

ANNUAL REPORT

20

FROM SINGAPORE

TO CAMBODIA

15



PhillipBank

Your Partner In Finance



CONTENTS

| | |
|---|-----------|
| BACKGROUND | 03 |
| BRANCH LOCATIONS | 04 |
| CORPORATE MISSION | 05 |
| CHAIRMAN'S STATEMENT | 06 |
| FINACIAL HIGHLIGHTS | 09 |
| 3-YEAR FINANCIAL SUMMARY | 10 |
| ANALYSIS OF FINANCIAL PERFORMANCE | 13 |
| ORGANIZATIONAL STRUCTURE | 15 |
| PROFILE OF DIRECTORS | 16 |
| PROFILE OF MANagements | 18 |
| CORPORATE CODE / OUR PEOPLE | 23 |
| CORPORATE SOCIAL RESPONSIBILITY | 24 |
| | |
| FINANCIAL STATEMENTS | |
| • REPORT OF BOARD DIRECTOR | 25 |
| • INDEPENDENT AUDITOR'S REPORT | 30 |
| • CONSOLIDATED BALANCE SHEET | 31 |
| • CONSOLIDATED STATEMENT OF CASH FLOWS | 34 |
| • SEPARATE BALANCE SHEET | 35 |
| • SEPARATE INCOME STATEMENT | 36 |
| • SEPARATE STATEMENT OF CHANGES IN EQUITY | 37 |
| • SEPARATE STATEMENT OF CASH FLOWS | 38 |
| • NOTES TO THE FINANCIAL STATEMENTS | 39 |

BACKGROUND

3

The Bank was incorporated on 26 June 2009, under the Cambodian law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”). The Bank was previously owned by HwangDBS (Malaysia) Berhad, a public limited liability company incorporated in Malaysia.

On 8 November 2013, Phillip MFIs Pte Ltd, a member of the Singapore-based PhillipCapital Group entered into a Sales and Purchase Agreement with HwangDBS (Malaysia) Berhad to acquire the Bank. The application for the transfer of shares was subsequently approved by the National Bank of Cambodia on 11 February 2014. After obtaining approval from the NBC, the Bank further submitted another application to the Ministry of Commerce on 13 February 2014 to revise its Memorandum and Articles of Association with the change of name to Phillip Bank PLC. The approval was obtained from the Ministry of Commerce on 24 February 2014.

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Banking License No. Co. 5915/09E issued by the NBC for an indefinite period.

The Bank’s registered office address is now at #27 DEF, Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

BRANCH LOCATIONS

Head Office Monivong Branch

#27DEF, Monivong Blvd., Sangkat Srah Chork,
Khan Daun Penh, Phnom Penh
Telephone: +855 23 862 777
Fax : +855 23 862 727
Email : info@phillipbank.com.kh

Norodom Branch

#61-64 Norodom Blvd., Corner Street 306,
Sangkat Boeung Keng Kang 1, Khan Chamkarmorn,
Phnom Penh
Telephone: +855 23 218 866
Fax : +855 23 220 108
Email : nrd@phillipbank.com.kh

Kampuchea Krom Branch

#640, Kampuchea Krom Blvd., Phsar Depo 2,
Khan Toul Kork, Phnom Penh
Telephone: +855 23 883 733
Fax : +855 23 883 811
Email : kpk@phillipbank.com.kh

Mao Tse Tung Branch

#108AB, Mao Tse Tung Blvd., Sangkat Toul Tompong 2,
Khan Chamkarmorn, Phnom Penh
Telephone: +855 23 220 080
Fax : +855 23 220 081
Email : mtt@phillipbank.com.kh

Steung Meanchey Branch

#6B – 7B, Street Preah Monireth,
Sangkat Steung Meanchey, Khan Meanchey, Phnom Penh
Telephone: +855 23 424 220
Fax : +855 23 424 221
Email : smc@phillipbank.com.kh

Teuk Thla Branch

#11A & 13A, Russian Confederation Blvd.,
Sangkat Teuk Thla, Phnom Penh
Telephone: +855 23 888 828
Fax : +855 23 888 838
Email : tta@phillipbank.com.kh

Facebook: PhillipBank Cambodia

Website: www.phillipbank.com.kh

“To be the premier, safe and secure commercial bank that meets customer needs and live up to our tagline “Your Partner In Finance”.

CORPORATE VISION

We are committed to:

- Offering Cambodian Citizens and Residents access to safe and secure banking
- Providing personalized attention, excellent service and to be the bank of choice
- Delivering on our promises by providing safe, secure, efficient banking, product innovation, a high tech and high touch bank to meet clients banking and financial needs
- Preserving customers’ best interest by anticipating needs in order to offer relevant business solutions to support their growth
- Improving our people, products, platforms and other resources to better serve our clients

CORPORATE PHILOSOPHY

Customer's perspective

- Provide our customers with safe and secure banking
- To meet our clients banking and financial needs

Employee perspective

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

Community perspective

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

Shareholder perspective

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

OVERALL BUSINESS ENVIRONMENT

According to World Bank's report, Cambodia continues to enjoy robust growth, albeit at a slightly slower pace in 2015. The garment sector, together with construction and services, continues to propel growth. However, the 2015 and 2016 projection for economic growth is about 6.9% as the country confronts stronger competition in garment exports, continued weak agriculture sector growth, and softer growth in the tourism sector.

World Bank projected that the country's economy would continue to cool off slowly over the next few years and that China's slowdown would send only modest ripples through Cambodia. Cambodia has been insulated enough from the Chinese economy, despite Beijing's major Foreign Direct Investment in the country, to avoid a heavy hit.

However, International Monetary Fund (IMF) in its recent 'World Economic Outlook' report predicted continued strong growth of Cambodia, projecting an annual average rate of 7.3% until 2020. However, the future rate of growth will be a big question mark if Cambodia cannot improve its competitiveness and investment climate.

IMF warned that rapid credit growth, increasingly financed by bank flows from abroad, poses significant risk to Cambodia's economy and requires prudential policies to cool lending and reduce exposure.

IMF's conclusion was that Cambodia's priority is to address growing financial stability risks by stabilizing and moderating the pace of credit growth to more reasonable levels, while closely monitoring the effect on growth.

National Bank of Cambodia (NBC) said in its 2015 year-end report that global and regional economic dynamics are likely to pose challenges for Cambodia's economy in 2016. The report highlights how robust US growth, economic slowdown in China and Europe, and increasing regional competition are expected to test Cambodia's macroeconomic resilience.

Increased minimum wage in the garment sector, increased competition after implementation of the trans-pacific partnership agreement, the free trade agreement between Vietnam and the EU, and economic liberalization in Myanmar, all have the potential to weigh on Cambodia's regional competitiveness.

Yet, despite the challenging global macroeconomic environment, NBC is confident that Cambodia can sustain robust growth for the coming year, with the report outlining endeavours made by NBC to boost the country's ability to absorb external shocks and weather international contagion.

SUMMARY OF BANK'S FINANCIAL PERFORMANCE

In 2015, Phillip Bank Plc. ("the Bank") continued with its strategy and efforts to target specific groups such as medium-sized enterprises and businessmen, residential house buyers and wholesale banking to Microfinance Deposit-taking Institutions.

The Bank recorded total operating revenue of USD3.62 million for the year ended 31st December 2015 (as compared to USD3.15 million for the previous year), an increase of 14.9%. Loan portfolio increased to USD68.48 million as at 31st December 2015 compared to USD37.82 million a year before, an increase of 82.2%. Similarly, deposits also grew significantly from USD45 millions as at 31st December 2014 to USD62 million as at 31 December 2015.

These positive results in capturing opportunities on the ground reflect the success of the Bank's many initiatives during the year, which includes the opening of two new branches in Teuk Thla and Monivong, and the relocation of the Head Office to larger premises along Preah Monivong Boulevard.

7 However, as the result of incurring capital expenditure for the aforementioned initiatives, coupled with higher interest expenses to build up its deposit base, the Bank recorded a Pre-tax loss of USD0.30million (as compared to a Pre-tax profit of USD0.20 million for the previous year).

Nevertheless, the Bank achieved a positive Earning Before , Tax, Depreciation and Amortization of USD75,279 in 2015. We are pleased that since September 2015 to date, the Bank has been consistently achieving Net Profit Before Tax on a monthly basis.

The Bank has also increased its paid up capital from USD40millions to USD41millions in 2015. This capital is higher than the minimum capital requirement of at least KHR150 billion (or USD37.50 million) as prescribed by NBC.

COMPLIANCE WITH REGULATIONS ISSUED BY THE CENTRAL BANK

The Bank remains steadfast and maintains its compliance to the regulations set by the National Bank of Cambodia (NBC). It is determined to maintain good corporate governance and professionalism in the management and operation of the Bank's business. The Bank continues to strictly comply with all prakas, circulars, provisions and guidelines of the Central Bank. To this end, the Bank has also continued to invest in technology and infrastructure security.

STEPS TAKEN TO STRENGTHEN THE BANK'S POSITION AND PERFORMANCE

The Bank aims to be a significant and important player in Cambodia in providing its clients fast, efficient and secure banking needs in the country as well as to other markets in Asia. As such, the Bank is committed to constantly assess and improve its services to provide the best customer experience.

In 2015, the Bank continued to build better rapport with our customers which resulted in a significant increase in our retail deposit base and loan portfolio. The Bank's relocation of its Head Office from Preah Norodom Boulevard to Preah Monivong Boulevard and the opening of the two new branches are part of a longer-term strategy to expand its distribution network.

The Bank has also installed three Off-Site ATMs around Phnom Penh City in 2015 and plans are in place to further install another four Off-Site ATMs in the city in 2016 to provide additional convenience to our customers to perform their banking transactions on a 24 hours a day basis.

During the year, the Bank entered into a collaboration with True Money Cambodia Plc. to appoint them as its Third Party Processor to provide domestic remittance services throughout the Kingdom of Cambodia. This is part of the Bank's strategy to provide assistance to the unbanked and untapped customer segment in the country, while at the same time extending its distribution footprint.

Finally, the Bank will continue to conduct market research and seek opportunities to provide financial services and assistance to the untapped markets while at the same time ensure good corporate governance, sound risk management policies and prudent credit policies and practices.

BOARD FOCUS AND COMMITMENT

The Bank remains very focused and committed in our undertakings to deliver value to all stakeholders.

Being part of the PhillipCapital Group, the Bank will continue to capitalize on the Group's core competencies in finance, distribution and information technology to expand its operations to cater to the growing demand of the Cambodian banking market.

PhillipCapital is an integrated financial services group based in Singapore providing a wide range of products and services namely, stockbroking, corporate finance, factoring, futures, derivatives, insurance and wealth management with presence in 16 countries.

Presently, PhillipCapital has significant shareholdings in two microfinance institutions in Cambodia, namely, KREDIT Microfinance and First Finance. We are happy to report that the Group has obtained the Approval-in-Principle from the National Bank of Cambodia in December 2015 to merge the Bank and KREDIT Microfinance into one entity and upon completion of the merger, the bank's branch network will be expanded substantially from 6 branches in Phnom Penh City currently to more than 90 branches throughout the country. In this regard, merger preparation work has started in earnest.

As part of the Bank's commitment to uphold its Code of Conduct, especially in the area of integrity and honesty, the Bank has engaged Transparency International Cambodia ("TI") in 2015 to assist us in providing training to all our staff, revising our existing policies and introducing new policies to strengthen the Bank's corporate governance.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank all the officials of NBC for their on-going guidance, support and advice.

We also thank our customers for their confidence and support, and look forward to continue building a strong partnership in the coming years as we strive to improve our products and services.

Our achievements are also contributed by the tireless efforts and commitment of our employees, our greatest asset, and they have our deep appreciation.

Lim Hua Min
Chairman

FINANCIAL HIGHLIGHTS

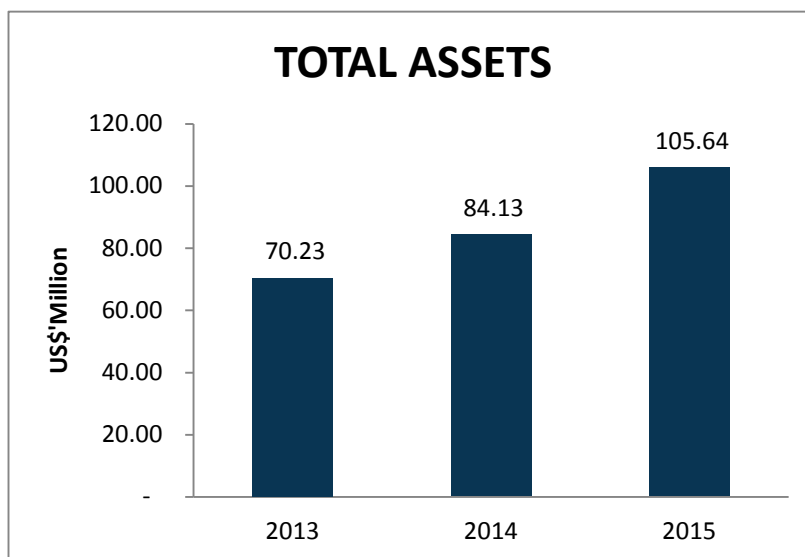
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| | 2015 | 2014 | 2013 | 2012 |
|---|---------|--------|---------|---------|
| OPERATING RESULTS (USD\$'000) | | | | |
| Operating revenue | 5,568 | 4,180 | 4,144 | 3,060 |
| Loss / profit before taxation | (300) | 209 | (120) | (101) |
| Net (loss)/profit for the year | (353) | 165 | (379) | (156) |
| KEY BALANCE SHEET DATE (USD\$'000) | | | | |
| Total assets | 105,644 | 84,136 | 70,225 | 62,668 |
| Loan and advances | 68,480 | 37,816 | 35,920 | 31,271 |
| Total liabilities | 66,663 | 45,802 | 32,056 | 24,119 |
| Deposits | 61,960 | 45,218 | 31,668 | 23,775 |
| Statutory capital | 41,000 | 40,000 | 40,000 | 40,000 |
| Shareholder's funds | 38,981 | 38,334 | 38,169 | 38,549 |
| FINANCIAL RATIOS | | | | |
| (Loss)/Earning per share (US\$) | (0.009) | 0.004 | (0.009) | (0.004) |
| Net assets per share (US\$) | 0.95 | 0.96 | 0.95 | 0.96 |
| Return on shareholders' funds (%) | (0.91) | 0.43 | (0.99) | (0.40) |
| Return on assets (%) | (0.33) | 0.20 | (0.54) | (0.25) |
| Liquidity ratio (%) | 57.52 | 124.60 | 131.25 | 148.23 |
| Loan-to-deposit ratio (%) | 113.42 | 87.69 | 120.04 | 135.80 |
| Non-performing loans to total loans (%) | 1.57 | 4.15 | 4.92 | 4.74 |
| CAPITAL MANAGEMENT | | | | |
| Net worth (US\$'000) | 38,430 | 38,598 | 38,439 | 38,722 |
| Solvency ratio (%) | 45.95 | 59.16 | 63.55 | 69.44 |

THREE-YEAR FINANCIAL SUMMARY

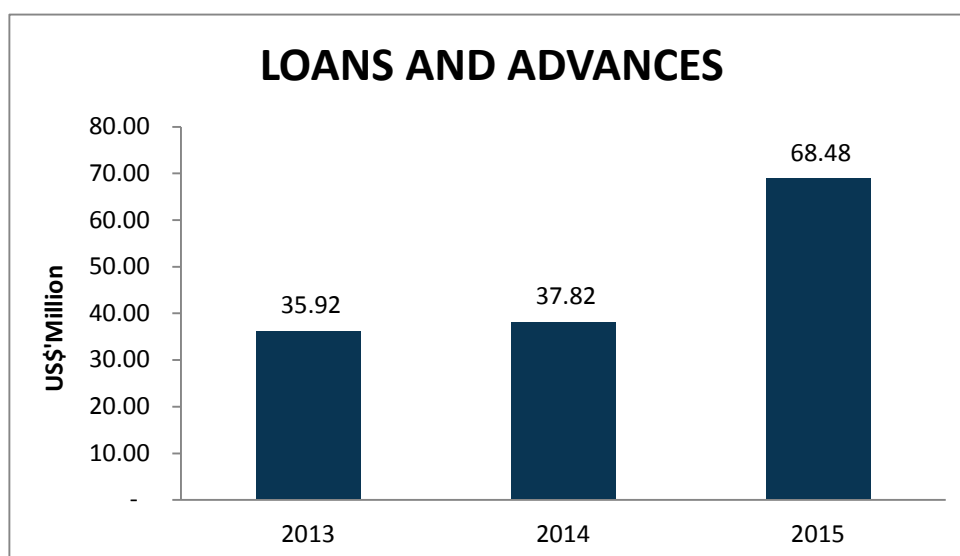
1) TOTAL ASSETS

| | 2013 | 2014 | 2015 |
|--------------|-------|-------|--------|
| US\$ Million | 70.23 | 84.13 | 105.64 |



2) LOANS AND ADVANCES

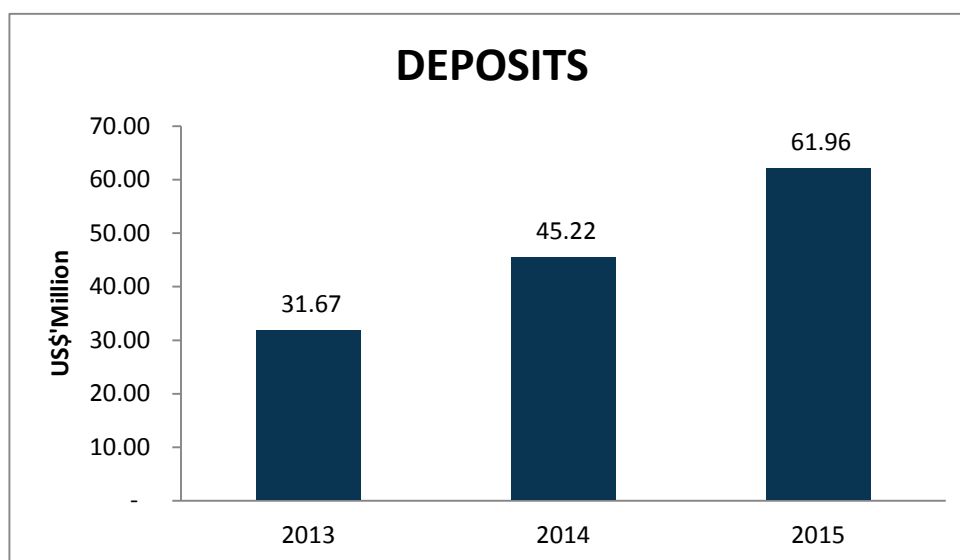
| | 2013 | 2014 | 2015 |
|--------------|-------|-------|-------|
| US\$ Million | 35.92 | 37.82 | 68.48 |



THREE-YEAR FINANCIAL SUMMARY (CONTINUED)

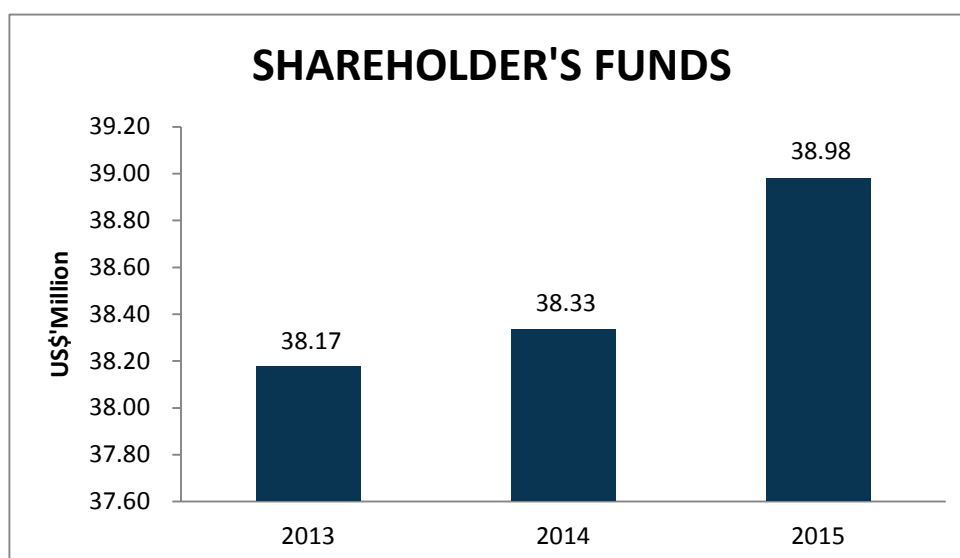
3) DEPOSITS

| | 2013 | 2014 | 2015 |
|--------------|-------|-------|-------|
| US\$ Million | 31.67 | 45.22 | 61.96 |



4) SHAREHOLDER'S FUNDS

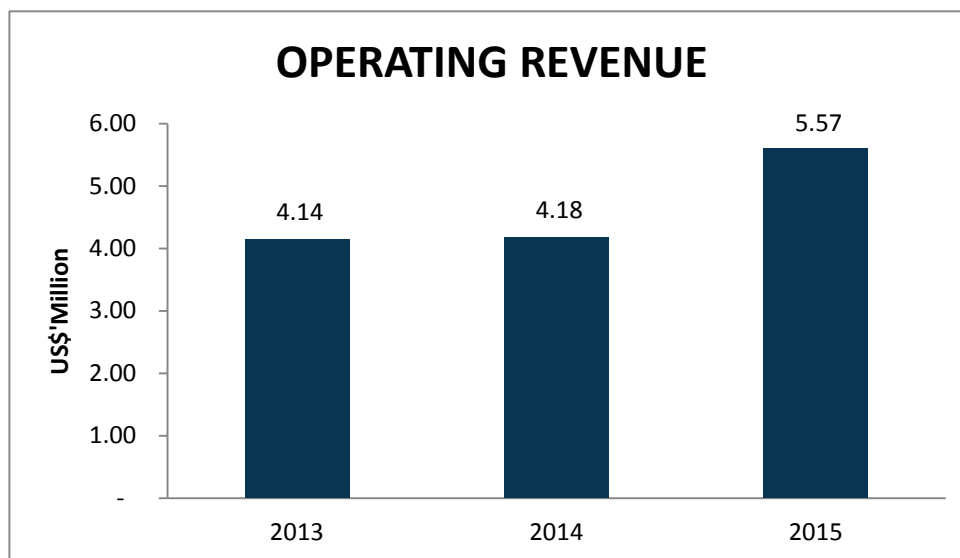
| | 2013 | 2014 | 2015 |
|--------------|-------|-------|-------|
| US\$ Million | 38.17 | 38.33 | 38.98 |



THREE-YEAR FINANCIAL SUMMARY(CONTINUED)

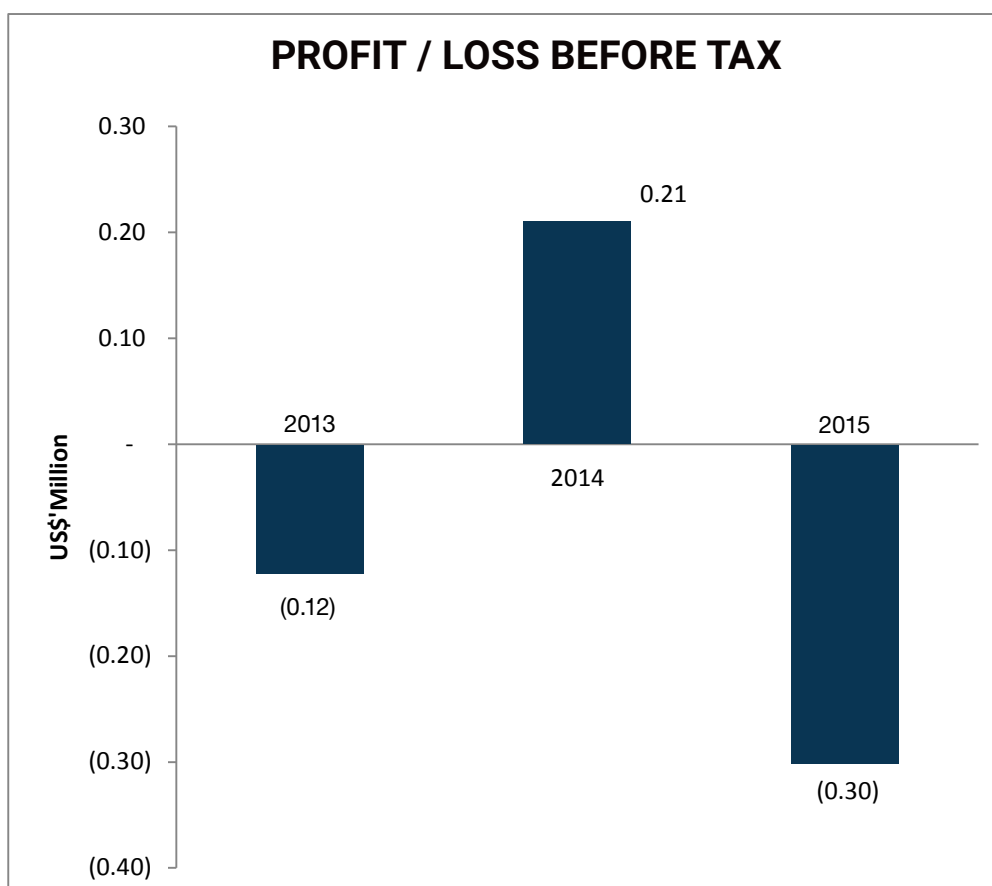
5) OPERATING REVENUE

| | 2013 | 2014 | 2015 |
|--------------|------|------|------|
| US\$ Million | 4.14 | 4.18 | 5.57 |



6) PROFIT / LOSS BEFORE TAX

| | 2013 | 2014 | 2015 |
|--------------|--------|------|--------|
| US\$ Million | (0.12) | 0.21 | (0.30) |



OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2015 is 33.25% higher at US\$ 5.57 million, compared to US\$ 4.18 million posted in the previous year ended 31 December 2014. Contributing to the higher operating revenue is primarily the significant increase in interest income from loans and advances to customers, on the back of steady growth in loan portfolio of the Bank. The key sources of operating revenue of the Bank for the year ended 31 December 2015 are loans and advances to customers (81.87%) and deposit placements with financial institutions (5.57%).

PROFIT / (LOSS) BEFORE TAXATION AND (LOSS)/EARNINGS PER SHARE

The Bank posted a marginally pre-tax loss of US\$ 0.30 million for the year ended 31 December 2015 against pre-tax profit of US\$ 0.21 million recorded in the preceding year 2014. Cost-to-income ratio for the Bank for the year 2015 is slightly lower at 0.70:1 against 0.75:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (42.31%), depreciation and amortization expenses (13.08%), establishment related costs (22.05%), promotion and marketing related expenses (4.36%) and administrative and other operating expenses (18.20%).

The Bank posted a net loss for the year of US\$ 0.35 million compared to a net profit of US\$ 0.16 million in the year ended 31 December 2014 mainly due to the higher operating expenses and also high capital expenditure to relocate its Head Office to a bigger premises along Preah Monivong Boulevard and to open another Branch located in Sangkat Teuk Thla. Loss per share of the Bank for year 2015 is US\$ 0.009 versus earnings per share of US\$ 0.004 for the previous year.

TAXATION

Taxation consists of income tax and deferred tax. As the Bank incurred low pre-tax profit during the current year, the income tax of the Bank is based on the minimum tax of 1% of its turnover under the Cambodian tax laws. The effective tax rate of the Bank for the current year under review is higher than the statutory tax rate of 20% mainly due to certain expenses which are not deductible for tax purposes and the Bank is subject to minimum tax.

TOTAL ASSETS

Total assets of the Bank stood at US\$ 105.64 million as at 31 December 2015, representing a 25.57% increase from US\$ 84.13 million as at 31 December 2014. The assets base of the Bank is largely supported by loans and advances to customers (64.82%), deposit placements with financial institutions (7.28%) and balances with the Central Bank (16.77%). Increase in total assets of the Bank as at 31 December 2015 relative to the last year ended 31 December 2014 is mainly attributable to the increase in customers and banks' deposit of 37%.

LOANS AND ADVANCES

Loans and advances mainly comprise secured long term loans to customers. Gross loans and advances to customers of the Bank have grown by 77.23% to US\$ 70.27 million as at 31 December 2015 from US\$ 39.65 million as at 31 December 2014.

As at 31 December 2015, the loan portfolio of the Bank comprises loans and advances to various sectors in Cambodia, mainly real estate and renting activities (29%), housing (10.12%), wholesale and retail trade (20.32%), manufacturing (8.07%), agriculture (1.81%) and hotel and restaurants (8.70%) sectors.

TOTAL LIABILITIES

Total liabilities of the Bank have increased to US\$ 66.66 million as at 31 December 2015 from US\$ 45.80 million as at 31 December 2014 on the back of higher deposits from customers and banks which increased by US\$16.74 million as at 31 December 2015.

Deposit placements from financial institutions and customers remain the key components of the Bank's total liabilities as at 31 December 2015, i.e. accounted for 92.95% (2014: 98.73%) of the total liabilities of the Bank.

DEPOSITS

Deposits from financial institutions and customers as at 31 December 2015 consist of term deposits (71.84%), current accounts (21.9%) and savings accounts (6.26%). As at 31 December 2014, the main component of deposits from financial institutions and customers was term deposit accounts, which comprised 68.55% of the total deposits. Increase in deposits from financial institutions and customers as at 31 December 2015 is primarily attributed to higher term deposits from customer.

STATUTORY CAPITAL

The paid-up statutory capital of the Bank as at 31 December 2015 amounted to US\$ 41.00 million. There was an US\$1 million additional shares capital injected into the Bank during the year ended 31 December 2015.

SHAREHOLDER'S FUNDS AND NET ASSETS PER SHARE

As at 31 December 2015, shareholder's funds of the Bank is marginally higher at US\$ 38.98 million compared to US\$ 38.33 million as a result of additional shares capital in year 2015. Net assets per share of the Bank as at 31 December 2015 stood at US\$ 0.95 (2014: US\$ 0.96).

RETURN ON SHAREHOLDER'S FUNDS AND RETURN ON ASSETS

The Bank recorded negative returns on shareholder's funds and assets for the year ended 31 December 2015, i.e. the return on shareholder's funds is -0.91% (2014: 0.43%) and the return on assets is -0.33% (2014: 0.20%) respectively.

The negative return on shareholder's funds for year 2015 is mainly due to net loss for the year incurred by the Bank, partially due to the higher operating costs and capital expenditure.

LIQUIDITY RATIO

The liquidity ratio of the Bank as at 31 December 2015 is lower at 57.52% compared to 124.61% as at 31 December 2014 mainly due to the increase in term deposit from retails and corporate. The Bank is in compliance with the Central Bank's Prakas No.B7-04-207 which requires a liquidity ratio of at least 50%. The liquidity ratio of the Bank indicates the Bank has the ability to honour withdrawals of deposits by its customers.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio of the Bank as at 31 December 2015 is relatively higher at 113.42% as compared to 87.69% as at 31 December 2014 mainly attributed to the increase in loan portfolio as at 31 December 2015, partly offset by the increase in term deposit from retails and corporates.

NON-PERFORMING LOANS TO TOTAL LOANS (%)

The non-performing loans to total loans ratio as at 31 December 2015 is reduced significantly to 1.57% compared to 4.15% as at 31 December 2014. This has led to the decrease in specific provision on loans and advances to US\$ 1.11 million as at

31 December 2015 from US\$ 1.46 million as at the previous year end. Non-performing loans are mostly secured and the Bank is in the process of recovering the loans.

NET WORTH

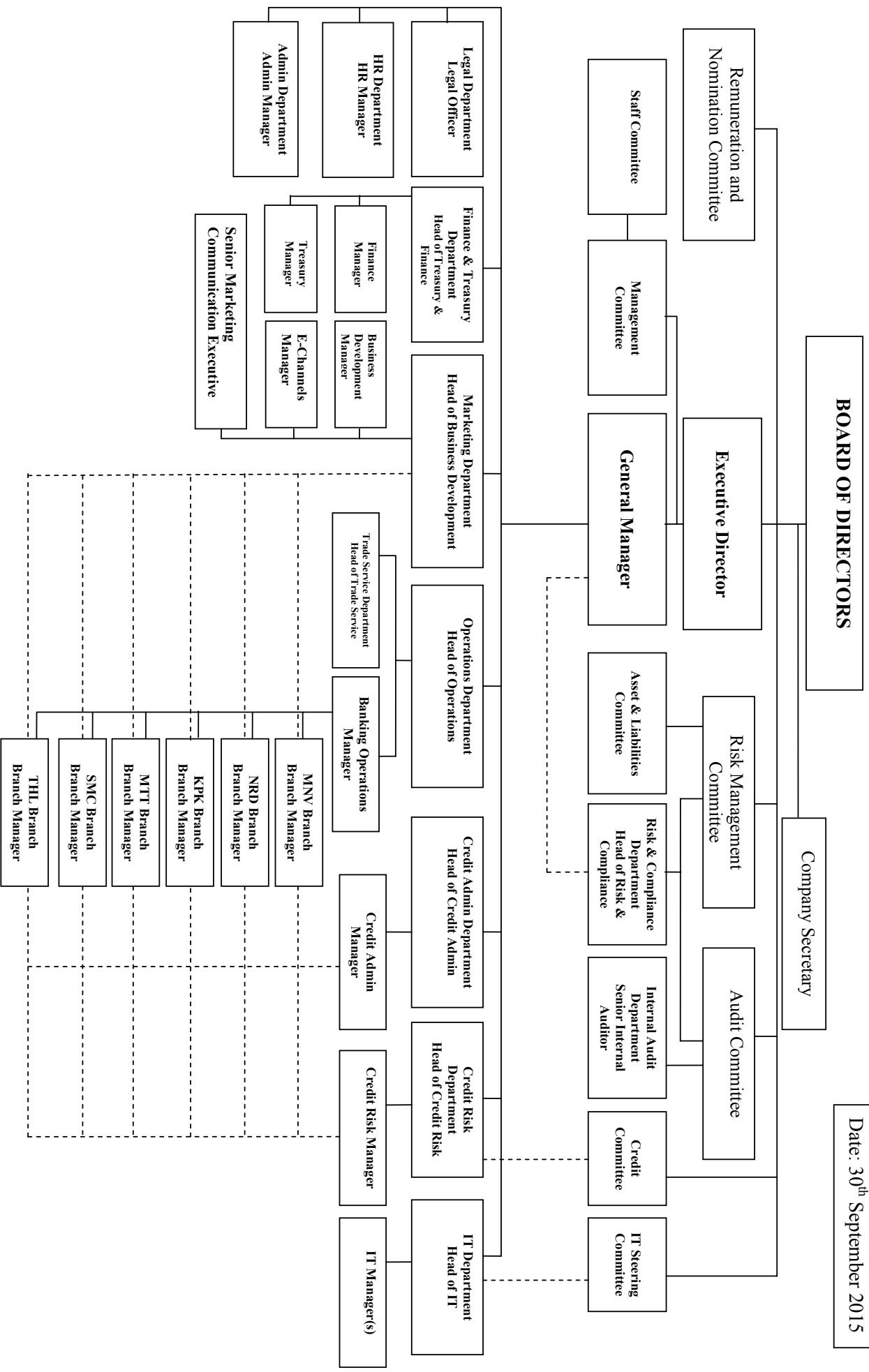
As at 31 December 2015, the net worth of the Bank of US\$ 38.43 million (2014: US\$ 38.60 million) is in excess of the minimum regulatory capital requirement of US\$37.50 million. The decrease is mainly due to higher provision for loan and the operating loss incurred in the year 2015.

SOLVENCY RATIO

Solvency ratio provides a measure of the Bank's net worth as a percentage of its risk-weighted credit exposures. As at 31 December 2015, the solvency ratio of the Bank of 45.95% (2014: 59.16%) is in compliance with Central Bank's Prakas No.B7-04-206 which requires a solvency ratio of at least 15%. The solvency ratio as at 31 December 2015 is relatively lower mainly due to the increase in loans and advances to customers coupled with higher level of undrawn loans and advances as at 31 December 2015.

ORGANIZATIONAL STRUCTURE

Date: 30th September 2015





MR. LIM HUA MIN
Chairman

Mr. Lim Hua Min is the Executive Chairman of PhillipCapital Group of Companies and was also appointed Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore. In 1997, he was appointed Chairman of the Stock Exchange of Singapore (SES) Review Committee, which is responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal (PBM) in 1999 by the Singapore Government. He served as a board member in the Inland Revenue Authority Singapore from 2004 to 2010.

Mr. Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.



MR. KOH YONG GUAN
Independent Director

Mr. Koh joined Singapore's Civil Service as a Biomedical Engineer in the Ministry of Health in 1972 and was absorbed into the Administrative Service in 1979. He served in the Ministries of Finance (Revenue Division), Education and Defence before being appointed Permanent Secretary in the Ministry of Defence in 1989. Mr. Koh was the Commissioner of Inland Revenue from 1991 to 1997. In 1998, he was appointed Managing Director, Monetary Authority of Singapore (Governor of the Central Bank). He had also held the appointments of Permanent Secretary, Ministries of Health and National Development, and Second Permanent Secretary, Ministry of Finance (Budget and Revenue) between 1998 and 2001. He retired as the Managing Director, Monetary Authority of Singapore (MAS), in June 2005, and remained a member of the MAS Board until April 2011. He served as the Chairman of Central Provident Fund Board, the national pension fund for all employees in both the private and public sectors in Singapore, from 2005 to 2013. He was Singapore's Non-Resident High Commissioner to Canada from May 2008 to March 2013. Mr. Koh is currently the Chairman of the Board of SMRT Corporation Ltd, a publicly listed company that runs the underground train system, and buses and taxi services in Singapore. He is also Chairman of the Singapore Deposit Insurance Corporation, and Chairman of the Cancer Sciences Institute of Singapore. Mr. Koh is Singapore's Ambassador (Non-Resident) to Greece since May 2013.

He graduated with a Bachelor of Applied Science (Honours) degree in Mechanical Engineering in 1970 and a Master of Applied Science in Mechanical Engineering and Biomedical Engineering in 1972 from the University of Toronto on a Colombo Plan scholarship. He obtained a Master in Business Administration (with distinction) from the Catholic University of Leuven, Belgium in 1981. He was conferred an Honorary Doctorate by the University of Toronto in 2011.



MR. ONG TEONG HOON
Director

Mr. Ong Teong Hoon started working in the financial sector in 1977, first as a Money Broker and then, after a year, with Standard Chartered Bank, as a Management Trainee. For 25 years with the Bank, he had been through all aspects of Commercial Banking, apart from Treasury function and ended his banking career as Country Manager for the Bank in Cambodia in 2002.

This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions. Almost immediately after that, he joined Phillip Securities Pte Ltd and had covered various functions, including a stint in Phillip Securities Thailand PLC as its Ag CEO and last, the Director OTC Capital prior to being assigned to Kredit MFI PLC in 2012.

Mr. Ong is a graduate from the University of Singapore with a Bachelor of Business Administration and an Associate of the Chartered Institution of Bankers since 1978.



MR. CHAN MACH
Director

Mr. MACH, the first local CEO of KREDIT, was promoted from his Operation Manager position in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mach joined KREDIT initially in 1999 as Auditor and Trainer. His managerial potential was recognized and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed the Operations Director. Under his leadership, KREDIT became sustainable and tripled the portfolio. Mach completed 2 Master's Degrees: MBA and MFB. He attended nationally internationally numerous courses related to microfinance and banking.



MS. DIANA SEAH YEN GOON
Independent Director

Ms. Diana Seah Yen Goon has more than 30 years of working experience in financial institutions including GE Commercial Finance, that specialize in financing small and medium sized enterprises. She held senior positions in Finance, Operations, IT overseeing operation in Singapore, Thailand and Hong Kong. She was the Chief Financial Officer in charge of the finance and controllership, strategic and financial planning, funding and compliance.

She conducts training workshops at the Civil Service College and serves at the HR sub-committees of St. Luke's Hospital and the Singapore Christian Home.

Diana Seah is a Chartered Accountant (Singapore) who holds a Bachelor of Accountancy degree from the University of Singapore, now called the National University of Singapore and a MBA degree (Business Law) from the Nanyang Technological University.



MR. MICHAEL TAN TECH KEONG
Director

Mr. Michael Tan is currently Director, Corporate Office at PhillipCapital. Prior to joining PhillipCapital, he previously held positions in both industry and academia including stints as Assistant Professor at University of Nevada, Reno, United States, Lecturer at National University of Singapore, and various IT management and consultancy positions in Singapore. He holds a PhD in Information Systems from the National University of Singapore, a Certified SAP Consultant (Project Systems) certification from SAP Germany, a CDipAFF (Accounting and Finance) qualification from ACCA (UK), and has also passed various CMFAS modules administered by IBF (Singapore) and SCI (Singapore).



MR. PAUL GWEE CHOON GUAN
Independent Director

Mr. Paul Gwee Choon Guan banking career spans over twenty five years of experience in universal & treasury/investment banking with asset/fund & wealth management industry across Asia Pacific. His specialized skills include the fields of enterprise risk management (credit, market, liquidity and operational), control & compliance and back room operations with robust combination of strategic business finance and accounting reporting, mergers & acquisitions and capital management. He was the Head of Risk Management & Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong & Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary General of the ASEAN Banker Association. Mr. Gwee holds a Master in Business Administration from University of Chicago, Graduate School of Business, majoring in finance and was awarded the Bachelor of Commerce degree from the University of Newcastle. He qualified as a Chartered Accountant in 1984 and is a Fellow of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.



Han Peng Kwang
General Manager

Han graduated with a Bachelor Degree in Economics (Honor) from Northern University of Malaysia in 1995 and he is a Certified Credit Professional of the Institute of Bankers Malaysia.

He has 19 years of banking experience starting from 1994 when he joined Public Bank Berhad, a well known Malaysian listed commercial bank as Graduate Trainee and thereafter was gradually promoted until becoming a Branch Manager. His banking experience includes frontline operations, marketing, credit processing, loan securities and documentations, credit review, credit control and trade financing.

Han joined HwangDBS Commercial Bank Plc (now known as Phillip Bank Plc) from its beginning in 2009 to date as Senior Vice President and subsequently re-designated as General Manager in 2011. He is responsible to oversee the entire operations of the bank and expanded the network of the bank from one branch in 2009 to six branches. He remains as the General Manager of Phillip Bank Plc upon the change of ownership in the beginning of 2014.



Eat Chetrasorivong
IT Department

Sorivong holds a bachelor degree of Science in Information Technology from Norton University. He completed numerous professional courses and attended several national and international courses relating to banking.

He has more than 10 years working experience in Information Technology with a strong focus on banking sectors. He has worked with four leading commercial banks and he has held a number of IT technical and management roles including IT Manager at Maybank Cambodia Plc, HwangDBS Commercial Bank Plc (now known as Phillip Bank Plc), Angkor Capital Bank Plc (now known as Angkor Capital Specialized Bank Plc) as well as System/ATM Operator, System Administrator and IT Officer at Cambodian Public Bank Plc.

Among these four commercial banks, he was one of the co-founders to implement the banking system and infrastructure for two commercial banks in Cambodia. His rounder IT banking experience include, but not limited to, identifying and implementing information technology solutions aligned with business needs i.e. Core Banking, ATM Switch, Card Management (MasterCard/VISA Card), Digital Banking, Disaster Recovery Plan, set up many branches infrastructures as well as branch security systems, system applications/infrastructures penetration test, create/develop IT policies/procedures and also IT strategic planning capability. Sorivong joined Phillip Bank Plc in September 2013 as Head of IT.



How Poy Leong

Credit Risk Department

Jensen How graduated with Bachelor of Commerce (Honours) Degree from University of Windsor, Canada (1984) and passed the Certified Credit Professional (CCP) of the Institute of Bankers Malaysia(2004).

He has more than 30 years of banking experience starting from 1985 when he joined Public Bank Berhad as a Graduate Trainee and thereafter was gradually promoted to be a Branch Manager in 1991. His banking experience include banking operations, marketing, credit processing, loans securities and documentation, credit administration, credit control and trade finance.

In 2001, he joined Maybank, Malaysia and covered credit lending for retail and commercial customers before his appointment as Head of Business Development for Maybank, Cambodia in 2008. Subsequently, he took the position as Associate Director, Corporate Banking, International with Maybank in 2010 which involved processing syndicated loans and corporate loans from the International branches. In January 2015, he has joined Phillip Bank Plc, Cambodia as Head of Credit with the objective to boost the loans growth for the bank and upgrade the overall standard of credit processing whilst achieving the Bank's profitability targets.



Soeung Phyr

Risk & Compliance Department

Phyr holds a Bachelor degree in Accounting and Finance from National Institute of Management and an MBA from Charles Sturt University.

He has held a number of risk, compliance and finance roles including Head of Risk & Compliance at AMK, Operational Risk Manager at WING Cambodia, Internal Control & Compliance Manager; Risk Management Advisor and Country Auditor at Plan Cambodia, Senior Operations Auditor and Financial Auditor at World Vision Cambodia as well as Accountant and Administrator at Friends Organization.

Phyr joined Phillip Bank Plc in February 2013 as Head of Risk & Compliance.



Dominic Teo
Operations Department

Dominic has a Diploma in Banking and Finance from the Institute of Banking and Finance, Singapore

Dominic has over 30 years of banking experience in Consumer Banking Operations, Consumer Banking Risk Management as well as Group Audit department with Standard Chartered Bank, Singapore. He was also with DBS Group Audit for a short period doing audits relating to Consumer Banking and Group Technology & Operations (GTO). He started his career as a clerical staff before moving up to middle Management position in Standard Chartered Bank, Singapore.

Dominic joined Phillip Bank Plc in August 2014 as Head of Operations.



Pov Sopheak
Human Resource Department

Sopheak graduated with a Bachelor Degree of Tourism and Hotel Management from National University of Management and an Associate Degree of Teaching from Phnom Penh Pedagogy Center.

Sopheak started her career in 1999 as a Teacher and became an HR Professional after 8 years with public sector. As an HR Practitioner, Sopheak has worked with various industries including F&B, ISP and banking.

Sopheak joined Phillip Bank Plc in January 2013 as Senior HR Executive then has been promoted to be HR Manager.



Yun Veth
Administration Department

Veth graduated with Bachelor Degree of English from Phnom Penh International University (PPIU) in 2010 and he is currently pursuing his Master of Business Administration at Norton University.

Because of his commitment and enthusiasm, Veth has advanced his career from a Security Guard to Administration and Finance Assistant, Administrative Assistant at Phnom Penh Commercial Bank and then as Administration Executive within 7 years.

Veth joined Phillip Bank Plc in September 2012 as Admin Executive then has been promoted to be Admin Manager.



Sron Sreyneang
Finance Department

Sreyneang graduated with Bachelor Degree of Accounting from Royal University of Laws and Economics (RULE) in 2006 and she is currently pursuing her ACCA degree.

Sreyneang started her career in 2006 and has been worked as an Auditor for 6.5 years. She has been involved in many industrial like corporate, bank and NGOs. She also worked in PwC Malaysia for 14 months on the Secondment program.

Sreyneang joined Phillip Bank Pl in April 2015 as Finance Manager.



Srun Vandoeun
Internal Audit Department

Vandoeun holds a Bachelor Degree of Finance and Banking from National University of Management and MBA from Norton University.

He has 7 years experiences in the field of audit from two financial institutions i.e AMK MFI and Cambodian Public Bank. During his 10 years experiences in financial sector he worked in many positions such as Teller, Cashier, Accountant and Auditor and Audit Team Leader.

Vandoeun joined Phillip Bank Plc in December 2014 as Senior Internal Auditor.



Socheat Kanika
Credit Admin Department

Kanika graduated two Bachelor Degrees in Marketing and Khmer Literature from National Institute of Management and Royal University of Phnom Penh. In 2006, she received her MBA of Management from Build Bright University.

She started her career in 2001 with domestic and international companies. After six-year career in insurance and telecommunication service, she decided it was time to change and move to Banking Industry, where she was offered by Korea and Malaysia Bank respectively.

With her eight years experience in Loans and Credit Administration, she joined Phillip Bank Plc in April 2015 as Credit Admin Manager.



Ky Somana

Marketing Department

Somana holds a Bachelor Degree of Finance and Banking from Cambodian Mekong University and MBA from Norton University.

She started her first career in 2004 as Administrative Assistant in Cambodian Mekong University, and move to private company as sale. Then 2008, she started banking career with ANZ Royal. With 8 years experience in Banking and Microfinance, she played in important roles such as sale, support, product development, branch manager, and business development.

Through enthusiasm in working and improving, Somana joined Phillip Bank Plc in June 2015 as Head of Business Development.

1. Man is created in God's image and therefore has tremendous potential.
2. We prevail upon man to develop his gifts by providing opportunities in training, service and responsibility.
3. We uphold integrity in our conduct. Honesty is telling the truth; Integrity is fulfilling the truth.
4. We believe in the process of deferred gratification that reward comes only after performance. A work well done brings intrinsic satisfaction.
5. We prefer to build businesses rather than trade and therefore would go for the long haul.
6. We see ourselves as stewards to one another, to our family, to our community and to our environment.
7. We are our brothers' keepers.
8. We will play only positive sum games.

OUR PEOPLE

Phillip Bank values its employees as the most important asset. We keep enhancing their knowledge and skills by providing technical and soft skills training to enable them serve customers better. At the meantime we also developed the Graduate Trainee Program to offer opportunity for talented students to come and learn banking operations. We want to be part of social development and see the bright future of Cambodian people. The training are: Master the Art of Selling, Modern Management and Leadership, How to Become a Star Employee, Credit Skill, Operational Risk, and so on.

As corporate responsible entity, PhillipBank has strong commitment to our social and community we live. We believe in our Corporate Code that guides our actions and decisions we make day to day in our business.

In 2015, PhillipBank had supported to communities and local charities. The activities are :

- Young Entrepreneurs Association of Cambodia: The purposes are to recognize and raise the profile of young entrepreneurs, to create interests and inspire the entrepreneurial spirit, and to recognize Cambodia’s most outstanding young entrepreneurs through national level and leading to international competitions.
- Khmer Movie Marathon: PhillipBank joined sponsorship with Platinum Cineplex Cinema to bring back the best 60s, 70s and 90s Khmer movies to remind about the heritage movies. The revenue that getting from selling those tickets were donated to Kuntha Bopha Hospital.
- Zumbathon Charity Event: Breast Cancer is a disease that happens to most of the women. Therefore, PhillipBank has sponsored to Advance Learning Academy, which collaboration with Health Poverty Action organization, to organize the VERY FIRST Zumbathon Charity Event Pink Party in Cambodia to raise awareness and funds for breast cancer research and community outreach programs. Proceeds of the event will go towards supporting the efforts of Sihanouk Hospital Center of HOPE. The Sihanouk Hospital Center of HOPE remains the only hospital in all of Cambodia providing Breast Cancer screening, diagnosis, education, training and treatment free of charge to poor patients.



REPORT OF BOARD DIRECTORS

REPORT OF BOARD DIRECTORS

The Board of Directors of Phillip Bank Plc (“the Bank”) presents its report together with the consolidated financial statements of the Bank and its subsidiary (together referred to as “the Group”) and the separate financial statements of the Bank (collectively referred to as “the financial statements”) as at 31 December 2015 and for the year then ended.

THE GROUP

THE BANK

The Bank was incorporated on 26 June 2009. The Bank is previously owned by HwangDBS (Malaysia) Berhad, a public limited liability company incorporated in Malaysia. The Bank is duly incorporated under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”)

On 8 November 2013, the Bank was acquired by Phillip MFIs Pte. Ltd. a member of the Singapore-based Phillip Capital Group. The transfer of shares was subsequently approved by the NBC on 11 February 2014. After obtaining approval from the NBC, the Bank further submitted another application to the Ministry of Commerce on 13 February 2014 to revise its Memorandum and Articles of Association. The approval was obtained from the Ministry of Commerce on 24 February 2014.

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Banking Licenses No. Co. 5915/09E issued by the NBC for an indefinite period.

The Bank’s registered office address is at No. 27DEF, Monivong Blvd. Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

There is no significant change in the principal activities of the Bank during the year.

THE SUBSIDIARY

HwangDBS Securities (Cambodia) Plc (“the Subsidiary”) was incorporated on 22 February 2010. The Subsidiary is a dormant company and did not commence its commercial operations. As at the date of this report, the Subsidiary is under liquidation.

REPORT OF BOARD DIRECTORS (CONTINUED)

RESULTS OF OPERATIONS AND DIVIDENDS

The financial results of the Group and the Bank are as follows:

| | Group | | Bank | |
|---------------------------------------|--------------------|----------------|--------------------|----------------|
| | 2015 US\$ | 2014 US\$ | 2015 US\$ | 2014 US\$ |
| Profit (loss) before income tax | (300,143) | 205,144 | (300,104) | 209,094 |
| Income tax expense | (53,120) | (44,347) | (53,120) | (44,347) |
| NET PROFIT (LOSS) FOR THE YEAR | (353,263) | 160,797 | (353,224) | 164,747 |
| EQUIVALENT IN KHR'000 | (1,430,713) | 655,248 | (1,430,555) | 671,344 |
| ATTRIBUTABLE TO: | | | | |
| Equity holder of the Bank | (353,263) | 160,797 | (353,224) | 164,747 |

PAID-UP CAPITAL

The paid-up capital of the Bank as at 31 December 2015 is US\$41.00 million or KHR166.05 billion (2014: US\$40.00 million equivalent to KHR163.00 billion).

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Group and the Bank were drawn up, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans or the making of provisions for bad and doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions had been made for bad and doubtful loans and advances.

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

CURRENT ASSETS

Before the financial statements of the Group and the Bank were drawn up, the directors took reasonable steps to ensure that any assets which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Group and the Bank, have been written down to an amount which they might be expected to realize.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Group and the Bank misleading in any material respect.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Group and 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 Group and 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 Group and 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 Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may have a material effect on the ability of the Group and the Bank to meet its obligations as and when they become 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.

THE BOARD OF DIRECTORS

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

| | |
|----------------------------|---------------------------------------|
| Mr. Lim Hua Min | Chairman |
| Mr. Ong Teong Hoon | Director |
| Mr. Michael Tan Tech Keong | Director |
| Mr. Chan Mach | Director |
| Mr. Paul Gwee Choon Guan | Independent director |
| Ms. Diana Seah Yen Goon | Independent director |
| Mr. Koh Yong Guan | Independent director |
| Mr. Lee Soon Kie | Director, resigned on 12 October 2015 |

AUDITOR

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

DIRECTORS' INTEREST

No members of the Board of Directors have an interest in the shares of the Bank.

DIRECTORS' 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 directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

No director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or with a firm which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the respective financial position of the Group and the Bank as at 31 December 2015, and their financial performance and cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) Comply with the disclosure requirements and guidelines issued by the NBC and Cambodian Accounting Standards or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Bank will continue operations in the foreseeable future; and
- v) Effectively control and direct the Group and the Bank in all material decisions affecting the operations and performance and ascertain that these have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and 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 Group and the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


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

REPORT OF BOARD DIRECTORS (CONTINUED)

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the respective financial position of the Group and the Bank as at 31 December 2015, and their respective financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

On behalf of the Board of Directors



Ong Teong Hoon

Director

Phnom Penh, Kingdom of Cambodia

23 March 2016

TO: THE SHAREHOLDER OF PHILLIP BANK PLC

We have audited the accompanying consolidated financial statements of Phillip Bank Plc (“the Bak”) and its subsidiary (together referred to as “the Group”) and the separate financial statements of the Bank which comprise the respective consolidated and separate balance sheets as at 31 December 2015 and the respective consolidated and separate income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as “the financial statements”).

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, 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 Group’s preparation of 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 Group’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 consolidated and separate financial statements give a true and fair view of the respective financial position of the Group and the Bank as at 31 December 2015, and their respective consolidated and separate 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.



Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia
23 March 2016

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

31

| | Notes | 2015 | | 2014 | |
|---|-------|--------------------|-------------------------------------|-------------------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| ASSETS | | | | | |
| Cash on hand | 3 | 4,151,034 | 16,811,688 | 2,849,474 | 11,611,607 |
| Balances with the National Bank of Cambodia | 4 | 17,724,500 | 71,784,225 | 16,551,396 | 67,446,939 |
| Balances and placements with other banks and financial institutions | 5 | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 |
| Investment securities | 6 | 25,000 | 101,250 | 525,000 | 2,139,375 |
| Loans and advances | 7 | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |
| Property and equipment | 9 | 1,901,154 | 7,699,675 | 995,942 | 4,058,465 |
| Software costs | 10 | 140,097 | 567,393 | 111,732 | 455,308 |
| Other assets | 11 | 528,190 | 2,139,169 | 607,933 | 2,477,326 |
| TOTAL ASSETS | | 100,643,790 | 407,607,351 | 79,135,653 | 322,477,787 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | |
| LIABILITIES | | | | | |
| Deposits from other banks | 12 | 15,122,289 | 61,245,270 | 13,348,244 | 54,394,094 |
| Deposits from customers | 13 | 41,865,613 | 169,555,734 | 26,896,843 | 109,604,636 |
| Income tax payable | 14 | 6,153 | 24,920 | 6,362 | 25,925 |
| Borrowings | 15 | 3,000,000 | 12,150,000 | - | - |
| Other liabilities | 16 | 1,696,335 | 6,870,157 | 577,541 | 2,353,480 |
| Total liabilities | | 61,690,390 | 249,846,081 | 40,828,990 | 166,378,135 |
| SHAREHOLDER'S EQUITY | | | | | |
| Paid-up capital | 17 | 41,000,000 | 166,050,000 | 40,000,000 | 163,000,000 |
| Accumulated losses | | (2,046,600) | (8,288,730) | (1,693,337) | (6,900,348) |
| Total shareholder's equity | | 38,953,400 | 157,761,270 | 38,306,663 | 156,099,652 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 100,643,790 | 407,607,351 | 79,135,653 | 322,477,787 |

The attached notes 1 to 33 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

| | Notes | 2015 | | 2014 | |
|--|-------|------------------|-------------------------------------|------------------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Operating income | | | | | |
| Interest income | 18 | 4,868,596 | 19,717,814 | 3,859,668 | 15,728,147 |
| Interest expense | 19 | (1,946,829) | (7,884,656) | (1,026,944) | (4,184,796) |
| Net interest income | | 2,921,767 | 11,833,158 | 2,832,724 | 11,543,351 |
| Fees and commission income | 20 | 676,484 | 2,739,760 | 316,182 | 1,288,442 |
| Other operating income | 21 | 22,854 | 92,559 | 3,671 | 14,959 |
| Total operating income | | 3,621,105 | 14,665,477 | 3,152,577 | 12,846,752 |
| Personnel expenses | 22 | (1,646,126) | (6,666,810) | (1,429,078) | (5,823,493) |
| Establishment-related costs | 23 | (864,575) | (3,501,529) | (639,744) | (2,606,957) |
| Depreciation and amortization | 24 | (513,354) | (2,079,084) | (312,070) | (1,271,685) |
| Promotion and marketing | 25 | (166,139) | (672,863) | (146,300) | (596,173) |
| General and administrative expenses | 26 | (713,708) | (2,890,517) | (624,501) | (2,544,842) |
| (Provision for) reversal of losses on loans and advances | 7 | (17,346) | (70,251) | 204,260 | 832,360 |
| (Loss) income before tax | | (300,143) | (1,215,577) | 205,144 | 835,962 |
| Income tax expense | 14 | (53,120) | (215,136) | (44,347) | (180,714) |
| Net (loss) income for the year | | (353,263) | (1,430,713) | 160,797 | 655,248 |
| Attributable to equity holder of the Bank | | (353,263) | (1,430,713) | 160,797 | 655,248 |

The attached notes 1 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2015

| | Paid-up capital (Note 17) US\$ | Accumulated losses US\$ | Total US\$ |
|---|--------------------------------------|-------------------------------|--------------------|
| Balance as at 1 January 2015 | 40,000,000 | (1,693,337) | 38,306,663 |
| Capital contribution | 1,000,000 | - | 1,000,000 |
| Net loss for the year | - | (353,263) | (353,263) |
| Balance as at 31 December 2015 | 41,000,000 | (2,046,600) | 38,953,400 |
| Equivalent in KHR'000 (Note 2.1) | 166,050,000 | (8,288,730) | 157,761,270 |
| Balance as at 1 January 2014 | 40,000,000 | (1,854,134) | 38,145,866 |
| Net income for the year | - | 160,797 | 160,797 |
| Balance as at 31 December 2014 | 40,000,000 | (1,693,337) | 38,306,663 |
| Equivalent in KHR'000 (Note 2.1) | 163,000,000 | (6,900,348) | 156,099,652 |

The attached notes 1 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Notes | 2015 | | 2014 | |
|---|-------|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Net cash (used in) generated from operating activities | 27 | (12,012,127) | (48,953,412) | 3,148,974 | 12,832,069 |
| Cash flows from investing activities | | | | | |
| Proceeds from: | | | | | |
| Maturity of investment securities | 6 | 500,000 | 2,025,000 | - | - |
| Disposal of property and equipment | | 4,952 | 20,056 | 16,921 | 68,953 |
| Acquisitions of: | | | | | |
| Property and equipment | 9 | (1,436,462) | (5,817,671) | (687,931) | (2,803,319) |
| Software costs | 10 | (30,989) | (125,505) | (81,947) | (333,934) |
| Investment securities | 6 | - | - | (500,000) | (2,037,500) |
| Net cash used in investing activities | | (962,499) | (3,898,120) | (1,252,957) | (5,105,800) |
| Cash flows from financing activities | | | | | |
| Proceeds from: | | | | | |
| Borrowings | 15 | 3,000,000 | 12,150,000 | - | - |
| Capital contribution | 17 | 1,000,000 | 4,050,000 | - | - |
| Cash from financing activities | | 4,000,000 | 16,200,000 | - | - |
| Net (decrease) increase in cash and cash equivalents | | (8,974,626) | (36,651,532) | 1,896,017 | 7,726,269 |
| Cash and cash equivalents at beginning of year | | 23,513,844 | 95,818,915 | 21,617,827 | 86,363,219 |
| Foreign exchange difference | | - | (283,550) | - | 1,729,427 |
| Cash and cash equivalents at end of year | 3 | 14,539,218 | 58,883,833 | 23,513,844 | 95,818,915 |

SEPERATE BALANCE SHEET

For the year ended 31 December 2015

35

| | Notes | 2015 | | 2014 | |
|---|-------|--------------------|-------------------------------------|-------------------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| ASSETS | | | | | |
| Cash on hand | 3 | 4,151,034 | 16,811,688 | 2,849,474 | 11,611,607 |
| Balance with the Nationa Bank of Cambodia | 4 | 17,724,500 | 71,784,225 | 16,551,396 | 67,446,939 |
| Balances and placements with other banks and financial institutions | 5 | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 |
| Investment securities | 6 | 25,000 | 101,250 | 525,000 | 2,139,375 |
| Loans and advances | 7 | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |
| Investment in subsidiary | 8 | 5,000,000 | 20,250,000 | 5,000,000 | 20,375,000 |
| Property and equipment | 9 | 1,901,154 | 7,699,675 | 995,942 | 4,058,465 |
| Software costs | 10 | 140,097 | 567,393 | 111,732 | 455,308 |
| Other assets | 11 | 528,190 | 2,139,169 | 607,933 | 2,477,326 |
| TOTAL ASSETS | | 105,643,790 | 427,857,351 | 84,135,653 | 342,852,787 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | |
| LIABILITIES | | | | | |
| Deposits from other banks | 12 | 15,122,289 | 61,245,270 | 13,348,244 | 54,394,094 |
| Deposits from customers | 13 | 46,838,300 | 189,695,115 | 31,869,569 | 129,868,494 |
| Income tax payable | 14 | 6,153 | 24,920 | 6,362 | 25,925 |
| Borrowings | 15 | 3,000,000 | 12,150,000 | - | - |
| Other liabilities | 16 | 1,696,335 | 6,870,157 | 577,541 | 2,353,480 |
| Total liabilities | | 66,663,077 | 269,985,462 | 45,801,716 | 186,641,993 |
| SHAREHOLDER'S EQUITY | | | | | |
| PAID-UP CAPITAL | 17 | 41,000,000 | 166,050,000 | 40,000,000 | 163,000,000 |
| Accumulated losses | | (2,019,287) | (8,178,111) | (1,666,063) | (6,789,206) |
| Total shareholder's equity | | 38,980,713 | 157,871,889 | 38,333,937 | 156,210,794 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 105,643,790 | 427,857,351 | 84,135,653 | 342,852,787 |

The attached notes 1 to 33 form part of these financial statements.

SEPARATE INCOME STATEMENT

For the year ended 31 December 2015

| | Notes | 2015 | | 2014 | |
|--|-------|------------------|-------------------------------|------------------|-------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Operating income | | | | | |
| Interest income | 18 | 4,868,596 | 19,717,814 | 3,859,668 | 15,728,147 |
| Interest expense | 19 | (1,946,829) | (7,884,656) | (1,026,944) | (4,184,796) |
| Net interest income | | 2,921,767 | 11,833,158 | 2,832,724 | 11,543,351 |
| Fees and commission income | 20 | 678,805 | 2,749,160 | 316,192 | 1,288,482 |
| Other operating income | 21 | 20,572 | 83,317 | 3,671 | 14,959 |
| Total operating income | | 3,621,144 | 14,665,635 | 3,152,587 | 12,846,792 |
| Personnel expenses | 22 | (1,646,126) | (6,666,810) | (1,429,078) | (5,823,493) |
| Establishment-related costs | 23 | (864,575) | (3,501,529) | (639,744) | (2,606,957) |
| Depreciation and amortization | 24 | (513,354) | (2,079,084) | (312,070) | (1,271,685) |
| Promotion and marketing | 25 | (166,139) | (672,863) | (146,300) | (596,173) |
| General and administrative expenses | 26 | (713,708) | (2,890,517) | (620,561) | (2,528,786) |
| (Provision for) reversal of losses on loans and advances | 7 | (17,346) | (70,251) | 204,260 | 832,360 |
| (Loss) income before tax | | (300,104) | (1,215,419) | 209,094 | 852,058 |
| Income tax expense | 14 | (53,120) | (215,136) | (44,347) | (180,714) |
| Net (loss) income for the year | | (353,224) | (1,430,555) | 164,747 | 671,344 |

The attached notes 1 to 33 form part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

37

| | Paid-up capital (Note 17) US\$ | Accumulated losses US\$ | Total US\$ |
|---|--------------------------------------|-------------------------------|--------------------|
| Balance as at 1 January 2015 | 40,000,000 | (1,666,063) | 38,333,937 |
| Capital contribution | 1,000,000 | - | 1,000,000 |
| Net loss for the year | - | (353,224) | (353,224) |
| Balance as at 31 December 2015 | 41,000,000 | (2,019,287) | 38,980,713 |
| Equivalent in KHR'000 (Note 2.1) | 166,050,000 | (8,178,111) | 157,871,889 |
| Balance as at 1 January 2014 | 40,000,000 | (1,830,810) | 38,169,190 |
| Net income for the year | - | 164,747 | 164,747 |
| Balance as at 31 December 2014 | 40,000,000 | (1,666,063) | 38,333,937 |
| Equivalent in KHR'000 (Note 2.1) | 163,000,000 | (6,789,206) | 156,210,794 |

The attached notes 1 to 33 form part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Notes | 2015 | | 2014 | |
|---|-------|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Net cash (used in) generated from operating activities | 27 | (12,012,127) | (48,953,412) | 3,148,974 | 12,832,069 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from: | | | | | |
| Maturity of investment securities | 6 | 500,000 | 2,025,000 | - | - |
| Disposal of property and equipment | | 4,952 | 20,056 | 16,921 | 68,953 |
| Acquisitions of: | | | | | |
| Property and equipment | 9 | (1,436,462) | (5,817,671) | (687,931) | (2,803,319) |
| Software costs | 10 | (30,989) | (125,505) | (81,947) | (333,934) |
| Investment securities | 6 | - | - | (500,000) | (2,037,500) |
| Net cash used in investing activities | | (962,499) | (3,898,120) | (1,252,957) | (5,105,800) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowings | 15 | 3,000,000 | 12,150,000 | - | - |
| Capital contribution | 17 | 1,000,000 | 4,050,000 | - | - |
| Cash from financing activities | | 4,000,000 | 16,200,000 | - | - |
| Net (decrease) increase in cash and cash equivalents | | (8,974,626) | (36,651,532) | 1,896,017 | 7,726,269 |
| Cash and cash equivalents at beginning of year | | 23,513,844 | 95,818,915 | 21,617,827 | 86,363,219 |
| Foreign exchange difference | | - | (283,550) | - | 1,729,427 |
| Cash and cash equivalents at end of year | 3 | 14,539,218 | 58,883,833 | 23,513,844 | 95,818,915 |

The attached notes 1 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. CORPORATE INFORMATION

Phillip Bank Plc. (“the Bank”) and its subsidiary (together referred to as “the Group”) were incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Bank was a commercial bank incorporated on 26 June 2009. The Bank is previously owned by HwangDBS (Malaysia) Berhad, a public limited liability company incorporated in Malaysia. The Bank is duly incorporated under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”).

On 8 November 2013, the Bank was acquired by Phillip MFIs Pte Ltd, a member of the Singapore-based PhillipCapital Group. The application for the transfer of shares was subsequently approved by the NBC on 11 February 2014. After obtaining approval from the NBC, the Bank further submitted another application to the Ministry of Commerce on 13 February 2014 to revise its Memorandum and Articles of Association. The approval was obtained from the Ministry of Commerce on 24 February 2014.

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Banking License No. Co. 5915/09E issued by the NBC for an indefinite period.

The Bank’s registered office address is at No. 27DEF, Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

There is no significant change in the principal activities of the Bank during the year.

HwangDBS Securities (Cambodia) Plc (“the Subsidiary”) was incorporated on 22 February 2010. The Subsidiary is a dormant company and did not commence its commercial operations. As at the date of this report, the Subsidiary is under liquidation.

The financial statements were authorized for issue by the Board of Directors (“BOD”) on 23 March 2016.

Paid-up capital

The paid-up capital of the Bank as at 31 December 2015 is US\$41,000,000 (2014: US\$40,000,000).

Board of Directors

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

| | |
|----------------------------|---------------------------------------|
| Mr. Lim Hua Min | Chairman |
| Mr. Ong Teong Hoon | Director |
| Mr. Michael Tan Tech Keong | Director |
| Mr. Chan Mach | Director |
| Mr. Paul Gwee Choon Guan | Independent director |
| Ms. Diana Seah Yen Goon | Independent director |
| Mr. Koh Yong Guan | Independent director |
| Mr. Lee Soon Kie | Director, resigned on 12 October 2015 |

Employees

As at 31 December 2015, the Bank has a total of 146 employees (2014: 102 employees).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated and separate financial statements (referred to as “the financial statements”) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared based on the historical cost convention. The Group maintains, records and prepares financial statements in United States dollar (“US\$”) in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007, On Using Language, Currency Unit and Exchange Rate for Accounting Records and Reports. The financial statements of the Group and the Bank have been prepared in compliance with Cambodian Accounting Standards (“CAS”) and relevant regulations and guidelines issued by the NBC. The translation of the US\$ amounts in the financial statements into Khmer Riel (“KHR”) is provided for the sole purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 using the official rate of exchange regulated by the NBC as at the reporting date, which was US\$1 to KHR4,050 as at 31 December 2015 (2014: US\$1 to KHR4,075). Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into Riel at that or any other rate.

FISCAL YEAR

The Group’s fiscal year starts on 1 January and ends on 31 December.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

2.2.1 Provision for losses on loans and advances to customers

When preparing the financial statements, the quality of loans and advances is reviewed and assessed to determine their classification and level of allowance for losses on loans and advances, as more fully disclosed in Note 2.3.5.

2.2.2 Operating leases

The Group has entered into commercial property leases as a lessee for its office premises. The Group has determined that the lessor retained all the significant risks and rewards of ownership over this property based on the indicators of operating lease treatment. In determining whether or not there is an indication of operating lease treatment, the Group considers the following factors: retention of ownership title to the leased property, and period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, among others.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Changes in accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (CONTUNUED) —

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.2 SUBSIDIARY

Subsidiary is an entity over which the Bank has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has such power over another entity. In the Bank's financial statements, investment in a subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

2.3.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the balance sheet date. The financial statements of the Subsidiary are prepared for the same reporting date as the Bank.

A subsidiary is consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealized gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of a subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2.3.4 LOANS AND ADVANCES

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

Loans and advances 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 the allowance for losses on loans and advances in the income statement.

Loans and advances classified as substandard, doubtful or loss are considered nonperforming loans.

2.3.5 ALLOWANCE FOR LOSSES ON LOANS AND ADVANCES

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.5 Allowance for losses on loans and advances (continued)

The Bank follows the mandatory credit classification and provisioning as required by NBC Prakas No. B7-09-074 dated 25 February 2009. The Prakas requires commercial banks to classify their loan portfolio into five classes. The mandatory level of specific allowance is provided depending on the loan classification as follows:

| Classification | Number of days past due | Allowance rate |
|----------------------------|---|----------------|
| General allowance: | | |
| Normal | Nil to less than 30 days | 1% |
| Specific allowance: | | |
| 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.

2.3.6 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. Allowance is raised against other credit-related commitments when losses are considered probable.

2.3.7 Available-for-sale investments

Available-for-sale ("AFS") investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit and loss, held-to-maturity or loans and advances.

2.3.8 Unquoted debt securities

Unquoted debt securities are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold to maturity.

2.3.9 Determination of fair value

The fair value for financial instruments traded in the active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments that are not listed in an active market, the fair value is determined by using appropriate valuation techniques.

2.3.10 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 currently 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)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.11 Classification of financial instruments between liability and equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.3.12 Recognition of income or expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Interest income from loans and advances to customers and balances with the NBC and other banks and financial institutions is recognized on a daily accrual basis, except for loans and advances to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans shall instead be credited to an interest in suspense account. Interest expense on deposits from customers and other banks and borrowing are recognized on a daily accrual basis. The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognized on a cash basis. Fee and commission income comprises income received from inward and outward remittances, loan processing, commitment fees, bank guarantees, letters of credit, and ATM/credit card charges.

Fee and commission expense is recognized as incurred.

2.3.13 Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents consist of cash and highly liquid short term investments with an original maturity of less than ninety days that are readily convertible to known amounts of cash and accounts due from other banks.

2.3.14 Property and equipment and software costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.14 Property and equipment and software costs (continued)

Depreciation and amortisation

Depreciation of property and equipment and amortization of software costs are calculated on a straight-line basis over the respective estimated useful lives of these assets, as follows:

| | |
|----------------------------------|---------------|
| Leasehold improvements | 5 years |
| Office equipment | 5 years |
| Furniture, fixtures and fittings | 5 to 10 years |
| Computer equipment | 3 to 5 years |
| Motor vehicles | 5 years |
| Software costs | 5 years |

Construction in progress is not depreciated.

2.3.15 Corporate income tax

Current income tax

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

Deferred income tax

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

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

The carrying amount of deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.16 Foreign currency transactions and translation

The Group maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies ("FC") at yearend are re-translated to US\$ at the exchange rates ruling at the reporting date. For prevailing exchange rates of US\$ and applicable FCs against KHR as at year-end, see Note 33.

Income and expenses arising in FC are converted into US\$ at month-end using the applicable middle exchange rates rather than the exchange rates ruling at the transaction date.

2.3.17 Provisions

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

2.3.18 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 Group.

2.3.19 Statutory deposits

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

2.3.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

2.3.21 Related parties

Parties are considered to be related if the Group 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

2. ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.21 Related parties (continued)

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.

2.3.22 Dividends on paid-up capital

Dividends on paid-up capital are recognized as a liability and deducted from shareholders' equity when approved by the BOD. Dividends declared during the year but approved by the BOD after the balance sheet date are dealt with as an event after the balance date.

2.3.23 Rounding of amounts

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

3. CASH AND CASH EQUIVALENTS

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

| | 2015 | | 2014 | |
|---|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Cash on hand | 4,151,034 | 16,811,688 | 2,849,474 | 11,611,607 |
| Balances with the NBC (Note 4) | | | | |
| Current accounts | 5,483,900 | 22,209,795 | 6,775,796 | 27,611,369 |
| Term deposit * | 2,210,000 | 8,950,500 | 2,210,000 | 9,005,750 |
| Balances and placements with other banks and financial institutions (Note 5) | | | | |
| Current accounts | 2,194,279 | 8,886,830 | 1,678,574 | 6,840,189 |
| Savings accounts | 5 | 20 | - | - |
| Term deposits * | 500,000 | 2,025,000 | 10,000,000 | 40,750,000 |
| | 14,539,218 | 58,883,833 | 23,513,844 | 95,818,915 |

* Term deposits have original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

The Group and the Bank's balances with the NBC are as follows:

| | 2015 | | 2014 | |
|---------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Current account | 1,818,604 | 7,365,346 | 4,346,902 | 17,713,626 |
| Clearing account | 3,665,296 | 14,844,449 | 2,428,894 | 9,897,743 |
| Term deposit | 2,210,000 | 8,950,500 | 2,210,000 | 9,005,750 |
| Reserve deposits | 5,930,600 | 24,018,930 | 3,565,600 | 14,529,820 |
| Capital guarantee deposit | 4,100,000 | 16,605,000 | 4,000,000 | 16,300,000 |
| | 17,724,500 | 71,784,225 | 16,551,396 | 67,446,939 |

Term deposit

This pertains to negotiable certificate of deposit with a term of three months.

Reserve deposits

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

Capital guarantee deposit

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10% of registered capital. This deposit is not available for use in the Bank's day-to-day operations but it is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

Interest rates

Annual interest rates on balances with the NBC are summarized as follows:

| | 2015 | 2014 |
|-------------------------------|-------|-------|
| Current and clearing accounts | Nil | Nil |
| Term deposit | 0.23% | 0.17% |
| Reserve deposits | 0.10% | 0.10% |
| Capital guarantee deposit | 0.11% | 0.08% |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

5. BALANCES AND PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

The Group and the Bank's balances and placements with other banks and financial institutions comprise:

| | 2015 | | 2014 | |
|------------------------------|------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Current and savings accounts | | | | |
| Local banks | 2,194,284 | 8,886,850 | 87,281 | 355,670 |
| Overseas banks | - | - | 1,591,293 | 6,484,519 |
| Placements | 5,500,000 | 22,275,000 | 18,000,000 | 73,350,000 |
| | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 |

Current accounts maintained with local and overseas banks do not earn interest. Placements pertain to term deposits and earn interest at 5.20% per annum (2014: 3.10% per annum).

6. INVESTMENT SECURITIES

The Group and the Bank's investment securities comprise:

| | 2015 | | 2014 | |
|--------------------------|---------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Equity investment | 25,000 | 101,250 | 25,000 | 101,875 |
| Unquoted debt securities | - | - | 500,000 | 2,037,500 |
| | 25,000 | 101,250 | 525,000 | 2,139,375 |

Equity investment represents investment in Credit Bureau of Cambodia. Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. This investment is carried at original cost.

Unquoted debt securities pertain to corporate debt security from Cam Capital Specialized Bank. This investment has a term of 6 months with 6.50% interest rate per annum and was fully collected at the maturity date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. LOANS AND ADVANCES

The Group and the Bank's loans and advances are as follows:

| | 2015 | | 2014 | |
|--|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Term loans | 59,823,582 | 242,285,507 | 35,724,634 | 145,577,884 |
| Overdraft loans | 10,450,304 | 42,323,732 | 3,928,038 | 16,006,755 |
| Loans and advances - gross | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Allowance for losses on loans and advances | 1,794,355 | 7,267,138 | 1,837,070 | 7,486,061 |
| Loans and advances - net | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |

Further analyses of loans and advances follow:

(a) Movements of allowance for losses on loans and advances

| | 2015 | | 2014 | |
|---------------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Specific allowance: | | | | |
| Balance at beginning of year | 1,460,809 | 5,959,767 | 1,736,889 | 6,938,872 |
| Reversal during the year | (295,386) | (1,196,313) | (225,109) | (917,319) |
| Amounts written off | (60,061) | (243,247) | (50,971) | (207,707) |
| Foreign exchange difference | - | (43,491) | - | 138,951 |
| Balance at end of year | 1,105,362 | 4,476,716 | 1,460,809 | 5,952,797 |
| General allowance: | | | | |
| Balance at beginning of year | 376,261 | 1,533,264 | 355,412 | 1,419,871 |
| Provision during the year | 312,732 | 1,266,565 | 20,849 | 84,959 |
| Foreign exchange difference | - | (9,407) | - | 28,434 |
| Balance at end of year | 688,993 | 2,790,422 | 376,261 | 1,533,264 |
| Total allowance at end of year | 1,794,355 | 7,267,138 | 1,837,070 | 7,486,061 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. LOANS AND ADVANCES (continued)

(b) Grading of the loan portfolio and the related allowance for losses on loans and advances

| | 2015 | | 2014 | |
|---------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Normal loans: | | | | |
| Secured | 63,496,189 | 257,159,565 | 34,538,379 | 140,743,895 |
| Unsecured | 5,403,086 | 21,882,498 | 3,087,673 | 12,582,268 |
| Specially mention loans: | | | | |
| Secured | 268,298 | 1,086,607 | 346,346 | 1,411,360 |
| Unsecured | 2,847 | 11,530 | 34,646 | 141,182 |
| Substandard loans: | | | | |
| Secured | 4,927 | 19,954 | 165,873 | 675,932 |
| Unsecured | - | - | 32,121 | 130,893 |
| Doubtful loans: | | | | |
| Secured | - | - | 66,024 | 269,048 |
| Unsecured | 4,593 | 18,602 | 9,683 | 39,458 |
| Loss loans: | | | | |
| Secured | 898,380 | 3,638,439 | 1,089,854 | 4,441,156 |
| Unsecured | 195,566 | 792,044 | 282,073 | 1,149,447 |
| Total | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |

Refer to Note 30.2 on Credit risk for analysis of loans quality.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. LOANS AND ADVANCES (continued)

(c) Analysis of loan portfolio by industrial sector

| | 2015 | | 2014 | |
|--------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Financial sector: | | | | |
| Financial sector | 3,990,811 | 16,162,784 | 2,188,437 | 8,917,881 |
| Non-financial sector: | | | | |
| Real estate and renting activities | 20,389,112 | 82,575,902 | 8,567,662 | 34,913,223 |
| Wholesale and retail trades | 14,281,396 | 57,839,654 | 4,537,265 | 18,489,355 |
| Housing | 7,109,917 | 28,795,165 | 8,391,936 | 34,197,139 |
| Hotels and restaurants | 6,108,980 | 24,741,367 | 2,156,017 | 8,785,769 |
| Manufacturing | 5,665,565 | 22,945,537 | 2,757,500 | 11,236,813 |
| Agriculture | 1,272,033 | 5,151,735 | 320,803 | 1,307,272 |
| Utilities | 1,058,064 | 4,285,161 | 80,358 | 327,459 |
| Construction | 400,695 | 1,622,813 | 2,224,765 | 9,065,917 |
| Transport, storage and communication | 76,989 | 311,805 | - | - |
| Mining | 21,672 | 87,772 | - | - |
| Others | <u>9,898,652</u> | <u>40,089,544</u> | <u>8,427,929</u> | <u>34,343,811</u> |
| Total | <u>70,273,886</u> | <u>284,609,239</u> | <u>39,652,672</u> | <u>161,584,639</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. LOANS AND ADVANCES (continued)

(d) Analysis of loan portfolio by maturity

Refer to Note 31 on Liquidity analysis.

(e) Analyses of loan portfolio by residency, relationship, exposure and interest rates range

| | 2015 | | 2014 | |
|-------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Residence status: | | | | |
| Residents | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Nonresidents | - | - | - | - |
| | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Relationship: | | | | |
| Related parties | 1,100,000 | 4,455,000 | 1,845,000 | 7,518,375 |
| Non-related parties | 69,173,886 | 280,154,239 | 37,807,672 | 154,066,264 |
| | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Exposure: | | | | |
| Non-large | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Large | - | - | - | - |
| | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| | 2015 | | 2014 | |
| Annual interest rates: | | | | |
| Loans to borrowers | 7.00%-24.60% | | 7.00%-24.00% | |
| Staff loans | 6.00%-9.00% | | 6.00% | |

8. INVESTMENT IN SUBSIDIARY

This represents the Bank's 100% equity interest in HwangDBS Securities (Cambodia) Plc which was incorporated on 22 February 2010. The Subsidiary is a dormant company and did not commence its commercial operations. As at the date of this report, the Subsidiary is under liquidation..

The financial information of the Subsidiary as at and for the year ended 31 December 2015 follows:

| | US\$ (Unaudited) |
|------------------------------|---------------------|
| Cash in bank | 4,972,727 |
| Equity | 4,972,727 |
| Net loss for the year | 40 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

9. PROPERTY AND EQUIPMENT

Property and equipment of the Group and the Bank comprise:

| | Leasehold improvements US\$ | Office equipment US\$ | Furniture, fixtures and fittings US\$ | Computer equipment US\$ | Motor vehicles US\$ | Construction in progress US\$ | Total US\$ |
|--|-----------------------------------|-----------------------------|--|-------------------------------|---------------------------|-------------------------------------|------------------|
| Cost | | | | | | | |
| As at 1 January 2015 | 303,089 | 653,224 | 520,553 | 563,522 | 46,306 | 148,204 | 2,234,898 |
| Additions | 626,749 | 400,419 | 236,870 | 100,646 | - | 71,778 | 1,436,462 |
| Written off | (13,982) | - | (18,580) | (4,746) | - | - | (37,308) |
| Capitalisation | - | 67,650 | - | 4,624 | - | (109,405) | (37,131) |
| As at 31 December 2015 | 915,856 | 1,121,293 | 738,843 | 664,046 | 46,306 | 110,577 | 3,596,921 |
| Accumulated depreciation | | | | | | | |
| As at 1 January 2015 | 207,292 | 445,076 | 262,431 | 279,331 | 44,826 | - | 1,238,956 |
| Depreciation | 137,941 | 155,541 | 93,126 | 86,455 | 536 | - | 473,599 |
| Written off | (8,555) | - | (8,233) | - | - | - | (16,788) |
| As at 31 December 2015 | 336,678 | 600,617 | 347,324 | 365,786 | 45,362 | - | 1,695,767 |
| Net book value | | | | | | | |
| As at 31 December 2015 | 579,178 | 520,676 | 391,519 | 298,260 | 944 | 110,577 | 1,901,154 |
| As at 31 December 2014 | 95,797 | 208,148 | 258,122 | 284,191 | 1,480 | 148,204 | 995,942 |
| Equivalent in KHR'000 (Note 2.1) | | | | | | | |
| As at 31 December 2015 | 2,345,672 | 2,108,738 | 1,585,652 | 1,207,953 | 3,823 | 447,837 | 7,699,675 |
| As at 31 December 2014 | 390,375 | 848,203 | 1,051,847 | 1,158,078 | 6,031 | 603,931 | 4,058,465 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

10. SOFTWARE COSTS

Movements of Group and the Bank's software are as follows:

| | US\$ |
|--|----------------|
| Cost | |
| As at 1 January 2015 | 508,994 |
| Additions | 30,989 |
| Capitalisation from construction in progress | 37,131 |
| As at 31 December 2015 | 577,114 |
| Accumulated amortization | |
| As at 1 January 2015 | 397,262 |
| Amortization | 39,755 |
| As at 31 December 2015 | 437,017 |
| Net book value | |
| As at 31 December 2015 | 140,097 |
| As at 31 December 2014 | 111,732 |
| Equivalent in KHR'000 (Note 2.1) | |
| As at 31 December 2015 | 567,393 |
| As at 31 December 2014 | 455,308 |

11. OTHER ASSETS

Other assets of the Group and the Bank comprise:

| | 2015 | | 2014 | |
|----------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Deposits | 340,368 | 1,378,490 | 391,892 | 1,596,961 |
| Interest receivables | 86,873 | 351,836 | 103,491 | 421,726 |
| Prepayments | 81,920 | 331,776 | 112,550 | 458,639 |
| Other receivables | 19,029 | 77,067 | - | - |
| | 528,190 | 2,139,169 | 607,933 | 2,477,326 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

12. DEPOSITS FROM OTHER BANKS

The Group and the Bank's deposits from other banks comprise:

| | 2015 | | 2014 | |
|------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Current accounts | 2,477,889 | 10,035,450 | 803,844 | 3,275,664 |
| Term deposits | 12,644,400 | 51,209,820 | 12,544,400 | 51,118,430 |
| | 15,122,289 | 61,245,270 | 13,348,244 | 54,394,094 |

Annual interest rates on deposits by other banks follow:

| | 2015 | 2014 |
|------------------|-------------|-------------|
| Current accounts | 0.00%-2.00% | 0.00%-2.00% |
| Term deposits | 2.25%-5.50% | 2.20%-4.50% |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

13. DEPOSITS FROM CUSTOMERS

The Group and the Bank's deposits from customers are as follows:

| | Group | | | | Bank | | | |
|------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Demand deposits | 6,120,008 | 24,786,033 | 4,721,249 | 19,239,090 | 11,092,695 | 44,925,414 | 9,693,975 | 39,502,948 |
| Savings accounts | 3,878,974 | 15,709,845 | 4,065,115 | 16,565,344 | 3,878,974 | 15,709,845 | 4,065,115 | 16,565,344 |
| Term deposits | 31,866,631 | 129,059,856 | 18,110,479 | 73,800,202 | 31,866,631 | 129,059,856 | 18,110,479 | 73,800,202 |
| | 41,865,613 | 169,555,734 | 26,896,843 | 109,604,636 | 46,838,300 | 189,695,115 | 31,869,569 | 129,868,494 |

All deposits are maintained in US\$.

(i) Interest rates

Demand deposits in US\$ bear interest at 2.00% per annum. Savings deposits in US\$ bear interest at rates ranging from 1.00% to 2.15% per annum (2014: 1.00% to 1.75%).

Term deposits include deposits with terms of between one to twelve months and more than twelve months. Customers can withdraw term deposits before the due date upon negotiation with the Bank. Term deposits in US\$ bear interest at rates ranging from 2.25% to 7.00% per annum (2014: 2.20% to 4.50%).

(ii) Deposits from related parties

Refer to Note 29 on Related party transactions and balances.

(iii) Maturity analysis

Refer to Note 31 on Liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

14. INCOME TAX

Major components of income tax expense are as follows:

| | 2015 | | 2014 | |
|---------------------------|---------------|-------------------------------------|---------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Income tax expense | | | | |
| Current | 53,120 | 215,136 | 44,347 | 180,714 |
| Deferred | - | - | - | - |
| Income tax expense | 53,120 | 215,136 | 44,347 | 180,714 |

14.1 CURRENT INCOME TAX

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

Details of estimated income tax expense are as follows:

| | Group | | | | Bank | | | |
|---|---------------|-------------------------------------|---------------|-------------------------------------|---------------|-------------------------------------|---------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Accounting (loss) profit before income tax | (300,143) | (1,215,577) | 205,144 | 835,962 | (300,104) | (1,215,419) | 209,094 | 852,058 |
| Income tax expense (credit) at statutory tax rate, 20% | (60,029) | (243,115) | 41,029 | 167,192 | (60,021) | (243,084) | 41,819 | 170,411 |
| Tax effect of non-deductible expenses | 38,692 | 156,702 | 3,318 | 13,522 | 38,692 | 156,702 | 2,528 | 10,303 |
| Unrecognised deferred tax assets on loss carryover | 21,337 | 86,413 | - | - | 21,329 | 86,382 | - | - |
| Effect of minimum tax | 53,120 | 215,136 | - | - | 53,120 | 215,136 | - | - |
| Effective income tax | 53,120 | 215,136 | 44,347 | 180,714 | 53,120 | 215,136 | 44,347 | 180,714 |

The Bank's tax returns are subject to periodic 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. The Bank's tax returns up to the fiscal year 2013 have been finalized by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

14. INCOME TAX (continued)

14.1 CURRENT INCOME TAX (continued)

Details of movements of income tax payable are as follows:

| | 2015 | | 2014 | |
|-------------------------------|--------------|-------------------------------------|--------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Balance at beginning of year | 6,362 | 25,925 | 3,367 | 13,451 |
| Current income tax expense | 53,120 | 215,136 | 44,347 | 180,714 |
| Payments during the year | (53,329) | (215,982) | (41,352) | (168,509) |
| Foreign exchange difference | - | (159) | - | 269 |
| Balance at end of year | 6,153 | 24,920 | 6,362 | 25,925 |

14.2 TAX LOSSES CARRIED FORWARD

Tax losses can be carried forward and available for offset against taxable profit subsequent years for up to five (5) years from the originating year. In accordance with the Prakas on Tax on Profit, in order for the tax losses to be carried forward for a period of five (5) consecutive years and utilized against taxable profit in subsequent years, the following conditions should be met:

- Continuity of the business activity of the company;
- Continuity of the ownership of the company; and
- No tax unilateral reassessment on the tax losses made by the General Department of Taxation ("the GDT").

Tax loss is subject to assessment by the GDT and may not be utilized if one of the criteria mentioned above will not be met.

Details of tax loss carry-forward follow:

| Originating period | Can be utilized up to | Tax loss amount US\$ | Utilized up to 31 December 2015 US\$ | Unutilized up to 31 December 2015 US\$ |
|---------------------------|-----------------------|-------------------------|--|--|
| 2015 | 2020 | 106,645 | - | 106,645 |
| Total | | 106,645 | - | 106,645 |
| KHR'000 (Note 2.1) | | 431,912 | - | 431,912 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

14. INCOME TAX (continued)

14.3 DEFERRED INCOME TAX

Details of net deferred taxes of the Group and the Bank follow:

| | 2015 | | 2014 | |
|---|---------|-------------------------------------|---------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Deferred tax liability from property and equipment and Software | (6,598) | (26,722) | (3,328) | (13,562) |
| Deferred tax asset from general loan loss provision | 6,598 | 26,722 | 3,328 | 13,562 |
| Balance at end of year | - | - | - | - |

As at 31 December 2015, the Group and the Bank did not recognize deferred tax assets from general loan loss provision, accruals and tax loss carryover as management assesses that it is not certain to generate sufficient future taxable profit that can be utilized such a deferred tax asset. The deductible temporary difference for which no deferred tax asset is recognised amounted to US\$0.90 million or KHR3.64 billion (2014: US\$0.36 million or KHR1.47 billion) or a deferred tax asset equivalent of US\$0.18 million or KHR0.29 billion (2014: US\$0.07 million or KHR0.73 billion).

15. BORROWINGS

This represents short-term borrowing from Phillip Finance Limited, an affiliate. The borrowing is for one month and bears interest at 3.5% per annum. The Bank fully repaid the loan on 11 January 2016.

16. OTHER LIABILITIES

| | 2015 | | 2014 | |
|--------------------------|------------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Banker's cheques | 740,334 | 2,998,353 | 30 | 122 |
| Accrued interest payable | 629,559 | 2,549,714 | 397,811 | 1,621,080 |
| Accounts payable | 295,010 | 1,194,790 | 172,461 | 702,779 |
| Other taxes payable | 31,432 | 127,300 | 7,239 | 29,499 |
| | 1,696,335 | 6,870,157 | 577,541 | 2,353,480 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

17. PAID-UP CAPITAL

(a) Details of paid-up capital

| | 2015 | | 2014 | |
|--|------------|-------------------------------------|------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Issued and fully paid, 41,000,000 ordinary shares at par value of US\$1 per share: | | | | |
| Beginning of the year | 40,000,000 | 163,000,000 | 40,000,000 | 159,800,000 |
| Capital contribution | 1,000,000 | 4,050,000 | - | - |
| Translation differences | - | (1,000,000) | - | 3,200,000 |
| Balance at end of year | 41,000,000 | 166,050,000 | 40,000,000 | 163,000,000 |

In June 2015, Phillip MFIs Pte Ltd contributed additional capital amounting to US\$1.00 million which was approved by the NBC on 9 September 2015.

(b) Capital guarantee

The capital guarantee of 10% of registered capital amounting to US\$4.10 million (2014: US\$4.00 million) is maintained with the NBC, as disclosed in Note 4.

18. INTEREST INCOME

The Group and the Bank's interest income arise from:

| | 2015 | | 2014 | |
|----------|-----------|-------------------------------------|-----------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Lending | 4,563,195 | 18,480,940 | 3,529,272 | 14,381,782 |
| Deposits | 305,401 | 1,236,874 | 330,396 | 1,346,365 |
| | 4,868,596 | 19,717,814 | 3,859,668 | 15,728,147 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

19. INTEREST EXPENSE

The Group and the Bank's interest expense arise from:

| | 2015 | | 2014 | |
|------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Term deposits | 1,765,734 | 7,151,221 | 986,379 | 4,019,494 |
| Savings accounts | 51,850 | 209,993 | 20,405 | 83,150 |
| Current accounts | 129,245 | 523,442 | 20,160 | 82,152 |
| | 1,946,829 | 7,884,656 | 1,026,944 | 4,184,796 |

20. FEES AND COMMISSION INCOME

The Group and the Bank's fees and commission income arise from:

| | Group | | | | Bank | | | |
|----------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Loan processing fees | 379,019 | 1,535,026 | 148,042 | 603,271 | 379,019 | 1,535,026 | 148,042 | 603,271 |
| Loan commitment fees | 39,595 | 160,360 | 31,384 | 127,890 | 39,595 | 160,360 | 31,384 | 127,890 |
| Others | 257,870 | 1,044,374 | 136,756 | 557,281 | 260,191 | 1,053,774 | 136,766 | 557,321 |
| | 676,484 | 2,739,760 | 316,182 | 1,288,442 | 678,805 | 2,749,160 | 316,192 | 1,288,482 |

21. OTHER OPERATING INCOME

Other operating income comprises mainly of recovery of loans previously written-off, gain on disposal of fixed assets and miscellaneous income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

22. PERSONNEL EXPENSES

The Group and the Bank's personnel expenses comprise:

| | 2015 | | 2014 | |
|--------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Salaries and wages | 1,412,079 | 5,718,921 | 1,138,447 | 4,639,172 |
| Others | 234,047 | 947,889 | 290,631 | 1,184,321 |
| | 1,646,126 | 6,666,810 | 1,429,078 | 5,823,493 |

23. ESTABLISHMENT-RELATED COSTS

The Group and the Bank's establishment-related costs comprise:

| | 2015 | | 2014 | |
|-------------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Rental | 391,016 | 1,583,615 | 314,481 | 1,281,511 |
| Repairs and maintenance | 274,625 | 1,112,231 | 199,348 | 812,343 |
| Utilities | 108,531 | 439,551 | 80,673 | 328,742 |
| Others | 90,403 | 366,132 | 45,242 | 184,361 |
| | 864,575 | 3,501,529 | 639,744 | 2,606,957 |

24. DEPRECIATION AND AMORTIZATION

The breakdown of the Group and the Bank's depreciation and amortization is as follows:

| | 2015 | | 2014 | |
|------------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Depreciation (Note 9) | 473,599 | 1,918,076 | 256,500 | 1,045,238 |
| Amortization (Note 10) | 39,755 | 161,008 | 55,570 | 226,447 |
| | 513,354 | 2,079,084 | 312,070 | 1,271,685 |

25. PROMOTION AND MARKETING

The Group and the Bank's promotion and marketing comprise:

| | 2015 | | 2014 | |
|-------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Marketing | 141,062 | 571,301 | 122,315 | 498,434 |
| Advertising | 16,392 | 66,388 | 18,279 | 74,487 |
| Others | 8,685 | 35,174 | 5,706 | 23,252 |
| | 166,139 | 672,863 | 146,300 | 596,173 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

26. GENERAL AND ADMINISTRATIVE EXPENSES

The Group and the Bank's general and administrative expenses comprise:

| | Group | | | | Bank | | | |
|--|----------------|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| License fees | 168,529 | 682,542 | 118,217 | 481,734 | 168,529 | 682,542 | 118,217 | 481,734 |
| Duties and taxes | 132,230 | 535,532 | 128,600 | 524,046 | 132,230 | 535,532 | 128,011 | 521,645 |
| Legal and professional fees | 122,697 | 496,923 | 92,753 | 377,968 | 122,697 | 496,923 | 89,953 | 366,558 |
| Travelling and accommodation | 41,959 | 169,933 | 37,830 | 154,157 | 41,959 | 169,933 | 37,830 | 154,157 |
| Communication | 38,068 | 154,175 | 36,269 | 147,796 | 38,068 | 154,175 | 36,269 | 147,796 |
| Insurance | 37,230 | 150,782 | 38,007 | 154,879 | 37,230 | 150,782 | 38,007 | 154,879 |
| Stationeries and printing | 28,462 | 115,271 | 46,489 | 189,443 | 28,462 | 115,271 | 46,489 | 189,443 |
| Directors' fees and meeting allowances | 24,000 | 97,200 | 33,719 | 137,405 | 24,000 | 97,200 | 33,719 | 137,405 |
| Others | 120,533 | 488,159 | 92,617 | 377,414 | 120,533 | 488,159 | 92,066 | 375,169 |
| | 713,708 | 2,890,517 | 624,501 | 2,544,842 | 713,708 | 2,890,517 | 620,561 | 2,528,786 |

Others comprise mainly membership fees, charitable donations, publication and subscription, and penalties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. NET CASH FROM OPERATING ACTIVITIES

For the year ended 31 December 2015

| | Group | | Bank | | | | | |
|--|---------------------|-------------------------------------|------------------|-------------------------------------|---------------------|-------------------------------------|------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | | | | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | | |
| (Loss) profit before income tax | (300,143) | (1,215,577) | 205,144 | 835,962 | (300,104) | (1,215,419) | 209,094 | 852,058 |
| Adjustments for: | | | | | | | | |
| Depreciation and amortization | 513,354 | 2,079,084 | 312,070 | 1,271,685 | 513,354 | 2,079,084 | 312,070 | 1,271,685 |
| Loss on disposals of property and equipment | 15,568 | 63,440 | 17,977 | 73,256 | 15,568 | 63,440 | 17,977 | 73,256 |
| Income tax paid | (53,329) | (215,982) | (41,352) | (168,509) | (53,329) | (215,982) | (41,352) | (168,509) |
| Cash from operating activities before changes in operating assets and liabilities | 175,450 | 710,965 | 493,839 | 2,012,394 | 175,489 | 711,123 | 497,789 | 2,028,490 |
| Decrease (increase) in operating assets: | | | | | | | | |
| Balances with the NBC | (2,465,000) | (10,044,875) | (1,855,000) | (7,559,125) | (2,465,000) | (10,044,875) | (1,855,000) | (7,559,125) |
| Balances and placements with other banks and financial institutions | 3,000,000 | 12,225,000 | (7,000,000) | (28,525,000) | 3,000,000 | 12,225,000 | (7,000,000) | (28,525,000) |
| Loans and advances | (30,663,929) | (124,955,511) | (1,895,319) | (7,723,425) | (30,663,929) | (124,955,511) | (1,895,319) | (7,723,425) |
| Other assets | 79,743 | 324,953 | (341,272) | (1,390,683) | 79,743 | 324,953 | (341,272) | (1,390,683) |
| Increase (decrease) in operating liabilities: | | | | | | | | |
| Deposits by other banks | 1,774,045 | 7,229,233 | (7,437,311) | (30,307,042) | 1,774,045 | 7,229,233 | (7,437,311) | (30,307,042) |
| Deposits from customers | 14,968,770 | 60,997,737 | 20,991,553 | 85,540,578 | 14,968,731 | 60,997,579 | 20,987,603 | 85,524,482 |
| Other liabilities | 1,118,794 | 4,559,086 | 192,484 | 784,372 | 1,118,794 | 4,559,086 | 192,484 | 784,372 |
| Net cash (used in) generated from operating activities | (12,012,127) | (48,953,412) | 3,148,974 | 12,832,069 | (12,012,127) | (48,953,412) | 3,148,974 | 12,832,069 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

28. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

Details of the Group and the Bank's future minimum lease payments under a noncancellable operating lease arrangement are as follows:

| | 2015 | | 2014 | |
|-----------------------------|------------------|-------------------------------------|----------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Not later than one year | 349,740 | 1,416,447 | 100,600 | 409,945 |
| From one year but not later | | | | |
| than five years | 1,240,230 | 5,022,932 | 186,090 | 758,317 |
| Over five years | 1,643,580 | 6,656,499 | - | - |
| | 3,233,550 | 13,095,878 | 286,690 | 1,168,262 |

(b) Lending commitments

| | 2015 | | 2014 | |
|-----------------------------|------------------|-------------------------------------|------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Unused portion of overdraft | 4,193,194 | 17,087,266 | 4,794,132 | 19,536,087 |
| Undrawn credit facilities | 2,196,000 | 8,948,700 | 2,090,700 | 8,519,603 |
| Bank guarantees | 2,690,200 | 10,962,565 | 125,400 | 511,005 |
| | 9,079,394 | 36,998,531 | 7,010,232 | 28,566,695 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

29. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the year, which were made at normal terms and conditions, and the resulting outstanding balances as at year end were as follows:

| Related party | Nature of transaction | Net transaction amount | | Net outstanding balance | | | |
|--|-----------------------------------|------------------------|-------------------------------------|-------------------------|-------------------------------------|-----------|-------------------------------------|
| | | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| BOD, shareholder and key management personnel | Deposits from | | | | | | |
| | customers | 88,362 | 360,075 | 88,362 | 360,075 | 195,009 | 794,662 |
| | Interest expense | 4,419 | 17,898 | 4,419 | 17,898 | 6,558 | 6,558 |
| Key management personnel | Remuneration and benefits | 154,148 | 624,299 | 154,148 | 624,299 | 466,448 | 1,900,775 |
| Subsidiary | Deposits | 4,972,686 | 20,263,695 | 4,972,686 | 20,263,695 | 4,972,726 | 20,263,858 |
| Affiliates | Loans | 1,100,000 | 4,455,000 | 1,100,000 | 4,455,000 | 1,845,000 | 7,518,375 |
| | Bank balances | 299,006 | 1,218,449 | 299,006 | 1,218,449 | 750,999 | 3,060,322 |
| | Interest expense | 499 | 2,020 | 499 | 2,020 | 6,434 | 26,219 |
| | Interest income and fee income | 131,398 | 532,162 | 131,398 | 532,162 | 170,206 | 693,589 |

30. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure. A primary objective of the Group in risk management is to comply with NBC's regulations. On the other hand, the Bank has recognized the importance of achieving international best practices on risk management. The BOD has established a Credit Committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

The Group and the Bank hold the following financial assets and liabilities:

| | Group | | | | Bank | | | |
|---|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Financial assets | | | | | | | | |
| Cash on hand | 4,151,034 | 16,811,688 | 2,849,474 | 11,611,607 | 4,151,034 | 16,811,688 | 2,849,474 | 11,611,607 |
| Balances with the NBC | 7,693,900 | 31,160,295 | 8,985,796 | 36,617,119 | 7,693,900 | 31,160,295 | 8,985,796 | 36,617,119 |
| Balances and placements with other banks and financial institutions | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 |
| Loans and advances | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |
| Investment securities | 25,000 | 101,250 | 525,000 | 2,139,375 | 25,000 | 101,250 | 525,000 | 2,139,375 |
| Other assets | 427,241 | 1,730,326 | 495,383 | 2,018,686 | 427,241 | 1,730,326 | 495,383 | 2,018,686 |
| Total financial assets | 88,470,990 | 358,307,510 | 70,349,829 | 286,675,554 | 88,470,990 | 358,307,510 | 70,349,829 | 286,675,554 |
| Financial liabilities | | | | | | | | |
| Deposits by other banks | 15,122,289 | 61,245,270 | 13,348,244 | 54,394,094 | 15,122,289 | 61,245,270 | 13,348,244 | 54,394,094 |
| Deposits from customers | 41,865,613 | 169,555,734 | 26,896,843 | 109,604,636 | 46,838,300 | 189,695,115 | 31,869,569 | 129,868,494 |
| Borrowings | 3,000,000 | 12,150,000 | - | - | 3,000,000 | 12,150,000 | - | - |
| Other liabilities | 1,664,903 | 6,742,857 | 570,303 | 2,323,985 | 1,664,903 | 6,742,857 | 570,303 | 2,323,985 |
| Total financial liabilities | 61,652,805 | 249,693,861 | 40,815,390 | 166,322,715 | 66,625,492 | 269,833,242 | 45,788,116 | 186,586,573 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong financial position and healthy capital ratios to support its business and to maximize shareholders' value. The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

As at 31 December 2015, the Bank is compliant with the solvency ratio prescribed by the NBC at 15%, as shown in the table below:

| | Group | | | | Bank | | | |
|----------------------------|---------------|-------------------------------------|---------------|-------------------------------------|---------------|-------------------------------------|---------------|-------------------------------------|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Tier I capital | 37,713,303 | 152,738,879 | 36,349,931 | 148,125,969 | 37,740,616 | 152,849,497 | 36,377,205 | 148,237,110 |
| Tier II capital | 688,993 | 2,790,422 | 376,261 | 1,533,264 | 688,993 | 2,790,422 | 376,261 | 1,533,264 |
| Net worth | 38,402,296 | 155,529,301 | 36,726,192 | 149,659,233 | 38,429,609 | 155,639,919 | 36,753,466 | 149,770,374 |
| Total risk-weighted assets | 78,626,159 | 318,435,944 | 60,249,016 | 245,514,740 | 83,626,159 | 338,685,944 | 65,249,016 | 265,889,740 |
| Solvency ratio | 48.84% | 48.84% | 60.96% | 60.96% | 45.95% | 45.95% | 56.33% | 56.33% |

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Bank has complied with all externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 CREDIT RISK

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group'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 Group's local credit committee.

(a) Credit risk measurement

The Group assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies. Risk ratings are reviewed and updated at least annually, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction

(b) Risk limit control and mitigation policies

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

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

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

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

(c) Impairment and provisioning policy

The Group is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas as disclosed in Note 2.3.5.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 CREDIT RISK (continued)

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

Details of maximum exposure to credit risk before collateral held or other credit enhancements of the Group and the Bank follow:

| | 2015 | | 2014 | |
|---|------------|-------------------------------------|------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Balances with the NBC | 7,693,900 | 31,160,295 | 8,985,796 | 36,617,119 |
| Balances and placements with other banks and financial institutions | 7,694,284 | 31,161,850 | 19,678,574 | 80,190,189 |
| Loans and advances | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |
| Investment securities | 25,000 | 101,250 | 525,000 | 2,139,375 |
| Other assets | 427,241 | 1,730,326 | 495,383 | 2,018,686 |
| | 84,319,956 | 341,495,822 | 67,500,355 | 275,063,947 |

The credit exposure amounts arising from off balance sheet items are disclosed in Note 28 on Commitments and Contingencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 CREDIT RISK (continued)

71

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

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

The Group monitors concentration of credit risk of counterparty by industry. An analysis of concentration of the Group and the Bank's credit risk as at the balance sheet date is shown below:

| | 2015 | | | | | |
|--|----------------------------|--|-------------------------|----------------------------|------------------|--------------------|
| | Balances with the NBC US\$ | Balances and placements with other banks and financial institutions US\$ | Loans and advances US\$ | Investment securities US\$ | Other US\$ | Total US\$ |
| Financial intermediaries | 7,693,900 | 7,694,284 | 1,596,456 | 25,000 | 86,873 | 17,696,513 |
| Manufacturing | - | - | 5,665,565 | - | - | 5,665,565 |
| Retail trade | - | - | 14,281,396 | - | - | 14,281,396 |
| Others - community, social and personal activities | - | - | 46,936,114 | - | 340,368 | 47,276,482 |
| | 7,693,900 | 7,694,284 | 68,479,531 | 25,000 | 427,241 | 84,919,956 |
| Equivalent in KHR'000 (Note 2.1) | 31,160,295 | 31,161,850 | 277,342,101 | 101,250 | 1,730,326 | 341,495,822 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 CREDIT RISK (continued)

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

| | 2014 | | | | | |
|--|----------------------------|--|-------------------------|----------------------------|------------------|--------------------|
| | Balances with the NBC US\$ | Balances and placements with other banks and financial institutions US\$ | Loans and advances US\$ | Investment securities US\$ | Other US\$ | Total US\$ |
| Financial intermediaries | 8,985,796 | 19,678,574 | 2,166,552 | 525,000 | 103,491 | 31,459,413 |
| Manufacturing | - | - | 2,705,751 | - | - | 2,705,751 |
| Retail trade | - | - | 4,352,538 | - | - | 4,352,538 |
| Others - community, social and personal activities | - | - | 28,590,761 | - | 391,892 | 28,982,653 |
| | 8,985,796 | 19,678,574 | 37,815,602 | 525,000 | 495,383 | 67,500,355 |
| Equivalent in KHR'000 (Note 2.1) | 36,617,119 | 80,190,189 | 154,098,578 | 2,139,375 | 2,018,686 | 275,063,947 |

(f) Loans and advances

Credit quality of the loans and advances of the Group and the Bank are summarized as follows:

| | 2015 | | 2014 | |
|--|-------------------|-------------------------------|-------------------|-------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Loans and advances neither past due nor impaired (i) | 67,912,028 | 275,043,715 | 36,874,424 | 150,263,278 |
| Loans and advances past due but not impaired (ii) | 1,258,391 | 5,096,485 | 1,132,620 | 4,615,427 |
| Loans and advances past due but not impaired (iii) | 1,103,467 | 4,469,039 | 1,645,628 | 6,705,934 |
| Loans and advance - gross | 70,273,886 | 284,609,239 | 39,652,672 | 161,584,639 |
| Less: Allowance for losses on loans and advances | (1,794,355) | (7,267,138) | (1,837,070) | (7,486,061) |
| Loans and advances - net | 68,479,531 | 277,342,101 | 37,815,602 | 154,098,578 |

(i) Loans and advances neither past due nor impaired

These are loans and advances that incurred no arrears for the last six months.

(ii) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 CREDIT RISK (continued)

(iii) Loans and advances individually impaired

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.

(g) Repossessed collateral

During the year, the Bank has not repossessed any collateral held as security.

30.3 MARKET RISK

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

(i) Foreign exchange risk

The Group operates in the Kingdom of Cambodia and is exposed to various currency risks primarily with respect to Khmer Riel and US\$.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Group's functional currency.

As at 31 December 2015, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Price risk

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

(iii) Interest rate risk

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 Group 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, management regularly monitors the mismatch.

The Group has no significant financial assets and liabilities with floating interest rates. Balances with the NBC, balances and placements with other banks and financial institutions, and loans and advances earn fixed interest for the period of the deposit and deposits by other banks. Deposits from other banks and customers have fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 LIQUIDITY RISK

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

The table in Note 31 is an analysis of the assets and liabilities of the Group by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

30.5 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 Group's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

31. LIQUIDITY RISK

Maturity profile of the Group and the Bank's financial assets and liabilities based on the remaining periods to repayment date including analysis of undiscounted future interest is as follows.

| | Group | | | | | | | Total US\$ |
|---|--------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------|-----------------------------------|--------------------|
| | 2015 | | | | | | | |
| | Up to 1 month US\$ | >1-3 months US\$ | >3-6 months US\$ | >6-12 months US\$ | >1 to 5 years US\$ | Over 5 years US\$ | No fixed maturity date US\$ | |
| Financial assets | | | | | | | | |
| Cash on hand | 4,151,034 | - | - | - | - | - | - | 4,151,034 |
| Balances with the NBC | 7,693,900 | - | - | - | - | - | - | 7,693,900 |
| Balances and placements with other banks and financial institutions | 5,194,284 | 2,500,000 | - | - | - | - | - | 7,694,284 |
| Investment securities | - | - | - | - | - | - | 25,000 | 25,000 |
| Loans and advances | 11,365,284 | 1,892,573 | 3,318,464 | 7,015,717 | 41,037,422 | 26,916,021 | 1,521,693 | 93,067,174 |
| Other assets | 86,873 | - | - | - | - | - | 4,880 | 91,753 |
| Total financial assets | 28,491,375 | 4,392,573 | 3,318,464 | 7,015,717 | 41,037,422 | 26,916,021 | 1,551,573 | 112,723,145 |
| Financial liabilities | | | | | | | | |
| Deposits by other banks | 4,488,444 | 4,655,676 | 2,011,556 | 4,061,417 | - | - | - | 15,217,093 |
| Deposits from customers | 13,558,923 | 2,133,025 | 5,243,453 | 12,671,030 | 8,791,057 | - | - | 42,397,488 |
| Borrowings | 3,008,750 | - | - | - | - | - | - | 3,008,750 |
| Other liabilities | 1,372,844 | 217,920 | - | - | 74,139 | - | - | 1,664,903 |
| Total financial liabilities | 22,428,961 | 7,006,621 | 7,255,009 | 16,732,447 | 8,865,196 | - | - | 62,288,234 |
| Net liquidity surplus (gap) | 6,062,414 | (2,614,048) | (3,936,545) | (9,716,730) | 32,172,226 | 26,916,021 | 1,551,573 | 50,434,911 |
| Equivalent in KHR'000 (Note 2.1) | 24,552,777 | (10,586,894) | (15,943,007) | (39,352,757) | 130,297,515 | 109,009,885 | 6,283,871 | 204,261,390 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

31. LIQUIDITY RISK (continued)

| | Bank | | | | | | | Total US\$ |
|---|--------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------|-----------------------------------|--------------------|
| | 2015 | | | | | | | |
| | Up to 1 month US\$ | >1-3 months US\$ | >3-6 months US\$ | >6-12 months US\$ | >1 to 5 years US\$ | Over 5 years US\$ | No fixed maturity date US\$ | |
| Financial assets | | | | | | | | |
| Cash on hand | 4,151,034 | - | - | - | - | - | - | 4,151,034 |
| Balances with the NBC | 7,693,900 | - | - | - | - | - | - | 7,693,900 |
| Balances and placements with other banks and financial institutions | 5,194,284 | 2,500,000 | - | - | - | - | - | 7,694,284 |
| Investment securities | - | - | - | - | - | - | 25,000 | 25,000 |
| Loans and advances | 11,365,284 | 1,892,573 | 3,318,464 | 7,015,717 | 41,037,422 | 26,916,021 | 1,521,693 | 93,067,174 |
| Other assets | 86,873 | - | - | - | - | - | 4,880 | 91,753 |
| Total financial assets | 28,491,375 | 4,392,573 | 3,318,464 | 7,015,717 | 41,037,422 | 26,916,021 | 1,551,573 | 112,723,145 |
| Financial liabilities | | | | | | | | |
| Deposits by other banks | 4,488,444 | 4,655,676 | 2,011,556 | 4,061,417 | - | - | - | 15,217,093 |
| Deposits from customers | 18,531,609 | 2,133,025 | 5,243,453 | 12,671,030 | 8,791,057 | - | - | 47,370,174 |
| Borrowings | 3,008,750 | - | - | - | - | - | - | 3,008,750 |
| Other liabilities | 1,372,844 | 217,920 | - | - | 74,139 | - | - | 1,664,903 |
| Total financial liabilities | 27,401,647 | 7,006,621 | 7,255,009 | 16,732,447 | 8,865,196 | - | - | 67,260,920 |
| Net liquidity surplus (gap) | 1,089,728 | (2,614,048) | (3,936,545) | (9,716,730) | 32,172,226 | 26,916,021 | 1,551,573 | 45,462,225 |
| Equivalent in KHR'000 (Note 2.1) | 4,413,398 | (10,586,894) | (15,943,007) | (39,352,757) | 130,297,515 | 109,009,885 | 6,283,871 | 184,122,011 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

31. LIQUIDITY RISK (continued)

| | Group | | | | | | | Total US\$ |
|---|--------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------|-----------------------------------|--------------------|
| | 2014 | | | | | | | |
| | Up to 1 month US\$ | >1-3 months US\$ | >3-6 months US\$ | >6-12 months US\$ | >1 to 5 years US\$ | Over 5 years US\$ | No fixed maturity date US\$ | |
| Financial assets | | | | | | | | |
| Cash on hand | 2,849,474 | - | - | - | - | - | - | 2,849,474 |
| Balances with the NBC | 8,985,796 | - | - | - | - | - | - | 8,985,796 |
| Balances and placements with other banks and financial institutions | 5,178,574 | 14,500,000 | - | - | - | - | - | 19,678,574 |
| Investment securities | - | - | 500,628 | - | - | - | 25,000 | 525,628 |
| Loans and advances | 4,541,655 | 1,389,625 | 2,076,490 | 3,968,779 | 31,447,316 | 4,216,261 | - | 47,640,126 |
| Other assets | 63,127 | 128,936 | 11,400 | 186,090 | - | - | 105,202 | 494,755 |
| Total financial assets | 21,618,626 | 16,018,561 | 2,588,518 | 4,154,869 | 31,447,316 | 4,216,261 | 130,202 | 80,174,353 |
| Financial liabilities | | | | | | | | |
| Deposits by other banks | 2,804,955 | 7,065,029 | - | 3,571,411 | - | - | - | 13,441,395 |
| Deposits from customers | 12,567,934 | 1,305,639 | - | 11,998,253 | 1,122,833 | - | - | 26,994,659 |
| Other liabilities | 78,629 | 62,771 | 46,386 | 354,963 | - | - | - | 542,749 |
| Total financial liabilities | 15,451,518 | 8,433,439 | 46,386 | 15,924,627 | 1,122,833 | - | - | 40,978,803 |
| Net liquidity surplus (gap) | 6,167,108 | 7,585,122 | 2,542,132 | (11,769,758) | 30,324,483 | 4,216,261 | 130,202 | 39,195,550 |
| Equivalent in KHR'000 (Note 2.1) | 25,130,963 | 30,909,374 | 10,359,189 | (47,961,763) | 123,572,266 | 17,181,263 | 530,573 | 159,721,865 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

31. LIQUIDITY RISK (continued)

| | Bank | | | | | | | Total US\$ |
|---|--------------------------|------------------------|------------------------|-------------------------|--------------------------|-------------------------|-----------------------------------|--------------------|
| | 2014 | | | | | | | |
| | Up to 1 month US\$ | >1-3 months US\$ | >3-6 months US\$ | >6-12 months US\$ | >1 to 5 years US\$ | Over 5 years US\$ | No fixed maturity date US\$ | |
| Financial assets | | | | | | | | |
| Cash on hand | 2,849,474 | - | - | - | - | - | - | 2,849,474 |
| Balances with the NBC | 8,985,796 | - | - | - | - | - | - | 8,985,796 |
| Balances and placements with other banks and financial institutions | 5,178,574 | 14,500,000 | - | - | - | - | - | 19,678,574 |
| Investment securities | - | - | 500,628 | - | - | - | 25,000 | 525,628 |
| Loans and advances | 4,541,655 | 1,389,625 | 2,076,490 | 3,968,779 | 31,447,316 | 4,216,261 | - | 47,640,126 |
| Other assets | 63,127 | 128,936 | 11,400 | 186,090 | - | - | 105,202 | 494,755 |
| Total financial assets | 21,618,626 | 16,018,561 | 2,588,518 | 4,154,869 | 31,447,316 | 4,216,261 | 130,202 | 80,174,353 |
| Financial liabilities | | | | | | | | |
| Deposits by other banks | 2,804,955 | 7,065,029 | - | 3,571,411 | - | - | - | 13,441,395 |
| Deposits from customers | 17,540,660 | 1,305,639 | - | 11,998,253 | 1,122,833 | - | - | 31,967,385 |
| Other liabilities | 78,629 | 62,771 | 46,386 | 354,963 | - | - | - | 542,749 |
| Total financial liabilities | 20,424,244 | 8,433,439 | 46,386 | 15,924,627 | 1,122,833 | - | - | 45,951,529 |
| Net liquidity surplus (gap) | 1,194,382 | 7,585,122 | 2,542,132 | (11,769,758) | 30,324,483 | 4,216,261 | 130,202 | 34,222,824 |
| Equivalent in KHR'000 (Note 2.1) | 4,867,104 | 30,909,374 | 10,359,189 | (47,961,763) | 123,572,266 | 17,181,263 | 530,572 | 139,458,005 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

32. 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 Group as at 31 December 2015.

33. TAX CONTINGENCY

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank and its subsidiary could be significant.

