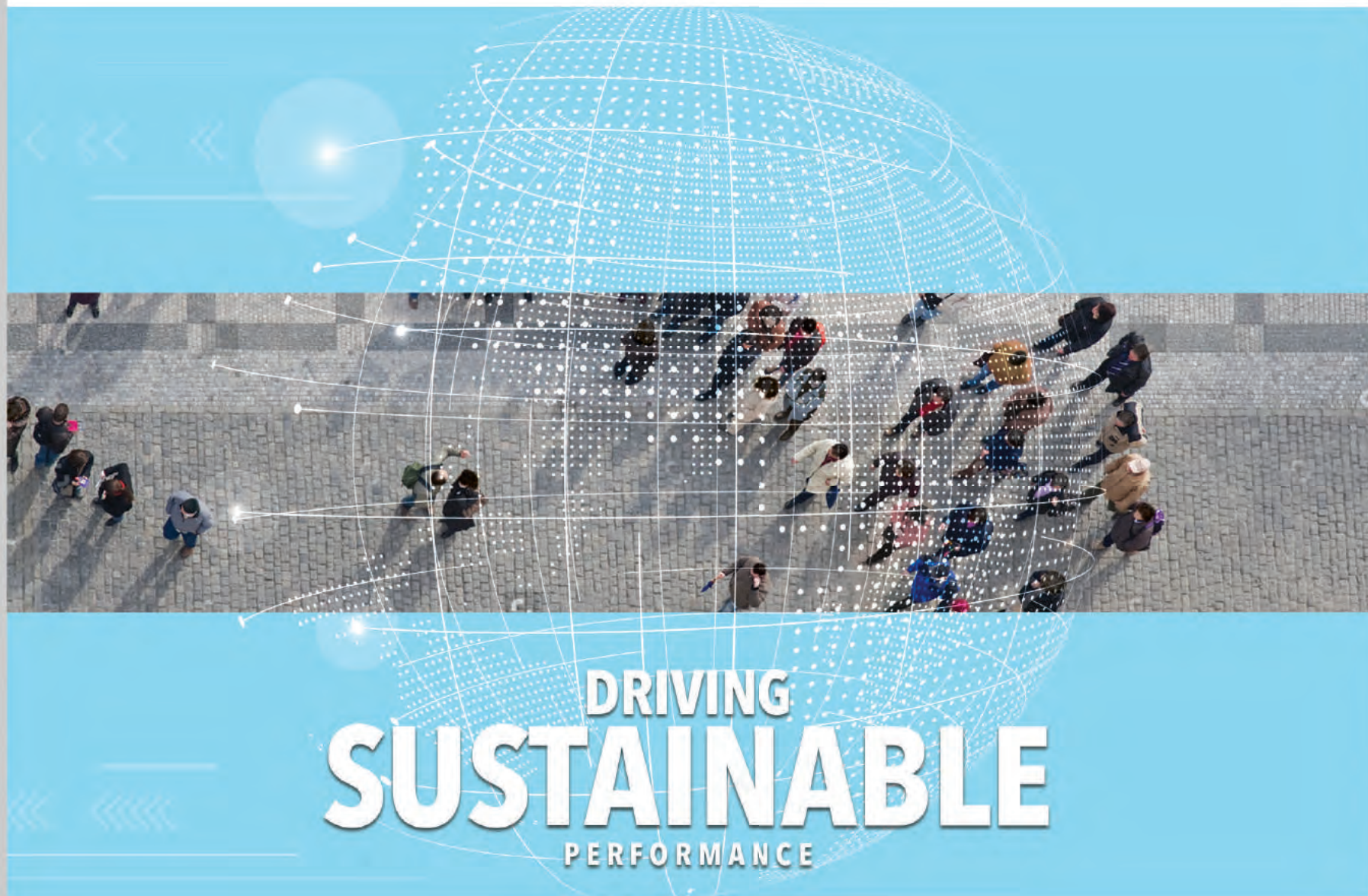


# ANNUAL REPORT 2016



RHB Indochina Bank



TOGETHER WE PROGRESS



# What's Inside

## RHB Banking Group Overview

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## RHB Indochina Bank Overview



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A low-angle photograph of a modern, multi-story office building with a glass and metal facade. The building features a prominent corner and several balconies. In the foreground, there is a large, rounded green bush and three flagpoles on the left. The sky is overcast.

**RHB BANKING GROUP**

**RHB**  **Bank**







# OVERVIEW

## RHB BANKING GROUP



Myanmar  
Thailand  
Lao PDR  
Cambodia  
Vietnam  
Hong Kong  
Malaysia  
Singapore  
Brunei  
Indonesia

## Our Presence, Operations & Performance

<b>MALAYSIA</b> 278 Branches/Offices 11,651 Employees Total Income <b>RM5.2 billion</b>	<b>SINGAPORE</b> 9 Branches/Offices 708 Employees Total Income <b>SGD201.6 million</b>	<b>LAO PDR</b> 2 Branches/Offices 45 Employees Total Income <b>LAK29.2 billion</b>	<b>HONG KONG/CHINA</b> 3 Branches/Offices 123 Employees Total Income <b>HKD112.2 million</b>	<b>CAMBODIA</b> 13 Branches/Offices 245 Employees Total Income <b>USD20.9 million</b>
<b>INDONESIA</b> 13 Branches/Offices 361 Employees Total Income <b>IDR270.2 billion</b>	<b>THAILAND</b> 13 Branches/Offices 441 Employees Total Income <b>THB866.6 million</b>	<b>BRUNEI</b> 1 Branch/Office 22 Employees Total Income <b>BND3.6 million</b>	<b>VIETNAM</b> Representative Office	<b>MYANMAR</b> Representative Office



TOTAL ASSETS

**USD53.8  
billion**

MARKET CAPITALISATION  
as at 31 December 2016

**USD4.30  
billion**

**LISTED**

on BURSA MALAYSIA  
on 28 June 2016

## WHO WE ARE

RHB BANK is the **4th largest**, fully integrated financial services group in Malaysia, listed on the Main Board of Bursa Malaysia. RHB Bank assumed the listing status of RHB Capital Berhad on 28 June 2016.

## WHAT WE DO

WE provide a comprehensive range of financial services under our core business pillars.

- Group Retail Banking
- Group Business & Transaction Banking
- Group Wholesale Banking
- Group Shariah Business
- Group Insurance
- Group International Business

## WHERE WE OPERATE

- |             |                   |
|-------------|-------------------|
| • Malaysia  | • Cambodia        |
| • Singapore | • Vietnam         |
| • Indonesia | • Myanmar         |
| • Thailand  | • Lao PDR         |
| • Brunei    | • Hong Kong/China |



# SUMMARY OF FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

## RHB BANKING GROUP

### TOTAL ASSETS

(USD'Million)

2016		53,791
2015		51,804
2014		49,853
2013		43,430
2012		42,980





### PROFIT BEFORE TAX

(USD'Million)

2016		507
2015		512
2014		622
2013		562
2012		542

### GROSS LOANS, ADVANCES AND FINANCING

(USD'Million)

2016		35,107
2015		34,406
2014		32,383
2013		27,671
2012		25,335

### DEPOSITS FROM CUSTOMERS

(USD'Million)

2016		37,684
2015		35,945
2014		35,712
2013		31,305
2012		31,415

### SHAREHOLDERS' EQUITY

(USD'Million)

2016		4,942
2015		4,015
2014		4,271
2013		3,804
2012		3,436

### NET DIVIDENDS\*

(USD'Million)

2016		109
2015		128
2014		35
2013		94
2012		122

Note: 2012 to 2014 are based on RHB Capital Group.

\* 2012 to 2014 represent net dividends paid/declared by RHB Capital to its shareholders. Dividend Reinvestment Plans were implemented for these dividends and the reinvestment rate were 68% (2012), 72% (2013) and 73% (2014) respectively.  
2015 represents net dividends declared by RHB Bank to RHB Capital. Net dividends declared by RHB Capital to its shareholders in 2015 was USD83.86 million.



# FIVE YEAR GROUP FINANCIAL SUMMARY

## RHB BANKING GROUP

	RHB BANK GROUP		RHB CAPITAL GROUP		
	2016	Restated 2015	2014	2013	2012 <sup>N1</sup>
<b>OPERATING RESULTS (USD'Million)</b>					
Operating profit before allowances	703	578	641	658	576
Profit before taxation	507	511	621	561	542
Net profit attributable to equity holders of the Bank	382	378	463	416	405
<b>KEY BALANCE SHEET DATA (USD'Million)</b>					
Total assets	53,791	51,804	49,853	43,430	42,980
Gross loans, advances and financing	35,107	34,406	32,383	27,671	25,335
Total liabilities	37,684	47,783	45,559	39,579	39,494
Deposits from customers	4,942	35,945	35,712	31,305	31,415
Paid-up capital	911	787	585	579	567
Shareholders' equity	4,942	4,015	4,271	3,804	3,436
Commitments and contingencies	44,855	42,290	30,342	22,780	18,900
<b>SHARE INFORMATION</b>					
Dividend per USD1.00 share (cents)	12.00	16.33	6.00	16.30	22.09
Net assets per USD1.00 share (USD)	5.4	5.1	7.3	6.6	6.1
Net tangible assets per USD1.00 share (USD)	4.7	4.2	5.3	4.5	4.0
Basic earnings per USD1.00 share (cents)	43.6	48.4	79.7	72.9	79.0
Share price (USD)	4.71	4.35 <sup>N2</sup>	7.62	7.90	7.69
Market capitalisation (USD'Million)	18,887	17,444 <sup>N3</sup>	19,602	20,121	19,180
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net return on average equity	8.5	10.0	11.5	11.5	13.4
Net return on average assets	0.7	0.7	1.0	1.0	1.0
Cost-to-income ratio	50.0	58.8	54.7	51.3	47.5
<b>Asset Quality</b>					
Gross loans to deposits ratio	93.2	95.7	90.7	88.4	80.6
Gross impaired loans ratio	2.43	1.88	2.03	2.81	2.99
<b>Ordinary Shares</b>					
Dividend yield	2.5	3.7 <sup>N2</sup>	0.8	2.1	2.9
Dividend payout ratio	28.6	33.9	7.6	22.6	30.0

N1: Restated to reflect the adoption of MFRS 3.

N2: Share price for RHB Bank in 2015 is based on share swap ratio of 1: 1.3.

N3: Based on enlarged share base of RHB Bank after capital injection in April 2016.



# ASPIRATIONS, VISION & VALUES

RHB BANKING GROUP

## PROFESSIONAL

- Committed
- High level of proficiency, competency and reliability

## RESPECT

- Courteous
- Humble

## INTEGRITY

- Honest
- Ethical
- Uphold a high standard of governance

## DYNAMIC

- Proactive
- Responsive
- Forward thinking

## EXCELLENCE

- Continuously achieve high standards of performance and service deliverables



# VALUE



Our Vision by 2020...

## TO BE A LEADING MULTINATIONAL FINANCIAL SERVICES GROUP

---

### RHB'S ASPIRATIONS

---

- **Top 3 in Malaysia/Top 8 in ASEAN**  
by performance
- **Strong Market Leadership in Malaysia**  
across targeted products and segments
- **Regional Powerhouse in ASEAN**  
+20% profit contribution from International Operations
- **Next Generation Customer Centric Bank**  
delivering innovative and personalised customer offerings
- **Prominent Employer of Choice**  
within the region

---

### OUR STRATEGY STATEMENT

---

To be a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports a simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationships built with our stakeholders

---

### OUR BRAND PROMISE

---

#### Together We Progress

- Being your trusted partner
- Delivering simple, fast and seamless experiences
- Providing solutions that help achieve your goals
- Nurturing future generations



# BUSINESS MODEL

## RHB BANKING GROUP

RHB has a customer-focused business model that enables us to fulfil our role as a trusted partner in helping our customers and their businesses prosper. Our Balanced Scorecard provides us with the framework against which we track the progress we have made in serving the interests of our stakeholders.

### CUSTOMER-SEGMENT FOCUSED

RHB's business model is designed to meet the needs of different Segments of customers: individuals with different income levels; companies of any size and different sectors of activity; private companies and public institutions. We have structured our business by key pillars focusing on *retail customers*, *SMEs* and *corporate clients*, respectively. This allows us to better serve the different segments according to their different needs.

### PRODUCTS & SERVICES THAT GO BEYOND BANKING

We offer a diverse range of financial products and services, covering retail banking, Islamic banking, transaction banking, investment banking, treasury, stock broking and offshore banking. We also provide non-banking offerings such as general insurance, unit trust management, asset management, nominee and custodian services. Our products and services are offered through our extensive branch network, Relationship Managers and digital channels.

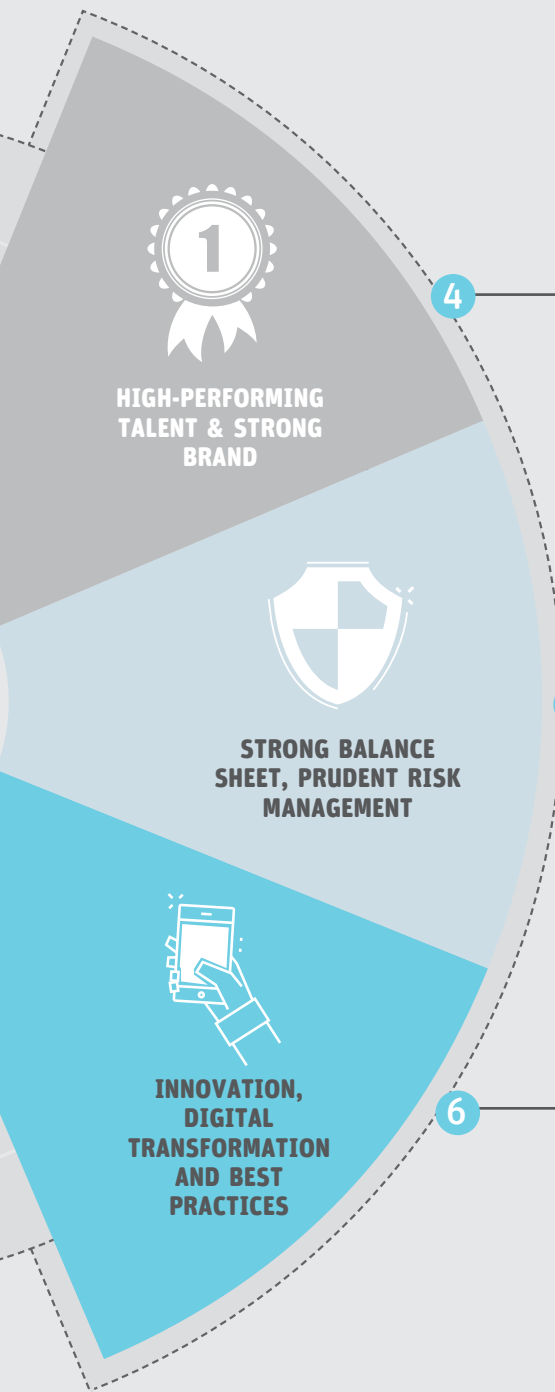
### GEOGRAPHICAL DIVERSIFICATION

RHB has a growing regional presence in ASEAN, with our geographical footprint spanning 10 countries: *Malaysia, Singapore, Thailand, Indonesia, Cambodia, Lao PDR, Brunei, Hong Kong/China, Vietnam* and *Myanmar*. We will focus on growing our existing franchise, and continue to explore other strategic partnerships and expansion into other ASEAN countries.





**Provide holistic, innovative and segment-driven offerings in an efficient, safe and integrated manner**



#### **HIGH-PERFORMING TALENT, WITH A POSITIVE WORK CULTURE & STRONG BRAND VALUES**

The RHB brand synthesises the Group's identity and commitment to become the customers' trusted partner in helping them and their businesses prosper, as well as to attract and retain top talent. RHB's employees share a positive corporate culture focused on fulfilling the Group's purpose and achieving the Group's aspirations. They are provided with a professional development journey to help them progress and find fulfilment in their careers.

#### **STRONG BALANCE SHEET, PRUDENT RISK MANAGEMENT AND INTERNAL CONTROL**

RHB has a solid capital base consistent with its business model, balance sheet structure, risk profile, and is well above regulatory requirements. We have put in place a Group Governance framework that ensures effective governance and oversight on a Group-wide basis. Robust risk management framework have been established to enable effective risk management and compliance across all parts of the Group.

#### **INNOVATION, DIGITAL TRANSFORMATION AND BEST PRACTICES**

We have embarked on the "*RHB Digital Journey*", to effectively deliver meaningful, high value-adding interactions and customised services for our customers by leveraging on digital innovations. Our digital transformation journey will enhance our digital capability across all processes and distribution channels. This will allow us to serve our customers better through faster turnaround time. The transformation not only enhances the services provided to customers but also the Group's operations, both internal and external: i.e: how to use data to spur business growth, updating and modernising systems, and streamlining processes and the organisation as a whole.



# CODE OF ETHICS AND CONDUCT

## RHB BANKING GROUP

“Today, financial services is a complex business. Regulatory requirements, governance systems and decision-making frameworks are becoming more sophisticated. Making judgement calls have become an increasingly important part of day-to-day policy and decision making. In making these judgement calls, the ability to identify and resolve professional and ethical issues cannot be under-estimated. It is from this perspective that we need to educate and equip new entrants into the industry with good values, norms and ethics.”

– Governor Datuk Muhammad Ibrahim’s Remarks at the Opening of the Global Banking Leaders programme on 28 November 2016

RHB Banking Group as one of the custodians of public funds reiterates the importance of integrity and professional conducts amongst its employees, especially operating in the financial services industry. The primary principles and ethical standards identified have been translated into its Group Code of Ethics & Conduct for Employees (“Code of Ethics”) with the objective of serving its stakeholders with the highest standards of confidence, respect and trust as key constituents in its business operations.

As the organisation grows and advances its operations across ASEAN and Greater China, it is central to continue promoting a constructive and lasting impression in the minds of everyone with whom it interacts. Professionalism, integrity, confidentiality, conflicts of interest and fairness are ethical principles embedded in the backbone of its employees’ conduct and day-to-day business activities.

The policies and guidelines enumerated herein are principled on promoting best ethical conduct vis-à-vis the following:

**AVOID CONFLICTS OF INTEREST, OR POTENTIAL CONFLICTS, BETWEEN PERSONAL INTERESTS AND THE INTERESTS OF THE GROUP, ITS SHAREHOLDERS OR CLIENTS;**

**1**

**AVOID MISUSE OF POSITION BY EMPLOYEES;**

**2**

**KEEP MATERIAL NON-PUBLIC AND PRICE SENSITIVE INFORMATION CONFIDENTIAL AND SECURE;**

**3**

**AVOID MISUSE OF MATERIAL NON-PUBLIC AND PRICE SENSITIVE INFORMATION RELATING TO SECURITIES OR OTHER FINANCIAL INSTRUMENTS;**

**4**

**ENSURE COMPLETENESS AND ACCURACY OF THE RELEVANT RECORDS;**

**5**

**PROPERLY CARING FOR AND PROTECTING THE GROUP’S PROPERTY AND ASSETS; AND**

**6**

**PROMPT REPORTING OF ANY KNOWLEDGE OR INFORMATION ABOUT UNETHICAL BUSINESS CONDUCT AND SUSPECTED COMMISSION OF CRIMES.**

**7**



All employees of RHB Banking Group are required to read, understand and embrace the requirements of the Code of Ethics. Ethics involve two aspects namely the ability to distinguish right from wrong and the commitment to do what is right. Dishonesty and defraud are examples of unethical conducts that go against integrity and ethical principle.

The Code of Ethics is a reference of the standards of professional conduct which spell out how an employee should behave, based on moral duties and virtues arising from principles on right and wrong. As the Company and its Group of Companies involve in multiple banking and capital market disciplines, specific Code of Conducts are also established to complement the main Code of Ethics – namely Code of Ethics & Business for Directors, Code of Conduct for Licensed Representatives, Code of Conduct for Dealer’s Representatives, Code of Ethics & Conduct for Share Trading Officers, Code of Ethics & Guidelines for Business Conduct for Unit Trust Consultant(s) and Principles to Adopt for Users of Social Media Platforms; all crafted to support the main Code in promoting top down compliance culture within the Group.

The Company strongly believes that uncompromised integrity and high moral/social value will convey a strong corporate image to all its stakeholders in the pursuit to strengthen its market presence. In this respect, RHB Banking Group does not condone any wrongdoings or fraudulent acts engaged by any of its employees.

In other words, the Company promotes shared core values namely P.R.I.D.E (Professional, Respect, Integrity, Dynamic and Excellent) amongst its employees as the way of life in performing their duties and responsibilities morally and respectfully. Each employees is highly expected to demonstrate these key beliefs in the workplace as esteemed RHB Banking Group’s employee.

Any reporting on violations of the various Codes will be escalated to the appropriate channels, namely the **grievance** channel or the **whistleblowing** channel in accordance to the internal Group Code of Ethics & Conduct and Group Whistle Blower Policy respectively. The former is a formal channel for employees to express disappointment over human resource-related matters like unfair treatment and promotion and hence cascade the grievances to their supervisors/designated human resource (HR) personnel. On the other hand, the latter is a process to whistle blow and escalate through official channel over alleged unethical behaviour or fraudulent activities involving employee(s) to designated recipients within the organisation.



# CORPORATE MILESTONES

RHB BANKING GROUP

1913  
-  
1990



## 1913

The Kwong Yik (Selangor) Banking Corporation, Limited incorporated and commenced business on 15 July 1913 at the Old Market Square.

## 1915

Moved from Market Square to the corner of Jalan Bandar and Jalan Silang where it remained until 1938.

## 1920's & 30's

Extended credit to local traders, mainly Chinese businessmen, miners and planters, in a financial environment largely dominated by foreign banks. Despite the economic depression of the 1930's, Kwong Yik Bank played a significant role in the growing prosperity of Malaya and the demand for rubber and tin.

## 1938

Moved to the Kwong Yik Bank Chambers. This remained its base until the 1960s.

## 1940's

Operations suspended with the Japanese Occupation and World War 2. The bank resumed business when the war ended. In 1941, deposits totaled RM5 million.

## 1950's

Played an integral part in the rehabilitation of the country's economy leading up to Independence. Links with overseas banks were established.

## 1961

Moved to its temporary premises in Jalan Bandar while awaiting the completion of its new headquarters. By this time, customer deposits totaled RM34 million.

## 1963

Kwong Yik Bank celebrated its Golden Jubilee.

## 1964

First sub-branch opened in Jalan Pasar.



## 1965

The landmark 10-storey Headquarters at Jalan Bandar (now Jalan Tun H.S. Lee) was opened by the Prime Minister then, Tunku Abdul Rahman on September 10. Opened branches in Jalan Ipoh and Jalan Bukit Bintang.

## 1967

First branch opened in Petaling Jaya. Both Kuala Lumpur and Petaling Jaya were rapidly expanding at this point and many of the landmark buildings were financed by Kwong Yik Bank.

## 1968

Malayan Banking buys 30% of Kwong Yik Bank's issued capital.

## 1970

Malayan Banking's shareholding in the bank increased to 51.15%. Kwong Yik Bank's deposits at this juncture totaled more than RM130 million.

## 1970

New linear logo unveiled.



## April 1981

Opened a branch in Ipoh, the first outside Federal Territory and Selangor.

## 1985

Introduced ATM service called 'Boss' simultaneously at 12 of its branches in Kuala Lumpur, Petaling Jaya and Klang.

## 1987

Joined forces with Malayan Banking to launch the country's first shared ATM service called the ABC network.

## 1989

Launched the Boss Corporate Card and its Sunday Banking service.

## 1990

Mastercard facility launched.



# 1991 - current

## 1993

Kwong Yik Bank celebrated its 80th anniversary. It had 50 branches throughout the country at this juncture and 1,680 staff. To mark the occasion, the bank produced its first TV commercial.

## 1993

Rashid Hussain Bhd purchased Malayan Banking's share in Kwong Yik Bank. The bank then merged with DCB Bank (formerly D&C Bank, established 1966), which has been under the RHB stable since 1993. This biggest bank merger in the country's history formed RHB Bank Berhad, then Malaysia's third largest financial services group.



## 1997

Launch of RHB Online service for financial services via computer and telephone.



**Sime Bank Berhad**

## 1999

Sime Bank merged with RHB Bank to become part of RHB Banking Group. Sime Bank was set up after UMBC (United Malayan Banking Corporation, established 1960) became part of the Sime Darby Group in 1996.



## 2003

Merger of RHB Bank with Bank Utama Berhad, which was first established in 1976.

## 2007

The Employees Provident Fund (EPF) emerged as the single largest shareholder of RHB Capital. 30% equity in RHB Bank was purchased from Khazanah Nasional Berhad, making RHB Bank a 100% subsidiary of RHB Capital.

## 2009

Inception of Easy by RHB, the first innovative community bank in Asia that offers fast and simple banking experience through cutting-edge technology.

## 2012

RHB Capital acquired OSK Investment Bank, paving the way for RHB Banking Group's strong presence in ASEAN and Hong Kong.

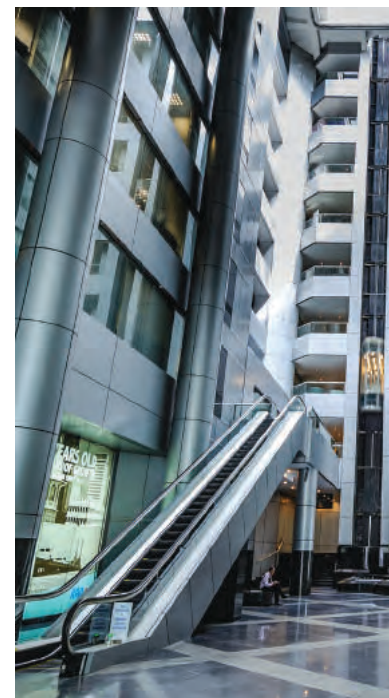


## 2013

RHB Banking Group celebrates RHB Bank's 100th Anniversary.

## 28 June 2016

RHB Bank Berhad assumed the listing status of RHB Capital Berhad on Bursa Malaysia, thus becoming the new financial holding company of RHB Banking Group.







**RHB INDOCHINA BANK**









# OVERVIEW

## RHB INDOCHINA BANK

### BRANCHES

- ◆ BATTAMBANG
- ◆ SIEM REAP
- ◆ KAMPONG CHAM
- ◆ PHNOM PENH MAIN OFFICE
- ◆ CITY MALL OLYMPIC
- ◆ STOEUNG MEANCHEY
- ◆ KBAL THNAL
- ◆ PET LOK SONG
- ◆ TOUL KORK
- ◆ MAO TSE TUNG
- ◆ BOEUNG KENG KANG
- ◆ PREAH SIHANOUK

Cambodia

## Our Presence, Operations & Performance

### HEAD OFFICE

The Branch is located at No. 263, Ground Floor, Ang Doung Street (St.110), Phnom Penh, Cambodia.

Tel: (855) 23 992 833 Fax: (855) 23 991 822

Email : kh.phnompenhmain@rhbgroupp.com

Website : www.rhbgroupp.com

### PHNOM PENH MAIN OFFICE

RHB Indochina Bank Phnom Penh Main Office is led by Mr. Hourt Ang together with his team of 27 staff.

The Branch is located at No. 263, Ground Floor, Ang Doung Street (St.110), Phnom Penh, Cambodia.

Tel: (855) 23 992 833

Fax: (855) 23 991 822

Email: kh.phnompenhmain@rhbgroupp.com

### CITY MALL OLYMPIC BRANCH

RHB Indochina Bank City Mall Olympic branch is led by Mr. Keang Chanveasna together with his team of 17 staff.

The Branch is located at Lot A3EO, Ground Floor, City Mall Olympic, Monireth Street, Phnom Penh, Cambodia.

Tel: (855) 23 993 568

Fax: (855) 23 993 565

Email: kh.citymall@rhbgroupp.com

### STOEUNG MEANCHEY BRANCH

RHB Indochina Bank Stoeung Meanchey branch is led by Mr. Chem Sreynonn together with his team of 12 staff.

The Branch is located at Monireth Street (St. 217) Corner of Chaksomram Road, Phnom Penh, Cambodia.

Tel: (855) 23 969 228

Fax: (855) 23 969 231

Email: kh.stoeungmeanchey@rhbgroupp.com



### **KBAL THNAL BRANCH**

RHB Indochina Bank Kbal Thnal branch is led by Mr. Nhim Borey together with his team of 12 staff.

The Branch is located at No. 530A - 530B, Monivong Blvd. (Junction of Street 271), Phnom Penh, Cambodia.

Tel: (855) 23 993 598  
Fax: (855) 23 993 593

Email: kh.kbalthnal@rhbgroupp.com

### **PET LOK SONG BRANCH**

RHB Indochina Bank Pet Lok Song branch is led by Mr. Tieng Sothearo together with his team of 11 staff.

The Branch is located at No. 1-3, Street 271, Phnom Penh, Cambodia.

Tel: (855) 23 969 368  
Fax: (855) 23 969 370

Email: kh.petloksong@rhbgroupp.com

### **TOUL KORK BRANCH**

RHB Indochina Bank Toul Kork branch is led by Mr. Huot Sovathanak together with his team of 12 staff.

The Branch is located at No. 18C, Kim IL Sung (St. 289), Phnom Penh, Cambodia.

Tel: (855) 23 989 600  
Fax: (855) 23 989 606

Email: kh.toulkork@rhbgroupp.com

### **MAO TSE TUNG BRANCH**

RHB Indochina Bank Mao Tse Tung branch is led by Mr. Sok Sopheng together with his team of 11 staff.

The Branch is located at No. 281A, Mao Tse Tung Blvd., Phnom Penh, Cambodia.

Tel: (855) 23 989 881  
Fax: (855) 23 989 885

Email: kh.maotsetung@rhbgroupp.com

### **BOEUNG KENG KANG BRANCH**

RHB Indochina Bank Boeung Keng Kang branch is led by Ms. Pheng Chanthou together with his team of 12 staff.

The Branch is located at No. 167, Preah Norodom Blvd., Phnom Penh, Cambodia.

Tel: (855) 23 989 188  
Fax: (855) 23 989 788

Email: kh.boeungkengkang@rhbgroupp.com

### **SIEM REAP BRANCH**

RHB Indochina Bank Siem Reap branch is led by Ms. Kheom Sotheary together with her team of 11 staff.

The Branch is located at No. 12-14-16, National Road No. 6, Siem Reap Province, Cambodia.

Tel: (855) 63 969 811  
Fax: (855) 63 969 816

Email: kh.siemreap@rhbgroupp.com

### **PREAH SIHANOUK BRANCH**

RHB Indochina Bank Preah Sihanouk branch is led by Mr. Chhim Chanphearom together with his team of 10 staff.

The Branch is located at No. 129, Street 7 Makara, Preah Sihanouk Province, Cambodia.

Tel: (855) 34 934 811  
Fax: (855) 34 934 816

Email: kh.sihanoukville@rhbgroupp.com

### **BATTAMBANG BRANCH**

RHB Indochina Bank Battambang branch is led by Mr. Ean Channa together with his team of 10 staff.

The Branch is located at No. 1-3-5-7, Street No. 3, Battambang Province, Cambodia.

Tel: (855) 53 952 811  
Fax: (855) 53 952 966

Email: kh.battambang@rhbgroupp.com

### **KAMPONG CHAM BRANCH**

RHB Indochina Bank Kampong Cham branch is led by Mr. Yen Chhayvat together with his team of 9 staff.

The Branch is located at No. 41, National Road No. 7, Kampong Cham Province, Cambodia.

Tel: (855) 42 942 811  
Fax: (855) 42 942 899

Email: kh.kampongcham@rhbgroupp.com



# 2016 KEY HIGHLIGHTS

RHB INDOCHINA BANK

## TOTAL INCOME

**USD20.9  
million**



## PROFIT BEFORE TAX

**USD8.4  
million**



## TOTAL ASSETS

**USD622.9  
million**



## GROSS LOANS

**USD358.1  
million**



## CUSTOMER DEPOSITS

**USD297.3  
million**



## TOTAL DEPOSITS

**USD528.6  
million**





**SHAREHOLDERS EQUITY**



**USD84.4  
million**

**12 branches**



**238  
Employees**



**33  
Self-Service  
Terminals  
in Cambodia**

**PRESENCE IN**

**Phnom Penh  
Kampong Cham  
Battambang  
Siem Reap  
Preah Sihanouk**



**1<sup>ST</sup> TO INTRODUCE  
CASH DEPOSIT &  
CHECK DEPOSIT MACHINE  
IN CAMBODIA**










# SUMMARY OF FIVE YEAR FINANCIAL HIGHLIGHTS

## RHB INDOCHINA BANK






### TOTAL ASSETS

(USD)

2016		622,894,516
2015		563,943,753
2014		349,086,028
2013		242,126,972
2012		159,340,990

### PROFIT BEFORE TAX

(USD)

2016		8,425,018
2015		8,008,106
2014		7,018,575
2013		983,892
2012		1,169,692






### PROFIT AFTER TAX

(USD)

2016		6,697,407
2015		5,870,823
2014		5,454,706
2013		861,477
2012		1,092,237






### LOANS AND ADVANCES

(USD)

2016		347,575,673
2015		338,622,585
2014		213,613,796
2013		139,716,334
2012		88,953,800






### TOTAL DEPOSITS

(USD)

2016		528,639,004
2015		478,738,832
2014		286,201,796
2013		188,319,121
2012		106,293,935

### CUSTOMER DEPOSITS

(USD)

2016		297,271,520
2015		216,199,505
2014		138,791,735
2013		84,550,674
2012		83,509,351



# FIVE YEAR FINANCIAL SUMMARY

RHB INDOCHINA BANK

Year Ended 31 December					
	2016	2015	2014	2013	2012
<b>OPERATING RESULTS (USD)</b>					
Profit before tax	8,425,018	8,008,106	7,018,575	8,425,018	8,425,018
Profit after tax	6,697,407	5,870,823	5,454,706	861,477	1,092,237
<b>KEY BALANCE SHEET DATA (USD)</b>					
Total assets	622,894,516	563,943,753	349,086,028	242,126,972	159,340,990
Loans and advances	347,575,673	338,622,585	213,613,796	139,716,334	88,953,800
Total liabilities	538,447,847	486,194,491	292,207,589	190,703,239	108,778,735
Deposits from customers	297,271,520	216,199,505	138,791,735	84,550,674	83,509,351
Total deposits	528,639,004	478,738,832	286,201,796	188,319,121	106,293,935
Paid-up capital	67,000,000	67,000,000	52,000,000	52,000,000	52,000,000
Shareholder's equity	84,446,669	77,749,262	56,878,439	51,423,733	50,562,255
<b>FINANCIAL RATIOS (%)</b>					
Non-performing loans to total loans and advances	2.47	0.87	0.49	3.01	-
Net return on assets	1.08	1.04	1.56	0.36	0.69
Net return on equity	7.93	7.55	9.59	1.68	2.16
Loans/Customer Deposit Ratio	116.92	156.88	155.79	169.29	107.60
Loans/Deposit Ratio	65.75	70.85	75.55	76.01	84.53



**DELIVERING SOLUTIONS**







We are committed to building and maintaining long-term relationships with our customers and the community at large through sound banking practices, innovative products and services, and excellent service delivery.



# DELIVERING SOLUTIONS

## RHB INDOCHINA BANK

### DEPOSITS



#### RHB Savings Account

**We help you grow your family's finances which come with 24-hour banking convenience.**

RHB Savings Account opens the way to save for your dream home, your car, your child's education or even a computer.



#### RHB Fixed Deposits

**Simple way to build your savings.**

RHB Fixed Deposits Account, with many value added features, is an effective investment product.



#### RHB Current Account

**The banking products at your finger tips.**

RHB Current Account is a powerful cash management tool as it can save you trips to the bank to pay those bills and expenses.



#### RHB Escrow Account

**A trusted partner to complete your transactions.**

RHB Escrow Account will assure your interest is protected with us when you are conducting a major deal.

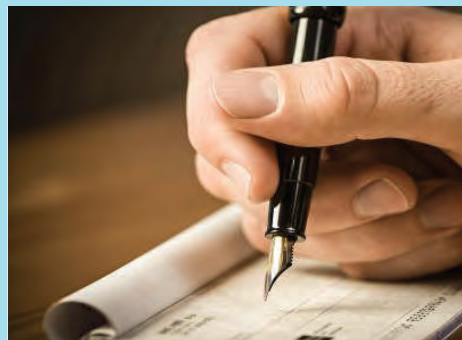
### REMITTANCE



#### RHB Telegraphic Money Transfer

**Transfer and receive your money with ease.**

RHB Remittance helps you move your money around the world with speed and efficiency, including services through Western Union.



#### RHB Banker's Cheque

**A reliable payment instrument.**

RHB Banker's Cheque is as good as Cash and you will have no problem making payment.



#### RHB Money Exchange

**We offer competitive exchange rate for Forex.**

RHB Money Exchange buy or sell foreign currencies with the best rate in town.



## PERSONAL FINANCING



### RHB Home Loan

**We help you own your dream home.**

RHB Home Loan, with many value-added features and flexible options, is key to quickly owning your dream home.



### RHB Personal Loan

**Get what you have always desired now.**

RHB Personal Loans are helpful in giving you the cash to enjoy life's opportunities. With flexible options, you will have what it takes to get a computer, to renovate your home, or to make an investment.



### RHB Car Loan

**Drive your dream today.**

RHB Car Loan, with flexible options, can put you in the driving seat you have always wanted.

## BUSINESS AND CORPORATE FINANCING & SERVICES



### RHB Property Loan

**We help you invest in the property you want.**

RHB Property Loan, helps you own the property either for your own business use or for investment purposes.



### RHB Working Capital

**Let us help you attain healthy cashflow.**

RHB Working Capital Loans, will enable you to achieve healthy cashflow for you to run your business with ease of mind.



### RHB Trade Financing

**Comprehensive range of Import & Export financing facilities.**

RHB Trade Financing facilities help you in your import and export needs; take the burden and worry of non-delivery of goods away from you.



### RHB Corporate & Equity

**Your business needs are our priority.**

From listing your company to business merger and acquisition, you can be rest assured that you can count on us.



# DELIVERING SOLUTIONS (CONTINUED)

## RHB INDOCHINA BANK



### IN - BRANCH ATM NETWORK

#### PHNOM PENH:

- 1- Phnom Penh Main Office (3 units)
- 2- City Mall Olympic Branch (2 units)
- 3- Stoeung Meanchey Branch
- 4- Kbal Thnal Branch
- 5- Pet Lok Song Branch
- 6- Toul Kork Branch
- 7- Mao Tse Tung Branch (3 units)
- 8- Boeung Keng Kang Branch (2 units)

#### OTHER PROVINCES:

- 9- Kampong Cham Branch
- 10- Battambang Branch
- 11- Siem Reap Branch
- 12- Preah Sihanouk Branch





## OFF-SITE ATM NETWORK

### PHNOM PENH:

- |  |   |
|--|---|
| 1- Aeon Mall   | 10- ABC Bakery (Kampuchea Krom Blvd.)         |
| 2- TK Avenue (Toul Kork)                               | 11- Himawari Hotel (Sisowath Quay)            |
| 3- Deli Café (Preah Sihanouk Blvd.)                    | 12- Phamarcy Help Plus (Preah Monivong Blvd.) |
| 4- Fair Market (St. 63 Junction of Mao Tse Tung Blvd.) | 13- IIC University (National Road 2)          |
| 5- H-Restaurant (Stoeung Meanchey)                     |   |
| 6- Pochentong Restaurant (Russian Blvd.)               |   |
| 7- Long Then Solar Company (St. 271)                   |   |
| 8- Tela Mart (Chhroy Changva Bridge)                   |   |
| 9- Tela Mart (St. 1986)                                |   |

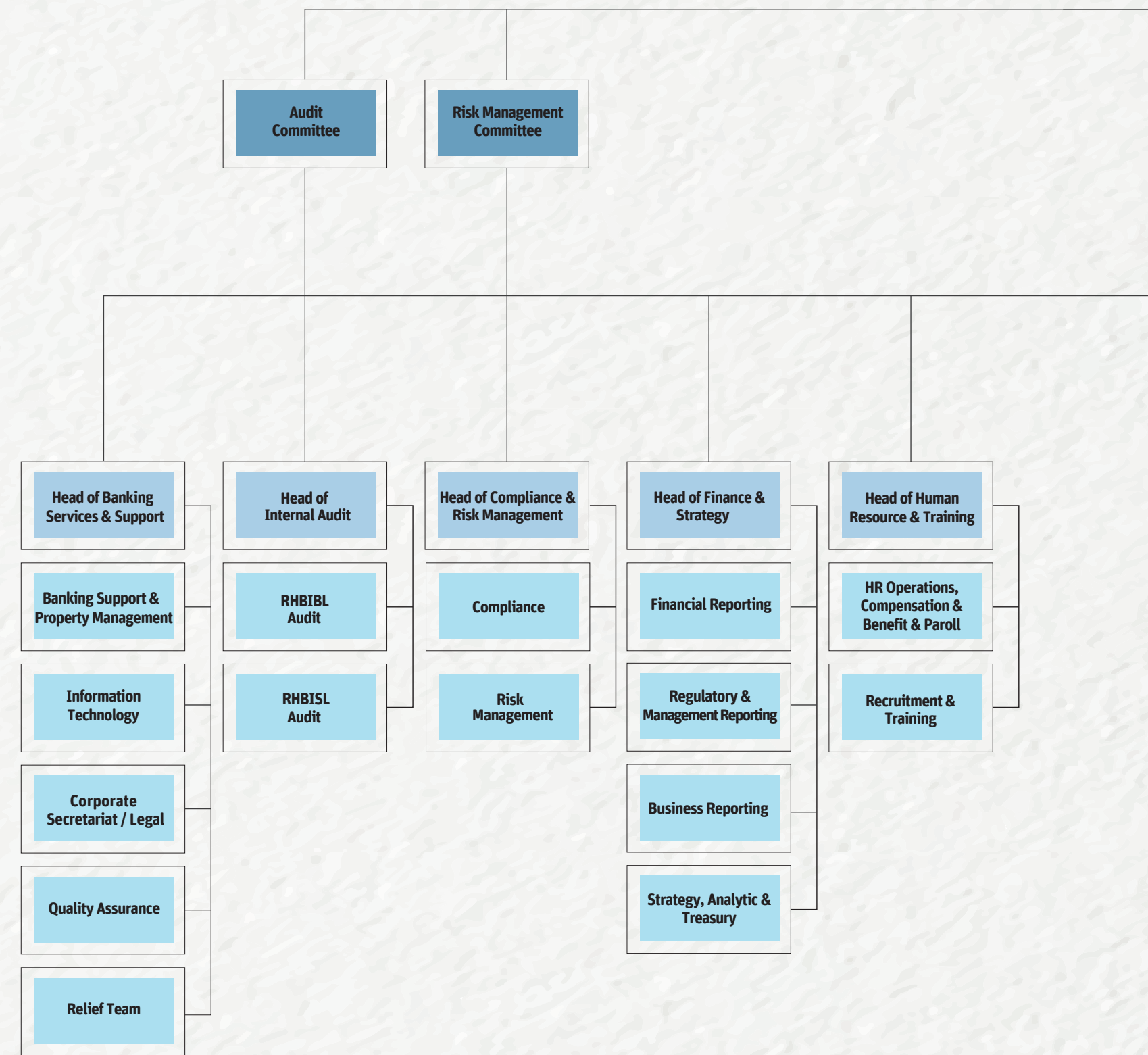
### SIEM REAP PROVINCE:

- |  |
|--|
| 14- Huy Meng Mini Mart (Sivutha Blvd.) |
| 15- Lucky Mall (Sivutha Blvd.)         |

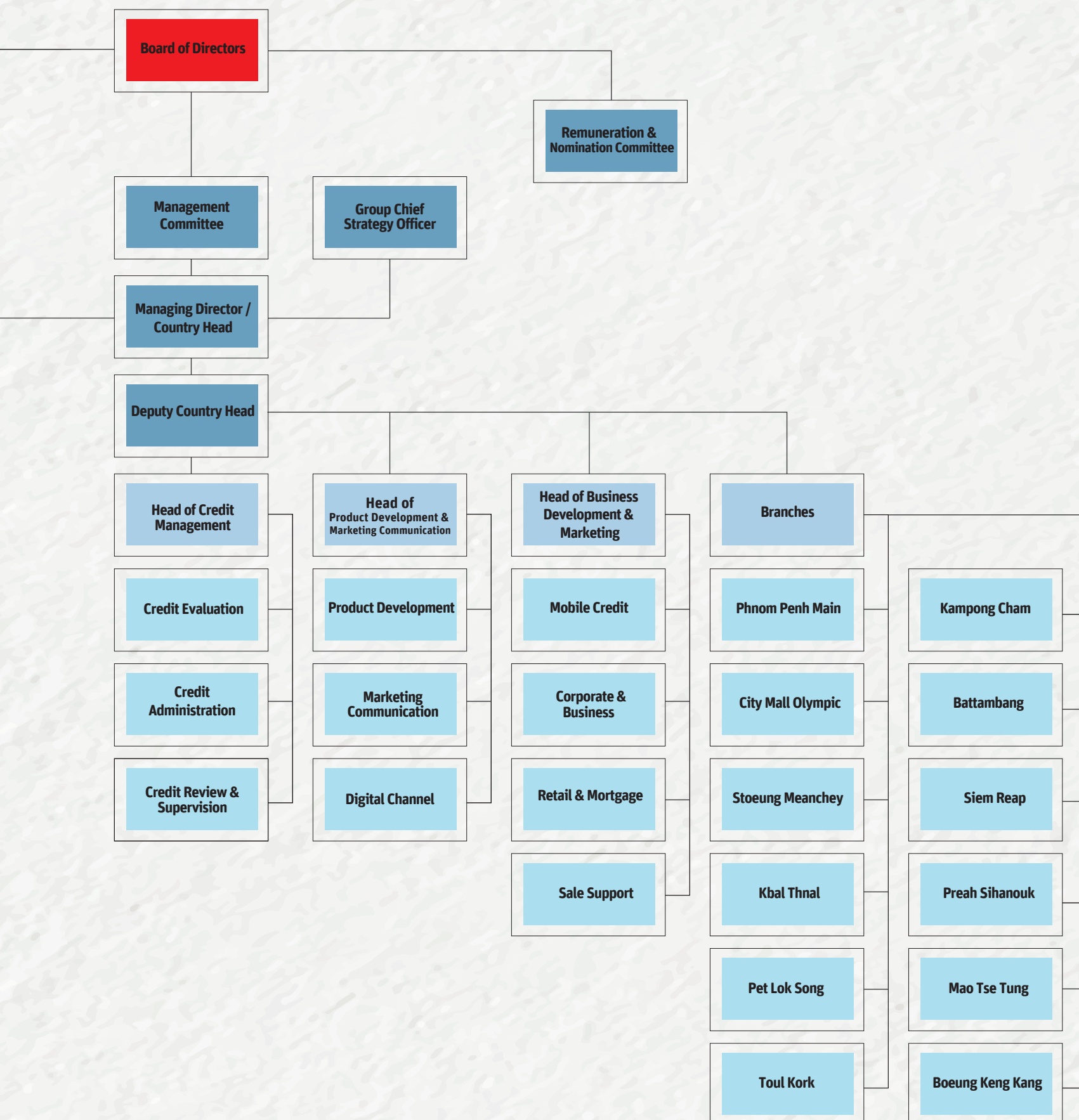


# ORGANISATION CHART

## RHB INDOCHINA BANK









## CHAIRMAN'S STATEMENT

**“RHB INDOCHINA BANK LIMITED (“THE BANK”) IS PROUD TO PRESENT TO YOU THE INFORMATION FROM THE 9TH ANNUAL REPORT AND FINANCIAL STATEMENTS”**

RHB Indochina Bank Limited (“the Bank”) is proud to present to you the information from the 9th Annual Report and Financial Statements. 2016 was another year the Bank continued to deliver record high profitability and sustainable growth, despite the global economy slowdown's effect on depressing commodity prices, the uncertainty surrounding the U.S. presidential elections, the U.K.'s BREXIT vote, slower trade in advanced countries and the slowdown in China. In 2016, the National Bank of Cambodia took initiatives to introduce new regulatory requirements including the Liquidity Coverage Ratio and a higher Minimum Capital Requirement, to ensure the Kingdom's Banking Sector is more resilient to the global economic headwinds, and to be on par with international standard requirements.



**ONG SENG PHEOW**  
Chairman

### FINANCIAL PERFORMANCE

Assets grew 10%, or USD59 million, from USD564 million in 2015 to USD623 million in 2016, improving the Bank's ranking among banks in Cambodia from 12th in 2015 to 11th in 2016 in terms of assets. The Bank is making good progress in its aspiration to be among the top 10 banks in terms of assets, notwithstanding the competitive landscape.

The Bank also delivered very strong 37% growth in terms of Customer Deposits, which is 1.8 times the industry Deposits growth rate of 21%. This contributed to the increase in the Customer Deposit market share of the Bank, and demonstrated the confidence that Cambodian depositors place in the Bank, and a clear recognition of the Bank's ability to meet and exceed customer demands.

Profit Before Tax grew to USD8.4 million in 2016, a USD0.4 million increase over the previous year. Profit Before Tax for the last 5 years recorded a compound annual growth rate (CAGR) of 115%, while Customer Deposits recorded 51% CAGR, Loans a 46% CAGR, and Assets a 43% CAGR.

### CORPORATE GOVERNANCE

RHB Indochina Bank is committed in upholding the highest standards in governance, compliance and prudent risk management. RHB Indochina Bank continues to maintain and enhance the best corporate governance practices within the RHB Banking Group, which have developed and expanded over the Group's more than 100 year history.

RHB Indochina Bank's Liquidity Coverage Ratio was recorded at 90.1% as at end of 2016 which is 1.5 times above the requirement of 60% set by National bank of Cambodia in 2016.

Another new requirement set by National Bank of Cambodia is the New Minimum Capital Requirement of USD75 million by March 2018. The Bank is in compliance after increasing its Share Capital to USD71 million on March 2017 and it is confident to meet the Central Bank's requirement by March 2018. The Bank had fully complied with all Cambodian regulatory requirements, which in 2016 included numerous more new or revised requirements set by the National Bank of Cambodia, and shall continue to do so diligently going forward.



## CORPORATE GOVERNANCE (CONTINUED)

On top of that, the Risk Management Committee and Audit Committee met four times each over the year to review and oversee all risk and compliance matters, as well as internal controls. In this respect, further details are provided in the “Internal Control Report” in the Bank’s Annual Report 2016.

## CORPORATE SOCIAL RESPONSIBILITY

For the third consecutive year, the Bank organised the RHB Junior Football Cup, which allows underprivileged children in Phnom Penh to develop their interest in sports, and nurture young football talent. The Bank takes great pride seeing the growing interest in the participation each year, and has plans to bring this to the national level in 2017. Besides football, RHB Indochina Bank also sponsored the Cambodian national cycling team to participate in national and international cycling events, and also sponsored the 2016 Cambodia Mountain Bike Series, another healthy activity the Bank is actively promoting in Cambodia.

Through Aide-et-Action, an organisation that promotes access to quality education, the Bank built a preschool in Sa Ang Phnom Commune, Kandal Province, under “The Early Childhood Development School Program,” that can house 30 pre-schooler students, and provided supplies to further improve the access to education for the students. In addition, a cash donation was made to the largest humanitarian organisation in Cambodia, the Cambodian Red Cross.

While the Bank continues to grow business, CSR activities remain a serious focus, and the Bank will continue to pursue meaningful activities that will benefit The Cambodian society.

PROFIT AFTER TAX  
**USD6.7**  
MILLION



SHAREHOLDER’S  
EQUITY  
**USD84.4**  
MILLION



TOTAL ASSETS  
**USD622.9**  
MILLION

## OPTIMISING SHAREHOLDER VALUE

We would like to welcome the new Board of Directors of RHB Indochina Bank and to express our deepest gratitude to Tuan Haji Khairuddin Ahmad, Mr. Foo San Kan, Mr. Leong Yeng Kit, Mr. Choong Tuck Onn and Mr. U Chen Hock for their invaluable contribution towards the Bank’s development over the last few years. As they retire from their positions on the Bank’s Board of Directors in 2016, and embark on their new journeys, the new Board members are committed to build upon the legacy they have inherited, and take the Bank to new heights.

The Bank, through RHB Bank, met its March 2017 new Capital Requirement and expects to meet its new Capital Requirement set by the National Bank of Cambodia by March 2018. Plans are already in place to strategically use the available capital to further optimise profitability.

## MOVING FORWARD

The Bank will continue to find room to grow and expand in Cambodia, despite the challenging environment and increasing competition. We expect to see new competitors entering the banking sector in Cambodia, particularly with top banks across the ASEAN region actively pursuing regional expansion plans.

The Bank also anticipates increase in costs associated with compliance, as new regulations and laws concerning the banking sector are expected to be introduced in 2017, while we welcome the official efforts to promote the financial health and sustainability of the sector. The Bank is ever-ready to face these new challenges, and transform them into opportunities for growth.

## APPRECIATION

On behalf of the Board of Directors, I would like to express our deepest gratitude, in particular to the National Bank of Cambodia, to our valued customers, and to Management and our dedicated staff. All have contributed towards making the Bank’s aspirations throughout the year a marked success. We will continue to meet your needs, and your evolving demands. As our Brand Promise states, “Together We Progress.”



**ONG SENG PHEOW**  
Chairman





# BOARD OF DIRECTORS



from left:

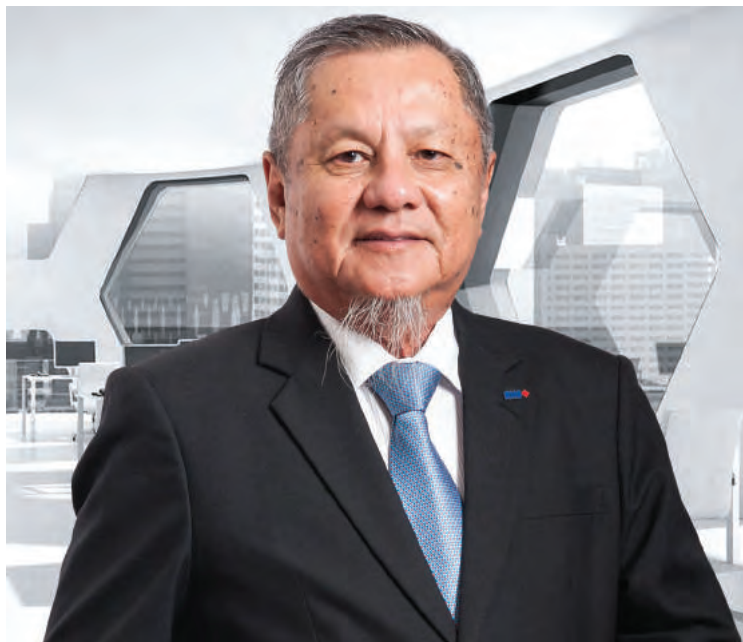
1) Chulapong Yukate 2) Encik Abdul Aziz Peru Mohamed 3) Dato' Khairussaleh Ramli 4) Ong Seng Pheow  
5) Christopher Loh Meng Heng 6) Lim Loong Seng





# PROFILES OF THE BOARD OF DIRECTORS

## RHB INDOCHINA BANK



### ONG SENG PHEOW

Independent Non-Executive Chairman

Aged 68, Male, Malaysian

#### BOARD COMMITTEE MEMBERSHIPS

- Audit Committee (Member)
- Risk Management Committee (Member)
- Remuneration and Nomination Committee (Member)

#### RHB BANKING GROUP

##### BOARD COMMITTEE MEMBERSHIPS

- Board of Director of RHB Insurance Berhad (Chairman)
- Board Audit Committee (Member)
- Board Nominating & Remuneration Committee (Member)
- Board Technology Committee (Member)
- Investment Committee of RHB Insurance Berhad (Member)

#### QUALIFICATIONS

- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants

#### SKILLS AND EXPERIENCE

Ong Seng Pheow has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.



### ABDUL AZIZ PERU MOHAMED

Independent Non-Executive Director

Aged 68, Male, Malaysian

#### BOARD COMMITTEE MEMBERSHIPS

- Risk Management Committee (Chairman)
- Audit Committee (Member)
- Remuneration and Nomination Committee (Member)

#### RHB BANKING GROUP

##### BOARD COMMITTEE MEMBERSHIPS

- Board Credit Committee (Member)

#### QUALIFICATIONS

- Harvard Business School
- Pacific Bankers Rim programmes in the United States of America

#### SKILLS AND EXPERIENCE

Abdul Aziz Peru Mohamed is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various senior management positions in the banking industry with almost 30 years in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as Chairman of the Rules Committee of the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees Bhd.





## CHULAPONG YUKATE

Independent Non-Executive Director

Aged 60, Male, Thai

### BOARD COMMITTEE MEMBERSHIPS

- Audit Committee (Chairman)
- Remuneration & Nomination Committee (Chairman)
- Risk Management Committee (Member)

### QUALIFICATIONS

- Master of Laws from University of Washington, United States (under Deacons' Scholarship)
- Graduate Certificate in the International Trade Law from University of Tokyo, Japan (under the scholarship from the then Ministry of International Trade and Industry of Japan)
- Bachelor of Laws degree from Chulalongkorn University, Thailand
- Lawyers' Council of Thailand
- Legal Services Board of State of Victoria, Australia

### SKILLS AND EXPERIENCE

Chulapong brings extensive knowledge to the firm as he has been in the private practice for 30 years, with major areas of practice including M & A, Projects, Insurance and International Arbitration. He was a Partner and Of Counsel in leading international law firms of Deacons in Thailand and Australia, Colin Ng & Partners in Singapore and Baker & McKenzie in Thailand. He later joined Dhipaya Insurance Public Company Limited in Bangkok as a Group General Counsel until July 2013. He was also a Funding and Managing Partner of DLA Piper's Bangkok office, where it started with 2 lawyers in 2003 and 3 years later, they had successfully built up the office to have 25 lawyers.



## DATO' KHAIRUSSALEH RAMLI

Non-Independent Non-Executive Director

Aged 49, Male, Malaysian

### QUALIFICATIONS

- Bachelor of Science in Business Administration from Washington University, St. Louis
- Advanced Management Programme, Harvard Business School
- Fellow Chartered Banker, Asian Institute of Chartered Bankers

### SKILLS AND EXPERIENCE

Dato' Khairussaleh Ramli has more than 20 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established regional financial institutions. He is also a Council member of The Association of Banks in Malaysia and Asian Institute of Chartered Bankers.

His knowledge and experience earned him the "Best CFO in Malaysia Award" in 2010 and 2011 from Finance Asia and the "Best CFO in Malaysia Award" in 2012 from Alpha Southeast Asia.



# PROFILES OF THE BOARD OF DIRECTORS (CONTINUED)

## RHB INDOCHINA BANK



### CHRISTOPHER LOH MENG HENG

Non-independent Non-executive Director

Aged 40, Male, Singaporean

#### QUALIFICATIONS

- B.Eng (Hons.) in Engineering, Business Minor, Nanyang Technological University (NTU), Singapore
- RHB-INSEAD Senior Leadership Programme

#### SKILLS AND EXPERIENCE

Christopher Loh Meng Heng has over 16 years of industry and consulting experience in financial services and risk management across Asia-Pacific, United States and the United Kingdom. Extensive experience working with regional and global financial institutions to transform their business and risk capabilities.

His experience includes business strategy and transformation, risk management, operating model design, operational efficiency, risk and regulatory compliance and capital management. Partner and Managing Director at a global management consulting firm, where he built and helmed a successful risk management practice.



### LIM LOONG SENG

Managing Director / Country Head, Cambodia

Aged 62, Male, Malaysian

#### QUALIFICATIONS

- MBA in International Business from University of Sunderland (United Kingdom)
- Bachelor of Science in Agribusiness & Diploma in Agriculture both from University Putra Malaysia

#### SKILLS AND EXPERIENCE

Lim Loong Seng has more than 38 years working experience including more than 34 years in the financial services industry which almost 9 years is in Cambodia. He started his career in banking with a leading Malaysian financial service group. He has wide ranging exposure and experience in corporate, business and consumer banking at senior positions covering operations, credit, risk and sales & marketing.

He was the winner of the SEARCA Gold Medal and Harvard Business Alumni Club Malaysia Gold Medal when he graduated with a Bachelor of Science in Agribusiness in 1986.

He also sits on the Board of RHB Indochina Securities Co., Ltd. and RHB Bank (Laos) Ltd. He also oversees RHB's Chief Representative in Vietnam and Myanmar.

He is a Licensed Dealer approved by the Securities Exchange Commission of Cambodia. He has also been elected as the Vice President of the Malaysian Business Council of Cambodia since 2010.



# BOARD OF DIRECTORS & BOARD COMMITTEE

RHB INDOCHINA BANK

## BOARD OF DIRECTORS

1.	Mr. Ong Seng Pheow	Independent Non-executive Chairman (Appointed as at 20 December 2016)
2.	Mr. Abdul Aziz Peru Mohamed	Independent Non-executive Director (Appointed as at 20 December 2016)
3.	Dato' Khairussaleh Ramli	Non-independent Non-executive Director (Appointed as at 20 December 2016)
4.	Mr. Christopher Loh Meng Heng	Non-independent Non-executive Director (Appointed as at 20 December 2016)
5.	Mr. Chulapong Yukate	Independent Non-executive Director
6.	Mr. Lim Loong Seng	Managing Director/Country Head, Cambodia
7.	Tuan Haji Khairuddin Ahmad	Independent Non-executive Director (Resigned as at 20 December 2016)
8.	Mr. Foo San Kan	Independent Non-executive Director (Resigned as at 20 December 2016)
9.	Mr. Leong Yeng Kit	Independent Non-executive Director (Resigned as at 20 December 2016)
10.	Mr. Choong Tuck Oon	Independent Non-executive Director (Resigned as at 27 January 2016)
11.	Mr. U Chen Hock	Non-independent Non-executive Director (Resigned as at 27 January 2016)

## AUDIT COMMITTEE

1.	Mr. Chulapong Yukate	Chairman
2.	Mr. Ong Seng Pheow	Member (Appointed as at 20 December 2016)
3.	Mr. Abdul Aziz Peru Mohamed	Member (Appointed as at 20 December 2016)
4.	Mr. Foo San Kan	(Resigned as at 20 December 2016)
5.	Mr. Leong Yeng Kit	(Resigned as at 20 December 2016)
6.	Mr. Choong Tuck Oon	(Resigned as at 27 January 2016)

## RISK MANAGEMENT COMMITTEE

1.	Mr. Abdul Aziz Peru Mohamed	Chairman (Appointed as at 20 December 2016)
2.	Mr. Chulapong Yukate	Member
3.	Mr. Ong Seng Pheow	Member (Appointed as at 20 December 2016)
4.	Tuan Haji Khairuddin Ahmad	(Resigned as at 20 December 2016)
5.	Mr. Foo San Kan	(Resigned as at 20 December 2016)
6.	Mr. Choong Tuck Oon	(Resigned as at 27 January 2016)

## REMUNERATION AND NOMINATION COMMITTEE

1.	Mr. Chulapong Yukate	Chairman
2.	Mr. Ong Seng Pheow	Member (Appointed as at 20 December 2016)
3.	Mr. Abdul Aziz Peru Mohamed	Member (Appointed as at 20 December 2016)
4.	Tuan Haji Khairuddin Ahmad	(Resigned as at 20 December 2016)
5.	Mr. Leong Yeng Kit	(Resigned as at 20 December 2016)
6.	Mr. Choong Tuck Oon	(Resigned as at 27 January 2016)



Cambodia has witnessed tremendous growth in its Financial Services Industry for the last decade. With four new specialised banks, at least 15 new Microfinance Institutions and credit operators and one new commercial bank in 2016 alone, and several more new commercial banks and other Financial Institutions expected to join the ranks in Cambodia in 2017, RHB Indochina Bank (“the Bank”) anticipates the keen challenges we have faced so far will only get tougher. Some of these banks have embarked on very aggressive price undercutting vis-à-vis deposit rates resulting in severe margin compression. These new foreign entrants are mostly from the largest Financial Services Group in their home country which has excessive liquidity in their home market. Although competition has grown more intense, the Bank has captured higher market share and moved up its ranking in 2016 among the 38 commercial banks in Cambodia.

## MANAGING DIRECTOR/ COUNTRY HEAD, CAMBODIA'S STATEMENT

### FINANCIAL PERFORMANCE

The Bank has delivered some notable financial achievements in 2016, namely impressive growth in Customer Deposits, lower Loans to Deposits Ratio and reduced Cost to Income Ratio. Customer Deposits grew 37% or USD81 million, resulting in lower Loans to Deposits Ratio of 120%, a 39% drop compared to 2015. The significant growth in Current and Saving deposits of 68% has effectively lower the Cost to Income Ratio to an all-time low of 35.5%, from 39.2% in 2015.

The Bank recorded Total Income of USD20.9 million, and Profit Before Tax at USD8.4 million, which represents a growth rate of 17% and 5% respectively for the year ending 31 December 2016. The Bank's Total Assets grew 10% to USD623 million and Loans grew 6% to USD362 million. Loans growth for 2016 was affected by cut throat pricing especially by some foreign banks resulting in attrition as well as pressure on asset quality in the whole industry which has spiked up from 2.0% in 2015 to 2.4% in 2016. Proactive measures by NBC to cool down excessive credit growth have also resulted in more cautious credit extensions.

In 2016, new Loans had come from major sectors like Wholesale & Retail Trade and Tourism which contributed positively to Cambodia's economic growth. The Bank also focused on driving the Home Ownership Program by encouraging and helping Cambodians to own their dream home.

### NETWORK EXPANSION

RHB Indochina Bank opened two new branches in 2016 bringing the network to 12, thereby expanding the Bank's reach nationwide. These two new branches are within the city of Phnom Penh with Mao Tse Tung Boulevard branch opened in April and Boeung Keng Kang branch in August. Similar to the 10 existing branches, they offer the full range of customer centric services and products to clients. The Bank's ATM network also expanded from 12 offsite ATMs to 15 offsite ATMs which complemented the 18 in-branch ATMs, thus further enhancing customer convenience.

### REGULATORY REQUIREMENT & GOVERNANCE

Financial reporting requirements in Cambodia became more stringent in 2016, with regulators moving towards the Third Basel Accord (Basel III), International Financial Accounting Standard (IFRS), Anti Money Laundering (AML) and Foreign Account Tax Compliance Act (FATCA), with the aim of strengthening the regulation, supervision and risk management of the banking sector in the country. Such measures augur well for the health, strength and stability of the financial market as well as the economic wellbeing of Cambodia.

The Bank places the highest priority in corporate governance, making sure all requirements are met and all internal policies and processes are adhered to at all times. Good corporate governance, a high level of compliance, and prudent risk management are core parts of the RHB Banking Group culture.



**MAINTAINABLE  
OPERATING PROFIT  
24.7%  
GROWTH**



**CASA  
68.3%  
GROWTH**

### CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) remains central to the Bank's relationship with Cambodian society amidst the Bank's relentless pursuit of business performance and growth. The Bank has undertaken numerous CSR programs over the years which have brought impactful benefits to Cambodians. In 2016, The Bank collaborated with NGO Aide-et-Action under the “The Early Childhood Development School Program” to build a preschool that can house 30 students in Sa Ang Commune, Kandal Province, a rural and under-served community. The smile and expectation RHB brought to these children, their parents and the villagers was indeed heart-warming and satisfying.





**LIM LOONG SENG**  
Managing Director/Country Head, Cambodia

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

The Bank shall continue to monitor and improve the school going forward to ensure that the facilities provided will be made full use by the community.

The Bank also took very keen interest in the development of sports in the country. We continued our annual and successful “RHB Cambodia Junior Football Cup,” where the number of young participants increased from 176 to 264 participants. The response was indeed overwhelming and RHB look forward to some of these footballers graduating to representing Cambodia in international events. RHB is also one of the major sponsors for the Cambodian national riders and actively help promotes the Cambodia Mountain Bike Series which has popularized cycling and enable more Cambodians to engage in healthy activities.

## GROWTH STRATEGIES

Going forward, the Bank will be focusing on several Key Priorities to steer the Bank towards fulfilling our aspiration to be a leading bank in Cambodia.

We will continue to support sustainable economic sectors which will contribute to Cambodia’s economic growth. It is also the Bank’s intention to build a well-balanced portfolio in Retail, Business and Corporate sectors going forward in 2017.

With the environment becoming more challenging, there is a need for the Bank to manage margin compression to improve profitability as well as better manage asset quality to reduce loan charges. The Bank has put in place a productivity improvement process and cost management initiatives to ensure the optimisation of operation costs.

The Bank is committed to delivering better service quality, and a friendlier and more personalised banking experience through our Customer Experience Enhancement Program. The number of products and services offered will increase in 2017 to provide a more holistic banking experience for customers with various needs and demands.

The Bank has begun to develop multiple channels of digitalised banking services for customer convenience including mobile, online banking and other payment solutions. RHB Indochina Bank would like to be at the forefront in introducing cutting-edge digital banking technology to Cambodia.



**COST TO INCOME  
RATIO**  
**35.5%**

The Bank will continue to invest in human capital development and instil our positive corporate culture towards attaining high performance culture. The Bank’s staff cumulatively completed 4,855 training hours in 2016 and we are committed to grow this in 2017. We believe that human capital and skill set of our staff are critical in our pursuit of growth and success in the years to come

## THE JOURNEY AHEAD

With more infrastructure investment in roads, bridges and power generations, diversification of manufacturing from garment and footwear to electronic and assembly, encouraging growth in tourism and annual GDP for Cambodia projected to remain at approximately 7% coupled with the attention the country is receiving in terms of foreign direct investment especially from ASEAN and neighbouring countries, there is ample space for growth in Cambodia. Notwithstanding the strong growth potential, several challenges including keen competition, margin compression and pressure on asset quality are something the Bank is constantly on the lookout for.

Most important of all, we would like to express our utmost appreciation to our valued clients who have given us their strong support during our nine year journey in Cambodia. Through our brand promise “Together We Progress,” we will continue to do our best to ensure our customers’ banking needs are met. We would also like to extend our gratitude to the National Bank of Cambodia for the guidance and support they have given to us. I would also like to thank the Board of Directors for their valued leadership and stewardship and our staff for their commitment and contribution. Thank you!

**LIM LOONG SENG**  
Managing Director/Country Head, Cambodia



A group of five men in business suits standing in a row against a wood-paneled wall. The man on the far left is wearing a dark suit and glasses. The second man from the left is wearing a light grey suit. The third man is wearing a dark suit and glasses. The fourth man is wearing a dark suit and has a beard. The man on the far right is wearing a dark suit and glasses. They are all standing with their hands in their pockets or at their sides. The background is a wall with vertical wood paneling. The floor is also made of wood.

# MANAGEMENT TEAM



from left:

1) Aldrian Rizal Zahari 2) Yim Tithya 3) Mohamad Yussof Ahmad Sapari 4) Cheong Kim Soon, Simon  
5) Lim Loong Seng 6) Yong Ching San 7) Chua Thiam Yew 8) Meung Samnang 9) Chhim Sareth





# PROFILES OF THE MANAGEMENT TEAM

RHB INDOCHINA BANK



**LIM LOONG SENG**  
MANAGING DIRECTOR/COUNTRY HEAD, CAMBODIA

Mr. Lim has more than 38 years working experience including more than 34 years in the financial services industry which almost 9 years is in Cambodia. He started his career in banking with a leading Malaysian financial service group. He has wide ranging exposure and experience in corporate, business and consumer banking at senior positions covering operations, credit, risk and sales & marketing.

He was the winner of the SEARCA Gold Medal and Harvard Business Alumni Club Malaysia Gold Medal when he graduated with a Bachelor of Science in Agribusiness in 1986.

He also sits on the Board of RHB Indochina Securities Co., Ltd. and RHB Bank (Laos) Ltd. He also oversees RHB's Chief Representative in Vietnam and Myanmar.

He is a Licensed Dealer approved by the Securities Exchange Commission of Cambodia. He has also been elected as the Vice President of the Malaysian Business Council of Cambodia since 2010.





## CHEONG KIM SOON, SIMON

### HEAD OF BANKING SERVICES & SUPPORT

Mr. Simon has been with RHB Indochina Bank Limited since its inception in September 2008 and is currently the Head of Banking Services and Support. He was with a top financial institution in Malaysia for over 28 years where he rose through the ranks, and gained wide ranging exposure in Banking Operations and Support. He has spearheaded business and technical banking process improvement initiatives as well as research and development. His last position prior to joining RHB was Head of Project Implementation & Process Improvement, Business Processes & Procedures.

Mr. Simon graduated with an Ontario Secondary School Honors Graduation Diploma in 1981 and went on to attend York University in Ontario, Canada.



## YONG CHING SAN

### HEAD OF CREDIT MANAGEMENT

Mr. Yong joined RHB Indochina Bank Limited since November 2010 and is currently the Head of Credit Management. He has a total of 31 years of experience in banking and two years in Administration and as Training Consultant. He has a wide range of exposure and experience in commercial banking having served at both branch and head office levels in Credit, Operations, Loan Recovery, Business Development and Training. He graduated from Greenwich University, USA with a Masters of Business Administration in 2002.

He also achieved his Certified Financial Planner accreditation from Financial Planner Association of Malaysia (FPAM) in 2006.



# PROFILES OF THE MANAGEMENT TEAM (CONTINUED)

RHB INDOCHINA BANK



## CHUA THIAM YEW

HEAD OF FINANCE & STRATEGY

Mr. Chua joined RHB Indochina Bank Limited in May 2014 as the Head of Finance & Strategy. He has more than 15 years experience in the finance field with a leading bank in Malaysia and other renowned multinational corporations. He has vast exposure and experience in auditing, budgeting, financial management, financial reporting, taxation and business planning.

He graduated from Association of Chartered Certified Accountants (ACCA) from United Kingdom. He also holds a Master of Business Administration awarded by University of Melbourne, Australia.



## MOHAMAD YUSSOF AHMAD SAPARI

HEAD OF HUMAN RESOURCE & TRAINING

Mr. Yussof is the Head of Human Resource & Training of RHBIBL. He graduated from Sheffield Hallam University with a Bachelor of Laws in 1996. He joined RHBIBL since May 2015. Prior to that he was with RHB Bank since June 2012 and was the Human Resource Business Partner for Group Retail Distribution. His experience in human resources management includes exposure in recruitment, HR operations, compensation & benefits administration, HR policy and procedures, performance management, employee engagement, industrial and employee relations.





## ALDRIAN RIZAL ZAHARI

HEAD OF PRODUCT DEVELOPMENT & MARKETING COMMUNICATION

Mr. Rizal joined RHB Indochina Bank Limited on secondment from RHB Bank Berhad in July 2014. He has 21 years of working experience in banking and insurance industries. He has gained exposure and experience in Audit, Sales & Marketing, Bancassurance and International Banking Operations.

Mr. Rizal graduated from University of Northumbria at Newcastle in United Kingdom with a Bachelor of Accounting in 1996.



## MEUNG SAMNANG

HEAD OF COMPLIANCE & RISK MANAGEMENT

Mr. Samnang is the Head of Compliance and Risk Management since January 2010. He has 13 years of experience in Consultanting and Audit. He has wide ranging exposure in Audit and Compliance at KPMG Cambodia and at Internal Audit Department of Ministry of Economy and Finance where his last held position was as a Consultant. He graduated from Maharishi Vedic University, with a Bachelor of Business Administration in 2004.

He also achieved Certificate of Certified Accounting Technician (CAT) from the United Kingdom in 2007 and is currently pursuing certificate in Financial Risk Management from the Global Association of Risk Professional in the United States of America.



# PROFILES OF THE MANAGEMENT TEAM (CONTINUED)

RHB INDOCHINA BANK



## CHHIM SARETH

HEAD OF INTERNAL AUDIT

Mr. Sareth is the Head of Internal Audit. He joined the Bank in July 2009. He has 14 years of working experience with two years as accounting teacher and four years as external auditor. He has experience in Compliance and Advisory Audit on various industries such as Banking, Microfinance Institution, Insurance, Garment Factories, Restaurant and Service Companies during his time in KPMG Cambodia. Mr. Sareth holds a Master of Commerce in Finance from International Institute of Cambodia in 2006.

He also holds a Certificate of Certified Accounting Technician (CAT) in 2008 and is currently pursuing an Association of Chartered Certified Accountants (ACCA) from the United Kingdom.



## YIM TITHYA

HEAD OF INFORMATION TECHNOLOGY

Mr. Tithya is currently the Head of Information Technology Department since joining the Bank in January 2013. He has 13 years of experience in Information Communication and Technology with wide ranging exposure in IT System. He manages the IT Operations and oversees the IT infrastructure to support roll out of the Bank's delivery channels and products and services for the business units. He graduated from University Teknologi Petronas in Malaysia with a degree in Bachelor of Technology in 2007.



# MANAGEMENT COMMITTEE

RHB INDOCHINA BANK

## MANAGEMENT COMMITTEE

1.	Mr. Lim Loong Seng	Chairman
2.	Mr. Cheong Kim Soon	Member
3.	Mr. Chua Thiam Yew	Member
4.	Mr. Yong Ching San	Member
5.	Mr. Mohamad Yussof Ahmad Sapari	Member
6.	Mr. Aldrian Rizal Zahari	Member
7.	Mr. Meung Samnang	Member

## CREDIT LENDING COMMITTEE

1.	Mr. Christopher Loh Meng Heng	Chairman
2.	Mr. Lim Loong Seng	Member
3.	Mr. Cheong Kim Soon	Member
4.	Mr. Yong Ching San	Member



# CALENDAR OF EVENTS 2016

RHB INDOCHINA BANK



## STARTUPBOOTCAMP FINTECH WITH RHB

- 8 January 2016** - Startupbootcamp FinTech in collaboration with RHB Banking Group held a two day events in Phnom Penh focused on introducing Financial Technology, or FinTech, to entrepreneurs and finance professionals. This is part of a 16-stop tour across Asia Pacific to offer expert advice, exposure to innovative early-stage companies and develop the startup ecosystem in FinTech. The Office Hours and FinTech Social events are bite-sized glimpses of the Startupbootcamp FinTech program's value. Promising teams across the region will be invited to apply to the accelerator program. Startupbootcamp FinTech will select 10 startups to take part in their three month intensive 2016 FinTech accelerator in Singapore starting in April 2016.



9 January 2016

Budget & Strategic Business Plan 2016



10 January 2016

Fun Ride



18 March 2016

RHB Indochina Bank Opens its 11th Branch (Mao Tse Tung Branch)





# CALENDAR OF EVENTS 2016 (CONTINUED)

## RHB INDOCHINA BANK

22 March 2016 Seminar 2016 “Grow Your Business Digitally”



4 June 2016 RHB Cambodia Junior Football Cup 2016



12 June 2016 The 6th Phnom Penh International Half Marathon





15 July 2016

RHB Indochina Bank Opens its 12th Branch (Boeung Keng Kang Branch)



16 July 2016

Mid Year Review of Strategic Business Plan 2016



19 July 2016

RHB Family Day 2016





# CALENDAR OF EVENTS 2016 (CONTINUED)

## RHB INDOCHINA BANK

23 July 2016

Raya Celebration 2016



31 July 2016

Cambodia Mountain Bike Series 2016



11 August 2016

3rd RHB Indochina Bank Board of Directors Meeting

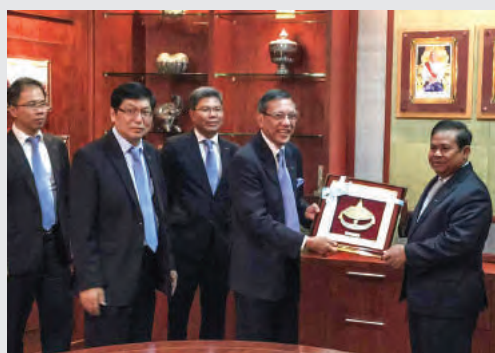




11 August 2016 | Courtesy Call to HE. Ambassador of Malaysia



12 August 2016 | Courtesy Call to H.E. Chea Chanto Governor, National Bank of Cambodia





# CALENDAR OF EVENTS 2016 (CONTINUED)

## RHB INDOCHINA BANK

### GRAND OPENING OF 2 NEW BRANCHES

- 12 August 2016** - The grand opening of the 2 new branches were officiated by Her Excellency Ouk Maly, Deputy Governor, National Bank of Cambodia and was attended by His Excellency Dato' Sri Hasan Malek, Ambassador of Malaysia to the Kingdom of Cambodia, Tan Sri Azlan Zainol, Chairman of RHB Bank Berhad, Tuan Haji Khairuddin Ahmad, Chairman of RHB Indochina Bank Limited, Dato' Khairussaleh Ramli, Group Managing Director of RHB Bank Berhad as well as other Board of Directors and Senior Management of the RHB Banking Group. This marks RHB Indochina Bank's 11th and 12th branch opened in Cambodia over a period of 8 years bringing it to a total of eight branches in Phnom Penh and four branches in the provinces, namely, Kampong Cham, Battambang, Siem Reap and Preah Sihanouk.







## RHB PRIVATE EQUITY FUND

- **12 August 2016** - RHB Asset Management, a member of the RHB Banking Group hosted 50 valued customers to introduce the newly launched RHB Private Equity Fund at Sofitel Hotel Phnom Penh.

## AN AFTERNOON WITH THE RHB BANKING GROUP

- **12 August 2016** - The cocktail party was held to honour and appreciate RHB Indochina Bank's valued customers and business partners who have supported the bank in its journey of success thus far.





# CALENDAR OF EVENTS 2016 (CONTINUED)

RHB INDOCHINA BANK

- **12 August 2016** - Launch of RHB Moha Samnang Deposit Campaign where customers stand a chance to win a Mazda 2 car as grand prize. Other prizes including Kawasaki motorbikes, iPhone and Samsung smartphones, Samsung TV and Cannondale bicycles which will be drawn every month for 6 consecutive months.





14 September 2016 | HR Forum 2016



22 October 2016 | RHB Annual Dinner & Team Building 2016



5-6 November 2016 | National Career Fairs 2016





# CALENDAR OF EVENTS 2016 (CONTINUED)

RHB INDOCHINA BANK



## PHNOM PENH FINTECH BUSINESS HOURS AND FINTECH SOCIAL

- 2 December 2016** - The second collaboration between RHB and Startupbootcamp Fintech (“SBC”) to engage and offer expert advice to the local start-up community in Cambodia via “Fintech Office Hours” and “Fintech Social” which were held in Phnom Penh. This initiative is in line with the Group’s Digital Strategy to grow and nurture prospective start-ups with innovative digital solutions that have the potential to be integrated into conventional banking services and operations. While the fintech scene in Cambodia is still at a nascent stage, ample opportunities exist for RHB to strengthen its contribution in this area and gain recognition as the trusted partner to support this growing ecosystem.



22 December 2016 | First Lucky Draw Event “RHB Moha Samnang Deposit Campaign”



29 December 2016 | Prize Presentation “RHB Moha Samnang Deposit Campaign”







## NURTURING FUTURE GENERATIONS



## NURTURING FUTURE GENERATIONS – Children and Youth

Nurture and provide opportunities for young individuals to interact and embrace their fullest potential to be outstanding members of society

## HEALTH & WELLNESS – Healthy Living

A coordinated approach towards promoting and creating awareness on Diabetes as a cause to champion:  
1.Nurturing healthy lifestyles through outdoor activities  
2.Advocating awareness on good health practices







## ARTS & CULTURE – Preservation

Preserve, share and promote the creative arts with the aim of generating awareness, appreciation, value and respect of local emerging creative artists and their works

## ENVIRONMENT – Conservation

Implement and promote greening initiatives to reduce RHB's environmental footprint, which will also foster a culture of care and respect for nature





# NURTURING FUTURE GENERATIONS

## RHB INDOCHINA BANK



### RHB Cambodia Junior Football Cup 2016

The one-day tournament is a corporate responsibility initiative by the RHB Banking Group, whose CR philosophy centres around nurturing the next generation of youth in communities where the Group has presence in, especially the underprivileged.

This is in line with the Banking Group's new brand promise, "Together We Progress", where RHB is committed to helping people and businesses grow and succeed, moving forward in unison to realise our greater potential together.









# NURTURING FUTURE GENERATIONS (CONTINUED)

## RHB BANKING GROUP AND RHB INDOCHINA BANK



### RHB Community Weekend

The RHB Community Weekend was held between **20 – 21 August 2016** in Malaysia and across the Asean region. The first-of-its-kind activity saw 32 groups who undertook 37 community projects within Malaysia and the region, pooling together their resources to spend quality time with young people from disadvantaged backgrounds. Needless to say, the effort was well worth every drop of sweat as the team left feeling humbled by their experience yet satisfied that they could give back to society in a meaningful way.









# NURTURING FUTURE GENERATIONS (CONTINUED)

## RHB INDOCHINA BANK



### RHB Community Weekend

A preschool to house 30 children was built by RHB Indochina Bank at Sa Ang Phnom Commune, Kandal Province, with the help of Aide-et-Action under the “Early Childhood Development School Program”. The school was official launched on 21st August 2016 by Commune Chief, the District Chief of Sa Ang and Her Excellency Heav Lun joined by our Group Chief Strategy Officer, Mr Chris Loh and Country Head, Mr Lim Loong Seng. They event was attended by 30 students, 120 villagers, 100 RHB staffs and partners including HGB Group, Cambodia Pan Pages, Hospitals Beyond Boundaries, Roomchang Dental Hospital, Pepsi Cambodia, Myburgerlab, KFC and BassakaAir.

The heartfelt event includes providing water, sanitation, supplies, medical check-up for preschoolers and dental hygiene demonstration. We are greatly humbled by the community’s warm gratitude and we hope that our efforts will especially help these children be equipped with the skills and tools they will need to succeed in the future. We planted two trees to provide extra shade and keep the school cool. However, these trees also represent metaphorically what we hoped to give these students: the opportunity to grow.











**STAFF ENGAGEMENT**









# STAFF ENGAGEMENT (CONTINUED)

## RHB INDOCHINA BANK



### RHB Family Day 2016

Our Third RHB Family Day was held on 17 July 2016 at the Fantastic Water World, Grand Phnom Penh. Over 300 staff and family members gathered for the day of fun, food and family bonding. With games and activities that delight both young and old.

Family Day is one of the planned employee engagement initiatives in RHB calendar event. It aims to continue to foster close working relationship among all staff through outdoor activities. It also provide an opportunity for our staff located at the provinces to be at one location to engage with all their fellow colleagues based in Phnom Penh. This get together event is a platform to instill RHB culture and PRIDE values while providing motivation to staff and enhance teamwork.









# STAFF ENGAGEMENT (CONTINUED)

## RHB INDOCHINA BANK



### RHB Annual Party 2016

Our 8th Annual Dinner was held on 22 October 2016 at Empress Angkor Hotel in Siem Reap. The theme for 2016 was Phum Khmer, a traditional Khmer theme that takes us back to the Bank's beginning whilst honoring the journey and achievements that the Bank has made in the last 8 years. Entertaining and high energy performances were the trademark of RHB Annual Dinner events, testament to the time, energy, commitment and enthusiasm of the staff to make the night special.









# STAFF ENGAGEMENT (CONTINUED)

## RHB INDOCHINA BANK



### RHB Team Building 2016

The 2016 Team Building was held on 23 October 2016, with the theme 'Ark Raiders of Angkor' held at Eco Tourism Siem Reap. The committee members of the event worked very hard to make the outdoor games challenging yet enjoyable one. It was heartwarming to see participants form bonds, positively compete with each other and displayed team spirit throughout the day.













# សម្ព័ន្ធនគណៈអមេចបីរៀបចំការប្រកួតបាល់ទាត់កុមារនៅរាជធានីភ្នំពេញ

ក្រុមប្រឹក្សាភិបាលសម្ព័ន្ធនគណៈអមេចបីដែលជាអង្គការមិនរដ្ឋបាល បានប្រារព្ធការប្រកួតបាល់ទាត់កុមារនៅរាជធានីភ្នំពេញ ក្នុងឆ្នាំទី១៦ របស់ក្រុមប្រឹក្សាភិបាលសម្ព័ន្ធនគណៈអមេចបី ក្នុងឆ្នាំ២០១៦ ក្នុងគោលបំណងជំរុញកីឡាកុមារអាយុមាន កម្រិតខ្ពស់ និងជំរុញការចូលរួមពីសិស្សសិស្សានុសិស្ស ក្នុងការអប់រំកីឡា និងការអប់រំផ្សេងៗទៀត។



## ស្ថាប័នមេសេដ្ឋកិច្ច

ស្ថាប័នមេសេដ្ឋកិច្ច គឺជាស្ថាប័នមួយដែលមានប្រសិទ្ធភាពខ្ពស់ ក្នុងការប្រកួតប្រជែងលើទីផ្សារសេដ្ឋកិច្ច។ វាមានប្រសិទ្ធភាពខ្ពស់ក្នុងការប្រកួតប្រជែងលើទីផ្សារសេដ្ឋកិច្ច។



## ធនាគារ អ.អេច.បី ឥណទាន

ធនាគារ អ.អេច.បី ឥណទាន គឺជាធនាគារមួយដែលមានប្រសិទ្ធភាពខ្ពស់ ក្នុងការប្រកួតប្រជែងលើទីផ្សារសេដ្ឋកិច្ច។ វាមានប្រសិទ្ធភាពខ្ពស់ក្នុងការប្រកួតប្រជែងលើទីផ្សារសេដ្ឋកិច្ច។



The Phnom Penh Post

# ធនាគារ RHB សហការជាមួយអង្គការ ជួយសាងសង់សាលាមត្តេយ្យ នៅស្រុកស្អាង

(កណ្តាល)៖ ក្រៅពីចូលរួមផ្តល់ជាមួយការងារសាងសង់សាលា ក្នុងការអភិវឌ្ឍន៍សិស្សអប់រំ នៅកម្ពុជា ស្ថាប័នធនាគារមួយចំនួន បានចូលរួមតាមរយៈ អង្គការសង្គមផងដែរ តាមរយៈការប្រើប្រាស់ធនធាន របស់ខ្លួនដូចជា ប្រាក់បៀវត្ស ឬ ដូចជាផ្តល់អាហារូបករណ៍ ជួយឧបត្ថម្ភដល់គ្រូ ដែលមានការខ្វះខាតនៅតាមតំបន់ខ្លះ ដូចជាផ្តល់ជាសម្ភារៈបច្ចេកទេស ឬ ជួយក្នុងការកសាងផ្នែកហេដ្ឋារចនាសម្ព័ន្ធជាដើម។

ថ្មីៗនេះ ធនាគារ RHB Group ប្រចាំប្រទេសកម្ពុជា ដែលសាខាធនាគារនីមួយៗ នៅប្រទេសម៉ាឡេស៊ី បានសហការជាមួយអង្គការ អេដ អេដ អាកស្យុង សាងសង់ និង ដាក់ឱ្យដំណើរការសាលាមត្តេយ្យ សហគមន៍មួយសម្រាប់ កុមារតូចៗ នៅក្នុងសហគមន៍ព្រៃកន្ទុរ ស្រុកស្អាង ខេត្តកណ្តាល។ សិទ្ធិផលនេះ មានសារៈសំខាន់ណាស់ ព្រោះវាជាផ្ទាល់សម្រាប់បណ្តុះបណ្តាល ទាំងផ្នែកចំណេះដឹង ឥរិយាបថ និងសុខភាពអនាម័យ ដល់កុមារតូចៗដែលមានអាយុចាប់ពី ៣ ទៅ៥ឆ្នាំឡើងទៅ។

កម្មវិធីសម្ពោធសាលា បានប្រព្រឹត្តទៅដោយមាន ការចូលរួមរបស់ តំណាងធនាគារ RHB Group ប្រចាំប្រទេសម៉ាឡេស៊ី ប្រធាន និងបុគ្គលិក ធនាគារ RHB Group ប្រចាំប្រទេសកម្ពុជា ប្រធាន និងបុគ្គលិកអង្គការ អេដ អេដ អាកស្យុង តំណាងអាជ្ញាធរស្រុក ឃុំ ភូមិ និងមេធាវីសាលា។



Honouring the past, build on the present that inspires the future



# Over 200 children play in RHB Junior Cup



Members of the Koma Keankhlang Primary School celebrate victory in the 2016 RHB Cambodia Junior Football Cup after defeating Kohanlongchin Primary School 1-0 in the final. SRENG MENG SRUN

Deposit with **RHB** today and get a **FREE iPhone** from RHB and Smart package worth **USD3,000**



# DIRECTOR'S REPORT

## RHB INDOCHINA BANK

The Board of Directors ("the Directors") is pleased to submit its report together with the financial statements of RHB Indochina Bank Limited ("the Bank") for the year ended 31 December 2016.

### THE BANK

The Bank was incorporated on 9 July 2008 and is a wholly-owned subsidiary of RHB Bank Berhad, a public limited liability company incorporated in Malaysia.

The Bank is a commercial bank operating under the Cambodian Law on Commercial Enterprises and the regulations of the National Bank of Cambodia ("the Central Bank").

### PRINCIPAL ACTIVITIES

The Bank is principally engaged in a broad range of commercial banking activities in Cambodia.

### FINANCIAL PERFORMANCE

The financial performance of the Bank for the year ended 31 December 2016 is set out in the income statement on page 097.

### STATUTORY CAPITAL

As at 31 December 2016, the paid-up statutory capital of the Bank was US\$67,000,000 (US\$1 par value per share). There was no change in number of shares during the year.

### PROVISIONS

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

### BAD AND DOUBTFUL LOANS AND ADVANCES

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

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount of the provision for bad and doubtful loans and advances in the financial statements of the Bank inadequate to any material extent.

### ASSETS

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

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

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of the banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the year which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

The results of the performance of the Bank for the year were not, in the opinion of the Directors, materially 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 year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Bank for the year in which this report is made.



## THE BOARD OF DIRECTORS

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

Ong Seng Pheow	Chairman
Abdul Aziz Peru Mohamed	Member
Chulapong Yukate	Member
Dato' Khairussaleh Ramli	Member
Christopher Loh Meng Heng	Member
Lim Loong Seng	Member

Tuan Haji Khairuddin Ahmad	Chairman (Resigned as at 20 December 2016)
Foo San Kan	Member (Resigned as at 20 December 2016)
Leong Yeng Kit	Member (Resigned as at 20 December 2016)
Choong Tuck Onn	Member (Resigned as at 27 January 2016)
U Chen Hock	Member (Resigned as at 27 January 2016)

## THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2016 and the financial performance and cash flows of the Bank for the year. In preparing these financial statements, the Directors are required to:

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

The Directors confirm that the Bank have complied with the above requirements in preparing the financial statements.

## APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and the financial performance and cash flows of the Bank for the year in accordance with Cambodian Accounting Standards and the guidelines of National Bank of Cambodia, were approved by the Board of Directors.

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



**Ong Seng Pheow**

**Chairman**

Date: 17 February 2017



# INDEPENDENT AUDITOR'S REPORT

## RHB INDOCHINA BANK

### TO THE SHAREHOLDERS OF RHB INDOCHINA BANK LIMITED

#### OUR OPINION

In our opinion, the financial statements of RHB Indochina Bank Limited ("the Bank") present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("the Central Bank").

#### WHAT WE HAVE AUDITED

The Bank's financial statements comprise:

- Balance sheet as at 31 December 2016;
- Income statement for the year then ended;
- Statement of changes in equity for the year then ended;
- Cash flow statement for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies

#### 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 Auditor's responsibilities for the audit of the financial statements section of our report.

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

#### INDEPENDENCE

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

#### OTHER INFORMATION

Management is responsible for the other information. The other information comprises appendix notes on requirement of the Central Bank's Prakas but does not include the financial statements and our auditor's report thereon.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

#### AUDITOR'S 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 auditor's 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the 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 PricewaterhouseCoopers (Cambodia) Ltd.**



**By Lang Hy**

**Associate partner**

Phnom Penh, Kingdom of Cambodia

Date: 27 February 2017



# INTERNAL CONTROL REPORT

## RHB INDOCHINA BANK

### INTRODUCTION

Pursuant to the provision of Article 25 of the Prakas B-7-010-172 Prokor on Internal Control of Bank and Financial Institutions issued on 28 September 2010 and Letter B-7-015-161 SCN issued on 3 March 2015, Cambodian banking institutions shall establish an annual report on the organisation and effectiveness of the internal control system.

The statement below has been prepared in accordance with the guidelines as set out in the “Prakas on the Internal Control of Bank and Financial Institutions: Guideline for Completing the Annual Report on the Organisation and Effectiveness of the Internal Control”.

### RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management and internal control system and for assessing its effectiveness. Such a system is designed to manage risks within established risk appetite and risk tolerance rather than total elimination of risks to achieve the Bank’s business objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board is assisted by the Risk Management Committee (“RMC”) and Audit Committee (“AC”) which have been delegated with primary oversight responsibilities and Bank’s risk management and internal control system.

The Board is further assisted by the Management who is responsible for implementing the Bank’s policies and processes to identify, evaluate, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely corrective actions as required, and to provide assurance to the Board that the processes have been carried out. In this regard, the Board has received assurance from the Managing Director as well as the Head of Risk Management that the Bank’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### • Risk Management

Risk management is integral to all aspects of the Bank’s activities and is the responsibility of all staff. The Bank has put in place a risk management framework approved by the Board for identifying, evaluating, managing and reporting of significant risks faced by the Bank that may affect the achievement of the Bank’s business objectives.

The Bank’s risk management framework seeks to ensure that there is an effective on-going process in place to manage risk across the Bank. This process is regularly reviewed by the Board through its RMC which provides oversight over the risk management activities for Bank to ensure that the Bank’s risk management process is functional and effective.

The Board, through the RMC function, establishes the risk appetite and risk tolerance for the Bank and relevant entities. The defined risk appetite and risk tolerance are regularly reviewed by the Management and the Board in line with the Group’s business strategies and operating environment. On the quarterly basis, a Bank Risk Management Report which includes the Bank’s risk metrics and tolerance dashboard is presented to the Board for information, deliberation or decision making if necessary.

The RMC also assists the Board to review the Bank’s overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the RMC is supported by the Risk Management function which monitors and evaluates the effectiveness of the Bank’s risk management system on an ongoing basis.

Risk Management function provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Bank’s assets, and to prevent and mitigate financial and reputational losses to the Bank. Its responsibilities include implementation to the Bank’s risk policy and framework, daily risk measurement and monitoring, provision of timely risk analysis to Management, ensuring compliance to regulatory risk reporting requirements, overseeing group-wide risk credit evaluation and assessment as well as implementing a comprehensive enterprise-wide risk governance framework and robust risk management infrastructure.

In line with regulatory requirements and industry best practices, the Bank subscribes to the principle that risk management is a core responsibility of the respective businesses and operating departments. This has been articulated and documented in the risk management framework of the Bank.

To support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment (“RCSA”) framework has been implemented in business and functional units within the Bank as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated.



- **Internal Control System**

The Bank's internal control systems which encompasses the policies, procedures processes, organisational structures, tasks and other control aspects is implemented for assuring the achievement of the Bank's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

## CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

- **Organisation Structure**

The Bank has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting. The organisational structure provides the basis framework to help the Bank's operations proceed smoothly and functionally as well as depicting the span of control in ensuring effective supervision of day-to-day business conduct and accountability.

- **Internal Policies and Procedures**

Policies, procedures and processes governing the Bank's businesses and operations are documented and are communicated group-wide as well as made available to employee through the Bank's intranet portal for ease of reference and compliance. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, reviews of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage risks inherent to the business and operations.

- **Authority Limits**

Delegation of authority including authorisation limits at various levels of Management in the Bank are documented and designed to ensure accountability and responsibility.

- **Information Technology (IT) Security**

The objectives of the IT security encompass the protection of programs, data, information stored and facilities of the computerised data processing system from unauthorised access and use, loss or destruction as well as reliability and continuous availability of the computerised data processing systems.

Computer equipment and information assets of various forms are provided to enable employees of the Bank and relevant third parties to satisfactorily complete their duties. These assets, depending on its value and risk exposure, are subjected to controls that are designed to protect them from accidental or intentional loss, or unauthorised access, modification, manipulation and disclosure.

IT security protects information from a wide range of threats as well as safeguards the confidentiality, integrity and availability of information. IT security in the Bank is achieved through the implementation of a suitable set of controls which includes policies, standards, procedures, guidelines, organisational structures and software control functions.

- **Budgeting Process**

A robust budgeting process is established requiring all key operating departments in the Bank to prepare budgets and business plans annually for approval by the Board. The Bank's budget and business plans as well as strategic initiatives, taking into account the risk appetite, were deliberated at the Board where the Bank budget was presented.

- **Human Capital Management**

One of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and judgement that people apply to their work. Hence, the Bank has in place policies and procedures that govern recruitment, appointment, performance management, compensation and reward, as well as policies and procedures that govern discipline, termination and dismissal.

For sustainable growth, the Bank places emphasis on human capital development, talent management and succession planning. To enhance staff competencies, structured and technical training as well as management and leadership skills are provided to staff based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and Mentoring are implemented to develop identified talents in the Bank to facilitate the continuous supply of high potentials and suitable successors for future leadership roles.

- **Code of Ethics and Conduct**

The Bank Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Bank's business practices. It is a requirement that all employees of the Bank understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Bank.

The Bank has also established the Gifts and Hospitality Guidelines to promote integrity and transparency for giving and receiving gifts. The Guidelines complement the Code and are designed to help the Bank and its employee understand the respective parties' obligation in upholding corporate integrity about gifting.



# INTERNAL CONTROL REPORT (CONTINUED)

## RHB INDOCHINA BANK

### CONTROL ENVIRONMENT AND CONTROL ACTIVITIES (continued)

- **Fraud Risk Management Policy**

The Fraud Risk Management Policy is designed to promote consistent organisational behaviour through the development, implementation, and regular review of fraud prevention, detection and response strategies. The Policy defines the core governing principles for fraud management with the Bank which include leadership and ethical culture, fraud awareness, detection, reporting and escalation as well as fraud response with appropriate corrective actions.

- **Business Continuity Plan and Disaster Recovery Plan**

The Bank recognises and is fully committed to the need to provide continuous critical services to its customers, ensure the safety of its employees, protect its assets / data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Bank's Business Continuity Management (BCM) Programme is based on good business continuity practices and guidelines which are in line with the Group and internationally recognised standards.

The Bank has on-going and actively managed BCM programmes, which include effective crisis management to deal with real crisis. The BCP and Disaster Recovery is subject to regular testing / exercising to ensure their efficacy, reliability and functionality. Simulation exercise and drills are conducted to familiarise and equip staff with the skills and techniques requirement to identify, assess, respond and cope with a serious situation.

### INFORMATION AND COMMUNICATION

- **Performance Review**

Regular and comprehensive information is provided by Management to monitor their performance against the strategic business plan and the annual budget approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by the Bank during the year.

The Board and the Management Committee receive and review financial reports on the Bank's monthly and quarterly financial performance against approved targets and the reasons for any significant variances as well as and measures that are being put in place to meet such targets.

- **Whistle Blower Policy**

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Bank. All staff are accorded the opportunity to report via the Whistle-Blowing mechanism with the assurance that it will be dealt with confidentiality and that the reporter's identity will be protected.

- **Incident Management Reporting**

To complement the Bank's system of internal control, a comprehensive incident management reporting system has been implemented to ensure proper escalation and management of incidents. The incident management reporting system also ensures that all incidences with material risk and losses are escalated promptly to Senior Management and the Board with necessary steps taken to mitigate any potential risks that may arise. This enables decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

### MONITORING

- **Board Committees**

The Board has delegated certain responsibilities to the Board committees established in the Bank, namely the Risk Management Committee, Audit Committee and Remuneration & Nominating Committee.

These Board Committees have been delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

- **Management Committee**

The Management Committee ("Manco") comprises key management personnel of the Bank and is chaired by the Managing Director/Country Head of the Bank. The Manco provides a forum for the Bank's Senior Management to discuss and deliberate on strategic matters that impact the Bank's vision, strategic directions, business synergies and brand value as well as to chart its strategic roadmap. The Manco meets on monthly basis and the minutes of meeting are tabled to the Group International Business Council and Board of the Bank for notation.



- **Compliance**

Compliance is the collective responsibility of the Board, Senior Management and every employee of the Bank. Therefore, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour in everything that he or she does.

The Bank Senior Management supports the Board and Risk Management Committee in managing compliance risks of the Bank by ensuring there is a compliance programme in place and regularly reviews the adequacy and effectiveness of the program in managing compliance risk. Additionally, the Bank Senior Management has established a compliance function at Bank level which is independent and which has direct access to the RMC and Board. A Head of Compliance Officer oversees the Bank's overall compliance management.

To facilitate the understanding of guidelines and Laws in enabling compliance, the Compliance Department organises engagement sessions with relevant business and functional units, providing advice on the key requirements and implications of the guidelines and Laws.

- **Internal Audit Function**

Internal Audit ("IA") function assists the Board and Audit Committee (AC) by providing independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the Bank's risk management framework, control and governance processes implemented across the Bank.

The Internal Audit plan is developed based on a risk-based approach and is approved by the AC annually. Audit reports which include significant findings are recommended for improvement, and Management's response to the recommendations are tabled to Manco and AC on the monthly basis and quarterly basis respectively.

The Head of Internal Audit reports functionally to the AC thru Group Internal Audit and administratively to the Managing Director to ensure IA's independence from Management.

The AC holds regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities on the state of the Bank's internal control system. The minutes of the meetings of the AC are subsequently tabled to the Board for notation while the highlights of the AC are subsequently table to the respective Boards by the Chairman of AC.

- **Conflict of Interest**

There is an establishment of an effective segregation of duties and prevention from conflict of interest situations via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses.

- **Anti-Money Laundering / Combating the Financing of Terrorism ("AML/CFT")**

The AML/CFT Programme is continuously reviewed and updated to meet the regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest ethical and professional standards in accordance with the AML/CFT Programme and to be continuously vigilant against the Bank being exposed or used to launder money or finance illegal activities including terrorist financing.

The Board believes that the system of internal control in the Bank are adequate and have been effective, with no significant problems noted during the period under review.



# AUDIT COMMITTEE REPORT

## RHB INDOCHINA BANK

Activities Of The Audit Committee And The Internal Audit Function During The Financial Year Ended 31 December 2016

### ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016 (“year”), a total of four (4) Audit Committee (“AC”) meetings were held. The AC comprises the following members and the details of attendance of each member at the AC meetings held during the year are as follows:

Composition of the AC	Attendance at Meetings
1. <b>Chulapong Yukate</b> (Chairman/ Independent Non-Executive Director)	4/4 (100%)
2. <b>Foo San Kan</b> (Chairman/ Independent Non-Executive Director) Resigned on 20 December 2016	4/4 (100%)
3. <b>Leong Yeng Kit</b> (Member/ Independent Non-Executive Director) Resigned on 20 December 2016	4/4 (100%)
4. <b>Ong Seng Pheow</b> (Member/ Independent Non-Executive Director) Appointed on 20 December 2016	N/A
5. <b>Encik Abdul Aziz Peru Mohamed</b> - Chairman (Member/ Independent Non-Executive Director) Appointed on 20 December 2016	N/A

Note:

The main activities undertaken by the AC during the year are summarised as follows:

- Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Indochina Bank Limited (“the Bank”) prior to the approval by the Board;
- Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year;
- Reviewed with the external auditors, the results of their annual audit and audit committee report together with the Management’s response to their findings and recommendations;
- Reviewed the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Bank policy;
- Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to their appointment and audit fees;

- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the internal audit reports, audit recommendations and Management’s responses to these recommendations as well as actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- Reviewed the related party transactions entered into by the Bank;
- Tabled the minutes of each AC meeting to the Board for notation, and for further direction by the Board, where necessary.

During the year, the Members of the AC attended the following training programmes, conferences and seminars:

- Corporate Governance for Capital Market Intermediaries
- Trans-Pacific Partnership Agreement (TPPA) for Board of Directors & Senior Management
- Digital Signature Training To RHB Board of Directors
- Malaysian Financial Reporting Standard 9 – Financial Instruments for RHB Banking Group Directors
- FIDE FORUM Dialogue on Directors’ and Officer Liability Insurance
- Mandatory Accreditation Programme For Directors Of Public Listed Companies
- Anti-Money Laundering/Counter Financing of Terrorism for RHB Banking Group BODs & GMCs and Heads
- New Companies Act 2016

### INTERNAL AUDIT FUNCTION

The Bank has an in-house internal audit department (“Internal Audit”) which is guided by the Internal Audit Charter and reports to the AC. Internal Audit’s primary role is to assist the AC in the discharge of their duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Bank’s risk management, internal control and governance processes.

The AC approves the annual internal audit plan at the beginning of each financial year. Internal Audit adopts a risk-based approach towards the planning and conduct of audits, which is consistent with the Bank’s framework in designing, implementing and monitoring its internal control system.



Upon completion of the audits, Internal Audit closely monitors the implementation progress of its audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by Management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status are then presented to the Management and the AC.

Internal Audit works closely with the external auditors to resolve any control issues raised by them to ensure that all reported issues are duly acted upon by Management.

#### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE MEMBERS**

##### **1. Composition**

- a) The Committee members shall be appointed by the BOD from amongst the directors of the Bank.
- b) The Committee shall consist of a minimum of three (3) members.

##### **2. Chairman**

- a) The members of the Committee shall elect the Chairman from among their number.
- b) The Committee shall be chaired by the Chairman.

#### **REPORTING STRUCTURE**

Whilst the Committee reports to BOD, regular audit reports are to be tabled to Group AC as part of group oversight requirements.

#### **DUTIES AND FUNCTIONS**

##### **1. Fair and Transparent Reporting**

Ensure fair and transparent reporting and prompt publication of the financial statements.

##### **2. Effectiveness of Internal Audit**

- a) Oversee the functions of the Internal Audit Department and ensure compliance with relevant regulatory requirements.
- b) Review the adequacy of the scope, functions, competency and resources of the internal audit department, and that it has the necessary authority to carry out its work.
- c) Review the internal audit programme, internal audit findings and if necessary, recommend actions to be taken by the management.

##### **3. Internal Controls**

Review the effectiveness of internal controls and risk management processes.

##### **4. External Auditors**

- a) Recommend external auditors for appointment by the BOD.
- b) Recommend removals of external auditors by BOD.
- c) Assess objectivity, performance and independence of external auditor (e.g. by reviewing and assessing the various relationships between the external auditor and the Bank or any other entity).
- d) To appoint, set compensation, evaluate performance and decide on the transfer or dismissal of the Head of Internal Audit Department of the Bank.
- d) Review with the external auditor, the audit scope and plan, including any changes to the scope of the audit plan.
- e) Review with the external auditor, his evaluation of the system of internal controls and his audit report.
- f) Review the external auditor's management letter and response.
- g) Regularly review the audit findings and ensure that issues are being managed and rectified appropriately and in a timely manner.
- h) Review the periodic financial statements, prior to the approval by the BOD, focusing particularly on:
  - i) Changes in or implementation of major accounting policy changes.
  - ii) Significant and unusual events.
  - iii) Compliance with accounting standards and other legal requirements.
- i) Have direct communication channels with the external auditors and able to meet with the external auditors without the presence of management, at least once a year.
- j) Review any letter of resignation from the external auditors of the Bank.
- k) Approve the provision of non-audit services by the external auditor.
- l) 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 judgment of the auditors.



# AUDIT COMMITTEE REPORT (CONTINUED)

## RHB INDOCHINA BANK

### 5. Related Party Transactions

Review any related party transaction and conflict of interest situation that may arise within the Bank including any transaction, procedure or course of conduct that raises questions of management integrity.

### AUTHORITY

The Committee shall within its terms of reference:

- a) have the resources which are required to perform its duties;
  - b) have full and unrestricted access to any information as required to perform its duties;
  - c) have the authority to investigate any activity within its terms of reference;
  - d) have the authority to form management / sub-committee(s) if deemed necessary and fit;
  - e) have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit;
  - f) be able to obtain independent professional or other advice; and
  - g) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Bank, and with other external parties, whenever deemed necessary.
- f) The Committee may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in the physical presence in the meeting. The member participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the member in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the members duly convened and held.
  - g) Resolutions, proposals and matters tabled for approvals at any meeting of the Committee shall be decided by a simple majority of the members present.
  - h) The Chairman shall nominate any person as Secretary and minutes of meetings shall be taken.

### MEETINGS AND MINUTES

- a) The Committee shall preferably meet on quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.
- b) The quorum of the meetings shall be at least two (2) members or 50% of the total members, whichever is higher.
- c) The Committee may convene meetings at any place in Cambodia or other country.
- d) The Committee is also allowed to carry out the resolution by way of circulation.
- e) Heads of the respective divisions and relevant management personnel (and others if deemed necessary) may be invited to attend the Committee meetings.



# FINANCIAL REPORT 2016



RHB Indochina Bank



TOGETHER WE PROGRESS



**RHB Indochina Bank**

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# FINANCIAL STATEMENTS

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# BALANCE SHEET

AS AT 31 DECEMBER 2016

		2016		2015	
	Note	US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>					
Cash on hand		6,256,945	25,259,287	3,805,590	15,412,640
Balances with the Central Bank	4	146,491,301	591,385,382	112,359,292	455,055,133
Balances and placements with banks and other financial institutions	5	115,751,265	467,287,857	90,495,806	366,508,014
Loans and advances to customers	6	347,575,673	1,403,162,992	338,622,585	1,371,421,469
Other assets	7	2,931,117	11,832,919	15,241,270	61,727,142
Deferred tax assets	20(a)	637,890	2,575,162	151,520	613,656
Intangible assets	8	295,308	1,192,158	353,150	1,430,258
Property and equipment	9	2,955,017	11,929,404	2,914,540	11,803,887
<b>TOTAL ASSETS</b>		<b>622,894,516</b>	2,514,625,161	<b>563,943,753</b>	2,283,972,199
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	10	231,367,484	934,030,533	262,539,327	1,063,284,274
Deposits from customers	11	297,271,520	1,200,085,126	216,199,505	875,607,995
Current income tax	20(b)	1,610,398	6,501,177	1,722,942	6,977,915
Other liabilities	12	8,198,445	33,097,122	5,732,717	23,217,504
<b>TOTAL LIABILITIES</b>		<b>538,447,847</b>	2,173,713,958	<b>486,194,491</b>	1,969,087,688
<b>EQUITY</b>					
Share capital	13	67,000,000	270,479,000	67,000,000	271,350,000
Retained earnings		17,446,669	70,432,203	10,749,262	43,534,511
<b>TOTAL EQUITY</b>		<b>84,446,669</b>	340,911,203	<b>77,749,262</b>	314,884,511
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>622,894,516</b>	2,514,625,161	<b>563,943,753</b>	2,283,972,199

The accompanying notes on page 100 to 139 form an integral part of these financial statements.



# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016		2015	
		US\$	KHR'000	US\$	KHR'000
Interest income	14	32,740,161	132,172,030	24,494,670	99,203,414
Interest expense	15	(14,548,943)	(58,734,083)	(9,799,719)	(39,688,862)
<b>Net interest income</b>		<b>18,191,218</b>	<b>73,437,947</b>	<b>14,694,951</b>	<b>59,514,552</b>
Fee and commission income	16	2,561,002	10,338,765	2,994,301	12,126,919
Fee and commission expense		(7,811)	(31,533)	(16,316)	(66,080)
<b>Net fee and commission income</b>		<b>2,553,191</b>	<b>10,307,232</b>	<b>2,977,985</b>	<b>12,060,839</b>
Other operating income		183,267	739,849	151,750	614,588
<b>Total operating income</b>		<b>20,927,676</b>	<b>84,485,208</b>	<b>17,824,686</b>	<b>72,189,979</b>
Personnel expenses	17	(3,376,220)	(13,629,800)	(3,448,087)	(13,964,752)
Depreciation and amortisation charges	18	(1,035,209)	(4,179,139)	(1,044,770)	(4,231,319)
Administrative and operating expenses	19	(3,012,420)	(12,161,140)	(2,500,055)	(10,125,223)
Profit before provision for loan losses		13,503,827	54,514,949	10,831,774	43,868,685
Provision for loan losses	6	(5,078,809)	(20,503,152)	(2,823,668)	(11,435,855)
<b>Profit before income tax</b>		<b>8,425,018</b>	<b>34,011,797</b>	<b>8,008,106</b>	<b>32,432,830</b>
Income tax expense	20(c)	(1,727,611)	(6,974,365)	(2,137,283)	(8,655,996)
<b>Profit for the year</b>		<b>6,697,407</b>	<b>27,037,432</b>	<b>5,870,823</b>	<b>23,776,834</b>
<b>Attributable to</b>					
The parent of the Bank		6,697,407	27,037,432	5,870,823	23,776,834

The accompanying notes on page 100 to 139 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to the parent of the Bank		
	Share capital	Retained earnings	Total
	US\$	US\$	US\$
Balance as at 01 January 2015	52,000,000	4,878,439	<b>56,878,439</b>
Capital injection	15,000,000	-	<b>15,000,000</b>
Profit for the year	-	5,870,823	<b>5,870,823</b>
Balance as at 31 December 2015	67,000,000	10,749,262	<b>77,749,262</b>
<i>In KHR'000 equivalent</i>	271,350,000	43,534,511	<b>314,884,511</b>
Balance as at 01 January 2016	67,000,000	10,749,262	<b>77,749,262</b>
Profit for the year	-	6,697,407	<b>6,697,407</b>
Balance as at 31 December 2016	67,000,000	17,446,669	<b>84,446,669</b>
<i>In KHR'000 equivalent</i>	270,479,000	70,432,203	<b>340,911,203</b>

The accompanying notes on page 100 to 139 form an integral part of these financial statements.



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Cash from operations	21	<b>12,055,482</b>	48,667,981	<b>57,532,844</b>	233,008,018
Interest received		<b>32,906,597</b>	132,843,932	<b>24,494,670</b>	99,203,414
Interest paid		<b>(13,854,444)</b>	(55,930,390)	<b>(9,799,719)</b>	(39,688,862)
Income tax paid		<b>(2,326,525)</b>	(9,392,181)	<b>(1,962,504)</b>	(7,948,141)
Cash generated from operating activities		<b>28,781,110</b>	116,189,342	<b>70,265,291</b>	<b>284,574,429</b>
<b>Cash flows from investing activities</b>					
Purchases of:					
- intangible assets	8	<b>(45,935)</b>	(185,440)	<b>(137,108)</b>	(555,287)
- property and equipment	9	<b>(979,745)</b>	(3,955,231)	<b>(657,320)</b>	(2,662,146)
Proceeds from disposal of subsidiary		<b>12,500,000</b>	50,462,500	-	-
Proceeds from disposals of property and equipment		<b>14,800</b>	59,748	<b>23,473</b>	95,066
Net cash generated from/(used in) investing activities		<b>11,489,120</b>	46,381,577	<b>(770,955)</b>	(3,122,367)
<b>Cash flows from financing activities</b>					
Proceed from capital injection		-	-	<b>15,000,000</b>	60,750,000
Net cash generated from financing activities		-	-	<b>15,000,000</b>	60,750,000
<b>Net increase in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of the year		<b>125,175,701</b>	506,961,590	<b>40,681,365</b>	165,776,562
Translation differences		-	(1,627,286)	-	(1,017,034)
Cash and cash equivalents at end of the year	22	<b>165,445,931</b>	667,905,223	<b>125,175,701</b>	506,961,590

The accompanying notes on page 100 to 139 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 1. BACKGROUND INFORMATION

RHB Indochina Bank Limited (“the Bank”), established on 9 July 2008, was registered with the Ministry of Commerce and was granted a banking license by the National Bank of Cambodia (“the Central Bank”) on 3 October 2008. The Bank is a wholly-owned subsidiary of RHB Bank Berhad, a public limited liability company incorporated in Malaysia and is the ultimate holding company of the RHB Banking Group pursuant to the Group Corporate Structure effective from 13 June 2016.

The Bank is principally engaged in a broad range of commercial banking activities in Cambodia.

The registered head office of the Bank is located at No. 263, Preah Ang Duong Street, Ground Floor Preah Ang Duong Street Phnom Penh, the Kingdom of Cambodia. The Bank also has twelve branches including the main branch in Phnom Penh and provinces. The Phnom Penh branches are located in Phnom Penh Main Branch, City Mall Olympic, Stoeung Meanchey, Kbal Thnal, Pet Lok Song, Toul Kork, Mao Tse Tung and Boeung Keng Kang and provincial branches in Battambang, Kampong Cham, Siem Reap and Preah Sihanouk.

The financial statements were authorised for issue by the Board of Directors on 17 February 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The financial statements of the Bank have been prepared using the historical cost convention, in accordance with the Cambodian Accounting Standards (“CAS”) and guidelines of the Central Bank. In applying CAS, the Bank also apply the Cambodian International Financial Reporting Standard (“CIFRS”) 7: *Financial Instruments: Disclosures*.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with the CAS and guidelines of the Central Bank requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

### 2.2 New financial reporting framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance (“the National Accounting Council”) announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by the International Accounting Standard Board (“IASB”), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular O58 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to delay adoption of CIFRS until periods beginning on or after 1 January 2019.

CAS, the current accounting standard used, is different to CIFRS in certain areas. Hence, the adoption of CIFRS will have some impacts on the financial statements of the Bank.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.3 Foreign currencies**

#### **(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in US dollars ("US\$"), which is the Bank's functional and presentation currency.

#### **(ii) Transactions and balances**

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than US\$ at the year-end exchange rates, are recognised in the income statement.

#### **(iii) Presentation in Khmer Riel**

For the sole regulatory purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation into Khmer Riel is provided for the balance sheets, income statements, statements of changes in equity, cash flow statements and notes to the financial statements as at and for the year year ended 31 December 2016 using the average official exchange rate published by the Central Bank as at the reporting date, which was US\$1 equal to Khmer Riel ("KHR") 4,037 (31 December 2015: US\$1 equal to KHR 4,050). Such translated amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

### **2.4 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with original maturity of three months or less from the date of acquisition, including cash on hand, the non-restricted balance with the Central Bank and balances with banks and other financial institutions.

### **2.5 Loans and advances to customers**

All loans and advances to customers are stated on the balance sheet at outstanding principal, less any amounts written off and provision for loan losses.

Loans and advances are written off when there are no realistic prospects of recovery. Recoveries of loans and advances previously written off or provided for are recognised in the income statement.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Provision for loan losses

The Bank follows the mandatory credit classification and provisioning as required by Prakas B7-09-074 dated 25 February 2009 issued by the Central Bank. The Prakas requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of specific provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral as follows:

Classification	Rate of provision (%)
General provision:	
Normal	1
Specific provision:	
Special mention	3
Substandard	20
Doubtful	50
Loss	100

### 2.7 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to those for originated loans as stated above. Specific provisions are raised against other credit related commitments when losses are considered probable.

### 2.8 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss.

Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised over five years using the straight-line method. Costs associated with maintaining computer software are recognised as expenses when incurred.

### 2.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure relating to an item of property and equipment are included in the asset's carrying amount or recognised as an asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Property and equipment (continued)

Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

	Useful life
Leasehold improvements	Shorter of its economic life and contractual terms
Office equipment	5
Furniture, fixtures and fittings	5
Computer equipment	3
Motor vehicles	5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Any impairment loss is charged to the income statement in the period in which it arises. Reversal of an impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

### 2.11 Interest income and expense

Interest earned on loans and advances to customers, balances with the Central Bank and balances and placements with banks and other financial institutions is recognised on an accrual basis, except where serious doubt exists as to the collectability, in which case, interest is suspended until it is realised on a cash basis. The policy on the suspension of interest is in conformity with the Central Bank's guidelines on the suspension of interest on non-performing loans and provision for loan losses.

Interest expense on deposits from banks, other financial institutions and customers is recognised on an accrual basis.

### 2.12 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service is provided. Loan processing fees are recognised as income when loan is disbursed.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 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 charged to the income statement on a straight-line basis over the period of the lease.

### 2.14 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.15 Employee benefits

#### *Short-term employee benefits*

Short term employee benefits are accrued in the period in which the associated services are rendered by the employees of the Bank.

### 2.16 Deferred and income taxes

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Bank operates and generates taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

### 2.17 Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operating decisions.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and include any individual who participates in the administration, direction, management or internal controls of the Bank.



### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

#### (a) Impairment losses on loans and advances

The Bank follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 on asset classification and provisioning in banking and financial institutions issued by the Central Bank. The Central Bank requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purpose of loan classification, the Bank takes into account all relevant factors which may affect the counterparties' repayment abilities.

#### (b) Taxes

Taxes are calculated on the basis of the current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the General Department of Taxation.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the provision for income tax and deferred tax in the period in which such determination is made.

### 4. BALANCES WITH THE CENTRAL BANK

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Current accounts	81,790,980	330,190,186	53,960,362	218,539,467
Clearing accounts	597,199	2,410,892	420,115	1,701,466
Reserve requirement (a)	54,353,580	219,425,403	48,784,987	197,579,197
Statutory deposit (b)	6,700,000	27,047,900	6,700,000	27,135,000
Negotiable certificate of deposits (c)	3,049,542	12,311,001	2,493,828	10,100,003
	146,491,301	591,385,382	112,359,292	455,055,133



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 4. BALANCES WITH THE CENTRAL BANK (CONTINUED)

### (a) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 8% (2015: 8%) and 12.5% (2015: 12.5%) of customers' deposits in Khmer Riel ("KHR") and other currencies respectively. The 4.5% (2015: 4.5%) reserve requirement on customers' deposits in currencies other than KHR is interest bearing while the remaining 8% and the reserve requirement on customers' deposits in KHR bear no interest.

### (b) Statutory deposit

Pursuant to Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001 issued by the Central Bank, banking and financial institutions are required to maintain 10% of its registered capital as a statutory deposit with the Central Bank. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

### (c) Negotiable certificate of deposits (NCDs)

NCDs are tradable instruments between the banks. NCDs denominated in KHR can have maturity between two weeks and one year, with interest rate ranging from 1.70% to 3.99% per annum and in US\$ can have maturity between two weeks and six months, with interest rate of ½ SIBOR. NCDs can be used for Repurchase Agreement and pledged as collateral in inter-bank markets.

The Bank's NCDs amounting to US\$3,049,542 (2015: US\$2,493,828) was pledged as collaterals for three months for its overdraft facility with the Central Bank. As at 31 December 2016, the Bank has yet utilised the overdraft facility.

### (d) Interest rates

The current and clearing accounts are non-interest bearing. The statutory and reserve requirement deposits earn interest at the following annual rates as at the balance sheet date:

	2016	2015
Reserve requirement	0.08%	0.08%
Statutory deposit	0.08%	0.08%
Negotiable certificate of deposits	0.54% - 0.98%	0.29% - 2.99%

## 5. BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Current accounts (non-interest bearing)	27,751,265	112,031,857	6,495,806	26,308,014
Term deposits (*)	88,000,000	355,256,000	84,000,000	340,200,000
	115,751,265	467,287,857	90,495,806	366,508,014



## 5. BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

(\*) All term deposit accounts have maturity within one year and earn interest at the following annual rates:

	2016	2015
Term Deposit	1.10% - 5.20%	1.00% - 4.60%

## 6. LOANS AND ADVANCES TO CUSTOMERS

### (a) By type

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Term loans	265,441,192	1,071,586,092	260,688,872	1,055,789,934
Housing loan	29,223,480	117,975,189	24,935,527	100,988,885
Vehicle loans	24,532	99,036	7,277	29,470
Overdrafts	59,965,411	242,080,364	55,826,204	226,096,126
Staff vehicle loan	199,134	803,904	130,122	526,994
Staff housing loan	3,068,612	12,387,986	2,468,563	9,997,679
Trust receipts	166,101	670,550	-	-
Gross loans and advances to customers	358,088,462	1,445,603,121	344,056,565	1,393,429,088
Provision for loan losses:				
Specific	(7,065,485)	(28,523,363)	(2,074,486)	(8,401,668)
General	(3,447,304)	(13,916,766)	(3,359,494)	(13,605,951)
Net loans and advances to customers	347,575,673	1,403,162,992	338,622,585	1,371,421,469

### (b) Provision for loan losses

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
At beginning of the year	5,433,980	22,007,619	2,610,312	10,637,021
Provision movement for the year	5,078,809	20,503,152	2,823,668	11,435,855
Currency translation differences	-	(70,642)	-	(65,257)
At end of the year	10,512,789	42,440,129	5,433,980	22,077,619



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 6. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (c) By performance

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Normal loans				
Secured	344,711,945	1,391,602,122	335,949,435	1,360,595,208
Unsecured	18,445	74,462	-	-
Special mention loans				
Secured	4,522,303	18,256,537	5,113,440	20,709,434
Substandard loans				
Secured	1,909,721	7,709,544	415,229	1,681,678
Doubtful loans				
Secured	756,352	3,053,393	1,480,849	5,997,437
Loss loans				
Secured	6,169,696	24,907,063	1,097,612	4,445,331
	358,088,462	1,445,603,121	344,056,565	1,393,429,088

### (d) By exposure

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Large exposure	38,658,372	156,063,848	30,445,538	123,304,429
Non-large exposure	319,430,090	1,289,539,273	313,611,027	1,270,124,659
	358,088,462	1,445,603,121	344,056,565	1,393,429,088

Large exposure is defined by the Central Bank as overall credit exposure to any single beneficiary that exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

### (e) Interest rates

Loans and advances to customers bear interest at the following rates per annum:

	2016	2015
Term loans	7.50% - 15.25%	8.00% - 14.00%
Overdrafts	8.00% - 12.50%	8.00% - 12.00%



## 7. OTHER ASSETS

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Gross interest receivable	4,364,456	17,619,309	2,519,917	10,205,664
Less: interest in suspense	(2,491,243)	(10,057,148)	(480,267)	(1,945,081)
Net interest receivable	1,873,213	7,562,161	2,039,650	8,260,583
Claim receivable	140,452	567,005	54,352	220,126
Deposits	396,711	1,601,522	186,624	755,827
Prepayments	130,099	525,210	278,542	1,128,095
Supplies	108,248	436,997	115,448	467,564
Due from related parties (note 24)	53,000	213,960	12,500,000	50,625,000
Others	229,394	926,064	66,654	269,947
	2,931,117	11,832,919	15,241,270	61,727,142

All of other assets are expected to be recovered within one year after the year end, except for deposits of US\$374,473 relating to rentals for offices and ATM booths to be utilised later than one year after the year end.

## 8. INTANGIBLE ASSETS

Details of intangible assets, which comprise computer software licenses, are as follows:

	2016	2015
	US\$	US\$
<b>Cost</b>		
At the beginning of the year	1,199,559	1,062,451
Additions	45,935	137,108
At the end of the year	1,245,494	1,199,559
<b>Accumulated amortisation</b>		
At the beginning of the year	846,409	691,498
Amortisation charge	103,777	154,911
At the end of the year	950,186	846,409
<b>Net book value</b>	295,308	353,150
In KHR'000 equivalent	1,192,158	1,430,258



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 9. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	Leasehold improvements	Office equipment	Furniture, fixtures and fittings	Computer equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>2016</b>						
<b>Cost</b>						
At 01 January 2016	2,866,885	2,051,176	447,194	1,202,787	483,020	7,051,062
Additions	506,782	186,839	73,798	111,086	101,240	979,745
Disposals	-	-	-	-	(36,200)	(36,200)
At 31 December 2016	3,373,667	2,238,015	520,992	1,313,873	548,060	7,994,607
<b>Accumulated depreciation</b>						
At 01 January 2016	1,488,054	1,317,066	216,130	872,399	242,873	4,136,522
Depreciation charge	328,935	271,209	61,484	182,832	86,972	931,432
Disposals	-	-	-	-	(28,364)	(28,364)
At 31 December 2016	1,816,989	1,588,275	277,614	1,055,231	301,481	5,039,590
<b>Net book value</b>	1,556,678	649,740	243,378	258,642	246,579	2,955,017
<b>In KHR'000 equivalent</b>	6,284,309	2,623,000	982,517	1,044,138	995,440	11,929,404



## 9. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Office equipment	Furniture, fixtures and fittings	Computer equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>2015</b>						
<b>Cost</b>						
At 01 January 2015	2,856,785	1,618,221	428,751	1,179,295	358,990	6,442,042
Additions	10,100	432,955	18,443	23,492	172,330	657,320
Disposals	-	-	-	-	(48,300)	(48,300)
At 31 December 2015	2,866,885	2,051,176	447,194	1,202,787	483,020	7,051,062
<b>Accumulated depreciation</b>						
At 01 January 2015	1,201,620	1,046,903	163,580	676,786	195,868	3,284,757
Depreciation charge	286,434	270,163	52,550	195,613	85,099	889,859
Disposals	-	-	-	-	(38,094)	(38,094)
At 31 December 2015	1,488,054	1,317,066	216,130	872,399	242,873	4,136,522
<b>Net book value</b>	1,378,831	734,110	231,064	330,388	240,147	2,914,540
<b>In KHR'000 equivalent</b>	5,584,266	2,973,146	935,809	1,338,071	972,595	11,803,887



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 10. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Current accounts	2,628,331	10,610,572	2,491,595	10,090,960
Savings accounts	712,903	2,877,990	321,466	1,301,937
Term deposits	228,026,250	920,541,971	259,726,266	1,051,891,377
	<b>231,367,484</b>	<b>934,030,533</b>	<b>262,539,327</b>	<b>1,063,284,274</b>

As at the balance sheet date, deposits from banks and other financial institutions bear interest rates at the following rates per annum; depending on the terms and currencies. All deposits have maturity within one year.

	2016	2015
Current accounts	Nil	Nil
Savings accounts	Nil	Nil
Term deposits	1.10% - 2.75%	0.65% - 3.25%

## 11. DEPOSITS FROM CUSTOMERS

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Current accounts	53,777,712	217,100,623	26,259,705	106,351,805
Savings accounts	37,661,329	152,038,785	28,074,078	113,700,016
Term deposits	205,832,479	830,945,718	161,865,722	655,556,174
	<b>297,271,520</b>	<b>1,200,085,126</b>	<b>216,199,505</b>	<b>875,607,995</b>

As at the balance sheet date, deposits from customers bear interest rates at the following rates per annum; depending on the terms and currencies. All deposits have maturity within one year, except the amount of US\$22,963,381 with maturity more than one year.

	2016	2015
Current accounts	0.88% - 2.08%	Nil
Savings accounts	1.25%	1.50%
Term deposits	2.00% - 5.75%	2.00% - 6.00%



## 12. OTHER LIABILITIES

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Interest payable	4,381,846	17,689,512	3,687,347	14,933,755
Accrued bonuses	792,000	3,197,304	806,400	3,265,920
Cheques for collection	597,199	2,410,892	420,115	1,701,466
Withholding tax payable	112,883	455,709	94,424	382,417
Account payable	106,695	430,728	99,655	403,603
Salary tax payable	21,370	86,271	20,600	83,430
Others (*)	2,186,452	8,826,706	604,176	2,446,913
	8,198,445	33,097,122	5,732,717	23,217,504

(\*) Included in others, the amount of US\$1,057,373 represents the overseas inwards to be credited to specific customer deposit account.

All of the above liabilities are expected to be settled within one year after the year end.

## 13. SHARE CAPITAL

	2016			2015		
	Shares ('000)	US\$	KHR'000	Shares ('000)	US\$	KHR'000
Opening balance	67,000	67,000,000	271,350,000	52,000	52,000,000	211,900,000
Capital injection	-	-	-	15,000	15,000,000	60,750,000
Translation differences	-	-	(871,000)	-	-	(1,300,000)
Closing balance	67,000	67,000,000	270,479,000	67,000	67,000,000	271,350,000

As at 31 December 2016, the authorised share capital of the Bank was US\$67 million with 67 million ordinary shares at a par value of US\$1 each. All shares were issued and fully paid up.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 14. INTEREST INCOME

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Interest income from:				
Loans and advances to customers	30,382,849	122,655,561	22,616,731	91,597,761
Balances and placements with banks and other financial institutions	2,290,414	9,246,401	1,836,591	7,438,193
Balances with the Central Bank	56,717	228,967	15,614	63,237
Negotiable certificate of deposits	10,181	41,101	25,734	104,223
	32,740,161	132,172,030	24,494,670	99,203,414

## 15. INTEREST EXPENSE

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Interest expense on:				
Term deposits	14,060,003	56,760,232	9,433,368	38,205,140
Savings accounts	363,806	1,468,685	352,898	1,429,237
Current accounts	125,134	505,166	13,453	54,485
	14,548,943	58,734,083	9,799,719	39,688,862

## 16. FEE AND COMMISSION INCOME

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Loan processing fees	1,157,790	4,673,998	1,783,572	7,223,467
Commission fee	426,840	1,723,153	390,665	1,582,192
Loan commitment fees	186,539	753,058	159,044	644,128
Others	789,833	3,188,556	661,020	2,677,132
	2,561,002	10,338,765	2,994,301	12,126,919



## 17. PERSONNEL EXPENSES

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	2,566,632	10,361,493	2,346,380	9,502,839
Bonuses and incentives	553,880	2,236,014	851,049	3,446,748
Other short-term benefits	255,708	1,032,293	250,658	1,015,165
	3,376,220	13,629,800	3,448,087	13,964,752

## 18. DEPRECIATION AND AMORTISATION CHARGES

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Depreciation of property and equipment (note 9)	931,432	3,760,191	889,859	3,603,929
Amortisation of intangible assets (note 8)	103,777	418,948	154,911	627,390
	1,035,209	4,179,139	1,044,770	4,231,319



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 19. ADMINISTRATIVE AND OPERATING EXPENSES

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Buildings rental	618,632	2,497,417	522,572	2,116,417
Repairs and maintenance	337,778	1,363,610	341,972	1,384,987
Publication, marketing and promotion	319,090	1,288,166	134,694	545,511
License fees	260,459	1,051,473	238,467	965,791
Security	224,612	906,759	177,773	719,981
Utilities	222,071	896,501	201,154	814,674
Insurance	146,363	590,867	119,288	483,116
Stationeries and printing	135,731	547,946	101,281	410,188
Business development	120,773	487,561	84,504	342,241
Telecommunication	98,056	395,852	93,678	379,396
Motor vehicle and running costs	89,852	362,733	98,063	397,155
Patent and other taxes	85,017	343,214	100,676	407,738
Board of Directors' fees	78,200	315,693	79,682	322,712
Professional and other related costs	68,870	278,028	44,916	181,910
Materials for banking activities	42,053	169,768	39,209	158,796
Bank charges	30,221	122,002	28,689	116,190
Supplies	16,356	66,029	18,368	74,390
Other expenses	118,286	477,521	75,069	304,030
	3,012,420	12,161,140	2,500,055	10,125,223

## 20. TAXATION

### (a) Deferred tax assets

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	716,595	2,892,894	272,337	1,102,965
Deferred tax liabilities	(78,705)	(317,732)	(120,817)	(489,309)
	637,890	2,575,162	151,520	613,656



## 20. TAXATION (CONTINUED)

### (a) Deferred tax assets (continued)

The movement of net deferred tax assets is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of the year	151,520	613,656	-	-
Charge to the income statement	486,370	1,963,476	151,520	613,656
Currency translation differences	-	(1,970)	-	-
Balance at end of the year	637,890	2,575,162	151,520	613,656

The movement in deferred income tax assets/(liabilities) during the period is as follows:

	General loan loss provision	Accelerated depreciation and amortisation	Total
	US\$	US\$	US\$
At 01 January 2015	-	-	-
Charged to the income statement	272,337	(120,817)	151,520
At 31 December 2015	272,337	(120,817)	151,520
In KHR'000 equivalent	1,102,965	(489,309)	613,656
At 01 January 2016	272,337	(120,817)	151,520
Charged to the income statement	444,258	42,112	486,370
At 31 December 2016	716,595	(78,705)	637,890
In KHR'000 equivalent	2,892,894	(317,732)	2,575,162



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 20. TAXATION (CONTINUED)

### (b) Current income tax liabilities

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Opening balance	1,722,942	6,977,915	1,396,643	5,691,320
Charge during the year	2,213,981	8,937,841	2,288,803	9,269,652
Income tax paid	(2,326,525)	(9,392,181)	(1,962,504)	(7,948,141)
Currency translation differences	-	(22,398)	-	(34,916)
<b>Closing balance</b>	<b>1,610,398</b>	<b>6,501,177</b>	<b>1,722,942</b>	<b>6,977,915</b>

### (c) Income tax expense

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Income tax expense:				
Current income tax	2,213,981	8,937,841	2,288,803	9,269,652
Deferred tax	(486,370)	(1,963,476)	(151,520)	(613,656)
	<b>1,727,611</b>	<b>6,974,365</b>	<b>2,137,283</b>	<b>8,655,996</b>

The reconciliation of income tax computed at the statutory tax rate of 20% to taxation as disclosed in the income statement is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	8,425,018	34,011,797	8,008,106	32,432,830
Tax calculated at 20%	1,685,004	6,802,361	1,601,621	6,486,566
Tax effects in respect of:				
Expenses not deductible for tax purposes	42,607	172,004	535,662	2,169,430
<b>Income tax expense</b>	<b>1,727,611</b>	<b>6,974,365</b>	<b>2,137,283</b>	<b>8,655,996</b>

In accordance with the Cambodian tax laws, the Bank has an obligation to pay corporate income tax of either tax on profit at a rate of 20% on taxable profit or 1% minimum tax, whichever is higher.



## 21. CASH USED IN OPERATIONS

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	8,425,018	34,011,797	8,008,106	32,432,830
Adjustments for:				
Depreciation and amortisation (note 18)	1,035,209	4,179,139	1,044,770	4,231,319
Provision for loan losses (note 6)	5,078,809	20,503,152	2,823,668	11,435,855
Gain on disposals of property and equipment	(6,964)	(28,114)	(64,574)	(261,524)
Net interest income	(18,191,218)	(73,437,947)	(14,694,951)	(59,514,552)
Operating loss before changes in working capital	(3,659,146)	(14,771,973)	(2,882,981)	(11,676,072)
Change in working capital:				
Balances with the Central Bank	(5,568,593)	(22,480,410)	(32,100,940)	(130,008,807)
Negotiable certificate of deposits	-	-	15,000,000	60,750,000
Balances and placements with banks and other financial institutions	(16,000,000)	(64,592,000)	12,500,000	50,625,000
Loans and advances to customers	(14,031,897)	(56,646,768)	(127,832,457)	(517,721,451)
Other assets	(356,284)	(1,438,319)	(811,381)	(3,286,093)
Deposits from banks and other financial institutions	(31,171,843)	(125,840,730)	115,129,266	466,273,527
Deposits from customers	81,072,015	327,287,725	77,407,770	313,501,468
Other liabilities	1,771,230	7,150,456	1,123,567	4,550,446
<b>Cash generated from operations</b>	<b>12,055,482</b>	<b>48,667,981</b>	<b>57,532,844</b>	<b>233,008,018</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 22. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, the cash and cash equivalents comprise:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	6,256,945	25,259,287	3,805,590	15,412,640
<b>Balances with the Central Bank (note 4):</b>				
Current accounts	81,790,980	330,190,186	53,960,362	218,539,467
Clearing accounts	597,199	2,410,892	420,115	1,701,466
Negotiable certificate of deposits (with maturity of three months or less)	3,049,542	12,311,001	2,493,828	10,100,003
<b>Balances and placements with banks and     other financial institutions:</b>				
Current accounts (note 5)	27,751,265	112,031,857	6,495,806	26,308,014
Term deposits (with maturity of three months or less)	46,000,000	185,702,000	58,000,000	234,900,000
	<b>165,445,931</b>	<b>667,905,223</b>	<b>125,175,701</b>	<b>506,961,590</b>

## 23. COMMITMENTS AND CONTINGENCIES

### (a) Commitments to extend credit

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Unused portion of overdraft	25,106,102	101,353,334	17,011,029	68,894,667
Documentary credit	1,052,755	4,249,972	614,936	2,490,491
Other guarantees	5,569,512	22,484,120	2,475,739	10,026,743
	<b>31,728,369</b>	<b>128,087,426</b>	<b>20,101,704</b>	<b>81,411,901</b>



## 23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### (b) Non-cancellable operating lease commitments

The Bank has non-cancellable lease commitments in respect of its leases of premises.

The future aggregate minimum lease payments under non-cancellable operating leases of the Bank are as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Future minimum lease payable:				
- Not later than one year	707,048	2,854,353	590,732	2,392,465
- Later than one year but not later than five years	1,412,099	5,700,644	1,528,534	6,190,563
- Over five years	679,446	2,742,924	536,163	2,171,459
	2,798,593	11,297,921	2,655,429	10,754,487

## 24. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties and relationship

The related parties of, and their relationship with the Bank are as follows:

Relationship	Related party
Parent company	RHB Bank Berhad
Related company	All entities under the same ultimate parent company
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Due to related party balances and its transactions

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Due to parent company				
- Term deposits	134,000,000	540,958,000	179,000,000	724,950,000
- Interest payable	358,389	1,446,816	430,921	1,745,231
	134,358,389	542,404,816	179,430,921	726,695,231
	2016		2015	
	US\$	KHR'000	US\$	KHR'000
- Interest expense	3,742,145	15,107,039	2,126,240	8,611,272
	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Due to a related company				
- Current accounts	113,016	456,246	7,086,634	28,700,868
- Term deposits	8,596,025	34,702,153	1,891,398	7,660,162
- Interest payable	88,716	358,146	83,416	337,835
	8,797,757	35,516,545	9,061,448	36,698,865
	2016		2015	
	US\$	KHR'000	US\$	KHR'000
- Interest expenses	291,766	1,177,859	1,039	4,208
- Referral fee	250	1,009	1,500	6,075



## 24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (c) Due from related parties

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Due from related companies	27,304	110,226	12,500,000	50,625,000
Due from parent company	25,696	103,734	-	-
	53,000	213,960	12,500,000	50,625,000

The amount due from related companies and parent company is mainly related to various expenses that the Bank paid on behalf and will be reimbursed from related companies and parent company.

### (d) Key management personnel remuneration

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term benefits	618,346	2,496,263	598,488	2,423,876

### (e) Directors' remuneration

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
Directors' fees	78,200	315,693	79,682	322,712



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks, including credit risk, market risk (including foreign exchange risk and interest rate risk) and liquidity risk as well as operational risk. Taking risk is core to the financial business, and operational risk is an inevitable consequence of being in business. The Bank does not use derivative financial instruments to manage its risk exposures.

Financial assets are the contractual rights to receive cash or another financial asset from another entity. It is classified as loan and receivables and comprised of cash on hand, balances with the Central Bank, balances with banks and other financial institutions, loans to customers and other assets.

Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity. It is classified as other liabilities and comprised of deposits from banks and other financial institutions, deposits from customers and other liabilities.

The financial assets (loan and receivables) and liabilities held by the Bank are as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Current accounts</b>				
Cash on hand	6,256,945	25,259,287	3,805,590	15,412,640
Balances with the Central Bank (*)	85,437,721	344,912,080	56,874,305	230,340,935
Balances and placements with banks and other financial institutions	115,751,265	467,287,857	90,495,806	366,508,014
Loans and advances to customers	347,575,673	1,403,162,992	338,622,585	1,371,421,469
Other assets	2,435,376	9,831,613	14,805,626	59,962,785
	<b>557,456,980</b>	<b>2,250,453,829</b>	<b>504,603,912</b>	<b>2,043,645,843</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	231,367,484	934,030,533	262,539,327	1,063,284,274
Deposits from customers	297,271,520	1,200,085,126	216,199,505	875,607,995
Other liabilities	5,572,949	22,497,995	5,617,693	22,751,657
	<b>534,211,953</b>	<b>2,156,613,654</b>	<b>484,356,525</b>	<b>1,961,643,926</b>
<b>Net financial assets</b>	<b>23,245,027</b>	<b>93,840,175</b>	<b>20,247,387</b>	<b>82,001,917</b>

(\*) It excluded the reserve and statutory deposits with the Central Bank.



## **25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **25.1 Credit risk**

Credit risk is the risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from loans and advances and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk.

#### **(a) Credit risk measurement**

The Bank has established the Core Credit Risk Policy, which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs which 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.

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

#### **(b) Risk limit control and mitigation policies**

The Bank manages, limits and controls concentration of credit risk whenever they are identified, in particular, to individual counterparties and groups, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.

Large exposure is defined by the Central Bank as overall credit exposure to any single beneficiary which exceeds 10% of the Bank's net worth. The Bank is required, under the conditions of Prakas No. B7-06-226 of the Central Bank, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregate of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk, including requiring borrowers to pledge collateral against loans and advances granted by the Bank.

#### **(c) Impairment and provisioning policies**

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as stated in note 2.6 to the financial statements.

Loan classification and loan loss provisioning are determined taking into account past due period of loans and advances to customers and other relevant qualitative factors.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

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

The table below presents the maximum credit risk exposure of the Bank, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposures are based on net carrying amounts. For credit related commitments, the maximum exposure to credit risk represents the full amount of irrevocable committed facilities.

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>On-balance sheet assets</b>				
Balances and placements with banks and other financial institutions	<b>115,751,265</b>	467,287,857	<b>90,495,806</b>	366,508,014
Loans and advances to customers	<b>347,575,673</b>	1,403,162,992	<b>338,622,585</b>	1,371,421,469
Other assets	<b>2,435,376</b>	9,831,613	<b>14,805,626</b>	59,962,785
	<b>465,762,314</b>	1,880,282,462	<b>443,924,017</b>	1,797,892,268
<b>Off-balance sheet items</b>				
Commitment	<b>31,728,369</b>	128,087,426	<b>20,101,704</b>	81,411,901
	<b>497,490,683</b>	2,008,369,888	<b>464,025,721</b>	1,879,304,169

To the extent possible, pledges of collateral are negotiated with the counterparties for the purposes of reducing credit risk. The Bank take into consideration the marketability of the collateral as well as the adequacy of debt coverage in assessing the acceptability of collateral. The main types of collateral and other credit enhancements obtained by the Bank in respect of loans and advances to customers are properties and guarantees. Properties are valued periodically based on valuation by independent professional valuers.

Management is confident of its ability to control and sustain minimal exposure to credit risk by the Bank resulting from loans and advances based on the following:

- Approximately 99.99% (2015: 99.99%) of the loans and advances of the Bank are collateralised; and
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (e) Credit quality of financial assets

##### Loans and advances to customers

As at the balance sheet date, exposures of the Bank to credit risk arising from loans and advances to customers (without taking into account of any collateral held or other credit enhancements and provision for loan losses) are as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Loans and advances, net:</b>				
Neither past due nor impaired	<b>341,283,086</b>	1,377,759,818	<b>332,589,941</b>	1,346,989,257
Past due but not impaired	<b>4,386,634</b>	17,708,841	<b>4,960,037</b>	20,088,151
Individually impaired	<b>1,905,953</b>	7,694,333	<b>1,072,607</b>	4,344,061
	<b>347,575,673</b>	1,403,162,992	<b>338,622,585</b>	1,371,421,469

All other financial assets held by the Bank as at the balance sheet date are neither past due nor individually impaired.

##### Balances and placements with banks and other financial institutions

Analysis of the balances and placements with banks and other financial institutions of the Bank as at the balance sheet date by counterparty is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>In Cambodia:</b>				
Commercial banks	<b>88,155,520</b>	355,883,834	<b>84,226,359</b>	341,116,754
<b>Outside Cambodia:</b>				
Commercial banks	<b>27,595,745</b>	111,404,023	<b>6,269,447</b>	25,391,260
	<b>115,751,265</b>	467,287,857	<b>90,495,806</b>	366,508,014

##### Other assets

Other assets of the Bank mainly comprise interest receivable on placements with banks and other financial institutions and refundable deposits placed by the Bank in respect of rental of premises.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (f) Credit quality of loans and advances to customers

##### i. Loans and advances that are past due but not impaired

The aging analysis of loans and advances that are past due but not impaired as at the balance sheet date (without taking into account of any collateral held or other credit enhancements) is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Past due period:</b>				
- < 30 days	<b>3,272,843</b>	13,212,467	<b>1,815,394</b>	7,352,346
- 30 to < 60 days	<b>674,631</b>	2,723,485	<b>2,655,520</b>	10,754,856
- 60 to < 90 days	<b>574,829</b>	2,320,585	<b>644,756</b>	2,611,263
	<b>4,522,303</b>	18,256,537	<b>5,115,670</b>	20,718,465
<b>Less: Provision</b>	<b>(135,669)</b>	(547,696)	<b>(155,633)</b>	(630,314)
	<b>4,386,634</b>	17,708,841	<b>4,960,037</b>	20,088,151

Loans that are past due below 30 days and 30 days or more but less than 90 days are classified as Normal loan and Special Mention and subject to provision of 1% and 3% respectively.

Loans and advances that are past due for less than 90 days are generally not considered impaired unless other information available indicates otherwise.



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (f) Credit quality of loans and advances to customers (continued)

##### ii. Loans and advances that are individually impaired

The aging analysis of loans and advances that are past due for 90 days or more, which are considered impaired (without taking into account of any collateral held or other credit enhancements) is as follows:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Past due period:</b>				
- 90 to < 180 days	<b>1,909,721</b>	7,709,544	<b>415,229</b>	1,681,677
- 180 to < 360 days	<b>756,352</b>	3,053,393	<b>1,650,495</b>	6,684,505
- 360 days or more	<b>6,169,696</b>	24,907,063	<b>925,736</b>	3,749,234
	<b>8,835,769</b>	35,670,000	<b>2,991,460</b>	12,115,416
<b>Less: Provision</b>	<b>(6,929,816)</b>	(27,975,667)	<b>(1,918,853)</b>	(7,771,355)
	<b>1,905,953</b>	7,694,333	<b>1,072,607</b>	4,344,061

#### (g) Repossessed collateral

The Central Bank requires banking institutions to classify repossessed property, if any as foreclosed property in the balance sheet and to dispose of the property within one year.

During the period, the Bank did not obtain any asset by taking possession of collateral held as security.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (h) Credit risk concentration of financial assets

##### i. By geographical distribution

As at the balance sheet date, the credit exposures of the Bank are derived mainly from Cambodia based on the country of domicile of the counterparties as follows:

	Cambodia	Other countries	Total
	US\$	US\$	US\$
<b>2016</b>			
Balances and placements with banks and other financial institutions	88,155,520	27,595,745	115,751,265
Loans and advances to customers	347,575,673	-	347,575,673
Other assets	2,435,376	-	2,435,376
	<b>438,166,569</b>	<b>27,595,745</b>	<b>465,762,314</b>
In KHR'000 equivalent	<b>1,768,878,439</b>	<b>111,404,023</b>	<b>1,880,282,462</b>
<b>2015</b>			
Balances and placements with banks and other financial institutions	84,226,359	6,269,447	90,495,806
Loans and advances to customers	338,622,585	-	338,622,585
Other assets	2,305,626	12,500,000	14,805,626
	<b>425,154,570</b>	<b>18,769,447</b>	<b>443,924,017</b>
In KHR'000 equivalent	<b>1,721,876,008</b>	<b>76,016,260</b>	<b>1,797,892,268</b>



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (h) Credit risk concentration of financial assets (continued)

##### ii. By industry sector

	Balances and placements with banks and other financial institutions	Loan and advances to customers	Other assets	Total	Total
	US\$	US\$	US\$	US\$	KHR'000
<b>2016</b>					
Financial institution	115,751,265	3,283,736	720,200	119,755,201	483,451,746
Hotels and restaurants	-	43,280,370	139,718	43,420,088	175,286,895
Retail	-	52,947,955	187,175	53,135,130	214,506,520
Wholesale	-	28,355,874	70,713	28,426,587	114,758,132
Manufacturing	-	26,651,820	198,188	26,850,008	108,393,482
Agriculture, forestry and fishing	-	23,779,910	73,206	23,853,116	96,295,029
Mortgage, owner-occupied housing	-	33,053,369	119,304	33,172,673	133,918,081
Rental and Operational Leasing Activities, excluded Real Estate Leasing and Rentals	-	30,782,433	97,963	30,880,396	124,664,159
Transport and storage	-	5,492,090	33,283	5,525,373	22,305,931
Utilities	-	3,051,345	8,797	3,060,142	12,353,793
Real estate activities	-	18,884,143	469,226	19,353,369	78,129,551
Construction	-	21,127,369	57,047	21,184,416	85,521,487
Other non-financial services	-	23,299,693	86,134	23,385,827	94,408,584
Information Media and Telecommunications	-	1,314,586	3,510	1,318,096	5,321,154
Others	-	32,270,980	170,912	32,441,892	130,967,918
	115,751,265	347,575,673	2,435,376	465,762,314	1,880,282,462



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.1 Credit risk (continued)

#### (h) Credit risk concentration of financial assets (continued)

##### ii. By industry sector (continued)

	Balances and placements with banks and other financial institutions	Loan and advances to customers	Other assets	Total	Total
	US\$	US\$	US\$	US\$	KHR'000
<b>2015</b>					
Financial institution	90,495,806	4,831,624	12,927,173	108,254,603	438,431,142
Hotels and restaurants	-	52,483,831	255,376	52,739,207	213,593,788
Retail	-	51,312,950	176,806	51,489,756	208,533,512
Wholesale	-	26,055,976	53,572	26,109,548	105,743,669
Manufacturing	-	25,718,758	180,036	25,898,794	104,890,116
Agriculture, forestry and fishing	-	23,657,307	282,555	23,939,862	96,956,441
Mortgage, owner-occupied housing	-	29,080,233	137,532	29,217,765	118,331,948
Rental and Operational Leasing Activities, excluded Real Estate Leasing and Rentals	-	34,449,364	115,383	34,564,747	139,987,225
Transport and storage	-	5,044,965	50,013	5,094,978	20,634,661
Utilities	-	3,676,323	74,177	3,750,500	15,189,525
Real estate activities	-	14,885,818	227,143	15,112,961	61,207,492
Construction	-	22,845,460	152,707	22,998,167	93,142,576
Other non-financial services	-	24,040,307	94,408	24,134,715	97,745,596
Personal	-	252,893	380	253,273	1,025,756
Information Media and Telecommunications	-	1,251,507	3,228	1,254,735	5,081,677
Others	-	19,035,269	75,137	19,110,406	77,397,144
	90,495,806	338,622,585	14,805,626	443,924,017	1,797,892,268



## **25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **25.2 Market risk**

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

#### **(a) Price risk**

The Bank managed its risk of unfavourable changes of prices of its investment by reviewing the monthly fund performance report.

#### **(b) Foreign exchange risk**

The Bank mainly transact in US\$, which is the functional currency of the Bank. The Bank do not have significant exposure to foreign exchange risk.

#### **(c) Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates. Management regularly monitors any mismatch of interest rate repricing undertaken.

The table below summarises the exposures of the Bank to interest rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.2 Market risk (continued)

#### (c) Interest rate risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>2016</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	6,256,945	6,256,945
Balances with the Central Bank	85,437,721	-	-	-	-	-	85,437,721
Balances and placements with banks and other financial institutions	43,751,265	35,000,000	37,000,000	-	-	-	115,751,265
Loans and advances to customers	8,295,212	9,163,439	36,572,328	50,378,179	243,166,515	-	347,575,673
Other assets	1,873,213	-	-	-	-	562,163	2,435,376
	139,357,411	44,163,439	73,572,328	50,378,179	243,166,515	6,819,108	557,456,980
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	(114,000,000)	(53,026,250)	(61,000,000)	-	-	(3,341,234)	(231,367,484)
Deposits from customers	(25,774,383)	(41,620,107)	(115,474,609)	(22,963,381)	-	(91,439,041)	(297,271,521)
Other liabilities	(1,890,603)	-	-	-	-	(3,682,346)	(5,572,949)
	(141,664,986)	(94,646,357)	(176,474,609)	(22,963,381)	-	(98,462,621)	(534,211,954)
<b>Total interest rate repricing gap</b>							
- US\$	(2,307,575)	(50,482,918)	(102,902,281)	27,414,798	243,166,515	(91,643,513)	23,245,026
- In KHR'000 equivalent	(9,315,680)	(203,799,540)	(415,416,508)	110,673,539	981,663,221	(369,964,862)	93,840,170



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.2 Market risk (continued)

#### (c) Interest rate risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-Interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>2015</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	3,805,590	3,805,590
Balances with the Central Bank	56,874,305	-	-	-	-	-	56,874,305
Balances and placements with banks and other financial institutions	18,495,806	46,000,000	26,000,000	-	-	-	90,495,806
Loans and advances to customers	5,180,759	9,382,132	40,053,420	32,742,559	251,263,715	-	338,622,585
Other assets	14,543,478	-	19,386	87,810	75,600	79,352	14,805,626
	95,094,348	55,382,132	66,072,806	32,830,369	251,339,315	3,884,942	504,603,912
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	(164,726,266)	(44,000,000)	(51,000,000)	-	-	(2,813,061)	(262,539,327)
Deposits from customers	(17,542,571)	(50,196,837)	(93,373,804)	(752,510)	-	(54,333,783)	(216,199,505)
Other liabilities	(3,207,080)	-	-	-	-	(2,410,613)	(5,617,693)
	(185,475,917)	(94,196,837)	(144,373,804)	(752,510)	-	(59,557,457)	(484,356,525)
<b>Total interest rate repricing gap</b>							
- US\$	(90,381,569)	(38,814,705)	(78,300,998)	32,077,859	251,339,315	(55,672,515)	20,247,387
- In KHR'000 equivalent	(366,045,355)	(157,199,555)	(317,119,042)	129,915,329	1,017,924,226	(225,473,686)	82,001,917



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.3 Liquidity risk

Liquidity risk is the risk that the Bank are unable to meet their obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

#### (a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and maturity profile of deposits as well as the movements of main depositors and projection of their withdrawals.

#### (b) Funding approach

The main sources of funding of the Bank are from shareholder's paid-up capital and deposits from banks, other financial institutions and customers. The sources of funding are reviewed daily through management's review of maturity profile of term deposits.

#### (c) Non-derivative cash flows

The table below presents the undiscounted cash flows arising from financial assets and liabilities and commitments of the Bank based on the remaining contractual maturities as at the balance sheet date.



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.3 Liquidity risk (continued)

#### (c) Non-derivative cash flows (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>2016</b>						
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	(117,360,538)	(53,165,617)	(61,742,647)	-	-	(232,268,802)
Deposits from customers	(117,280,607)	(41,915,534)	(118,502,094)	(24,727,675)	-	(302,425,910)
Other liabilities	(5,572,949)	-	-	-	-	(5,572,949)
	(240,214,094)	(95,081,151)	(180,244,741)	(24,727,675)	-	(540,267,661)
<b>Total financial assets</b>	150,976,415	53,595,665	110,924,596	170,457,040	281,166,234	767,119,950
<b>Net liquidity gap</b>	(89,237,679)	(41,485,486)	(69,320,145)	145,729,365	281,166,234	226,852,289
In KHR'000 equivalent	(360,252,510)	(167,476,907)	(279,845,425)	588,309,446	1,135,068,087	915,802,691
<b>2015</b>						
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	(167,726,534)	(44,142,147)	(51,409,308)	-	-	(263,277,989)
Deposits from customers	(71,804,833)	(50,483,333)	(95,992,979)	(786,063)	-	(219,067,208)
Other liabilities	(5,617,693)	-	-	-	-	(5,617,693)
	(245,149,060)	(94,625,480)	(147,402,287)	(786,063)	-	(487,962,890)
<b>Total financial assets</b>	101,449,404	60,044,844	83,937,240	92,007,126	272,084,379	609,522,993
<b>Net liquidity gap</b>	(143,699,656)	(34,580,636)	(63,465,047)	91,221,063	272,084,379	121,560,103
In KHR'000 equivalent	(581,983,608)	(140,051,576)	(257,033,442)	369,445,304	1,101,941,735	492,318,413



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.4 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.

The Bank has established policies and procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. Internal control policies and measures that have been implemented including the establishment of signing authorities, defining system parameter controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. The policies and procedures are reviewed periodically, taking into account the business objectives and strategies of the Bank as well as regulatory requirements.

The internal audit function provides independent assessment of the adequacy of the internal control policies and procedures of the Bank to mitigate risk associated with operational activities. Any findings arising from the audit and review will be escalated to the senior management of the Bank and the Audit Committees of the Bank and of the parent company.

### 25.5 Fair value of financial assets and liabilities

As at the interim balance sheet date, the fair values of financial instruments of the Bank approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions:

#### (i) Balances and placements with banks and other financial institutions

The fair values of balances and placements with banks and other financial institutions with maturity of less than one year approximate their carrying amounts.

#### (ii) Loans and advances to customers

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

#### (iii) Deposits from banks, other financial institutions and customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks, other financial institutions and customers.

#### (iv) Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.



## 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 25.6 Capital management

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 requirement set by the Central Bank;

- To safeguard the ability of the Bank to continue as a going concern so that it can provide returns to its shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The Central Bank requires all commercial banks to i) hold a minimum capital requirement, ii) maintain the Bank's net worth equal at least to the minimum capital and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of the Bank's regulatory capital:

	2016		2015	
	US\$	KHR'000	US\$	KHR'000
<b>Tier 1 capital</b>				
Share capital	67,000,000	270,479,000	67,000,000	271,350,000
Retained earnings	17,446,669	70,432,203	10,749,262	43,534,511
Less: Intangible assets	(295,308)	(1,192,158)	(353,150)	(1,430,258)
Less: Loans to management	-	-	(143,938)	(582,949)
	<b>84,151,361</b>	<b>339,719,045</b>	<b>77,252,174</b>	<b>312,871,304</b>
<b>Tier 2 complementary capital</b>				
General provision (1%)	3,447,304	13,916,766	3,359,494	13,605,951
Less: Equity participations in banking and financial institutions	(25,000)	(100,925)	(25,000)	(101,250)
	<b>87,573,665</b>	<b>353,534,886</b>	<b>80,586,668</b>	<b>326,376,005</b>

The National Bank of Cambodia issued a Prakas No. B7-016-117, dated 22 March 2016, on "new minimum registered capital requirement for banks and financial institutions". It requires that commercial banks being a local entity or a subsidiary of foreign bank must have a minimum registered capital of at least KHR 300 billion (equivalent to US\$75 million). The Prakas allows commercial banks to increase its capital to meet the new minimum registered capital requirement within 2 years from the date this Prakas.

On 16 June 2016, the Central Bank issued an instruction on the implementation of its Prakas No. B7-016-117, dated 22 March 2016, on "new minimum registered capital requirement for banks and financial institutions". The Instruction requires the banks to increase the additional capital at least 50% of the amount to fulfil the minimum registered capital by end of March 2017 and the remaining amount by 22 March 2018.

The Bank got approvals from the Board of Directors on 30 November 2016 and the Central Bank approved the capital injection plan of US\$4 million in January 2017 for meeting the additional capital requirement by 31 March 2017.



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