

ANNUAL  
REPORT  
2016

ANZ ROYAL:  
CAMBODIA'S LEADING  
INTERNATIONAL BANK

**ANZ**  **Royal**

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# OUR VALUES



# ANZ ROYAL BACKGROUND

## ANZ GROUP

ANZ's history dates back over 180 years. We are committed to building lasting partnerships with our customers, shareholders and communities in 34 markets in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East.

ANZ provides a range of institutional, commercial, retail, wealth management and private banking solutions to around 10 million customers and employs 50,000 people worldwide. ANZ's global connections and deep local insights provide customers access to Asia Pacific's expanding trade and investment flows, supporting their domestic requirements and connecting them with ANZ's global expertise.

## ANZ ROYAL (CAMBODIA)

ANZ Royal has operated in Cambodia since September 2005. The bank is a joint venture between Australia and New Zealand Banking Group Limited (ANZ), one of the largest banks in the world, and the Royal Group of Companies (RGC), one of Cambodia's largest conglomerates. ANZ holds 55% of ANZ Royal; the remaining 45% is owned by RGC.

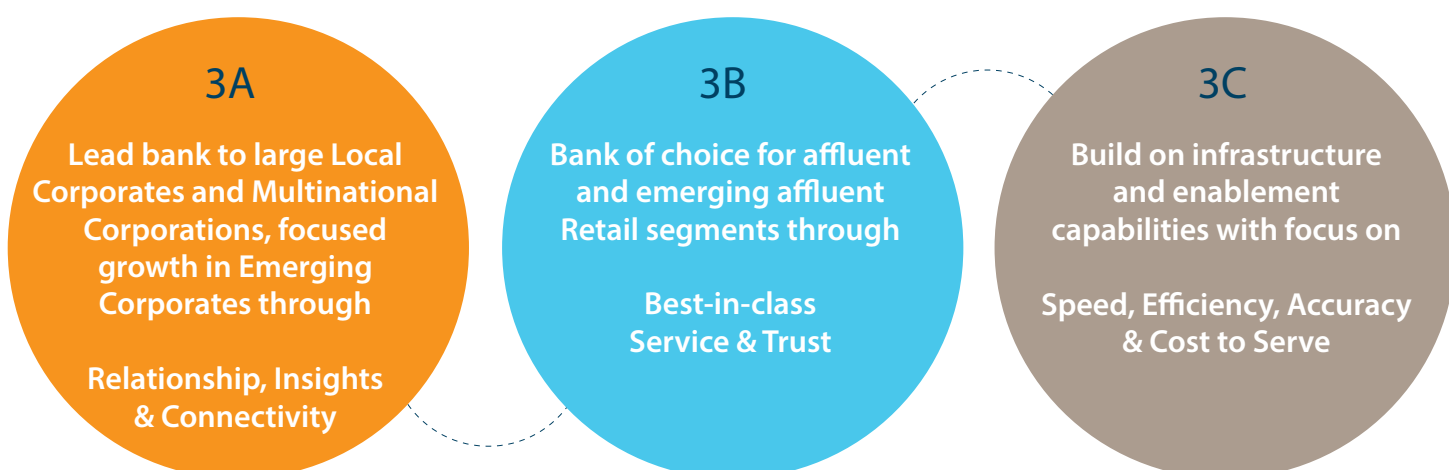
ANZ Royal has revolutionised the Cambodian financial market since its opening, providing a wide range of functionality for Cambodians' banking experience.

## KEY AWARDS AND RECOGNITION

 <b>(2006, 2011 &amp; 2013)</b> Bank of the Year	The Financial Times, The Banker Magazine
 <b>(2007)</b> Financial Insights Innovation Award (FIIA)	The Financial Insights Asia Pacific Group
 <b>(2009)</b> Asia Deal of the Year (CamGSM)	TelecomFinance
 <b>(2013)</b> Home Lender of the Year	Cambodian Banker
 <b>(2013)</b> Runner-up for the Top Ranking Performers in the Contact Centre World - Best Small Call Centre in Asia Pacific <b>(2014)</b> Bronze for the Top Ranking Performers in the Contact Centre World - Best Small Call Centre in Asia Pacific	Contact Centre World – The Global Association for Contact Centre Best Practice & Networking
 <b>(2013 &amp; 2014)</b> Most Outstanding Performing Foreign Bank	IDG - The Cambodian Banking & MFI Awards
 <b>(2014 &amp; 2015)</b> Best Trade Finance Bank in Cambodia	Global Finance Magazine
 <b>(2015)</b> Fastest Growing Bank (Retail), Cambodia <b>(2016)</b> Best Foreign Retail Bank Cambodia	International Finance Magazine

# ANZ ROYAL STRATEGY ON A PAGE

1	OUR PURPOSE	TO HELP CUSTOMERS SUCCEED AND PROSPER
2	OUR ASPIRATION: CAMBODIA'S GREAT INTERNATIONAL BANK	<p><b>HOW WE WANT STAKEHOLDERS TO SEE US</b></p> <p><b>Shareholders:</b> Sustainable, above hurdle return    <b>Regulator:</b> Compliant, most respected  <b>Customers:</b> Lead bank status, best service    <b>Community:</b> Most respected  <b>Staff:</b> Employer of choice, engaged</p>
3	OUR STRATEGY	To better meet the needs of our target customers, and deliver a superior experience, by utilising the strength of our people, product and platform capabilities, along with 'super-regional connectivity'



4	DISCIPLINED RISK MANAGEMENT	<ul style="list-style-type: none"> <li>• Risk as everyone's responsibility</li> <li>• We take additional risk by growing where we choose to play, not by becoming a riskier bank</li> </ul>
5	THE BEST PEOPLE	<ul style="list-style-type: none"> <li>• The best-trained, best-connected and most respected bankers in the market</li> <li>• High-performing, with incentives linked to delivery</li> <li>• Stringent adherence to the ICARE Values</li> </ul>

# CEO'S REPORT

## PERFORMANCE

The 2016 fiscal year was a year of strong progress against our long-term vision of creating the 'Great International Bank of Cambodia' as we continued to deliver on strategy, despite an ever-evolving market and increasing competition.

This year marked our highest ever recorded profit after provisions and tax, up by around 36 per cent year on year, partly driven by the recovery of provisions. Overall, our revenue line contracted slightly, while we worked on portfolio quality to improve returns and better serve our target customers.

We are a trusted partner to our clients, as we continue to connect them with growing inbound and outbound opportunities leveraging ANZ's global footprint, professionalism, deep capability and unique insights. This year, we successfully executed two of Cambodia's first corporate syndication deals, and continue to lead in the Institutional space with capabilities, such as our host-to-host platform, and leading capital-markets products. We have continued to bring new banking solutions to support business growth and the development of the country.

In Retail, we have planned investments to grow our Home Loan offering, upgrade our ATM fleet, and refurbish existing branches across Cambodia to continue delivery of our quality service.

Deposit volume remains relatively high reflecting both strong customer confidence and our liquidity position; while we continue to optimise asset deployment in a prudent manner to minimise risk impact on the portfolio.

Across the business, improved client service proposition was a key priority, achieved through driving 'end to end' improvement of product, service and process to support a more seamless and efficient experience for both customer and staff. This had additional benefits of reducing operational costs by 12 per cent, whilst productivity increased by 24 per cent.

The development of our people also remained a focus; employees spent 14,291 hours on professional learning, a 6 per cent increase on the year prior. To broaden the capabilities of the team, the business continued to encourage and support offshore development opportunities and job swaps.

It's pleasing to end the 2016 financial year on a positive note, setting a strong foundation for FY17. We continue to build a bank we are proud of - shaping a world where people and communities thrive.

## ECONOMIC OUTLOOK

In 2016, we saw modest, but sustainable, growth across the financial sector in Cambodia. This was due to moderation of credit growth and of the agriculture sector, as well as a decrease in commodity prices.

The past five years have been substantially about growth. However, with a tightening compliance framework to ensure the sector can withstand volatility in global markets, returns will come under pressure, and efficiency will become a more substantive theme. To this point, the market has already seen the consolidation of banks and Financial Institutions.

More than 90 per cent of exports are based on manufactured goods. The export-led GDP growth of 7 per cent helped Cambodia's population of 15.6 million climb to lower-middle-income status last year. The economy is increasingly moving into light assembly, such as electronics, and integrating more deeply into the regional value chain.

Amongst low labour cost and an improvement of tax regulations, the use of USD in the market is still considered important for businesses as it allows for lower operational costs for potential investors.

However, as the economy and financial system grow, a highly dollarised economy makes implementation of monetary policy ineffective, especially in absorbing shock. For businesses, there may be both need and opportunity to hedge their currency risks.

The level of product sophistication offered in the system will increase, for example access to capital markets. In order to achieve this, more transparent financial reporting, audited accounts and fair standard practice need to continue to be implemented.

## IN CLOSING

We remain confident in the prospects of 2017. Despite growing competition in the banking sector in Cambodia, our well-capitalised balance sheet, continued development of our people, along with continued investment into a market-leading proposition for both our retail and corporate clients, provides a strong foundation for ANZ Royal to achieve steady growth and profit in the year ahead.

On a final note, thank you to our clients for their support, we truly value their partnership.



# INTERNATIONAL BANKING



ANZ Royal International Banking is the new name of our corporate banking business, covering both domestic and foreign companies. The “International” moniker reflects both the fact that we bring international standards to the market, as well as our focus on partnering with enterprises in Cambodia who want to grow in an international and regional context.

We aim to be the lead bank to our target customers, comprising growing and large domestic corporates, as well as multinationals. This will be achieved through the three primary elements of our value proposition:

## RELATIONSHIP

We follow a true ‘relationship banking’ model, which requires high touch and deep knowledge of the companies we serve, so that we can deliver the right solutions at the right time. That is why we have dedicated Relationship Managers, backed by a supporting team of product specialists, to deliver genuine banking partnerships. Our team understands that going the extra mile for our customers when faced with challenges, and leveraging our extensive experience across the Asia Pacific region, will make a difference for our customers.

## INSIGHTS

Our customers’ success in achieving their business objectives is paramount to us – as we say, this is our reason for being, our “purpose”. To do this well, we need to provide customers with “insights” – pieces of knowledge that can help them gain an edge. We aim to understand customers’ industries, and leverage our extensive experience across Asia Pacific and recommend banking solutions to help customers reach their short and long-term objectives. We also do our best to deliver insights and connectivity through innovation and simplification.

## CONNECTIVITY

As the most international of Cambodia’s banks, the connections to international markets we can deliver our customers, as well as to best-in-class products and technology platforms, are unsurpassed locally. The value this “connectivity” creates for customers can be in many different forms. We focus coverage and capital on our target sectors and customers who value us. For some customers, this will be about better enabling them to engage in international trade through our diverse offshore client base. For others, this may be about providing a seamless connection between our cash management system and their enterprise systems.

## WHAT WE OFFER

We offer Cambodia’s widest and most sophisticated range of banking products and world-class services to our customers through our dedicated relationship management teams and product specialists. These products and services cover Lending, Trade and Supply Chain Finance, Payments and Cash Management; and Global Markets (Foreign Exchange, Interest Rates, and Commodities). We have been proud to be the first to introduce a number of corporate banking products and services to the local market.

In addition, the value of ANZ’s international network of 34 countries (including all of the Mekong countries) to clients cannot be overstated.



## 2016 KEY HIGHLIGHTS

Some of the key highlights of International Banking in 2016:

- Completed the first syndicated loan transaction for Cambodian corporate.
- Increased the proportion of electronically delivered trade and payment instructions to over 50% of the total volumes, reducing branch traffic and resulting in increased efficiency, security and convenience for customers.
- Developed additional working capital and insights capability among our relationship banking team through targeted training and take-up of new technology.
- Offered Tax Collection services to corporate customers via our Transactive online banking platform.
- Conducted a number of 'Master Class' seminars related to international trade and financial markets to help improve clients' knowledge and understanding of risk and opportunity.

## OUR 2017 KEY PRIORITIES

For 2017, we aim to accomplish the following:

- To continue to develop the most respected and connected bankers
- To drive 'end to end' review of product, service and process to improve customer efficiency, security and convenience
- To capitalise on our unique strengths by delivering connected, digital solutions; deep client relationships and customer insights at a broad macroeconomic, industry and client-specific level.
- To position ANZ Royal as best in class by publicising our strengths – connectivity, capabilities, insights and values.

We cannot achieve these priorities without the collaboration and support of our network of stakeholders, including our valued customers, the broader community in which we operate, our regulator, and of course our loyal and committed members of staff.

If we deliver these priorities, we are confident that we will achieve our continued goal of ANZ Royal being Cambodia's Great International Bank.



# RETAIL BANKING

At ANZ Royal, our aim is to be the most trusted and respected Retail bank in Cambodia. Our Retail Banking proposition is based on the three pillars of convenience, great customer service, and helping our customers grow. Below are a few highlights of our achievements in 2016:

## CONVENIENCE

Convenience for our customers is to be able to access their money 24/7. As such, we have acquired 77 new touchscreen ATMs and upgraded our connection to fibre optic, so our customers can access their funds quickly and in a secured manner.

We continued to see extraordinary growth in Visa debit cards over the past year, with customers using this card to access international online shopping sites and domestic/international ATM and POS networks.

We understand that our clients are sometimes very busy and unable to come see us at our branches. Our Mobile Lending Managers and Retail Relationship Managers are on call and go to their clients to meet their financial needs.

Our property refurbishment plan continues, with newly-designed branches in Siem Reap and Sihanoukville providing customers with all the amenities of an international-standard bank. We recently introduced a Home Loan Centre to better serve our lending customers, and we are looking to introduce more in the coming year.

## SUPERIOR CUSTOMER SERVICE

Over the past two years, the ANZ Royal Retail team have implemented a strategy aimed at delivering the best customer service experience at our branches and contact centres. We believe we have come a long way. However, we know we also have plenty of work to do in order to stay ahead of our competitors.

One of our key initiatives is to capture every piece of customer feedback and study how we can do better and improve the customer experience. This happens every day and is at the core of how we listen to our valued customers and provide them with an industry-leading customer service experience.

We know that long waiting queues are not a pleasant experience in the branches. We have listened and have implemented strategies to encourage the usage of digital channels, such as ATM and Internet Banking. With fewer customers in the branches, our waiting time and our customers' experience have significantly improved.

## HELPING OUR CUSTOMERS GROW

We take great pride in helping our customers and they are the focus of everything we do. Our customers come first and it is our responsibility in Retail Banking to help them grow.

This growth can mean different things to different people depending on where they are in their life cycles. A young university student will need ATM and Visa cards, access to internet banking, and a transaction account to receive money from his/her parents.

A newly-wed couple will need our assistance to have enough funds to purchase their first family home. An older customer might be looking at retirement and how to best grow their funds in addition to looking at life insurance.

## OUR PRODUCTS AND SERVICES INCLUDE:

### Transactional Products:

Saving Accounts, Cheque Accounts, Term Deposits, Visa Debit, Priority Accounts, Cash Management Accounts, Foreign Currency Accounts

### Loans:

Home Loans, Home Equity Loans, Home Investment Loans, Personal Loans

### Credit Cards:

Platinum Secured and Unsecured

### Payments:

Domestic and International Transfers, Foreign Exchange, Bill Payments

### Channels:

ATMs, Internet Banking, 24/7 Contact Centre

### Insurance and Investments:

Bancassurance (Manulife)

## WHAT WE DO

Retail Banking is responsible for serving personal and sole trading business customers through our network of 15 branches (including five Priority Lounges), 100 ATMs, internet banking, a 24-hour Contact Centre and Mobile Lending team.

## ACHIEVEMENTS IN 2016

- Best Foreign Retail Bank 2016
- Strong operational risk management
- Improved customer service scores
- Strong balance sheet and profitability

## OUR GOALS FOR 2017

- To set the benchmark for customer service in the banking industry
- A leading suite of products and services for our customers
- Electronic banking services that make our customers' lives easier
- Developing Cambodia's future banking talent
- A trusted and respected bank for our customers to count on



# RISK MANAGEMENT

The success of the ANZ Royal's strategy is underpinned by sound management of its risks. As ANZ Royal progresses on its strategic path to becoming the best connected and most respected bank across the region, the risks faced by ANZ Royal will evolve in line with the strategic direction.

The success of ANZ Royal's strategy is dependent on its ability to manage the broad range of interrelated risks it is exposed to across our expanding business.

## RISK APPETITE

ANZ Royal's risk appetite is set by the ANZ Board and integrated within ANZ Royal and ANZ Group's strategic objectives and priorities. The risk appetite framework underpins fundamental principles of strong capitalisation, robust balance sheet and sound earnings, which protects ANZ Royal's franchise and supports the development of an enterprise-wide risk culture. The framework provides an enforceable risk statement on the amount of risk ANZ Royal is willing to accept and it supports strategic and core business activities and customer relationships with the objective of ensuring that:

1. ANZ Royal only engages in permitted activities;
2. The scale of permitted activities, and subsequent risk profile, does not lead to potential losses or earnings volatility that exceeds ANZ Royal approved risk appetite;
3. Risk is expressed quantitatively via limits and tolerances;
4. Management focus is brought to bear on key and emerging risk issues and mitigating actions; and
5. Risk is linked to the business by informing, guiding and empowering the business in executing strategy.

ANZ Royal's risk management is viewed as a core competency and to ensure that risks are identified, assessed and managed in an accurate and timely manner, ANZ Royal has:

1. An independent risk management function together with embedded risk managers within the businesses.
2. Developed frameworks to provide structured and disciplined processes for managing key risks. These frameworks include articulation of the appetite for these risks, portfolio direction, policies, structures, limits and discretions.

## MATERIAL RISKS

All ANZ Royal activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The material risks facing ANZ Royal and its approach to the management of those risks are described as follows:

**Credit Risk** – is the risk of financial loss resulting from a counterparty failing to fulfill its obligations, or from a decrease in credit quality of a counterparty resulting in a loss in value. ANZ Royal has a comprehensive framework to manage credit risk. The framework is top down, being defined by credit principles and policies. The effectiveness of the credit risk management framework is assessed

through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.

**Market Risk** – Market Risk stems from ANZ Royal's trading and balance sheet activities and is the risk to ANZ Royal's earnings arising from changes in interest rates, foreign exchange rates, credit spreads and volatility in other markets.

The key market risk factors for ANZ Royal include:

1. Interest rate risk: the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities.
2. Currency rate risk: the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.

**Liquidity and Funding Risk** – is the risk that the Group is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Group has insufficient capacity to fund increases in assets. The global financial crisis highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events.

**Operational Risk** – is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk. The objective of operational risk management is to ensure that risks are identified, assessed, measured, evaluated, treated, monitored and reported in a structured environment with appropriate governance oversight. ANZ Royal does not expect to eliminate all operational risks, but to ensure that the residual risk exposure is managed as low as reasonably practical based on a sound risk/reward analysis in the context of an international financial institution.

**Compliance Risk** – is the probability and impact of an event that results in a failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to ANZ Royal's businesses. ANZ Royal's Compliance Framework is aligned to key industry and global standards and benchmarks. It utilises the concept of a 'risk-based' approach to manage compliance. This allows the Compliance function to support divisions and businesses by taking a standardised approach to compliance management tasks. This enables ANZ Royal to be consistent in proactively identifying, assessing, managing, reporting and escalating compliance-related risk exposures while respecting the specific obligations of each jurisdiction in which we operate.

**Reputation Risk** – the risk of loss caused by adverse perceptions of ANZ Royal held by the public, the media, depositors, shareholders, investors, regulators, or rating agencies that directly or indirectly

impact earnings, capital adequacy or value. ANZ Royal manages reputation risk through a robust governance process and controls. The ANZ Management Board is the most senior management committee for consideration of potential harm to ANZ Royal's reputation and measures to protect ANZ Royal's reputation. However, some matters are delegated to the ANZ Reputation Risk Committee.

**Strategic Risk** – Strategic Risks are risks that affect or are created by an organisation's business strategy and strategic objectives. Where the strategy leads to an increase in other Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk), the risk management strategies associated with these risks form the primary controls. ANZ Royal Management Board members will identify and assess potential strategic risks in the course of making decisions about the future of ANZ Royal. In assessment of strategic risks, the Management Board will consider impacts, such as pricing and products; the systems and processes we need to deliver on the proposed strategy; and capital implications.

# CORPORATE RESPONSIBILITY



ANZ Royal is an active and well-known leader, not only in developing the Cambodian banking system and businesses, but also the wider community.

We achieve this with our strong commitment to the communities we serve through the provision of financial, in-kind as well as employee volunteering support.

Since we began operations in 2005, our staff have contributed more than **52,000 volunteer hours to 100 NGOs**, enhancing education and employment opportunities for marginalised and disadvantaged individuals.

CR 2016  
**6,121 hours**



Spent dedicated to helping the community.

MONEYMINDED  
**4,810 hours**



Including 16 MoneyMinded workshops delivered to 470 participants.

OTHER  
**1,311 hours**



Working and developing long-term NGO partners through in-kind provisions and where we add value.

## 2017 UPCOMING CSR ACTIVITIES

### MoneyMinded

We'll continue to grow our flagship financial literacy program in Cambodia by:

- Training lead trainers
- Training more facilitators
- Evaluating the program's effectiveness

### \$20 Challenge

A business plan competition to foster a business mindset and support Cambodian start-ups. It gives participants the chance, with a seed fund of USD20, to pilot their own unique business ideas.

### Mobile Library

Partnering with Pour un Sourire d'Enfant, we'll continue to fund mobile libraries to improve literacy in public schools and disadvantaged communities.

### Learning Lab

Partnering with Passerelles Numerique, the learning lab will introduce a new curriculum to prepare and equip their students in an increasingly competitive and digital job market.

### Training Centre and Scholarship

We will continue to support Phare by providing equipment for a training centre and scholarship for students.



# OUR PEOPLE

At ANZ Royal, we take pride in our growing customer satisfaction and success, which are strongly driven by our committed and skillful team. This is why we continue to invest and ensure active measures to provide necessary and relevant development opportunities for our people, so new skills can be enriched and high performance can be enforced and rewarded.

## 2016 ACHIEVEMENTS

We believe in the inherent strength of a vibrant, diverse and inclusive workforce. We make the most of the ideas, perspectives and capabilities offered by our team to connect with customers innovate and progress our business.

We continued to deliver the promise of our employment brand based on the four core propositions of:

1. Long-term and international opportunity
2. Competitive remuneration and benefit packages
3. Performance-based culture that stimulates growth
4. Heavy investment in people through ongoing development

Developing talents from within and providing them with career opportunities remain our focus. We invest heavily in training and development using a variety of mediums, including e-learning, in-house coaching, professional development workshops and off-shore secondment. We take accountability for the learning and development of our people, ensuring that they are equipped with the right set of skills to perform their job, meet current development needs and future career aspirations. As a result, in 2016, our people completed about 90 courses, which constitutes to more than 14,000 learning hours. In addition, more than 25% of our people received the opportunity to progress their career through promotion and about 10% experienced international exposure.

In support of the building of capable and engaged world-class bankers, our approaches to learning continue to evolve. The newly introduced Banking Collective Knowledge program has been created with the specific purpose of uplifting knowledge across all functions in the Bank through knowledge-sharing sessions conducted by internal subject matter experts.







# BOARD OF DIRECTORS

## ALISTAIR MARSHALL BULLOCH

### Chairman

Alistair Bulloch joined ANZ in 2008 as CEO North East Asia and CEO Hong Kong. In 2010, he was appointed as Managing Director/Senior Advisor, Asia Pacific, Europe & America and currently holds the position of Managing Director, Partnerships. Alistair is responsible for developing critical government and other relationships, taking a lead role in management across Asia Pacific, Europe and America on behalf of the Group.

Alistair has more than 30 years of banking experience and was previously Head of Wholesale Banking in Korea and Head of Client Relationships in both China and Taiwan for Standard Chartered Bank. He spent his childhood and a considerable part of his earlier career in Hong Kong and has also worked in the Middle East and Ireland.

## NEAK OKNHA KITH MENG

### Director

Neak Oknha Kith Meng is Chairman and Chief Executive Officer of the Royal Group of Companies. Meng has been the driving force behind bringing international business and investors into Cambodia. Through alliances with leading global players, he has brought international quality service to the telecoms, media, education, finance, banking, insurance, logistics, power generation and hospitality industries. He is a passionate entrepreneur, who is committed to the development of the Cambodian economy through foreign direct investment.

He holds numerous significant roles in Cambodia, including President of the Cambodian Chamber of Commerce, the Phnom Penh Chamber of Commerce and holds the Cambodian seat at the ASEAN Business Advisory Council.

## OKNHA KITH THIENG

### Director

Oknha Kith Thieng is Managing Director of the Royal Group of Companies. Being an integral and primary figure in the establishment and growth of the Group since its formation, he is actively involved in the Group with special interests in the media and entertainment, construction, property investment and service industries.

## WILLIAM MARK HANNA

### Director

Mark Hanna is an experienced international senior finance and operations executive. Mark joined the Royal Group in July 2007 and is responsible for the financial management and performance of the Group's diverse business interests. Prior to joining the Royal Group, Mark held several CEO & CFO roles throughout Asia in the telecoms and manufacturing industries.

Mark has a Bachelor's Degree in Accounting and is a member of the Chartered Institute of Management Accountants.

## PHAN THI THANH BINH

### Director

Phan Thi Thanh Binh is ANZ's Head of Markets in Vietnam. She brings a wealth of knowledge and experience to this role, having worked in the finance industry for almost 20 years in a number of key positions within ANZ, including Head of Trading, Head of Debt Capital Markets, Head of Relationship Credit Group, and Senior Relationship Manager for Corporates.

She is currently Chairwoman of ANZ Bank Lao Ltd., and Director of ANZ Vietnam Ltd.

Binh holds a Master's degree in Business Management from University Libre De Bruxelles and a Bachelor degree in Banking and Finance from the University of South Australia.

## HUGUES ERIC MARIE DE L'EPINE

### Director

Hugues de l'Epine has been appointed as General Manager, Wholesale Credit, International since October 2016.

He sits on the Board of Directors of ANZ Royal Cambodia. He is also the Chief Controller of ANZ Vietnam, a Commissioner of ANZ Indonesia and a member of the International Leadership Team.

His previous appointments include General Manager, Wholesale Credit APEA (2010) prior to being appointed as Chief Risk Officer in Asia in March 2014. In his role as CRO Asia, Hugues was responsible for the Risk teams in 14 Asian countries.

Hugues has over 20 years of banking experience having been in various Risk roles in HSBC, such as the Chief Risk Officer, Taiwan and Head of Credit Risk Management, Japan.

## SANJOY SEN

### Director

Sanjoy Sen is a senior international banker with more than 25 years of experience in Consumer and Commercial Banking. He is currently Managing Director, Retail & Wealth Business for Asia for ANZ, where he joined in 2012 and is based in Singapore.

Prior to joining ANZ, Sanjoy was Citigroup's Managing Director and Consumer Bank Head for Middle East & North Africa. Prior to that, he was the Chief Operating Office and Retail Banking Head for Citibank in China. Sanjoy started his career in Citigroup in 1990 and held various senior leadership positions spanning General Management, Sales, Marketing, Credit and Risk.

Sanjoy serves on the board of several ANZ subsidiary banks in the Region. He is an engineering graduate from the Indian Institute of Technology (IIT) and has an MBA from the Indian Institute of Management (IIM), where he was the Marketing Gold Medalist. He has done the executive management program from Harvard University.

## RATANA PHURIK-CALLEBAUT

### Independent Director

Ratana Phurik-Callebaut is the executive director of EuroCham Cambodia, the European Chamber of Commerce. She holds dual French and Cambodian citizenship. She grew up in France, where she graduated both in Industrial Economics and International Trade & Finance at La Sorbonne University. After several years spent in Geneva in the private banking sector as portfolio manager and as an economist, she moved back to Cambodia in 2003. Since then, she has filled different positions including General Manager of the French-Cambodian Chamber of Commerce (CCFC), Managing Partner of the private equity fund Cambodia Emerald, and as a business consultant for DFDL, a regional law firm. For more than 10 years, she developed her expertise in investment and market entry issues in Cambodia. She is a Chartered Finance Analyst (CFA).

## SIMON JOHN PERKINS

### Independent Director

Simon was appointed as an Independent Director of ANZ Royal in April 2015.

He was Chief Executive Officer (CEO) of Hello Axiata Company Limited at Axiata Group Berhad and has been working in the telecommunications industry for over 30 years. He had spent three years in Australia with Silk Telekom before returning to Indochina.

He holds a Master of Business Administration (MBA) from Warwick University in the UK and a Bachelor of Science (BSc) First Class Honours from Loughborough University of Technology, UK. He is a Chartered Engineer of the UK Engineering Council and the Chartered Professional Engineers Australia.

# EXECUTIVE MANAGEMENT 2016



**SEATED FROM LEFT TO RIGHT:**

- SADAT MATH
- VIC SISOWATH
- GETHIN JONES
- LEONIE LETHBRIDGE
- BOREN KORK



**STANDING FROM LEFT TO RIGHT:**

- ANJALI SAMARAPPERUMA
- DEVIN BIN
- NARITA HANG CHUON
- ANDREW EAGLE
- PHEAKDEY POK
- VYOMESH CHANDAN
- GARETH COLEMAN

# EXECUTIVE MANAGEMENT 2016 (CONTINUED)

Leonie Lethbridge is the Chief Executive Officer of ANZ Royal responsible for leading execution of strategy, providing valued insights and financial services to clients in Cambodia, and across the Mekong and East Asia regions.

Leonie has a depth of experience in the Asian banking sector including banking in the Asia region, business development, and business execution. Over the last 14 years, Leonie has held key management roles within ANZ in Australia, Indonesia and China. Her leadership extends to Board roles including formerly as Director of the Australia-Indonesia Centre, and Board Director of AustCham Shanghai. She has undertaken advisory engagements in the government and non-government sectors.

Prior to joining ANZ, Leonie was a management consultant, advising clients in the financial services, manufacturing and telecommunication sectors. Her career also includes executive roles in the manufacturing industry, based in both Australia and Asia.

Leonie holds a PhD in Business Studies (Entrepreneurship) from Swinburne University of Technology and a Master's Degree in Applied Science from RMIT. She holds a Graduate Diploma in Adult Education from the University of Melbourne.



**LEONIE LETHBRIDGE**  
Chief Executive Officer



**GARETH COLEMAN**  
Head of MNC Coverage and Transaction Banking

Gareth joined ANZ Royal in September 2014 as the Head of Transaction Banking, and in June 2016 was appointed to act in an additional capacity as Head of Multinational Corporations (MNC) – a client segment consisting of the subsidiaries of global companies headquartered in Europe, North America and in the Asia-Pacific region. The arrangement covering both Multinational Corporations and Transaction Banking was made permanent in November 2016, and Gareth now manages the MNC Relationship Banking team, and a team of Transaction Banking product sales managers.

Prior to joining ANZ Royal, Gareth worked at ANZ Bank in Papua New Guinea (PNG) as the Head of Trade & Supply Chain. Prior to relocating to PNG, Gareth held senior trade and supply chain roles with ANZ and National Australia Bank. Gareth has spent nearly 20 years in the banking and finance industry, principally in customer-facing and sales leadership roles.

Gareth holds a Bachelor of International Business, a Graduate Diploma in Applied Finance from the Securities Institute of Australia, and a Master of Business Administration majoring in International Business from Monash University.

Andrew joined ANZ Royal in April 2015 as the Chief Operating Officer. Andrew is responsible for managing all operational aspects for ANZ Royal, in particular operations teams supporting International Banking and Retail Banking. He is also responsible for managing the in-country Property, Sourcing functions and IT.

Prior to this role, Andrew worked in ANZ's India Hub, where he managed Home Loan operations for the Australia Division. During this time, Andrew was heavily involved in implementing market-leading automation technologies. He also delivered projects that resulted in significant improvements in customer service while mitigating risk.

Prior to moving offshore, Andrew headed Pricing and Funding for the Australian Home Loan and Deposit businesses.

Andrew holds a Bachelor of Science from Monash University, a post-graduate degree in Finance and an MBA from the Australian Graduate School of Management from the University of New South Wales.



**ANDREW EAGLE**  
Chief Operating Officer



**DEVIN BIN**  
Head of Compliance

Devin re-joined ANZ Royal as Head of Compliance in October 2016, managing the regulatory compliance and the AML/CTF and Economic and Trade Sanctions programme.

Devin first joined ANZ Royal in June 2007 until March 2011, where he supported Electronic Banking Services, Retail Assurance, Credit Card and Merchant Sales; as well as led the provincial branches.

Prior to this current role at ANZ Royal, Devin worked in an Operations Support and Project Management capacity at the United Nations Office in Geneva, Switzerland, and the United Nations Economic and Social Commission for Asia and the Pacific in Bangkok, Thailand. He also headed the Operations Department at Hong Leong Bank (Cambodia) PLC, where his responsibilities included the risk and compliance function oversight from 2012 to 2014. Devin also spent several years teaching management courses at several universities in Phnom Penh.

Devin holds a Master of Advanced Studies in Management Science from Pantheon-Assas University, Paris, France. He also holds two other Master's degrees: a Specialised Master in International Project Management from ESCP Europe Business School in Paris, France; and a Master of Business Administration from the Asian Institute of Technology, Thailand.

# EXECUTIVE MANAGEMENT 2016 (CONTINUED)

Gethin joined ANZ Royal as Chief Risk Officer in January 2014. He has nearly 20 years of experience in Banking, Finance and Advisory with time spent on the ground in Asia, the Middle East, US, Europe and Australia/New Zealand. He previously led the Debt & Equity Restructuring team for Lloyds International with full P&L responsibility for a portfolio comprising Leveraged and Structured Finance, Property, Institutional, Asset Finance and Project Finance assets across Australia, New Zealand and Asia. He also held responsibility for Lloyds' Australian equity joint venture investment vehicle, which developed residential and commercial projects with ASX-listed property developers and private development funds.

Gethin is ACCA-qualified and started his career with Ernst & Young in their Global Corporate Restructuring team, undertaking advisory assignments with clients across a wide range of industries and geographies. Gethin also spent a year as Commercial Director and CFO of Octagon UK (subsidiary of NYSE-listed Interpublic Group), an athlete representation and sponsorship consulting agency.

At ANZ Royal, Gethin holds responsibility for chairing the various risk committees and aligning business growth with risk appetite.



**GETHIN JONES**

Chief Risk Officer



**PHEAKDEY POK**

Head of Finance

Pheakdey is leading the Finance unit of ANZ Royal following her appointment as Head of Finance of the Bank in April 2010. She is responsible for managing the overall financial performance and position of the Bank, incorporating strategic financial direction in the business performance projections, as well as ensuring the Bank's compliance with local regulatory and group financial governance, accounting policies and requirements.

Pheakdey joined ANZ Royal back in May 2008 as Finance Manager, bringing to the Bank a strong professional experience in Audit and Finance through her work with KPMG Cambodia and British American Tobacco (Cambodia) over the course of more than 7 years.

Pheakdey holds a Bachelor of Finance and Accounting from the National Institute of Management Cambodia. She is currently pursuing her degree from the ACCA (The Associate of Chartered Certified Accountants) and Associate Member of CPA Australia.



Narita Hang Chuon is the Acting Head of Local Corporates, responsible for the growth and profitability of the Local Corporates segment. She leads and develops the Relationship Teams who actively work with clients and prospective clients to understand their banking needs.

Narita joined ANZ Royal in September 2005 as Credit Operations Manager. Throughout her 11 years of service with the Bank, her career has advanced from Operations to Middle Office (as Head of Relationship Support and Head of Business Control) to Frontline Department (as Head of SME, Director of Local Corporates, and currently as Acting Head of Local Corporates).

Prior to joining ANZ Royal, Narita worked with World Vision International Organization, Credit Agricole Indosuez Bank, and Nestle Dairy Cambodia Co., Ltd.

Narita holds a Master of Business Administration, major in Finance from Charles Sturt University; a Bachelor of Business Administration, Major in Finance & Banking from the National Institute of Management; and a degree from the Centre for Banking Studies.



**NARITA HANG CHUON**  
Head of Local Corporates



**BOREN KORK**  
Head of Legal

Boren was appointed as Head of Legal in 2016. She takes part in risk management of the Bank through provision of legal advice and solutions, and also acts as Company Secretary, coordinating corporate affairs of the Bank.

Boren joined ANZ Royal in 2012 as Manager of Commercial and Institutional Client Administration. In 2013, with her dedication and drive she was promoted to Lending Operations Manager, leading and overseeing delivery of loan documentation, administration, and processing services.

Before joining ANZ Royal, Boren gained extensive experience in the legal and educational fields with such roles as General Manager of a law firm, Professor of Law at several universities in Cambodia, Foreign Researcher at Nagoya University in Japan, and Assistant/Consultant to legal projects run by UNDP, UNICEF, JICA, and PLAN Cambodia.

Boren holds a Doctorate of Law and Master of Law from Nagoya University, Japan. She is also a holder of Bachelor of Law from the Royal University of Law and Economics, Cambodia and Lumière Lyon II University, France.

# EXECUTIVE MANAGEMENT 2016 (CONTINUED)

Sadat joined ANZ Royal in August 2008 in the Learning Department. During his career with the Bank, he was given the opportunity to expand his job responsibilities and was promoted to different roles, including Learning and Development Manager, HR Business Partner, HR Delivery Lead and most recently appointed as Head of Human Resources in late 2016. He is one of the most talented members of the Bank's HR community and a proud product of ANZ Royal's strong focus on developing its people.

Prior to joining ANZ Royal, he spent several years working at university and various NGOs after completing his studies. Sadat holds a Bachelor's degree in Management and a Master of Business Administration from Norton University in Cambodia.

Over the past years, Sadat has been very passionate in developing people by helping them perform better at their jobs, leading to a greater sense of fulfillment and opening up career opportunities.



**SADAT MATH**

Head of Human Resources



**VIC SISOWATH**

Head of Retail Banking

Vic Sisowath joined ANZ Royal in April 2007 and currently leads Retail Banking covering 15 branches, our Priority banking segment, secured and unsecured lending businesses, Bancassurance, Retail Analytics and Branch Assurance, and our 24/7 Contact Centre.

With 10 years of Retail Banking experience including roles as Priority Banking manager, branch manager, regional manager, Head of Affluent Banking, and a secondment to ANZ Singapore Retail Banking, Vic recently joined the executive management team in February 2017 as the Head of Retail Banking. After 10 years in the Cambodian retail space, Vic has intimate knowledge of sales and services, and an understanding of our customers' financial needs.

Fluent in French, English and Khmer, Vic studied economics at the University of California Berkeley and has been overseas for many years. Through our ANZ training programs, he has become an accredited facilitator for sales and sales management.

Vyomesh joined ANZ Royal in May 2015 as the Head of Markets for Cambodia with additional oversight of the Laos and Myanmar Markets Business. In this role, he is responsible for the growth of the Markets Sales and Balance Sheet business while maintaining ANZ Global Best Practices and Risk Culture.

ANZ Royal's Markets team is a part of the ANZ Regional Markets Network. Vyomesh leads the team to deliver innovative product solutions across Foreign Exchange, Capital Markets, Fixed Income, and Commodities as well as Specialist Research and Risk Management expertise. Markets has more than 1,400 professionals working in dealing rooms located in the major financial hubs of London, New York, Hong Kong, Tokyo, Singapore, Wellington, Auckland, Sydney and Melbourne, as well as Beijing, Taipei, Jakarta, Manila, Hanoi and Seoul, with access to a global network of 34 countries.

Prior to joining ANZ Royal, Vyomesh was the Head of Trading and Balance Sheet at ANZ in India. Including his time at ANZ, Vyomesh has worked in the Markets Business for nearly 20 years in Trading and Managerial Roles. He holds a Post Graduate Diploma in Management in Finance from the Institute of Management Development and Research in Pune, India and a Bachelor's Degree in Commerce from Symbiosis College of Commerce in Pune, India.



**VYOMESH CHANDAN**

Head of Markets



**ANJALI SAMARAPPERUMA**

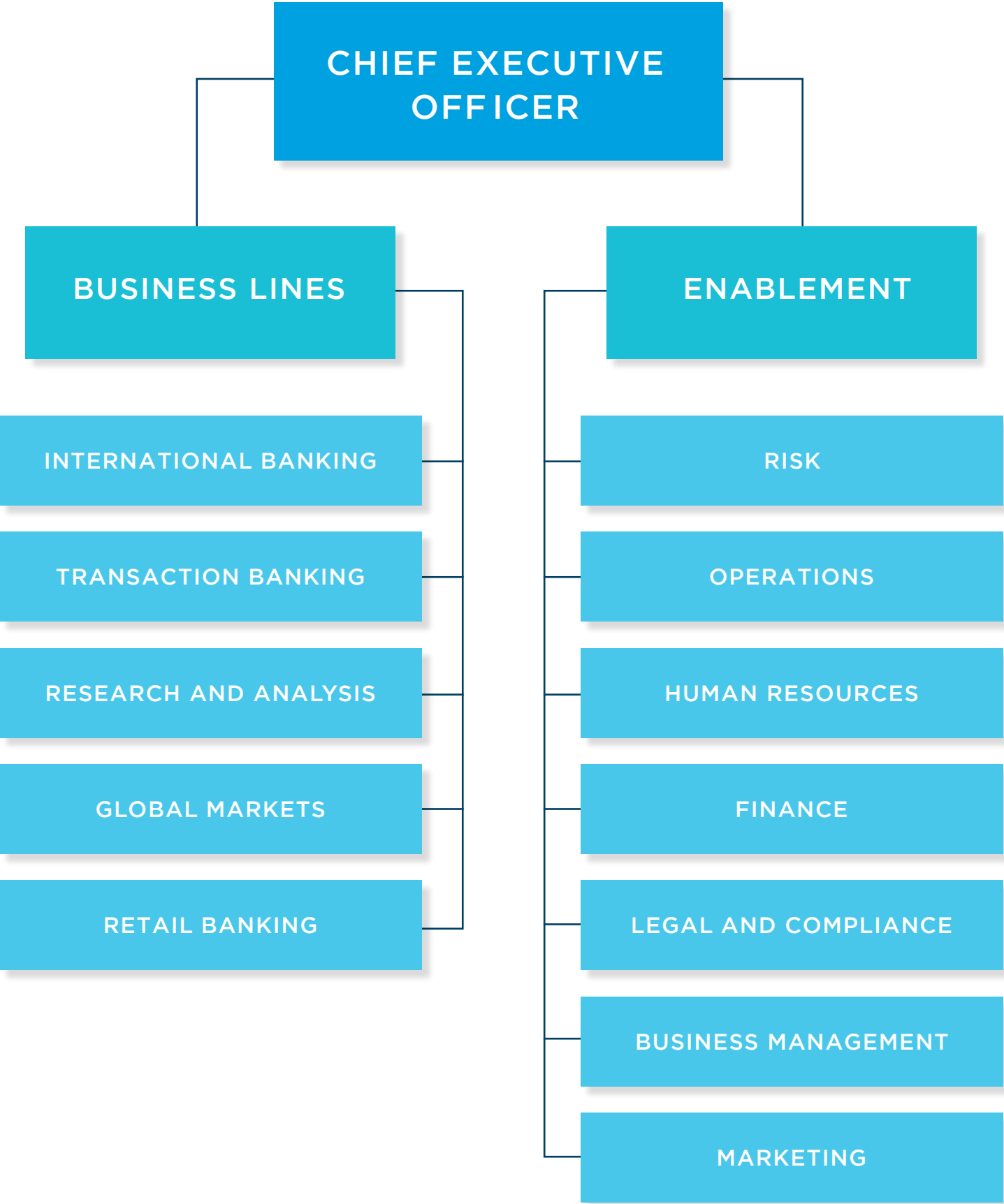
Head of Research and Analysis – Cambodia and Laos

Anjali joined ANZ Royal in 2008 as a Senior Assistant Relationship Manager for Multinational Corporations. In 2014, she was appointed as the Head of International Banking Risk before being promoted to her current role as Head of Research and Analysis in 2016 where she leads a team of Risk Analysts primarily focused on credit assessment and portfolio management of Corporate customers. Her key responsibilities include making sound credit decisions and ensuring the quality of assets written conforms to the Risk Appetite and Transaction Guidelines of the Bank.

With nearly 15 years of experience in the Banking and Finance sector, Anjali has engaged with people in multiple geographies and has expanded her knowledge also in areas such as Credit Policies, Governance and Operating and Compliance Risk. Prior to ANZ Royal in Cambodia, she served in customer facing roles at DFCC Bank in Sri Lanka, mainly for long-term structured Project Financing.

Anjali is an ACMA from the Chartered Institute of Management Accountants in the UK.

# ORGANISATIONAL CHART



# FINANCE SUMMARY

## FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE (\$M)	2016	2015	MOVT %
Net interest income	29.8	31.4	-5.1%
Other operating income	17.7	18.6	-5.0%
Operating income	47.4	50.0	-5.0%
Operating expenses	(20.9)	(22.0)	-5.0%
Profit before credit impairment and income tax	26.5	27.9	-5.1%
Provision for credit impairment	0.0	(8.7)	-100.4%
Profit before income tax	26.5	19.3	37.7%
Income tax expense	(5.5)	(3.8)	42.9%
Net profit after tax	21.0	15.4	36.4%

## GROWTH 2016 V 2015

GROWTH BY LOBS	INCOME	EXPENSES
International Banking	-8.1%	-10.3%
Retail Banking	+0.8%	-11.9%
Enablement	-	-9.3%

GROWTH BY PRODUCTS	INCOME	EXPENSES
Global Loan	-16.8%	-4.0%
Payment & Cash Management	-1.5%	-19.2%
Trade & Supply Chain	-20.8%	-26.4%
Global Markets	+9.0%	+19.2%
Retail Banking	+0.8%	-11.9%
Enablement	-	-9.3%

Operating Income -5.0%

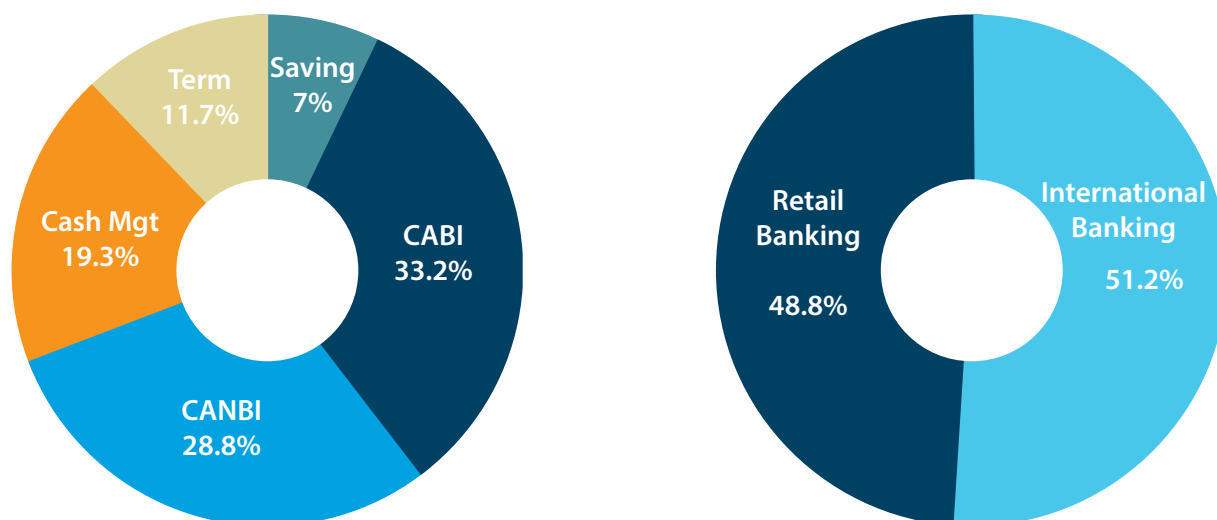
Operating Expense -5.0%

# FINANCE SUMMARY (CONTINUED)

## BALANCE SHEET

- The ANZ Royal Balance Sheet continues to be managed to deliver a stable funding mix in a constrained environment with a focus on rebalancing the business portfolio. Liquidity and capital management are both very strong, with a capital ratio of 27.9% in FY16.
- The loan balance closed at \$381.0m resulting from reshaping the Institutional Banking portfolio together with lower economic growth and dynamic competitive landscape.
- Deposits increased by 0.7% to \$863m, contributed by International Banking 51.2% and Retail Banking 48.8%

## CUSTOMER DEPOSITS BY LOBS AND PRODUCTS

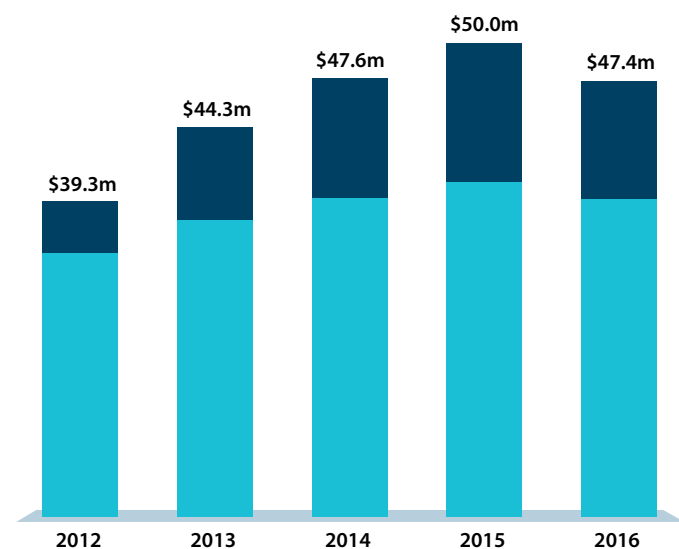


## CREDIT QUALITY

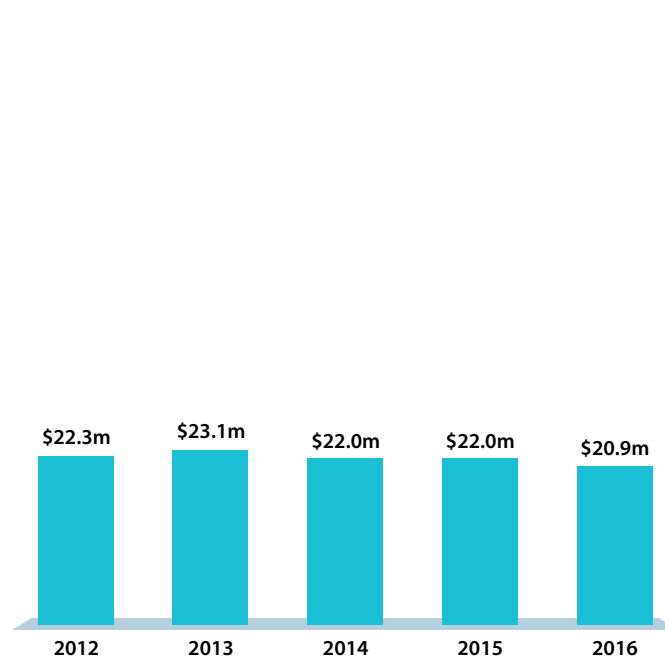
Impairment reduced to nil in 2016, reflecting a significant improvement in the credit quality of the loan book. There are no emerging loss positions. NPL ratio reduced by 2.7% (2016: 3.65% vs 2015: 6.36%) during 2016 and is expect to reduce further in 2017.

## TOTAL REVENUE 2012-2016 (USD MILLIONS)

■ Net interest income  
■ Other income

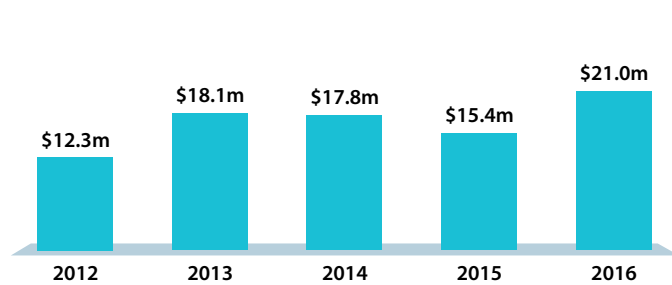
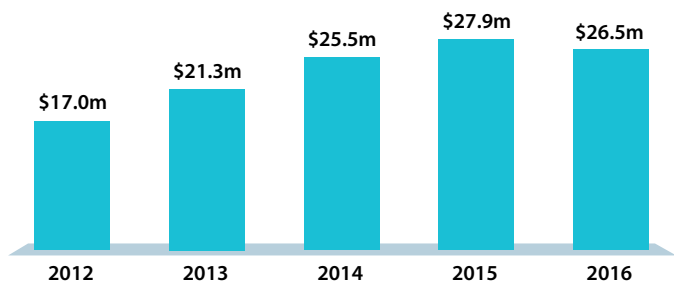


## TOTAL OPERATING EXPENSES 2012-2016 (USD MILLIONS)



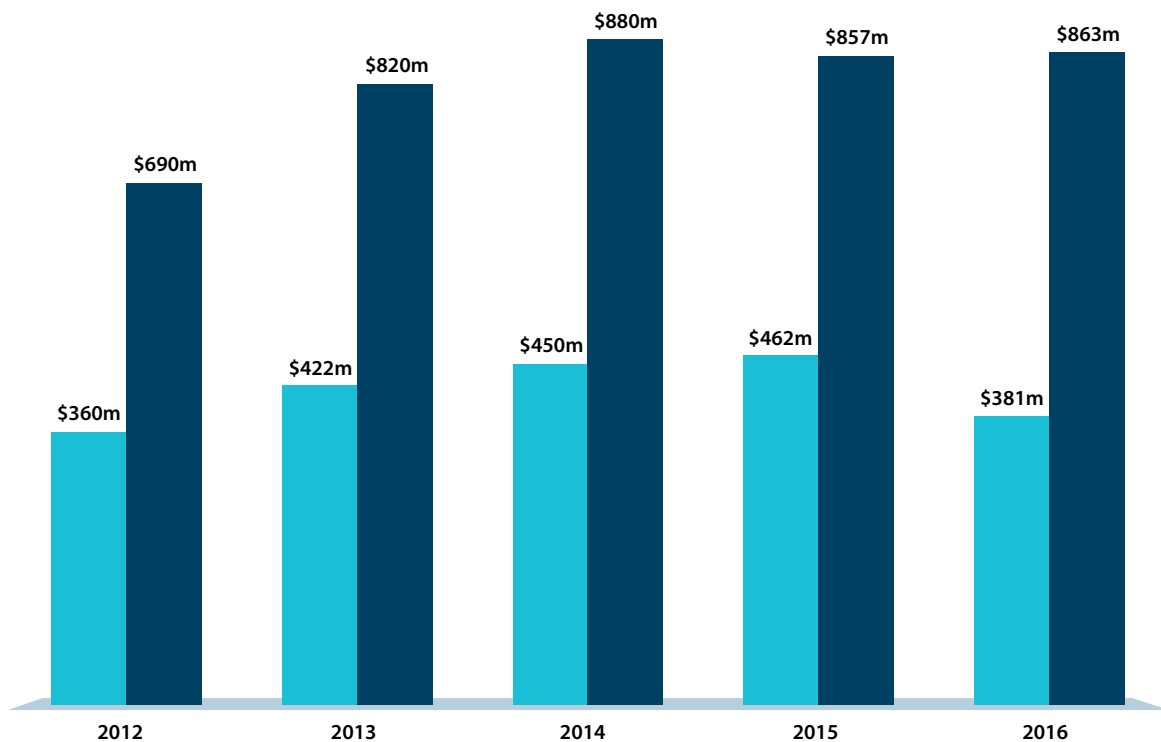
**PROFIT BEFORE PROVISION AND TAX**  
2012-2016  
(USD MILLIONS)

**PROFIT AFTER PROVISION AND TAX**  
2012-2016  
(USD MILLIONS)



**GROSS LOAN AND DEPOSIT**  
2012-2016

■ Gross Loan  
■ Deposit



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
**31 DECEMBER 2016**

AND REPORT OF  
**THE INDEPENDENT**  
AUDITORS

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# CORPORATE INFORMATION

<b>BANK</b>	<b>ANZ Royal Bank (Cambodia) Ltd.</b>
<b>REGISTRATION NO.</b>	Co. 2135E/2004
<b>REGISTERED OFFICE</b>	20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia
<b>SHAREHOLDERS</b>	ANZ Funds Pty Ltd. Royal Group Finance Co., Ltd.
<b>DIRECTORS</b>	<b>Neak Oknha Kith Meng</b> <b>Oknha Kith Thieng</b> <b>William Mark Hanna</b> <b>Alistair Marshall Bulloch</b> <b>Ratana Phurik-Callebaut</b> <b>Hugues Eric Marie De l'Epine</b> <b>Simon John Perkins</b> <b>Phan Thi Thanh Binh</b> (appointed on 11 August 2016) <b>Sanjoy Sen</b> (appointed on 11 August 2016) <b>Grant Knuckey</b> (resigned on 30 March 2016) <b>Steven Odgers</b> (resigned on 11 August 2016)
<b>MANAGEMENT TEAM</b>	<b>Leonie Lethbridge</b> , Chief Executive Officer (appointed on 31 March 2016) <b>Grant Knuckey</b> , Chief Executive Officer (resigned on 30 March 2016) <b>Andrew Eagle</b> , Chief Operating Officer <b>Pheakdey Pok</b> , Head of Finance <b>Gethin Jones</b> , Chief Risk Officer <b>Boren Kork</b> , Head of Legal (appointed on 13 August 2016) <b>Devin Bin</b> , Head of Compliance (appointed on 17 October 2016) <b>Deline Sieng</b> , Head of Legal and Compliance (resigned on 12 August 2016) <b>Sadat Math</b> , Head of Human Resources (appointed on 5 December 2016) <b>Chenda Khak</b> , Head of Human Resources (resigned on 2 December 2016) <b>Gareth Coleman</b> , Head of Multinational Corporation and Transactional Banking (appointed on 1 November 2016) <b>Vyomesh Chandan</b> , Head of Markets <b>Anjali Samarapperuma</b> , Head of Research & Analysis (appointed on 6 September 2016) <b>Vic Sisowath</b> , Acting Head of Retail Banking (appointed on 2 September 2016) <b>David James Parrott</b> , Head of Retail Banking (resigned on 2 September 2016) <b>Sopha Min</b> , Head of Local Corporates (resigned on 30 November 2016) <b>Narita Hang Chuon</b> , Acting Head of Local Corporates (appointed on 1 December 2016) <b>David Sok Dara Marshall</b> , Head of Multinational Corporation & Transactional Banking (resigned on 11 August 2016) <b>Nary Ung</b> , Senior Internal Audit Manager (rotated to Senior Relationship Manager on 19 September 2016)
<b>AUDITOR</b>	KPMG Cambodia Ltd.

# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd (“the Bank”) for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

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

There were no significant changes to these principal activities during the financial year.

## FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2016 were as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before				
income tax	26,535,785	107,124,964	19,268,170	78,036,089
Income tax				
expense	(5,500,189)	(22,204,263)	(3,848,199)	(15,585,206)
<b>Net profit</b>				
<b>for the year</b>	<b>21,035,596</b>	<b>84,920,701</b>	<b>15,419,971</b>	<b>62,450,883</b>

## DIVIDENDS

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

## SHARE CAPITAL

There were no changes in the registered and issued share capital of the Bank during the year.

## RESERVES AND PROVISIONS

The Bank has transferred its retained earnings amounting to US\$10,000,000 to general reserves, which was approved by the National Bank of Cambodia (“NBC”) on 21 November 2016. Subsequently after year end on 12 January 2017, the Bank submitted a request to the NBC to transfer from retained earnings amounting to US\$4,000,000 to share capital and this has been approved by the NBC on 7 February 2017.

## BAD AND DOUBTFUL LOANS AND ADVANCES

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

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

## CURRENT ASSETS

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

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

- any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF UNUSUAL NATURE

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

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

# REPORT OF THE DIRECTORS (CONTINUED)

## EVENTS SINCE THE REPORTING DATE

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

## DIRECTORS

The Directors who served during the year and at the date of this report are:

**Neak Oknha Kith Meng**  
**Oknha Kith Thieng**  
**William Mark Hanna**  
**Alistair Marshall Bulloch**  
**Ratana Phurik-Callebaut**  
**Hugues Eric Marie De l'Epine**  
**Simon John Perkins**  
**Phan Thi Thanh Binh** (appointed on 11 August 2016)  
**Sanjoy Sen** (appointed on 11 August 2016)  
**Grant Knuckey** (resigned on 30 March 2016)  
**Steven Odgers** (resigned on 11 August 2016)

## DIRECTORS' INTERESTS

None of the Directors held or dealt directly or indirectly in the shares of the Bank during the financial year, except for the information disclosed in Note 1 to the financial statements.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

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

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

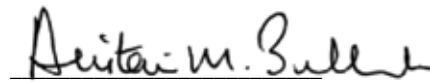
## APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 36 to 71 which present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended 31 December 2016, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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



William Mark Hanna  
Director



Alistair Marshall Bulloch  
Director

Phnom Penh, Kingdom of Cambodia  
29 March 2017

# REPORT OF THE INDEPENDENT AUDITORS

## TO THE SHAREHOLDERS ANZ ROYAL BANK (CAMBODIA) LTD.

### OPINION

We have audited the financial statements of ANZ Royal Bank (Cambodia) Ltd (“the Bank”), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 36 to 71 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

### BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the Directors on pages 32 to 33, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

## AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

# REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For **KPMG Cambodia Ltd.**

  
  
Lim Chew Teng  
Partner

Lim Chew Teng  
Partner  
Phnom Penh, Kingdom of Cambodia  
29 March 2017

# BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Assets</b>					
Cash and bank balances	5	113,271,580	457,277,368	194,760,992	788,782,018
Deposits and placements					
with banks	6	435,101,590	1,756,505,119	243,475,222	986,074,649
Net loans and advances	7	362,363,829	1,462,862,778	438,582,875	1,776,260,644
Statutory deposits	8	119,315,650	481,677,279	119,556,740	484,204,797
Other assets	9	3,668,336	14,809,072	14,829,031	60,057,576
Intangible assets	10	83,052	335,281	168,593	682,802
Premises and equipment	11	5,283,513	21,329,542	4,594,346	18,607,101
Deferred tax assets, net	12	1,275,496	5,149,177	796,137	3,224,355
<b>Total assets</b>		<b>1,040,363,046</b>	<b>4,199,945,616</b>	<b>1,016,763,936</b>	<b>4,117,893,942</b>
<b>Liabilities and shareholders' funds</b>					
<b>Liabilities</b>					
Deposits from other banks		25,220,423	101,814,848	106,102	429,713
Deposits from customers	13	838,115,424	3,383,471,967	857,307,113	3,472,093,808
Income tax liability	12	5,331,075	21,521,549	3,575,292	14,479,933
Payables and other liabilities	14	6,304,570	25,451,549	11,419,471	46,248,858
<b>Total liabilities</b>		<b>874,971,492</b>	<b>3,532,259,913</b>	<b>872,407,978</b>	<b>3,533,252,312</b>
<b>Shareholders' funds</b>					
Share capital	15	71,000,000	286,627,000	71,000,000	287,550,000
General reserves	16	42,000,000	169,554,000	32,000,000	129,600,000
Retained earnings		52,391,554	211,504,703	41,355,958	167,491,630
<b>Total shareholders' funds</b>		<b>165,391,554</b>	<b>667,685,703</b>	<b>144,355,958</b>	<b>584,641,630</b>
<b>Total liabilities and shareholders' funds</b>		<b>1,040,363,046</b>	<b>4,199,945,616</b>	<b>1,016,763,936</b>	<b>4,117,893,942</b>

The accompanying notes form an integral part of these financial statements.

# INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	17	34,263,335	138,321,083	35,927,529	145,506,492
Interest expense	18	(4,491,521)	(18,132,270)	(4,557,481)	(18,457,798)
Net interest income		29,771,814	120,188,813	31,370,048	127,048,694
Net fee, commission income and foreign exchange earnings	19	17,669,405	71,331,388	18,593,402	75,303,278
Operating income		47,441,219	191,520,201	49,963,450	202,351,972
Operating expenses	20	(20,941,623)	(84,541,332)	(22,033,773)	(89,236,780)
Reversal of/(allowance for) bad and doubtful loans and advances	7	36,189	146,095	(8,661,507)	(35,079,103)
Profit before income tax		26,535,785	107,124,964	19,268,170	78,036,089
Income tax expense	12	(5,500,189)	(22,204,263)	(3,848,199)	(15,585,206)
Net profit for the year		21,035,596	84,920,701	15,419,971	62,450,883

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	General reserves	Retained Earnings	Total
	US\$	US\$	US\$	US\$
Balance as at 1 January 2015	71,000,000	17,000,000	40,935,987	128,935,987
Net profit for the year	-	-	15,419,971	15,419,971
Transfer to general reserves	-	15,000,000	(15,000,000)	-
Balance as at 31 December 2015	71,000,000	32,000,000	41,355,958	144,355,958
Balance as at 31 December 2015 (KHR'000 equivalents – Note 4)	287,550,000	129,600,000	167,491,630	584,641,630
Balance as at 1 January 2016	71,000,000	32,000,000	41,355,958	144,355,958
Net profit for the year	-	-	21,035,596	21,035,596
Transfer to general reserves	-	10,000,000	(10,000,000)	-
Balance as at 31 December 2016	71,000,000	42,000,000	52,391,554	165,391,554
Balance as at 31 December 2016 (KHR'000 equivalents – Note 4)	286,627,000	169,554,000	211,504,703	667,685,703

*The accompanying notes form an integral part of these financial statements.*



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Cash flows from operating activities</b>					
Net cash generated from/(used in)					
operating activities	21	72,614,733	293,145,678	(1,973,356)	(7,992,092)
<b>Cash flows from investing activities</b>					
Purchase of premises and equipment		(2,524,977)	(10,193,332)	(1,303,793)	(5,280,361)
Proceed from disposal of intangible assets		47,200	190,546	-	-
Net cash used in investing activities		(2,477,777)	(10,002,786)	(1,303,793)	(5,280,361)
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		70,136,956	283,142,892	(3,277,149)	(13,272,453)
<b>Cash and cash equivalents at beginning of the year</b>					
		438,236,214	1,774,856,667	441,513,363	1,799,166,954
Currency translation differences		-	(5,697,072)	-	(11,037,834)
<b>Cash and cash equivalents at end of the year</b>					
	22	508,373,170	2,052,302,487	438,236,214	1,774,856,667

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

ANZ Royal Bank (Cambodia) Ltd (“the Bank”) is domiciled in Cambodia. The Bank is a joint venture between Australia and New Zealand Banking Group Limited (“ANZ”), a public company incorporated in Australia, through its wholly owned subsidiary ANZ Funds Pty Ltd., with a 55% interest in the joint venture, and Royal Group Finance Co., Ltd., which is ultimately owned by two private individuals in Cambodia who are Directors of the Bank with a 45% interest in the joint venture.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in Cambodia.

The registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

The Bank had 429 employees as at 31 December 2016 (2015: 522 employees).

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 29 March 2017.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Bank transacts and maintains its accounting records primarily in United States Dollars (“US\$”), management have determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

The financial statements are presented in US\$, which is the Bank’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

### (d) Use of estimates and judgements

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Bank in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Financial instruments

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

### (b) Cash and cash equivalents

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

### (c) Deposits and placements with banks

Deposits and placements with banks are carried at cost less impairment for any uncollectable amounts.

### (d) Loans and advances

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Allowance for bad and doubtful loans and advances

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

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

The minimum percentage of allowance for doubtful loans and advances are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised, at market values approved by the NBC.

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

#### (f) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is presented as a deduction from loans and advances.

#### (g) 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 NBC. Statutory deposits are stated at cost.

#### (h) Other assets

Other assets are stated at the lower of cost and estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

#### (i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Upon initial recognition the leased assets are measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases. Operating leases are recognised as an expense on a straight-line basis over the lease term.

#### (j) Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives of 3 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

#### (k) Premises and equipment

- (i) Items of premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of premises and equipment comprises major components having different useful lives, they are accounted for as separate items of premises and equipment.
- (ii) Depreciation of premises and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

Computers	5 – 8 years
Furniture and equipment	10 years
Motor vehicles	5 years
Leasehold improvements	10 years

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

- (iii) Work in progress is not depreciated until such time as the items are completed and put into operational use.
- (iv) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

- (v) Gains or losses arising from the retirement or disposal of an item of premises and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (vi) Fully depreciated premises and equipment are retained in the financial statements until disposed of or written off.

### (l) Impairment of assets

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Note 3(e).

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

#### (ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

or groups of assets (the "cash-generating unit").

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

### (m) Deposits from customers and banks

Deposits from customers and banks are stated at cost.

### (n) Payables and other liabilities

Payables and other liabilities are stated at their costs.

### (o) General reserves

General reserves are set up for any overall financial risk of the Bank. The Board of Directors exercises its discretion for the use and maintenance of the general reserves.

### (p) Provisions

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

### (q) Income recognition

Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Fee and commission received that are integral to the effective interest rate of a financial assets are recognised using the effective interest method. For example, loan commitment fees (together with related direct costs) are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn.

Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires.

Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as income when service is provided.

### (r) Interest expense

Interest expense on deposits from customers is recognised on a daily accruals basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (t) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement.

#### (u) Employee benefits

##### (i) Unutilised annual leave

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates.

##### (ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% on gross salary per month for those who have worked with the Bank for greater than or equal 3 years (2015: 3 years) and 7% (2015: 7%) on gross salary per month for those who have worked with the Bank from 8 years

(2015: 8 years) of service.

The fund will be fully paid to the employee upon their resignation/termination of employment with the Bank.

#### (v) Related parties

Parties are considered to be related to the Bank if one party 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 where the Bank and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the parent companies, their ultimate parent companies and their subsidiaries and associates.

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

### 4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,037 (2015: KHR4,050) published by the NBC on 31 December 2016. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 5. CASH AND BANK BALANCES

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
Cash on hand	35,350,807	142,711,208	47,967,130	194,266,877
Cash at banks				
National Bank of Cambodia	72,257,636	291,704,077	83,012,928	336,202,358
Other banks	2,099,358	8,475,108	511,714	2,072,442
	109,707,801	442,890,393	131,491,772	532,541,677
<i>Outside Cambodia:</i>				
Cash at banks				
Related parties	685,197	2,766,140	2,222,389	9,000,675
Others	2,878,582	11,620,835	61,046,831	247,239,666
	3,563,779	14,386,975	63,269,220	256,240,341
	113,271,580	457,277,368	194,760,992	788,782,018

The above amounts are analysed as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By currency:				
US Dollars	94,989,996	383,474,614	157,360,078	637,308,316
Khmer Riel	12,311,438	49,701,275	23,187,265	93,908,423
Other	5,970,146	24,101,479	14,213,649	57,565,279
	113,271,580	457,277,368	194,760,992	788,782,018

(b) By interest rates (per annum):

	2016	2015
Related parties	0% - 2.14%	0% - 2.14%
Other	0% - 1.10%	0% - 1.10%

## 6. DEPOSITS AND PLACEMENTS WITH BANKS

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
National Bank of Cambodia	33,654,590	135,863,580	13,475,222	54,574,649
Other local banks	170,000,000	686,290,000	160,000,000	648,000,000
	203,654,590	822,153,580	173,475,222	702,574,649
<i>Outside Cambodia (related parties):</i>				
ANZ Singapore	231,447,000	934,351,539	70,000,000	283,500,000
	435,101,590	1,756,505,119	243,475,222	986,074,649

The above amounts are analysed as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>(a) By maturity:</i>				
Within 1 month	87,645,009	353,822,901	120,475,222	487,924,649
2 to 3 months	307,456,581	1,241,202,218	123,000,000	498,150,000
4 to 6 months	40,000,000	161,480,000	-	-
	435,101,590	1,756,505,119	243,475,222	986,074,649
<i>(b) By currency:</i>				
US Dollars	401,700,000	1,621,662,900	243,475,222	986,074,649
KHR	31,954,590	129,000,680	-	-
Other	1,447,000	5,841,539	-	-
	435,101,590	1,756,505,119	243,475,222	986,074,649
<i>(c) By interest rates (per annum):</i>				
	2016		2015	
National Bank of Cambodia	0.66% - 1.50%		0.07% - 1.28%	
Other Local Banks	1.00% - 1.75%		0.75% - 1.60%	
ANZ Singapore	0.89% - 1.75%		0.17% - 0.81%	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 7. NET LOANS AND ADVANCES

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term loans	92,886,267	374,981,860	148,099,187	599,801,708
Overdrafts	25,494,209	102,920,122	28,119,226	113,882,865
Housing loans	101,721,286	410,648,832	102,136,911	413,654,490
Trade finance loans	159,746,806	644,897,856	181,409,068	734,706,725
Credit cards	1,530,963	6,180,497	1,775,599	7,191,176
	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(Reversal of)/allowance for bad and doubtful loans and advances	(16,728,666)	(67,533,625)	(20,733,630)	(83,971,202)
Interest in-suspense	(2,287,036)	(9,232,764)	(2,223,486)	(9,005,118)
	362,363,829	1,462,862,778	438,582,875	1,776,260,644

The above amounts are analysed as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	39,881,340	161,000,970	72,715,632	294,498,310
2 to 3 months	109,616,062	442,520,042	118,814,234	481,197,648
4 to 6 months	71,071,999	286,917,660	81,082,749	328,385,133
7 to 12 months	17,349,250	70,038,922	27,004,234	109,367,148
1 to 3 years	37,976,614	153,311,591	55,940,186	226,557,753
4 to 5 years	15,925,479	64,291,159	17,450,508	70,674,557
More than 5 years	89,558,787	361,548,823	88,532,448	358,556,415
	381,379,531	1,539,629,167	461,539,991	1,869,236,964



## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b) By performance:				
Standard loans				
Secured	359,102,273	1,449,695,876	400,635,903	1,622,575,407
Unsecured	4,580,850	18,492,891	27,867,880	112,864,914
Special mention loans				
Secured	1,464,532	5,912,316	1,445,523	5,854,368
Unsecured	23,683	95,608	29,497	119,463
Sub-standard loans				
Secured	1,244,339	5,023,397	15,860,643	64,235,604
Unsecured	10,449	42,183	-	-
Doubtful loans				
Secured	296,077	1,195,263	1,566,677	6,345,042
Unsecured	8,277	33,414	-	-
Loss loans				
Secured	14,649,051	59,138,219	14,133,868	57,242,166
	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(c) By types:				
Commercial				
Overdrafts	25,494,209	102,920,122	28,119,226	113,882,865
Loans	92,886,267	374,981,860	148,099,187	599,801,708
Trade finance loans	159,746,806	644,897,856	181,409,068	734,706,725
Consumer				
Loans	101,721,286	410,648,832	102,136,911	413,654,490
Credit cards	1,530,963	6,180,497	1,775,599	7,191,176
	381,379,531	1,539,629,167	461,539,991	1,869,236,964

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(d) By industry:				
Services	11,211,756	45,261,859	36,595,293	148,210,937
Wholesale and retail	164,165,481	662,736,047	217,533,243	881,009,634
Consumer items	98,000,652	395,628,632	92,203,701	373,424,989
Real estate	-	-	961,058	3,892,285
Construction	1,108,576	4,475,321	1,640,206	6,642,834
Food industries	61,163,900	246,918,664	54,737,174	221,685,555
Manufacturing	20,020,121	80,821,229	33,621,588	136,167,431
Staff loans	8,335,719	33,651,298	9,750,938	39,491,299
Others	17,373,326	70,136,117	14,496,790	58,712,000
	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(e) By currency:				
US Dollars	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(f) By residency status:				
Residents	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(g) By relationship:				
Third parties	372,394,561	1,503,356,843	451,084,988	1,826,894,202
Staff loans	8,335,719	33,651,298	9,750,938	39,491,299
Related parties	649,251	2,621,026	704,065	2,851,463
	381,379,531	1,539,629,167	461,539,991	1,869,236,964
(h) By exposure:				
Large exposures	42,212,201	170,410,655	61,100,038	247,455,154
Non-large exposures	339,167,330	1,369,218,512	400,439,953	1,621,781,810
	381,379,531	1,539,629,167	461,539,991	1,869,236,964

## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

(h) By exposure (continued)

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth. The gross exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(i) By interest rates (per annum):

	2016	2015
Overdrafts	5.50%-10.90%	5.00% - 10.00%
Commercial loans	1.25%-10.90%	1.25% - 10.90%
Consumer loans		
Housing Loan	3.50% - 13.00%	6.50% - 14.00%
Personal Loan	7.80%- 29.40%	21.00% - 29.40%

The movement in the allowance for bad and doubtful loans and advances is as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of the year	20,733,630	83,971,202	12,836,953	52,310,583
Reversal of /(allowance for) bad and doubtful loans and advances	(36,189)	(146,095)	8,661,507	35,079,103
Written off	(3,993,997)	(16,123,766)	(764,830)	(3,097,561)
Recovery from loans and advances written off	25,222	101,821	-	-
Currency translation differences	-	(269,537)	-	(320,923)
<b>At end of the year</b>	<b>16,728,666</b>	<b>67,533,625</b>	<b>20,733,630</b>	<b>83,971,202</b>

All loans and advances have been reviewed at the year end in accordance with the NBC guidelines, and in the opinion of the Directors and management, net balances are considered recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 8. STATUTORY DEPOSITS

		2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits on:					
Minimum share capital	(a)	7,100,000	28,662,700	7,100,000	28,755,000
Customers' deposits	(b)	112,215,650	453,014,579	112,456,740	455,449,797
		119,315,650	481,677,279	119,556,740	484,204,797

### (a) Statutory deposits on minimum share capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on banks' capital guarantee dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at six-month fixed rate of 0.22% per annum (2015: 0.08% per annum).

### (b) Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 13 September 2012 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR. The 4.5% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 LIBOR (one month) while the remaining 8% and the statutory deposit on customers' deposits in KHR do not earn interest.

## 9. OTHER ASSETS

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable				
- Related parties	245,705	991,911	57,907	234,523
- Other	777,755	3,139,797	897,641	3,635,446
Deposits and prepayments	940,425	3,796,496	1,007,405	4,079,990
Derivative financial instruments	1,602,978	6,471,222	12,259,334	49,650,303
Others	101,473	409,646	606,744	2,457,314
	3,668,336	14,809,072	14,829,031	60,057,576

## 10. INTANGIBLE ASSETS

2016	Computer and Banking Software	
	US\$	KHR'000 (Note 4)
<b>Cost</b>		
At 1 January 2016	954,884	3,867,280
Disposal	(47,200)	(190,546)
Currency translation differences	-	(12,414)
At 31 December 2016	907,684	3,664,320
<b>Less: Accumulated amortisation</b>		
At 1 January 2016	786,291	3,184,478
Amortisation	38,341	154,783
Currency translation differences	-	(10,222)
At 31 December 2016	824,632	3,329,039
Carrying amounts		
At 31 December 2016	83,052	335,281
<b>2015</b>		
	Computer and Banking Software	
	US\$	KHR'000 (Note 4)
<b>Cost</b>		
At 1 January 2015	743,889	3,031,348
Transfers from work in progress	210,995	854,530
Currency translation differences	-	(18,598)
At 31 December 2015	954,884	3,867,280
<b>Less: Accumulated amortisation</b>		
At 1 January 2015	738,914	3,011,075
Amortisation	47,377	191,877
Currency translation differences	-	(18,474)
At 31 December 2015	786,291	3,184,478
Carrying amounts		
At 31 December 2015	168,593	682,802

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 11. PREMISES AND EQUIPMENT

#### 2016

	Computers	Furniture & equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
<b>Cost</b>							
At 1 January 2016	10,698,927	4,301,440	607,428	10,036,286	97,995	25,742,076	104,255,407
Additions	-	-	-	-	2,524,977	2,524,977	10,193,332
Transfers	657,952	50,007	-	449,505	(1,157,464)	-	-
Written off	(7,677,140)	(891,605)	(10,460)	(1,316,801)	-	(9,896,006)	(39,950,176)
Reclassification	157,443	125,082	-	(282,525)	-	-	-
Currency translation differences	-	-	-	-	-	-	(334,646)
At 31 December 2016	3,837,182	3,584,924	596,968	8,886,465	1,465,508	18,371,047	74,163,917
<b>Less: Accumulated depreciation</b>							
At 1 January 2016	9,438,570	3,285,635	592,852	7,830,673	-	21,147,730	85,648,306
Depreciation	493,376	315,647	14,576	678,086	-	1,501,685	6,062,302
Written off	(7,645,836)	(808,970)	(10,460)	(1,096,615)	-	(9,561,881)	(38,601,314)
Reclassification	75,635	186,427	-	(262,062)	-	-	-
Currency translation differences	-	-	-	-	-	-	(274,919)
At 31 December 2016	2,361,745	2,978,739	596,968	7,150,082	-	13,087,534	52,834,375
<b>Carrying amounts</b>							
At 31 December 2016	1,475,437	606,185	-	1,736,383	1,465,508	5,283,513	21,329,542

As of 31 December 2016, fully depreciated property and equipment with an original costing of US\$9,896,006 were written off (2015: US\$961,122). The written off amounts included the fully depreciated property and equipment with costs and accumulated amounting to US\$8,579,205 (Zero NBV) which were written off during the year (2015: US\$961,122) and mainly the write-off of leasehold improvements of two branches closed down during the year with costs and accumulated depreciation amounting to US\$1,316,801 and US\$1,096,615 respectively.

## 11. PREMISES AND EQUIPMENT (CONTINUED)

2015

	Computers	Furniture & equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
<b>Cost</b>							
At 1 January 2015	11,106,303	3,819,710	608,838	9,688,063	387,486	25,610,400	104,362,380
Additions	-	-	-	-	1,303,793	1,303,793	5,280,361
Transfers	540,261	493,805	-	348,223	(1,593,284)	(210,995)	(854,530)
Written off	(947,637)	(12,075)	(1,410)	-	-	(961,122)	(3,892,544)
Currency translation differences	-	-	-	-	-	-	(640,260)
At 31 December 2015	10,698,927	4,301,440	607,428	10,036,286	97,995	25,742,076	104,255,407
<b>Less: Accumulated depreciation</b>							
At 1 January 2015	9,912,082	2,934,300	570,052	6,981,785	-	20,398,219	83,122,742
Depreciation	443,500	362,645	24,210	848,888	-	1,679,243	6,800,934
Written off	(917,012)	(11,310)	(1,410)	-	-	(929,732)	(3,765,415)
Currency translation differences	-	-	-	-	-	-	(509,955)
At 31 December 2015	9,438,570	3,285,635	592,852	7,830,673	-	21,147,730	85,648,306
<b>Carrying amounts</b>							
At 31 December 2015	1,260,357	1,015,805	14,576	2,205,613	97,995	4,594,346	18,607,101

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 12. INCOME TAX

### (a) Deferred tax assets/(liabilities), net

Deferred tax assets/(liabilities) comprise:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for general and special mention loans and advances (*)	740,312	2,988,639	-	-
Depreciation	639,077	2,579,954	794,942	3,219,515
Other	(103,893)	(419,416)	1,195	4,840
	1,275,496	5,149,177	796,137	3,224,355

The movement of net deferred tax assets and liabilities during the year is as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	796,137	3,224,355	396,768	1,616,830
Credit from profit or loss	479,359	1,935,172	399,369	1,617,444
Currency translation differences	-	(10,350)	-	(9,919)
Balance at end of year	1,275,496	5,149,177	796,137	3,224,355

(\*) This represents deferred tax assets arising from the allowance for general and special mention of loans and advances which is temporarily not deductible for corporate income tax expense under the new Prakas No. 1535 MEF issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

### (b) Income tax liability

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the year	3,575,292	14,479,933	4,521,497	18,425,100
Current tax expense	5,979,548	24,139,435	4,247,568	17,202,650
Income tax paid	(4,223,765)	(17,051,339)	(5,193,773)	(21,034,781)
Currency translation differences	-	(46,480)	-	(113,036)
Balance at end of the year	5,331,075	21,521,549	3,575,292	14,479,933



## 12. INCOME TAX (CONTINUED)

### (c) Income tax expense

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current tax expense	5,979,548	24,139,435	4,247,568	17,202,650
Deferred tax credit	(479,359)	(1,935,172)	(399,369)	(1,617,444)
	5,500,189	22,204,263	3,848,199	15,585,206

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

The reconciliation of income taxes computed at the statutory tax rate to the income tax shown in the income statement is as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	26,535,785	107,124,964	19,268,170	78,036,089
Income tax using statutory rate	5,307,157	21,424,993	3,853,634	15,607,218
Effect of non-deductible expense	193,032	779,270	226,116	915,770
Effect of temporary difference	-	-	(301,591)	(1,221,444)
Under provision in prior year	-	-	70,040	283,662
	5,500,189	22,204,263	3,848,199	15,585,206

The calculation of income tax expense is subject to the review and assessment of the tax authorities.

## 13. DEPOSITS FROM CUSTOMERS

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	509,761,819	2,057,908,463	545,857,288	2,210,722,017
Savings deposits	227,100,349	916,804,109	222,208,725	899,945,336
Fixed deposits	101,253,256	408,759,395	89,241,100	361,426,455
	838,115,424	3,383,471,967	857,307,113	3,472,093,808

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 13. DEPOSITS FROM CUSTOMERS (CONTINUED)

The above amounts are analysed as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	777,627,076	3,139,280,506	792,664,436	3,210,290,966
2 to 3 months	22,270,837	89,907,369	25,601,805	103,687,310
4 to 6 months	16,861,917	68,071,559	18,143,719	73,482,062
7 to 12 months	21,276,716	85,894,103	20,897,153	84,633,470
4 to 5 years	78,878	318,430	-	-
	838,115,424	3,383,471,967	857,307,113	3,472,093,808
(b) By type of customer:				
Domestic corporations	414,261,281	1,672,372,792	394,414,281	1,597,377,838
Foreign corporations	14,393,353	58,105,966	13,498,280	54,668,034
Individuals	408,309,249	1,648,344,438	446,709,762	1,809,174,536
Other	1,151,541	4,648,771	2,684,790	10,873,400
	838,115,424	3,383,471,967	857,307,113	3,472,093,808
(c) By residency status:				
Residents	819,866,630	3,309,801,585	840,528,711	3,404,141,280
Non-residents	18,248,794	73,670,382	16,778,402	67,952,528
	838,115,424	3,383,471,967	857,307,113	3,472,093,808
(d) By relationship:				
Third parties	800,497,928	3,231,610,135	823,171,634	3,333,845,118
Related parties	37,617,496	151,861,832	34,135,479	138,248,690
	838,115,424	3,383,471,967	857,307,113	3,472,093,808
(e) By currency:				
US Dollars	800,744,993	3,232,607,537	818,653,001	3,315,544,654
Khmer Riel	31,977,358	129,092,594	32,959,824	133,487,287
Other	5,393,073	21,771,836	5,694,288	23,061,867
	838,115,424	3,383,471,967	857,307,113	3,472,093,808
f) By interest rates (per annum):				
		2016		2015
Current accounts*		0.20% - 1.00%		0.20% - 1.00%
Savings deposits		0.40% - 1.00%		0.40% - 1.00%
Fixed deposits		0.10% - 5.50%		0.10% - 5.50%

\*: This rate is applied only to Cash Management accounts.

## 14. PAYABLES AND OTHER LIABILITIES

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Employee entitlements	1,037,004	4,186,385	1,282,751	5,195,142
Unearned revenue	416,775	1,682,521	493,654	1,999,299
Accruals	504,034	2,034,785	560,753	2,271,050
Interest payable	750,513	3,029,821	813,240	3,293,622
Banker's cheques	350,364	1,414,419	388,050	1,571,603
Due to related parties	520,807	2,102,498	626,678	2,538,046
Other tax payable	1,960,481	7,914,462	1,790,861	7,252,987
Derivative financial instruments	666,737	2,691,617	5,457,917	22,104,564
Others	97,855	395,041	5,567	22,545
	6,304,570	25,451,549	11,419,471	46,248,858

## 15. SHARE CAPITAL

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Shares of US\$100 each:				
Issued and				
fully paid 710,000 shares	71,000,000	286,627,000	71,000,000	287,550,000

On 12 January 2017, the Bank submitted a request letter to the NBC to transfer amounting to US\$4,000,000 from retained earnings to share capital in accordance with the shareholders' resolution dated 28 October 2016. The Bank received the approval from the NBC on 7 February 2017.

As at the date of this report, the amendment of the Memorandum and Articles of Association has not been done to reflect these changes yet.

## 16. GENERAL RESERVES

On 27 July 2016, the Bank has notified the National Bank of Cambodia for the transfer of its retained earnings amounting to US\$10,000,000 to general reserves in accordance with Board Resolution dated 7 December 2015 and this has been approved by the National Bank of Cambodia ("NBC") on 21 November 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 17. INTEREST INCOME

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances	30,255,729	122,142,378	33,564,209	135,935,046
Placements with banks				
outside Cambodia	1,776,293	7,170,895	715,307	2,896,993
Placements with banks				
in Cambodia	2,231,313	9,007,810	1,648,013	6,674,453
	34,263,335	138,321,083	35,927,529	145,506,492

## 18. INTEREST EXPENSE

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fixed deposits	2,119,777	8,557,540	2,142,516	8,677,190
Savings deposits	941,738	3,801,796	952,494	3,857,601
Current deposits	1,430,006	5,772,934	1,462,471	5,923,007
	4,491,521	18,132,270	4,557,481	18,457,798

## 19. NET FEE, COMMISSION INCOME AND FOREIGN EXCHANGE EARNINGS

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fee and commission income:				
Trade and payment income	8,456,713	34,139,750	8,807,444	35,670,148
Lending fees	624,334	2,520,436	716,641	2,902,396
Other fees	6,765,820	27,313,615	6,487,863	26,275,845
	15,846,867	63,973,801	16,011,948	64,848,389
Fee and commission expense	(2,338,831)	(9,441,860)	(2,586,796)	(10,476,524)
Net fee and commission income	13,508,036	54,531,941	13,425,152	54,371,865
Foreign exchange earnings	4,161,369	16,799,447	5,168,250	20,931,413
	17,669,405	71,331,388	18,593,402	75,303,278

## 20. OPERATING EXPENSES

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(a) Personnel</b>				
Salaries and wages	7,628,883	30,797,801	8,216,282	33,275,942
Performance reward scheme	1,667,370	6,731,173	1,994,687	8,078,482
Pension fund	280,174	1,131,062	335,835	1,360,132
Others	647,873	2,615,463	1,045,433	4,234,004
	10,224,300	41,275,499	11,592,237	46,948,560
<b>(b) Premises</b>				
Rental	1,426,339	5,758,131	1,341,077	5,431,362
Utilities and other outgoings	1,109,132	4,477,566	1,233,981	4,997,623
Depreciation of leasehold Improvements	678,088	2,737,441	848,888	3,437,996
Others	390,696	1,577,240	215,213	871,613
	3,604,255	14,550,378	3,639,159	14,738,594
<b>(c) Computer</b>				
Data communication	663,407	2,678,174	574,244	2,325,688
Depreciation and amortisation	531,717	2,146,542	490,877	1,988,052
Computer related expenses	971,089	3,920,286	334,813	1,355,993
	2,166,213	8,745,002	1,399,934	5,669,733
<b>(d) Other operating expenses</b>				
Advertising	176,865	714,004	498,082	2,017,232
Depreciation of motor vehicles, furniture and equipment	330,221	1,333,102	386,855	1,566,763
Inter-group expenses	1,392,721	5,622,415	1,226,501	4,967,329
Withholding tax	339,958	1,372,410	790,250	3,200,513
Travel	214,375	865,432	325,657	1,318,911
Postage and stationery	218,696	882,876	222,012	899,149
Professional fees	254,407	1,027,041	192,597	780,018
Telephone	125,485	506,583	154,189	624,465
Freight and cartage	86,676	349,911	61,241	248,026
Non-lending losses, frauds and forgeries	22,458	90,663	47,932	194,125
License and memberships fee	333,789	1,347,506	391,339	1,584,922
Motor vehicles lease and rental	208,480	841,634	244,062	988,450
ATM security expenses	25,199	101,728	79,136	320,501
Loss on premises and equipment and intangible assets written off	334,125	1,348,863	156,328	633,128
Others	883,400	3,566,285	626,262	2,536,361
	4,946,855	19,970,453	5,402,443	21,879,893
	20,941,623	84,541,332	22,033,773	89,236,780

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 21. NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	26,535,785	107,124,964	19,268,170	78,036,089
Adjustments for:				
Amortisation	38,341	154,783	47,377	191,877
Depreciation	1,501,685	6,062,302	1,679,243	6,800,934
Premises and equipment written off	334,125	1,348,863	31,390	127,129
(Reversal of) /allowance for doubtful debt	(36,189)	(146,095)	8,661,507	35,079,103
	28,373,747	114,544,817	29,687,687	120,235,132
Changes in:				
Deposits and placements with banks	(40,000,000)	(161,480,000)	20,000,000	81,000,000
Loans and advances	76,255,235	307,842,384	(17,838,703)	(72,246,747)
Statutory deposits	241,090	973,280	978,860	3,964,383
Other assets	11,160,695	45,055,726	(7,972,937)	(32,290,394)
Deposits from customers	5,922,632	23,909,665	(22,896,537)	(92,730,975)
Payables and other liabilities	(5,114,901)	(20,648,855)	1,262,047	5,111,290
Net cash generated from operations	76,838,498	310,197,017	3,220,417	13,042,689
Income tax paid	(4,223,765)	(17,051,339)	(5,193,773)	(21,034,781)
Net cash generated from/(used in) operating activities	72,614,733	293,145,678	(1,973,356)	(7,992,092)

## 22. CASH AND CASH EQUIVALENTS

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash and bank balances (Note 5)	113,271,580	457,277,368	194,760,992	788,782,018
Deposits and placements with banks (with original maturities of 3 months or less)	395,101,590	1,595,025,119	243,475,222	986,074,649
	508,373,170	2,052,302,487	438,236,214	1,774,856,667

## 23. COMMITMENTS AND CONTINGENCIES

### (a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Bank guarantees	26,084,323	105,302,412	30,616,326	123,996,120
Letters of credit	109,613,161	442,508,331	76,508,048	309,857,595
Unused portion of loans and advances	59,591,583	240,571,221	49,775,026	201,588,855
Foreign exchange commitments	(9,308,810)	(37,579,666)	(15,460,213)	(62,613,863)
	185,980,257	750,802,298	141,439,187	572,828,707

### (b) Lease commitments

The Bank has operating lease commitments in respect of office and house rentals as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	1,201,958	4,852,304	1,263,130	5,115,676
2 to 3 years	1,590,618	6,421,325	2,104,815	8,524,501
4 to 5 years	232,250	937,593	422,240	1,710,072
More than 5 years	-	-	17,500	70,875
	3,024,826	12,211,222	3,807,685	15,421,124

### (c) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is subject to interpretation. Often, differing interpretations can arise. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

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

The Enterprise Tax Audit Bureau of the General Department of Taxation ("GDT") is in the process of conducting a comprehensive tax audit for the years ended 31 December 2008, 2009, 2010, 2011 and 2012. Following this process, the tax authority has conveyed to the Bank a draft reassessment. The Bank has since appointed a tax advisor to review and discuss the draft reassessment with the GDT. The Bank's management is of the view that due to the ongoing discussion with the GDT, the actual tax obligation cannot be presently measured reliably. Accordingly, no provision has been made in the financial statements for any potential tax obligation.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 24. RELATED PARTY BALANCES AND TRANSACTIONS

#### (a) Identity of related parties

The Bank has a related party relationship with its direct and ultimate shareholders (Note 1), with entities owned and controlled by direct and ultimate shareholders, with its other Directors and with senior officers.

#### (b) Balances with related parties

Balances with related parties are disclosed in Notes 5, 6, 7(g), 9, 13(d) and 14.

#### (c) Transactions with related parties

During the year, there were the following significant transactions with related parties:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Related companies:				
Interest income	1,821,315	7,352,650	857,484	3,472,810
Interest expense	96,645	390,156	122,464	495,979
Rental expense	330,000	1,332,210	330,000	1,336,500
Purchase/transfer technology from				
ANZ Banking Group Limited	2,074,186	8,373,489	1,820,143	7,371,579

### 25. FINANCIAL RISK MANAGEMENT

#### Introduction and overview

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

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

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

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability (ALCO), Risk Management and Audit and Risk committees, which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit and Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Audit and Risk Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Operational risk

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

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

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

### b) Credit risk

Credit risk is risk of the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

#### (i) Management of credit risk

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

The Bank has established the Core Credit Risk Policy, which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Risk ratings are reviewed and updated on an annual basis, and in event 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.

#### (ii) Exposure to credit risk

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances				
Individually impaired	16,208,193	65,432,476	31,561,188	127,822,812
Past due but not impaired	1,488,215	6,007,924	1,475,020	5,973,831
Neither past due nor impaired	363,683,123	1,468,188,767	428,503,783	1,735,440,321
	381,379,531	1,539,629,167	461,539,991	1,869,236,964
Allowance for bad and doubtful loans and advances	(16,728,666)	(67,533,625)	(20,733,630)	(83,971,202)
Interest in-suspense	(2,287,036)	(9,232,764)	(2,223,486)	(9,005,118)
	362,363,829	1,462,862,778	438,582,875	1,776,260,644

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

### 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b) Credit risk (continued)

##### (ii) Exposure to credit risk (continued)

###### *Impaired loans and advances*

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

###### *Past due but not impaired loans and advances*

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

###### *Loans with renegotiated terms/restructured loans*

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within three instalments periods and within a period of not less than 3 months.

###### *Write-off policy*

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its financial statements when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

###### *Collateral*

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### b) Credit risk (continued)

#### (ii) Exposure to credit risk (continued)

An estimate of the value of collateral held against loans and advances is shown below:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Against individually impaired:				
Land	11,996,170	48,428,538	29,806,473	120,716,216
Buildings	5,331,371	21,522,745	9,553,043	38,689,824
Past due but not impaired:				
Land	4,359,900	17,600,916	2,785,864	11,282,749
Buildings	871,800	3,519,457	1,365,324	5,529,562
	22,559,241	91,071,656	43,510,704	176,218,351

There are no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

#### *Concentration of credit risk*

The analysis of concentrations of credit risk from loans and advances are shown in Note 7 to the financial statements.

### (c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

#### (i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As of 31 December 2016, 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### (i) Foreign currency exchange risk (continued)

##### Concentration of currency risk

The aggregate amounts of financial assets and liabilities, by currency denomination, are as follows:

As at 31 December 2016	US\$000 Equivalent			Total
	US\$	KHR'000	Others	US\$000
<b>Financial assets</b>				
Cash and bank balances	94,990	12,312	5,970	113,272
Deposits and placements with banks	401,700	31,955	1,447	435,102
Net loans and advances to customers	362,364	-	-	362,364
Other assets	3,668	-	-	3,668
<b>Total financial assets</b>	<b>862,722</b>	<b>44,267</b>	<b>7,417</b>	<b>914,406</b>
<b>Financial liabilities</b>				
Deposits from other banks	17,453	7,767	-	25,220
Deposits from customers	800,745	31,977	5,393	838,115
Payables and other liabilities	6,305	-	-	6,305
<b>Total financial liabilities</b>	<b>824,503</b>	<b>39,744</b>	<b>5,393</b>	<b>869,640</b>
<b>Net financial asset position</b>	<b>38,219</b>	<b>4,523</b>	<b>2,024</b>	<b>44,766</b>
(KHR million equivalents – Note 4)	154,290	18,259	8,171	180,720

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### (i) Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

As at 31 December 2015	US\$000 Equivalent			Total
	US\$	KHR'000	Others	US\$000
<b>Financial assets</b>				
Cash and bank balances	157,360	23,187	14,214	194,761
Deposits and placements with banks	243,475	-	-	243,475
Net loans and advances to customers	438,583	-	-	438,583
Other assets	14,829	-	-	14,829
<b>Total financial assets</b>	<b>854,247</b>	<b>23,187</b>	<b>14,214</b>	<b>891,648</b>
<b>Financial liabilities</b>				
Deposits from other banks	106	-	-	106
Deposits from customers	818,653	32,960	5,694	857,307
Payables and other liabilities	11,419	-	-	11,419
<b>Total financial liabilities</b>	<b>830,178</b>	<b>32,960</b>	<b>5,694</b>	<b>868,832</b>
<b>Net financial asset position</b>	<b>24,069</b>	<b>(9,773)</b>	<b>8,520</b>	<b>22,816</b>
(KHR million equivalents – Note 4)	97,480	(39,581)	34,506	92,405

#### (ii) Interest rate risk

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

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

2016	Up to	> 1 – 3	> 3 – 6	> 6 – 12	> 1 – 5	Over 5	Non-interest	Total	Weighted
	1 month	months	months	months	years	years	sensitive		average
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	interest
									%
<b>Assets</b>									
Cash and bank balances	2,988	-	-	-	-	-	110,284	113,272	1.62%
Deposits and placements with banks	87,645	307,457	40,000	-	-	-	-	435,102	0.95%
Loans and advances	39,881	109,616	71,072	17,349	53,902	89,560	-	381,380	7.32%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(16,729)	(16,729)	
- Interest in-suspense	-	-	-	-	-	-	(2,287)	(2,287)	
Other assets	-	-	-	-	-	-	3,668	3,668	
	130,514	417,073	111,072	17,349	53,902	89,560	94,936	914,406	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	25,220	25,220	
Deposits from customers	267,865	22,271	16,862	21,277	-	79	509,761	838,115	0.51%
Payables and other liabilities	-	-	-	-	-	-	6,305	6,305	
	267,865	22,271	16,862	21,277	-	79	541,286	869,640	
Maturity gap	(137,351)	394,802	94,210	(3,928)	53,902	89,481	(446,350)	44,766	
(KHR'million equivalents - Note 4)	(554,486)	1,593,816	380,326	(15,857)	217,602	361,234	(1,801,915)	180,720	

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

2015	Up to	> 1 – 3	> 3 – 6	> 6 – 12	> 1 – 5	Over 5	Non-interest	Total	Weighted
	1 month	months	months	months	years	years	sensitive		average
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
<b>Assets</b>									
Cash and bank balances	61,171	-	-	-	-	-	133,590	194,761	1.62%
Deposits and placements with banks	120,475	123,000	-	-	-	-	-	243,475	1.01%
Loans and advances	72,716	118,814	81,083	27,004	73,391	88,532	-	461,540	7.08%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(20,734)	(20,734)	0%
- Interest in-suspense	-	-	-	-	-	-	(2,223)	(2,223)	0%
Other assets	-	-	-	-	-	-	14,829	14,829	0%
	254,362	241,814	81,083	27,004	73,391	88,532	125,462	891,648	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	106	106	0%
Deposits from customers	246,883	25,602	18,144	20,897	-	-	545,781	857,307	0.53%
Payables and other liabilities	-	-	-	-	-	-	11,419	11,419	0%
	246,883	25,602	18,144	20,897	-	-	557,306	868,832	
Maturity gap	7,479	216,212	62,939	6,107	73,391	88,532	(431,844)	22,816	
(KHR'million equivalents - Note 4)	30,290	875,659	254,903	24,733	297,234	358,555	(1,748,968)	92,406	

#### *Fair value sensitivity analysis for fixed rate instruments*

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

#### *Cash flow sensitivity analysis for variable-rate instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

2016	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities</b>							
Deposits from other banks	-	-	-	-	-	25,220	25,220
Deposits from customers	777,626	22,271	38,139	79	-	-	838,115
Payables and other liabilities	-	-	-	-	-	6,305	6,305
<b>Total</b>	<b>777,626</b>	<b>22,271</b>	<b>38,139</b>	<b>79</b>	<b>-</b>	<b>31,525</b>	<b>869,640</b>
(KHR's million equivalents - Note 4)	3,139,276	89,908	153,967	319	-	127,267	3,510,737

2015	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities</b>							
Deposits from other banks	-	-	-	-	-	106	106
Deposits from customers	792,664	25,602	39,041	-	-	-	857,307
Payables and other liabilities	-	-	-	-	-	11,419	11,419
<b>Total</b>	<b>792,664</b>	<b>25,602</b>	<b>39,041</b>	<b>-</b>	<b>-</b>	<b>11,525</b>	<b>868,832</b>
(KHR's million equivalents - Note 4)	3,210,290	103,687	158,116	-	-	46,676	3,518,770



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Capital management

#### (i) Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

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

#### (ii) Capital allocation

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

## 26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities fair values, therefore, were not presented.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

The following calculations of other ratios are based on the audited financial statements of the Bank and are presented as required by the NBC in their Prakas No. B7-04-204 dated 29 December 2004.

No.	Other Ratios	Formula by NBC		2016		2015	
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>CAPITAL</b>							
1	Equity to total assets	Equity	Total assets	165,391,554	1,044,020,232	15.84%	14.14%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	164,659,251	1,044,020,232	15.77%	14.05%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	164,659,251	602,328,409	27.34%	21.97%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	168,316,437	602,328,409	27.94%	22.63%
5	Net worth to total assets	Net worth	Total assets	168,316,437	1,044,020,232	16.12%	14.47%
6	Solvency ratio	Net worth	Risk weighted assets	168,316,437	602,328,409	27.94%	22.63%
7	Debts to total assets	Total liabilities	Total assets	878,628,678	1,044,020,232	84.16%	85.86%
8	Debt to equity	Total liabilities	Equity	878,628,678	165,391,554	531.24%	607.33%
9	Dividend to net profit	Dividend	Net profit	-	21,035,596	0.00%	0.00%
<b>ASSET QUALITY</b>							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	3,657,186	381,379,531	0.96%	0.93%
11	Banking reserve to total assets	Banking reserves	Total assets	3,657,186	1,044,020,232	0.35%	0.42%
12	NPL to total loans	NPL	Total loans (gross)	13,921,157	381,379,531	3.65%	6.36%
13	NPL to total assets	NPL	Total assets	13,921,157	1,044,020,232	1.33%	2.87%
14	Classified assets to total loans	Classified assets	Total loans (gross)	13,921,157	381,379,531	3.65%	6.36%
15	Classified assets to total assets	Classified assets	Total assets	13,921,157	1,044,020,232	1.33%	2.87%
16	Classified assets to equity	Classified assets	Equity	13,921,157	165,391,554	8.42%	20.32%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	649,251	381,379,531	0.17%	0.15%
18	Large exposure to total loans	Large exposure	Total loans (gross)	113,726,870	381,379,531	29.82%	27.11%
19	Loan to related parties to net worth	Loan to related parties	Net worth	649,251	168,316,437	0.39%	0.48%
20	Large exposure to net worth	Large exposure	Net worth	113,726,870	168,316,437	67.57%	84.65%
21	General provision to total loans	General provision	Total loans (gross)	3,657,186	381,379,531	0.96%	0.93%
22	Specific provision to total loans	Specific provision	Total loans (gross)	13,071,480	381,379,531	3.43%	3.56%
23	Specific provision to NPL	Specific provision	NPL	13,071,480	13,921,157	93.90%	55.97%
24	All allowances to total assets	Total all allowances	Total assets	16,728,666	1,044,020,232	1.60%	2.03%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	381,379,531	838,115,424	45.50%	53.84%

The following calculations of other ratios are based on the audited financial statements of the Bank and are presented as required by the NBC in their Prakas No. B7-04-204 dated 29 December 2004.

No.	Other Ratios	Formula by NBC		2016		2015	
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>EARNINGS</b>							
26	Return on assets	Net profit	Total assets	21,035,596	1,044,020,232	2.01%	1.51%
27	Return on equity	Net profit	Equity	21,035,596	165,391,554	12.72%	10.68%
28	Gross yield	Interest income	Total assets	34,263,335	1,044,020,232	3.28%	3.52%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	29,771,814	1,044,020,232	2.85%	3.07%
30	Other income to total assets	Other incomes	Total assets	17,669,405	1,044,020,232	1.69%	1.82%
31	Provision to total assets	Provisions	Total assets	(36,189)	1,044,020,232	-0.00%	0.85%
32	Overhead to total assets	Non-interest expenses	Total assets	20,941,623	1,044,020,232	2.01%	2.16%
33	Net income before tax to total assets	Net income before tax	Total assets	26,535,785	1,044,020,232	2.54%	1.89%
34	Taxes to total assets	Taxes	Total assets	5,500,189	1,044,020,232	0.53%	0.38%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	29,771,814	51,932,740	57.33%	57.54%
36	Non-interest income to gross income	Non-interest income	Gross income	17,669,405	51,932,740	34.02%	34.10%
37	Non-interest expense to gross income	Non-interest expense	Gross income	20,941,623	51,932,740	40.32%	40.41%
38	Times interest earned	Profit before tax + interest expense	Interest expense	31,027,306	4,491,521	6.91 times	5.23 times
<b>LIQUIDITY</b>							
39	Liquid asset	Liquid asset	Total assets	548,373,170	1,044,020,232	52.53%	42.92%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	878,628,678	1,044,020,232	84.16%	85.86%
41	Net liquid assets	Liquid assets – short-term liabilities	Total liabilities	(330,255,508)	878,628,678	-37.59%	-50.26%
42	Quick ratio	Quick assets*	Current liabilities	548,373,170	878,628,678	62.41%	50.23%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	838,115,424	381,379,531	219.76%	185.75%

(\*): Quick assets = cash + gold + deposits with the NBC (excluding capital guarantee and reserve requirement) + deposits with other banks.

# BRANCH LOCATIONS



## PHNOM PENH BRANCHES

- **Kramoun Sar Branch (Head Office)**  
20 Kramoun Sar & Street 67
- **Independence Monument Branch**  
100 Preah Sihanouk Boulevard
- **Olympic Branch**  
361-363 Preah Sihanouk Boulevard
- **Riverside Branch**  
265 Sisowath Quay
- **Phsar Derm Thkov Branch**  
616A+B, Street 271
- **Pet Lok Sang Branch**  
1A+1B, Street 271
- **Teuk Thla Branch**  
1E0 & 1E1, Street 110A
- **Stung Meanchey Branch**  
23-25A, Street 217
- **Chom Chao Branch**  
1B, 2B & 3B, National Road #4
- **Tuol Kork Branch**  
95C, Street 289

Or by phone on:  
Local: 023 999 000  
International: +855 23 999 000  
Email: [ccc@anz.com](mailto:ccc@anz.com)  
SWIFT: ANZBKHPP

## PROVINCIAL BRANCHES

- **Takhmao Branch**  
Kandal Province  
1E0-E1-E2, near Takhmao Roundabout
- **Siem Reap Phsar Kandal Branch**  
566, 568 & 570, Street Tep Vong
- **Sihanoukville Branch**  
219, Vithey Ekreach
- **Battambang Branch**  
2, 4 & 6, Street 1
- **Kampong Cham Branch**  
Preah Monivong & Neary Rath Kosamak Street

# OUR NETWORK



WITH A SUPER-REGIONAL NETWORK  
THAT SPANS ACROSS 34 MARKETS  
AROUND THE WORLD.



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