



PhillipBank



ANNUAL REPORT 2017

TABLE OF CONTENTS

<u>04</u>	Background	<u>18</u>	Organizational Structure
<u>05</u>	Corporate Mission and Vision	<u>20</u>	Profile of Directors
<u>06</u>	Branch Locations	<u>26</u>	Profile of Management
<u>07</u>	Financial Highlights	<u>33</u>	Business Operation Target
<u>08</u>	3-Year Financial Summary	<u>35</u>	Policy and Practice Guideline
<u>10</u>	Chairman's Statement	<u>42</u>	HR Strategic Agenda
<u>14</u>	Analysis of Financial Performance	<u>43</u>	Corporate Social Responsibility

FINANCIAL

CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 & REPORT OF THE INDEPENDENT AUDITORS

<u>46</u>	Corporate Information	<u>56</u>	Consolidated Statement of Cash Flows
<u>47</u>	Report of the Board of Directors	<u>57</u>	Separate Balance Sheet
<u>51</u>	Report of the Independent Auditors to the Shareholder Phillip Bank Plc.	<u>58</u>	Separate Income Statement
<u>53</u>	Consolidated Balance Sheet	<u>59</u>	Separate Statement of Change in Equity
<u>54</u>	Consolidated Income Statement	<u>60</u>	Separate Statement of Cash Flows
<u>55</u>	Consolidated Statement of Changes in Equity	<u>61</u>	Notes to the Financial Statements for the Year Ended 31 December 2017

BACKGROUND

Phillip Bank Plc is a member of PhillipCapital Group which is based in Singapore, and established since 1975. PhillipCapital Group is an Asian integrated financial house providing a wide range of products and services with presence in 17 countries with offices in Singapore, Malaysia, Indonesia, Thailand, Hong Kong, China, Japan, Sri Lanka, United Kingdom, France, Turkey, India, Australia, USA, Cambodia, Dubai and Vietnam.

The Group has more than 3,500 employees and over 1,000,000 clients worldwide. The total asset under management of USD35 billion and shareholders' fund is in excess of USD1.5 billion as of 2017.

We, PhillipBank, currently have 6 branches in Phnom Penh and are planning to expand our presence throughout the Kingdom of Cambodia.



CORPORATE MISSION



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

CORPORATE VISION

We are committed to:

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

CORPORATE PHILOSOPHY



Customer's Perspective

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



Employee Perspective

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



Community Perspective

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



Shareholder Perspective

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

BRANCH LOCATIONS

MONIVONG BRANCH

HEAD OFFICE

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

MAO TSE TUNG BRANCH

Telephone: +855 23 862 777

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

NORODOM BRANCH

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

KAMPUCHEA KROM BRANCH

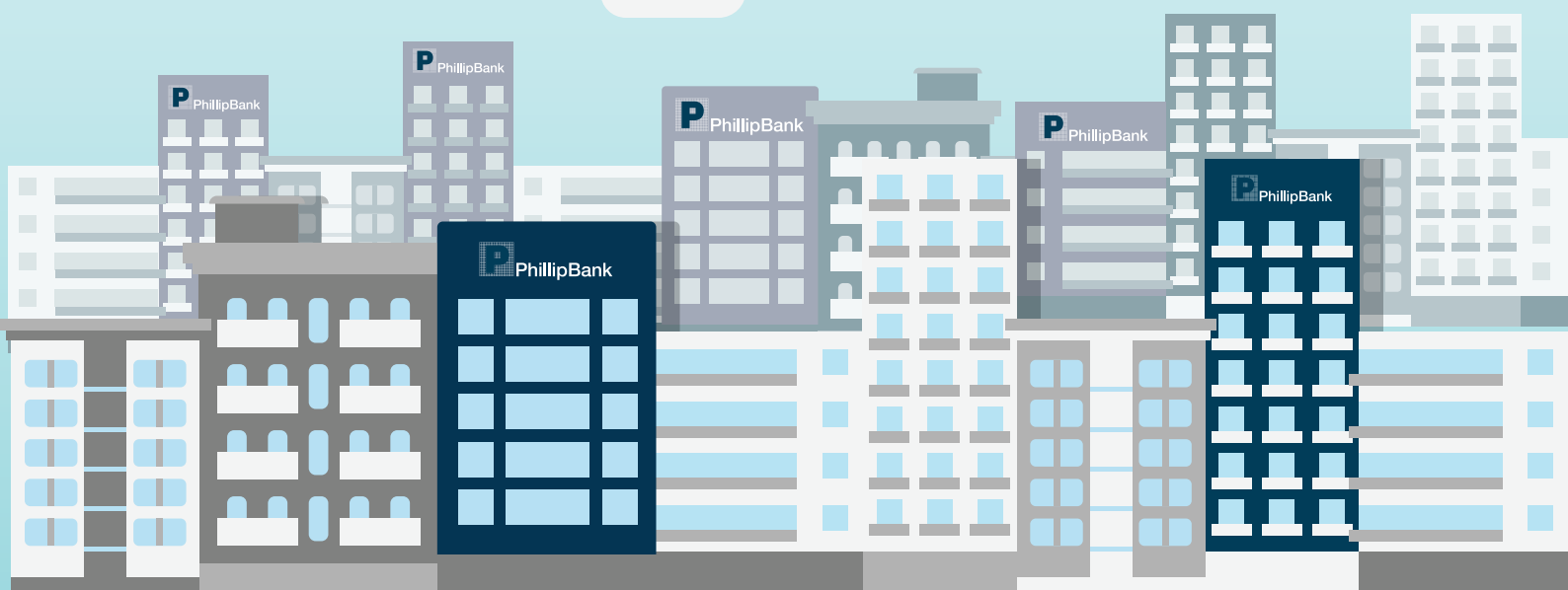
#640, Kampuchea Krom Blvd., Phsar Depo II,
Khan Toul Kork, Phnom Penh
Telephone: +855 23 883 733
Fax: +855 23 883 811
Email: kpk@phillipbank.com.kh

TEUK THLA BRANCH

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

STEUNG MEANCHEY BRANCH

#6B – 7B, Street Preah Monireth,
Sangkat Steung Meanchey,
Khan Meanchey, Phnom Penh
Telephone: +855 23 900 464
Fax: +855 23 900 463
Email: smc@phillipbank.com.kh



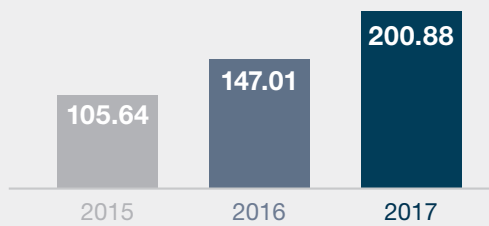
FINANCIAL HIGHLIGHTS

	FY 2017	FY 2016	FY 2015
OPERATING RESULTS (USD\$'000)			
Operating revenue	11,404	8,654	5,568
Profit/ (Loss) before taxation	2,502	477	(300)
Net profit/(loss) for the year	1,959	499	(353)
KEY BALANCE SHEET DATE (USD\$'000)			
Total assets	200,881	147,007	105,644
Loan and advances	123,125	92,321	68,480
Total liabilities	142,443	107,528	66,663
Deposits	140,129	105,504	61,960
Statutory capital	58,000	41,000	41,000
Shareholder's funds	58,438	39,479	38,981
FINANCIAL RATIOS			
Earnings/(loss) per share (US\$)	0.034	0.012	(0.009)
Net assets per share (US\$)	1.01	0.96	0.95
Return on shareholders' funds (%)	3.35	1.26	(0.91)
Return on assets (%)	0.97	0.34	(0.33)
Liquidity ratio (%)	122	175	57.52
Loan-to-deposit ratio (%)	89.55	89.49	113.42
Non-performing loans to total loans (%)	1.08	1.42	1.57
CAPITAL MANAGEMENT			
Net worth (US\$'000)	60,217	39,362	38,430
Solvency ratio (%)	42.15	34.09	45.95

3-YEAR FINANCIAL SUMMARY

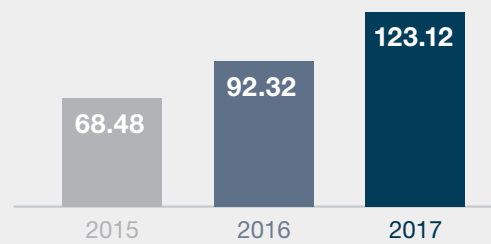
TOTAL ASSETS

US\$ Million



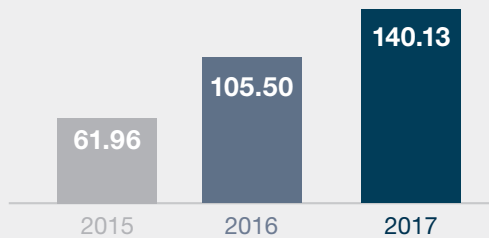
LOANS AND ADVANCES

US\$ Million



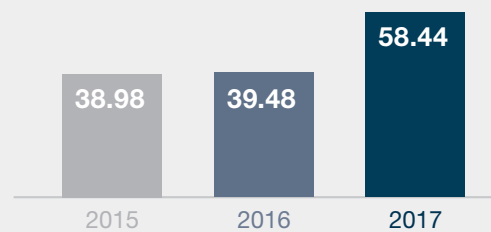
DEPOSITS

US\$ Million



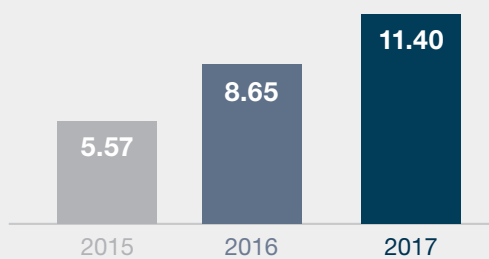
SHAREHOLDER'S FUNDS

US\$ Million



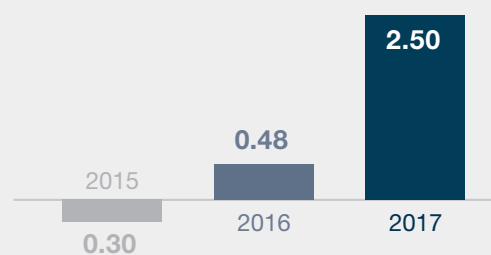
OPERATING REVENUE

US\$ Million



PROFIT/(LOSS) BEFORE TAX

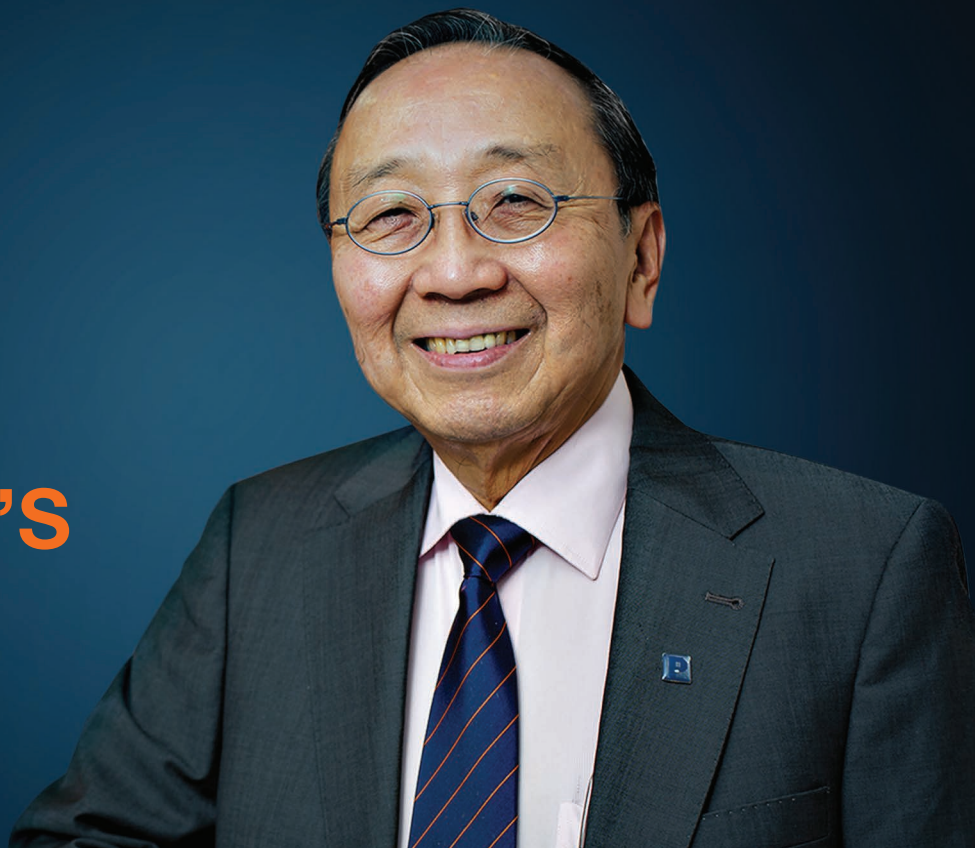
US\$ Million



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CHAIRMAN'S STATEMENT



■ OVERALL BUSINESS ENVIRONMENT

According to The World Bank Report as at October 2017, following more than two decades of strong economic growth, Cambodia has attained the lower middle-income status as of 2015, with gross national income (GNI) per capita reaching \$1,070. Driven by garment exports and tourism, Cambodia has sustained an average growth rate of 7.6% in 1994-2015, ranking sixth in the world. Economic growth is expected to remain strong over the next two years (6.8% in 2017 and 6.9% in 2018) as recovering tourism activity coupled with fiscal expansion compensate for some moderation in garment exports and construction growth.

International Monetary Fund (IMF) in its Country Report No. 17/325 dated October 2017 stated that Cambodia's economy is expected to grow by 6.9 in 2017, with moderating private investment offset by higher public spending and robust construction and tourism activities. Headline inflation rose to 3 percent in 2016 and 3.5 in the first half of 2017, mainly driven by higher food and energy prices.

Overall credit growth has slowed, owing in part to policy measures. Real estate sector-related bank credit growth, however, remains strong, supported by demand for housing from Cambodia's young and growing middle-income population. The current account deficit narrowed to 8.8 percent of GDP in 2016. Driven by strong FDI Inflows, foreign reserves have continued to grow, reaching \$7.9 billion in June 2017, about 5.5 months of next year's imports.

While the authorities again outperformed their revenue target in 2016, higher current spending resulted in an increase of the fiscal deficit to around 2.8 percent of GDP (compared with 1.6 percent in 2015). The fiscal deficit is expected to widen further in 2017 due to higher public sector wages and other election-related current spending.

Looking ahead, the outlook is positive, although challenges remain. Real GDP growth is projected to remain robust over the next few years. Growth is then expected to slow over the medium-term to around 6 percent, due to moderation in the credit and real-estate cycles and ongoing challenges in improving economic diversification and competitiveness.

In line with the positive sentiment and on-going growth, the banking sector in Cambodia continues to display healthy and steady growth. The loans to the private sectors and deposits have increased in 2017. In the National Bank of Cambodia (NBC) Economic and Monetary Statistics Report dated December 2017, it is stated that the commercial banks have loaned a total of KHR68,271.1 billion (approximately USD17.07 billion) as at December 2017, which is an increase of 19.70 percent compared to the same period in 2016. On the deposit figure, as at December 2017, the total amount of deposit collected by the commercial banks is KHR69,684.4 billion (approximately USD17.42 billion), which is an increase of the 25.14% compared to 2016.

■ SUMMARY OF THE BANK'S FINANCIAL PERFORMANCE

In 2017, Phillip Bank Plc. ("the Bank") continued with its strategy and efforts to target specific groups such as medium-sized enterprises and businessmen, residential house buyers and wholesale banking to Microfinance Institutions.

For the year ended 31st December 2017, the Bank recorded total operating revenue of USD11.40 million (compared to USD8.65 million as at 31 December 2016), an increase of 31.8%.

The Pre-tax Profit is USD2.50 million (as compared to Pre-tax Profit of USD0.48 million as at 31 December 2016), an increase of 421%

The main reason for the profits are due to higher interest income from our increasing loan base. Our loan portfolio increased from USD 92.32 million as at 31 December 2016 to USD123.12 million as at 31 December 2017, an increase of 33%.

At the same time, our non-interest income or fee income also increased from USD0.76 million as at 31 December 2016 to USD1.25 million as at 31 December 2017, an increase of 64%.

Similarly, deposits also grew significantly from USD105.50 millions as at 31st December 2016 to USD140.13 million as at 31 December 2017, an increase of 33%.

The Bank has a paid up capital of USD58million and this capital is in compliance with the regulatory requirement.

■ COMPLIANCE WITH REGULATIONS ISSUED BY THE CENTRAL BANK

The Bank remains steadfast and maintains its strict compliance to the prakas and regulations set by the National Bank of Cambodia (NBC). We are determined to maintain good corporate governance and professionalism in the management and operation of the Bank's business. The Bank continues to strictly comply with all prakas, circulars, provisions and guidelines of the NBC.

■ STEPS TAKEN TO STRENGTHEN THE BANK'S POSITION AND PERFORMANCE

The Bank aims to be a significant and important player in Cambodia's financial sector in providing its clients with practical, useful, efficient and secure banking products and services. As such, the Bank is committed to constantly review and improve its products and services to provide the best customer experience.

In 2017, the Bank continued to reach out to serve more customers especially the SME sector and also maintain good rapport with our existing customers which resulted in a significant increase in our retail deposit base and loan portfolio.

These improved performance is the result of the Bank's many initiatives during the year and carried on from the previous year.

The Bank has launched a Customer Care Campaign to offer the same standard of customer services at all its branches. The tagline of the Campaign is WE CARE i.e. **W**arm Welcome, **E**mpathize, **C**ommunicate & Connect, **A**ddress Concern, **R**esolve & Reassure and **E**nd with a Fond Relationship.

During the year, the Bank has launched the following new products:



Khmer Riel Loans, Savings and Current Account products

This is in line with the strategy of NBC to promote more usage of Khmer Riel in the country.



Mobile Banking

Customers can now perform their banking transactions anytime and anywhere from their mobile phones.



Term Deposit Plus product

Whereby customers placing their fund under this Term Deposit Plus product will be given a free Life Insurance Coverage.



Personal Loan, Motorcycle and Car Loan

To further expand its product range in order to cater to the increasing needs of its customers.

This is a part of the Bank's strategy to support the initiative of NBC and also strengthen its retail banking business in order to serve more customers.

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

Finally, the Bank also continued to invest in technology and infrastructure security.

For example, the Bank are exploring to migrate its core banking system to a more robust and superior core banking system in order to offer a better and more secure services its customers.

■ BOARD FOCUS AND COMMITMENT

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

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

PhillipCapital Group is an integrated financial services group based in Singapore providing a wide range of products and services namely, stockbroking, corporate finance, factoring, futures, derivatives, insurance and wealth management with presence in 17 countries.

Presently, PhillipCapital Group has significant shareholdings in two microfinance institutions in Cambodia, namely, KREDIT Microfinance and First Finance. This is in addition to Phillip General Insurance which was incorporated in January 2017 and also Phillip Life Assurance. Both companies are wholly owned by PhillipCapital Group.

The Group has obtained the Approval-in-Principle from the National Bank of Cambodia in December 2015 to merge the Bank and KREDIT Microfinance into one entity and upon completion of the merger, the bank's branch network will be expanded substantially from 6 branches in Phnom Penh City currently to about 90 branches throughout the country. In this regard, merger preparation work is progressing ahead and is expected to be completed by end of Year 2019.

■ ACKNOWLEDGEMENT

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

To all our customers, thank you for your continuous confidence and support. We look forward to continuing building a strong and mutually beneficial partnership in the coming years as we strive to improve our products and services.

Last but not least, our achievements are also contributed by the tireless efforts and commitment of our employees, our greatest asset, and they have our deep appreciation. Thank you for your commitment and dedication to the Bank and its customers.

Lim Hua Min
Chairman



ANALYSIS OF FINANCIAL PERFORMANCE

■ OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2017 is 31.80% higher at US\$ 11.40 million, compared to US\$ 8.65 million posted in the previous year ended 31 December 2016. Contributing to the higher operating revenue is primarily the significant increase in interest income from loans and advances to customers, on the back of significant growth in loan portfolio of the Bank as well as fee income. The key sources of operating revenue of the Bank for the year ended 31 December 2017 are loans and advances to customers (95.13%) and deposit placements with financial institutions (4.87%).

■ PROFIT BEFORE TAXATION AND EARNINGS PER SHARE

The Bank posted a marginally pre-tax profit of US\$ 2.50 million for the year ended 31 December 2017 against pre-tax profit of US\$ 0.48 million recorded in the preceding year 2016. Cost-to-income ratio for the Bank for the year 2017 is lower at 0.63:1 against 0.83:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (50%), depreciation and amortization expenses (12%), establishment related costs (18%), promotion and marketing related expenses (3%) and administrative and other operating expenses (17%).

The Bank posted a net profit for the year of US\$ 1.96 million compared to a net profit of US\$ 0.50 million in the year ended 31 December 2016 mainly due to the higher interest and fee income earned. Profit per share of the Bank for year 2017 is US\$ 0.034 versus profit per share of US\$ 0.012 for the previous year.

■ TAXATION

Taxation consists of income tax and deferred tax. As the Bank incurred pre-tax profit during the current year, the income tax of the Bank is subjected to the 20% profit tax under the Cambodian tax laws. The bank is also recognizing the deferred tax assets of US\$ 0.30 million as of 31 December 2017.

■ TOTAL ASSETS

Total assets of the Bank stood at US\$ 200.88 million as at 31 December 2017, representing a 36.65% increase from US\$ 147 million as at 31 December 2016. The assets base of the Bank is largely supported by loans and advances to customers (61%), deposit placements with financial institutions (7%) and balances with the Central Bank (27%). Increase in total assets of the Bank as at 31 December 2017 relative to the last year ended 31 December 2016 is mainly attributable to the increase in customers and banks' deposits of 32.82%.

■ LOANS AND ADVANCES

Loans and advances mainly comprise secured long term loans to customers. Gross loans and advances to customers of the Bank have grown by 33.36% to US\$ 123.12 million as at 31 December 2017 from US\$ 92.32 million as at 31 December 2016.

As at 31 December 2017, the loan portfolio of the Bank comprises loans and advances to various sectors in Cambodia, mainly wholesale and retail trade (35%), real estate and renting activities (18%), housing (8%), financial sector (5%), manufacturing (5%), and hotel and restaurants (5%) sectors.

■ TOTAL LIABILITIES

Total liabilities of the Bank have increased to US\$ 142.44 million as at 31 December 2017 from US\$ 107.53 million as at 31 December 2016 on the back of higher deposits from customers and banks which increased by US\$34.63 million as at 31 December 2017.

Deposit placements from financial institutions and customers remain the key components of the Bank's total liabilities as at 31 December 2017, i.e. accounted for 98% of the total liabilities of the Bank.

■ DEPOSITS

Deposits from financial institutions and customers as at 31 December 2017 consist of term deposits (66%), current accounts (29%) and savings accounts (5%). As at 31 December 2016, the main component of deposits from financial institutions and customers was term deposit accounts, which comprised 73% of the total deposits. Increase in deposits from financial institutions and customers as at 31 December 2017 is primarily attributed to higher term deposits from customer.

■ STATUTORY CAPITAL

The paid-up statutory capital of the Bank as at 31 December 2017 amounted to US\$ 58 million.

■ SHAREHOLDER'S FUNDS AND NET ASSETS PER SHARE

As at 31 December 2017, shareholder's funds of the Bank is marginally higher at US\$ 58.44 million compared to US\$ 39.48 million as a result of net profit generated in 2017. Net assets per share of the Bank as at 31 December 2017 stood at US\$ 1.01 (2016: US\$ 0.96).

■ RETURN ON SHAREHOLDER'S FUNDS AND RETURN ON ASSETS

The Bank recorded positive returns on shareholder's funds and assets for the year ended 31 December 2017, i.e. the return on shareholder's funds is 3.35% (2016: 1.26%) and the return on assets is 0.97% (2016: 0.34%) respectively.

■ LIQUIDITY RATIO

The liquidity ratio of the Bank as at 31 December 2017 is lower at 122% compared to 175% as at 31 December 2016 mainly due to the increase in loan and advance to customer. The Bank is in compliance with the Central Bank's Prakas No.B7-04-207 which requires a liquidity ratio of 70%. The liquidity ratio of the Bank indicates the Bank has the ability to honour withdrawals of deposits by its customers.

■ LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio of the Bank as at 31 December 2017 is stagnant at 89.55% as compared to 89.49% as at 31 December 2016 mainly attributed to the similar increment in deposit and loan portfolio.

■ NON-PERFORMING LOANS TO TOTAL LOANS (%)

The non-performing loans to total loans ratio as at 31 December 2017 is slightly reduced to 1.08% compared to 1.42% as at 31 December 2016. Non-performing loans are mostly secured and the Bank is in the process of recovering the loans.

■ NET WORTH

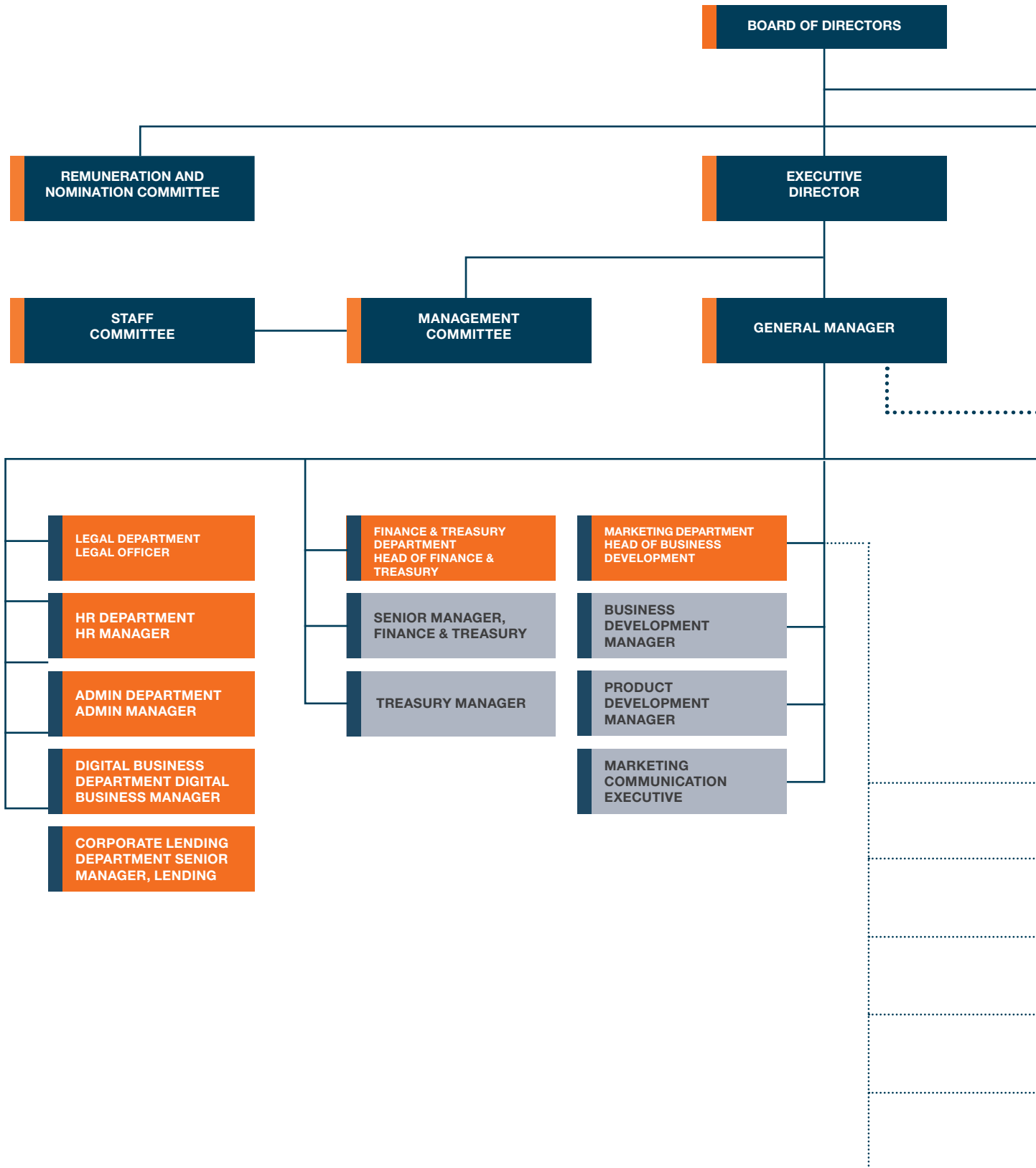
As at 31 December 2017, the net worth of the Bank of US\$ 60.22 million (2016: US\$ 39.36 million) is in excess of the minimum regulatory capital requirement of US\$58 million. The increase is mainly due to additional share capital and the net profit generated in 2017.

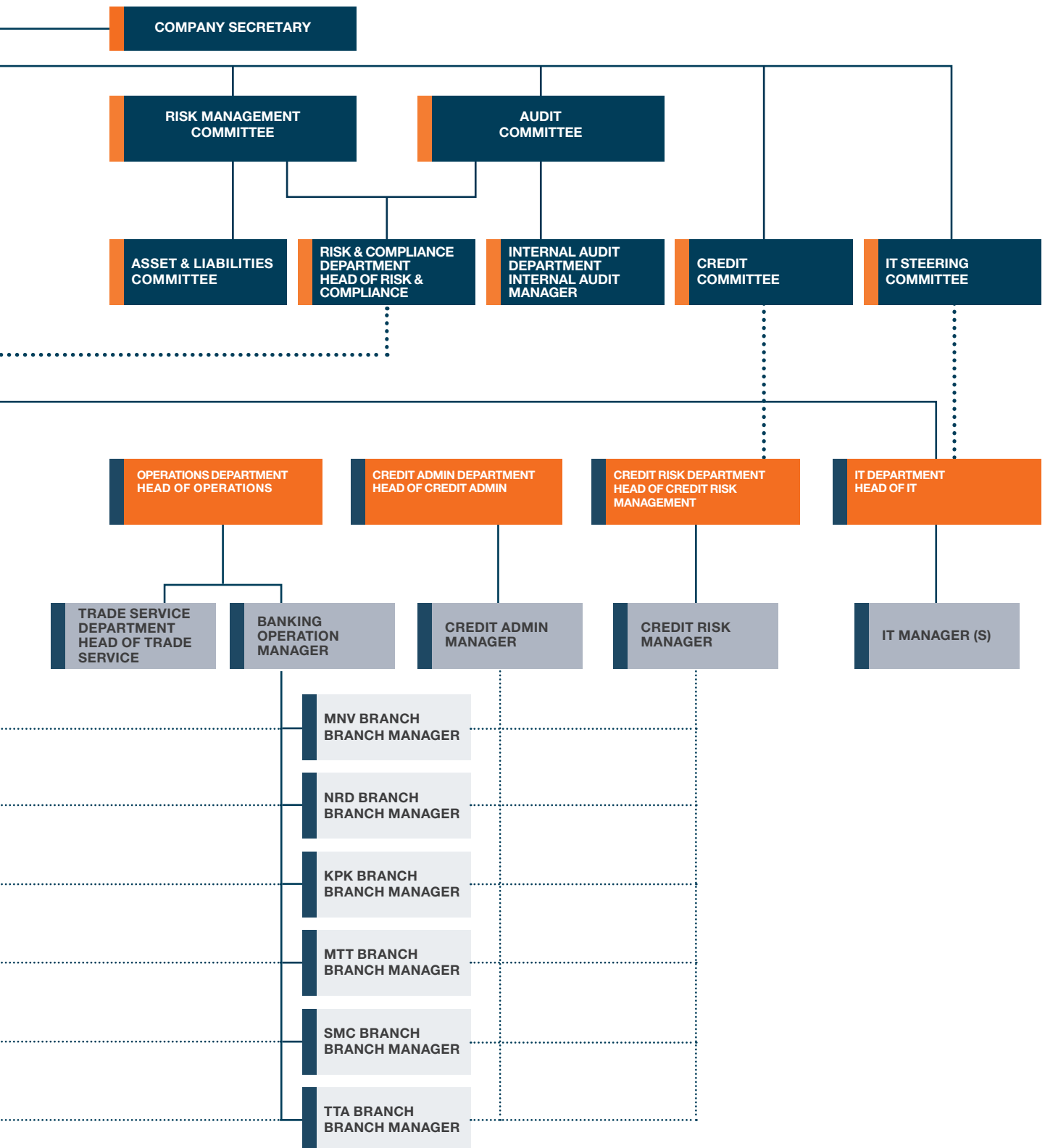
■ SOLVENCY RATIO

Solvency ratio provides a measure of the Bank's net worth as a percentage of its risk-weighted credit exposures. As at 31 December 2017, the solvency ratio of the Bank of 42.15% (2016: 34.09%) is in compliance with Central Bank's Prakas No.B704-206 which requires a solvency ratio of at least 15%. The solvency ratio as at 31 December 2017 is relatively higher mainly due to the increase in net worth.



ORGANIZATIONAL STRUCTURE





PROFILE OF DIRECTORS



MR. LIM HUA MIN

■ CHAIRMAN

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

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



MR. ONG TEONG HOON

■ DIRECTOR

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

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

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



MR. CHAN MACH

■ DIRECTOR

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



MR. MICHAEL TAN TECH KEONG

■ DIRECTOR

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



MS. DIANA SEAH YEN GOON

■ INDEPENDENT DIRECTOR

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

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

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



MR. PAUL GWEE CHOON GUAN

■ INDEPENDENT DIRECTOR

Mr. Paul Gwee Choon Guan is in banking career over 25 years of experience in universal & treasury/investment banking with asset/fund & wealth management industry across Asia Pacific. His specialized skills include the fields of enterprise risk management (credit, market, liquidity and operational), control & compliance and back room operations with robust combination of strategic business finance and accounting reporting, mergers & acquisitions and capital management. He was the Head of Risk Management & Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong & Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary General of the ASEAN Banker Association. Mr. Gwee holds a Master in Business Administration from University of Chicago, Graduate School of Business, majoring in finance and was awarded the Bachelor of Commerce degree from the University of Newcastle. He qualified as a Chartered Accountant in 1984 and is a Fellow of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.



MR. KOH YONG GUAN

■ INDEPENDENT DIRECTOR

Mr. Koh joined Singapore's Civil Service as a Biomedical Engineer in the Ministry of Health in 1972 and was absorbed into the Administrative Service in 1979. He served in the Ministries of Finance (Revenue Division), Education and Defence before being appointed Permanent Secretary in the Ministry of Defence in 1989. Mr. Koh was the Commissioner of Inland Revenue from 1991 to 1997. In 1998, he was appointed Managing Director, Monetary Authority of Singapore (Governor of the Central Bank). He had also held the appointments of Permanent Secretary, Ministries of Health and National Development, and Second Permanent Secretary, Ministry of Finance (Budget and Revenue) between 1998 and 2001. He retired as the Managing Director, Monetary Authority of Singapore (MAS), in June 2005, and remained a member of the MAS Board until April 2011. He served as the Chairman of Central Provident Fund Board, the national pension fund for all employees in both the private and public sectors in Singapore, from 2005 to 2013. He was Singapore's Non-Resident High

Commissioner to Canada from May 2008 to March 2013. Mr. Koh is currently the Chairman of the Board of SMRT Corporation Ltd, a publicly listed company that runs the underground train system, and buses and taxi services in Singapore. He is also Chairman of the Singapore Deposit Insurance Corporation, and Chairman of the Cancer Sciences Institute of Singapore. Mr. Koh is Singapore's Ambassador (Non-Resident) to Greece since May 2013.

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



MR. VICHIT ITH

■ INDEPENDENT DIRECTOR

Mr. Vichit possesses an extensive international experience focused on financial and economic advisory and senior corporate management with foreign and regional multinationals, in soft and hard commodity trading (France, Middle-East, Southeast Asia and Egypt), banking with two leading global Wall Street investment banks and private equity (New York, United Kingdom, Singapore, Indonesia), general management in manufacturing as Country Manager and Group CFO (Thailand), airline and aviation as Chairman and CEO, General Manager (Cambodia and Singapore). He had also headed foreign statutory boards in charge of foreign direct investments and private sector development and advised a number of foreign direct investments and private sector development and advised a number of foreign Presidents and Prime Ministers on rapid inclusive economic development and institutional restructuring.

His development advice was centered on economic strategy, policy design and policy implementation, including advice on privatization and corporate restructuring of the local airline industry, international airports, seaports and public utilities.

His advice had led to the set up and/or reforms of key economic institutions and units with the host countries such as the Economic Development Board of Madagascar, the Economic Strategy Task Force of the Presidency (Madagascar), the Rwanda Development Board and the Cambodian Investment Board (CIB/CDC). He contributed to the strategic thinking and drafting of the Madagascar Action Plan (MAP) with Harvard University, an ambitious five-year strategic plan that aims at triggering a transformational development and a quantum leap in the economic and social development of the country between 2007-2012. He was the Chairman of the Strategy Task Force of the Presidency and the first CEO of the Madagascar Economic Development Board. He had set up and led the Cambodian Investment Board, from 1994 to 1997 where the first successful wave of economic liberalization had taken place. The strategies and policies that he had designed and implemented had paved the way for the rapid growth of the garment and tourism industries and helped move Cambodia from a command to a market economy.

He was one of the international recipients of the “Global Leader for tomorrow” award given by the World Economic Forum in Davos in 1996.

His more recent economic advisory work was with the governments of Nigeria, Rwanda, Sao Tome and Principe where he was tasked, among other things, to audit and restructure the Rwanda Development Board and provide an assessment on the efficiency of the government system.

Mr. Vichit was the Country Advisor of Axiata Group for Cambodia and independent director of its subsidiaries Hello and Smart. He is currently an independent director of GL Finance, a leading leasing company. He was the Southeast Asia Senior Advisor to Monitor Consulting, a Boston based strategy consulting firm founded by Professor Michael Porter of the Harvard Business School. Vichit graduated with a Master Degree from Harvard University with a double major in macroeconomic policies and capital markets. He had attended a senior management program at Stanford Business School, Stanford University. He has lived and worked in Asia, Europe, the United States, the Middle East and Africa. He speaks fluent English, French and Cambodian.



PROFILE OF MANAGEMENT



MR. HAN PENG KWANG

■ GENERAL MANAGER

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

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

Mr. Han joined HwangDBS Commercial Bank Plc (now known as Phillip Bank Plc) from its beginning in 2009 to date as Senior Vice President and subsequently re-designated as General Manager in 2011. He is responsible to oversee the entire operations of the bank and expanded the network of the bank from one branch in 2009 to 6 branches. He remains as the General Manager of Phillip Bank Plc upon the change of ownership in the beginning of 2014.



MR. HOW POY LEONG

■ CREDIT RISK DEPARTMENT

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

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

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



MR. SOEUNG PHYRY

■ RISK & COMPLIANCE DEPARTMENT

Mr. Phyrý holds a Bachelor degree in Accounting and Finance from National University of Management and an MBA from Charles Sturt University. He has gained the Certified Expert in Risk Management from Frankfurt School of Finance and Management. He has been awarded with numerous scholarships such as Strategic Leadership for Microfinance at Harvard Business School, Risk Management Excellent in Microfinance at Luxembourg, Advanced Bank Operation Risk Management Masterclass at Malaysia.

He has over 18 years of combined working experience in Commercial Bank, Microfinance Institution, Mobile Banking Service, International Non-Governmental Organization (INGO) and Non-Governmental Organization (NGO) both locally and overseas.

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



MR. DOMINIC TEO

■ OPERATIONS DEPARTMENT

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

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

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



MS. POV SOPHEAK

■ HUMAN RESOURCE DEPARTMENT

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

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

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



MR. YUN VETH

■ ADMINISTRATION DEPARTMENT

Mr. Veth graduated with Bachelor Degree of English literature from Phnom Penh International University (PPIU) in 2010 and he successfully completed Master of Business Administration (MBA) at Norton University in 2016.

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

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



MS. SRON SREYNEANG

■ FINANCE DEPARTMENT

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

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

Ms. Sreyneang joined Phillip Bank in April 2015 as Finance Manager, and has been promoted to Senior Manager, Finance and Treasury from January 2017.



MR. SRUN VANDOEUN

■ INTERNAL AUDIT DEPARTMENT

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

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

Mr. Vandoeun joined Phillip Bank Plc in December 2014 as Senior Internal Auditor, and has been promoted to Internal Audit Manager from January 2017.



MS. SOCHEAT KANIKA

■ CREDIT ADMIN DEPARTMENT

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

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

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



MS. KY SOMANA

■ MARKETING DEPARTMENT

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

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

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



MS. CHAU LONMOLIKA

■ DIGITAL BUSINESS DEPARTMENT

Ms. Molika holds 2 Bachelor degrees from Norton University in Banking & Finance and Management. She is a MBA student at Charles Sturt University in academy 2016-2018. She has the Certificate in Strategic Planning at Corp Level from Dale Carnegie & Association, Inc. Ho Chi Minh, Vietnam. She also completed the training course in Building Strong Brands from Ford Motor Company USA.

She has over 12 years of combined working experience in Banking Sector, International Leasing Company, Online Payment Service Provider, Organic Fertilizer Factory, Investment & Consulting Company, International Trading Company, and Travel & Tour Agency both locally and overseas.

Ms. Molika joined Phillip Bank Plc. in June 2016 as Relationship Manager and redesigned as Digital Banking Manager.



MR. TAN CHAW

■ CORPORATE LENDING DEPARTMENT

Mr. Tan has a Diploma in Management. He has more than 35 years of experience in banking industry. He joined Public Bank, Malaysia in 1980 as a clerical staff and stayed with the bank until 2008. During his job tenure with the bank, he was exposed to various aspects of banking including trade finance. He held the position as a Branch Manager for slightly more than 10 years and the last job position held was as a manager of Regional Credit Control and Securities Centre. In June, 2009, he joined RHB Indochina Bank Ltd, Cambodia as a Branch Manager until he retired on 31st December, 2015.

He joined Phillip Bank Plc in May, 2016 as a Senior Manager- Lending.



MR. SIM SOPHEA

IT DEPARTMENT

He started his first career in 2003 as a Lecturer with several private universities in Cambodia. He joined SATHAPANA Ltd. (MFI) in April 2007 to 2014, during his period as MIS Unit Manager, he has worked on IT Project & Risk management, Core Banking System Project, Wincor ATM, Electra Switch System,

Integrated System, and development of application-automated solutions. From 2014 to 2017, he was the Deputy Head of IT in KREDIT responsible for overall day-to-day IT operations as well as identifying and implementing information technology solutions aligned with business needs in strong focus on digitalization.

He has started his service at Phillip Bank Plc in June 2017 as the Head of IT.

BUSINESS OPERATION TARGET



■ FINANCIAL PERSPECTIVE

During the year ended 31st December 2017, the Bank recorded total operating revenue of USD11.40 million (compared to USD8.65 million as at 31 December 2016) and recorded a Pre-tax Profit of USD 2.50 million (as compared to Pre-tax Profit of USD0.48million as at 31 December 2016).

The main reason for the profits are due to higher interest income from our increasing loan base. Our loan portfolio increased from USD92.32 million as at 31 December 2016 to USD123.12 million as at 31 December 2017.

At the same time, our non-interest income or fee income also increased from USD0.76 million as at 31 December 2016 to USD1.25 million as at 31 December 2017.

The Bank will continue with its strategies to focus on satisfying the financial needs of small and medium scale enterprises and providing housing loans. The Bank will also focus on increasing its loan base as well as growing its depositor base especially in the retail segment.



■ CUSTOMER PERSPECTIVE

The Bank offers the wide range of service and products for small and medium scale enterprise, retail and corporate financial needs whilst safeguarding the wealth of locals for future generations.

The Bank believes in going the extra mile and to meet with the customers at their convenience, be it to ensure a transaction is completed or to help with their banking needs. This commitment will truly be a key differentiator for the bank and will bring a whole new meaning to being “Your Partner in Finance”.



■ INTERNAL PROCESS PERSPECTIVE

The Bank's aim is to project and position itself as a “premier, safe and secure bank” that place high importance on stringent risk management process for our client's benefit. The Bank has put in place policies and procedures of international standards and has invested substantially in technology and infrastructure security for customers' added peace of mind.



■ HUMAN RESOURCE PROSPECTIVE

Knowing that employee are an asset to the Bank's perspective, the Bank strives to attract and employ candidates with the right credential, attitudes and level of experiences that are needed for the Bank to succeed. The Bank believes that the human resource development framework, which can help employees in developing their personal and organizational skills, knowledge and abilities, is essential to developing a workforce which can accomplish the Bank's goals.

The right human resource development program at organization level prepares an individual to undertake a higher level of responsibility at work and maximize enterprise effectiveness. It also creates a state of employee engagement to ensure that our employees will be fully involved and enthusiastic about his or her work to further the Bank's interests. All front-liners are trained to hone their soft skills while support staff attended trainings that are specifically related to enhancing their technical skills.

Human resource development from a business perspective must be aligned with the organization's mission and vision. Bearing this in mind and the eventuality of the expansion of the Bank in terms of manpower, the Bank has allocated a budget of USD70, 000 in year 2018 for training and team building purposes.



■ SIGNIFICANT OPERATION PLANS FOR FINANCIAL YEAR 2018



In order to reach out to more customers and to provide convenience to our existing customers, the Bank intend to introduce an E-Wallet payment product 2018.



The Bank will introduce more retail products such as micro loan, motorcycle and car loans to increase its loans product to cater to the increasing need of customers. Meanwhile, the Bank will continue to lend to microfinance institutions in order to indirectly support the small scale enterprises in the provinces and rural areas.



Finally, the Bank will continue to increase its core business activities especially to small and medium scale enterprise and to home buyers and at the same time, strive to increase its customer base.

POLICY AND PRACTICE GUIDELINE

■ BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors (“Board”) is committed to the principles of corporate governance and oversees the overall corporate governance practices and performance of the Bank. The responsibilities of the Board include:

- oversees the conduct of the Bank’s business;
- establishes business directions, plans and annual budget of the Bank;
- reviews action plans that are implemented by the management to achieve business strategies and targets set by the Board;
- identifies principal risks and ensures the implementation of appropriate systems to manage those risks;
- reviews the adequacy and the integrity of the Bank’s internal control systems and management information systems, including systems for compliance with applicable laws, rules and guidelines issued by the National Bank of Cambodia from time to time.

■ COMPOSITION OF THE BOARD

The Bank is led and managed by an experienced Board comprising member with extensive experience in commercial and investment banking activities as well as audit background. As at 31 December 2017 the Board comprises 8 Non-Executive Directors, 4 of whom are independent.

Ms. Diana Seah Yen Goon (*Independent Non-Executive Director*) and **Mr. Paul Gwee Choon Guan** (*Independent Non-Executive Director*) were appointed to the Board with effect from 14 March 2014 while **Mr. Koh Yong Guan** (*Independent Non-Executive Director*) was appointed with effect from 17 December 2014 and **Mr. Vichit Ith** (*Independent Non-Executive Director*) was appointed to the Board. All have extensive related experience. The current Board comprises 4 Non-Independent Non-Executive Directors and 4 Independent Non-Executive Directors.

The functions of Executive and Non-Executive Directors are separate and distinct. The Non-Executive Directors complement the skills and contribute to the formulation of strategies and policies of the Bank, whilst, the Independent Non-Executive Directors also provide checks and balances to ensure that the Bank operates within proper governance framework with the necessary internal control and systems in place. The Executive Director is responsible for making operational decisions and implementing strategic activities of the Bank with the assistance of the General Manager. The Non-Executive Directors on the Board who bring strong independent judgment and objective participation in the proceedings and decision-making process of the Board provides an effective check and balance on the powers of the management board.

The composition of the Board reflects the Board’s commitment to maintain an appropriate balance to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Bank.

The Board has set up three (3) Board Committees to assist the Board in the management of the Bank’s businesses and discharge of its duties. The functions and terms of reference of the Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board. Three (3) Board Committees are:

Committee	Chaired By
Audit Committee	Independent Non-Executive Director
Risk Management Committee	Independent Non-Executive Director
Remuneration and Nomination Committee	Independent Non-Executive Director

The Audit Committee provides independent oversight of the Bank's financial reporting and internal control system and ensures checks and balances within the Bank.

The Audit Committee comprises 5 members from the Board as follows:

1. Ms. Diana Seah Yen Goon (Chairperson)
2. Mr. Paul Graze
3. Mr. Ong Teong Hoon
4. Mr. Chan Mach
5. Mr. Michael Tan Teck Keong

The duties of the Audit Committee include amongst others:

- (a) ensure financial and risk-related information provided to the public and the National Bank of Cambodia are clear, accurate and reliable;
- (b) assess the basis of preparation and accounting methodologies used for individual and consolidated financial statements;
- (c) review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that the internal audit functions has the necessary authority to carry out its work;
- (d) review the scope of the internal audit programme and compliance programme;
- (e) review the effectiveness of internal control systems and processes;
- (f) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditors;
- (g) review the scope of audit, the plans for carrying out the audit, the extent of planned reliance on the work of the external auditors and the internal auditors;
- (h) review audit reports as well as inspection reports issued by regulatory authorities and issue directives for necessary remedial actions to be taken;
- (i) review all related party transactions and keep the Board informed of such transactions; and
- (j) review reports prepared by Compliance Officer relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken.

(II) Risk Management Committee

The Risk Management Committee oversees management's activities in managing credit, market, structural interest rate, liquidity, operational, legal and other risks to ensure that the risk management process is in place and functioning.

The Risk Management Committee comprises 4 members from the Board as follows:

1. Mr. Paul Gwee Choon Guan (Chairperson)
2. Mr. Ong Teong Hoon
3. Mr. Chan Mach
4. Mr. Michael Tan Teck Keong

The Risk Management Committee is authorised by the Board to:

- (a) review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- (b) review and approve new products, after ensuring that the new products have undergone proper evaluation process;
- (c) review the asset and liability management and capital allocation functions including fund transfer pricing where relevant;
- (d) set risk appetite capital for delegation to the Asset and Liability Committee;
- (e) review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively and independently;
- (f) ensure that the infrastructure, resources and systems are in place for risk management; and
- (g) review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(III) Remuneration And Nomination Committee

The Remuneration and Nomination Committee provides a formal and transparent procedure for the appointment of Directors, Board Committees members and key senior management officer(s) as well as assessment of the effectiveness of such individual Directors, the Board as a whole and the performance of the key senior management officer(s). The Committee also provides a formal and transparent procedure for developing remuneration policy for Directors and key senior management officer(s) and ensures that compensation is competitive and consistent with the Group's culture, objectives and strategy.

The Remuneration and Nomination Committee comprises 3 members from the Board as follows:

1. Ms. Diana Seah Yen Goon (Chairperson)
2. Mr. Lim Hua Min
3. Mr. Ong Teong Hoon

The Remuneration and Nomination Committee is authorised by the Board to:

- (a) review the composition and size of the Board and determine the appropriate Board balance between Executive Director(s), Non-Executive Directors and Independent Directors;
- (b) review and recommend to the Board the required mix of skills, experience, qualification and other core competencies required of a Director;
- (c) recommend and assess the nominees for directorship, Board committees as well as nominees for key senior management position(s);
- (d) recommend to the Board the removal of a Director or key senior management officer(s) if they are ineffective, errant and negligent in discharging their respective responsibilities;
- (e) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the key senior management officer(s);
- (f) oversee the appointment, management succession planning and performance evaluation of the key senior management officer(s); and
- (g) recommend a framework for the remuneration of Directors and key senior management officer(s). Such framework should reflect the responsibility, experience and commitment of each Director and key senior management officer(s) concerned.

■ BOARD APPOINTMENT PROCESS

All nominees for appointment to the Board will in the first instance be assessed by the Remuneration and Nomination Committee which will make recommendations to the Board. The Board makes the final decision in respect of appointment to the Board. When assessing nominees for appointment to the Board, considerations will include the nominees' qualifications, expertise and experience, fit and properness, core competencies required of the position and the appropriate Board balance.

■ POLICY AND PRACTICE GUIDELINES FOR CORPORATE GOVERNANCE

BOARD MEETINGS

Board Meetings are held at least once every quarter. During the financial year ended 31 December 2017, the Board met four.

Directors are provided with notices of the Board Meetings and board papers for each agenda item in advance of each meeting to ensure that Directors have sufficient time to study them and be prepared for discussion. Any additional information requested by Directors is readily available. The Board also has a formal schedule of matters reserved for deliberation and decision. Minutes of Meetings are maintained.

The management of the Bank has adopted the Group's policy on information to be brought to the Board's attention. In accordance to the policy, all material information are to be tabled to the Board on a timely basis in order for the Board to be kept abreast with the performance and business activities of the Bank.

Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed and all necessary information are obtained from Directors both for the Bank's own records and for purposes of meeting statutory obligations.

Details of Directors' attendance at Board Meetings during the financial year ended 31 December 2017 are outlined in the table below:

Name of Director	No. of Board meetings attend whilst in office
Mr. Lim Hua Min (Chairman)	4/4
Mr. Koh Yong Guan	4/4
Mr. Ong Teong Hoon	4/4
Mr. Michael Tan Teck Keong	4/4
Ms. Diana Seah Yen Goon	4/4
Mr. Paul Gwee Choon Guan	4/4
Mr. Vicith Ith	3/4
Mr. Chan Mach	3/4

RESPONSIBILITY

The Board recognises the importance of maintaining adequate accounting records and an effective system of internal controls to safeguard the shareholder's interest and the Bank's assets. The Board affirms its overall responsibility for the Bank's system of internal controls, which includes the establishment of appropriate control environment and risk management framework as well as review of its adequacy and integrity. In view of the inherent limitations in any system of internal controls, the system is designed to manage risks and ensure that the risks are identified and managed at acceptable levels, rather than eliminate these risks to achieve its business objectives. The system can only provide reasonable but not absolute assurance against the risk of material misstatement of management and financial information or financial losses and fraud.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are described below:

- **Organisational structure**
Organisation structure with delineated lines of responsibilities, reporting, delegation of authorities and accountability within the Bank will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with management criteria.
- **Internal policies and procedures**
Detailed internal policies and procedures manuals of business and support units were established to serve as a guidance to ensure compliance with internal control and the applicable laws and regulations.

There are also documented Limits of Approving Authority for key aspects of the businesses, which have been approved by the Board. This provides a sound framework of authority and accountability as well as facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the Bank's business objectives and operational needs.

- **Financial performance review**
On a regular basis, management provides comprehensive financial information, key variances and analysis of financial data to the Board for review and decision-making purposes.

- **Compliance function**
Compliance performed regular assessment on various Bank's operations to ensure adherence to regulatory requirements as well as internal policies and procedures. Any deviation or breaches are reported to the Audit Committee and the Board is kept informed of the causes and the remedial measures taken.
- **Internal audit function**
Internal Audit provides a check and balance on the effectiveness of the Bank's system of internal controls and compliance with relevant regulatory requirements by the Bank. The internal auditors undertake regular reviews of the Bank's operations and systems of internal controls. The internal audit function is also supported by Hwang-DBS Group Internal Audit. Internal Audit reports to the Board of Directors via the Audit Committee. During year 2017, the works of the internal auditors focus on areas of priority according to their annual risk assessment and in accordance with the annual audit plan approved by the Audit Committee of the Bank. The results of reviews together with recommendations for improvement are reported to the Audit Committee of the Bank. The Bank's Audit Committee convenes regular meetings to review the findings and recommendations for improvement by Internal Audit, actions taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of internal control system.

The Board confirms that there is an ongoing process that has been in place throughout the financial year ended 31 December 2017 for identifying, evaluating and managing significant risks which will provide reasonable assurance that the Bank's assets are safeguarded against losses from unauthorised use and all transactions of the Bank are properly authorised and recorded.

■ RISK MANAGEMENT

The Bank continues to take steps to strengthen its risk management practices by appointing a Head of Compliance and Risk, who continues to work on a more comprehensive risk management and compliance framework covering:

OPERATIONAL RISK

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

STRATEGIC RISK

- Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

FINANCIAL RISKS

The Bank's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign exchange risk and interest rate risk.

- Credit risk is the risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk is the single largest risk for the Bank's business.
- Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.
- Foreign exchange risk is the potential impact of adverse currency rate movements on earnings and economic value.
- Interest rate risk is the adverse changes in future cash flows of a financial instrument arising from changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates.

COMPLIANCE RISK

- Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that an institution may suffer as a result of failure to comply with laws, regulations, rules, self regulatory banking standards and codes of conduct applicable to its activities.

The Bank promotes risk awareness and visibility among its employees at all levels of the Bank. Training programs are continuously held by the Compliance and Risk Department to educate employees on how to identify risks, promote methods to improve controls, and remain compliant with both internal and external policies and regulations. The Bank has implemented a dynamic ongoing Control Self Assessment (CSA) process of which all departments will continue to identify, assess and mitigate operational risks. The Asset Liability Management Committee (ALCO) maintains an oversight on the Bank's financial performance, risk return positions, liquidity and capital management processes. The Board of Directors also has a standing Risk Management Committee to provide guidance on related issues and to ensure that the Bank's risk appetite is appropriate to deliver financial objectives of the Bank.

The Bank is continuing its risk management and compliance framework development in year 2017 and believes that a robust risk management and compliance framework will help to ensure its continued sustainability and ability to meet the needs of its target market.

CODE OF ETHICS

The Bank's code of ethics was put in place as a guideline to acceptable behaviours of employees, especially when they handle sensitive issues like investments, interaction with others and handling grievances, both from outside and within the organisation. The code of ethics also sets out specific behaviour standards for our employees to cover potential ethical issues such as confidentiality and/or misuse of information.

Having the code of ethics increases the confidence in the Bank as an organisation by showing potential customers and investors that the Bank is committed to maintaining the Bank's integrity by following basic ethical guidelines and acting in a responsible manner in the course of performing its business activities.

All new employees are briefed and expected to sign an acceptance of the code of ethics as a guide to his or her conduct upon commencement of employment.

INDEPENDENCY AND TRANSPARENCY

The Bank is independently managed by an experienced management team with oversight by the Board. The Bank practices transparency in dealings with customers as well as in terms of financial accountability and reporting.





HR STRATEGIC AGENDA

At PhillipBank, we are dedicated to building a culture in which our employees feel challenged and rewarded and have the opportunity to demonstrate their skills and abilities. We strongly believe that the success and durability of the bank is firstly due to the quality and efficiency of human resources. This belief is outlined through our programs which aim at building a harmony working environment.



TALENT DEVELOPMENT

One of our primary focus is to create jobs for younger generations so that the talented nationals are able to contribute to the fulfillment of personal and organizational goals. In 2017, we engaged five Graduate Trainees to join our team to learn the hand-on job practices and experiences. They have been provided opportunities to learn about credit evaluation, loan documentation, sales, branch operations and especially soft skills which are very important in daily communication and their future careers. Their journey do not stop there. They were provided an employment opportunity based on their suitability and performance after the program.



WECARE

Without the strong support from customers, everything would be only a day dream. Our employees are trained to implement the customer service standard 'WECARE' to better serve our internal and external customers. We engaged the mystery shopping agent to do surprise check on service quality to ensure that our employees have good disciplines and dedicated to the service quality standard. We want to hear voices from customers because we believe that complaints can improve our performance.



GENDER EQUITY

We value gender equity. Half of our employees are female and we provide equal career advancement opportunity to both gender. We foster a working environment that respects women and is free from harassment.



RECREATIONAL EVENTS

We believe that healthy and happy employees will enable the company to achieve its goal. We motivate employees through recreational events such as Half Marathon for Charity where employees can participate in social responsibility, Family Day where employees can have fun together with their family members and colleagues, Staff Retreat where employees can be off, building up the teamwork, and planning for the upcoming year, and the Annual Dinner Party where employees can celebrate the success together.



CODE OF CONDUCT AND WHISTLE BLOWING

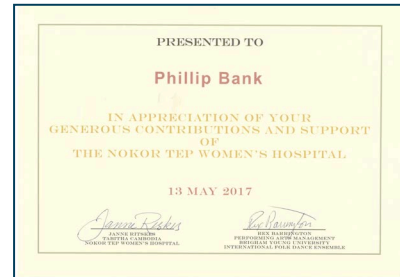
We want to have the transparency and integrity in our conducts. We want to protect the interest of customers and shareholders. We make it mandatory for all employees to attend E-Learning on Code of Conduct with the commitment to pass the assessment. Employees also make known the channel for whistle blowing to the incidents where they are aware that the transaction is not proper. We have adopted a zero tolerance policy against fraud.

CORPORATE SOCIAL RESPONSIBILITY

As a corporate responsible entity, PhillipBank has strong commitment to our social and community we live. We believe in our Corporate Code that guide our action and decisions we make day to day in our business. In 2017, PhillipBank had contributed to communities and local charities through the activities as below:

THE NOKOR TEP WOMEN’S HOSPITAL:

The Nokor Tep Women’s Hospital vision is focused on gynecological issues and women’s cancers thereby alleviating the silent suffering of the vast majority of women in Cambodia. Currently, less than 7% of the rural population has accessed to medical care. It is also very clear that 90% of the women in Cambodia suffer from long term gynecological infections of various kinds. PhillipBank has helped to contribute to this cause through donation and support to the hospital.



DIGITAL KIDS SHOW

PhillipBank has organized the Digital Kids Show to help improve digital literacy and expose children to digital technology in their younger age.



SOMPONG OUGEY ELEMENTARY SCHOOL

In helping to promote the education of Cambodia in rural area, PhillipBank has continuously sponsored various activities. This year, PhillipBank sponsored bags to Sompoung Ougey Elementary school in Koh Kong Province.



INTERNATIONAL CHILDREN’S DAY:

PhillipBank also helped to sponsor bags to students from elementary schools who participated in the event organized by Kids City during the International Children Day.





FINANCIAL

**CONSOLIDATED & SEPARATE
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2017
& REPORT OF THE INDEPENDENT
AUDITORS**

CORPORATE INFORMATION

BANK	PHILLIP BANK PLC.
REGISTRATION NO.	CO. 5915/09E
REGISTERED OFFICE	NO. 27 DEF, MONIVONG BLVD. SANGKAT SRAH CHORK, KHAN DAUN PENH PHNOM PENH, KINGDOM OF CAMBODIA
SHAREHOLDER	PHILLIP MFIS PTE.LTD.

BOARD OF DIRECTORS

MR. LIM HUA MIN	CHAIRMAN
MR. ONG TEONG HOON	DIRECTOR
MR. MICHAEL TAN TECH KEONG	DIRECTOR
MR. CHAN MACH	DIRECTOR
MR. PAUL GWEE CHOON GUAN	INDEPENDENT DIRECTOR
MS. DIANA SEAH YEN GOON	INDEPENDENT DIRECTOR
MR. KOH YONG GUAN	INDEPENDENT DIRECTOR
MR. ITH VICHIT	INDEPENDENT DIRECTOR

MANAGEMENT TEAM

MR. HAN PENG KWANG	GENERAL MANAGER
MR. HOW POY LEONG	HEAD OF CREDIT RISK
MR. SOEUNG PHYRY	HEAD OF RISK AND COMPLIANCE
MR. TEO DOMINIC	HEAD OF OPERATIONS
MRS POV SOPHEAK	HUMAN RESOURCE MANAGER
MR. YUN VETH	ADMINISTRATION MANAGER
MRS. SRON SREYNEANG	FINANCE AND TREASURY MANAGER
MR. SRUN VANDOEUN	INTERNAL AUDIT MANAGER
MRS. SOCHEAT KANIKA	CREDIT ADMINISTRATION MANAGER
MRS. KY SOMANA	HEAD OF BUSINESS DEVELOPMENT
MR. SIM SOPHEA	HEAD OF IT
	(RESIGNED ON 22 FEBRUARY 2018)

AUDITORS

KPMG CAMBODIA LTD

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their report together with the consolidated financial statements of the Phillip Bank Plc. (“the Bank”) and its subsidiary (collectively referred to as “the Group”), and the separate financial statements of the Bank for the year ended 31 December 2017 (hereafter referred to as “the financial statements”).

THE GROUP

THE BANK

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”). The Bank received the renewed NBC license for an indefinite period on 4 March 2015.

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11

February 2016, the Bank obtained a new Registration No. 00000292 from the Ministry of Commerce.

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

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

THE SUBSIDIARY

HwangDBS Securities (Cambodia) Plc, a wholly owned Subsidiary, was incorporated on 22 February 2010. The subsidiary is a dormant company which has not commenced commercial operations at all. As at the date of this report, the Subsidiary is under liquidation.

FINANCIAL RESULTS

The financial results of the Group and the Bank for the year ended 31 December 2017 were as follows:

	Group		Bank	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Profit before income tax	2,501,731	476,563	2,501,751	476,599
Income tax expense	(543,235)	21,966	(543,235)	21,966
Net profit for the year	1,958,496	498,529	1,958,516	498,565
Equivalent in KHR'000 (Note 4)	7,906,447	2,012,563	7,906,528	2,012,708
Attributable to:				
Equity holder of the Bank	1,958,496	498,529	1,958,516	498,565

DIVIDEND

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

SHARE CAPITAL

On 2 March 2017, the Group and the Bank requested to the NBC to increase additional share capital of US\$17,000,000 through cash injection and was approved by the NBC on 20 April 2017. The revised memorandum and articles of association of the Group and the Bank was approved by the NBC on 14 June 2017.

On 15 March 2018, the shareholder injected another US\$17,000,000 to the Group and the Bank's account. On 20 March 2018, the Group and the Bank submitted a request letter to the NBC to increase this last instalment of share capital to meet the minimum capital requirement. As at this reporting date, the request is pending approval from the NBC.

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

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

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

ASSETS

Before the financial statements of the Group and the Bank were prepared, the Board of Directors took reasonable steps to ensure that any 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 Group and the Bank had been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the Board of Directors is 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 Group and the Bank as misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Group and 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 Group and of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and 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 Group and of the Bank for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

EVENTS SINCE THE BALANCE SHEET DATE

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

THE BOARD OF DIRECTORS

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

Mr. Lim Hua Min	Chairman
Mr. Ong Teong Hoon	Director
Mr. Michael Tan Tech Keong	Director
Mr. Chan Mach	Director
Mr. Paul Gwee Choon Guan	Independent Director
Ms. Diana Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director
Mr. Ith Vichit	Independent Director

DIRECTORS' INTERESTS

Mr. Lim Hua Min who is the chairman in the board of directors holds 85% share in Phillip MFIs.

DIRECTORS' BENEFITS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS 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 Group and of the Bank as at 31 December 2017, and their financial performance and their cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

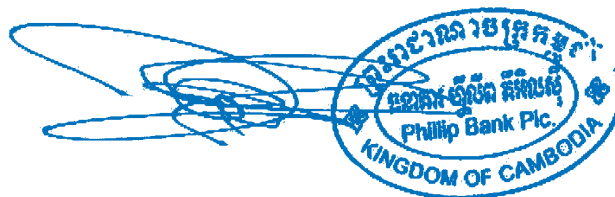
- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial 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 Group's and the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative; and
- (v) control and direct effectively the Group and 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

I, the undersigned, on behalf of the Board of Directors, hereby approve the accompanying financial statements as set out on pages 9 to 81 which present fairly in all material respects, the financial position of the Group and of the Bank as at 31 December 2017, and their financial performance and their 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,



Ong Teong Hoon

Director

Phnom Penh, Kingdom of Cambodia

29 March 2018

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDER PHILLIP BANK PLC.

OPINION

We have audited the consolidated financial statements of Phillip Bank Plc. and its subsidiary (“the Group”) and the separate financial statements of the Phillip Bank Plc. (“the Bank”), which comprise the consolidated and separate balance sheets of the Group and the Bank as at 31 December 2017, and the consolidated and the separate income statements, the consolidated and the separate 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 9 to 81 (hereafter referred to as “the financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and 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 Group and 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 MATTER

The financial statements of the Group and the Bank as at and for the year ended 31 December 2016 were audited by another firm of auditors who expressed an unmodified opinion on 22 March 2017.

OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Board of Directors as set out on pages 1 to 5, and the annual report which is expected to be made available to us after that date.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and 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 Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Group and 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

29 March 2018

Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017		2016	
		US\$	KHR'000 Note 4	US\$	KHR'000 Note 4
ASSETS					
Cash on hand	5	2,420,292	9,770,719	4,817,987	19,450,214
Balances with the National Bank of Cambodia	6	53,557,213	216,210,469	25,224,393	101,830,875
Balances with other banks and financial institutions	7	14,444,747	58,313,444	16,049,436	64,791,573
Investment securities	8	25,000	100,925	1,032,836	4,169,559
Loans and advances to customers	9	123,124,513	497,053,659	92,320,689	372,698,621
Property and equipment	11	1,157,378	4,672,335	1,606,727	6,486,357
Intangible assets	12	206,838	835,005	123,914	500,241
Deferred tax assets	16	302,378	1,220,700	205,665	830,269
Other assets	13	642,343	2,593,138	625,194	2,523,908
TOTAL ASSETS		195,880,702	790,770,394	142,006,841	573,281,617
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	38,512,098	155,473,340	28,100,321	113,440,996
Deposits from customers	15	96,644,450	390,153,644	72,431,282	292,405,087
Current income tax liabilities	16	535,017	2,159,864	105,391	425,463
Other liabilities	17	1,778,712	7,180,660	1,917,918	7,742,634
TOTAL LIABILITIES		137,470,277	554,967,508	102,554,912	414,014,180
SHAREHOLDERS' EQUITY					
Paid-up capital	18	58,000,000	234,146,000	41,000,000	165,517,000
Retained earnings/ (Accumulated losses)		410,425	1,656,886	(1,548,071)	(6,249,563)
Total shareholder's equity		58,410,425	235,802,886	39,451,929	159,267,437
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		195,880,702	790,770,394	142,006,841	573,281,617

Consolidated Income Statement

for the year ended 31 December 2017

	Notes	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating income					
Interest income	19	10,071,666	40,659,316	7,859,505	31,728,822
Interest expense	20	(3,916,467)	(15,810,777)	(3,607,743)	(14,564,457)
Net interest income		6,155,199	24,848,539	4,251,762	17,164,365
Fees and commissions income	21	1,250,270	5,047,340	761,948	3,075,984
Other operating income	22	82,175	331,740	32,534	131,340
Total operating profit		7,487,644	30,227,619	5,046,244	20,371,689
Personnel expenses	23	(2,362,234)	(9,536,339)	(2,000,805)	(8,077,250)
Establishment-related costs	24	(866,018)	(3,496,115)	(837,376)	(3,380,487)
Depreciation and amortisation	25	(568,185)	(2,293,763)	(552,733)	(2,231,383)
Promotion and marketing	26	(124,414)	(502,259)	(131,531)	(530,991)
General and administrative expenses	27	(802,882)	(3,241,235)	(646,887)	(2,611,483)
Allowance for losses on loans and advances to customers	9	(262,180)	(1,058,421)	(400,349)	(1,616,209)
Profit before income tax		2,501,731	10,099,487	476,563	1,923,886
Income tax (expense)/benefits	16	(543,235)	(2,193,040)	21,966	88,677
Net profit for the year		1,958,496	7,906,447	498,529	2,012,563

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Paid-up capital US\$	(Accumulated losses)/ retained earnings US\$	Total US\$
At 1 January 2016	41,000,000	(2,046,600)	38,953,400
Net profit for the year	-	498,529	498,529
At 31 December 2016	41,000,000	(1,548,071)	39,451,929
Equivalent in KHR'000 (Note 4)	165,517,000	(6,249,563)	159,267,437
At 1 January 2017	41,000,000	(1,548,071)	39,451,929
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	1,958,496	1,958,496
At 31 December 2017	58,000,000	410,425	58,410,425
Equivalent in KHR'000 (Note 4)	234,146,000	1,656,886	235,802,886

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

		2017		2016	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net cash generated from operating activities	28	7,084,768	28,601,208	13,672,845	55,197,276
Cash flows from investing activities					
Proceeds from investment securities		1,007,836	4,068,634	(1,007,836)	(4,068,634)
Acquisition of property and equipment	11	(136,819)	(552,338)	(223,141)	(900,820)
Acquisition of software costs	12	(64,941)	(262,167)	(18,983)	(76,634)
Proceeds from disposal of property and equipment		-	-	300	1,211
Capital guarantee deposit		(1,700,000)	(6,862,900)	-	-
Net cash used in investing activities		(893,924)	(3,608,771)	(1,249,660)	(5,044,877)
Cash flows from financing activities					
Repayment of borrowings		-	-	(3,000,000)	(12,111,000)
Proceeds from capital contribution		17,000,000	68,629,000	-	-
Net cash generated from/(used in) financing activities		17,000,000	68,629,000	(3,000,000)	(12,111,000)
Net increase in cash and cash equivalents		23,190,844	93,621,437	9,423,185	38,041,399
Cash and cash equivalents at 1 January		23,962,403	96,736,222	14,539,218	58,883,833
Currency translation difference		-	-	-	(189,010)
Cash and cash equivalents at 31 December	5	47,153,247	190,357,659	23,962,403	96,736,222

Separate Balance Sheet

As at 31 December 2017

		2017		2016	
	Notes	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	2,420,292	9,770,719	4,817,987	19,450,214
Balances with the National Bank of Cambodia	6	53,557,213	216,210,469	25,224,393	101,830,875
Balances with other banks and financial institutions	7	14,444,747	58,313,444	16,049,436	64,791,573
Investment securities	8	25,000	100,925	1,032,836	4,169,559
Loans and advances to customers	9	123,124,513	497,053,659	92,320,689	372,698,621
Investment in subsidiary	10	5,000,000	20,185,000	5,000,000	20,185,000
Property and equipment	11	1,157,378	4,672,335	1,606,727	6,486,357
Intangible assets	12	206,838	835,005	123,914	500,241
Deferred tax assets	16	302,378	1,220,700	205,665	830,269
Other assets	13	642,343	2,593,138	625,194	2,523,908
TOTAL ASSETS		200,880,702	810,955,394	147,006,841	593,466,617
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	38,512,098	155,473,340	28,100,321	113,440,996
Deposits from customers	15	101,617,081	410,228,156	77,403,933	312,479,678
Current income tax liabilities	16	535,017	2,159,864	105,391	425,463
Other liabilities	17	1,778,712	7,180,660	1,917,918	7,742,634
Total liabilities		142,442,908	575,042,020	107,527,563	434,088,771
SHAREHOLDER'S EQUITY					
Paid-up capital	18	58,000,000	234,146,000	41,000,000	165,517,000
Retained earnings/(Accumulated losses)		437,794	1,767,374	(1,520,722)	(6,139,154)
TOTAL SHAREHOLDER'S EQUITY		58,437,794	235,913,374	39,479,278	159,377,846
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		200,880,702	810,955,394	147,006,841	593,466,617

Separate Income Statement

for the year ended 31 December 2017

		2017		2016	
	Notes	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating income					
Interest income	19	10,071,666	40,659,316	7,859,505	31,728,822
Interest expense	20	(3,916,467)	(15,810,777)	(3,607,743)	(14,564,457)
Net interest income		6,155,199	24,848,539	4,251,762	17,164,365
Fees and commissions income	21	1,250,270	5,047,340	761,984	3,076,129
Other operating income	22	82,195	331,821	32,534	131,340
Total operating profit		7,487,664	30,227,700	5,046,280	20,371,834
Personnel expenses	23	(2,362,234)	(9,536,339)	(2,000,805)	(8,077,250)
Establishment-related costs	24	(866,018)	(3,496,115)	(837,376)	(3,380,487)
Depreciation and amortisation	25	(568,185)	(2,293,763)	(552,733)	(2,231,383)
Promotion and marketing	26	(124,414)	(502,259)	(131,531)	(530,991)
General and administrative expenses	27	(802,882)	(3,241,235)	(646,887)	(2,611,483)
Allowance for losses on loans and advances to customers	9	(262,180)	(1,058,421)	(400,349)	(1,616,209)
Profit before income tax		2,501,751	10,099,568	476,599	1,924,031
Income tax (expense)/benefits	16	(543,235)	(2,193,040)	21,966	88,677
Net profit for the year		1,958,516	7,906,528	498,565	2,012,708

Separate Statement of Change in Equity

for the year ended 31 December 2017

	Paid-up capital US\$	(Accumulated losses)/Retained earnings US\$	Total US\$
At 1 January 2016	41,000,000	(2,019,287)	38,980,713
Net profit for the year	-	498,565	498,565
At 31 December 2016	41,000,000	(1,520,722)	39,479,278
Equivalent in KHR'000 (Note 4)	165,517,000	(6,139,154)	159,377,846
At 1 January 2017	41,000,000	(1,520,722)	39,479,278
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	1,958,516	1,958,516
At 31 December 2017	58,000,000	437,794	58,437,794
Equivalent in KHR'000 (Note 4)	234,146,000	1,767,374	235,913,374

Separate Statement of Cash Flows

for the year ended 31 December 2017

		2017		2016	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net cash generated from operating activities	28	7,084,768	28,601,208	13,672,845	55,197,276
Cash flows from investing activities					
Proceeds from investment securities		1,007,836	4,068,634	(1,007,836)	(4,068,634)
Acquisition of property and equipment	11	(136,819)	(552,338)	(223,141)	(900,820)
Acquisition of software costs	12	(64,941)	(262,167)	(18,983)	(76,634)
Proceeds from disposal of property and equipment		-	-	300	1,211
Capital guarantee deposit		(1,700,000)	(6,862,900)	-	-
Net cash used in investing activities		(893,924)	(3,608,771)	(1,249,660)	(5,044,877)
Cash flows from financing activities					
Repayment of borrowings		-	-	(3,000,000)	(12,111,000)
Proceeds from capital contribution		17,000,000	68,629,000	-	-
Net cash generated from/(used in) financing activities		17,000,000	68,629,000	(3,000,000)	(12,111,000)
Net increase in cash and cash equivalents		23,190,844	93,621,437	9,423,185	38,041,399
Cash and cash equivalents at 1 January		23,962,403	96,736,222	14,539,218	58,883,833
Foreign exchange difference		-	-	-	(189,010)
Cash and cash equivalents at 31 December	5	47,153,247	190,357,659	23,962,403	96,736,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. REPORTING ENTITY

Establishment and operations

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”).

The Bank received the renewed NBC license for an indefinite period on 4 March 2015. The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11 February 2016, the Bank obtained a new Registration No. 00000292 from the Ministry of Commerce.

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

HwangDBS Securities (Cambodia) Plc, a wholly owned subsidiary, was incorporated on 22 February 2010. The Subsidiary is a dormant company which has not commenced commercial operations at all. As at the date of this report, the Subsidiary is under liquidation.

Location

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

Employees

As at 31 December 2017, the Group and the Bank had 182 employees (31 December 2016: 151 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

(b) Basis of measurement

The financial statements of the Group and of the Bank 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 Group and the Bank transact and maintain its accounting records primarily in the United States Dollars (“US\$”), management have determined the US\$ to be the Group and the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Group and 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 Group and the Bank’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going 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 financial statements include estimates of recoverable amounts for loans to customers which have a separate accounting policy stated in Note 3(g).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combination

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

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

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

(ii) Subsidiary

Subsidiary is an entity over which the Bank has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has such power over another entity.

In the Bank's separate financial statements, investment in a subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

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

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with NBC, demand deposits with other financial institutions, 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.

(d) Balances with the National Bank of Cambodia

Balances with the National Bank of Cambodia including statutory deposits are stated at cost.

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

(e) Balances with other banks and financial institutions

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

(f) Loans and advances to customers

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

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

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

(g) Allowance for bad and doubtful loans

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:

<u>Classification</u>	<u>Number of days past due</u>	<u>Allowance</u>
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 90 days	3%
Substandard	≥ 90 days – 180 days	20%
Doubtful	≥ 180 days – 360 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:

<u>Classification</u>	<u>Number of days past due</u>	<u>Allowance</u>
Short-term loans (less than or equal one year):		
Normal/standard	≤14 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 Group and 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.

(h) Other credit-related commitments

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

(i) Unquoted debt securities

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

(j) Interest in suspense

Interest in suspense represents interest on non-performing loans to customers, that is recorded as an allowance rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

(k) Other assets

Other assets are stated at cost less allowance for losses, if any.

(l) Property and equipment

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

(ii) Depreciation of property and equipment is charged to the income statement on straight line basis over the useful lives of the individual assets as following:

	<u>Years</u>
Leasehold improvements	5
Office equipment	5
Furniture, fixtures and fittings	5 to 10
Computer equipment	3 to 5
Motor vehicles	5

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amounts 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 Group and the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

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

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

(m) Intangible assets

Intangible assets consist of computer software and Core Banking Licence and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised over their estimated useful lives of 5 years using the straight-line method.

(n) Impairment

(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 to customers which has a separate accounting policy stated in Note 3(g).

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 through the income statement 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.

If an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset or group of assets in prior periods. A reversal of an impairment loss is recognised immediately in income statement.

(o) Deposits from customers and other financial institutions

Deposits from customers and other financial institutions are stated at cost.

(p) Provision

A provision is recognised in the balance sheet when the Group and 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 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.

Income from the various activities of the Group and the Bank is accrued using the following bases:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- Service charges and processing fees are recognised when the service is provided.

(r) Interest expense

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

(s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(t) 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 as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' 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 adjustment 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 amounts 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 to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Related parties

Parties are considered to be related if the Group and/or the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and/or 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.

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 Group and/or the Bank or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Group.

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIELS

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into the Khmer Riels are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,037 (31 December 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 Riels at this or any other rate of exchange.

5. CASH AND CASH EQUIVALENTS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	2,420,292	9,770,719	4,817,987	19,450,214	2,420,292	9,770,719	4,817,987	19,450,214
Balance with the NBC (Note 6)								
<i>Current and clearing accounts</i>	29,502,897	119,103,196	7,914,252	31,949,835	29,502,897	119,103,196	7,914,252	31,949,835
<i>Term Deposits</i>	6,065,172	24,485,099	2,259,541	9,121,768	6,065,172	24,485,099	2,259,541	9,121,768
Balances and placements with other banks and financial institutions (Note 7)								
<i>Current accounts</i>	5,541,806	22,372,271	2,219,854	8,961,551	5,541,806	22,372,271	2,219,854	8,961,551
<i>Savings accounts</i>	64,913	262,054	769	3,104	64,913	262,054	769	3,104
Term deposits	3,558,167	14,364,320	6,750,000	27,249,750	3,558,167	14,364,320	6,750,000	27,249,750
	47,153,247	190,357,659	23,962,403	96,736,222	47,153,247	190,357,659	23,962,403	96,736,222

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	23,978,532	96,801,334	4,942,407	19,952,497	23,978,532	96,801,334	4,942,407	19,952,497
Clearing account	5,524,365	22,301,862	2,971,845	11,997,338	5,524,365	22,301,862	2,971,845	11,997,338
Short-term deposits (i)	6,065,172	24,485,099	2,259,541	9,121,768	6,065,172	24,485,099	2,259,541	9,121,768
Reserve requirement (ii)	12,189,144	49,207,574	10,950,600	44,207,572	12,189,144	49,207,574	10,950,600	44,207,572
Capital guarantee (iii)	5,800,000	23,414,600	4,100,000	16,551,700	5,800,000	23,414,600	4,100,000	16,551,700
	53,557,213	216,210,469	25,224,393	101,830,875	53,557,213	216,210,469	25,224,393	101,830,875

(i) Short-term deposits

This pertains to negotiable certificate of deposit ("NCD") with a term from one to three months. The Group and the Bank also has an overdraft line with the NBC secured by the NCD.

(ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Group and 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 does not earn interest.

(iii) Capital guarantee deposits

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

Interest rates

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

	2017	2016
Current and clearing accounts	Nil	Nil
Term deposit	0.75%-1.40%	0.66% - 1.80%
Reserve deposits	0.26%	0.20%
Capital guarantee deposit	0.18%	0.22%

7. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts (i)	5,541,806	22,372,271	2,219,854	8,961,551	5,541,806	22,372,271	2,219,854	8,961,551
Savings accounts	64,913	262,054	769	3,104	64,913	262,054	769	3,104
Term deposits with original maturity less than or equal to 3 months (ii)	3,558,167	14,364,320	6,750,000	27,249,750	3,558,167	14,364,320	6,750,000	27,249,750
	9,164,886	36,998,645	8,970,623	36,214,405	9,164,886	36,998,645	8,970,623	36,214,405
Term deposits with original maturity more than 3 months (ii)	5,279,861	21,314,799	7,078,813	28,577,168	5,279,861	21,314,799	7,078,813	28,577,168
	14,444,747	58,313,444	16,049,436	64,791,573	14,444,747	58,313,444	16,049,436	64,791,573

(i) Current accounts are maintained with local banks and do not earn interest.

(ii) Placements pertain to term deposits and earn interest at 2.96% per annum (2016: 3.00% per annum).

The above balances with other banks and financial institutions are analysed as follows:

(i) By maturity

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one month	11,847,496	47,828,341	8,342,186	33,677,405	11,847,496	47,828,341	8,342,186	33,677,405
2 to 3 months	2,300,000	9,285,100	5,097,250	20,577,598	2,300,000	9,285,100	5,097,250	20,577,598
4 to 6 months	-	-	1,250,000	5,046,250	-	-	1,250,000	5,046,250
7 to 12 months	297,251	1,200,003	360,000	1,453,320	297,251	1,200,003	360,000	1,453,320
More than 1 year	-	-	1,000,000	4,037,000	-	-	1,000,000	4,037,000
	14,444,747	58,313,444	16,049,436	64,791,573	14,444,747	58,313,444	16,049,436	64,791,573

(ii) By currency

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Khmer riels	1,023,129	4,130,372	669,804	2,703,999	1,023,129	4,130,372	669,804	2,703,999
US Dollars	13,359,552	53,932,512	15,379,632	62,087,574	13,359,552	53,932,512	15,379,632	62,087,574
Singapore Dollars	39,577	159,772	-	-	39,577	159,772	-	-
Japanese Yens	22,489	90,788	-	-	22,489	90,788	-	-
	14,444,747	58,313,444	16,049,436	64,791,573	14,444,747	58,313,444	16,049,436	64,791,573

8. INVESTMENT SECURITIES

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Equity investment	25,000	100,925	25,000	100,925	25,000	100,925	25,000	100,925
Unquoted debt securities	-	-	1,007,836	4,068,634	-	-	1,007,836	4,068,634
	25,000	100,925	1,032,836	4,169,559	25,000	100,925	1,032,836	4,169,559

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

Unquoted debt securities pertain to corporate debt security from Cam Capital Specialized Bank. This investment has a term of 6 months and earn interest at 6.20% per annum. The Group and the Bank terminated this investment on 20 April 2017.

9. LOANS AND ADVANCES TO CUSTOMERS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term loans	104,903,258	423,494,453	79,818,195	322,226,053	104,903,258	423,494,453	79,818,195	322,226,053
Overdraft loans	20,579,735	83,080,390	14,598,794	58,935,331	20,579,735	83,080,390	14,598,794	58,935,331
Loans and advances-gross	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384
Allowance for losses on loans and advances								
General	(1,240,564)	(5,008,157)	(923,003)	(3,726,163)	(1,240,564)	(5,008,157)	(923,003)	(3,726,163)
Specific	(1,117,916)	(4,513,027)	(1,173,297)	(4,736,600)	(1,117,916)	(4,513,027)	(1,173,297)	(4,736,600)
	(2,358,480)	(9,521,184)	(2,096,300)	(8,462,763)	(2,358,480)	(9,521,184)	(2,096,300)	(8,462,763)
Loans and advances - net	123,124,513	497,053,659	92,320,689	372,698,621	123,124,513	497,053,659	92,320,689	372,698,621

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Further analyses of loans and advances to customers are as follows:

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

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	2,096,300	8,462,763	1,794,355	7,267,138	2,096,300	8,462,763	1,794,355	7,267,138
Allowance during the year	262,180	1,058,421	400,349	1,616,209	262,180	1,058,421	400,349	1,616,209
Written off during the year	-	-	(98,404)	(397,257)	-	-	(98,404)	(397,257)
Currency translation difference	-	-	-	(23,327)	-	-	-	(23,327)
At 31 December	2,358,480	9,521,184	2,096,300	8,462,763	2,358,480	9,521,184	2,096,300	8,462,763

(b) Grading of loans and advances portfolio are as follows:

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Normal loan								
Secured	110,568,002	446,363,024	85,892,071	346,746,291	110,568,002	446,363,024	85,892,071	346,746,291
Unsecured	13,488,381	54,452,594	6,408,215	25,869,964	13,488,381	54,452,594	6,408,215	25,869,964
Special mention loans								
Secured	68,038	274,669	774,344	3,126,027	68,038	274,669	774,344	3,126,027
Unsecured	5,906	23,843	-	-	5,906	23,843	-	-
Substandard loans								
Secured	233,985	944,597	-	-	233,985	944,597	-	-
Unsecured	73	295	-	-	73	295	-	-
Doubtful loans								
Secured	99,451	401,484	384,350	1,551,621	99,451	401,484	384,350	1,551,621
Unsecured	-	-	232	937	-	-	232	937
Loss loans								
Secured	965,110	3,896,149	900,180	3,634,027	965,110	3,896,149	900,180	3,634,027
Unsecured	54,047	218,188	57,597	232,517	54,047	218,188	57,597	232,517
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Further analyses of loans and advances to customers are as follows: (continued)

(c) Analysis of loan portfolio by industrial sectors

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financial sectors								
Financial institutions	6,113,097	24,678,572	9,067,572	36,605,788	6,113,097	24,678,572	9,067,572	36,605,788
Non-financial sectors								
Real estate and renting activities	22,619,073	91,313,198	25,863,775	104,412,060	22,619,073	91,313,198	25,863,775	104,412,060
Wholesale and retail trades	44,496,516	179,632,435	19,233,971	77,647,541	44,496,516	179,632,435	19,233,971	77,647,541
Housing	10,476,521	42,293,715	15,562,393	62,825,381	10,476,521	42,293,715	15,562,393	62,825,381
Manufacturing	6,103,875	24,641,343	2,766,793	11,169,543	6,103,875	24,641,343	2,766,793	11,169,543
Hotels and restaurants	5,918,744	23,893,970	2,256,911	9,111,150	5,918,744	23,893,970	2,256,911	9,111,150
Construction	1,816,185	7,331,939	1,555,076	6,277,842	1,816,185	7,331,939	1,555,076	6,277,842
Utilities	2,736,395	11,046,827	1,257,427	5,076,233	2,736,395	11,046,827	1,257,427	5,076,233
Transport, storage and communication	3,948,562	15,940,345	941,176	3,799,528	3,948,562	15,940,345	941,176	3,799,528
Agriculture	278,831	1,125,641	357,356	1,442,646	278,831	1,125,641	357,356	1,442,646
Mining	164,663	664,744	119,671	483,113	164,663	664,744	119,671	483,113
Others	20,810,531	84,012,114	15,434,868	62,310,559	20,810,531	84,012,114	15,434,868	62,310,559
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384

(d) For analysis of loan portfolio by maturity

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 month	20,581,454	83,087,330	20,350,475	82,154,867	20,581,454	83,087,330	20,350,475	82,154,867
1 to 3 months	5,574	22,502	17,424	70,341	5,574	22,502	17,424	70,341
3 to 6 months	1,054,443	4,256,786	9,566	38,618	1,054,443	4,256,786	9,566	38,618
6 to 12 months	1,219,911	4,924,781	1,203,520	4,858,610	1,219,911	4,924,781	1,203,520	4,858,610
1 to 5 years	24,090,403	97,252,957	17,558,787	70,884,823	24,090,403	97,252,957	17,558,787	70,884,823
Over 5 years	78,531,208	317,030,487	55,277,217	223,154,125	78,531,208	317,030,487	55,277,217	223,154,125
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384

9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Further analyses of loans and advances to customers are as follows: (continued)

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

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Residency status								
Residents	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384
Non-residents	-	-	-	-	-	-	-	-
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384
Relationship								
Related parties	775,157	3,129,309	916,667	3,700,585	775,157	3,129,309	916,667	3,700,585
Non-related parties	124,707,836	503,445,534	93,500,322	377,460,799	124,707,836	503,445,534	93,500,322	377,460,799
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384
Exposure								
Non-large	112,579,012	454,481,471	94,416,989	381,161,384	112,579,012	454,481,471	94,416,989	381,161,384
Large	12,903,981	52,093,372	-	-	12,903,981	52,093,372	-	-
Total	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384

(f) By interest rate (per annum):

	The Group		The Bank	
	2017	2016	2017	2016
Loans to customers	7.00% - 24.00%	7.00% - 24.00%	7.00% - 24.00%	7.00% - 24.00%
Staff loans	6.00% - 18.00%	6.00% - 12.00%	6.00% - 18.00%	6.00% - 12.00%

10. INVESTMENT IN SUBSIDIARY

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

11. PROPERTY AND EQUIPMENT

2017	The Group							
	Leasehold improvements US\$	Office equipment US\$	Furniture fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Construction in progress US\$	Total	
							US\$	KHR'000 (Note 4)
Cost								
At 1 January 2017	937,662	1,217,960	813,416	723,611	46,306	69,640	3,808,595	15,375,298
Additions	-	2,248	9,460	39,643	47,500	37,968	136,819	552,338
Transfers	-	-	-	1,279	-	(69,640)	(68,361)	(275,973)
At 31 December 2017	937,662	1,220,208	822,876	764,533	93,806	37,968	3,877,053	15,651,663
Less: Accumulated depreciation								
At 1 January 2017	485,026	759,171	450,958	461,061	45,652	-	2,201,868	8,888,941
Depreciation for the year	150,050	160,554	103,323	102,799	1,081	-	517,807	2,090,387
At 31 December 2017	635,076	919,725	554,281	563,860	46,733	-	2,719,675	10,979,328
Carrying amounts								
At 31 December 2017	302,586	300,483	268,595	200,673	47,073	37,968	1,157,378	4,672,335

2017	The Bank							
	Leasehold improvements US\$	Office equipment US\$	Furniture fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Construction in progress US\$	Total	
							US\$	KHR'000 (Note 4)
Cost								
At 1 January 2017	937,662	1,217,960	813,416	723,611	46,306	69,640	3,808,595	15,375,298
Additions	-	2,248	9,460	39,643	47,500	37,968	136,819	552,338
Transfers	-	-	-	1,279	-	(69,640)	(68,361)	(275,973)
At 31 December 2017	937,662	1,220,208	822,876	764,533	93,806	37,968	3,877,053	15,651,663
Less: Accumulated depreciation								
At 1 January 2017	485,026	759,171	450,958	461,061	45,652	-	2,201,868	8,888,941
Depreciation for the year	150,050	160,554	103,323	102,799	1,081	-	517,807	2,090,387
At 31 December 2017	635,076	919,725	554,281	563,860	46,733	-	2,719,675	10,979,328
Carrying amounts								
At 31 December 2017	302,586	300,483	268,595	200,673	47,073	37,968	1,157,378	4,672,335

11. PROPERTY AND EQUIPMENT (CONTINUED)

2016	The Group							
	Leasehold improvements US\$	Office equipment US\$	Furniture fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Con-struction in progress US\$	Total US\$ (Note 4)	
Cost								
At 1 January 2016	915,856	1,121,293	738,843	664,046	46,306	110,577	3,596,921	14,520,770
Additions	21,806	8,098	72,137	52,121	-	68,979	223,141	900,820
Disposal	-	(3,435)	-	-	-	-	(3,435)	(13,867)
Transfers	-	92,004	2,436	7,444	-	(109,916)	(8,032)	(32,425)
At 31 December 2016	937,662	1,217,960	813,416	723,611	46,306	69,640	3,808,595	15,375,298
Less: Accumulated depreciation								
At 1 January 2016	336,678	600,617	347,324	365,786	45,362	-	1,695,767	6,845,811
Depreciation for the year	148,348	161,988	103,634	95,275	290	-	509,535	2,056,993
Disposal	-	(3,434)	-	-	-	-	(3,434)	(13,863)
At 31 December 2016	485,026	759,171	450,958	461,061	45,652	-	2,201,868	8,888,941
Carrying amounts								
At 31 December 2016	452,636	458,789	362,458	262,550	654	69,640	1,606,727	6,486,357

2016	The Bank							
	Leasehold improvements US\$	Office equipment US\$	Furniture fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Con-struction in progress US\$	Total US\$ (Note 4)	
Cost								
At 1 January 2016	915,856	1,121,293	738,843	664,046	46,306	110,577	3,596,921	14,520,770
Additions	21,806	8,098	72,137	52,121	-	68,979	223,141	900,820
Disposal	-	(3,435)	-	-	-	-	(3,435)	(13,867)
Transfers	-	92,004	2,436	7,444	-	(109,916)	(8,032)	(32,425)
At 31 December 2016	937,662	1,217,960	813,416	723,611	46,306	69,640	3,808,595	15,375,298
Less: Accumulated depreciation								
At 1 January 2016	336,678	600,617	347,324	365,786	45,362	-	1,695,767	6,845,811
Depreciation for the year	148,348	161,988	103,634	95,275	290	-	509,535	2,056,993
Disposal	-	(3,434)	-	-	-	-	(3,434)	(13,863)
At 31 December 2016	485,026	759,171	450,958	461,061	45,652	-	2,201,868	8,888,941
Carrying amounts								
At 31 December 2016	452,636	458,789	362,458	262,550	654	69,640	1,606,727	6,486,357

12. INTANGIBLE ASSETS

Computer software	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost								
At 1 January	604,129	2,438,869	577,114	2,329,809	604,129	2,438,869	577,114	2,329,809
Additions	64,941	262,167	18,983	76,634	64,941	262,167	18,983	76,634
Transfers from construction in progress	68,361	275,973	8,032	32,425	68,361	275,973	8,032	32,425
At 31 December	737,431	2,977,009	604,129	2,438,868	737,431	2,977,009	604,129	2,438,868
Less: Accumulated amortisation								
At 1 January	480,215	1,938,628	437,017	1,764,237	480,215	1,938,628	437,017	1,764,237
Amortisation for the year	50,378	203,376	43,198	174,390	50,378	203,376	43,198	174,390
At 31 December	530,593	2,142,004	480,215	1,938,627	530,593	2,142,004	480,215	1,938,627
Carrying amounts								
At 31 December	206,838	835,005	123,914	500,241	206,838	835,005	123,914	500,241

13. OTHER ASSETS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deposits	321,747	1,298,892	320,449	1,293,653	321,747	1,298,892	320,449	1,293,653
Interest receivables	143,726	580,222	133,678	539,658	143,726	580,222	133,678	539,658
Prepayments	83,364	336,540	84,426	340,828	83,364	336,540	84,426	340,828
Other receivables	93,506	377,484	86,641	349,769	93,506	377,484	86,641	349,769
	642,343	2,593,138	625,194	2,523,908	642,343	2,593,138	625,194	2,523,908

14. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	1,974,042	7,969,208	2,055,921	8,299,753	1,974,042	7,969,208	2,055,921	8,299,753
Term deposits	36,538,056	147,504,132	26,044,400	105,141,243	36,538,056	147,504,132	26,044,400	105,141,243
	38,512,098	155,473,340	28,100,321	113,440,996	38,512,098	155,473,340	28,100,321	113,440,996

14. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS (CONTINUED)

The above balances deposits from other financial institutions are analysed as follows:

(i) *By currency:*

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	38,419,258	155,098,545	28,100,321	113,440,996	38,419,258	155,098,545	28,100,321	113,440,996
Khmer riels	92,840	374,795	-	-	92,840	374,795	-	-
	38,512,098	155,473,340	28,100,321	113,440,996	38,512,098	155,473,340	28,100,321	113,440,996

(ii) *By annual interest rates:*

	The Group		The Bank	
	2017	2016	2017	2016
Current accounts	0.00% - 0.50%	0.00% - 2.00%	0.00% - 0.50%	0.00% - 2.00%
Term deposits	1.80% - 4.85%	2.00% - 4.50%	1.80% - 4.85%	2.00% - 4.50%

15. DEPOSITS FROM CUSTOMERS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Demand deposits	33,779,480	136,367,760	18,245,627	73,657,598	38,752,111	156,442,272	23,218,278	93,732,189
Savings accounts	6,703,100	27,060,415	3,732,864	15,069,572	6,703,100	27,060,415	3,732,864	15,069,572
Term deposits	56,161,870	226,725,469	50,452,791	203,677,917	56,161,870	226,725,469	50,452,791	203,677,917
	96,644,450	390,153,644	72,431,282	292,405,087	101,617,081	410,228,156	77,403,933	312,479,678

The above balances deposits from customers are analysed as follows:

(i) *By currency:*

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	79,034,869	319,063,766	72,431,282	292,405,087	84,007,500	339,138,278	77,403,933	312,479,678
Khmer riels	17,609,581	71,089,878	-	-	17,609,581	71,089,878	-	-
	96,644,450	390,153,644	72,431,282	292,405,087	101,617,081	410,228,156	77,403,933	312,479,678

15. DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) Interest rates

Demand deposits does not bear any interest.

Savings deposits bear interest at rates ranging from 1.00% to 1.90% per annum (2016: 1.00% to 1.75%).

Term deposits include deposits with terms ranging from one to twelve months and more than twelve months. Customers can withdraw term deposits before the due date upon negotiation with the Group and the Bank. Term deposits in US\$ bear interest at rates ranging from 1.80% to 7.00% per annum (2016: 2.25% to 7.00%).

(iii) For deposits from related parties, refer to Note 30.

(iv) For maturity analysis, refer to Note 31 on Liquidity risk.

16. INCOME TAX

(a) Income tax expense/(benefits)

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current	639,948	2,583,470	183,699	741,592	639,948	2,583,470	183,699	741,592
Deferred	(96,713)	(390,430)	(205,665)	(830,269)	(96,713)	(390,430)	(205,665)	(830,269)
Income tax expense/(benefits)	543,235	2,193,040	(21,966)	(88,677)	543,235	2,193,040	(21,966)	(88,677)

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

Details of estimated income tax expense are as follows:

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	2,501,731	10,099,487	476,563	1,923,886	2,501,751	10,099,568	476,599	1,924,031
Income tax using statutory tax rate of 20%	500,346	2,019,897	95,312	384,777	500,350	2,019,913	95,320	384,807
Tax effect of non-deductible expenses	42,889	173,143	88,387	356,815	42,885	173,127	88,379	356,785
Movement of deferred tax assets	-	-	(205,665)	(830,269)	-	-	(205,665)	(830,269)
Income tax expense/(benefits)	543,235	2,193,040	(21,966)	(88,677)	543,235	2,193,040	(21,966)	(88,677)

The Group's and the Bank's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

16. INCOME TAX (CONTINUED)

(b) Current income tax liabilities

Details of movements of current income tax liabilities are as follows:

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	105,391	425,463	6,153	24,920	105,391	425,463	6,153	24,920
Current income tax expense	639,948	2,583,470	183,699	741,592	639,948	2,583,470	183,699	741,592
Payments during the year	(210,322)	(849,069)	(84,461)	(340,969)	(210,322)	(849,069)	(84,461)	(340,969)
Currency translation difference	-	-	-	(80)	-	-	-	(80)
Balance at end of year	535,017	2,159,864	105,391	425,463	535,017	2,159,864	105,391	425,463

(c) Deferred tax, net

Details of deferred tax asset items of the Group and the Bank follow

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for loan losses	248,556	1,003,421	189,247	763,990	248,556	1,003,421	189,247	763,990
Property and equipment	47,336	191,095	15,604	62,993	47,336	191,095	15,604	62,993
Accruals	-	-	657	2,652	-	-	657	2,652
Unrealised loss on foreign exchange	6,486	26,184	157	634	6,486	26,184	157	634
Total	302,378	1,220,700	205,665	830,269	302,378	1,220,700	205,665	830,269

17. OTHER LIABILITIES

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accrued interest payable	1,324,485	5,346,946	1,280,529	5,169,496	1,324,485	5,346,946	1,280,529	5,169,496
Accounts payable	348,992	1,408,880	273,446	1,103,900	348,992	1,408,880	273,446	1,103,900
Banker's cheques	2,970	11,990	261,906	1,057,315	2,970	11,990	261,906	1,057,315
Other taxes payable	102,265	412,844	102,037	411,923	102,265	412,844	102,037	411,923
Total	1,778,712	7,180,660	1,917,918	7,742,634	1,778,712	7,180,660	1,917,918	7,742,634

18. PAID UP CAPITAL

Details of shareholding are as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Phillip MFIS PTE.LTD.	58,000,000	234,146,000	41,000,000	165,517,000

The total authorised number of shares is 58,000,000 (2016: 41,000,000) shares with par value of US\$1 per share. All shares are issued and fully paid.

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions. The Prakas requires commercial banks including foreign subsidiaries a minimum registered capital of KHR300.00 billion (approximately US\$75.00 million).

Subsequently, on 16 June 2016, the NBC issued Circular B7-016-001 on Implementation of Prakas on Minimum Registered Capital of Banking and Financial Institutions that requires banks and financial institutions to inject half of the additional required capital to comply with the requirement of the Prakas by 31 March 2017, and full compliance by 22 March 2018.

On 2 March 2017, the Group and the Bank requested to the NBC to increase additional share capital of US\$17,000,000 through cash injection and was approved by the NBC on 20 April 2017. The revised memorandum and articles of association of the Group and the Bank was approved by the NBC on 14 June 2017.

On 15 March 2018, the shareholder injected another US\$17,000,000 to the Group and the Bank's account. On 20 March 2018, the Group and the Bank submitted a request letter to the NBC to increase this last instalment of share capital to meet the minimum capital requirement. As at this reporting date, the request is pending approval from the NBC.

19. INTEREST INCOME

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Lending	9,583,369	38,688,061	7,467,536	30,146,443	9,583,369	38,688,061	7,467,536	30,146,443
Deposits	488,297	1,971,255	391,969	1,582,379	488,297	1,971,255	391,969	1,582,379
	10,071,666	40,659,316	7,859,505	31,728,822	10,071,666	40,659,316	7,859,505	31,728,822

20. INTEREST EXPENSE

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term deposits	3,572,745	14,423,172	3,321,832	13,410,234	3,572,745	14,423,172	3,321,832	13,410,234
Current accounts	275,506	1,112,218	234,771	947,771	275,506	1,112,218	234,771	947,771
Saving accounts	68,216	275,387	51,140	206,452	68,216	275,387	51,140	206,452
	3,916,467	15,810,777	3,607,743	14,564,457	3,916,467	15,810,777	3,607,743	14,564,457

21. FEES AND COMMISSIONS INCOME

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loan processing fees	720,150	2,907,245	496,351	2,003,769	720,150	2,907,245	496,351	2,003,769
Loan commitment fees	60,344	243,609	35,718	144,194	60,344	243,609	35,718	144,194
Others	469,776	1,896,486	229,879	928,021	469,776	1,896,486	229,915	928,166
	1,250,270	5,047,340	761,948	3,075,984	1,250,270	5,047,340	761,984	3,076,129

22. OTHER OPERATING INCOME

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

23. PERSONNEL EXPENSES

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	1,831,033	7,391,880	1,676,788	6,769,194	1,831,033	7,391,880	1,676,788	6,769,194
Others	531,201	2,144,459	324,017	1,308,056	531,201	2,144,459	324,017	1,308,056
	2,362,234	9,536,339	2,000,805	8,077,250	2,362,234	9,536,339	2,000,805	8,077,250

24. ESTABLISHMENT-RELATED COSTS

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental	430,431	1,737,650	405,472	1,636,890	430,431	1,737,650	405,472	1,636,890
Repairs and maintenance	215,457	869,800	220,564	890,417	215,457	869,800	220,564	890,417
Utilities	128,019	516,813	119,350	481,816	128,019	516,813	119,350	481,816
Others	92,111	371,852	91,990	371,364	92,111	371,852	91,990	371,364
	866,018	3,496,115	837,376	3,380,487	866,018	3,496,115	837,376	3,380,487

25. DEPRECIATION AND AMORTISATION

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation (Note 11)	517,807	2,090,387	509,535	2,056,993	517,807	2,090,387	509,535	2,056,993
Amortisation (Note 12)	50,378	203,376	43,198	174,390	50,378	203,376	43,198	174,390
	568,185	2,293,763	552,733	2,231,383	568,185	2,293,763	552,733	2,231,383

26. PROMOTION AND MARKETING

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Marketing	114,713	463,096	121,691	491,267	114,713	463,096	121,691	491,267
Advertising	1,332	5,377	1,554	6,273	1,332	5,377	1,554	6,273
Others	8,369	33,786	8,286	33,451	8,369	33,786	8,286	33,451
	124,414	502,259	131,531	530,991	124,414	502,259	131,531	530,991

27. GENERAL AND ADMINISTRATIVE EXPENSES

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
License fees	175,552	708,704	174,870	705,950	175,552	708,704	174,870	705,950
Duties and taxes	139,507	563,190	133,700	539,748	139,507	563,190	133,700	539,748
Insurance	38,728	156,345	38,743	156,405	38,728	156,345	38,743	156,405
Communication	33,225	134,129	34,361	138,715	33,225	134,129	34,361	138,715
Travelling and accommodation	47,999	193,772	33,173	133,919	47,999	193,772	33,173	133,919
Legal and professional fees	90,626	365,857	32,432	130,928	90,626	365,857	32,432	130,928
Stationeries and printing	36,219	146,216	28,422	114,740	36,219	146,216	28,422	114,740
Directors' fees and meeting allowances	32,000	129,184	28,000	113,036	32,000	129,184	28,000	113,036
Others	209,026	843,838	143,186	578,042	209,026	843,838	143,186	578,042
	802,882	3,241,235	646,887	2,611,483	802,882	3,241,235	646,887	2,611,483

28. NET CASH GENERATED FROM OPERATING ACTIVITIES

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities								
Profit before income tax	2,501,731	10,099,487	476,563	1,923,886	2,501,751	10,099,568	476,599	1,924,031
<i>Adjustments for:</i>								
Depreciation and amortisation								
Gain on disposals of property and equipment	568,185	2,293,763	552,733	2,231,383	568,185	2,293,763	552,733	2,231,383
Income tax paid	(210,322)	(849,069)	(84,461)	(340,969)	(210,322)	(849,069)	(84,461)	(340,969)
	2,859,594	11,544,181	944,536	3,813,093	2,859,614	11,544,262	944,572	3,813,238
<i>Changes in:</i>								
Balances with the National Bank of Cambodia	(1,238,544)	(5,000,002)	(5,020,000)	(20,265,740)	(1,238,544)	(5,000,002)	(5,020,000)	(20,265,740)
Balances with other banks and financial institutions	1,798,952	7,262,369	(2,078,813)	(8,392,168)	1,798,952	7,262,369	(2,078,813)	(8,392,168)
Loans and advances to customers	(30,803,824)	(124,355,037)	(23,841,158)	(96,246,755)	(30,803,824)	(124,355,037)	(23,841,158)	(96,246,755)
Other assets	(17,149)	(69,231)	(97,004)	(391,605)	(17,149)	(69,231)	(97,004)	(391,605)
Deposits from other financial institutions	10,411,777	42,032,344	12,978,032	52,392,315	10,411,777	42,032,344	12,978,032	52,392,315
Deposits from customers	24,213,168	97,748,559	30,565,669	123,393,605	24,213,148	97,748,478	30,565,633	123,393,460
Other liabilities	(139,206)	(561,975)	221,583	894,531	(139,206)	(561,975)	221,583	894,531
Net cash generate from operating activities	7,084,768	28,601,208	13,672,845	55,197,276	7,084,768	28,601,208	13,672,845	55,197,276

29. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Group and the Bank lease office premises under an operating lease arrangement with minimum lease commitments as follows:

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	384,033	1,550,341	373,620	1,508,304	384,033	1,550,341	373,620	1,508,304
More than 1 year to 5 years	1,665,940	6,725,400	1,222,510	4,935,273	1,665,940	6,725,400	1,222,510	4,935,273
More than 5 years	1,285,800	5,190,775	1,501,440	6,061,313	1,285,800	5,190,775	1,501,440	6,061,313
	3,335,773	13,466,516	3,097,570	12,504,890	3,335,773	13,466,516	3,097,570	12,504,890

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Lending commitment

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Unused portion of overdrafts	7,773,211	31,380,453	4,543,906	18,343,749	7,773,211	31,380,453	4,543,906	18,343,749
Undrawn credit facilities	3,692,100	14,905,008	2,421,714	9,776,459	3,692,100	14,905,008	2,421,714	9,776,459
Bank guarantees	2,313,024	9,337,678	1,194,000	4,820,178	2,313,024	9,337,678	1,194,000	4,820,178
	13,778,335	55,623,139	8,159,620	32,940,386	13,778,335	55,623,139	8,159,620	32,940,386

30. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transaction with related parties

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

Related party	Transactions	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Subsidiary</i>					
HwangDBS Securities (Cambodia) Plc	Bank charges	20	81	36	145
<i>Related parties</i>					
Phillip Finance (HK) Limited	Interest expense	238,437	962,570	-	-
	Interest income	-	-	11,390	45,981
	Repayment of borrowing	-	-	3,000,000	12,111,000
Phillip Assets Management Limited	Interest expense	30,232	122,047	66,612	268,913
Phillip General Insurance (Cambodia) Plc	Interest expense	67,935	274,254	-	-
	Interest expense	2,187	8,829	27,371	110,497
Kredit Microfinance Institution Plc.	Interest income	31,477	127,073	11,390	45,981
	Interest expense	39	157	-	-
First Finance Plc	Interest income	275,989	1,114,168	105,165	424,551
	Loan repayment	1,910,060	7,710,912	183,333	740,115
	Interest expense	3,701	14,943	4,752	19,244
Directors, shareholder and key management personnels	Interest expense	3,701	14,943	4,752	19,244
Key management personnel	Remuneration and benefits	166,832	673,501	147,390	596,930

30. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balance with related parties

Balances with related parties at the reporting year were as follows:

Related party	Transactions	2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Subsidiary</i>					
HwangDBS Securities (Cambodia) Plc	Deposits	4,972,631	20,074,511	4,972,651	20,074,592
<i>Related parties</i>					
Phillip Finance (HK) Limited	Deposits	8,738,416	35,276,985	10,000,000	40,370,000
	Accrued interest payable	204,160	824,194	185,676	749,574
Phillip Assets Management Limited	Deposits	7	28	1,000,144	4,037,581
	Accrual interest payable	-	-	17,720	71,536
Phillip General Insurance (Cambodia) Plc	Deposits	3,036,445	12,258,128	-	-
Kredit Microfinance Institution Plc.	Deposits	32,251	130,196	104,835	423,219
	Accrual interest payable	-	-	1,285	5,188
	Accrual interest receivable	5,480	22,123	12,365	49,918
First Finance Plc	Deposits	10,601	42,798	-	-
	Loan	775,157	3,129,309	2,685,216	10,840,217
Directors, shareholder and key management personnels	Deposits	301,024	1,215,234	150,426	607,270

31. FINANCIAL RISK MANAGEMENT

The Group and the Bank have exposure to the following risks:

- operational risk;
- credit risk;
- market risk; and
- liquidity risk

The Group and the Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

(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.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Operational risk (continued)

The operational risk losses 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 Group and the Bank.

The Group's and 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 the risk of potential of financial loss to the Group and the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the extension of credit facilities to customers.

Credit risk is one of the most important risk for the Group's and the Bank's business. Credit exposure arises principally in lending activities that involves providing loans to customers. There is also credit risk in off-balance sheet financial instruments, such as Bank Guarantee and Letter of Credit, loan commitments, and contingent liabilities. Credit risk is managed by the Bank's Credit Committee with overall oversight by the Group's and the Bank's Risk Management Committee.

The Group and the Bank have established the Core Credit Risk Policy which is designed to govern the Group's and the Bank's risk undertaking activities. Extension of credit is governed by credit programmes 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.

(i) Credit risk measurement

The Group and the Bank also ensure that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

(ii) Risk limit control and mitigation policies

The Group and the Bank operate and provide loans to customers to individuals or enterprises within the Kingdom of Cambodia. The Group and the Bank manage limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 10% of the Group's and the Bank's net worth.

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

The Group and the Bank employ a range of policies and practices to mitigate credit risk which covers types of collaterals accepted, their maximum loan to value ratio (LTV %), the approval levels under Delegation of Authority (DOA) depending on loan limit, borrowers' credit risk rating (CRR), amongst others. The most traditional of these is the taking of security in the form of collateral for loans, which is a common practice. The Group and the Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types to secure for loans are:

- Hypothecation over collateral properties titles;
- Fixed and floating charges over business fixed and current assets under Secured Transaction Act (STA) registration and Registration with Secured Transaction Act (STA) under the Ministry of Commerce over movable assets such as Cars and other movable assets;
- Cash in the form of deposits pledged.

(iii) Impairment and allowance policies

The Group and the Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-09-074 dated 25 February 2009 on loan classification and provisioning. Refer to Notes 3(g) for detail.

(iv) Exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Exposure to credit risk (continued)

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balances with the NBC	35,568,069	143,588,295	10,173,793	41,071,603	35,568,069	143,588,295	10,173,793	41,071,603
Balances with other banks and financial institutions	14,444,747	58,313,444	16,049,436	64,791,573	14,444,747	58,313,444	16,049,436	64,791,573
Loans and advances to customers	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384
Investment securities	25,000	100,925	1,032,836	4,169,559	25,000	100,925	1,032,836	4,169,559
Other assets	465,473	1,879,115	454,127	1,833,311	465,473	1,879,115	454,127	1,833,311
	175,986,282	710,456,622	122,127,181	493,027,430	175,986,282	710,456,622	122,127,181	493,027,430
Allowance for losses on loans and advances to customers	(2,358,480)	(9,521,184)	(2,096,300)	(8,462,763)	(2,358,480)	(9,521,184)	(2,096,300)	(8,462,763)
	173,627,802	700,935,438	120,030,881	484,564,667	173,627,802	700,935,438	120,030,881	484,564,667

- The above table represents a worst case scenario for credit risk exposure to the Group and the Bank at 31 December 2017 and 31 December 2016, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on net carrying amounts.
- The credit exposure amounts arising from off balance sheet items are disclosed in Note 28 on Commitments and Contingencies.

	The Group				The Bank			
	2017		2016		2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances neither past due nor impaired	124,056,383	500,815,618	92,300,286	372,616,255	124,056,383	500,815,618	92,300,286	372,616,255
Loans and advances past due but not impaired	73,944	298,512	774,344	3,126,027	73,944	298,512	774,344	3,126,027
Loans and advances individually impaired	1,352,666	5,460,713	1,342,359	5,419,102	1,352,666	5,460,713	1,342,359	5,419,102
	125,482,993	506,574,843	94,416,989	381,161,384	125,482,993	506,574,843	94,416,989	381,161,384

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(g).

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Loans to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise. 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 allowance of 3%.

Individually impaired loans to customers

Individually impaired loans to customers are loans to customers for which the Group and the Bank determine that there is objective evidence of impairment and contractual principal or interest payments are past due or history of past due of more than 90 days, unless other information is available to indicate otherwise.

Most of the collateral properties titles are in the form of "hard titles" which are official ownership documents issued by the Ministry of Land Management. The Group and the Bank's hypothecation on the title will signify the Group and the Bank's registered interest over the title with the Land Management Office and with priority of claim in the event of foreclosure on the property. A property title search can be conducted to ascertain if a particular property title is free from encumbrances and to determine the rightful owner.

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 due to 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 per-

spectives and overall market conditions being based on realistic and prudent assumptions.

Following the Debt Restructuring, the loan shall be classified as follows:

- Not better than Substandard for loan that was classified as doubtful or loss prior to Restructuring
- Unchanged for loan classified as normal, special mention or substandard prior to restructuring

The classification shall not be improved unless there are no arrears in repayment of principal and interest within 3 installments periods and within a period of not less than 3 months.

Write-off policy

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

Collateral

The Group and the Bank holds collateral against loans and advances in the form of hypothecation interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed by the Bank's panel valuer on an annual basis.

During the year, there are no collateral properties taken over by the Group and the Bank by taking possession of collateral held as security against loans and advances.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographic location. The Group and the Bank have set a ceiling cap on certain sectors of financing activities to mitigate concentration risks, such as microfinance and construction sectors.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Balance with other banks

The Group and the Bank deposit short-term excess liquidity with banks leading to counter party risk exposure. The Group and the Bank manage counter party risk exposure by performing due diligence on individual counter parties, having counterparty limits and diversifying the deposits to different banks.

(c) Market risk

The Group and the Bank take on exposure to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Foreign currency exchange risk

The Group and the Bank operate in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR, and US\$.

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

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the NBC.

As at 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.

(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.

Loans and advances to customers are offered in the term of re-pricing on interest rate by the Group and the Bank with 1-month prior notice to the customers. Hence, the loans and advances to customers with maturity greater than 1 month are exposed to interest rate risk during 1 to 3 months.

An analysis of the interest rate risk pertaining to the Group's and the Bank's assets and liabilities are disclosed below:

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group								
2017	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	2,420,292	2,420,292
Balances with the NBC	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Investment securities	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	21,795,437	105,791,877	-	-	-	-	-	127,587,314
Other assets	-	-	-	-	-	-	465,473	465,473
Total financial assets	62,970,225	114,332,654	-	297,251	-	-	2,910,765	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	44,002,996	10,063,973	11,354,007	30,532,563	1,602,910	-	-	97,556,449
Other liabilities	-	-	-	-	-	-	366,877	366,877
Total financial liabilities	55,060,670	17,668,070	27,520,756	34,590,779	1,602,910	-	366,877	136,810,062
Maturity gap – US\$	7,909,555	96,664,584	(27,520,756)	(34,293,528)	(1,602,910)	-	2,543,888	43,700,833
Maturity gap – KHR'000 (Note 4)	31,930,874	390,234,926	(111,101,292)	(138,442,973)	(6,470,948)	-	10,269,676	176,420,263

The Bank								
2017	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	2,420,292	2,420,292
Balances with the NBC	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Investment securities	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	21,795,437	105,791,877	-	-	-	-	-	127,587,314
Other assets	-	-	-	-	-	-	465,473	465,473
Total financial assets	62,970,225	114,332,654	-	297,251	-	-	2,910,765	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	48,975,627	10,063,973	11,354,007	30,532,563	1,602,910	-	-	102,529,080
Other liabilities	-	-	-	-	-	-	366,877	366,877
Total financial liabilities	60,033,301	17,668,070	27,520,756	34,590,779	1,602,910	-	366,877	141,782,693
Maturity gap – US\$	2,936,924	96,664,584	(27,520,756)	(34,293,528)	(1,602,910)	-	2,543,888	38,728,202
Maturity gap – KHR'000 (Note 4)	11,856,362	390,234,926	(111,101,292)	(138,442,973)	(6,470,948)	-	10,269,676	156,345,751

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group								
2016	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	4,817,987	4,817,987
Balances with the NBC	10,173,794	-	-	-	-	-	-	10,173,794
Balances with other banks and financial institutions	5,220,623	10,828,813	-	-	-	-	-	16,049,436
Investment securities	1,007,836	-	-	-	-	-	25,000	1,032,836
Loans and advances to customers	15,729,672	106,261,814	-	-	-	-	-	121,991,486
Other assets	-	-	-	-	-	-	449,905	449,905
Total financial assets	32,131,925	117,090,627	-	-	-	-	5,292,892	154,515,444
Financial liabilities								
Deposits from other financial institutions	6,476,239	9,094,684	-	3,421,049	-	-	-	18,991,972
Deposits from customers	13,155,026	5,333,659	8,197,633	25,504,895	9,577,746	-	8,915,007	70,683,966
Other liabilities	-	-	-	-	-	-	1,813,840	1,813,840
Total financial liabilities	19,631,265	14,428,343	8,197,633	28,925,944	9,577,746	-	10,728,847	91,489,778
Maturity gap – US\$	12,500,660	102,662,284	(8,197,633)	(28,925,944)	(9,577,746)	-	(5,435,955)	63,025,666
Maturity gap – KHR'000 (Note 4)	50,465,164	414,447,641	(33,093,844)	(116,774,036)	(38,665,361)	-	(21,944,950)	254,434,614

The Bank								
2016	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	4,817,987	4,817,987
Balances with the NBC	10,173,794	-	-	-	-	-	-	10,173,794
Balances with other banks and financial institutions	5,220,623	10,828,813	-	-	-	-	-	16,049,436
Investment securities	1,007,836	-	-	-	-	-	25,000	1,032,836
Loans and advances to customers	15,729,672	106,261,814	-	-	-	-	-	121,991,486
Other assets	-	-	-	-	-	-	449,905	449,905
Total financial assets	32,131,925	117,090,627	-	-	-	-	5,292,892	154,515,444
Financial liabilities								
Deposits from other financial institutions	6,476,239	9,094,684	-	3,421,049	-	-	-	18,991,972
Deposits from customers	18,127,712	5,333,659	8,197,633	25,504,895	9,577,746	-	8,915,007	75,656,652
Other liabilities	-	-	-	-	-	-	1,813,840	1,813,840
Total financial liabilities	24,603,951	14,428,343	8,197,633	28,925,944	9,577,746	-	10,728,847	96,462,464
Maturity gap – US\$	7,527,974	102,662,284	(8,197,633)	(28,925,944)	(9,577,746)	-	(5,435,955)	58,052,980
Maturity gap – KHR'000 (Note 4)	30,390,430	414,447,641	(33,093,844)	(116,774,036)	(38,665,361)	-	(21,944,950)	234,359,880

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed-rate instruments

The Group and the Bank do not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. 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 Group and the Bank do not have variable-rate instruments. Therefore, cash flow sensitivity analysis is not presented.

(d) Liquidity risk

Liquidity risk is the risk of the Group and the Bank being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(i) Liquidity risk management process

The Group's and the Bank's management monitor balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key years for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(ii) Funding approach

The Group's and the Bank's main sources of liquidity arise from the shareholders' paid-up capital, borrowings and customers' deposits. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits, key depositors, borrowings and subordinated debts.

(iii) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on the expected undiscounted cash flows.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

The Group								
2017	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	No fixed term	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	2,420,292	-	-	-	-	-	-	2,420,292
Balances with the NBC	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Investment securities	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	21,795,437	3,056,925	3,289,326	9,819,615	51,990,612	36,282,738	1,352,661	127,587,314
Other assets	143,726	-	-	-	-	-	321,747	465,473
Total financial assets	65,559,243	11,597,702	3,289,326	10,116,866	51,990,612	36,282,738	1,674,408	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	44,002,996	10,063,973	11,354,007	30,532,563	1,602,910	-	-	97,556,449
Other liabilities	365,965	-	-	-	-	-	912	366,877
Total financial liabilities	55,426,635	17,668,070	27,520,756	34,590,779	1,602,910	-	912	136,810,062
Maturity gap – US\$	10,132,608	(6,070,368)	(24,231,430)	(24,473,913)	50,387,702	36,282,738	1,673,496	43,700,833
Maturity gap – KHR'000 (Note 4)	40,905,338	(24,506,076)	(97,822,283)	(98,801,187)	203,415,153	146,473,414	6,755,904	176,420,263

The Group								
2016	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	No fixed term	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	4,817,987	-	-	-	-	-	-	4,817,987
Balances with the NBC	10,173,794	-	-	-	-	-	-	10,173,794
Balances with other banks and financial institutions	5,220,623	10,828,813	-	-	-	-	-	16,049,436
Investment securities	1,007,836	-	-	-	-	-	25,000	1,032,836
Loans and advances to customers	15,729,672	3,056,925	3,289,326	9,819,615	51,990,612	36,282,739	1,822,597	121,991,486
Other assets	133,678	-	-	-	-	-	316,227	449,905
Total financial assets	37,083,590	13,885,738	3,289,326	9,819,615	51,990,612	36,282,739	2,163,824	154,515,444
Financial liabilities								
Deposits from other financial institutions	6,476,239	9,094,684	-	3,421,049	-	-	-	18,991,972
Deposits from customers	13,155,026	5,333,659	8,197,633	25,504,895	9,577,746	-	8,915,007	70,683,966
Other liabilities	400,859	465,184	377,922	511,655	58,220	-	-	1,813,840
Total financial liabilities	20,032,124	14,893,527	8,575,555	29,437,599	9,635,966	-	8,915,007	91,489,778
Maturity gap – US\$	17,051,466	(1,007,789)	(5,286,229)	(19,617,984)	42,354,646	36,282,739	(6,751,183)	63,025,666
Maturity gap – KHR'000 (Note 4)	68,836,768	(4,068,444)	(21,340,506)	(79,197,801)	170,985,706	146,473,417	(27,254,526)	254,434,614

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

The Bank								
2017	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	No fixed term	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	2,420,292	-	-	-	-	-	-	2,420,292
Balances with the NBC	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Investment securities	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	21,795,437	3,056,925	3,289,326	9,819,615	51,990,612	36,282,738	1,352,661	127,587,314
Other assets	143,726	-	-	-	-	-	321,747	465,473
Total financial assets	65,559,243	11,597,702	3,289,326	10,116,866	51,990,612	36,282,738	1,674,408	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	48,975,627	10,063,973	11,354,007	30,532,563	1,602,910	-	-	102,529,080
Other liabilities	365,965	-	-	-	-	-	912	366,877
Total financial liabilities	60,399,266	17,668,070	27,520,756	34,590,779	1,602,910	-	912	141,782,693
Maturity gap – US\$	5,159,977	(6,070,368)	(24,231,430)	(24,473,913)	50,387,702	36,282,738	1,673,496	38,728,202
Maturity gap – KHR'000 (Note 4)	20,830,827	(24,506,076)	(97,822,283)	(98,801,187)	203,415,153	146,473,414	6,755,904	156,345,752

The Bank								
2016	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	No fixed term	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets								
Cash on hand	4,817,987	-	-	-	-	-	-	4,817,987
Balances with the NBC	10,173,794	-	-	-	-	-	-	10,173,794
Balances with other banks and financial institutions	5,220,623	10,828,813	-	-	-	-	-	16,049,436
Investment securities	1,007,836	-	-	-	-	-	25,000	1,032,836
Loans and advances to customers	15,729,672	3,056,925	3,289,326	9,819,615	51,990,612	36,282,739	1,822,597	121,991,486
Other assets	133,678	-	-	-	-	-	316,227	449,905
Total financial assets	37,083,590	13,885,738	3,289,326	9,819,615	51,990,612	36,282,739	2,163,824	154,515,444
Financial liabilities								
Deposits from other financial institutions	6,476,239	9,094,684	-	3,421,049	-	-	-	18,991,972
Deposits from customers	18,127,712	5,333,659	8,197,633	25,504,895	9,577,746	-	8,915,007	75,656,652
Other liabilities	400,859	465,184	377,922	511,655	58,220	-	-	1,813,840
Total financial liabilities	25,004,810	14,893,527	8,575,555	29,437,599	9,635,966	-	8,915,007	96,462,464
Maturity gap – US\$	12,078,780	(1,007,789)	(5,286,229)	(19,617,984)	42,354,646	36,282,739	(6,751,183)	58,052,980
Maturity gap – KHR'000 (Note 4)	48,762,034	(4,068,444)	(21,340,506)	(79,197,801)	170,985,706	146,473,417	(27,254,526)	234,359,880

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital management

(i) Regulatory capital

The Group's and 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 Group's and 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 licensed commercial 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.

(f) Fair values

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 and market prices are not available for a significant proportion of the Group's and the Bank's financial assets and liabilities fair values, therefore, were not presented.

32. TAXATION CONTINGENCIES

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. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

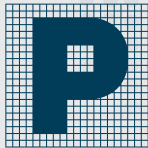
These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects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



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