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Cambodian Community Savings Federation

Annual Report 2012



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Message from the Chief Executive Officer

Approximately 75% of Cambodia's population lives in rural areas and faces significant disadvantage. This is not expected to change in the near future. The Cambodian Community Savings Federation (CCSF) is dedicated to helping improve the living standards of people in this situation. We do this by providing access to financial services, technical financial assistance and through social development.

In 2012 we celebrated our 14th year of serving the community. We are very proud and fortunate to work with a number of partners, supporters, sponsors and local authorities who care about access to financial services as much as we do. We have done this together.

Through our community-based microfinance organizations (CBMIFOs) over 40,000 Cambodians are supported every day. Last year this figure was just 37,019, an increase of 14%. However, many rural communities are still not reached by a CBMIFO and the need remains strong.

The CBMIFO model is unique as it is owned, managed, and controlled by the members themselves. It encourages the rural poor to change from a mindset of dependence on outsiders to one of self-reliance. Every day we see the positive impact access to a CBMIFO can have and why it is such an effective strategy for alleviating poverty. Here are just some of the 2012 highlights I'm pleased to share with you in this report:

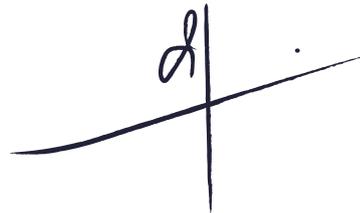
- **Empowerment and development** - There are 29 CBMIFOs owned, controlled and managed by members.
- **Jobs created** - The local CBMIFOs currently employ close to 300 staff members, 112 of which are individuals under the age of 25 who have a much-needed opportunity to apply their skills.
- **Positive growth results for our Loan Protection & Life saving service** - A service ensuring no debt is inherited when a CBMIFO member dies saw growth in claims of 49% in 2012.

- **Ongoing training and development** - Equipping our staff and volunteers is a top priority. In 2012 16 different courses were provided with an average attendance of 20 per course.
- **Over 65,000 individuals educated on the importance of saving** - CCSF Member Service Officers worked together with CBMIFO staff to train 65,000 community members on the benefits of saving and how their local CBMIFO can help.

The future of CCSF is bright and we are excited about the years ahead. We will continue to educate how thrift habits and how saving, even just a small amount, can change an individual's future and benefit the community.

I would like to thank the CCSF and CBMIFO staff and volunteers for their hard work and commitment to our members during 2012. We are more dedicated than ever to serving our communities and will continue to grow our services in 2013 and beyond.

It is difficult, but always possible

A handwritten signature in black ink, consisting of a stylized 'P' followed by a vertical line and a horizontal line crossing it.

Pisey Phal

CEO

Cambodian Community Savings Federation

Who We Are

The Cambodian Community Savings Federation (CCSF) is a federation of credit unions empowering rural low-income families to form community level microfinance organizations. These groups are known as Community Based Microfinance Organizations (CBMIFOs) and are owned, managed, and controlled by the members themselves.

CCSF pioneered credit unions in Cambodia and in 2012 celebrated its 14th year. Originally known as the Small Economic Activity Development (SEAD) project of CARE Cambodia, the project was financially supported by AusAID through CARE Australia. In 2003 it transformed to become a local NGO and in 2008 became financially self-sustaining.

Today, CCSF works in partnership with 29 CMBIFOs to support more than 40,000 members and their families. In addition to acting as a federation of CBMIFOs, CCSF also provides direct microfinance services through its Small and Medium Enterprise (SME) Program.

Legally, CCSF operates as a federation of credit unions through registration with the Ministry of Interior of the Royal Government of Cambodia as well as a rural microfinance service provider by virtue of registration with the National Bank of Cambodia.

Our Vision

A sustainable Community Based MicroFinance organization involved in poverty alleviation.

Our Mission

To provide affordable financial services nearby to the members, thus improving their living standard and contributing to the social and economic development of their local communities.

Our Objectives

- Educate and motivate people about the importance of savings and credit and help them to be self-reliant in development.
- Promote, establish and strengthen self-managed savings and credit banks.
- Support, organize and conduct various types of training, education campaigns, seminars and workshops, with a view to developing human resources and local leadership as needed.
- Provide necessary support and technical guidance to our member societies and potential new groups and enhance their resources and development capabilities.
- Undertake and facilitate other necessary promotional functions for the benefit and development of the savings and credit groups/societies.
- Facilitate and support groups to conduct various self-organized income-generating activities.
- Provide linkages between the savings and credit union movement and other line agencies and coordinate activities with them as appropriate.

Our Operating Principles

We promote savings and thrift habits based on the nine international operating principles of credit unions. These principles are founded on the philosophy of cooperation and its central values of equality, equity and mutual self-help.

At the heart of these principles is the concept of human development and people working together to achieve a better life for themselves and their community.

Democratic Structure

1. Open & Voluntary Membership
2. Democratic Control
3. Non-Discrimination

Service to Members

4. Distribution to Members
5. Building Financial Stability
6. Service to Members

Social Goals

7. On-Going Education
8. Cooperation Among Cooperatives
9. Social Responsibility



Rong Roeurng
CBMIFO

Member Stories

Sophan has a bigger vision thanks to more efficient farming

Brom Sophan and her husband are rice farmers and have four children in full-time education. With a loan from the Ek Phnom CBMIFO, Sophan was able to purchase fertilizer, weed killer, seeds, and diesel for their tractor as well as additional labor. This meant she was able to cultivate her dry season rice within the tight time frame and grow Chinese turnips.

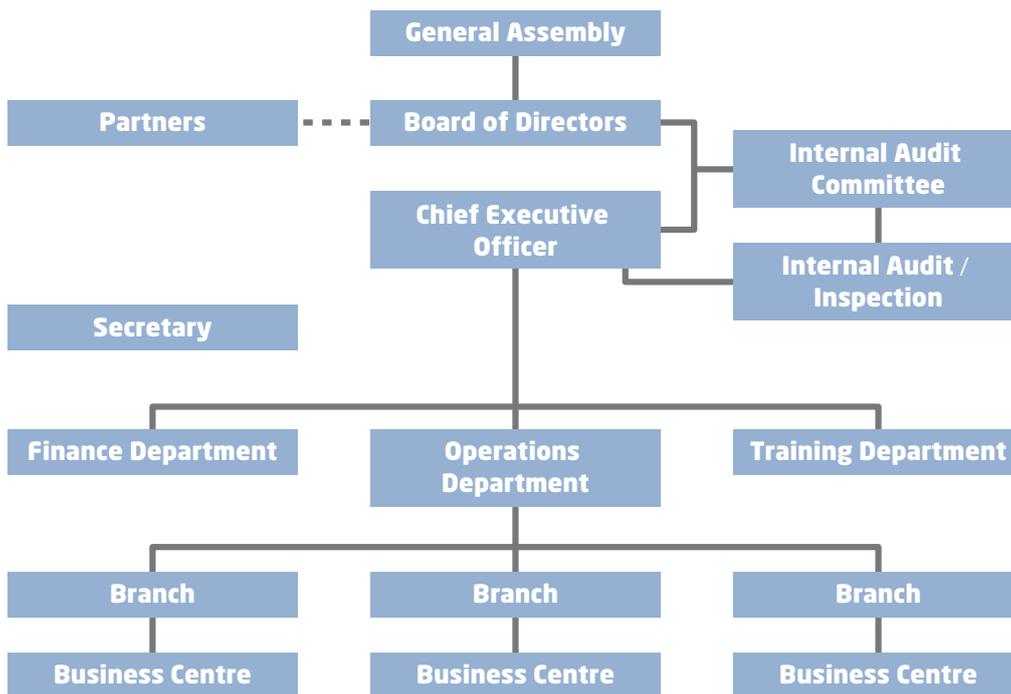
“With the loan we were able to prepare more land to grow rice. The loan meant we could complete crucial tasks like pumping water and applying insecticide to prepare the land for growing. I hope that in the future as my farming becomes more efficient I will be able to purchase more land”.



Our People

Organizational Structure and Governance

Headed by Chief Executive Officer (CEO) Phal Pisey and a team of experienced CCSF senior leaders, and informed by our dedicated and locally based Board of Directors (BOD), our leadership structure is designed to enable continuous improvement and a better outcome for our members.



CCSF 2012 Board of Directors

CCSF is governed by a Board of dedicated members elected at the CCSF Annual General Meeting (AGM), which has representation from all CBMIFOs in attendance. The Board of Directors (BOD) meets every two months and is made up of five members. All CCSF Directors are also Directors of their local CBMIFO Board. Each Director can serve a maximum of three terms, with three years being a single term.



CCSF Board of Directors at the 10th Annual General Meeting:
Present - Pheach Sopheak, Keo Sambath, Moeurn Moeurth, Chao Ly.
Absent- Chheng Keo.

CCSF Internal Audit Committee

The Internal Audit Committee meets every two months and is comprised of the Board of Directors Chairperson, the CEO and the Internal Audit Department Manager.

CCSF Senior Management Team

Lead by the CEO Ms. Phal Pisey, the CCSF Senior Management Team has a combined 40 years of CCSF management experience. Specialist department managers representing Operations, Accounting and Administration, Internal Audit and Training, combine to form the team.



Phal Pisey

Chief Executive Officer

Chief Executive Officer and founder of CCSF, Pisey has led the organization through significant growth and development. This growth has been underpinned by her commitment to ensuring enduring partnerships and continually improving service to members.

Beginning in 1998 as project coordinator and project manager for Small Economic Activity Development (SEAD) of CARE Cambodia, Pisey initiated transformation of the project to become what is known as CCSF today, a local and self-sustaining NGO.

Having graduated in Russian language at Phnom Penh University in 1989, Pisey has since completed several training courses on credit management locally and abroad, including completing the Credit Union Management course abroad.



Meas Thon

Chief Operating Officer

Beginning as a senior trainer in 1998, Thon commenced management of the Operations Department in 2002 and has continued in this role to ensure optimised CBMIFO operation. In 2003 he played a key role in the founding of CCSF, and also graduated with a BBA in Human Resource Management at the Institute of Management and Economics (IME). Thon has completed several courses in Credit Union Management locally and abroad and has also delivered training for both local and also international NGOs.



Nget Ny

Manager of Accounting & Administration Department

Ny graduated BBA in 2002 at the National Institute of Management (NIM) and has worked for CCSF since 2004 as an accountant. In 2006 she was promoted to Manager of the Accounting and Administration Department. Ny has attended several accounting and financial management related training courses and also has significant previous experience with an international NGO.



Diep Kitya

Manager of Internal Audit Department

Kitya graduated BBA majoring in Management at the University of Management and Economics (UME) in 2004. He has worked for CCSF since 2006 as an Internal Auditor. In 2009, Kitya was promoted to Manager of the Internal Auditor Department. Kitya has attended several credit union management and internal audit procedure training courses and has previous experience in the microcredit field with a local NGO.

CCSF Branch Managers

With a combined 33 years of CCSF work experience, the branch managers with the support of their teams ensure all CBMIFOS are provided with a very high level of financial services.



Chea Chanda

Branch Manager, Battambang Branch

Chanda, also one of the CCSF founders and a long-standing staff member since 1998, was an experienced Member Service Officer before being promoted to the role of Branch Manager in 2005. Having already graduated Primary School Pedagogy in 1995, Chanda has since obtained a BBA in Management from the Institute of Management and Economics and has completed several courses on credit union management locally and abroad.



Eng Kunthy

Branch Manager, Bavel Branch

In 2000, Kunthy commenced working for CCSF as a senior Member Service Officer before being promoted to Branch Manager in 2005. He has attended several training courses on Credit Union Management, locally and also abroad. With more than 10 years' experience with a local NGO prior to joining CCSF, Kunthy brings significant community development and micro-credit experience to his role.



Chun Seng

Branch Manager, Banteay Meanchey Branch

Commencing as a CCSF Loan Officer in 2005, Seng progressed to Deputy Branch Manager in 2006 before being promoted to Branch Manager in 2008. Seng obtained a BBA with a major in Human Resource Management from the University of Management and Economics (UME) in 2006 and has attended several Credit Union Management training courses, locally and abroad. He also has prior experience working for a local NGO in an accounting capacity and for ACLEDA Bank in the area of loan management.



Member Stories

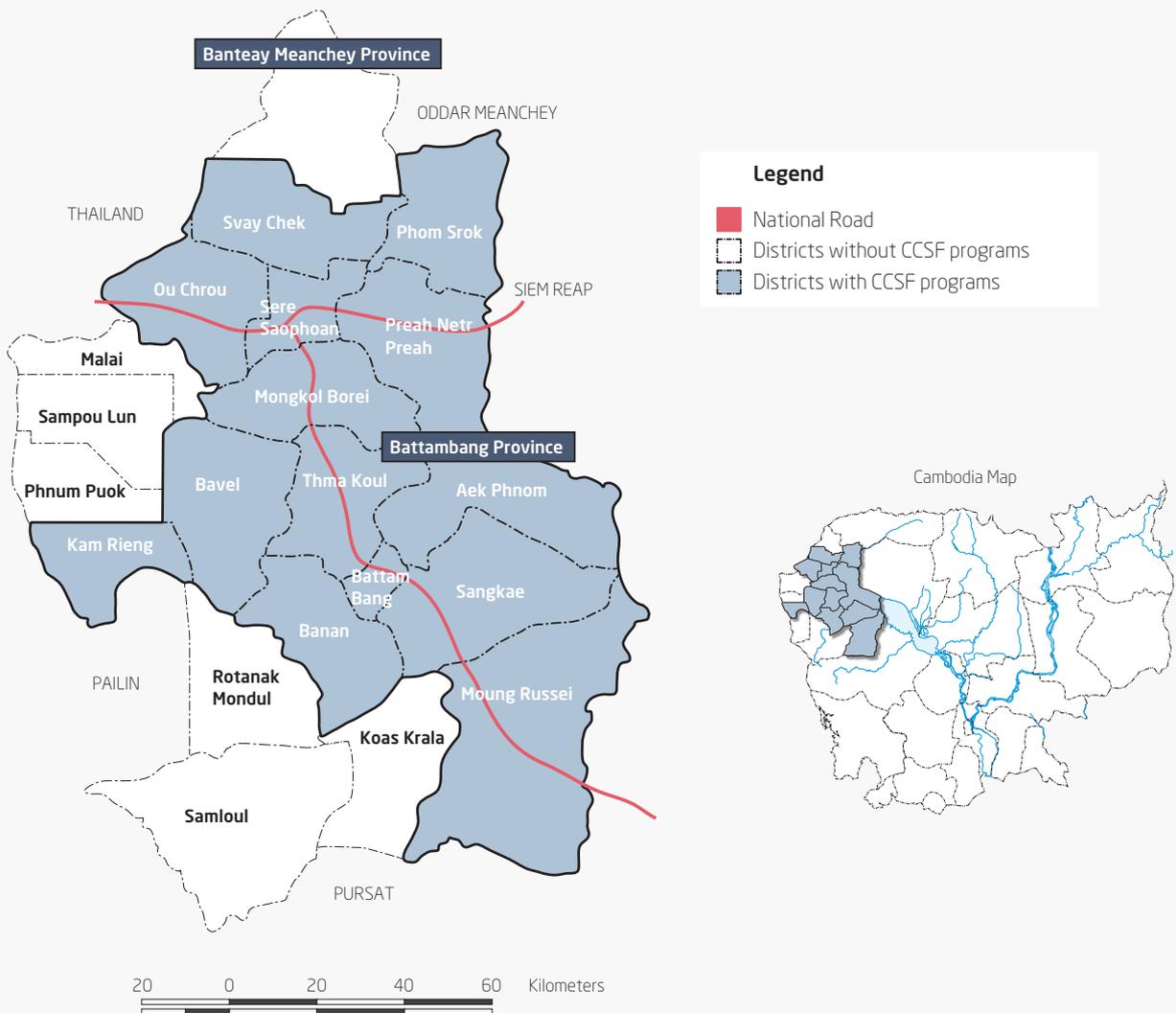
A new income stream for Kimyong

Phon Kimyong is married with three children and together he and his wife farm two hectares of land. To increase their household income, they decided to try rearing piglets. As their working capital was limited, Kimyong received a loan from the Chrey CBMIFO. They used this to buy commercial feed, rice bran and piglets. Within six months they had generated enough income to buy 18 more piglets to rear. "The pigs are healthy and growing quickly. We hope to expand this business in the future".

Operational Coverage

End of 2012, CCSF served over 40,000 members in 14 of the 23 districts in the Banteay Meanchey and Battambang provinces.

CCSF Operation Area Map





Ruen will wait for the highest bidder

Ven Ruen is married with five children and has worked as a farmer all his adult life. Following a poor rice yield as a result of low rainfall, Ruen received a loan from Ek Phnom CBMIFO to dig a pond. He hoped the pond would ensure for the future enough water for rice, maize and watermelon crops as well as be a source of fish.

His pond is now full of fish and one villager offered him \$500 for them. Ruen held off accepting that price to see if he could get a better price in the future.

“I will ask villagers again who wants to bid for my fish and I will sell to the highest bidder. I will use the income from the sale to renovate my house and I will ask for a small loan to help complete the renovation”.

Financial Highlights

As at 31 December 2012, there are 29 active CBMIFOs with 42,249 individual active saver members (66% female). This is an increase of 14% from the previous

year. There are 8,859 active borrowers, of which 73% are female. This is a 3% increase on 2011.

CBMIFO Portfolio

Key Indicators	Dec 12	Dec 11	Dec 10	Dec 09	Dec 08
Number of saver members	42,249	37,019	24,860	37,710	31,481
Amount member's savings	7,969,177	5,506,237	3,699,653	2,883,771	2,436,353
Amount member's share	1,039,287	774,009	561,040	425,988	379,921
Value of loan outstanding balance	23,165,984	17,049,024	13,837,536	11,622,035	9,424,222
Value of loan outstanding in arrears	692,798	516,841	823,006	835,011	505,736
Number of borrowers	8,859	8,563	8,631	8,074	8,951
Portfolio at risk ration	3%	3.03%	5.95%	7.18%	5.37%
Average saving per member	189	149	106	91	77
Average loan amount per borrower	2,615	1,991	1,603	1,439	1,053

Table 1 - CBMIFO Key Performance Indicators (figures in KHR'000).

In addition to encouraging the CBMIFOs to promote the benefits of saving as a means for improving living standards and for responsiveness in times of emergency, CCSF also supports the offering of various loan products. Loan purposes include income generation, consumption, and emergency activities. The following outcomes demonstrate the strong commitment and effort of the Board of Directors and CBMIFO management staff.

As illustrated in Table 1 above, the CBMIFO movement has grown substantially, in terms of the number of members, savings, and loans. Specifically, member savings grew by 44.7% in 2012

and loans by 35.9%. The borrower to saver ratio is at 21%, while member shares have grown by 34%.

Average savings per member is 189,000 KHR, which is growth of 26.8%. The average loan per borrower is 2.6 million KHR, which is growth of 31.3% compared with last year.

The portfolio at risk ratio is 3% which is consistent with the previous year. Significant effort has been invested in maintaining loan quality, carefully screening potential borrower members and carefully negotiating repayment schedules within the borrower's capacity.

Key Indicators	Dec 12	Dec 11	Dec 10	Dec 09	Dec 08
Operational highlights					
Number of CBMIFOs	29	29	32	34	36
Number of groups	2,989	2,637	2,513	2,395	2,324
Number of LPLS members	44,261	38,541	35,740	31,710	31,106
Number of death/claims		298	274	268	278
Total amount of claims	135,240	90,586	95,368	59,745	69,020
amount of loan claims	37,347	21,406	20,550	14,077	24,874
amount of savings claims	68,703	50,047	59,578	31,828	31,414
amount of funeral contributions	16,190	14,130	13,080	13,378	12,438
amount of bonus claims	3,266	1,539	1,201	462	294
amount of share claims	9,734	3,464	957		
Amount of members savings	4,069,003	3,423,030	2,387,583	1,333,423	928,340
Amount of members share	178,377	131,464	109,907	90,418	72,302
Value of gross loan outstanding balance	17,703,196	13,911,042	11,269,906	9,754,784	7,673,919
Value of loan outstanding in arrears	50,648	64,582	143,333	336,332	49,162
Financial highlights					
Return on assets	7.0%	3.5%	6.9%	5.9%	6.6%
Return on equity (ROE)	19.1%	9.0%	16.8%	13.6%	12.9%
Leverage (Liability to equity)	1.76	1.04	0.83	1.45	1.14
Total revenue ratio	25.9%	24.7%	28.6%	25.7%	28.4%
Portfolio yield ration	23.8%	23.4%	24.2%	25.4%	25.5%
Operating expense ratio	12.3%	15.7%	15.9%	17.0%	18.3%
Cost of savings ratio	7.2%	6.4%	6.0%	6.2%	5.4%
Cost of borrowing ratio	6.9%	6.9%	6.7%	6.3%	5.9%
Loan loss provision ratio	0.0%	0.1%	0.1%	0.4%	0.6%
PAR 31-365 days	0.2%	0.2%	0.9%	0.8%	0.5%
PAR > 365 days	0.2%	0.3%	0.2%	0.1%	0.1%
Written off ratio	0.1%	0.3%	0.1%	0.1%	0.1%

Table 2 – Federation Key Performance Indicators (figures in KHR'000).

Portfolio of the Federation - CCSF

Besides providing technical assistance to the member organizations, CCSF is also a wholesale organization providing financial services to the CBMIFOs through promoting savings and thrift habits and providing loans for retail sale. Table 2 outlines the key operational and financial performance indicators of CCSF.

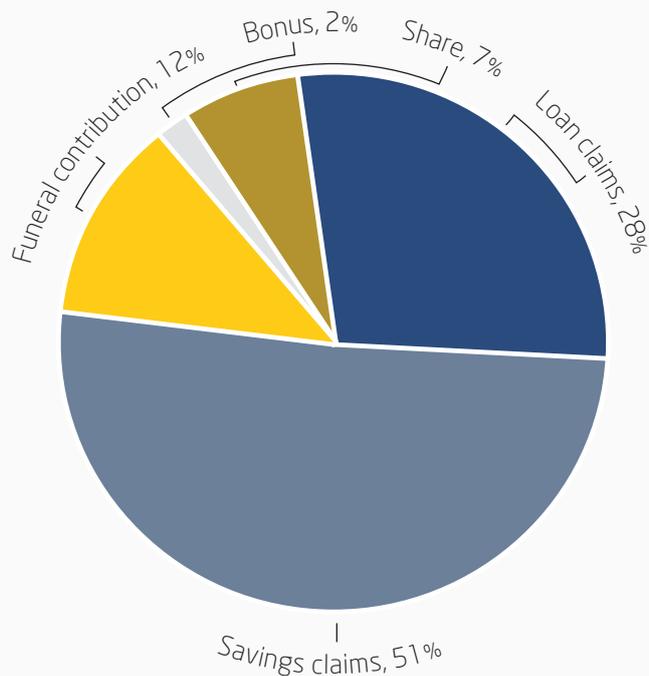
'Group Loan' represents CCSF's main target group. A large proportion of loan outstanding, 93%, is lent to the CBMIFOs, of which 97.6% is for productive loans, 2.3% for institutional loans, and 0.1% for liquidity loans. Of the remaining loans, 7% is lent to individual borrowers for productive, consumption, and emergency purposes. The overall portfolio at risk is 0.29% which is lower than the year 2011, when it was 0.46%. Compared to 2011, members' saving has grown by 44.7%, and loans have grown by 35.9%.

Product Profile - Loan Protection and Life Saving Service (LPLS)

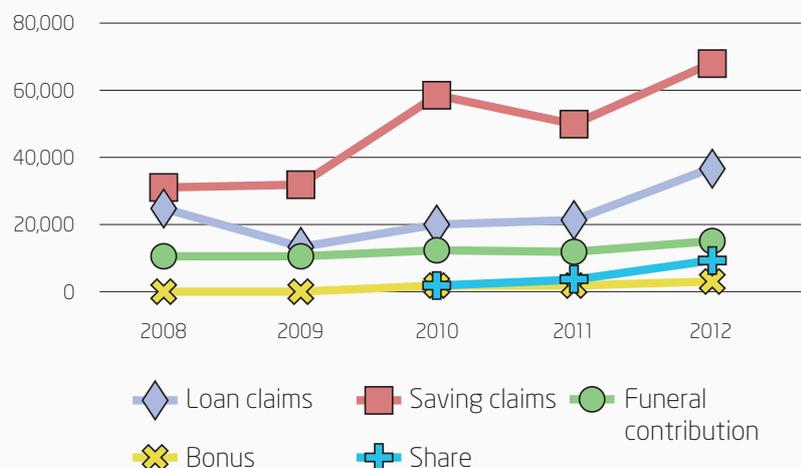
In addition to the technical assistance and financial services provided to CBMIFOs, CCSF also provides the Loan Protection & Life Saving (LPLS) service. Exclusive to CBMIFO members, LPLS supports the deceased's family to maintain their livelihood by providing a benefits package. This includes CCSF repaying any outstanding loans to the CBMIFO on behalf of the member under the slogan "debt die upon member die". No debt is inherited.

Also through LPLS, CCSF makes a funeral contribution and doubles the value of any savings or shares held by the deceased CBMIFO member. Finally, if the deceased has been a member for more than five years their family will receive a further bonus calculated as a percentage of the savings and share claims received by the member.

2012 Percentage LPLS Claims by Products



LPLS Claims by Products in KHR '000s



Not only does LPLS support the family of CBMIFO members when they need it most, it is also a risk management strategy protecting the CBMIFOs and CCSF itself from potential financial risk when death occurs.

As of 31 December 2012, there are 44,261 members with the LPLS available to them.

In 2012, the major area of claims was Savings (51%) followed by Loans (28%). Funeral Contributions were the third largest claim area (12%) with claims on Shares next (7%) and finally Share/Saving Bonus (2%).

Compared to 2011, total claims increased by 49%. The highest ratio of growth in claims was Shares (181%) followed by growth in Share/Saving Bonus (112%).

Given this ratio, it is evident that most CBMIFO members have been members for a long time, which demonstrates their satisfaction. This is encouraging as preventing debt inheritance and helping families survive when they are most financially vulnerable is a key step in the economic development of the poor.



Some of our dedicated staff.



Member Stories

For Saloun, business and life is good

Kham Saloun is married with five children. Her three younger children study at the local government school while her two older children have their own jobs. Saloun has been running a general store from her home for the past three years. She sells items such as soft drinks, cooking oil, soy sauce, diesel and gasoline. After receiving a loan from the Chrey CBMIFO she was able to renew her inventory of stock. The loan enabled Saloun and her husband to improve their working capital and expand the shop.

“With my business and my husband’s rice farming we have enough money to support our family’s everyday needs. We even hope to send our daughter to university in Battambang town”.

Operational Highlights

Annual General Meetings

Federation - The 10th CCSF Annual General Meeting (AGM) was conducted in June 2012 with 36 delegates participating, 29 of whom were regular members. One new BOD member was elected at the AGM.

CBMIFO - Each CBMIFO also held an AGM. This saw 375 volunteers, 182 of which are female, elected or appointed into official roles; 128 were elected as BoD members (56 of which are female), 62 were elected as Supervisory Committee members (34 are female). The remaining 185 were appointed as Credit Committee (CC) members by the BoD (92 of which are female). Please note the appointment of CC members depends on the scope of the operation of each CBMIFO.

Monitoring and Internal Control

Regular on- and off-site monitoring of the CBMIFOs is conducted by CCSF Member Service Officers (MSOs) and supplemented by monthly off-site monitoring performed by the Chief Operating Officer. This ensures the operation complies with internal policy and procedures, and that transparency within the system is in place. Furthermore, twice a year the internal audit of all CBMIFOs is conducted by the CCSF Internal Audit Team. Review of the internal control system of the head office, branches and business centres is also conducted twice per year.

Credit Union Advocacy

We will make the same invitation for the 2013 ACCU Forum to be held in Nepal and will proactively seek other advocacy opportunities.

Since the credit union model is relatively new to Cambodia, CCSF continues to play a strong role in advocating at the national level for legislation that recognises the credit union model as unique. As early as 2004 a National Workshop on Credit Union Law Initiative was organized by CCSF. In 2012 we shared this important message by having the late Director of the Supervision Department of the National Bank of Cambodia, His Excellency Mr Pal Buy Bonnang, as our guest at the 2012 ACCU Forum and regulatory workshop held in the Philippines.



10th CCSF Annual General Meeting



Delegates representing CCSF at the ACCU Forum in the Philippines. Pictured with the late Director of the Supervision Department of the National Bank of Cambodia, His Excellency Mr Pal Buy Bonnang (third from the right).

Employment Opportunities

The CBMIFOs create job opportunities for youth to translate their knowledge into practice in order to support the sustainable growth of the CBMIFO movement. In 2012 there were 292 employees (177 were female) employed by the CBMIFOs to manage day-to-day operations. Of these employees, 112 were under the age of 25.

Community Education

CCSF Member Service Officers (MSOs) not only train staff at the CBMIFO, they also work directly with them to help educate the

community on the importance of saving. Newly elected committee members along with local authority figures, including village, commune and district chiefs, attend the training aimed at introducing the importance of savings for the rural poor and the benefit of being a CBMIFO member. In 2012, a total of 65,203 attended the sessions, 41,408 of which are female.

Training and Development

CCSF places a high priority on training as good governance and management of the CBMIFOs, particularly in asset and liability management, is essential in safeguarding member savings and building a strong CCSF at the federation level.

In 2012, CCSF provided many customised training courses for staff, both at a Federation and also CBMIFO level, as well as supporting staff to attend externally facilitated courses both locally and abroad.

CBMIFO Training

Ongoing training to support and develop all CBMIFO staff, in particular directors and management, is critical. In line with the credit union operating principal of 'democratic control,'

	M	F	Total	Participants
Positioning CU in the market place	38	10	48	Field agent, cashier, GM, ICO, A/C
Credit Risk Management	37	13	50	Field/ Ass't agent, Committee, GM
Performance Management	45	10	55	GM, BoD
Leadership	38	6	44	
Effective Monitoring Tool	25	4	29	All GM
Total	183	43	226	

Table 3- CBMIFO Training 2012

democratic elections are held at the Annual General Meeting. The CBMIFO leadership changes that result further reinforce the need for frequent technical training to adequately equip new directors. For a full breakdown on CBMIFO training refer to the Table 3 below.



Rong Reung CBMIFO

Dang Chumno, General Manager

“Since completing Performance Management Training my team and I together set monthly and annual targets. This has enabled me to better monitor performance which has contributed to us achieving a better result for certain key performance indicators. For example, improved loan disbursements.”



Members of the Rong Reung
CBMIFO Staff Team.

As well as providing advanced training courses, CBMIFO staff members also receive daily coaching and mentoring from CCSF staff. During 2012, several meetings were facilitated by Member Service Officers (MSOs) and attended by directors and managers. The focus was reviewing and improving operating policies of the CBMIFOs to ensure responsiveness to market demands. For mature CBMIFOs this has led to stronger competitive advantages in meeting the needs of members balanced well with financial viability.

Federation Training

CCSF places a high priority on CCSF staff being up to date with best practices in credit union operation and management. For example, senior staff members have attended seven in-country training courses organized by the Cambodian Microfinance Association (CMA). In addition the CEO attended the ‘CEO Workshop on Financial Decision Making’ facilitated by the Asian Confederation of Credit Unions (ACCU). Two out of six CCSF attendees at the ACCU Forum held in the Philippines were financially supported by Rabobank Foundation. For a full breakdown of Federation training please refer to Table 4.



CCSF CEO Phal Pisey attending the Strategic Management of Financial Decision Making, Bangkok Thailand

Training Courses	Participants		
	M	F	Total
Organizational Development and Change Management	1	1	2
AOP & Financial Literacy workshop	28	21	49
Law on Application of civil code hypothec	1	0	1
Financial Decision Making	0	1	1
Strengthening the Resilience of Smallholders farmers through Rural Financing Innovation	1	0	1
Credit Risk Management, Rabobank	22	8	30
Operational Risk, Rabobank	3	1	4
ACCU Forum and Training held in Manila, Philippines	5	1	6
MICRO Finance	1	0	1
Microfinance and Social Business	1	1	2
Security Right	1	0	1
Total	64	34	98

Table 4 - Federation Training 2012

Planning for the Future

Planning workshops are held annually at both a Federation and also CBMIFO level to determine the following year's operating plan. The workshops help reinforce a culture of planning, accountability and goal setting.



2012 Federation Annual Operations Planning Workshop.

Federation - During a two-day workshop a careful review of outputs against the annual operational plan was conducted and used to help develop the 2013 operating plan. In addition, CCSF staff participated in a one-day Protecting Stakeholder Interests training session. Participants include Branch Managers, deputies, all field staff and support staff. Of the total 47 participants, 21 were female.

CBMIFO - The CBMIFO planning workshop is facilitated by CCSF MSOs and is attended by the Board of Directors, Supervisory and Credit Committee members and CBMIFO employees. CBMIFO strengths and weaknesses are discussed and past performance reviewed. The annual operating plan and monitoring tools, for example, PEARLS, are used in analysing CBMIFO financial position. Strategies for better serving members in coming years are identified in addition to opportunities for gaining competitive advantage. Throughout the year, the BOD, Committee members, and CBMIFO employees meet monthly to review operating plan progress.

Member Stories



A boat to safety and a brighter future for Khon's family

Soeum Khon is married with two children, both in full-time education. In late 2011 Kohn received a loan from the Ek Phnom CBMIFO to buy a small boat to help transport rice. When Cambodia was hit by severe floods in 2012 Khon's home was completely underwater and her rice paddies destroyed. Using the boat, Kohn's family was able to get to safety along with two pigs and four cows. With their rice paddies no longer generating income, Kohn and her husband created a new income stream by using the boat to catch fish, sometimes earning up to \$20 a day.

“My family's economic situation is better than it was before receiving a loan. I'm so happy I was able to use this boat to get my family to safety and then to earn an income”.

Our Strategy 2012-2015

CCSF and CBMIFO management and staff undertook an intensive planning process in late 2011. This led to the development of the 2012-2015 CCSF Network Business Plan.

The plan outlines the strategy for achieving our vision of greater coverage of the credit union movement through strengthening and increasing the number of CBMIFOs and attracting more people to become members of CBMIFOs.

Below are our priorities going into 2013 and the activities we will engage in.

1. Strengthening of CBMIFOs

a. Custom designed software package for more sophisticated CBMIFO operation: Software development will be completed in 2013 ready for rollout to 18 CBMIFOs in early 2014. Designed to enhance the banking information management of CBMIFOs, we anticipate many benefits including efficiency gains and improved data management.

b. More product development: New product development opportunities will be explored in late 2013 with pilots scheduled to take place during the first half of 2014 before a possible broader rollout.

c. Continued training and development of CBMIFO Management Teams: Helping CBMIFO General Managers lead in a safe and sound manner is critical to sustainability and growth. In 2013 training opportunities will cover topics such as customer relationship management, financial decision making and credit management.

d. Operations and marketing: In 2013 we will review interest rates as well as new ideas for intensified savings mobilisation and servicing of members. This will in turn build stronger internal funds.

2. Building a cooperative stabilization fund:

A core competency of the CBMIFO is its capability to manage risks. Defence lines have to be developed that build external trust in the CCSF network and avoid one failing CBMIFO damaging the whole system. One defence line we will be advancing in 2013 is the building of a stabilization fund.

3. Expanding operational coverage: Some provinces and specific districts have been identified for possible expansion. In 2013 a due diligence process will commence to help select which growth opportunities will be pursued further.

4. Continuing advocacy efforts to recognise credit unions in Cambodia: Building on the success of the 2012 ACCU Forum, in 2013 we will again invite a National Bank of Cambodia representative to join us in Nepal for the 2013 Forum.

5. Growing and learning with our partners: In 2013 we look forward to continuing to learn and develop together with our current partners. We will also seek out new opportunities to partner with other like-minded organizations and industry bodies.

Following our progress in 2012, we are excited to see what the future holds. We will continue to engage our valued staff, partners, supporters, volunteers and local authorities. Together we will make our vision of alleviating poverty through greater coverage of Credit Unions within Cambodia a reality.

Our Partners, Networks and Local Authorities

We are committed to building valuable, long-term collaborations founded on shared values, complementary skills, and open communication. The aim is to create relationships where mutual benefits are delivered and supporting the communities we serve is achieved to its highest potential.

Partners



Networks



Local Authorities

A close working relationship with local authorities throughout the Battambang and Banteay Meanchey provinces continues to be a critical component in realising our vision. We are very grateful and would like to acknowledge their support.

Audit Report



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REPORT OF THE INDEPENDENT AUDITORS

To the Board of Directors

Cambodian Community Savings Federation

We have audited the accompanying financial statements of Cambodian Community Savings Federation (“the Organisation” or “CCSF”), which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in fund balance and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 31. These financial statements have been prepared by the management of the Organisation based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements of Cambodian Community Savings Federation as at and for the year ended 31 December 2012 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Other matter

The financial statements of Cambodian Community Savings Federation as at and for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 3 August 2012.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by CCSF. The financial statements are prepared for the information and use of the management of CCSF. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of CCSF and should not be distributed to or used by any other parties.

For **KPMG Cambodia Ltd**



Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

4 September 2013

Balance sheet as at 31/12/2012

	2012		2011
	KHR '000	US\$	KHR '000
Assets			
Cash on hand	66,656	16,685	57,421
Deposits and placements with banks	1,458,491	365,079	1,489,041
Loans to customers	17,674,339	4,424,115	13,867,016
Other assets	112,711	28,213	114,684
Property and equipment	34,982	8,756	45,866
Deferred tax assets	-	-	23,124
Total Assets	19,347,179	4,842,848	15,597,152
Liabilities and Fund Balance Liabilities			
Deposits from customers	4,069,003	1,018,524	3,423,031
Loan protection and life savings	2,109,867	528,127	1,570,016
Borrowings	4,870,879	1,219,244	3,745,979
Amounts due to saving bank members	178,377	44,650	131,464
Other liabilities	814,881	203,975	762,172
Current income tax liability	282,120	70,618	165,648
Total Liabilities	12,325,127	3,085,138	9,798,310
Fund Balance			
Opening funds	86,720	21,707	86,720
Project SEED capital	949,821	237,752	949,821
Retained earnings	5,985,511	1,498,251	4,762,301
Total Fund Balance	7,022,052	1,757,710	5,798,842
Total Liabilities and Fund Balance	19,347,179	4,842,848	15,597,152

Income statement for the year ended 31/12/2012

	2012		2011
	KHR '000	US\$	KHR '000
Interest income	3,767,439	943,039	2,943,906
Interest expense	(566,437)	(141,787)	(430,570)
Net interest income	3,201,002	801,252	2,513,336
Other income	331,226	82,910	118,018
Administrative and other expenses	(1,946,445)	(487,220)	(1,928,438)
Operating income	1,585,783	396,942	702,916
Allowance for bad and doubtful loans	(13,891)	(3,477)	(16,052)
Profit before income tax	1,571,892	393,465	686,864
Income tax expense	(348,682)	(87,279)	(189,884)
Net profit for the year	1,223,210	306,186	496,980

Statement of changes in fund balance for the year ended 31/12/2012

	Opening funds	Project SEED capital	Retained earnings	Total
	KHR '000	KHR '000	KHR '000	KHR '000
Balance as at 1 January 2011	86,720	949,821	4,265,321	5,301,862
Net profit for the year	-	-	496,980	496,980
Balance as at 31 December 2011	86,720	949,821	4,762,301	5,798,842
Net profit for the year	-	-	1,223,210	1,223,210
Balance as at 31 December 2012	86,720	949,821	5,985,511	7,022,052
Balance as at 31 December 2012 (US\$ equivalents)	21,707	237,752	1,498,251	1,757,710

Statement of cash flows for the year ended 32/12/2012

	2012		2011
	KHR '000	US\$	KHR '000
Cash flows from operating activities			
Profit before income tax	1,571,892	393,465	686,864
Adjustments for:			
Depreciation	36,271	9,079	33,641
Allowance for bad and doubtful loans	13,891	3,477	16,052
Cash flows from operating activities	1,622,054	406,021	736,557
Changes in:			
Loans to customers	(3,800,278)	(951,259)	(2,682,862)
Other assets	1,973	494	21,017
Deposits from customers	645,972	161,695	1,035,446
Loan protection and life savings	539,851	135,132	389,925
Amounts due to saving bank members	46,913	11,743	21,547
Other liabilities	52,709	13,194	189,353
Cash used in operations	(890,806)	(222,980)	(289,017)
Income tax paid	(209,086)	(52,337)	(174,741)
Net cash used in operating activities	(1,099,892)	(275,317)	(463,758)
Cash flows from investing activities			
Acquisition of property and equipment	(25,771)	(6,451)	(44,680)
Net cash used in investing activities	(25,771)	(6,451)	(44,680)
Cash flows from financing activities			
Proceeds from borrowings	4,043,935	1,012,249	2,227,172
Repayments of borrowings	(2,881,728)	(721,334)	(1,767,913)
Translation difference	(57,859)	(14,482)	(15,234)
Net cash generated from financing activities	1,104,348	276,433	444,025
Net decrease in cash and cash equivalents	(21,315)	(5,335)	(64,413)
Cash and cash equivalents at beginning of the year	1,546,462	387,099	1,610,875
Cash and cash equivalents at end of the year	1,525,147	381,764	1,546,462
Cash and cash equivalents comprise			
Cash on hand	66,656	16,685	57,421
Deposit and placements with banks	1,458,491	365,079	1,489,041
Cash and cash equivalents comprise	1,525,147	381,764	1,546,462

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