

Sacombank

ធនាគារ សាខមប៉ែង (ខេមបូឌា) ភីអិលស៊ី

ANNUAL
REPORT **2015**



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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

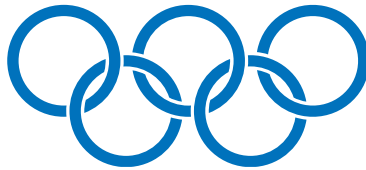
1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards customers and partners
4. Social Responsibility 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.



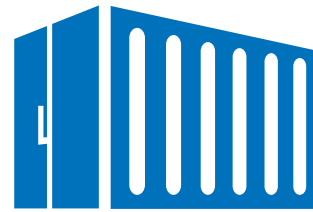
22 March 2012

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.



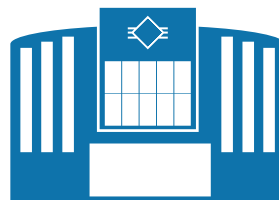
06 December 2012

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. The implementing of this service has been supporting the daily trade payment of enterprises in the both country and therefore enhance their trading capacity.



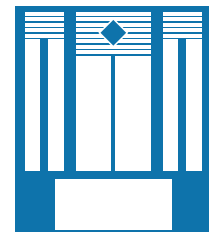
17 January 2013

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.



MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS



Year 2015 was another year to prove that the economy of Cambodia continued to grow with GDP rate of 7% which was considered as one among the fastest economic growth in the region. The trading and cross border payment between Cambodia and Vietnam as well as other countries had developed positively to another higher level, the corporates had increased their investment and capital to seize the opportunities during the late 2015.

By the end of 2015, total asset of Sacombank (Cambodia) Plc. reached US\$160.56 million, an increase of US\$8.79 million or 5.8% compared to 2014. Total deposit from customers stood at US\$117.98 million in which mobilized from economic entities and individuals of US\$53.24 million, up US\$6.83 million or 14.7% compared to the beginning of the year; total loans reached US\$110.37 million, an increase of US\$5.27 million or 5%. The service incomes achieved US\$1,263.3 thousand, increased by US\$388.3 thousand or 44.38% compared to 2014. Profit before tax reached US\$1.86 million, an increase of 8.8% compared to the previous year.

Our network includes 1 Head Office and 5 branches in Phnom Penh, one branch in Kampong Cham province and another branch in Kandal province which are operating more efficiently and stably; significantly contributes to Sacombank (Cambodia) Plc. strategy implementation to become a modern and multifunctional retail bank. Today, Sacombank (Cambodia) Plc. is serving and getting trust from more than 8,000 customers, an increase of 2,000 customers compared to 2014, from all sector including resident and nonresident and it is increasing everyday while the reputation of Sacombank (Cambodia) Plc. is more widely known in Cambodia.

In early 2016, the Cambodian economy has entered into the accelerative phase with the

estimated GDP rate over 7%; this creates more favorable conditions for banking sector at the same time it also causes more challenges for Sacombank (Cambodia) Plc. in term of management and competitiveness. Board Management of Sacombank (Cambodia) Plc. has set below key solutions to ensure the bank operates safely, efficiently and sustainably:

- Continue to promote small and medium loan to those customers who has good, stable and potential business;
- Stabilize and increase the capital mobilization which mainly focus on economic entities and individuals;
- Make policy to support bilateral trade between Cambodia and Vietnam in order to exploit well the potential customers of the two countries; increase the services income and generate the stable earnings platform;
- Concentrate on managing and handling past due debt, strengthen the credit management in order to minimize the overdue debt thus increase the credit quality;
- Closely manage operating cost and improve cost efficiency;
- Improve the productivity of employees, provide training to the planning inherited employees to ensure the stability of the bank workforce;
- Apply more information technologies in both operation and management;
- Strongly develop card products and services, POS, Sales policies and benefits to promote customers to use cards instead of cash transactions;
- Increase and improve the efficiency of all branch operations;
- Promulgate and provide effective training on policies and procedures in order to comply with all regulations about Anti-Money Laundering and Terrorist Financing such as

FATCA.

With the above solutions, Sacombank (Cambodia) Plc. confidently set the business plan for 2016 with the estimated total deposit of US\$129 million, total loans US\$113 million, service income US\$1.5 million and profit before tax of US\$2.5 million. Sacombank (Cambodia) Plc. continues to bring all efforts and strives to become one of the leading commercial banks in Cambodia; to make customers experience about the modern bank products and services, thoughtful customer services, friendliness from all employee levels of Sacombank (Cambodia) Plc. that brings back the employees the personal branding value and the partners the satisfactions and cooperation.

We wish to always get supports and trust from all customers and partners; consensus from all employees in the development process of Sacombank (Cambodia) Plc.

With my sincerest thanks and wish good health, prosperity and success!



Tram Be (Mr.)

Chairman
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	:	8

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

Deposit Money Get Free Gifts

During occasion Khmer New Year is coming soon, Sacombank (Cambodia) Plc. has just created a special promotion to the valued customers to participate in the program "Deposit Money Get Free Gifts" from 06/04/2015 to 30/09/2015. The valued customers will get more benefit including special interest rates and free gifts from the program (iPhone 6s plus, and many other valued gifts).



06 Years Anniversary Established Sacombank (Cambodia) Plc.

On 23/06/2009 Sacombank opened officially inaugurated its first branch in Phnom Penh, Kingdom of Cambodia, till 23/06/2015, 06 years anniversary launched operations of Sacombank Cambodia. With the attention, direction and favorable condition from parent bank, Sacombank Vietnam and National Bank of Cambodia, Sacombank Cambodia currently has been developed promptly, efficiency, safety, and stability. On this occasion, celebrating 06 years anniversary, Sacombank Cambodia grant honorary medal to the employees who has contributed, jointed and continuing go toward with the bank during this 06 years.



Sacombank (Cambodia) Plc Receives Outstanding Retail Banking Award 2015

On June 25, 2015 Sacombank (Cambodia) Plc has the honor for receiving Outstanding Retail Banking Award 2015 which was celebrated by International Data Group (IDG). This award is chosen depending on the basic of evaluation of financial indicators such as business situation, operating network, size and participation of financial institution for developing financial market of Cambodia. Once again it was shown the prestige and prominence of Sacombank (Cambodia) Plc in the retail bank market.



Charity Running Program and Blood Donation to Kuntheak Bopha Hospital

Sacombank Cambodia-Takhmao branch cooperated with Westland International School has funded to Charity Running Program and Blood Donation to Kuntheak Bopha Hospital on 26/07/2015. The program is held at 7 o' clock in the morning, along Takhmao riverside (road 211,210) within distance 03km to 05km. The participator attend this program including students, youths and especially employees of Sacombank Cambodia. Participation to the local community in general and contribute to Kuntheak Bopha hospital in particular is spiritual of Sacombank Cambodia.

Mid-Year Conference 2015

On July 09, 2015 Phnom Penh, the conference about business activities of Sacombank (Cambodia) Plc for the first 6 months of 2015, it was attended by Mr. NGUYEN GIA DINH (Member of BODs), Independent Members of BODs, Management, Head of Department and all Branch Managers.



Promotion "Card For Student"

In September 2015, Sacombank (Cambodia) Plc has started to introduce card products to all university students at some universities in Phnom Penh joining this program, besides getting gifts (pen, book) immediately at the advertisement booth and getting free annual fee for the first year using, all students also can get the professional advisory from staff of Sacombank Cambodia about the benefit of card products and getting 50% discount when they pay for buying products and services by using card at cooperation partners of Sacombank Cambodia in Cambodia, Vietnam and Laos eventhough the result from this program still limited but based on this program Sacombank Cambodia has chance to introduce about card products and other services of Sacombank Cambodia to the young and potential customer for increasing card using.



The Annual Year-End Conference

Phnom Penh, Sacombank (Cambodia) Plc held the annual year end conference for the fiscal year 2015 to congratulate the business achievement and to prepare the business plan for 2016.

The event was held at Sokha Phnom Penh Hotel with the presence of Board of Management Sacombank Vietnam, the Board of Management and all employees of Sacombank Cambodia.

As of 31 December 2015, Sacombank Cambodia has 8 business locations which 01 Head Office and 05 branches in Phnom Penh, 01 branch in Takhmao, Kandal province and 01 branch in Kampong Cham, Kampong Cham province.





Quần đảo HOÀNG SA

Quần đảo TRƯỜNG SA



BRANCH NETWORK

HEAD OFFICE

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

Tel: (855) 23 223 422 | Fax: (855) 23 223 433

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

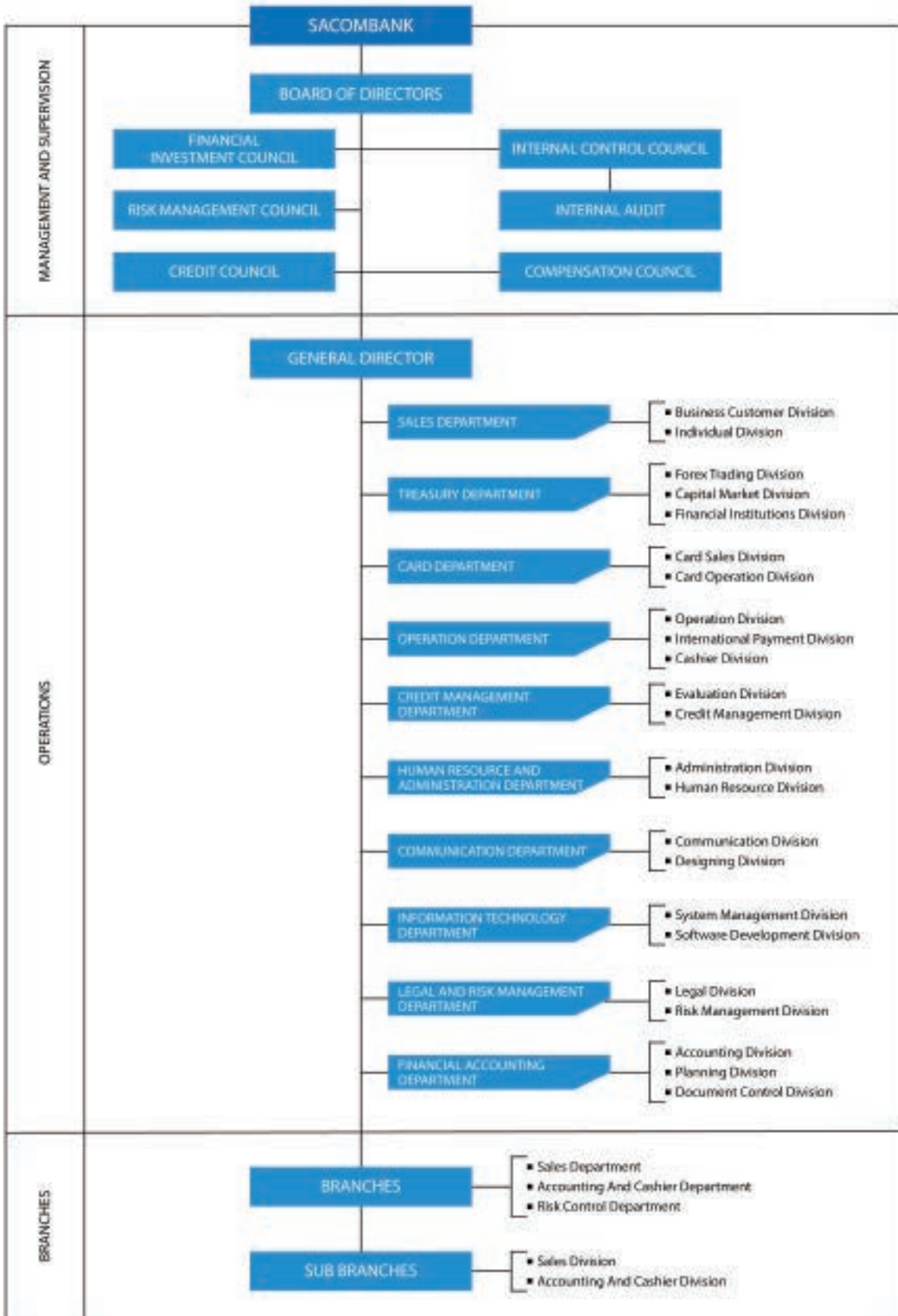
539, Street 21B, Sangkat Takhmao, Kandal

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

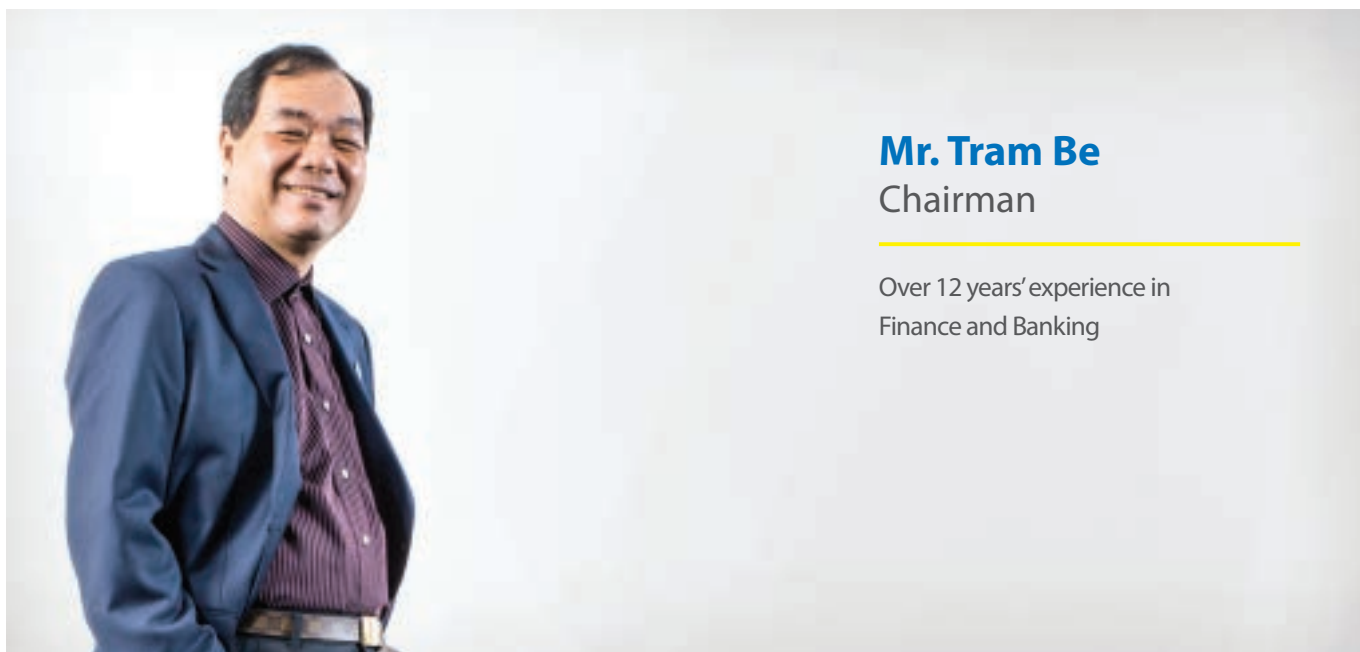
Email: info@sacombank.com.kh

Website: www.sacombank.com.kh

ORGANIZATION CHART



INTRODUCTION OF THE BOARD OF DIRECTORS



Mr. Tram Be
Chairman

Over 12 years' experience in
Finance and Banking



Mr. NGUYEN MIEN TUAN
Vice Chairman

Over 18 years' experience in
Finance and Banking



Mr. TRAM KHAI HOA
Vice Chairman

Over 8 years' experience in
Finance and Banking



Mr. NGUYEN BA TRI
Member

Over 22 years' experience in
Finance and Banking



Mr. NGUYEN NHI THANH
Member

Over 26 years' experience in
Finance and Banking



Mr. DUONG THE NHAT XUAN
Independent member

Over 8 years' experience in
Finance and Banking



Ms. THACH THI PHOLY
Independent member

Over 9 years' experience in
Finance and Banking

INTRODUCTION OF THE BOARD OF MANAGEMENT



Mr. NGUYEN NHI THANH

Member of the BOD cum General Director

Over 26 years' experience in Finance and Banking
Master Degree of Economics



Mr. PHUNG THAI PHUNG

Deputy General Director

Over 13 years' experience in Finance and Banking
Bachelor of Business Administration



Ms. THEARO SIDTHIPOR

Deputy General Director

Over 13 years' experience in Finance and Banking
Master Degree of Financial and 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 2015 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.

FINANCIAL RESULTS

The financial results of the Bank are as follows:

	2015 US\$	2014 US\$
Profit before tax	1,864,503	1,714,993
Income tax expense	(409,050)	(381,562)
Net profit for the year	1,455,453	1,333,431
KHR'000 equivalent	5,894,586	5,433,731

SHARE CAPITAL

The total share capital of the Bank as at 31 December 2015 is US\$38,000,000 or KHR153.90 billion (2014: US\$38,000,000 or KHR154.85 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.

REPORT OF THE BOARD OF MANAGEMENT (continued)

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were drawn up, the Board of Management took reasonable steps to ascertain that actions had been taken in relation to writing off of bad loans and advances and making 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 made 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 drawn up, the Board of Management took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

At the date of this report, the 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.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the 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 SINCE 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

The members of the Board of Directors during the year ended 31 December 2015 and as at the date of this report are:

Name	Position	Date of appointment
Mr. Tram Be	Chairman	Appointed on 1 August 2012
Mr. Tram Khai Hoa	Vice Chairman	Appointed on 1 August 2012
Mr. Nguyen Mien Tuan	Vice Chairman	Appointed on 1 August 2012
Mr. Duong The Nhat Xuan	Independent Member	Appointed on 11 September 2012
Mr. Nguyen Ba Tri	Member	Appointed on 15 November 2013
Mr. Nguyen Nhi Thanh	Member	Appointed on 2 January 2014
Ms. Thach Thi Pho Ly	Independent Member	Appointed on 7 July 2014

THE BOARD OF MANAGEMENT

The members of the Board of Management from 1 January 2014 to the date of this report are:

Name	Position	Date of appointment
Mr. Nguyen Nhi Thanh	Member of the BOD cum General Director	Appointed on 19 September 2011
Mr. Phung Thai Phung	Deputy General Director	Re-appointed on 1 March 2012
Ms. Thearo Sidthipor	Deputy General Director	Appointed on 11 February 2013

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 means of the acquisition of shares in or debentures of the Bank or any other corporate body.

No manager has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Board of Management, or the fixed salary of a full time employee of the Bank 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.

REPORT OF THE BOARD OF MANAGEMENT (continued)

THE BOARD 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 2015, and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Board of Management 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 National Bank of Cambodia 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 control; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operation in the foreseeable future.

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 the Bank has complied with these requirements in preparing the financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and its financial performance and 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

Member of the BOD cum General Director

Phnom Penh, Kingdom of Cambodia

28 March 2016

INDEPENDENT AUDITORS' REPORT

To: The Owner of Sacombank (Cambodia) Plc.

We have audited the accompanying financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the balance sheet as at 31 December 2015, 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.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2015, and its financial performance and 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 relevant to preparation and presentation of financial statements.

Nguyen Xuan Dai

Partner



Ernst & Young (Cambodia) Ltd.

Certified Public Accountants

Registered Auditors

Phnom Penh, Kingdom of Cambodia

28 March 2016

BALANCE SHEET

as at 31 December 2015

	Notes	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
ASSETS					
Cash and gold	3	4,251,688	17,219,336	3,937,016	16,043,340
Balances with the National Bank of Cambodia	4	18,181,507	73,635,103	11,731,012	47,803,874
Due from other financial institutions	5	26,083,124	105,636,652	28,045,678	114,286,138
Loans and advances to customers	6	107,660,594	436,025,406	102,913,961	419,374,391
Investments in securities	7	25,000	101,250	25,000	101,875
Property and equipment	8	894,425	3,622,421	1,191,022	4,853,415
Intangible assets	9	32,378	131,131	64,338	262,177
Deferred tax assets	13	48,856	197,867	11,114	45,290
Other assets	10	3,386,349	13,714,713	3,849,243	15,685,665
TOTAL ASSETS		160,563,921	650,283,879	151,768,384	618,456,165
LIABILITIES					
Due to other financial institutions	11	64,746,532	262,223,455	64,567,256	263,111,568
Due to customers	12	53,230,047	215,581,690	46,445,350	189,264,801
Current income tax liability	13	346,770	1,404,419	337,025	1,373,377
Deferred income tax liability	13	-	-	6,872	28,003
Other liabilities	14	1,451,688	5,879,335	1,078,450	4,394,685
Total liabilities		119,775,037	485,088,899	112,434,953	458,172,434
OWNER'S EQUITY					
Paid-up capital	15	38,000,000	153,900,000	38,000,000	154,850,000
Retained earnings		2,788,884	11,294,980	1,333,431	5,433,731
Total owner's equity		40,788,884	165,194,980	39,333,431	160,283,731
TOTAL LIABILITIES AND OWNER'S EQUITY		160,563,921	650,283,879	151,768,384	618,456,165

INCOME STATEMENT

for the year ended 31 December 2015

	Notes	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest and similar income	16	8,054,710	32,621,576	8,402,834	34,241,549
Interest and similar expense	17	(2,562,589)	(10,378,485)	(2,606,807)	(10,622,739)
Net interest and similar income		5,492,121	22,243,091	5,796,027	23,618,810
Fees and commission income	18	1,536,451	6,222,627	1,010,505	4,117,808
Fees and commission expense	19	(156,530)	(633,947)	(194,425)	(792,282)
Net fees and commission income		1,379,921	5,588,680	816,080	3,325,526
Income from investments in securities		14,256	57,737	-	-
Other operating (loss)/income	20	(38,096)	(154,289)	(55,707)	(227,006)
TOTAL OPERATING INCOME		6,848,202	27,735,219	6,556,400	26,717,330
General and administrative expenses	21	(4,496,319)	(18,210,092)	(4,295,569)	(17,504,444)
Credit loss expense	6	(487,380)	(1,973,889)	(545,838)	(2,224,290)
PROFIT BEFORE TAX		1,864,503	7,551,238	1,714,993	6,988,596
Current corporate income tax expense	13	(453,664)	(1,837,339)	(426,668)	(1,738,672)
Deferred corporate income tax benefit	13	44,614	180,687	45,106	183,807
Total income tax expense		(409,050)	(1,656,652)	(381,562)	(1,554,865)
NET PROFIT FOR THE YEAR		1,455,453	5,894,586	1,333,431	5,433,731

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Paid-up capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2014	38,000,000	4,045,286	42,045,286
Net profit for the year	-	1,333,431	1,333,431
Profit transferred to parent bank	-	(4,045,286)	(4,045,286)
Balance as at 31 December 2014	38,000,000	1,333,431	39,333,431
KHR'000 equivalent (Note 2.1.5)	154,850,000	5,433,731	160,283,731
Balance as at 1 January 2015	38,000,000	1,333,431	39,333,431
Net profit for the year	-	1,455,453	1,455,453
Balance as at 31 December 2015	38,000,000	2,788,884	40,788,884
KHR'000 equivalent (Note 2.1.5)	153,900,000	11,294,980	165,194,980

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Net cash provided by operating activities	22	(886,662)	(3,590,981)	16,665,007	67,909,902
Cash flows from investing activities					
Acquisition of property and equipment	8	(60,831)	(246,366)	(398,426)	(1,623,586)
Proceeds from disposal of property and equipment		-	-	9,500	38,713
Net cash used in investing activities		(60,831)	(246,366)	(388,926)	(1,584,873)
Cash flow from a financing activity					
Profit transferred to parent bank		-	-	(4,045,286)	(16,484,540)
Net increase in cash and cash equivalents		(947,493)	(3,837,347)	12,230,795	49,840,489
Cash and cash equivalents at the beginning of the year		34,296,528	139,758,351	22,065,733	88,152,605
Foreign exchange difference		-	(857,413)	-	1,765,257
Cash and cash equivalents at the end of the year	3	33,349,035	135,063,591	34,296,528	139,758,351

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2015

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 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.

Share capital

The total share capital of the Bank as at 31 December 2015 is US\$38,000,000 or KHR153.90 billion (2014: US\$38,000,000 or KHR154.85 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 2015, the Bank had 205 employees including 108 employees in the Head Office, 15 employees in Olympic Branch, 15 employees in Kampong Cham Branch, 12 employees in Chbar Ampeou Branch, 12 employees in Hengly Branch, 15 employees in Monivong Branch, 13 employees in Pochentong Branch and 15 employees in Takhmao Branch (31 December 2014: 181 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Management on 28 March 2016.

2. ACCOUNTING POLICIES

2.1 *Basis of preparation*

2.1.1 *Statement of compliance*

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

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Bank.

2.1.2 *Basis of measurement*

The financial statements have been prepared based on the historical cost convention.

2.1.3 *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 2015

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.4 *Functional and presentation currency*

The national currency of Cambodia is the Khmer Riel ("KHR"). However, the Bank transacts its business and maintains its accounting records primarily in United States dollar ("US\$"). Management has determined the US\$ to be the Bank's measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank. This is in accordance with Prakas No. B7-07-164 dated 13 December 2007.

Transactions in foreign currencies ("FC") are translated into US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

2.1.5 *Translation of US\$ into KHR*

The translation of the US\$ amounts into KHR is presented in the financial statements to comply with the Cambodian Law on Corporate Accounts, their Audit and the Accounting Profession dated 8 July 2002 and relevant Prakas of NBC, using the closing exchange rate of KHR4,050: US\$1 ruling at the reporting date (2014: KHR4,075: US\$1), as announced by NBC. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be converted into KHR at that or any other rate.

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 *Operating lease*

The Bank has entered into lease on premises used for its operations. The Bank has determined, based on the evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), the lessor retains all the significant risks and rewards of ownership of these properties.

2.2.2 *Functional currency*

CAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, 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 *Allowance for loan losses*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

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 cost

The Bank estimates the useful lives of its property and equipment, and software cost. 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 cost.

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 periods.

2.3.2 Deposits and placements with banks

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

2.3.3 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.

2.3.4 Statutory deposits

Statutory deposits for banking activities 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.5 Deposits and placements with banks

Deposits and placements with banks are carried at cost.

2.3.6 Loans and advances

All loans and advances to customers are stated in the balance sheet at principal amount, less any amounts written off and allowance for losses on loans and advances. Short-term loans are those with a repayment date within one year from the date the loan was advanced. Long-term loans are those with a 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 Bank follows the mandatory credit classification and provisioning as required by NBC Prakas No. B7-09-074 dated 25 February 2009, which is to classify their loan portfolio into five classes. 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:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance percentage</i>
<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 is written off after taking into consideration the realisable 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 2015

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 assets are carried at anticipated realisable 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 Intangible asset

Computer software is stated at cost less accumulated amortisation. Computer software is amortised on a straight-line basis over five years.

2.3.12 Property and equipment

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

(ii) Depreciation is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

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

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

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

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

(vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded where there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

2.3.13 Due to other financial institutions and due to customers

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.14 Other liabilities

Other liabilities are stated at cost which also represents the fair value of the consideration expected to be paid in the future for goods and services received.

2.3.15 Provisions for liabilities

Provisions for liabilities are recognised 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 of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.3.16 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 tax

Deferred 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 tax liabilities are recognized for all taxable temporary differences, except where the deferred 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 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 tax assets to be recovered.

2.3.17 Offsetting 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.18 Recognition of income and expense

(a) Interest income

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 on overdraft, term loans and other loans is recognized on a daily accrual basis. Where a loan becomes non-performing, the recording of interest is suspended until it is realized on a cash basis. Loans are deemed to be non-performing where repayments are in arrears for ninety days or more.

(b) Fee and commission income

Fee and commission income includes the following:

- (1) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- (2) 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;
- (3) Service charges and processing fees are recognized when the service is provided.

(c) Interest expense

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

(d) Fee and commission expense

Fee and commission expense is recognized as incurred.

2.3.19 Operating leases

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

2.3.20 Related parties

Under CAS 24 on Related Party Disclosures, 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 Article 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.

2.3.21 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.22 Rounding of amounts

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

3. CASH AND GOLD

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Cash				
US\$	3,691,949	14,952,393	3,443,227	14,031,150
KHR	179,002	724,958	92,403	376,542
Other foreign currencies	81,696	330,869	61,511	250,658
	3,952,647	16,008,220	3,597,141	14,658,350
Gold				
Gold XBJ	298,793	1,210,112	339,592	1,383,837
Gold XAU	248	1,004	283	1,153
	299,041	1,211,116	339,875	1,384,990
	4,251,688	17,219,336	3,937,016	16,043,340

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Cash on hand	4,251,688	17,219,336	3,937,016	16,043,340
Balances with the NBC - current account	3,014,223	12,207,603	2,313,834	9,428,873
Balances with other banks - current and deposits with original maturity of less than three months	26,083,124	105,636,652	28,045,678	114,286,138
	33,349,035	135,063,591	34,296,528	139,758,351

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Current and settlement accounts				
Current account - US\$	995,455	4,031,592	83,096	338,616
Current account - KHR	5,178	20,971	60,690	247,312
Settlement account - US\$	1,717,410	6,955,511	1,648,749	6,718,654
Settlement account - KHR	16,180	65,529	21,299	86,791
Term deposit				
USD	280,000	1,134,000	500,000	2,037,500
Statutory deposits				
Capital guarantee deposit - US\$	3,800,000	15,390,000	3,800,000	15,485,000
Reserve deposit - US\$	11,350,000	45,967,500	5,600,000	22,820,000
Reserve deposit - KHR	17,284	70,000	17,178	70,001
	18,181,507	73,635,103	11,731,012	47,803,874

(i) Capital guarantee deposit

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10.00% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations but it is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

(ii) Reserve deposits

Under NBC Prakas No. B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of deposits from customers in KHR and in foreign currencies, respectively.

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

	2015	2014
Capital guarantee deposit - US\$	0.11%	0.08%
Reserve deposit - US\$	0.21%	0.10%
Reserve deposit - KHR	0.00%	0.00%
Term deposit	0.25%	0.11%
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 2015

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Local financial institutions	961,616	3,894,545	5,692,681	23,197,676
Overseas financial institutions	25,121,508	101,742,107	22,352,997	91,088,462
<i>In which:</i>				
<i>Demand deposits at Parent bank (Note 24)</i>	24,598,620	99,624,411	22,213,521	90,520,098
	26,083,124	105,636,652	28,045,678	114,286,138

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

	2015	2014
Demand deposits in US\$	0.00% - 0.50%	0.00%

6. LOANS AND ADVANCES TO CUSTOMERS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Loans				
<i>Term loans</i>	95,015,553	384,812,991	85,552,571	348,626,727
<i>Overdraft</i>	15,295,406	61,946,394	19,561,042	79,711,246
Credit card facilities	56,167	227,476	19,500	79,463
Total gross loans	110,367,126	446,986,861	105,133,113	428,417,436
Allowance for losses on loans and advances	(2,706,532)	(10,961,455)	(2,219,152)	(9,043,045)
Loans and advances to customers - net	107,660,594	436,025,406	102,913,961	419,374,391

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	2015 US\$	2015 KHR'000	2014 US\$	2014 KHR'000
Balance as at 1 January	2,219,152	9,043,045	1,673,314	6,684,889
Provision expense during the year	487,380	1,973,889	545,838	2,224,290
Exchange differences	-	(55,479)	-	133,866
Balance as at 31 December	2,706,532	10,961,455	2,219,152	9,043,045

(a) The loan portfolio was graded as follows:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Normal loans				
Secured	69,482,965	281,406,008	65,072,972	265,172,361
Unsecured	38,749,518	156,935,549	37,890,475	154,403,686
Special mention loans				
Secured	191,774	776,685	786,629	3,205,513
Unsecured	-	-	-	-
Substandard loans				
Secured	-	-	271,398	1,105,947
Unsecured	50,000	202,500	-	-
Doubtful loans				
Secured	568,860	2,303,883	-	-
Unsecured	-	-	-	-
Loss loans				
Secured	1,324,009	5,362,236	1,111,639	4,529,929
Unsecured	-	-	-	-
Total	110,367,126	446,986,861	105,133,113	428,417,436

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

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

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Commercial loans	73,386,497	297,215,313	56,910,934	231,912,056
Consumer loans	36,980,629	149,771,548	48,222,179	196,505,380
Total gross loans	110,367,126	446,986,861	105,133,113	428,417,436

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Wholesale and retail	23,978,670	97,113,614	22,039,932	89,812,723
Personal use	8,866,001	35,907,304	2,950,640	12,023,858
Import	6,928,090	28,058,765	7,071,373	28,815,845
Real estate	1,857,253	7,521,875	1,090,893	4,445,389
Services	8,360,284	33,859,150	6,833,752	27,847,539
Other industries	60,376,828	244,526,153	65,146,523	265,472,082
Total gross loans	110,367,126	446,986,861	105,133,113	428,417,436

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Residence status				
Residents	110,367,126	446,986,861	105,133,113	428,417,436
Non-residents	-	-	-	-
	110,367,126	446,986,861	105,133,113	428,417,436
Relationship				
Related parties	5,758	23,320	39,125	159,434
Non-related parties	110,361,368	446,963,541	105,093,988	428,258,002
	110,367,126	446,986,861	105,133,113	428,417,436
Exposure				
Large	55,576,795	225,086,020	53,504,871	218,032,350
Non-large	54,790,331	221,900,841	51,628,242	210,385,086
	110,367,126	446,986,861	105,133,113	428,417,436

Annual interest rates of loans and advances to customers were as follows:

	2015	2014
Short-term loans	5.00% - 18.00%	5.00% - 17.00%
Medium and long-term loans	3.00% - 18.00%	3.00% - 18.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

7. INVESTMENTS IN SECURITIES

	2014			2013		
	US\$	KHR'000 (Note 2.1.5)	% owned by the Bank	US\$	KHR'000 (Note 2.1.5)	% owned by the Bank
Credit Bureau of Cambodia Company	25,000	101,250	1	25,000	101,875	1

This represents the Bank's investment in Credit Bureau Holding Cambodia Ltd. with 1% direct ownership.

8. PROPERTY AND EQUIPMENT

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicles US\$	Total US\$
Cost					
As at 1 January 2015	799,536	821,089	396,640	549,260	2,566,525
Additions	-	12,989	43,142	4,700	60,831
At as 31 December 2015	799,536	834,078	439,782	553,960	2,627,356
Accumulated depreciation					
As at 1 January 2015	252,555	728,603	173,766	220,579	1,375,503
Charges	143,977	41,003	71,722	100,726	357,428
At as 31 December 2015	396,532	769,606	245,488	321,305	1,732,931
Net book value					
As at 1 January 2015	546,981	92,486	222,874	328,681	1,191,022
As at 31 December 2015	403,004	64,472	194,294	232,655	894,425
KHR'000 equivalent (Note 2.1.5)					
As at 1 January 2015	2,228,948	376,880	908,212	1,339,375	4,853,415
As at 31 December 2015	1,632,165	261,112	786,891	942,253	3,622,421

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

9. INTANGIBLE ASSET

	Computer software US\$
Cost	
As at 1 January 2015	429,912
As at 31 December 2015	429,912
Accumulated amortization	
As at 1 January 2015	365,574
Charges	31,960
As at 31 December 2015	397,534
Net book value	
As at 1 January 2015	64,338
As at 31 December 2015	32,378
KHR'000 equivalent (Note 2.1.5)	
As at 1 January 2015	262,177
As at 31 December 2015	131,131

10. OTHER ASSETS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest receivables	3,054,534	12,370,863	2,281,687	9,297,875
Rental deposits	209,815	849,751	211,135	860,375
Advance for T24 and IBM system maintenance	81,689	330,840	83,735	341,220
Prepaid rental and insurance	22,538	91,279	22,264	90,726
Advance for employee	5,330	21,587	-	-
Receivable from parent bank for margin deposit (Note 24)	-	-	1,096,088	4,466,559
Advance to Cambodia Red Cross on behalf of parent bank (Note 24)	-	-	126,200	514,265
Advance for remittance activities	-	-	23,664	96,431
Other receivables	12,443	50,393	4,470	18,214
	3,386,349	13,714,713	3,849,243	15,685,665

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

11. DUE TO OTHER FINANCIAL INSTITUTIONS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Demand deposits	43,560,488	176,419,977	39,567,256	161,236,568
<i>In which:</i>				
Parent bank (Note 24)	43,539,436	176,334,716	38,855,131	158,334,659
Term deposits and loans	21,186,044	85,803,478	25,000,000	101,875,000
Total	64,746,532	262,223,455	64,567,256	263,111,568

Annual interest rates of due to other financial institutions were as follows:

	2015 US\$	2014 US\$
Demand deposits	0.00%	0.00%
Term deposits	2.00% - 4.50%	2.00% - 4.60%

12. DUE TO CUSTOMERS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Current accounts	4,969,193	20,125,231	3,196,238	13,024,669
Fixed deposits	36,532,495	147,956,605	29,825,423	121,538,599
Savings deposits	11,728,359	47,499,854	12,327,601	50,234,974
Margin deposits	-	-	1,096,088	4,466,559
Total	53,230,047	215,581,690	46,445,350	189,264,801

Further analyses of deposits from customers are as follows:

(a) Types of customers

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Domestic corporations	4,492,216	18,193,474	7,088,124	28,884,106
Foreign corporations	2,885,314	11,685,522	1,130,587	4,607,142
Resident individuals	42,864,264	173,600,269	35,953,753	146,511,543
Non-residents individuals	2,988,253	12,102,425	2,272,886	9,262,010
Total	53,230,047	215,581,690	46,445,350	189,264,801

(b) For maturity analysis, refer to Note 25.3 on Financial risk management.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

12. DUE TO CUSTOMERS (continued)

(d) The annual interest rates of deposits from customers were as follows:

	2015	2014
Fixed deposits	2.25% - 6.50%	2.25% - 7.00%
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 tax expense for the year were as follows:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Corporate income tax				
Current tax	453,664	1,837,339	426,668	1,738,672
Deferred tax	(44,614)	(180,687)	(45,106)	(183,807)
Income tax expense for the year	409,050	1,656,652	381,562	1,554,865

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 Cambodian tax regulations, current income tax 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

13. TAXATION (continued)

Current corporate income tax (continued)

A reconciliation between the tax expense and the accounting profit multiplied by 20% tax rate is as follows:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Accounting profit before tax	1,864,503	7,551,238	1,714,993	6,988,596
Statutory income tax rate of 20%	372,901	1,510,248	342,999	1,397,719
<i>Adjustment</i>				
Tax effect of non-deductible expenses	83,615	338,642	83,669	340,953
Non-deductible expenses	(2,852)	(11,551)	-	-
Income tax expense in the income statement	453,664	1,837,339	426,668	1,738,672
Balance at the beginning of the year	337,025	1,373,377	153,232	612,162
Payment of tax during the year	(337,025)	(1,364,951)	(153,232)	(624,420)
Tax prepayment	(106,894)	(432,921)	(89,643)	(365,295)
Foreign exchange difference	-	(8,425)	-	12,258
Balance at the end of the year	346,770	1,404,419	337,025	1,373,377

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

13. TAXATION (continued)

Deferred income tax

	Balance sheet		Charged (credited) to the income statement	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Deferred tax asset				
Unrealised exchange loss	18,733	11,114	7,619	11,114
Accelerated tax depreciation	30,123	-	30,123	-
	48,856	11,114		
KHR'000 equivalent (Note 2.1.5)	197,867	45,290		
Deferred tax liability				
Unrealised exchange gain	-	-	-	1,693
Accelerated tax depreciation	-	(6,872)	6,872	32,299
	-	(6,872)		
KHR'000 equivalent (Note 2.1.5)	-	(28,003)		
Net deferred income tax benefit			44,614	45,106
KHR'000 equivalent (Note 2.1.5)			180,687	183,807

14. OTHER LIABILITIES

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest payable	1,070,515	4,335,586	975,865	3,976,650
Payable on remittance	90,520	366,606	-	-
Other taxes payable	48,008	194,432	10,347	42,164
Payable to parent bank (Note 24)	42,911	173,790	-	-
Wages and salaries payable	-	-	32,727	133,363
Others	199,734	808,921	59,511	242,508
Total	1,451,688	5,879,335	1,078,450	4,394,685

15. PAID-UP CAPITAL

The paid-up capital amounting to US\$38,000,000 or KHR'000 153,900,000 was fully contributed by Saigon Thuong Tin Commercial Joint Stock Bank, incorporated in Vietnam.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

16. INTEREST AND SIMILAR INCOME

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest income from lending	8,043,721	32,577,070	8,398,793	34,225,082
Interest income from deposits	10,989	44,506	4,041	16,467
<i>NBC</i>	6,645	26,912	3,143	12,808
<i>Overseas credit institutions</i>	4,344	17,594	898	3,659
Total	8,054,710	32,621,576	8,402,834	34,241,549

17. INTEREST AND SIMILAR EXPENSE

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest expense on due to other financial institutions	891,041	3,608,716	1,157,937	4,718,594
Interest expense on due to customers	1,671,548	6,769,769	1,448,870	5,904,145
Total	2,562,589	10,378,485	2,606,807	10,622,739

18. FEES AND COMMISSION INCOME

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Commission received on remittances	1,192,666	4,830,297	779,990	3,178,459
Loan processing fees	226,366	916,782	122,881	500,740
Other commissions and fees	117,419	475,548	107,634	438,609
Total	1,536,451	6,222,627	1,010,505	4,117,808

19. FEES AND COMMISSION EXPENSE

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Fees and commission paid to banks and other financial organisations	156,530	633,947	194,425	792,282

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

20. OTHER OPERATING LOSS

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Foreign exchange loss	(38,096)	(154,289)	(63,685)	(259,517)
Gain on asset disposal	-	-	7,978	32,511
Total	(38,096)	(154,289)	(55,707)	(227,006)

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Salaries and wages	2,447,002	9,910,358	2,153,534	8,775,651
Rental, repairs and maintenance	580,962	2,352,896	579,229	2,360,358
Depreciation and amortization	389,388	1,577,021	435,067	1,772,898
License fee	209,773	849,581	209,362	853,150
Telecommunication	115,222	466,649	138,126	562,863
Marketing	104,114	421,662	84,657	344,977
Electricity and utilities	97,007	392,878	84,895	345,947
BOD's remuneration	61,588	249,431	32,822	133,750
Travelling and communication	56,929	230,562	62,830	256,032
Office supplies	51,942	210,365	46,756	190,531
Other taxes	47,188	191,111	50,220	204,647
Staff benefit	38,501	155,929	65,153	265,498
Other expenses	296,703	1,201,649	352,918	1,438,142
Total	4,496,319	18,210,092	4,295,569	17,504,444
Total	4,295,569	17,504,444	3,804,714	15,199,832

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Cash flows from operating activities				
Profit before income tax	1,864,503	7,551,238	1,714,993	6,988,596
<i>Adjustments for:</i>				
Depreciation and amortisation expense	389,388	1,577,021	435,067	1,772,898
Allowance for losses on loans and advances	487,380	1,973,889	545,838	2,224,290
Income tax paid during the year	(443,919)	(1,797,872)	(242,875)	(989,715)
Gain from disposal of property and equipment	-	-	(7,978)	(32,511)
Operating profit before changes in working capital	2,297,352	9,304,276	2,445,045	9,963,558
(Increase)/decrease in operating assets:				
Capital guarantee and deposits with NBC	(5,750,106)	(23,287,929)	(1,514,675)	(6,172,301)
Loans and advances to customers	(5,234,013)	(21,197,753)	(22,132,847)	(90,191,352)
Other assets	462,894	1,874,721	(2,895,561)	(11,799,411)
Increase in operating liabilities:				
Due to other financial institutions	179,276	726,068	23,103,219	94,145,617
Due to customers	6,784,697	27,478,023	17,346,251	70,685,973
Other liabilities	373,238	1,511,613	313,575	1,277,818
Net cash (used in) provided by operating activities	(886,662)	(3,590,981)	16,665,007	67,909,902

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

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:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Undrawn credit facilities	3,480,258	14,095,045	2,847,622	11,604,060
Letters of credit	21,344	86,443	8,944,056	36,447,028
	3,501,602	14,181,488	11,791,678	48,051,088

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:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Up to 1 year	483,713	1,959,038	488,413	1,990,283
From 1 year to 5 years	1,364,629	5,526,747	1,494,264	6,089,126
Over 5 years	135,000	546,750	988,485	4,028,076
	1,983,342	8,032,535	2,971,162	12,107,485

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 2015

24. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant transactions with related parties during the year included:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Interest income on loans to employees	128	518	5,572	22,706
Interest expense on deposits from employees	39	158	122	497
Cash received on behalf of parent bank	-	-	1,096,088	4,466,559
Payments on behalf of parent bank	-	-	200,000	815,000
Payments on behalf of the Bank	42,911	173,790	-	-

(b) Outstanding amounts due from/to related parties included the following:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Due from related parties				
Parent bank				
<i>Demand deposits</i>	24,598,620	99,624,411	22,213,521	90,520,098
<i>Receivable for margin deposit</i>	-	-	1,096,088	4,466,559
<i>Advance to Cambodia Red Cross</i>	-	-	126,200	514,265
Fellow subsidiaries and employees	12,586	50,973	62,859	256,150
	24,611,206	99,675,384	23,498,668	95,757,072
Due to related parties				
Parent bank	43,582,347	176,508,506	38,855,131	158,334,659
<i>Demand deposits</i>	43,539,436	176,334,716	38,855,131	158,334,659
<i>Payable to parent bank</i>	42,911	173,790	-	-
Fellow subsidiaries and employees	4,192	16,978	19,531	79,589
	43,586,539	176,525,484	38,874,662	158,414,248

(c) Key management personnel compensation

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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Salaries and other short-term benefits of key management	462,196	1,871,894	439,698	1,791,769

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

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.

The Bank intends to comply with NBC's regulations for financial risk management purposes. In addition to minimum requirements of NBC, the Bank also adopts relevant financial risk management procedures of the parent bank.

The Bank holds the following financial assets and liabilities:

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Financial assets				
Cash and gold	4,251,688	17,219,336	3,937,016	16,043,340
Balances with the NBC	18,181,507	73,635,103	11,731,012	47,803,874
Due from other financial institutions	26,083,124	105,636,652	28,045,678	114,286,138
Loans and advances to customers	110,367,126	446,986,861	105,133,113	428,417,436
Investments in securities	25,000	101,250	25,000	101,875
Other assets	3,264,349	13,220,613	3,741,644	15,247,199
Total financial assets	162,172,794	656,799,815	152,613,463	621,899,862
Financial liabilities				
Due to other financial institutions	64,746,532	262,223,455	64,567,256	263,111,568
Due to customers	53,230,047	215,581,690	46,445,350	189,264,801
Other liabilities	1,392,254	5,638,629	1,029,654	4,195,840
Total financial liabilities	119,368,833	483,443,774	112,042,260	456,572,209
Net financial assets	42,803,961	173,356,041	40,571,203	165,327,653

25.1 Operational risk

The operational risk which would result from inadequate or failed internal processes, people and systems is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameter controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its banking business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance-sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Credit Risk Department.

(a) Credit risk measurement

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.

(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 NBC 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 aggregation of large credit exposure must not exceed 300% of the Bank's net worth. As at 31 December 2015, the Bank has nine large exposures exceeding 10% of its net worth and has no large exposure exceeding the maximum ceiling limit of 20% for individual large exposure.

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 a 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

	2015 US\$	2015 KHR'000 (Note 2.1.5)	2014 US\$	2014 KHR'000 (Note 2.1.5)
Balances with the NBC	18,181,507	73,635,103	11,731,012	47,803,874
Due from other financial institutions	26,083,124	105,636,652	28,045,678	114,286,138
Loans and advances to customers	110,367,126	446,986,861	105,133,113	428,417,436
Other assets	3,264,349	13,220,613	3,741,644	15,247,199
	157,896,106	639,479,229	148,651,447	605,754,647

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 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 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\$
2015				
Balances with the NBC	18,181,507	-	-	18,181,507
Due from other financial institutions	26,083,124	-	-	26,083,124
Loans and advances to customers	108,232,483	191,774	1,942,869	110,367,126
Other assets	3,264,349	-	-	3,264,349
	155,761,463	191,774	1,942,869	157,896,106
KHR'000 equivalent (Note 2.1.5)	630,833,925	776,685	7,868,619	639,479,229
2014				
Balances with the NBC	11,731,012	-	-	11,731,012
Due from other financial institutions	28,045,678	-	-	28,045,678
Loans and advances to customers	102,963,447	786,629	1,383,037	105,133,113
Other assets	3,741,644	-	-	3,741,644
	146,481,781	786,629	1,383,037	148,651,447
KHR'000 equivalent (Note 2.1.5)	596,913,257	3,205,513	5,635,876	605,754,646

(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

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

(iii) Loans and advances individually impaired

Individually impaired loans and advances are loans and advances for which the Bank determines that there is an objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In accordance with NBC Prakas No. B7-09-074 dated 25 February 2009 on the classification and provisioning for bad and doubtful debts, loans and advances more than 90 days past due 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 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.2 Credit risk (continued)

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

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

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 is shown below:

	Financial intermediaries US\$	Wholesale and retail US\$	Personal use US\$	Import US\$	Real estate US\$	Services US\$	Other industries	Total US\$
2015								
Balances with the NBC	18,181,507	-	-	-	-	-	-	18,181,507
Due from other financial institutions	26,083,124	-	-	-	-	-	-	26,083,124
Loans and advances to customers	-	23,978,670	8,866,001	6,928,090	1,857,253	8,360,284	60,376,828	110,367,126
Other assets	-	74,219	49,586	27,139	2,258	237,795	2,873,352	3,264,349
	44,264,631	24,052,889	8,915,587	6,955,229	1,859,511	8,598,079	63,250,180	157,896,106
KHR'000 equivalent (Note 2.1.5)	179,271,756	97,414,200	36,108,127	28,168,677	7,531,020	34,822,220	256,163,229	639,479,229
2014								
Balances with the NBC	11,731,012	-	-	-	-	-	-	11,731,012
Due from other financial institutions	28,045,678	-	-	-	-	-	-	28,045,678
Loans and advances to customers	-	22,039,932	2,950,640	7,071,373	1,090,893	6,833,752	65,146,523	105,133,113
Other assets	-	89,131	9,691	240,116	803	83,490	3,318,413	3,741,644
	39,776,690	22,129,063	2,960,331	7,311,489	1,091,696	6,917,242	68,464,936	148,651,447
KHR'000 equivalent (Note 2.1.5)	162,090,012	90,175,932	12,063,349	29,794,318	4,448,661	28,187,761	278,994,613	605,754,646

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 *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 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Liquidity risk (continued)

2015	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\$	
Financial assets							
Cash and gold	-	-	4,251,688	-	-	-	4,251,688
Balances with the NBC	-	-	2,734,223	280,000	-	-	18,181,507
Due from other financial institutions	-	-	26,083,124	-	-	-	26,083,124
Loans and advances to customers	1,942,869	191,774	4,487,491	14,496,036	40,498,547	38,609,720	110,367,126
Investments in securities	-	-	-	-	-	-	25,000
Other assets	-	-	3,056,834	-	-	66,515	3,264,349
Total discounted financial assets	1,942,869	191,774	40,613,360	14,776,036	40,498,547	38,676,235	162,172,794
Financial liabilities							
Due to other financial institutions	-	-	49,746,532	7,000,000	8,000,000	-	64,746,532
Due to customers	-	-	24,269,955	5,916,426	21,970,904	1,072,712	53,230,047
Other liabilities	-	-	594,564	280,442	479,096	38,152	1,392,254
Total discounted financial liabilities	-	-	74,611,051	13,196,868	30,450,000	1,110,864	119,368,833
Net liquidity surplus (gap)	1,942,869	191,774	(33,997,691)	1,579,168	10,048,547	37,565,371	42,803,961
KHR'000 equivalent (Note 2.1.5)	7,868,619	776,685	(137,690,649)	6,395,630	40,696,615	152,139,753	173,356,041

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 *Liquidity risk* (continued)

2014	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\$	
Financial assets								
Cash and gold	-	-	3,937,016	-	-	-	-	3,937,016
Balances with the NBC	-	-	1,813,834	500,000	-	-	9,417,178	11,731,012
Due from other financial institutions	-	-	28,045,678	-	-	-	-	28,045,678
Loans and advances to customers	1,383,037	786,629	24,940,845	4,211,247	27,726,592	30,821,202	15,263,561	105,133,113
Investments in securities	-	-	-	-	-	-	25,000	25,000
Other assets	-	-	400,697	325,852	2,787,503	82,157	145,435	3,741,644
Total discounted financial assets	1,383,037	786,629	59,138,070	5,037,099	30,514,095	30,903,359	24,851,174	152,613,463
Financial liabilities								
Due to other financial institutions	-	-	47,567,256	7,000,000	10,000,000	-	-	64,567,256
Due to customers	-	-	26,154,672	3,640,359	15,036,185	1,611,014	3,120	46,445,350
Other liabilities	-	-	438,444	161,908	396,088	33,207	7	1,029,654
Total discounted financial liabilities	-	-	74,160,372	10,802,267	25,432,273	1,644,221	3,127	112,042,260
Net liquidity surplus (gap)	1,383,037	786,629	(15,022,302)	(5,765,168)	5,081,822	29,259,138	24,848,047	40,571,203
KHR'000 equivalent (Note 2.1.5)	5,635,876	3,205,513	(61,215,881)	(23,493,060)	20,708,425	119,230,987	101,255,793	165,327,653

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 *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 and currency, 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 and foreign exchange rates.

The Bank uses derivative financial instruments such as forward contract to hedge its risk exposure.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Market risk (continued)

Interest rate risk (continued)

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.

2015	Overdue US\$	Non-interest bearing US\$	Interest re-pricing period					Over 5 years US\$	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\$		
Financial assets									
Cash and gold	-	4,251,688	-	-	-	-	-	-	4,251,688
Balances with the NBC	-	-	18,181,507	-	-	-	-	-	18,181,507
Due from other financial institutions	-	1,963,994	24,119,130	-	-	-	-	-	26,083,124
Loans and advances to customers	2,134,643	-	4,487,491	14,496,036	18,915,871	21,582,676	38,609,720	10,140,689	110,367,126
Investments in securities	-	25,000	-	-	-	-	-	-	25,000
Other assets	-	3,264,349	-	-	-	-	-	-	3,264,349
Total discounted financial assets	2,134,643	9,505,031	46,788,128	14,496,036	18,915,871	21,582,676	38,609,720	10,140,689	162,172,794
Financial liabilities									
Due to other financial institutions	-	43,546,733	6,199,799	7,000,000	4,000,000	4,000,000	-	-	64,746,532
Due to customers	-	16,697,552	7,572,403	5,916,426	4,281,021	17,689,883	1,072,762	-	53,230,047
Other liabilities	-	1,392,254	-	-	-	-	-	-	1,392,254
Total discounted financial liabilities	-	61,636,539	13,772,202	12,916,426	8,281,021	21,689,883	1,072,762	-	119,368,833
Interest sensitivity gap	2,134,643	(52,131,508)	33,015,926	1,579,610	10,634,850	(107,207)	37,536,958	10,140,689	42,803,961
KHR'000 equivalent (Note 2.1.5)	8,645,304	(211,132,608)	133,714,499	6,397,421	43,071,143	(434,188)	152,024,680	41,069,790	173,356,041

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Market risk (continued)

Interest rate risk (continued)

2014	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\$		Over 5 years US\$
Financial assets									
Cash and gold	-	3,937,016	-	-	-	-	-	-	3,937,016
Balances with the NBC	-	-	11,731,012	-	-	-	-	-	11,731,012
Due from other financial institutions	-	22,194,994	5,850,684	-	-	-	-	-	28,045,678
Loans and advances to customers	2,169,666	-	6,081,164	16,893,389	31,362,387	44,032,278	4,594,229	-	105,133,113
Investments in securities	-	25,000	-	-	-	-	-	-	25,000
Other assets	-	3,741,644	-	-	-	-	-	-	3,741,644
Total discounted financial assets	2,169,666	29,898,654	23,662,860	16,893,389	31,362,387	44,032,278	4,594,229	-	152,613,463
Financial liabilities									
Due to other financial institutions	-	39,567,256	8,000,000	7,000,000	2,000,000	8,000,000	-	-	64,567,256
Due to customers	-	16,619,927	9,534,745	3,640,359	4,078,624	10,957,561	1,611,014	3,120	46,445,350
Other liabilities	-	1,029,654	-	-	-	-	-	-	1,029,654
Total discounted financial liabilities	-	57,216,837	17,534,745	10,640,359	6,078,624	18,957,561	1,611,014	3,120	112,042,260
Interest sensitivity gap	2,169,666	(27,318,183)	6,128,115	6,253,030	25,283,763	25,074,717	2,983,215	(3,120)	40,571,203
KHR'000 equivalent (Note 2.1.5)	8,841,389	(111,321,596)	24,972,069	25,481,097	103,031,334	102,179,472	12,156,602	(12,714)	165,327,653

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.4 Market risk (continued)

Currency risk

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.

The Bank was incorporated and is operating in Cambodia, and USD is the reporting currency. The major currency in which the Bank transacts is also USD. However, some transactions were denominated in KHR, EUR and other foreign currencies. 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.

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

2015	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
Financial assets				
Cash and gold	179,002	51,164	329,573	559,739
Balances with the NBC	38,642	-	-	38,642
Due from other financial institutions	2,455	179,832	332,044	514,331
Total financial assets	220,099	230,996	661,617	1,112,712
Financial liabilities				
Due to other financial institutions	-	156,833	226,436	383,269
Due to customers	152,574	246	342,693	495,513
Other liabilities	1,444	42,911	29,274	73,629
Total financial liabilities	154,018	199,990	598,403	952,411
Foreign exchange position on-balance-sheet	66,081	31,006	63,214	160,301
KHR'000 equivalent (Note 2.1.5)	267,628	125,574	256,017	649,219

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the year ended 31 December 2015

25. FINANCIAL RISK MANAGEMENT (continued)

25.3 Market risk (continued)

Currency risk (continued)

2014	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
Financial assets				
Cash and gold	92,403	40,726	360,660	493,789
Balances with the NBC	99,166	-	-	99,166
Due from other financial institutions	8,345	1,075,197	2,010,164	3,093,706
Total financial assets	199,914	1,115,923	2,370,824	3,686,661
Financial liabilities				
Due to other financial institutions	-	1,101,821	1,989,588	3,091,409
Due to customers	249,751	1,422	296,494	547,667
Other liabilities	8,598	-	-	8,598
Total financial liabilities	258,349	1,103,243	2,286,082	3,647,674
Foreign exchange position on-balance-sheet	(58,435)	12,680	84,742	38,987
KHR'000 equivalent (Note 2.1.5)	(238,123)	51,671	345,324	158,872

25.5 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, 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.

25.6 Capital management

25.6.1 Regulatory capital

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

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business.

The impact of the level of capital on shareholders' return is also recognized. As such, the Bank tries to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirement throughout the year.

25.6.2 *Capital allocation*

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

26. **SUBSEQUENT EVENTS**

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2015 that had significant impact on the financial position of the Bank as at 31 December 2015.

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