



2017

ANNUAL REPORT



ធនាគារឯកទេស អ៊ីអេស (ខេមបូឌា) ភីអិលស៊ី
AEON SPECIALIZED BANK (CAMBODIA) PLC.



AEON CARD នេះជាអ្វីដែលអ្នកត្រូវការ

CONTENTS

FY2017 FINANCIAL HIGHLIGHTS	4
MESSAGE FROM MANAGEMENT	5
BOARD OF DIRECTORS	6
ORGANIZATION CHART	8
CORPORATE HISTORY	9
BUSINESS HIGHLIGHT 2017	10
BUSINESS PERSPECTIVE 2018	11
INTERNAL CONTROL	12
CORPORATE SOCIAL RESPONSIBILITY	13
INDEPENDENT AUDITOR'S REPORT	14
FINANCIAL REPORT	16

AEON FINANCIAL SERVICE GROUP NETWORK

“Support customers Lifestyle and enable each individual to maximize future opportunities through effective use of credit”



FY2017 FINANCIAL HIGHLIGHTS

OUR BACKGROUND

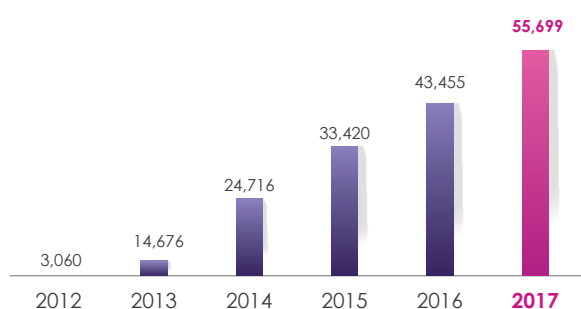
The company was incorporated as a private limited the company in Cambodia on 5th October, 2011 under Registration No. Co. 2380 E/2011, issued by the Ministry of Commerce. On 7th October, 2011 the Company obtained its license as a micro-finance institution from National Bank of Cambodia on 21st November, 2011. As a microfinance institution, the company was the first to offer unsecured Installment Service such as home appliances, motorbike, mobile phone, personal loan and agriculture machinery.

On 26th October, 2015, the Company obtained a specialized bank's license from the National Bank of Cambodia. Since then the Company has transformed into a specialized bank and started issuing Credit Card as our business expansion.

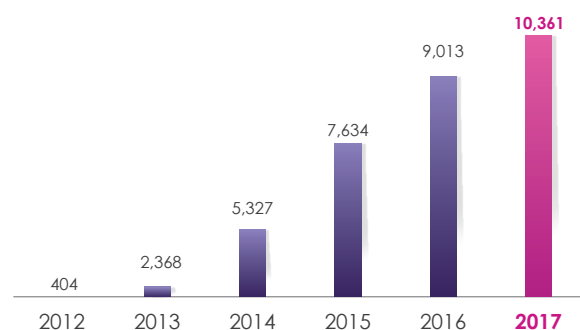
2017 AEON Thana Sinsap (Thailand) Pcl., a listed company in Thailand, owns 80% shares of the company while another 20% is owned by AEON Financial Service Co. Ltd., a listed company in Japan.

KEY FINANCIAL DATA

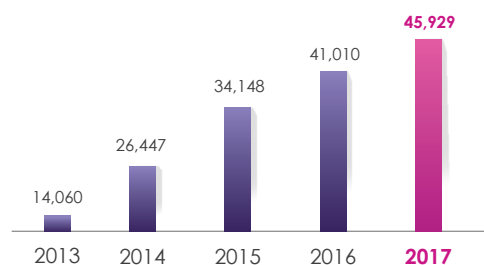
Total Sales (unit: '000 USD)



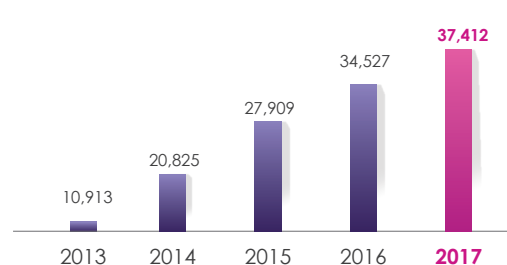
Total Revenue (unit: '000 USD)



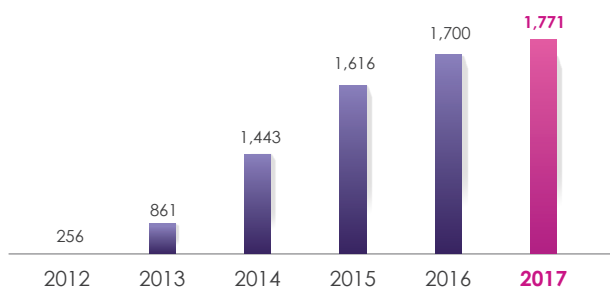
Total Assets (unit: '000 USD)



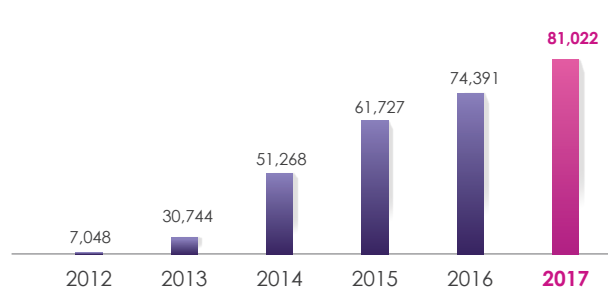
Accounts Recievable (unit: '000 USD)



Number of Partner Shops (unit: partner shop)



Number of Applications (unit: customer)



A portrait of Mr. Taketo Ando, a middle-aged man with dark hair and glasses, wearing a dark suit, white shirt, and striped tie. He is standing with his arms crossed in front of a large green plant and a window with vertical blinds.

MESSAGE FROM MANAGEMENT

Mr. Taketo Ando
Vice-Chairman of the Board and
Managing Director

We would like to introduce smartphone application “AEON Wallet Cambodia” equipped with QR Code payment and remittance functions. AEON is starting electronic money service in the local currency in Cambodian market “FAST, SIMPLE and EASY”

We, AEON Specialized Bank (Cambodia) Plc., have been established in Cambodia in October 2011 as Microfinance which offer unsecured installment service. We have obtained a specialized bank license from the National Bank of Cambodia in October 2015, since then we have started to issue the Cambodia’s first unsecured Credit Card from April 2016. Our aim is to offer customers’ convenient financial services as well as benefits including special privileges at AEON Group shopping malls. In 2017, we have expanded the Credit Card business to 3 more provincial branches such as Siem Reap, Battambang and Kampong Cham to issue AEON Card to installment members and partners. As a result, 22,509 cards were issued.

For 2018, we will introduce smartphone application (Electronic Money) in local currency Khmer Riel to penetrate and also to support Khmer Riel, equipped with QR Code payment and remittance functions which expected to launch early of Q2 of 2018 upon license approval from the National Bank of Cambodia. The product is “FAST, SIMPLE and EASY payment with Khmer Riel”. Customers can purchase products and services at shopping malls, cafés and restaurants

through “E-Money’s smartphone application”. In addition, checking the remaining balance and transaction history are available with the application, and transferring money between application users are also available. This application would modernize customers lifestyle to “Cash-less”, basically “No Need Cash” which also increases personal security. Another privilege is our special point program. The more you shop, the more points you earn in your account with E-Money’s smartphone application.

AEON Specialized Bank (Cambodia) Plc., as a wish for the development of the country, promoting cash-less technology service with safety, security and convenience services to enrich our daily lives in Cambodia and further to other Asian countries.

Finally, we would like to express our sincere gratitude to Cambodia people and the National Bank of Cambodia and relevant ministries for your continuous support.

A blue ink signature of Mr. Taketo Ando.

Mr. Taketo Ando

Vice-Chairman of the Board
and Managing Director

BOARD OF DIRECTORS



Mr. Kiyoyasu Asanuma

POSITION : Chairman of the Board
BORN (year) : 1960
EDUCATION : Tokyo Institute of Tourism Japan.



Mr. Taketo Ando

POSITION : Vice-chairman of the Board and Managing Director
BORN (year) : 1967
EDUCATION : Bachelor's Degree in Faculty of Business Administration Senshu University, Japan



Mr. Keiichi Nambu

POSITION : Executive Director
BORN (year) : 1972
EDUCATION : Bachelor's Degree in Economics Department, Takasaki City University, Japan

2016 – PRESENT

Chairman of the Board AEON Specialized Bank (Cambodia) Plc.

2016 – PRESENT

Chairman of the Board and Managing Director, AEON Thana Sinsap (Thailand) Pcl.

2014 – 2016

Director / Head of Sales Division AEON Credit Service Co.,Ltd

2011 – 2014

President ACS Credit Management Co., Ltd.

2007 – 2011

Director / Head of Business Operation Division AEON Credit Service Co.,Ltd

2005 – 2007

General Manager of Business Operation Division AEON Credit Service Co.,Ltd

2002 – 2005

General Manager of Credit Management Department AEON Credit Service Co.,Ltd

2017 - PRESENT

Vice-chairman of the Board and Managing Director, AEON Specialized Bank (Cambodia) Plc.

2015 - 2017

Managing Director, ACS Servicing (Thailand) Co., Ltd.

2014 - 2015

Executive Director, AEON Thana Sinsap (Thailand) Pcl.

2013 - 2014

Project Team Leader of Makuhari-Shintoshin Branch Project, AEON Credit Service Co., Ltd.

2012 - 2013

Regional Head of South Kanto Region, AEON Credit Service Co., Ltd.

2016 - PRESENT

Executive Director, AEON Specialized Bank (Cambodia) Plc.

2012 - 2016

Resident Officer AEON Credit Service India Private Limited

2011 - 2012

Resident Officer, AEON Credit Service Co., Ltd Representative Office India

2008 - 2011

Officer of Overseas Division AEON Credit Service Co.,Ltd



Mr. Om Seng Bora

POSITION : Independent Director

BORN (year) : 1977

EDUCATION : Master Degree in Business Administration from Preston University, United States

2017 - PRESENT

Chairman of KOH RONG LOVE RESORT

2015 - PRESENT

Founder & Chairman of CEO Institute (former Quality Career Institute of Cambodia)

2015 - PRESENT

Founder & Chairman of CEO Master Club

2015 - PRESENT

Founder & Director of Thonori Real Estate Co., Ltd.

2015 - PRESENT

Founder & Chairman of CEG Plc.

2014 - PRESENT

Independent Board of Director of Rural Development Bank

2013 - PRESENT

Independent Board of Director of Phnom Penh Water Supply Authority

2013 - PRESENT

Co-founder & Former Board of Director of Cambodia Investors Club

2012 - PRESENT

Member and Advisor of Cambodia Chamber of Commerce

2011 - PRESENT

Independent Board of Director of AEON Specialized Bank



Mrs. Khieu Mealy

POSITION : Independent Director

BORN (year) : 1964

EDUCATION : Candidate of Master of Private Business Law with Royal University of Law and Economics, Cambodia in collaboration with the University of Bruxelles (ULB) and University of Paris, Bachelor of Law at National Institute of Management and Royal University of Law and Economic

2017 - PRESENT

Member of APAA and APAA Group

2016 - PRESENT

Council Member of ASEAN IPA – Cambodian Group

2014 - PRESENT

Independent Director, AEON Specialized Bank (Cambodia) PLC.

2014 - PRESENT

Board member of Nokor Tep Women Cancer Hospital

2013 - PRESENT

Founding Member of the National Commercial Arbitration Center

2010 - PRESENT

Partner of SokSiphana & associates, a member of ZICOLAW

2009 - PRESENT

Authorized Trade Mark Agent

2009 - PRESENT

Founding Member of Intellectual Property Association of Cambodia

2004 - PRESENT

Member of Bar Association of the Kingdom of Cambodia

ADVISORY



H.E. Sok Siphana

POSITION : Advisory

BORN (year) : 1960

EDUCATION : Juris Doctor (J.D.), Widener University School of Law, Delaware, (USA), Doctor of Philosophy (Ph.D.), Bond University School of Law, Queensland (Australia); Currently pursuing another Ph.D. degree at the University of Paris 2, Pantheon Assas on Comparative Laws.

2009 - PRESENT

Occasional Lecturer of Laws and Policies at the Royal University of Law and Economics (RULE); Royal School of Administration (Ecole Royal d'Administration (ERA).

2009 - PRESENT

Managing Partner, SokSiphana & associates, a member of ZICOLaw.

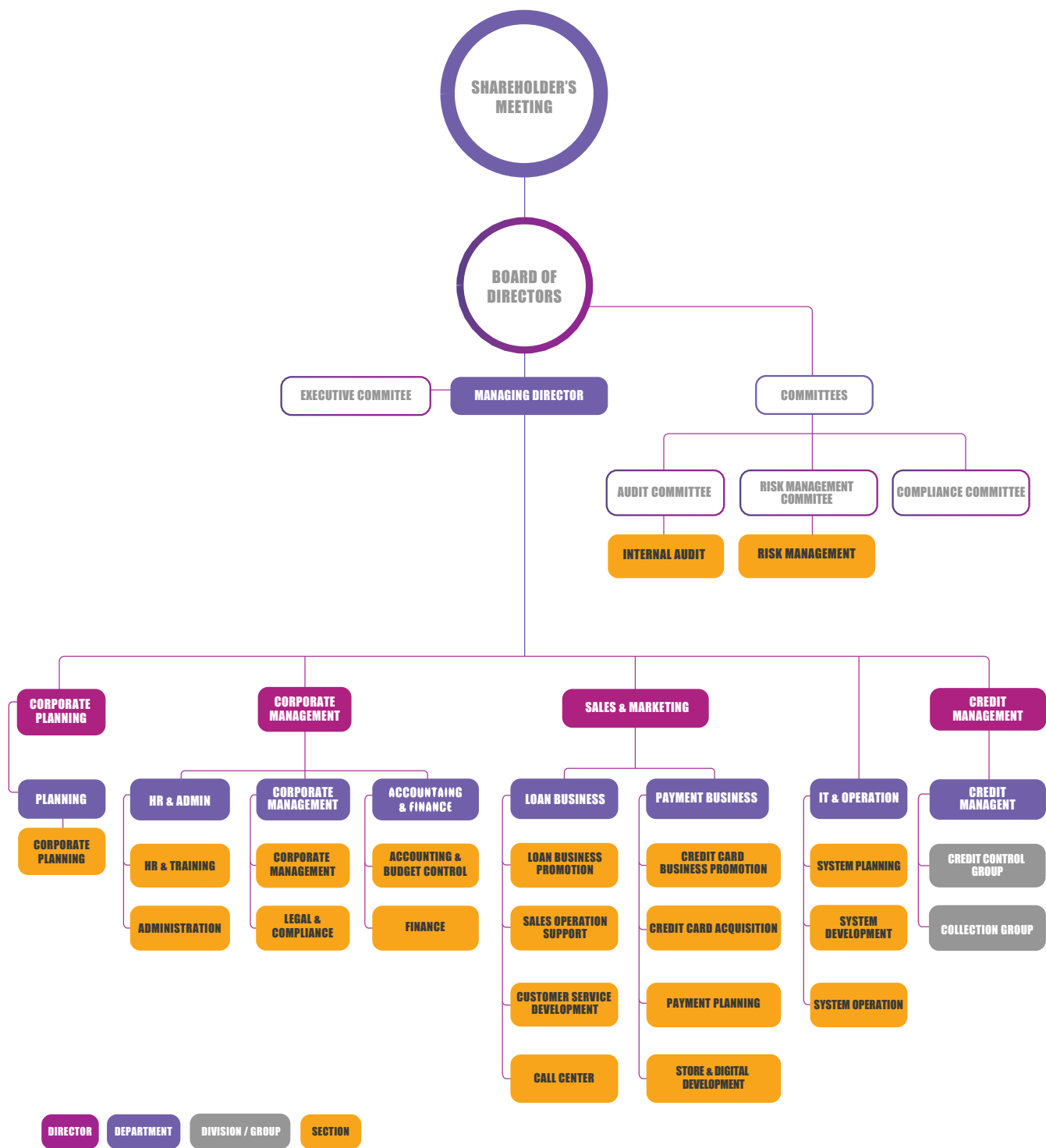
2009 - PRESENT

Advisor of the Royal Government of Cambodia (with rank of Minister), attached concurrently to the Ministry of Foreign Affairs and International Cooperation, the Supreme National Economic Council, and the Council for the Development of Cambodia.

2014 - PRESENT

Advisory, AEON Specialized Bank (Cambodia) Plc.

ORGANIZATION CHART



CORPORATE HISTORY



2011

- Nov** Obtain the Microfinance Institution License
- Dec** Launch installment service



2014

- Mar** Launch personal loan service
- May** Battambang branch opening
- May** Phnom Penh Head Office relocation
- Jun** AEON Mall branch opening
- Jun** Start the point card service provider business for AEON Phnom Penh
- Sep** Start Agriculture installment seasonal payment
- Oct** Kampong Cham branch opening



2016

- Feb** Transformed to Specialized Bank
- Apr** AEON Mall branch renovation
- Apr** Start issuing Gold Credit Card
- Jul** Start issuing violet Credit Card



2012

- Jan** Launch mobile phone installment service
- Jul** Launch motorcycle installment service



2013

- Apr** Positive turnaround in monthly basis
- May** Launch Agriculture Machinery any installment service
- Jun** Siem Reap branch opening
- Sep** Launching Member Card
- Dec** Chamkamon branch opening



2015

- Mar** Launch Insurance installment with Forte
- Oct** Obtain the Specialized Bank License
- Nov** Launch Tablet application



2017

- Jan** Pochentong branch opening
- Jul** Battambang branch relocation/renovation
- Aug** Head office renovation
- Oct** Siem Reap branch relocation/renovation
- Dec** AEON card receive VISA award



AEON CARD

នេះគឺជាអ្វីដែលអ្នកត្រូវការ



BUSINESS HIGHLIGHT 2017

EXPAND CREDIT CARD BUSINESS

AEON Specialized Bank expands the card recruitment to 3 more provincial branches such as Siem Reap, Battambang and Kampong Cham to issue AEON Card to installment member and partners. By putting all together effort for the Credit Card recruitment, AEON Specialized Bank has issued 21,509 cards as of 2017 which is one of the top Credit Card Issuer in Cambodia. Happy Plus Point Program is the strong point of making customer enjoy the benefit of spending for redemption the shopping voucher at AEON Mai IPhnom Penh Store.

Also, enjoy with our developed privilege alliance partner of 119 outstanding brands which is 365 outlets by providing up to 50% discount to AEON Cardholders. In order to provide a good financial service with more convenience and satisfaction to our customers and partners, the company will develop more benefits to make AEON Card to be the everyday use in their daily life. And as a result, Credit Card sales were USD16.272 million.

តើមួយណាដែលអ្នកតែងតែប្រើប្រាស់
ជាមួយ **ប័ណ្ណអ៊ីអេស**



A. ការទិញទំនិញ



B. ការដកប្រាក់តាម ATM



C. ការទិញទំនិញ ឬទូទាត់អនឡាញ



D. ការបញ្ចុះតម្លៃពីដៃគូសហការ

ESTABLISHMENT OF E-MONEY BUSINESS

ទូទាត់ទំនិញជាមួយ
AEON Wallet
Cambodia

Welcome to AEON Wallet App

Truly Experienced Cashless
Payment Technology



As for AEON Specialized Bank's next step is to follow our group's motto as "FAST, SIMPLE and EASY", AEON Specialized Bank would like to introduce our new product "AEON Wallet Cambodia" to Cambodian market the most secure and convenient wallet which brings customer and Merchant closer in the digital world.

AEON Specialized Bank is encouraging to use khmer riel currency, therefore AEON Wallet Cambodia is Khmer Riel basis. Current issue of using Khmer riel currency shall be supported by our AEON Wallet Cambodia.

CAR INSTALLMENT

Own transportation is still in trend for Cambodian people due to the public transportation is under development stage. To respond to the customer's demand, we are going to launch Car installment in Q2, 2018. This service is one of the channel of the company's direction to support enriching Cambodian people

lifestyle. Therefore the criteria to apply for the service will be convenient and affordable to more range of people. Car installment service is firstly launching in Phnom Penh, then it will expand to our operational areas in provinces from Q3 2018.

អ្នកណាក៏អាច មានរថយន្ត ជាល់ខ្លួនបានដែរ



ជាមួយសេវាកម្មបង់រំលស់ អ៊ីអិន

✓ ឯកសារតម្រូវងាយស្រួល ✓ អនុវត្តឥណទានបឋម

INTERNAL CONTROL

COMPANY'S COMPLIANCE

We understand that acting within the financial sector, Compliance plays a very important role for the success of such an institution. At AEON Specialized Bank, our staff's internal compliance is regularly monitored. We focus a lot on "Personal Data Protection", "Code of Conduct", and other compliance issues where deemed necessary for the international standards of a bank. Besides this, our Legal and Compliance Team also pays a lot of attention to "Corporate Compliance" with the regulations of Kingdom of Cambodia to ensure we fully comply with the law and also by outsourcing to ensure more efficiency. To achieve this we have created a "monthly legal update" in which we regularly monitor the update of all laws and regulations and prepare ourselves for all changes required by law. On the monitoring basis of the law enforcement/

movements, such updates are regularly observed. To make it fit to current operations and business upgrading, we are revising existing internal policies. We also created the "Corporate Calendar" which records all necessary items to be reported to relevant authorities, and we use this calendar to monitor the full enforcement of our compliance system. Training workshops were also developed to keep our staff up to date on the current situation in this country, with "Annual Compliance Training" provided to all staff on an annual basis, to update them on any changes and [to give them the opportunity to] participate in strengthening the compliance system.

We have enhanced more on Anti Money Laundering Program by setting up the AML framework, effective customer due diligence, customer screening and rescreening reporting mechanism and proper training on AML to our staff.



RISK MANAGEMENT

The company considers risk management as an important element of the business and embeds strong risk culture in its day-to-day business operations. Understanding the importance of risk management to sustainable growth, the Risk Management team is involved in all stages of the risk management process to provide an independent view and input including overseeing, planning and conducting its own risk management. The company has been conduct monthly regional risk management meeting amongst Japan, Thailand, Myanmar and Laos which are Aeon group companies

in Mekong region to monitor Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

The Risk Management Committee is chaired by independent director. This committee meets every month for comprehensive studies, discussions and information sharing with overseas group companies, including headquarters in Japan and Thailand in order to improve and challenge the risk management practices and ensure that the company operates with a sound, effective and efficient risk management system.

CORPORATE SOCIAL RESPONSIBILITY



As a Cambodian responsible corporate citizen, the company recognizes the significance of our mission to serve as a leader in part of the economy, as well as our social responsibilities. The company offers scholarships to university students, tree planting and well digging with AEON group companies.

In 2017 we focused on supporting a clean green environment with regular and ongoing initiatives since 2016. We conduct the Clean City activity every quarter in the Phnom Penh area and all the provincial branches with over 380 staff and volunteers participated in cooperation with the Ministry of Tourism. As for new activity in 2017, we have started recycling products such as plastic bottles, cans,

papers and cardboards etc. at head office in Phnom Penh for the purpose of educating internal staff about environmental friendliness and to contribute to the society. Through these activities we would like to search for a better way to make a contribution to Cambodian society and to enhance dependability.

Corporate responsibility is not common in Cambodia yet or only the part of people are aware of the significances, therefore our approach to corporate responsibility focuses on the opportunities where we can conduct continuously and regularly.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AEON Specialized Bank (Cambodia) Plc.

OPINION

We have audited the financial statements of AEON Specialized Bank (Cambodia) Plc. (the "Bank"), which comprise the balance sheet as at 31 December 2017, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 16 to 41.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

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 Auditor's 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 MATTERS

The financial statements of the Bank as at and for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those statements on 6 March 2017.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information obtained at the date of this auditors report is 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, 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 THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

AUDITOR'S 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 auditor's 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 judgement 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 auditor's 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 auditor's 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 Deloitte (Cambodia) Co., Ltd.


Khoy Kimleng
Director

BALANCE SHEET

AS AT 31 DECEMBER 2017

		31 December 2017		31 December 2016	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	242,884	980,523	185,874	750,373
Balances with the NBC	5	637,384	2,573,119	522,343	2,108,699
Balances with other banks	6	2,116,532	8,544,440	1,484,889	5,994,497
Loans to customers	7	35,956,288	145,155,535	33,357,226	134,663,120
Other assets	8	2,322,233	9,374,855	1,778,964	7,181,678
Property and equipment	9	2,217,176	8,950,740	1,191,127	4,808,580
Intangible assets	10	2,190,843	8,844,433	2,289,594	9,243,091
Deferred tax assets	12(a)	245,893	992,670	200,776	810,533
Total assets		45,929,233	185,416,315	41,010,793	165,560,571
LIABILITIES AND EQUITY					
LIABILITIES					
Other liabilities	11	1,519,019	6,132,280	992,029	4,004,821
Amounts due to related parties	22(a)	42,783	172,715	115,836	467,630
Current income tax liability	12(b)	17,481	70,571	139,195	561,930
Borrowings	13	30,700,000	123,935,900	28,690,000	115,821,530
Total liabilities		32,279,283	130,311,466	29,937,060	120,855,911
EQUITY					
Share capital	14	12,500,000	50,462,500	10,000,000	40,370,000
Retained earnings		1,149,950	4,642,349	1,073,733	4,334,660
Total equity		13,649,950	55,104,849	11,073,733	44,704,660
Total liabilities and equity		45,929,233	185,416,315	41,010,793	165,560,571

The accompanying notes from pages 19 to 41 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	KHR'000	US\$	KHR'000
Interest income	15	9,517,710	38,422,995	8,490,942	34,277,933
Interest expense	13	(686,891)	(2,772,979)	(455,710)	(1,839,701)
Net interest income		8,830,819	35,650,016	8,035,232	32,438,232
Fee and commission income	16	840,115	3,391,544	527,837	2,130,878
Operating profit		9,670,934	39,041,560	8,563,069	34,569,110
Allowance for bad and doubtful loans	7	(1,406,989)	(5,680,015)	(1,271,981)	(5,134,987)
Personnel expenses	17	(3,432,324)	(13,856,292)	(2,857,842)	(11,537,108)
Depreciation and amortisation	18	(1,317,110)	(5,317,173)	(1,315,937)	(5,312,438)
Other operating expenses	19	(3,359,837)	(13,563,662)	(3,022,175)	(12,200,520)
Profit before income tax		154,674	624,418	95,134	384,057
Income tax expense		(78,457)	(316,731)	(78,377)	(316,408)
Net profit for the year		76,217	307,687	16,757	67,649

The accompanying notes from pages 19 to 41 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Retained earnings	Total
	US\$	US\$	US\$
Balance as at 1 January 2016	10,000,000	1,056,976	11,056,976
Net profit for the year	-	16,757	16,757
Balance as at 31 December 2016	10,000,000	1,073,733	11,073,733
In KHR'000 equivalent	40,370,000	4,334,660	44,704,660
Balance as at 1 January 2017	10,000,000	1,073,733	11,073,733
Share issued during the year	2,500,000	-	2,500,000
Net profit for the year	-	76,217	76,217
Balance as at 31 December 2017	12,500,000	1,149,950	13,649,950
In KHR'000 equivalent	50,462,500	4,642,349	55,104,849

The accompanying notes from pages 19 to 41 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017		Year ended 31 December 2016	
	Note	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		154,674	624,418	95,134	384,056
Adjustments for:					
Allowance for bad doubtful loans	7	1,406,989	5,680,015	1,271,981	5,134,987
Depreciation and amortisation	18	1,317,110	5,317,173	1,315,937	5,312,438
Losses on property and equipment written off	19	-	-	635	2,563
Net interest income		(8,830,819)	(35,650,016)	(8,035,232)	(32,438,232)
Changes in working capital:					
Balances with the NBC		(125,000)	(504,625)	-	-
Loans to customers		(4,006,051)	(16,172,428)	(7,467,984)	(30,148,251)
Other assets		(450,820)	(1,819,959)	(218,145)	(880,651)
Other liabilities		367,356	1,483,017	230,233	929,451
Amounts due to related parties		(73,053)	(294,915)	(88,442)	(357,040)
Cash used in operations		(10,239,614)	(41,337,320)	(12,895,883)	(52,060,679)
Interest received		9,425,261	38,049,779	8,386,093	33,854,657
Interest paid		(657,349)	(2,653,718)	(410,843)	(1,658,574)
Income tax paid	12(b)	(245,288)	(990,228)	(368,459)	(1,487,469)
Net cash used in operating activities		(1,716,990)	(6,931,487)	(5,289,092)	(21,352,065)
Cash flows from investing activities					
Purchases of property and equipment		(1,564,043)	(6,314,042)	(526,648)	(2,126,078)
Purchases of intangible assets	10	(550,273)	(2,221,452)	(282,648)	(1,141,050)
Net cash used in investing activities		(2,114,316)	(8,535,494)	(809,296)	(3,267,128)
Cash flows from financing activities					
Proceeds from borrowings		22,700,000	91,639,900	13,000,000	52,481,000
Repayment of borrowings		(20,690,000)	(83,525,530)	(6,200,000)	(25,029,400)
Issuance of share capital		2,500,000	10,092,500	-	-
Net cash generated from financing activities		4,510,000	18,206,870	6,800,000	27,451,600
Net increase in cash and cash equivalents		678,694	2,739,889	701,612	2,832,407
Cash and cash equivalents at beginning of the year		1,693,106	6,835,069	991,494	4,015,551
Currency translation differences		-	-	-	(12,889)
Cash and cash equivalents at the end of the year	20	2,371,800	9,574,958	1,693,106	6,835,069

Significant non-cash transactions

* In 2017, included in purchases of property and equipment is an amount of US\$130,092 not paid included in trade and other payables (2016: Nil).

The accompanying notes from pages 19 to 41 form an integral part of these financial statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

AEON Specialized Bank (Cambodia) Plc. (the “Bank”) is a licensed specialised bank incorporated and registered in the Kingdom of Cambodia.

The Bank was incorporated as a private limited liability company in Cambodia on 5 October 2011 under Registration No. 00006388 issued by the Ministry of Commerce. The Bank obtained its license as a micro-finance institution from the National Bank of Cambodia (“NBC”) dated 21 November 2011. The Bank was initially wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Co., Ltd., a company registered in Japan.

On 26 October 2015, the Bank obtained a specialised banking license from the NBC to operate as a specialized bank with the permanent validity. On 1 February 2016, the Bank obtained the approval from the Ministry of Commerce on the changes in the Bank’s name from AEON Microfinance (Cambodia) Co., Ltd to AEON Specialized Bank (Cambodia) Plc. and shareholding structure is 80% owned by AEON Thana Sinsap (Thailand) Public Company Limited and 20% owned by AEON Financial Service Co., Ltd., a company registered in Japan.

The principal activities of the Bank are as follows:

- Credit card service;
- Lending services in the form of hire-purchase (instalment) and loan; and
- Other business-related services subject to the approval by the NBC.

The head office of the Bank is located at Building No. 721, Monivong Blvd, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 26 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Cambodian Accounting Standards (“CAS”) and relevant accounting regulations and guidelines issued by the National Bank of Cambodia. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

The financial statements are prepared using the historical cost convention. The preparation of financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Financial reporting framework

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

The NAC, through Circular No. 086 MoEF.NAC dated 30 July 2012, approves banks and financial institutions to delay adoption of the CIFRS until the periods beginning on or after 1 January 2016. On 24 March 2016, the NAC issued a Notification No. 058 MoEF.NAC to banks and financial

institutions on the delay in adoption of the CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2015.

The current accounting standard used is different to the CIFRS in many areas. Hence, the adoption of the CIFRS may have a significant impact on the financial statements of the Bank. Management is assessing the full impact of the change to CIFRS framework but not completed at the date of this report.

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). Management has determined the US\$ to be the Bank's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing dated 11 April 2016 and Prakas No. 643 MEF PRK dated 26 July 2007 of the Ministry of Economy and Finance, a translation of the financial statements from US\$ to Khmer Riel ("KHR") is required.

Translations of US\$ into KHR are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to KHR 4,037 (2016: US\$ 1 to KHR 4,037) published by the NBC.

The financial statements expressed in KHR are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other exchange rate.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances with the NBC, balances with other banks and financial institutions, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and is subject to insignificant change in value.

2.5 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 a defined percentage of the minimum share capital. Statutory deposits are stated at cost.

2.6 Loans to customers

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

2.7 Allowance for bad and doubtful loans

The Bank makes the allowance for bad and doubtful loans based on the mandatory level of allowance as required by the NBC or an allowance at 100% of the portfolio at risk (past due loans for 83 days or more), whichever is higher. Management believes that this more reasonably reflects the allowance necessary to absorb risks relating to the nature of the operations of the Bank.

In compliance with NBC Guidelines, all loans to customers 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.

In addition to the above qualitative information, number of days past due is taken into account. The minimum percentages of allowance for bad and doubtful loans 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.

Prior to 1 December 2017, loan classifications and the minimum allowance requirements are as follows:

Classification	Number of past due days	Allowance
Normal	29 days or less	1%
Special-mention	30 days – 89 days	3%
Sub-standard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	360 days or more	100%

During the year, the NBC issued a new Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

CLASSIFICATION	NUMBER OF PAST DUE DAYS		ALLOWANCE
	Short-term loans (one year or less)	Long-term loans (more than one year)	
Normal	14 days or less	29 days or less	1%
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

The change in classification and allowance were apply prospectively.

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

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

2.8 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

2.9 Property and equipment

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.

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 as follows:

- | | |
|------------------------------|--------------|
| • Leasehold improvements | 3 – 10 years |
| • Furniture and fixtures | 3 – 5 years |
| • IT equipment and computers | 3 – 5 years |
| • Office equipment | 2 – 3 years |

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 period in which it is incurred.

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

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

2.10 Intangible assets

Intangible assets consist of computer software licenses and related costs and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use.

Intangible assets are amortised on a straight-line basis over five years.

2.11 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 2.7.

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.

2.12 Borrowings

Borrowings are recognised initially at cost and subsequently stated at the outstanding principal amount.

2.13 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.

2.14 Income recognition

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

Loan application fee income is recognised as income when the loan is disbursed to customers.

Service charges are recognised when the service is provided.

2.15 Interest expense

Interest expense is recognised on an accrual basis.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are 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.

2.17 Income tax and deferred tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment 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 reporting 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 temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ("KHR'000") for US\$ and KHR amounts, respectively.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Key sources of estimation uncertainty

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

(i) Allowance for bad and doubtful loans

The Bank makes the allowance for bad and doubtful loans based on the mandatory level of allowance as required by the NBC or an allowance at 100% of the portfolio at risk (past due loans for 83 days or more), whichever is higher. Management believes that this more reasonably reflect the allowance necessary to absorb risks relating to nature of the operation of the Bank.

In compliance with NBC Guidelines, all loans to customers 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 number of past due days is also taken into account. The minimum percentage of allowance for doubtful loans to customers 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.

(ii) Income tax

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Bank. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

3.2 Critical judgments in applying accounting policies

There are no critical judgements made by the Management in the process of applying the Bank's accounting policies that have the most significant effect on the amount recognized in these financial statements apart from those involving estimates, which are dealt with above.

4 CASH ON HAND

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
US dollars	242,884	980,523	185,874	750,373

5 BALANCES WITH THE NBC

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Current account	12,384	49,994	22,343	90,199
Statutory deposits *	625,000	2,523,125	500,000	2,018,500
	637,384	2,573,119	522,343	2,108,699

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

The capital guarantee deposit earns interest ranging from 0.32% to 0.36% per annum (2016: 0.2% to 0.22%).

6 BALANCE WITH OTHER BANKS

This represents current accounts maintained in US\$ with local banks which do not earn interest.

7 LOANS TO CUSTOMERS

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Individual loans	37,276,190	150,483,979	34,527,711	139,388,369
	37,276,190	150,483,979	34,527,711	139,388,369
<i>Allowance for bad and doubtful loans:</i>				
Specific	(728,384)	(2,940,486)	(402,984)	(1,626,846)
General	(591,518)	(2,387,958)	(767,501)	(3,098,403)
	(1,319,902)	(5,328,444)	(1,170,485)	(4,725,249)
Loans to customers - net	35,956,288	145,155,535	33,357,226	134,663,120

Movements of allowance for bad and doubtful loans are as follows:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
At 1 January	1,170,485	4,725,249	748,013	3,019,728
Allowance during the year	1,406,989	5,680,015	1,271,981	5,134,987
Write off	(1,257,572)	(5,076,820)	(849,509)	(3,429,466)
As 31 December	1,319,902	5,328,444	1,170,485	4,725,249

The gross loans to customers are analysed as follows:

(a) By Performance:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
<i>Unsecured*</i>				
Standard loans	35,094,851	141,677,913	32,902,287	132,826,533
Special-mention loans	938,170	3,787,392	610,883	2,466,135
Sub-standard loans	374,774	1,512,963	408,709	1,649,958
Doubtful loans	462,116	1,865,562	605,832	2,445,743
Loss loans	406,279	1,640,149	-	-
	37,276,190	150,483,979	34,527,711	139,388,369

* Unsecured loans represent the uncollateralised loans.

(b) By maturity

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Within 1 month	13,902,335	56,123,726	2,989,486	12,068,555
1 to 3 months	705,832	2,849,444	2,601,760	10,503,305
3 to 12 months	9,213,837	37,196,260	10,391,076	41,948,774
1 to 5 years	13,095,875	52,868,047	18,545,389	74,867,735
More than 5 years	358,311	1,446,502	-	-
	37,276,190	150,483,979	34,527,711	139,388,369

(c) By economic sector:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Motor vehicles hire purchases	12,243,672	49,427,704	10,980,215	44,327,128
Personal loans	9,454,787	38,168,975	8,421,061	33,995,823
General hire purchases	7,958,063	32,126,700	7,565,930	30,543,659
Credit cards	5,517,618	22,274,624	2,940,607	11,871,230
Agriculture	2,102,050	8,485,976	4,619,898	18,650,529
	37,276,190	150,483,979	34,527,711	139,388,369

(d) By currency:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
US dollars	37,276,190	150,483,979	34,527,711	139,388,369

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to have loans in national currency (KHR) at least 10% of the total loan portfolio. The Bank is required to fully implement this requirement by 31 December 2019.

(e) By residency status:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Residents	37,276,190	150,483,979	34,527,711	139,388,369

(f) By relationship:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
External customers	37,072,892	149,663,265	34,359,843	138,710,686
Staff loans	203,298	820,714	167,868	677,683
	37,276,190	150,483,979	34,527,711	139,388,369

(g) By interest rate (per annum):

	31 DECEMBER 2017		31 DECEMBER 2016	
Individual loans	7.08% - 43.80%		7.08% - 43.92%	

8 OTHER ASSETS

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Accrued interest receivable	868,799	3,507,340	776,350	3,134,125
Accounts receivable	724,153	2,923,406	540,454	2,181,813
Advances and deposits	502,458	2,028,423	368,851	1,489,051
Prepayments	93,660	378,105	51,376	207,405
Others	133,163	537,581	41,933	169,284
	2,322,233	9,374,855	1,778,964	7,181,678

9 PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture & fixtures	Office equipment	IT equipment & computers	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
At 1 January 2017	1,173,279	186,818	182,449	1,033,594	-	2,576,140
Additions	476,986	30,990	199,319	620,633	366,207	1,694,135
Write off	(115,295)	-	(3,998)	-	-	(119,293)
At 31 December 2017	1,534,970	217,808	377,770	1,654,227	366,207	4,150,982
Less: Accumulated depreciation						
At 1 January 2017	(683,503)	(74,331)	(91,371)	(535,808)	-	(1,385,013)
Depreciation for the year	(236,594)	(53,580)	(89,074)	(288,838)	-	(668,086)
Write off	115,295	-	3,998	-	-	119,293
At 31 December 2017	(804,802)	(127,911)	(176,447)	(824,646)	-	(1,933,806)
Carrying amounts						
At 31 December 2017	730,168	89,897	201,323	829,581	366,207	2,217,176
In KHR'000 equivalent	2,947,688	362,914	812,741	3,349,018	1,478,379	8,950,740

PROPERTY AND EQUIPMENT (continued)

	Leasehold improvement	Furniture & fixtures	Office equipment	IT equipment & computers	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
At 1 January 2016	934,515	112,476	104,396	921,801	2,073,188
Additions	241,914	74,905	95,555	114,274	526,648
Write off	(3,150)	(563)	(17,502)	(2,481)	(23,696)
At 31 December 2016	1,173,279	186,818	182,449	1,033,594	2,576,140
Less: Accumulated depreciation					
At 1 January 2016	395,696	36,457	63,272	240,303	735,728
Depreciation for the year	290,942	38,413	45,272	297,719	672,346
Write off	(3,135)	(539)	(17,173)	(2,214)	(23,061)
At 31 December 2016	683,503	74,331	91,371	535,808	1,385,013
Carrying amounts					
At 31 December 2016	489,776	112,487	91,078	497,786	1,191,127
In KHR'000 equivalent	1,977,226	454,110	367,682	2,009,562	4,808,580

10 INTANGIBLE ASSETS

	COMPUTER SOFTWARE	WORK-IN-PROGRESS	TOTAL
	US\$	US\$	US\$
Cost			
At 1 January 2017	3,266,213	-	3,266,213
Additions	25,495	524,778	550,273
At 31 December 2017	3,291,708	524,778	3,816,486
Less: Accumulated amortisation			
At 1 January 2017	(976,619)	-	(976,619)
Amortisation for the year	(649,024)	-	(649,024)
At 31 December 2017	(1,625,643)	-	(1,625,643)
Carrying amounts			
At 31 December 2017	1,666,065	524,778	2,190,843
In KHR'000 equivalent	6,725,904	2,118,529	8,844,433
Cost			
At 1 January 2016	2,983,565	-	2,983,565
Additions	282,648	-	282,648
At 31 December 2016	3,266,213	-	3,266,213
Less: Accumulated amortisation			
At 1 January 2016	(333,028)	-	(333,028)
Amortisation for the year	(643,591)	-	(643,591)
At 31 December 2016	(976,619)	-	(976,619)
Carrying amounts			
At 31 December 2016	2,289,594	-	2,289,594
In KHR'000 equivalent	9,243,091	-	9,243,091

11 OTHER LIABILITIES

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Payable to dealers and suppliers	874,826	3,531,673	523,111	2,111,799
Accrued expenses	141,556	571,462	178,826	721,921
Advance payments from customers	88,511	357,319	96,040	387,713
Other tax liabilities	74,587	301,108	71,545	288,827
Accrued interest payable	74,409	300,389	44,867	181,128
Interest in suspense	32,583	131,538	11,010	44,447
Others	232,547	938,791	66,630	268,986
	1,519,019	6,132,280	992,029	4,004,821

12 INCOME TAX

(a) *Deferred tax assets, net*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	246,414	994,774	200,776	810,533
Deferred tax liabilities	(521)	(2,104)	-	-
	245,893	992,670	200,776	810,533

The movement of net deferred tax assets is as follows:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
At 1 January	200,776	810,533	59,253	239,975
Credited to income statement	39,933	161,209	141,523	571,328
Tax amendments in respect of prior years	5,184	20,928	-	-
Currency translation differences	-	-	-	(770)
	245,893	992,670	200,776	810,533

Deferred tax assets/(liabilities) are attributable to the following:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Depreciation and amortisation	71,437	288,391	27,269	110,085
Allowance for bad and doubtful loans	123,933	500,318	157,165	634,475
Accrued bonuses	37,702	152,203	-	-
Unearned income	13,342	53,862	15,114	61,015
Unrealised exchange loss	(521)	(2,104)	1,228	4,958
	245,893	992,670	200,776	810,533

(b) Current income tax liability

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
At 1 January	139,195	561,930	280,305	1,135,235
Current income tax expense	118,390	477,940	219,900	887,736
Tax credit carried forward	-	-	7,449	30,072
Income tax paid	(245,288)	(990,228)	(368,459)	(1,487,469)
Tax amendments in respect of prior years	5,184	20,929	-	-
Currency translation difference	-	-	-	(3,644)
At 31 December	17,481	70,571	139,195	561,930

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 the minimum tax at 1% of gross revenues, whichever is higher.

(c) Income tax expense

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Current income tax	118,390	477,940	219,900	887,736
Deferred tax	(39,933)	(161,209)	(141,523)	(571,328)
Income tax expense	78,457	316,731	78,377	316,408

The reconciliation between income tax expense and accounting profit is as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	154,674	624,418	95,134	384,057
Tax at application income tax rate at 20%	30,935	124,885	19,027	76,812
Effect of non-deductible expense	41,815	168,807	38,126	153,915
Tax amendments in respect of prior years	5,184	20,928	-	-
Prior year under provision	-	-	15,782	63,712
Effect on deferred tax balances	523	2,111	5,442	21,969
Income tax expense	78,457	316,731	78,377	316,408

The Bank's tax returns are subject to periodic examination by the General Department of Taxation. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date, upon final determination by the General Department of Taxation.

13 BORROWINGS

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
At 1 January	28,690,000	115,821,530	21,890,000	88,654,500
Addition during the year	22,700,000	91,639,900	13,000,000	52,481,000
Repaid during the year	(20,690,000)	(83,525,530)	(6,200,000)	(25,029,400)
Currency translation differences	-	-	-	(284,570)
At 31 December	30,700,000	123,935,900	28,690,000	115,821,530

These represent borrowings in US\$ from overseas banks which bear interest at rates ranging from 2.14% to 3.30% per annum (2016: 0.72% to 2.20%).

Interest expense during the year amounted to 686,891 (2016: US\$455,710).

Borrowings are further analysed as follows:

(a) By Currency

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
US dollars	30,700,000	123,935,900	28,690,000	115,821,530

(b) By maturity

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
1 to 3 months	10,000,000	40,370,000	4,300,000	17,359,100
4 to 12 months	6,700,000	27,047,900	21,390,000	86,351,430
Over 1 year	14,000,000	56,518,000	3,000,000	12,111,000
	30,700,000	123,935,900	28,690,000	115,821,530

14 SHARE CAPITAL

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid of US\$1 each	12,500,000	50,462,500	10,000,000	40,370,000

The details of shareholding were as follows:

	31 DECEMBER 2017		31 DECEMBER 2016	
	Holding %	Number of shares	Holding %	Number of shares
AEON Thana Sinsap (Thailand) Public Company Limited	80%	10,000,000	80%	8,000,000
AEON Financial Service Co., Ltd.	20%	2,500,000	20%	2,000,000
	100%	12,500,000	100%	10,000,000

According to Prakas B7-016-117 issued by the NBC on 22 March 2016 on the “Minimum Registered Capital of Banking and Financial Institutions”, the specialized bank locally incorporated shall have a minimum registered capital of at least KHR60 billion (equivalent to US\$15 million). Banks are required to fulfil this requirement within two years from the date of the Prakas. On 16 June 2016, the NBC issued a Circular No. B7-016-003 on the implementation of Prakas on Minimum Registered Capital of Banking and Financial Institutions, requiring the Bank to increase the minimum registered capital by at least half of the required additional capital by the end of March 2017, and in full at the latest by 22 March 2018.

On 16 March 2017, the Bank obtained approval from the National Bank of Cambodia on the increase in capital from US\$10,000,000 to US\$12,500,000. The Amendment of Memorandum and Articles of Association is in process of getting approval from the Ministry of Commerce as at the reporting date.

15 INTEREST INCOME

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	9,480,127	38,271,273	8,458,635	34,147,509
Balances with the NBC and other banks	35,315	142,567	31,248	126,148
Capital guarantee	2,268	9,155	1,059	4,276
	9,517,710	38,422,995	8,490,942	34,277,933

16 FEE AND COMMISSION INCOME

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Reimbursement fees	270,444	1,091,782	87,586	353,585
Penalty fees	204,449	825,361	154,212	622,554
Loan application fees	160,655	648,564	166,442	671,926
Recovery from loan written off	12,827	51,782	2,768	11,174
Other fees	195,267	788,293	122,964	496,406
Loss on foreign exchange - net	(3,527)	(14,238)	(6,135)	(24,767)
	840,115	3,391,544	527,837	2,130,878

17 PERSONNEL EXPENSES

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	3,175,355	12,818,908	2,646,396	10,683,501
Training expenses	106,462	429,787	66,184	267,185
Staff housing and related expenses	79,177	319,638	75,691	305,565
Medical expenses	10,544	42,566	11,882	47,968
Others	60,786	245,393	57,689	232,889
	3,432,324	13,856,292	2,857,842	11,537,108

18 DEPRECIATION AND AMORTISATION

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Depreciation	668,085	2,697,058	672,346	2,714,261
Amortisation	649,025	2,620,115	643,591	2,598,177
	1,317,110	5,317,173	1,315,937	5,312,438

19 OTHER OPERATING EXPENSES

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	565,093	2,281,280	419,186	1,692,254
Office rental	455,658	1,839,491	385,506	1,556,288
Promotion and advertising	422,044	1,703,794	545,448	2,201,974
Communication	271,410	1,095,682	236,266	953,806
Travel	270,345	1,091,383	233,488	942,591
Stationaries and printing	240,848	972,303	184,962	746,692
Vehicle rental and running costs	213,408	861,528	206,728	834,561
Professional fees	202,811	818,748	141,097	569,609
Taxes and licenses	161,452	651,782	211,288	852,970
Credit card and ATM operating expenses	148,524	599,591	53,704	216,803
Utilities	101,979	411,689	111,371	449,605
Insurance	75,334	304,123	82,698	333,852
Loss on property and equipment written off	-	-	635	2,563
Others	230,931	932,268	209,798	846,952
	3,359,837	13,563,662	3,022,175	12,200,520

20 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	242,884	980,523	185,874	750,373
Current account with NBC	12,384	49,994	22,343	90,199
Balances with other banks	2,116,532	8,544,441	1,484,889	5,994,497
	2,371,800	9,574,958	1,693,106	6,835,069

21. COMMITMENTS

(a) Operating lease commitments

The Bank leases office premises under an operating lease arrangement with minimum lease commitments as follows

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	387,580	1,564,660	387,904	1,565,968
Later than one year and not later than five years	225,490	910,303	479,776	1,936,856
	613,070	2,474,963	867,680	3,502,824

(b) Lending commitments

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Unused portion of credit facilities	6,978,595	28,172,588	7,252,815	29,279,614

(c) Capital commitments

Capital expenditure contracted at the end of the reporting period but not yet paid is as follows:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	787,470	3,179,016	-	-

22 RELATED PARTY BALANCES AND TRANSACTIONS

Significant transactions and balances with related parties are as follows:

RELATIONSHIP	RELATED PARTY
Parent company	The company that has significant ownership and control over the Bank.
Affiliates	The companies that are members of the same group of the Bank.
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

(a) Related party balances

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
<i>Amounts due from</i>				
Parent company	890	3,593	-	-
Affiliates	13,117	52,953	9,796	39,546
<i>Amounts due to</i>				
Parent company	-	-	2,567	10,363
Affiliates	66,573	268,755	115,836	467,630

Amounts due to related parties are unsecured, interest free and repayable on demand.

(b) Related party transactions

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
<i>Parent companies</i>				
Reimbursement of expenses	1,142	4,610	26,404	106,593
Management fee	214,272	865,016	-	-
Services and goods received	19	77	106,674	430,643
<i>Affiliate</i>				
Rendering of services	30,572	123,419	64,414	260,039
Reimbursement of expenses	-	-	13,860	55,953
Services and goods received	1,074,825	4,339,069	788,854	3,184,604
Management remuneration charged	940,085	3,795,123	816,787	3,297,369
Settlement of customers' liabilities	582,890	2,353,127	657,817	2,655,607
Rental expenses	65,292	263,584	33,792	136,418

(c) Directors and key management compensation

Compensation including other benefits of directors and key management personnel for the year amounted to US\$477,920 (2016: US\$554,536).

23 FINANCIAL RISK MANAGEMENT

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

In the absence of a derivative market in Cambodia, the Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

The Bank intends to comply with the NBC's regulations for financial risk management purposes. The Bank however recognises that international best practices on risk management are yet to be fully implemented. The Board of Directors has established a Risk Management Section to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Bank holds the following financial assets and liabilities:

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	242,884	980,523	185,874	750,373
Balances with the NBC	637,384	2,573,119	522,343	2,108,699
Balances with other banks	2,116,532	8,544,440	1,484,889	5,994,497
Loans to customers	35,956,288	145,155,535	33,357,226	134,663,120
Other assets	1,752,582	7,075,174	1,316,804	5,315,938
Total financial assets	40,705,670	164,328,791	36,867,136	148,832,627
Financial liabilities				
Other liabilities	1,048,822	3,283,833	813,434	3,283,833
Amounts due to related parties	42,783	172,715	115,836	467,630
Borrowings	30,700,000	123,935,900	28,690,000	115,821,530
Total financial liabilities	31,791,605	127,392,448	29,619,270	119,572,993

(a) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors 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 management.

The operational risk management entails the establishment of clear organisational structure, roles and responsibilities. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

(b) Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the Bank's Risk Management Section.

(i) Credit risk measurement

The Bank assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. Risk Management Section is responsible for determining the risk rating policies.

(ii) Risk limit control and mitigation policies

The Bank operates and provides loans to individuals within the Kingdom of Cambodia. The Bank manages, limits and controls the concentration of credit risk whenever it is 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.

(iii) Impairment and allowance policies

The Bank is required to follow the mandatory credit classification and allowance in accordance with new Prakas No. B7-017-344, dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning. Refer to Note 2.7 for details.

(iv) Exposure to credit risk

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
On-balance sheet assets:				
Balances with other banks	2,116,532	8,544,440	1,484,889	5,994,497
Loans to customers	35,956,288	145,155,535	33,357,226	134,663,120
Other assets	1,752,582	7,075,174	1,316,804	5,315,938
Off-balance sheet items:				
Unused portion of credit facilities	6,978,595	28,172,588	7,252,815	29,279,614
	46,803,997	188,947,737	43,411,734	175,253,169

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2017, without taking account of any other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 76.82% (2016: 76.84%) of total maximum exposure is derived from loans to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans, as the Bank maintains a credit evaluation process in place for granting of loans to customers.

	31 DECEMBER 2017		31 DECEMBER 2016	
	US\$	KHR'000	US\$	KHR'000
Loans to customers				
Neither past due nor impaired	35,104,537	141,717,016	32,323,344	130,489,340
Past due but not impaired	928,484	3,748,290	578,943	2,337,193
Individual impaired	1,243,169	5,018,673	1,625,424	6,561,836
	37,276,190	150,483,979	34,527,711	139,388,369

Neither past due nor impaired

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

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 31 days and 90 days for short-term and long-term loans, respectively unless other information is available to indicate otherwise.

Impaired loans to customers

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 31 days and 90 days for short-term and long-term loans, respectively. 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. Refer to accounting policy stated in Note 2.7.

(c) 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.

In the absence of derivatives market, the Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

The Bank has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by the National Bank of Cambodia.

(i) Foreign currency exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

As at balance sheet, 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. The exposure to interest rate risk relate primarily to its balances with other banks, loans to customers and borrowings.

An analysis of interest rate risk at the reporting date and the periods in which the financial instruments re-price or mature, whichever is earlier, was as follows:

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non- interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2017							
Assets							
Cash on hand	-	-	-	-	-	242,884	242,884
Balances with the NBC	-	-	-	-	625,000	12,384	637,384
Balances with other banks	-	-	-	-	-	2,116,532	2,116,532
Loans to customers	13,902,335	705,832	9,213,837	13,095,875	358,311	-	37,276,190
Other assets	-	-	-	-	-	1,752,582	1,752,582
	13,902,335	705,832	9,213,837	13,095,875	983,311	4,124,382	42,025,572
Liabilities							
Other liabilities	-	-	-	-	-	1,047,102	1,047,102
Amounts due to related parties	-	-	-	-	-	42,783	42,783
Borrowings	10,000,000	1,700,000	-	19,000,000	-	-	30,700,000
	10,000,000	1,700,000	-	19,000,000	-	1,089,885	31,789,885
Interest sensitivity gap	3,902,335	(994,168)	9,213,837	(5,904,125)	983,311	3,034,497	10,235,687
In KHR'000 equivalent	15,753,726	(4,013,456)	37,196,260	(23,834,953)	3,969,627	12,250,264	41,321,468

	UP TO 1 MONTH	1 – 3 MONTHS	3 – 12 MONTHS	1 – 5 YEARS	OVER 5 YEARS	NON- INTEREST SENSITIVE	TOTAL
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2016							
Assets							
Cash on hand	-	-	-	-	-	185,874	185,874
Balances with the NBC	-	-	-	-	500,000	22,343	522,343
Balances with other banks	-	-	-	-	-	1,484,889	1,484,889
Loans to customers	2,989,486	2,601,760	10,391,076	17,530,848	-	1,014,541	34,527,711
Other assets	-	-	-	-	-	1,314,488	1,314,488
	2,989,486	2,601,760	10,391,076	17,530,848	500,000	4,022,135	38,035,305
Liabilities							
Other liabilities	-	-	-	-	-	813,434	813,434
Amounts due to related parties	-	-	-	-	-	115,836	115,836
Borrowings	-	4,300,000	21,390,000	3,000,000	-	-	28,690,000
	-	4,300,000	21,390,000	3,000,000	-	929,270	29,619,270
Interest sensitivity gap	2,989,486	(1,698,240)	(10,998,924)	14,530,848	500,000	3,092,865	8,416,035
In KHR'000 equivalent	12,068,555	(6,855,795)	(44,402,656)	58,661,033	2,018,500	12,485,896	33,975,533

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.

(d) 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 assets and liabilities of the Bank into relevant maturity groupings based on the remaining contractual maturity.

	UP TO 1 MONTH	> 1 – 3 MONTHS	> 3 – 12 MONTHS	>1 – 5 YEARS	OVER 5 YEARS	NO FIXED TERM	TOTAL
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2017							
Liabilities							
Other liabilities	1,047,102	-	-	-	-	-	1,047,102
Amounts due to related parties	-	-	-	-	-	42,783	42,783
Borrowings	14,252	3,766,835	8,541,154	19,905,773	-	-	32,228,014
	1,061,354	3,766,835	8,541,154	19,905,773	-	42,783	33,317,899
In KHR'000 equivalent	4,284,686	15,206,713	34,480,639	80,359,606	-	172,715	134,504,359
At 31 December 2016							
Liabilities Liabilities							
Other liabilities	813,434	-	-	-	-	-	813,434
Amounts due to related parties	-	-	-	-	-	115,836	115,836
Borrowings	-	4,311,037	21,535,104	3,034,732	-	-	28,880,873
	813,434	4,311,037	21,535,104	3,034,732	-	115,836	29,810,143
In KHR'000 equivalent	3,283,833	17,403,656	86,937,215	12,251,213	-	467,630	120,343,547

The Bank performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Bank monitors the assets held to manage liquidity risk only one month ahead as it has short-term borrowings from banks anytime it encounters liquidity problem.

(e) Capital management

(i) Regulatory capital

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

(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.

24 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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 balance sheet are a reasonable estimation of their fair values.

25 CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets and deferred tax assets are non-current assets. Income tax liability is current liability.

26 COMPARATIVE INFORMATION

Certain corresponding figures have been reclassified to conform to current year presentation of the financial statements.

27 EVENTS AFTER THE REPORTING PERIOD

On 16 February 2018, the NBC issued a Circular No. B7-018-001 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which clarifies the classification and impairment provisioning for short-term credit facilities as follows, among other clarifications:

CLASSIFICATION	NUMBER OF PAST DUE DAYS	ALLOWANCE
Normal	14 days or less	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	91 days or more	100%

In addition, banks and financial institutions shall provide allowance on off-balance sheet items per detailed instructions in the Circular.



ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី
ÆON SPECIALIZED BANK (CAMBODIA) PLC.