



AMK: 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.

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.

MISSION

GUIDING PRINCIPLES

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

CODE OF PRACTICE FOR CLIENT PROTECTION

Inclusion:

AMK will maximize the inclusion of the poor and other marginalized populations through its products and services.

Avoidance of Over-Indebtedness:

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

Transparent Pricing:

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

Ethical Staff Behavior:

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

Freedom of Choice:

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

Appropriate Collection Practices:

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

Mechanisms for Redress of Grievances:

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

Privacy of Client Data:

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

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

KEY MILESTONES

DESCRIPTIONS	2005	2010	2015	2017
Number of Offices	5	22	146	150
Number of Villages	912	8,032	12,394	12,560
Coverage of Total Villages in Cambodia	7%	57%	88%	89%
Number of Staff	108	844	2,126	2,494
Number of Total Client Accounts	73,946	251,636	499,691	683,354
Number of Active Loan Accounts	73,073	250,930	335,837	344,754
Loan Portfolio (USD)	\$10,174,859	\$31,715,578	\$128,318,668	\$207,280,282
Number of Active Depositors	0	4,578	163,856	575,471
Deposit Balance (USD)	\$0	\$1,929,691	\$66,942,872	\$121,622,558
Number of ATMs / CDMs	0	0	54	61
Number of Active Micro Insurance	0	0	127,057	284,957
Net Profit (after tax, USD)	\$13,980	\$935,239	\$5,016,174	\$5,277,866
Operational Self Sufficiency (OSS)	103.4%	113.1%	119.6%	114.8%

DESCRIPTIONS	2005	2010	2015	2017
Return on Assets (RoA)	0.5%	2.3%	3.7%	2.3%
Return on Equity (RoE)	0.6%	7.6%	19.2%	13.9%
Portfolio Yield	36.0%	35.3%	33.9%	29.2%
Operating Cost Ratio	36.9%	21.5%	19.5%	16.4%
Average Cost of Funds	12.6%	10.6%	9.4%	7.8%
Leverage Ratio (Debt to Equity)	0.3	2.1	4.3	4.5
PAR 30 Days	0.05%	1.57%	0.41%	1.48%
Write off Ratio	0.95%	1.14%	0.42%	0.94%
Percent of Loans ≤USD 500	99.0%	98.5%	88.1%	36.9%
Average Outstanding Loan Per Loan Account (USD)	\$68	\$124	\$377	\$596
Average Deposit Per Saving Account (USD)	\$6	\$306	\$396	\$205
Women Borrowers as Percentage of Total	86.0%	86.0%	82.1%	81.5%
Rural Borrowers as Percentage of Total	90.0%	92.0%	92.5%	96.7%
Drop-out Rate**	15%	23%	24%	26%

100% AMK REACHES OF ALL COMMUNES IN CAMBODIA



12,560 OPERATING IN VILLAGES

89% OF THE COUNTRY

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



34 BRANCH OFFICES



116 SUB BRANCH OFFICES



344,754 LOAN ACCOUNTS



575,471 DEPOSIT ACCOUNTS



284,957 MICRO-INSURANCE

Five-Year Performance Highlights



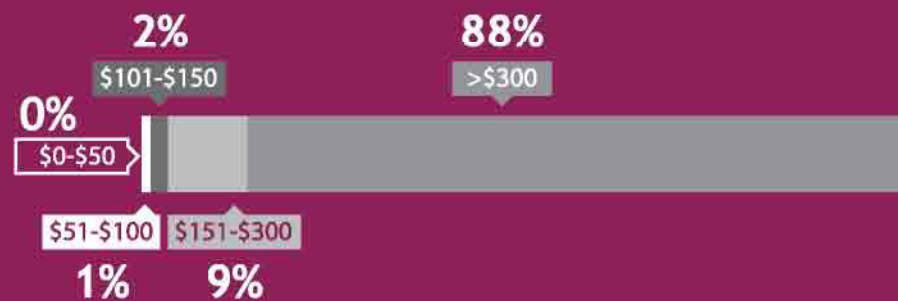
NUMBER OF ACTIVE LOAN ACCOUNTS



RETURN ON ASSETS (ROA)



LOAN PORTFOLIO (USD)



LOAN OUTSTANDING BY SIZE

5-YEAR HIGHLIGHTS

DESCRIPTIONS	2013	2014	2015	2016	2017
I- OPERATIONAL HIGHLIGHTS					
Number of Branches	27	28	31	33	34
Number of Sub-Branches	101	111	115	118	116
Number of Villages	11,358	12,075	12,394	12,513	12,560
. Coverage of total villages in Cambodia	81%	86%	88%	89%	89%
Number of Staff	1,444	1,740	2,126	2,349	2,494
. Client Officers over Total Staff	48%	46%	41%	39%	38%
Number of Total Client Accounts	385,299	431,475	481,890	616,271	683,354
Number of Active Loan Accounts	330,634	336,573	335,837	345,126	344,754
. Group Loan Account	90%	86%	81%	79%	76%
. Individual Loan Account	10%	14%	19%	21%	24%
Loan Portfolio (USD)	\$79,308,809	\$96,333,603	\$128,318,668	\$151,146,698	\$207,280,282
. Group Loans	75%	65%	65%	62%	60%
. Individual Loans	25%	35%	35%	38%	40%
Active Loan Accounts/Avg. Client Officer	483	437	409	372	360

DESCRIPTIONS

	2013	2014	2015	2016	2017
Loan Outstanding/ Avg. Client Officer (USD)	\$114,346	\$122,598	\$154,372	\$161,008	\$214,131
Number of Depositors with Outstanding Loan	10,549	14,899	17,803	28,633	236,871
Number of Active Depositors	65,214	109,801	163,856	271,077	575,471
Deposit Balance (USD)	\$20,139,879	\$41,081,082	\$66,942,872	\$90,671,972	\$121,622,558
Number of ATM / CDM	0	20	54	58	61
Number of Micro-insurance Sold	0	9,886	127,057	195,805	286,872

II- FINANCIAL HIGHLIGHTS

Net Profit (after tax, USD)	\$3,309,115	\$4,003,339	\$5,016,174	\$6,632,341	\$5,277,866
Operational Self Sufficiency (OSS)	119.4%	119.9%	119.6%	119.4%	114.8%
Return on Assets (RoA)	3.6%	3.6%	3.7%	3.6%	2.3%
Return on Equity (RoE)	18.0%	18.3%	19.2%	20.9%	13.9%
Portfolio Yield	35.0%	33.8%	33.9%	33.8%	29.2%
Operating Cost Ratio	18.7%	18.7%	19.5%	18.4%	16.4%
Average Cost of Funds	10.4%	9.9%	9.4%	9.5%	7.8%

5-YEAR HIGHLIGHTS

DESCRIPTIONS	2013	2014	2015	2016	2017
Leverage Ratio (Debt to Equity)	3.4	3.7	4.3	4.8	4.5
PAR 30 Days	0.16%	0.15%	0.41%	1.24%	1.48%
Write off Ratio	0.41%	0.39%	0.42%	0.57%	0.94%

III- SOCIAL HIGHLIGHTS

Loan Highlights

Average Loan Size/GNI per Capita (loan disbursed)	35.0%	38.7%	47.0%	54.6%	74.7%
Percent of Loans ≤ USD500	94.2%	92.4%	88.1%	84.6%	36.9%
Average Outstanding Loan Per Loan Account (USD)	\$237	\$282	\$377	\$433	\$596
. Group Loan Account	\$201	\$217	\$304	\$344	\$470
. Individual Loan Account	\$589	\$702	\$718	\$774	\$1,005
Average Loan Disbursed (USD)	\$307	\$368	\$475	\$552	\$755
. Group Loan Account	\$256	\$283	\$367	\$418	\$570
. Individual Loan Account	\$735	\$880	\$945	\$1,046	\$1,342

DESCRIPTIONS

2013

2014

2015

2016

2017

Deposit Highlights

Average Deposit Balance/GNI per Capita	32.6%	37.7%	39.2%	32.0%	20.3%
Percentage of Deposits with Balance ≤ USD300	93.8%	91.6%	92.1%	94.0%	96.7%
Average Deposit Per Deposit Account (USD)	\$287	\$358	\$396	\$323	\$205

Money Transfer Highlights

Number of Money Transfer ≤ USD300	84,367	145,601	569,802	736,217	713,085
Average Transfer Balance/GNI per Capita	51.7%	48.8%	31.1%	27.8%	28.8%

Other Social Highlights

Women Borrowers as Percentage of Total	85.3%	83.2%	82.1%	81.5%	81.5%
Rural Borrowers as Percentage of Total	97.0%	97.0%	92.5%	96.7%	96.7%
Drop-out Rate	23%	24%	24%	23%	26%
Depth of Outreach: New Clients (<1 year) Below Poverty Line					
• % of New Group Clients Below National Food Poverty Line(est.)	48%	42%	42%	N/A	N/A
• % of New Group Clients Identified as Poor (Base on ID poor1 and poor2)	37%	37%	34%	29%	23%
• New Group Clients Identified as Poor (Base on ID poor1 and poor2)	33,510	31,378	23,802	29,988	20,031

AMK History



1990s

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



2005

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



2010

In 2010, strategy transformation was implemented, turning AMK from a rural credit-only business into a broader provider of microfinance services. This strategy was driven by a desire to provide a broader array of financial services to Cambodia's underserved poor population and thereby assist these people to improve their livelihoods.



2011 -2012

The granting of AMK's Microfinance Deposit Taking Institution (MDI) license in 2010 represented a key milestone in this journey. It allowed AMK to implement several new products and channels. Deposit products were rolled out to all branches by mid of 2011, and a domestic money transfer product was launched in July 2011. Both of these services were expanded to all 113 AMK branch and sub-branch outlets during 2012. AMK also introduced an agent-based mobile banking solution in 2011 and 2012.



2013

In 2013 AMK launched ATMs/CDMs as additional delivery channel to its customers. To give customer easier and more convenient access to AMK deposit services. The following year 2014, AMK has partnered with Forte Insurance Company to launch Micro Health and Accident Insurance to its loan clients. Until 2015 AMK official launched smart kid savings account to its clients who wants to save money for their kid's future to guarantee that even they are in trouble, their kids are still able to achieve their dream.



2016

In 2016, AMK has certified for fully implementing Client Protection Principles by SMART CAMPAIGN which is the international body to push the full practice of 7 principles for client protection worldwide. At the same time, AMK also has launched "Fast Service" with the National Bank of Cambodia (NBC).



2017

As of 31 December 2017, AMK Microfinance Institution Plc. (AMK) maintained the total client number of 344,754 Active Loan Account with a loan portfolio of over USD 207.28 million. The number of active Savers has increased to 575,471 Active Savers with deposit balance of USD121.62. AMK also offered micro-insurance on health and accident to 284,957 of its loan clients nationwide to cover them from undue financial stress.

AMK operates in 12,560 villages. This outreach represents 89% of all villages nationwide. In addition, AMK has 150 offices with 2,494 experienced staff, 61 ATMs/CDMs and over 3,000 agents operating in 25 provinces and city.

AMK

is close to you



CHAIRMAN'S REPORT



TANMAY CHETAN
CHAIRMAN, BOARD OF DIRECTORS

Despite a year of challenges, I am pleased to report that AMK continued its success in reaching large numbers of its customers with appropriate finance products in an efficient and responsive manner. While the higher level economic fundamentals¹ during the year remained stable with GDP growth at 6.9% and inflation at 2.7%, there were clear signs of overheating in the credit market, with estimates of a sharp rise in the last two years [Private Credit to GDP, 2015: 63%, 2016: 69.7%²]. This effect is being clearly felt in Cambodia's vibrant microfinance industry and a degree of slowdown in the pace of credit growth now seems imminent and sensible.

In March of 2017, The National Bank of Cambodia introduced interest rate caps on the microfinance industry, after getting concerned that neither the intense competition nor the high profits in microfinance were resulting in price reduction for customers.

As a result, of some overheating in the market and the suddenness of the regulatory change, AMK had to quickly recalibrate its short-term strategy. While its longer-term plans had already budgeted for a gradual reduction in interest rates, we had assumed that AMK will be able to pace such a reduction alongside its improvements in efficiency and with greater use of technology, thereby still maintaining attractive net profit levels. This assumption had to be adjusted for 2017 as the new regulations required an instant lowering of interest rates beginning April 2017.

¹ Data from the World Bank

² Private credit/GDP estimates from the International Monetary Fund

Notwithstanding the above challenges, AMK delivered a successful year on most aspects of operations. We saw substantial growth in our deposit accounts and insurance businesses (number of policies sold) 114% and 56% respectively, and at the same time our loan portfolio and payments businesses also grew well 37.5% and 87% respectively.

One of the main highlights of the year was the successful expansion of our micro-insurance business, wherein our principal health insurance product now reaches 83% of our loan clients. We received regulatory approval for our joint-venture initiative on micro-insurance during the year, which allows our partnership with Forte Insurance to take full shape. Work on additional insurance products is being undertaken in earnest, and we expect to expand our range of insurance offers in the coming year.

About five years ago AMK had taken a conscious decision to diversify its product range beyond

credit. A lot of learning and investment ensued as we branched into deposits, remittances and insurance. One of the big challenges during this phase has been to make sure that our information systems remained responsive to the changing nature of our business model. As part of this desire, we decided last year to make a significant investment into a new core banking system for AMK, a process that is now well underway and expected to be completed in 2018. The new system will allow AMK additional capability on its customer interface, with faster and better agent banking experience as well as online banking capabilities. We are excited about this change and the new product and analytical abilities it will bring with it.

As always, I thank our CEO Kea Borann and the leadership team at AMK for their exemplary performance in a difficult year. My appreciation also goes to the Shareholders, Directors and the staff and management of AMK for helping us remain focused in a rapidly changing landscape

of financial inclusion in Cambodia. Lastly, I would like to share my gratitude for the National Bank of Cambodia for their openness and support at various points during the year. I look forward to an exciting year ahead for AMK and our customers.

TANMAY CHETAN
Chairman, Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT



KEA BORANN
CEO

AMK continued to offer sound and viable 'One-Stop-Shop' financial services to unbanked low-income customers, especially those living in rural areas, in line with its mission. Despite the challenges faced in 2017, particularly the interest rate cap introduced in the first quarter, AMK remains focused on its core rural market, as evidenced by the fact that an overwhelming 96% of AMK's clients reside in rural areas. Moreover, about 39% of AMK's loan clients 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 aims to remain the first choice financial services provider for Cambodians who continue in their efforts to break out of poverty.

At the end of 2017, AMK had 2,494 staff, 61 ATMs/CDMs, 150 offices and over 3,000 agents across Cambodia. Through these distribution networks, at year-end AMK worked with 344,754 active loan accounts and 575,471 active deposit accounts in 12,560 villages across Cambodia. Further, 284,957 Health and Accident policies were held by AMK's clients at year-end, representing about 83% of active loan clients. Moreover, Money transfer, Payroll and Payment services also grew by 29% in 2017.

The number of active loan accounts remained static during the year on account of increased competition, ending with 344,754 accounts. The loan portfolio balance increased by 37.5% to over USD207 million by the end of 2017. The average loan outstanding per client stands at USD596 (USD470 for group loans and USD1,005 for individual loans). AMK's client retention rate, a proxy measure of satisfaction, reduced slightly from 77%

in 2016 to 74% in 2017 using standard industry definitions (MIX Market). AMK continues to offer a wide range of deposit products to the public. Approximately 92% of AMK depositors hold a balance of less than or equal USD100, which can be classified as small depositors. The number of deposit accounts increased remarkably by 114% to 575,471. The average deposit balance per account decreased from USD323 in 2016 to USD205 in 2017, while the overall deposit portfolio balance increased to USD121.62 million, up 34% from USD 90.67 million in 2016.

Back in 2015, AMK and its Insurance partner Forte had launched a Health and Accident Insurance (H&A) product nationwide, with the aim of creating an affordable social safety net for the unexpected shocks faced by many clients. During 2017, as many as 284,957 H&A policies were purchased by AMK's clients and their spouses, up from 182,309 policies in 2016. Claims amounting to USD769,473 were paid out in 2017, which translates to a claims ratio of 40%, demonstrating the utility of this product for clients. During 2017, AMK also continued testing Weather Index Insurance in two provinces to cover paddy cultivation.

Return on Equity and Return on Assets in 2017 dropped to 13.9% (20.9% in 2016) and 2.3% (3.6%

in 2016) respectively, reflecting the reductions in interest margin arising out of the interest rate cap. AMK has been able to reduce the impact of the lower portfolio yield through careful cost management and improvements in efficiency and productivity. As a result, the operating cost ratio has improved from 18.39% in 2016 to 16.38% in 2017. In addition, the Liquidity-Providing Collateralized Operation (LPCO) introduced by National Bank of Cambodia as a hedging instrument in late 2016 has contributed to the reduction in AMK's cost of funds from 9.48% in 2016 to 7.84% in 2017.

The 2018 macro-economic outlook is favorable, with GDP growth forecast of 7.1% and inflation rate of 3.2%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 customer experience

- 4- Continuing to develop a robust core technology platform
- 5- Continued portfolio diversification and extension to other market segments

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 provide the best service for our clients. Lastly, I would like to express my sincere appreciation to all stakeholders, especially the National Bank of Cambodia, for their continued support to AMK and to building an inclusive financial sector.

Kea Borann
Chief Executive Officer

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

CORPORATE GOVERNANCE

Agora
Microfinance
N.V. (AMNV)

Rural Impulse
Fund II S.A.,
SICAV-FIS (RIF II)

Cambodia-Laos
Development
Fund S.C.A.,
SICAV-SIF (CLDF)

AMK
Staff Association
(AMK-SA)

Société de
Promotion et de
Participation pour
la Coopération
Economique S.A
(PROPARCO)

AS THE END OF 2017,
AMK'S SHAREHOLDERS

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.

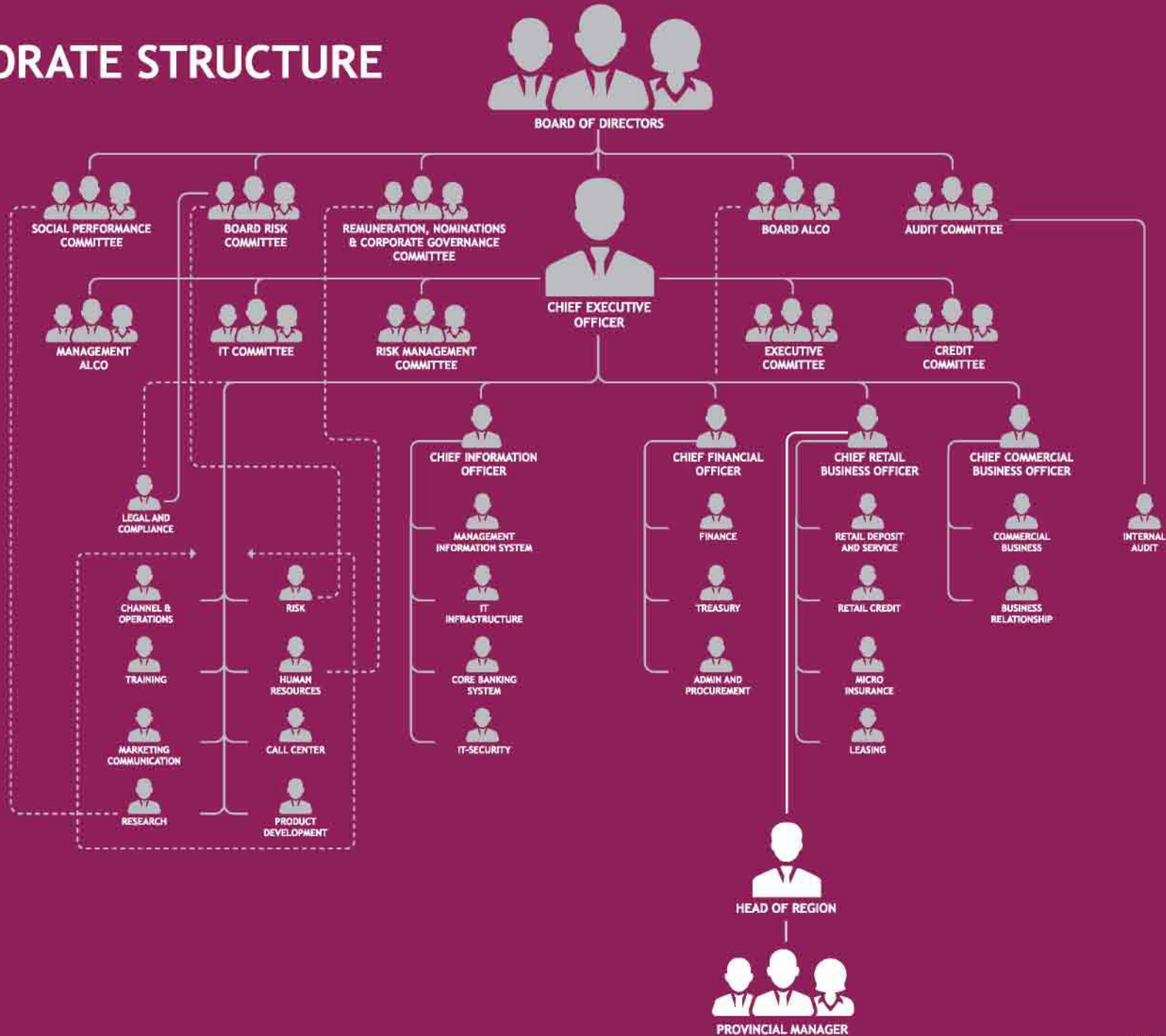
The board of Directors appoints the Chief of Executive Officer (CEO) who works with an executive committee. The executive committee consists of Chief Executive Officer (CEO), Chief Finance Officer (CFO), Chief Retail Business Officer (CRBO), Chief Commercial Business Officer (CCBO) and Chief Information Officer (CIO). This committee in turn oversees the boarder Management Team and the Management Team consists of Heads of Department.

BOARD STANDING COMMITTEES

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

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

CORPORATE STRUCTURE





BOARD OF DIRECTORS & ADVISORY COMMITTEES



TANMAY CHETAN

Director, Board Chairman, Chairperson of Board Asset & Liability Committee and Member of Audit & Finance Committee

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



TIP JANVIBOL

Director, Member of Remuneration, Nominations and Corporate Governance Committee

Dr. Tip Janvibol is senior managing partner of Tip & Partners. He is a licensed attorney and authorized to practice law in Cambodia. He obtained a Doctor Degree (PhD) from California Coast University, Master Degree from University of Massachusetts, Lowell and Bachelor degree from University Maine at Preque Isle. He has acted in both small and large-scale transactions involving both individual and corporate clients. Dr. Tip has served as consultant and legal adviser to numerous national and international institutions, including United Nations, World Bank, ADB, and other major corporations in Cambodia. Dr. Tip is an active member of both legal and business community in Cambodia.



KEA BORANN

Director and CEO

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

Pete has a long history of involvement with AMK, having served on the Board of Directors since 2006 and served as CEO from 2010 to 2012. Pete is currently working as an advisor/sponsor to several startup initiatives including MicroRe, an innovative micro-insurance re-insurance marketplace, and Solvation Consulting, an impact investment consulting firm.

Pete has held executive and other senior management positions in Cambodia, Vietnam, Ireland, the UK and the USA, across a variety of sectors. Pete originally worked as a management consultant for Arthur Andersen in the US and China in the 1990s. He then co-founded a successful data analytics software/consulting company before switching to the development sector in 2005, working with leading Irish NGO and original/founding AMK shareholder Concern Worldwide for several years.

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



PETE POWER

Director, Chairperson of Remuneration, Nominations & Corporate Governance Committee and Chairperson of Audit and Finance Committee, Member of Board Risk Committee and Member of Social Performance Committee



DINA PONS

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

Dina is Regional Director for East Asia and Impact Manager for Incofin Investment Management, a global impact investor. Based in Phnom Penh Cambodia, Dina supervises all Incofin's investments in the region. Previous to joining Incofin, Dina was a senior analyst for the microfinance specialized rating agency Planet Rating, based out of Manila, Philippines. Dina also worked in microfinance operations in China, as she was part of the team which set up MicroCred Nanchong in Sichuan.

Dina holds a dual master degree in International Relations and International Development from the French school Sciences Po, Paris and the London School of Economics.

Seida is a certified public accountant, a fellow member of Association of Certified Chartered Accountants (ACCA), UK, and a certified internal auditor from USA. She also holds a Bachelor's Degree in Accounting. Seida has over 10 years of experience in auditing and financial management. Her expertise is in the fields of accounting, auditing (both external & internal), review and setting up internal control structure, policies and procedure.

She is currently the Managing Partner of Fii & Associates, an accounting firm. Prior to this, Seida was a financial management specialist with the World Bank for a period of five years and was Audit Manager with one of the big four auditing firms for a period of six years in the audit and advisory services in Cambodia and Malaysia.



HENG SEIDA

Member of Audit and Finance Committee



JOSHUA MORRIS

Director, Member of Remuneration, Nominations and Corporate Governance Committee

Joshua Morris is a Founding Partner and Managing Director of Emerging Markets Investments (EMI), a Singapore- registered, Cambodian-based Investment Advisory business. He is a co-founder of EMI's parent company, Emerging Markets Group Holding and its first operating business, Emerging Markets Consulting. Joshua is a member of the board of the group's holding company which oversees EMC and EMI. Before relocating to Cambodia, Joshua held senior management positions in marketing and corporate development for technology start-ups and a NASDAQ-listed e-commerce business.

Prior to these management roles, Joshua spent five years in management consulting in the health care and insurance industries in the United States. Joshua holds an MBA from Harvard Business School (1998) and a BA cum laude from Harvard University (1992).



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

Michael's corporate career with financial institutions spans over 20 years. He was in charge of Governance ERM, Credit Approval and Risk Management Operations for Asia Pacific Region. His executive positions were: Chief Risk Officer-AIG Group, CRO- Standard Chartered Bank's global JV in payment solutions, Senior Regional Risk Head-CAI Investment Bank, Chief Credit & Risk Head-commercial banks in Hong Kong. He co-owned PE Investment business including entities sold and listed in Singapore. His company also provides Risk Advisory and Specialized Training services. Michael is a Chartered Accountant and holds a Masters in Finance from New York.

He is a Member of Institute of Directors and Board Member of Risk Management Association. Prior to his service with AMK, he was an Independent Director/Chairman of Board Risk Committee as well as Board Risk Advisor for two MFIs in Cambodia. He was designated Master-Trainer Consultant for HSBC Global Compliance Risk Project and a certified corporate trainer-vendor for global rating agencies in Asia.



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.

BOARD COMMITTEE

AUDIT AND FINANCE COMMITTEE (AFC)

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

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

In 2017, the AFC met 3 times to discuss the following strategic issues:

- Reviewed and recommended the 2016 audited financial statement, June-2017 audited accounts and September-2017 audited accounts to the Board for approval
- Discussed 2017 and 2018 external audit plans with external auditor
- Reviewed and recommended 2018 external auditor to the Board for approval
- Discussed business line performance, allocation logic, business line profitability and efficiency
- Reviewed progress against 2017 Internal Audit Plan and reviewed and approved proposed 2018 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 of new International Financial Reporting Standards (IFRS)
- Discussed and recommended the 2018 Budget to the Board for approval

BOARD RISK COMMITTEE (BRC)

AMK board and management strongly believe that sound risk management is crucial to the success of AMK's business activities as a Deposit Taking Microfinance Institution. Our philosophy is to ensure that the risks that we take are helping us to achieve our business strategy and corporate goals while remaining in line with risk appetite. Ultimate responsibility for setting the risk appetite and for the effective management of risk rests with the Board of Directors.

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

In 2017, the BRC meeting was held 3 times and has taken significant steps to enhance the company level risk management framework.

Key achievements of BRC in 2017 include:

- Reviewed and endorsed changing in products feature, policies, procedure resulting from the change in regulatory requirement and interest rate cap imposed in 2017
- Reviewed and endorsed the credit underwriting for SME loan product
- Reviewed and approved the internal control report
- Revised the Enterprise Risk Management Framework (ERMF)
- Reviewed and approved IT policies and standards
- Reviewed and endorsed Affordable Home Loan proposal
- Reviewed and approved the revision of compliance and regulatory KRIs
- Reviewed and endorsed management's financial lease proposals, and credit policy amendment proposals
- 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 2017, RNCG held two 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
- Reviewed and recommended revised staff loan interest rate
- Recommended the appointment of new CFO

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

In 2017, the SPC had two meetings to discuss and 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

BOARD ASSET AND LIABILITY COMMITTEE (BOARD 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 ALM 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 ALM strategies
- Reviews and recommends funding strategy and contingency funding plan
- Recommends for approval all policies relating to ALM
- Reviews new product offerings and changes and their impact on profitability, liquidity and FX position
- Reviews the annual budget and strategic plan with regards to balance sheet management.

In 2017, the Board ALCO meeting was held 3 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
- Reviewed 2017 financial projections, quantifying the financial risks and recommended to the board the strategies to manage the risks.
- Reviewed and monitored the financial Key Risk Indicators
- Reviewed and recommended new balance sheet products issued in 2017, assessing the key products features which could impact the maturity mismatch, currency mismatch and net interest margin.
- Reviewed and recommended to the board for approval on pricing in consultation with the Risk Committee.
- Reviewed the 2018 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



MANAGEMENT TEAM



1

KEA BORANN

Chief Executive Officer (CEO)

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

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

2

HUOT SOKHA

Chief Commercial
Business Officer (CCBO)

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.

3

TAING HAVDY

Chief Financial Officer (CFO)

Havdy joined AMK as Chief Finance Officer in early 2018. He has over 11 years of professional experience within 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, 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.

4

SOK KOSAL

Chief Information Officer (CIO)

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

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

5

SUON PISEY

Chief Retail Business Officer (CRBO)

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 fifteen years' 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 program.

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

6

LONG CHANTHA

Head of Treasury department

Chantha has more than ten years 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 the 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.

7

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 also a member of KICPAA in 2017.

8

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.

9

PUM SOPHY

Head of Product Development department

Sophy possesses about 10 years of experience in microfinance focused on research. She served as the Head of Research from 2012-2016 to ensure the high quality of market and social research in order to implement and fulfill AMK's short and long term strategy.

She became head of deposit & branchless banking product development in mid-2016. In her current role, she focuses on overall management of Product Development and ensures that AMK is in the forefront of Cambodian microfinance market in terms of diversifying product offerings to meet customers' needs.

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.

10

PEANG PISAK

Head of Human Resource department

Pisak was appointed to be Head of Human Resource Department in 2013. She joined AMK as Training Manager in 2011 and was promoted to be Head of Training Department in 2012. Pisak has over 10 years' experience in many different sectors including private companies, microfinance institution, international and local NGOs in charge of capacity building advisor/trainer/facilitator for micro-credit training, rights-based approach (RBA) development, gender mainstreaming, leadership, management development program, small business and TOT among others. Currently Pisak is also selected as a member of the Board of Directors of AMK Staff Association and Chairwoman of HR CLUB of Cambodia Microfinance Association (CMA).

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

11

HEAK THAVUTH

Head of Internal Audit department

Thavuth joined AMK as an Internal Audit Officer in 2006 and was promoted to Inspection Team Leader in 2008. He was then promoted to Head of Internal Audit in 2012.

Thavuth holds a Bachelor's Degree in Finance and Accounting from the National University of Management and a Master's Degree in Accounting from Vanda Accounting Institute.

12

MUT CHAKRIYA

Head of Call Center department

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

Chakriya holds an Associate Degree in Accounting from the National Institute of Business, a Bachelor's Degree in Computer Science from the Royal University of Phnom Penh, and a Master's Degree in Information Technology from Norton University of Cambodia.

13

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.

14

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 customer relationship officer, Micro-insurance Urban Market Manager, and Micro-insurance Business Specialist. He was promoted to Head of Retail Deposit and Services in January 2015.

Menghong holds a Bachelor of Development Economics and a Masters of Business Administration from Norton University.

15

ANG LEAPHENG

Head of Core Banking System department

Heng joined AMK in 2011 as Senior Business System Analyst. He had ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Teller, Field Trainer, General Trainer, and System Training Manager. He has attended several training courses related to microfinance. He was promoted to Head of Core Banking System in 2015.

Leapheng holds both a Bachelor's and a Master's Degree in Banking and Finance from Build Bright University.

16

CHEANG VANNA

Head of Training department

Vanna joined AMK in 2013 as Training Manager. He has over ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs including Credit Officer, Quality Assurance Officer, Provincial Branch Manager, Trainer, and Training & Development Manager. He has attended several training courses related to microfinance both locally and overseas. He was promoted to Head of Training in 2015.

Vanna holds both a Bachelor's Degree in Economics Development and a Master's Degree in General Management from the Royal University of Law and Economics.

17

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 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.

18

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.

19

LONG CHAMNAN

Head of Retail Credit department

Chamnan joined AMK as a Credit Officer in 2006. In 2007, he was promoted to Area Manager. Due to his growth and development, Chamnan was promoted to Branch Manager in 2009. In 2014, he was promoted to Regional Manager. With his upright success, he was promoted to Deputy Head of Credit in 2016, and in early 2018, he was promoted to Head of Retail Credit department.

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 National University of Management.

20

TUM CHANDET

Head of Commercial Business department

Chandet joined AMK in 2016 as Deputy Head of Credit who responsible for Small and Medium Enterprise Loan (SME). Chandet has had a financial experience more than 10 years with many MFIs in Cambodia, through various positions such as Credit Officer, Sub and Branch Manager and Credit Control Manager. Due to his subsequent to a successful career in early 2018, he was promoted as Head of Business Commercial.

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

21

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 Services in Deposit and Services 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.

She holds a bachelor's degree in Finance and Banking at Pannasastra University of Cambodia and she is pursuing a Master's degree in Management at Norton University, Phnom Penh.

MANAGEMENT COMMITTEES

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

EXECUTIVE COMMITTEE (EXCO)

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

MANAGEMENT RISK COMMITTEE (MRC)

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

MANAGEMENT ASSET AND LIABILITY COMMITTEE (MANAGEMENT ALCO)

Management ALCO's primary responsibility is to manage all on and off balance sheet positions. The committee ensures that interest rate, maturity, currency, liquidity and other financial

risks inherent in the mismatches between the institution's assets and liabilities are properly reported, analyzed and managed. This allows for the continued and sustainable growth of AMK while managing associated risks.

CREDIT COMMITTEE (CRC)

CRC is responsible for the monitoring and implementation of sound credit risk management in lending practices including: compliance with credit policies, sound lending practices and the monitoring of portfolio quality. The committee is responsible for setting portfolio exposure limit (via client portfolios, sector or product) analyzing delinquency trend and reasons and taking remedial actions if needed.

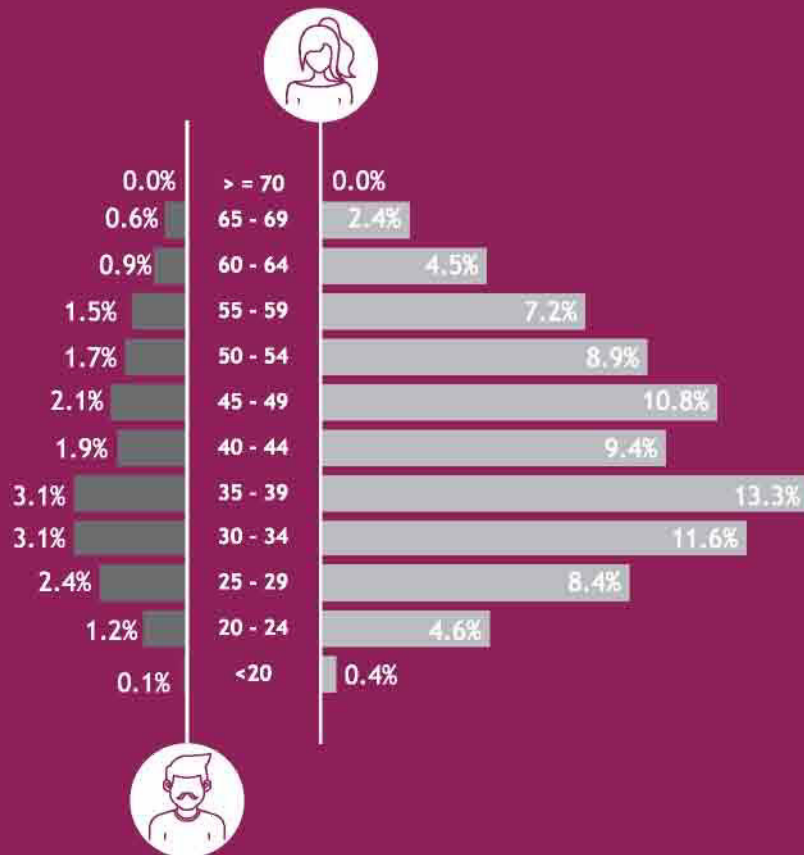
IT COMMITTEE (ITC)

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

AMK'S CLIENTS

As of December 31, 2017, AMK has 344,754 active loan accounts and 81.5% of them are female borrowers. The average age of AMK loan clients is 42 years old and the average loan cycle is 3.7 cycles. The overall average loan disbursement is USD 755 while group loan is only USD 570. The below figure illustrates detail demographic information of AMK borrowers.

AGE PYRAMID OF AMK CLIENT (MIS)



NUMBER OF CLIENT AND ID POOR HOLDER BY CATEGORIES

37%



LOAN

55%



LOAN

MI

4%



LOAN SAVING

5%



LOAN

SAVING

MI

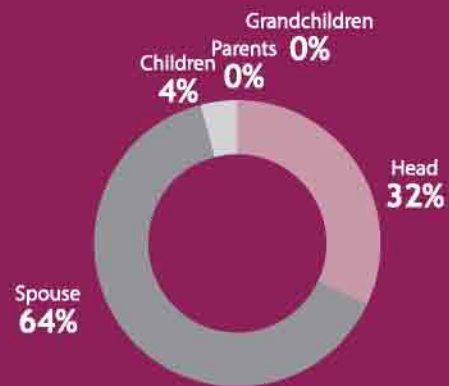
RURAL

- Proportion of client: 96.7%
- ID: 23.4% VS VB: 76.6%
- Average loan cycle: 3.8
- Average age: 42 years old
- Clients have only Loan: 36.5%
- Clients have Loan + MI: 55.5%
- Clients have Loan + Saving: 3.5%
- Clients have Loan + Saving+MI: 4.6%

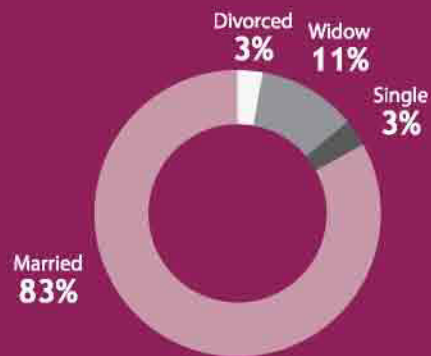
URBAN

- Proportion of client: 3.3%
- ID: 63.6% VS VB: 36.4%
- Average loan cycle: 3.1
- Average age: 38 years old
- Clients have only Loan: 41.3%
- Clients have Loan + MI: 43.0%
- Clients have Loan + Saving: 6.0%
- Clients have Loan + Saving+MI: 9.8%

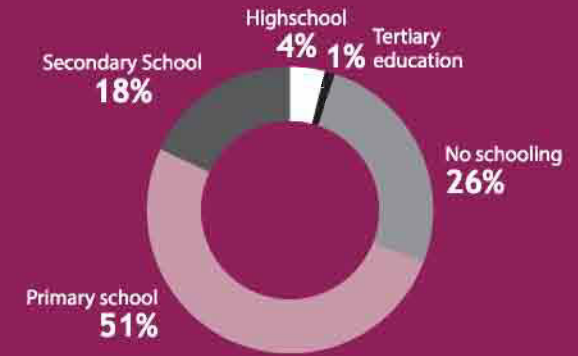
Due to the fact that most of AMK borrowers reside in the rural areas, 64% of the overall borrowers are able to read and write simple Khmer language. 92% of all AMK borrowers are active in income generating activities at least over the last 6 months. The average AMK client household size is 4.7 in which the average children per household is about 2.5. For the detail profile of AMK client and AMK client household, please refer to the below figure.



RELATION OF AMK CLIENT TO HOUSEHOLD HEAD (SURVEY)



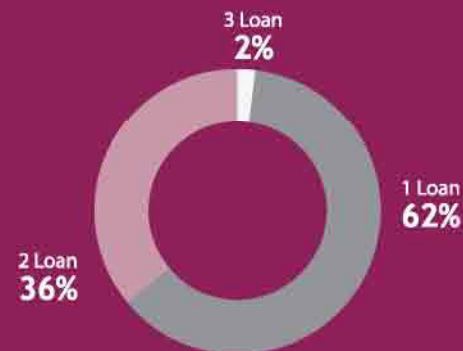
AMK CLIENT MARITAL STATUS (SURVEY)



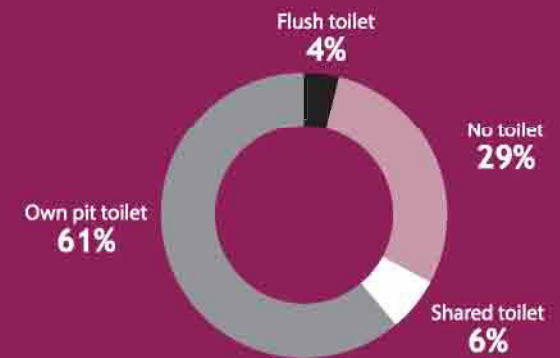
AMK CLIENT HIGHEST EDUCATION ATTENDED (SURVEY)



CHILDREN IN SCHOOLING AGE ATTENDING SCHOOL (SURVEY)



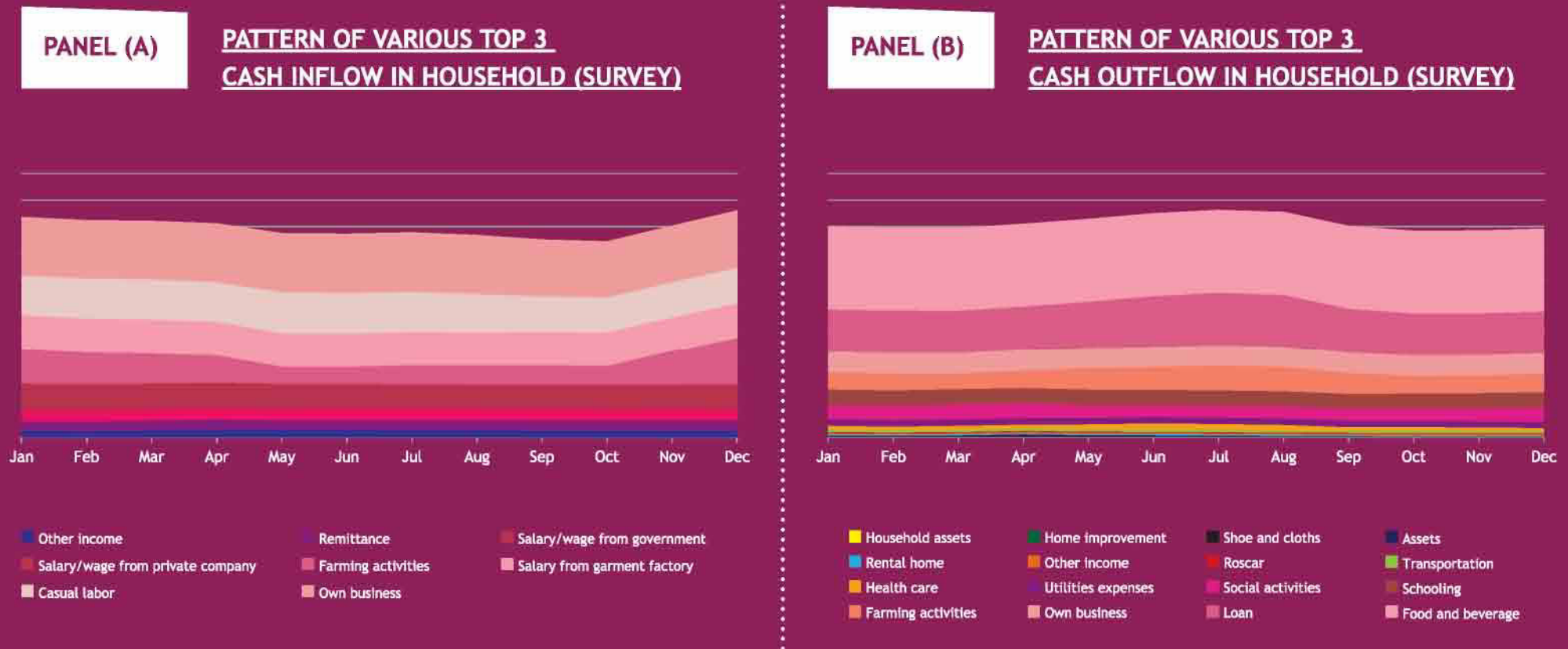
AMK CLIENT HOUSEHOLD LOAN INFORMATION (SURVEY)



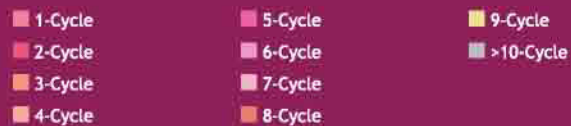
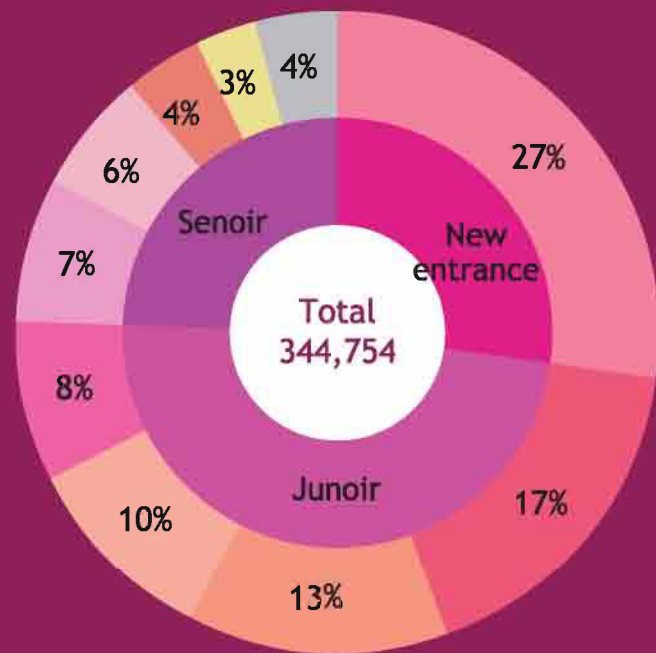
CLIENT HOUSEHOLD ACCESSIBILITY TO TOILET (SURVEY)

The below figure illustrates the seasonality proportion of various main 3 sources of income and 3 sources of expenditure that 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 income generating activities are including: owning businesses, selling casual labor, garment factory and agricultural activities.

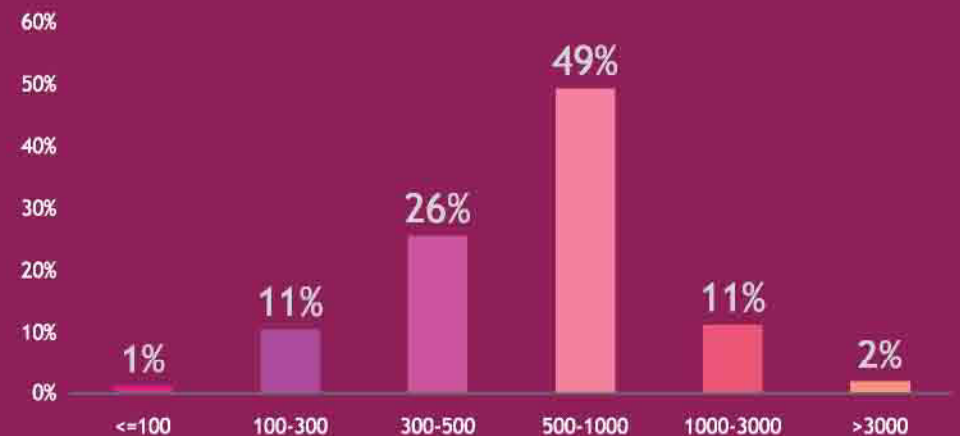
Panel (b) informs that, the highest proportion of clients' household cash outflows consist of food and beverage expenditure, loan repayment, business input spending, farming activities, schooling and social events. The proportion of household main expense activities occurs between April and October.

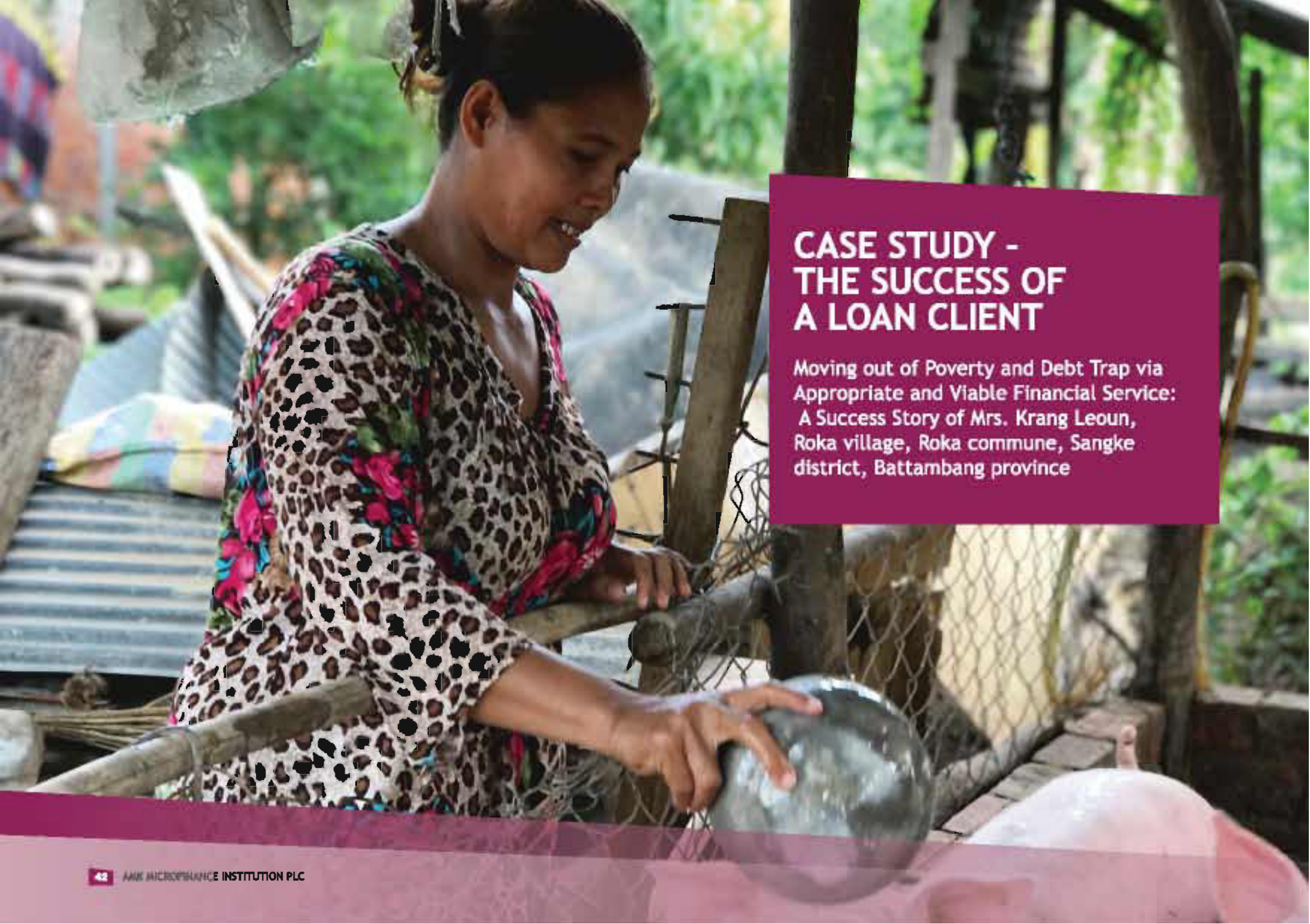


The below Pie Chart indicates that 27% of the overall loan clients are the new entrances who have just joined AMK in the first cycle. To the junior clients who are the combination of those who are from 2 to 5 cycles account for 48% in which 17% is in cycle 2, 13% in cycle 3, 10% in cycle 4 and 8% in cycle 5. To the senior clients who have been with AMK more than 5 cycles account for 24%.



In 2017, 87% 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 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 met challenges 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).





CASE STUDY - THE SUCCESS OF A LOAN CLIENT

Moving out of Poverty and Debt Trap via
Appropriate and Viable Financial Service:
A Success Story of Mrs. Krang Leoun,
Roka village, Roka commune, Sangke
district, Battambang province

MRS. KRANG LOEUN, A 50-YEAR OLD

Having experience with AMK more than 10 years, Mrs. Krang Loeun, a married fifty-year old woman, is elated to share her experiences about her successful path with AMK. Mrs. Krang Loeun got married to her husband who is a mason about 20 years ago and she has three children, two daughters and one son. Her first daughter is 18 years old attending grade 10 and her second son is 16 years old attending grade 8 and her 12 years old daughter is in grade 5.

Looking back to her family life after marriage, the family livelihood was really tough as Mrs. Krang Loeun was just an ordinary farmer and her husband was a construction worker. At that time, they both lived in a small hut made of wood and thatch. They could not afford to buy even a bicycle; however, two of them have strived together to fight for a better life.

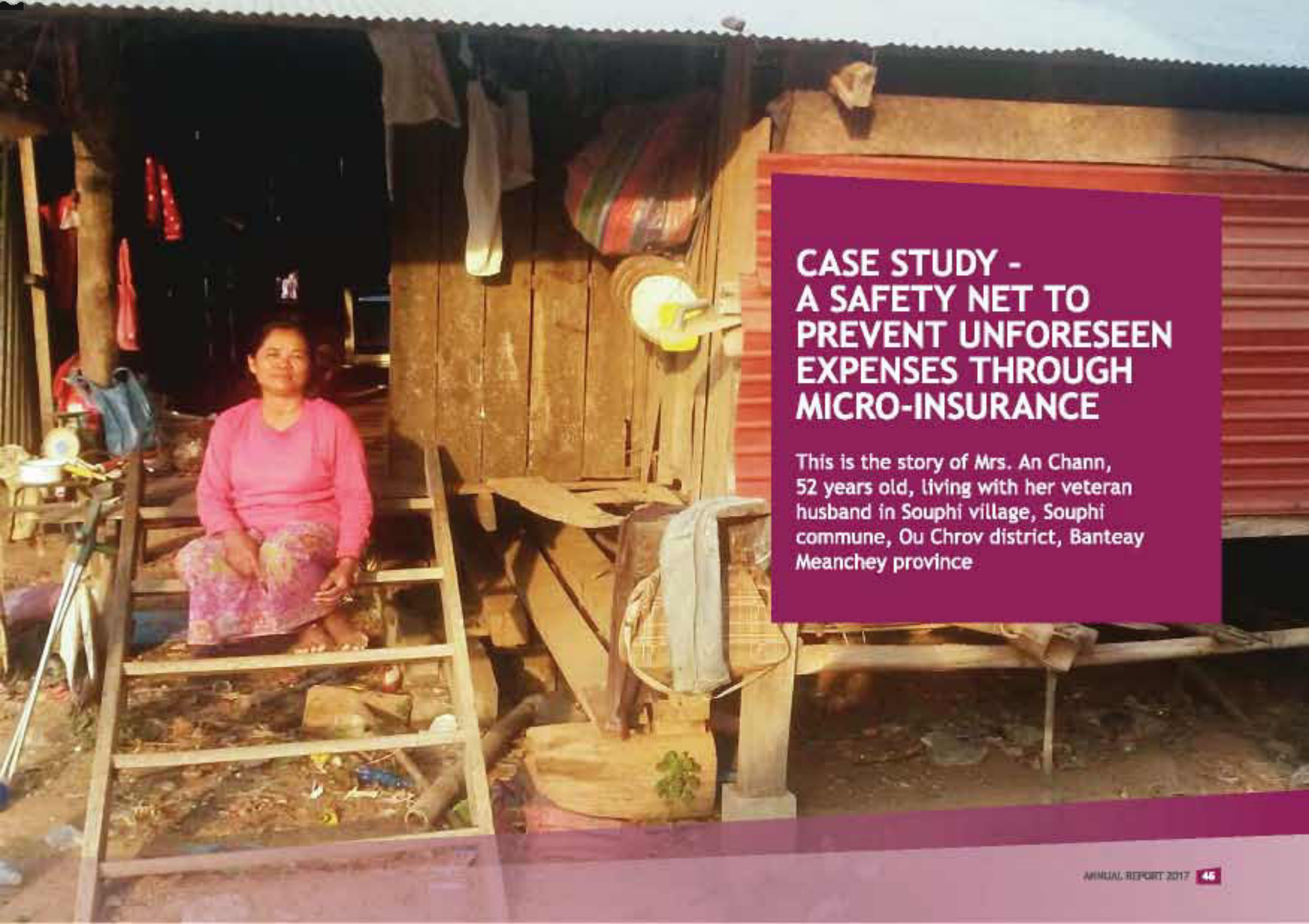
One day, when AMK have first expanded its operation in her village and an AMK credit officer (CO) invited villagers to attend the meeting in order to disseminate AMK financial service information in her village, she enthusiastically participated to get to acknowledge financial services offered by AMK. Then, she decided to take a loan from AMK without any hesitancy. The first loan that she took was KHR 150,000 (USD 37.5) in

2008 to buy a second-hand bicycle for her husband to ride to his working site, yet not all of the money was used so the rest of the money was spent on household consumption. Mrs. Krang Loeun has never experienced difficulty in repaying back the loan as she is aware of the obligation to AMK after taking the loan. More than that, she has used the loan for income generating activities so that she could manage to repay back the loan on time. The good experience with AMK kept her to stay, until now she has taken 9 cycles of group loan and 1 cycle of individual loan (ID Loan) in early 2016. The last three group loans were KHR 1,200,000, KHR 1,500,000, and KHR 3,300,000 in the seventh cycle, eighth cycle and ninth cycle respectively in which the seventh loan was invested in pig raising, the eighth loan was as additional cash to her savings to buy a motorcycle and her last group loan was used to buy construction materials for her husband. Some of the last loan was invested in pig raising. The individual loan was used as additional money to her savings to build her new home.

Mrs. Krang Loeun stated that “AMK has played a salient role in improving my family’s living condition through the provision of group loan that requires all group members to guarantee each other without needing the deposit of other form of collaterals.” She added that “Before taking credit from

AMK, I could not even afford to buy a bicycle for my husband to ride to his working site, but now I could afford to construct a new home for my family, to buy two motorcycles for my family, to buy three bicycles for my children to ride to school, to buy a plot of land in the village. I am able to save cash in hand after deducting the household expenses and my family food situation has improved a lot.” When she was asked about her view on her children future education and career, she replied immediately without a pause, “Before joining AMK, I could not even spare some money to buy a bicycle for my 3 children to ride to school, but now I could afford to buy a bicycle for each of them and I could manage to pay for them to attend the additional tutorial classes and to take English lessons. I do hope that all of them would be able to achieve tertiary education and get a better job.” Finally, she has commented, “In order to be successful in your life when you take loan, you have to use the money wisely, especially investing the money in income generating activities, and not to use it for gambling.” Group loan does not only permit villagers to take loan without collateral, but it allows group members or village bank members to learn from each other by sharing their practical experiences, especially in financial management.

... In order to be successful in your life when you take loan, you have to use the money wisely especially investing the money in income generating activities, but not to use it for gambling. Group loan does not only permit villagers to take loan without collateral, but it allows group members or village bank members to learn from each other...



CASE STUDY - A SAFETY NET TO PREVENT UNFORESEEN EXPENSES THROUGH MICRO-INSURANCE

This is the story of Mrs. An Chann, 52 years old, living with her veteran husband in Souphi village, Souphi commune, Ou Chrov district, Banteay Meanchey province

MRS. AN CHANN, A 52-YEAR OLD

Everyone faces different events in life depending on age, education level, marital status and the environment around. Each individual could also expect something or an event to happen using the available information in hand. Sometimes those expectations could not be met. And unforeseen bad events or accidents could push an individual's life to be at stake caused by vast expenses incurred when there is no safety net to protect oneself.

A risk averse person usually has very clear planning before deciding to do anything as she does not prefer jeopardizing her way of life. This person normally gets a shield to protect herself from unexpected events. So does Mrs. An Chann.

Mrs. An Chann, who is a loyal AMK client for around 10 years, is very happy to share her experience in using loan and micro-insurance.

Mrs. An Chann has been married to her husband for about 30 years and she has delivered 3 children. All of her 3 children are already married. Nowadays, Mrs. An Chann is a farmer who cultivates her own paddy rice field during the rainy season. She also grows crops to sell during the dry season. Her husband is a retired veteran. He also makes a little money from repairing bicycle and motorcycle. Though these sources of income does not give her enough cash to make a good living condition.

After hearing credit officer's (CO) explanation on all the benefits of micro-insurance (MI) product, Mrs. Chann bought the product for herself and her husband twice. The first time that she bought MI through AMK, she has never made any claim. Mrs. Chann has bought her second micro-insurance accompanying her loan in 2017.

Mrs. Chann is not different from other people and she does not want to get sick at all even though she has bought insurance. Unfortunately, she fell sick after purchasing MI through AMK about few months later. She felt serious pains in her abdomen. She went to a hospital to get her health checked. She discovered she had cysts in her uterus. This shocked her so much as she has never thought that she could have this kind of health issue. When her pains got more serious, she eventually decided to get a surgery after getting the explanation from the doctor. At the end of the day, the doctor successfully removed the cyst from her womb and advised her to stay in the hospital for a week so that she could be carefully taken care of and monitored. After a week, she had to stay 2 more days as she has not recovered completely yet from the pain. After staying for 9 days after the surgery, she finally checked out and the total expenses amounted to KHR 2,000,000 (USD 500). During her stay in hospital, an AMK CO has visited her, too.

The day she left hospital, the AMK CO went to collect all the certified documents stating about her condition in hospital so that compensation process could be done. The next day, AMK CO came to see her again and compensate her in total of KHR 780,000 (USD 195) in which this amount is a combination of KHR 600,000 (USD 150) surgery cost and KHR 180,000 (USD 45) hospital stay fee.

The compensation has helped her a lot as she does not have much savings in her hand. Without this compensation, she might need to borrow money from a moneylender in the village that charge very high interest rate to cover the expenses, yet her saving and the compensation is all enough. Mrs. Chann said that, “ Since the beginning, I trust AMK very much that AMK will never cheat on its client that’s why I could be part of AMK more than 10 years. I do not expect that I will make use of MI after buying, but that unforeseen health problem happened to me, and this shield helped me so much to cover my health expenses.” When she was asked about the claiming process, she replied with a smile that,

“The claiming process is very easy. I just need to tell the doctor that I will claim health care compensation from insurance company by providing correct record of my stay in hospital to AMK. After only 1 day of checking out from hospital, I got the compensation from insurance company. The process is as easy.”

AMK - SOCIAL PERFORMANCE REPORTING FRAMEWORK

AMK - Social Performance Reporting Framework

Period Evaluated: 1 January to 30th September 2017

Regular Monitoring

Information Presented : November 2017	Depth of Outreach	Adequacy of Products	Transparency & Client Protection	Responsibility to Staff
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"> Exit and Rejection Client Report Loan Satisfaction Report MI Satisfaction Report Mystery Shopping Report 	<ul style="list-style-type: none"> Multiple Loans Report Loan Use Report Borrower Awareness Report MI Client Awareness Report Grievance Report 	<ul style="list-style-type: none"> Staff Exit Report Staff Satisfaction Report
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 Reasons for Exit 	<ul style="list-style-type: none"> Multiple Loan Ratio Loan Usage by Client Awareness Score Number of Tracking Issues 	<ul style="list-style-type: none"> Staff Turnover and Explanations on Reasons for Resignation Satisfaction Score by Gender

YEAR OF ASSESSMENT: 2017 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY		Depth of Outreach	Adequacy of Products	Transparency and Client Protection	Responsibility to Staff
Methodology, Process and Reports / Sources of Info	Are you satisfied with the accuracy of the methodology and process applied?				
	Is this result/finding in line with the mission?				
	Based on these findings, are there foreseeable issues in the future?				
	Is data or information missing:				
	at the management level?				
	at the Board level?				
Issues to Report	<ul style="list-style-type: none"> • Need to disaggregate rural and urban poverty data • Consideration to participate in PPI update for Cambodia with other CMA members • Need to reference national poverty lines (urban and rural) for comparison 	<ul style="list-style-type: none"> • 2018: need to assess repayment satisfaction through agents • Need to define more efficient retention strategies for old clients (cycles 4th and 5th) 	<ul style="list-style-type: none"> • Savers awareness study to be conducted in 2018 • Micro-insurance awareness study to be embedded in Internal Audit methodology for 2018 • In all grievance report: need to assess the level of "seriousness" of a complaint 	<ul style="list-style-type: none"> • Enhancement of some methodological aspects of the annual satisfaction survey for 2018 is needed: disaggregation per job position for instance would allow to understand staff's feedback better 	
Any Other	Others:	<ul style="list-style-type: none"> • Remarkable performance of the micro-insurance product in terms of targeting and protecting vulnerable, poor clients (PPI profile of borrowers+ MI stands at a high 41%). 	<ul style="list-style-type: none"> • Continuous high satisfaction of clients overall, across products and channels. • Rejection rate is due to tighter credit policies, stricter multiple finance rules vs competition. 	<ul style="list-style-type: none"> • Overall, multiple loan is within cross finance policy, loan usage is in line with clients household and business's expected cash flow profile, clients' awareness remains high. 	<ul style="list-style-type: none"> • Overall, staff satisfaction score remains high (4.77 out of 6). Some further analysis is needed to understand staff turnover at specific job positions and functions.

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

Signature:

SPC Chairperson
Blandine Claudia Marie Pons

KEY SOCIAL PERFORMANCE FINDINGS

To measure AMK's alignment toward its social mission, a number of social surveys and researches are conducted throughout the year and summarized through the Social Performance Framework Report which is 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. Thanks to this tool, the Board and senior managements of AMK who could discuss and decide on the measures which need to be implemented for AMK to continue fulfilling its social mission.

DEPTH OF OUTREACH

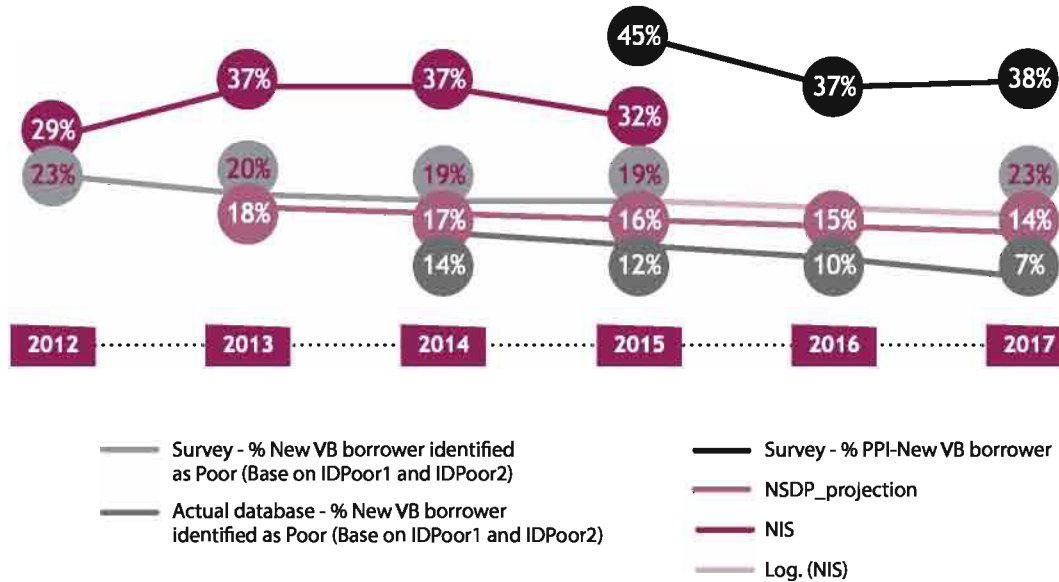
AMK uses two methods to measure poverty level of its clients. The analyses, conducted by the Research Department, helps AMK to have greater insight about clients' characteristics and it provides evidence whether the institution is targeting poor households as per mission statement or not. Those two tools that have been used 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** to capture clients' poverty likelihood and it helps measure the impacts of AMKs' products and services on clients' poverty levels throughout the time. In 2017, the results from the PPI survey shows that overall poverty likelihood of AMK client is 39% (new group client is 38.5%, new ID client is 37.5%, old group client is 39.7% and old ID client is 39.8%).

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>

EVOLUTION OF NEW VB CLIENT POVERTY OUTREACH

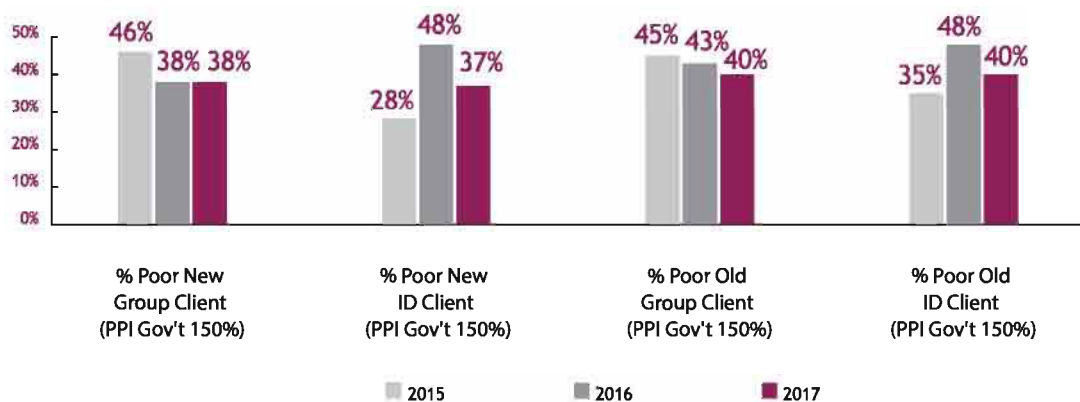


ADEQUATE PRODUCTS

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 Dormant Saving Clients, MMT Exiting Clients, ATM Usage, Agent Awareness and Agent Exit. These surveys assist AMK management to have better understanding of clients' attitude and behavior in order to make the right decision for AMK business 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 2017 survey outputs have helped management to refine its current product policies such as the modification of compulsory saving application and the monthly fee charge that was applied after the circulation to set maximum annual interest cap by the National Bank of Cambodia (NBC). Despite the fact that the interest cap could be a factor which impedes Financial Service

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



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 has received award of Client Protection Certification from Smart Campaign which is a show case of all efforts of every staff from the grass root to the top level. 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. Moreover, AMK also validates its findings from survey with CBC Data in which the results is almost indifferent. In 2017, the analysis on CBC data illustrates that the multiple loan ratio has slightly increased to 36% (37% in 2017 survey data) compared to only 35% in the previous year.

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 2017, 15% 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. From the findings of Staff Satisfaction Report 2017, overall satisfaction score is 4.77 out of the total score of 6. 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 three to six members that are organized into Village Banks consisting of twenty groups or up to one hundred members. A Village Bank President (VBP) is elected by its members to serve as a representative of the Village Bank.

Clients are free to decide which product best suits them according to their income flow.

PRODUCT DESCRIPTION	END OF TERM - VILLAGE BANK	INSTALLMENT - VILLAGE BANK	CREDIT LINE - VILLAGE BANK
Target Clients	Group members with seasonal cash flow	Group members with regular cash flow	Group members with seasonal cash flow who have completed one cycle or 12 months
Currency	KHR & THB	KHR & THB	KHR & THB
Maximum Loan Size	KHR 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: this table shows interest rate indication only, and some fee charges may be applied.		
Repayment Condition	<ul style="list-style-type: none"> • Interest payments due monthly • Principal payment due at end of term 	<ul style="list-style-type: none"> • Interest and principal payments due monthly 	<ul style="list-style-type: none"> • Interest payments due monthly • Flexible and multiple drawing amount during the loan contract • No unutilized fee

B- INDIVIDUAL LOANS

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

The client can choose one of the following products:

PRODUCT DESCRIPTION	BUSINESS EXPANSION LOAN	SEASONAL LOAN	CREDIT LINE SEASONAL LOAN	HOME IMPROVEMENT LOAN	MOTOR LOAN	EASY LOAN
Target Clients	Individuals who need funds to expand an existing business	Individuals who need funds to invest or buy inputs for agricultural production	Individual farm owners in need of revolving funds for agricultural purposes	Individuals who need funds for home improvement	Individual client who needs fund for motorbike buying (brand new or second hand)	Low income urban dwellers
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	THB, USD	KHR, THB, USD
Maximum Loan Size	KHR 20,000,000 or equivalent currency	KHR 6,000,000 or equivalent currency	KHR 6,000,000 or equivalent currency	KHR 20,000,000 or equivalent currency	KHR 8,000,000 or equivalent currency	KHR 2,000,000 or equivalent currency
Maximum Term	36 months	12 months	12 months	36 months	36 months	12 months
Interest Rate / Monthly	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
	<i>Note: this table shows interest rate indication only and some fee charges may be applied.</i>					
Repayment Condition	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<ul style="list-style-type: none"> Interest repaid monthly and principal payment due at end of term 	<ul style="list-style-type: none"> Interest repaid monthly and principal payment due at end of term Flexible and multiple drawing amount during the loan contract No unutilized fee 	<ul style="list-style-type: none"> Monthly fixed payment 	<ul style="list-style-type: none"> Interest and principal payments due monthly 	<ul style="list-style-type: none"> Interest and principal payments due monthly

PRODUCT DESCRIPTION	SME LOAN	AGRI-EQUIPMENT LOAN	UTILITIES LOAN	GENERAL LOAN
Target Clients	Individual, any associations or entity who needs capital to expand their existing business or short term financing for specific business activity.	Individual client who needs funds to buy new Agri.-Equipment for agri-business	Low income client who needs funds for utilities expense	Old or new client who needs fund for general expense and consumption
Currency	USD	THB, USD	KHR	KHR, THB, USD
Maximum Loan Size	KHR 200,000,000 or equivalent currency	KHR 12,000,000 or equivalent currency	KHR 1,200,000 or equivalent currency	KHR 4,000,000 or equivalent currency
Maximum Term	60 months	36 months	12 months	<ul style="list-style-type: none"> • 24 Months for Interest and principal payment due monthly • 12 Months for Interest paid monthly and principal due at end of term
Interest Rate (Monthly)	1.20% - 1.50%	1.50%	1.50%	1.50%
	<i>Note: this table shows interest rate indication and some fee charges may be applied.</i>			
Repayment Condition	<p>Offering flexible repayment method below:</p> <ul style="list-style-type: none"> • Simi Balloon: offered to borrower to amortize principal in three options (3, 4 and 6 months). • Annuity Payment: offered to borrower who wants to pay loan monthly with fixed amount. • Straight-line monthly amortization: offered to borrower to amortize principal in monthly or grace period 	<ul style="list-style-type: none"> • Interest and principal payments due monthly 	<p>Clients are free to decide which method of payment best suits them according to their income flow as following:</p> <ul style="list-style-type: none"> • Interest and principal payments due monthly / Interest paid monthly • Interest repaid monthly, principal payment due at end of term • Interest repaid monthly, principal payment due at end of term 	<p>Clients are free to decide which method of payment best suits them according to their income flow as following:</p> <ul style="list-style-type: none"> • Interest and principal payments due monthly/ Interest paid monthly • Interest repaid monthly, principal payment due at end of term • Interest repaid monthly, principal payment due at end of term and Flexible and multiple drawing amount during the loan contract

C- EMERGENCY LOAN

The Emergency Loan is designed for active AMK group and individual loan clients in good standing to assist them in the unfortunate event that an emergency arises. Only one personal guarantor referring to spouse (if married) is required when applying for this loan.

The key features of this Emergency Loan product are outlined below:

PRODUCT DESCRIPTION	EMERGENCY LOAN
Target Clients	Individual or group clients in good standing who have completed at least 6 months with AMK
Currency	KHR and THB
Maximum Loan Size	KHR 400,000 or equivalent currency
Disbursement Timeline	4-working hours from time of request
Maximum Term	10 months
Interest Rate (Monthly)	1.50%
Repayment Condition	<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 product allow customer to deposit, withdrawal through various channels including ATM/CDM, Office and its agent network. AMK currently offers four distinct deposit products. These include the Easy Savings Account, Lucky Savings Account, Fixed Deposit Account and Future Account:

PRODUCT DESCRIPTION	EASY SAVINGS ACCOUNT	LUCKY SAVINGS ACCOUNT	FIXED DEPOSIT	FUTURE ACCOUNT	SMART KID ACCOUNT
Target Clients	Depositors who need the flexibility of deposits and withdrawals for day to day transactions	Depositors who need a better interest rate and the flexibility of deposits and withdrawals for day to day transactions	Depositors who wish to deposit for a specific period of time in order to gain a higher interest rate	Depositors who wish to make regular deposits over a period of time	Depositors who wish to make save for future's child
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD
Minimum Balance	N/A	KHR 2,000,000	KHR 100,000	KHR 20,000	KHR 4,000
Term	N/A	N/A	1 - 36 months	3 - 36 months	N/A
Interest Rate (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"> • 3% • The account holder will get 300% insurance protection to the account holder for Personal Accident (PA)

E- MONEY TRANSFER

AMK offers money transfer service to its customer since 2011 across nationwide. 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. In June of 2016 AMK is 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

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

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

AMK has been building a large network of ATMs and CDMs since 2013 to improve access to funds for office-based depositor. By end of 2017, 61 ATMs and CDMs have been installed across Cambodia. The service includes Cash withdrawal, Fund transfer, Balance enquiry, Mini statement, PIN change, Cross currency withdrawal, and Cash deposit.

I- MICRO-INSURANCE

AMK's market survey, conducted in 2011, indicated that 90% of AMK's target clients expressed a strong interest in health and accident insurance service. As a result, AMK partnered with Forte Insurance Company to trial a micro insurance (health and accident) product. With a small premium (just USD 7.5 per annum), AMK's customers can purchase this product for confidence and peace of mind that their family will have the means to maintain their lifestyle should an unfortunate event happen. This product was trialed in the provinces of Takeo and Prey Veng in February of 2014 for approximately 10 months. AMK has officially launched this product nationwide since 2015.

In 2017, 286,872 policies of micro-insurance on Health and Accident were sold, which is over 80% of total AMK active borrowers and also piloted two other insurance products, including Personal Accident Insurance (PA) and Weather Index Insurance to the public.

CAMBODIAN COMPETITIVE LANDSCAPE

In 2017, the Ministry of Economy and Finance (MoEF) issued the Third Quarter Cambodian Economic and Finance Statistics Bulletin which stated that the Cambodia economy is expected to increase by 6.9% in the end of 2017 while the Cambodia inflation rate in the third quarter is 3.3%. Related to that, the credit provision sector remains stable while the credit regulation over non-financial institution is strengthened. Based on the National Bank of Cambodia Economic and Monetary Statistics 2017 Report, there are 76 MFIs in total and 7 out of them are MDIs whereas there are 287 registered NGOs. These institutions are also the key actors in driving Cambodian economy, especially related to financial leverage.

In order to reduce poverty and over-indebtedness aligning with government policy, the National Bank of Cambodia (NBC) has released a circulation stating the annual 18% interest cap which has been in effect since April 2017. This year is a very challenging year to all MFIs stakeholders in modification of their products and services to adapt to this regulation. However, that is not the case as the delivery of these financial products remains unchanged and loan portfolio has increased. Furthermore, the credit quality is still at the controllable level at 1.8% of whole sector and 0.11% of written off loan. CMA report has illustrated the whole sector summary as of December 2017 as follows:

TOTAL NUMBER OF
BORROWER

1,849,246



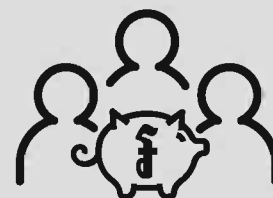
LOAN PORTFOLIO
EXPANDED BY 17% TO OVER

**USD 4,256.51
million**



THE NUMBER OF SAVER
EXPANDED BY 20% TO

1,955,575



DEPOSIT BALANCES DROPPED
BY 2% TO ABOUT

**USD 1,999.01
million**



Despite the fact of facing of challenge on annual interest rate cap that might obstruct the operation of MFIs sector, AMK still plays an important role to the clients from all spectrum particularly to the poor which aligns to its vision and mission in provision of appropriate and viable products. As a result, 96.7% of AMK operation areas is in the rural area; in addition, from the internal survey there are 24% of clients are ID poor holders. Using Poverty Probability Index (PPI) to assess the poverty likelihood of AMK's clients, there is 39% of the overall clients who are likely to be poor. These two poverty measurement methods indicate clearly that AMK performance remains with its remarkable stand among the MFIs in serving the poor. The whole MFI sector growth trends for the past ten years are outlined as below:

Year ¹	Number of Borrowers	Loan Outstanding (Million USD)	Average Loan Size (USD)	Number of Depositors	Deposits (Million USD)	Average Deposit Size (USD)
2008	825,238	277.06	335.73	108,266	4.91	45.35
2009	878,559	299.30	340.67	126,099	9.70	76.96
2010	992,452	425.92	429.16	190,023	40.89	215.20
2011	1,151,340	644.64	559.91	280,538	114.61	408.52
2012	1,316,185	892.49	678.09	753,113	279.63	371.30
2013	1,565,526	1,325.20	846.49	899,829	444.98	442.00
2014	1,779,171	2,028.56	1,140.179	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

Source: NIX-Data from CMA (2008-2017)

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



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អែក្លាម! បានភ្លែត!

សេវាៈគ្រាន់តារ

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បដិវិញយក - ឆិបតោវា ឆ្លេងៗ ដូចឯប្រទេស

កម្រិត ប្រាក់ គ្រាន់តារ គ្រាន់តារ ឆ្លេងៗ ០១២ ៧១៥ ៥៥៦ + ០៩៧ ៧១៥ ៥៥ ៩៧

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- បដិវិញយក
- ឆ្លេងៗ

Amk អែ អិម ខេ



**FINANCIAL
REPORT**

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of AMK Microfinance Institution Plc. (“the Company”) is pleased to present its report and the Company’s financial statements as at and for the year ended 31 December 2017.

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 poor population of Cambodia through its headquarters in Phnom Penh and various offices in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Programme by Concern Worldwide, Cambodia (“CWC”). The Company, before 7 July 2014, 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.

RESULTS OF OPERATIONS

The financial results of the Company for the year are as follows:

	2017		2016	
	KHR’000	US\$ equivalent	KHR’000	US\$ equivalent
Profit before income tax	28,497,528	7,059,086	33,088,748	8,196,371
Income tax expense	(7,190,784)	(1,781,220)	(6,387,307)	(1,582,191)
Net profit for the year	21,306,744	5,277,866	26,701,441	6,614,180

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 2017 that had significant impact on the financial position of the Company as at 31 December 2017.

THE BOARD OF DIRECTORS

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

Mr. Tanmay Chetan	Chairman
Mr. Patrick Peter Power	Director
Mr. Tip Janvibol	Director
Mr. Kea Borann	Director
Ms. Blandine Claudia Marie Pons	Director
Mr. Joshua Dunham Morris	Director
Mr. Michael Goh Chiang Huat	Director (appointed on 7 February 2017)
Mr. Adrian John Graham	Director (resigned on 26 March 2017)
Ms. Rebecca Ann McKenzie	Director (resigned on 22 November 2017)

AUDITOR

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

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was a party, with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm which the director is a member, or with a company which the director has a material financial interest 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 2017, 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 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

On behalf of the Board of Directors:



Mr. Tanmay Chetan
Chairman

Phnom Penh, Kingdom of Cambodia

INDEPENDENT AUDITOR'S REPORT

Reference: 61211851/19442258

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 2017, 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 2017, 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 THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Maria Cristina M. Callimbas
Partner

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

Phnom Penh, Kingdom of Cambodia
27 March 2018

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017		2016	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
ASSETS					
Cash on hand	3	69,444,503	17,202,007	49,579,891	12,281,370
Balances with the National Bank of Cambodia	4	169,383,997	41,957,889	118,688,171	29,400,092
Balances with banks	5	41,603,644	10,305,584	46,252,421	11,457,127
Loans to customers	6	810,721,760	200,822,829	598,146,744	148,166,149
Other assets	9	17,775,994	4,403,268	16,358,118	4,052,048
Property and equipment	7	25,912,939	6,418,860	26,356,818	6,528,813
Software	8	849,840	210,513	1,077,376	266,875
Deferred tax assets	14.2	5,969,108	1,478,600	3,548,865	879,085
TOTAL ASSETS		1,141,661,785	282,799,550	860,008,404	213,031,559
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	10	476,894,860	118,131,003	354,405,385	87,789,295
Income tax payable	14.1	7,341,834	1,818,636	5,686,194	1,408,520
Other liabilities	15	35,837,798	8,877,333	28,932,442	7,166,817
Borrowings	11	425,530,473	105,407,598	293,841,948	72,787,205
Subordinated debt	12	19,401,600	4,805,945	24,252,000	6,007,431
Provision for staff pension fund	13	14,095,407	3,491,555	11,637,366	2,882,677
Total liabilities		979,101,972	242,532,070	718,755,335	178,041,945
SHAREHOLDERS' EQUITY					
Share capital	16	79,127,300	19,600,520	35,127,300	8,701,338
Share premium		149,505	37,034	149,505	37,034
Reserve	16	18,814,706	4,660,566	16,414,114	4,065,919
Retained earnings		64,468,302	15,969,360	89,562,150	22,185,323
Total shareholders' equity		162,559,813	40,267,480	141,253,069	34,989,614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,141,661,785	282,799,550	860,008,404	213,031,559

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2017		2016	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Operating income					
Interest income	17	191,654,847	47,474,572	193,791,247	48,003,777
Interest expense	18	(59,979,248)	(14,857,381)	(50,417,076)	(12,488,748)
Net interest income		131,675,599	32,617,191	143,374,171	35,515,029
Fee and commission expense	19	(11,860,093)	(2,937,848)	(14,799,347)	(3,665,927)
Other income	20	28,989,385	7,180,923	10,177,528	2,521,062
Total operating income		148,804,891	36,860,266	138,752,352	34,370,164
Grant income	22	491,421	121,729	644,364	159,615
Provision for losses on loans to customers	6	(13,021,747)	(3,225,600)	(8,690,754)	(2,152,775)
Other operating expenses	21	(107,777,037)	(26,697,309)	(97,617,214)	(24,180,633)
Profit before income tax		28,497,528	7,059,086	33,088,748	8,196,371
Income tax expense	14.1	(7,190,784)	(1,781,220)	(6,387,307)	(1,582,191)
Net profit for the year		21,306,744	5,277,866	26,701,441	6,614,180

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017		2016	
		KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
OPERATING ACTIVITIES					
Profit before income tax		28,497,528	7,059,086	33,088,748	8,196,371
<i>Adjustments:</i>					
Depreciation and amortization	21	5,771,658	1,429,690	6,332,641	1,568,650
(Gain) loss on disposal of property and equipment		(126,183)	(31,257)	605,479	149,982
<i>Movements in operating assets and liabilities:</i>					
Balances with the National Bank of Cambodia		(10,410,443)	(2,578,757)	(7,552,247)	(1,870,757)
Balances with banks		-	-	2,189,468	542,350
Loans to customers		(212,575,016)	(52,656,680)	(85,161,117)	(21,095,149)
Other assets		(1,417,876)	(351,220)	(1,961,920)	(485,985)
Deposits from customers		122,489,475	30,341,708	92,529,816	22,920,440
Provision for staff pension fund		2,458,041	608,878	2,394,304	593,090
Other liabilities		6,905,354	1,710,515	5,113,137	1,266,569
Income tax paid	14.1	(7,955,386)	(1,970,619)	(6,163,120)	(1,526,658)
Net cash (used in) generated from operating activities		(66,362,848)	(16,438,656)	41,415,189	10,258,903
INVESTING ACTIVITIES					
Acquisition of property and equipment		(5,519,897)	(1,367,326)	(17,794,211)	(4,407,781)
Acquisition of software		(111,211)	(27,548)	(380,650)	(94,290)
Proceeds from disposal of property and equipment		657,049	162,757	-	-
Net cash used in investing activities		(4,974,059)	(1,232,117)	(18,174,861)	(4,502,071)

STATEMENT OF CASH FLOWS *(Continuous)*

FOR THE YEAR ENDED 31 DECEMBER 2017

Notes	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
FINANCING ACTIVITIES				
Proceeds from borrowings	226,553,198	56,119,197	162,706,199	40,303,740
Repayment of borrowings	(94,864,673)	(23,498,804)	(93,345,104)	(23,122,394)
Repayment of subordinated debt	(4,850,400)	(1,201,486)	24,252,000	6,007,431
Payment of dividends	-	-	(2,031,552)	(503,233)
Net cash generated from financing activities	126,838,125	31,418,907	91,581,543	22,685,544
Net increase in cash and cash equivalents	55,501,218	13,748,134	114,821,871	28,442,376
Cash and cash equivalents at beginning of year	183,285,758	45,401,476	68,463,887	16,904,664
Foreign exchange difference	-	-	-	54,436
Cash and cash equivalents at end of the year	238,786,976	59,149,610	183,285,758	45,401,476

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

Notes	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Cash on hand	3	69,444,503	17,202,007	49,579,891
Balances with the National Bank of Cambodia	4	127,738,829	31,642,019	87,453,446
Balances with other banks	5	41,603,644	10,305,584	46,252,421
		238,786,976	59,149,610	183,285,758
			183,285,758	45,401,476

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2017 AND FOR THE YEAR THEN ENDED

1. CORPORATE INFORMATION

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

Establishment and operations

The Company was initially established in 1999 as Thanakea Ponleu Thmey (“TPT”) Programme by Concern Worldwide, Cambodia (“CWC”). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution (“MDI”) license from the National Bank of Cambodia (“NBC”) to conduct deposit-taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

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

The Company operates its business in 34 branches and 116 sub-branches (2016: 33 branches and 118 sub-branches).

The Company has the following guiding principles:

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

Paid-up capital

The paid-up capital of the Company as at 31 December 2017 was KHR79.13 billion or US\$19.60 million (31 December 2016: KHR35.13 billion or US\$8.70 million).

Board of Directors

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

Mr. Tanmay Chetan	Chairman
Mr. Patrick Peter Power	Director
Mr. Tip Janvibol	Director
Mr. Kea Borann	Director
Ms. Blandine Claudia Marie Pons	Director
Mr. Joshua Dunham Morris	Director
Mr. Michael Goh Chiang Huat	Director (appointed on 7 February 2017)
Mr. Adrian John Graham	Director (resigned on 26 March 2017)
Ms. Rebecca Ann McKenzie	Director (resigned on 22 November 2017)

Employees

As at 31 December 2017, the Company had a total of 2494 employees (31 December 2016: 2,349 employees).

The financial statements were authorized for issue by the Board of Directors on 27 March 2018.

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 (“CASs”) 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 except for the provision for losses on loans to customers and recognition of fee and commission income and expense as further disclosed in Notes 2.3.8.1 and 2.3.18, respectively.

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 Estimated useful lives of property and equipment

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment during the year.

2.2.2 Operating 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.

2.2.3 Impairment losses on loans to customers

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of impairment losses. 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 2.3.8.1.

2.2.4 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of

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

2.2.5 Recognition of deferred tax assets

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

The Company's estimates of future taxable income indicate that temporary differences will

be realized in the future. As such, the Company recognized deferred tax assets as at 31 December 2017 amounting to KHR5.97 billion or US\$1.48 million (2016: KHR3.55 billion or US\$0.88 million) as disclosed in Note 14.2.

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 KHR4,037 per US\$1 ruling at the reporting date (2016: 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 Impairment of financial assets

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

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

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

2.3.3 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis,

or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

2.3.4 Operating leases

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

2.3.5 Cash and cash equivalents

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

2.3.6 Balances with the National Bank of Cambodia

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

2.3.7 Balances with banks

Balances with banks are carried at cost.

2.3.8 Loans to customers

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

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans to customers previously written off, or provided for, decrease the amount of the provision for losses on loans to customers in the income statement.

Loans classified as substandard, doubtful or loss are considered non-performing.

2.3.8.1 Loan classification and allowance for losses on loans to customers

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 subsequently 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)		
<i>General allowance</i>		
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.

The regulatory provision calculated based on the new Prakas resulted in a decrease in the Company's loans and advances as at 31 December 2017 amounting to KHR1,195.63 million or US\$296,168 and in the net income for the year then ended by the same amount.

Further, the new Prakas requires the comparison of the regulatory provision with the impairment provision determined based on CIFRSs when adopted. During the transition period before the implementation of CIFRSs, the Bank will follow the mandatory credit classification and regulatory provision in the new Prakas.

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.

2.3.9 Property and equipment

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

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

2.3.10 Software

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

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

2.3.11 Other assets

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

2.3.12 Deposits from customers

Deposits from customers are stated at placement value.

2.3.13 Borrowings

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

2.3.14 Subordinated debt

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

2.3.15 Foreign currency forward and swap contracts

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

2.3.16 Provision for staff pension 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 three years and 7% for employees working in the Company for over three years. The Company's contribution is charged to the income statement.
- The Company contributes interest on the cumulative balance of the staff pension fund computed at 7% per annum. This interest is charged to the income statement.

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

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

2.3.17 Provisions

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

2.3.18 Recognition of income or expense

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

(i) Interest income or expense

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

Interest expense is recognized on an accrual basis.

(ii) Fee and commission income and expense

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

Prior to 1 April 2017, the Company charged loan administrative fees to customers based on a percentage of the loan principal. Loan administrative fees were recognized as income on the date of loan disbursement.

Subsequent to 1 April 2017, 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. Had the loan processing fees been recognized as income outright, total assets and income before tax would have been higher by KHR 7.64 billion. 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.

2.3.19 Dividends on share capital

Dividends on share capital are recognized as a liability and deducted from equity when approved

by the Board of Directors of the Company and the NBC. Dividends declared during the year but approved by the NBC after the balance sheet date are dealt with as an event after the balance sheet date.

2.3.20 Grants

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

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

2.3.21 Related parties

Parties are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Company and the party are subject to common control or significant influence.

Related parties may be individuals or corporate entities and include close family members of

any individual considered to be a related party. Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

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

2.3.22 Income tax

Current tax

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

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax

base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

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

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

3. CASH ON HAND

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	2,836,918	702,729	3,011,397	745,949
Branches	66,607,585	16,499,278	46,568,494	11,535,421
	69,444,503	17,202,007	49,579,891	12,281,370

Cash on hand by currency comprises the following:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Khmer Riel ("KHR")	33,701,566	8,348,171	23,911,184	5,923,008
US Dollar ("US\$")	33,893,992	8,395,837	24,242,974	6,005,196
Thai Baht ("THB")	1,848,945	457,999	1,425,733	353,166
	69,444,503	17,202,007	49,579,891	12,281,370

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	31,216,009	7,732,477	31,460,386	7,793,011
Negotiable certificate of deposit ("NCD")	96,522,820	23,909,542	55,993,060	13,869,968
Capital guarantee	7,912,730	1,960,052	3,512,730	870,134
Reserve requirement	33,732,438	8,355,818	27,721,995	6,866,979
	169,383,997	41,957,889	118,688,171	29,400,092

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.

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 2017 is unutilized. NCD amounting to KHR96.32 billion is used as collateral (for currency hedge purpose) against the borrowing with the NBC (Note 11).

The capital guarantee deposit and NCD earn annual interest at 3.00% (2016: 3.00%) and at rates ranging from 0.96% - 1.40% in 2017 (2016: 1.00% - 2.00%), respectively. Current accounts do not earn interest.

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by 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.

5. BALANCES WITH BANKS

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current accounts	7,829,764	1,939,501	9,788,828	2,424,778
Savings accounts	33,773,880	8,366,083	14,463,593	3,582,758
Placements and term deposits	-	-	22,000,000	5,449,591
	41,603,644	10,305,584	46,252,421	11,457,127

The current accounts do not earn interest. Savings accounts earn annual interest at 0.05% - 1.50% in 2017 (2016: 0.05% - 1.50%). Placements and term deposits made and withdrawn or matured in 2017 earn annual interest at 0.88% - 2.75% (2016: 2.75%).

Balances with banks analyzed by currency are as follows:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	10,164,932	2,517,942	29,925,385	7,412,778
US\$	27,005,500	6,689,497	6,986,425	1,730,598
THB	4,433,212	1,098,145	9,340,611	2,313,751
	41,603,644	10,305,584	46,252,421	11,457,127

6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Village bank loans</i>				
End of term	192,380,211	47,654,251	120,913,693	29,951,373
Credit line	155,063,317	38,410,532	180,980,942	44,830,553
Installment	145,376,415	36,011,002	70,689,134	17,510,313
<i>Individual loans</i>				
Installment	237,502,371	58,831,402	158,739,336	39,321,114
Credit line	29,857,515	7,395,966	59,558,962	14,753,273
End of term	76,610,671	18,977,130	19,297,152	4,780,072
Gross loans to customers	836,790,500	207,280,283	610,179,219	151,146,698
<i>Allowance for losses on loans to customers</i>				
Specific	(10,098,237)	(2,501,421)	(6,042,578)	(1,496,799)
General	(8,328,434)	(2,063,026)	(5,989,897)	(1,483,750)
Total allowance	(18,426,671)	(4,564,447)	(12,032,475)	(2,980,549)
Unamortised loan processing fees	(7,642,069)	(1,893,007)	-	-
Loans to customers - net	810,721,760	200,822,829	598,146,744	148,166,149

Movements of allowance for losses on loans to customers:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
At beginning of year	12,032,475	2,980,549	6,704,981	1,655,551
Provision during the year	13,021,747	3,225,600	8,690,754	2,152,775
Write-offs during the year	(6,627,551)	(1,641,702)	(3,363,260)	(833,109)
Foreign exchange difference	-	-	-	5,332
At end of year	18,426,671	4,564,447	12,032,475	2,980,549

Further analyses of loans to customers are set out below.

(a) By grading of loans to customers

The grading as at 31 December 2017 applied the loan classifications specified in NBC Prakas No. B7-017-344 whereas the grading as at 31 December 2016 is based on NBC Prakas No. B7-02-186 (Note 2.3.8.1), as presented below:

	2017	
	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Standard loans</i>		
Secured	351,676,942	87,113,436
Unsecured	467,564,305	115,819,744
<i>Special mention loans</i>		
Secured	2,314,653	573,360
Unsecured	2,219,382	549,760
<i>Substandard loans</i>		
Secured	750,568	185,922
Unsecured	1,856,065	459,763
<i>Doubtful loans</i>		
Secured	161,264	39,946
Unsecured	1,502,087	372,080
<i>Loss loans</i>		
Secured	3,165,743	784,182
Unsecured	5,579,493	1,382,089
Total gross loans	836,790,500	207,280,283

	2016	
	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Standard loans:</i>		
Secured	234,502,340	58,088,269
Unsecured	368,104,190	91,182,608
<i>Substandard loans:</i>		
Secured	932,379	230,958
Unsecured	1,482,989	367,349
<i>Doubtful loans:</i>		
Secured	476,089	117,931
Unsecured	900,638	223,096
<i>Loss loans:</i>		
Secured	797,049	197,436
Unsecured	2,983,545	739,051
Total gross loans	610,179,219	151,146,698

(b) By maturity

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	52,055,677	12,894,644	38,794,210	9,609,663
More than 1 month to 3 months	167,499,188	41,491,005	126,036,750	31,220,399
More than 3 months to 12 months	425,170,251	105,318,368	301,347,425	74,646,377
More than 1 year to 5 years	189,960,533	47,054,876	141,709,966	35,102,791
More than 5 years	2,104,851	521,390	2,290,868	567,468
	836,790,500	207,280,283	610,179,219	151,146,698

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

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
<i>Residence status</i>				
Residents	836,790,500	207,280,283	610,179,219	151,146,698
<i>Relationship</i>				
External customers	823,749,428	204,049,895	598,989,716	148,374,961
Staff loans	13,041,072	3,230,388	11,189,503	2,771,737
	836,790,500	207,280,283	610,179,219	151,146,698
<i>Currency</i>				
KHR	597,116,535	147,910,957	459,047,183	113,709,978
US\$	200,362,407	49,631,510	121,332,002	30,054,992
THB	39,311,558	9,737,816	29,800,034	7,381,728
	836,790,500	207,280,283	610,179,219	151,146,698
<i>Industry sector</i>				
Agriculture	337,725,296	83,657,492	306,822,550	76,002,614
Trade and commerce	219,516,757	54,376,209	126,051,720	31,224,107
Services	161,110,326	39,908,429	25,402,550	6,292,432
Construction	105,729,575	26,190,135	114,552,250	28,375,588
Household	11,542,639	2,859,212	30,107,770	7,457,956
Transportation	1,144,347	283,465	5,135,660	1,272,148
Others	21,560	5,341	2,106,719	521,853
	836,790,500	207,280,283	610,179,219	151,146,698

(d) By location

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Head office	2,993,361	741,482	2,922,360	723,894
Branches	833,797,139	206,538,801	607,256,859	150,422,804
	836,790,500	207,280,283	610,179,219	151,146,698

(e) Annual interest rates

	2017	2016
External customers	17.40% - 36.00% (before April) 15.60% - 18.00% (after April)	19.20% - 36.00%
Staff loans		
Educational	2.00%	2.00%
Others	10.00% - 11.00%	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. PROPERTY AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total	US\$ equivalent (Note 2.3.1)
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	
Cost							
As at 1 January 2017	3,280,660	4,144,141	12,713,615	13,783,493	10,017,908	43,939,817	10,884,275
Additions	386,014	407,613	1,403,414	1,456,806	1,866,050	5,519,897	1,367,326
Disposals	(62,682)	-	(1,598,783)	(119,355)	(131,751)	(1,912,571)	(473,758)
Transfers	73,333	-	-	191,231	(426,928)	(162,364)	(40,220)
As at 31 December 2017	3,677,325	4,551,754	12,518,246	15,312,175	11,325,279	47,384,779	11,737,623
Accumulated depreciation							
As at 1 January 2017	1,613,510	2,091,105	5,672,391	8,205,993	-	17,582,999	4,355,461
Depreciation	782,960	285,887	1,445,739	2,755,960	-	5,270,546	1,305,560
Disposals	(1,815)	-	(1,266,746)	(113,144)	-	(1,381,705)	(342,259)
As at 31 December 2017	2,394,655	2,376,992	5,851,384	10,848,809	-	21,471,840	5,318,762
Net book value							
As at 31 December 2017	1,282,670	2,174,762	6,666,862	4,463,366	11,325,279	25,912,939	
As at 31 December 2016	1,667,150	2,053,036	7,041,224	5,577,500	10,017,908	26,356,818	
US\$ equivalent (Note 2.3.1)							
As at 31 December 2017	317,729	538,707	1,651,440	1,105,615	2,805,369	6,418,860	
As at 31 December 2016	412,968	508,555	1,744,172	1,381,595	2,481,523	6,528,813	

	Leasehold improvements	Motor vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total	US\$ equivalent (Note 2.3.1)
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	
Cost							
As at 1 January 2016	2,497,271	3,933,668	8,852,981	17,397,486	339,857	33,021,263	8,179,654
Additions	358,572	210,473	3,860,634	2,215,871	11,148,661	17,794,211	4,407,781
Disposals/write-offs	(32,072)	-	-	(6,584,948)	(35,855)	(6,652,875)	(1,647,975)
Transfers	456,889	-	-	755,084	(1,434,755)	(222,782)	(55,185)
As at 31 December 2016	3,280,660	4,144,141	12,713,615	13,783,493	10,017,908	43,939,817	10,884,275
Accumulated depreciation							
As at 1 January 2016	896,915	1,806,976	4,555,140	7,307,536	-	14,566,567	3,608,265
Depreciation	728,318	284,129	1,117,251	3,143,707	-	5,273,405	1,306,268
Disposals/write-offs	(11,723)	-	-	(2,245,250)	-	(2,256,973)	(559,072)
As at 31 December 2016	1,613,510	2,091,105	5,672,391	8,205,993	-	17,582,999	4,355,461
Net book value							
As at 31 December 2016	1,667,150	2,053,036	7,041,224	5,577,500	10,017,908	26,356,818	
As at 31 December 2015	1,600,356	2,126,692	4,297,841	10,089,950	339,857	18,454,696	
US\$ equivalent (Note 2.3.1)							
As at 31 December 2016	412,968	508,555	1,744,172	1,381,595	2,481,523	6,528,813	
As at 31 December 2015	395,150	525,109	1,061,195	2,491,346	83,915	4,556,715	

8. SOFTWARE

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Cost				
As at beginning of the year	6,421,986	1,590,781	5,826,585	1,443,296
Additions	111,211	27,548	380,650	94,290
Disposals	-	-	(8,031)	(1,990)
Transfers	162,365	40,220	222,782	55,185
As at end of the year	6,695,562	1,658,549	6,421,986	1,590,781
Accumulated amortisation				
As at beginning of the year	5,344,610	1,323,906	4,285,797	1,061,629
Amortisation	501,112	124,130	1,059,236	262,382
Disposals	-	-	(423)	(105)
As at end of the year	5,845,722	1,448,036	5,344,610	1,323,906
Net book value as at end of the year	849,840	210,513	1,077,376	266,875

9. OTHER ASSETS

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest receivable	8,670,597	2,147,782	9,407,126	2,330,227
Prepayments	6,522,128	1,615,588	6,333,132	1,568,772
Others	2,583,269	639,898	617,860	153,049
	17,775,994	4,403,268	16,358,118	4,052,048

10. DEPOSITS FROM CUSTOMERS

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Savings deposits	194,761,260	48,244,057	109,560,934	27,139,196
Term deposits	282,133,600	69,886,946	244,844,451	60,650,099
	476,894,860	118,131,003	354,405,385	87,789,295

Further analyses on deposits from customers follow:

(a) By maturity

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within 1 month	237,613,359	58,858,895	133,740,609	33,128,711
More than 1 month to 3 months	55,568,302	13,764,752	55,416,847	13,727,235
More than 3 months to 12 months	140,901,026	34,902,409	126,642,812	31,370,526
More than 12 months	42,812,173	10,604,947	38,605,117	9,562,823
	476,894,860	118,131,003	354,405,385	87,789,295

(b) By currency

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	297,092,477	73,592,390	244,761,444	60,629,537
US\$	165,805,761	41,071,529	102,339,152	25,350,298
THB	13,996,622	3,467,084	7,304,789	1,809,460
	476,894,860	118,131,003	354,405,385	87,789,295

(c) By relationship

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Non-related parties	474,361,301	117,503,419	350,210,970	86,750,302
Related parties	2,533,559	627,584	4,194,415	1,038,993
	476,894,860	118,131,003	354,405,385	87,789,295

(d) By interest rate per annum

	2017	2016
Savings deposits	0.50% - 5.00%	3.00% - 5.50%
Term deposits	1.00% - 12.50%	4.25% - 12.50%

11. BORROWINGS

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
National Bank of Cambodia	92,000,000	22,789,200	24,000,000	5,945,009
Instituto de Credito Oficial of the Kingdom of Spain (“ICO”)	68,588,334	16,989,927	72,170,845	17,877,345
BlueOrchard Microfinance Fund	41,005,665	10,157,460	20,059,495	4,968,911
Industrial and Commercial Bank of China Limited, Phnom Penh Branch	28,259,000	7,000,000	9,285,100	2,300,000
Oikocredit Ecumenical Development Co-operative Society U.A	27,701,224	6,861,834	21,600,000	5,350,508
Incofin Investment Management	20,185,000	5,000,000	11,803,000	2,923,706
Nordic Microfinance Initiative Fund III KS	20,000,000	4,954,174	10,000,000	2,477,087
Global Commercial Microfinance Consortium II B.V	16,148,000	4,000,000	16,148,000	4,000,000
Microvest GMG Local Credit Master Fund, Ltd	14,465,000	3,583,106	15,600,667	3,864,421
Symbiotics SA Information	14,267,500	3,534,184	20,198,052	5,003,233
Sathapana Bank Plc	12,000,000	2,972,504	-	-
ResponAbility Investments AG	11,755,035	2,911,824	11,234,572	2,782,901
Triodos Investment Management B.V	10,666,667	2,642,226	16,000,000	3,963,339
Bank im Bistum Essen eG	10,092,500	2,500,000	10,092,500	2,500,000
Grameen Credit Agricole Microfinance Foundation	9,215,460	2,282,750	10,366,960	2,567,986
Vattanac Bank	9,933,338	2,460,574	4,007,053	992,582
ASN Novib Microkredietfonds	8,146,000	2,017,835	8,146,000	2,017,835
Kookmin Bank Cambodia Plc	8,074,000	2,000,000	4,037,000	1,000,000
Leap Philanthropy Ltd	2,018,500	500,000	-	-
Khun Heang	1,009,250	250,000	-	-
Foreign Trade Bank of Cambodia	-	-	5,055,704	1,252,342
VDK-Spaarbank n.v	-	-	4,037,000	1,000,000
	425,530,473	105,407,598	293,841,948	72,787,205

All Company borrowings other than with the NBC (Note 4) are unsecured and are from non-related parties.

Further analyses of borrowings follow:

(a) By currency

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
KHR	159,061,667	39,400,958	104,712,204	25,938,123
US\$	238,794,606	59,151,500	158,451,958	39,249,928
THB	27,674,200	6,855,140	30,677,786	7,599,154
	425,530,473	105,407,598	293,841,948	72,787,205

(b) By maturity

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one month	5,316,738	1,317,002	10,400,000	2,576,170
More than 1 month to 3 months	9,447,440	2,340,213	30,913,704	7,657,593
More than 3 months to 12 months	171,045,743	42,369,518	44,100,095	10,923,977
More than 1 year to 5 years	230,677,504	57,140,823	190,342,053	47,149,382
Over 5 years	9,043,048	2,240,042	18,086,096	4,480,083
	425,530,473	105,407,598	293,841,948	72,787,205

12. SUBORDINATED DEBT

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. This subordinated debt has a five-year term maturing on 15 September 2021.

13. PROVISION FOR STAFF PENSION FUND

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	11,637,366	2,882,677	9,243,062	2,282,237
Additions during the year				
Employer contribution	2,570,863	636,825	2,298,656	569,397
Employee contribution	1,176,095	291,329	1,056,744	261,765
Interest	868,251	215,074	709,074	175,644
Payments during the year	(1,922,113)	(476,124)	(788,949)	(195,430)
Reversal	(235,055)	(58,226)	(881,221)	(218,286)
Foreign exchange difference	-	-	-	7,350
Balance at end of year	14,095,407	3,491,555	11,637,366	2,882,677

On 16 March 2018, the Company issued a resolution on staff pension fund provision. The outstanding balance of staff pension fund as at 31 December 2017, which is sourced from both the employees and the Company’s contribution, will be paid to the employees in April 2018.

14. 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.

14.1 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:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Current income tax	9,611,026	2,380,735	6,958,995	1,723,804
Deferred tax income	(2,420,242)	(599,515)	(571,688)	(141,613)
	7,190,784	1,781,220	6,387,307	1,582,191

Movements of income tax payable follow:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Balance at beginning of year	5,686,194	1,408,520	4,890,319	1,207,486
Corporate income tax	9,611,026	2,380,735	6,958,995	1,723,804
Income tax paid	(7,955,386)	(1,970,619)	(6,163,120)	(1,526,658)
Foreign exchange difference	-	-	-	3,888
Balance at end of year	7,341,834	1,818,636	5,686,194	1,408,520

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

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Profit before income tax	28,497,528	7,059,087	33,088,748	8,196,371
Income tax expense at applicable tax rate of 20%	5,699,506	1,411,817	6,617,750	1,639,274
<i>Adjustments:</i>				
Non-deductible expenses	3,704,685	917,683	920,328	227,973
Under provision of income tax in prior year	206,835	51,235	(579,083)	(143,443)
Temporary differences	(2,420,242)	(599,515)	(571,688)	(141,613)
Effective income tax	7,190,784	1,781,220	6,387,307	1,582,191

14.2 Deferred income tax

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

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Allowance for loan losses	2,036,798	504,533	1,246,287	308,716
Provision for staff pension fund	1,966,792	487,191	1,630,277	403,834
Unamortised loan processing fees	1,528,414	378,601	-	-
Accruals	667,763	165,411	505,992	125,339
Unrealized loss on foreign exchange	-	-	347,508	86,081
Property and equipment	(230,659)	(57,136)	(181,199)	(44,885)
	5,969,108	1,478,600	3,548,865	879,085

15. OTHER LIABILITIES

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Interest payable	17,862,049	4,424,585	15,680,274	3,884,140
Personnel and other related costs	7,278,085	1,802,844	4,193,436	1,038,751
Accrued and other payables	4,787,272	1,185,849	5,944,503	1,472,505
Swap and forward exchange contract	560,485	138,837	2,073,627	513,655
Taxes payable	5,349,907	1,325,218	1,040,602	257,766
	35,837,798	8,877,333	28,932,442	7,166,817

16. EQUITY

Details of shareholding are as follows:

	2016			2015		
	KHR'000	US\$ equivalent (Note 2.3.1)	%	KHR'000	US\$ equivalent (Note 2.3.1)	%
Agora Micro-finance N.V	40,139,850	9,942,990	50.73	17,819,450	4,414,033	50.73
Rural Impulse Fund II	19,473,175	4,823,675	24.61	8,644,800	2,141,392	24.61
PROPARCO	11,826,075	2,929,422	14.95	5,250,000	1,300,471	14.95
CLDF	5,304,850	1,314,057	6.70	2,355,000	583,354	6.70
AMK - Staff Association	2,383,350	590,376	3.01	1,058,050	262,088	3.01
	79,127,300	19,600,520	100.00	35,127,300	8,701,338	100.00

The Company's registered and fully paid up share capital comprises 3,165,092 shares (2016: 1,405,092 shares) at KHR25,000 per share.

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions 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.

On 13 February 2017, the NBC approved the increase in the Company's registered capital by KHR44 billion through conversion of retained earnings. On 17 February 2017, the Company placed the additional capital guarantee with the NBC resulting from the capital increase.

For the rest of additional required capital, the Company obtained the approval from the NBC on the increase by KHR41.2 billion through conversion of retained earnings on 16 March 2018. On 19 March 2018, the Company placed the additional capital guarantee with the NBC resulting from the capital increase.

Dividends

There were no dividends declared in 2017.

Reserve

Under the loan agreement with ICO (Note 11), the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

17. INTEREST INCOME

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loans to customers	190,477,236	47,182,867	193,337,438	47,891,365
Balances with banks	1,177,611	291,705	453,809	112,412
	191,654,847	47,474,572	193,791,247	48,003,777

18. INTEREST EXPENSE

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Borrowings	32,131,700	7,959,301	26,939,404	6,673,124
Deposits from customers	26,979,297	6,683,006	22,768,598	5,639,980
Provident fund	868,251	215,074	709,074	175,644
	59,979,248	14,857,381	50,417,076	12,488,748

19. FEE AND COMMISSION EXPENSE

	2017		2016	
	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	9,727,280	2,409,532	9,821,231	2,432,804
Fees and commissions on borrowings and swaps	2,132,813	528,316	4,978,116	1,233,123
	11,860,093	2,937,848	14,799,347	3,665,927

20. OTHER INCOME

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Loan fees	18,444,822	4,568,943	3,391,414	840,083
Mobile banking fees	5,301,956	1,313,341	4,019,681	995,710
Micro-insurance commissions	2,343,315	580,459	1,367,262	338,683
Loan penalties	1,225,787	303,638	195,905	48,527
Payroll fees	750,067	185,798	398,744	98,772
Remittance fees	526,489	130,416	571,281	141,511
Gain on disposal of property and equipment	126,183	31,257	-	-
Loan recoveries	67,710	16,772	52,575	13,023
Others	203,056	50,299	180,666	44,753
	28,989,385	7,180,923	10,177,528	2,521,062

21. OTHER OPERATING EXPENSES

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Personnel and other related costs	59,908,392	14,839,830	57,568,808	14,260,294
Rental	8,451,166	2,093,427	6,757,297	1,673,841
Professional fees	6,933,932	1,717,595	4,979,105	1,233,368
Depreciation and amortization	5,771,658	1,429,690	6,332,641	1,568,650
Transportation	4,193,322	1,038,722	4,026,531	997,407

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Penalties and fines	4,084,223	1,011,698	19,030	4,714
Non-capitalisable furniture and fixtures	2,841,620	703,894	2,217,437	549,278
Security guard	2,534,122	627,724	1,908,089	472,650
Utilities	1,881,886	466,160	1,732,924	429,260
Stationeries and supplies	1,753,075	434,252	1,982,497	491,082
Communication	1,563,851	387,379	1,357,342	336,225
Printing	1,560,174	386,469	1,649,633	408,629
NBC license fees	1,497,500	370,944	1,552,000	384,444
Repairs and maintenance	1,211,642	300,134	1,054,186	261,131
Marketing expense	824,286	204,183	1,649,150	408,509
Bank charges	754,363	186,862	662,084	164,004
Foreign exchange losses - net*	94,183	23,330	438,490	108,618
Loss on disposal of fixed assets	46,387	11,490	605,479	149,982
Others	1,871,255	463,526	1,124,491	278,547
	107,777,037	26,697,309	97,617,214	24,180,633

* This is net of foreign exchange gain amounting to KHR334.80 million (US\$82,932) (2016: includes foreign exchange loss of KHR392.93 million or US\$97,333) incurred on the recognition of forward exchange contracts in accordance with NBC Circular No. 07-012-001 dated 19 January 2012 on "Accounting for Currency Swap or Forward Contract".

22. GRANT INCOME

This represents the grant received from 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:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Within one year	4,412,986	1,093,135	4,346,077	1,076,561
More than 1 year to 5 years	7,793,360	1,930,483	6,957,539	1,723,443
More than 5 years	3,516,893	871,165	3,402,424	842,810
	15,723,239	3,894,783	14,706,040	3,642,814

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:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Foreign exchange swap contracts	16,148,000	4,000,000	52,481,000	13,000,000
Foreign exchange forward contracts	8,074,000	2,000,000	2,018,500	500,000
Unused portion of credit line	52,702,634	13,054,901	45,871,948	11,362,880

The Company has 7 foreign exchange swap contracts (2016: 14 contracts) with certain commercial banks outstanding as at 31 December 2017. 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	2017	2016
		US\$ equivalent (Note 2.3.1)	US\$ equivalent (Note 2.3.1)
		KHR'000	KHR'000
PROPARCO (shareholder)	Consultant fee	-	173,514
Board of Directors	Remuneration	154,044	144,692
Key management personnel	Interest income	8,615	9,656
	Remuneration	1,886,656	2,000,640
		-	42,981
		38,158	35,841
		2,134	2,392
		467,341	495,576

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

Related party	Transaction	2017	2016
		US\$ equivalent (Note 2.3.1)	US\$ equivalent (Note 2.3.1)
		KHR'000	KHR'000
Key management personnel	Deposit	707,195	706,710
	Loan	79,186	90,092
Agora Micro-finance N.V (shareholder)	Deposit	1,826,364	2,641,846
		175,178	175,058
		19,615	22,317
		452,406	654,408

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 and forward contracts to manage its risk exposure (Note 23).

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

international best practices on risk management are yet to be fully implemented. The Board of Directors has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	2017		2016	
	KHR'000	US\$ equivalent (Note 2.3.1)	KHR'000	US\$ equivalent (Note 2.3.1)
Financial assets				
Cash on hand	69,444,503	17,202,007	49,579,891	12,281,370
Balances with the NBC	127,738,829	31,642,019	87,453,446	21,662,979
Balances with banks	41,603,644	10,305,584	46,252,421	11,457,127
Loans to customers	810,721,760	200,822,829	598,146,744	148,166,149
Other assets	8,670,597	2,147,782	9,407,126	2,330,227
Total financial assets	1,058,179,333	262,120,221	790,839,628	195,897,852
Financial liabilities				
Deposits from customers	476,894,860	118,131,003	354,405,385	87,789,295
Borrowings	425,530,473	105,407,598	293,841,948	72,787,205
Subordinated debt	19,401,600	4,805,945	24,252,000	6,007,431
Other liabilities	30,487,891	7,552,115	27,891,840	6,909,051
Total financial liabilities	952,314,824	235,896,661	700,391,173	173,492,982

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 2.3.8.1.

(d) **Loans to customers**

Loans to customers are summarized as follows:

	2017		2016	
	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)	796,449,718	197,287,520	602,606,529	149,270,877
Loans to customers past due but not impaired (ii)	22,791,530	5,645,660	2,494,910	618,011
Loans to customers individually impaired (iii)	17,549,252	4,347,103	5,077,780	1,257,810
Loans to customers, gross	836,790,500	207,280,283	610,179,219	151,146,698

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*

2017

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.

2016

Loans to customers less than 30 days past due (short-term and 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. B7-02-186 on Asset Classification and 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:

	2017			2016		
	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	33,701,566	33,893,992	1,848,945	23,911,184	24,242,974	1,425,733
Balances with the NBC	17,595,906	110,142,923	-	39,233,659	48,219,787	-
Balances with banks	10,164,932	27,005,500	4,433,212	29,925,385	6,986,425	9,340,611
Loans to customers	575,973,106	196,897,958	37,850,696	449,382,005	119,864,885	28,899,854
Other assets	5,990,447	2,277,375	402,775	7,578,212	1,370,494	458,420
Total financial assets	643,425,957	370,217,748	44,535,628	550,030,445	200,684,565	40,124,618
Financial liabilities						
Deposits from customers	297,092,477	165,805,761	13,996,622	244,761,444	102,339,152	7,304,789
Borrowings	159,061,667	238,794,606	27,674,200	104,712,204	158,451,958	30,677,786
Subordinated debt	19,401,600	-	-	24,252,000	-	-
Other liabilities	15,625,063	13,818,270	1,044,558	17,780,535	9,465,455	645,850
Total financial liabilities	491,180,807	418,418,637	42,715,380	391,506,183	270,256,565	38,628,425
	152,245,150	(48,200,889)	1,820,248	158,524,262	(69,572,000)	1,496,193

	2017			2016		
	KHR KHR'000	US\$ KHR'000	THB KHR'000	KHR KHR'000	US\$ KHR'000	THB KHR'000
Off-balance sheet items						
Foreign exchange swap contracts	(16,148,000)	16,148,000	-	(52,481,000)	52,481,000	-
Foreign exchange forward contracts	-	8,074,000	(8,074,000)	-	2,018,500	(2,018,500)
	(16,148,000)	24,222,000	(8,074,000)	(52,481,000)	54,499,500	(2,018,500)
Net open position	136,097,150	(23,978,889)	(6,253,752)	106,043,262	(15,072,500)	(522,307)
US\$ equivalent (Note 2.3.1)	33,712,447	(5,939,779)	(1,549,109)	26,267,838	(3,733,589)	(129,380)

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	
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	232,275,932	55,568,302	140,901,026	48,149,600	-	-	476,894,860	6.05
Borrowings	5,333,333	9,447,440	171,045,743	230,660,909	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	-
	237,609,265	69,002,156	337,752,159	298,908,196	9,043,048	-	952,314,824	
Maturity gap	(176,866,396)	63,695,167	235,982,248	(118,481,993)	(6,938,198)	108,473,681	105,864,509	
US\$ equivalent (Note 2.3.1)	(43,811,344)	15,777,847	58,454,855	(29,349,020)	(1,718,652)	26,869,874	26,223,560	

	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	
2016								
Financial assets								
Cash on hand	-	-	-	-	-	49,579,891	49,579,891	-
Balances with the NBC	-	-	55,993,060	-	-	31,460,386	87,453,446	0.64
Balances with banks	22,000,000	9,788,828	14,463,593	-	-	-	46,252,421	1.59
Loans to customers	38,794,211	85,799,779	341,584,396	129,677,490	2,290,868	-	598,146,744	32.84
Other assets	9,407,126	-	-	-	-	-	9,407,126	-
	70,201,337	95,588,607	412,041,049	129,677,490	2,290,868	81,040,277	790,839,628	
Financial liabilities								
Deposits from customers	130,513,144	55,416,847	130,837,230	37,638,164	-	-	354,405,385	7.81
Borrowings	2,400,000	30,913,704	52,100,095	190,342,053	18,086,096	-	293,841,948	8.74
Subordinated debt	-	-	4,850,400	19,401,600	-	-	24,252,000	17.69
Other liabilities	-	113,873	27,777,967	-	-	-	27,891,840	-
	132,913,144	86,444,424	215,565,692	247,381,817	18,086,096	-	700,391,173	
Maturity gap	(62,711,807)	9,144,183	196,475,357	(117,704,327)	(15,795,228)	81,040,277	90,448,455	
US\$ equivalent (Note 2.3.1)	(15,534,260)	2,265,094	48,668,654	(29,156,385)	(3,912,615)	20,074,382	22,404,870	

25.4 Liquidity risk

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

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

The 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
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

	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
2016						
Financial assets						
Cash on hand	49,579,891	-	-	-	-	49,579,891
Balances with the NBC	31,460,386	-	55,993,060	-	-	87,453,446
Balances with banks	22,000,000	9,788,828	14,463,593	-	-	46,252,421
Loans to customers	38,794,211	85,799,779	341,584,396	129,677,490	2,290,868	598,146,744
Other assets	9,407,126	-	-	-	-	9,407,126
Total financial assets	151,241,614	95,588,607	412,041,049	129,677,490	2,290,868	790,839,628
Financial liabilities						
Deposits from customers	130,513,144	55,416,847	130,837,230	37,638,164	-	354,405,385
Borrowings	2,400,000	30,913,704	52,100,095	190,342,053	18,086,096	293,841,948
Subordinated debt	-	-	4,850,400	19,401,600	-	24,252,000
Other liabilities	-	113,873	27,777,967	-	-	27,891,840
Total financial liabilities	132,913,144	86,444,424	215,565,692	247,381,817	18,086,096	700,391,173
Net liquidity surplus (gap) - KHR'000	18,328,470	9,144,183	196,475,357	(117,704,327)	(15,795,228)	90,448,455
US\$ equivalent (Note 2.3.1)	4,540,121	2,265,094	48,668,654	(29,156,385)	(3,912,614)	22,404,870

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 2017 that had significant impact on the financial position of the Company as at 31 December 2017.

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.

Awards and Recognition



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.



MOST INNOVATIVE IDEA
FOR REMITTANCES AS A DRIVER
OF WOMEN'S FINANCIAL INCLUSION

This certificate awarded to:

AMK Microfinance

AMK Microfinance is a leading microfinance institution in Cambodia, Myanmar, Lao PDR, and Vietnam. It has been recognized for its innovative business model and its commitment to women's financial inclusion.

10 NOV 2017

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UNCDF Shaping Inclusive Finance Transformations Programme



The UNCDF Shaping Inclusive Finance Transformations Programme is funded by



Awards and Recognition *(Continuous)*



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

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.

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