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ANNUAL REPORT

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Cambodian Community Savings Federation

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"Save today, money can help you tomorrow!"

MESSAGE FROM THE CEO

Trust is the most important element of our organisation.

Our community trust shall our staff, our governance, and our intentions.
Our staff must trust in our philosophy and our values.

Since 1998, we have worked together to build a truly community-based organisation that will improve livelihoods.

CCSF works with some of the poorest villages in Cambodia. The western provinces of Battambang and Banteay Meanchey rely on agricultural industry so income is seasonal, employment opportunities are scarce, and families are increasingly separated as they seek income in bordering countries.

Today, we support over 50,000 members and their families to access formal financial services and build a better future. We use three mechanisms:

- Build regular savings behaviour
- Provide access to credit through responsible lending practices
- Create employment opportunities and build financial knowledge

CCSF receives invaluable support from our international partners. We are grateful for their advice and their unwavering commitment to our members. As you will see throughout the pages of this report, our members are working hard to build better futures, and we celebrate their achievements.

Pisey Phal - CEO



ABOUT CCSF



ABOUT CCSF OUR VISION



A sustainable community-based microfinance organization involved in poverty alleviation.

Since 1998, CCSF has been striving to empower low-income families in Cambodia by building a network of Community Based Microfinance Organisations (CBMIFOs).



CBMIFOs are owned, managed and governed by their communities. This network has three core activities that we use to help alleviate poverty :



Savings education



Access to credit



Employment and skills

ABOUT CCSF 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.

Today, CCSF works in partnership with 25 CMBIFOs to support more than 50,000 members and their families across Battambang and Banteay Meanchey provinces. CCSF also provides microfinance services directly through its Small and Medium Enterprise (SME) Program.

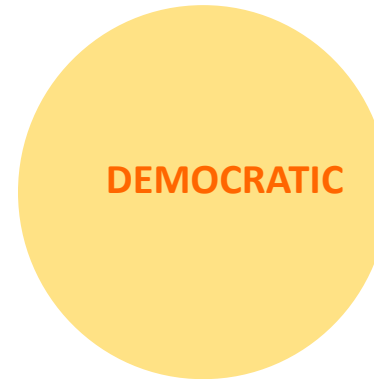
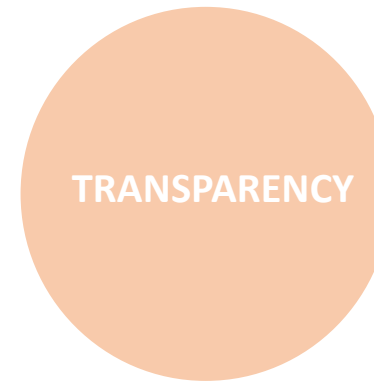
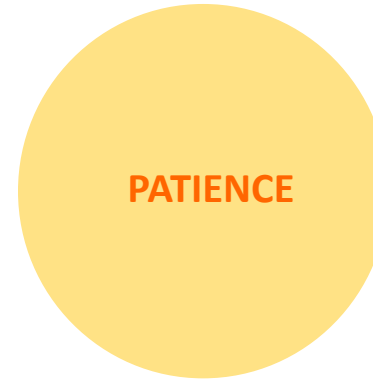
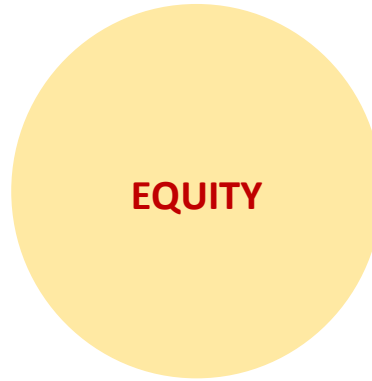
By providing affordable financial services through a sustainable business model, we have a clear vision for helping Cambodians to achieve financial independence and alleviate poverty.





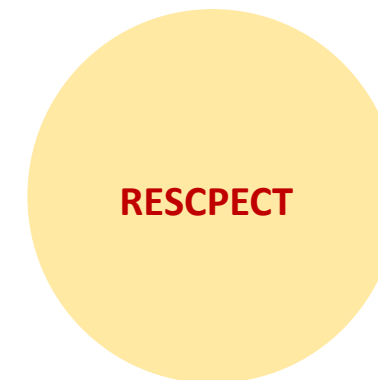
ABOUT CCSF OUR MISSION

We are guided by the international operating principles of credit unions. These principles are founded on the philosophy of cooperation and the central values of equality, equity, self-help and mutual help.



- Democratic structure
- Service to members
- Social goals

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.





ABOUT CCSF OUR PARTNERS

We are committed to building valuable, long-term collaborations founded on shared values, complementary skills and open communication.

This year, the CEO and COO attended the ACCU Forum 2014 in Bali, Indonesia to share ideas with other credit union leaders across the Asian region. Also, CCSF had the pleasure of hosting Rabobank Foundation, Lend With Care and Australian Youth Ambassadors for International Development in Battambang. These advisors kindly shared their knowledge and experience with us to strengthen and grow the business.



Local Authorities

A close working relationship with local authorities throughout the Battambang and Bateay Meanchey provinces provides critical support to us in realizing our vision. We are grateful and acknowledge their ongoing support.

Registration with National Bank of Cambodia

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.



OPERATIONS



The logo of the Cambodian Community Savings Federation (CCSF) is circular. It features a map of Cambodia in the center, with silhouettes of a family (two adults and two children) standing on it. Below the map are two hands, one on each side, as if holding the map. The text 'CAMBODIAN COMMUNITY SAVINGS FEDERATION' is written around the bottom inner edge of the circle, and 'CCSF' is written at the bottom center. The top inner edge contains Khmer text.

OPERATIONS GOVERNANCE

CCSF is governed by a Board of Directors through elections at the CCSF Annual General Meeting, which has representation from all CBMIFOs across the network. These Directors are also Directors of their local CBMIFO Board. Directors serve a term of three years, and can serve up to three terms at a maximum. The CEO and the Head of Internal Audit are directly accountable to the Board.

Board of Directors

As elected on 27 June 2014:

- Mrs Keo Sambath (Chair)
- Mr Chao Ly (Deputy Chair)
- Mr Moeurn Moeurth
- Mrs Oeurb Koem Hieng
- Mrs Pen Vanna



OPERATIONS MEMBERSHIP

Our members have transformed CCSF from a financial inclusion project into a strong and enduring community. Participation is critical to the CBMIFOs' success. Members have learned to save and protect their families. They have had confidence to borrow and grow their businesses. They have attended AGMs, become Board Members, and some have gained new employment skills and opportunities.



CCSF - CBMIFO membership

CCSF delivers financial products and services to Cambodians in rural communities through its network of community-based microfinance organisations (CBMIFOs). There are currently 25 CBMIFOs in the network.

- **Regular members**

A CBMIFO that is mature and financially stable and therefore has voting rights within the Cambodian Community Savings Federation (CCSF).

- **Affiliate members**

A CBMIFO that is young or continues to require significant and intensive financial and technical support from CCSF.

CBMIFO - Individual membership

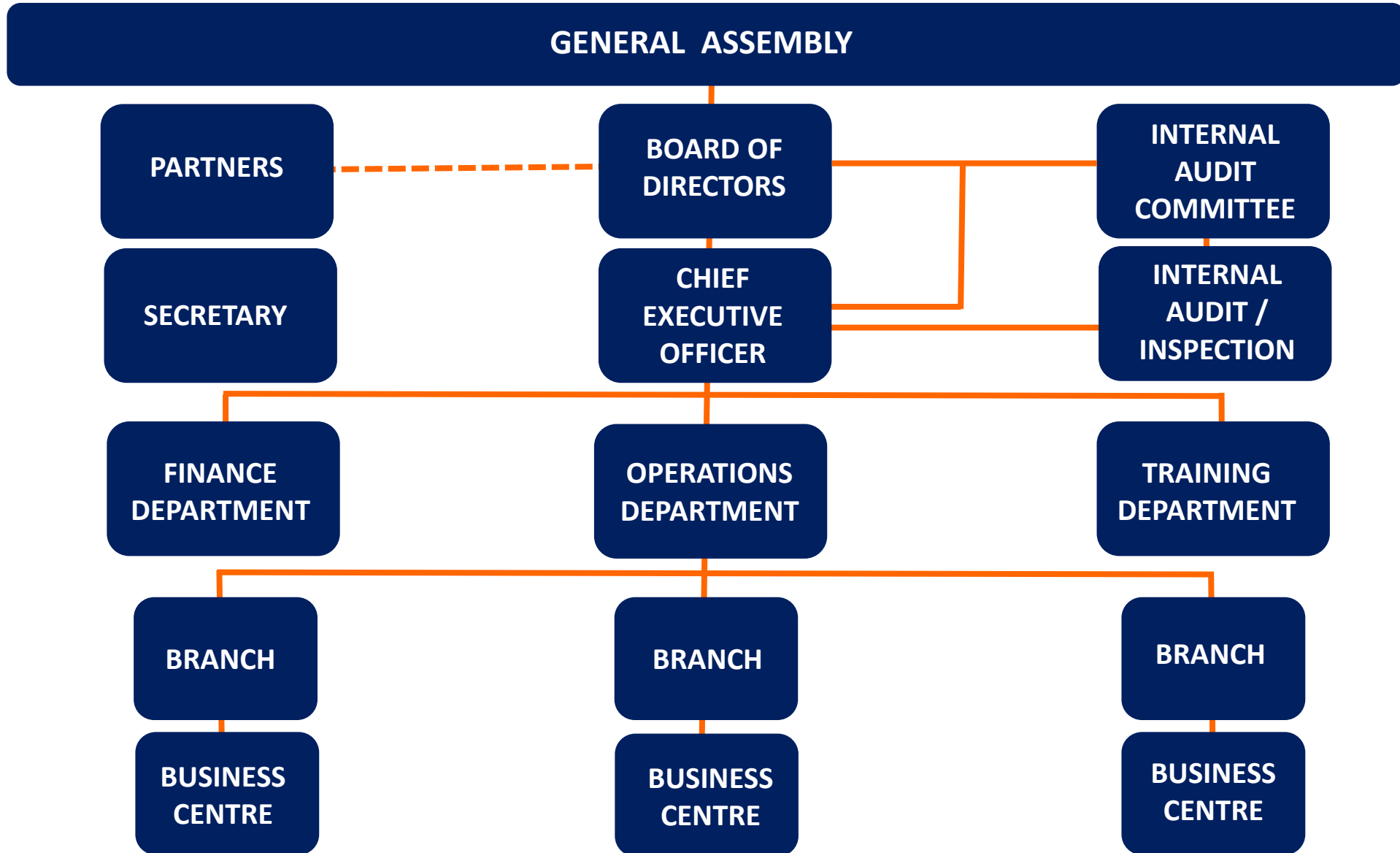
CBMIFOs are owned, managed and controlled by the community. Individuals join the CBMIFO as a shareholder and receive voting rights.

An individual member must purchase a minimum share in their CBMIFO of 5,000 riel (approx \$USD 1.25). The regular member can attend AGMs and have their say in how the CBMIFO is managed.

Members can be elected to positions of responsibility and governance, including the Board of Directors. The share capital is also an investment and provides long term returns to the member.

There are currently more than 50,000 individual members across the CBMIFO network.

OPERATIONS ORGANISATIONAL STRUCTURE



OPERATIONS OUR STAFF

CCSF SENIOR MANAGEMENT



Meas Thon
BBA, Human Resource Management
Chief Operating Officer



Nget Ny
BBA, Accounting
**Manager of Accounting &
Administration Department**



Diep Kitya
BBA, Management
Manager of Internal Audit Department

CCSF BRANCHES



Chea Chanda
BBA, Management
Manager, Battambang Branch



Voeun Phally
BBA, Management
Manager, Banteay Meanchey Branch



Eng Kunthy
Manager, Bavel Branch

FINANCIAL PERFORMANCE



FINANCIAL PERFORMANCE CBMIFOs



CBMIFO financial activity is based on three products for individual members:

- Savings products
- Lending products
- Loan Protection & Life Savings program

Below is a summary of this year's financial performance of the 25 CBMIFOs that comprise the local network :

CBMIFO HIGHLIGHTS	Change since 2013	2014	2013	2012
Number of people as savers ('000)	10.0%	50,336	45,776	42,249
Amount member's savings	37.8%	14,138,955	10,257,694	7,969,177
Amount member's share	17.0%	1,557,273	1,330,724	1,039,287
Number of people as borrowers ('000)	5.0%	9,372	8,927	8,859
Value of loan outstanding balance	24.7%	37,190,851	29,835,269	23,165,984
Value of loan outstanding in arrears	-9.3%	751,003	828,197	692,798
Portfolio at risk ration	-27.1%	2.02%	2.77%	3.0%

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



Analysis

In 2014, CBMIFOs drove significant growth in individual savings (37.8%) which is well above the national average for commercial banks (28% in 2013). Savings remain our focus to drive good money management behaviours and to create a stable and sustainable source of funding.

We are pleased with the rate of growth in lending which continues to be strong (24.7%) but we will continue to monitor and work towards a better balance between lending and deposits.



FINANCIAL PERFORMANCE CCSF PORTFOLIO



In addition to providing CBMIFOs with technical and operational support, CCSF acts as a wholesale lender to CBMIFOs. CCSF secures funds through loans from our international partners and through its own customers (SMEs) through its three branches. Table 2 details the performance of CCSF in 2014 :

CCSF HIGHLIGHTS	Change since 2013	2014	2013	2012
Number of CBMIFOs	-7.4%	25	27	29
Number of groups	3.2%	3,253	3,153	2,989
Number of LPLS members	6.3%	51,927	48,852	44,261
Total amount of LPLS claims	20.7%	265,657	220,172	135,240
Amount of savings	18.5%	6,122,584	5,167,363	4,069,003
Amount of members share	21.4%	276,119	227,435	178,377
Value of gross loan outstanding balance	23.9%	28,264,191	22,812,338	17,703,196
Return on assets	-0.5%	5.2%	5.7%	7.0%
Return on equity (ROE)	-0.8%	15.3%	16.1%	19.1%
Operating expense ratio	-2.6%	9.2%	11.8%	12.3%
Cost of savings ratio	+0.2%	8.0%	7.8%	7.2%
Cost of borrowing ratio	-0.7%	6.4%	7.1%	6.9%
Loan loss provision ratio	+1.2%	1.2%	0.0%	0.0%
PAR 31-365 days	N/A	0.1%	0.1%	0.2%
PAR > 365 days	+1.1%	1.3%	0.2%	0.2%
Written off ratio	N/A	0.0%	0.0%	0.1%

Table 2: CCSF Key Performance Indicators (figures in KHR'000)



Analysis

In 2014, we consolidated our CBMIFOs to 25 in order to strengthen their financial position and proximity to a growing market. CCSF remains in good financial health and is now better placed to make gains in 2015 and beyond. The reduction in ROE ratio is the result of lowering our loan interest rates, to ensure we remain competitive in the local market.

The Loan Protection Life Savings program is a critical differentiator for CCSF in a crowded market, and also protects our most vulnerable members. Members who meet certain hardship criteria are supported when the main income earner dies. In 2014, we are pleased to have supported more vulnerable members (20.7% growth in eligible claims) and we will continue to protect members from falling into hard times.



HIGHLIGHTS OF 2014



HIGHLIGHTS OF 2014 OPERATIONAL ACHIEVEMENTS



MIS TECHNOLOGY IMPLEMENTED ACROSS THE NETWORK

As our membership grows, we continue to invest in our systems and technology to support effective operations. In 2014, we installed our new Management Information System (MIS) to 19 CBMIFOs. All affected CBMIFO Accountants and Cashiers received practical training and have taken responsibility for implementation.

The new MIS has changed the member experience as they now have a digital, printed passbook. This has built member confidence in the accuracy and transparency of CCSF's account management. This is a critical issue for CCSF's reputation as there are many rogue lenders in the local market. Staff are also pleased with the new technology as it is faster and simpler to prepare loan documents and review member information. The efficiency gains for the CBMIFO are significant.

As a network, the new MIS allows CCSF to capture consistent and reliable information. It will be easier for CCSF to monitor and compare performance and to analyse and draw insights savings and lending. The information will allow us to plan new initiatives and product changes for future growth.



HIGHLIGHTS OF 2014 OPERATIONAL ACHIEVEMENTS

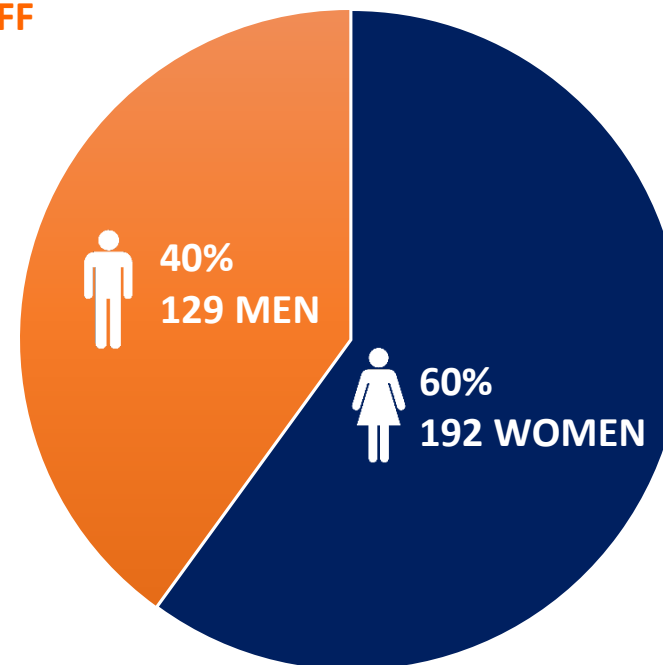
STAFF TRAINING AND DEVELOPMENT

One of CCSF's priorities is to strengthen the CBMIFOs through structured training and development activities. This helps our staff to pursue excellence in their work, which assists us to better achieve our mission of a community-based organisation helping to alleviate poverty.

Training and development opportunities also makes CCSF an attractive employer. In rural villages, CBMIFOs make an important contribution to local employment and progression. Many of our staff begin as entry-level officers and, after experience and training, are promoted to leadership roles.

Staff feedback on training themes and content is consistently enthusiastic. This is reflected by strong growth in savings and good governance of our CBMIFOs. Our portfolio risk has reduced, indicative that our field officers are getting better at acquiring the right sort of members. Through membership growth, our CBMIFO leaders are hiring more staff, creating new opportunities.

CBMIFO STAFF



In 2014, we held internal training on the following themes:

- Management Information Systems – 57 participants
- Enabling Members to Sustainably Grow – 97 participants
- Internal Control Officer training – 36 participants
- Leadership Development for Board Members – 34 participants
- Effective Selling Technique – 105 participants
- Strategic Management – 18 participants
- Stabilisation system – 14 participants

HIGHLIGHTS OF 2014 OPERATIONAL ACHIEVEMENTS



SAVING MOBILISATION

Following much research and investigation, CCSF launched a long-term savings product called Promissory Note in October. The product is a competitive, high-interest earning account for our members with capacity to save more. In just three months, with minimal promotions, we have seen significant take up. We are delighted that this product suits our members' needs and is effectively encouraging savings behaviour. With deposit growth, CBMIFOs will also be in a position to distribute more life-changing loans.

To continue driving growth, CCSF has started to develop marketing plans and materials for the local market. With the assistance of Australian Volunteers for International Development, we have updated marketing collateral in local language to better explain the benefits of membership, the products they can access, and how we can help them save for a better future.



50,336
Active members

66% of
members
are female

Nearly 20%
are under 18
or over 60
years old



HIGHLIGHTS OF 2014 OPERATIONAL ACHIEVEMENTS

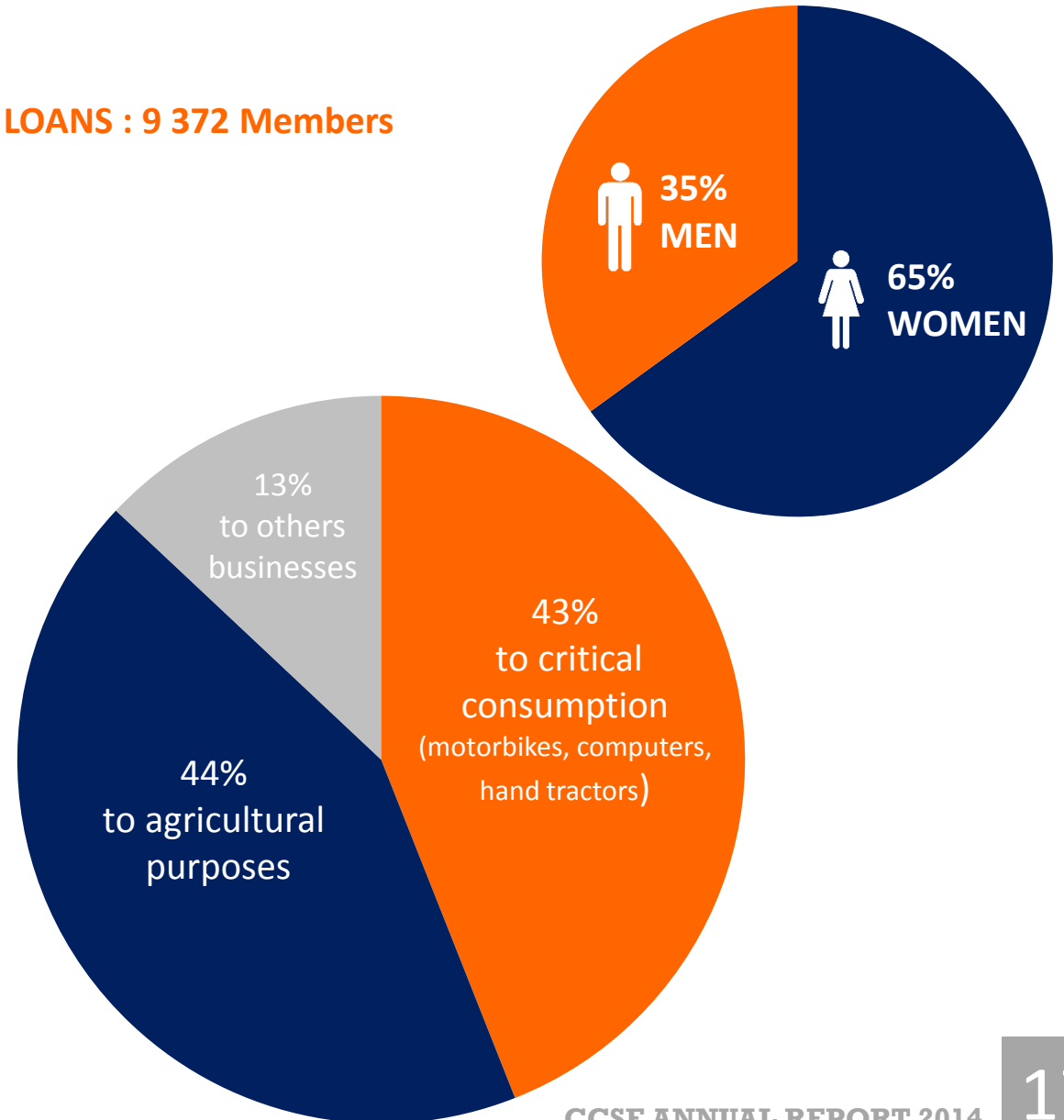


BUILDING FINANCIAL STABILITY

In order to build financial safeguards for the CBMIFO network in the case of financial shock, CCSF is preparing to create a Stabilisation Fund. With technical assistance from Rabobank Foundation, we began the planning stage. We have developed a manual in Khmer language and revised the MoU on cooperation of CBMIFOs and CCSF in preparation for implementation. In 2015 we will begin implementation and ensure the network remains in good financial health.

In 2014 we consolidated two CBMIFOs, so the network is now 25. This was an important step to ensure we could serve our members better through strong operations, in markets where we can succeed. Our competitive advantage is that we are the best local service for low-income people and their financial needs. By merging two CBMIFOs, the single branch now serves a larger operational area, which has put it in a better financial position to provide loans to members.

LOANS : 9 372 Members





HIGHLIGHTS OF 2014 STRATEGIC PLANNING

The strategic planning process for 2015 – 2020 will commence mid-year with technical support from Rabobank Foundation. We welcome our partners' input and support to pursue our vision for economic empowerment in Cambodia.

We remain focused on three mechanisms for alleviating poverty:



Savings education



Access to credit



Employment and skills



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Cambodian Community Savings Federation

Head Office

#99 Gr.#04, Romchek 5, Ratanak Commune, Battambang City
Battambang Province, Cambodia.

Tel: +855 53 952 958 / **Fax:** +855 53 730 214

E-mail: ccsf@online.com.kh or ceo@ccsf-cambodia.com

Website: www.ccsf-cambodia.com