



中  
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BANK OF CHINA

担当社会责任

做最好的银行



2015年  
年度报告

2015  
Annual Report



## Introduction

Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. From 1912 to 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialized international trade bank. Fulfilling its commitment to serving the public and developing China's financial services sector, the Bank rose to a leading position in the Chinese financial industry and developed a good standing in the international financial community, despite many hardships and setbacks. After the founding of People's Republic of China, with a long history as the state-designated specialized foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and provided tremendous support to nation's foreign trade development and economic infrastructure through its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. During China's reform and opening up period, the Bank seized the historic opportunity presented by the government's strategy of capitalizing on foreign funds, advanced knowledge and equipment to boost economic development, and accomplished as the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank transformed from a specialized foreign exchange bank into a state-owned commercial bank, and then incorporated as Bank of China Limited in August 2004. The Bank was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. In 2011 and 2012, the Bank was



enrolled as a Global Systemically Important Financial Institution for two consecutive years, the only financial institution from China or any emerging economy to be recognized as such.

As China's most international and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland, Hong Kong, Macau, Taiwan and 36 overseas countries. The Bank's core business is commercial banking, including corporate banking, personal banking and financial markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. BOCIM, its controlling subsidiary, operates the Bank's fund management business. BOC Aviation is in charge of the Bank's aircraft leasing business.

Bank of China has upheld the spirit of "pursuing excellence" throughout its hundred-year history. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and people first as its guiding principle, the Bank has built up an excellent brand image that is widely recognized within the industry and by its customers. With historic opportunities now arising, the Bank will striding forward through transformation and growing stronger through reforms, and strive to become a premier multinational bank.



## **Development Strategy**

### **Core Values**

Pursuing excellence

Integrity Performance Responsibility Innovation Harmony

### **Strategic Goal**

Serving Society, Delivering Excellence

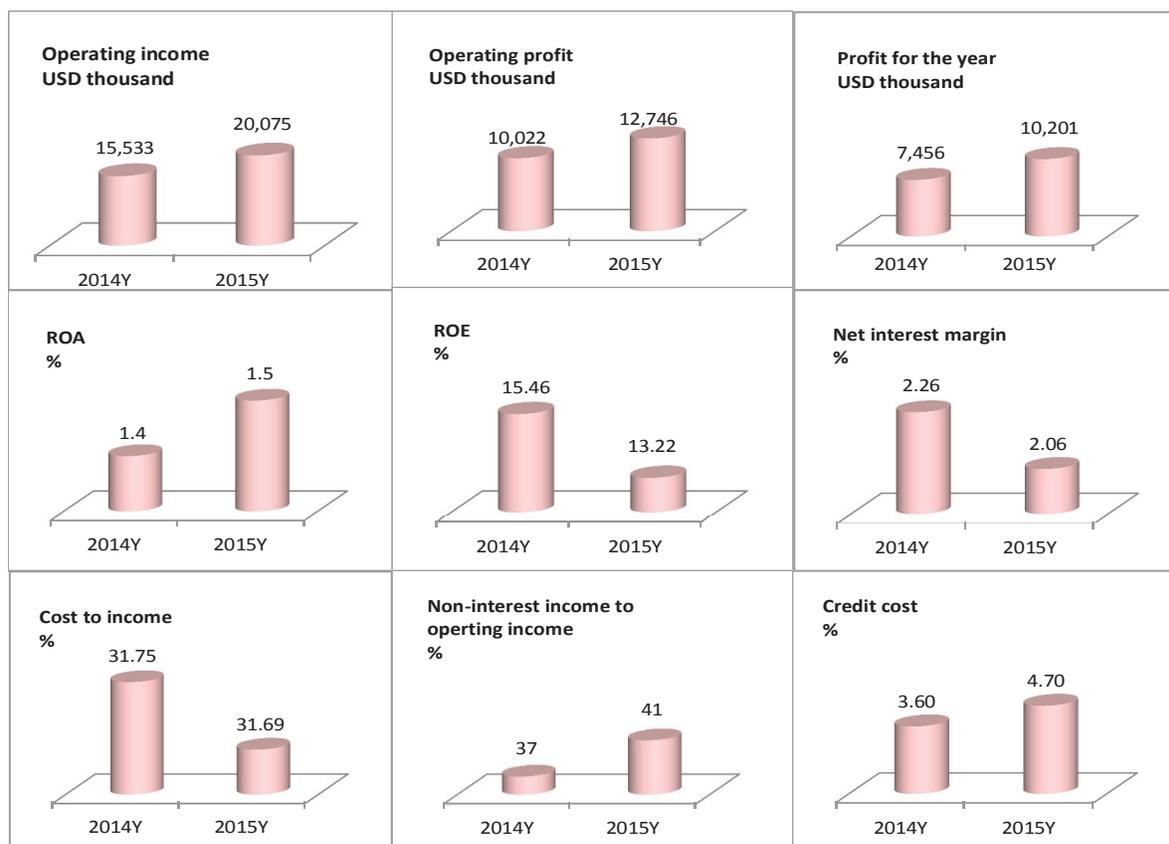
### **Overall Requirements of the Development Strategy**

To build Bank of China into an excellent bank driven by the pursuit of noble values, a bank that shoulders significant responsibility for the nation's revival, a bank that possesses competitive edges in the globalization process, a bank that leads lifestyle changes in technological innovations, a bank that earns customer loyalty in market competition and a bank that meets the expectations of shareholders, employees and society in the course of its sustained development.

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# Financial Highlights



## Notes

1. Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/losses on investment securities + other operating income
2. Operating income = net interest income + non-interest income
3. Return on average total assets = profit for the year ÷ average total assets.  
average total assets = (total assets at the beginning of the year + total assets at the year-end) ÷ 2
4. Return on average equity = profit attributable to equity holders of the bank ÷ weighted average capital and reserves attributable to equity holders of the bank
5. net interest margin = net interest income ÷ average balance of interest-earning assets.  
average balance is average daily balance derived from the bank's management accounts (unaudited).
6. Non-interest income to operating income = non-interest income ÷ operating income
7. Credit cost = impairment losses on loans ÷ average balance of loans.  
average balance of loans = (balance of loans at the beginning of the year + balance of loans at the year-end) ÷ 2

## Corporate information

Bank	Bank of China Limited Phnom Penh Branch
Registration	No Co. 0034Br/2010
Registered office	Canadia Tower, 1st & 2nd Floor, 315 Ang Doung St. (Corner of Monivong Blvd.) Phnom Penh, Kingdom of Cambodia
Head office	Bank of China Limited, Beijing, China
Management team in Cambodia	Mr. Chen Chang Jiang Chief Executive Officer (“CEO”) Mr. Liu Dao Zhi Assistant CEO Mr. Huang Wei General Manager of General Management Department Mr. Ouyang Chang General Manager of Internal Control & Risk Management Department Ms. Yang Yun Xia General Manager of Corporate Banking Department Ms. Yu Lei Manager of Personal Banking Department Mr. Liu Xiao Feng Manager of Operation Department Ms. Zhang Yuan Manager of Banking Department
Auditors	KPMG Cambodia Ltd



## Mr. CHEN CHANGJIANG, CEO (CAMBODIA)

### Message from the Country Manager

2015年，本行认真落实分行的战略部署，紧紧围绕“担当社会责任，做最好的银行”的战略目标，以服务实体经济为己任，控风险，打基础，圆满完成全年发展目标，取得了良好业绩。

In 2015, the Bank faithfully implemented the Bank's strategic arrangements, and adhering at all times to its strategic goal of "Serving Society, Delivering Excellence". Focused on the task of serving the real economy, it met its annual development objectives and delivered strong results by controlling risks and fortifying its foundations.

根据柬埔寨会计准则，2015年末本行资产总额715.90百万美元，负债总额613.96百万美元，所有者权益合计101.94百万美元。全年实现净利润10.2百万美元，比上年增长36.8%。平均总资产回报率（ROA）1.48%，比上年提高0.08个百分点。贷款质量优异，不良发生率0.25%。风险资产偿付比率26%，符合监管要求。

At the end of 2015, according to Cambodia Accounting Standards, the Bank's total assets stood at USD715.9 million, total liabilities amounted to USD613.96 million, and equity attributable to shareholders of the Bank was USD101.94 million. During the year, the Bank achieved a profit for the year of USD10.2 million, a year-on-year increase of 36.8%. The return on average total assets stood at 1.48%, a year-on-year increase of 0.08 percentage points. The non-performing loan ratio was 0.25%. The solvency ratio was 26% which was in line with regulatory requirements.

2015年我行利润持续增长的主要驱动因素是：

In 2015, the Bank's profit continued to rise, mainly driven by the following factors.

第一，利息净收入和非利息收入较快增长。全年实现利息净收入11.79百万美元，比上年增长20.18%；实现非利息收入8.28百万美元，比上年增长47.07%。

First, net interest income and non-interest income achieved rapid growth. The Bank realized a net interest income of USD11.79 million, a year-on-year increase of 20.18%. Non-interest income stood at USD8.28 million, a year-on-year increase of 47.07%.

第二，风险成本控制很好。信贷成本为0.25%，保持较低水平。其他市场风险指标控制在限额内。

Second, the cost of risk was effectively controlled. The Bank's credit cost was 0.25%, remaining at a relatively low level. Its various market risk limit indicators were under control.

第三，投入产出效率持续提升。成本收入比控制在32.2%，比上年下降0.27个百分点。

Third, the Bank's input/output efficiency continued to improve. The cost to income ratio was 32.2%, a year-on-year decrease of 0.27 percentage point.

第四，人民币业务继续领先市场。完成跨境人民币结算量185亿元，增长80%，在柬埔寨履行了人民币清算行责任。

Fourth, RMB businesses continued to lead in the market. The Bank completed cross-border RMB settlement volumes of RMB18.5 billion, an increase of 80% compared to the prior year. The Bank fulfilled our obligation as the RMB clearing bank in Cambodia.

过去一年，本行负债规模扩大，存款新增39.69百万美元，增长7.44%。贷款累计新增64.73百万美元，增长24.96%。

In the past year, the scale of the Bank's liabilities expanded, with deposits increasing by USD39.69 million, up 7.44% from the previous year. Loans saw an increase of USD64.73 million, up 24.96% from the previous year.

过去一年，本行着力化不良、控风险，资产质量有效控制。坚持实质重于形式的原则，2015年化解不良资产9.9百万美元。强化内部控制和案件防范，完善内部控制三道防线体系，大力推动反洗钱工作，着力提高集中化、自动化、专业化水平。

In the past year, the Bank has made strenuous efforts to resolve non-performing assets and control risks, thus ensuring effective control of asset quality. Following the principle of "substance over form", the Bank resolved USD9.9 million of non-performing assets in 2015. It also intensified internal control and fraud case prevention, improved the "three lines of defense" for internal control. In addition, the Bank pressed ahead with the construction of a centralized, automated and specialist anti-money laundering function.

过去一年，本行着力打基础、提效能。大力推进渠道建设，增加ATM投放，投产信用卡。电子渠道使得金融交易迁移率达到37%，提升2个百分点。

In the past year, the Bank has steadily pushed ahead efforts to cement the foundations of its business and increase the efficiency of its grassroots operations. Efforts were made to boost channel building and increase ATM, and issue credit card. The migration ratio of financial transactions through electronic channels reached 35%, up 2 percentage points from the previous year.

2016年是充满挑战的一年，也是大有作为的一年。分行将推动管理及服务升级，增强品牌美誉度，大力拓展存贷汇传统业务提高市占率，升级投放电子渠道提高便利性。

Year 2016 is a year full of challenges, but also a year full of potential. The Bank will promote managerial and service upgrading, raise our brand to greater prestige, endeavor to increase our market share of such rational business as deposit, loan and remittance, and facilitate the procedure by putting e-channel into use.

借此机会，我谨代表分行管理层，衷心感谢全行员工的辛勤工作，衷心感谢柬埔寨中央银行、广大客户及各界朋友的大力支持。我们将再接再厉，锐意进取，努力创造优异的成绩，为实现“担当社会责任，做最好的银行”的战略目标而不懈努力！

On behalf of the management of branch, I would like to avail myself of this opportunity to express heartfelt gratitude to the Bank's employees for your hard work, to all directors and supervisors for your guidance, and to the Bank's customers and friends for your support. We will make steadfast efforts to forge ahead and generate outstanding performance, unremittingly marching towards our strategic goal of "Serving Society, Delivering Excellence"!

Chen Chang Jiang



Chief Executive Officer  
Bank of China Limited Phnom Penh Branch



## Our Service

We, at Bank of China Limit Phnom Penh Branch, are dedicated to world class premium service for each of our customer. At the same time, our services are tailored to blend in with our customer geography and community to ensure both convenience and practicality.



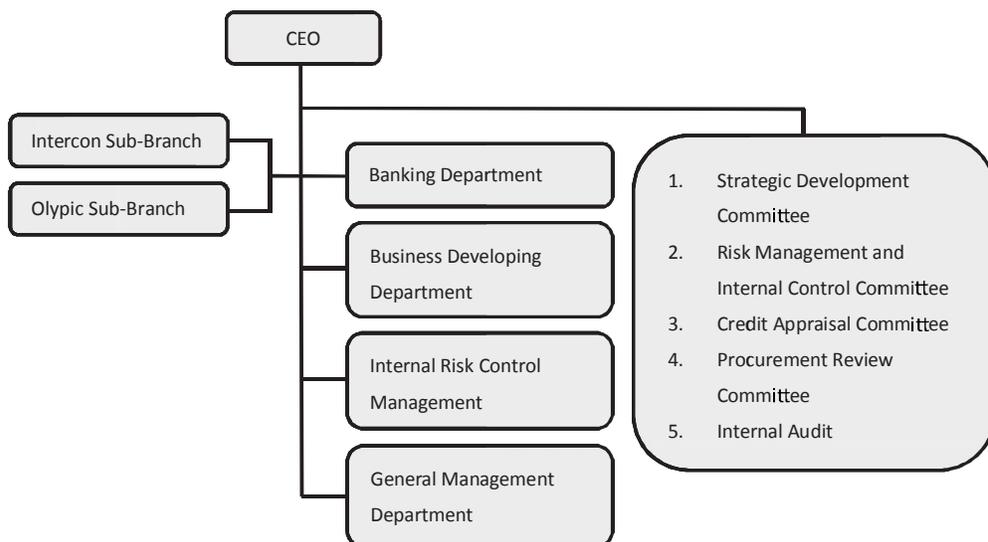
## Corpration Governance



During 2015 the Bank strictly complied with the state laws and regulations in Cambodia, continuously improved its bank governance.

## Corpration Governance Framework

The Bank's governance framework is shown below:



## The Strategic Development Committee

The Strategic Development Committee comprises twelve members, including CEO Mr. Chen Changjiang, other Directors Mr. Liu Daozhi, Mr. Huang Wei, Ms. Yang Yunxia, Mr. Ouyang Chang , Mr. Huang Limao , Ms. Yu Lei, Mr. Wang Rui, Mr. Yang Hua and Mr. Liu Xiaofeng.

The committee is mainly responsible for reviewing the strategic development plans presented by the senior management and advising the Board accordingly; reviewing the annual budget of the Bank in accordance with the strategic development plan.

The Strategic Development Committee held on the every month in 2015. At these meetings, it mainly approved and adjusted the business plan.

## The Risk Management and Internal Control Committee

The Risk Management and Internal Control Committee comprises of twelve members as the following:

No.	Name	Role in the committee	Currently Position
1	Mr. Chen Changjiang	Chairman	CEO
2	Mr. Liu Daozhi	Member	Assistant to CEO
3	Mr. Huang Wei	Member	Head of Finance
4	Ms. Yang Yunxia	Member	Head of Credit
5	Mr. Ouyang Chang	Member	Head of IT/Risk
6	Mr. Huang Limao	Member	
7	Ms. Yu Lei	Member	
8	Mr. Wang Rui	Member	
9	Mr. Liu Xiaofeng	Member	
10	.....	Secretary	

The Risk Management and Internal Control Committee is established to assist [the Board] in its role and responsibilities over risk management and compliance of the Bank relating to credit risk, country risk, market risk, operational risk and reputational risk; defining overall risk management framework, coordinating and monitoring the implementation of risk control strategy relating to business strategy; monitoring the growth of risk concentration and evaluating every risk dimension in Branch's portfolio composition; studying new product proposal and valuing the bank competence to do activity of the new product; monitoring capital adequacy in order to cove risk exposure as stated on the regulation of NBC; evaluating the effectiveness of existing risk control system.

The Risk Management and Internal Control Committee held quarterly in 2015, discussing and approving above issues at every meeting. [Optional]: Internal purpose only.

## Credit Appraisal Committee

The Committee has the function of managing the individual loans within the portfolio. In particular, the Committee has the job of recommending and monitoring individual credits, recommending reserves and collection strategies.

## **Procurement Review Committee**

Responsible for monitoring and verifying executing Branch's procurement and ensuring that Branch's procurement procedures have been applied. Ensure consistent and correct application of procurement practices.

Making decision to prequalify applicants for contracts estimated at \$10,000 or more; approval on an evaluation report on technical proposals in case of two-stage or two envelope bidding procedures, if the estimated contract value is \$10,000 or more; making a decision to award or rebid a contract valued at \$10,000 or more; making decision to cancel bidding for a contract valued at \$10,000 or more.

## **Internal Audit**

Internal Audit: In charge of audits of general and special project concern required by the competent authority and random business examination required by the Branch's regulations, and inspecting the improvements required by internal and external auditing opinions, examining the write off from non-performing debts to bad debts, investigating material incidence and complaint processing, and other required examination pursuant to the regulation; and evaluating and improving the Branch's risk management and control and the efficiency of corporate governance for fulfilling the goals set by the Branch.

## Report of the Executive Management

The Executive Management (“the Management”) has pleasure in submitting their report together with the audited financial statements of Bank of China Limited Phnom Penh Branch (“the Branch”) for the year ended 31 December 2015.

### Principal activity

The principal activities of the Branch are the provision of commercial banking and related financial services in the Kingdom of Cambodia.

There were no changes in nature of the principal activities during the year.

### Financial results

The financial results of the Branch for the year ended 31 December 2015 were as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	13,065,528	52,915,389	9,561,078
Income tax expense	(2,864,329)	(11,600,532)	(2,105,001)
Net profit for the year	<u>10,201,199</u>	<u>41,314,857</u>	<u>7,456,077</u>

### Head Office account

On 18 March 2015, the Branch requested to the National Bank of Cambodia (“NBC”) to increase the paid-up capital from US\$40,000,000 to US\$80,000,000. The transaction was approved by the NBC on 24 April 2015.

### Reserves and provisions

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

## **Bad and doubtful loans and advances**

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

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

## **Current assets**

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

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

## **Valuation methods**

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

## **Contingent and other liabilities**

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

- (a) any charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Branch that has arisen since the end of the financial year other than in the ordinary courses of banking business.

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

## **Change of circumstances**

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

## **Items of unusual nature**

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

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

## **The Executive Management**

The members of the Executive Management holding office during the year and as at the date of this report are:

Mr. Chen Chang Jiang	Chief Executive Officer (“CEO”)
Mr. Liu Dao Zhi	Assistant CEO
Mr. Huang Wei	General Manager of General Management Department
Mr. Ouyang Chang	General Manager of Internal Control & Risk Management Department
Ms. Yang Yun Xia	General Manager of Corporate Banking Department
Ms. Yu Lei	Manager of Personal Banking Department
Mr. Liu Xiao Feng	Manager of Operation Department
Ms. Zhang Yuan	Manager of Banking Department

## **Managements’ responsibility in respect of the financial statements**

The Management is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2015, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Management is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

## Managements' responsibility in respect of the financial statements (continued)

- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- (v) control and direct effectively the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Management confirms that they have complied with the above requirements in preparing the financial statements.

## Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 19 to 62, which present fairly, in all material respects, the financial position of the Branch as at 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

*Signed on behalf of the Branch,*



**Mr. Chen Chan Jiang**

*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

## **REPORT OF THE INDEPENDENT AUDITORS**

**To the Head Office**

**Bank of China Limited**

We have audited the accompanying financial statements of Bank of China Limited Phnom Penh Branch (“the Branch”), which comprise the balance sheet as at 31 December 2015, and the income statement, statements of changes in Head Office account and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 19 to 62.

### **Management’s responsibility for the financial statements**

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

### **Auditors’ responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of China Limited - Phnom Penh Branch as at 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For **KPMG Cambodia Ltd**



**Nge Huy**

*Audit Partner*

Phnom Penh, Kingdom of Cambodia

25 June 2015

# Bank of China Limited Phnom Penh Branch

## Balance sheet

As at 31 December 2015

	Note	2015 US\$	2015 KHR '000 (Note 4)	2014 US\$
<b>Assets</b>				
Cash on hand	5	23,584,134	95,515,743	39,490,600
Deposit and placements with the National Bank of Cambodia	6	231,486,698	937,521,127	195,681,587
Deposits and placements with banks	7	137,543,189	557,049,915	143,294,957
Loans and advances - net	8	319,402,546	1,293,580,311	255,165,695
Other assets	9	2,154,642	8,726,300	1,835,171
Property and equipment	10	1,342,234	5,436,048	1,635,983
Deferred tax assets - net	23	387,720	1,570,266	162,862
<b>Total assets</b>		<u>715,901,163</u>	<u>2,899,399,710</u>	<u>637,266,855</u>
<b>Liabilities and Head Office account</b>				
Deposits from banks	11	27,353,551	110,781,882	62,231,587
Deposits from customers	12	546,060,068	2,211,543,275	471,487,149
Subordinated debt	13	10,000,000	40,500,000	10,000,000
Interbank borrowings	14	23,500,000	95,175,000	37,017,962
Current income tax liability	23	2,980,843	12,072,414	2,037,837
Other liabilities	15	4,069,894	16,483,071	2,756,712
<b>Total liabilities</b>		<u>613,964,356</u>	<u>2,486,555,642</u>	<u>585,531,247</u>
<b>Head Office account</b>				
Branch capital	16	80,000,000	324,000,000	40,000,000
Retained earnings		21,936,807	88,844,068	11,735,608
<b>Total Head Office account</b>		<u>101,936,807</u>	<u>412,844,068</u>	<u>51,735,608</u>
<b>Total liabilities and Head Office account</b>		<u>715,901,163</u>	<u>2,899,399,710</u>	<u>637,266,855</u>

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

# Bank of China Limited Phnom Penh Branch

## Income statement for the year ended 31 December 2015

	Note	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
Interest income	17	16,608,659	67,265,069	13,110,697
Interest expense	18	(4,814,919)	(19,500,422)	(3,300,849)
Net interest income		11,793,740	47,764,647	9,809,848
Net fee and commission income	19	5,171,655	20,945,203	4,825,624
Net gain from exchange rate	20	3,109,634	12,594,018	805,340
Personnel expenses	21	(3,606,011)	(14,604,345)	(2,805,929)
Depreciation expenses		(658,046)	(2,665,086)	(485,775)
General and administrative expenses	22	(2,194,227)	(8,886,619)	(1,658,889)
Operating income		13,616,745	55,147,818	10,490,219
Allowance for bad and doubtful loans and advances	8	(551,217)	(2,232,429)	(929,141)
Profit before income tax		13,065,528	52,915,389	9,561,078
Income tax expense	23	(2,864,329)	(11,600,532)	(2,105,001)
Net profit for the year		10,201,199	41,314,857	7,456,077

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

## Bank of China Limited Phnom Penh Branch

### Statement of changes in Head Office account for the year ended 31 December 2015

	Branch Capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2014	40,000,000	4,279,531	44,279,531
Net profit for the year	-	7,456,077	7,456,077
Balance as at 31 December 2014	<u>40,000,000</u>	<u>11,735,608</u>	<u>51,735,608</u>
Balance as at 1 January 2015	40,000,000	11,735,608	51,735,608
Net profit for the year	-	10,201,199	10,201,199
Additional capital	<u>40,000,000</u>	-	<u>40,000,000</u>
Balance as at 31 December 2015	<u>80,000,000</u>	<u>21,936,807</u>	<u>101,936,807</u>
(KHR'000 equivalents – Note 4)	<u>324,000,000</u>	<u>88,844,068</u>	<u>412,844,068</u>

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

# Bank of China Limited Phnom Penh Branch

## Statement of cash flows for the year ended 31 December 2015

	Note	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
<b>Cash flows from operating activities</b>				
Net cash (used in)/generated from operating activities	25	(56,936,668)	(230,593,505)	139,104,709
<b>Cash flows from investing activities</b>				
Purchase of property and equipment		(364,297)	(1,475,403)	(231,205)
Net cash used in investing activities		(364,297)	(1,475,403)	(231,205)
<b>Cash flows from financing activities</b>				
Additional capital		40,000,000	162,000,000	-
Repayments of borrowings		(361,460,145)	(1,463,913,587)	(18,239,268)
Proceeds from borrowings		347,942,183	1,409,165,841	37,017,962
Net cash generated from financing activities		26,482,038	107,252,254	18,778,694
<b>Net (decrease)/increase in cash and cash equivalents</b>		(30,818,927)	(124,816,654)	157,652,198
<b>Cash and cash equivalents at beginning of year</b>		306,662,941	1,241,984,911	149,010,743
<b>Cash and cash equivalents at end of year</b>	24	275,844,014	1,117,168,257	306,662,941

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements for the year ended 31 December 2015

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

### 1. Background and principal activities

Bank of China Limited Phnom Penh Branch (“the Branch”) was incorporated in Cambodia on 12 July 2010 under the registration number Co. 0034Br/2010 and was granted a permanent banking licence from the National Bank of Cambodia on 11 November 2010. The Branch commenced its operations on 8 December 2011.

The Head Office of the Branch is Bank of China Limited, a bank incorporated and registered in Beijing, China.

The principal activities of the Branch are the operation of core banking business and the provision of related financial services in Cambodia.

The Branch had 101 employees as at 31 December 2015 (31 December 2014: 105).

### 2. Basis of preparation

#### (a) Statement of compliance

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

The financial statements were authorised for issue by the Management on 31 March 2016.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 2. Basis of preparation (continued)

#### (c) Functional and presentation currency (continued)

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

#### (d) Use of estimates and judgements

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

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

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

### 3. Significant accounting policies

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

#### (a) Financial instruments

The Branch's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, other receivables, customers' deposits and payables.

#### (b) Cash and cash equivalents

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### (c) Deposits and placements with banks

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

#### (d) Loans and advances

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

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

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management in accordance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience. As the minimum loans and advances should be classified following the days past due and allowance is made as below:

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

In addition to the above quantitative information management has to consider financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation to make additional allowance.

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

Reversals of previous allowances are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

Recoveries on loans previously written off are disclosed as other income in the income statement.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

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

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

#### (f) Statutory deposits

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

#### (g) Other assets

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

#### (h) Property and equipment

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

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

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33%
Motor vehicles	17%

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

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### (h) Property and equipment (continued)

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

#### (i) Impairment of assets

##### (i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset.

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

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

All impairment losses are recognised in the income statement.

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

##### (ii) *Non-financial assets*

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### (i) Impairment of assets (continued)

##### (ii) *Non-financial assets (continued)*

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

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

#### (j) Deposits from customers and banks

Deposits from customers and banks are stated at cost.

#### (k) Provisions

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

#### (l) Income recognition

Interest income is recognised on an accruals basis. Interest income on deposits and placements with banks, overdrafts, term loans and other loans is recognised by reference to rest periods, which are either monthly or daily. Where an account becomes non-performing, the recording of interest is suspended until it is realised on a cash basis.

Income from the various activities of the Branch is accrued using the following basis:

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### (l) Income recognition (continued)

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended. Unamortised loan fees are presented as a reduction to loans and advances to customers;
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended. Unamortised fees are presented as a reduction to commitment and guarantee fees to customers; and
- (iii) Service charges and processing fees are recognised when the service is provided.

#### (m) Interest expense

Interest expense on deposits from customers and borrowings is recognised on an accruals basis.

#### (n) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

#### (o) Income tax

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

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

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

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### (p) Related parties

Parties are considered to be related if the Branch has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or vice-versa, or where the Bank and the parties are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

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

### 4. Translation of United States Dollars into Khmer Riel

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

### 5. Cash on hand

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
US Dollars	22,702,751	91,946,142	38,239,494
Chinese Yuan	441,835	1,789,432	1,072,729
Khmer Riel	439,548	1,780,169	178,377
	<u>23,584,134</u>	<u>95,515,743</u>	<u>39,490,600</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 6. Deposits and placements with the National Bank of Cambodia

	Note	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
Current accounts		144,816,691	586,507,599	129,621,825
Reserve deposits	(a)	68,770,007	278,518,528	56,859,762
Statutory capital deposit	(b)	8,000,000	32,400,000	4,000,000
Term deposits		-	-	5,200,000
Negotiable certificate of deposits		9,900,000	40,095,000	-
		<u>231,486,698</u>	<u>937,521,127</u>	<u>195,681,587</u>

(a) Reserve deposits

The reserve requirement represents the minimum reserve which is calculated at 8% and 12.5% of customer's deposits in KHR and other currencies, respectively. 4.5% of the 12.5% reserve requirement on customers' deposits in currencies other than KHR earns interest at three-quarters of one-month LIBOR while the remaining 8% and the reserve requirement on customers' deposits in KHR bear no interest.

(b) Statutory capital deposit

Pursuant to parkas No. B7-01-136 on bank's Capital Guarantee dated 15 October 2001 issued by the National Bank of Cambodia, banks are required to maintain 10% of their paid up capital as a statutory deposit with the National Bank of Cambodia. The deposit, which is not available for use in the Branch's day-to-day operations, is refundable should the Branch voluntarily cease its operations in Cambodia.

*Interest rates*

The current account is non-interest bearing. Annual interest rates on other balances with the National Bank of Cambodia are summarised as follows:

	2015	2014
Term deposits	-	0.17%
Negotiable certificate of deposits	0.23%	-
Reserve deposits	0.10% - 0.12%	0.10% - 0.12%
Statutory capital deposit	0.08%	0.08%
	<u>0.08%</u>	<u>0.08%</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 7. Deposits and placements with banks

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Local banks:			
Current accounts	1,913,283	7,748,796	22,859,626
Term deposits	67,434,101	273,108,109	35,192,653
Overseas banks:			
Current accounts	66,373,841	268,814,056	34,801,681
Term deposits	1,821,964	7,378,954	50,440,997
	<u>137,543,189</u>	<u>557,049,915</u>	<u>143,294,957</u>

Deposits and placements with banks are analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	68,287,124	276,562,852	88,819,095
2 to 3 months	29,256,065	118,487,063	43,531,421
4 to 6 months	40,000,000	162,000,000	10,944,441
	<u>137,543,189</u>	<u>557,049,915</u>	<u>143,294,957</u>

(b) By currency:			
US Dollars	134,483,809	544,659,426	76,485,388
Chinese Yuan	3,046,070	12,336,584	66,798,910
Euro Dollars	9,709	39,321	8,193
Hong Kong Dollars	3,601	14,584	2,466
	<u>137,543,189</u>	<u>557,049,915</u>	<u>143,294,957</u>

(c) By interest rate (per annum):

	2015	2014
Term deposits (local)	0.7% to 1.28%	0.8% to 1.28%
Term deposits (overseas)	4.70%	4.10% to 6.15%
Current accounts (overseas)	0.10% to 0.13%	0.10% to 0.13%

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 8. Loans and advances - net

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Long term loans	232,374,622	941,117,219	196,491,363
Short term loans	66,711,218	270,180,433	42,669,208
Overdrafts	24,075,805	97,507,010	12,884,756
Trade finance facilities	924,198	3,743,002	7,316,125
Credit cards	7,797	31,578	-
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
Gross loans and advances			
Allowance for bad and doubtful loans and advances	(3,861,527)	(15,639,184)	(3,310,310)
Unamortised loan processing fees	(829,567)	(3,359,747)	(885,447)
	<u>319,402,546</u>	<u>1,293,580,311</u>	<u>255,165,695</u>
Loans and advances - net			

Movements of allowances for bad and doubtful loans and advances of the Branch are as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
At beginning of the year	3,310,310	13,406,755	2,381,169
Addition during the year			
Specific allowance	367,667	1,489,051	785,105
General allowance	183,550	743,378	144,036
	<u>3,861,527</u>	<u>15,639,184</u>	<u>3,310,310</u>
At end of the year			

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 8. Loans and advances – net (continued)

The gross loans and advances are further analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	31,923,213	129,289,013	21,323,758
2 to 3 months	1,373,490	5,562,634	9,681,775
3 to 12 months	58,530,188	237,047,261	36,226,215
1 to 5 years	114,003,737	461,715,135	109,608,461
More than 5 years	118,263,012	478,965,199	82,521,243
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
(b) By performance:			
Standard loans			
Secured loans	218,947,830	886,738,711	98,088,317
Unsecured loans	104,396,474	422,805,720	150,038,357
Special mention loans			
Secured loans	-	-	10,727,561
Substandard loans			
Secured loans	242,119	980,582	-
Loss			
Secured loans	507,217	2,054,229	507,217
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 8. Loans and advances – net (continued)

The gross loans and advances are further analyzed as follows (continued):

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(c) By industry:			
Manufacturing	89,039,172	360,608,647	90,787,566
Wholesale and retails	79,847,754	323,383,404	47,054,757
Services	3,106,710	12,582,175	19,244,032
Energy industry	90,626,012	367,035,349	54,500,000
Other industries	22,455,828	90,946,103	27,775,097
Financial institution	39,018,164	158,023,564	20,000,000
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
(d) By currency:			
US Dollars	324,093,640	1,312,579,242	258,948,713
Chinese Yuan	-	-	412,739
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
(e) By residency status:			
Residents	298,508,327	1,208,958,724	258,674,788
Non-residents	25,585,313	103,620,518	686,664
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
(f) By relationship:			
External customers	323,158,136	1,308,790,451	258,725,112
Staff loans	935,504	3,788,791	636,340
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 8. Loans and advances – net (continued)

The gross loans and advances are further analyzed as follows (continued):

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(g) By exposure:			
Large exposures	189,341,904	766,834,711	208,802,946
Non-large exposures	134,751,736	545,744,531	50,558,506
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>

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

(h) By interest rate (per annum):

	2015	2014
Overdrafts	4.50%-9.00%	6.00%-10.00%
Trade finance facilities	6.50%	4.00%-8.00%
Short term loans	0.45%-9.00%	1.50%-8.50%
Long term loans	<u>3.50%-9.00%</u>	<u>3.50%-8.50%</u>

### 9. Other assets

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Accrued interest receivable	1,909,313	7,732,718	1,681,028
Prepayments and others	215,087	871,102	122,719
Security and rental deposits	30,242	122,480	31,424
	<u>2,154,642</u>	<u>8,726,300</u>	<u>1,835,171</u>

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 10. Property and equipment

2015	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Total US\$	KHR'000 (Note 4)
<b>Cost</b>						
At 1 January 2015	1,934,755	184,544	562,532	466,550	3,148,381	12,750,943
Additions	96,088	127,623	70,535	70,051	364,297	1,475,403
At 31 December 2015	2,030,843	312,167	633,067	536,601	3,512,678	14,226,346
<b>Less: Accumulated depreciation</b>						
At 1 January 2015	899,852	71,918	298,436	242,192	1,512,398	6,125,212
Depreciation for the year	386,669	37,967	155,652	77,758	658,046	2,665,086
At 31 December 2015	1,286,521	109,885	454,088	319,950	2,170,444	8,790,298
<b>Carrying amounts</b>						
At 31 December 2015	744,322	202,282	178,979	216,651	1,342,234	5,436,048

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 10. Property and equipment (continued)

2014	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
At 1 January 2014	1,369,712	141,224	384,208	466,550	555,482	2,917,176
Additions	9,561	43,320	178,324	-	-	231,205
Transferred	555,482	-	-	-	(555,482)	-
At 31 December 2014	1,934,755	184,544	562,532	466,550	-	3,148,381
<b>Less: Accumulated depreciation</b>						
At 1 January 2014	610,712	42,469	208,294	165,148	-	1,026,623
Depreciation for the year	289,140	29,449	90,142	77,044	-	485,775
At 31 December 2014	899,852	71,918	298,436	242,192	-	1,512,398
<b>Carrying amounts</b>						
At 31 December 2014	1,034,903	112,626	264,096	224,358	-	1,635,983

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 11. Deposits from banks

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Current accounts	7,353,551	29,781,882	7,212,595
Term deposits	20,000,000	81,000,000	55,018,992
	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>

The deposits from banks are analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	27,353,551	110,781,882	27,212,595
2 to 3 months	-	-	5,000,000
4 to 6 months	-	-	10,000,000
7 to 12 months	-	-	20,018,992
	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>
(b) By type of customer:			
Business enterprises	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>
(c) By relationship:			
Non - related parties	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>
(d) By currency:			
US Dollars	27,314,373	110,623,211	52,132,698
Chinese Yuan	19,024	77,047	10,097,832
Khmer Riel	20,154	81,624	1,057
	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 11. Deposits from banks (continued)

The deposits from banks are analysed as follows (continued):

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(e) By residency status:			
Residents	27,353,551	110,781,882	62,231,587
	<u>27,353,551</u>	<u>110,781,882</u>	<u>62,231,587</u>
(f) By interest rate (per annum):			
	2015		2014
Savings deposits	0.00%-0.25%		0.00%-0.25%
Fixed deposits	2.25%		0.80%-2.00%
	<u>0.00%-0.25%</u>		<u>0.80%-2.00%</u>

### 12. Deposits from customers

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Current accounts	277,448,821	1,123,667,725	305,086,640
Saving deposits	102,572,407	415,418,248	81,669,377
Term deposits	163,251,632	661,169,110	80,077,904
Margin deposits	2,787,208	11,288,192	4,653,228
	<u>546,060,068</u>	<u>2,211,543,275</u>	<u>471,487,149</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 12. Deposits from customers (continued)

The above amounts are analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	437,011,866	1,769,898,057	432,550,952
2 to 3 months	63,600,989	257,584,005	16,349,280
4 to 6 months	35,116,198	142,220,602	14,572,169
7 to 12 months	10,315,514	41,777,832	7,862,655
1 to 3 years	15,501	62,779	152,093
	<u>546,060,068</u>	<u>2,211,543,275</u>	<u>471,487,149</u>
(b) By type of customer:			
Business enterprises	403,075,134	1,632,454,292	361,068,334
Individuals	142,984,934	579,088,983	110,418,815
	<u>546,060,068</u>	<u>2,211,543,275</u>	<u>471,487,149</u>
(c) By residency status:			
Residents	479,967,589	1,943,868,735	448,222,434
Non-residents	66,092,479	267,674,540	23,264,715
	<u>546,060,068</u>	<u>2,211,543,275</u>	<u>471,487,149</u>
(d) By currency:			
US Dollars	522,715,218	2,116,996,633	449,070,966
Chinese Yuan	3,156,692	12,784,603	20,548,029
Khmer Riel	20,187,248	81,758,354	1,859,703
Other	910	3,685	8,451
	<u>546,060,068</u>	<u>2,211,543,275</u>	<u>471,487,149</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 12. Deposits from customers (continued)

The above amounts are analysed as follows (continued):

(e) By interest rate (per annum):

	2015	2014
Current accounts	0.00% - 1.75%	0.00% - 0.10%
Saving accounts	0.00% - 0.50%	0.00% - 0.50%
Term deposits	1.00% - 3.50%	0.25% - 3.25%

### 13. Subordinated debt

This represents an unsecured term loan from Bank of China Limited, China. The loan carries interest at 12-month LIBOR plus 150 basis points per annum and repayable on 3 August 2016. The National Bank of Cambodia approved this loan as subordinated debt on 7 September 2011 for net worth calculation purpose.

### 14. Interbank borrowings

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Interbank borrowings from			
Bank of China – Hong Kong	-	-	37,017,962
Bank of China – Beijing (Head Office) *	23,500,000	95,175,000	-
	<u>23,500,000</u>	<u>95,175,000</u>	<u>37,017,962</u>

\* The borrowing is unsecured, bears interest rate of six-month LIBOR plus 110 basis points per annum and matures on 28 April 2022.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 15. Other liabilities

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Remittance payables	815,605	3,303,201	235,155
Accrued bonuses	1,120,000	4,536,000	770,000
Interest payable	925,404	3,747,886	1,100,830
Payable to suppliers	422,441	1,710,886	5,250
Withholding tax payable	75,122	304,244	36,724
Accruals and others	711,322	2,880,854	608,753
	<u>4,069,894</u>	<u>16,483,071</u>	<u>2,756,712</u>

### 16. Branch capital

On 18 March 2015, the Branch requested the National Bank of Cambodia (“NBC”) to increase the Branch’s capital from US\$40,000,000 to US\$80,000,000. The transaction was approved by the NBC on 24 April 2015.

### 17. Interest income

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Loans and advances	15,072,519	61,043,702	871,235
Balances with banks	1,536,140	6,221,367	12,239,462
	<u>16,608,659</u>	<u>67,265,069</u>	<u>13,110,697</u>

### 18. Interest expense

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Deposits from customers	3,340,335	13,528,357	1,963,712
Deposits and interbank borrowings	1,474,584	5,972,065	1,337,137
	<u>4,814,919</u>	<u>19,500,422</u>	<u>3,300,849</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 19. Net fee and commission income

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Income on remittance	2,768,422	11,212,109	2,587,807
Processing fee income and others	2,667,672	10,804,072	2,330,204
	<hr/>	<hr/>	<hr/>
Fee and commission expense	5,436,094 (264,439)	22,016,181 (1,070,978)	4,918,011 (92,387)
	<hr/>	<hr/>	<hr/>
Net fee and commission income	<u>5,171,655</u>	<u>20,945,203</u>	<u>4,825,624</u>

### 20. Net gain from exchange rate

This represents fees earned from foreign currency arbitrage among Chinese Yuan, United States Dollars, Hong Kong Dollars and Euro.

### 21. Personnel expenses

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Salaries and wages	2,692,020	10,902,681	2,104,760
Allowances	809,648	3,279,075	619,107
Other benefits	104,343	422,589	82,062
	<hr/>	<hr/>	<hr/>
	<u>3,606,011</u>	<u>14,604,345</u>	<u>2,805,929</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 22. General and administrative expenses

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Rental, repairs and maintenance	785,140	3,179,817	702,398
Legal and professional fees	160,018	648,073	114,794
Electricity and utilities	178,786	724,083	106,516
Social expenses	193,555	783,898	102,804
Tax expenses	73,764	298,744	83,402
Office supplies	160,496	650,009	83,172
Travelling expenses	123,994	502,176	79,553
Marketing expenses	63,130	255,676	79,511
Telephone and internet expenses	22,619	91,607	21,979
Installation services	18,526	75,030	12,911
Other operating expenses	414,199	1,677,506	271,849
	<u>2,194,227</u>	<u>8,886,619</u>	<u>1,658,889</u>

### 23. Income tax

#### (a) Deferred tax

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Deferred tax assets	457,668	1,853,555	189,398
Deferred tax liabilities	(69,948)	(283,289)	(26,536)
Deferred tax assets - net	<u>387,720</u>	<u>1,570,266</u>	<u>162,862</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 23. Income tax (continued)

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

The movements of deferred tax are as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	162,862	659,591	139,483
Charged to income statement	224,858	910,675	23,379
	<u>387,720</u>	<u>1,570,266</u>	<u>162,862</u>

Deferred tax assets and liabilities are attributable to the following:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
General provision	457,668	1,853,555	-
Unrealised exchange gain	(2,499)	(10,121)	-
Deferred income	(18,800)	(76,140)	-
Depreciation	(48,649)	(197,028)	(26,536)
Accrued bonus	-	-	154,000
Accrued interest	-	-	35,398
	<u>387,720</u>	<u>1,570,266</u>	<u>162,862</u>

#### (b) Provision for income tax

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	2,037,837	8,253,240	1,101,176
Income tax expense	3,089,187	12,511,207	2,128,380
Income tax paid	(2,146,181)	(8,692,033)	(1,191,719)
	<u>2,980,843</u>	<u>12,072,414</u>	<u>2,037,837</u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 23. Income tax (continued)

#### (c) Income tax expenses

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Current income tax expense	3,089,187	12,511,207	2,128,380
Deferred tax	(224,858)	(910,675)	(23,379)
	<u>2,864,329</u>	<u>11,600,532</u>	<u>2,105,001</u>

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	13,065,528	52,915,389	9,561,078
Income tax rate of 20%	2,613,106	10,583,079	1,912,216
Effect of non-deductible expenses	371,137	1,503,105	270,150
Effect of temporary differences	-	-	520
Over provision in prior year	(119,914)	(485,652)	(77,885)
Income tax expense	<u>2,864,329</u>	<u>11,600,532</u>	<u>2,105,001</u>

The calculation of taxable income is subject to the review and approval of the tax authorities.

In accordance with Cambodian law on taxation, the Branch bears corporate income tax of the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 24. Cash and cash equivalents

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Cash on hand	23,584,134	95,515,743	39,490,600
Balances with banks			
Current and savings accounts	68,287,124	276,562,852	57,661,307
Term deposits	29,256,065	118,487,063	74,689,209
Balances with the National Bank of Cambodia			
Current accounts	144,816,691	586,507,599	129,621,825
Term deposits	-	-	5,200,000
Neegotiable certificate of deposits	9,900,000	40,095,000	-
	<u>275,844,014</u>	<u>1,117,168,257</u>	<u>306,662,941</u>

### 25. Net cash generated from operating activities

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	13,065,528	52,915,389	9,561,078
Adjustments for:			
Depreciation	658,046	2,665,087	485,775
Allowance for bad and doubtful loans and advances	551,217	2,232,429	929,141
	<u>14,274,791</u>	<u>57,812,905</u>	<u>10,975,994</u>
Changes in:			
Loans and advances	(64,732,188)	(262,165,361)	(24,173,746)
Statutory deposits	(15,910,245)	(64,436,492)	(20,310,305)
Other assets	(319,471)	(1,293,859)	125,900
Balances with banks	(29,055,559)	(117,675,014)	(10,944,441)
Deposit from banks	(34,878,036)	(141,256,046)	42,300,141
Deposit from customers	74,572,919	302,020,322	144,629,145
Unamortised loan processing fees	(55,880)	(226,314)	194,970
Other liabilities	1,313,182	5,318,387	(2,501,230)
Net cash (used in)/generated from operations	<u>(54,790,487)</u>	<u>(221,901,472)</u>	<u>140,296,428</u>
Income tax paid	<u>(2,146,181)</u>	<u>(8,692,033)</u>	<u>(1,191,719)</u>
Net cash (used in)/generated from operating activities	<u><u>(56,936,668)</u></u>	<u><u>(230,593,505)</u></u>	<u><u>139,104,709</u></u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 26. Commitment and contingent liabilities

#### (a) Operations

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Loan commitments	81,676,000	330,787,800	15,077,342
Unused portion of overdrafts	8,844,195	35,818,990	2,772,189
Letters of credit	4,758,187	19,270,657	3,722,779
Bank guarantees and others	30,621,418	124,016,743	12,709,403
	<u>125,899,800</u>	<u>509,894,190</u>	<u>34,281,713</u>

#### (b) Lease commitments

The Branch has operating lease commitments in respect of the lease of the three office buildings as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Within one year	419,868	1,700,465	269,536
Two to five years	856,375	3,468,319	323,118
	<u>1,276,243</u>	<u>5,168,784</u>	<u>592,654</u>

#### (c) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 27. Significant related party transactions and balances

#### (a) Related party transactions:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
<b>Interest income</b>			
Bank of China – Guangdong	684,009	2,770,236	318,041
Bank of China – Cayman	161,694	654,861	111,940
Bank of China – Hong Kong	23,328	94,478	-
Bank of China – Macau	-	-	11,725
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Interest expenses</b>			
Subordinated debt and interbank borrowing from Bank of China Limited – Beijing (Head Office)	636,771	2,578,923	181,170
Interbank borrowing from Bank of China – Hong Kong	294,846	1,194,126	339,577
Interbank borrowing from Bank of Taipei	-	-	10,490
Interbank borrowing from Bank of China – Guangdong	-	-	88,538
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Management compensation</b>			
Salaries and short-term benefits	2,030,781	8,224,663	2,009,669
	<u>                    </u>	<u>                    </u>	<u>                    </u>

#### (b) Related party balances:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
<b>Deposits with banks</b>			
Bank of China – New York	43,418,549	175,845,123	14,075,861
Bank of China – Hong Kong	22,489,458	91,082,305	17,283,982
Bank of China – Beijing (Head Office)	2,262,847	9,164,530	3,291,930
Bank of China – Shanghai	13,153	53,270	129,928
Bank of China – Frankfurt	9,709	39,321	8,193
Bank of China – Guangdong	2,088	8,456	50,452,783
	<u>                    </u>	<u>                    </u>	<u>                    </u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 27. Significant related party transactions and balances (continued)

#### (b) Related party balances (continued):

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
<b>Borrowings</b>			
Interbank borrowing from			
Bank of China Limited – Beijing (Head Office)	23,500,000	95,175,000	-
Bank of China – Hong Kong	-	-	37,017,962
Subordinated debt from Bank of China Limited – Beijing (Head Office)	10,000,000	40,500,000	10,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Accrual interest payable with:</b>			
Bank of China Limited – Beijing (Head Office)	70,644	286,108	61,888
Bank of China – Hong Kong	68,167	276,076	407,414
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>138,811</u>	<u>562,184</u>	<u>469,302</u>
<b>Accrual interest receivable from:</b>			
Bank of China – Hong Kong	6,898	27,937	-
Bank of China – Guangdong	-	-	161,118
	<u>                    </u>	<u>                    </u>	<u>                    </u>

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 28. Financial risk management

#### (a) Introduction and overview

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

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

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

#### (b) Operational risk

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

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

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

#### (c) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Branch's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 28. Financial risk management (continued)

#### (c) Credit risk (continued)

The Branch holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

#### (i) Credit risk measurement

The Branch assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit department is responsible for determining the risk rating for each borrower.

In measuring credit risk of loans and advances to customers, the Branch reflects the various of risk rating categories range from AAA to D in which AAA is the highest rating and D is the lowest rating.

Risk rating are reviewed and updated on an annual basis, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

#### (ii) Risk limit control and mitigation policies

The Branch operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Branch manages limits and controls concentration of credit risk whenever they are identified.

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

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

#### (iii) Impairment and allowance policies

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 28. Financial risk management (continued)

#### (c) Credit risk (continued)

#### (iv) Exposure to credit risk

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Loans and advances			
Individually impaired	507,217	2,054,229	507,217
Past due but not impaired	242,119	980,582	10,727,561
Neither past due nor impaired	323,344,304	1,309,544,431	248,126,674
	<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
Allowance for bad and doubtful loans and advances	(3,861,527)	(15,639,184)	(3,310,310)
	<u>320,232,113</u>	<u>1,296,940,058</u>	<u>256,051,142</u>

#### *Impaired loans and advances*

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

In determining the allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss" all collateral may be utilised, at market values approved by the NBC. Refer to separate accounting policy stated in Note 3(e).

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

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

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 28. Financial risk management (continued)

#### (c) Credit risk (continued)

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

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

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

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

##### *Write-off policy*

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

##### *Collateral*

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

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

The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the balance sheet as foreclosed property.

##### *Concentration of credit risk*

The analysis of concentrations of credit risk from loans and advances at the balance date is shown in Note 8 to the financial statements.

# Bank of China Limited Phnom Penh Branch

## Notes to the financial statements (continued) for the year ended 31 December 2015

### 28. Financial risk management (continued)

#### (d) Market risk

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

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

#### (i) Foreign currency exchange risk

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

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

#### (ii) Interest rate risk

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

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

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 28. Financial risk management (continued)

##### (d) Market risk (continued)

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

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

31 December 2015	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	23,584,134	23,584,134	
Balances with the National Bank of Cambodia	9,900,000	-	-	-	8,386,831	213,199,867	231,486,698	0.08% - 0.17%
Balances with banks	-	29,256,065	40,000,000	-	-	68,287,124	137,543,189	0.10% - 6.15%
Loans and advances								
- Performing	31,173,877	1,373,490	58,530,188	114,003,737	118,263,012	-	323,344,304	0.45% - 9.00%
- Non-performing	749,336	-	-	-	-	-	749,336	
- Allowance for doubtful debts	-	-	-	-	-	(3,861,527)	(3,861,527)	
Other assets	-	-	-	-	-	2,154,642	2,154,642	
Total financial assets	41,823,213	30,629,555	98,530,188	114,003,737	126,649,843	303,364,240	715,000,776	
<b>Liabilities</b>								
Deposits from banks	20,000,000	-	-	-	-	7,353,551	27,353,551	0.00% - 2.00%
Deposits from customers	159,563,045	63,600,989	45,431,712	15,501	-	277,448,821	546,060,068	0.00% - 3.25%
Subordinated debt	-	-	10,000,000	-	-	-	10,000,000	1.50%
Interbank borrowings	-	-	-	-	23,500,000	-	23,500,000	1.63%
Other liabilities	-	-	-	-	-	4,069,894	4,069,894	
Total financial liabilities	179,563,045	63,600,989	55,431,712	15,501	23,500,000	288,872,266	610,983,513	
<b>Maturity gap</b>	(137,739,832)	(32,971,434)	43,098,476	113,988,236	103,149,843	14,491,974	104,017,263	

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 28. Financial risk management (continued)

##### (d) Market risk (continued)

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

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

31 December 2014	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>								
Cash on hand	-	-	-	-	-	39,490,600	39,490,600	-
Balances with the National Bank of Cambodia	5,200,000	-	60,859,762	-	-	129,621,825	195,681,587	0.10% - 0.17%
Balances with banks	-	74,689,209	10,944,441	-	-	57,661,307	143,294,957	0.10% - 6.15%
Loans and advances	-	-	-	-	-	-	-	-
- Performing	20,816,541	9,681,775	36,226,215	109,608,461	82,521,243	-	258,854,235	1.50% - 10.00%
- Non-performing	507,217	-	-	-	-	-	507,217	-
- Allowance for doubtful debts	-	-	-	-	-	(3,310,310)	(3,310,310)	-
Other assets	-	-	-	-	-	1,835,171	1,835,171	-
Total financial assets	26,523,758	84,370,984	108,030,418	109,608,461	82,521,243	225,298,593	636,353,457	-
<b>Liabilities</b>								
Deposits from banks	27,212,595	5,000,000	30,018,992	-	-	-	62,231,587	0.00% - 2.00%
Deposits from customers	432,550,952	16,349,280	22,434,824	152,093	-	-	471,487,149	0.00% - 3.25%
Subordinated debt	-	-	-	10,000,000	-	-	10,000,000	1.50%
Interbank borrowings	16,094,766	-	20,923,196	-	-	-	37,017,962	3.03% - 4.60%
Other liabilities	-	-	-	-	-	2,756,712	2,756,712	-
Total financial liabilities	475,858,313	21,349,280	73,377,012	10,152,093	-	2,756,712	583,493,410	-
<b>Maturity gap</b>	(449,334,555)	63,021,704	34,653,406	99,456,368	82,521,243	222,541,881	52,860,047	-

# **Bank of China Limited Phnom Penh Branch**

## **Notes to the financial statements (continued) for the year ended 31 December 2015**

### **28. Financial risk management (continued)**

#### **(e) Liquidity risk**

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

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

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

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 28. Financial risk management (continued)

##### (e) Liquidity risk (continued)

31 December 2015	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Total US\$
<b>Liabilities</b>							
Deposits from banks	20,000,000	-	-	-	-	-	20,000,000
Deposits from customers	437,011,866	63,600,989	35,116,198	10,315,514	15,501	-	546,060,068
Subordinated debt	-	-	-	10,000,000	-	-	10,000,000
Interbank borrowings	-	-	-	-	-	23,500,000	23,500,000
Other liabilities	4,069,894	-	-	-	-	-	4,069,894
<b>Total financial liabilities</b>	<b>461,081,760</b>	<b>63,600,989</b>	<b>35,116,198</b>	<b>20,315,514</b>	<b>15,501</b>	<b>23,500,000</b>	<b>603,629,962</b>
<b>Total financial assets</b>	<b>280,665,804</b>	<b>30,629,555</b>	<b>98,530,188</b>	<b>114,003,737</b>	<b>118,263,012</b>	<b>72,908,480</b>	<b>715,000,776</b>
<b>Net liquidity gap</b>	<b>(180,415,956)</b>	<b>(32,971,434)</b>	<b>63,413,990</b>	<b>93,688,223</b>	<b>118,247,511</b>	<b>49,408,480</b>	<b>111,370,814</b>

## Bank of China Limited Phnom Penh Branch

### Notes to the financial statements (continued) for the year ended 31 December 2015

#### 28. Financial risk management (continued)

##### (e) Liquidity risk (continued)

31 December 2014	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Total US\$
<b>Liabilities</b>							
Deposits from banks	27,212,595	5,000,000	10,000,000	20,018,992	-	-	62,231,587
Deposits from customers	432,550,952	16,349,280	14,572,169	7,862,655	152,093	-	471,487,149
Subordinated debt	-	-	-	-	10,000,000	-	10,000,000
Interbank borrowings	16,094,766	-	20,923,196	-	-	-	37,017,962
Other liabilities	2,756,712	-	-	-	-	-	2,756,712
<b>Total financial liabilities</b>	<b>478,615,025</b>	<b>21,349,280</b>	<b>45,495,365</b>	<b>27,881,647</b>	<b>10,152,093</b>	<b>-</b>	<b>583,493,410</b>
<b>Total financial assets</b>	<b>251,822,351</b>	<b>84,370,984</b>	<b>47,170,656</b>	<b>60,859,762</b>	<b>109,608,461</b>	<b>82,521,243</b>	<b>636,353,457</b>
<b>Net liquidity gap</b>	<b>(226,792,674)</b>	<b>63,021,704</b>	<b>1,675,291</b>	<b>32,978,115</b>	<b>99,456,368</b>	<b>82,521,243</b>	<b>52,860,047</b>

## **Bank of China Limited Phnom Penh Branch**

### **Notes to the financial statements (continued) for the year ended 31 December 2015**

#### **28. Financial risk management (continued)**

##### **(f) Capital management**

###### **(i) Regulatory capital**

The Branch's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

The Branch's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder's return is also recognised and the Branch recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Branch and its individually regulated operations have complied with all externally imposed capital requirement throughout the year.

###### **(ii) Capital allocation**

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

#### **29. Fair values of financial assets and liabilities**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

# Our Activity



**BANK OF CHINA LIMITED  
PHNOM PENH BRANCH**

**Supplementary Financial Information  
For the year ended 31 December 2015**



The National Bank of Cambodia  
22 - 24 Norodom Boulevard  
Phnom Penh  
Cambodia

### **Statement by the management on the Supplementary Financial Information**

I, being the Chief Executive Officer of Bank of China Limited Phnom Penh Branch (“the Branch”), do hereby state that in my opinion, the accompanying Supplementary Financial Information of the Branch as set out on pages 67 to 83, the preparation of which is the sole responsibility of the management, is properly drawn up so as to reflect fairly the Financial Information of the Branch for the year ended 31 December 2015 as required by the National Bank of Cambodia in their Prakas and applicable notices.

*Signed on behalf of the Branch:*

A blue circular stamp with Khmer text around the perimeter and 'BANK OF CHINA Limited Phnom Penh Branch' in the center. A handwritten signature in blue ink is written over the stamp.

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**Mr. Chen Chan Jiang**  
*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia  
Date:

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information for the year ended 31 December 2015

### 1. Limitation

This Supplementary Financial Information is prepared by the management of Bank of China Limited Phnom Penh Branch (“the Branch”) solely for the use of the National Bank of Cambodia (“NBC”). It is not to be used for any other purpose without the written consent of the management of the Branch.

The computations of the Supplementary Financial Information according to the definitions of the relevant Prakas and applicable notices set out in the respective schedules as indicated below form an integral part of and should be read in conjunction with the summary.

### 2. Significant financial information

The following summarises the Significant Financial Information of the Branch as required by NBC on their applicable Prakas and notices.

Schedule Reference	Financial Information	2015		2014
		US\$ (if not in %)	KHR'000 (if applicable)	US\$ (if not in %)
I	Liquidity ratio	100.72%		100.55%
II	Minimum capital	80,000,000	324,000,000	40,000,000
III	Solvency ratio	29.08%		18.63%
IV	Net worth	115,242,693	466,732,906	64,216,875
V	Foreign currency net open position			
	US\$	-0.24%		-0.58%
	KHR	-0.04%		0.00%
	EUR	0.01%		0.00%
	HKD	0.00%		0.01%
	CNY	0.27%		0.57%

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### 2. Significant financial information (continued)

Schedule Reference	Financial Information	2015		2014
		US\$ (if not in %)	KHR'000 (if applicable)	US\$ (if not in %)
VI	Loan classification			
	Normal/Standard	323,344,304	1,309,544,431	248,126,674
	Special mention	-	-	10,727,561
	Sub-standard	242,119	980,582	-
	Doubtful	-	-	-
	Loss	507,217	2,054,229	507,217
		<u>324,093,640</u>	<u>1,312,579,242</u>	<u>259,361,452</u>
	Allowance for bad and doubtful debts			
	NBC's benchmark	3,789,084	15,345,790	3,310,310
	Branch's provision	3,861,527	15,639,184	3,310,310
		<u>(72,443)</u>	<u>(293,394)</u>	<u>-</u>
VII	Large exposures (total)	105.73%		206.54%
VIII	Loans to related parties	Nil		Nil
IX	Property and equipment	1.16%		2.55%

### 3. Translation

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

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### 4. Other ratios

The ratios set out below are based on the audited financial statements of the Branch as at 31 December 2015 and are presented as required by NBC's Prakas No. B7-04-204 dated 29 December 2004.

	2015	2014
<b>Capital</b>		
(1) Equity to total assets	14.24%	8.12%
(2) Capital tier I to total assets	14.24%	8.12%
(3) Capital tier I to risk weighted assets	30.33%	15.01%
(4) Capital tier 1 + tier 2 to risk weighted assets	34.29%	18.63%
(5) Net worth to assets	16.10%	10.08%
(6) Solvency ratio	34.29%	18.63%
(7) Debts to total assets	85.76%	91.88%
(8) Debts to equity	602.30%	1131.78%
(9) Dividend to net profit	-	-
<b>Asset Quality</b>		
(10) Banking reserve to total loans	-	-
(11) Banking reserves to total assets	-	-
(12) Non-performing loans to total loans	0.23%	0.20%
(13) Non-performing loans to total assets	0.10%	0.08%
(14) Classified assets to total loans	0.23%	0.20%
(15) Classified assets to total assets	0.10%	0.08%
(16) Classified assets to equity	0.74%	0.98%
(17) Loans to related parties to total loans	-	-
(18) Large exposures to total loans	58.42%	80.51%
(19) Loans to related parties to net worth	-	-
(20) Large exposures to net worth	164.30%	325.15%
(21) General provision to total loans	1.02%	0.96%
(22) Specific provision to total loans	0.17%	0.32%
(23) Specific provision to non-performing loans	74.15%	163.45%
(24) All allowances to total assets	0.54%	0.52%
(25) Loans to deposits	49.72%	50.77%

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### 4. Other ratios (continued)

	2015	2014
<b>Earnings</b>		
(26) Return on assets	1.42%	1.17%
(27) Return on equity	10.01%	14.41%
(28) Gross yield	2.32%	2.06%
(29) Net interest margin to total assets	1.65%	1.54%
(30) Other income to total assets	1.19%	0.90%
(31) Provisions to total assets	0.54%	0.52%
(32) Overhead to total assets	1.02%	0.79%
(33) Net income before tax to total assets	1.83%	1.50%
(34) Taxes to total assets	0.40%	0.33%
(35) Interest margin to gross income	46.89%	52.09%
(36) Non-interest income to gross income	33.97%	30.39%
(37) Non-interest expenses to gross income	28.92%	26.78%
(38) Times interest earned	3.31 times	3.90 times
<b>Liquidity</b>		
(39) Liquid assets	59.03%	52.98%
(40) Short-term liabilities	82.48%	91.88%
(41) Net liquid assets	-27.34%	-42.34%
(42) Quick ratio	71.57%	57.66%
(43) Deposits to total loans	201.14%	196.98%

The above calculation of the other ratios is presented in **Annex A**.

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule I - Liquidity ratio

The liquidity ratio of the Branch was calculated based on Prakas B7-00-38 and B7-04-207 as follows:

	2015		2014
	US\$	KHR'000	US\$
<b>Debit items</b>			
Cash and gold	23,584,134	95,515,743	39,490,600
Deposits with NBC (excluding statutory deposits)	154,716,691	626,602,599	134,821,825
Deposits with banks	137,543,189	557,049,915	143,294,957
Loans to banks and financial institutions less than one month	30,000,000	121,500,000	20,000,000
	<u>345,844,014</u>	<u>1,400,668,257</u>	<u>337,607,382</u>
<b>Credit items</b>			
Sight accounts with NBC, banks and financial institutions	7,353,551	29,781,882	7,212,595
Borrowings from NBC and banks less than one month	-	-	16,094,766
	<u>7,353,551</u>	<u>29,781,882</u>	<u>23,307,361</u>
Lender/(borrower) position	<u>338,490,463</u>	<u>1,370,886,375</u>	<u>314,300,021</u>
<b>Numerator</b>			
Treasury balance - lender position	338,490,463	1,370,886,375	314,300,021
Loans less than one month excluding those without maturity date	-	-	-
Treasury bills less than one month	-	-	-
	<u>338,490,463</u>	<u>1,370,886,375</u>	<u>314,300,021</u>
<b>Denominator</b>			
Treasury balance - borrower position	-	-	-
Fixed deposits less than one month at 80%	59,362,744	240,419,113	48,913,366
Fixed deposits more than one month at 50%	54,524,101	220,822,609	36,977,595
Saving deposits at 50%	51,286,204	207,709,126	40,834,689
Demand deposits at 60%	170,881,423	692,069,763	185,843,921
	<u>336,054,472</u>	<u>1,361,020,611</u>	<u>312,569,571</u>
Liquidity ratio - Numerator/Denominator	<u>100.72%</u>		<u>100.55%</u>

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule II - Minimum capital

The paid-up share capital of the Branch as at 31 December 2015 was US\$80,000,000 equivalent to KHR324,000 million (31 December 2014: US\$40,000,000).

### Schedule III - Solvency ratio

The solvency ratio of the Branch was calculated based on Prakas B7-00-46, B7-04-206 and B7-07-135 as follows:

	Weighting	2015		2014
		US\$	KHR'000	US\$
<b>Numerator</b>				
Branch's net worth - (Schedule IV)		115,242,693	466,732,906	64,216,875
<b>Denominator</b>				
<b>Total aggregate assets</b>				
Cash, gold and claims on NBC	0%	-	-	-
Assets collateralized by deposits	0%	-	-	-
Claims on sovereign rated AAA to AA	0%	-	-	-
Claims on sovereign rated A+ to A-	20%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claims on sovereign rated BBB+ to BBB-	50%	-	-	-
Claims on banks rated A+ to A-	50%	84,605,448	342,652,064	51,955,939
Other assets	100%	291,601,836	1,180,987,436	278,182,790
<b>Off-balance sheet items</b>				
Full risk	100%	7,207,080	29,188,674	12,709,403
Medium risk	50%	12,849,658	52,041,115	1,861,390
Moderate risk	20%	-	-	-
Total denominator		396,264,022	1,604,869,289	344,709,522
Solvency ratio – Numerator/Denominator		29.08%		18.63%

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule IV - Net worth

On 15 October 2010, the NBC has issued a new Prakas No. B7-010-182 on the Calculation of Bank's Net Worth stipulating the new calculation method of Bank's net worth which became enforceable on 31 May 2011.

The Branch's net worth calculated based on the NBC's Prakas No. B7-010-182 dated 15 October 2010 was as follows:

	2015		2014
	US\$	KHR'000	US\$
<b><u>Tier 1 (Core Capital)</u></b>			
<b>Sub-total A:</b>			
Capital	80,000,000	324,000,000	40,000,000
Reserves other than revaluation	-	-	-
Premiums related to capital	-	-	-
Audited net profit for the last financial year	10,201,199	41,314,857	7,456,077
Retained earnings	11,735,608	47,529,211	4,279,531
Other items approved by NBC	-	-	-
Sub-total A	<u>101,936,807</u>	<u>412,844,068</u>	<u>51,735,608</u>
Limit check on retained earning (maximum 20% of Sub-total A)	21.52%		8.27%
<b>Sub-total B:</b>			
Own shares held (at book value)	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Shareholders, Directors, and Related parties:			
Unpaid portion(s) of capital	-	-	-
Loans, overdrafts and other advances	-	-	-
Debt instruments held bearing signature of shareholders, directors and related parties	-	-	-
Other loss(es)	-	-	-
Sub-total B	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Tier 1 Capital (A - B)</b>	<u>101,936,807</u>	<u>412,844,068</u>	<u>51,735,608</u>

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule IV - Net worth (continued)

	2015		2014
	US\$	KHR'000	US\$
<b><u>Tier 2 (Complementary Capital)</u></b>			
<b>Sub-total C:</b>			
Revaluation reserves approved by NBC	-	-	-
Provisions for general banking risks approved by NBC	-	-	-
General provision of 1% foreseen in Prakas on asset classification and provisioning in banking and financial institution	3,305,886	13,388,838	2,481,267
Subordinated debts approved by NBC	10,000,000	40,500,000	10,000,000
Other items approved by NBC	-	-	-
Sub-total C	<u>13,305,886</u>	<u>53,888,838</u>	<u>12,481,267</u>
Limit check on subordinated debts (maximum 50% of Tier 1 Capital)	9.81%		19.33%
<b>Sub-total D:</b>			
Equity participation in banking or financial Institutions	-	-	-
Other items	-	-	-
Sub-total D	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Tier 2 Capital (C - D)</b>	<u>13,305,886</u>	<u>53,888,838</u>	<u>12,481,267</u>
Limit check on Tier 2 Capital (maximum 100% of Tier 1 Capital)	13.05%		24.13%
<b>Branch's net worth (Capital Tier 1 + Tier 2)</b>	<u><u>115,242,693</u></u>	<u><u>466,732,906</u></u>	<u><u>64,216,875</u></u>

## Bank of China Limited Phnom Penh Branch

### Supplementary financial information (continued) for the year ended 31 December 2015

#### Schedule V - Foreign currency net open position

The foreign currency net open position computed based on net worth is as follows:

Currency	Element after deduction of affected provision						Net open position 5=1+2+3+4 + (long) or - (short)	Net open position/Net worth	Limit	Excess
	1	2	3	4	4					
	Assets	Liabilities and capital	Currency receivables Off-balance sheet	Currencies payables Off-balance sheet						
	US\$	US\$	US\$	US\$			%	%		
US\$	692,239,249	(692,517,135)	125,899,800	(125,899,800)			-0.24%	20%	No	
KHR	20,160,699	(20,207,402)	-	-			-0.04%	20%	No	
EUR	9,709	(910)	-	-			0.01%	20%	No	
HKD	3,601	-	-	-			0.00%	20%	No	
CNY	3,487,905	(3,175,716)	-	-			0.27%	20%	No	
<b>Total</b>	715,901,163	(715,901,163)	125,899,800	(125,899,800)			-			

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule VI - Loan classification and provision for bad and doubtful debts

The following loan classification and provision for bad and doubtful debts is summarised according to NBC's Prakas No. B7-04-01 and B7-09-074.

	Total US\$	%	NBC's Benchmark US\$	Client's Provision US\$	Variance US\$
As at 31 December 2015					
Normal/Standard	323,344,304	1%	3,233,443	3,305,886	(72,443)
Special mention	-	3%	-	-	-
Substandard	242,119	20%	48,424	48,424	-
Doubtful	-	50%	-	-	-
Loss	507,217	100%	507,217	507,217	-
	<u>324,093,640</u>		<u>3,789,084</u>	<u>3,861,527</u>	<u>(72,443)</u>
Allowance for bad and doubtful loans	(3,861,527)				
Unamortised loan processing fee	(829,567)				
	<u>319,402,546</u>				
<i>Equivalent in</i>	KHR'000	%	KHR'000	KHR'000	KHR'000
Normal/Standard	1,309,544,431	1%	13,095,444	13,388,838	(293,394)
Special mention	-	3%	-	-	-
Substandard	980,582	20%	196,117	196,117	-
Doubtful	-	50%	-	-	-
Loss	2,054,229	100%	2,054,229	2,054,229	-
	<u>1,312,579,242</u>		<u>15,345,790</u>	<u>15,639,184</u>	<u>(293,394)</u>
Allowance for bad and doubtful loans	(15,639,184)				
Unamortised loan processing fees	(3,359,747)				
	<u>1,293,580,311</u>				

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule VI - Loan classification and provision for bad and doubtful debts (continued)

	Total US\$	%	NBC's Benchmark US\$	Client's Provision US\$	Variance US\$
As at 31 December 2014					
Normal/Standard	248,126,674	1%	2,481,267	2,481,267	-
Special mention	10,727,561	3%	321,826	321,826	-
Substandard	-	20%	-	-	-
Doubtful	-	50%	-	-	-
Loss	507,217	100%	507,217	507,217	-
	<u>259,361,452</u>		<u>3,310,310</u>	<u>3,310,310</u>	<u>-</u>
Allowance for bad and doubtful loans	(3,310,310)				
Unamortised loan Processing fee	(885,447)				
	<u>255,165,695</u>				

## Bank of China Limited Phnom Penh Branch

### Supplementary financial information (continued) for the year ended 31 December 2015

#### Schedule VII - Large Exposures

The Branch has large exposure individually exceeding 10% of the Branch's net worth as at 31 December 2015. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

No	Name of borrower	Date of NBC's approval	Facility type (*)	Approved limit (US\$)	Outstanding balance (US\$)	Off-balance sheet commitment (US\$)	Total gross exposures (US\$)	Weighting (%)	Total weighted exposures (US\$)	Total weighted exposures/ net worth (%)	Maximum (%)	Excess	Remark
1	CIIDG Erdos Hongjun Electric Power Co., Ltd.	8 May 12	TL	54,500,000	54,500,000	-	54,500,000	50%	27,250,000	23.65%	20%	3.65%	
2	Cambodia Cement Chakrey Ting Factory Co., Ltd.	13 Sep 13	TL	57,500,000	50,500,000	-	50,500,000	50%	25,250,000	21.91%	20%	1.91%	
3	Huaxin Hong Kong International Holdings Limited	5 Aug 15	TL	23,500,000	22,500,000	-	22,500,000	100%	22,500,000	19.52%	20%	No	
4	ICBC Limited Phnom Penh Branch	N/A	TL	30,000,000	30,000,000	-	30,000,000	50%	15,000,000	13.02%	20%	No	
5	Overseas Cambodian Investment Corporation Ltd.	N/A	TL	20,000,000	20,000,000	-	20,000,000	100%	20,000,000	17.35%	20%	No	
6	Viniton Group Co., Ltd.	N/A	TL	9,900,000	9,900,000	-	9,900,000	100%	9,900,000	8.59%	20%	No	
			OD	5,000,000	1,941,904	-	1,941,904	100%	1,941,904	1.69%	20%	No	
<b>Total exposures:</b>				<b>200,400,000</b>	<b>189,341,904</b>	<b>-</b>	<b>189,341,904</b>		<b>121,841,904</b>	<b>105.73%</b>	<b>300%</b>		

(\*) TL: Term Loan      OD: Overdraft.

# Bank of China Limited Phnom Penh Branch

## Supplementary financial information (continued) for the year ended 31 December 2015

### Schedule VIII - Loans to related parties

As at 31 December 2015, the Branch had no loans which are disclosed as related party loans.

### Schedule IX - Property and equipment

The ratio of the Branch's property and equipment used for the operations of the Branch to the net worth was as follow:

		2015		2014
		US\$	KHR'000	US\$
As per audited financial statements:				
Property and equipment		1,342,234	5,436,048	1,635,983
Intangible assets		-	-	-
	A	<u>1,342,234</u>	<u>5,436,048</u>	<u>1,635,983</u>
Branch's net worth (Schedule IV)	B	<u>115,242,693</u>	<u>466,732,906</u>	<u>64,216,875</u>
Property and equipment ratio	A/B	<u>1.16%</u>		<u>2.55%</u>

**Bank of China Limited Phnom Penh Branch**  
**Supplementary financial information (continued)**  
**for the year ended 31 December 2015**

**Annex A**

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

No	Other ratios	Formula by NBC		31 December 2015			31 December 2014		
				Calculation (in figure)		Ratio	Calculation (in figure)		Ratio
				Numerator (A)	Denominator (B)		Numerator (A)	Denominator (B)	
		A	B	US\$	US\$	%	US\$	US\$	%
	<b>CAPITAL</b>								
1	Equity to total assets	Equity	Total assets	101,936,807	715,901,163	14.24%	51,735,608	637,266,855	8.12%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	101,936,807	715,901,163	14.24%	51,735,608	637,266,855	8.12%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	101,936,807	336,054,472	30.33%	51,735,608	344,709,522	15.01%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	115,242,693	336,054,472	34.29%	64,216,875	344,709,522	18.63%
5	Net worth to total assets	Net worth	Total assets	115,242,693	715,901,163	16.10%	64,216,875	637,266,855	10.08%
6	Solvency ratio	Net worth	Risk weighted assets	115,242,693	336,054,472	34.29%	64,216,875	344,709,522	18.63%
7	Debts to total assets	Total liabilities	Total assets	613,964,356	715,901,163	85.76%	585,531,247	637,266,855	91.88%
8	Debts to equity	Total liabilities	Equity	613,964,356	101,936,807	602.30%	585,531,247	51,735,608	1131.78%
9	Dividend to net profit	Dividend	Net profit	-	10,201,199	-	-	7,456,077	-

## Bank of China Limited Phnom Penh Branch

### Supplementary financial information (continued) for the year ended 31 December 2015

Annex A

No	Other ratios	Formula by NBC		31 December 2015			31 December 2014		
				Calculation (in figure)		Calculation (in figure)		Ratio	
				Numerator (A) US\$	Denominator (B) US\$	Numerator (A) US\$	Denominator (B) US\$	A/B %	A/B %
	<b>ASSET QUALITY</b>								
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	-	324,093,640	-	259,361,452	-	-
11	Banking reserve to total assets	Banking reserves	Total assets	-	715,901,163	-	637,266,855	-	-
12	NPL to total loans	NPL	Total loan (gross)	749,336	324,093,640	507,217	259,361,452	0.23%	0.20%
13	NPL to total assets	NPL	Total assets	749,336	715,901,163	507,217	637,266,855	0.10%	0.08%
14	Classified assets to total loan	Classified assets	Total loans (gross)	749,336	324,093,640	507,217	259,361,452	0.23%	0.20%
15	Classified assets to total asset	Classified assets	Total assets	749,336	715,901,163	507,217	637,266,855	0.10%	0.08%
16	Classified assets to equity	Classified assets	Equity	749,336	101,936,807	507,217	51,735,608	0.74%	0.98%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	324,093,640	-	259,361,452	-	-
18	Large exposure to total loans	Large exposure	Total loans (gross)	189,341,904	324,093,640	208,802,946	259,361,452	58.42%	80.51%
19	Loan to related parties to net worth	Loan to related parties	Net worth	-	115,242,693	-	64,216,875	-	-
20	Large exposure to net worth	Large exposure	Net worth	189,341,904	115,242,693	208,802,946	64,216,875	164.30%	325.15%
21	General provision to total loans	General provision	Total loans (gross)	3,305,886	324,093,640	2,481,267	259,361,452	1.02%	0.96%
22	Specific provision to total loans	Specific provision	Total loans (gross)	555,641	24,093,640	829,043	259,361,452	0.17%	0.32%

## Bank of China Limited Phnom Penh Branch

### Supplementary financial information (continued) for the year ended 31 December 2015

Annex A

No	Other ratios	Formula by NBC		31 December 2015			31 December 2014		
				Calculation (in figure)		Calculation (in figure)		Ratio	
				Numerator (A)	Denominator (B)	Numerator (A)	Denominator (B)	A/B	
		A	B	US\$	US\$	US\$	US\$	%	A/B
23	Specific provision to NPL	Specific provision	NPL	555,641	749,336	829,043	507,217	74.15%	163.45%
24	All allowances to total assets	Total all allowances	Total assets	3,861,527	715,901,163	3,310,310	637,266,855	0.54%	0.52%
25	Loans to deposits	Total loans to non-Bank customers (gross)	Customer's deposits	285,075,476	573,413,619	239,361,452	471,487,149	49.72%	50.77%
	<b>EARNINGS</b>								
26	Return on assets	Net profit	Total assets	10,201,199	715,901,163	7,456,077	637,266,855	1.42%	1.17%
27	Return on equity	Net profit	Equity	10,201,199	101,936,807	7,456,077	51,735,608	10.01%	14.41%
28	Gross yield	Interest income	Total assets	16,608,659	715,901,163	13,110,697	637,266,855	2.32%	2.06%
29	Net interest margin (NIM) to total assets	Interest income - Interest expense	Total assets	11,793,740	715,901,163	9,809,848	637,266,855	1.65%	1.54%
30	Other income to total assets	Other income	Total assets	8,545,728	715,901,163	5,723,351	637,266,855	1.19%	0.90%
31	Provision to total assets	Provision	Total assets	3,861,527	715,901,163	3,310,310	637,266,855	0.54%	0.52%
32	Overhead to total assets	Non-interest expense	Total assets	7,273,940	715,901,163	5,042,980	637,266,855	1.02%	0.79%
33	Net income before tax to total assets	Net income before tax	Total assets	13,065,528	715,901,163	9,561,078	637,266,855	1.83%	1.50%
34	Tax to total assets	Tax expense	Total assets	2,864,329	715,901,163	2,105,001	637,266,855	0.40%	0.33%
35	Interest margin to gross income	Interest income - Interest expense	Gross income	11,793,740	25,154,387	9,809,848	18,834,048	46.89%	52.09%

## Bank of China Limited Phnom Penh Branch

### Supplementary financial information (continued) for the year ended 31 December 2015

Annex A

No	Other ratios	Formula by NBC	31 December 2015		31 December 2014		Ratio		
			Calculation (in figure)		Calculation (in figure)				
			Numerator (A) US\$	Denominator (B) US\$	Numerator (A) US\$	Denominator (B) US\$			
36	Non-interest income to gross income	Non-interest income	Gross income	8,545,728	25,154,387	5,723,351	18,834,048	33.97%	30.39%
37	Non-interest expense to gross income	Non-interest expense	Gross income	7,273,940	25,154,387	5,042,980	18,834,048	28.92%	26.78%
38	Times interest earned	Income before tax + Interest expense	Interest expense	15,929,857	4,814,919	12,861,927	3,300,849	3.31 times	3.90 times
	<b>LIQUIDITY</b>								
39	Liquid assets	Liquid assets	Total assets	422,614,021	715,901,163	337,607,382	637,266,855	59.03%	52.98%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	590,464,356	715,901,163	585,531,247	637,266,855	82.48%	91.88%
41	Net liquid assets	Liquid assets - Short-term liabilities	Total liabilities	(167,850,335)	613,964,356	(247,923,865)	585,531,247	-27.34%	-42.34%
42	Quick ratio	Quick assets	Current liabilities	422,614,021	590,464,356	337,607,382	585,531,247	71.57%	57.66%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	573,413,619	285,075,476	471,487,149	239,361,452	201.14%	196.98%



ធនាគារ ចិន  
中國銀行  
BANK OF CHINA

សាខាភ្នំពេញ  
金边分行  
PHNOM PENH BRANCH





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