



B.I.C BANK



ANNUAL REPORT 2018



B.I.C BANK

NCR



ប៊ី.អិល.ស៊ី (ខេមបូឌា) ប៊ែន ម.ក
B.I.C (CAMBODIA) BANK PLC.
ប្តីសុខសប្បុរស

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OFFICIAL GRAND OPENING B.I.C (CAMBODIA) BANK PLC.

WEDNESDAY 8 AUGUST 2018



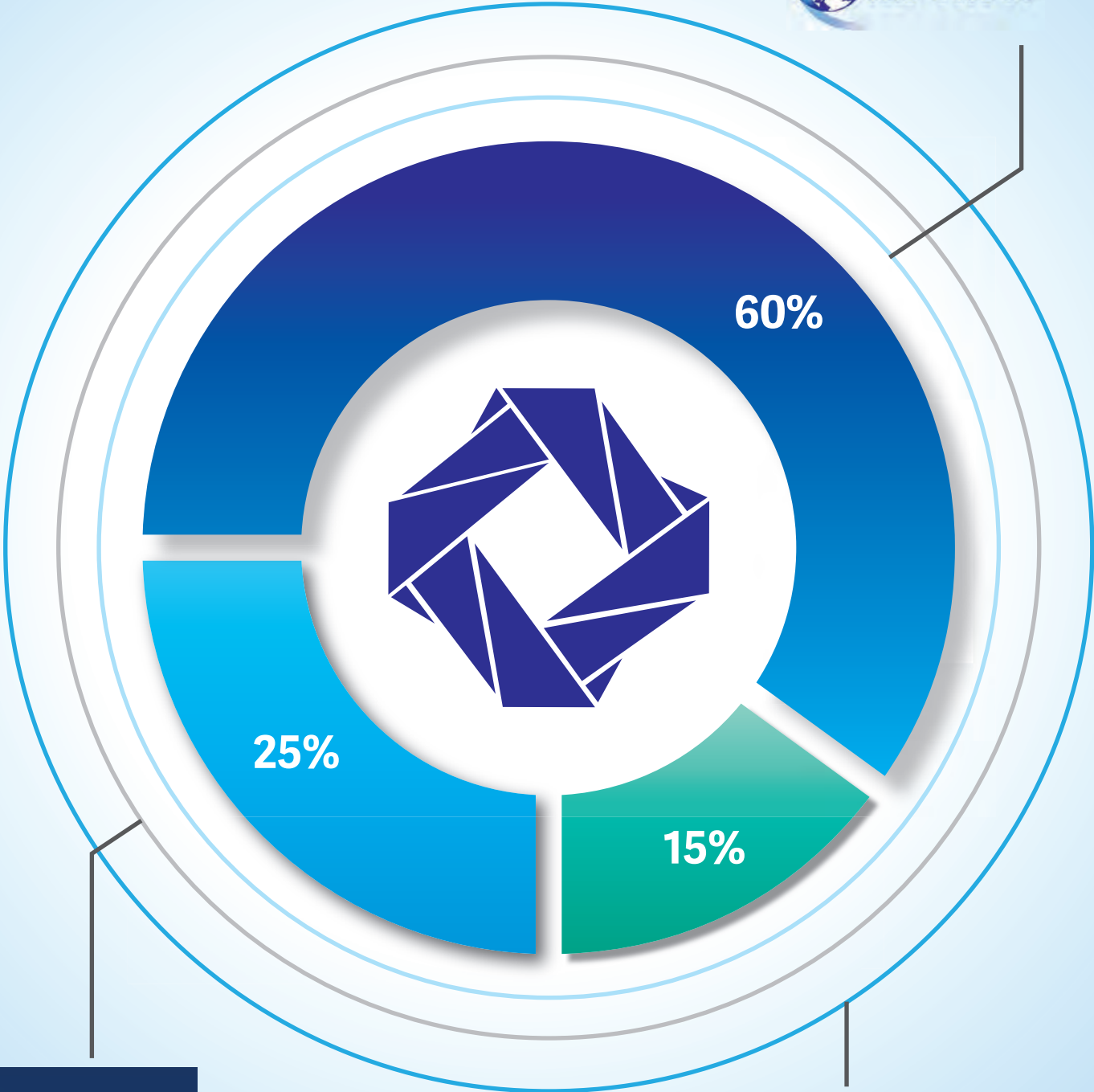
CORPORATE PROFILE

B.I.C (Cambodia) Bank Plc. (“the Bank”) is a commercial bank incorporated and registered in the Kingdom of Cambodia. The Bank was incorporated on 14 November 2017 under the Cambodian Law on Commercial Enterprises and licensed under the regulation of the National Bank of Cambodia (“NBC”). The Bank obtained the NBC license on 18 July 2018 and commenced operations on 8 August 2018.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. The Bank’s Head Office and Main Branch is located at No. 462, Monivong Boulevard, Sangkat Tonle Bassac, Khan Chamkar-morn, Phnom Penh, Cambodia.

The Bank is jointly established by Asia Investment and Financial Services Sole Co., Ltd of Lao PDR, Paradise Investment Co., Ltd of Kingdom of Cambodia and PrimeStreet Advisory Co., Ltd of Thailand. Asia Investment and Financial Services Sole Co., Ltd of Lao PDR is also the major shareholder of BIC Bank Lao Co., Ltd.

SHAREHOLDER STRUCTURE





MISSION

To become the best local financial partner, we must be smarter and quicker to produce more benefits to our customers, by providing innovative and practical solutions to meet their needs. We are committed to maximize the benefit for our customers and stakeholders. We will constantly improve our business services, by continuously investing in our people, innovative ideas and technology. Our partnership with our customers will be built on mutual respect, openness, honesty and awareness of their needs.

MISSION & VISION



VISION

To be the preferred bank by offering the best personalized service to our customers and offering innovative products and solutions that are technologically advanced and meet our customer's need and expectations.

PHILOSOPHY



CUSTOMER PERSPECTIVE

- ◆ Provide our customers with best services and secure banking
- ◆ To meet our customers banking and financial needs



EMPLOYEE PERSPECTIVE

- ◆ Our people are our greatest asset. As such, we place great importance in developing them. A dynamic human capital development process will drive our competitive edge.



COMMUNITY PERSPECTIVE

- ◆ To support the Government policies and objectives, and to contribute to the betterment of the community, and ultimately, the country.



SHAREHOLDER PERSPECTIVE

- ◆ To create a superior shareholder value and sustainable returns on assets.



BRANCH LOCATION

Head Office & Main Branch

No. 462, Street 93, Sangkat Tonle Basac
Khan Chamkarmorn, Phnom Penh
Kingdom of Cambodia

CEO'S MESSAGE

"I am pleased to report the results of B.I.C (Cambodia) Bank Plc. (the "Bank") for the year ended 31 December 2018."



◆ Economic Outlook

According to the World Bank's Economic Update issued on May 2019, preliminary estimates show Cambodia having achieved a four-year high real growth rate of 7.5% in 2018, compared to 7.0% in 2017. Driven primarily by rapid expansion of exports and robust internal demand, the economy performed better than expected. Exports burgeoned as external demand, especially in the United States and European Union markets, strengthened. Garment and footwear exports which account for more than two-thirds of total merchandise exports, recorded a five-year high, rising by 17.6% in 2018, up from 8.3% in 2017.

Foreign Direct Investment (FDI) is estimated to have reached a record high of more than USD3.0 billion or 13.4% of GDP in 2018. In recent years, foreign investments from China have surged, mainly directed towards

construction (infrastructure, commercial and residential real estate), tourism and, to a lesser extent, manufacturing and agriculture.

Improved confidence in the banking system has resulted in rising foreign currency deposits. Foreign currency deposits grew 26.5% in 2018, up from 23.6% in 2017. Bank credit to the private sector once again edged up, growing at 24.2% in 2018, compared to 19.6% in 2017. Bank lending to the construction and real estate sectors continues to drive domestic credit expansion, contributing about 40% of credit growth.

After experiencing accelerated growth of 7.5% in 2018, the economy is expected to return to its long-term potential of about 7.0%. As exports moderate in line with deceleration in global demand, real growth is projected to ease to 7.0% in 2019.

◆ Bank's Financial Performance

Despite its 5 out of 12 months of operations during the period, the Bank managed to secure a loan portfolio and customer deposits of USD36.05 million and USD17.97 million respectively as at 31 December 2018. However, the Bank recorded a net loss of USD1.46 million as a result of the initial set-up expenses in opening the Bank. Nevertheless, the Bank's initial performance has been encouraging and the Bank is expected to start generating profits in 2019.

Combining the expectations for improvements in the Bank's performance and results for 2019 with encouraging recent economic data for the Kingdom of Cambodia as a whole, the Board maintains its positive outlook towards Cambodia's economic prospects and in particular for the nascent banking & financial services sector.

◆ Bank's Business Focus

The Bank is part of B.I.C Group (the "Group") which is an investment group active in South East Asia across the sectors of banking, real estate, energy and financial services. The Group recently had the groundbreaking ceremony for the One Central Tower real estate project comprised of four tower buildings, starting with the 38 floors luxury residential condominium and 22 floor office building which is slated to become the new Corporate Head office of the Bank upon completion.

Initial business focus will be wholesale banking and move on into the retail market as the Bank expands the branch network and introduces more products and services. The Bank will focus on developing its deployment of information technology towards developing better products, gain a deeper understanding of its clients and improving operating efficiencies in order to be the leading digital banking provider in Cambodia.

◆ Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank the Board of Directors, the officers and the entire staff of the National Bank of Cambodia for their guidance, support and advice.

Furthermore, I would like to express our sincere appreciation to our valued customers and business partners for their strong support, and look forward to building a strong partnership in the coming years as we strive to expand our products and improve our services.

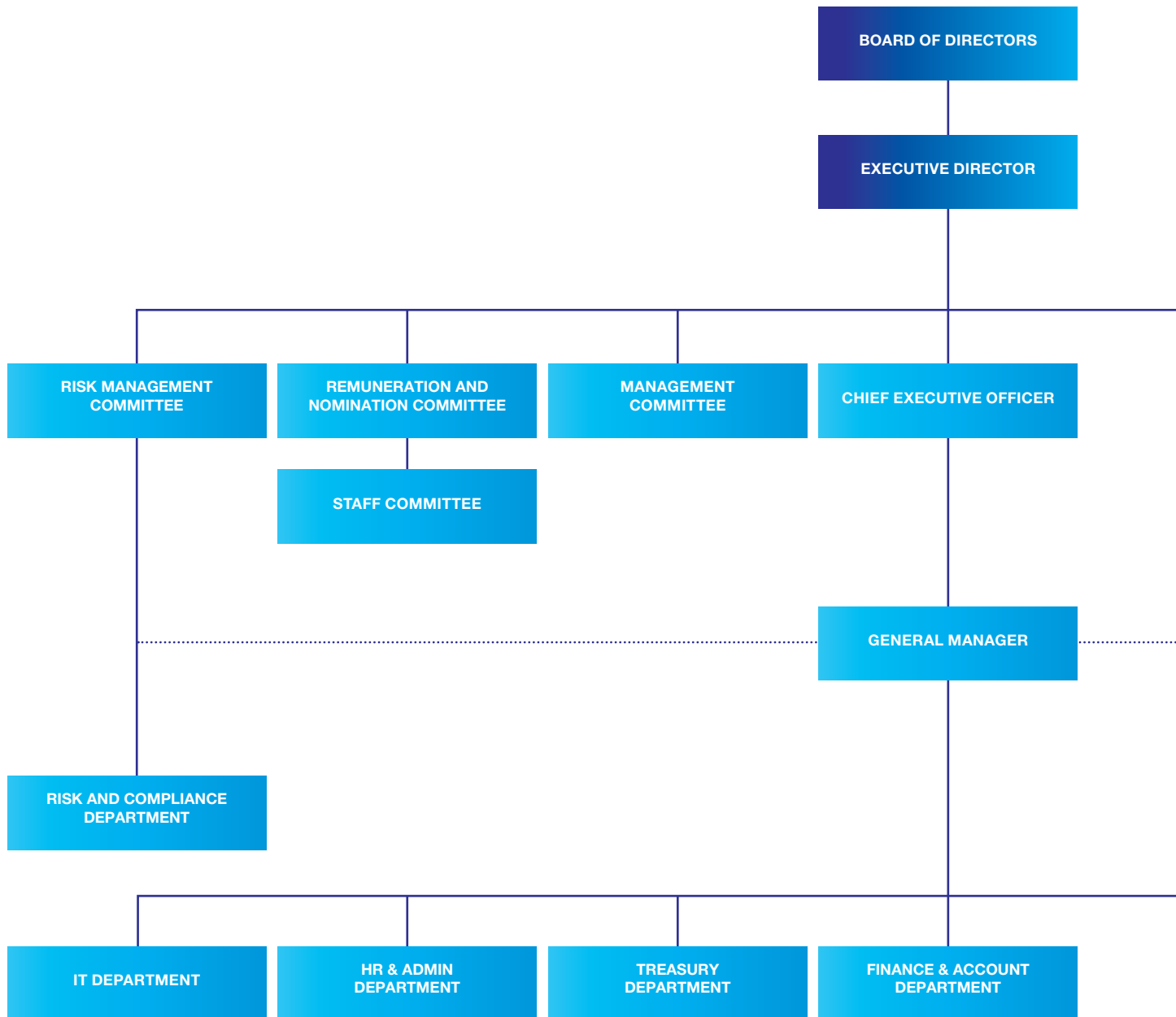
Finally, I would take this opportunity to give thanks for all the hard work my fellow Board members, the Bank's management and staff, our advisers and of course our shareholders have given to the Bank, in particular for their commitment and effort in setting up and opening the Bank. I sincerely hope that the Bank will continue to enjoy such support towards its further development in the years to come.

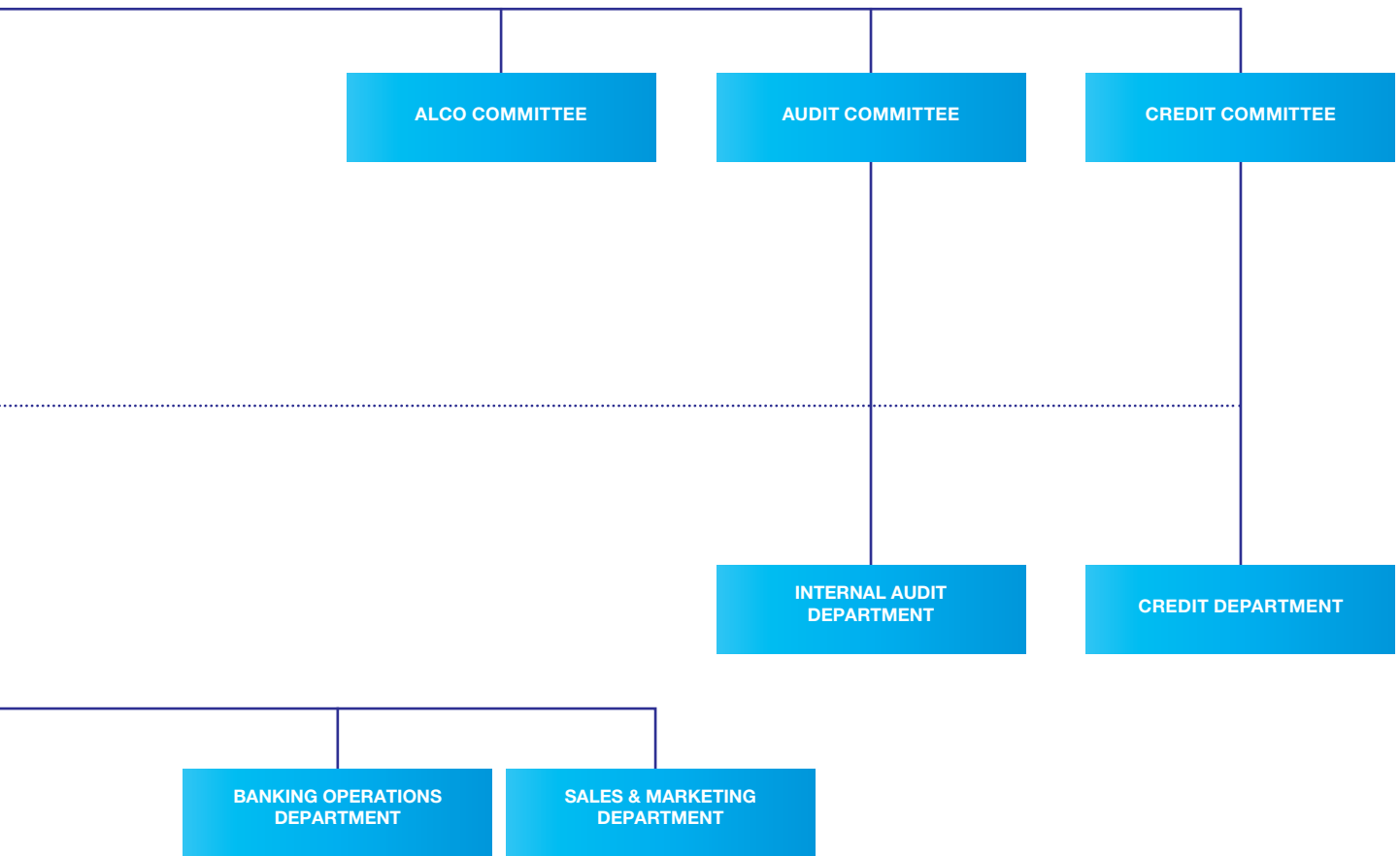
Sincerely,

MR. ZULKIFLEE KUAN SHUN BIN ABDULLAH
Chief Executive Officer

ORGANIZATIONAL STRUCTURE

As at 31 December 2018







BOARD OF DIRECTORS

BOARD OF DIRECTORS



DR. SATHIT LIMPONGPAN
CHAIRMAN

DR. SATHIT, having served extensively for several decades at the Ministry of Finance of Thailand, most recently as the Permanent Secretary. He has also held numerous Chairman positions in both the public and private sectors including the Office of the Insurance Commission of Thailand, the Bank of Thailand, Government Pension Fund of Thailand, Krung Thai Bank, Krungthai-AXA Insurance and TMB Bank.

DR. SATHIT served as Chairman of the Stock Exchange of Thailand from 2013 until October 2015 and as Chairman of the National Reform Steering Assembly of Thailand from 2015 to July 2017.

Further, from 2009 to 2010, DR. SATHIT served as Chairman of the Office of Insurance Commission, the primary insurance market regulator in Thailand.



MR. ZULKIFLEE KUAN SHUN BIN ABDULLAH
DIRECTOR/CHIEF EXECUTIVE OFFICER

MR. ZULKIFLEE is currently serving as Vice President of AIF Group in charge of Banking and Financial Service Unit of the Group. He has over 30 years of banking operations and management experience starting from Affin Bank (M) Bhd and later joined one of the largest banks in Malaysia, Public Bank Berhad. Apart from Malaysia, MR. ZULKIFLEE was posted to VID Public Bank in Vietnam in 1996 until 2000. During his posting in Vietnam, he was in Hanoi Capital City, Ho Chi Minh City and Danang City offices. In 2003, MR. ZULKIFLEE was posted to Public Bank Berhad, Vientiane Branch and later in 2008 he set up International Commercial Bank Lao Limited for ICB Financial Group Holdings AG now known as BIC Bank Lao Co., Ltd.

MR. ZULKIFLEE holds a Master Degree from Multimedia University, Malaysia and Diploma in Management from Institute of Supervisory Management, United Kingdom.

BOARD OF DIRECTORS



MR. YIM LEAK
DIRECTOR

MR. YIM LEAK, having steadfastly served his country and motherland during his early adult years, began to shape a grand vision for Cambodia and its rapid ascent in the global economic and business stage. This vision is one that is held close to heart and shared by his family, manifesting itself not only in Cambodia's banking and finance sector development with B.I.C Bank, B.I.C Markets and B.I.C Insurance, but also in the visionary Beong Snor project, a landmark, community-driven, neighbourhood lifestyle multi-use property development.

MR. YIM LEAK is also the CEO of Paradise Investment Co., Ltd., and Chairman of Kampot Foods and SEA Fintech. He is also a Director of B.I.C Markets.



MR. REWIN PATAIBUNLUE
DIRECTOR

MR. REWIN is founding partner at PrimeStreet Advisory where he leads investment banking department and over all company's operation. His prior experience includes working as senior investment banker at The Quant Group, a regional investment bank specialized in M&A, as well as working as CFO and head of business development at one of the biggest luxurious products company in SEA.

His expertise covers corporate finance, mergers & acquisitions and financing. He has experience across a broad spectrum of sectors; namely telecom, infrastructure, power & utilities, mining, real estate, and financial institution group. His practice extends to cross-border M&A and advising private equity fund as well as hedge fund.

MR. REWIN most recently lead the team to advise the authority on THB 2.7trn mega infrastructure project – including the MRTA and SRT high speed train project. He also advised TOT and CAT in its potential JV partnership as well as infrastructure sharing projects (a THB 40bnT over Co and THB 30bnFiber Co project)

MR. REWIN is a frequent guest speaker at several private companies and government agencies.

He graduated bachelor degree in Civil Engineering from Chulalongkorn University and MBA from Sloan School of Management at MIT.



MR. RUTSARAN MOONSAN
DIRECTOR

MR. RUTSARAN MOONSAN is Vice President of AIF Group in charge of Precious Metal Trading, General Trading, Food and Beverage Subsidiaries of the Group, MR. RUTSARAN holds a Bachelor Degree in Agricultural Industry from Kasetsart University, Thailand along with a Master Degree in International Business from the University of Greenwich, London with Second Class honor.

Prior to joining AIF Group, MR. RUTSARAN has more than 8 years working experiences in Trading and Banking. During his time in the Bank, he had been assigned as a Relationship Manager for the number of important clients of the Bank with the accumulated account transaction valued of more than THB1 Billion and was able to double the account transaction values within a year. After that,

MR. RUTSARAN jointed YLG Bullion International and was assigned to set up the Singapore Branch of the Company,

and recruit new international clients. With his talents in communication and trading skills, he had contributed in assisting YLG to be the largest Bullion Trading company in Thailand. When Joining AIF Group, MR. RUTSARAN has helped to develop AIF Gold Trading to be the largest and only active Gold Importer in Laos.

He has also helped in setting up the Asia Loyal to be a successful distributor of many specialize and construction vehicles and equipment. In supporting the Property Development Business of the Group, he has initiated and setting up the food and beverage business subsidiaries for the AIF Group.

Currently, MR. RUTSARAN MOONSAN is holding the position of Board Of Directors on both BIC Bank Lao Co., Ltd and B.I.C (Cambodia) Bank Plc.

PROFILE OF MANAGEMENTS





PROFILE OF MANagements



MR. KHIM CHANDARA
SENIOR MANAGER

MR. DARA joined B.I.C (Cambodia) Bank Plc as the Senior Manager. He has more than 14 years experience with two commercial banks i.e. Canadia Bank Plc and Phnom Penh Commercial Bank. He has experience in credit assessment management, commercial-SME loan customer relationship, senior branch management and VIP branch management.

He graduated with Bachelor Degree of Accounting in 2005 and Master Degree of Finance in 2007 from National University of Management.



MR. BAN MARA
FINANCE DEPARTMENT

MR. MARA joined B.I.C (Cambodia) Bank Plc in September 2018 as the Finance Manager. He has more than 8 years experience in the finance field with two commercial banks i.e. Phnom Penh Commercial Bank and Phillip Bank Plc. He has experience in financial reporting, taxation, fund management, budgeting, business planning and also experience in managing various projects including CIFRS and Core Banking System.

He graduated with Bachelor Degree of Finance and Banking from National University of Management in 2010 and he is currently pursuing his ACCA degree at CamED Business School, Phnom Penh, Cambodia.

**MR. SENG VESALO****IT DEPARTMENT****(MIS and Core Banking System)**

MR. VESALO graduated Bachelor Degree of Computer Science and Engineering in 2008 at the Royal University of Phnom Penh, Bachelor Degree of Public Administration in 2009 at Royal University of Law and Economics, and Higher Education Degree of Pedagogy in Informatics, Management and Leadership in 2011 at National Institute of Education.

He has been working in banking industry for more than 7 years with experiences of Core Banking System, MIS, Report Development, Database Administration, System Integration, In-House Development, and IT Business Analysis. MR. VESALO joined B.I.C (Cambodia) Bank Plc in December 2018 as IT Manager.

**MR. ROBERT YONG BONG WEI****IT DEPARTMENT****(Hardware and System Implementation Project)**

MR. ROBERT YONG started his first career in 2015 as a System Developer in INFOPRO SDN BHD. He has been with INFOPRO SDN BHD from May 2015 to May 2017. During his period as a System Developer; he has experiences in developing Risk Management System, Anti-Money Laundering System, Central Bank Reporting System, Integrating System with Core Banking System, implementation of AML System and Research for each system.

He has started his service at BIC Bank Lao Co., LTD in June 2017 as senior IT officer in Laos. He had also been transferred to Cambodia to assist in the development of B.I.C (Cambodia) Bank Plc for IT Hardware and System implementation project. MR. ROBERT YONG joined B.I.C (Cambodia) Bank Plc in December 2018 as IT Manager.

PROFILE OF MANagements



MR. YUN VETH
HR & ADMIN. DEPARTMENT

MR. VETH graduated with Bachelor Degree of English literature from Phnom Penh International University (PPIU) in 2010 and he successfully completed Master of Business Administration (MBA) at Norton University in 2016.

Because of his commitment and enthusiasm, MR. VETH has advanced his career from a Admin. Assistant at his university to be an Administration Officer, at Phnom Penh Commercial Bank, as Senior Administration Executive at Phillip Bank Plc then had been promoted to Admin. Manager within 7 years. He has experienced more than 10 years with commercial bank in his field.

MR. VETH joined B.I.C (Cambodia) Bank Plc as HR & Admin Manager.



MS. CHEA SOKUNTHEAVY
RISK AND COMPLIANCE DEPARTMENT

MS. SOKUNTHEAVY holds Bachelor degrees in Education from Institute of Foreign Languages and English Language Based Bachelor of Law from Royal University of Law and Economics. She is currently pursuing her Master degree in International Business Law from RULE, as well as Certified Expert in Anti-money Laundering with International Compliance Association (ICA).

She has started working in the financial sector in 2015, first as a Risk Management Officer, after a year, with Phillip Bank, as a Graduate Trainee. MS. SOKUNTHEAVY joined B.I.C (Cambodia) Bank Plc in August 2018 as Acting Risk and Compliance Manager.

FINANCIAL HIGHLIGHTS

Financial period from 14 November 2017 (Incorporation date) to 31 December 2018.

	FY 2018
OPERATING RESULTS (US\$'000)	
Operating Revenue	559
Profit / (Loss) before taxation	(1,462)
Net profit / (Loss) for the year	(1,462)
KEY BALANCE SHEET DATA (US\$'000)	
Total Assets	91,627
Loan and Advance to Customer	36,050
Total Liabilities	18,089
Deposit from banks and customers	17,973
Statutory share capital	75,000
Shareholder's equity	73,538
FINANCIAL RATIOS (%)	
Return on assets (ROA)	(2.00%)
Return on equity (ROE)	(2.00%)
Liquidity ratio	650%
Loan to deposit ratio	201%
Non-performing loans to total loans	0.00%
CAPITAL MANAGEMENT	
Net worth (US\$'000)	74,010
Solvency ratio (%)	122%

2018 BUSINESS HIGHLIGHTS

B.I.C (Cambodia) Bank Plc is a new commercial bank in Cambodia by providing innovation and practical solution to meet our customer needs. The Bank contribute to the improvement of people’s living standard and development of the country’s economy by providing full banking service based on a strong financial base with good corporate governance, compliance and transparency.

Our partnership with our customers will be built on mutual respect, openness, honesty and awareness of their needs.

CUSTOMER SERVICE

WE PROVIDED OUR CUSTOMERS WITH BEST SERVICES AND SECURE BANKING TO MEET THEIR FINANCIAL NEEDS.



PRODUCTS AND SERVICES



2018 PERFORMANCE

Five months of starting new business of B.I.C (Cambodia) Bank Plc saw a strong growth in loan portfolio and deposit from our potential customers with provided good term and condition of our products and services.

LOANS



2018 was a starting business year and we saw a strong growth in loan portfolio for the Bank, registering total loan outstanding of USD36.05 million.

The higher than expected loan growth was due to key factors such as increasing demand in the market due to better economic condition in 2018, the attractive and competitive term and condition of our products and services.

DEPOSITS



In 2018 B.I.C (Cambodia) Bank Plc saw a strong growth in deposit from customer reached USD17.97 million mainly from savings account and current account. Our customer services, attractive interest rate, competitive term and condition, managements and staffs are the main factors of this year growing as well as 2019 targets.

2019 TARGET



LAUNCHING
ATM



INTRODUCING
INTERNET BANKING AND
MOBILE BANKING



LAUNCHING DEBIT
AND CREDIT CARD



EXPANDING
BRANCH NETWORK

EMPLOYEE DEVELOPMENT

B.I.C (Cambodia) Bank Plc has commenced its operation in August 2018, with a number of 26 staffs in 2018. As a new bank, we provide both inhouse and outside learning, training and development opportunities to support every stage of the developing journey for both new and existing employee.

Staff rotation program is the one among our method to develop and unlock the potential of each employee who willing to grow with their talent and destiny.

B.I.C Bank's remarkable growth, as well as its connection to B.I.C Markets and B.I.C Group, there is a wide range of opportunities both locally and internationally provided to our people to progress their career.

Providing the trusted and convenient financial products and services to our customers is only possible when we

have resourceful people working with us. We are welcome and encourage the young and talent people who wish to grow and keep learning new thing with us for reading and fulfilling customer need as well as support and assist each other.

Continuing our efforts in providing many opportunities for career progression, knowing that employees are an asset to the Bank's perspective, the Bank strives to attract and employ candidates with the right credential, attitudes and level of experiences that are needed for the Bank to succeed. The Bank believes that the human resource development framework, which can help employees in developing their personal and organizational skills, knowledge and abilities, is essential to developing a workforce which can accomplish the Bank's goals.



RISK MANAGEMENT & CORPORATE GOVERNANCE

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

- ◆ Operational Risk
- ◆ Credit Risk
- ◆ Market Risk
- ◆ Liquidity risk

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 behavior.

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 organizational 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.

Credit Risk

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

The Bank ensures that there is a clear segregation of duties between loan originators, evaluators, internal assessment tools and approving authorities.

Risk rating are reviewed and updated on 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 borrow or transaction.

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 Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

Foreign currency exchange risk is the risk of losses due from the decline in the value of a financial statement as a result of changes in foreign exchange rates or foreign exchange trading activities.

Interest rate risk is the potential of loss of earning due from the change in the value of our assets because of changes in the market interest rate.

Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The background is a dark blue field filled with a complex, low-poly geometric pattern of triangles and polygons in various shades of blue. In the center, there is a large, solid, light blue octagon. The text is centered within this octagon.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2018
AND REPORT OF THE
INDEPENDENT AUDITORS**

CORPORATE INFORMATION

BANK	B.I.C (Cambodia) Bank Plc.	
REGISTRATION NO.	00029200	
REGISTERED OFFICE	No. 462, Street 93, Sangkat Tonle Basac, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.	
SHAREHOLDERS	Asia Investment and Financial Services Sole Co., Ltd.	
	Paradise Investment Co., Ltd.	
	PrimeStreet Advisory Co., Ltd.	
BOARD OF DIRECTORS	Dr. Sathit Limpongpan	Chairman
	Mr. Rewin Patailbunlue	Director
	Mr. Yim Leak	Director
	Mr. Zulkiflee Kuan Shun Bin Abdullah	Director
	Mr. Rutsaran Moonsan	Director
MANAGEMENT TEAM	Mr. Zulkiflee Kuan Shun Bin Abdullah	Chief Executive Officer
	Mr. Low Swee Siang (Patrick)	General Manager
	Mr. Ban Mara	Finance Manager
	Mr. Seng Vesalo	IT Manager (Joined on 3 December 2018)
	Mr. Yong Bong Wei (Robert)	IT Manager
	Mrs. Leap Pichbonen	Internal Audit Manager (Resigned on 4 February 2019)
AUDITORS	KPMG Cambodia Ltd	

REPORT OF THE DIRECTORS

The Directors hereby submit their report together with the audited financial statements of B.I.C (Cambodia) Bank Plc. ("the Bank") for the year ended 31 December 2018.

Principal activities

The Bank was incorporated on 14 November 2017 under the Cambodian Law on Commercial Enterprises and licensed under the regulation of the National Bank of Cambodia ("NBC"). The Bank obtained NBC license on 18 July 2018 and commenced operations on 08 August 2018.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia in accordance licence issued by the NBC.

Financial results

The financial results of the Bank for the year ended 31 December 2018 were as follows:

	31 December 2018	
	US\$	KHR'000 (Note 4)
Loss before income tax	(1,462,481)	(5,876,249)
Income tax expense	-	-
Net loss for the year	(1,462,481)	(5,876,249)

Dividends

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

Share capital

The share capital of the Bank as at 31 December 2018 was US\$75,000,000.

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 Directors took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and advances and the making of allowances for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report, 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 substantial extent.

Current assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had 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 course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial 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.

The Board of Directors

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

◆ Dr. Sathit Limpongpan	Chairman
◆ Mr. Rewin Patailbunlue	Director
◆ Mr. Yim Leak	Director
◆ Mr. Zulkiflee Kuan Shun Bin Abdullah	Director
◆ Mr. Rutsaran Moonsan	Director

Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangements existed 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.

During the 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 received or due and 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 are drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2018 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 and 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; and
- (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 they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

The Board of Directors hereby approve the accompanying financial statements as set out on pages 8 to 43 which, in our opinion, present fairly, in all material respects, the financial position of B.I.C (Cambodia) Bank Plc. as at 31 December 2018, 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. Zulkiflee Kuan Shun Bin Abdullah

Director

Phnom Penh, Kingdom of Cambodia

Date: 27 MAR 2019

REPORT OF THE INDEPENDENT AUDITORS

TO: THE SHAREHOLDERS OF B.I.C (CAMBODIA) BANK PLC.

Opinion

We have audited the financial statements of B.I.C (Cambodia) Bank Plc. ("the Bank"), which comprise the balance sheet as at 31 December 2018, the income statement, the statements 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 8 to 43.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, 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 Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Directors as set out on pages 1 to 4, 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

27 March 2019

BALANCE SHEET

As at 31 December 2018

	Notes	As at 31 December 2018	
		US\$	KHR'000 (Note 4)
Assets			
Cash on hand	5	4,518,232	18,154,256
Balance with the National Bank of Cambodia	6	26,920,658	108,167,204
Deposits and placements with other banks	7	658,056	2,644,069
Loans and advances - net	8	35,689,496	143,400,395
Other investment	9	22,275,000	89,500,950
Other assets	10	834,035	3,351,153
Intangible assets	11	119,352	479,556
Property and equipment	12	612,119	2,459,494
Total Assets		91,626,948	368,157,077
Liabilities And Shareholder's Equity			
Liabilities			
Deposits from customers	13	17,973,164	72,216,173
Other liabilities	14	116,265	467,153
Total liabilities		18,089,429	72,683,326
Shareholder's equity			
Share capital	16	75,000,000	301,350,000
Accumulated losses		(1,462,481)	(5,876,250)
Total shareholder's equity		73,537,519	295,473,750
Total Liabilities And Shareholder's Equity		91,626,948	368,157,077

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENT

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018	
		US\$	KHR'000 (Note 4)
Interest income	17	555,862	2,233,454
Interest expense	18	(9,326)	(37,472)
Net interest income		546,536	2,195,982
Other operating income	19	3,618	14,537
General and administrative expenses	20	(1,414,958)	(5,685,301)
Minimum tax expense	15(a)	(5,530)	(22,220)
Operating profit		(870,334)	(3,497,002)
Allowances for bad and doubtful financial instruments	8	(592,147)	(2,379,247)
Loss before income tax		(1,462,481)	(5,876,249)
Income tax expense	15(a)	-	-
Net loss for the year		(1,462,481)	(5,876,249)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Accumulated		
	Share capital US\$	losses US\$	Total US\$
At 1 January 2018	-	-	-
Issuance of share capital	75,000,000	-	75,000,000
Net loss for the year	-	(1,462,481)	(1,462,481)
At 31 December 2018	75,000,000	(1,462,481)	73,537,519
(KHR'000 equivalents – (Note 4))	301,350,000	(5,876,249)	295,473,751

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018	
		US\$	KHR'000 (Note 4)
Cash flows from operating activities			
Net cash used in operating activities	21	(21,987,228)	(88,344,683)
Cash flows from investing activities			
Statutory deposit on capital guarantee		(7,500,000)	(30,135,000)
Purchase of property and equipment		(671,846)	(2,699,477)
Purchase of intangible assets		(138,577)	(556,802)
Other investment		(22,500,000)	(90,405,000)
Net cash used in investing activities		(30,810,423)	(123,796,279)
Cash flows from financing activities			
Issuance of share capital		75,000,000	301,350,000
Net cash generated from financing activities		75,000,000	301,350,000
Net increase in cash and cash equivalents		22,202,349	89,209,038
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December	22	22,202,349	89,209,038

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. Reporting Entity

B.I.C (Cambodia) Bank Plc. (“the Bank”) was incorporated in the Kingdom of Cambodia on 14 November 2017 under the Registration No. 00029200 and commenced operations after obtaining the license from the National Bank of Cambodia (“NBC”) on 18 July 2018.

The principal activities of the Bank comprise the operations of core banking business and the provision of related financial services in the Kingdom of Cambodia.

The registered office of the Bank is currently located at No. 462, Street 93, Sangkat Tonle Basac, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

The Bank had 24 employees as at 31 December 2018.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards (“CAS”) 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 authorised for issue by the Board of Directors on 27 March 2019.

(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 and maintains its accounting records primarily in United States Dollars (“US\$”), management has 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.

The financial statements are presented in US\$, which is the Bank’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

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

3. 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.

(a) Financial instruments

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, and other receivables 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, unrestricted cash balances with the NBC, demand deposits with other financial institutions, 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) Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowance.

(d) Allowance for bad and doubtful loans and advances

In compliance with the 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 condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Normal/standard	≤14 days	1% - General allowance
Special mention	15 days - 30 days	3% - Specific allowance
Sub-standard	31 days - 60 days	20% - Specific allowance
Doubtful	61 days - 90 days	50% - Specific allowance
Loss	≥ 91 days	100% - Specific allowance
Long-term loans (more than one year):		
Normal/standard	<30 days	1% - General allowance
Special mention	≥ 30 days – 89 days	3% - Specific allowance
Sub-standard	≥ 90 days – 179 days	20% - Specific allowance
Doubtful	≥ 180 days – 359 days	50% - Specific allowance
Loss	≥ 360 days	100% - Specific allowance

The minimum percentage of allowance for doubtful loans and advances are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

(d) Allowance for bad and doubtful loans and advances

In determining the above 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.

Recoveries on loans previously written off and reversals of previous allowances are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

(e) Statutory deposits

Statutory deposits, which is included in balance with the NBC, are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by NBC. Statutory deposits are stated at cost.

(f) Deposits and placements with other banks

Deposits and placements with other banks are carried at cost less any allowance for uncollectible amount.

The Bank provides a general allowance at 1% of total outstanding balance.

(g) Other investment

Other investment are carried at cost less any allowance for uncollectible amount. The Bank provides a general allowance at 1% of total outstanding balance.

(h) Other assets

Other assets are stated at cost less allowance for losses.

(i) Intangible assets

Computer software license is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in the income statement on a straight line basis over their estimated useful lives of three years.

(j) 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, the components 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 annual rates:

Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	20%
Computer and IT equipment	20%
Motor vehicles	20%

(j) Property and equipment (continued)

- (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) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

(k) Impairment of assets**(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 estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Note 3(d).

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 the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the 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.

(l) Deposits from customers

Deposits from customers are stated at cost.

(m) Other liabilities

Other liabilities are stated at their cost.

(n) Provisions

Provisions are 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.

(o) Income recognition

Interest income on performing loans and advances and deposits and placements with banks are recognised on a daily accruals basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Income from the various activities of the Bank is accrued using the following basis:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised as income when incurred;
- Commitment fees and guarantee fees on a variety of services and facilities extended to customers are recognised as income when incurred; and
- Service charges and processing fees are recognised when the service is provided.

(p) Interest expense

Interest expense on deposits is recognised on an accruals basis.

(q) Operating leases

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

(r) 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.

(s) 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 Cambodian 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.

(t) New financial reporting frameworks

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance (“the National Accounting Council”) announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by the International Financial Reporting Standards Board (“IASB”), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular 058 MEF. NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

The Bank has not early adopted the new standards in preparing these financial statements.

As at the authorisation date of these financial statements, the Bank is evaluating the potential impact of the implementation of these new and amendment accounting standards to its financial statements.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in the United States Dollars. The translations of the United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 4,018 published by the NBC on 31 December 2018. 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. Cash on hand

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Khmer Riels	7,447	29,922
US Dollars	4,510,785	18,124,334
	4,518,232	18,154,256

6. Balances with the NBC

		As at 31 December 2018	
		US\$	KHR'000 (Note 4)
Current accounts		16,966,925	68,173,105
Clearing house		52,489	210,901
Statutory deposits			
- Capital guarantee	(i)	7,500,000	30,135,000
- Reserve requirement	(ii)	2,401,244	9,648,198
		26,920,658	108,167,204

The statutory deposits are maintained with the NBC in compliance with Article 5 of NBC Prakas No. B7-01-136, the amounts of which are determined by defined percentages of the Bank's registered share capital and customers' deposits with the Bank which are 10% and 8% to 12.5% respectively. The above statutory deposits are analysed as follows:

(i) Capital guarantee deposit

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on the Bank's capital guarantee dated 15 October 2001. This capital guarantee which placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at 1/4 LIBOR (six months).

(ii) Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-018-282 dated 29 August 2018 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR.

7. Deposits and placements with other banks

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
ACLEDA Bank Plc.	116,135	466,630
BIC Bank Lao Co., Ltd	548,568	2,204,146
	664,703	2,670,777
Regulatory allowance (Note 8(A))	(6,647)	(26,708)
	658,056	2,644,069

The deposits and placements with other banks are in US\$, matured within one month.

8. Loans and advances - net

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Overdrafts	15,049,996	60,470,884
Term loans	21,000,000	84,378,000
Gross loans and advances	36,049,996	144,848,884
Allowance for bad and doubtful loans and advances	(360,500)	(1,448,489)
Loans and advances - net	35,689,496	143,400,395

Movement of allowance for bad and doubtful loans and advances is as follows:

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Allowance for the year - General	360,500	1,448,489
At 31 December 2018	360,500	1,448,489

A. Allowance for bad and doubtful loans financial instruments:

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Allowance for bad and doubtful loans and advances	360,500	1,448,489
Allowance for placement with other banks	6,647	26,708
Allowance for other investments	225,000	904,050
	592,147	2,379,247

Loans and advances are analysed as follows:

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
(a) By maturity:		
7 to 12 months	15,049,996	60,470,884
More than 1 year	21,000,000	84,378,000
	36,049,996	144,848,884
(b) By industry:		
Trading	36,049,996	144,848,884
(c) By currency:		
US Dollars	36,049,996	144,848,884
(d) By residency status:		
Residents	36,049,996	144,848,884
(e) By relationship:		
Non-related parties	36,049,996	144,848,884
(f) By performance:		
Normal/standard loans Secured	36,049,996	144,848,884
(g) By exposure:		
Large exposures	28,000,000	112,504,000
Non-large exposures	8,049,996	32,344,884
	36,049,996	144,848,884

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

(h) By interest rate (per annum):

	2018
Long-term loans	6%
Overdrafts	6% - 8%

9. Other investment

This represents gold deposits with AIF Precious Metal Import-Export Service Sole Co., Ltd., a shareholder whereby AIF Precious Metal Import-Export Service Sole Co., Ltd. agreed to provide a guarantee returned of 6% per annum.

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Gold investment	22,500,000	90,405,000
Regulatory provision (Note 8(A))	(225,000)	(904,050)
	22,275,000	89,500,950

10. Other assets

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Prepaid expense	697,387	2,802,101
Accrued interest receivable	136,648	549,052
	834,035	3,351,153

11. Intangible assets

	Computer software license	
	31 December 2018	
	US\$	KHR'000 (Note 4)
Cost		
Additions during the year/At 31 December 2018	138,577	556,802
Less: Accumulated amortisation		
Amortisation for the year/At 31 December 2018	19,225	77,246
Carrying amounts		
As at 31 December 2018	119,352	479,556

12. Property and equipment

	Leasehold improvement	Furniture and Fixtures	Office equipment	Computer and IT equipment	Motor vehicles	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
Cost							
Additions/ At 31 December 2018	420,138	5,157	126,921	70,612	49,000	671,846	2,699,477
Less: Accumulated depreciation							
Depreciation for the year/ At 31 December 2018	34,932	431	10,522	9,759	4,083	59,727	239,983
Carrying amounts							
As at 31 December 2018	385,206	4,744	116,399	60,853	44,917	612,119	2,459,494

13. Deposits from customers

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Residents	2,454,155	9,860,795
Non-residents	14,294,909	57,436,944
Non-resident bank deposits	1,224,100	4,918,434
	17,973,164	72,216,173

The above amount included margin deposits of US\$50,000 which represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantees.

The deposits from customers are analysed as follows:

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
(a) By maturity:		
No maturity	17,487,664	70,265,434
1 to 3 months	90,000	361,620
4 to 6 months	245,000	984,410
7 to 12 months	150,500	604,709
	17,973,164	72,216,173
(b) By currency:		
US Dollars	17,972,873	72,215,005
Khmer Riel	291	1,168
	17,973,164	72,216,173
(c) By type of accounts:		
Saving accounts	14,699,610	59,063,033
Demand accounts	2,788,054	11,202,401
Term deposits	485,500	1,950,739
	17,973,164	72,216,173

(d) By interest rate (per annum):

Terms deposits from customers bear interest rates ranging from 2.5% to 6.5% for KHR and 2% to 6% for US\$ per annum. Saving deposit bear interest rates 1% per annum.

14. Other liabilities

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Accrued interest payable	590	2,371
Other accrued expense	115,675	464,782
	116,265	467,153

15. Income tax/minimum tax

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

(a) Minimum tax expense/income tax expense

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Minimum tax expense	5,530	22,220

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

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Loss before income tax	(1,462,481)	(5,876,249)
Income tax rate using applicable tax rate at 20%	(292,496)	(1,175,250)
Effect of non-deductible expenses		
- permanent difference	34,869	140,104
- temporary difference	100,931	405,541
Unrecognised tax loss	156,696	629,605
Income tax expense	-	
Minimum tax expense	5,530	22,220

The calculation of taxable income is subject to the review and approval of the tax authorities.

(b) Deferred tax not recognised

Tax losses can be carried forward and offset against the taxable profits of subsequent years for up to five years from the year in which they were incurred. The actual amount of accumulated losses that can be carried forward is subject to the review and approval of the tax authorities.

Deferred tax assets have not been recognised in respect of unutilised tax losses because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

As at 31 December 2018, deferred tax asset from tax loss carry forwards amounting to US\$783,480 was not recognised due to there is a significant uncertainty of the availability of sufficient taxable income in the foreseeable future against which the tax loss can be utilised.

16. Share capital

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Shares of US\$ 1 each:		
Registered, issued and fully paid up 75,000,000 shares, 1 US\$ each:		
Asia Investment and Financial Services Sole Co., Ltd.	45,000,000	180,810,000
Paradise Investment Co., Ltd	11,250,000	45,202,000
PrimeStreet Advisory Co., Ltd.	18,750,000	75,338,000
	75,000,000	301,350,000

17. Interest income

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Loans and advances	273,981	1,100,856
Other investment	281,881	1,132,598
	555,862	2,233,454

18. Interest expense

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Savings deposits	8,730	35,076
Fixed and margin deposits	596	2,396
	9,326	37,472

19. Other operating income

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Loan fees	2,782	11,178
Foreign exchange currency gain	836	3,359
	3,618	14,537

20. General and administrative expenses

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Salaries and wages	331,308	1,331,196
Depreciation and amortisation	78,952	317,229
Repairs and maintenance	11,039	44,355
Building rental expense	86,063	345,801
Withholding tax expense	168,641	677,600
Fee and commissions	11,792	47,380
Other expense	727,163	2,921,741
	1,414,958	5,685,301

21. Net cash used in operating activities

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Net loss for the year	(1,462,481)	(5,876,249)
Adjustments for:		
Depreciation and amortisation	78,952	317,229
Allowance for bad and doubtful loans and advances	592,147	2,379,247
Net interest income	(546,536)	(2,195,982)
	(1,337,918)	(5,375,755)
Changes in:		
Loans and advances	(36,049,996)	(144,848,884)
Other assets	(697,387)	(2,802,101)
Other liabilities	115,675	464,782
Reserve requirements	(2,401,244)	(9,648,198)
Deposits from customers	17,973,164	72,216,173
Net cash used in operations	(22,397,706)	(89,993,983)
Interest income received	419,214	1,684,401
Interest paid	(8,736)	(35,101)
Net cash used in operating activities	(21,987,228)	(88,344,683)

22. Cash and cash equivalents

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Cash on hand (Note 5)	4,518,232	18,154,256
Balances with NBC	17,019,414	68,384,005
Deposits and placements with other banks (Note 7)	664,703	2,670,777
	22,202,349	89,209,038

23. Commitments and contingencies

(a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers.

(b) Lease commitments

The Bank has lease commitments as at 31 December 2018 as following:

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Not later than one year	92,160	370,299
From one year but not later than five years	315,000	1,265,670
	407,160	1,635,969

(c) 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 create risks of additional taxes through reassessment, fines, penalties and interest charges, which are substantially more significant in Cambodia than in other countries.

24. Significant related party balances and transactions

The Bank entered into a number of significant transactions with related parties in the normal course of business. The significant related party transactions, outstanding balances at the year end and related expenses and income during the year are as follow:

(a) Amounts due from related parties

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Demand deposits	1,224,100	4,918,435
Other investment (Note 9)	22,500,000	90,405,000

(b) Directors and key management personnel

	Year ended 31 December 2018	
	US\$	KHR'000 (Note 4)
Salaries and short-term benefits	153,791	617,932

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; and
- 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.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(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 allowances 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 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 the NBC guidelines.

(c) Credit risk (continued)**(i) Credit risk measurement**

The Bank ensures that there is a clear segregation of duties between loan originators, evaluators, internal assessment tools and approving authorities.

Risk rating are reviewed and updated on 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 borrow or transaction.

(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 Group's and 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 overall credit exposure to any single beneficiary and the Bank's net worth. The aggregation of all 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 Company 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 B7-17-344 dated 1 December 2017 on loan classification and provisioning. Refer to Note 3(d) for detail.

(iv) Exposure to credit risk

	As at 31 December 2018	
	US\$	KHR'000 (Note 4)
Financial assets:		
Balance with the NBC	26,920,648	108,167,164
Balance deposit and placement with banks	664,703	2,670,777
Other assets	833,635	3,349,545
Other investment	22,500,000	90,405,000
Loans and advances - neither past due nor impaired	36,049,996	144,848,884
	86,968,982	349,441,370

Exposure to credit risk is mainly from the loans and advances to customers.

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, a minimum level of specific allowance 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(d).

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 (short term loans: 14 days) but less than 90 days (short term loans: 30 days), unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific allowance of 3%.

Loans to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

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 on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on 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 mortgage interests over property and/or guarantees. 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.

The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the balance sheet as foreclosed property.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances at the balance date is shown in Note 8 to the financial statements.

(d) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As of 31 December 2018, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) 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.

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

	Up to 1 month	> 1–3 months	> 3–6 months	> 6–12 months	> 1–5 years	Over 5 years	Non- interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018								
Assets								
Cash on hand	-	-	-	-	-	-	4,518,232	4,518,232
Balances with NBC	-	-	-	-	-	-	17,019,404	17,019,404
Deposits and placements with banks	-	-	-	-	-	-	664,703	664,703
Other assets	-	-	-	-	-	-	136,648	136,648
Other investment	10,500,000	12,000,000	-	-	-	-	-	22,500,000
Loans and advances	-	-	-	15,049,996	21,000,000	-	-	36,049,996
Total financial assets	10,500,000	12,000,000	-	15,049,996	21,000,000	-	22,338,987	80,888,986
Liabilities								
Deposits from customers	14,699,610	90,000	245,000	150,500	-	-	2,788,054	17,973,164
Other liabilities	-	-	-	-	-	-	116,265	116,265
Total financial liabilities	14,699,610	90,000	245,000	150,500	-	-	2,904,319	18,089,429
Maturity gap – US\$	(4,199,610)	11,910,000	(245,000)	14,899,496	21,000,000	-	19,434,668	62,799,557
Maturity gap – KHR'000 (Note 4)	(16,874,033)	47,854,380	(984,410)	59,866,175	84,378,000	-	78,088,496	252,328,620

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 relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

	Up to 1 month	> 1 – 3 months	> 3 - 12 months	> 1 - 5 months	More than 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018						
Financial liabilities						
Deposits from customers	17,487,664	90,000	395,500	-	-	17,973,164
Other liabilities	91,675	-	24,590	-	-	116,265
	17,579,339	90,000	420,090	-	-	18,089,429
KHR'000 (Note 4)	70,633,784	361,620	1,687,922	-	-	72,683,326

(f) Capital management

(i) Regulatory capital

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.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

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, the 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. Comparative figures

This is the first set of financial statements prepared since the incorporation of the Bank. There were no transactions from 14 November 2017 (date of incorporation) to 31 December 2017. Accordingly, no comparative figure are presented. As stated in Note 1, the Company registered with the Ministry of Commerce on 14 November 2017; however, it only stated its operations from 18 July 2018, the date its license issued by the NBC.



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