2018
ANNUAL REPORT

DGB Financial Group, Korea

ធនាគារឯកទេស ឌីជីប៊ី

DGB Specialized Bank

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DYNAMIC BANK WITH HIGHLY MOTIVATED STAFF

VISION

To be a leading Financial Institution in Southeast Asia.

MISSION

To become a leading commercial bank with quality assets, excellent risk management practices and to be listed on the Phnom Penh Stock Exchange.

MESSAGE FROM CEO

LEE YONG MAN

Chief executive officer

The Bank started 2018 with the joining of the DGB Financial Group Korea. Twelve months later, we are pleased to report a smooth integration with our new shareholder who has given us their unwavering financial, management and shareholder support. This together with our committed and solidly dedicated staff working in tandem, has allowed our Bank to grow to even greater heights in 2018.

Accordingly, I am pleased to report our achievement in 2018 which is commendable when considering we face the rapidly growing competition from some 150 commercial banks, specialised banks, MFIs and leasing companies in Cambodia. Strong competition from a crowded and aggressive local banking & finance industry has naturally led to active loan refinancing, narrowing interest margins and overall lower return on assets for industry players – making our job even harder.

The Bank's net income grew spectacularly by 51.7% from US$4,281,433 (in 2017) to US$6,493,617 (in 2018) on the back of the Bank's total assets from US$106 million (in2017) to US$140 million (in2018) a 32% asset growth. The strong performance was achieved without sacrificing credit quality. On the contrary, with cautious risk underwriting coupled with dedicated debt recovery efforts, we sharply reduced our classified loans to a mere 0.2% of our total loan portfolio. As per the National Bank of Cambodia guidelines, we have made adequate provisions for the various classified loans.

We are ever thankful to our new shareholder for their strong financial support in providing shareholder loans of US$75 million concurrently with a substantial equity capital increase from US$20 million to US$75 million in 2018. Such solid commitment will enable the Bank to achieve sustainable business growth with respectable profit.

In spite of expected market pressures, the Bank remains focused on having high standards of lending and improving our level of operational efficiencies. Staff training and skills improvement remain our high priorities to churn out well trained staff that are highly motivated and well developed to understand customer needs and market expectations. In this regard, we conduct specific technical & vocational skill training for management and staff in the year and these initiatives will continue to be high priority as always in the future.

In 2018, the following activities and training were conducted:

- All new staff undergo a mandatory minimum 3-day training
- Various in-house training courses at branch
- External banking courses
- Local workshop in Siem Reap Province for managers
- Oversea workshop in South Korea in May 2018 which was attended by 297 staff and 14 family members.

For the year 2019, we will further strengthen our risk management systems and the internal control operational procedures. The Bank will continue to enhance the adoption and implementation of good corporate governance as core values for sustainable growth.

I would like to thank all of our customers for their continued support and confidence in the Bank. Concurrently, I would also like to take this opportunity to express my deep appreciation to our dedicated Board of Directors, Management and staff for their invaluable contribution and hard work which has led to the good performance of the Bank.

Lastly, I am also grateful to the National Bank of Cambodia for their continuous guidance and 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 own needs.

TRAINING/ CSR

ចំពោះដំណើរទេស្សនកិច្ចមកកាន់ ធនាគារឯកទេសឌីជីប៊ី កម្ពុជា
DGB 금융그룹 김태오 회장님 및 경영진의 DGB 특수은행 캄보디아 방문을

កម្ពុជា-កូរ

한-캄보디아 비즈니스
Korea-Cambodia Busines
KITA
kotra

KEY MILESTONES

2009

Issuance of the approval in principal from NBC

2010

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

2011

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

2012

Total Assets : US$20,930,852
Interest Income : US$2,872,392
NIAT : US$516,641

2013

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

2014

New Branch (CHC Branch)
Total Assets : US$44,073,316
Interest Income : US$6,018,180
NIAT : US$1,785,172

2015

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

2016

Total Assets : US$86,019,889
Interest Income : US$11,473,996
NIAT : US$3,395,256

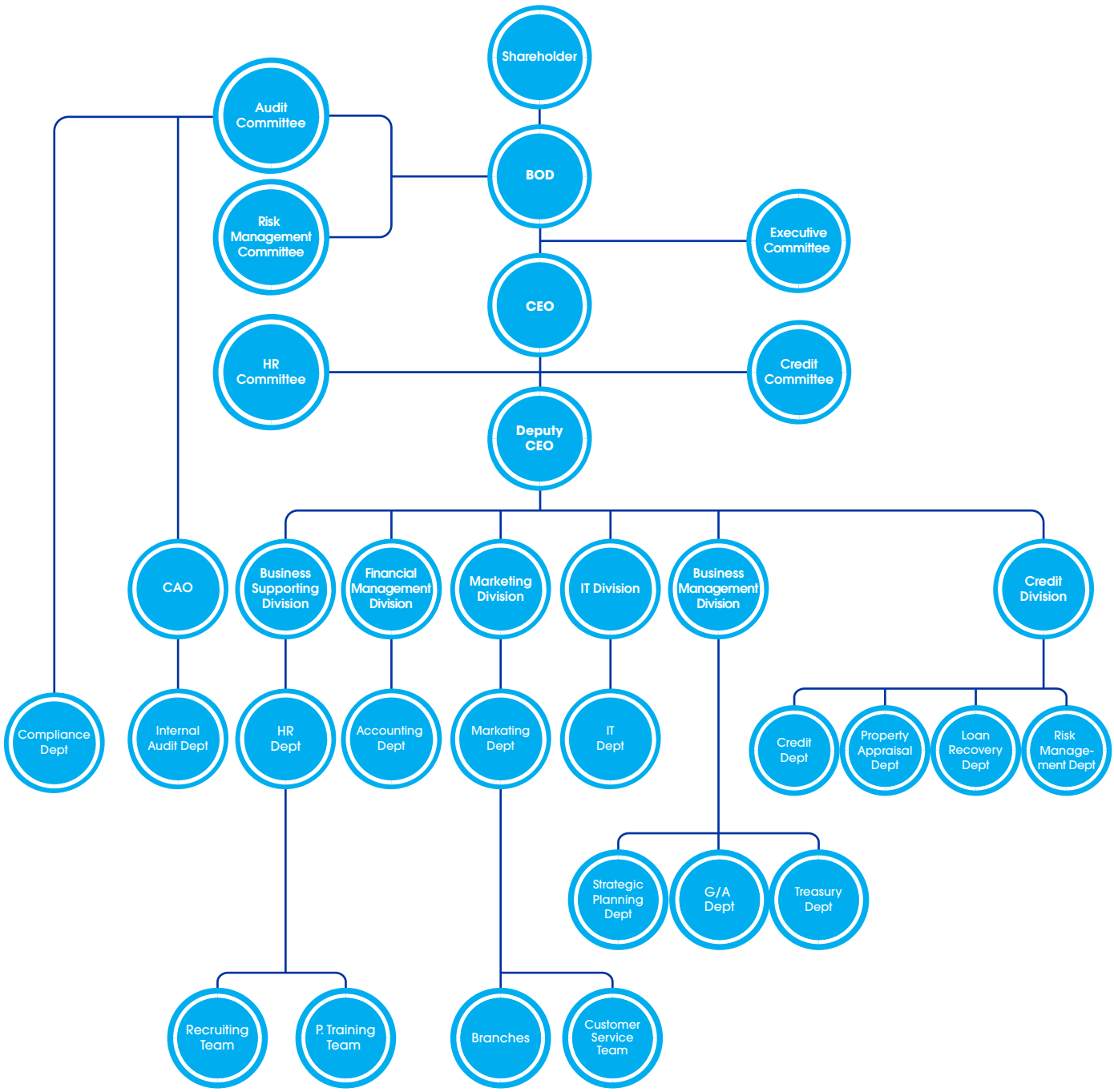
2017

Total Assets : US$106,565,345
Interest Income : US$14,087,148
NIAT : US$4,281,433

2018

New shareholder: Daegu Bank, South Korea.
New Branches Opening (OLP and SMC Branch)
Total Assets : US$140,516,705
Interest Income : US$17,433,225
NIAT : US$6,493,617

ORGANIZATION CHART



SHAREHOLDERS

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

	2018			2017		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
Daegu Bank	100%	75,000,000	75,000,000	-	-	-
OKS-CAM Investments Limited	-	-	-	92%	18,400,000	18,400,000
Lee Yong Man	-	-	-	4%	800,000	800,000
OKS-CAM Limited	-	-	-	4%	800,000	800,000
	100%	**75,000,000**	**75,000,000**	**100%**	**20,000,000**	**20,000,000**

BOARD OF DIRECTORS

BOARD OF DIRECTORS

LEE WON SOO

Chairman of Board of Directors

EDUCATION

- Bachelor of Business Administration, Kyungpook National University, South Korea

WORK EXPERIENCE

- General Manager, Strategic Planning Department, Daegu Bank, South Korea (Current)

KOH BOCK SWI

Chairman of Risk Managment Committee

EDUCATION

- Bachelor of Business Administration, National University of Singapore
- Executive Program (Investment Strategy & Management Program), Kellogg, Northwestern University, Chicago, USA

WORK EXPERIENCE

- Independent Commissioner, PT Malindo Feedmill, Indonesia (Current)
- Independent Director, TT International Limited, Singapore (Current)
- Regional Credit Manager & Vice President, Arab Bank Plc, Singapore

BOARD OF DIRECTORS

LEE DONG YOUL

Chairman of Audit Committee

EDUCATION

- Master of Business Administration, Kyungpook National University, South Korea
- Bachelor of Business Administration, Yeungnam University, South Korea

WORK EXPERIENCE

- Chief Operating Officer, J&COCEU Co., Ltd, (Current)
- General Manager, Daegu Bank, South Korea

LEE YONG MAN

Director

EDUCATION

- Master of Arts in Economics, Yonsei University, South Korea

WORK EXPERIENCE:

- CEO, DGB Specialized Bank Plc (Current)
- Deputy CEO, Phnom Penh Commercial Bank
- Chief Representative, Arab Bank Plc, Hong Kong
- Vice President, Arab Bank Plc, Seoul
- Assistant Vice President, Arab Bank Plc, Singapore

LEE SANG RAE
Director

EDUCATION

- Master of Financial Engineering, KAIST (Korea Advanced Institute of Science and Technology), South Korea
- Bachelor of Business Administration, Kyungpook National University, South Korea

WORK EXPERIENCE

- Deputy CEO, DGB Specialized Bank Plc (Current)
- General Manager, Risk Managent Department, Daegu Bank, South Korea

KIM DEOK GYEOM
Director

EDUCATION

- Bachelor of Economics, Kyungsung University, South Korea

WORK EXPERIENCE

- Chief Strategic Planning Officer, DGB Specialized Bank Plc (Current)
- Team Leader, Daegu Bank, South Korea

MANAGEMENT TEAM

MANAGEMENT TEAM

LEE YONG MAN
Chief Executive Officer

EDUCATION
- Master of Arts in 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
- Assistant Vice President, Arab Bank Plc, Singapore

LEE SANG RAE
Deputy Chief Executive Officer/Director

EDUCATION
- Master of Financial Engineering, KAIST (Korea Advanced Institute of Science and Technology), South Korea
- Bachelor of Business Administration, Kyungpook National University, South Korea

WORK EXPERIENCE
- General Manager, Daegu Bank, South Korea

KIM DEOK GYEOM
Chief Strategic Planning Officer/Director

EDUCATION
- Bachelor of Economics, Kyungsung University, South Korea

WORK EXPERIENCE
- Team Leader, Daegu Bank, South Korea

MANAGEMENT TEAM

PET RAVY
Chief Credit Officer/
Vice President

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

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

MAO NIMOL
Chief Human Resources Officer/
Vice President

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

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

NGET BUNTHOEUN
Chief Operating Officer/
Vice President

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

WORK EXPERIENCE
- Medium Credit Officer, Acleda Bank Plc

YUN SOPHAL
Chief Financial Officer/
Vice President

EDUCATION
- Master of Business Administration, Enterprise Management, Huazhong University of Science and Technology, China
- Bachelor of Economic, Finance and Banking, Royal University of Law and Economics

WORK EXPERIENCE
- Head of Finance Department, LOLC (Cambodia)
- Finance Manager, ANZ Royal Bank
- Assistant Manager of Budgeting and Control Unit, Acleda Bank Plc

SIN SOK
Chief Audit Officer/
Vice President

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

WORK EXPERIENCE
- Internal Audit Manager, Seilanithih Microfinance Institution

MOUK MARDETH
Compliance Manager

EDUCATION
- Master of Business Administration, Business Management, Norton University

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

MANAGEMENT TEAM

MEY VANNAK
Credit Manager

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

WORK EXPERIENCE
- Credit Officer, Acleda Bank Plc

YOUK SOTHUN
Branch General Manager

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

WORK EXPERIENCE
- Chief of Credit Officer, Acleda Bank Plc

PEN SAMROUL
Branch General Manager

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

WORK EXPERIENCE
- Medium Credit Officer, Acleda Bank Plc

SARA KUNTHEARITH
Branch General Manager

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

WORK EXPERIENCE
- Trade Finance Credit Officer, Acleda Bank Plc

TE VUTHEA
Branch General Manager

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

WORK EXPERIENCE
- Medium Credit Officer, Acleda Bank Plc

CHAN ROTHA
Branch General Manager

EDUCATION
- Master of Business Administration, Business Management, Cambodia University of Specialties

WORK EXPERIENCE
- Credit Officer, Thaneakea Phum Cambodia Ltd

MANAGEMENT TEAM

ROS THEARITH
Branch General Manager

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

WORK EXPERIENCE
- Loan Officer, ABA Bank Plc

NHEK VISAL
Branch General Manager

EDUCATION
- Bachelor of Business Administration, Management, Human Resource University

WORK EXPERIENCE
- Credit Agent, Sathapana Bank Plc

FINANCIAL HIGHLIGHTS

OPERATING RESULT (US$)	2018	2017
Net income before income tax	8,205,433	5,606,457
Net income for the year	6,493,617	4,281,433
KEY BALANCE SHEET DATA (US$)		
Total assets	140,516,705	106,565,345
Loan to customers	133,866,241	103,222,841
Total liabilities	46,240,045	73,782,302
Paid-up capital	75,000,000	20,000,000
Shareholder's equity	94,276,660	32,783,043
Return on asset (ROA)	5.2%	4.5%
Return on equity (ROE)	10.0%	14.1%
Return on investment (ROI)	7.9%	9.3%
Non-performing loan (NPL)	0.2%	0.07%

REPORT OF THE DIRECTORS

The Board of Directors ("the Director") is pleased to present its report together with the audited financial statements of DGB Specialized Bank Plc. ("the Bank"), formerly known as Cam Capital Specialized Bank Plc., for the year ended 31 December 2018.

Principal activity

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

There were no significant changes to this principal activity during the year.

Financial results

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

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Profit before tax on income	8,205,433	32,969,429	5,606,457	22,633,267
Tax on income expense	(1,711,816)	(6,878,077)	(1,325,024)	(5,349,122)
Net profit for the year	**6,493,617**	**26,091,352**	**4,281,433**	**17,284,145**

Dividends

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

Share capital

On 19 October 2017, the Bank entered into share sale and purchase agreement to sell 100% of shareholding to Daegu Bank, a bank incorporated in Daegu, the Republic of Korea.

On 28 December 2017, the Bank obtained an approval from the National Bank of Cambodia ("NBC") to change the Bank's shareholder to Daegu Bank and to change the operating name from Cam Capital Specialized Bank Plc. to DGB Specialized Bank Plc. The amendment of the Memorandum and Articles of Association were endorsed by the Ministry of Commerce on 25 January 2018.

On 30 January 2018, the Board of Directors of the Bank approved to increase share capital from US$20,000,000 to US$75,000,000. On 14 March 2018, the Bank submitted a letter to the NBC to request for the increase of share capital amounting to US$55,000,000. The share capital of the Bank was increased from US$20,000,000 to US$75,000,000 following the approval from the NBC on 4 July 2018. The amendments of the Memorandum and Articles of Association was approved by the Ministry of Commerce on 1 August 2018.

Reserves and provisions

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

Bad and doubtful loans and advances

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans and advances, and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

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

Current assets

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

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

Valuation methods

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

Contingent and other liabilities

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

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

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary courses of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

Events since the reporting date

At the date of this report, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

Directors

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

Mr. Lee Won Soo	Chairman
Mr. Lee Yong Man	Director
Mr. Kim Deok Gyeom	Director
Mr. Shin Il Kyu	Director
Mr. Lee Dong Youl	Independent Director
Mr. Koh Bock Swi	Independent Director

Directors' interests

No Directors hold a controlling interest in the equity of the Bank.

Directors' benefits

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

Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 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;

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

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

Approval of the financial statements

I, on behalf of Board of Directors, hereby approve the accompanying financial statements as set out on pages 37 to 69 which 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.

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

Mr. Lee Won Soo
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 21 MAR 2019

REPORT OF THE INDEPENDENT AUDITOR

To the shareholder
DGB Specialized Bank Plc.
(Formerly known as Cam Capital Specialized Bank Plc.)

Opinion

We have audited the financial statements of DGB Specialized Bank Plc. ("the Bank"), formerly known as Cam Capital Specialized Bank Plc., which comprise the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 37 to 69.

In our opinion, the accompany 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 Report of the Directors on pages 1 to 5, 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

Date: 21 March 2019

BALANCE SHEET

	NOTES	2018 US$	2018 KHR'000 (Note 5)	2017 US$	2017 KHR'000 (Note 5)
Assets					
Cash on hand		252,160	1,013,179	142,058	573,488
Balances with the National Bank of Cambodia	6	3,752,820	15,078,831	1,004,875	4,056,680
Balances with other banks - net	7	115,215	462,934	448,677	1,811,309
Loans and advances - net	8	133,866,241	537,874,556	103,222,841	416,710,609
Other assets	9	1,388,190	5,577,747	1,113,026	4,493,287
Property and equipment	10	956,011	3,841,252	534,371	2,157,256
Intangible assets	11	186,068	747,621	99,497	401,669
Total Assets		**140,516,705**	**564,596,120**	**106,565,345**	**430,204,298**
Liabilities And Shareholder's Equity					
Liabilities					
Other liabilities	12	363,354	1,459,956	404,414	1,632,619
Provision for tax on income	15 (a)	1,546,691	6,214,604	1,077,888	4,351,434
Borrowings	13	44,000,000	176,792,000	72,300,000	291,875,100
Employee benefits	14	330,000	1,325,940	-	-
Total Liabilities		**46,240,045**	**185,792,500**	**73,782,302**	**297,859,153**
Shareholder's Equity					
Share capital	16	75,000,000	301,350,000	20,000,000	80,740,000
Reserves	17	3,000,000	12,054,000	3,000,000	12,111,000
Retained earnings		16,276,660	65,399,620	9,783,043	39,494,145
Total Shareholder's Equity		**94,276,660**	**378,803,620**	**32,783,043**	**132,345,145**
Total Liabilities And Shareholder's Equity		**140,516,705**	**564,596,120**	**106,565,345**	**430,204,298**

INCOME STATEMENT

	NOTES	2018 US$	2018 KHR'000 (Note 5)	2017 US$	2017 KHR'000 (Note 5)
Interest income	18	17,433,225	70,046,698	14,087,148	56,869,816
Interest expense		(3,432,310)	(13,791,022)	(4,461,021)	(18,009,142)
Net Interest Income		14,000,915	56,255,676	9,626,127	38,860,674
Allowances for bad and doubtful Loans and advances	8	(398,714)	(1,602,033)	(245,016)	(989,130)
Regulatory Provision	7	(1,164)	(4,677)	-	-
		13,601,307	54,648,966	9,381,111	37,871,544
Other operating income	19	1,549,617	6,226,361	1,229,532	4,963,621
Operating income		15,150,654	60,875,327	10,610,643	42,835,165
Personnel expenses	20	(4,372,197)	(17,567,488)	(3,150,515)	(12,718,629)
Depreciation and amortisation	21	(345,795)	(1,389,404)	(418,631)	(1,690,013)
General and administrative expenses	22	(2,227,229)	(8,949,006)	(1,435,040)	(5,793,256)
		(6,945,221)	(27,905,898)	(5,004,186)	(20,201,898)
Profit Before Tax On Income		8,205,433	32,969,429	5,606,457	22,633,267
Tax on income expense	15 (b)	(1,711,816)	(6,878,077)	(1,325,024)	(5,349,122)
Net profit for the year		6,493,617	26,091,352	4,281,433	17,284,145

STATEMENT OF CHANGE IN EQUITY

	Share capital US$	Reserves US$	Retained earnings US$	Total US$
At 1 January 2017	20,000,000	3,000,000	5,501,610	28,501,610
Net profit for the year	-	-	4,281,433	4,281,433
As 31 December 2017	20,000,000	3,000,000	9,783,043	32,783,043
(KHR'000 equivalents) – (Note 5) At 31 December 2017	80,740,000	12,111,000	39,494,145	132,345,145
At 1 January 2018	20,000,000	3,000,000	9,783,043	32,783,043
Share issued during the year	55,000,000	-	-	55,000,000
Net profit for the year	-	-	6,493,617	6,493,617
As 31 December 2018	75,000,000	3,000,000	16,276,660	94,276,660
(KHR'000 equivalents) – (Note 5) At 31 December 2018	301,350,000	12,054,000	65,399,620	378,803,620

STATEMENT OF CASH FLOWS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash flows from operating activities				
Profit before tax on income	8,205,433	32,969,429	5,606,457	22,633,267
Adjustments for:				
Net interest income	(14,000,915)	(56,255,676)	(9,626,127)	(38,860,674)
Depreciation and amortisation	345,795	1,389,404	418,631	1,690,013
Loss on property and equipment written off	84	338	-	-
Allowance for doubtful loans	398,714	1,602,033	245,016	989,130
Regulatory provision	1,164	4,677	-	-
Cash used in operations	(5,049,725)	(20,289,795)	(3,356,023)	(13,548,264)
Changes in:				
Loans and advances	(31,042,216)	(124,727,624)	(20,483,484)	(82,691,825)
Other assets	(62,517)	(251,193)	(54,873)	(221,523)
Other liabilities	431,937	1,735,523	66,030	266,562
	(35,722,521)	(143,533,089)	(23,828,350)	(96,195,050)
Interest received	17,220,679	69,192,688	13,941,398	56,281,424
Interest paid	(3,575,306)	(14,365,580)	(4,554,084)	(18,384,837)
Income tax paid	(1,243,013)	(4,994,426)	(1,076,363)	(4,345,277)
Net cash used in operating activities	(23,320,161)	(93,700,407)	(15,517,399)	(62,643,740)
Cash flows from investing activities				
Balances with the National Bank of Cambodia	(2,750,000)	(11,049,500)	-	-
Acquisition of property and equipment	(743,060)	(2,985,615)	(71,112)	(287,079)
Acquisition of intangible assets	(111,030)	(446,119)	(6,270)	(25,312)
Net cash used in investing activities	(3,604,090)	(14,481,234)	(77,382)	(312,391)

STATEMENT OF CASH FLOWS (CONTINUED)

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash flows from financing activities				
Share capital issued	55,000,000	220,990,000	-	-
Proceeds from borrowings	59,300,000	238,267,400	27,700,000	111,824,900
Repayment of borrowings	(87,600,000)	(351,976,800)	(10,957,605)	(44,235,851)
Repayment of subordinated debt	-	-	(700,000)	(2,825,900)
Net cash generated from financing activities	26,700,000	107,280,600	16,042,395	64,763,149
Net (decrease) / increase in cash and cash equivalents	(224,251)	(901,041)	447,614	1,807,018
Cash and cash equivalents at beginning of the year	595,610	2,404,477	147,996	597,459
Currency translation difference	-	(11,315)	-	-
Cash and cash equivalents at end of the year (Note 23)	371,359	1,492,121	595,610	2,404,477

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

DGB Specialized Bank ("the Bank"), formerly known as Cam Capital Plc ("the Bank"), 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 Bank received a new registration number Co. 6364E/2009 from the Ministry of Commerce.

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

On 28 February 2012, the Bank 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 Bank received approval from the National Bank of Cambodia to upgrade to a specialized banking institution and changed 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.

On 19 October 2017, the Bank entered into share sale and purchase agreement to sell 100% of shareholding to Daegu Bank, a bank incorporated in Daegu, the Republic of Korea. On 28 December 2017, the Bank received approval from National Bank of Cambodia to change its operating name from Cam Capitalized Bank Plc to DGB Specialized Bank Plc.

On 27 December 2017, the NBC also granted the specialized banking license to DGB Specialized Bank Plc.

On 18 January 2018, the Bank registered with the Ministry of Commerce with its new operating name with the registration no. 00016509. The Bank subsequently received an approval of its new Memorandum and Articles of Association from the Ministry of Commerce on 25 January 2018.

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

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

The Bank had 401 employees as at 31 December 2018 (31 December 2017: 301 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Bank were approved for issue by the Board of Directors on 21 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 its business and maintains its accounting records primarily in United States Dollars ("US$"), management have determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in foreign currencies are translated into US$ at the exchange rates prevailing 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 prevailing at that date. Exchange differences arising on translation are recognised in the income statement.

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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

(b) Cash and cash equivalents

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

(c) Deposits and placements with banks

Deposits and placements with banks are stated at costless allowance for any uncollectable amounts.

(d) Statutory deposits

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

(e) Loans and advances

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

(f) Allowance for bad and doubtful loans

In compliance with the NBC guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing as follows:

Prior to 1 January 2018

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

From 1 January 2018

The NBC issued Prakas No. B7-017-344dated 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 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 or equal one year):		
Normal/standard	≤14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Classification	**Number of days past due**	**Allowance**
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

The change in the credit risk grading and provisioning is applied prospectively and the effect of this change resulted in increase in allowance for bad and doubtful loans for the year ended 31 December 2018 of US$16,374.

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.

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

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management there is no prospect of recovery.

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

(g) Other assets

Other assets are carried at cost.

(h) Property and equipment

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

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

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

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

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

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

(i) Intangible assets

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

Membership fees are stated at costs less accumulated amortization and impairment. It is amortised over the defined useful life of 50 years on a straight-line basis as stated in the membership contract.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the 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(f).

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

All impairment losses are recognised in the income statement.

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

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

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

(k) Borrowings

Borrowings are stated at cost.

(l) Provisions

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

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in income statement in the period in which they arise.

(n) Income and expense recognition

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

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

Expenses are recognised on an accrual basis.

(o) Operating leases

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

(p) 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.

(q) Related parties

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

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

4. NEW FINANCIAL REPORTING FRAMEWORK

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.

On 3 January 2019, NAC through circular No.004 on the implementation of "the notification on the implementation of accounting standards for financial institution" provides the options to non-public accountability entities to choose either adopting CIFRS or CIFRS for SMEs.

The Bank's management is evaluating the potential impact on the adoptions of these new accounting framework.

5. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US$1 to KHR4,018 (2017: US$1 to KHR4,037) 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.

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Current account	2,820	11,331	4,875	19,680
Capital guarantee	3,750,000	15,067,500	1,000,000	4,037,000
	3,752,820	15,078,831	1,004,875	4,056,680

7. BALANCES WITH OTHER BANKS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Current accounts	111,477	447,915	435,291	1,757,270
Saving accounts	4,902	19,696	13,386	54,039
	116,379	467,611	448,677	1,811,309
Regulatory provision	(1,164)	(4,677)	-	-
	115,215	462,934	448,677	1,811,309

8. LOANS AND ADVANCES

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Short term loans	2,968,926	11,929,145	17,413,601	70,298,707
Long term loans	132,392,401	531,952,668	86,905,510	350,837,545
Gross loans	135,361,327	543,881,813	104,319,111	421,136,252
Allowance for losses on loans and advances				
At 1 January	1,096,270	4,425,643	851,254	3,436,513
Allowance during the year	398,714	1,602,033	245,016	989,130
Currency translation difference	102	(20,419)	-	-
At 31 December	1,495,086	6,007,257	1,096,270	4,425,643
Loans and advances, net	133,866,241	537,874,556	103,222,841	416,710,609

Loans and advances are analysed as follows:

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
a) By maturity:				
Not later than 1 year	5,654,912	22,721,437	17,949,145	72,460,699
Later than 1 year and no later than 3 years	32,353,267	129,995,427	24,928,008	100,634,369
Later than 3 years and no later than 5 years	96,520,996	387,821,362	61,332,958	247,601,151
Later than 5 years	832,152	3,343,587	109,000	440,033
	135,361,327	543,881,813	104,319,111	421,136,252
b) By industry:				
Agriculture	926,228	3,721,584	409,193	1,651,912
Construction	4,570,945	18,366,057	3,157,569	12,747,106
Services	31,858,221	128,006,332	23,835,476	96,223,817
Trade and commerce	69,157,618	277,875,309	57,234,648	231,056,274
Transportation	5,020,837	20,173,723	3,056,630	12,339,615
Other categories	23,827,478	95,738,808	16,625,595	67,117,528
	135,361,327	543,881,813	104,319,111	421,136,252

8. LOANS AND ADVANCES (CONTINUED)

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
c) By currency:				
US Dollars	133,617,145	536,873,689	104,319,111	421,136,252
KH Riel	1,744,182	7,008,124	-	-
	135,361,327	543,881,813	104,319,111	421,136,252
d) By residency status:				
Residents	135,361,327	543,881,813	104,319,111	421,136,252
e) By relationship:				
External customers	135,052,594	542,641,324	104,019,114	419,925,164
Staff loans	308,733	1,240,489	299,997	1,211,088
	135,361,327	543,881,813	104,319,111	421,136,252
f) By performance:				
Standard loans				
Secured	134,758,822	541,460,947	103,944,382	419,623,470
Unsecured	308,733	1,240,489	299,997	1,211,088
Special Mention				
Secured	3,832	15,397	-	-
Sub-standard loans				
Secured	160,914	646,552	26,132	105,495
Doubtful loans				
Secured	33,826	135,913	-	-
Loss loans				
Secured	95,200	382,515	48,600	196,199
	135,361,327	543,881,813	104,319,111	421,136,252
g) By exposure:				
Non-large exposures	135,361,327	543,881,813	104,319,111	421,136,252

9. OTHER ASSETS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Accrued interest receivable	962,922	3,869,021	750,376	3,029,268
Interest in suspense	(41,616)	(167,213)	(13,954)	(56,332)
Net interest receivables	921,306	3,701,808	736,422	2,972,936
Prepayments	100,303	403,017	203,211	820,363
Deposits	351,634	1,412,865	168,402	679,839
Other receivables	14,947	60,057	4,991	20,149
	1,388,190	5,577,747	1,113,026	4,493,287

10. PROPERTY AND EQUIPMENT

2018	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total	
	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost						
At 1 January 2018	707,911	299,573	614,094	347,115	1,968,693	7,947,613
Additions	437,546	103,274	126,030	76,210	743,060	2,985,615
Written off	-	(4,289)	-	(12,430)	(16,719)	(67,177)
Currency translation difference	-	-	-	-	-	(37,405)
At 31 December 2018	1,145,457	398,558	740,124	410,895	2,695,034	10,828,646
Less: Accumulated depreciation						
At 1 January 2018	442,974	218,710	578,727	193,911	1,434,322	5,790,357
Depreciation for the year	147,825	55,253	60,446	57,812	321,336	1,291,128
Written off	-	(4,205)	-	(12,430)	(16,635)	(66,839)
Currency translation difference	-	-	-	-	-	(27,252)
At 31 December 2018	590,799	269,758	639,173	239,293	1,739,023	6,987,394
Carrying amounts						
At 31 December 2018	554,658	128,800	100,951	171,602	956,011	3,841,252

10. PROPERTY AND EQUIPMENT (CONTINUED)

2017	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total	
	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost						
At 1 January 2017	694,624	289,439	586,860	332,452	1,903,375	7,683,924
Additions	13,287	12,727	30,435	14,663	71,112	287,079
Written off	-	(2,593)	(3,201)	-	(5,794)	(23,390)
At 31 December 2017	707,911	299,573	614,094	347,115	1,968,693	7,947,613
Less: Accumulated depreciation						
At 1 January 2017	330,947	168,275	410,397	141,320	1,050,939	4,242,640
Depreciation for the year	112,027	53,028	171,531	52,591	389,177	1,571,107
Written off	-	(2,593)	(3,201)	-	(5,794)	(23,390)
At 31 December 2017	442,974	218,710	578,727	193,911	1,434,322	5,790,357
Carrying amounts						
At 31 December 2017	264,937	80,863	35,367	153,204	534,371	2,157,256

11. INTANGIBLE ASSETS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cost				
At 1 January	276,332	1,115,552	270,062	1,090,240
Additions	111,030	446,119	6,270	25,312
Currency translation difference	-	(5,251)	-	-
At 31 December	387,362	1,556,420	276,332	1,115,552
Accumulated amortisation				
At 1 January	176,835	713,883	147,381	594,977
Amortisation for the year	24,459	98,276	29,454	118,906
Currency translation difference	-	(3,360)	-	-
At 31 December	201,294	808,799	176,835	713,883
Carrying amounts				
At 31 December	186,068	747,621	99,497	401,669

12. OTHER LIABILITIES

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Accrual interest payable (Note 24(b))	59,782	240,204	202,778	818,615
Salary and withholding tax payables	53,665	215,626	67,943	274,286
Accrued expense	125,133	502,784	31,029	125,264
Professional fee	18,700	75,137	8,250	33,305
Others	106,074	426,205	94,414	381,149
	363,354	1,459,956	404,414	1,632,619

13. BORROWINGS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Revolving loan	-	-	72,300,000	291,875,100
Borrowing from Shareholder	44,000,000	176,792,000	-	-
	44,000,000	176,792,000	72,300,000	291,875,100

14. EMPLOYEE BENEFITS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Seniority indemnity	330,000	1,325,940	-	-

15. TAX ON INCOME

(a) Provision for tax on income

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January	1,077,888	4,351,434	829,227	3,347,589
Current tax on income expense	1,711,816	6,878,077	1,325,024	5,349,122
Tax on income paid	(1,243,013)	(4,994,426)	(1,076,363)	(4,345,277)
Currency translation difference	-	(20,481)	-	-
At 31 December	1,546,691	6,214,604	1,077,888	4,351,434

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

(b) Tax on income expense

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

	2018			2017		
	US$	KHR'000 (Note 5)	%	US$	KHR'000 (Note 5)	%
Profit before tax on income	8,205,433	32,969,429		5,606,457	22,633,267	
Income tax using statutory rate	1,641,087	6,593,888	20%	1,121,291	4,526,652	20%
Effect of non-taxable income	(12,577)	(50,534)	0%	-	-	0%
Non-deductible expenses	22,622	90,894	0%	14,157	57,152	0%
Temporary difference	67,812	272,469	1%	81,635	329,560	1%
Prior year (over)/under provision	(7,128)	(28,640)	0%	107,941	435,758	2%
Tax on income expense	1,711,816	6,878,077	21%	1,325,024	5,349,122	24%

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

16. SHARE CAPITAL

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

	2018			2017		
	% of Ownership	Number of shares	Amount US$	% of Ownership	Number of shares	Amount US$
Daegu Bank	100%	75,000,000	75,000,000	-	-	-
OKS-CAM Investments Limited	-	-	-	92%	18,400,000	18,400,000
Mr. Lee Yong Man	-	-	-	4%	800,000	800,000
OKS-CAM Limited	-	-	-	4%	800,000	800,000
	100%	75,000,000	75,000,000	100%	20,000,000	20,000,000

On 19 October 2017, the Bank entered into share sale and purchase agreement to sell 100% of shareholding to Daegu Bank, a bank incorporated in Daegu, the Republic of Korea.

On 28 December 2017, the Bank obtained an approval from the National Bank of Cambodia ("NBC") to change the Bank's shareholder to Daegu Bank and to change the operating name from Cam Capital Specialized Bank Plc. to DGB Specialized Bank Plc. The amendment of the Memorandum and Articles of Associationwas endorsed by the Ministry of Commerce on 25 January 2018.

On 30 January 2018, the Board of Directorsof the Bank approved to increase share capital from US$20,000,000 to US$ 75,000,000. On 14 March 2018, the Bank sent a letter to the NBC to request for the increase of share capital amounting to US$55,000,000. The share capital of the Bank was increased from US$20,000,000 to US$ 75,000,000 following the approval from the NBC on 4 July 2018. The amendments of the Memorandum and Articles of Association was acknowledged by the Ministry of Commerce ("MOC") on 1 August 2018.

17. RESERVES

The Bank transferred its retained earnings amounting to US$3,000,000 to reserves which was approved by the NBC on 27 July 2016.

18. INTEREST INCOME

Interest income was made from the following sources:

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Loans and advances	17,387,838	69,864,333	14,080,960	56,844,836
Balances with the National Bank of Cambodia	15,067	60,539	2,693	10,871
Balances with other banks	30,320	121,826	3,495	14,109
	17,433,225	70,046,698	14,087,148	56,869,816

19. OTHER OPERATING INCOME

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Fee and commission on loans	858,023	3,447,536	695,996	2,809,737
Penalty fees	612,322	2,460,310	522,824	2,110,640
Others	79,272	318,515	10,712	43,244
	1,549,617	6,226,361	1,229,532	4,963,621

20. PERSONNEL EXPENSES

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Salaries and wages	2,235,318	8,981,508	1,786,927	7,213,824
Other employee benefits	2,136,879	8,585,980	1,363,588	5,504,805
	4,372,197	17,567,488	3,150,515	12,718,629

21. DEPRECIATION AND AMORTISATION

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Depreciation	321,336	1,291,128	389,177	1,571,107
Amortisation	24,459	98,276	29,454	118,906
	345,795	1,389,404	418,631	1,690,013

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Rental	463,409	1,861,977	378,095	1,526,370
Professional fees	494,276	1,986,001	159,707	644,737
Advertising	298,066	1,197,629	151,495	611,585
Repairs and maintenance	115,310	463,316	99,842	403,062
Utilities	106,340	427,274	98,429	397,358
Vehicle expenses	125,342	503,624	92,359	372,853
Communication	108,094	434,322	87,860	354,691
Office supplies and stationery	168,338	676,382	86,840	350,573
BOD expenses	43,253	173,791	66,857	269,902
Business meal and entertainment	64,661	259,808	43,529	175,727
Security guard	48,142	193,435	39,428	159,171
Insurance	38,156	153,311	28,416	114,715
Charitable contributions	500	2,009	1,300	5,248
Others	153,342	616,127	100,883	407,264
	2,227,229	8,949,006	1,435,040	5,793,256

23. CASH AND CASH EQUIVALENTS

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash on hand	252,160	1,013,179	142,058	573,488
Current account with NBC	2,820	11,331	4,875	19,680
Balances with other banks	116,379	467,611	448,677	1,811,309
	371,359	1,492,121	595,610	2,404,477

24. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Borrowings:				
Daegu Bank				
Principal received	44,000,000	176,792,000	-	-
Interest expense	994,531	3,996,026	-	-
Management compensation				
Board of Directors' fees and expense	43,253	173,791	66,857	269,902
Key management compensation	401,500	1,613,227	591,705	2,388,713

(b) Balances with related parties

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Borrowings (Note 13)				
Daegu Bank	44,000,000	176,792,000	-	-
Accrued interest payables (Note 12)				
Daegu Bank	59,782	240,204	-	-

25. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

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

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Within one year	470,411	1,890,112	307,200	1,240,166
From two to five years	1,119,499	4,498,147	792,200	3,198,111
Over 5 years	414,700	1,666,265	-	-
	2,004,610	8,054,524	1,099,400	4,438,277

(b) Taxation contingencies

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

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

26. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

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

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

(b) Operational risk

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

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

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

(c) Credit risk

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

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

The Bank holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

(i) Credit risk measurement

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

(ii) Risk limit control and mitigation policies

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:

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

(iii) Impairment and provisioning policies

The Bank follows the mandatory loan classification and provisioning as required by the National Bank of Cambodia's Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

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

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Balances with the National Bank of Cambodia	2,820	11,331	4,875	19,680
Balances with other banks	115,215	462,934	448,677	1,811,309
Loans and advances	133,866,241	537,874,556	103,222,841	416,710,609
Other assets*	936,253	3,761,865	741,413	2,993,085
	134,920,529	542,110,686	104,417,806	421,534,683

*The amount excluded non-financial assets.

(v) Exposure to credit risk

	2018		2017	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Loans and advances to customers				
Neither past due nor impaired	135,067,555	542,701,438	104,244,739	420,834,558
Past due but not impaired	3,832	15,397	-	-
Individually impaired	289,940	1,164,980	74,732	301,694
	135,361,327	543,881,813	104,319,111	421,136,252
Allowance for losses on loans and advances	(1,495,086)	(6,007,257)	(1,096,270)	(4,425,643)
	133,866,241	537,874,556	103,222,841	416,710,609

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 bank guarantee and management views that likelihood of default is relatively low.

Past due but not impaired

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 15 days for short-term loans and 30 days for long-term loans but less than 31 days for short-term loans and 90 days for long-term loans, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3%.

Impaired loans and advances

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 30 days for short-term loans and 90 days for long-term loans. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

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

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.

Concentration of risks of financial assets with credit risk exposure

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

(d) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices.

Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

(i) Foreign currency exchange risk

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

(ii) Price risk

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

(iii) Interest rate risk

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

2018	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Assets							
Cash on hand	-	-	-	-	-	252,160	252,160
Balances with the National Bank of Cambodia	-	-	-	-	-	2,820	2,820
Balances with other banks	4,853	-	-	-	-	110,362	115,215
Loans and advances to customers							
- Performing	530,067	1,545,731	3,483,914	128,679,523	832,152	-	135,071,387
- Non performing	-	-	-	-	-	289,940	289,940
- Allowance	-	-	-	-	-	(1,495,086)	(1,495,086)
Other assets	-	-	-	-	-	936,253	936,253
Total financial assets	534,920	1,545,731	3,483,914	128,679,523	832,152	96,449	135,172,689
Liabilities							
Borrowings	-	-	-	44,000,000	-	-	44,000,000
Other liabilities	-	-	330,000	-	-	203,615	533,615
Total financial liabilities	-	-	330,000	44,000,000	-	203,615	44,533,615
Total interest re-pricing gap	534,920	1,545,731	3,153,914	84,679,523	832,152	(107,166)	90,639,074

2017	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Assets							
Cash on hand	-	-	-	-	-	142,058	142,058
Balances with the National Bank of Cambodia	-	-	-	-	-	4,875	4,875
Balances with other banks	13,386	-	-	-	-	435,291	448,677
Loans and advances to customers							
- Performing	819,507	1,930,528	15,124,378	86,260,966	109,000	-	104,244,379
- Non performing	-	-	-	-	-	74,732	74,732
- Allowance	-	-	-	-	-	(1,096,270)	(1,096,270)
Other assets	-	-	-	-	-	741,413	741,413
Total financial assets	832,893	1,930,528	15,124,378	86,260,966	109,000	302,09	104,559,864
Liabilities							
Borrowings	-	-	-	72,300,000	-	-	72,300,000
Other liabilities	-	-	-	-	-	211,028	211,028
Total financial liabilities	-	-	-	72,300,000	-	211,028	72,511,028
Total interest re-pricing gap	832,893	1,930,528	15,124,378	13,960,966	109,000	91,071	32,048,836

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(e) Liquidity risk

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

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

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

	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
31 December 2018							
Liabilities							
Borrowings	-	424,160	1,272,480	46,389,435	-	-	48,086,075
Other liabilities	59,782	-	330,000	-	-	143,833	533,615
	59,782	424,160	1,602,480	46,389,435	-	143,833	48,619,690
31 December 2017							
Liabilities							
Borrowings	-	1,261,635	3,854,996	74,430,761	-	-	79,547,392
Other liabilities	202,778	-	-	-	-	8,250	211,028
	202,778	1,261,635	3,854,996	74,430,761	-	8,250	79,758,420

(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.

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

(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.

27. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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