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CAM CAPITAL

SPECIALIZED BANK

2016

ANNUAL REPORT

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VISION

TO BE A LEADING FINANCIAL INSTITUTION
IN SOUTH EAST ASIA.

MISSION

TO BECOME A LEADING COMMERCIAL BANK
WITH QUALITY ASSETS, EXCELLENT RISK
MANAGEMENT PRACTICES, AND TO BE LISTED
ON THE PHNOM PENH STOCK EXCHANGE.

DYNAMIC BANK WITH HIGHLY MOTIVATED STAFF

MESSAGE FROM CEO

LEE YONG MAN
Chief Executive Officer

2016 was a year marked globally by sluggish growth and rising uncertainty on trade. Against this background, we remain optimistic for 2017 as Cambodia remains a fast-growing developing country with plenty of room for economic progress.

The Cambodian economy grew 7.2% in 2016, fuelled by higher exports, construction and an expansionary fiscal policy resulting in higher government spending. While the microfinance sector is showing signs of decelerating growth, the banking sector remains robust with credit growth at 27%.

At Cam Capital Specialized Bank Plc, we continue to evolve by striving to better understand our customers' needs and priorities. This allows us to consistently deliver the high quality of services and products that our customers expect. Building on our strengths, we continue targeting the Personal Financial Services and Small and Medium Enterprises markets to fuel our expansion and growth.

I am pleased to report that the Bank's net income grew by 76% to US$3,395,000 for the year 2016 from US$1,928,000 for the year 2015. The Bank's total assets grew by 34% to US$86 million for the year 2016 from US$64 million for the year 2015. The strong performance was achieved without sacrificing credit quality as seen with our low 0.1% classified loan ratio. As per the National Bank of Cambodia guidelines, we have made adequate provisions for the various classified loans.

As always, our strong operating performance was made possible only with the well-executed and timely processing of loans. More importantly, this is attributable to the dedication of our hard working staff. Great team work is and always will be a core value of our Bank.

We remain thankful to our shareholders for their continued support and commitment, as demonstrated by their increase in shareholder loans from US$40 million to US$50 million, as well as the increase in equity capital from US$8 million to US$20 million in 2016. Going forward, we remain committed to achieve sustainable and stable business growth with respectable profits; in order to create long term shareholder value.

Our staff remains our greatest asset and we continue to improve, upgrade and deepen our staff's technical knowledge and business skills. We also strive to secure and retain the best talent in the industry, by offering them good career prospects, as well as a conducive workplace that they can be proud of.

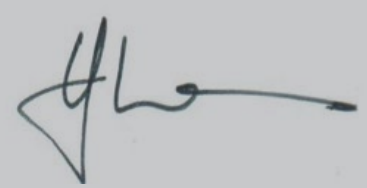
In 2016, the following activities and training were conducted:

- Various in-house training courses and English language classes for all staff
- External banking courses for 25 staff
- Family Day Party in October 2016 attended by 247 staff members and 148 staff family members.

I believe that 2017 will be an even better year for the Bank. We will not only continue to achieve sustainable growth, but also complete some major technological initiatives to usher in a brighter future for the Bank. I trust that the Bank will reach new heights in achieving both its short-term and long-term goals.

In conclusion, I like to personally thank our regulatory authorities, shareholders, board of directors and senior management for their continued faith on my leadership and their support, commitment and guidance over the years. Without their support, I would not have been able to lead the Bank into making this exciting journey. The sum effect of the above has enabled Cam Capital to have another stellar year in 2016 with new highs for asset growth, earnings and income. I remain strongly motivated to do even better for 2017.

Sincerely yours,



Lee Yong Man, CEO

OUR **PRODUCTS**

CamCap

CAR LOAN

These loans are provided to borrowers who want to buy a car for personal use.

GENERAL LOAN

These loans are generally provided for working capital purposes and current business expansion. The repayment of principal and interest is based on the borrowers' regular income stream and collateral secured by property.

HOUSING LOAN

These loans are provided to borrowers who want to buy or construct houses for their own needs.

WORKSHOP AND STAFF ACTIVITIES

Management Team Workshop for FY 2017

The 7th Overseas Workshop in Korea

Staff Activities

KEY MILESTONES

2009

- Issuance of the approval in principal from NBC

2010

- Issuance of the main license from NBC (Microfinance Institution)
- Total assets: US$ 5,468,927
- Interest income: US$ 462,625
- NIAT: US$ 13,260

2011

- New Branch Opening (PDT Branch)
- Registration of trade mark at MOC
- Total assets: US$ 11,933,949
- Interest income: US$ 1,505,050
- NIAT: US$ 229,865

2012

- Total assets: US$ 20,930,852
- Interest income: US$ 2,872,392
- NIAT: US$ 516,641

2013

- Issuance of the main license from NBC as Cam Capital Specialized Bank Plc
- Total assets: US$ 32,146,123
- Interest income: US$ 4,409,025
- NIAT: US$ 814,632

2014

- New Branch Opening (CHC Branch)
- Total assets: US$ 44,073,316
- Interest income: US$ 6,018,180
- NIAT: US$ 1,785,172

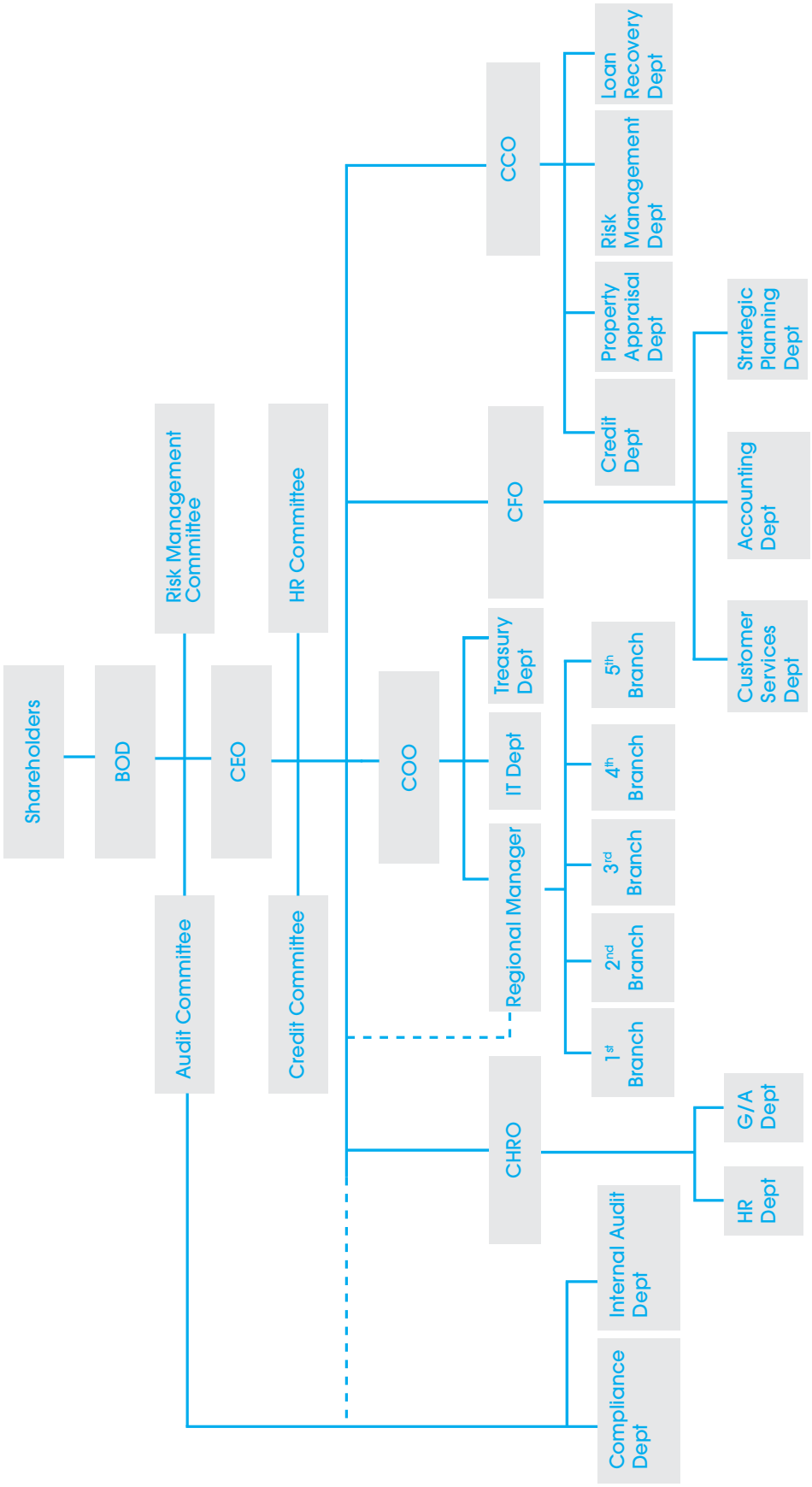
2015

- New Branch Opening (RSK and BKK Branch)
- Total assets: US$ 63,851,888
- Interest income: US$ 8,497,007
- NIAT: US$ 1,927,835

2016

- Total assets: US$ 86,019,889
- Interest income: US$ 11,473,996
- NIAT: US$ 3,395,256

ORGANIZATION CHART



SHAREHOLDERS

The share capital structure and details of authorized and registered standing are as follows:

	2016			2015		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
OKS-CAM Investments Limited	92%	18,400,000	18,400,000	86%	6,880,000	6,880,000
Lee Yong Man	4%	800,000	800,000	10%	800,000	800,000
OKS-CAM Limited	4%	800,000	800,000	4%	320,000	320,000
	100%	20,000,000	20,000,000	100%	8,000,000	8,000,000

BOARD OF **DIRECTORS**

Ivan Hoyes

Education

Master of Business Administration, Harvard Business School, USA

Work Experience

- Executive Director, Oaks Family Office Pte Ltd, Singapore (Current)
- Managing Director, Citicorp Investment Bank Singapore Ltd.

Lee Yong Man

Education

Master of Trade Economics, Yonsei University, South Korea

Work Experience

- CEO, Cam Capital Specialized Bank Plc. (Current)
- Deputy CEO, Phnom Penh Commercial Bank
- Chief Representative, Arab Bank Plc, Hong Kong
- Vice President, Arab Bank Plc, Seoul

Patrick Lowe

Education

Master of Business Administration, Southern Illinois University, USA

Work Experience

- Director, Oaks Family Office Pte Ltd, Singapore (Current)
- Director, Canadian Imperial Bank

Koh Seok Leng

Education

Master of Business Administration, University of Chicago, USA

Work Experience

- Director, Oaks Family Office Pte Ltd, Singapore (Current)
- Proprietary Equity Trader, Arab Bank Plc, Singapore

Ananthan Santhana Krishnan

Education

Master of Business Administration, University of Rochester, New York, USA

Work Experience

- Independent Consultant (Current)
- Chief Financial Officer (CFO), Citibank Corp for corporate and investment banking in Asia Pacific

MANAGEMENT TEAM

Lee Yong Man

Chief Executive Officer

Education

Master of Trade Economics, Yonsei University, South Korea

Work Experience

- Deputy CEO, Phnom Penh Commercial Bank, Cambodia
- Chief Representative, Arab Bank Plc, Hong Kong
- Vice President, Arab Bank Plc, Seoul

Choi Yoon

Chief Operating Officer/ EVP

Education

- Master of Science in Finance, University of Illinois, USA
- Master of Science in Economics, Yonsei University, South Korea

Work Experience

- Executive Vice President, Camko Bank, Cambodia
- Director, KB Investment (Kookmin Bank Group)
- Director, DBPA Korea (Deutsche Bank Group)
- Chief Representative, Korea Long Term Credit Bank, Myanmar

Pet Ravy

Chief Credit Officer/ Vice President

Education

Master of Business Administration, Financial Management, Royal University of Law and Economics

Work Experience

- Head of Credit, Credit for Poor Resident Development Organization
- Chief of Credit Officer, Acleda Bank Plc

Hun Samnang

Chief Financial Officer/
Vice President

Education

Master of Business Administration, Financial Management, University of Management and Economics

Work Experience

Branch Manager, Angkor Mikroheranvatho Kampuchea (AMK)

Mao Nimol

Chief Human Resources Officer/ Vice President

Education

Master of Business Administration, General Management, National University of Management

Work Experience

CEO Executive Secretary & Loan Admin Officer, Phnom Penh Commercial Bank

Sin Sok

Internal Audit Manager/
Assistant Director

Education

- Pursuing CPA, ACCA through CamEd Business School
- Master of Business Administration, Financial Management, Royal University of Law and Economics

Work Experience

Internal Audit Manager, Seilanithih Microfinance Institution

Mouk Mardeth
Compliance Manager

Education

Master of Business Administration, Business Management, Norton University

Work Experience

Assistant Vice President and Manager of Report and Compliance Audit Unit, Acleda Bank Plc

Mey Vannak
Credit Manager

Education

Bachelor of Business Administration, Finance and Banking, National University of Management

Work Experience

Credit Officer, Acleda Bank Plc

Nget Bunthoeun
Regional Manager/ SBGM

Education

Master of Business Administration, General Management, National University of Management

Work Experience

Medium Credit Officer, Acleda Bank Plc

Pen Samroul

Branch General Manager

Education

Master of Business Administration, General Management, National University of Management

Work Experience

Medium Credit Officer, Acleda Bank Plc

Youk Sothun

Branch General Manager

Education

Master of Business Administration, Financial Management, National University of Management

Work Experience

Chief of Credit Officer, Acleda Bank Plc

Te Vuthea

Branch General Manager

Education

Bachelor of Business Administration, Finance and Banking, Royal University of Law and Economics

Work Experience

Medium Credit Officer, Acleda Bank Plc

Ros Thearith

Branch Manager

Education

Bachelor of Business Administration, Finance and Banking, Royal University of Law and Economics.

Work Experience

Loan Officer, ABA Bank Plc

FINANCIAL HIGHLIGHTS

	2016	2015
OPERATING RESULT (US$)		
Net income before income tax	4,367,994	2,354,098
Net income for the year	3,395,256	1,927,835
KEY BALANCE SHEET DATA (US$)		
Total assets	86,019,889	63,851,888
Loan to customers	82,894,373	61,197,191
Total liabilities	57,518,279	50,745,534
Paid-up capital	20,000,000	8,000,000
Shareholder's equity	28,501,610	13,106,354
Return on asset (ROA)	4.4%	3.5%
Return on equity (ROE)	15.7%	15.8%
Return on investment (ROI)	10.0%	9.3%
Non-performing loan (NPL)	0.1%	0.1%

REPORT OF THE DIRECTORS

The Board of Directors ("the Directors") is pleased to present its report together with the audited financial statements of Cam Capital Specialized Bank Plc ("the Bank") for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Bank is principally engaged in all aspects of specialized banking business and the provision of related financial services in the Kingdom of Cambodia.

There were no significant changes in the principal activity during the year.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2016 were as follows:

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Profit before income tax	4,367,994	17,633,592	2,354,098	9,534,097
Income tax expense	(972,738)	(3,926,943)	(426,263)	(1,726,365)
Net profit for the year	3,395,256	13,706,649	1,927,835	7,807,732

DIVIDENDS

No dividend was declared or paid and the Directors do not recommend any dividend be paid for the year under review.

SHARE CAPITAL

On 27 July 2016, the Bank obtained a principal approval from the National Bank of Cambodia ("NBC") to increase the Bank's share capital from US$8,000,000 to US$20,000,000 through the issuance of additional 12,000,000 shares at US$1 per share. The amendment of the Articles of Incorporation was endorsed by the Ministry of Commerce on 28 September 2016.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year other than disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans and advances, and the making of allowance 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, 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.

CURRENT ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than debts, 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, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary courses 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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall 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.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank for the financial year were 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 year 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 results of the operations of the Bank for the current financial year in which this report is made.

EVENTS SINCE THE REPORTING DATE

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements, except for the fact that the shareholder's revolving loan facility has been increased to US$ 80 million since 15 February 2017.

DIRECTORS

The Directors who served since the date of the last report are:

Mr. Ivan Castello Hoyes JR	**Chairman**
Mr. Lee Yong Man	**Director**
Mr. Patrick Lowe	**Director**
Ms. Koh Seok Leng	**Director**
Mr. Ananthan Santhana Krishnan	**Independent Director**

DIRECTORS' INTERESTS

The Board of Directors who held office at the end of the financial year and their interests in the shares of the Bank are as follows:

	2016			2015		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
Mr. Lee Yong Man	4%	800,000	800,000	10%	800,000	800,000

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

iii) oversee the Bank's financial reporting process, maintain adequate accounting records and an effective system of internal controls;

iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so;

v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 35 to 71 which present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed in accordance with a resolution of the Board of Directors,

Mr. Ivan Castello Hoyes JR
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 28 MAR 2017

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders
Cam Capital Specialized Bank Plc

OPINION

We have audited the financial statements of Cam Capital Specialized Bank Plc ("the Bank"), which comprise the balance sheet as at 31 December 2016, the income statement, the statement of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 35 to 71.

In our opinion, the Bank financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The financial statements of the Bank for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 March 2016.

OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the report of the Directors on pages 25 to 29, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

28 March 2017

FINANCIAL **REPORT**

BALANCE SHEET

	Notes	2016 US$	2016 KHR'000 (Note 4)	2015 US$	2015 KHR'000 (Note 4)
Assets					
Cash on hand		129,167	521,447	47,833	193,724
Balance with the National Bank of Cambodia	5	1,002,278	4,046,196	401,678	1,626,796
Balances with other banks	6	16,551	66,816	230,355	932,938
Loans and advances - net	7	82,984,373	335,007,914	61,197,191	247,848,624
Other assets	8	912,403	3,683,372	700,339	2,836,373
Property and equipment	9	852,436	3,441,284	1,155,226	4,678,665
Intangible assets	10	122,681	495,263	119,266	483,027
Total Assets		86,019,889	347,262,292	63,851,888	258,600,147
Liabilities and Shareholders' Equity					
Liabilities					
Other liabilities	11	431,447	1,741,752	387,560	1,569,618
Provision for income tax	14 (a)	829,227	3,347,589	335,062	1,357,001
Borrowings	12	55,557,605	224,286,051	49,322,912	199,757,794
Subordinated debt	13	700,000	2,825,900	700,000	2,835,000
Total Liabilities		57,518,279	232,201,292	50,745,534	205,519,413
Shareholders' equity					
Share capital	15	20,000,000	80,740,000	8,000,000	32,400,000
Reserves	16	3,000,000	12,111,000	-	-
Retained earnings		5,501,610	22,210,000	5,106,354	20,680,734
Total shareholder's equity		28,501,610	115,061,000	13,106,354	53,080,734
Total Liabilities and Shareholders' Equity		86,019,889	347,262,292	63,851,888	258,600,147

INCOME STATEMENT

	Notes	2016 US$	2016 KHR'000 (Note 4)	2015 US$	2015 KHR'000 (Note 4)
Interest income	17	11,473,996	46,320,522	8,497,007	34,412,878
Interest expense		(3,684,541)	(14,874,492)	(2,874,781)	(11,642,863)
Net interest income		7,789,455	31,446,030	5,622,226	22,770,015
Allowances for bad and doubtful loans and advances	7	(193,642)	(781,733)	(128,205)	(519,230)
		7,595,813	30,664,297	5,494,021	22,250,785
Other operating income	18	1,050,309	4,240,097	932,042	3,774,770
Operating income		8,646,122	34,904,394	6,426,063	26,025,555
Personnel expenses	19	(2,550,924)	(10,298,080)	(2,108,509)	(8,539,462)
Depreciation and amortisation	20	(469,621)	(1,895,860)	(280,947)	(1,137,835)
General and administrative expenses	21	(1,257,583)	(5,076,864)	(1,682,509)	(6,814,161)
		(4,278,128)	(17,270,802)	(4,071,965)	(16,491,458)
Profit before income tax		4,367,994	17,633,592	2,354,098	9,534,097
Income tax expense	14(b)	(972,738)	(3,926,943)	(426,263)	(1,726,365)
Net profit for the year		3,395,256	13,706,649	1,927,835	7,807,732

STATEMENT OF CHANGES IN EQUITY

	Share Capital US$	Rserves US$	Retained earnings US$	Total US$
At 1 January 2015	8,000,000	-	3,178,519	11,178,519
Net profit for the year	-	-	1,927,835	1,927,835
At 31 December 2015	8,000,000	-	5,106,354	13,106,354
(KHR'000 equivalents) – (Note 4) At 31 December 2015	32,400,000	-	20,680,734	53,080,734
At 1 January 2016	8,000,000	-	5,106,354	13,106,354
Share issued during the year	12,000,000	-	-	12,000,000
Net profit for the year	-	-	3,395,256	3,395,256
Transfer to reserves	-	3,000,000	(3,000,000)	-
As at 31 December 2016	20,000,000	3,000,000	5,501,610	28,501,610
(KHR'000 equivalents) – (Note 4) At 31 December 2016	80,740,000	12,111,000	22,210,000	115,061,000

STATEMENT OF CASH FLOWS

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Cash flows from operating activities				
Profit before income tax				
Adjustments for:	4,367,994	17,633,592	2,354,098	9,534,097
Net interest income	(7,789,455)	(31,446,030)	(5,622,226)	(22,770,015)
Depreciation and amortisation	469,621	1,895,860	280,947	1,137,835
Allowance for doubtful loans	193,642	781,733	128,205	519,230
Gain on disposals of property and equipment	-	-	(29,886)	(121,038)
Cash used in operations	(2,758,198)	(11,134,845)	(2,888,862)	(11,699,891)
Changes in:				
Balances with the National Bank of Cambodia	(600,000)	(2,422,200)	-	-
Loans and advances	(21,980,824)	(88,736,586)	(19,539,376)	(79,134,473)
Other assets	(69,484)	(280,507)	168,088	680,755
Other liabilities	(21,440)	(86,553)	57,420	232,551
	(25,429,946)	(102,660,691)	(22,202,730)	(89,921,058)
Interest received	11,331,415	45,744,922	8,382,598	33,949,522
Interest paid	(3,619,213)	(14,610,763)	(2,790,004)	(11,299,516)
Income tax paid	(478,573)	(1,931,999)	(471,486)	(1,909,518)
Net cash used in operating activities	(18,196,317)	(73,458,530)	(17,081,622)	(69,180,570)
Cash flows from investing activities				
Acquisition of property and equipment	(123,216)	(497,423)	(1,013,132)	(4,103,185)
Acquisition of intangible assets	(47,030)	(189,860)	(56,940)	(230,607)
Proceeds from disposals of property and equipment	-	-	35,570	144,058
Net cash used in investing activities	(170,246)	(687,283)	(1,034,502)	(4,189,734)

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Cash flows from financing activities				
Share capital issued	12,000,000	48,444,000	-	-
Proceeds from borrowings	27,149,546	109,602,717	21,239,315	86,019,227
Repayment of borrowings	(20,914,853)	(84,433,262)	(3,485,552)	(14,116,485)
Net cash generated from financing activities	18,234,693	73,613,455	17,753,763	71,902,742
Net decrease in cash and cash equivalents	(131,870)	(532,358)	(362,361)	(1,467,562)
Cash and cash equivalents at beginning of the year	279,866	1,133,458	642,227	2,617,075
Currency translation difference	-	(3,641)	-	(16,055)
Cash and cash equivalents at end of the year (Note 22)	147,996	597,459	279,866	1,133,458

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Cam Capital Plc ("the Company") was incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under the registration number Co. 6364/09E, dated 22 December 2009. On 19 March 2012, the Company received a new registration number Co. 6364E/2009 from the Ministry of Commerce.

On 17 February 2010, the Company received an indefinite license from the National Bank of Cambodia to conduct business as a Micro-Finance Institution.

On 28 February 2012, the Company obtained approval from the National Bank of Cambodia to change its legal name from the Cam Capital Co., Ltd to be Cam Capital Plc and the revised Memorandum and Articles of Association was approved by the Ministry of Commerce on 19 March 2012.

On 1 August 2013, the Company received approval from the National Bank of Cambodia to upgrade to a specialized banking institution and change its legal name to Cam Capital Specialized Bank Plc ("the Bank"). The revised Memorandum and Articles of Association reflecting the changes was approved by the Ministry of Commerce on 16 August 2013.

Since 1 August 2013, the principal activities are in the specialized banking businesses and the provision of related financial services.

The registered office of the Bank is located at No. 689B, Kampuchea Krom Blvd, Sangkat Teuk Laak 1, Khan Toul Kork, Phnom Penh, Cambodia.

The Bank had 257 employees as at 31 December 2016 (31 December 2015: 250 employees)

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

The financial statements of the Bank were approved by the Board of Directors on 28 March 2017.

b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis.

(c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However as the Bank transacts its business and maintains its accounting records primarily in United States Dollars ("US$"), management have determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in foreign currencies are translated into US$ at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US$ at the reporting date are translated into US$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgements applied in the preparation of financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Note 3(f).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, other receivables, borrowings, subordinated debt and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Cash and cash equivalents

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

(c) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(d) Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital.

(e) Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any amounts written off and the provision for bad and doubtful loans.

(f) Allowance for bad and doubtful loans

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial conditional of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

Classification	Number of days past due	Allowance rate
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	360 days or more	100%

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

The allowance will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The allowance shall be recorded in the Bank's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other operating income in the income statement.

(g) Other assets

Other assets are carried at cost.

(h) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a straight line-basis over the estimated useful lives of the individual assets at the following rates:

Leasehold improvements	5 years
Office equipment, furniture and fixtures	4 years
Computer equipment	2 years
Motor vehicles	4 years

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

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) 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.

(i) Intangible assets

Intangible assets, which comprised of acquired computer software licenses and related costs, are stated at cost less accumulated amortization and impairment loss, if any. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. It is amortized at 50% annual rates using straight-line basis.

Membership fees are stated at costs less accumulated amortization and impairment. It is amortized over the defined useful life of 50 years as stated in the membership contract.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Note 3(f).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if it has been assessed to have decreased as a result of favorable events occurring subsequent to recognizing the impairment loss.

(ii) Non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(k) Borrowings

Borrowings are stated at cost.

(l) Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Income and expense recognition

Interest income on loans is recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

Loan processing fees and commission is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Expenses are recognised on an accrual basis.

(n) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease commitments are not recognised as liabilities until the obligation to pay become due.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

(p) Subordinated debt

Subordinated debt is treated as financial liability when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, if otherwise, it is treated as equity. The subordinated debt which is approved by the NBC is included as a Tier II line item in the calculation of the Bank's net worth in accordance with the guidelines of the NBC.

Subordinated debt is stated at cost.

(q) Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Cambodia Law on Banking and Financial Institutions, related parties include individuals who hold, directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participates in the administration, direction, management, or the design and implementation of the internal controls of the Bank.

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollar amounts into Khmer Riel are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US$1 to KHR4,037 (2015: US$1 to KHR4,050) published by the NBC on 31 December 2016. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Current account	2,278	9,196	1,678	6,796
Capital guarantee	1,000,000	4,037,000	400,000	1,620,000
	1,002,278	4,046,196	401,678	1,626,796

Under Prakas No. B7-00-05 on the Licensing of Specialized Banks dated 11 January 2000, the Specialized bank is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the National Bank of Cambodia. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit bears interest at 0.22% per annum.

6. BALANCES WITH OTHER BANKS

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Current accounts	4,554	18,384	7,887	31,942
Saving accounts	11,997	48,432	222,468	900,996
	16,551	66,816	230,355	932,938

7. LOANS AND ADVANCES – NET

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Short term loans	12,065,186	48,707,156	6,864,868	27,802,715
Long term loans	71,770,441	289,737,271	54,989,935	222,709,236
Gross loans	83,835,627	338,444,427	61,854,803	250,511,951
Allowance for losses on loans and advances				
At 1 January	657,612	2,663,327	529,407	2,157,333
Allowance during the year	193,642	781,733	128,205	519,230
Currency translation difference	-	(8,547)	-	(13,236)
At 31 December	851,254	3,436,513	657,612	2,663,327
Loans and advances, net	82,984,373	335,007,914	61,197,191	247,848,624

Loans and advances are analysed as follows:

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
a) By maturity:				
Not later than 1 year	12,408,502	50,093,123	7,502,448	30,384,913
Later than 1 year and no later than 3 years	20,336,719	82,099,335	10,930,874	44,270,040
Later than 3 years and no later than 5 years	51,006,232	205,912,159	43,172,228	174,847,523
Later than 5 years	84,174	339,810	249,253	1,009,475
	83,835,627	338,444,427	61,854,803	250,511,951
b) By industry:				
Agriculture	438,313	1,769,470	641,046	2,596,236
Construction	2,517,231	10,162,062	1,169,035	4,734,592
Services	20,872,167	84,260,938	31,837,049	128,940,048
Trade and commerce	44,201,437	178,441,201	26,647,149	107,920,953
Transportation	2,380,735	9,611,027	61,061	247,297
Other categories	13,425,744	54,199,729	1,499,463	6,072,825
	83,835,627	338,444,427	61,854,803	250,511,951

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
c) By currency:				
US Dollars	83,835,627	338,444,427	61,854,803	250,511,951
d) By residency status:				
Residents	83,835,627	338,444,427	61,854,803	250,511,951
e) By relationship:				
External customers	83,646,144	337,679,484	61,746,254	250,072,329
Staff loans	189,483	764,943	108,549	439,622
	83,835,627	338,444,427	61,854,803	250,511,951
f) By performance:				
Standard loans				
Secured	83,563,451	337,345,652	61,669,548	249,761,669
Unsecured	189,483	764,943	123,549	500,373
Special Mention				
Secured	27,749	112,023	9,649	39,078
Sub-standard loans				
Secured	48,600	196,198	13,494	54,651
Doubtful loans				
Secured	6,344	25,611	3,741	15,151
Loss loans				
Secured	-	-	34,822	141,029
	83,835,627	338,444,427	61,854,803	250,511,951
g) By exposure:				
Non-large exposures	83,835,627	338,444,427	61,854,803	250,511,951

8. OTHER ASSETS

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Accrued interest receivable	604,626	2,440,875	462,045	1,871,281
Interest in suspense	(4,833)	(19,511)	(21,210)	(85,901)
Net interest receivables	599,793	2,421,364	440,835	1,785,380
Prepayments	143,829	580,639	59,222	239,849
Deposits	165,940	669,900	191,768	776,661
Other receivable	2,841	11,469	8,514	34,483
	912,403	3,683,372	700,339	2,836,373

9. PROPERTY AND EQUIPMENT

2016	Leasehold improvments	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total	
	US$	US$	US$	US$	US$	KHR' 000 (Note 4)
Cost						
At 1 January 2016	687,258	275,468	534,553	283,570	1,780,849	7,212,438
Additions	7,366	13,971	52,999	48,880	123,216	497,423
Written off	-	-	(690)	-	(690)	(2,786)
Currency translation differences	-	-	-	-	-	(23,151)
At 31 December 2016	694,624	289,439	586,862	332,450	1,903,375	7,683,924
Less: Accumulated depreciation						
At 1 January 2016	207,345	115,470	212,302	90,506	625,623	2,533,773
Depreciation for the year	123,602	52,805	198,787	50,812	426,006	1,719,786
Written off	-	-	(692)	-	(692)	(2,794)
Currency translation difference	-	-	-	-	-	(8,134)
At 31 December 2016	330,947	168,275	410,397	141,320	1,050,939	4,242,640
Carrying amounts						
At 31 December 2016	363,677	121,164	176,463	191,132	852,436	3,441,284

2015	Leasehold improvments	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total	
	US$	US$	US$	US$	US$	KHR' 000 (Note 4)
Cost						
At 1 January 2015	319,471	167,358	214,786	149,501	851,116	3,468,294
Additions	367,787	123,592	323,682	198,071	1,013,132	4,103,185
Disposals	-	(15,482)	(3,915)	(64,000)	(83,397)	(337,758)
Currency translation differences	-	-	-	-	-	(21,278)
At 31 December 2015	687,258	275,468	534,553	283,572	1,780,851	7,212,447
Less: Accumulated depreciation						
At 1 January 2015	127,234	89,632	145,249	86,273	448,388	1,827,181
Depreciation for the year	80,111	40,766	70,968	63,105	254,950	1,032,548
Disposals	-	(14,928)	(3,915)	(58,870)	(77,713)	(314,738)
Currency translation differences	-	-	-	-	-	(11,209)
At 31 December 2015	207,345	115,470	212,302	90,508	625,625	2,533,782
Carrying amounts						
At 31 December 2015	479,913	159,998	322,251	193,064	1,155,226	4,678,665

10. INTANGIBLE ASSETS

Cost	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
At 1 January	223,032	903,280	166,092	676,825
Additions	47,030	189,860	56,940	230,607
Currency translation difference	-	(2,900)	-	(4,152)
At 31 December	270,062	1,090,240	223,032	903,280
Accumulated amortisation				
At 1 January	103,766	420,253	77,769	316,909
Amortisation for the year	43,615	176,074	25,997	105,287
Currency translation difference	-	(1,350)	-	(1,943)
At 31 December	147,381	594,977	103,766	420,253
Carrying amounts				
At 31 December	122,681	495,263	119,266	483,027

11. OTHER LIABILITIES

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Accrual interest payable	295,841	1,194,310	230,513	933,578
Salary and withholding tax payable	32,598	131,598	52,131	211,131
Accrued expense	27,539	111,175	27,507	111,403
Professional fee	7,700	31,085	13,200	53,460
Others	67,769	273,584	64,209	260,046
	431,447	1,741,752	387,560	1,569,618

12. BORROWINGS

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Borrowings from non – related parties	9,474,043	38,246,711	7,720,645	31,268,611
Borrowings from related Parties (Note 23 (b))	46,083,562	186,039,340	41,602,267	168,489,183
	55,557,605	224,286,051	49,322,912	199,757,794

13. SUBORDINATED DEBT

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Subordinated debt (Note 23 (b))	700,000	2,825,900	700,000	2,835,000
	700,000	2,825,900	700,000	2,835,000

14. INCOME TAX

(a) Current income tax liability

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
At 1 January	335,062	1,357,001	380,285	1,549,661
Current income tax expense	972,738	3,926,943	426,263	1,726,365
Income tax paid	(478,573)	(1,931,999)	(471,486)	(1,909,518)
Currency translation difference	-	(4,356)	-	(9,507)
At 31 December	829,227	3,347,589	335,062	1,357,001

In accordance with Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax at either the rate of 20% of taxable profits, or the minimum tax at 1% of gross revenues, whichever is higher.

(b) Income tax expense

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

	2016			2015		
	US$	KHR' 000 (Note 4)	%	US$	KHR' 000 (Note 4)	%
Profit before income tax	4,367,994	17,633,592		2,354,098	9,534,097	
Income tax using statutory rate	873,599	3,526,719	20%	470,820	1,906,821	20%
Non-deductible expenses	8,444	34,088	0%	6,173	25,001	0%
Temporary difference	60,635	244,784	1%	(50,730)	(205,457)	-2%
Prior year under provision	30,060	121,352	1%	-	-	0%
Income tax expense	972,738	3,926,943	22%	426,263	1,726,365	18%

15. SHARE CAPITAL

The share capital structure and the details of authorized and registered shareholding are as follows:

	2016			2015		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
OKS-CAM Investments Limited	92%	18,400,000	18,400,000	86%	6,880,000	6,880,000
Mr. Lee Yong Man	4%	800,000	800,000	10%	800,000	800,000
OKS-CAM Limited	4%	800,000	800,000	4%	320,000	320,000
	100%	20,000,000	20,000,000	100%	8,000,000	8,000,000

16. RESERVES

During the year, the Bank transferred retained earnings amounting to US$ 3,000,000 to Reserves. This occurred and was approved by NBC on 27 July 2016.

17. INTEREST INCOME

Interest income was made from the following sources:

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Loans and advances	11,467,972	46,296,203	8,491,933	34,392,328
Balances with the National Bank of Cambodia	1,466	5,918	4,754	19,254
Balances with other banks	4,558	18,401	320	1,296
	11,473,996	46,320,522	8,497,007	34,412,878

18. OTHER OPERATING INCOME

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Fees and commission on loans	638,164	2,576,268	559,503	2,265,987
Penalty fees	406,984	1,642,994	324,549	1,314,423
Others	5,161	20,835	47,990	194,360
	1,050,309	4,240,097	932,042	3,774,770

19. PERSONAL EXPENSES

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Salaries and wages	2,243,073	9,055,286	1,894,465	7,672,583
Others employee benefits	307,851	1,242,794	214,044	866,879
	2,550,924	10,298,080	2,108,509	8,539,462

20. DEPRECIATION AND AMORTISATION

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Depreciation	426,006	1,719,786	254,950	1,032,547
Amortisation	43,615	176,074	25,997	105,288
	469,621	1,895,860	280,947	1,137,835

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Rental	347,199	1,401,642	276,963	1,121,700
Professional fees	132,335	534,236	549,087	2,223,802
Advertising	125,228	505,545	286,664	1,160,989
Office supplies and stationery	111,833	451,470	138,258	559,945
Utilities	94,312	380,738	76,399	309,419
Vehicle expenses	78,164	315,548	61,656	249,707
Communication	71,307	287,866	45,819	185,567
Repairs and maintenance	67,880	274,032	54,068	218,975
Board of Directors' fees and expenses	52,047	210,114	45,276	183,368
Business meal and entertainment	45,218	182,545	39,668	160,655
Security guard	41,108	165,953	43,971	178,083
Insurance	25,657	103,577	24,296	98,399
Charitable contributions	500	2,019	11,636	47,126
Others	64,795	261,579	28,748	116,429
	1,257,583	5,076,864	1,682,509	6,814,161

22. CASH AND CASH EQUIVALENTS

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Cash on hand	129,167	521,447	47,833	193,724
Current account with NBC	2,278	9,196	1,678	6,796
Balances with other banks	16,551	66,816	230,355	932,938
	147,996	597,459	279,866	1,133,458

23. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Borrowings:				
OKS-CAM Limited				
Principal received	20,800,000	83,969,600	15,800,000	63,990,000
Principal repayments	16,300,000	65,803,100	600,000	2,430,000
Interest expense	2,890,728	11,669,870	2,304,156	9,331,832
Directors of the Bank:				
Principal received	81,450	328,814	567,945	2,276,817
Principal repayments	100,000	403,700	-	-
Interest expense	99.225	400,571	65,157	263,885
Management compensation				
Board of Directors' fees and expenses	52,047	210,114	45,276	183,368
Key management compensation	504,700	2,037,474	429,084	1,737,790

(b) Balances with related parties

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Borrowings (Note 12)				
OKS-CAM Limited	44,600,000	180,050,200	40,100,000	162,405,000
Director of the Bank	1,483,562	5,989,140	1,502,267	6,084,183
	46,083,562	186,039,340	41,602,267	168,489,183
Subordinated debt (Note 13)				
OKS-CAM Limited	700,000	2,825,900	700,000	2,835,000
Accrued interest payable				
OKS-CAM Limited	125,273	505,727	112,551	455,832
Director of the Bank	4,516	18,231	11,602	46,988
	129,789	523,958	124,153	502,820

24. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Bank has operating lease commitments in respect of leasehold land and buildings as follows:

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Within one year	343,200	1,385,498	174,745	707,717
From two to five years	1,276,110	5,151,656	655,595	2,655,160
	1,619,310	6,537,154	830,340	3,362,877

(b) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank could be significant.

25. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- operational risk
- credit risk
- market risk
- liquidity risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

(c) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Bank holds collateral against loans and advances in the form of mortgages over properties and/or charges over business assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

(i) Credit risk measurement

The Bank assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow.

(ii) 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 NBC as overall credit exposure to any single beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of NBC Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single 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 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 secured for loans to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

(iii) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-09-074 dated 25 February 2009 on loan classification and provisioning. Refer to Notes 3(f) for details.

(iv) Maximum exposure to credit risk before collateral held or other credit enhancements

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Balances with the National Bank of Cambodia	2,278	9,196	1,678	6,796
Balances with other banks	16,551	66,816	230,355	932,938
Loans and advances	82,984,373	335,007,914	61,197,191	247,848,624
Other assets*	602,634	2,432,833	580,317	2,350,285
	83,605,836	337,516,759	62,009,541	251,138,643

*The amount excluded non-financial assets.

(v) Exposure to credit risk

	2016		2015	
	US$	KHR' 000 (Note 4)	US$	KHR' 000 (Note 4)
Loans and advances to customers				
Neither past due nor impaired	83,752,934	338,110,595	61,647,497	249,672,362
Past due but not impaired	27,749	112,023	155,249	628,758
Individually impaired	54,944	221,809	52,057	210,831
	83,835,627	338,444,427	61,854,803	250,511,951
Allowance for losses on loans and advances	(851,254)	(3,436,513)	(657,612)	(2,663,327)
	82,984,373	335,007,914	61,197,191	247,848,624

Neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans of which past due period is less than 30 days. These loans are supported by bank guarantee and management views that likelihood of default is relatively low.

Impaired loans and advances

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 90 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

In determining the allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss" all collateral may be utilised, at market values approved by the NBC. Refer to separate accounting policy stated in Note 3(f).

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3%.

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed based on revised projections of the borrowers' business prospects, cash flows and repayment capacities, taking into account updated business perspectives and overall market conditions with realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 instalment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgages over properties and/or charges over business assets. Estimates of fair value are based on the value of collateral assessed on an annual basis.

There were no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

(d) 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.

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

(i) Foreign currency exchange risk

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

(ii) Price risk

The Bank is not exposed to price risk of securities because it does not hold any investments classified on the balance sheet as marketable securities.

(iii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.

2016	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Assets							
Cash on hand	-	-	-	-	-	129,167	129,167
Balances with the National Bank of Cambodia	-	-	-	-	-	2,278	2,278
Balances with other banks	11,997	-	-	-	-	4,554	16,551
Loans and advances to customers							
- Performing	489,601	1,634,193	10,284,708	71,260,258	84,174	-	83,752,934
- Non performing	-	-	-	-	-	82,693	82,693
- Allowance	-	-	-	-	-	(851,254)	(851,254)
Other assets	-	-	-	-	-	602,634	602,634
Total financial assets	501,598	1,634,193	10,284,708	71,260,258	84,174	(29,928)	83,735,003
Liabilities							
Borrowings	3,639,332	4,399,755	47,518,518	-	-	-	55,557,605
Subordinated debt	-	-	-	700,000		-	700,000
Other liabilities	-	-	-	-	-	303,541	303,541
Total financial liabilities	3,639,332	4,399,755	47,518,518	700,000	-	303,541	56,561,146
Total interest re-pricing gap	(3,137,734)	(2,765,562)	(37,233,810)	70,560,258	84,174	(333,469)	27,173,857

2015	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Assets							
Cash on hand	-	-	-	-	-	47,833	47,833
Balances with the National Bank of Cambodia	-	-	-	-	-	1,678	1,678
Balances with other banks	222,468	-	-	-	-	7,887	230,355
Loans and advances to customers							
- Performing	247,235	1,042,949	6,160,207	54,093,453	249,253	-	61,793,097
- Non performing	-	-	-	-	-	61,706	61,706
- Allowance	-	-	-	-	-	(657,612)	(657,612)
Other assets	-	-	-	-	-	580,317	580,317
Total financial assets	469,703	1,042,949	6,160,207	54,093,453	249,253	44,809	62,057,374
Liabilities							
Borrowings	2,381,817	5,029,989	41,902,007	9,100	-	-	49,322,913
Subordinated debt	-	-	-	700,000	-	-	700,000
Other liabilities	-	-	-	-	-	243,713	243,713
Total financial liabilities	2,381,817	5,029,989	41,902,007	709,100	-	243,713	50,266,626
Total interest re-pricing gap	(1,912,114)	(3,987,040)	(35,741,800)	53,384,353	249,253	(198,904)	11,790,748

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(e) Liquidity risk

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

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management.

At the Board of Directors' Meeting on 23 November 2016, it was discussed that the debentures (borrowings) with outstanding balance as at 31 December 2016 of US$ 11 million are expected to be fully repaid by May 2017 in response to the notification from the NBC in the on-site inspection report issued on 30 September 2016. On 15 December 2016, the Bank has informed NBC of the Bank's agreement to repay the debentures balance as required in the on-site inspection report .

On 15 February 2017, OKS-CAM Limited entered into the ninth supplemental agreement to Revolving Credit Loan Agreement with the Bank to increase the revolving loan facility to US$ 80,000,000.

The table below is an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	No fixed maturity date US$	Total US$
31 December 2016							
Liabilities							
Borrowings	3,689,714	4,619,620	2,943,822	44,600,290	-	-	55,853,446
Subordinated debt	-	-	-	700,000	-	-	700,000
Other liabilities	50,382	219,865	25,304	290	-	7,700	303,541
	3,740,096	4,839,485	2,969,126	45,300,580	-	7,700	56,856,987
31 December 2015							
Liabilities							
Borrowings	2,432,199	5,249,853	41,927,311	9,390	-	-	49,618,753
Subordinated debt	-	-	-	700,000	-	-	700,000
Other liabilities	32,612	127,296	1,354,630	99,408	-	243,713	1,857,659
	2,464,811	5,377,149	43,281,941	808,798	-	243,713	52,176,412

(f) Capital management

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

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

The NBC requires all the Banks to **(i)** fulfil the minimum capital requirements, and **(ii)** comply with solvency, liquidity and other requirements.

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

27. EVENTS SINCE THE REPORTING DATE

On 13 March 2017, the NBC issued Prakas No.B7-017-109 to cap the interest rate to a maximum of 18% per annum for any maturity of loan. This Prakas is effective for new loan contract including restructured loan and/or refinancing loans with signature and/orfinger – printed from 1 April 2017.

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