

**Sacombank**  
ធនាគារ សាខមប៉ែង (ខេមបូឌា) ភីអិលស៊ី



ANNUAL REPORT  
**2017**



## **SACOMBANK (CAMBODIA) PLC.**

Audited financial statements in accordance with  
Cambodian Accounting Standards and  
Regulations and Guidelines of the National Bank of Cambodia

as at 31 December 2017 and for the year then ended



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### EDITORIAL TEAM

#### Chief Editor

##### **Mr. Nguyen Nhi Thanh**

*Member of the BOD cum General Director*

#### Deputy Chief Editor

##### **Mr. Phung Thai Phung**

*Deputy General Director*

#### Graphic Designer

##### **Mr. Cheng Sambo**

*Design Manager*

##### **Mr. Tang Chheng**

*Communication Officer*

## MISSION

To be the leading Vietnamese bank and top ten bank in Cambodia.

## VISION

- Constantly maximize value for customers and shareholders
- Bring value to staff in terms of career development and wealth
- Contribute to the development of the community

## CORE VALUES

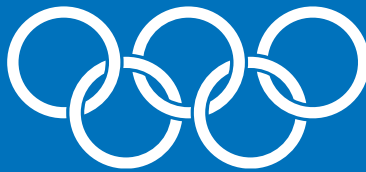
1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards customers and partners
4. Social Responsibility under its slogan: Sacombank and the Community - "Growing Together"
5. Making a Difference with innovative breakthroughs in Products, Business Methods and Corporate Governance Models.

## SACOMBANK (CAMBODIA) PLC. MILESTONES



**23 June 2009**

Sacombank opened its Phnom Penh Branch, making it the 27th foreign bank to operate in Cambodia and the first Vietnamese bank to invest in the country. In pioneering the entry into the Cambodian banking sector, Sacombank Phnom Penh branch has contributed to an increase in cross-border trade between Cambodia and Vietnam. This event marks another miles in the bank's growth in Indochina region.



**08 December 2010**

Sacombank celebrated the grand opening of the first sub-branch in Phnom Penh Olympic sub-branch, located at one of the busiest trading areas in the city. The sub-branch supports to fulfil a high demand of financial services in the Olympic market area by providing key products and services such as trade finance, business loan, and money transfer.



**30 August 2011**

Sacombank continued to expand branch network as a part of its expansion strategy in Phnom Penh by opening the second sub-branch, located at Vietnamese Supermarket. The new branch creates significant opportunities for individual and business customers in the surroundings through diversified products and services and its convenient location particularly.



**05 September 2011**

Sacombank opened its third sub-branch in the western part of Phnom Penh city, located at Chbar Ampeou market area. As one of the crowded area in the city, where economic development is growing rapidly, Chbar Ampeou sub-branch has the opportunity to contribute to the improvement of the business conditions of market vendors.



**01 October 2011**

The Board of Directors announced to transform its Phnom Penh branch into wholly-owned subsidiary of Sacombank under the approval of National Bank of Cambodia and support of State Bank of Vietnam. This important event marked the transition to a new phase in the development and performance improvement strategy of Sacombank in Cambodia, thus further promoting the good trading relationship of the business communities between Vietnam and Cambodia.



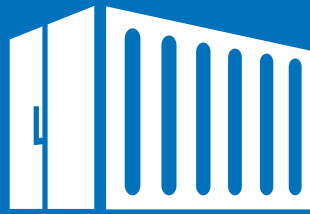
**22 March 2012**

For the first time, Sacombank (Cambodia) Plc. (Sacombank Cambodia) started outreaching to one of the busiest trading hubs outside the capital city by opening a branch in Kampong Cham province. Besides the key products and services to meet the financial demands of local customers, the newest branch provides quick money transfer services between Kampong Cham and Phnom Penh, increasing the trading capacity between the country's two biggest economic hubs.



### 26 November 2012

In the response to strong demands from the bank's customers, Sacombank Cambodia moved its Vietnamese Supermarket Branch to a larger office located at 537 A-B Monivong Boulevard, Phnom Penh under the name of Preah Monivong branch. The creation of a new transaction office in the city centre is the right thing to support the continuous expansion of the bank. The new office has a perfect location where the economic development, strategy and growth potential exist.



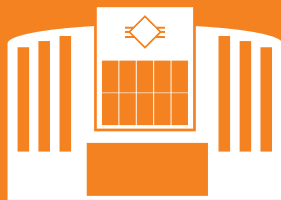
### 06 December 2012

Sacombank Cambodia kicked-off cross-border trade payment service, aims to streamline the process for settling cross-border trade in the Vietnam dong and enables Cambodian enterprises to conduct cross-border trade in Vietnam dong electronically without holding an account in the currency. Vice versa, Cambodia suppliers can also receive their payment from Vietnam buyer directly in Khmer riel.



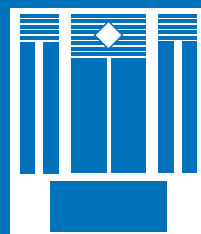
### 17 January 2013

As a focal point for network expansion strategy, Sacombank Cambodia continued to expand its branch network in Phnom Penh by inaugurating Phsar Heng Ly branch, bringing its broad range of banking products & services to the surrounding community of the major market.



### 24 June 2013

Sacombank Cambodia announced the opening of Pochentong branch in the western part of Phnom Penh city. This branch is Sacombank Cambodia's 7th entity in the country, complementing Head Office and 5 branches: Olympic, Preah Monivong, Chbar Ampeou, Kampong Cham, Phsar Heng Ly.



### 23 April 2014

In order to support the business economy development of one of the most active city in the southern of Phnom Penh. Sacombank Cambodia announced the opening of Takhmao Branch. This is the eighth entity in the country and is the second entity outside Phnom Penh. Continued showing our commitment to expand in the country.



### 28 September 2017

In order to further expand network and banking services in Cambodia, Sacombank Cambodia organized the Grand Opening of Siem Reap Branch. Sacombank Cambodia now have 1 Head Office and 8 Branches, this will make customer easier in using our service and the daily trade payment of enterprises in Cambodia with Sacombank and therefore enhance their trading capacity.

## MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

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In 2017, the Cambodian economy continues to grow with GDP about 7%, the one of the countries with strong and stable development in the region, the business environment is increasingly favorable for the Economic expansion components, attract investment and improve efficiency.

National Bank of Cambodia (NBC) had a successful year in managing monetary policy, helping to stabilize the system and stabilize exchange rates. Accelerating the supply and use of Khmer Riel initially have good signals, capital is flowing into the key fields, gradually reducing the using of USD. Particularly, NBC's management and supervision has become more and more strong and brought the positive changes for the industry.

Although resonance of many advantages in the scene flourishes of economic prosperity and financial sector - Cambodia banks, but to continue to develop into one of the leading banks here, Sacombank Cambodia has defined the motto follow Sacombank parent bank is **Take the pioneering steps**. With Sacombank, pioneering is one of the core values that open up the new directions and successful paths.

With the same mind and the highest responsibility, the management team and more than 240 staff members of Sacombank Cambodia always strive to bring about positive results in 2017 with total assets reached USD 176 million, total deposit



reached USD 125.3 million of which USD 90.3 million was deposited from individual & corporate customers; loans reached \$ 119.4 million of which lending dispersed, small individuals customer still continue to focus; profit before tax reached 1.74 million. In addition, during the year, Sacombank Cambodia set up a new branch in Siem Reap, bringing its total number of transaction points to 9 points.

In the year 2018, Sacombank Cambodia will develop its retail banking model, applying the whole model of its parent bank to the development roadmap of Sacombank Cambodia through the following main objectives: **(1) expand the network**, expand the scope of operations to the large provinces/potential areas. At the same time, diversify financial products and services to meet market demand, provide products and services to all classes of customers; **(2) Application of existing financial products and services from Parent Bank:** based on its research and redesign in line with market demand and local characteristics; **(3) Training and Fostering the highly qualified staffs.** Choosing human resource to be core values, competing by the diversification of products and services, and constantly improving the quality of products and services as a main guide for development. In addition, Sacombank Cambodia strives to promote digital banking and promote its leading role in all fields to enhance competitiveness and bring about a breakthrough for the Bank.

Tied to the synchronous development of human resources, network, technology, capital and the application of flexible business solutions, Sacombank Cambodia will continue to preserve, nurture and improving more the good values, timely adjust the mistakes and deficiencies in the operation to catch up the development trend of banking and financial systems in the region and internationally, thereby to aim to become one of the 10 leading banks in Cambodia.

In order to meet the objectives of Sacombank Cambodia soon, besides the movement itself, we would like to continue to receive the support, co-operation, trust, companion and cooperation of our staff. The Board of Management of the parent bank, the Government Agencies of Cambodia, especially NBC in the development journey in the coming time.

On behalf of the Board of Directors of Sacombank Cambodia, I wish you healthy, happiness and success!



**TRINH VAN TY (Mr.)**

Chairman of the Board of Directors of  
Sacombank (Cambodia) Plc.



## INTRODUCTION OF SACOMBANK (CAMBODIA) PLC.

Sacombank is a leading commercial banks in the Vietnam and continuously growing in Cambodia and Laos with more than 15,000 employees and 563 branches in the region.

The bank first established a presence in Cambodia on 23 June 2009 with the opening of its Phnom Penh branch, became the first Vietnamese bank to open its branch in Cambodia. In pioneering the entry into the Cambodian banking sector, Sacombank made a significant contribution in cross-border trade expansion between Cambodia and Vietnam.

After 2 years of operation, Sacombank (Cambodia) Plc. completed local incorporation on 1 October 2011. After the transformation, the bank continuously reforms its operation, cooperates with international strategic partners, develops new products and services to meet the characteristics of local financial market and become a more competitive banking service provider in the kingdom.

English name	:	Saigon Thuong Tin Bank (Cambodia) Plc.
Abbreviated name	:	Sacombank (Cambodia) Plc.
Head office	:	60 Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh.
Telephone	:	(855) 23 223 423
Fax	:	(855) 23 223 433
Email	:	info@sacombank.com.kh
Website	:	www.sacombank.com.kh
Date of establishment	:	23 June 2009
Chartered capital	:	USD 38,000,000
Number of business locations	:	9

Sacombank (Cambodia) Plc. provides a broad range of banking products and services to private individuals, self-employed customers as well as small and medium sized enterprises. These services include:

- Receipt of demand deposits, term deposits, savings deposits and other types of deposits.
- Issuance of certificates of deposit, bills of exchange, bills of credit.
- Grant of credit in the form of:
  - Lending;
  - Discount and rediscount of commercial instruments and other valuable papers;
  - Bank's guarantee;
  - Other forms of credit granting
- Opening of payment accounts for customers.
- Provision of payment facilities.
- Provision of the following payment services:
  - Rendering domestic payment services, including cheques, payment orders, banker's check, bank collection, letters of credit, entrusted collection and payment services;
  - International payment services and other payment services.

## EVENT HIGHLIGHTS

### CEO OF SACOMBANK VISITED AND SHARED EXPERIENCES FOR ALL MANAGERMENTS OF SACOMBANK (CAMBODIA) PLC.

Phnom Penh, November 23, 2017, Mrs. Nguyen Duc Thach Diem, CEO of Sacombank with senior management team visited Sacombank Cambodia. On this occasion Mrs. Nguyen Duc Thach Diem has resolved all petitions and shared experiences to all managers of Sacombank Cambodia with friendly and enthusiasm, to help Sacombank Cambodia continue to develop a better business in Cambodia.

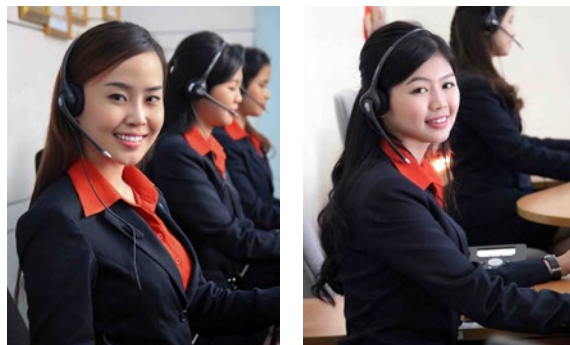


### GRAND OPENING SIEM REAP BRANCH

Siem Reap, Thursday 28th September 2017. Sacombank (Cambodia) Plc. has celebrated the opening of its 9th business that has location in Siem Reap. Siem Reap Branch inauguration took place with the official license giving and ribbon cutting presided over by Mr. Nget Sovannarith- Deputy Director of National Bank of Cambodia, Mr. Cheang Tola – Siem Reap Provincial Branch Director of National Bank of Cambodia and Mr. Uon Pau – Siem Reap City Deputy Governor and Mr. Trinh Van Ty – Chairman of Sacombank Cambodia. The inauguration was also attended by a lots of business owners and high-ranking government official in the province, customers.

### SACOMBANK (CAMBODIA) PLC STARTED GOLIVE CALL CENTER

To provide solution, supports for all inquiries of customer immediately as well as to improve the quality of services, on 11/09/2017, Sacombank Cambodia has started golive “Call Center” by applied the modern technology to serve customers 24/7 including holidays.



### ESTABLISHMENT OF THE MARKET LOANS CENTER

In order to improve the quality of services and take care vendors at the market more professional, in the third Quarter of 2017, Sacombank Cambodia has established a market loans center at Olympic Branch by merging its market loans from Olympic Branch, Preah Monivong Branch and Sales Department in Head Office together.

## SPECIAL PROMOTION PROGRAM “ DEPOSIT MONEY GET LUCKY GIFTS ”

During occasion New Year 2017, Sacombank (Cambodia) Plc. has just created a special promotion for the valued customers to participate in the program “Deposit Money Get Lucky Gifts” from 19/12/2016 to 30/06/2017. The valued customers will get more benefit including special interest rates and free lucky gifts from the program (Iphone 7plus, TV and many other valued gifts).



## CELEBRATING 08 YEARS ANNIVERSARY ESTABLISHED ITS OPERATION IN CAMBODIA

On June 23, 2017 Sacombank Cambodia has formally celebrated its 8<sup>th</sup> year anniversary of establishment and operation in the Kingdom of Cambodia (23 June 2009 – 23 June 2017). The Anniversary took place at Sacombank Cambodia Headquarter. On this occasion, Sacombank Cambodia grant honorary certificate to loyal staffs who have been serving Sacombank Cambodia with hard work and commitment and Sacombank Cambodia commit to continue to providing customer with the high quality services and best care.



## SACOMBANK MINI FOOTBALL TO CELEBRATE THE 8<sup>th</sup> YEARS ANNIVERSARY OF SACOMBANK (CAMBODIA) PLC.

To celebrate 08 Years Anniversary of Sacombank (Cambodia) Plc and to create a solidarity among staff and staff, staff and management, Sacombank (Cambodia) PLC had organized the Mini football cup for all Sacombankers. Through these matches, the Sacombankers have created a fun, friendly, and entertaining playground. In the future, Sacombank Cambodia will continue to create more favorable conditions to organize useful playground for staffs, in order to create strong team, strong working environment.



## ANNUAL TRIPS AT BOKOR AND KEP IN 2017

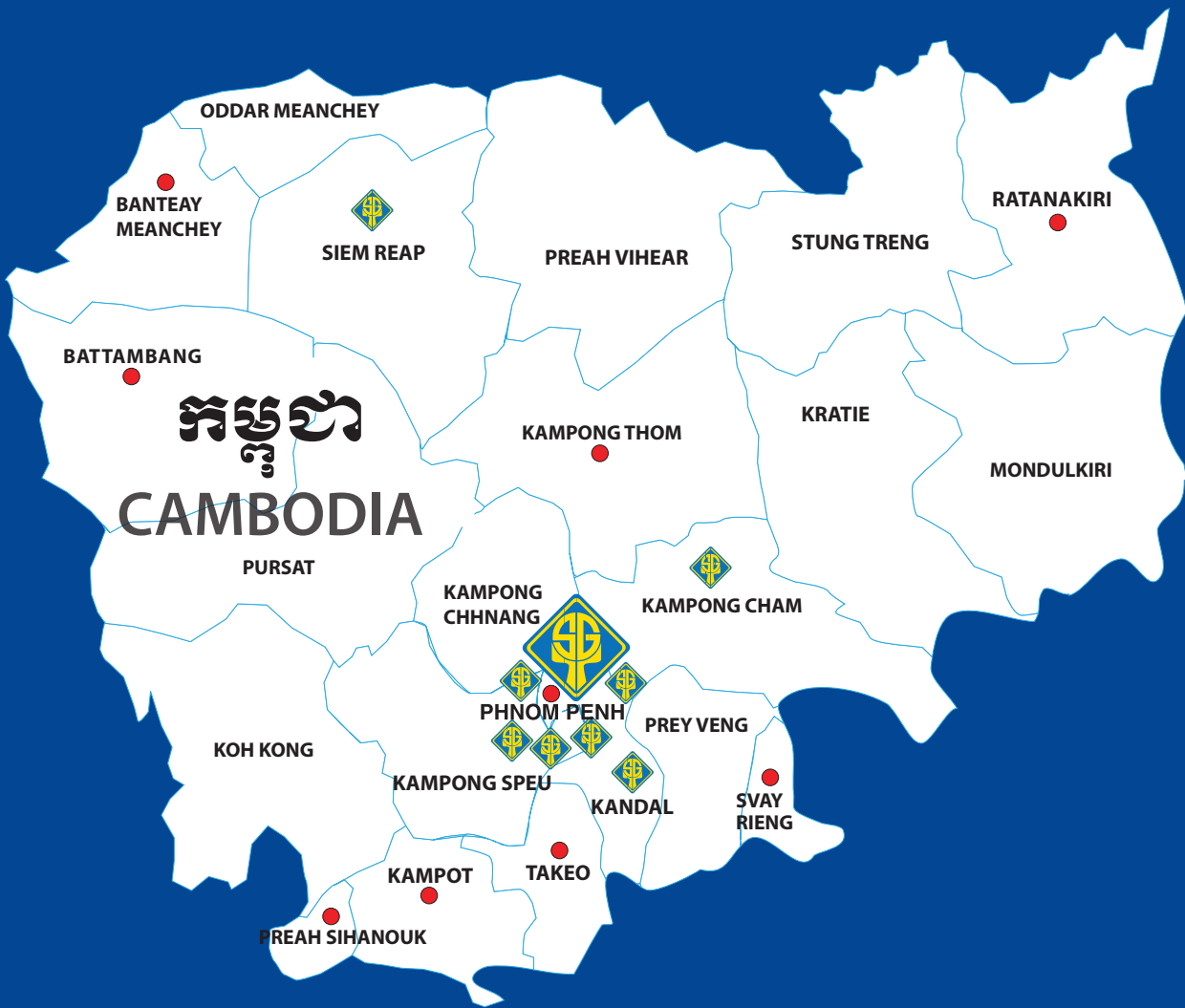
2017, Sacombank Cambodia organized an annual trip for staffs to visit Bokor- Kep with the participation of nearly 250 employees. The organization of annual trip for employees is one of the annual activities that the Bank always pay attention to bring fun, moments of rest, relax after stressful working days. At the same time, this is also the opportunity to relax and regenerate the labor force of the Bank's employees, contributing to the fulfillment of the targets of production and business in 2017.



## SACOMBANK CAMBODIA DONATES TO CAMBODIAN RED CROSS



Sacombank Cambodia, apart from providing business support to individuals and corporate in financial services, contributes to the growth of the regional economy, Sacombank has not forgotten about the contribution of social activities. Therefore, every year, Sacombank Cambodia regularly donates for Cambodian Red Cross to be involved in various humanitarian.



# BRANCH NETWORK

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## HEAD OFFICE

60, Preah Norodom Boulevard, Sangkat Chey Chumneas,  
Khan Daun Penh, Phnom Penh.

Call Center: (855) 23 223 423, (855) 978 223 423

### Olympic Branch

319-321, Sihanouk, Phnom Penh

Tel: (855) 23 223 420 | Fax: (855) 23 223 402

### Preah Monivong Branch

537A-B, Preah Monivong, Phnom Penh

Tel: (855) 23 223 421 | Fax: (855) 23 214 734

### Chbar Ampeou Branch

577A-578B, National Road 1, Phnom Penh

Tel: (855) 23 223 418 | Fax: (855) 23 721 571

### Kampong Cham Branch

43, National Road No 7, Sangkat Veal Vong,  
Kampong Cham

Tel: (855) 42 942 800 | Fax: (855) 42 942 801

### Phsar Heng Ly Branch

25-27A Street 271, Phnom Penh

Tel: (855) 23 881 468 | Fax: (855) 23 881 665

### Pochentong Branch

378-379, Russian Federation Blvd., Phnom Penh

Tel: (855) 23 890 146 | Fax: (855) 23 890 246

### Takhmao Branch

539, Street 21B, Sangkat Takhmao, Kandal

Tel: (855) 23 425 835 | Fax: (855) 23 425 586

### Siem Reap Branch

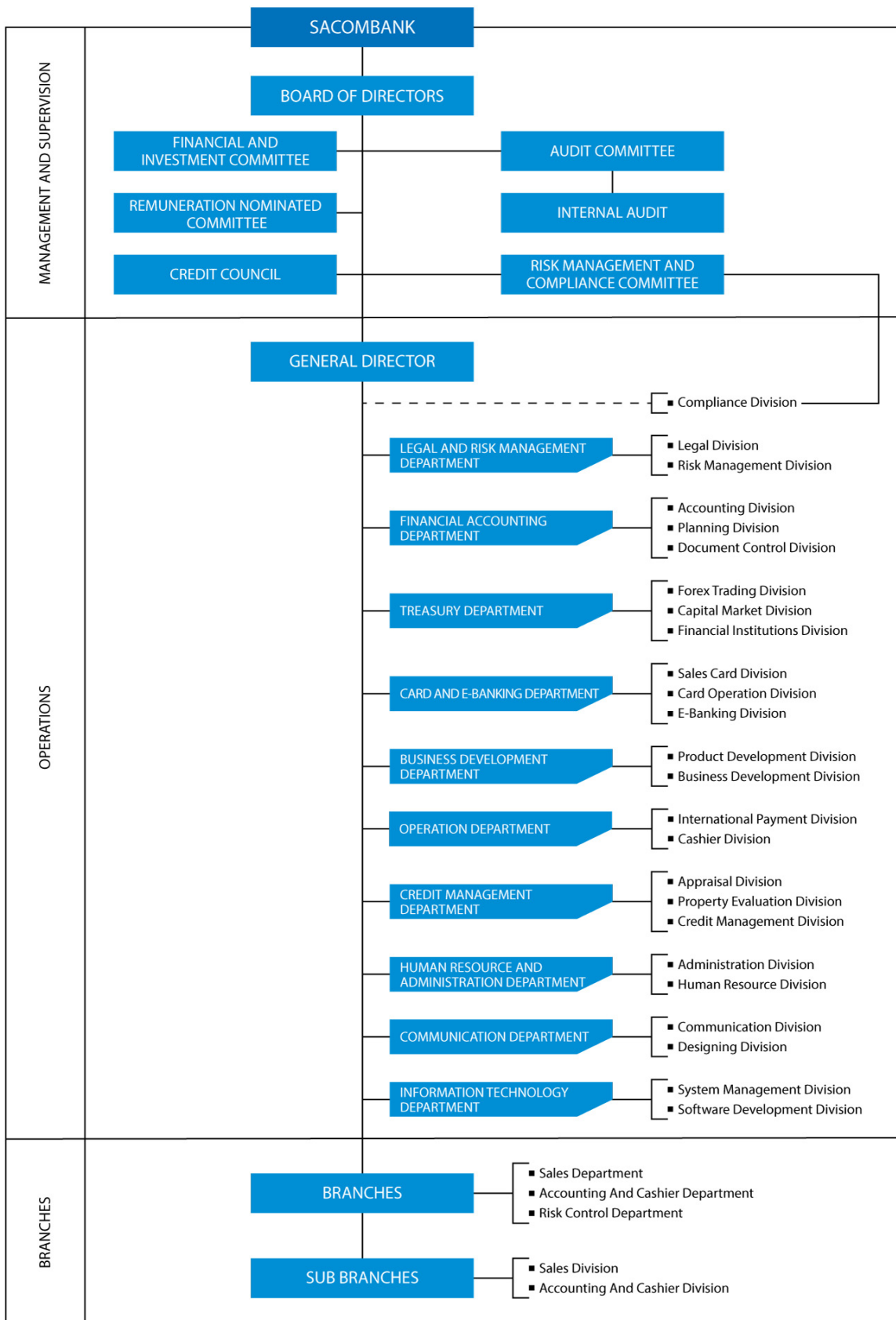
0665, National Road 6, Siem Reap

Tel: (855) 63 766 463

Email: [ask-sc@sacombank.com](mailto:ask-sc@sacombank.com)

Website: [www.sacombank.com.kh](http://www.sacombank.com.kh)

# ORGANIZATION CHART





## INTRODUCTION OF THE BOARD OF DIRECTORS



**Mr. TRINH VAN TY**  
Chairman

Over 10 years' experience in  
Finance and Banking



**Mr. NGUYEN NGOC TUAN**  
Vice Chairman

Over 10 year's experience in  
Finance and Banking



**Mr. NGUYEN NHI THANH**  
Vice Chairman

Over 28 years' experience in  
Finance and Banking



**Mr. NGUYEN VAN MINH**  
Member

Over 15 year's experience in  
Finance and Banking



**Mr. CHHUON CHHEN**  
Member

Over 15 year's experience in  
Finance and Banking



**Mr. NGUYEN THUC VINH**  
Independent member

Over 20 year's experience in  
Finance and Banking



**Mr. DUONG THE NHAT XUAN**  
Independent member

Over 9 years' experience in  
Finance and Banking

## INTRODUCTION OF THE BOARD OF MANAGEMENT

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**Mr. NGUYEN NHI THANH**

*Vice Chairman cum General Director*

Over 28 years' experience in Finance and Banking  
Master Degree of Economics



**Mr. CHHUON CHHEN**

*Member of the BOD cum Deputy General Director*

Over 15 years' experience in Finance and Banking  
Master Degree of Finance and Banking



**Mr. PHUNG THAI PHUNG**

*Deputy General Director*

Over 15 years' experience in Finance and Banking  
Bachelor of Business Administration



**Mr. PHAN HOANG ANH**

*Deputy General Director*

Over 14 years' experience in Finance and Banking  
Bachelor Degree of Banking

## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Sacombank (Cambodia) Plc. ("the Bank") presents its report together with the Bank's financial statements as at 31 December 2017 and for the year then ended.

### THE BANK

The Bank is a wholly-owned subsidiary of Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank"), a bank incorporated in Vietnam. The Bank operates in the Kingdom of Cambodia under indefinite banking license No. 27 dated 19 June 2009 issued by the National Bank of Cambodia and license No. 523/09B from the Ministry of Commerce dated 18 March 2009.

### PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services. There were no significant changes to these principal activities during the year.

### RESULTS OF OPERATIONS

The financial results of the Bank were as follows:

	2017 US\$	2016 US\$
<b>Profit before tax</b>	<b>1,740,313</b>	<b>1,845,263</b>
Income tax expense	(536,573)	(399,304)
<b>Net profit for the year</b>	<b>1,203,740</b>	<b>1,445,959</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>4,859,667</b>	<b>5,837,338</b>

### PAID-UP CAPITAL

The total paid-up capital of the Bank as at 31 December 2017 is US\$38,000,000 or KHR153.41 billion (31 December 2016: US\$38,000,000 or KHR153.41 billion).

### RESERVES AND PROVISIONS

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

### BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were prepared, the Board of Management took reasonable steps to ascertain that actions had been taken in terms of writing off bad loans and advances and booking of provision for bad and doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provision had been booked for bad and doubtful loans and advances.

At the date of this report, the Board of Management is not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of provision for bad and 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 Board of Management took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realize.

At the date of this report, the Board of Management is not aware of any circumstances, which would render the values attributed to current assets in the financial statements of the Bank misleading or inappropriate in any material aspect.

### VALUATION METHODS

At the date of this report, the Board of Management is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Bank misleading or inappropriate in any material respect.

### CONTINGENCIES AND OTHER LIABILITIES

At the date of this report, there are:

- No charge on the assets of the Bank, which has arisen since the end of the financial year which secure the liabilities of any other person; and
- No contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingencies or other liabilities of the Bank have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Board of Management, will or may have a material effect on the ability of the Bank to meet its obligations as and when they fall due.

### EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

## REPORT OF THE BOARD OF MANAGEMENT (continued)

### THE BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2017 and as at the date of this report are:

Name	Position	Date of appointment/Re-appointment/Resignation
Mr. TRINH VAN TY	Chairman	Appointed on 2 August 2017
	Vice Chairman	Appointed on 1 March 2017
		Resign on 2 August 2017
Mr. NGUYEN NHI THANH	Vice Chairman	Appointed on 2 August 2017
	Member	Resign on 2 August 2017
Mr. NGUYEN NGOCTUAN	Vice Chairman	Appointed on 2 August 2017
Mr. NGUYEN VAN MINH	Member	Appointed on 2 August 2017
Mr. CHHUON CHHEN	Member	Appointed on 2 August 2017
Mr. DUONG THE NHUT XUAN	Independent Member	Reappointed on 15 October 2015
Mr. NGUYEN THUC VINH	Independent Member	Appointed on 2 August 2017
Mr. TRAM BE	Chairman	Resign on 1 March 2017
Mr. DIEP TAN DUNG	Vice Chairman	Resign on 2 August 2017
Mr. NGUYEN BA TRI	Member	Resign on 1 March 2017
	Chairman	Appointed on 1 March 2017
		Resign on 2 August 2017
Mr. LE MINH TRUNG	Member	Resign on 2 August 2017
Ms. THACH THI PHO LY	Independent Member	Resign on 2 August 2017

### THE BOARD OF MANAGEMENT

Members of the Board of Management during the year ended 31 December 2017 and as at the date of this report are:

Name	Position	Date of appointment/Re-appointment/Resignation
Mr. NGUYEN NHI THANH	General Director	Appointed on 19 September 2011
Mr. PHUNG THAI PHUNG	Deputy General Director	Reappointed on 1 March 2012
Mr. CHHUON CHHEN	Deputy General Director	Appointed on 26 July 2016
Mr. PHAN HOANG ANH	Deputy General Director	Appointed 2 October 2017
Ms. THEARO SIDTHIPOR	Deputy General Director	Appointed on 11 February 2013
		Resign on 16 September 2017

### AUDITOR

Ernst & Young (Cambodia) Ltd., is the auditor of the Bank.

### THE BOARD OF MANAGEMENT'S BENEFITS

During and at the end of the year, no arrangement existed, to which the Bank was a party, whose object was to enable the Board of Management to acquire benefits by the acquisition of shares in or debentures of the Bank or any other corporate.

No manager has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration as disclosed in Note 24(c) to the financial statements) by reason of a contract made by the Bank or with a firm of which he is a member, or with a company in which he has a material financial interest other than those disclosed in the financial statements.

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and its financial performance, its changes in equity and its cash flows for the year then ended. In preparing these financial statements, the Board of Management oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with regulations and guidelines issued by the NBC and Cambodian Accounting Standards or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- Set overall policies for the Bank, ratify all decisions and actions by the management that have a material effect on the operations and performance of the Bank, and ensure they have been properly reflected in the financial statements.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that it has complied with these requirements in preparing the accompanying financial statements.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2017, and its financial performance, its changes in equity and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

On behalf of the Board of Management:



**Mr. NGUYEN NHI THANH**

Vice Chairman cum General Director

Phnom Penh, Kingdom of Cambodia

30 March 2018

## INDEPENDENT AUDITORS' REPORT

**To: The Owner of Sacombank (Cambodia) Plc.**

### **Opinion**

We have audited the accompanying financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, and its financial performance, its changes in equity and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant 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 sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other matter**

The equivalent amounts in KHR presented in the accompanying financial statements have been translated on the basis set forth in Note 2.1 to the financial statements solely for the Bank's internal use and for reporting to the relevant authorities in compliance with the current regulations.

### **Other Information**

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 5. Management is responsible for the other information.

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 of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia relevant to 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.



## 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 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 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

Saman Bandara

Partner



**Ernst & Young (Cambodia) Ltd.**

Certified Public Accountants

Registered Auditors

Phnom Penh, Kingdom of Cambodia

30 March 2018

# BALANCE SHEET

as at 31 December 2017

	Notes	31 December 2017		31 December 2016	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>ASSETS</b>					
Cash and gold	3	7,561,582	30,527,165	12,866,545	51,942,242
Balances with the National Bank of Cambodia	4	28,738,440	116,021,106	30,131,588	121,641,221
Due from other financial institutions	5	11,476,405	46,331,854	11,891,247	48,004,964
Loans and advances to customers	6	116,307,617	469,550,133	111,882,420	451,669,330
Investment in security	7	25,000	100,929	25,000	100,925
Property and equipment	8	1,447,853	5,845,185	1,310,136	5,289,019
Intangible assets	9	452,879	1,828,336	259,418	1,047,270
Deferred tax assets	13	367,567	1,483,919	222,349	897,623
Other assets	10	4,809,856	19,418,061	3,665,381	14,797,143
<b>TOTAL ASSETS</b>		<b>171,187,199</b>	<b>691,106,688</b>	<b>172,254,084</b>	<b>695,389,737</b>
<b>LIABILITIES AND OWNER'S EQUITY</b>					
<b>LIABILITIES</b>					
Due to other financial institutions	11	34,954,124	141,114,692	60,245,872	243,212,585
Due to customers	12	90,310,945	364,597,928	67,736,153	273,450,850
Current income tax payable	13	579,466	2,339,385	484,079	1,954,227
Other liabilities	14	1,904,081	7,687,042	1,553,137	6,270,014
<b>Total liabilities</b>		<b>127,748,616</b>	<b>515,739,047</b>	<b>130,019,241</b>	<b>524,887,676</b>
<b>Owner's equity</b>					
Paid-up capital	15	38,000,000	153,411,320	38,000,000	153,406,000
Retained earnings		5,438,583	21,956,321	4,234,843	17,096,061
<b>Total owner's equity</b>		<b>43,438,583</b>	<b>175,367,641</b>	<b>42,234,843</b>	<b>170,502,061</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>171,187,199</b>	<b>691,106,688</b>	<b>172,254,084</b>	<b>695,389,737</b>

The attached notes 1 to 27 form part of these financial statements

## INCOME STATEMENT

for the year ended 31 December 2017

	Notes	2017		2016	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest and similar income	16	9,573,513	38,649,612	8,344,636	33,687,296
Interest and similar expenses	17	(3,717,451)	(15,007,870)	(3,121,722)	(12,602,392)
<b>Net interest and similar income</b>		<b>5,856,062</b>	<b>23,641,742</b>	<b>5,222,914</b>	<b>21,084,904</b>
Fee and commission income	18	1,696,757	6,850,046	1,685,735	6,805,312
Fee and commission expenses	19	(175,520)	(708,599)	(176,984)	(714,484)
<b>Net fee and commission income</b>		<b>1,521,237</b>	<b>6,141,447</b>	<b>1,508,751</b>	<b>6,090,828</b>
<b>Income from investment in security</b>		<b>9,900</b>	<b>39,968</b>	<b>4,950</b>	<b>19,983</b>
<b>Other operating gain/(loss)</b>	<b>20</b>	<b>56,211</b>	<b>226,932</b>	<b>61,644</b>	<b>248,857</b>
<b>TOTAL OPERATING INCOME</b>		<b>7,443,410</b>	<b>30,050,089</b>	<b>6,798,259</b>	<b>27,444,572</b>
General and administrative expenses	21	(5,889,323)	(23,776,021)	(4,422,361)	(17,853,071)
Credit loss expenses	6	186,226	751,820	(530,635)	(2,142,173)
<b>PROFIT BEFORE TAX</b>		<b>1,740,313</b>	<b>7,025,888</b>	<b>1,845,263</b>	<b>7,449,328</b>
Current income tax expense	13	(681,791)	(2,752,486)	(572,797)	(2,312,381)
Deferred income tax income	13	145,218	586,265	173,493	700,391
<b>Total income tax expense</b>		<b>(536,573)</b>	<b>(2,166,221)</b>	<b>(399,304)</b>	<b>(1,611,990)</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>1,203,740</b>	<b>4,859,667</b>	<b>1,445,959</b>	<b>5,837,338</b>

The attached notes 1 to 27 form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Paid-up capital US\$	Retained earnings US\$	Total US\$
<b>For the year ended 31 December 2016</b>			
Balance as at 1 January 2016	38,000,000	2,788,884	40,788,884
Net profit for the year	-	1,445,959	1,445,959
<b>Balance as at 31 December 2016</b>	<b>38,000,000</b>	<b>4,234,843</b>	<b>42,234,843</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>153,406,000</b>	<b>17,096,061</b>	<b>170,502,061</b>
<b>For the year ended 31 December 2017</b>			
Balance as at 1 January 2017	38,000,000	4,234,843	42,234,843
Net profit for the year	-	1,203,740	1,203,740
<b>Balance as at 31 December 2017</b>	<b>38,000,000</b>	<b>5,438,583</b>	<b>43,438,583</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>153,411,320</b>	<b>21,956,321</b>	<b>175,367,641</b>

*The attached notes 1 to 27 form part of these financial statements*

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017		2016	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Net cash provided by/(used in) operating activities</b>	<b>22</b>	<b>(5,460,567)</b>	<b>(22,045,073)</b>	<b>6,040,967</b>	<b>24,387,383</b>
<b>Investing activities</b>					
Acquisition of property and equipment	8	(589,960)	(2,381,751)	(770,118)	(3,108,966)
Acquisition of computer software	9	(267,426)	(1,079,636)	(257,797)	(1,040,726)
Proceeds from disposal of property and equipment		7,300	29,471	5,000	20,185
<b>Net cash used in investing activities</b>		<b>(850,086)</b>	<b>(3,431,916)</b>	<b>(1,022,915)</b>	<b>(4,129,507)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(6,310,653)</b>	<b>(25,476,989)</b>	<b>5,018,052</b>	<b>20,257,876</b>
Cash and cash equivalents at beginning of year		38,367,087	154,887,930	33,349,035	135,063,591
Foreign exchange difference		-	5,371	-	(433,537)
<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<b>32,056,434</b>	<b>129,416,312</b>	<b>38,367,087</b>	<b>154,887,930</b>

The attached notes 1 to 27 form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2017

## 1. CORPORATE INFORMATION

Sacombank (Cambodia) Plc. ("the Bank") was incorporated and registered in the Kingdom of Cambodia.

### *Establishment and operations*

The Bank is a wholly-owned subsidiary of Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank"), a bank incorporated in Vietnam. The Bank operates in the Kingdom of Cambodia under indefinite banking license No. 27 dated 19 June 2009 issued by the National Bank of Cambodia (NBC) and license No. 523/09B from the Ministry of Commerce dated 18 March 2009.

The principal activities of the Bank are to provide banking and related financial services in Cambodia.

### *Paid-up capital*

The total share capital of the Bank as at 31 December 2017 is US\$38,000,000 or KHR153.41 billion (31 December 2016: US\$38,000,000 or KHR153.41 billion).

### *Location*

The head office of the Bank is located at No. 60, Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh, Cambodia.

### *Employees*

As at 31 December 2017, the Bank had 243 employees including 119 employees in the Head Office, 26 employees in Olympic Branch, 16 employees in Kampong Cham Branch, 14 employees in Chbar Ampeou Branch, 14 employees in Hengly Branch, 14 employees in Monivong Branch, 12 employees in Pochentong Branch, 13 employees in Siem Reap Branch and 15 employees in Takhmao Branch (31 December 2016: 207 employees).

### *Approval of the financial statements*

The financial statements were authorized for issue by the Board of Management on 30 March 2018.

## 2. ACCOUNTING POLICIES

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

### 2.1 *Basis of preparation*

The financial statements have been prepared based on the historical cost convention, except for foreclosed property that had been measured at the lower of the outstanding balance of the related loan or advance and the estimated net realizable value of the property at the date of foreclosure. The Bank maintains, records and prepares financial statements in United States dollar ("US\$") in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007 on the Language, Currency Unit and Exchange Rate for Accounting Records and Reports.

The financial statements have been prepared in accordance with Cambodian Accounting Standards ("CAS") and relevant regulations and guidelines of the NBC on the preparation and presentation of financial statements.

The translation of US\$ amounts in the financial statements into Khmer Riel ("KHR") is provided for the sole purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 using the official rate of exchange regulated by the NBC as at the reporting date, which was US\$1 to KHR4,037 as at 31 December 2017 (2016: US\$1 to KHR4,037 as at 31 December 2016). Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into Riel at that or any other rate.

### *Fiscal year*

The Bank's fiscal year starts on 1 January and ends on 31 December.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

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### 2. ACCOUNTING POLICIES (continued)

#### 2.2 Significant accounting judgments and estimates

In applying accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

##### 2.2.1 Provision for losses on loans and advances to customers

When preparing the financial statements, the quality of loans and advances is reviewed and assessed to determine their classification and level of allowance for losses on loans and advances, as more fully disclosed in Note 2.3.7.

##### 2.2.2 Functional currency

CAS 21 requires management to use its judgment to determine the Bank's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Bank. In making these judgments, the Bank considers the following:

- a) the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- b) the currency in which funds from financing activities are generated; and
- c) the currency in which receipts from operating activities are usually retained.

##### 2.2.3 Operating lease

The Bank entered into commercial property leases as a lessee of the land where its office premises are situated. The Bank has determined that the land lease, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a substantial portion of the economic life of the land (title of the land will not be transferred to the Bank), the lessor retains all the significant risks and rewards of ownership of the land and therefore accounted for it as an operating lease.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

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### 2. ACCOUNTING POLICIES (continued)

#### 2.2 Significant accounting judgments and estimates (continued)

##### 2.2.4 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

##### 2.2.5 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

##### 2.2.6 Estimated useful lives of property and equipment, and software costs

The Bank estimates the useful lives of its property and equipment, and software costs. This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment and software costs.

### 2.3 Summary of significant accounting policies

#### 2.3.1 Change in accounting policies

The accounting policies and methods of computation applied by the Bank are consistent with those adopted in prior years.

#### 2.3.2 New accounting policy effective but not yet applied

On 1 December 2017, the NBC issued Prakas No. B7-017-344 on Asset classification and provisioning in banking and financial institutions which replaced NBC Prakas No. B7-09-074 on Asset Classification and Provisioning in banking and financial institutions effectively from the date of its issue. The Prakas requires banks and financial institutions to classify their loan portfolio into five classes. The NBC subsequently issue Circular No. B7-018-001 dated 16 February 2017 to clarify the mandatory level of general and specific allowance provided based on the loan classification as follows:



## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 2. ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.2 New accounting policy effective but not yet applied (continued)

<u>Classification</u>	<u>Number of days past due</u>	<u>Allowance percentage</u>
Standard	0 to 14 days (short-term)	
	0 to 29 days (long-term)	1%
Normal	15 days to 30 days (short-term)	
	30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term)	
	90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

The regulatory provision applies to all on and off balance sheet facilities of banks and financial institutions.

The new Prakas requires the comparison of the regulatory provision with the impairment provision calculated following CIFRS when it is adopted. During the transition period before the implementation of CIFRS, the Bank will follow the mandatory credit classification and regulatory provision in the new Prakas.

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

According to Official Letter No.T7-018 001 stipulated practices of New Prakas regarding credit granting and impairment provision issued by the NBC on 16 February 2018, the Bank is allowed to postpone New Prakas' application for the financial statement as at 31 December 2017 and for the year then ended. New Prakas will be applied by the Bank for financial year as at 31 December 2018. In addition, the Bank have to submit another report in compliance with New Prakas to NBC before 10 April 2018.

##### 2.3.3 Segment information

The Bank operates within one business segment, commercial banking, and within one geographical segment, the Kingdom of Cambodia.

##### 2.3.4 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents consist of cash, demand deposits, short-term deposits and 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.

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by the NBC.

##### 2.3.5 Deposits and placements with banks

Deposits and placements with banks are carried at cost.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 2. ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.6 Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal less any amounts written off and allowance for losses on loans and advances. Short term loans are those with repayment date within one year from the date the loan was advanced. Long term loans are those with final repayment date of more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans and advances previously written off, or provided for, decrease the amount of allowance for losses on loans and advances in the income statement.

Loans and advances classified as substandard, doubtful or loss are considered as non-performing loans.

##### 2.3.7 Allowance for losses on loans and advances

Allowance for losses on loans and advances is made with regard to specific risks and relate to those loans and advances that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. In addition, a general allowance is also maintained for loans classified as normal.

The allowance is based on a percentage of total outstanding loans and advances.

The Bank follows the mandatory credit classification and provisioning in banking and financial institutions as required by NBC's Prakas No. B7-09-074 dated 25 February 2009, which is to classify their loan portfolio into five groups. The Prakas also requires that minimum general and specific allowances be provided depending on loan classification.

The allowance is based on a percentage of total outstanding loans and advances as follows:

<u>Classification</u>	<u>Number of days past due</u>	<u>Allowance percentage</u>
<i>General allowance</i>		
Normal	Less than 30 days	1%
<i>Specific allowance</i>		
Special mention	30 days or more but less than 90 days	3%
Substandard	90 days or more but less than 180 days	20%
Doubtful	180 days or more but less than 360 days	50%
Loss	360 days or more	100%

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

##### 2.3.8 Other credit-related commitments

In the normal course of business, the Bank enters into other credit-related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to originated loans as disclosed above. An allowance is raised against other credit-related commitments when losses are considered probable.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 2. ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.9 Available-for-sale financial investments

AFS investment is a non-derivative financial asset which is designated as such and is purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

##### 2.3.10 Other assets

Other receivables included in other assets are carried at anticipated realizable values. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### 2.3.11 Property and equipment and software costs

Property and equipment and software costs, are stated at cost excluding day-to-day servicing, less accumulated depreciation/amortisation and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income in the income statement in the year the asset is derecognized.

Work in progress is not depreciated and land is not amortised. Depreciation of property and equipment and amortisation of software costs are calculated on a straight-line basis over the respective estimated useful lives of these assets, which are as follows.

	Years
Leasehold building	15
Computer equipment	4
Furniture and equipment	4-5
Motor vehicles	4-5

##### 2.3.12 Due to other financial institutions and due to customers

Due to other financial institutions and due to customers are stated at their placement values.

##### 2.3.13 Other liabilities

Other liabilities recognized for amount to be paid in the future for goods and services received, whether or not billed to the Bank.

##### 2.3.14 Provisions for liabilities

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

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### 2. ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.15 Corporate income tax

###### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

###### *Deferred income tax*

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

##### 2.3.16 Off-setting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a current enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

##### 2.3.17 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Interest income from loans and advances to customers and balances with the NBC and other banks is recognized on a daily accrual basis, except for loans and advances to customers that have been classified as substandard, doubtful or loss accrued. Interest income to these loans shall be credited to an interest in suspense account. Interest from these loans is recognized when collected.

Interest expense on deposits of customers, settlement accounts of other banks and borrowings are recognized on a daily accrual basis

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

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### (a) Fee and commission income

Fee and commission income includes the following:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are provided;
- Service charges and processing fees are recognized when the service is provided.

### (b) Interest expense

Interest expense on deposits of customers, settlement accounts of other banks and borrowings are recognized on an accrual basis.

### (c) Fee and commission expense

Fee and commission expense is recognized as incurred.

### 2.3.18 Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

### 2.3.19 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.

Related parties, as defined in Articles 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) Any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) Any company of which the Bank directly or indirectly holds at least 10% of the capital or voting rights;
- (c) Any individual who participates in the administration, direction, management or internal control; and
- (d) The external auditors.

### 2.3.20 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not reported in the financial statements since they are not the assets of the Bank.

### 2.3.21 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US\$ and KHR amounts, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 3. CASH AND GOLD

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Cash</b>				
US\$	6,813,222	27,505,931	12,292,716	49,625,694
KHR	228,829	923,815	128,533	518,888
Other foreign currencies	155,637	628,328	117,431	474,069
	<b>7,197,688</b>	<b>29,058,074</b>	<b>12,538,680</b>	<b>50,618,651</b>
<b>Gold</b>				
Gold XBJ	363,591	1,467,868	327,592	1,322,489
Gold XAU	303	1,223	273	1,102
	<b>363,894</b>	<b>1,469,091</b>	<b>327,865</b>	<b>1,323,591</b>
	<b>7,561,582</b>	<b>30,527,165</b>	<b>12,866,545</b>	<b>51,942,242</b>

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

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Cash and gold	7,561,582	30,527,165	12,866,545	51,942,242
<b>Balances with the NBC</b>				
<i>Current and settlement accounts</i>	13,116,147	52,951,721	13,059,295	52,720,374
<i>Negotiable certificate of deposits ("NCD")</i>	400,000	1,614,857	550,000	2,220,350
Balances with other banks - current deposits and term deposits less than 3 months maturity	10,978,705	44,322,569	11,891,247	48,004,964
	<b>32,056,434</b>	<b>129,416,312</b>	<b>38,367,087</b>	<b>154,887,930</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1.5)	US\$	KHR'000 (Note 2.1.5)
<b>Current and settlement accounts</b>	<b>13,116,147</b>	<b>52,951,721</b>	<b>13,059,295</b>	<b>52,720,374</b>
Current account - US\$	10,944,757	44,185,516	11,363,330	45,873,763
Current account - KHR	205,942	831,417	536,966	2,167,732
Settlement account - US\$	1,926,800	7,778,761	1,059,839	4,278,570
Settlement account - KHR	38,648	156,027	99,160	400,309
<b>NCD</b>	<b>400,000</b>	<b>1,614,857</b>	<b>550,000</b>	<b>2,220,350</b>
<b>Statutory deposits</b>	<b>15,222,293</b>	<b>61,454,528</b>	<b>16,522,293</b>	<b>66,700,497</b>
Capital guarantee deposit - US\$ (i)	3,800,000	15,341,132	3,800,000	15,340,600
Reserve deposit - US\$ (ii)	11,400,000	46,023,396	12,700,000	51,269,900
Reserve deposit - KHR (ii)	22,293	90,000	22,293	89,997
	<b>28,738,440</b>	<b>116,021,106</b>	<b>30,131,588</b>	<b>121,641,221</b>

#### (i) Capital guarantee deposit

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10% of registered capital. 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.

#### (ii) Reserve deposits

Under NBC Prakas No. B7-09-075 dated 25 February 2009, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.0% and 12.5% of customer deposits in KHR and in FC, respectively.

Annual interest rates of deposits and placements with the NBC were summarized as follows:

	31 December 2017	31 December 2016
Capital guarantee deposit - US\$	0.36%	0.21%
Reserve deposit - US\$	0.21% - 0.38%	0.24%
Reserve deposit - KHR	0.00%	0.00%
Term deposit	0.64%	0.70%
Current accounts	0.00%	0.00%
Settlement accounts	0.00%	0.00%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Current deposits at</b>				
Local financial institutions	9,701,408	39,165,942	3,318,994	13,398,779
Overseas financial institutions	1,277,297	5,156,627	8,572,253	34,606,185
<i>In which:</i>				
<i>Demand deposit with parent bank (Note 24)</i>	1,211,743	4,891,976	8,066,044	32,562,618
<b>Term deposit at</b>				
Local financial institution	497,700	2,009,285	-	-
	<b>11,476,405</b>	<b>46,331,854</b>	<b>11,891,247</b>	<b>48,004,964</b>

Annual interest rates of due from other financial institutions at the year-end were as follows:

	31 December 2017	31 December 2016
Current deposits	0.00% - 0.50%	0.00% - 0.50%
Term deposit	3.00% - 6.00%	-

### 6. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Loans</b>				
<i>Term loans</i>	100,133,911	404,254,617	95,981,569	387,477,594
<i>Overdrafts</i>	18,801,424	75,903,981	19,020,034	76,783,877
Credit card facilities	423,223	1,708,611	117,984	476,302
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>
<b>Allowance for loan losses</b>				
Specific provision	(2,257,924)	(9,115,555)	(2,130,702)	(8,601,644)
General provision	(793,017)	(3,201,521)	(1,106,465)	(4,466,799)
	<b>(3,050,941)</b>	<b>(12,317,076)</b>	<b>(3,237,167)</b>	<b>(13,068,443)</b>
<b>Loans and advances - net</b>	<b>116,307,617</b>	<b>469,550,133</b>	<b>111,882,420</b>	<b>451,669,330</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 6. LOANS AND ADVANCES TO CUSTOMERS (continued)

Changes in the allowance for losses on loans and advances were summarized below:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Specific allowance</b>				
Beginning balance	2,130,702	8,601,644	1,624,192	6,577,978
Provision during the year	127,222	513,613	506,510	2,044,780
Exchange difference	-	298	-	(21,114)
Ending balance	2,257,924	9,115,555	2,130,702	8,601,644
<b>General allowance</b>				
Beginning balance	1,106,465	4,466,799	1,082,340	4,383,477
Provision during the year	(313,448)	(1,265,433)	24,125	97,393
Exchange difference	-	155	-	(14,071)
Ending balance	793,017	3,201,521	1,106,465	4,466,799
<b>Total allowance at the end of year</b>	<b>3,050,941</b>	<b>12,317,076</b>	<b>3,237,167</b>	<b>13,068,443</b>

(a) The loan portfolio was graded as follows:

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Normal loans</b>				
Secured	78,356,619	316,336,641	109,790,305	443,223,461
Unsecured	945,199	3,815,901	856,233	3,456,613
	<b>79,301,818</b>	<b>320,152,542</b>	<b>110,646,538</b>	<b>446,680,074</b>
<b>Special mention loans</b>				
Secured	38,386,690	154,972,442	2,279,640	9,202,907
Unsecured	3,095	12,495	-	-
	<b>38,389,785</b>	<b>154,984,937</b>	<b>2,279,640</b>	<b>9,202,907</b>
<b>Substandard loans</b>				
Secured	-	-	18,297	73,865
Unsecured	499,971	2,018,453	-	-
	<b>499,971</b>	<b>2,018,453</b>	<b>18,297</b>	<b>73,865</b>
<b>Doubtful loans</b>				
Secured	321,495	1,297,920	232,918	940,290
Unsecured	-	-	-	-
	<b>321,495</b>	<b>1,297,920</b>	<b>232,918</b>	<b>940,290</b>
<b>Loss loans</b>				
Secured	845,489	3,413,357	1,942,194	7,840,637
Unsecured	-	-	-	-
<b>Total</b>	<b>845,489</b>	<b>3,413,357</b>	<b>1,942,194</b>	<b>7,840,637</b>
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 6. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Refer to Note 25.1 on Credit risk for analysis of loan quality.

(c) For an analysis of loans and advances by maturity, refer to Note 25.2 on Financial Risk Management.

(d) For an analysis of loans and advances by currency, refer to Note 25.3 on Financial Risk Management.

(e) Analysis of loans and advances by type of loans was as follows:

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Commercial loans	61,965,953	250,165,228	67,455,008	272,315,868
Consumer loans	57,392,605	231,701,981	47,664,579	192,421,905
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>

(f) Analysis of loan portfolio by industrial sector was as follows:

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Mining	38,371,578	154,911,432	46,433,229	187,450,946
Wholesale and retail	41,243,708	166,506,623	37,001,848	149,376,461
Personal use	20,700,815	83,572,088	12,614,847	50,926,138
Services	7,450,433	30,078,441	8,716,622	35,189,002
Import & Export	5,038,376	20,340,629	4,053,354	16,363,388
Real estate & Construction	1,143,664	4,617,132	1,218,022	4,917,156
Other industries	4,983,689	20,119,851	4,963,681	20,038,380
Credit card	426,295	1,721,013	117,984	476,302
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 6. LOANS AND ADVANCES TO CUSTOMERS (continued)

(g) Further analyses of loans and advances by residency, relationship, and exposure were as follows:

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1.5)	US\$	KHR'000 (Note 2.1.5)
<b>Residence status</b>				
Residents	119,358,558	481,867,209	115,119,587	464,737,773
Non-residents	-	-	-	-
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>
<b>Relationship</b>				
Related parties	159,353	643,332	160,317	647,200
Non-related parties	119,199,205	481,223,877	114,959,270	464,090,573
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>
<b>Exposure</b>				
Large	37,786,666	152,550,060	44,533,229	179,780,646
Non-large	81,571,892	329,317,149	70,586,358	284,957,127
	<b>119,358,558</b>	<b>481,867,209</b>	<b>115,119,587</b>	<b>464,737,773</b>

Based on Prakas No. B7-06-226 issued by the NBC, large exposure is defined as the overall gross exposure resulting from banking operations with one single beneficiary, where such exposure exceeds 10% of the Bank's net worth. Exposure means the higher of two items: (a) the outstanding loans or commitments, and (b) the authorized loans or commitments. Large exposures of off-balance sheet items was nil as at 31 December 2017.

Annual interest rates of loans and advances to customers at the year-end were as follows:

	31 December 2017	31 December 2016
Short-term loans	5.30% - 16.80%	5.00% - 12.00%
Medium and long-term loans	5.25% - 16.80%	5.00% - 18.00%

### 7. INVESTMENT IN SECURITY

	31 December 2017			31 December 2016		
	US\$	KHR'000 (Note 2.1)	% owned by the bank	US\$	KHR'000 (Note 2.1)	% owned by the bank
Credit Bureau of Cambodia Company	25,000	100,929	1%	25,000	100,925	1%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 8. PROPERTY AND EQUIPMENT

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicles US\$	Total US\$
<b>Cost</b>					
At 1 January 2017	854,058	1,495,007	474,694	564,515	3,388,274
Additions	175,453	193,984	122,023	98,500	589,960
Disposal	-	-	-	(12,350)	(12,350)
At 31 December 2017	1,029,511	1,688,991	596,717	650,665	3,965,884
<b>Accumulated depreciation</b>					
At 1 January 2017	544,210	810,677	315,867	407,384	2,078,138
Charges	138,213	172,151	55,570	80,871	446,805
Disposal	-	-	-	(6,912)	(6,912)
At 31 December 2017	682,423	982,828	371,437	481,343	2,518,031
<b>Net book value</b>					
At 1 January 2017	544,210	810,677	315,867	407,384	2,078,138
Charges	138,213	172,151	55,570	80,871	446,805
<b>KHR'000 equivalent (Note 2.1)</b>					
At 1 January 2017	1,250,856	2,762,640	641,185	634,338	5,289,019
At 31 December 2017	1,401,243	2,850,879	909,487	683,577	5,845,185

### 9. INTANGIBLE ASSETS

	Computer software US\$
<b>Cost</b>	
At 1 January 2017	687,708
Additions	267,426
At 31 December 2017	955,134
<b>Accumulated amortization</b>	
At 1 January 2017	428,290
Charges	73,965
At 31 December 2017	502,255
<b>Net book value</b>	
At 1 January 2017	259,418
At 31 December 2017	452,879
<b>KHR'000 equivalent (Note 2.1)</b>	
At 1 January 2017	1,047,270
At 31 December 2017	1,828,336

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 10. OTHER ASSETS

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Accrued interest receivables	4,724,985	19,075,426	3,811,996	15,389,028
Rental deposits	224,090	904,683	210,100	848,174
Advances for employees	56,534	228,236	63,403	255,958
Advances for T24 and IBM system maintenance	63,582	256,689	46,170	186,388
Prepaid rental and insurance	24,187	97,646	24,136	97,437
Advances for express and remittance	50,499	203,872	16,912	68,274
Others	21,354	86,209	5,788	23,366
	<b>5,165,231</b>	<b>20,852,761</b>	<b>4,178,505</b>	<b>16,868,625</b>
Allowance for interest receivables	(355,375)	(1,434,700)	(513,124)	(2,071,482)
	<b>4,809,856</b>	<b>19,418,061</b>	<b>3,665,381</b>	<b>14,797,143</b>

### 11. DUE TO OTHER FINANCIAL INSTITUTIONS

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Demand deposits	3,901,735	15,751,850	36,869,363	148,841,618
<i>In which:</i>				
<i>Parent bank (Note 24)</i>	3,898,322	15,738,071	36,865,944	148,827,815
Term deposits and loans	31,052,389	125,362,842	23,376,509	94,370,967
	<b>34,954,124</b>	<b>141,114,692</b>	<b>60,245,872</b>	<b>243,212,585</b>

Annual interest rates of due to other financial institutions at the year-end were as follows:

	31 December 2017	31 December 2016
Demand deposits	0.00%	0.00%
Term deposits	2.25% - 3.75%	2.00% - 4.40%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 12. DUE TO CUSTOMERS

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Current accounts	3,698,034	14,929,481	4,123,917	16,648,253
Fixed deposits	68,156,141	275,155,883	47,454,599	191,574,216
Savings deposits	18,456,770	74,512,564	16,157,637	65,228,381
	<b>90,310,945</b>	<b>364,597,928</b>	<b>67,736,153</b>	<b>273,450,850</b>

Further analyses of deposits from customers were as follows:

(a) Types of customers

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Domestic corporations	10,361,879	41,832,355	7,221,492	29,153,163
Foreign corporations	79,772	322,051	67,097	270,871
Resident individuals	75,354,245	304,215,637	56,683,638	228,831,847
Non-residents individuals	4,515,049	18,227,885	3,763,926	15,194,969
	<b>90,310,945</b>	<b>364,597,928</b>	<b>67,736,153</b>	<b>273,450,850</b>

(b) For maturity analysis, refer to Note 25.2 on Financial risk management.

(c) For deposits from related parties, refer to Note 24 on Related party transactions and balances.

(d) The annual interest rates of deposits from customers at the year-end were as follows:

	31 December 2017	31 December 2016
Fixed deposits	2.40% - 6.50%	2.25% - 6.30%
Saving deposits	0.00% - 1.00%	0.00% - 1.00%
Current accounts	0.00% - 1.00%	0.00% - 1.00%
Margin deposits	0.00%	0.00%

### 13. TAXATION

Major components of income tax expense for the year were as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Current CIT	681,791	2,752,486	572,797	2,312,381
Deferred CIT	(145,218)	(586,265)	(173,493)	(700,391)
<b>Income tax expense for the year</b>	<b>536,573</b>	<b>2,166,221</b>	<b>399,304</b>	<b>1,611,990</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 13. TAXATION (continued)

#### Current corporate income tax

The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many 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 tax authorities.

In accordance with the Cambodian tax regulations, current income tax expense is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

Details of estimated current income tax expense and payable are as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Accounting profit before tax</b>	<b>1,740,313</b>	<b>7,025,888</b>	<b>1,845,263</b>	<b>7,449,328</b>
<b>Statutory income tax rate of 20%</b>	<b>348,063</b>	<b>1,405,178</b>	<b>369,053</b>	<b>1,489,866</b>
<i>Adjustments:</i>				
Non-deductible expenses	335,709	1,355,306	204,734	826,512
Dividend income	(1,981)	(7,998)	(990)	(3,997)
<b>Effective income tax</b>	<b>681,791</b>	<b>2,752,486</b>	<b>572,797</b>	<b>2,312,381</b>
Balance at beginning of year	484,079	1,954,227	346,770	1,404,419
Payment of tax during the year	(484,079)	(1,954,295)	(346,770)	(1,399,910)
Tax prepayment	(102,325)	(413,100)	(88,718)	(358,155)
Foreign exchange difference	-	67	-	(4,508)
<b>Balance at end of year</b>	<b>579,466</b>	<b>2,339,385</b>	<b>484,079</b>	<b>1,954,227</b>

#### Deferred income tax

	Balance sheet		Charged (credited) to the income statement	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>Deferred tax assets</b>				
Unrealized exchange loss	7,991	5,368	2,623	(13,365)
Provision for normal loan and special mentioned loan	388,942	234,971	153,971	234,971
	<b>396,933</b>	<b>240,339</b>	<b>156,594</b>	<b>221,606</b>
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(29,366)	(17,990)	(11,376)	(48,113)
	<b>(29,366)</b>	<b>(17,990)</b>	<b>(11,376)</b>	<b>(48,113)</b>
<b>Net deferred tax assets</b>	<b>367,567</b>	<b>222,349</b>		
<b>KHR'000 equivalent (Note 2.1)</b>	<b>1,483,919</b>	<b>897,623</b>		
<b>Net deferred income tax income</b>			<b>145,218</b>	<b>173,493</b>
<b>KHR'000 equivalent (Note 2.1)</b>			<b>586,265</b>	<b>700,391</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 14. OTHER LIABILITIES

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest payables	1,623,582	6,554,628	1,324,599	5,347,406
Payables on remittance	162,460	655,874	80,703	325,798
Other tax payables	69,633	281,118	103,624	418,330
Others	48,406	195,422	44,211	178,480
	<b>1,904,081</b>	<b>7,687,042</b>	<b>1,553,137</b>	<b>6,270,014</b>

### 15. PAID-UP CAPITAL

The paid-up capital amounting to US\$38,000,000 or KHR'000 153,411,320 was fully contributed by Saigon Thuong Tin Commercial Joint Stock Bank, incorporated in Vietnam.

On 22 March 2016, the NBC issued Prakas No. B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires commercial bank locally incorporated as foreign subsidiary shall be minimum registered capital of at least KHR'000 300,000,000 (approximately US\$75 million). Duration of implementation is within 2 years from the date of the Prakas.

On 2 October 2017, Parent Bank issued Resolution No. 195/2017/NQ-HĐQT regarding to the approval of capital contribution to the Bank in compliance with the Prakas. The Parent Bank is preparing the necessary documentations relating to regulatory requirements of the Ministry of Planning and Investment of Vietnam and the State Bank of Vietnam. In addition, on 8 Mar 2018, Parent Bank sent the Official Letter No. 646/2018/CV-NHSGTT to the NBC requesting an extension for the deadline to increase the Bank's capital up to 30 June 2018. Up to the date of these financial statements, the Bank has not yet received the approval from the NBC.

### 16. INTEREST AND SIMILAR INCOME

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest income from lending	9,499,243	38,349,774	8,321,965	33,595,773
Interest income from deposits	74,270	299,838	22,671	91,523
- The NBC	48,233	194,723	17,516	70,712
- The other financial institutions	26,037	105,115	5,155	20,811
	<b>9,573,513</b>	<b>38,649,612</b>	<b>8,344,636</b>	<b>33,687,296</b>

### 17. INTEREST AND SIMILAR EXPENSES

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest expense on due to other financial institutions	564,607	2,279,397	711,396	2,871,906
Interest expense on due to customers	3,152,844	12,728,473	2,410,326	9,730,486
	<b>3,717,451</b>	<b>15,007,870</b>	<b>3,121,722</b>	<b>12,602,392</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 18. FEE AND COMMISSION INCOME

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Commission received on remittances	1,091,281	4,405,655	1,143,837	4,617,670
Loan processing fee	440,291	1,777,516	380,272	1,535,158
Other commission and fee	165,185	666,875	161,626	652,484
	<b>1,696,757</b>	<b>6,850,046</b>	<b>1,685,735</b>	<b>6,805,312</b>

### 19. FEE AND COMMISSION EXPENSES

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Fee and commission paid to banks and other financial organizations	<b>175,520</b>	<b>708,599</b>	<b>176,984</b>	<b>714,484</b>

### 20. OTHER OPERATING GAIN

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Foreign exchange gain	54,349	219,415	56,644	228,672
Gain on asset disposal	1,862	7,517	5,000	20,185
	<b>56,211</b>	<b>226,932</b>	<b>61,644</b>	<b>248,857</b>

### 21. GENERAL AND ADMINISTRATIVE EXPENSES

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Salaries and wages	2,784,272	11,240,496	2,335,909	9,430,065
Other taxes	775,772	3,131,900	77,244	311,834
Rental, repairs and maintenances	579,048	2,337,698	546,461	2,206,063
Depreciation and amortization	520,770	2,102,421	385,164	1,554,907
License fees	257,685	1,040,310	211,406	853,446
Marketing	170,290	687,485	74,090	299,101
Telecommunication	124,261	501,659	118,712	479,240
Electricity and utilities	121,709	491,356	108,435	437,752
Staff benefits	101,960	411,627	83,000	335,071
BOD's remuneration	85,588	345,531	102,301	412,989
Office supplies	83,342	336,463	61,340	247,630
Travelling and communication	65,531	264,558	64,373	259,874
Others	219,095	884,517	253,926	1,025,099
	<b>5,889,323</b>	<b>23,776,021</b>	<b>4,422,361</b>	<b>17,853,071</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 22. NET CASH (USED IN)/ PROVIDED BY OPERATING ACTIVITIES

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Operating activities</b>				
Profit before income tax	1,740,313	7,025,888	1,845,263	7,449,328
<i>Adjustments for:</i>				
Depreciation and amortisation expense	520,770	2,102,421	385,164	1,554,907
Allowance for losses on loans and advances	(186,226)	(751,820)	530,635	2,142,173
Gain from disposal of property and equipment	(1,862)	(7,517)	(5,000)	(20,185)
	<b>2,072,995</b>	<b>8,368,972</b>	<b>2,756,062</b>	<b>11,126,223</b>
Income tax paid	(586,404)	(2,367,395)	(435,488)	(1,758,065)
<b>Cash provided by operating activities before changes in net operating assets and liabilities</b>	<b>1,486,591</b>	<b>6,001,577</b>	<b>2,320,574</b>	<b>9,368,158</b>
<b>(Increase) decrease in operating assets:</b>				
Capital guarantee and deposits with the NBC	1,300,000	5,248,282	(1,355,009)	(5,470,171)
Placements with other credit institutions	(497,700)	(2,009,285)	-	-
Loans and advances to customers	(4,238,971)	(17,113,319)	(4,752,461)	(19,185,685)
Other assets	(1,144,475)	(4,620,406)	(279,032)	(1,126,452)
Other assets	(279,032)	(1,126,452)	462,894	1,874,721
<b>(Decrease) increase in operating liabilities:</b>				
Due to other financial institutions	(25,291,748)	(102,106,328)	(4,500,660)	(18,169,164)
Due to customers	22,574,792	91,137,596	14,506,106	58,561,150
Other liabilities	350,944	1,416,810	101,449	409,547
<b>Net cash (used in)/provided by operating activities</b>	<b>(5,460,567)</b>	<b>(22,045,073)</b>	<b>6,040,967</b>	<b>24,387,383</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 23. COMMITMENTS AND CONTINGENCIES

#### 23.1 Lending commitments

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities, as follows:

	31 December 2017		31 December 2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Undrawn credit facilities	13,869,305	55,992,325	14,716,746	59,411,504
Letter of guarantee	272,533	1,100,254	-	-
Letters of credit	-	-	90,071	363,617
	<b>14,141,838</b>	<b>57,092,579</b>	<b>14,806,817</b>	<b>59,775,121</b>

#### 23.2 Operating lease commitments

The Bank, as lessee, has entered into commercial leases on premises. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments as at 31 December are as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Up to 1 year	381,685	1,540,917	301,401	1,216,756
From 1 year to 5 years	1,313,680	5,303,509	1,133,008	4,573,953
Over 5 years	487,444	1,967,880	243,000	980,991
	<b>2,182,809</b>	<b>8,812,306</b>	<b>1,677,409</b>	<b>6,771,700</b>

#### 23.3 Taxation contingency

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. 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.

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 could be significant.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 24. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant transactions with related parties during the year were as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest income on loans to parent bank	-	-	90	363
Interest income on loans to employees	8,751	35,331	195	787
Interest expense on deposits from parent bank	-	-	262	1,058
Interest expense on deposits from employees	610	2,463	568	2,293

(b) Outstanding amounts due from/to related parties were as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Due from related parties</b>				
Parent bank	1,222,123	4,933,881	8,067,584	32,568,835
- Demand deposits	1,211,743	4,891,976	8,066,044	32,562,618
- Receivable from card transaction	10,380	41,906	1,540	6,217
Fellow subsidiaries and employees	209,845	847,174	177,222	715,445
	<b>1,431,968</b>	<b>5,781,055</b>	<b>8,244,806</b>	<b>33,284,280</b>
<b>Due to related parties</b>				
Parent bank	3,899,962	15,744,692	36,865,944	148,827,815
- Demand deposits	3,898,322	15,738,071	36,865,944	148,827,815
- Payable for card transaction	1,640	6,621	-	-
Fellow subsidiaries and employees	25,961	104,808	28,428	114,764
	<b>3,925,923</b>	<b>15,849,500</b>	<b>36,894,372</b>	<b>148,942,579</b>

(c) Key management personnel compensation

Remuneration of directors and other members of key management of the Bank were as follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Salaries and other short-term benefits of key management</b>	<b>517,170</b>	<b>2,087,888</b>	<b>459,711</b>	<b>1,855,853</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT

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

The Bank uses derivative financial instruments such as forward contracts to manage its risk exposure.

A primary objective of the Bank in risk management is to comply with NBC's regulations. On the other hand, the Bank has recognized the importance of achieving international best practices on risk management. The BOD has established a Credit Committee 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:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
<b>Financial assets</b>				
Cash and gold	7,561,582	30,527,165	12,866,545	51,942,242
Balances with the NBC	28,738,440	116,021,106	30,131,588	121,641,221
Due from other financial institutions	11,476,405	46,331,854	11,891,247	48,004,964
Loans and advances to customers - gross	119,358,558	481,867,209	115,119,587	464,737,773
Investment in security	25,000	100,929	25,000	100,925
Other assets	4,663,634	18,827,743	3,531,672	14,257,360
<b>Total financial assets</b>	<b>171,823,619</b>	<b>693,676,006</b>	<b>173,565,639</b>	<b>700,684,485</b>
<b>Financial liabilities</b>				
Due to other financial institutions	34,954,124	141,114,692	60,245,872	243,212,585
Due to customers	90,310,945	364,597,928	67,736,153	273,450,850
Other liabilities	1,834,448	7,405,923	1,449,513	5,851,684
<b>Total financial liabilities</b>	<b>127,099,517</b>	<b>513,118,543</b>	<b>129,431,538</b>	<b>522,515,119</b>
<b>Net financial assets</b>	<b>44,724,102</b>	<b>180,557,463</b>	<b>44,134,101</b>	<b>178,169,366</b>

#### Capital management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong financial position and healthy capital ratios to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return the capital, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

As at balance sheet date, management believes the Bank is compliant with the solvency ratio prescribed by the NBC at 15%.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counter party 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 and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

##### (a) Credit risk measurement, mitigation and concentration control

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

Risk ratings are reviewed and updated regularly, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

##### (b) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages, limits and controls 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 Prakas No. B7-06-226 of the NBC, 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 aggregate of large credit exposure must not exceed 300% of the Bank's net worth.

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

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Customers' fixed deposits placed with the Bank;
- Cash in the form of margin deposits; and
- Debenture over fixed and floating assets of borrowers.

##### (c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 2.3.7.

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

Maximum exposure to credit risk before collateral held or other credit enhancements of the Bank follows:

	2017		2016	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Balances with the NBC	28,738,440	116,021,106	30,131,588	121,641,221
Due from other financial institutions	11,476,405	46,331,854	11,891,247	48,004,964
Loans and advances to customers - gross	119,358,558	481,867,209	115,119,587	464,737,773
Other assets	4,663,634	18,827,743	3,531,672	14,257,360
	<b>164,237,037</b>	<b>663,047,912</b>	<b>160,674,094</b>	<b>648,641,318</b>

The details of credit risk exposure relating to off-balance-sheet items are disclosed in Note 23.1 on Credit-related commitments.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.1 Credit risk (continued)

##### (e) Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowance.

	Neither past due nor impaired (i) US\$	Past due but not impaired (ii) US\$	Individually impaired (iii) US\$	Total US\$
<b>2017</b>				
Balances with the NBC	28,738,440	-	-	28,738,440
Due from other financial institutions	11,476,405	-	-	11,476,405
Loans and advances to customers - gross	79,301,818	38,389,785	1,666,955	119,358,558
Other assets	4,663,634	-	-	4,663,634
	<b>124,180,297</b>	<b>38,389,785</b>	<b>1,666,955</b>	<b>164,237,037</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>501,333,244</b>	<b>154,984,937</b>	<b>6,729,731</b>	<b>663,047,912</b>
<b>2016</b>				
Balances with the NBC	30,131,588	-	-	30,131,588
Due from other financial institutions	11,891,247	-	-	11,891,247
Loans and advances to customers - gross	110,646,538	2,279,640	2,193,409	115,119,587
Other assets	3,531,672	-	-	3,531,672
	<b>156,201,045</b>	<b>2,279,640</b>	<b>2,193,409</b>	<b>160,674,094</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>630,583,619</b>	<b>9,202,907</b>	<b>8,854,792</b>	<b>648,641,318</b>

##### (i) Loans and advances neither past due nor impaired

Loans and advances that are not past due are not considered impaired, unless other information is available to indicate the contrary.

##### (ii) Loans and advances past due but not impaired

Loans and advances less than 30 days (short-term) or 90 days (long-term) past due are not considered impaired, unless other information is available to indicate the contrary.

##### (iii) Loans and advances individually impaired

In accordance with Prakas No. B7-17-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning, loans and advances past due more than 60 days (short-term) and 90 days (long-term) are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.1 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure (continued)

The Bank monitors concentration of credit risk of counterparty by industry. An analysis of the Bank's concentration of credit risk as at 31 December was shown below:

	Financial intermediaries US\$	Mining US\$	Wholesale and retail US\$	Personal use US\$	Import & Export US\$	Real estate US\$	Services US\$	Other industries US\$	Total US\$
<b>2017</b>									
Balances with the NBC	28,738,440	-	-	-	-	-	-	-	28,738,440
Due from other financial institutions	11,476,405	-	-	-	-	-	-	-	11,476,405
Loans and advances to customers									
- gross	-	38,371,578	41,243,708	21,127,110	5,038,376	1,143,664	7,450,433	4,983,689	119,358,558
Other assets	7,675	3,704,637	454,157	91,649	27,085	1,313	29,376	347,742	4,663,634
	<b>40,222,520</b>	<b>42,076,215</b>	<b>41,697,865</b>	<b>21,218,759</b>	<b>5,065,461</b>	<b>1,144,977</b>	<b>7,479,809</b>	<b>5,331,431</b>	<b>164,237,037</b>
<b>KHR'000 equivalent</b> (Note 2.1)	<b>162,383,944</b>	<b>169,867,571</b>	<b>168,340,118</b>	<b>85,663,102</b>	<b>20,449,977</b>	<b>4,622,434</b>	<b>30,197,036</b>	<b>21,523,730</b>	<b>663,047,912</b>
<b>2016</b>									
Balances with the NBC	30,131,588	-	-	-	-	-	-	-	30,131,588
Due from other financial institutions	11,891,247	-	-	-	-	-	-	-	11,891,247
Loans and advances to customers									
- gross	-	46,433,229	37,001,848	12,732,831	4,053,354	1,218,022	8,716,622	4,963,681	115,119,587
Other assets	243	3,027,502	109,296	74,003	21,004	1,536	35,347	262,741	3,531,672
	<b>42,023,078</b>	<b>49,460,731</b>	<b>37,111,144</b>	<b>12,806,834</b>	<b>4,074,358</b>	<b>1,219,558</b>	<b>8,751,969</b>	<b>5,226,422</b>	<b>160,674,094</b>
<b>KHR'000 equivalent</b> (Note 2.1)	<b>169,647,166</b>	<b>199,672,972</b>	<b>149,817,689</b>	<b>51,701,191</b>	<b>16,448,181</b>	<b>4,923,356</b>	<b>35,331,698</b>	<b>21,099,065</b>	<b>648,641,318</b>



## **NOTES TO THE FINANCIAL STATEMENTS** (continued)

as at and for the year ended 31 December 2017

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### **25. FINANCIAL RISK MANAGEMENT** (continued)

#### **25.2 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 fulfill 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.

#### **Analysis of financial assets and liabilities by remaining contractual maturities**

An analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period as at 31 December to the contractual or estimated maturity dates is set out on the next page

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.2 Liquidity risk (continued)

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
<b>2017</b>								
<b>Financial assets</b>								
Cash and gold	-	-	7,561,582	-	-	-	-	7,561,582
Balances with the NBC	-	-	13,116,147	400,000	-	-	15,222,293	28,738,440
Due from other financial institutions	-	-	10,978,705	250,000	247,700	-	-	11,476,405
Loans and advances to customers - gross	1,666,955	38,389,785	16,123,779	4,282,634	16,252,721	33,989,003	8,653,681	119,358,558
Investment in security	-	-	-	-	-	-	25,000	25,000
Other assets	-	3,704,849	350,318	3,737	326,357	146,373	132,000	4,663,634
<b>Total financial assets</b>	<b>1,666,955</b>	<b>42,094,634</b>	<b>48,130,531</b>	<b>4,936,371</b>	<b>16,826,778</b>	<b>34,135,376</b>	<b>24,032,974</b>	<b>171,823,619</b>
<b>Financial liabilities</b>								
Due to other financial institutions	-	-	16,924,735	13,029,389	5,000,000	-	-	34,954,124
Due to customers	-	-	36,568,646	12,948,698	35,830,922	4,957,392	5,287	90,310,945
Other liabilities	-	-	744,754	294,121	706,459	89,107	7	1,834,448
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>54,238,135</b>	<b>26,272,208</b>	<b>41,537,381</b>	<b>5,046,499</b>	<b>5,294</b>	<b>127,099,517</b>
<b>Net liquidity surplus (gap)</b>	<b>1,666,955</b>	<b>42,094,634</b>	<b>(6,107,604)</b>	<b>(21,335,837)</b>	<b>(24,710,603)</b>	<b>29,088,877</b>	<b>24,027,680</b>	<b>44,724,102</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>6,729,731</b>	<b>169,941,931</b>	<b>(24,657,252)</b>	<b>(86,135,761)</b>	<b>(99,760,164)</b>	<b>117,435,869</b>	<b>97,003,109</b>	<b>180,557,463</b>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
as at and for the year ended 31 December 2017

**25. FINANCIAL RISK MANAGEMENT** (continued)

25.2 *Liquidity risk* (continued)

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
<b>2016</b>								
<b>Financial assets</b>								
Cash and gold	-	-	12,866,545	-	-	-	-	12,866,545
Balances with the NBC	-	-	13,059,295	550,000	-	-	16,522,293	30,131,588
Due from other financial institutions	-	-	11,891,247	-	-	-	-	11,891,247
Loans and advances to customers - gross	2,175,113	397,936	22,337,206	12,227,663	24,922,226	32,985,950	20,073,493	115,119,587
Investments in security	-	-	-	-	-	-	25,000	25,000
Other assets	510,632	16,133	44,594	284,670	321,187	2,222,456	132,000	3,531,672
<b>Total financial assets</b>	<b>2,685,745</b>	<b>414,069</b>	<b>60,198,887</b>	<b>13,062,333</b>	<b>25,243,413</b>	<b>35,208,406</b>	<b>36,752,786</b>	<b>173,565,639</b>
<b>Financial liabilities</b>								
Due to other financial institutions	-	-	47,245,872	6,000,000	7,000,000	-	-	60,245,872
Due to customers	-	-	30,496,417	5,221,848	29,112,494	2,905,394	-	67,736,153
Other liabilities	-	-	597,923	158,377	603,947	89,266	-	1,449,513
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>78,340,212</b>	<b>11,380,225</b>	<b>36,716,441</b>	<b>2,994,660</b>	<b>-</b>	<b>129,431,538</b>
<b>Net liquidity surplus (gap)</b>	<b>2,685,745</b>	<b>414,069</b>	<b>(18,141,325)</b>	<b>1,682,108</b>	<b>(11,473,028)</b>	<b>32,213,746</b>	<b>36,752,786</b>	<b>44,134,101</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>10,842,353</b>	<b>1,671,597</b>	<b>(73,236,529)</b>	<b>6,790,670</b>	<b>(46,316,614)</b>	<b>130,046,893</b>	<b>148,370,997</b>	<b>178,169,367</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.3 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.

#### 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.

#### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, the management regularly monitors the mismatch.

The table below analyses the Bank's interest rate risk exposure on non-trading financial assets and liabilities as at 31 December. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
as at and for the year ended 31 December 2017

**25. FINANCIAL RISK MANAGEMENT** (continued)

25.3 *Market risk* (continued)

Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Interest re-pricing period					Total US\$
			Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	
<b>2017</b>								
<b>Financial assets</b>								
Cash and gold	-	7,561,582	-	-	-	-	-	7,561,582
Balances with the NBC	-	13,138,440	15,600,000	-	-	-	-	28,738,440
Due from other financial institutions	-	1,979,639	8,999,066	250,000	-	247,700	-	11,476,405
Loans and advances to customers - gross	40,056,740	-	16,123,779	4,222,634	7,584,445	8,717,458	33,999,821	119,358,558
Investment in security	-	25,000	-	-	-	-	-	25,000
Other assets	-	4,663,634	-	-	-	-	-	4,663,634
<b>Total financial assets</b>	<b>40,056,740</b>	<b>27,368,295</b>	<b>40,722,845</b>	<b>4,472,634</b>	<b>7,584,445</b>	<b>8,965,158</b>	<b>33,999,821</b>	<b>171,823,619</b>
<b>Financial liabilities</b>								
Due to other financial institutions	-	3,901,735	13,029,389	2,000,000	3,000,000	-	-	34,954,124
Due to customers	-	-	36,568,646	12,948,698	10,949,748	24,881,174	4,962,679	90,310,945
Other liabilities	-	1,834,448	-	-	-	-	-	1,834,448
<b>Total financial liabilities</b>	<b>-</b>	<b>5,736,183</b>	<b>49,591,646</b>	<b>25,978,087</b>	<b>12,949,748</b>	<b>27,881,174</b>	<b>4,962,679</b>	<b>127,099,517</b>
<b>Interest sensitivity gap</b>	<b>40,056,740</b>	<b>21,632,112</b>	<b>(8,868,801)</b>	<b>(21,505,453)</b>	<b>(5,365,303)</b>	<b>(18,916,016)</b>	<b>29,037,142</b>	<b>44,724,102</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>161,714,667</b>	<b>87,331,865</b>	<b>(35,804,589)</b>	<b>(86,820,525)</b>	<b>(21,660,479)</b>	<b>(76,366,605)</b>	<b>117,227,007</b>	<b>180,557,463</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.3 Market risk (continued)

##### Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Interest re-pricing period					Total US\$
			Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	Over 5 years US\$	
<b>2016</b>								
<b>Financial assets</b>								
Cash and gold	-	12,866,545	-	-	-	-	-	12,866,545
Balances with the NBC	-	13,081,588	17,050,000	-	-	-	-	30,131,588
Due from other financial institutions	-	553,909	11,337,338	-	-	-	-	11,891,247
Loans and advances to customers – gross	2,573,049	-	22,337,206	12,227,663	5,376,911	19,545,315	32,985,950	115,119,587
Investments in security	-	25,000	-	-	-	-	-	25,000
Other assets	-	3,531,672	-	-	-	-	-	3,531,672
<b>Total financial assets</b>	<b>2,573,049</b>	<b>30,058,714</b>	<b>50,724,544</b>	<b>12,227,663</b>	<b>5,376,911</b>	<b>19,545,315</b>	<b>32,985,950</b>	<b>173,565,639</b>
<b>Financial liabilities</b>								
Due to other financial institutions	-	257,504	46,988,368	6,000,000	3,000,000	4,000,000	-	60,245,872
Due to customers	-	-	30,496,417	5,221,848	8,716,167	20,396,327	2,905,394	67,736,153
Other liabilities	-	1,449,513	-	-	-	-	-	1,449,513
<b>Total financial liabilities</b>	<b>-</b>	<b>1,707,017</b>	<b>77,484,785</b>	<b>11,221,848</b>	<b>11,716,167</b>	<b>24,396,327</b>	<b>2,905,394</b>	<b>129,431,538</b>
<b>Interest sensitivity gap</b>	<b>2,573,049</b>	<b>28,351,697</b>	<b>(26,760,241)</b>	<b>1,005,815</b>	<b>(6,339,256)</b>	<b>(4,851,012)</b>	<b>30,080,556</b>	<b>44,134,101</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>10,387,399</b>	<b>114,455,801</b>	<b>(108,031,093)</b>	<b>4,060,475</b>	<b>(25,591,576)</b>	<b>(19,583,535)</b>	<b>121,435,205</b>	<b>178,169,367</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.3 Market risk (continued)

##### Foreign 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 Khmer Riel, Taiwanese dollar, Chinese Yuan, Euro, and Singapore dollar.

The Bank's management has set limits to control the positions of the currencies. Positions are monitored on a daily basis and hedging strategies are used to ensure positions of the currencies are maintained within established limits.

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.

Assets and liabilities denominated in other currencies which were translated into USD were as follows:

	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
<b>2017</b>				
<b>Financial assets</b>				
Cash and gold	228,829	110,924	408,607	748,360
Balances with the NBC	266,883	-	-	266,883
Due from other financial institutions	1,406,205	81,097	346,856	1,834,158
Loans and advances to customers	393,736	-	-	393,736
Other assets	6,860	-	-	6,860
<b>Total financial assets</b>	<b>2,302,513</b>	<b>192,021</b>	<b>755,463</b>	<b>3,249,997</b>
<b>Financial liabilities</b>				
Due to other financial institutions	-	96,515	289,707	386,222
Due to customers	214,196	382	287,496	502,074
Other liabilities	2,678	-	1	2,679
<b>Total financial liabilities</b>	<b>216,874</b>	<b>96,897</b>	<b>577,204</b>	<b>890,975</b>
<b>Foreign exchange position on-balance-sheet</b>	<b>2,085,639</b>	<b>95,124</b>	<b>178,259</b>	<b>2,359,022</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>8,420,017</b>	<b>384,029</b>	<b>719,657</b>	<b>9,523,703</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2017

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.3 Market risk (continued)

##### Currency risk (continued)

	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
<b>2016</b>				
<b>Financial assets</b>				
Cash and gold	128,533	76,471	368,825	573,829
Balances with the NBC	658,419	-	-	658,419
Due from other financial institutions	2,750	71,097	294,926	368,773
<b>Total financial assets</b>	<b>789,702</b>	<b>147,568</b>	<b>663,751</b>	<b>1,601,021</b>
<b>Financial liabilities</b>				
Due to other financial institutions	-	84,811	239,083	323,894
Due to customers	221,823	232	264,266	486,321
Other liabilities	383	-	1	384
<b>Total financial liabilities</b>	<b>222,206</b>	<b>85,043</b>	<b>503,350</b>	<b>810,599</b>
<b>Foreign exchange position on-balance-sheet</b>	<b>567,496</b>	<b>62,525</b>	<b>160,401</b>	<b>790,422</b>
<b>KHR'000 equivalent (Note 2.1)</b>	<b>2,290,981</b>	<b>252,413</b>	<b>647,539</b>	<b>3,190,933</b>

#### 25.4 Fair value 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 balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.



## **NOTES TO THE FINANCIAL STATEMENTS** (continued)

as at and for the year ended 31 December 2017

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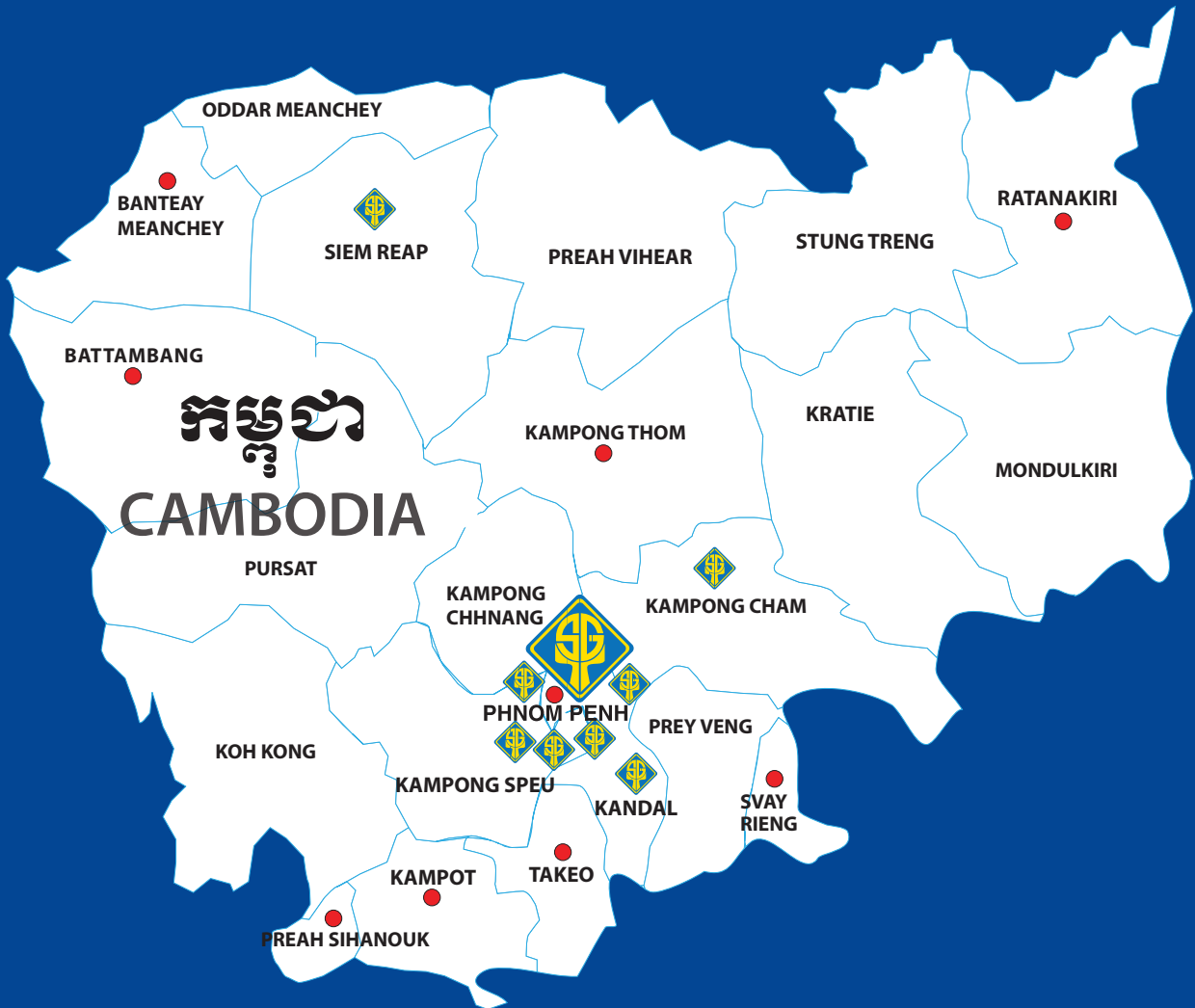
### **26. SUBSEQUENT EVENTS**

There were no events which occurred subsequent to 31 December 2017 that had significant impact on the financial position and performance of the Bank as at 31 December 2017 which should be adjusted or disclosed on the financial statements as at 31 December 2017 and for the year then ended.

### **27. TAX CONTINGENCY**

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. 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. 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.





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