

PRAKAS
ON
THE CALCULATION OF MICROFINANCE INSTITUTIONS' NET WORTH

Article 1

Microfinance Institutions' net worth shall be calculated as follows:

I- Sub-total A : Items to be added

- capital or endowment
- reserve, other than revaluation reserves
- premium related to capital (share premiums)
- provision for general banking risks, with the prior agreement of the NBC
- retained earnings
- audited net profit for the last financial year ⁽¹⁾
- other items approved by the National Bank of Cambodia ⁽²⁾

II- Sub-total B : Items to be deducted

- for shareholders, directors, managers and their next of kin
 - unpaid portion of capital
 - advances, loans, security and the agreement of the persons concerned as defined above
- holding of own shares at their book value
- accumulated losses
- formation expenses
- losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)

III- Total C : BASE NET WORTH = A - B

IV- Sub-total D : Items to be added

- revaluation reserves, with the prior agreement of the National Bank of Cambodia.

¹ After deduction of dividend to be distributed.

² For example, profit as recorded on dates other than the end of the annual accounting period. Provided that:

- They are determined after posting to the accounts all the charges relating to the period and allowances to the depreciation, provision and value adjustment account;
- They are calculated net of foreseeable taxes and dividend and have been verified by the auditors.

- subordinated debt, with the prior agreement of the National Bank of Cambodia, up to 100% of base net worth
- other items, with the prior agreement of the National Bank of Cambodia, could be included in the calculation of net worth and shall not be more than base net worth ⁽³⁾

V- Sub-total E : Items to be deducted

- equity participation in banking and financial institutions - other items ⁽⁴⁾

VI- Total F: TOTAL NET WORTH = C + D - E

Article 2

The net worth as calculated above shall be taken into account in calculating prudential ratios and other ratios.

Article 3

Banks and Financial Institutions that are not compliant with this Prakas will be penalized according to Article 52 of the Law on Banking and Financial Institutions.

Article 4

All provisions contrary to those of this Prakas are hereby repealed.

Article 5

The General Director, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas.

Article 6

This Prakas shall take effect from this signing date.

Phnom Penh, 27 August 2007

The Governor

Signed and Sealed: **Chea Chanto**

³ The following may in particular appear among these items:

- Fully mutualized guarantee funds;
- Public funds allocated for guaranteeing types of credit operations;
- Nonrepayable public or private subsidies;
- Donated capital

⁴ Deferred charge, for example