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CAM CAPITAL

SPECIALIZED BANK

ANNUAL REPORT

2014

CAM CAPITAL

CONTENTS

Vision and Mission of Cam Capital 2

Message from CEO 4

Our Products 6

Workshops 8

Organization Chart 10

Shareholders 11

Board of Directors 12

Management Team 14

Financial Highlights 16

Report of the Board of Directors 17

Independent Auditor's Report 19

Balance Sheet 20

Income Statement 21

Statement of changes in Equity 22

Statement of Cashflow 23

Note to the Financial Statements 24

VISION

A leading financial institution in South East Asia.

MISSION

To become a leading commercial bank with qualified assets, excellent risk management practices, a listing on the Phnom Penh Stock Exchange.

Creative & Aggressive business and Motivating staff

CAM CAPITAL
CAM CAPITAL

MESSAGE FROM CEO

The closing of our FY 2014 marks another important milestone with Cam Capital Specialized Bank Plc scoring another great year of financial growth in balance sheet size and profits. This was no easy task given the strong competition in our market and the mixed global economic conditions which also affected Cambodia.

The bank's net income rose by 119% to US$1,785,000 for year 2014 from US$815,000 for the year 2013, a really excellent achievement The bank's total assets grew by 38%, to US$44 million in the year 2014 from US$32 million in the year 2013. The strong performance was achieved without sacrificing credit quality. On the contrary we remain committed to ensure the best quality of loan portfolio for the bank. With cautious risk underwriting coupled with prompt and dedicated recovery efforts throughout the bank, we sharply reduced our classified loans to a modest 0.25% of our total loan portfolio. As per the National Bank of Cambodia guidelines, we have made adequate provisions for the various classified loans.

These strong results demonstrate our ability to compete head-on in the ever challenging financial industry. We continue to grow in a steady and prudent manner, ensuring that profit and growth remain appropriately balanced against risk and liquidity considerations. We are also mindful to calibrate the growth of the bank's assets and liabilities, ensuring that they both grow in-sync with each other.

Our success and splendid achievement cannot be done without the continued strong support and commitment from our shareholders for which we are most thankful. This is further underscored by the increase in shareholder loan to US$25 million in the year 2014 from US$17 million in the year 2013. Once again, our strong operating performance was made possible only with the well-executed and timely processing of loans, the diligent and close follow-up problem loans, and most importantly the dedication of our hardworking staff. These actions have led to the development of great team work & cooperation by all our staff and shareholders alike.

We believe that people are our greatest asset, and therefore we always strive to get the best talents in the industry. However not to remain complacent, continuous staff skill improvement & training is necessary. Fostering of teamwork , the upgrading of technical & business skills are given high priority. As such, in 2014, the following activities and training were given to our staff:

- Various in-house training courses for all staff
- In-house English language classes
- Chicago Booth's special program in Hong Kong for 2 senior management staff
- External banking course for Branch General Managers, Loan Managers and Branch Operations Managers
- External English language classes for three Loan Managers
- Social activities such as Cam Capital football club for our male staff and our female staff enjoyed movies outings.
- Local workshop in Sihanouk Province for managers.
- Oversea workshop in Indonesia in November 2014 which was attended by 121 staff members.

For the year 2015, we aim to push ourselves to score another robust performance with a target loan portfolio of US$53 million and non-performing loan percentage not exceeding 1%. We will strive to continue serving our customers with not only the best products in the market but with competitive pricing and the speediest of service. Only then we can be assured of the highest level of customer satisfaction.

Finally, we would like to thank our Board of Directors for their tireless efforts in guiding the bank's strategies, and we are grateful to our regulatory authorities, esteemed shareholders, and valued customers for their continued support.

Sincerely yours,

Lee Yong Man, CEO

OUR PRODUCTS

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.

CAR LOAN:

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

HOUSING LOAN:

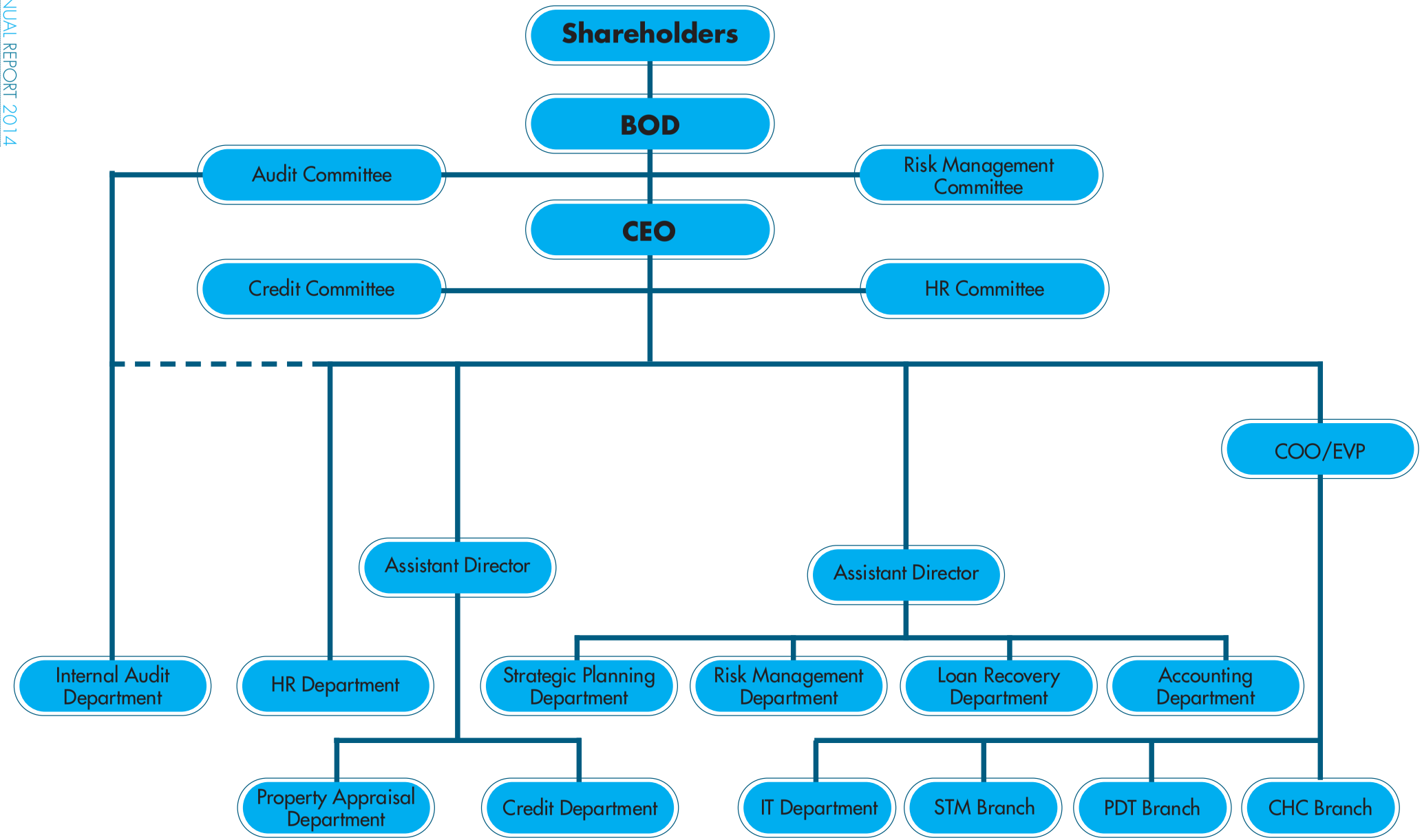
These loans are provided to borrowers who want to buy or construct houses for their needs.

WORKSHOPS

CAM CAPITAL
The10th Workshop

The10th Workshop

ORGANIZATION CHART



SHAREHOLDERS

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

	% of Ownership	2014 Number of shares	Amount US$	% of Ownership	2013 Number of shares	Amount US$
OKS-CAM Investments Limited	86%	6,880,000	6,880,000	86%	6,880,000	6,880,000
Lee Yong Man	10%	800,000	800,000	10%	800,000	800,000
OKS-CAM Limited	4%	320,000	320,000	4%	320,000	320,000
	100%	**8,000,000**	**8,000,000**	**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
- Executive Vice President, Visa International, Singapore & Head of Global Visa Commerce

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 OPERATION 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

HUN SAMNANG

ASSISTANT DIRECTOR / STRATEGIC PLANNING MANAGER

EDUCATION

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

WORK EXPERIENCE

- Branch Manager, Angkor Mikroheranvatho Kampuchea (AMK)
- Accounting Officer, Construction Company

PET RAVY

ASSISTANT DIRECTOR / CREDIT MANAGER

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

MAO NIMOL

ASSISTANT DIRECTOR / HUMAN RESOURCES MANAGER

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

ASSISTANT DIRECTOR / INTERNAL AUDIT MANAGER

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

SIENG KIMHONG

IT MANAGER

EDUCATION

Bachelor of Information Technology, Royal University of Phnom Penh

WORK EXPERIENCE

- Finance Officer, Mine Advisory Group (MAG)
- Software Developer, KC MKK

PHANN SOTHY

LOAN RECOVERY MANAGER

EDUCATION

Bachelor of Business Administration, Finance and Accounting, National Institute of Business

WORK EXPERIENCE

Internal Auditor, Hatha Kaksekar Limited

KY PHALLA

INTERNAL APPRAISAL MANAGER

EDUCATION

Bachelor of Rural Economic Development, Royal University of Law and Economics.

WORK EXPERIENCE

Assistant Vice President and Assistant Manager of Collateral Management Unit, Acleda Bank Plc

NGET BUNTHOEUN

SENIOR BRANCH GENERAL MANAGER

EDUCATION

- Pursuing Master of Business Administration, General Management, National University of Management
- Bachelor of Agronomy Science, Royal University of Agriculture

WORK EXPERIENCE

Medium Credit Officer, Acleda Bank Plc

KHIN SOPHAN

BRANCH GENERAL MANAGER

EDUCATION

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

WORK EXPERIENCE

Chief of Credit Officer, Acleda Bank Plc

LY SAVISOTH

BRANCH GENERAL MANAGER

EDUCATION

- Pursuing Master of Business Administration, General Management, National University of Managment
- Bachelor of Business Administration, Tourism, National University of Management

WORK EXPERIENCE

Credit Officer, Acleda Bank Plc

PEN SAMROUL

BRANCH GENERAL MANAGER

EDUCATION

- Pursuing Master of Business Administration, General Management, National University of Managment
- Bachelor of Business Administration, Economic-Business, National University of Management

WORK EXPERIENCE

Medium Credit Officer, Acleda Bank Plc

FINANCIAL HIGHLIGHTS

	2014	2013
OPERATING RESULT (US$'000)		
Net Income before income tax	2,235	1,026
Net Income for the year	1,785	814
KEY BALANCE SHEET DATA (US$'000)		
Total Assets	44,073	32,146
Loan to customers	41,786	30,694
Total Liabilities	32,895	22,753
Paid up capital	8,000	8,000
Shareholder's equity	11,178	9,393
FINANCIAL RATIO (%)		
Yield on portfolio	17.6%	18.4%
Financial expense ratio	5.1%	5.4%
Operating expense ratio	6.7%	7.6%
Return on assets (ROA)	4.8%	3.0%
Return on equity (ROE)	16.0%	10.1%

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Directors") is pleased to present its report and the audited financial statements of Cam Capital Specialized Bank Plc ("the Bank") for the year ended 31 December 2014.

Principal activities

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

Financial performance

The financial performance for the year ended 31 December 2014 is set out in the income statement on page 6 of the financial statements.

Dividends

There were no dividends declared or paid during the year ended 31 December 2014 (2013: Nil).

Statutory capital

Share capital of the Bank is US$8,000,000 (2013: US$8,000,000).

Bad and doubtful loans

Before the income statement and balance sheet of the Bank were drawn up, the Directors 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 to the best of their 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 realized 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.

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 year 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 year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, 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 financial year 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 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 financial performance of the Bank for the current financial year.

The board of directors

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

- Mr. Ivan Hoyes — Chairman
- Mr. Lee Yong Man — Director
- Mr. Patrick Lowe — Director
- Ms. Koh Seok Leng — Director
- Mr. Ananthan Santhana Krishnan — 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 cashflow for the year 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; and

v) effectively control and direct the Bank in all material decisions affecting its 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 respects, the financial position of the Bank as at 31 December 2014, and of its financial performance and its cashflow for the year 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.

Ivan Hoyes
Chairman

Date: 20 MAR 2015
Phnom Penh, Kingdom of Cambodia

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cam Capital Specialized Bank Plc

We have audited the accompanying financial statements of Cam Capital 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 year ended 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 cashflow for the year then ended 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: 20 March 2015

BALANCE SHEET

		2014		2013	
	Note	US$	KHR'000	US$	KHR'000
Assets					
Cash on hand		14,277	58,179	11,707	46,769
Balances with the Central Bank	4	401,378	1,635,615	401,104	1,602,410
Balances with other banks	5	626,572	2,553,281	280,984	1,122,531
Net loans and advances to customers	6	41,786,020	170,278,032	30,693,720	122,621,411
Other assets	7	754,018	3,072,624	404,233	1,614,911
Property and equipment	8	402,728	1,641,117	252,706	1,009,560
Intangible assets	9	88,323	359,916	101,669	406,168
Total assets		**44,073,316**	**179,598,764**	**32,146,123**	**128,423,760**
Liabilities and equity					
Liabilities					
Borrowings	10	31,569,149	128,644,282	21,698,085	86,683,850
Subordinated debt	11	700,000	2,852,500	700,000	2,796,500
Current income tax liabilities	20	380,285	1,549,661	155,864	622,677
Other liabilities	12	245,363	999,857	198,827	794,312
Total liabilities		32,894,797	134,046,300	22,752,776	90,897,339
Equity					
Share capital	13	8,000,000	32,600,000	8,000,000	31,960,000
Retained earnings		3,178,519	12,952,464	1,393,347	5,566,421
Total equity		11,178,519	45,552,464	9,393,347	37,526,421
Total liabilities and equity		**44,073,316**	**179,598,764**	**32,146,123**	**128,423,760**

INCOME STATEMENT

		2014		2013	
	Note	US$	KHR'000	US$	KHR'000
Interest income	14	6,018,180	24,524,084	4,409,025	17,614,055
Interest expense	15	(1,833,751)	(7,472,535)	(1,389,076)	(5,549,359)
Net interest income		4,184,429	17,051,549	3,019,949	12,064,696
Provision for bad and doubtful loans	6	(101,638)	(414,175)	(280,412)	(1,120,246)
Net interest income after provision for bad and doubtful loans		4,082,791	16,637,374	2,739,537	10,944,450
Other operating income	16	592,293	2,413,594	370,811	1,481,390
Operating income		4,675,084	19,050,968	3,110,348	12,425,840
Personnel expenses	17	(1,469,558)	(5,988,449)	(1,196,103)	(4,778,431)
Depreciation and amortization	18	(153,313)	(624,751)	(117,151)	(468,018)
General and administrative expenses	19	(816,973)	(3,329,165)	(771,576)	(3,082,446)
Net income before tax		2,235,240	9,108,603	1,025,518	4,096,945
Income tax expense	20	(450,068)	(1,834,027)	(210,886)	(842,490)
Net income for the year		**1,785,172**	**7,274,576**	**814,632**	**3,254,455**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	US$	US$	US$
For the year ended 31 December 2013			
Balance as at 1 January 2013	3,000,000	578,715	3,578,715
Capital injection	5,000,000	-	5,000,000
Net income for the year	-	814,632	814,632
Balance as at 31 December 2013	8,000,000	1,393,347	9,393,347
In KHR'000 equivalent	31,960,000	5,566,421	37,526,421
For the year ended 31 December 2014			
Balance as at 1 January 2014	8,000,000	1,393,347	9,393,347
Capital injection	-	-	-
Net income for the year	-	1,785,172	1,785,172
Balance as at 31 December 2014	8,000,000	3,178,519	11,178,519
In KHR'000 equivalent	32,600,000	12,952,465	45,552,465

STATEMENT OF CASHFLOW

	2014		2013	
	US$	KHR'000	US$	KHR'000
Cashflow from operating activities				
Net income before tax	2,235,240	9,108,604	1,025,518	4,096,944
Adjustments for:				
Depreciation and amortization charges	153,313	624,751	117,151	468,018
Net interest income	(4,184,429)	(17,051,549)	(3,019,949)	(12,064,696)
Allowance for bad and doubtful loans and advances	101,638	414,175	280,412	1,120,246
	(1,694,238)	(6,904,019)	(1,596,868)	(6,379,488)
Changes in working capital				
Loans and advances	(11,193,938)	(45,615,297)	(11,408,500)	(45,576,958)
Other assets	(269,936)	(1,099,990)	26,581	106,191
Other liabilities	9,846	40,122	40,234	160,735
Cash used in operations	(13,148,266)	(53,579,184)	(12,938,553)	(51,689,520)
Interest received	5,938,330	24,198,695	4,319,142	17,254,972
Interest paid	(1,797,061)	(7,323,024)	(1,332,781)	(5,324,460)
Income tax paid	(225,647)	(919,512)	(164,513)	(657,229)
Cash used in operating activities	(9,232,644)	(37,623,025)	(10,116,705)	(40,416,237)
Cashflow from investing activities				
Purchases of property and equipment	(283,471)	(1,155,144)	(142,350)	(568,688)
Purchases of intangible assets	(7,186)	(29,283)	(75,834)	(302,957)
Proceeds from disposals of property and equipment	669	2,726	207	827
Cash used in investing activities	(289,988)	(1,181,701)	(217,977)	(870,818)
Cashflow from financing activities				
Proceeds from borrowings	12,437,434	50,682,544	14,194,585	56,707,367
Repayments of borrowings	(2,566,370)	(10,457,958)	(8,936,847)	(35,702,703)
Capital guarantee with the Central Bank	-	-	(250,000)	(998,750)
Proceeds from capital injection	-	-	5,000,000	19,975,000
Cash generated from financing activities	9,871,064	40,224,586	10,007,738	39,980,914
Net increase/ (decrease) in cash and cash equivalents	348,432	1,419,860	(326,944)	(1,306,141)
Cash and cash equivalents at beginning of year	293,795	1,173,711	620,739	2,479,852
Currency translation differences	-	23,504	-	-
Cash and cash equivalents at end of year	642,227	2,617,075	293,795	1,173,711

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND AND PRINCIPAL ACTIVITY

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 its license to the specialized banking institution and change its legal name to Cam Capital Specialized Bank Plc ("the Bank") and 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 of the Bank is in the specialized banking business, and the provision of related financial services.

The registered office of the Bank is located at No. 689B, Kampucheakrom Blvd, SangkatTeuk Laak 1, Khan Toul Kork, Phnom Penh, Cambodia.

The Bank had199 employees as at 31 December 2014 (31 December 2013: 122)

The financial statements were approved by the Board of Directors on 20 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 cashflow 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.

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.

2.2 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).

The National Accounting Council of the Ministry of Economy and Finance through Circular No. 086 MoEF.NAC dated 30 July 2012 approved a delay in adoption of CIFRS by banking and financial institution 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 (31 December 2013: US$1 to KHR3,995). Such translation amounts are unaudited and should not be construed as representations that the US$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

2.4 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 taking into account number of days past due and the minimum provisioning requirements:

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.

2.8 Interest income

Interest on loans and advances to customers and deposits with the Central Bank are recognised on an accruals basis, except where serious doubt exists as to the collectability, in which case, no interest income is recognised. 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 Fee and commission income

Fee and commission income is recognized when the service has been provided. Loan processing fees and commissions are recognised on the occurrence of such transactions.

Classification	Number of days past due	Provision
General provision:		
Normal/standard	Less than 30 days	1%
Specific provision:		
Special mention	30 days – 89 days	3%
Substandard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	Over 360 days	100%

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 other property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets as follows:

Building and leasehold Improvements	5 years
Furniture and fixtures	4 years
Computer Equipment	2 years
Motor vehicles	4 years

Land is not depreciated.

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 with the carrying amount and are recognised in the income statement.

2.11 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortization and impairment loss. Acquired computer software licenses are capitalized on the basis of cost incurred to acquired the specific software and bring it to use.

The cost are amortized over five years or longer based on the contract period using the straight-line basis. Cost associated with maintaining computer software are recognized as expenses when incurred.

Club 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.

When the membership has an indefinite useful life, impairment is assessed annually and impairment charge will be credited to the income statement.

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 amortisation 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 recognised 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 amortisation, had no impairment loss been recognised.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of the 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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.15 Deferred and current income tax

(a) Current income tax

The current income tax, recognised 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.

(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 realised 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 relate to income tax 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 income 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.

2.17 Subordinated debt

Subordinated debt is recognized initially at cost and subsequently stated at the outstanding principal amount.

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 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.

b) Income tax

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

	2014		2013	
	US$	KHR'000	US$	KHR'000
Current accounts	1,378	5,615	1,104	4,410
Capital guarantee	400,000	1,630,000	400,000	1,598,000
	401,378	**1,635,615**	**401,104**	**1,602,410**

The bank is required to maintain an amount equal to five percent of its paid-up capital in a permanent account with the Central Bank. This capital guarantee bears interest at 1/2 of the refinancing rate set by the Central Bank for deposit in Khmer Riel and 3/8 of 6M SIBOR rate for deposit in US Dollar. The interest payments are settled semi-annually.

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

5. BALANCES WITH OTHER BANKS

	2014		2013	
	US$	KHR'000	US$	KHR'000
Current accounts	4,552	18,549	35,669	142,498
Saving accounts earned interest	622,020	2,534,732	245,315	980,033
	626,572	**2,553,281**	**280,984**	**1,122,531**

6. LOANS AND ADVANCES TO CUSTOMERS

	2014		2013	
	US$	KHR'000	US$	KHR'000
Short-term loans	8,100,433	33,009,264	4,701,116	18,780,958
Long-term loans	34,214,994	139,426,101	26,444,285	105,644,919
	42,315,427	172,435,365	31,145,401	124,425,877
Provision for bad and doubtful loans and advances:				
Specific	(107,326)	(437,353)	(142,359)	(568,724)
General	(422,081)	(1,719,980)	(309,322)	(1,235,742)
	(529,407)	(2,157,333)	(451,681)	(1,804,466)
Net loans and advances to customers	**41,786,020**	**170,278,032**	**30,693,720**	**122,621,411**

a) Provision for bad and doubtful loans and advances

	2014		2013	
	US$	KHR'000	US$	KHR'000
At beginning of the year	451,681	1,840,600	183,574	733,377
Additional provision for the year	101,638	414,175	280,412	1,120,246
Write-off	(23,912)	(97,442)	(12,305)	(49,157)
At end of the year	**529,407**	**2,157,333**	**451,681**	**1,804,466**

b) By classification

	2014		2013	
	US$	KHR'000	US$	KHR'000
Standard loans:				
Secured	42,145,504	171,742,929	30,912,181	123,494,163
Unsecured	62,597	255,083	20,000	79,900
Doubtful loans:				
Secured	-	-	141,721	566,175
Loss loans:				
Secured	107,326	437,353	71,499	285,639
	42,315,427	**172,435,365**	**31,145,401**	**124,425,877**

c) By relationship

	2014		2013	
	US$	KHR'000	US$	KHR'000
Staff loans	42,597	173,583	38,441	153,572
External customers	42,272,830	172,261,782	31,106,960	124,272,305
	42,315,427	**172,435,365**	**31,145,401**	**124,425,877**

d) By exposure

	2014		2013	
	US$	KHR'000	US$	KHR'000
Non-large exposure	**42,315,427**	**172,435,366**	**31,145,401**	**124,425,877**

7. OTHER ASSETS

	2014		2013	
	US$	KHR'000	US$	KHR'000
Accrued interest receivable	396,995	1,617,755	302,329	1,207,804
Interest in suspense	(70,569)	(287,569)	(55,753)	(222,733)
Net interest receivables	326,426	1,330,186	246,576	985,071
Prepayments	309,520	1,261,294	77,841	310,975
Deposits	94,755	386,127	46,993	187,737
Other receivables	23,317	95,017	32,823	131,128
	754,018	**3,072,624**	**404,233**	**1,614,911**

8. PROPERTY AND EQUIPMENT

	Leasehold improve-ments US$	Office equipment US$	Computer equipment US$	Motor vehicles US$	Furniture and fixture US$	Total US$
Year ended 31 December 2013						
Opening net book amount	93,891	38,160	26,251	52,108	3,987	214,397
Additions	61,021	32,062	35,797	10,800	2,670	142,350
Disposals, net	-	(207)	-	-	-	(207)
Depreciation charge	(30,051)	(19,338)	(29,938)	(23,751)	(756)	(103,834)
Closing net book value	124,861	50,677	32,110	39,157	5,901	252,706
At 31 December 2013						
Cost	209,500	107,264	141,281	105,167	14,819	578,031
Accumulated depreciation	(84,639)	(56,587)	(109,171)	(66,010)	(8,918)	(325,325)
Net book value	124,861	50,677	32,110	39,157	5,901	252,706
In KHR '000 equivalent	498,820	202,455	128,279	156,431	23,575	1,009,560
Year ended 31 December 2014						
Opening net book amount	124,861	50,677	32,110	39,157	5,901	252,706
Additions	109,971	36,901	74,640	54,100	7,859	283,471
Disposals, net	-	-	-	(669)	-	(669)
Depreciation charge	(42,595)	(22,616)	(37,006)	(29,361)	(1,202)	(132,780)
Closing net book value	192,237	64,962	69,744	63,227	12,558	402,728
At 31 December 2014						
Cost	319,471	144,165	215,301	149,500	22,678	851,115
Accumulated depreciation	(127,234)	(79,203)	(145,557)	(86,273)	(10,120)	(448,387)
Net book value	192,237	64,962	69,744	63,227	12,558	402,728
In KHR '000 equivalent	783,366	264,720	284,207	257,650	51,174	1,641,117

9. INTANGIBLE ASSETS

	Anti-virus software US$	Core-banking licenses US$	Club membership US$	Total US$
Year ended 31 December 2013				
Opening net book value	-	6,592	32,560	39,152
Additions	1,155	36,564	38,115	75,834
Amortization charge	(133)	(12,718)	(466)	(13,317)
Closing net book value	1,022	30,438	70,209	101,669
At 31 December 2013				
Cost	1,155	87,076	70,675	158,906
Accumulated amortization	(133)	(56,638)	(466)	(57,237)
Net book value	1,022	30,438	70,209	101,669
In KHR '000 equivalent	4,083	121,600	280,485	406,168
Year ended 31 December 2014				
Opening net book value	1,022	30,438	70,209	101,669
Additions	2,227	4,959	-	7,186
Amortization charge	(736)	(19,034)	(762)	(20,533)
Closing net book value	2,513	16,363	69,447	88,323
At 31 December 2014				
Cost	3,382	92,035	70,675	166,092
Accumulated amortization	(869)	(75,672)	(1,228)	(77,769)
Net book value	2,513	16,363	69,447	88,323
In KHR '000 equivalent	10,240	66,679	282,997	359,916

10. BORROWINGS

	2014		2013	
	US$	KHR'000	US$	KHR'000
Loans from non-related parties	5,734,826	23,369,416	4,107,418	16,409,135
Loans from related parties	25,834,323	105,274,866	17,590,667	70,274,715
	31,569,149	**128,644,282**	**21,698,085**	**86,683,850**

11. SUBORDINATED DEBT

	2014		2013	
	US$	KHR'000	US$	KHR'000
Subordinated debt	700,000	2,852,500	700,000	2,796,500
	700,000	**2,852,500**	**700,000**	**2,796,500**

12. OTHER LIABILITIES

	2014		2013	
	US$	KHR'000	US$	KHR'000
Interest payable	145,736	593,874	109,046	435,639
Withholding tax payable	29,052	118,387	19,688	78,654
Professional fee	12,100	49,308	16,001	63,924
Salary tax payable	7,252	29,552	4,837	19,324
Accrued expense	6,676	27,205	-	-
Other payable	44,547	181,531	49,255	196,771
	245,363	**999,857**	**198,827**	**794,312**

13. SHARE CAPITAL

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

	2014			2013		
	% of Owner-ship	Number of shares	Amount US$	% of Owner-ship	Number of shares	Amount US$
OKS-CAM Investments Limited	86%	6,880,000	6,880,000	86%	6,880,000	6,880,000
Lee Yong Man	10%	800,000	800,000	10%	800,000	800,000
OKS-CAM Limited	4%	320,000	320,000	4%	320,000	320,000
	100%	8,000,000	8,000,000	100%	8,000,000	8,000,000
Equivalent in KHR'000			**32,600,000**			**31,960,000**

14. INTEREST INCOME

	2014		2013	
	US$	KHR'000	US$	KHR'000
Loans to customers	6,014,104	24,507,474	4,405,026	17,598,079
Balances with the Central Bank	274	1,117	438	1,750
Balances with other banks	3,802	15,493	3,561	14,226
	6,018,180	**24,524,084**	**4,409,025**	**17,614,055**

15. INTEREST EXPENSE

	2014		2013	
	US$	KHR'000	US$	KHR'000
Loans from non-related parties	346,810	1,413,250	189,460	756,893
Loans from related parties	1,486,941	6,059,285	1,199,616	4,792,466
	1,833,751	**7,472,535**	**1,389,076**	**5,549,359**

16. OTHER OPERATING INCOME

	2014		2013	
	US$	KHR'000	US$	KHR'000
Fees and commission on loans	365,351	1,488,805	257,800	1,029,911
Penalty fees	214,993	876,096	108,103	431,871
Other miscellaneous income	11,949	48,693	4,908	19,608
	592,293	**2,413,594**	**370,811**	**1,481,390**

17. PERSONNEL EXPENSES

	2014		2013	
	US$	KHR'000	US$	KHR'000
Salaries and wages	1,347,199	5,489,836	1,045,637	4,177,320
Other employee benefits	122,359	498,613	150,466	601,111
	1,469,558	**5,988,449**	**1,196,103**	**4,778,431**

18. DEPRECIATION AND AMORTISATION

	2014		2013	
	US$	KHR'000	US$	KHR'000
Depreciation	132,780	541,078	103,834	414,817
Amortization	20,533	83,668	13,317	53,201
	153,313	**624,751**	**117,151**	**468,018**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2014		2013	
	US$	KHR'000	US$	KHR'000
Advertisement expenses	190,493	776,259	83,431	333,308
Professional fees	127,328	518,862	327,107	1,306,792
Rental	118,683	483,633	89,941	359,314
Office supplies and stationery	66,198	269,757	39,680	158,522
Vehicle expenses	48,404	197,246	43,480	173,704
Utilities	41,374	168,599	35,739	142,777
BOD expenses	35,803	145,897	13,707	54,759
Business meal and entertainment	29,225	119,092	28,192	112,627
Repair and maintenance	28,338	115,477	18,577	74,215
Communication	27,750	113,081	19,108	76,336
Guard security	21,244	86,569	16,923	67,607
Insurance expenses	13,801	56,239	7,221	28,848
Charity expenses	1,774	7,229	2,759	11,022
Other expenses	66,558	271,225	45,711	182,615
	816,973	**3,329,165**	**771,576**	**3,082,446**

20. INCOME TAX

a) Income tax expense

	2014		2013	
	US$	KHR'000	US$	KHR'000
Current income tax	450,068	1,834,027	210,886	842,490
	450,068	**1,834,027**	**210,886**	**842,490**

b) Current income tax liabilities

	2014		2013	
	US$	KHR'000	US$	KHR'000
Balance at beginning of year	155,864	635,146	109,491	437,417
Income tax expense	450,068	1,834,027	210,886	842,490
Income tax paid	(225,647)	(919,512)	(164,513)	(657,230)
Balance at end of year	**380,285**	**1,549,661**	**155,864**	**622,677**

c) Reconciliation between income tax expense and accounting income

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:

	2014		2013	
	US$	KHR'000	US$	KHR'000
Net income before tax	2,235,240	9,108,604	1,025,518	4,096,945
Income tax using statutory rate at 20%	447,048	1,821,721	205,104	819,390
Effect of non-deductible expenses	3,020	12,306	5,782	23,100
Current income tax	**450,068**	**1,834,027**	**210,886**	**842,490**

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

21. CASH AND CASH EQUIVALENTS

	2014		2013	
	US$	KHR'000	US$	KHR'000
Cash on hand	14,277	58,179	11,707	46,769
Current account on balance with the Central Bank	1,378	5,615	1,104	4,410
Balances with other banks	626,572	2,553,281	280,984	1,122,532
	642,227	**2,617,075**	**293,795**	**1,173,711**

22. RELATED PARTY BALANCES AND TRANSACTIONS

Significant transactions and balances with related parties are as follows:

a) Transaction with related parties

	2014		2013	
	US$	KHR'000	US$	KHR'000
i) OKS-CAM Limited:				
Borrowings				
Principal received	10,000,000	40,750,000	8,300,000	33,158,500
Principal repayments	2,100,000	8,557,500	6,100,000	24,369,500
Interest expense	1,433,265	5,840,555	1,145,961	4,578,114
Subordinated debt:				
Interest expense	53,676	218,730	53,655	214,352
ii) Director of the Bank:				
Principal received	343,656	1,400,398	1,787,167	7,139,732
Principal repayments	-	-	1,748,766	6,986,320
Interest expense	50,431	205,504	38,401	153,412

b) Key management compensations

	2014		2013	
	US$	KHR'000	US$	KHR'000
Board of director's fee	9,120	36,434	2,280	9,109
Key management compensation	315,400	1,285,255	219,402	876,511

c) Balances with related parties

	2014		2013	
	US$	KHR'000	US$	KHR'000
i) OKS-CAM Limited:				
Borrowings	24,900,000	101,467,500	17,000,000	67,915,000
Subordinated debt	700,000	2,852,500	700,000	2,796,500
ii) Directors of the company:				
Borrowings from directors	934,323	3,807,366	590,667	2,359,717

23. COMMITMENTS

Operating lease commitments – Bank as lessee

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

	2014		2013	
	US$	KHR'000	US$	KHR'000
1 year or less	147,723	601,971	82,789	330,741
Greather than lesser	479,063	1,952,182	140,489	561,254
	626,786	**2,554,153**	**223,278**	**891,995**

24. 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 contracts and interest rate swaps to manage its risk exposures.

The Bank holds the following financial assets and liabilities:

	2014		2013	
	US$	KHR'000	US$	KHR'000
Financial assets				
Cash on hand	14,277	58,179	11,707	46,769
Excess balance with the Central Bank	1,378	5,615	1,104	4,410
Balances with other banks	626,572	2,553,281	280,984	1,122,531
Loans and advances to customers	42,315,427	172,435,365	31,145,401	124,425,877
Other assets	444,500	1,811,338	326,392	1,303,936
Total financial assets	**43,402,154**	**176,863,778**	**31,765,588**	**126,903,523**
Financial liabilities				
Borrowing	31,569,149	128,644,282	21,698,085	86,683,850
Subordinated debt	700,000	2,852,500	700,000	2,796,500
Other liabilities	202,383	824,711	174,302	696,336
Total financial liabilities	**32,471,532**	**132,321,493**	**22,572,387**	**90,176,686**
Net financial assets	**10,930,622**	**44,542,285**	**9,193,201**	**36,726,837**

24.1 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 significant risk for the Bank's business. Credit exposures arise principally in lending activities.

a) Credit risk measurement

The Bank has established the 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. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure loans and advances to customers are:

- Mortgages over properties (land, buildings and other properties) and
- Charges over business assets such as land and buildings.

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.

d) Total exposure to credit risk before collateral held or other credit enhancements

	2014		2013	
	US$	KHR'000	US$	KHR'000
Credit risks exposures relating to balance sheet assets:				
Loans and advances to customers	42,315,427	172,435,365	31,145,401	124,425,877
Other assets	444,500	1,811,338	326,392	1,303,936
At 31 December	**42,759,927**	**174,246,703**	**31,471,793**	**125,729,813**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2014 and 2013, 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 exposure is derived from loans and advances to customers (2013: 99%).

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. 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:

	2014		2013	
	US$	KHR'000	US$	KHR'000
Loans and advances neither past due nor impaired	41,893,298	170,715,189	30,419,688	121,526,654
Loans and advances past due but not impaired	314,803	1,282,822	512,493	2,047,409
Loans and advances individually impaired	107,326	437,354	213,220	851,814
Gross	42,315,427	172,435,365	31,145,401	124,425,877
Less:				
Provision for loan losses	(529,407)	(2,157,334)	(451,681)	(1,804,466)
Net loans and advances	**41,786,020**	**170,278,031**	**30,693,720**	**122,621,411**

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 to customers past due but not impaired

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. The gross amount of loans and advances by class to customers that were past due but not impaired are as follows:

	2014		2013	
	US$	KHR'000	US$	KHR'000
Past due up to 30 days	314,803	1,282,822	512,493	2,047,409
Past due 31-90 days	-	-	-	-
	314,803	**1,282,822**	**512,493**	**2,047,409**

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.

	2014		2013	
	US$	KHR'000	US$	KHR'000
Past due 90-179 days	-	-	-	-
Past due 180-359 days	-	-	141,721	566,175
Past due 360 days or more	107,326	437,354	71,499	285,639
	107,326	**437,354**	**213,220**	**851,814**

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 take possession of any collateral held as security.

As required by the Central Bank, repossessed properties have to be sold within one year.

Repossessed property, if any, is classified in the balance sheet an foreclosed properties.

g) Concentration of financial assets with credit risk exposure

i. Geographical sector

The bank has credit exposure only in Cambodia, as at 31 December 2014.

ii. Industry sector

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Agriculture US$	Construction US$	Services US$	Trade and commerce US$	Transportation US$	Other categories US$	Total US$
31 December2014							
Loans and advances to customers	536,748	819,623	22,739,330	16,974,586	48,411	1,196,729	42,315,427
Balances with other banks	-	-	-	-	-	626,572	626,572
Other assets	-	-	-	-	-	444,500	444,500
As at 31 December2014	536,748	819,623	22,739,330	16,974,586	48,411	2,267,801	43,386,499
In KHR'000 equivalents	2,187,248	3,339,964	92,662,770	69,171,438	197,275	9,241,289	176,799,983

	Agriculture US$	Construction US$	Services US$	Trade and commerce US$	Transpor tation US$	Other categories US$	Total US$
31 December2013							
Loans and advances to customers	472,740	349,541	14,981,660	14,943,908	36,979	360,573	31,145,401
Balances with other banks	-	-	-	-	-	280,984	280,984
Other assets	-	-	-	-	-	326,392	326,392
As at 31 December2013	472,740	349,541	14,981,660	14,943,908	36,979	967,949	31,752,777
In KHR'000 equivalents	1,888,596	1,396,416	59,851,732	59,700,912	147,731	3,866,956	126,852,343

24.2 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

Cashflow interest rate risk is the risk that the future cashflow 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.

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$
At 31 December 2014							
Financial assets							
Cash on hand	-	-	-	-	-	14,277	14,277
Balances with the Central Bank	-	-	-	-	-	1,378	1,378
Balances with other banks	625,951	-	-	-	-	621	626,572
Loans and advances to customers	310,455	903,319	7,749,533	33,244,794	107,326	-	42,315,427
Other assets	-	-	-	-	-	444,500	444,500
Total financial assets	936,406	903,319	7,749,533	33,244,794	107,326	460,776	43,402,154
Financial liabilities							
Borrowing	824,541	2,792,741	3,051,867	24,900,000	-	-	31,569,149
Subordinated debt	-	-	700,000	-	-	-	700,000
Other liabilities	479,913	145,736	-	-	-	-	625,649
Total financial liabilities	1,304,454	2,938,477	3,751,867	24,900,000	-	-	32,894,798
Total interest rate repricing gap	**(368,048)**	**(2,035,158)**	**3,997,666**	**8,344,794**	**107,326**	**460,776**	**10,507,356**
In KHR' 000 equivalent	**(1,499,794)**	**(8,293,266)**	**16,290,488**	**34,005,036**	**437,353**	**1,877,653**	**42,817,470**
At 31 December 2013							
Financial assets							
Cash on hand	-	-	-		-	11,707	11,707
Balances with the Central Bank	-	-	-	-	400,000	1,104	401,104
Balances with other banks	280,984	-	-	-	-	-	280,984
Loans and advances to customers	722,053	1,800,304	9,474,777	18,935,047	213,220	-	31,145,401
Other assets	-	-	-	-	-	326,392	326,392
Total financial assets	**1,003,037**	**1,800,304**	**9,474,777**	**18,935,047**	**613,220**	**339,203**	**32,165,588**
Financial liabilities							
Borrowing	-	2,600,000	19,098,085	-	-	-	21,698,085
Subordinated debt	-	-	-	700,000	-	-	700,000
Other liabilities	-		-	-	-	174,302	174,302
Total financial liabilities	-	**2,600,000**	**19,098,085**	**700,000**	-	**174,302**	**22,572,387**
Total interest rate repricing gap	**1,003,037**	**(799,696)**	**(9,623,308)**	**18,235,047**	**613,220**	**164,901**	**9,593,201**
In KHR' 000 equivalent	**4,007,133**	**(3,194,786)**	**(38,445,115)**	**72,849,013**	**2,449,814**	**658,779**	**38,324,838**

24.3 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 consequence may be the failure to meet obligations to repay depositors and fulfill 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's operations rely on the contribution of capital from shareholders.

b) Funding approach

The Bank's main sources of liquidity arise from shareholder's paid-up capital and shareholder's loan. The board of directors regularly reviews the sources of liquidity.

c) Non-derivative cashflow

The table below presents the cashflow 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 cashflow, whereas the Bank manages the liquidity risk based on expected undiscounted cashflow.

	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$
At 31 December 2014							
Liabilities							
Borrowing	824,541	2,792,741	3,051,867	24,900,000	-	-	31,569,149
Subordinated debt	-	-	700,000	-	-	-	700,000
Other liabilities	479,913	145,736	-	-	-	-	625,649
Total financial liabilities							
(contractual maturity dates)	1,304,454	2,938,477	3,751,867	24,900,000	-	-	32,894,798
In KHR' 000 equivalent	5,315,649	11,974,291	15,288,859	101,467,500	-	-	134,046,299
Total financial assets							
(expected maturity dates)	1,533,128	1,999,868	11,912,675	39,109,519	107,326	460,776	55,123,292
In KHR' 000 equivalent	6,247,497	8,149,462	48,544,151	159,371,290	437,353	1,877,661	224,627,414
At 31 December 2013							
Liabilities							
Borrowing	-	2,600,000	19,098,085	-	-	-	21,698,085
Subordinated debt	-	-	-	700,000	-	-	700,000
Other liabilities	-	96,288	384,814	48,657	-	83,451	613,210
Total financial liabilities							
(contractual maturity dates)	-	2,696,288	19,482,899	748,657	-	83,451	23,011,295
In KHR' 000 equivalent	-	10,771,671	77,834,182	2,990,885	-	333,387	91,930,125
Total financial assets							
(expected maturity dates)	1,788,435	2,634,774	12,631,651	23,299,512	613,220	339,203	41,306,795
In KHR' 000 equivalent	7,144,798	10,525,922	50,463,446	93,081,550	2,449,814	1,355,116	165,020,646

d) Off-balance sheet items

i. Loan Commitments

There are no loan commitments.

ii. Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases, are disclosed in Note 23.

iii) Capital commitments

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

24.4 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 in accordance with the requirements of Central Bank's Prakas.

ii. Other assets and other liabilities

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

24.5 Capital management

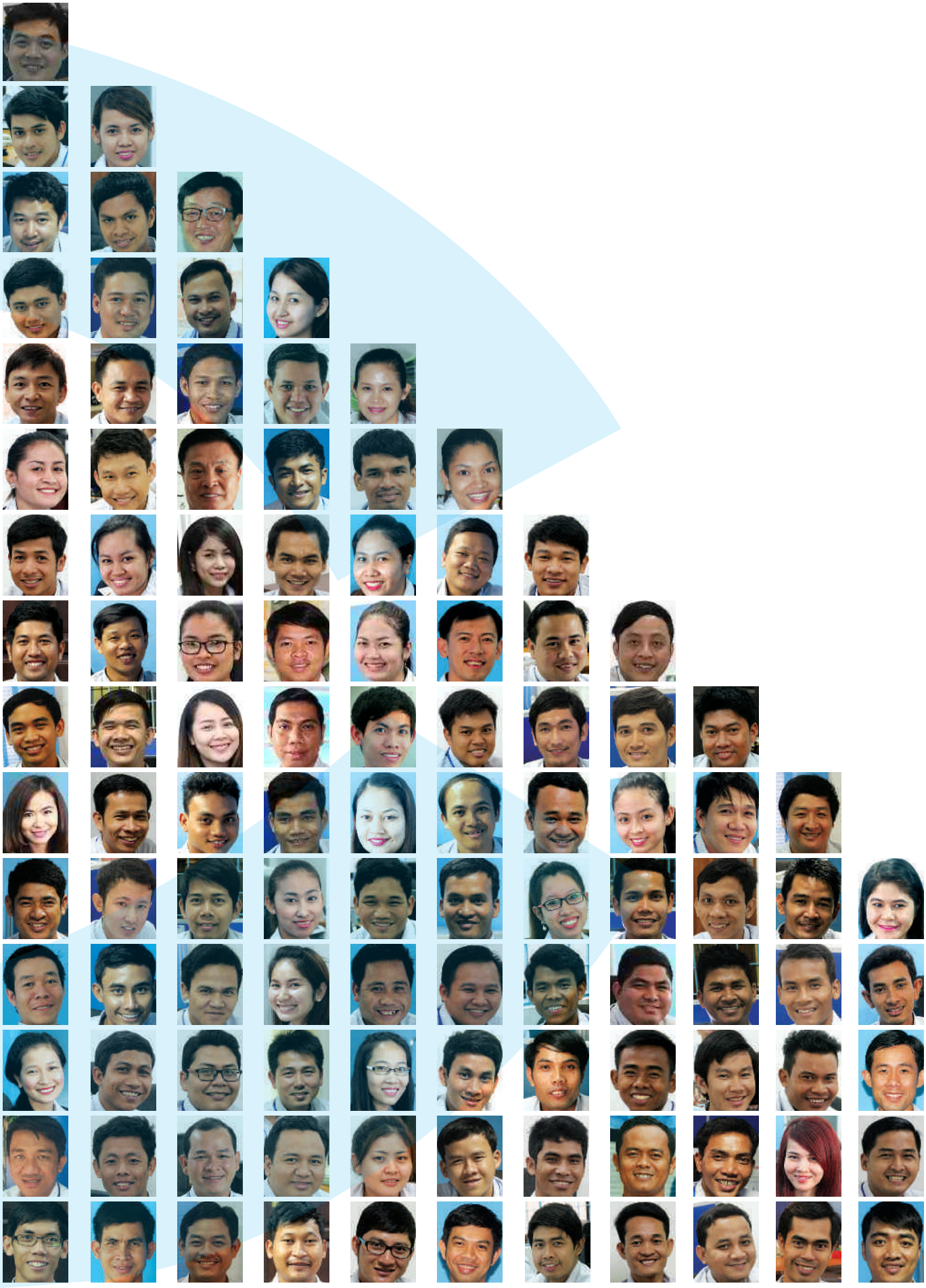
The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- 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:

	2014		2013	
	US$	KHR'000	US$	KHR'000
Tier 1 capital				
Share capital	8,000,000	32,600,000	8,000,000	31,960,000
Retained earnings	3,178,519	12,952,465	1,393,347	5,566,421
Less: Intangible asset	(88,323)	(359,912)	(101,669)	(406,168)
	11,090,196	45,192,553	9,291,678	37,120,253
Tier 2 complementary capital				
Subordinated debts	700,000	2,852,500	700,000	2,796,500
General provision	422,081	1,719,980	309,322	1,235,741
	1,122,081	4,572,480	1,009,322	4,032,241
Regulatory capital/net worth	**12,212,277**	**49,765,033**	**10,301,000**	**41,152,494**



Mr. **Preap Sovath** is Cam Capital Specialized Bank's goodwill ambassador and a famous singer in Cambodia.
Ms. **Ros Sotheavy,** a popular master of ceremony, is a model for Cam Capital Specialized Bank.

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