



ធនាគារជាកម្ពុជា ឈីហ្វ (ខេមបូឌា) ភីអិលស៊ី
CHIEF (CAMBODIA) SPECIALIZED BANK PLC.



CHIEF (CAMBODIA) SPECIALIZED BANK PLC.

ANNUAL REPORT

2014

Chief (Cambodia) Specialized Bank Plc. was established in 2013 in Phnom Penh, Cambodia, as Chief Cambodia Holdings Ltd, its mother company's investment arm in financial industry in Cambodia.

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CHAIRMAN'S MESSAGE



“ ‘The Chief Way’, our unique corporate philosophy, is a way to build the mutual trust and partnership with our customers, a way to the prosperity and a way that our business is conducted ethically and sincerely. ”

Chairman's Message

Mr. CHAU Chung Kai, Peter
Founder & Chairman

Since our business inception in 1979 Chief financial group positioned strongly in Hong Kong in terms of the branch network covering all the retail hotspots, and a comprehensive financial platform to facilitate every needs of investors from everywhere.

For many years we talk about business integrity ahead of business gain, long term relationship over short term incentive, a wide range of society to care about than a narrow group of interest, Chief is working for a better future for people, our customers, our employees and society at large. That has built up our unique corporate philosophy “The Chief Way” to guide our team to a series successful accomplishment. It is a way to build the mutual trust and partnership with our customers, a way to the prosperity and a way that our business is conducted ethically and sincerely.

When expanding our business globally we have been integrating and evolving our customer-centric business model with modern information technology in order to provide a wide range of financial solution as well as processing a transaction in a most efficient manner. In addition we provide sufficient professional and up-to-date training course for our staff to take the lead of the industry at anytime. Our strategy is witnessed by the success of a rapid and consistent growth for the last decade.

We treasure this opportunity to operate banking business in Cambodia by contributing to the local society. Our banking team comprises the local elite employee and assistance from the parent company in Hong Kong. The Chief Cambodia Bank is a part of a corporate culture based on the principles of integrity, prudence and transparency.

I suggest you to visit our website and our branch and you will find a tailor-made exclusive service for you.

Welcome to Chief Cambodia Bank!

Mr. CHAU Chung Kai, Peter
Founder & Chairman
Chief Group

MESSAGE FROM GENERAL MANAGER



“ Chief (Cambodia) Specialized Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to needs of clients in Cambodia. ”

Message from General Manager

Welcome to Chief (Cambodia) Specialized Bank Plc!

Chief (Cambodia) Specialized Bank Plc is locally incorporated in Cambodia, and has been committed to being the most innovative and efficient foreign bank which renders full support to Cambodia's four pillars of economic

growth drivers: garment exports, tourism, agriculture and real estates. Chief provides first class services to its clients in Cambodia—a small Southeast Asian country that has enjoyed high economic growth rates over the longest period in the recorded history without overheating, thanks largely to both political and macroeconomic stability. The Kingdom's banking sector has also expanded rapidly, which is reflected in the substantial increase in assets, credits, deposits, demand for other services. The country's banking system has continued to develop and improve steadily since the early stage of its wider liberalization after the 1993 first-ever general election under the auspices of the United Nations. This helps build higher public confidence in the banking and related sectors, leading to the higher demand for financial and other banking services.

Chief (Cambodia) Specialized Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to needs of clients in Cambodia and the region who seek investment opportunities in the Kingdom. Thanks to the success of Chief (Cambodia)'s operations in late 2013, we have been working on the refinement of our existing products to meet our clients' growing needs.

The rapid economic expansion and improved business environment offer more opportunity for growth in the industry although competition is undoubtedly intensified. Yet, Chief (Cambodia) Specialized Bank Plc is confident of having a solid ground and the right formula of working with clients for mutual benefits. As the demands for the banking industry grow, we are planning to expand our branch networks to potential locations, while being committed to delivering the best service quality and first class services to our clients.

On behalf of the top management of Chief (Cambodia) Specialized Bank Plc, I would like to express my sincere thanks to our clients for choosing Chief (Cambodia) Specialized Bank Plc to be their best business partner. I am very proud to have professional and dedicated team who have actively been forging the image and future of Chief (Cambodia) Specialized Bank Plc in Cambodia and have actively been working hard with high standard of professional ethics to take Chief (Cambodia) Specialized Bank Plc to new heights.

We look forward to welcoming you!

Dr. Morarith SOEUNG

General Manager

Chief (Cambodia) Specialized Bank Plc.

BOARD OF DIRECTORS



Mr. CHAU Chung Kai, Peter

Founder & Chairman, Chief Group

Mr. Chau Chung Kai Peter, the founder and chairman of Chief Group, is a successful entrepreneur in Hong Kong who built his enterprise from scratch. Born in Chaozhou, China, Mr. Chau entered the Hong Kong banking industry in 1958, Mr. Chau was a senior banking executive in Chong Hing Bank (1959-1962) and Bangkok Bank (1962-1970). He has strong commercial banking experience, leading innovative product development and sound banking operations during the development of Hong Kong's banking industry. Mr. Chau founded his own company Chief Investment Co. in 1979. He gained valuable experiences, being exposed to the global capital markets and financial industry, in the past half century. The faith of integrity and sincerity is the vital spirit that Mr. Chau has pursued for over 30 years when he operates the company. Till present Chief Group is one of the largest securities broker in Hong Kong in terms of the number of branches and one of the leading companies in the industry for the diversified financial products and service. Mr. Chau also engages actively in charitable activities where he believes that education is the foundation of nation-building. Commencing from 2006, Mr. Chau has continuously donated as individual and founder of the company, school buildings in various deprived areas of Mainland China, including over 50 primary schools and 2 secondary schools.

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Ms. NG Siu Mui, Fion

Director

Chairwoman, Risk Management Committee

Member, Internal Audit Committee

Member, Human Resources Committee

Education

- Master of Business Administration, The University of Hong Kong, Hong Kong
- Professional Diploma in Corporate Governance and Directorship, Hong Kong

Working Experience

- Deputy General Manager, Chief Holdings (H.K.) Ltd. Hong Kong (*current*)
 - Director and Responsible Officer, Chief Securities Ltd. Hong Kong (*current*)
 - Responsible Officer, Chief Commodities Ltd. Hong Kong (*current*)
 - Director, Chief Great China Assets Management Ltd. Hong Kong (*current*)
 - Director, Chief Financial Services Ltd. Hong Kong (*current*)
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Mr. LAM Wai Chuen, Patrick

Director

Member, Internal Audit Committee

Education

- Certified Public Accountant, HKICPA, Hong Kong
- Fellow Member, ACCA

Working Experience

- Financial Controller, Chief Holdings (H.K.) Limited (*current*)
- Audit Manager, Chan And Chan Certified Public Accountants

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Mr. YE Haiya, Michael

Director

Member, Risk Management Committee

Member, Internal Audit Committee

Member, Human Resources Committee

Education

- Bachelor of Science, The University of Hong Kong, Hong Kong

Working Experience

- Director, Investment Sales Division, Chief Holdings (H.K.) Limited (*current*)
- Responsible Officer, Chief Securities Limited (*current*)
- Director, Chief Financial Services Limited (*current*)
- Responsible Officer, Chief Great China Assets Management Limited (*current*)

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Mr. CHAN Kwok Cheung

Independent Non-Executive Director

Chairman, Internal Audit Committee

Education

- Fellow Member, HKICPA, Hong Kong
- Fellow Member, ACCA

Working Experience

- Director, Kreston CAC CPA Limited (*current*)

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GENERAL MANAGER



Dr. Soeung Morarith

General Manager

Chairman, Human Resources Committee

Education

- DBA (Finance), National University of Management, Phnom Penh
- Research Article "An Assessment of SERVQUAL's Applicability in Cambodia's Banking Sector", Centre for ASEAN Studies, University of Antwerp, Belgium, 2012
- MBA, National University of Management, Phnom Penh

Working Experience

- Senior Manager & President of Employees, Kookmin Bank Plc., Phnom Penh
 - Head of Credit, Kookmin Bank Plc., Phnom Penh
 - Credit Manager (Head Office), Angkor Capital Bank Plc., Phnom Penh
 - Senior Credit Processing Officer, Cambodian Public Bank, Phnom Penh
 - Loan Officer, Canadia Bank, Phnom Penh
 - Lecturer in Accounting and Finance, National University of Management (current)
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CORPORATE INFORMATION



Bank Name	Chief (Cambodia) Specialized Bank Plc.
Date of Establishment	5th December 2013
Registration No	SB-11
Head Office	Unit 20-01, NO 315, Canadia Tower, Preah Ang Doung Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.
As of December 31, 2014	
Paid-Up Capital	US\$13 Million
Number of Employees	20

	Name	No of Shares Held (Shares)	Percentage of Total OutStanding Shares (%)
Principal Shareholders	Chief Cambodia Holdings Ltd.		100%

Related Party	<ul style="list-style-type: none"> ■ Chief Holdings (H.K.) Ltd. ■ Chief Securities Ltd. ■ Chief Commodities Ltd. ■ Chief Financial Capital Ltd. ■ Chief Financial Services Ltd. ■ Chief Great China Assets Management Ltd.
Auditor	PricewaterhouseCoopers (PWC)

PRODUCTS AND SERVICE

In order to meet clients' growing needs, Chief (Cambodia) Specialized Bank Plc. has been introducing refined products such as personal loans and business loans as financing solutions to wide range of clients, to sizeable corporations from enterprises of micro, small, medium and large scales. Chief (Cambodia) Specialized Bank Plc. has devoted to becoming the most innovative and efficient foreign bank, rendering full support to Cambodia's four pillars of economic growth drivers: garment exports, tourism, agriculture and real estates.

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PERSONAL LOANS



Housing Loan



Car Loan



Motorbike Loan

BUSINESS LOANS



**Micro and Small
Business Loan**



**Medium Business
Loan**



**Large Business
Loan**

INTRODUCTION OF CHIEF HOLDINGS



Mr Chau Chung Kai is the Chairman of Chief Cambodia Holdings Ltd. and Chief Holdings (H.K.) Ltd., which was established in 1979 in Hong Kong. Over the decades, Chief Group has evolved into a comprehensive financial

institution with diversified products and services. We are one of the leaders in Hong Kong's brokerage industry, proudly holding the biggest branch service network.

Our Mission

We are committed to serving our customers with integrity and quality performance. This is embodied in the corporate philosophy, "The Chief Way", a unique wealth enriching management approach. "The Chief Way" guides our business ideology of trust and client and partnership sincerity. We seek to prosper together with our clients and partners.

Our Philosophy

Having rooted firm foundation in Hong Kong, we expand our horizons in Asia-Pacific region. Located at the heart of Indo-China, fast-developing Cambodia is the first hub of our service network in Southeast Asia. We offer expertise to our clients and share achievements with our local staff of Cambodia.

As service excellence always our primary quest, we have given top priority to keep enhancing service through staff training, technology integration and product diversification. We aspire to be the paragon in finance industry.

CORPORATE CULTURE

By building good team spirit among our staff, we encourage staff cultivating passion and vision towards their work. They are the key factors to their success in goal achievement and development of strong bonds to their jobs. On the other hand, we also emphasize on high level of professional ethics. Integrity, prudence and transparency are the core principles of our corporate cultures.

Technical sharing and training sessions are organized for all staff members of Chief (Cambodia) Specialized Bank Plc. on a regular basis. They are conducted to enhance the quality and efficiency of our service. Our staff team are keen to keep stepping forward with times.



CUSTOMER SATISFACTION



“ We aim to provide superior service quality and enhance customer satisfaction. ”



Customer Satisfaction

We aim to provide superior service quality and enhance customer satisfaction. Superior service quality can further build up customer loyalty, bringing opportunities for cross-selling and words-of-mouth recommendations as well. Goodwill of an enterprise is originated from sustaining high-level satisfaction from customers.

Chief Bank emphasizes on business integrity and we work hard with our clients , our employees and our society for a better future ahead. Through professional and ethical service, we build mutual trust and long-term partnership with our customers.

We have dedicated professionals allotted for each and every customers to handle the commercial banking transactions at Chief. Whatever information provided by the Chief Bank was up to the mark and all customers' doubts were clarified. Another best part about Chief Bank is our constant follow up to our customers' requests for their needs and wants. Also, we regularly seek customer feedback to understand product and service development opportunities and to alert us to potential improvements. We have various approaches to gather information from customers by phone calls, customer satisfaction surveys and clients' written comments. We look into comments one by one and take appropriate action needed to resolve different situations.

STRATEGY GOALS BY 2017

Chief (Cambodia) Specialized Bank Plc has been committed to being the most innovative and efficient foreign bank which is locally incorporated in Cambodia. Chief (Cambodia) Specialized Bank Plc. renders full supports for Cambodia's four pillars of economic growth, including: (1) *garment exports*; (2) *tourism*; (3) *agriculture*; and (4) *real estates*.

A- Marketing Strategy

The first priority of Chief (Cambodia) Specialized Bank Plc's strategy is to satisfy its existing borrowers by providing the refined products adapted to the evolution of their needs, witnessed by the daily increase of our quality loan portfolio.

In case of significant amount of funds available for the expansion, the secondary objective will be to increase the number of new clients into existing current cycles by expanding our second branch, Chief (Cambodia) Specialized Bank Chhbar Ampov Branch with its registered address at Vimean Keo Chhoranay Lot No. 105B, National Road No.1, Ta Ngov Village, Sangkat Nirouth, Khan Chhbar Ampov, Phnom Penh, within this year and other branch networks to potential locations in Phnom Penh, while being committed to delivering the best service quality and first class services to our clients.

Subsequently, we are planning to expand into new expected potential provinces of Battambang, Siem Reap, Kampong Cham and Sihanuk ville. Within ten years, we hope to expand further, with branch operations in Kandal, Pursat, Kampong Speu, Prey Veng and Takeo. It is also our intention to set up a representative office (and subsequently a branch) in Hong Kong when appropriate to better support the Bank's international business.

B- Target Market Identified

Chief (Cambodia) Specialized Bank Plc. foresees a positive economic and social environment to expand its activities in the next three years. The Bank has identified locations as the most potential to be expanded from 2015 where the financial supply is lower and demand is higher.

C- Market Size and Trends

Growth of market demand of the Bank services is increasing. This is evidenced by the increases in loan portfolio of the Bank since the establishment. The Bank has built up good relationship with many companies, ranging from self-employed business to medium & large business in order to entrust them on the Bank services. As a result, a number of businesses have approached us to access for fund in the expansion of their business. This means that the market size and trend are enlarged from time to time.

D- Competitive Analysis

Chief Bank has a professional team consisting of various local expertise in the fields of banking, accounting, credit management, operation, marketing and human resources, plus top management with regional background of Asia-Pacific, such as Hong Kong, Mainland China, Cambodia etc. This empowers us to provide quality service to meet the most localized needs of people in Cambodia yet with broader horizons in the Bank's future development.

Chief (Cambodia) Specialized Bank Plc. intends to develop a full-service commercial bank with the following business areas:

- Farming and Small Business
- Corporate Banking
- Personal Banking
- Treasury

Chief (Cambodia) Specialized Bank Plc. will work closely with the National Bank of Cambodia and both the locally incorporated specialized banks and the foreign bank branches to maintain a significant role in Cambodia banking sector. We will also work closely to support the legally existing organizations/companies which are involved in rural credit activities.

The Board of Directors and Management team of Chief (Cambodia) Specialized Bank Plc. are sophisticated professional with passions. The management team is extremely familiar with specialized banks, rural specialized banks, credit cooperatives, micro-finance companies and has affirmed understanding of the unique characteristics of each financial services business model as well as the demands and requirements of the respective customer groups.

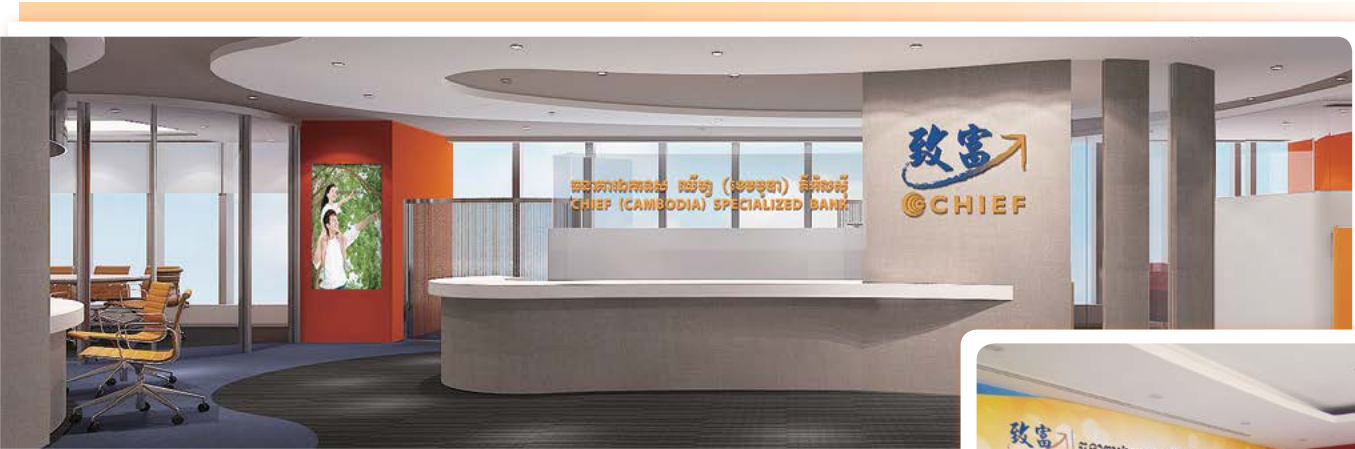
Chief (Cambodia) Specialized Bank Plc. operates within a robust credit approval, monitoring system and risk management system to ensure the financial strength and stability of the Bank's operations. The Bank adopts a five category loan monitoring system, with risk-based interest rate pricing to ensure proper risk management.

BUSINESS EXPANSION

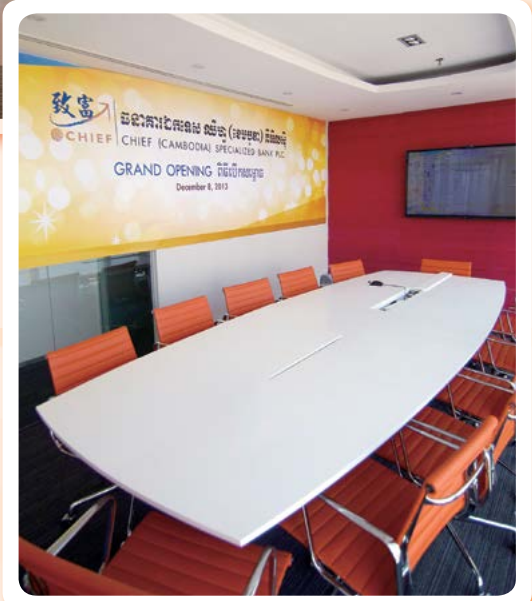


In view of great favorable business climate, such as the favorable business, fast economic growth, stable political environment and great potential and so on, we will plan to transform Chief (Cambodia) Specialized Bank Plc. into Chief (Cambodia) Commercial Bank Plc. in the near future and will open branches in the following years in Phnom Penh.

BRANCH NETWORK



As the demands for the banking industry grow, we are planning to expand our branch networks to potential locations in Phnom Penh. Those locations would be strategically situated at Chbar Ampov, 7 Makara Bridge/Toul Kork, Steung Meanchey, Start Chas, Toul Tom Pong/Olympic, Phsar Demkor so on, where demands would be undoubtedly high.



Head Office

Unit 20-01, #315, Canadia Tower, Preah Ang Doung Street
(Corner of Monivong Boulevard), Sangkat Wat Phnom,
Khan Daun Penh, Phnom Penh, Cambodia.

Tel : 855-23-431888
Fax : 855-23-431868
Email : info@chiefholdings.com.kh

FINANCIAL STATEMENTS

For The Period from 10 October 2013
(Date of Incorporation) to
31 December 2014

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the Directors) is pleased to present its report and the audited financial statements of Chief (Cambodia) Specialized Bank Plc (the Bank) for the period from 10 October 2013 (date of incorporation) to 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are engaged in specialized banking businesses and the provision of related financial services.

FINANCIAL PERFORMANCE

The financial performance for the period from 10 October 2013 (date of incorporation) to 31 December 2014 is set out in the income statement on page 6 of the financial statements.

STATUTORY CAPITAL

The Bank's registered and paid-up capital was US\$13,000,000 (Note 11) at 31 December 2014.

BAD AND DOUBTFUL LOANS

Before the income statement and balance sheet of the Bank were drawn up, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and advances or making of allowances for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of allowance for doubtful loans and advances in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any assets, other than loans and advances, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

VALUATION METHODS

At the date of this report and based on the best of knowledge, the Directors are 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 Bank misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial period which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial period other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF UNUSUAL NATURE

The financial performance of the Bank for the period was not, in the opinion of the 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 period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the financial performance of the Bank for the current financial period in which this report is made.

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the period and as at the date of this report are:

Mr. Chau Chung Kai Peter	Chairman
Mr. Lam Wai Chuen	Director
Mr. Ye Haiya	Director
Ms. Ng Siu Mui	Director

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

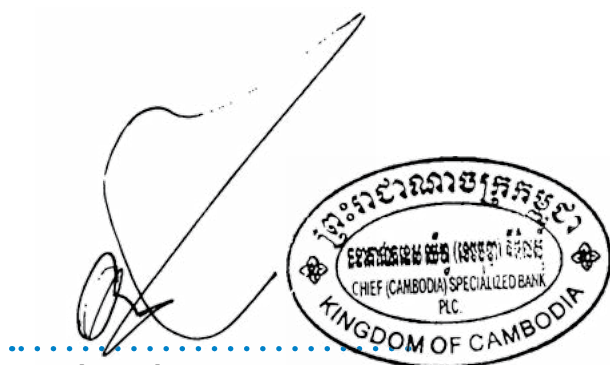
The Directors are responsible to ensure that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 and of its financial performance and its cash flows for the period then ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements and guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which present fairly, in all material respect, the financial position of the Bank as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards, were approved by the Board of Directors.



Mr. Chau Chung Kai Peter

Director

Phnom Penh, Kingdom of Cambodia

Date: 28 March 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chief (Cambodia) Specialized Bank Plc

We have audited the accompanying financial statements of Chief (Cambodia) Specialized Bank Plc (the Bank) which comprise the balance sheet as at 31 December 2014 and the income statement, statement of changes in shareholders' equity and cash flow statement for the period from 10 October 2013 (date of incorporation) to 31 December 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and guidelines of 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.

AUDITOR'S 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the period from 10 October 2013 (date of incorporation) to 31 December 2014 in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia.

For PricewaterhouseCoopers (Cambodia) Ltd.


By **Kuy Lim**
Partner



Phnom Penh, Kingdom of Cambodia
Date: 28 March 2015

BALANCE SHEET

As at 31 December 2014 and 31 December 2014

As at 31 December 2014

	Note	US\$	KHR'000
Assets			
Cash on hand		53,082	216,309
Balances with the Central Bank	4	655,629	2,671,688
Balances with other banks		2,520,529	10,271,156
Loans and advances to customers	5	9,126,619	37,190,973
Other assets	6	58,590	238,754
Property and equipment	7	194,190	791,324
Intangible assets	8	11,256	45,868
Total assets		12,619,895	51,426,072
Liabilities and equity			
Liabilities			
Current income tax liabilities	9	852	3,472
Other liabilities	10	136,946	558,055
Total liabilities		137,798	561,527
Equity			
Share capital	11	13,000,000	52,975,000
Retained earnings		(517,903)	(2,110,455)
Total equity		12,482,097	50,864,545
Total liabilities and equity		12,619,895	51,426,072

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.

INCOME STATEMENT

For The Period from 10 October 2013 (Date of Incorporation) to 31 December 2014

From the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	Note	US\$	KHR'000
Interest income	12	340,470	1,387,415
Provision for bad and doubtful loans	5	(92,188)	(375,666)
Net interest income after provision for bad and doubtful loans		248,282	1,011,749
Other operating income	13	32,944	134,247
Operating income		281,226	1,145,996
Personnel expenses	14	(363,166)	(1,479,901)
Depreciation and amortisation	15	(54,362)	(221,525)
General and administrative expenses	16	(377,131)	(1,536,810)
(Loss) before income tax		(513,433)	(2,092,240)
Income tax expense	9	(4,470)	(18,215)
(Loss) for the period		(517,903)	(2,110,455)

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Period from 10 October 2013 (Date of Incorporation) to 31 December 2014

	Share Capital US\$	Retained Earnings US\$	Total US\$
For the period ended 31 December 2014			
Balance as at 10 October 2013 (date of incorporation)	---	---	---
Capital injection	13,000,000	---	13,000,000
Loss for the period	---	(517,903)	(517,903)
Balance as at 31 December 2014	13,000,000	(517,903)	12,482,097
In KHR'000 equivalent	52,975,000	(2,110,455)	50,864,545

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

For The Period from 10 October 2013 (Date of Incorporation) to 31 December 2014

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	KHR'000
Cash flows from operating activities		
Loss before income tax	(513,433)	(2,092,240)
Adjustments for:		
Depreciation and amortisation charges (Note 7&8)	54,362	221,525
Interest income	(340,470)	(1,387,415)
Allowance for bad and doubtful loans and advances	92,188	375,666
	(707,353)	(2,882,464)
Changes in working capital		
Loans and advances to customer	(9,218,807)	(37,566,639)
Other assets	(21,225)	(86,492)
Other liabilities	136,946	558,055
Cash used in operations	(9,810,439)	(39,977,540)
Interest received	303,105	1,235,153
Income tax paid	(3,618)	(14,743)
Cash used in operating activities	(9,510,952)	(38,757,130)
Cash flows from investing activities		
Capital guarantee with the Central Bank	(650,000)	(2,648,750)
Purchases of property and equipment	(245,478)	(1,000,322)
Purchases of intangible assets	(14,330)	(58,395)
Cash used in investing activities	(909,808)	(3,707,467)
Cash flows from financing activities		
Proceeds from capital injection	13,000,000	52,975,000
Cash generated from financing activities	13,000,000	52,975,000
Net increase in cash and cash equivalents	2,579,240	10,510,403
Cash and cash equivalents at beginning of period	---	---
Cash and cash equivalents at end of period (Note 17)	2,579,240	10,510,403

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Period from 10 October 2013 (Date of Incorporation) to 31 December 2014

1. BACKGROUND AND PRINCIPAL ACTIVITY

The Bank is incorporated and registered in the Kingdom of Cambodia. The Company's office is located at Canadia Tower, 20th floor, #315, Ang Doung Street, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank has become a duly registered with the Ministry of Commerce as a private limited liability company under the registration number Co. 2255 E/ 2013, dated 10 October 2013. On 5 December 2013, the Bank received its specialized bank license from the National Bank of Cambodia (the Central Bank).

The Bank's main activities are engaged in specialized banking businesses and the provision of related financial services.

As at 31 December 2014, the Company had 20 employees.

The financial statements were authorized for issue by the Board of Directors on 28 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards (CAS). In applying CAS, the Bank also applies Cambodian Financial Reporting Standard (CFRS) CFRS 7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

This is the first set of financial statements covering from 10 October 2013 (Date of incorporation) to 31 December 2014.

The financial statements are prepared using the historical cost convention.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Change in Accounting Framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by International Accounting Standard Board (IASB) including other interpretation and amendment that may occur in any circumstances to each standard by adding “Cambodian”. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The National Accounting Council of the Ministry of Economy and Finance through Circular No. 086 MoEF. NAC dated 30 July 2012 approves Banking and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016.

The first financial statement of the bank which will be prepared under CIFRS is the year ending 31 December 2016. CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS may have significant impact on the financial statements of the Bank.

2.3 Foreign Currency Transactions

i) Functional and Presentation Currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The financial statements are presented in US\$, which is the Bank’s functional and presentation currency.

ii) Transactions and Balances

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates from monetary assets and liabilities denominated in currencies other than US\$, are recognised in the income statement.

iii) Presentation in Khmer Riel

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation to Khmer Riel is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2014 using the official rate of exchange regulated by the Central Bank as at the reporting date, which was United States dollars (US\$) 1 to Khmer Riel (KHR) 4,075. Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed.

2.5 Loans and Advances to Customers

All loans and advances to customers are stated in the balance sheet as the amount of principal, less any amounts written off and the provision for loan losses.

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

2.6 Provision for Bad and Doubtful Loans and Advances

The Bank follows the mandatory loan classification and provisioning as required by the Central Bank's Prakas No. B7-09-074, dated on 25 February 2009, on loans classification and provisioning for banks and financial institutions. The minimum mandatory loan provisioning is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral.

The table below shows loan classifications taken into account number of days past due and the minimum provisioning requirements:

Classification	Provision
General provision:	
Normal/standard	1%
Specific provision:	
Special mention	3%
Substandard	20%
Doubtful	50%
Loss	100%

Both past due and qualitative factors shall be taken into account for loan classification and provisioning.

2.7 Other Credit Related Commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments. The accounting policy and provision methodology are similar to those for originated loans as noted above. Specific provisions are raised against other credit related commitments when losses are considered probable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Interest Income

Interest on loans and advances to customers and deposits with other Bank are recognized on an accruals basis, except where serious doubt exists as to the collectability, in which case, no interest income is recognized. The policy on the suspension of interest is in conformity with the Central Bank's guidelines on the suspension of interest on non-performing loans and provision for loan losses.

Interest in suspense represents interest on non-performing loans and advances that is recorded as a provision rather than income until it is realised on a cash basis.

2.9 Loan Processing Fees

Loan processing fees are amortised on straight line basis over the period of each loan to the income statement.

2.10 Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the financial year in which they are incurred.

Depreciation of property and equipment is charged to the income statement over the estimated useful lives using straight-line method. The depreciation rates, based on estimated useful lives as follows:

Items	Rate per Annum
Leasehold improvements	20%
Office equipment	20%
Computer and IT equipment	20%
Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds within the carrying amount and are recognized in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Intangible Assets

An intangible asset represents computer software which is stated at cost less accumulated amortization and impairment loss, if any. Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire the specific software and bring it to use. It is amortized at 20% using straight-line method.

2.12 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Any impairment loss is charged to income statement in the period in which it arises. Reversal of impairment loss is recognized in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.14 Provision

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Deferred and Current Income Tax

(a) Current Income Tax

The current income tax, recognized in the income statement, is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the Kingdom of Cambodia where the Bank operates and generates taxable income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Deferred and Current Income Tax *(continued)*

(b) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income taxes are calculated using a principal tax rate of 20%.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.16 Related Party Transactions

Parties are considered to be related if one party 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 where the Bank and the other 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.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of the Bank or voting rights and include any individual who participates in the administration, direction, management or internal control of the Bank.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment Losses on Loans and Advances

The Bank follows the mandatory loan classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 on asset classification and provisioning in the banking and financial institutions issued by the Central Bank. The Central Bank requires specialised banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purpose of loan classification, the Bank takes into account all relevant factors which may affect the counterparties' repayment abilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the General Department of Taxation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the Income Tax and deferred tax provisions in the period in which such determination is made.

4. BALANCES WITH THE CENTRAL BANK

As at 31 December 2014

	US\$	KHR'000
Current accounts	5,629	22,938
Capital guarantee	650,000	2,648,750
	655,629	2,671,688

The capital guarantee earns interest during the year at 0.08% per annum.

This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

5. LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2014

	US\$	KHR'000
Short-term loans	5,682,568	23,156,465
Long-term loans	3,536,239	14,410,174
	9,218,807	37,566,639
Provision for bad and doubtful loans and advances:		
Specific	---	---
General	(92,188)	(375,666)
	(92,188)	(375,666)
Net loans and advances to customers	9,126,619	37,190,973

5. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

(a) *Provision for Bad and Doubtful Loans and Advances*

As at 31 December 2014

	US\$	KHR'000
At beginning of the year	---	---
Charged for the year	92,188	375,666
Write-off	---	---
At end of the year	92,188	375,666

(b) *By Classification*

As at 31 December 2014

	US\$	KHR'000
Standard loans:		
Secured	8,062,740	32,855,664
Unsecured	1,156,067	4,710,975
	9,218,807	37,566,639

(c) *By Relationship*

As at 31 December 2014

	US\$	KHR'000
Staff loans	383,875	1,564,291
External customers	8,834,932	36,002,348
	9,218,807	37,566,639

(d) *By Exposure*

As at 31 December 2014

	US\$	KHR'000
Non-large exposure	9,218,807	37,566,639

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

5. LOANS AND ADVANCES TO CUSTOMERS *(continued)*

As at 31 December 2014, there is no loan and advance to one single beneficiary which exceeds 10% of the Bank's net worth.

(e) By Individual

As at 31 December 2014

	US\$	KHR'000
Individual	8,151,407	33,216,984
Corporate	1,067,400	4,349,655
	9,218,807	37,566,639

(f) Interest Rates

As at 31 December 2014

Staff loans	6% - 7.25%
External customers	7.5% - 18%

6. OTHER ASSETS

As at 31 December 2014

	US\$	KHR'000
Accrued interest receivable	37,365	152,262
Prepayments	12,104	49,324
Deposits	9,048	36,871
Other receivables	73	297
	58,590	238,754

7. PROPERTY AND EQUIPMENT

	Leasehold Improvements US\$	Office Equipment US\$	Computer and IT Equipment US\$	Vehicles US\$	Total US\$
Cost					
At 10 October 2013 (Date of incorporation)	---	---	---	---	---
Additions	127,237	29,579	65,162	23,500	245,478
As at 31 December 2014	127,237	29,579	65,162	23,500	245,478
Accumulated depreciation					
At 10 October 2013 (Date of incorporation)	---	---	---	---	---
Depreciation charge	27,568	6,508	12,853	4,359	51,288
As at 31 December 2014	27,568	6,508	12,853	4,359	51,288
Carrying amount					
As at 10 October 2013 (Date of incorporation)	---	---	---	---	---
In KHR'000	---	---	---	---	---
As at 31 December 2014	99,669	23,071	52,309	19,141	194,190
In KHR'000	406,150	94,012	213,162	78,000	791,324

8. INTANGIBLE ASSETS

	Computer Software US\$	Total US\$
At 10 October 2013 (Date of incorporation)	---	---
Additions	14,330	14,330
As at 31 December 2014	14,330	14,330
Accumulated depreciation		
At 10 October 2013 (Date of incorporation)	---	---
Amortization charge	3,074	3,074
As at 31 December 2014	3,074	3,074
Carrying amount		
As at 10 October 2013 (Date of incorporation)	---	---
In KHR'000	---	---
As at 31 December 2014	11,256	11,256
In KHR'000	45,868	45,868

9. INCOME TAX

(a) Current Income Tax Liabilities

As at 31 December 2014

	US\$	KHR'000
Balance at beginning of year	---	---
Income tax expense	4,470	18,215
Income tax paid	(3,618)	(14,743)
Balance at end of year	852	3,472

In accordance with Cambodian law, the Bank has an obligation to pay corporate income tax at the higher of 20% of taxable profits or 1% minimum tax.

9. INCOME TAX *(continued)*

(b) Income Tax Expense

The reconciliation of current income tax computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

As at 31 December 2014

	US\$	KHR'000
Loss before income tax	(513,433)	(2,092,240)
Effect of:		
Non-deductible expenses	52,229	212,833
Taxable income/(expense)	(461,204)	(1,879,407)
Profit tax@ 20%	---	---
1% minimum tax	4,470	18,215
Current income tax	4,470	18,215

(c) Deferred Income Tax

The Company has not recognised a deferred tax asset of approximately US\$92,241 arising from losses carried forward, on the basis that it is not probable that taxable profits will be available and can be utilised.

10. OTHER LIABILITIES

As at 31 December 2014

	US\$	KHR'000
Deferred processing fees	73,641	300,087
Payable to parent company	31,152	126,944
Monthly tax payables	6,768	27,580
Professional fee	6,670	27,180
Other payables	18,715	76,264
	136,946	558,055

11. SHARE CAPITAL

The company is wholly owned by Chief Financial Group (Cambodia) Limited incorporated under the law of British Virgin Islands under the registration number 1771142 and registered address at P.O. Box 957, Offshore, Incorporation Centre, Road Town, Tortola, British Virgin Islands.

The registered, authorised and paid-up capital is US\$10,000,000 with a par value of US\$1 per share.

The Memorandum and Articles of Association (MAA) of the Bank was approved by the National Bank of Cambodia and the Ministry of Commerce on 23 August 2013 and 10 October 2013 respectively.

Based on shareholder resolution dated 24 October 2014 the Bank increased its share capital from US\$10,000,000 to US\$13,000,000 and 10 million shares to 13 million shares at par values of US\$1 per share. On 11 December 2014, the Central Bank approved the increase of capital. The Bank is still in process of getting approval from the Ministry of Commerce.

12. INTEREST INCOME

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Interest income from:		
Loans to customers	340,231	1,386,441
Balances with the Central Bank	239	974
	340,470	1,387,415

13. OTHER OPERATING INCOME

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Fees and commission on loans	31,314	127,605
Other miscellaneous income	1,630	6,642
	32,944	134,247

14. PERSONNEL EXPENSES

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Salaries and wages	310,517	1,265,357
Bonuses	34,617	141,064
Other employee benefits	18,032	73,480
	363,166	1,479,901

15. DEPRECIATION AND AMORTISATION

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Depreciation charge	51,288	208,998
Amortisation charge	3,074	12,527
	54,362	221,525

16. GENERAL AND ADMINISTRATIVE EXPENSES

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Professional fees	129,096	526,066
Travel expense	59,037	240,576
Rental	38,694	157,678
Marketing and advertisement expenses	27,814	113,342
Memberships expense	24,910	101,508
Legal fees	23,776	96,887
Office supplies and stationery	12,534	51,076
Utilities	12,171	49,597
Bank charges	11,339	46,206
Business meal and entertainment	9,806	39,960
Accommodation expenses	8,119	33,085
Other expenses	19,835	80,829
	377,131	1,536,810

17. CASH AND CASH EQUIVALENTS

As at 31 December 2014

	US\$	Riel '000
Cash on hand	53,082	216,309
Balances with the Central Bank	5,629	22,938
Deposits and placements with other banks	2,520,529	10,271,156
	2,579,240	10,510,403

18. RELATED PARTY BALANCES AND TRANSACTIONS

The company is wholly owned by Chief Financial Group (Cambodia) Limited incorporated under the law of British Virgin Islands.

Significant transactions and balances with related parties are as follows:

(a) Key Management Compensations

For the period from 10 October 2013
(date of incorporation)
to 31 December 2014

	US\$	Riel '000
Key management compensations	111,944	456,172

(b) Balances Payables with Related Parties

As at 31 December 2014

	US\$	Riel '000
Amount payable to parent company	31,152	126,944

(c) Loan to Related Parties

As at 31 December 2014

	US\$	Riel '000
Loan to key management	105,000	427,875
Loan to other related entities	585,000	2,383,875

19. COMMITMENTS

Operating lease commitments – Bank as lessee

Operating lease commitments represent contractual obligation for leasing of office. The future aggregate minimum lease payments are as follows:

As at 31 December 2014

	US\$	Riel '000
No later than one year	46,083	187,788
Later than one year and no later than five years	69,070	281,460
	115,153	469,248

20. EVENTS AFTER REPORTING DATE

In accordance with the shareholders' resolution date 27 February 2015, the shareholders agreed to increase share capital from US\$13,000,000 to US\$ 16,000,000.

21. FINANCIAL RISK MANAGEMENT

The Bank's activities may expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

The Bank holds the following financial assets and liabilities:

As at 31 December 2014

	US\$	Riel '000
Financial assets		
Cash on hand	53,082	216,309
Balances with the Central Bank	5,629	22,938
Balances with other banks	2,520,529	10,271,156
Loans to customers*	9,218,807	37,566,639
Other assets	46,413	189,133
Total financial assets	11,844,460	48,266,175
Financial liabilities		
Other liabilities	56,537	230,388
Total financial liabilities	56,537	230,388
Net financial assets	11,787,923	48,035,787

* It excludes provision for bad and doubtful loans.

21.1 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposures arise principally in lending activities that lead to loans and advances.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.1 Credit Risk *(continued)*

(a) Credit Risk Measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Risk ratings are reviewed and updated on an annual basis, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(b) Risk Limit Control and Mitigation Policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the Central Bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of Prakas No. B7-06-226 of the Central Bank, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank 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 and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers is mortgage over residential properties (land, buildings and other properties)

(c) Impairment and Provisioning Policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as stated in note 2.6.

Loans and advances less than 90 days past due are not considered impaired, unless other information available indicates otherwise.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.1 Credit Risk *(continued)*

(d) Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

As at 31 December 2014

	US\$	Riel '000
Credit risks exposure relating to on-balance sheet assets:		
Loans and advances to customers*	9,218,807	37,566,639
Other assets	46,413	189,133
	9,265,220	37,755,772

* It excludes provision for bad and doubtful loans and advances.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2014, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet asset, the exposures set out above are based on net carrying amounts.

As shown above, 99% of total maximum exposure is derived from loans and advances to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans and advances on the followings:

- Approximately 87% of the loans and advances of the Bank are collateralised. Loans and advances are granted to the customer not in excess 60% of their collateral value.
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.

(e) Loans and Advances

Loans and advances are summarised as follows:

As at 31 December 2014

	US\$	Riel '000
Loans to customers neither past due nor impaired	9,218,807	37,566,639
Loans to customers past due but not impaired	---	---
Loans to customers individually impaired	---	---
Gross	9,218,807	37,566,639
Less:		
Provision for loan losses	(92,188)	(375,666)
Net loans to customers	9,126,619	37,190,973

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.1 Credit Risk *(continued)*

(e) Loans and Advances *(continued)*

The total provision for loan loss is US\$92,188 which represents 1% general provision for all outstanding loans and advances.

i. Loans and Advances Neither Past due Nor Impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

ii. Loans and Advances Not Past due But Impaired

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. As at 31 December 2014, there is no gross amount of loans and advance to customers that were past due but not impaired.

iii. Loans and Advances Individually Impaired

In accordance with Prakas No. B7-09-074 dated 25 February 2009 on the classification and provisioning for loan losses; loans and advances past due more than 90 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

As at 31 December 2014, there is no loan and an advance which is past due and impaired.

iv. Loans and Advances Renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition.

(f) Repossessed Collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security.

Repossession properties have to be sold within one year as required by the Central Bank. Repossessed property is classified in the balance sheet as foreclosed properties, if any.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.1 Credit Risk *(continued)*

(g) Concentration of Financial Assets with Credit Risk Exposure

i. Geographical Sector

The bank has credit exposure only in Cambodia so it does not have credit exposure by geographical region as at 31 December 2014.

21.2 Market Risk

The Bank 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.

As of 31 December 2014, the Bank did not have financial instruments carried at fair value. The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

(a) Foreign Exchange Risk

The Bank operates in Cambodia and does not transact in other currencies besides US\$; therefore, there is no currency exposures.

(b) Price Risk

The Bank is not exposed to securities price risk because it does not hold any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss.

(c) 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 the market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken, however, the management regularly monitors the mismatch.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.2 Market Risk *(continued)*

(c) Interest Rate Risk *(continued)*

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non- interest bearing US\$	Total US\$
As at 31 December 2014							
Financial assets							
Cash on hand	---	---	---	---	---	53,082	53,082
Balances with the Central Bank	---	---	---	---	---	5,629	5,629
Balances with other banks						2,520,529	2,520,529
Loans and advances to customers*	61,526	187,429	5,859,760	1,927,650	1,182,442	---	9,218,807
Other assets						46,413	46,413
Total financial assets	61,526	187,429	5,859,760	1,927,650	1,182,442	2,625,653	11,844,460
Financial liabilities							
Other liabilities	---	---	---	---	---	56,537	56,537
Total financial liabilities	---	---	---	---	---	56,537	56,537
Total interest rate repricing gap	61,526	187,429	5,859,760	1,927,650	1,182,442	2,569,116	11,787,923
In KHR' 000 equivalent	250,718	763,775	23,878,521	7,855,174	4,818,451	10,469,148	48,035,787

* It excludes provision for bad and doubtful loans and advances to customers.

21.3 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligation associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequent may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity Risk Management Process

The management monitors balance sheet liquidity and manage the concentration and profile of debt maturities. The Bank does not have external borrowings. The Bank's operations rely on the contribution of capital from shareholders.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.3 Liquidity Risk *(continued)*

(b) Funding Approach

The Bank's main sources of liquidities arise from shareholder's paid-up capital. The sources of liquidity are regularly reviewed in the board of directors' meeting through management's review of lending limits where appropriate.

(c) Non-Derivative Cash Flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the liquidity risk based on expected undiscounted cash flows.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
As at 31 December 2014							
Financial liabilities							
Other liabilities	56,537	---	---	---	---	---	56,537
Total financial liabilities (contractual maturity dates)	56,537	---	---	---	---	---	56,537
In KHR' 000 equivalent	230,388	---	---	---	---	---	230,388
Total financial assets (contractual maturity dates)	2,746,889	315,649	6,337,123	2,680,172	1,329,837	---	13,409,671
In KHR' 000 equivalent	11,193,573	1,286,271	25,823,778	10,921,703	5,419,087	---	54,644,411

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.3 Liquidity Risk *(continued)*

(d) Off-Balance Sheet Items

i. Loans Commitments

The total loan commitment as at 31 December 2014 is US\$ 264,000.

ii. Operating Lease Commitments

Where the Bank is the lessee, the future minimum lease payments are under non-cancellable operating leases, as disclosed in Note 19.

iii. Capital Commitments

The Bank did not have capital commitments for the acquisition of buildings and equipment at 31 December 2014.

21.4 Fair Value of Financial Assets and Liabilities

(a) Financial Instruments Measured at Fair Value

The Bank did not have financial instruments measured at fair value.

(b) Financial Instruments Not Measured at Fair Value

i. Loans and Advances to Customers

Loans and advances are net of provision for loan losses. The provision of loan losses is made under the requirements of Central Bank's Prakas.

ii. Other Assets and Other Liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

21. FINANCIAL RISK MANAGEMENT *(continued)*

21.5 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide return for shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The Central Bank requires all specialised banks to i) meet minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of regulatory capital:

	As at 31 December 2014	
	US\$	Riel '000
Tier 1 capital		
Share capital	13,000,000	52,975,000
Retained earnings	(517,903)	(2,110,455)
Less: Intangible asset	11,256	45,868
Less: Loan to related party	690,000	2,811,750
	11,780,841	48,006,927
Tier 2 complementary capital		
General provision (Prakas on Asset Classification)	92,188	375,666
	92,188	375,666
Regulatory capital/net worth	11,873,029	48,382,593



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