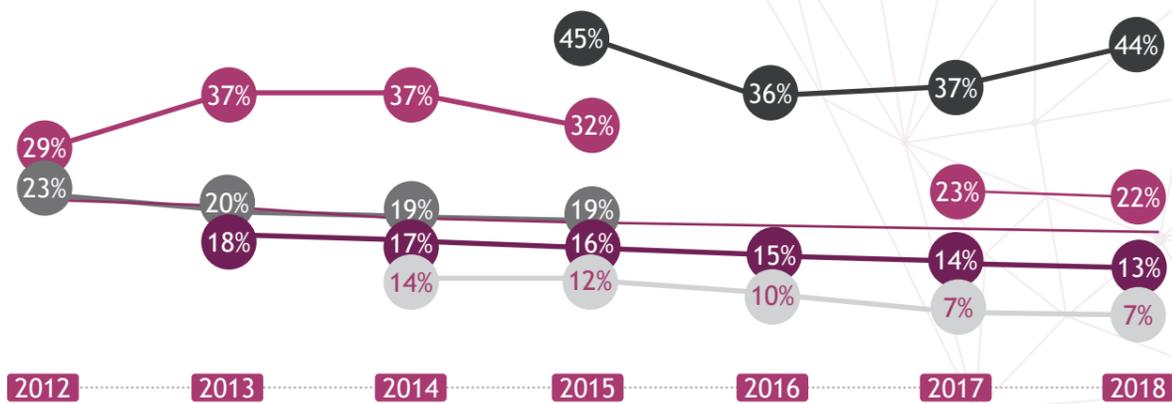
1. IDPoor¹ (Identification of Poor Household Programs), a program developed by the Ministry of Planning (MOP), allows AMK to access information on household poverty levels across most regions in the country.
2. Poverty Probability Index (PPI)² is used to capture clients' poverty likelihood and it helps measure the impacts of AMKs' products and services on clients' poverty levels throughout the time.

The analyses of poverty outreach on the Cash Flow Project Dataset 2018 to gauge the poverty outreach making use of ID Poor indicates that the reach of credit product to the poor amongst new group loan clients is at 22%. This dataset is also used to assess the poverty outreach employing PPI Government Definition at 150% and PPI World Bank Definition at 150% in which reached poor group clients are at 44% and 44% respectively. Although the percentage of the two tools are different (ID-Poor and PPI), the figures remain high and they still prove that AMK is still on track committing to its social mission in serving the poor despite the effect of regulation change to financial sector as whole.

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

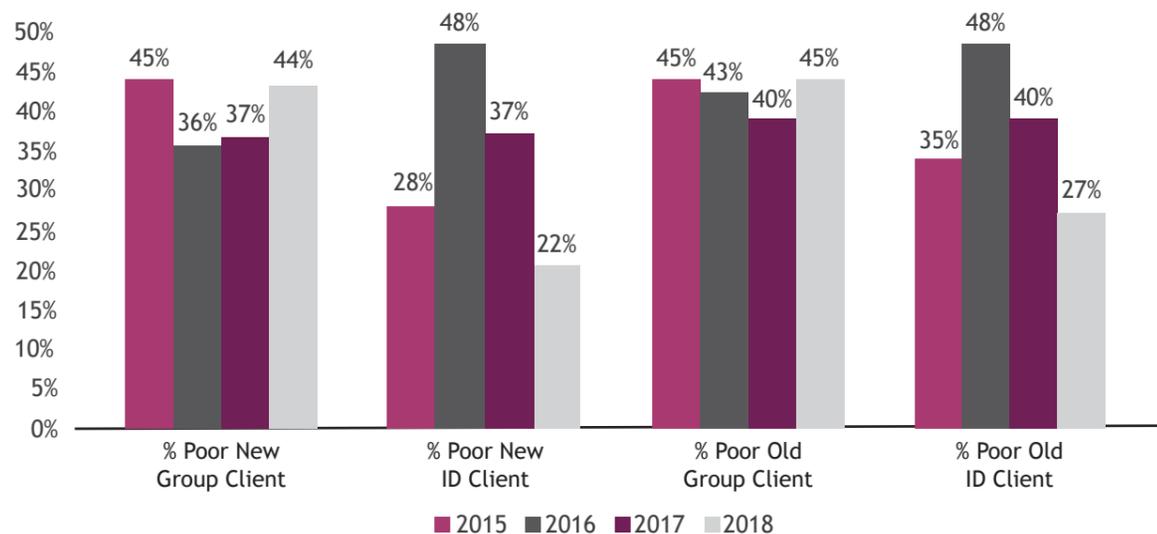
¹ The IDPoor Program, established in 2006 within the Ministry of Planning, is part of the Royal Government of Cambodia's ongoing efforts to reduce poverty and support socioeconomic development throughout the country. The Program provides regular updated information on poor households to a large number 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 Poverty Probability 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.
<https://www.povertyindex.org/about-us>



- Survey - % New VB borrower identified as Poor (Base on IDPoor1 and IDPoor2)
- Actual database - % New VB borrower identified as Poor (Base on IDPoor1 and IDPoor2)
- Survey - % PPI-New VB borrower (Government Definition at 150%)
- National Strategic Development Plan - projection
- National Institute of Statistic 2014-2018
- Log. (National Institute of Statistic 2012-2015)

EVOLUTION OF NEW VB CLIENT POVERTY OUTREACH



EVOLUTION OF POVERTY OF OUTREACH OF VB VS ID CLIENTS (PPI GOV'T 150%)

ADEQUATE PRODUCTS

Within this competitive microfinance product provision environment, AMK puts great effort into delivering products and services that meet clients' needs and preferences, and thus AMK uses different tools to measure their overall adequacy. Research Department conducts Loan Client Satisfaction and Loan Client Exit Study annually to understand deeply on client perception toward AMK service delivery in addition to the in place Call Center Department projects which include Primary Saving Client Satisfaction and Micro-insurance Satisfaction. These surveys assist AMK management to have better understanding of clients' attitude and behavior in order to make the right decision for AMK business as a whole based on conclusions and recommendations that are drawn from those surveys. Furthermore, actions can be taken to mitigate risks and improve the institution performance.

The 2018 survey outputs have helped management to refine its current product policies to assure that clients are satisfied with the offering products and meet their needs. Despite the fact that the interest cap could be a factor which impedes Financial Service Providers (FSPs) from lending small loan size to the rural poor, AMK still pursues its vision and mission to provide appropriate and viable products to all layers of the clients based on their needs, especially the poor.

TRANSPARENCY AND CLIENT PROTECTION

In late 2016, AMK received award of Client Protection Certification (CPP) from Smart Campaign which is a show case of all efforts of every staff from the grass root to the top levels. In 2018, AMK was recertified on its CPP Certificate after auditing from an independent auditor. AMK practices a Code of Conduct to protect clients and serve them in a more transparent and accountable way. Research Department independently monitors the practice of all stakeholders to ensure that AMK treats clients fairly and equally.

AMK conducts Multiple Loan Client Study, employing both quantitative data collection and in depth interview, to see clients' behaviors on their loan usages so that the strategy to avoid over-indebtedness of clients could be set. The Multiple Loan Report 2018 illustrates that 34% of AMK borrowers has loan(s) with other financial service providers in which this figure dropped by 2% comparing to the multiple loan ratio in 2017. This drop can be justified by the increment of internal multiple loan which it rises from 4% in 2017 to 5% in 2018.

Besides, Loan Rejection Client Survey is also analyzed to reflect that AMK is committed to adequately study clients' repayment capacity to make sure that clients are not going to fall in debt trap due to over-indebtedness. In 2018, 18% of loan application is rejected and this reflects AMK's prudent screening mechanism. In addition, Deposit Client Awareness, Loan Client Awareness and Micro-insurance Client Awareness are surveyed and analyzed to gauge their awareness level in order to oversee what things should be done to raise more awareness on the products that they are using, too. AMK also puts in place suggestion boxes and a toll free line that permits clients to raise any concern and grievance as a complaint mechanism.

RESPONSIBILITY TO STAFF

It is important to recruit and retain good staff to work for AMK and this is always prioritized since employees are active assets to determine success of the company. AMK is highly aware the importance of employees' satisfaction levels on working environment, human resource policy, benefit provision, staff career development and the root causes of staff exit. Human Resources Department and Research Department have closely collaborated with each other in seeking probable issues which led to satisfaction and dissatisfaction by producing Staff Exit Report and Staff Satisfaction Report. Staff Satisfaction Report 2018 indicates that the overall satisfaction score is 4.84 out of the total score of 6 and this figure is slightly above the previous year satisfaction level. The results from these reports help AMK to improve staff incentive scheme so as to motivate and retain current staff and attract potential and talented candidates to work for AMK.

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 two 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 3,000,000 or equivalent currency	KHR 3,000,000 or equivalent currency	KHR 3,000,000 or equivalent currency
Maximum Term	12 months	18 months	24 months
Interest Rate / Monthly	1.50%	1.50%	1.50%
Note: Loan processing and administration fee charge will be applied.			
Repayment Conditions	<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 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 (CREDIT LINE) LOAN	HOME IMPROVEMENT LOAN	MOTOR LOAN	GENERAL LOAN
Target Clients	Individual customer who need funds to expand an existing business	Individual customer who need funds for agriculture production purpose	Individual customer who need funds for home improvement	Individual customer who want to buy new or Existing motor from AMK merchant or non-merchant	Individual customer who need funds for consumption or business or business activities
Currency	KHR, THB and USD	KHR, THB and USD	KHR, THB and USD	THB, USD	KHR, THB and USD
Maximum Loan Size (equivalent in USD)	USD 5,000	USD 5,000	USD 5,000	USD 2,000	USD 2,500
Maximum Term	36 months	24 months	36 months	36 months	Up to 36 months
Interest Rate (Monthly)	1.5% Note: Loan processing and administration fee charge will be applied.				
Repayment Conditions	<ul style="list-style-type: none"> Interest repaid monthly and principle end of term or due monthly Prepayment allowed without penalty 				

PRODUCT DESCRIPTION	EDUCATION LOAN	AGRI-EQUIP LOAN	EASY LOAN	PERSONAL LOAN
Target Clients	Parent who need budget for school fee at university	Individual customer who want to buy new Agri-Equip from AMK merchant or non-merchant	Low income urban dwellers	AMK's payroll clients who need fund for personal consumption.
Currency	USD	THB, USD	KHR, THB and USD	KHR, THB and USD
Maximum Loan Size (equivalent in USD)	USD 1,000	USD 3,000	USD 500	USD 1,000
Maximum Term	12 months	36 months	12 months	12 months
Interest Rate (Monthly)	1.5%			
Repayment Conditions	<ul style="list-style-type: none"> Interest and principal payments due monthly Prepayment allowed without penalty 			

MICRO SMALL MEDIUM ENTERPRISE LOAN (MSME)

PRODUCT DESCRIPTION	MSME LOAN FOR INVESTMENT	MSME WORKING CAPITAL
Target Clients	This product is designed for individual or entity (micro, small or medium enterprise) who needs capital to expand their existing business service, production, and farming or create new business.	The product is designed for individual businessmen or entrepreneur who need capital in supporting business operation both cost and material.
Currency	USD	
Maximum Loan Size	USD 5,001 up to 20,000	
Maximum Term	Up to 60 months	06 months
Interest Rate (Monthly)	1.1% - 1.4%	
	Note: Loan processing and administration fee charge will be applied.	
Repayment Conditions	1- Simi Balloon 2- Annuity Payment 3- Straight-line monthly amortization	Balloon Repayment

SMALL MEDIUM ENTERPRISE LOAN (SME)

PRODUCT DESCRIPTION	SME LOAN FOR INVESTMENT	SME WORKING CAPITAL
Target Clients	This product is designed for individual or entity (small or medium enterprise) who needs capital to expand and/or create their existing and/or new businesses.	This product is designed for any individual or any association, entity who needs short term financing for specific business activity.
Currency	USD	
Maximum Loan Size	USD 20,001 up to 50,000	USD 20,001 up to 50,000
Maximum Term	Up to 60 months	06 months
Interest Rate (Monthly)	1% - 1.3%	
	Note: Loan processing and administration fee charge will be applied.	
Repayment Conditions	1-Simi Balloon 2-Annuity Payment 3-Straight-line monthly amortization	Balloon Repayment

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 LAON
Target clients	Individual or group clients in good standing who have completed at least 6 months with AMK
Currency	KHR and THB
Maximum Loan Size	KHR 400,000 or equivalent currency
Disbursement Timeline	4-working hours from time of request
Maximum Term	10 months
Interest Rate (Monthly)	1.5%
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. The products allow customers to deposit, make withdrawal through various channels including ATM/CDM, Office and its agent network. AMK currently offers six 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	HAPPY OLD AGE 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 save for their child's future	Depositors who wish to save for their own future when retired from work or business
Currency	KHR, THB, USD	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	KHR 10,000
Term	N/A	N/A	1 - 36 months	3 - 36 months	N/A	N/A
Interest Rate (annually)	Up to 4%, depending on account balance and deposit currency	Up to 4.25%, depending on account balance and deposit currency	Up to 9.25%, depending on Term, Deposit currency and Frequency of Interest Withdrawal	Up to 7.5%, depending on Term and Deposit currency	<ul style="list-style-type: none"> • 2% • The account holder 300% will get insurance protection for Personal Accident (PA) 	<ul style="list-style-type: none"> • 2% • Bonus of AMK's contribution 5% of agreed amount per month. • The account holder will get 300% insurance protection for Personal Accident (PA)

E- MONEY TRANSFER

AMK offers money transfer service to its customer both local and international transfer service. With its simple documentation process, customers can easily transfer money to family members, relatives, business partners, and other beneficiaries through branch office, ATM and Agent wherever close to customer. Customer can send or receive from/to account or cash at any AMK's channels.

AMK is also a member of "FAST Payment" service which initiated by National Bank of Cambodia where enables bank customers to transfer or receive funds to another MDI and commercial banks through its saving account in a safe, fast, efficient and reliable manner.

F- PAYMENT SERVICE

AMK provides the bill payment service to its customer in cash or between accounts throughout AMK's offices and Agent Channels across the country.

G- PAYROLL SERVICE

AMK offers the reliable and convenient corporate payroll service to its customer. This allows private companies and NGOs to facilitate payroll for their staff with more convenient. Moreover, they also get a lot of benefit such as high interest rate, flexible and accessible to their money via AMK's ATM/CDMs and AMK's agent across Cambodia at no extra cost. Furthermore, they also enjoy great discounts with AMK's merchants nationwide by just presenting their ATM's card.

H- E-Banking Services

AMK has extra delivery channel since 2011 in purpose of serve our customer both in urban and rural area where customer wish to perform deposits, withdrawals, loan payment, money transfers or other banking transactions via AMK agent in nationwide. With this new channel, AMK can reach more target clients who may not already bank with a formal financial institution.

In addition to Agent's network, ATMs and CDMs also have been installed across Cambodia. The service includes Cash withdrawal, Fund transfer, Balance enquiry, Mini statement, PIN change, Cross currency withdrawal, and Cash deposit.

I- MICRO-INSURANCE

AMK and Forte Insurance Company officially struck a deal for distributing the Micro-Insurance product in AMK's network. In 2018, 285,646 policies of micro-insurance on Health and Accident were offered to AMK's customer. Our customers can purchase the micro-insurance products at AMK office or at their village through our Client Officer.

We offer the following range of protection products to cover the financial needs of customers:

Health and Accident: With a small premium of USD 7.5 per annum, our customer can purchase this product to protect themselves and their family member.

CAMBODIAN COMPETITIVE LANDSCAPE

In 2018, Cambodia macro-economic continues to grow at 7% according to the Asian Development Bank (ADB). The inflation is expected to stay around 2.8% in 2018 according to National Institute of Statistic (NIS). Banking and Financial sector continue to grow at a strong path with a total of 273 credit operators, 73 Microfinance Institutions, 7 Microfinance Deposit-Taking Institutions, 44 Commercial Banks and 14 Specialized Banks.

Despite many challenges, the microfinance sector continued to grow well in 2018. The loan customer grows by 5% while loan advance to customer grows by 30%. The non-performing loan remained good at 1.1%, and the loan write off was only 0.43%. Customer deposit continues to grow fast in 2018 at 41% and 10% for both deposit balance and customer respectively.

CMA Report 2018 illustrated that sector summary of its members as of 31 December 2018 as follows:

TOTAL NUMBER OF BORROWER

1,951,241



LOAN PORTFOLIO EXPANDED TO

USD 5,519.94 million



THE NUMBER OF SAVER IS

2,159,051



DEPOSIT BALANCES IS ABOUT

USD 2,812.57 million



The whole MFI sector growth trends for the past eleven years are outlined as below:

YEAR ¹	NUMBER OF BORROWER	LOAN OUT-STANDING (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
2017	1,849,246	4,256.51	2,301.75	1,955,575	1,999.01	1,022.21
2018	1,951,241	5,519.94	2,828.94	2,159,051	2,812.57	1,302.69

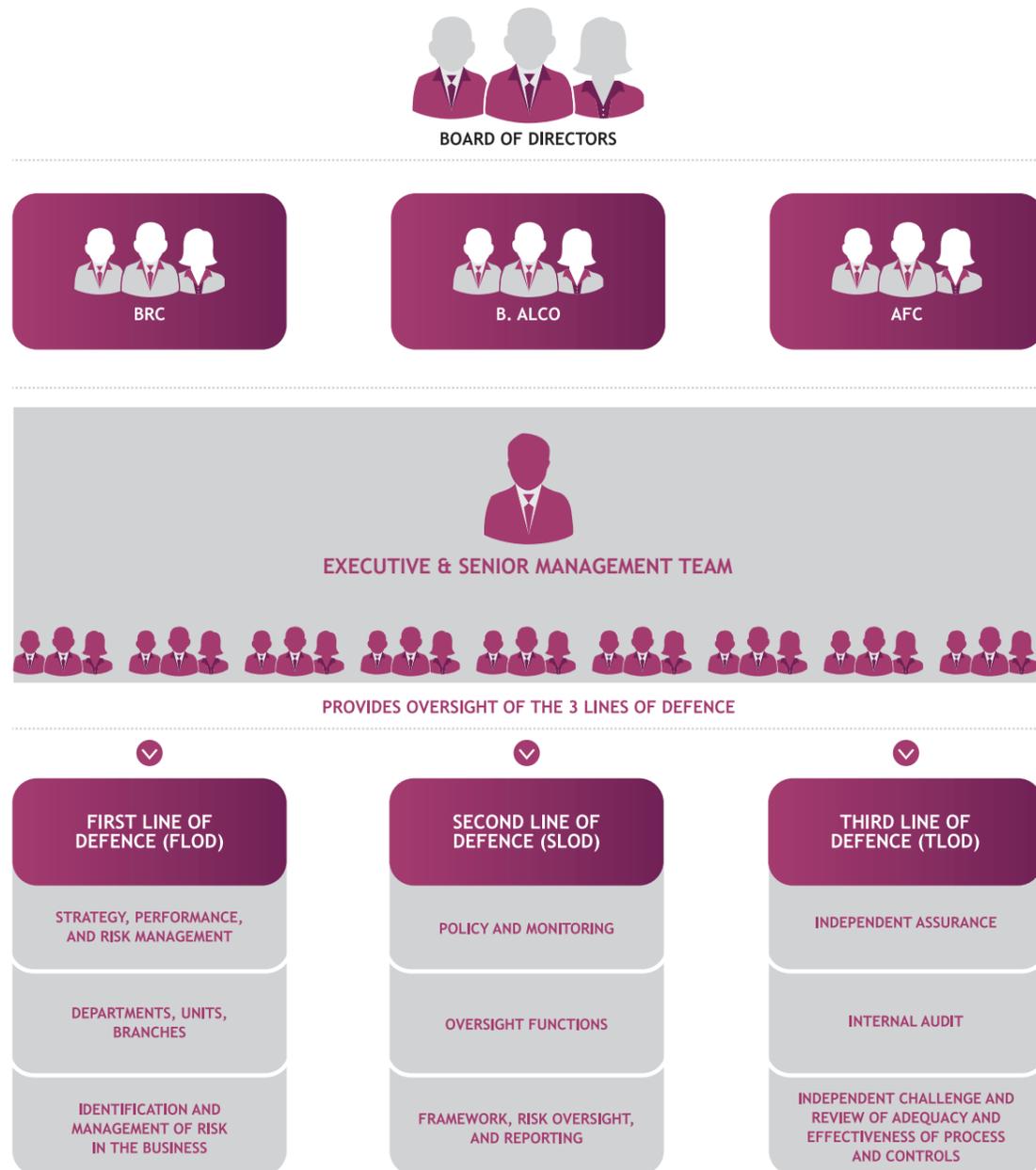
Source: NIX-Data from CMA (2008-2018)

¹ The figures in this table represent the information of only the Microfinance Institutions (MFIs) registered with CMA. The data in 2016 and before that includes SATHAPANA, but it is excluded from 2017 after SATHAPANA transformed itself to be a bank since 2016.

RISK MANAGEMENT

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

In 2018, 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 staff, is embedded through the following risk governance structure¹:



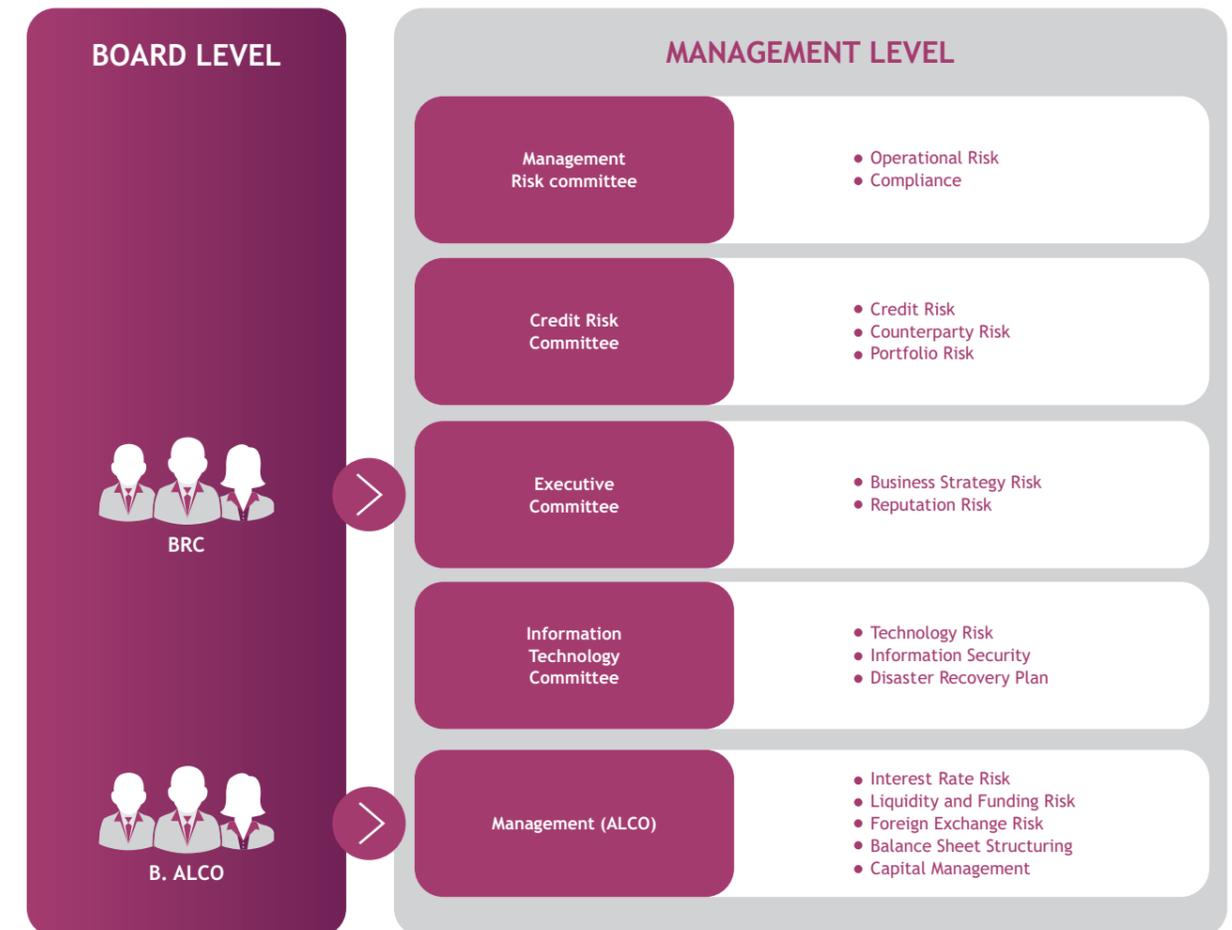
¹ BRC: Board Risk Committee, B.ALCO: Board Asset Liabilities Committee, AFC: Audit and Finance Committee

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 Defence, 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 Defence 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.



FINANCIAL REPORT

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 2019, 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, segment selection, credit 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 2018 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 2019.
- **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 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 for any potential changes. Liquidity stress testing exercise and enhancement of cash management processes are the aims in 2019.



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 (“the financial statements”) as at and for the year ended 31 December 2018.

THE COMPANY

The Company is a licensed micro-finance institution, incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under registration number 00007298, dated 30 April 2003. The Company is engaged primarily in the provision of micro-finance services to the low-income 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, was 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.

On 9 May 2018, the National Bank of Cambodia (“NBC”) approved on the transaction of shares purchased by The Shanghai Commercial and Savings Bank Limited (“SCSB”) of 80.01% of the total shares. Agora Microfinance N.V. and AMK-Staff Association remain as other shareholders after the change to shareholding is completed. The Company’s revised Memorandum and Article of Association was approved by NBC and endorsed by the Ministry of Commerce on 4 and 10 July 2018, respectively. The transaction was fully completed on 31 August 2018.

RESULTS OF OPERATIONS

The financial results of the Company for the year are set out in the income statement.

PAID UP CAPITAL

The paid up capital of the Company as at:

31 DECEMBER 2018		2017	
KHR'000	US\$	KHR'000	US\$
120,327,300	29,947,063	79,127,300	19,600,520

(note 16)

DIVIDENDS

No dividends were declared during the year.

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 are 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 as disclosed elsewhere in the financial statements, at the date of this report, there were no other events, which occurred subsequent to 31 December 2018 that had significant impact on the financial position of the Company as at 31 December 2018.

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. TIP JANVIBOL
Director

MR. KEA BORANN
Director

MS. HENG SEIDA
Director (appointed on 05 April 2018)

MR. JOHN CON-SING YUNG
Director (appointed on 04 June 2018)

MR. CHIN-KANG LIU
Director (appointed on 10 July 2018)

MR. RU-HUNG WEI
Director (appointed on 10 July 2018)

MS. PI-FEN HSIEH
Director (appointed on 10 July 2018)

MR. PATRICK PETER POWER
Director (resigned on 27 December 2018)

MS. BLANDINE CLAUDIA MARIE PONS
Director (resigned on 10 July 2018)

MR. JOSHUA DUNHAM MORRIS
Director (resigned on 10 July 2018)

MR. MICHAEL GOH CHIANG HUAT
Director (resigned on 10 July 2018)

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 except as disclosed elsewhere in notes to 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 2018, and its financial performance and its 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 2018, 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:



Tanmay Chetan
Chairman

Phnom Penh, Kingdom of Cambodia
14th March, 2019

INDEPENDENT AUDITOR'S REPORT

Reference: 61211851/20329783

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 2018, 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 2018, 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.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation 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.

Those Charged with Governance 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.



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

Phnom Penh, Kingdom of Cambodia
14th March, 2019

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
ASSETS					
Cash on hand	3	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the National Bank of Cambodia	4	276,768,398	68,882,130	169,383,997	41,957,889
Balances with banks	5	13,321,505	3,315,457	41,603,644	10,305,584
Loans to customers	6	975,318,202	242,737,233	810,721,760	200,822,829
Other assets	7	21,226,591	5,282,875	17,775,994	4,403,268
Property and equipment	8	17,996,668	4,479,011	16,666,624	4,128,220
Software	9	11,749,237	2,924,151	10,097,155	2,501,153
Deferred tax assets	15.2	7,137,972	1,776,499	5,969,108	1,478,600
TOTAL ASSETS		1,403,320,322	349,258,418	1,141,661,785	282,799,550
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	10	638,164,858	158,826,495	476,894,860	118,131,003
Income tax payable	15.1	6,365,457	1,584,235	7,341,834	1,818,636
Other liabilities	11	49,195,912	12,243,881	35,837,798	8,877,333
Borrowings	12	475,759,359	118,407,008	425,530,473	105,407,598
Subordinated debts	13	34,646,200	8,622,748	19,401,600	4,805,945
Provision for staff benefits	14	9,863,741	2,454,888	14,095,407	3,491,555
TOTAL LIABILITIES		1,213,995,527	302,139,255	979,101,972	242,532,070
SHAREHOLDERS' EQUITY					
Share capital	16	120,327,300	29,947,063	79,127,300	19,600,520
Share premium		149,505	37,209	149,505	37,034
Reserve	16	20,764,670	5,167,912	18,814,706	4,660,566
Retained earnings		48,083,320	11,966,979	64,468,302	15,969,360
Total shareholders' equity		189,324,795	47,119,163	162,559,813	40,267,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,403,320,322	349,258,418	1,141,661,785	282,799,550

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
OPERATING INCOME					
Interest income	17	178,117,459	44,329,880	191,654,847	47,474,572
Interest expense	18	(70,368,035)	(17,513,199)	(59,979,248)	(14,857,381)
NET INTEREST INCOME		107,749,424	26,816,681	131,675,599	32,617,191
Fee and commission expenset	19	(9,392,173)	(2,337,524)	(11,860,093)	(2,937,848)
Other income	20	71,721,598	17,850,074	28,989,385	7,180,923
TOTAL OPERATING INCOME		170,078,849	42,329,231	148,804,891	36,860,266
GRANT INCOME					
Provision for losses on loans to customers	6	(14,228,206)	(3,541,116)	(13,021,747)	(3,225,600)
Other operating expenses	21	(122,324,762)	(30,444,192)	(107,777,037)	(26,697,309)
PROFIT BEFORE INCOME TAX		34,191,548	8,509,594	28,497,528	7,059,086
Income tax expense	15.1	(7,426,566)	(1,848,324)	(7,190,784)	(1,781,220)
NET PROFIT FOR THE YEAR		26,764,982	6,661,270	21,306,744	5,277,866

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Reserve	Retained earnings	Total	
	KHR'000 (Note 16)	KHR'000	KHR'000 (Note 16)	KHR'000	KHR'000	US\$ equivalent (Note 2.3.1)
Balance as at 1 January 2018	79,127,300	149,505	18,814,706	64,468,302	162,559,813	40,457,893
Net profit for the year	-	-	-	26,764,982	26,764,982	6,661,270
Conversion of retained earnings to share capital	41,200,000	-	-	(41,200,000)	-	-
Appropriation to reserves	-	-	1,949,964	(1,949,964)	-	-
BALANCE AS AT 31 DECEMBER 2018	120,327,300	149,505	20,764,670	48,083,320	189,324,795	47,119,163
US\$ EQUIVALENT (NOTE 2.3.1)	29,947,063	37,209	5,167,912	11,966,979	47,119,163	
Balance as at 1 January 2017	35,127,300	149,505	16,414,114	89,562,150	141,253,069	34,989,614
Net profit for the year	-	-	-	21,306,744	21,306,744	5,277,866
Conversion of retained earnings to share capital	44,000,000	-	-	(44,000,000)	-	-
Appropriation to reserves	-	-	2,400,592	(2,400,592)	-	-
BALANCE AS AT 31 DECEMBER 2017	79,127,300	149,505	18,814,706	64,468,302	162,559,813	40,267,480
US\$ EQUIVALENT (NOTE 2.3.1)	19,600,520	37,034	4,660,566	15,969,360	40,267,480	

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
OPERATING ACTIVITIES					
Profit before income tax		34,191,548	8,509,594	28,497,528	7,059,086
Adjustments:					
Depreciation and amortization	21	6,045,420	1,504,584	5,771,658	1,429,690
Provision for losses on loans to customer		14,228,206	3,541,116	13,021,747	3,225,600
Provision for losses on balances with banks		132,501	32,977	-	-
Gain on disposal of property and equipment		(57,420)	(14,291)	(126,183)	(31,257)
Movements in operating assets and liabilities:					
Balances with the National Bank of Cambodia		(14,694,230)	(3,657,101)	(10,410,443)	(2,578,757)
Loans to customers		(178,824,648)	(44,505,886)	(225,596,763)	(55,882,280)
Other assets		(3,450,597)	(858,785)	(1,417,876)	(351,220)
Deposits from customers		161,269,998	40,136,884	122,489,475	30,341,708
Provision for staff benefits		(4,231,666)	(1,053,177)	2,458,041	608,878
Other liabilities		13,358,114	3,324,568	6,905,354	1,710,515
		27,967,226	6,960,483	(58,407,462)	(14,468,037)
Income tax paid	15.1	(9,571,807)	(2,382,232)	(7,955,386)	(1,970,619)
NET CASH GENERATED (USED IN) FROM OPERATING ACTIVITIES		18,395,419	4,578,251	(66,362,848)	(16,438,656)
INVESTING ACTIVITIES					
Acquisition of property and equipment	8	(6,742,422)	(1,678,054)	(4,021,746)	(996,221)
Acquisition of software	9	(2,286,124)	(568,971)	(1,609,362)	(398,653)
Proceeds from disposal of property and equipment		57,420	14,291	657,049	162,757
NET CASH USED IN INVESTING ACTIVITIES		(8,971,126)	(2,232,734)	(4,974,059)	(1,232,117)
FINANCING ACTIVITIES					
Proceeds from borrowings		239,278,021	59,551,523	226,553,198	56,119,197
Proceeds from subordinated debt		20,090,000	5,000,000	(4,850,400)	(1,201,486)
Repayment of borrowings		(189,049,135)	(47,050,556)	(94,864,673)	(23,498,804)
Repayment of subordinated debt		(4,845,400)	(1,205,923)	-	-
Net cash generated from financing activities		65,473,486	16,295,044	126,838,125	31,418,907
Net increase in cash and cash equivalents		74,897,779	18,640,561	55,501,218	13,748,134
Cash and cash equivalents at beginning of year		238,786,976	59,149,610	183,285,758	45,401,476
Foreign exchange difference		-	279,704	-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		313,684,755	78,069,875	238,786,976	59,149,610

STATEMENT OF CASH FLOWS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS

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

	Notes	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Cash on hand	3	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the National Bank of Cambodia	4	220,429,000	54,860,379	127,738,829	31,642,019
Balances with other banks	5	13,454,006	3,348,434	41,603,644	10,305,584
		313,684,755	78,069,875	238,786,976	59,149,610

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 150 offices (2017: 150 Offices).

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.

Employees

As at 31 December 2018, the Company had a total of 2,811 employees (31 December 2017: 2,494 employees).

The financial statements were authorized for issue by the Board of Directors on 26 February 2019.

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 Use of 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.

2.1.3 Standards not yet adopted

On 24 March 2016, the National Accounting Council of Cambodia ("NAC") announced that the implementation of Cambodian International Financial Reporting Standards ("CIFRSs") is deferred until the end of 2018. During the transition period, banks and financial

institutions, including insurance companies, shall prepare progress report regarding the implementation of CIFRSs and report annually to the NAC and other regulators. The adoption of CIFRSs may have significant impact on the financial statements of the Company.

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 Functional currency

CAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- (i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- (ii) The currency in which funds from financing activities are generated; and
- (iii) The currency in which receipts from operating activities are usually retained.

2.2.2 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.

2.2.3 Operating leases

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.

2.2.4 Impairment losses on loans to customers, other balances sheet facilities and off balance sheet facilities

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of impairment losses. On 1 December 2017, the NBC issued Prakas B7-017-344 on Credit Risk Grading and Impairment Provisioning repealing NBC Prakas No. B7-02-186 that previously governs the credit classification and provisioning, as further disclosed in Note 2.3.7.1.

2.2.5 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.

2.2.6 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the

amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Company's estimates of future taxable income indicate that temporary differences will be realized in the future. As such, the Company recognized deferred tax assets as at 31 December 2018 amounting to KHR7.14 billion or US\$1.78 million (2017: KHR5.97 billion or US\$1.48 million) as disclosed in Note 15.2.

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 into United States dollar ("US\$") based on the closing exchange rate of KHR4,018 per US\$1 ruling at the reporting date (31 December 2017: KHR4,037), 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 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.

2.3.3 Operating leases

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

2.3.4 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.

2.3.5 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.

2.3.6 Balances with banks

Balances with banks are carried at cost.

2.3.7 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.

2.3.7.1 Loan classification and allowance for losses on loans to customers

Allowance for losses on loans to customers is made with regard to specific risks and relates to those loans and advances that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. and general allowance is also maintained for loans classified as normal.

The allowance is based on a percentage of total outstanding loans and advances.

On 1 December 2017, the NBC issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning which repealed NBC Prakas No. B7-02-186 on Asset Classification and Provisioning effective from the date of the newly-issued Prakas. The new Prakas requires banks and financial institutions to calculate the regulatory provision by classifying their loan portfolio into five classes based on number of days past due of principal and/or interest repayment. The NBC issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance provided based on the loan classification as follows:

CLASSIFICATION	NUMBER OF DAYS PAST DUE	ALLOWANCE RATE
Loans (term of up to one year)		
<i>General allowance</i>		
Normal	0 to 14 days	1%
<i>Specific allowance</i>		
Special mention	15 to 30 days	3%
Substandard	31 to 60 days	20%
Doubtful	61 to 90 days	50%
Loss	91 days or more	100%
Loans (term of more than one year)		
Normal	0 to 29 days	1%
<i>Specific allowance</i>		
Special mention	30 to 89 days	3%
Substandard	90 to 179 days	20%
Doubtful	180 to 359 days	50%
Loss	360 days or more	100%

The regulatory provision applies to all on and off balance sheet facilities of banks and financial institutions.

Further, the Prakas requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS when adopted. During the transition period before the implementation of CIFRS, the Company follows the mandatory credit classification and regulatory provision in the Prakas.

In addition, the Company applies individual assessment for loan size over a materiality threshold of US\$10,000 or equivalent in other currency, based on facility review carried out at least annually, or more frequently where a review trigger occurs. Other loans are assessed collectively, applying the required maximum number of days past due at a minimum. Where information has been received which affects the client's financial status or their ability of willingness to repay the loan, this is used for classification where it results in a more severe classification being applied. Classification of loans is carried out on a monthly basis.

The 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 together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

2.3.8 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 period 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 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 assets are 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 rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.3.9 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.

2.3.10 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.

2.3.11 Deposits from customers

Deposits from customers are stated at placement value.

2.3.12 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.

2.3.13 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 after approval from NBC. Foreign exchange differences on subordinated debt are taken through the income statement.

2.3.14 Foreign currency forward and swap contracts

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

2.3.15 Employee benefits

Provision for staff pension fund

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 or equal to 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.

Seniority Payment

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") has issued a Prakas No. 443 on Seniority Payment, to all enterprises, establishments and those who are covered by the provisions of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment (prior to the release of the Prakas) which equal to fifteen days per year of employees' wages which shall be paid to them as follows:

- seven and half days shall be made in June next year
- seven and half days shall be made in December next year

The retroactive seniority payment shall not exceed 6 months of employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it. The Company has estimated and recognized the seniority benefit obligation of KHR'000 5,534,875 or US\$ 1,377,520 in financial statements for the year ended 31 December 2018.

2.3.16 Provisions

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

2.3.17 Recognition of income or expense

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

(i) Interest income or expense

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

Interest expense is recognized on an accrual basis.

(ii) Fee and commission income and expense

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from loan processing. Fee and commission income is presented as part of other income.

The Company charges loan processing fees and loan administrative fees to its customers. These loan fees are an integral part of the loan and as such, management reassessed the appropriateness of the accounting policy. The loan processing fees are collected outright when the loan is disbursed to customers and are recognized as income on a straight-line basis over the term of the loan. The unamortised loan processing fees are shown as a deduction from the balance of loans to customers. Loan administrative fee is charged on a monthly basis based on the original loan balance and is recognized as income on a monthly basis.

Fee and commission expense is charged to the 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

Operating expenses are recognized on an accrual basis.

2.3.18 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.

2.3.19 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:

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

2.3.20 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

Head office
Branches

2018		2017	
KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
6,000,934	1,493,513	2,836,918	702,729
73,800,815	18,367,549	66,607,585	16,499,278
79,801,749	19,861,062	69,444,503	17,202,007

Cash on hand by currency comprises the following:

2018		2017	
KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Khmer Riel ("KHR")	34,969,773	8,703,278	33,701,566
US Dollar ("US\$")	41,322,510	10,284,348	33,893,992
Thai Baht ("THB")	3,509,466	873,436	1,848,945
	79,801,749	19,861,062	69,444,503
			17,202,007

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

2018		2017	
KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	81,224,909	20,215,259	31,216,009
Capital guarantee (i)	12,032,730	2,994,706	96,522,820
Negotiable certificate of deposit ("NCD") (ii)	139,204,091	34,645,120	7,912,730
Reserve requirement (iii)	44,306,668	11,027,045	33,732,438
	276,768,398	68,882,130	169,383,997
			41,957,889

- (i) Under NBC Prakas No. B7-00-06 on 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.
- (ii) The NCD amounting to KHR200.00 million is used as collateral against the overdraft facility with the NBC in connection with the Fast and Secure Transfer ("FAST") service. The FAST service provides instant Riel-denominated fund transfers between banking institutions. The overdraft line as at 31 December 2018 is unutilized. NCD amounting to KHR74.90 billion is used as collateral (for currency hedge purpose) against the borrowing with the NBC (Note 12).

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

The capital guarantee deposit and NCD earn annual interest at 3.00% (2017: 3.00%) and at rates ranging from 0.72% - 1.00% in 2018 (2017: 0.96% - 1.40%), respectively. Current accounts do not earn interest.

5. BALANCES WITH BANKS

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	4,072,882	1,013,659	7,829,764	1,939,501
Savings accounts	9,381,124	2,334,775	33,773,880	8,366,083
	13,454,006	3,348,434	41,603,644	10,305,584
Allowance for cash placement with other banks				
General provision	(132,501)	(32,977)	-	-
Total provision	(132,501)	(32,977)	-	-
Balances with banks - net	13,321,505	3,315,457	41,603,644	10,305,584

The current accounts do not earn interest. Savings accounts earn annual interest at 0.015% - 1.50% in 2018 (2017: 0.05% - 1.50%).

Balances with banks analysed by currency are as follows:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	2,565,225	638,434	10,164,932	2,517,942
US\$	5,376,724	1,338,159	27,005,500	6,689,497
THB	5,379,556	1,338,864	4,433,212	1,098,145
	13,321,505	3,315,457	41,603,644	10,305,584

6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Village bank loans				
End of term	213,843,667	53,221,420	192,380,211	47,654,251
Credit line	248,703,396	61,897,311	155,063,317	38,410,532
Instalment	62,872,372	15,647,678	145,376,415	36,011,002
Individual loans				
Instalment	437,245,958	108,821,791	237,502,371	58,831,402
Credit line	16,855,183	4,194,919	29,857,515	7,395,966
End of term	36,926,733	9,190,327	76,610,671	18,977,130
Gross loans to customers	1,016,447,309	252,973,446	836,790,500	207,280,283
Allowance for losses on loans to customers				
Specific	(11,993,477)	(2,984,937)	(10,098,237)	(2,501,421)
General	(9,778,480)	(2,433,668)	(8,328,434)	(2,063,026)
Total allowance	(21,771,957)	(5,418,605)	(18,426,671)	(4,564,447)
Unamortised loan processing fees	(19,357,150)	(4,817,608)	(7,642,069)	(1,893,007)
Loans to customers - net	975,318,202	242,737,233	810,721,760	200,822,829

Movements of allowance for losses on loans to customers:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
At beginning of year	18,426,671	4,564,447	12,032,475	2,980,549
Provision during the year	14,228,206	3,541,116	13,021,747	3,225,600
Write-offs during the year	(10,882,920)	(2,708,542)	(6,627,551)	(1,641,702)
Foreign exchange difference	-	21,584	-	-
At end of year	21,771,957	5,418,605	18,426,671	4,564,447

Further analyses of loans to customers are set out below:

(a) By grade of loans to customers

Loan grading is classified following the NBC's Prakas No. B7-02-186 (Note 2.3.7.1), as presented below:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Standard loans				
Secured	411,126,840	102,321,264	351,676,940	87,113,436
Unsecured	566,721,153	141,045,583	467,564,305	115,819,744
Special mention loans				
Secured	12,868,009	3,202,591	2,314,653	573,360
Unsecured	8,739,900	2,175,187	2,219,382	549,760
Substandard loans				
Secured	2,918,307	726,308	750,568	185,922
Unsecured	3,030,714	754,284	1,856,065	459,763
Doubtful loans				
Secured	404,770	100,739	161,264	39,947
Unsecured	1,369,128	340,748	1,502,087	372,080
Loss loans				
Secured	4,473,033	1,113,249	3,165,743	784,182
Unsecured	4,795,455	1,193,493	5,579,493	1,382,089
Total gross loans	1,016,447,309	252,973,446	836,790,500	207,280,283

(b) By maturity

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	48,784,510	12,141,490	52,055,677	12,894,644
More than 1 month to 3 months	210,459,958	52,379,283	167,499,188	41,491,005
More than 3 months to 12 months	554,233,105	137,937,557	425,170,251	105,318,368
More than 1 year to 5 years	200,952,032	50,012,950	189,960,533	47,054,876
More than 5 years	2,017,704	502,166	2,104,851	521,390
Total gross loans	1,016,447,309	252,973,446	836,790,500	207,280,283

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

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Residency				
Residents	1,016,447,309	252,973,446	836,790,500	207,280,283
Relationship				
External customers	993,543,716	247,273,200	823,749,428	204,049,895
Staff loans	22,903,593	5,700,246	13,041,072	3,230,388
	1,016,447,309	252,973,446	836,790,500	207,280,283
Currency				
KHR	684,900,425	170,458,044	597,116,535	147,910,957
US\$	280,842,590	69,896,115	200,362,407	49,631,510
THB	50,704,294	12,619,287	39,311,558	9,737,816
	1,016,447,309	252,973,446	836,790,500	207,280,283
Industry sector				
Agriculture	308,651,567	76,817,213	337,725,296	83,657,492
Trade and commerce	177,453,965	44,164,750	219,516,757	54,376,209
Services	80,782,945	20,105,263	161,110,326	39,908,429
Construction	262,147,656	65,243,319	105,729,575	26,190,135
Household	146,444,924	36,447,218	11,542,639	2,859,212
Transportation	15,340,556	3,817,958	1,144,347	283,465
Others	25,625,696	6,377,725	21,560	5,341
	1,016,447,309	252,973,446	836,790,500	207,280,283

(d) By location

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	7,661,647	1,906,831	2,993,361	741,482
Branches	1,008,785,662	251,066,615	833,797,139	206,538,801
	1,016,447,309	252,973,446	836,790,500	207,280,283

(e) Annual interest rates

	2018	2017
External customers	15.60% - 18.00%	17.40% - 36.00% (before April) 15.60% - 18.00% (after April)
Staff loans		
Educational	2.00%	2.00%
Others	5.00% - 10.00%	10.00% - 11.00%

On 13 March 2017, the NBC issued Prakas B7-017-109 requiring all microfinance institutions to observe a maximum interest rate of 18.00% per annum on all loans issued, restructured or refinanced from 1 April 2017.

7. OTHER ASSETS

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest receivable	9,334,963	2,323,286	8,670,597	2,147,782
Prepayments	7,754,799	1,930,015	6,522,128	1,615,588
Others	4,136,829	1,029,574	2,583,269	639,898
	21,226,591	5,282,875	17,775,994	4,403,268

8. 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 2018	3,677,325	4,551,754	12,518,246	15,312,175	2,077,963	38,137,463	9,491,653
Additions	328,550	848,299	1,921,489	1,157,821	2,551,646	6,807,805	1,694,327
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)	(104,712)
Transfers	75,762	-	-	2,458,891	(2,534,653)	-	-

As at

31 December 2018	4,077,642	5,000,707	14,439,735	18,911,494	2,094,955	44,524,534	11,081,268
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Accumulated depreciation

As at 1 January 2018	2,394,655	2,376,992	5,851,384	10,848,809	-	21,471,840	5,343,913
Depreciation	622,679	398,458	1,528,685	2,926,938	-	5,476,760	1,363,056
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)	(104,712)

As at

31 December 2018	3,013,339	2,376,104	7,380,069	13,758,354	-	26,527,866	6,602,257
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Net book value

As at

31 December 2018	1,064,303	2,624,603	7,059,666	5,153,140	2,094,956	17,996,668	
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US\$ equivalent (Note 2.3.1)

As at

31 December 2018	264,884	653,211	1,757,010	1,282,514	521,393	4,479,011	
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Cost

As at 1 January 2017	3,280,660	4,144,141	12,713,615	13,783,493	2,106,379	36,028,288	8,924,520
Additions	386,014	407,613	1,403,414	1,456,806	367,899	4,021,746	996,221
Disposals/write-offs	(62,682)	-	(1,598,783)	(119,355)	(131,751)	(1,912,571)	(473,760)
Transfers	73,333	-	-	191,231	(264,564)	-	-

As at

31 December 2017	3,677,325	4,551,754	12,518,246	15,312,175	2,077,963	38,137,463	9,446,981
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Accumulated depreciation

As at 1 January 2017	1,613,510	2,091,105	5,672,391	8,205,993	-	17,582,999	4,355,462
Depreciation	782,960	285,887	1,445,739	2,755,960	-	5,270,546	1,305,560
Disposals/write-offs	(1,816)	-	(1,266,746)	(113,144)	-	(1,381,706)	(342,261)

As at

31 December 2017	2,394,654	2,376,992	5,851,384	10,848,809	-	21,471,839	5,318,761
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Net book value

As at

31 December 2017	1,282,671	2,174,762	6,666,862	4,463,366	2,077,963	16,665,624	
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US\$ equivalent (Note 2.3.1)

As at

31 December 2017	317,729	538,707	1,651,440	1,105,615	514,729	4,128,220	
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9. SOFTWARE

	Software	Work in progress	Total
	KHR'000	KHR'000	KHR'000
Cost			
As at 1 January 2018	6,695,562	9,247,315	15,942,877
Additions	602,708	1,683,415	2,286,123
Transfers	1,922,162	(1,922,162)	-
As at 31 December 2018	9,220,432	9,008,568	18,229,000
Accumulated amortisation			
As at 1 January 2018	5,845,722	-	5,845,722
Amortisation	634,041	-	634,041
As at 31 December 2018	6,479,763	-	6,479,763
Net book value			
As at end of the year	2,740,669	9,008,568	11,749,237
US\$ equivalent (Note 2.3.1)			
As at 31 December 2018	682,098	2,242,053	2,924,151

	Software	Construction in progress	Total
	KHR'000	KHR'000	KHR'000
Cost			
As at 1 January 2017	6,421,986	7,911,529	14,333,515
Additions	111,211	1,498,151	1,609,362
Transfers	162,365	(162,365)	-
As at 31 December 2017	6,695,562	9,247,315	15,942,877
Accumulated amortisation			
As at 1 January 2017	5,344,610	-	5,344,610
Amortisation	501,112	-	501,112
As at 31 December 2017	5,845,722	-	5,845,722
Net book value			
As at end of the year	849,840	9,247,315	10,097,155
US\$ equivalent (Note 2.3.1)			
As at 31 December 2017	210,513	2,290,640	2,501,153

10. DEPOSITS FROM CUSTOMERS

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Savings deposits	222,435,050	55,359,644	194,761,260	48,244,057
Term deposits	415,729,808	103,466,851	282,133,600	69,886,946
	638,164,858	158,826,495	476,894,860	118,131,003

Further analyses on deposits from customers follow:

(a) By maturity

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within 1 month	287,177,459	71,472,737	237,613,359	58,858,895
More than 1 month to 3 months	71,000,471	17,670,600	55,568,302	13,764,752
More than 3 months to 12 months	238,147,130	59,270,067	140,901,026	34,902,409
More than 12 months	41,839,798	10,413,091	42,812,173	10,604,947
	638,164,858	158,826,495	476,894,860	118,131,003

(b) By currency

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	313,084,395	77,920,457	297,092,477	73,592,390
US\$	307,552,382	76,543,649	165,805,761	41,071,529
THB	17,528,081	4,362,389	13,996,622	3,467,084
	638,164,858	158,826,495	476,894,860	118,131,003

(c) By relationship

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Non-related parties	635,970,256	158,280,302	474,361,301	117,503,419
Related parties	2,194,602	546,193	2,533,559	627,584
	638,164,858	158,826,495	476,894,860	118,131,003

(d) By interest rate per annum

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Savings deposits		0.5% - 5.00%		0.50% - 5.00%
Term deposits		1.00% - 12.50%		1.00% - 12.50%

11. OTHER LIABILITIES

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest payable	21,119,851	5,256,309	17,862,049	4,424,585
Accrual and other payables	14,838,406	3,692,983	4,787,272	1,185,849
Personnel and other related costs	8,875,868	2,209,026	7,278,085	1,802,844
Swap and forward exchange contracts	1,444,608	359,534	560,485	138,837
Taxes payable	2,917,180	726,029	5,349,907	1,325,218
	49,195,912	12,243,881	35,837,798	8,877,333

12. BORROWINGS

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
National Bank of Cambodia (*)	71,840,000	17,879,542	92,000,000	22,789,200
BlueOrchard Finance Ltd	57,458,590	14,300,296	41,005,665	10,157,460
Industrial and Commercial Bank of China Limited, Phnom Penh Branch	56,266,000	14,003,484	28,259,000	7,000,000
Instituto De Crédito Oficial of The Kingdom of Spain	55,713,249	13,865,915	68,588,334	16,989,927
Incofin Investment Management	32,292,500	8,036,959	20,185,000	5,000,000
PROPARCO (**)	32,152,000	8,001,991	-	-
Oikocredit, Ecumenical Development Co-operative Society, U.A	22,450,622	5,587,512	27,701,224	6,861,834
Nordic Microfinance Initiative AS	20,000,000	4,977,601	20,000,000	4,954,174
Union Commercial Bank Plc.	18,420,416	4,584,474	-	-
WaterCredit Investment Fund 3, LLC	12,057,000	3,000,747	-	-
Triodos Investment Management B.V	10,629,767	2,645,537	10,666,667	2,642,226
responsAbility Global Microfinance Fund	9,555,854	2,378,261	11,755,035	2,911,824
Triple Jump B.V.	8,146,000	2,027,377	-	-
RHB Indochina Bank	8,100,000	2,015,928	-	-
Deutsche Bank AG (Global Commercial Microfinance Consortium II B.V.)	8,038,000	2,000,498	16,148,000	4,000,000
Sathapana Bank Plc	8,011,237	1,993,837	12,000,000	2,972,504
Advanced Bank of Asia Limited	8,000,000	1,991,040	-	-
Grameen Credit Agricole Microfinance Foundation	6,758,520	1,682,061	9,215,460	2,282,750
Bank IM Bistum Essen eG	6,028,500	1,500,373	10,092,500	2,500,000
TBB (Cambodia) Microfinance	5,619,000	1,398,457	-	-
Microvest EDF Master Fund, LTD	5,224,700	1,300,324	-	-
Foreign Trade Bank of Cambodia	4,137,224	1,029,672	-	-
Vattanac Bank Limited	4,055,430	1,009,316	9,933,338	2,460,574
Kookmin Bank Cambodia Plc	3,800,000	945,744	8,074,000	2,000,000
Khun Heang	1,004,750	250,062	1,009,250	250,000
Microvest GMG Local Credit Master Fund, Ltd	-	-	14,465,000	3,583,106
Symbiotics SA Information	-	-	14,267,500	3,534,184
ASN Novib Mikro kredietfonds	-	-	8,146,000	2,017,835
Leap Philanthropy Ltd	-	-	2,018,500	500,000
	475,759,359	118,407,008	425,530,473	105,407,598

(*) This balance represents currency hedge instrument with NBC through its liquidity-providing collateralized operation (LPCO) mechanism against the NCD as in Noted 4.

(**) PROPARCO: Société de Promotion et de Participation pour la Coopération Economique.

All Company's borrowings other than with the NBC (Note 4) are unsecured.

Further analyses of borrowings follow:

(a) By currency

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	142,956,556	35,579,033	159,061,667	39,400,958
US\$	304,424,609	75,765,209	238,794,606	59,151,500
THB	28,378,194	7,062,766	27,674,200	6,855,140
	475,759,359	118,407,008	425,530,473	105,407,598

(b) By maturity

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	21,566,823	5,367,552	5,316,738	1,317,002
More than 1 month to 3 months	26,059,904	6,485,790	9,447,440	2,340,213
More than 3 months to 12 months	176,874,804	44,020,608	171,045,743	42,369,518
More than 1 year to 5 years	251,257,828	62,533,058	230,677,504	57,140,823
Over 5 years	-	-	9,043,048	2,240,042
	475,759,359	118,407,008	425,530,473	105,407,598

13. SUBORDINATED DEBT

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
PROPARCO (*)	14,551,200	3,621,503	19,401,600	4,805,945
BlueOrchard (**)	20,095,000	5,001,245	-	-
	34,646,200	8,622,748	19,401,600	4,805,945

(*) This pertains to a subordinated debt from Société de Promotion et de Participation pour la Coopération Economique ("PROPARCO") approved by the NBC on 14 June 2016 as capital tier 2 and are repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 September 2021.

(**) This pertains to a subordinated debt from BlueOrchard Microfinance Fund which was signed on 15 June 2018 and approved by the NBC on 25 July 2018 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 June 2023.

14. PROVISION FOR STAFF BENEFITS

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	14,095,407	3,491,555	11,637,366	2,882,677
Additions during the year				
Employer contribution	3,591,853	893,940	2,570,863	636,825
Employee contribution	1,323,307	329,345	1,176,095	291,329
Provision on seniority pay	5,534,875	1,377,520	-	-
Interest	421,346	104,371	868,251	215,074
Payments during the year	(14,304,905)	(3,560,205)	(1,922,113)	(476,124)
Reversal	(798,142)	(198,642)	(235,055)	(58,226)
Foreign exchange difference	-	17,004	-	-
Balance at end of year	9,863,741	2,454,888	14,095,407	3,491,555

On 16 March 2018, the Company issued a resolution to pay out the balance of the staff pension fund as at 31 December 2017 and settled significant portion of pension to staff in April 2018.

15. INCOME TAX

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

15.1 Income tax expense

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:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current income tax	8,595,430	2,139,231	9,611,026	2,380,735
Deferred tax income	(1,168,864)	(290,907)	(2,420,242)	(599,515)
	7,426,566	1,848,324	7,190,784	1,781,220

Movements of income tax payable follow:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	7,341,834	1,818,636	5,686,194	1,408,520
Corporate income tax	8,595,430	2,139,231	9,611,026	2,380,735
Income tax paid	(9,571,807)	(2,382,232)	(7,955,386)	(1,970,619)
Foreign exchange difference	-	8,600	-	-
Balance at end of year	6,365,457	1,584,235	7,341,834	1,818,636

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

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Profit before income tax	34,191,548	8,509,594	28,497,528	7,059,086
Income tax expense at applicable tax rate of 20%	6,838,310	1,701,919	5,699,506	1,411,817
Adjustments:				
Non-deductible expenses	986,537	245,529	3,704,685	917,683
(Over)/under provision of income tax in prior year	(398,281)	(99,124)	206,835	51,235
Temporary differences	-	-	(2,420,242)	(599,515)
Effective income tax	7,426,566	1,848,324	7,190,784	1,781,220

15.2 Deferred income tax

Details of deferred income tax assets (liability) recognized during the year follow:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Allowance for loan losses	2,323,304	578,224	2,036,798	504,533
Provision for staff pension fund	622,322	154,884	1,966,792	487,191
Unamortised loan processing fees	3,871,430	963,522	1,528,414	378,601
Accruals	852,231	212,103	667,763	165,411
Property and equipment	(531,315)	(132,234)	(230,659)	(57,136)
Deferred income tax assets, net	7,137,972	1,776,499	5,969,108	1,478,600

16. EQUITY

(i) Number of ordinary shares are as follows:

	2018	2017
As at 1 January	3,165,092	1,405,092
Additional share issued	1,648,000	1,760,000
As at 31 December	4,813,092	3,165,092

(ii) All ordinary shares are registered, issued and paid up with par value of KHR25,000.

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Share capital	120,327,300	29,947,063	79,127,300	19,600,520

Details of shareholding are as follows:

	2018			2017		
	KHR'000	US\$ equivalent (Note 2.3.1)	%	KHR'000	US\$ equivalent (Note 2.3.1)	%
SCSB	96,273,850	23,960,640	80.01	-	-	-
Agora Micro-finance N.V	24,053,425	5,986,417	19.99	40,139,850	9,942,990	50.73
AMK- Staff Association	25	6	0.00	2,383,350	590,376	3.01
Rural Impulse Fund II	-	-	-	19,473,175	4,823,675	24.61
PROPARCO	-	-	-	11,826,075	2,929,422	14.95
CLDF	-	-	-	5,304,850	1,314,057	6.70
	120,327,300	29,947,063	100	79,127,300	19,600,520	100.00

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions which requires MDIs to have a minimum registered capital of KHR120 billion (approximately US\$30 million). On 16 June 2016, the NBC issued Circular B7-016-001 on implementation of the said Prakas requiring banks and financial institutions to inject half of the additional required capital by 31 March 2017 and to fully comply by 22 March 2018.

Responding to the Prakas, the Company had increased the capital by KHR44 billion and KHR41.2 billion with the approval from the NBC on 13 February 2017 and 16 March 2018, respectively.

On 9 May 2018, the National Bank of Cambodia ("NBC") approved on the transaction of shares purchased by The Shanghai Commercial and Savings Bank Limited ("SCSB") of 80.01% of the total shares. Agora Microfinance N.V. and AMK-Staff Association continue to remain as other shareholders after the change to shareholding is completed. The Company's revised Memorandum and Article of Association was approved by NBC and endorsed by the Ministry of Commerce on 4 and 10 July 2018, respectively. The transaction was fully completed on 31 August 2018.

Reserve

Under the loan agreement with ICO (Note 12), the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit at the end of each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

17. INTEREST INCOME

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loans to customers	176,580,955	43,947,475	190,477,236	47,182,867
Balances with banks	1,536,504	382,405	1,177,611	291,705
	178,117,459	44,329,880	191,654,847	47,474,572

18. INTEREST EXPENSE

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Borrowings	38,778,596	9,651,218	32,131,700	7,959,301
Deposits from customers	31,168,093	7,757,116	26,979,297	6,683,006
Staff pension fund	421,346	104,865	868,251	215,074
	70,368,035	17,513,199	59,979,248	14,857,381

19. FEE AND COMMISSION EXPENSE

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Village fees and commission and mobile bank agents' incentives	7,778,660	1,935,953	9,727,280	2,409,532
Fees and commissions on borrowings and swaps	1,613,513	401,571	2,132,813	528,316
	9,392,173	2,337,524	11,860,093	2,937,848

20. OTHER INCOME

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loan fees	60,219,627	14,987,463	18,444,822	4,568,943
Mobile banking fees	3,383,510	842,088	5,301,956	1,313,341
Micro-insurance commissions	2,542,933	632,885	2,343,315	580,459
Loan penalties	2,372,122	590,374	1,225,787	303,638
Reimbursements from shareholders	1,379,335	343,289	-	-
Payroll fees	1,053,364	262,161	750,067	185,798
Remittance fees	385,440	95,928	526,489	130,416
Loan recoveries	69,436	17,281	67,710	16,772
Gain on disposal of property and equipment	60,008	14,935	126,183	31,257
Foreign exchange gain	425	106	-	-
Others	255,398	63,564	203,056	50,299
	71,721,598	17,850,074	28,989,385	7,180,923

21. OTHER OPERATING EXPENSES

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Personnel and other related costs	77,054,346	19,177,289	59,908,392	14,839,830
Rental	8,912,059	2,218,034	8,451,166	2,093,427
Professional fees	6,607,585	1,644,496	6,933,932	1,717,595
Depreciation and amortization	6,045,420	1,504,584	5,771,658	1,429,690
Transportation	5,080,305	1,264,387	4,193,322	1,038,722
Non-capitalisable furniture and Security	2,773,711	690,321	2,841,620	703,894
Utilities	2,555,259	635,953	2,534,122	627,724
Communication	1,925,046	479,106	1,881,886	466,160
NBC license fees	1,659,185	412,938	1,563,851	387,379
Stationeries and supplies	1,492,333	371,412	1,497,500	370,944
Printing	1,482,479	368,959	1,753,075	434,252
Repair and Maintenance	1,304,840	324,749	1,560,174	386,469
Bank charges	1,023,511	254,731	1,211,642	300,134
Marketing expense	899,247	223,805	754,363	186,862
Miscellaneous expenses	819,736	204,016	824,286	204,183
Loss on disposal of fixed assets	61,518	15,311	3,467,310	858,883
Foreign exchange losses	2,588	644	46,387	11,490
Penalties and fines	-	-	94,183	23,330
Other expenses	-	-	1,447,434	358,542
	2,625,594	653,457	1,040,734	257,799
	122,324,762	30,444,192	107,777,037	26,697,309

Others include Board of Directors expenses on travel and accommodation, write off on operational losses, and staff refreshment.

22. GRANT INCOME

This represents the grant received from Water.org for a program managed by the Company 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:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one year	4,920,562	1,224,630	4,412,986	1,093,135
More than 1 year to 5 years	10,214,766	2,542,251	7,793,360	1,930,483
More than 5 years	8,874,340	2,208,646	3,516,893	871,165
	24,009,668	5,975,527	15,723,239	3,894,783

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

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Foreign exchange swap contracts	70,315,000	17,500,000	24,222,000	6,000,000
Unused portion of credit line	19,431,347	4,836,074	52,702,634	13,054,901

The Company has 10 foreign exchange swap contracts (2017: 7 contracts) with certain commercial banks outstanding as at 31 December 2018. The Company enters into these contracts 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	2018		2017	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Board of Directors	Remuneration	404,407	100,649	154,044	38,158
Key management personnel	Interest income	3,779	941	8,615	2,134
	Remuneration	2,519,951	627,166	1,886,656	467,341
Key management personnel	Deposit	2,194,602	546,193	707,195	175,178
	Loan	68,987	17,169	79,186	19,615
Agora Micro-Finance N.V (shareholder)	Deposit	4,641,413	1,155,155	1,826,364	452,406
PROPARCO (previous shareholder)	Subordinated -debt/Loan	-	-	19,401,600	4,805,945

25. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk and interest rate 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 contracts to manage its risk exposure (Note 23).

The Company intends to comply with the NBC's regulations for financial risk management purposes. 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:

	2018		2017	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Financial assets				
Cash on hand	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the NBC	220,429,000	54,860,379	127,738,829	31,642,019
Balances with banks	13,321,505	3,315,457	41,603,644	10,305,584
Loans to customers	975,318,202	242,737,233	810,721,760	200,822,829
Other assets	9,334,963	2,323,286	8,670,597	2,147,782
Total financial assets	1,298,205,419	323,097,417	1,058,179,333	262,120,221
Financial liabilities				
Deposits from customers	638,164,858	158,826,495	476,894,860	118,131,003
Borrowings	475,759,359	118,407,008	425,530,473	105,407,598
Subordinated debts	34,646,200	8,622,748	19,401,600	4,805,945
Other liabilities	46,278,733	11,517,852	30,487,891	7,552,115
Total financial liabilities	1,194,849,150	297,374,103	952,314,824	235,896,661

Capital management

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements and maintains 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 dividend payment to shareholders, return the capital, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Company is compliant with the solvency ratio prescribed by the NBC at 15% and 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 NBC Prakas No. B7-07-163.

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 2.3.7.1.

- (d) **Loans to customers**

Loans to customers are summarized as follows:

	2018		2017	
	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)	977,847,993	243,366,847	796,449,718	197,287,520
Loans to customers past due but not impaired (ii)	21,607,909	5,377,777	22,791,530	5,645,660
Loans to customers individually impaired (iii)	16,991,407	4,228,822	17,549,252	4,347,103
Loans to customers, gross	1,016,447,309	252,973,446	836,790,500	207,280,283

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 15 days past due (short-term loans) and less than 30 days past due (long-term loans) are not considered impaired, unless other information is available to indicate the contrary, based on loan classifications prescribed in NBC Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning.
- (iii) **Loans to customers individually impaired**
In accordance with NBC Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, loans and advances that are classified as substandard, doubtful and loss are considered non-performing and impaired. As such, a specific minimum level of 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\$, KHR and THB.

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

The balances in monetary assets and liabilities denominated in their respective currencies are as follows:

	2018			2017		
	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	34,969,773	41,322,510	3,509,466	33,701,566	33,893,992	1,848,945
Balances with the NBC	5,045,631	215,383,369	-	17,595,906	110,142,923	-
Balances with banks	2,565,225	5,376,724	5,379,556	10,164,932	27,005,500	4,433,212
Loans to customers	650,937,216	274,805,308	49,575,678	575,973,106	196,897,958	37,850,696
Other assets	6,121,496	2,759,552	453,915	5,990,447	2,277,375	402,775
Total financial assets	699,639,341	539,647,463	58,918,615	643,425,957	370,217,748	44,535,628
Financial liabilities						
Deposits from customers	313,084,395	307,552,382	17,528,081	297,092,477	165,805,761	13,996,622
Borrowings	142,956,556	304,424,609	28,378,194	159,061,667	238,794,606	27,674,200
Subordinated debts	14,551,200	20,095,000	-	19,401,600	-	-
Other liabilities	16,379,307	32,692,013	2,742,288	15,625,063	13,818,270	1,044,558
Total financial liabilities	486,971,458	664,764,004	48,648,563	491,180,807	418,418,637	42,715,380
Off-balance sheet items						
Foreign exchange swap contracts	(70,332,500)	70,332,500	-	(16,148,000)	24,222,000	(8,074,000)
	(70,332,500)	70,332,500	-	(16,148,000)	24,222,000	(8,074,000)
Net open position	142,335,383	(49,249,166)	10,270,052	136,097,150	(23,978,889)	(6,253,752)
US\$ equivalent (Note 2.3.1)	35,424,436	(12,257,134)	2,556,011	33,712,447	(5,939,779)	(1,549,109)

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 in 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. The management of the Company, at this stage, 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 with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed 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 interest %
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	
As at 31 December 2018								
Financial assets								
Cash on hand	-	-	-	-	-	79,801,749	79,801,749	-
Balances with the NBC	14,219,224	1,623,515	71,090,082	-	-	133,496,179	220,429,000	0.83
Balances with banks	4,072,882	9,248,623	-	-	-	-	13,321,505	0.14
Loans to customers	48,784,511	188,687,999	534,875,956	200,952,032	2,017,704	-	975,318,202	18.04
Other assets	9,334,963	-	-	-	-	-	9,334,963	-
	76,411,580	199,560,137	605,966,038	200,952,032	2,017,704	213,297,928	1,298,205,419	
Financial liabilities								
Deposits from customers	287,177,459	71,000,471	238,147,130	41,839,798	-	-	638,164,858	6.10
Borrowings	21,770,714	26,059,904	176,670,913	251,257,828	-	-	475,759,359	7.38
Subordinated debts	-	-	8,869,400	25,776,800	-	-	34,646,200	17.68
Other liabilities	-	14,816,599	30,612,520	849,614	-	-	46,278,733	-
	308,948,173	111,876,974	454,299,963	319,724,040	-	-	1,194,849,150	
Maturity gap	(232,536,593)	87,683,163	151,666,075	(118,772,008)	2,017,704	213,297,928	103,356,269	
US\$ equivalent (Note 2.3.1)								
	(57,873,717)	21,822,589	37,746,659	(29,559,982)	502,166	53,085,597	25,723,312	

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 2017 Financial assets

Cash on hand	-	-	-	-	-	69,444,503	69,444,503	-
Balances with the NBC	-	200,000	96,322,820	-	-	31,216,009	127,738,829	1.06
Balances with banks	16,595	33,773,880	-	-	-	7,813,169	41,603,644	0.14
Loans to customers	52,055,677	98,723,443	477,411,587	180,426,203	2,104,850	-	810,721,760	21.00
Other assets	8,670,597	-	-	-	-	-	8,670,597	-
	60,742,869	132,697,323	573,734,407	180,426,203	2,104,850	108,473,681	1,058,179,333	

Financial liabilities

Deposits from customers	237,613,359	55,568,302	140,901,026	42,812,173	-	-	476,894,860	6.05
Borrowings	5,316,738	9,447,440	171,045,743	230,677,504	9,043,048	-	425,530,473	7.38
Subordinated debt	-	-	4,850,400	14,551,200	-	-	19,401,600	17.69
Other liabilities	-	3,986,414	20,954,990	5,546,487	-	-	30,487,891	-
	242,930,097	69,002,156	337,752,159	293,587,364	9,043,048	-	952,314,824	
Maturity gap	(182,187,228)	63,695,167	235,982,248	(113,161,161)	(6,938,198)	108,473,681	105,864,509	
US\$ equivalent (Note 2.3.1)	(45,129,360)	15,777,847	58,454,855	(28,031,003)	(1,718,652)	26,869,874	26,223,560	

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 fulfil 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 following tables present 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 2018

Financial assets

Cash on hand	79,801,749	-	-	-	-	79,801,749
Balances with the NBC	91,557,979	1,623,515	71,090,082	-	56,157,424	220,429,000
Balances with banks	4,276,773	9,044,732	-	-	-	13,321,505
Loans to customers	48,784,511	188,687,999	534,875,956	200,952,032	2,017,704	975,318,202
Other assets	9,334,963	-	-	-	-	9,334,963
Total financial assets	233,755,975	199,356,246	605,966,038	200,952,032	58,175,128	1,298,205,419

Financial liabilities

Deposits from customers	287,177,459	71,000,471	238,147,130	41,839,798	-	638,164,858
Borrowings	21,770,714	26,059,904	176,670,913	251,257,828	-	475,759,359
Subordinated debts	-	-	8,869,400	25,776,800	-	34,646,200
Other liabilities	-	14,816,599	30,612,520	849,614	-	46,278,733
Total financial liabilities	308,948,173	111,876,974	454,299,963	319,724,040	-	1,194,849,150
Net liquidity surplus (gap)- KHR'000	(75,192,198)	87,479,272	151,666,075	(118,772,008)	58,175,128	103,356,269
US\$ equivalent (Note 2.3.1)	(18,713,837)	21,771,845	37,746,659	(29,559,982)	14,478,628	25,723,312

As at 31 December 2017

Financial assets

Cash on hand	69,444,503	-	-	-	-	69,444,503
Balances with the NBC	31,216,009	200,000	96,322,820	-	-	127,738,829
Balances with banks	7,829,764	33,773,880	-	-	-	41,603,644
Loans to customers	52,055,677	98,723,443	477,411,587	180,426,203	2,104,850	810,721,760
Other assets	8,670,597	-	-	-	-	8,670,597
Total financial assets	169,216,550	132,697,323	573,734,407	180,426,203	2,104,850	1,058,179,333

Financial liabilities

Deposits from customers	232,275,932	55,568,302	140,901,026	48,149,600	-	476,894,860
Borrowings	5,333,333	9,447,440	171,045,743	230,660,909	9,043,048	425,530,473
Subordinated debt	-	-	4,850,400	14,551,200	-	19,401,600
Other liabilities	-	3,986,414	20,954,990	5,546,487	-	30,487,891
Total financial liabilities	237,609,265	69,002,156	337,752,159	298,908,196	9,043,048	952,314,824
Net liquidity surplus (gap) - KHR'000	(68,392,715)	63,695,167	235,982,248	(118,481,993)	(6,938,198)	105,864,509
US\$ equivalent (Note 2.3.1)	(16,941,470)	15,777,847	58,454,855	(29,349,020)	(1,718,652)	26,223,560

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. Management believes that 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, 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

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 2018 that had significant impact on the financial position of the Company as at 31 December 2018 and the financial performance for the year then ended.

27. TAX CONTINGENCY

The taxation system in Cambodia has undergone numerous changes and is characterized by often unclear, contradictory and/or differing interpretations existing 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.



Rice is the most important human food in the world - nearly half of the world population relied on rice everyday. AMK's clients living around Tonlesap lake and lowland are rice farming to support daily family life.

AWARDS AND RECOGNITION



2017

AMK was awarded by UNCDF Shaping Inclusive Finance Transformation Programme as a microfinance institution that demonstrates a new and innovative business model, promoting the use of remittance to advance financial inclusion in Cambodia, Myanmar, Lao PDR, and/or Vietnam by the project of UNCDF funded by Australian Aid.



2016

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

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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).



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.

