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# 2017 ANNUAL REPORT

ANZ ROYAL ANNUAL REPORT 2017



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# OUR VALUES



# ANZ ROYAL BACKGROUND

## 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.

## 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 with access to Asia Pacific's expanding trade and investment flows, supporting their domestic requirements and connecting them with ANZ's global expertise.

## KEY AWARDS AND RECOGNITION

(2006, 2011 & 2013) Bank of the Year	The Financial Times, The Banker Magazine
(2007) Financial Insights Innovation Award (FIIA)	The Financial Insights Asia Pacific Group
(2009) Asia Deal of the Year (CamGSM)	TelecomFinance
(2013) Home Lender of the Year	Cambodian Banker
(2013) Runner-up for the Top Ranking Performers in the Contact Centre World - Best Small Call Centre in Asia Pacific (2014) 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
(2013 & 2014) Most Outstanding Performing Foreign Bank	IDG - The Cambodian Banking & MFI Awards
(2014 & 2015) Best Trade Finance Bank in Cambodia	Global Finance Magazine
(2015) Fastest Growing Bank (Retail), Cambodia (2016) Best Foreign Retail Bank, Cambodia	International Finance Magazine
(2017, 2016, & 2015) Leadership in Debit Payment Volume, Average Spend Visa Mass Debit, Payment Volume, and Credit Payment Volume	Visa Cambodia

# ANZ ROYAL STRATEGY ON A PAGE

1	OUR PURPOSE	TO HELP CUSTOMERS SUCCEED AND PROSPER
2	OUR ASPIRATION: CAMBODIA'S GREAT INTERNATIONAL BANK	HOW WE WANT STAKEHOLDERS TO SEE US <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
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.



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

Having only joined ANZ Royal Bank as CEO in November 2017, I can take no credit for the many successes contained within this report, but it is very pleasing to have joined a bank so manifestly strong, in a market as vibrant and exciting as Cambodia.

Now into our 13th year of operation, ANZ Royal has an unmatched legacy of success, trust and respect. This bank has been a leader in the development of not just the Cambodian banking sector but the broader economy, forming deep and lasting partnerships with great Cambodian businesses, and facilitating trade and capital flows that have supported growth in this country for more than a decade.

This history carries with it a responsibility, to recognise and preserve the qualities that define this outstanding bank, but also to evolve in order to meet the changing needs of our customers in a market changing as quickly as ours.

2017 was, by any measure, a strong performance for ANZ Royal. We delivered a record profit outcome, achieved through a relentless focus on our customers, while maintaining a disciplined approach to risk, capital and cost.

The ANZ Royal strategy for 2017 was a clear one; to be the best bank in Cambodia for corporates who want to thrive, and Cambodians who want to buy a home. As this report demonstrates, we made solid progress on delivering that strategy.

Another record-breaking year, with the highest ever profit after tax and provisions, surpassing our previous best performance recorded in 2016.

Revenues contracted slightly due to margin pressure and portfolio re-shaping, but improved efficiency and an uplift

in the credit quality of our loan book resulted in an overall increase in profitability.

Our Retail business had an outstanding 2017, with asset growth of 20% year-on-year. ANZ Royal helped more people buy their own home than ever before, and cemented our reputation as the home loan bank of Cambodia.

In previous years ANZ Royal reduced the number of customers we supported in order to focus on those who most needed and valued the services we offer. 2017 saw the benefits of that portfolio re-shaping, with a significant write-back in provisions positively impacting financial performance. More importantly, it gave the team more time to spend with our customers, deepening the relationships, partnering with them to optimize their debt capital and balance sheet structure, and helping improve their businesses.

As the Cambodian market develops, more customers will need and value that support, and with the platform ANZ Royal now has we are well placed to accelerate growth in the years ahead. As technology advances and innovations change the way the financial sector operates, it is easy to forget that people remain at the heart of banking. Banking is about relationships, so while ANZ Royal will continue to invest in technologies that make it easier for our customers to do business, our primary focus will always be attracting, developing and retaining the best talent in Cambodia.

Thanks to that focus, ANZ Royal is known across the industry as being the very best at developing our people, which is easily proven by asking any other bank how many of their staff have previously worked at ANZ Royal. Many competitors choose to poach talent, but we know that for those who want to learn and develop, ANZ Royal is the only bank that can match their

ambition and invest in their futures. That certainly continued to be the case in 2017.

ANZ Royal also believes in being an active contributor to our community, from being a key member of the Association of Banks in Cambodia (ABC), to supporting initiatives for the betterment of our country through volunteering and sponsorship.

Building on the strong foundations of 2017, ANZ Royal is well positioned for the year ahead. Our strategy remains to be the best bank in Cambodia for corporates who want to thrive, and Cambodians who want to buy a home. We will accelerate growth in 2018 by increasing investment in our people and development, while fostering a culture of continuous improvement in every aspect of what we do. 2017 was a very strong year for ANZ Royal, but we are now focussed on the future and how we can better help our customers achieve their ambitions.

### ECONOMIC OUTLOOK

With GDP growth of 7 percent in 2017, Cambodia remains one of the fastest growing markets in the world, having featured in the top 10 growth economies globally for over 20 years. This growth is no coincidence, with Cambodia ensuring its macroeconomic stability through being one of the most open economies in the region.

Exports have been particularly strong, growing by more than 19 percent in 2017. Export growth remains concentrated in the traditional Agricultural and Garment industries. However there has been increased activity in non-traditional product manufacturing, moving up the value chain, positioning Cambodia for sustainable long-term growth.

With over 40 banks and 69 MFIs, Cambodia's banking sector

remains highly competitive. The financial sector has continued to develop, with strong support from the National Bank of Cambodia (NBC). Increased governance and regulatory oversight is raising standards and resulting in a stronger, better capitalised banking system. This evolution ensures the financial sector is robust and well placed to support the continuing economic success of Cambodia.

Increasing adoption of the Khmer Riel is important to Cambodia's future, reducing reliance on the US Dollar and giving the central bank necessary control over monetary policy. Steps have been taken by the Government and the NBC to drive increased use of Riel in daily transactions. ANZ Royal supports this ambition, and will continue to partner with the NBC, ABC and others to ensure this process is successful.

Another important area of focus is financial transparency and the quality of financial reporting. As this improves, it facilitates greater access to capital for growing corporates in Cambodia. Due to the leadership of the Government, NBC and the financial sector, 2017 saw significant progress. However there remains more to do, and ANZ Royal will continue to support both our customers and the banking industry in this effort.

### IN CLOSING

ANZ Royal's 2017 performance is testament to the hard work and dedication of our people, and I thank every one of them for their contribution. I also want to thank our customers for your kind support; we will work tirelessly every day to justify your decision to bank with us.

The year ahead will be one of change and opportunity, and with this talented team and the strong partnerships we have with our customers, ANZ Royal will thrive.



# INSTITUTIONAL BANKING



**With the most talented banking team in the market and unrivalled product capability, ANZ Royal is the best, most insightful bank in Cambodia for corporate customers who want to grow.**

The ANZ Royal Institutional Banking team is focussed on the delivery of world-class banking solutions to businesses throughout Cambodia. ANZ Royal offers the most advanced product solutions in the market, including Trade Finance, Foreign Exchange, Loan Products and Cash Management. We support a wide range of domestic corporates, as well as multi-national companies who are investing in the future of Cambodia. By helping these businesses succeed, we are promoting trade and capital flows across the globe, and supporting a vibrant, sustainable and growing economy.

ANZ Royal believes in fostering lasting partnerships with our customers. This approach requires an in-depth knowledge of the companies we serve, so we can deliver the right solutions at the right time. Customers have dedicated relationship managers, backed by a team of product specialists, offering unrivalled support. Our team believe in going the extra mile for our customers; it's at the core of who we are.

As a trusted partner and advisor, we provide customers with valuable insights, leveraging our deep sector knowledge and unrivalled product capability to support our customers' growth. For example, our best-in-class sector knowledge helps our customers understand trends in supply and demand, shaping their strategy for future success.

As the most sophisticated of Cambodia's banks, we also provide an outstanding Cash Management and Trade Finance platform, which enables our customers to gain detailed visibility into their daily operational cashflows. Domestic and international payments are made with ease, and foreign exchange conversion is easily made through these systems to support import and export flows.

Our Institutional Banking team is widely recognised as being the best in the market, backed by a world-class product offering. For customers who want to grow and thrive, there is no better partner than ANZ Royal.



## 2017 KEY HIGHLIGHTS

Some of the notable highlights of Institutional Banking in 2017 included:

- Strong loan growth in a highly competitive market, while improving the overall quality of the lending book
- Successfully closed a series of regional payments and cash management mandates, solidifying our place as Cambodia's #1 Institutional Bank
- Continued to be the leading provider of exchange and hedging solutions to Corporates and Financial Institutions.
- Accelerated adoption of Transactive, our market-leading corporate internet banking platform
- Increased investment in learning & development to attract, develop and retain the best talent in Cambodia, for the benefit of our customers.





# RETAIL BANKING

**Our Retail business is the most trusted in Cambodia and has two clear goals: to deliver superior customer service and be Cambodia's leading home loan bank.**

## MOST TRUSTED BANK IN CAMBODIA

ANZ Royal employs internationally-recognised standards in the market. Since our foundation we have supported the development of the financial market in Cambodia, and played an active role in the community we live in. In addition, ANZ Royal maintains one of the highest deposit to loan and capital buffer ratios in the country.

As a result, our customers now see ANZ Royal as the most trusted bank in Cambodia, and know that their money is safe with us. This is something we never take for granted; we work every day to continue to earn our customers' trust.

## SUPERIOR CUSTOMER SERVICE

Here at ANZ Royal, the customer is at the heart of everything we do: our mission is to ensure we deliver the best customer experience at our branches and contact centres.

In a fast-growth market like Cambodia, our customers' needs continue to evolve, and our bank must adapt to those needs. That means we must listen to what our customers are telling us, and turn that feedback into actions that continually improve the customer experience.



Based on customer feedback, 2017 saw us make significant progress in improving the convenience of banking with ANZ Royal. For example, we installed 77 new touch-screen ATMs across the country and expanded customers' access to their money outside of traditional branch channels. Our card offering continued to thrive, and our partners Visa acknowledged ANZ Royal for our market leadership in payment transactions last year.

## HOME LOANS

We understand buying a home is one of the most important financial decisions anyone can make. Our Retail team make the

experience as smooth and simple as possible for our customers, helping a record number of Cambodians buy homes in 2017.

We also launched our Home Loan Centre, a specialised, in-branch environment intended to provide our customers with dedicated assistance in both obtaining a mortgage and buying a home. In addition, we increased our experienced sales force, adding more Mobile Lending Managers and Retail Relationship Managers to support our clients beyond the reach of our branch network.

Trust, customer service and innovative Home Loan product offerings are why ANZ Royal's Retail team is the first choice for Cambodians who want to buy a home.



# RISK MANAGEMENT

The success of 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.

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.



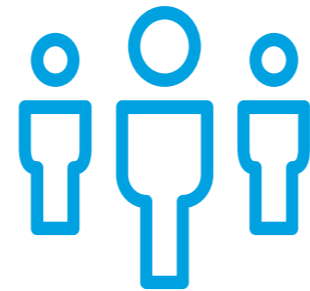
# ANZ ROYAL IN THE COMMUNITY

OUR PURPOSE IS TO SHAPE A WORLD WHERE PEOPLE AND COMMUNITIES THRIVE.



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

Since we opened our operations in 2005, our staff have contributed more than 55,000 volunteer hours, enhancing education and employment opportunities for marginalised and disadvantaged individuals.



**55,000+**  
Volunteer hours completed<sup>1</sup>



**1,100+**  
People reached through our financial education programme MoneyMinded<sup>1</sup>



<sup>1</sup> Estimated number of hours and people who have benefited from ANZ's MoneyMinded financial education programme in Cambodia since 2005

## 2018 COMMUNITY ACTIVITIES

To improve our efforts in the community, ANZ Royal has decided to focus its 2018 Community Agenda on one mission: **Uplifting Literacy for the Growth of Cambodia.**

We understand that education is critical for the sustainable development of countries and communities. The returns on investment in education take time and are not immediately measurable, but it will create sustainability through development of a solid foundation for the youth of Cambodia.

Our programme has 3 streams of focus:

**Professional Literacy** – sharing the knowledge, experience, and practices of our team with young Cambodians as they progress through university and look to enter the workforce. In 2018 we will launch the ANZ Royal Mentoring programme with selected university partners.

**Financial Literacy** – our MoneyMinded programme is a financial education course delivered in partnership with community educators to people across Cambodia to assist in building money management skills, knowledge, and confidence. In 2018, we will continue our 3rd generation of MoneyMinded with a target of reaching 400 new participants.

**Reading Literacy** – to improve literacy, reading resources must be accessible, and at a young age. In 2018, we will lead the ANZ Royal Book Drive, promoting awareness among our staff and public, and collecting books to donate to libraries in Cambodia.





# OUR PEOPLE



At ANZ Royal, we understand that our customer's satisfaction and our success is due to our talented and dedicated team. We want our bankers to be the best in Cambodia and we are focussed on fostering a culture of continuous development; attracting, building, and retaining the best talent in Cambodia.

## 2017 ACHIEVEMENTS

We believe in the strength of a vibrant, diverse and inclusive workforce. We make the most of our people's ideas, perspectives and capabilities to connect with customers, innovate and progress our business.

In 2017, we continued to deliver the promise of our employment brand based on the four core propositions of:

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



Developing talent from within and providing them with internal opportunities remains 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 secondments. We take accountability for our people's development, ensuring that they are equipped with the right set of skills to perform their job, meet current development needs, and pursue future career aspirations. As a result, in 2017, our people completed about 100 training workshops which constitutes to more than 15,000 learning hours. In addition, around 60% of our people were provided new opportunities through career movements within the Bank.

In support of building a team of capable and engaged world-class bankers, our approaches to learning continue to evolve. We rolled out the annual ANZ Royal Career Day, Mentoring Program, and the renowned Banking Collective Knowledge sessions. These initiatives enhance our employees' personal and professional qualities, uplifting their banking knowledge across all functions through knowledge sharing conducted by our own subject matter experts and external guest speakers.





# 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 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 services 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 positions in Cambodia, including President of the Cambodian Chamber of Commerce and the Phnom Penh Chamber of Commerce. He also 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.

## Felicity Rhiannon McKinnon

Director

Felicity has spent over 15 years in the Bank across roles in Transaction Banking, Corporate Relationship Management and, for more than 10 years, in Risk. A large part of her career has been spent managing client relationships in the Bank's high risk wholesale loan portfolio, in industries as diverse as financial institutions, infrastructure and mining. In 2015 she was appointed to build and lead the workout and restructuring team in North Asia. Currently, as Head of Strategic Enablement for Institutional Risk, her role covers a range of business management and governance activities across the Risk Organization in Institutional Banking.

She holds a Bachelor of Commerce/ Science (Hons) from University of Melbourne.

## 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.

## Ong Guat Kee (Tracy)

Director

Tracy Ong joined ANZ in November 2014 as Chief Representative of the ANZ Malaysia Representative Office. She was appointed to the board of ANZ Royal Cambodia in December 2017. Tracy has more than 30 years of experience in banking and financial services where she held several senior positions in Bank of America Malaysia, Danajamin and Maybank. She is currently an executive member of the Malaysia Australia Business Council and she chairs the sub-committee for Women in Business.

Tracy holds a Bachelor of Economics (Hons) from University of Malaya and Masters in Business Administration from University of Strathclyde, United Kingdom.

## Ratana Phurik-Callebaut

Independent Director

Until May 2018, Ratana Phurik-Callebaut was the Executive Director of EuroCham Cambodia, the European Chamber of Commerce.

She grew up in France, where she graduated in both Industrial Economics and International Trade & Finance at La Sorbonne University. After several years working in Geneva in the private banking sector as a portfolio manager and 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 worked in the telecommunications industry for over 30 years. He 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 2017



SEATED FROM LEFT TO RIGHT:  
• SADAT MATH • BOREN KORK • PHEAKDEY POK  
• NARITA HANG CHUON • VIC SISOWATH

STANDING FROM LEFT TO RIGHT:  
• DAVID LIN • ANDREW EAGLE • VYOMESH CHANDAN • TIVEA TOUCH  
• ALISDAIR CREANOR • NICHOLAS ANZMAN • GARETH COLEMAN



## EXECUTIVE MANAGEMENT 2017 (CONTINUED)



### Alisdair Creanor

Chief Executive Officer

Alisdair Creanor is Chief Executive Officer of ANZ Royal, responsible for leading execution of strategy, and providing valued insights and financial services to clients in Cambodia, across the Mekong and the broader ANZ network.

Alisdair has deep experience in the international banking sector, having worked in London, New York, Paris and Melbourne. Alisdair was previously a member of the ANZ Institutional Leadership Team, responsible for leading the Institutional Transformation agenda, the development and delivery of the divisional strategy, and the running of a number of central functions across ANZ's global institutional business.

Alisdair has been at ANZ since early 2015, prior to which he held a number of roles at Lloyds Banking Group, including in Equity Capital Markets, Wholesale Banking, and Strategy and Performance. Earlier in his career, Alisdair set up and ran a digital logistics business in the UK, before joining Bouygues Group, the French conglomerate.



### Andrew Eagle

Chief Operating Officer

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

Prior to this role, Andrew worked in ANZ's India Hub, where he managed Home Loan operations for 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 Postgraduate degree in Finance and an MBA from the Australian Graduate School of Management from the University of New South Wales.

### David Lin

Head of Research & Analysis

David joined ANZ Royal in 2017. Prior to joining ANZ Royal, he was the Head of Commercial Banking, Timor Leste responsible for ANZ's entire commercial banking portfolio from 2014. Currently, he leads a team of credit risk specialists primarily focused on credit assessment and portfolio management of our Institutional Banking customers. His key responsibilities include making sound credit decisions, continuing to train and develop the team and ensuring the quality of assets written conforms to the Risk Appetite and Transaction Guidelines of the Bank.

With 15 years of banking and finance experience, David has held a number of relationship management and credit analysis roles across Australia, UK and Asia since joining ANZ in 2005. Prior to ANZ, he worked for Toyota Finance Australia in the assessment of consumer automobile loans.

David holds a Bachelor of Commerce from the University of Sydney, Australia.



### 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 also took responsibility for leading our MNC and Large Corporate Coverage team. In this role Gareth leads frontline sales and relationship management teams, and is responsible for execution of ANZ's institutional client strategy.

Prior to joining ANZ Royal, Gareth worked for 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 Masters of Business Administration majoring in International Business from Monash University.



## EXECUTIVE MANAGEMENT 2017 (CONTINUED)



### Narita Hang Chuon

#### Head of Local Corporates

Narita is the Head of Local Corporates, responsible for the growth and profitability of the Local Corporates segment. She leads and develops Relationship Teams to support our Local Corporate clients, delivering ANZ Royal's Local Corporate strategy.

Narita joined ANZ Royal in September 2005 as Credit Operation Manager. Throughout her service with the Bank, Narita has held roles from end-to-end in delivery of products and services to our clients, including Operations, Relationship Support & Business Control, and most recently in the frontline as Head of Small Medium Enterprise and Local Corporates banking. Prior to 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.

On top of her role with ANZ Royal, Narita is actively involved in various associations to support women in business.



### Boren Kork

#### Head of Legal

Boren was appointed as Head of Legal in 2016. She takes part in the Bank's 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, her dedication and drive saw her promoted to Lending Operations Manager, leading and overseeing delivery of loan documentation, administration, and processing services.

Before joining ANZ Royal, Boren gained extensive experiences in the legal and educational fields with such roles as General Manager of a Law Firm, Professor of Law at Royal University of Law and Economics (RULE) and Pannasastra University of Cambodia (PUC), Foreign Researcher at Nagoya University Graduate School of Law 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 also is a holder of Bachelor of Law degrees from the Royal University of Law and Economics, Cambodia and Lumière Lyon II University, France.

### Nicholas Anzman

#### Chief Risk Officer

Nick joined ANZ Royal as Chief Risk Officer in May 2017. He has 13 years of experience in banking including leading debt and capital raises for US Global Multinational Corporations both domestically and throughout Asia and Australia, managing the Risk strategy for ANZ's global Institutional Business, and full end-to-end oversight of the credit, market and operational risks in Cambodia.

He has worked with ANZ Group across New York, Hong Kong and Phnom Penh and has held positions in Relationship Banking, Trade Finance and Risk Management. Nick started his career with Siemens Financial Services, managing their North American Supply Chain Finance and Receivables Securitization programs.

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

Nick has also been appointed as Chair and Acting Chair, respectively, for the Association of Banks in Cambodia's Risk Management and Compliance Committees.



### Pheakdey Pok

#### Chief Financial Officer

Pheakdey has led the Finance unit of ANZ Royal since her appointment as Chief Financial Officer in April 2010. Pheakdey is responsible for managing ANZ Royal's finances, incorporating strategic direction in 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 in May 2008 as Finance Manager, bringing to the Bank 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. She holds a Bachelor of Finance and Accounting from the National Institute of Management Cambodia and is an Associate Member of CPA Australia.





## EXECUTIVE MANAGEMENT 2017 (CONTINUED)



### Sadat Math

#### Head of Human Resources

Sadat joined ANZ Royal in August 2008 in the Human Resources department. During his career with the Bank, he has been given the opportunity to expand job responsibilities and promoted to different roles including Learning and Development Manager, HR Business Partner, HR Delivery Lead, and most recently as Head of Human Resources in late 2016. He is a great talent in 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 in the university and NGO sectors after completing his studies. Sadat holds degrees as Bachelor in Management and Master of Business Administration from Norton University in Cambodia.

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



### Tivea Touch

#### Head of Compliance

Tivea joined ANZ Royal as Head of Compliance in January, 2018, managing the regulatory compliance and the AML/CTF and Economic and Trade Sanctions programme.

Before joining ANZ Royal, Tivea was Head of Legal & Compliance at Cambodia Post Bank. Prior to entering Compliance, Tivea held positions within Acleda Bank Plc across Credit and Reporting.

In addition to working in the Compliance sector, Tivea has facilitated legal & compliance training courses at the Institution of Banking and Finance (IBF) under the Association of Banks in Cambodia (ABC), and Phnom Penh Business School.

Tivea holds a Master of Private Law from Royal University of Law and Economics, Phnom Penh, Cambodia.

### Vic Sisowath

#### Head of Retail Banking

Vic Sisowath joined ANZ Royal in April 2007 and currently leads Retail Banking covering 14 branches, our Priority Banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance, and our 24/7 Contact Centre.

With 11 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 Chandan

#### Head of Markets

Vyomesh joined ANZ Royal in May 2015 as the Head of Markets for Cambodia with additional oversight of the Laos and Myanmar Markets Businesses. 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 1,200 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 33 countries.

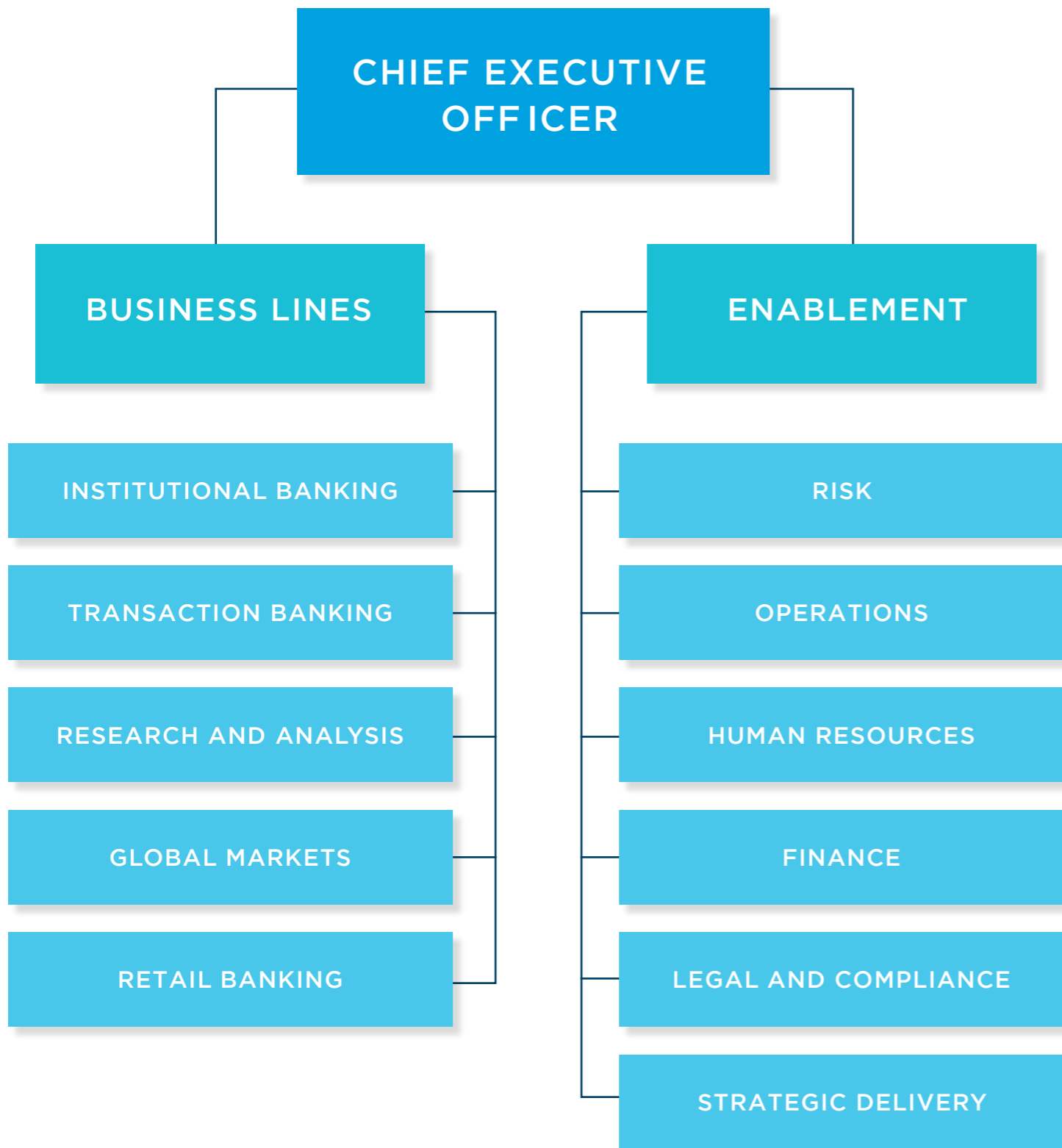
Prior to joining ANZ Royal, Vyomesh was the Head of Trading and Balance Sheet at ANZ in India. Including his time at ANZ, Vyomesh has worked in the Markets Business for nearly 20 years in Trading and Managerial Roles.

He holds a Postgraduate 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.





# ORGANISATIONAL CHART



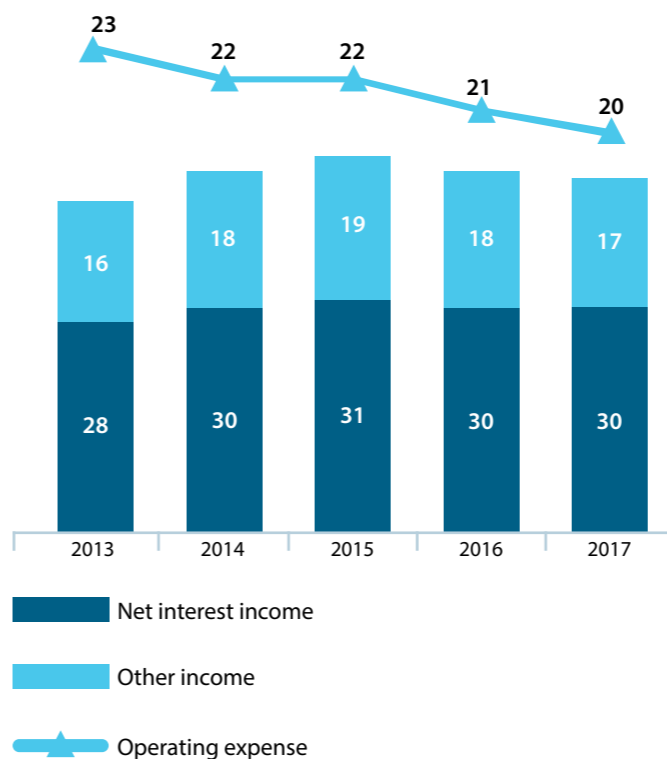
# FINANCE SUMMARY

## FINANCIAL HIGHLIGHTS

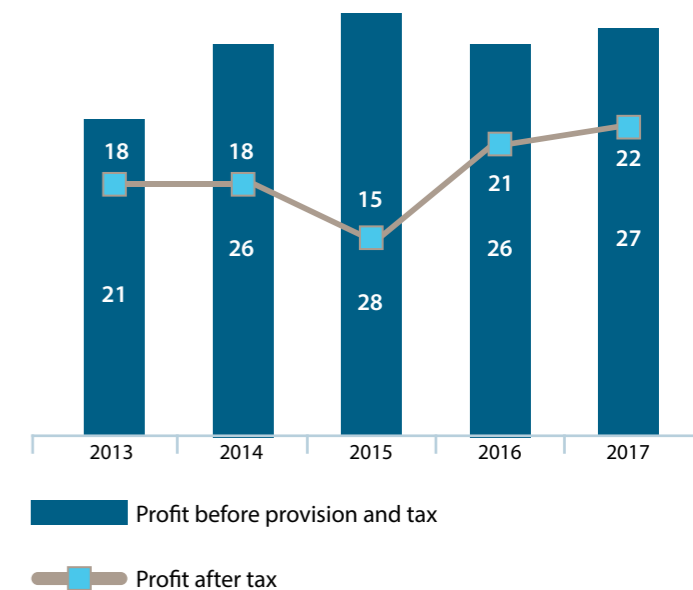
Net profit after tax was US\$22m, up 4.4% year-on-year, driven by the increase in net interest income (up 18% YOY), lower operating expenses (down 4% YOY), and recovery from provision.

FINANCIAL PERFORMANCE (\$M)	2017	2016	MOVT %
Net interest income	30.3	29.8	1.8%
Other operating income	17.1	17.7	-3.1%
Operating income	47.4	47.4	0.0%
Operating expenses	(20.1)	(20.9)	-4.0%
Profit before credit impairment and income tax	27.3	26.5	3.1%
Provision for credit impairment	2.9	0.0	Large
Profit before income tax	30.2	26.5	13.8%
Income tax expense	(8.2)	(5.5)	49.8%
Net profit after tax	22.0	21.0	4.4%

OPERATING INCOME & EXPENSES (USD MILLIONS)



PROFITABILITY (USD MILLIONS)





# FINANCE SUMMARY (CONTINUED)

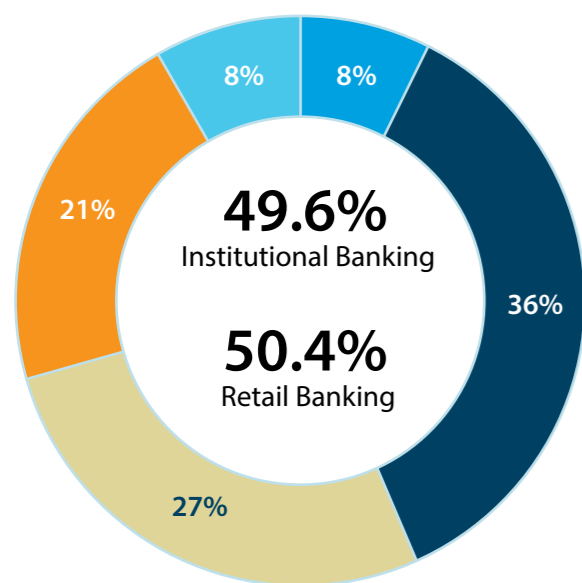
## BALANCE SHEET

The ANZ Royal Balance Sheet remains strong and drives sustainable growth in a competitive market. Our liquidity was maintained to support asset growth and capital was managed prudently with a capital ratio of 26.7% in FY17.

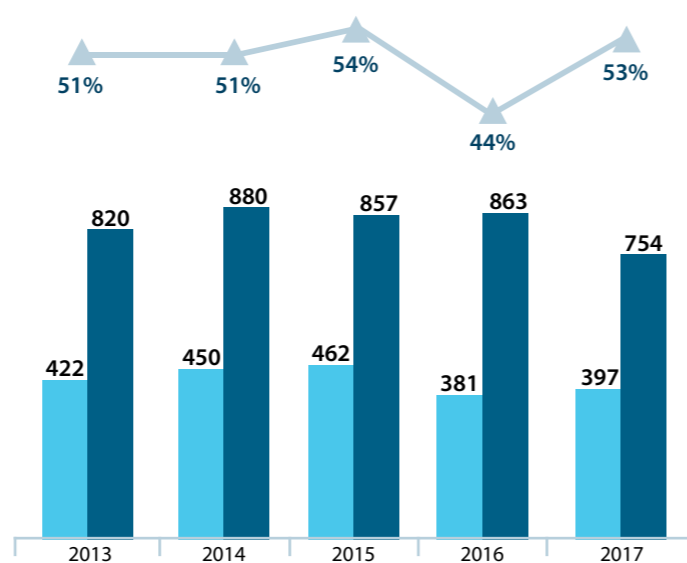
The loan balance increased +4% to \$397m due to our deep understanding of customer needs, and adoption of disciplined approach to support their business growth.

Deposits stood at US\$754m, with almost equal contribution from Institutional Banking (49.6%) and Retail Banking (50.4%).

### CUSTOMER DEPOSITS BY LOBS AND PRODUCTS



### GROSS LOANS AND DEPOSITS (USD MILLIONS)

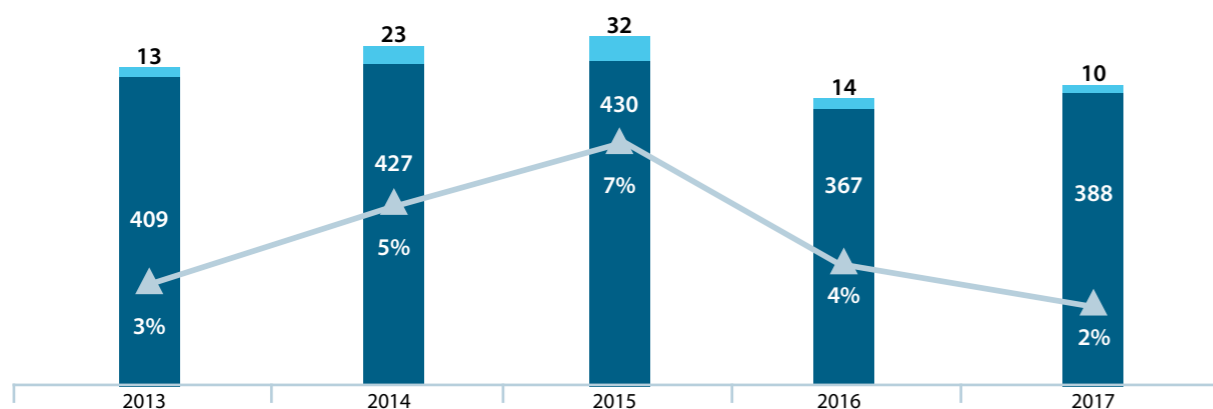


■ Saving ■ CABI ■ CANBI ■ Cash Mgt ■ Term ■ Loan ■ Deposit —▲— L/D Ratio

## CREDIT QUALITY

The credit quality of our loan book continued to improve: Impairments in 2017 were minimal and were partly offset by a large recovery resulting in positive outcome. Continued management of our credit quality led to a further reduction in our NPL ratio by 1.2% year-on-year (2017 : 2.4% vs 2016 : 3.7%).

### LOAN QUALITY (USD MILLIONS)



■ Performing Loan ■ Non-Performing Loan —▲— NPL Ratio

# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

# 31 DECEMBER 2017

## 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>	00015704
<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>	<p><b>Neak Oknha Kith Meng</b>  <b>Oknha Kith Thieng</b>  <b>Alistair Marshall Bulloch</b>  <b>William Mark Hanna</b>  <b>Ratana Phurik-Callebaut</b>  <b>Simon John Perkins</b>  <b>Ong Guat Kee (Tracy)</b> (appointed on 28 December 2017)  <b>Hugues Eric Marie De l'Epine</b> (resigned on 31 July 2017)  <b>Phan Thi Thanh Binh</b> (resigned on 12 July 2017)  <b>Sanjoy Sen</b> (resigned on 15 January 2018)</p>
<b>MANAGEMENT TEAM</b>	<p><b>Alisdair Creanor</b>, Chief Executive Officer (appointed on 6 November 2017)  <b>Leonie Lethbridge</b>, Chief Executive Officer (resigned on 16 June 2017)  <b>Andrew Eagle</b>, Chief Operating Officer  <b>Pheakdey Pok</b>, Chief Financial Officer  <b>Nicholas Anzman</b>, Chief Risk Officer (appointed on 19 June 2017)  <b>Gethin Jones</b>, Chief Risk Officer (resigned on 18 June 2017)  <b>Boren Kork</b>, Head of Legal  <b>Devin Bin</b>, Head of Compliance (resigned on 31 December 2017)  <b>Sadat Math</b>, Head of Human Resources  <b>Gareth Coleman</b>, Head of Multinational Corporation and Transactional Banking  <b>Vyomesh Chandan</b>, Head of Global Markets  <b>Anjali Samarapperuma</b>, Head of Research &amp; Analysis (resigned on 28 July 2017)  <b>Vic Sisowath</b>, Head of Retail Banking  <b>Narita Hang Chuon</b>, Head of Local Corporates</p>
<b>AUDITOR</b>	KPMG Cambodia Ltd.

## REPORT OF THE DIRECTORS

The Directors have the pleasure of submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd ("the Bank") for the year ended 31 December 2017.

### 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 2017 were as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before				
income tax	30,203,634	121,932,071	26,535,785	107,124,964
Income tax				
expense	(8,240,275)	(33,265,990)	(5,500,189)	(22,204,263)
<b>Net profit</b>				
<b>for the year</b>	21,963,359	88,666,081	21,035,596	84,920,701

### 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

On 12 January 2017, the Bank submitted a request letter to the NBC to transfer the amount of US\$4,000,000 from retained earnings to share capital in accordance with the shareholders' resolution dated 28 October 2016. The share capital of the Bank was increased from US\$71,000,000 to US\$75,000,000 following the approval from the NBC on 7 February 2017 and acknowledged by the Ministry of Commerce on 11 April 2017.

### RESERVES AND PROVISIONS

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

### 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.



## REPORT OF THE DIRECTORS (CONTINUED)

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.

### 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**  
**Alistair Marshall Bulloch**  
**William Mark Hanna**  
**Ratana Phurik-Callebaut**  
**Simon John Perkins**  
**Ong Guat Kee (Tracy)** (appointed on 28 December 2017)  
**Hugues Eric Marie De l'Epine** (resigned on 31 July 2017)  
**Phan Thi Thanh Binh** (resigned on 28 December 2017)  
**Sanjoy Sen** (resigned on 15 January 2018)

### 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 2017, 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.

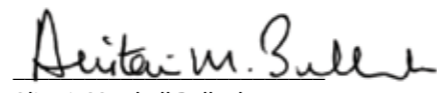
### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 35 to 72 which present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and 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  
Date: 28 March 2018

## 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 of 31 December 2017, 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 35 to 72 (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 2017, and its financial performance and 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 comprises the Report of the Directors on pages 31 to 32, 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, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

# 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.**



**Nge Huy**  
Partner

Phnom Penh, Kingdom of Cambodia  
28 March 2018

# BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Assets</b>					
Cash and bank balances	5	130,172,537	525,506,532	113,271,580	457,277,368
Deposits and placements					
with banks	6	393,400,215	1,588,156,668	435,101,590	1,756,505,119
Net loans and advances	7	379,321,080	1,531,319,200	362,363,829	1,462,862,778
Statutory deposits	8	110,670,688	446,777,567	119,315,650	481,677,279
Other assets	9	4,178,092	16,866,957	3,668,336	14,809,072
Intangible assets	10	54,503	220,029	83,052	335,281
Premises and equipment	11	4,839,615	19,537,526	5,283,513	21,329,542
Deferred tax assets, net	12	1,182,368	4,773,220	1,275,496	5,149,177
<b>Total assets</b>		<b>1,023,819,098</b>	<b>4,133,157,699</b>	<b>1,040,363,046</b>	<b>4,199,945,616</b>
<b>Liabilities and shareholders' funds</b>					
<b>Liabilities</b>					
Deposits from other banks		38,275,619	154,518,674	25,220,423	101,814,848
Deposits from customers	13	753,830,593	3,043,214,104	838,115,424	3,383,471,967
Income tax liability	12	8,251,772	33,312,404	5,331,075	21,521,549
Payables and other liabilities	14	36,106,201	145,760,733	6,304,570	25,451,549
<b>Total liabilities</b>		<b>836,464,185</b>	<b>3,376,805,915</b>	<b>874,971,492</b>	<b>3,532,259,913</b>
<b>Shareholders' funds</b>					
Share capital	15	75,000,000	302,775,000	71,000,000	286,627,000
General reserves		42,000,000	169,554,000	42,000,000	169,554,000
Retained earnings		70,354,913	284,022,784	52,391,554	211,504,703
<b>Total shareholders' funds</b>		<b>187,354,913</b>	<b>756,351,784</b>	<b>165,391,554</b>	<b>667,685,703</b>
<b>Total liabilities and shareholders' funds</b>		<b>1,023,819,098</b>	<b>4,133,157,699</b>	<b>1,040,363,046</b>	<b>4,199,945,616</b>

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



# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	16	33,231,912	134,157,229	34,263,335	138,321,083
Interest expense	17	(2,916,250)	(11,772,901)	(4,491,521)	(18,132,270)
Net interest income		30,315,662	122,384,328	29,771,814	120,188,813
Net fee, commission income and foreign exchange earnings	18	17,126,139	69,138,223	17,669,405	71,331,388
Operating income		47,441,801	191,522,551	47,441,219	191,520,201
Operating expenses	19	(20,109,011)	(81,180,077)	(20,941,623)	(84,541,332)
Reversal of bad and doubtful loans and advances	7	2,870,844	11,589,597	36,189	146,095
Profit before income tax		30,203,634	121,932,071	26,535,785	107,124,964
Income tax expense	12	(8,240,275)	(33,265,990)	(5,500,189)	(22,204,263)
Net profit for the year		21,963,359	88,666,081	21,035,596	84,920,701

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	General reserves	Retained Earnings	Total
	US\$	US\$	US\$	US\$
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
Balance as at 1 January 2017	71,000,000	42,000,000	52,391,554	165,391,554
Net profit for the year	-	-	21,963,359	21,963,359
Transfer to share capital	4,000,000	-	(4,000,000)	-
Balance as at 31 December 2017	75,000,000	42,000,000	70,354,913	187,354,913
Balance as at 31 December 2017 (KHR'000 equivalents – Note 4)	302,775,000	169,554,000	284,022,784	756,351,784

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Cash flows from operating activities</b>					
Profit before income tax		30,203,634	121,932,071	26,535,785	107,124,964
Adjustments for:					
Amortisation		28,549	115,252	38,341	154,783
Depreciation		1,292,529	5,217,940	1,501,685	6,062,302
Loss on disposal of premises and equipment		14,301	57,733	334,125	1,348,863
Reversal of bad and doubtful loans and advances		(2,870,844)	(11,589,597)	(36,189)	(146,095)
		28,668,169	115,733,399	28,373,747	114,544,817
<b>Changes in:</b>					
Deposits and placements with banks		(63,349,435)	(255,741,669)	(40,000,000)	(161,480,000)
Loans and advances		(14,086,407)	(56,866,825)	76,255,235	307,842,384
Statutory deposits		8,644,962	34,899,712	241,090	973,280
Other assets		(509,756)	(2,057,885)	11,160,695	45,055,726
Deposits from customers		(71,229,635)	(287,554,036)	5,922,632	23,909,665
Payables and other liabilities		29,801,631	120,309,184	(5,114,901)	(20,648,855)
Cash (used in)/generated					
from operations		(82,060,471)	(331,278,120)	76,838,498	310,197,017
Income tax paid		(5,226,450)	(21,099,178)	(4,223,765)	(17,051,339)
<b>Net cash (used in)/generated from operating activities</b>		<b>(87,286,921)</b>	<b>(352,377,298)</b>	<b>72,614,733</b>	<b>293,145,678</b>
<b>Cash flows from investing activities</b>					
Purchase of premises and equipment		(870,236)	(3,513,143)	(2,524,977)	(10,193,332)
Proceed from disposal of premises and equipment/ intangible assets		7,304	29,485	47,200	190,546
<b>Net cash used in investing activities</b>		<b>(862,932)</b>	<b>(3,483,658)</b>	<b>(2,477,777)</b>	<b>(10,002,786)</b>

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

	Note	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(88,149,853)	(355,860,956)	70,136,956	283,142,892
<b>Cash and cash equivalents at beginning of the year</b>		508,373,170	2,052,302,487	438,236,214	1,774,856,667
Currency translation differences		-	-	-	(5,697,072)
<b>Cash and cash equivalents at end of the year</b>	20	420,223,317	1,696,441,531	508,373,170	2,052,302,487

### Significant non-cash transactions

During the year there was the following significant non-cash transaction:

	Note	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Conversion of the retained earnings to the share capital		4,000,000	16,148,000	-	-

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 416 employees as of 31 December 2017 (2016: 429 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 28 March 2018.

### (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.

### (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%

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.

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

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.

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

### New NBC Credit Risk Grading and Provision on Impairment not yet adopted:

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions (“Institution”) to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%

Long-term loans (more than one year):

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 359 days	100%

Based on Section 1 of the Circular No. B7-018-001, the Bank decided to adopt prospectively all requirements of Prakas No. B7-017-344 including the calculation of provision on impairment in its 2018 financial statements.

Management is assessing the potential impact on its financial statements resulting from the application of this new credit risk grading and provision on impairment.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 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 in 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.

### (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 more than or equal to 3 years and 7% on gross salary per month for those who have worked with the Bank from 8 years of service.

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 (2016: KHR4,037) published by the NBC on 31 December 2017. 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.

## 5. CASH AND BANK BALANCES

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
Cash on hand	40,163,850	162,141,462	35,350,807	142,711,208
Cash at banks				
National Bank of Cambodia	64,028,279	258,482,162	72,257,636	291,704,077
Other banks	593,556	2,396,186	2,099,358	8,475,108
	104,785,685	423,019,810	109,707,801	442,890,393
<i>Outside Cambodia:</i>				
Cash at banks				
Related parties	25,134,865	101,469,450	685,197	2,766,140
Others	251,987	1,017,272	2,878,582	11,620,835
	25,386,852	102,486,722	3,563,779	14,386,975
	130,172,537	525,506,532	113,271,580	457,277,368

The above amounts are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By currency:				
US Dollars	110,251,047	445,083,477	94,989,996	383,474,614
Khmer Riel	13,906,999	56,142,555	12,311,438	49,701,275
Other	6,014,491	24,280,500	5,970,146	24,101,479
	130,172,537	525,506,532	113,271,580	457,277,368
(b) By interest rates (per annum):				
	2017		2016	
Related parties	0% - 2.14%		0% - 2.14%	
Other	0% - 1.10%		0% - 1.10%	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 6. DEPOSITS AND PLACEMENTS WITH BANKS

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
National Bank of Cambodia	60,467,050	244,105,481	33,654,590	135,863,580
Other local banks	207,933,165	839,426,187	170,000,000	686,290,000
	268,400,215	1,083,531,668	203,654,590	822,153,580
<i>Outside Cambodia (related parties):</i>				
ANZ Singapore	125,000,000	504,625,000	231,447,000	934,351,539
	393,400,215	1,588,156,668	435,101,590	1,756,505,119

The above amounts are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	132,802,824	536,125,000	87,645,009	353,822,901
2 to 3 months	197,247,956	796,289,999	307,456,581	1,241,202,218
4 to 6 months	63,349,435	255,741,669	40,000,000	161,480,000
	393,400,215	1,588,156,668	435,101,590	1,756,505,119
(b) By currency:				
US Dollars	315,000,000	1,271,655,000	401,700,000	1,621,662,900
KHR	78,400,215	316,501,668	31,954,590	129,000,680
Other	-	-	1,447,000	5,841,539
	393,400,215	1,588,156,668	435,101,590	1,756,505,119

(c) By interest rates (per annum):

	2017	2016
	National Bank of Cambodia	0.66% - 1.76%
Other local banks	1.35% - 2.00%	1.00% - 1.75%
ANZ Singapore	0.89% - 1.60%	0.89% - 1.75%

## 7. NET LOANS AND ADVANCES

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term loans	114,032,746	460,350,196	92,886,267	374,981,860
Overdrafts	22,140,711	89,382,050	25,494,209	102,920,122
Housing loans	121,931,054	492,235,665	101,721,286	410,648,832
Trade finance loans	137,934,993	556,843,566	159,746,806	644,897,856
Credit cards	1,414,353	5,709,743	1,530,963	6,180,497
	397,453,857	1,604,521,220	381,379,531	1,539,629,167
Allowance for bad and doubtful loans and advances	(13,590,363)	(54,864,296)	(16,728,666)	(67,533,625)
Interest in-suspense	(4,542,414)	(18,337,724)	(2,287,036)	(9,232,764)
	379,321,080	1,531,319,200	362,363,829	1,462,862,778

The above amounts are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	30,944,379	124,922,458	39,881,340	161,000,970
2 to 3 months	78,347,082	316,287,170	109,616,062	442,520,042
4 to 6 months	77,998,019	314,878,003	71,071,999	286,917,660
7 to 12 months	9,760,487	39,403,086	17,349,250	70,038,922
1 to 3 years	53,085,406	214,305,784	37,976,614	153,311,591
4 to 5 years	36,607,986	147,786,439	15,925,479	64,291,159
More than 5 years	110,710,498	446,938,280	89,558,787	361,548,823
	397,453,857	1,604,521,220	381,379,531	1,539,629,167



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b) By performance:				
Standard loans				
Secured	357,830,309	1,444,560,957	359,102,273	1,449,695,876
Unsecured	24,980,209	100,845,104	4,580,850	18,492,891
Special mention loans				
Secured	368,797	1,488,833	1,464,532	5,912,316
Unsecured	53,857	217,421	23,683	95,608
Sub-standard loans				
Secured	37,255	150,398	1,244,339	5,023,397
Unsecured	828,424	3,344,348	10,449	42,183
Doubtful loans				
Secured	21,730	87,724	296,077	1,195,263
Unsecured	387,015	1,562,380	8,277	33,414
Loss loans				
Secured	12,946,261	52,264,055	14,649,051	59,138,219
	397,453,857	1,604,521,220	381,379,531	1,539,629,167
(c) By types:				
Commercial				
Overdrafts	22,140,711	89,382,050	25,494,209	102,920,122
Loans	114,032,746	460,350,196	92,886,267	374,981,860
Trade finance loans	137,934,993	556,843,566	159,746,806	644,897,856
Consumer				
Loans	121,931,054	492,235,665	101,721,286	410,648,832
Credit cards	1,414,353	5,709,743	1,530,963	6,180,497
	397,453,857	1,604,521,220	381,379,531	1,539,629,167

## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(d) By industry:				
Services	33,108,574	133,659,313	11,211,756	45,261,859
Wholesale and retail	127,198,370	513,499,820	164,165,481	662,736,047
Consumer items	118,603,612	478,802,782	98,000,652	395,628,632
Construction	-	-	1,108,576	4,475,321
Food industries	65,381,899	263,946,726	61,163,900	246,918,664
Manufacturing	23,396,638	94,452,228	20,020,121	80,821,229
Staff loans	8,295,601	33,489,341	8,335,719	33,651,298
Others	21,469,163	86,671,010	17,373,326	70,136,117
	397,453,857	1,604,521,220	381,379,531	1,539,629,167
(e) By currency:				
US Dollars	397,453,857	1,604,521,220	381,379,531	1,539,629,167
(f) By residency status:				
Residents	397,453,857	1,604,521,220	381,379,531	1,539,629,167
(g) By relationship:				
Third parties	387,884,843	1,565,891,110	372,394,561	1,503,356,843
Staff loans	8,295,601	33,489,341	8,335,719	33,651,298
Related parties	1,273,413	5,140,769	649,251	2,621,026
	397,453,857	1,604,521,220	381,379,531	1,539,629,167
(h) By exposure:				
Large exposures	77,683,464	313,608,144	42,212,201	170,410,655
Non-large exposures	319,770,393	1,290,913,076	339,167,330	1,369,218,512
	397,453,857	1,604,521,220	381,379,531	1,539,629,167

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 7. NET LOANS AND ADVANCES (CONTINUED)

The above amounts are analysed as follows (continued):

(h) By exposure (continued)

(i) By interest rates (per annum):

	2017	2016
Overdrafts	4.77%-9.00%	5.50%-10.90%
Commercial loans	1.25%-15.00%	1.25%-10.90%
Consumer loans		
Housing loans	3.50% - 12.50%	3.50% - 13.00%
Personal loans	8.00%- 29.40%	7.80%- 29.40%

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of the year	16,728,666	67,533,625	20,733,630	83,971,202
Reversal of bad and doubtful loans and advances	(2,870,844)	(11,589,597)	(36,189)	(146,095)
Written off	(404,470)	(1,632,845)	(3,993,997)	(16,123,766)
Recovery from loans and advances written off	137,011	553,113	25,222	101,821
Currency translation differences	-	-	-	(269,537)
<b>At end of the year</b>	<b>13,590,363</b>	<b>54,864,296</b>	<b>16,728,666</b>	<b>67,533,625</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.

## 8. STATUTORY DEPOSITS

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits on:				
Minimum share capital	(a) 7,500,000	30,277,500	7,100,000	28,662,700
Customers' deposits	(b) 103,170,688	416,500,067	112,215,650	453,014,579
	110,670,688	446,777,567	119,315,650	481,677,279

### (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 bank's 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 0.18% per annum (2016: 0.22% 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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable				
- Related parties	287,346	1,160,016	245,705	991,911
- Other	1,089,128	4,396,810	777,755	3,139,797
Deposits and prepayments	1,094,121	4,416,966	940,425	3,796,496
Derivative financial instruments	1,680,278	6,783,282	1,602,978	6,471,222
Others	27,219	109,883	101,473	409,646
	4,178,092	16,866,957	3,668,336	14,809,072



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 10. INTANGIBLE ASSETS

2017	Computer and Banking Software	
	US\$	KHR'000 (Note 4)
<b>Cost</b>		
At 1 January 2017/31 December 2017	907,684	3,664,320
<b>Less: Accumulated amortisation</b>		
At 1 January 2017	824,632	3,329,039
Amortisation	28,549	115,252
At 31 December 2017	853,181	3,444,291
<b>Carrying amounts</b>		
At 31 December 2017	54,503	220,029
<b>2016</b>		
	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
<b>Carrying amounts</b>		
At 31 December 2016	83,052	335,281

## 11. PREMISES AND EQUIPMENT

2017	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 2017	3,837,182	3,584,924	596,968	8,886,465	1,465,508	18,371,047	74,163,917
Additions	-	-	-	-	870,236	870,236	3,513,143
Transfers	1,419,022	103,091	-	358,396	(1,880,509)	-	-
Disposals	(1,243,954)	(1,188,612)	-	-	-	(2,432,566)	(9,820,269)
Reclassification	1,595	658	-	(2,253)	-	-	-
At 31 December 2017	4,013,845	2,500,061	596,968	9,242,608	455,235	16,808,717	67,856,791
<b>Less: Accumulated depreciation</b>							
At 1 January 2017	2,361,745	2,978,739	596,968	7,150,082	-	13,087,534	52,834,375
Depreciation	526,201	164,626	-	601,702	-	1,292,529	5,217,940
Disposals	(1,233,597)	(1,177,364)	-	-	-	(2,410,961)	(9,733,050)
Reclassification	46	31	-	(77)	-	-	-
At 31 December 2017	1,654,395	1,966,032	596,968	7,751,707	-	11,969,102	48,319,265
<b>Carrying amounts</b>							
At 31 December 2017	2,359,450	534,029	-	1,490,901	455,235	4,839,615	19,537,526

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 11. PREMISES AND EQUIPMENT (CONTINUED)

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.

## 12. INCOME TAX

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

Deferred tax assets/(liabilities) comprise:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for general and special mention loans and advances (*)	775,377	3,130,197	740,312	2,988,639
Depreciation	569,023	2,297,146	639,077	2,579,954
Other	(162,032)	(654,123)	(103,893)	(419,416)
	1,182,368	4,773,220	1,275,496	5,149,177

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	1,275,496	5,149,177	796,137	3,224,355
Charged to profit or loss	(93,128)	(375,957)	479,359	1,935,172
Currency translation differences	-	-	-	(10,350)
Balance at end of year	1,182,368	4,773,220	1,275,496	5,149,177

(\*) 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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the year	5,331,075	21,521,549	3,575,292	14,479,933
Income tax expense	8,147,147	32,890,033	5,979,548	24,139,435
Income tax paid	(5,226,450)	(21,099,178)	(4,223,765)	(17,051,339)
Currency translation differences	-	-	-	(46,480)
Balance at end of the year	8,251,772	33,312,404	5,331,075	21,521,549



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 12. INCOME TAX (CONTINUED)

### (c) Income tax expense

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Income tax expense	8,147,147	32,890,033	5,979,548	24,139,435
Deferred tax	93,128	375,957	(479,359)	(1,935,172)
	8,240,275	33,265,990	5,500,189	22,204,263

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:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	30,203,634	121,932,071	26,535,785	107,124,964
Income tax using statutory rate	6,040,727	24,386,415	5,307,157	21,424,993
Effect of non-deductible expense	420,763	1,698,620	193,032	779,270
Effect of tax reassessment	1,778,785	7,180,955	-	-
	8,240,275	33,265,990	5,500,189	22,204,263

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

## 13. DEPOSITS FROM CUSTOMERS

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	474,307,876	1,914,780,895	509,761,819	2,057,908,463
Savings deposits	217,005,511	876,051,248	227,100,349	916,804,109
Fixed deposits	62,517,206	252,381,961	101,253,256	408,759,395
	753,830,593	3,043,214,104	838,115,424	3,383,471,967

## 13. DEPOSITS FROM CUSTOMERS (CONTINUED)

The above amounts are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	703,691,291	2,840,801,742	777,627,076	3,139,280,506
2 to 3 months	16,246,706	65,587,952	22,270,837	89,907,369
4 to 6 months	18,656,333	75,315,616	16,861,917	68,071,559
7 to 12 months	15,157,385	61,190,363	21,276,716	85,894,103
4 to 5 years	78,878	318,431	78,878	318,430
	753,830,593	3,043,214,104	838,115,424	3,383,471,967
(b) By type of customer:				
Domestic corporations	376,259,286	1,518,958,738	414,261,281	1,672,372,792
Foreign corporations	7,725,209	31,186,669	14,393,353	58,105,966
Individuals	368,623,376	1,488,132,569	408,309,249	1,648,344,438
Other	1,222,722	4,936,128	1,151,541	4,648,771
	753,830,593	3,043,214,104	838,115,424	3,383,471,967
(c) By residency status:				
Residents	738,142,955	2,979,883,109	819,866,630	3,309,801,585
Non-residents	15,687,638	63,330,995	18,248,794	73,670,382
	753,830,593	3,043,214,104	838,115,424	3,383,471,967
(d) By relationship:				
Third parties	727,571,134	2,937,204,668	800,497,928	3,231,610,135
Related parties	26,259,459	106,009,436	37,617,496	151,861,832
	753,830,593	3,043,214,104	838,115,424	3,383,471,967
(e) By currency:				
US Dollars	733,762,779	2,962,200,339	800,744,993	3,232,607,537
Khmer Riel	16,209,494	65,437,727	31,977,358	129,092,594
Other	3,858,320	15,576,038	5,393,073	21,771,836
	753,830,593	3,043,214,104	838,115,424	3,383,471,967

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 13. DEPOSITS FROM CUSTOMERS (CONTINUED)

The above amounts are analysed as follows:

f) By interest rates (per annum):

	2017		2016	
Current accounts*	0.20% - 1.00%		0.20% - 1.00%	
Savings deposits	0.00% - 0.50%		0.40% - 1.00%	
Fixed deposits	0.30% - 5.50%		0.10% - 5.50%	

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

## 14. PAYABLES AND OTHER LIABILITIES

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Employee entitlements	946,775	3,822,131	1,037,004	4,186,385
Unearned revenue	470,856	1,900,846	416,775	1,682,521
Accruals	56,079	226,391	504,034	2,034,785
Interest payable	434,978	1,756,006	750,513	3,029,821
Banker's cheques	304,307	1,228,487	350,364	1,414,419
Due to related parties*	30,194,625	121,895,701	520,807	2,102,498
Other tax payables	2,679,302	10,816,341	1,960,481	7,914,462
Derivative financial instruments	399,260	1,611,813	666,737	2,691,617
Others	620,019	2,503,017	97,855	395,041
	36,106,201	145,760,733	6,304,570	25,451,549

\*This amount included the borrowing from ANZ Singapore, related parties. The borrowing has no collateral bearing the interest rate of 1.6% per annum and matured on 11 January 2018.

## 15. SHARE CAPITAL

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Shares of US\$100 each:				
Issued and fully paid 750,000 shares (2016: 710,000 shares)	75,000,000	302,775,000	71,000,000	286,627,000

On 12 January 2017, the Bank submitted a request letter to the NBC to transfer the amount of US\$4,000,000 from retained earnings to share capital in accordance with the shareholders' resolution dated 28 October 2016. The share capital of the Bank was increased from US\$71,000,000 to US\$75,000,000 following the approval from the NBC on 7 February 2017 and acknowledged by the Ministry of Commerce on 11 April 2017.

## 16. INTEREST INCOME

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances	26,660,708	107,629,278	30,255,729	122,142,378
Placements with banks outside Cambodia	2,658,263	10,731,408	1,776,293	7,170,895
Placements with banks in Cambodia	3,912,941	15,796,543	2,231,313	9,007,810
	33,231,912	134,157,229	34,263,335	138,321,083

## 17. INTEREST EXPENSE

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fixed deposits	1,379,428	5,568,751	2,119,777	8,557,540
Savings deposits	712,008	2,874,376	941,738	3,801,796
Current deposits	824,814	3,329,774	1,430,006	5,772,934
	2,916,250	11,772,901	4,491,521	18,132,270

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fee and commission income:				
Trade and payment income	8,147,611	32,891,906	8,456,713	34,139,750
Lending fees	346,379	1,398,332	624,334	2,520,436
Other fees	4,796,242	19,362,429	6,765,820	27,313,615
	13,290,232	53,652,667	15,846,867	63,973,801
Fee and commission expense	(1,180,386)	(4,765,218)	(2,338,831)	(9,441,860)
Net fee and commission income	12,109,846	48,887,449	13,508,036	54,531,941
Foreign exchange earnings	5,016,293	20,250,774	4,161,369	16,799,447
	17,126,139	69,138,223	17,669,405	71,331,388



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 19. OPERATING EXPENSES

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<b>(a) Personnel</b>				
Salaries and wages	7,546,263	30,464,264	7,628,883	30,797,801
Performance reward scheme	1,223,523	4,939,362	1,667,370	6,731,173
Pension fund	313,636	1,266,149	280,174	1,131,062
Others	676,218	2,729,892	647,873	2,615,463
	9,759,640	39,399,667	10,224,300	41,275,499
<b>(b) Premises</b>				
Rental	1,371,935	5,538,502	1,426,339	5,758,131
Utilities and other outgoings	1,021,516	4,123,860	1,109,132	4,477,566
Depreciation of leasehold improvements	601,702	2,429,071	678,088	2,737,441
Others	363,445	1,467,227	390,696	1,577,240
	3,358,598	13,558,660	3,604,255	14,550,378
<b>(c) Computer</b>				
Data communication	708,151	2,858,806	663,407	2,678,174
Depreciation and amortisation	554,750	2,239,526	531,717	2,146,542
Computer related expenses	753,920	3,043,575	971,089	3,920,286
	2,016,821	8,141,907	2,166,213	8,745,002
<b>(d) Other operating expenses</b>				
Advertising	173,167	699,075	176,865	714,004
Depreciation of motor vehicles, furniture and equipment	164,626	664,595	330,221	1,333,102
Inter-group expenses	1,338,038	5,401,659	1,392,721	5,622,415
Other tax penalty and interest	878,154	3,545,108	339,958	1,372,410
Travel	189,164	763,655	214,375	865,432
Postage and stationery	173,537	700,569	218,696	882,876
Professional fees	223,197	901,046	254,407	1,027,041
Telephone	98,137	396,179	125,485	506,583
Freight and cartage	69,245	279,542	86,676	349,911
Non-lending losses, frauds and forgeries	34,103	137,674	22,458	90,663
License and memberships fee	323,201	1,304,762	333,789	1,347,506
Motor vehicles lease and rental	156,400	631,387	208,480	841,634
ATM security expenses	18,915	76,360	25,199	101,728
Loss on premises and equipment and intangible assets disposal/written off	14,301	57,733	334,125	1,348,863
Others	1,119,767	4,520,499	883,400	3,566,285
	4,973,952	20,079,843	4,946,855	19,970,453
	20,109,011	81,180,077	20,941,623	84,541,332

## 20. CASH AND CASH EQUIVALENTS

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash and bank balances (Note 5)	130,172,537	525,506,532	113,271,580	457,277,368
Deposits and placements with banks	393,400,215	1,588,156,668	435,101,590	1,756,505,119
	523,572,752	2,113,663,200	548,373,170	2,213,782,487
Less: Balances with original maturity of 3 months or more				
Deposits and placements with banks	103,349,435	417,221,669	40,000,000	161,480,000
	420,223,317	1,696,441,531	508,373,170	2,052,302,487

## 21. 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:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Bank guarantees	15,213,460	61,416,738	26,084,323	105,302,412
Letters of credit	113,437,975	457,949,105	109,613,161	442,508,331
Unused portion of loans and advances	29,520,968	119,176,148	59,591,583	240,571,221
Foreign exchange commitments	66,587,276	268,812,833	(9,308,810)	(37,579,666)
	224,759,679	907,354,824	185,980,257	750,802,298

### (b) Lease commitments

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	1,268,630	5,121,460	1,201,958	4,852,304
2 to 3 years	1,897,087	7,658,540	1,590,618	6,421,325
4 to 5 years	103,715	418,696	232,250	937,593
	3,269,432	13,198,696	3,024,826	12,211,222

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### (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 which are 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") has conducted a comprehensive tax audit from 1 January 2008 to 31 December 2012. Following this process, the tax authority has issued the tax reassessment to the Bank on 28 November 2017. The Bank has appointed a tax advisor to review and submit a protest letter to GDT on 16 January 2018. There has been no response from GDT yet as at the date of this report.

## 22. 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:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Related companies:				
Interest income	2,696,996	10,877,773	1,821,315	7,352,650
Interest expense	33,893	136,826	96,645	390,156
Rental expense	137,462	554,934	330,000	1,332,210
Purchase/transfer technology from				
ANZ Banking Group Limited	2,188,668	8,835,653	2,074,186	8,373,489

## 23. 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 the 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.

### (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 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (Continued)

#### (ii) Exposure to credit risk

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances				
Individually impaired	14,220,685	57,408,905	16,208,193	65,432,476
Past due but not impaired	422,654	1,706,254	1,488,215	6,007,924
Neither past due nor impaired	382,810,518	1,545,406,061	363,683,123	1,468,188,767
	397,453,857	1,604,521,220	381,379,531	1,539,629,167
Allowance for bad and doubtful loans and advances	(13,590,363)	(54,864,296)	(16,728,666)	(67,533,625)
Interest in-suspense	(4,542,414)	(18,337,724)	(2,287,036)	(9,232,764)
	379,321,080	1,531,319,200	362,363,829	1,462,862,778

#### 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.

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (Continued)

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

##### 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.

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Against individually impaired:				
Land	19,281,423	77,839,105	11,996,170	48,428,538
Buildings	6,983,589	28,192,749	5,331,371	21,522,745
Past due but not impaired:				
Land	675,745	2,727,983	4,359,900	17,600,916
Buildings	278,550	1,124,506	871,800	3,519,457
	27,219,307	109,884,343	22,559,241	91,071,656

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### (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 2017, 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.

#### Concentration of currency risk

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

As at 31 December 2017	US\$000 Equivalent			Total
	US\$	KHR'000	Others	US\$000
<b>Financial assets</b>				
Cash and bank balances	110,251	13,908	6,014	130,173
Deposits and placements with banks	315,000	78,400	-	393,400
Net loans and advances to customers	379,321	-	-	379,321
Other assets	3,057	-	-	3,057
<b>Total financial assets</b>	<b>807,629</b>	<b>92,308</b>	<b>6,014</b>	<b>905,951</b>
<b>Financial liabilities</b>				
Deposits from other banks	26,180	12,096	-	38,276
Deposits from customers	733,763	16,209	3,859	753,831
Payables and other liabilities	32,956	-	-	32,956
<b>Total financial liabilities</b>	<b>792,899</b>	<b>28,305</b>	<b>3,859</b>	<b>825,063</b>
<b>Net financial asset position</b>	<b>14,730</b>	<b>64,003</b>	<b>2,155</b>	<b>80,888</b>
(KHR million equivalents – Note 4)	59,465	258,380	8,700	326,545

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

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

#### Concentration of currency risk (continued)

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

#### (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 2017 (CONTINUED)

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

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

2017	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	130,173	-	-	-	-	-	-	130,173	1.62%
Deposits and placements with banks	132,803	197,248	63,349	-	-	-	-	393,400	1.33%
Loans and advances	30,944	78,347	77,998	9,761	89,693	110,711	-	397,454	7.32%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(13,590)	(13,590)	
- Interest in-suspense	-	-	-	-	-	-	(4,543)	(4,543)	
Other assets	-	-	-	-	-	-	3,057	3,057	
	293,920	275,595	141,347	9,761	89,693	110,711	(15,076)	905,951	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	38,276	38,276	
Deposits from customers	703,691	16,247	18,656	15,158	-	79	-	753,831	1.25%
Payables and other liabilities	30,000	-	-	-	-	-	2,956	32,956	1.60%
	733,691	16,247	18,656	15,158	-	79	41,232	825,063	
Maturity gap	(439,771)	259,348	122,691	(5,397)	89,693	110,632	(56,308)	80,888	
(KHR'million equivalents - Note 4)	(1,775,356)	1,046,988	495,304	(21,788)	362,091	446,621	(227,315)	326,545	

## 23. 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	interest
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%	
<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		

#### 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 2017 (CONTINUED)

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet 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 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.

2017	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	-	-	-	-	-	38,276	38,276
Deposits from customers	703,691	16,247	33,893	-	-	-	753,831
Payables and other liabilities	30,000	-	-	-	-	2,956	32,956
<b>Total</b>	<b>733,691</b>	<b>16,247</b>	<b>33,893</b>	<b>-</b>	<b>-</b>	<b>41,232</b>	<b>825,063</b>
KHR's million equivalents - Note 4)	2,961,911	65,589	136,826	-	-	166,453	3,330,779

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

## 23. 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 Bank'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.

## 24. 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 2017 (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		2017		2016	
				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	187,354,913	1,032,225,735	18.15%	15.84%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	172,380,651	1,032,225,735	16.70%	15.77%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	172,380,651	659,710,257	26.13%	27.34%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	176,244,874	659,710,257	26.72%	27.94%
5	Net worth to total assets	Net worth	Total assets	176,244,874	1,032,225,735	17.07%	16.12%
6	Solvency ratio	Net worth	Risk weighted assets	176,244,874	659,710,257	26.72%	27.94%
7	Debts to total assets	Total liabilities	Total assets	844,870,822	1,032,225,735	81.85%	84.16%
8	Debt to equity	Total liabilities	Equity	844,870,822	187,354,913	450.95%	531.24%
9	Dividend to net profit	Dividend	Net profit	-	21,963,359	0.00%	0.00%
<b>ASSET QUALITY</b>							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	3,876,883	397,453,857	0.98%	0.96%
11	Banking reserve to total assets	Banking reserves	Total assets	3,876,883	1,032,225,735	0.38%	0.35%
12	NPL to total loans	NPL	Total loans (gross)	9,713,480	397,453,857	2.44%	3.65%
13	NPL to total assets	NPL	Total assets	9,713,480	1,032,225,735	0.94%	1.33%
14	Classified assets to total loans	Classified assets	Total loans (gross)	9,713,480	397,453,857	2.44%	3.65%
15	Classified assets to total assets	Classified assets	Total assets	9,713,480	1,032,225,735	0.94%	1.33%
16	Classified assets to equity	Classified assets	Equity	9,713,480	187,354,913	5.18%	8.42%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	1,273,413	397,453,857	0.32%	0.17%
18	Large exposure to total loans	Large exposure	Total loans (gross)	137,767,717	397,453,857	34.66%	29.82%
19	Loan to related parties to net worth	Loan to related parties	Net worth	1,273,413	176,244,874	0.72%	0.39%
20	Large exposure to net worth	Large exposure	Net worth	137,767,717	176,244,874	78.17%	67.57%
21	General provision to total loans	General provision	Total loans (gross)	3,876,883	397,453,857	0.98%	0.96%
22	Specific provision to total loans	Specific provision	Total loans (gross)	9,726,140	397,453,857	2.45%	3.43%
23	Specific provision to NPL	Specific provision	NPL	9,726,140	9,713,480	100.13%	93.90%
24	All allowances to total assets	Total all allowances	Total assets	13,603,023	1,032,225,735	1.32%	1.60%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	397,453,857	753,830,593	52.72%	45.50%

No.	Other Ratios	Formula by NBC		2017		2016	
				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	21,963,359	1,032,225,735	2.13%	2.01%
27	Return on equity	Net profit	Equity	21,963,359	187,354,913	11.72%	12.72%
28	Gross yield	Interest income	Total assets	33,231,912	1,032,225,735	3.22%	3.28%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	30,315,662	1,032,225,735	2.94%	2.85%
30	Other income to total assets	Other incomes	Total assets	17,126,139	1,032,225,735	1.66%	1.69%
31	Provision to total assets	Provisions	Total assets	(2,870,844)	1,032,225,735	-0.28%	-0.00%
32	Overhead to total assets	Non-interest expenses	Total assets	20,109,011	1,032,225,735	1.95%	2.01%
33	Net income before tax to total assets	Net income before tax	Total assets	30,203,634	1,032,225,735	2.93%	2.54%
34	Taxes to total assets	Taxes	Total assets	8,240,275	1,032,225,735	0.80%	0.53%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	30,315,662	50,358,051	60.20%	57.33%
36	Non-interest income to gross income	Non-interest income	Gross income	17,126,139	50,358,051	34.01%	34.03%
37	Non-interest expense to gross income	Non-interest expense	Gross income	20,109,011	50,358,051	39.93%	40.32%
38	Times interest earned	Profit before tax + interest expense	Interest expense	33,119,884	2,916,250	11.36 times	6.91 times
<b>LIQUIDITY</b>							
39	Liquid asset	Liquid asset	Total assets	523,572,752	1,032,225,735	50.72%	52.53%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	844,870,822	1,032,225,735	81.85%	84.16%
41	Net liquid assets	Liquid assets – short-term liabilities	Total liabilities	(321,298,070)	844,870,822	-38.03%	-37.59%
42	Quick ratio	Quick assets*	Current liabilities	523,572,752	844,870,822	61.97%	62.41%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	753,830,593	397,453,857	189.66%	219.76%

(\*): 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  
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