

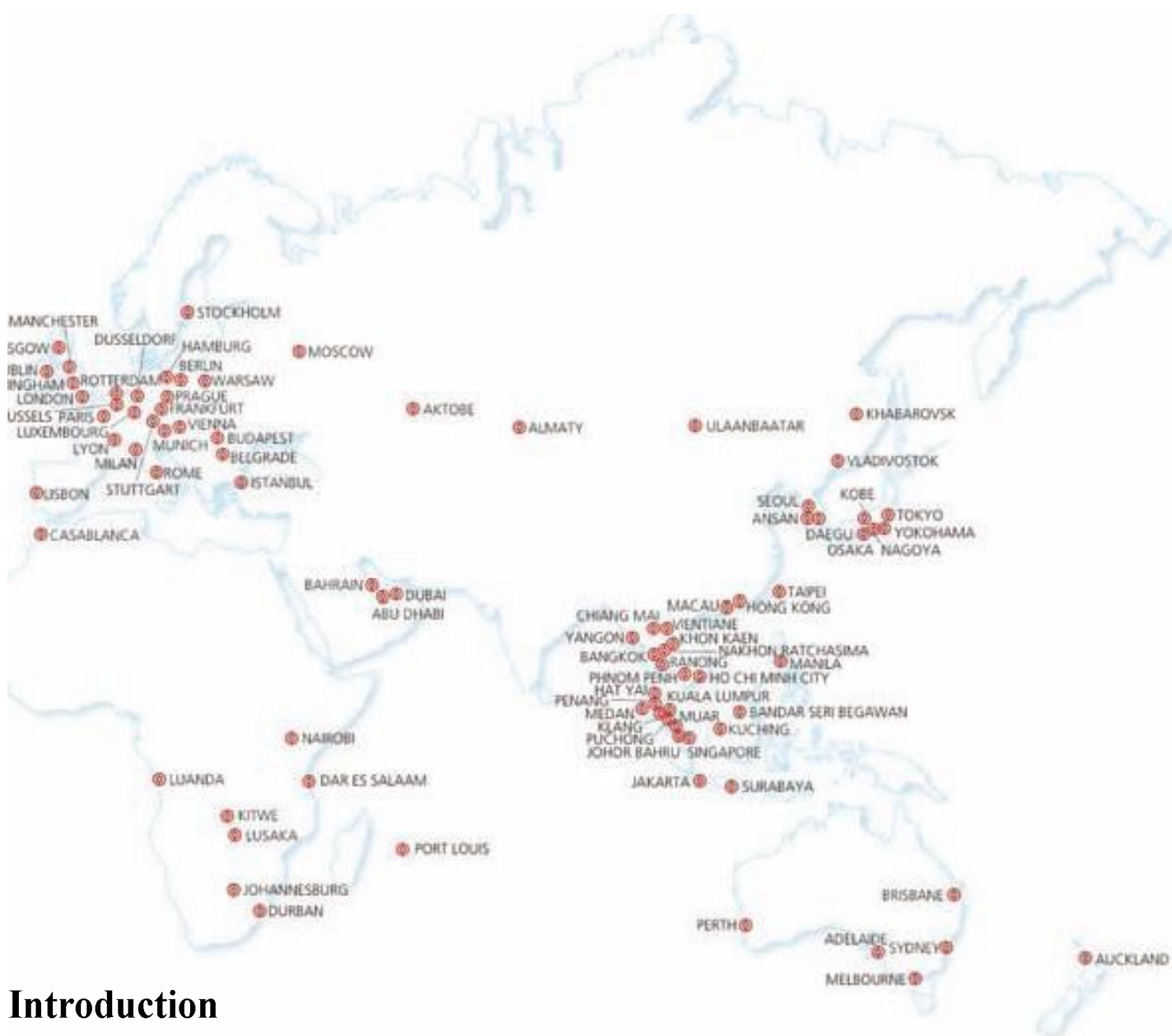


中  
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BANK OF CHINA

# ANNUAL REPORT

# 2 0 1 6





## 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 specialised 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 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and provided vital support to the nation's foreign trade development and economic infrastructure by 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 capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. In August 2004, Bank of China Limited was incorporated. The Bank was listed on the Hong Kong Stock Exchange and the 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 2016, Bank of China was again designated as a Global Systemically Important Bank, thus becoming the sole financial institution from emerging economies to be designated as a Global Systemically Important Bank for six consecutive years.

As China's most internationalized and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as 51 countries and regions. 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, both 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. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Limited, a controlled subsidiary, is in charge of the Bank's aircraft leasing business.

Bank of China has upheld the spirit of "pursuing excellence" throughout its history of over one century. 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. Faced with new historic opportunities, the Bank will meet its social responsibilities, strive for excellence, and make further contributions to achieving the China Dream and the great rejuvenation of the Chinese nation.

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## **Development Strategy**

### **Core Values**

Pursuing excellence

Integrity Performance Responsibility Innovation Harmony

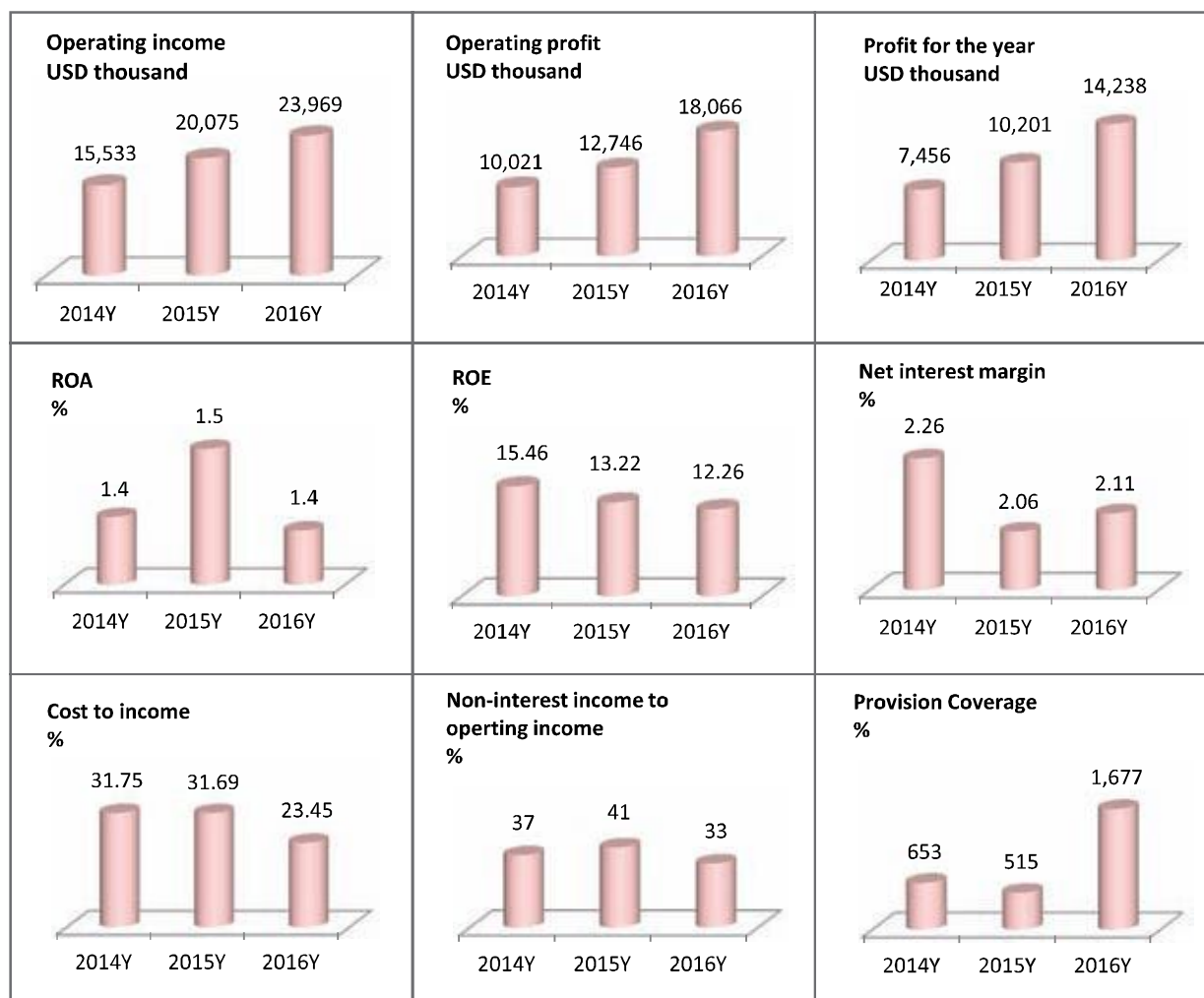
### **Strategic Goal**

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.

# 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. Provision Coverage = impairment on loans ÷ balance of NPL.  
average balance of loans = (balance of loans at the beginning of the year + balance of loans at the year-end) ÷ 2

## Corporate information

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



## **Mr. CHEN CHANGJIANG, CEO (CAMBODIA)**

### **Message from the Country Manager**

2016年，全球政治经济形势瞬息万变，“黑天鹅”事件频发，金融市场动荡加剧。面对复杂严峻的经营环境，我们坚持“担当社会责任，做最好的银行”的发展战略，在“一带一路”大框架下，以改革创新的思维应对困难和挑战，加快业务结构调整，完善机制体制建设。

The past year has seen dramatic changes in the global political and economic situation, “Black Swan” events took place one after another and the financial market experienced serious fluctuation. Faced with a complicated and challenging operation environment, the Bank upheld its development strategy of “Serving Society, Delivering Excellence”, we addressed difficulties and challenges with reform and innovation, accelerated business structure adjustment, optimized our systems and institutions under the framework of “One Belt One Road”.

根据柬埔寨会计准则，2016年末本行资产总额1,033.83百万美元，增长44.39%，其中，贷款累计新增57.91百万美元，增长17.87%；负债总额917.65百万美元，增长49.43%，其中客户存款新增121.02百万美元，增长22.16%；所有者权益合计116.17百万美元，增长13.97%。全年实现净利润14.24百万美元，比上年增长39.57%。平均总资产回报率（ROA）1.38%，比上年下降0.04个百分点。贷款质量优异，不良发生率0.06%。风险资产偿付比率20.73%，符合监管要求。

At the end of 2016, according to Cambodia Accounting Standards, the Bank’s total assets stood at USD1,033.83 million, up 44.39% from the previous year, and Loans saw an increase of USD57.91 million, up 17.87% from the previous year. The total liabilities amounted to USD917.65 million, increased 49.43% compared with the previous year, with customer’s deposits increasing by USD121.02 million, up 22.16% from the previous year. The equity attributable to shareholders of the Bank was USD116.17 million, up 13.97% from the previous year. During the year, the Bank achieved a profit for the year of USD14.24 million, a year-on-year increase of 39.57%. The return on average total assets stood at 1.38%, a year-on-year decrease of 0.04 percentage points. The non-performing loan ratio was 0.06%. The solvency ratio was 20.73% which was in line with regulatory requirements.

2016年我行主要经营亮点:

In 2016, the key performances of the Bank were the following:

第一，利息净收入较快增长。全年实现利息净收入16.14百万美元，比上年增长36.82%。

First, net interest income achieved rapid growth. The Bank realized a net interest income of USD16.14 million, a year-on-year increase of 36.82%.

第二，资产质量持续向好，不良率仅为0.06%，保持较低水平。其他市场风险指标控制在限额内。

Second, the main risks were effectively controlled. The Bank's NPL was 0.06%, remaining at a relatively low level compared with the average level of whole Banking industry. Other 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23.45%，比上年下降8.24个百分点。

Third, the Bank's input/output efficiency continued to improve. The cost to income ratio was 23.45%, a year-on-year decrease of 8.24 percentage point.

我们坚守风险底线，在持续发展中夯实基础。将防控风险放在更加重要的位置，着眼可持续增长。加大清收化解力度，贷款不良率逆市下降；加强全面风险管理，流动性风险管理、市场风险管理、内控合规和反洗钱管理，确保经营持续稳健。

We hold fast to the risk bottom line and consolidated foundations through sustained development. Attaching greater importance to risk prevention and control, the Bank made continuous efforts to consolidate its capital base with a view to supporting sustainable growth. We step up efforts to clear out and eliminated NPLs, and the NPLs strengthened against the market trend. We also reinforced our comprehensive risk management capability so as to guarantee sound and sustainable operations, including the management of liquidity risk, market risk, internal control and compliance, and anti-money laundering.

2017 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 2017 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，继续坚持“担当社会责任，做最好的银行”发展战略，坚持科技创新，加强团队建设，以实际行动的力量担当社会责任，以更加出色的业绩回报广大股东和社会各界的信任与支持！

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, continue to follow our development strategy of "Serving Society, Delivering Excellence", carry on technological innovations, intensify team building and take concrete steps to perform our social responsibilities, so as to reward our shareholders and the public for their trust and support by delivering better and better performance.

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.



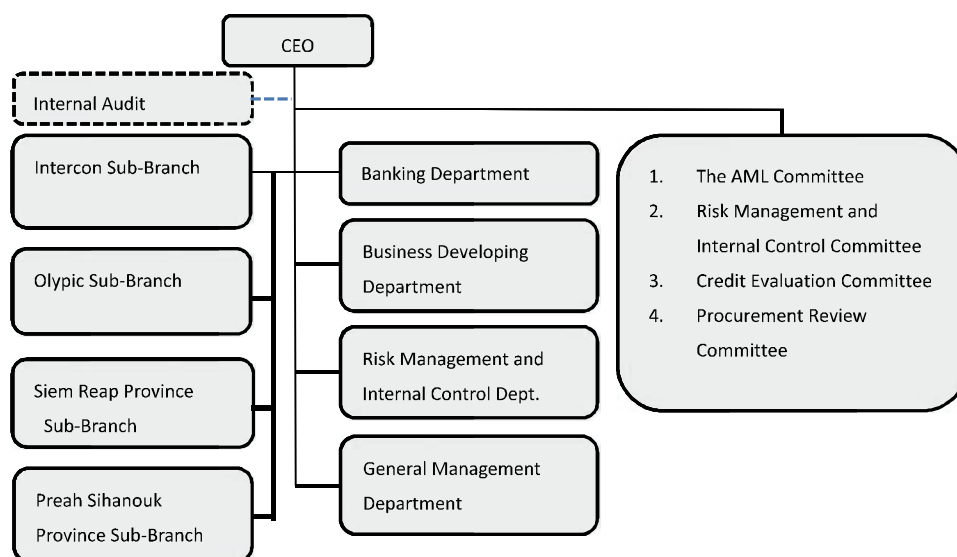
# Corpration Governance



During 2016 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 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. Cheng Chanjiang	Chairman	CEO
2	Mr. Liu Daozhi	Member	Assistant to CEO
3	Mr. Wang Hongsong	Member	
4	Mr. Ouyang Chang	Member	
5	Mr. Huang Wei	Member	
6	Mr. Liu Xiao Feng,	Member	
7	Mrs. Yu Lei	Member	
8	Mrs. Zhang Yuan	Member	
9	Mr. Jin Yu	Member	
10	Mr. Huang Limao	Member	
11	Mr. Wang Rui	Member	
12	Ms. Chhor Chhun Vouch	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 2016, 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.

## **The Anti-Money Laundry Committee**

The committee is responsible to make, review and assess the policy and procedure for Anti-Money Laundry, update the Anti-Money Laundry System, authorize the corresponding person to investigate some suspicious transactions, discuss the training plan for Anti-Money Laundry, approve the Black List and Exemption List

## **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.

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## REPORT OF THE EXECUTIVE MANAGEMENT

The Executive Management of Bank of China Limited - Phnom Penh Branch ("the Branch") presents its report and the Branch's financial statements as at 31 December 2016 and for the year then ended.

### THE BRANCH

The Branch was incorporated in Cambodia on 12 July 2010 under the registration number Co. 0034Br/2010 and was granted a banking license from the National Bank of Cambodia ("NBC") on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2011.

Its head office, Bank of China Limited ("BOC"), a bank incorporated and registered in Beijing, China, is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. BOC's core business is commercial banking, including corporate banking, personal banking and financial markets services, providing a comprehensive range of financial services to customers across the China mainland as well as 41 countries and regions.

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

The Branch's registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung St. (Corner of Monivong Blvd.), Phnom Penh, Cambodia.

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

### FINANCIAL RESULTS

The financial results of the Branch for the year then ended were as follows:

	2016 US\$	2015 US\$
Profit before tax	17,413,072	13,065,528
Income tax expense	<u>(3,175,142)</u>	<u>(2,864,329)</u>
<b>Net profit for the year</b>	<b><u>14,237,930</u></b>	<b><u>10,201,199</u></b>
<b>KHR'000 equivalent</b>	<b><u>57,478,525</u></b>	<b><u>41,314,857</u></b>

### BRANCH CAPITAL

The total branch capital of the Branch as at 31 December 2016 is US\$80,000,000 (KHR322.96 billion) (2015: US\$80,000,000 or KHR324.00 billion).

### RESERVES AND PROVISIONS

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

# Bank of China Limited - Phnom Penh Branch

## REPORT OF THE EXECUTIVE MANAGEMENT (continued)

### **BAD AND DOUBTFUL LOANS AND ADVANCES**

Before the financial statements of the Branch were drawn up, the Executive Management took reasonable steps to ascertain that actions had been taken in relation to writing off of bad loans and advances and the provision of allowance for loan losses, 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 Executive 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 loan losses in the financial statements of the Branch, inadequate to any material extent.

### **CURRENT ASSETS**

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

At the date of this report, the Executive 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 or inappropriate in any material respect.

### **VALUATION METHODS**

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

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there is:

- No charge on the assets of the Branch which has arisen since the end of the period which secures the liabilities of any other person; and
- No contingent liability in respect of the Branch that has arisen since the end of the period other than in the ordinary course of 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 period which, in the opinion of the Executive Management, will or may have a material effect on the ability of the Branch to meet its obligations as and when they become due.

### **EVENTS AFTER THE BALANCE SHEET DATE**

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

# Bank of China Limited - Phnom Penh Branch

## REPORT OF THE EXECUTIVE MANAGEMENT (continued)

### THE EXECUTIVE MANAGEMENT

The members of the Executive Management during the period and at the date of this report are:

Mr. Chen Chang Jiang	Chief Executive Officer
Mr. Liu Dao Zhi	Assistant Chief Executive Officer
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

### AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Branch.

### EXECUTIVE MANAGEMENT'S BENEFITS

During and at the end of the period, no arrangement existed, to which the Branch was a party, whose object was to enable the Executive Management of the Branch to acquire benefits by means of the acquisition of shares in or debentures of the Branch or any other corporate body.

### STATEMENT OF EXECUTIVE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Executive Management is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Branch as at 31 December 2016, and its financial performance and cash flows for the year then ended. In preparing these financial statements, the Executive Management is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with regulations and guidelines issued by the NBC and Cambodian Accounting Standards or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- Set overall policies for the Branch, ratify all decisions and actions by the management that have a material effect on the operations and performance of the Branch, and ensure they have been properly reflected in the financial statements.

The Executive Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The head office confirms that the Branch has complied with these requirements in preparing the financial statements.



# Bank of China Limited - Phnom Penh Branch

## REPORT OF THE EXECUTIVE MANAGEMENT (continued)

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Branch as at 31 December 2016, and its financial performance and cash flows for the year ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

On behalf of the Board of Directors



Mr. Chen Chang Jiang  
Chief Executive Officer



Phnom Penh, Kingdom of Cambodia

28 March 2017



**Building a better  
working world**

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Reference: 60100080/18887328

## **INDEPENDENT AUDITOR'S REPORT**

**To: The Head Office of Bank of China Limited - Phnom Penh Branch**

### ***Opinion***

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 2016 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

### ***Basis for Opinion***

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Matter***

The financial statements of the Branch for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2016.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

The head office is responsible for overseeing the Branch's financial reporting process.



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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Maria Cristina M. Calimbas  
Partner

**Ernst & Young (Cambodia) Ltd.**  
Certified Public Accountants  
Registered Auditors

Phnom Penh, Kingdom of Cambodia  
28 March 2017

# Bank of China Limited - Phnom Penh Branch

BALANCE SHEET  
as at 31 December 2016

	Notes	2016		2015	
		US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<b>ASSETS</b>					
Cash and other cheque items	3	29,767,687	120,172,152	23,584,134	95,515,743
Balances with the National Bank of Cambodia	4	257,022,509	1,037,599,869	231,486,698	937,521,127
Balances with other banks	5	362,891,381	1,464,992,505	137,543,189	557,049,915
Loans and advances	6	377,262,301	1,523,007,909	319,402,546	1,293,580,311
Property and equipment	7	2,228,160	8,995,082	1,342,234	5,436,048
Deferred tax assets - net	11	952,707	3,846,078	387,720	1,570,266
Other assets	8	3,702,168	14,945,652	2,273,633	9,208,213
<b>TOTAL ASSETS</b>		<b>1,033,826,913</b>	<b>4,173,559,247</b>	<b>716,020,154</b>	<b>2,899,881,623</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits from other banks	9	17,230,057	69,557,740	27,353,551	110,781,882
Deposits from customers	10	667,079,089	2,692,998,282	546,060,068	2,211,543,275
Provision for income tax	11	3,436,486	13,873,094	2,980,843	12,072,414
Interbank borrowings	12	203,500,000	821,529,500	23,500,000	95,175,000
Subordinated debt	13	10,000,000	40,370,000	10,000,000	40,500,000
Other liabilities	14	16,406,544	66,233,218	4,188,885	16,964,984
<b>Total liabilities</b>		<b>917,652,176</b>	<b>3,704,561,834</b>	<b>614,083,347</b>	<b>2,487,037,555</b>
<b>Equity</b>					
Branch capital	15	80,000,000	322,960,000	80,000,000	324,000,000
Retained earnings		36,174,737	146,037,413	21,936,807	88,844,068
<b>Total equity</b>		<b>116,174,737</b>	<b>468,997,413</b>	<b>101,936,807</b>	<b>412,844,068</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,033,826,913</b>	<b>4,173,559,247</b>	<b>716,020,154</b>	<b>2,899,881,623</b>

The attached notes 1 to 27 form part of these financial statements

# Bank of China Limited - Phnom Penh Branch

## INCOME STATEMENT

for the year ended 31 December 2016

	Notes	2016		2015	
		US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Interest income	16	22,761,483	91,888,107	16,608,659	67,265,069
Interest expense	17	(6,624,770)	(26,744,196)	(4,814,919)	(19,500,422)
<b>Net interest income</b>		<b>16,136,713</b>	<b>65,143,911</b>	<b>11,793,740</b>	<b>47,764,647</b>
Net fee and commission income	18	6,889,758	27,813,953	5,172,245	20,947,592
Foreign exchange income	19	942,189	3,803,617	3,109,044	12,591,629
<b>Net operating income</b>		<b>23,968,660</b>	<b>96,761,481</b>	<b>20,075,029</b>	<b>81,303,868</b>
Personnel expenses	20	(3,129,754)	(12,634,817)	(3,606,011)	(14,604,345)
Depreciation	7	(546,355)	(2,205,635)	(658,046)	(2,665,086)
General and administration expenses	21	(2,681,253)	(10,824,218)	(2,194,227)	(8,886,619)
Provision for loan losses	6	(198,226)	(800,238)	(551,217)	(2,232,429)
<b>Profit before tax</b>		<b>17,413,072</b>	<b>70,296,573</b>	<b>13,065,528</b>	<b>52,915,389</b>
Income tax expense	11	(3,175,142)	(12,818,048)	(2,864,329)	(11,600,532)
<b>Net profit for the year</b>		<b>14,237,930</b>	<b>57,478,525</b>	<b>10,201,199</b>	<b>41,314,857</b>

*The attached notes 1 to 27 form part of these financial statements*

## Bank of China Limited - Phnom Penh Branch

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	<i>Branch capital</i> <i>(Note 15)</i> <i>US\$</i>	<i>Retained</i> <i>earnings</i> <i>US\$</i>	<i>Total</i> <i>US\$</i>
Balance as at 1 January 2016	80,000,000	21,936,807	101,936,807
Net profit for the year	-	14,237,930	14,237,930
<b>Balance as at 31 December 2016</b>	<b>80,000,000</b>	<b>36,174,737</b>	<b>116,174,737</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>322,960,000</b>	<b>146,037,413</b>	<b>468,997,413</b>
Balance as at 1 January 2015	40,000,000	11,735,608	51,735,608
Additional capital contribution	40,000,000	-	40,000,000
Net profit for the year	-	10,201,199	10,201,199
<b>Balance as at 31 December 2015</b>	<b>80,000,000</b>	<b>21,936,807</b>	<b>101,936,807</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>324,000,000</b>	<b>88,844,068</b>	<b>412,844,068</b>

*The attached notes 1 to 27 form part of these financial statements*

# Bank of China Limited - Phnom Penh Branch

## STATEMENT OF CASH FLOWS for the year ended 31 December 2016

	Notes	2016		2015	
		US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<b>Net cash used in operating activities</b>	22	<b>(3,476,334)</b>	<b>(14,033,960)</b>	<b>(56,936,668)</b>	<b>(230,593,505)</b>
<b>INVESTING ACTIVITY</b>					
Acquisition of property and equipment		(1,432,553)	(5,783,216)	(364,297)	(1,475,403)
<b>FINANCING ACTIVITIES</b>					
Proceeds from interbank borrowings		315,000,000	1,271,655,000	307,942,183	1,247,165,841
Repayment of interbank borrowings		(135,000,000)	(544,995,000)	(321,460,145)	(1,301,913,587)
Proceeds from additional capital contribution		-	-	40,000,000	162,000,000
<b>Net cash from financing activities</b>		<b>180,000,000</b>	<b>726,660,000</b>	<b>26,482,038</b>	<b>107,252,254</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>175,091,113</b>	<b>706,842,824</b>	<b>(30,818,927)</b>	<b>(124,816,654)</b>
Cash and cash equivalents at beginning of year		275,844,014	1,117,168,257	306,662,941	1,249,651,485
Foreign currency difference		-	(3,585,974)	-	(7,666,574)
<b>Cash and cash equivalents at end of year</b>	3	<b>450,935,127</b>	<b>1,820,425,107</b>	<b>275,844,014</b>	<b>1,117,168,257</b>

*The attached notes 1 to 27 form part of these financial statements*

# Bank of China Limited - Phnom Penh Branch

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2016 and for the year then ended

### 1. CORPORATE INFORMATION

#### ***Establishment and operations***

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 banking license from the National Bank of Cambodia (“NBC”) on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2011.

Its head office, Bank of China Limited (“BOC”), a bank incorporated and registered in Beijing, China, is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. BOC’s core business is commercial banking, including corporate banking, personal banking and financial markets services, providing a comprehensive range of financial services to customers across the China mainland as well as 41 countries and regions.

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

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

#### ***Branch capital***

The total branch capital of the Branch as at 31 December 2016 is US\$80,000,000 (KHR322.96 billion) (2015: US\$80,000,000 or KHR324.00 billion).

#### ***Executive management***

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

Mr. Chen Chang Jiang	Chief Executive Officer
Mr. Liu Dao Zhi	Assistant Chief Executive Officer
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

#### ***Location***

The Branch’s registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung St. (Corner of Monivong Blvd.), Phnom Penh, Cambodia. As at 31 December 2016, the Branch has two (2) sub-branches located in Phnom Penh.

#### ***Employees***

As at 31 December 2016, the Branch has a total of 123 employees (2015: 101 employees).

#### ***Approval of the financial statements***

The financial statements were authorized for issue by Executive Management on behalf of the Board of Directors on 28 March 2017.



# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

#### 2.1.1 *Statement of compliance*

The financial statements have been prepared in accordance with Cambodian Accounting Standards (“CAS”) and the guidelines of the NBC on the preparation and presentation of financial statements.

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Branch.

#### 2.1.2 *Basis of measurement*

The financial statements have been prepared based on the historical cost convention.

#### 2.1.3 *Fiscal year*

The Branch's fiscal year starts on 1 January and ends on 31 December.

#### 2.1.4 *Functional and presentation currency*

The national currency of Cambodia is the Khmer Riel (“KHR”). However, the Branch transacts and maintains its accounting records primarily in United States dollar (“US\$”). Management has determined the US\$ to be the Branch's measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch. This is in accordance with Prakas No. B7-07-164 dated 13 December 2007.

Transactions in foreign currencies (“FC”) are translated into US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

#### 2.1.5 *Translation of US\$ into KHR*

The translation of the US\$ amounts into KHR is presented in the financial statements to comply with the Cambodian *Law on Corporate Accounts, their Audit and the Accounting Profession* dated 8 July 2002 and relevant Prakas of NBC, using the closing exchange rate of KHR4,037: US\$1 ruling at the reporting date (2015: KHR4,050: US\$1), as announced by NBC. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be converted into KHR at that or any other rate.

## 2.2 *Significant accounting judgments and estimates*

In applying accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

### 2.2.1 *Operating lease*

The Branch has entered into lease on premises used for its operations. The Branch has determined, based on the evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), the lessor retains all the significant risks and rewards of ownership of these properties.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES (continued)

### 2.2 Significant accounting judgments and estimates (continued)

#### 2.2.2 Functional currency

CAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Branch considers the following:

- a) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- b) The currency in which funds from financing activities are generated; and
- c) The currency in which receipts from operating activities are usually retained.

#### 2.2.3 Allowance for loan losses

When preparing the financial statements, the quality of loans and advances is reviewed and assessed to determine their classification and level of allowance for loan losses, as more fully disclosed in Note 2.3.5.

#### 2.2.4 Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

#### 2.2.5 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Branch assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Branch considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

#### 2.2.6 Estimated useful lives of property and equipment

The Branch estimates the useful lives of its property and equipment. This estimate is reviewed periodically to ensure that the period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES (continued)

### 2.3 *Summary of significant accounting policies*

#### 2.3.1 *Change in accounting policies*

The accounting policies and methods of calculation applied by the Branch are consistently applied during the year.

#### 2.3.2 *Segment information*

The Branch operates within one business segment, commercial banking, and within one geographical segment, the Kingdom of Cambodia.

#### 2.3.3 *Cash and cash equivalents*

For cash flow statement purposes, 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.

#### 2.3.4 *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 loan losses. Short-term loans are those with a repayment date within one year from the date the loan was advanced. Long-term loans are those with a final repayment date of more than one year from the date the loan was advanced.

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

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

#### 2.3.5 *Allowance for loan losses*

Allowance for loan losses is made with regard to specific risks and relates to those loans and advances that have been individually reviewed and specifically identified as special mention, sub-standard, doubtful or loss. In addition, a general allowance is also maintained for loans classified as normal.

The Branch follows the mandatory credit classification required by Prakas No. B7-09-074 dated 25 February 2009, which is to classify their loan portfolio into five classes. The Prakas also requires that minimum general and specific allowances be provided depending on loan classification.

The allowance is based on a percentage of total outstanding loans and advances as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance percentage</i>
<i>General allowance</i>		
Normal	Less than 30 days	1%
<i>Specific allowance</i>		
Special mention	30 days or more but less than 90 days	3%
Substandard	90 days or more but less than 180 days	20%
Doubtful	180 days or more but less than 360 days	50%
Loss	360 days or more	100%

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

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES (continued)

### 2.3 *Summary of significant accounting policies* (continued)

#### 2.3.6 *Other credit-related commitments*

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

#### 2.3.7 *Other assets*

Other receivables included in other assets are carried at anticipated realizable values. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### 2.3.8 *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 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 estimated useful lives of the individual assets at the following rates:

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

Construction in progress is not depreciated.

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognized 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 recognized as an expense in the year in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized 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.

(vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

(vii) Reversal of impairment losses recognized in prior years is recorded where there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately.

#### 2.3.9 *Deposits from customers and other banks*

Deposits from customers and other banks are stated at placement value.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Summary of significant accounting policies (continued)

#### 2.3.10 Interbank borrowings

Interbank borrowings are stated at the amount of the principal outstanding.

#### 2.3.11 Subordinated debt

Subordinated debt represents a long-term debt that is subordinated to all other liabilities of the Branch. While treated as part of the Branch's liabilities, this is included in the Branch's net worth computation under the NBC guidelines.

#### 2.3.12 Other liabilities

Other liabilities are stated at cost.

#### 2.3.13 Provisions for liabilities

Provisions for liabilities are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

#### 2.3.14 Income tax

##### (i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

##### (ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Summary of significant accounting policies (continued)

#### 2.3.15 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

#### 2.3.16 Recognition of income and expense

##### (i) Interest income

Interest income is recognized on an accrual basis.

Interest income on overdraft, term loans and other loans is recognized on a daily accrual basis. Where a loan becomes non-performing, the recognition of interest is suspended until it is realized on a cash basis. Loans are deemed to be non-performing where repayments are in arrears for 90 days or more.

##### (ii) Fee and commission income

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

- 1) 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;
- 2) 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
- 3) Service charges and processing fees are recognized when the service is provided.

##### (iii) Interest expense

Interest expense on deposits of customers, settlement accounts of other banks, interbank borrowings and subordinated debt are recognized on an accrual basis.

##### (iv) Fee and commission expense

Fee and commission expense is recognized as incurred.

#### 2.3.17 Operating leases

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

#### 2.3.18 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 Branch and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Articles 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (i) Any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (ii) Any company of which the Branch directly or indirectly holds at least 10% of the capital or voting rights;

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 2. ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.18 Related parties (continued)

- (iii) Any individual who participates in the administration, direction, management or internal control; and
- (iv) The external auditors.

##### 2.3.19 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not reported in the financial statements since they are not the assets of the Branch.

##### 2.3.20 Rounding of amounts

Except as indicated otherwise, amounts in the financial statements have been rounded off to the nearest dollar and nearest thousands ("KHR'000") for US\$ and KHR amounts, respectively.

### 3. CASH AND OTHER CHEQUE ITEMS

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Cash on hand and in vault	15,096,750	60,945,579	23,052,814	93,363,897
Cash in ATM	604,610	2,440,811	531,320	2,151,846
Unpresented cheques	14,066,327	56,785,762	-	-
	<b>29,767,687</b>	<b>120,172,152</b>	<b>23,584,134</b>	<b>95,515,743</b>

For purposes of preparing the statement of cash flows, cash and cash equivalents comprise the following:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Cash and other cheque items	29,767,687	120,172,152	23,584,134	95,515,743
Balances with the NBC (Note 4)				
Current accounts	152,184,052	614,367,018	144,816,691	586,507,599
Negotiable certificate of deposits ("NCDs")	7,600,000	30,681,200	9,900,000	40,095,000
Balances with other banks (Note 5)				
Current deposits	44,159,783	178,273,044	68,287,124	276,562,852
Term deposits	217,223,605	876,931,693	29,256,065	118,487,063
<b>Total cash and cash equivalents</b>	<b>450,935,127</b>	<b>1,820,425,107</b>	<b>275,844,014</b>	<b>1,117,168,257</b>

NCDs and term deposits are unrestricted and have original maturities of three months or less.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Current accounts	152,184,052	614,367,018	144,816,691	586,507,599
NCDs	7,600,000	30,681,200	9,900,000	40,095,000
Statutory deposits				
Reserve requirement	89,238,457	360,255,651	68,770,007	278,518,528
Capital guarantee	8,000,000	32,296,000	8,000,000	32,400,000
	<b>257,022,509</b>	<b>1,037,599,869</b>	<b>231,486,698</b>	<b>937,521,127</b>

### ***NCDs***

NCDs have a term of three months and bear interest at 0.63% per annum.

### ***Reserve requirement***

Under NBC Prakas No. B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of customer deposits in KHR and in foreign currency, respectively.

### ***Capital guarantee***

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10.00% of registered capital with NBC. This deposit is not available for use in the Branch's day-to-day operations but is refundable when the Branch voluntarily ceases to operate the business in Cambodia.

The Branch has an overdraft line with the NBC secured by the NCD. As at 31 December 2016, the overdraft line is unutilised.

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

	2016	2015
Current accounts	Nil	Nil
Reserve deposits	0.10% - 0.12%	0.10% - 0.12%
Capital guarantee deposits	0.08%	0.08%
Negotiable certificate of deposit	0.63%	0.23%



# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 5. BALANCES WITH OTHER BANKS

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Local banks				
Current deposits	31,053,408	125,362,608	1,913,283	7,748,796
Term deposits	87,297,577	352,420,318	67,434,101	273,108,109
Overseas banks				
Current deposits	13,106,375	52,910,436	66,373,841	268,814,056
Term deposits	231,434,021	934,299,143	1,821,964	7,378,954
	<b>362,891,381</b>	<b>1,464,992,505</b>	<b>137,543,189</b>	<b>557,049,915</b>

Current deposits with local banks do not earn interest while those maintained with overseas banks earn interest at rates ranging from 0.40% to 1.10% per annum (2015: 0.10% to 0.13% per annum).

Term deposits earn interest at rates ranging from 0.40% to 1.35% per annum (2015: 0.70% to 1.28% per annum) for local banks and from 1.24% to 3.70% for overseas banks (2015: 4.70%).

Balances with overseas banks are maintained with related parties.

## 6. LOANS AND ADVANCES

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Long term loans	325,493,029	1,314,015,358	232,374,622	941,117,219
Short term loans	14,031,787	56,646,324	66,711,218	270,180,433
Overdraft	38,574,474	155,725,152	24,075,805	97,507,010
Trade financing	3,771,787	15,226,704	924,198	3,743,002
Credit cards	134,441	542,738	7,797	31,578
<b>Gross loans and advances</b>	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>
<i>Allowance for loan losses</i>				
Specific	(242,119)	(977,434)	(555,641)	(2,250,346)
General	(3,817,634)	(15,411,789)	(3,305,886)	(13,388,838)
	<b>(4,059,753)</b>	<b>(16,389,223)</b>	<b>(3,861,527)</b>	<b>(15,639,184)</b>
Unamortized loan processing fees	(683,464)	(2,759,144)	(829,567)	(3,359,747)
<b>Loans and advances - net</b>	<b>377,262,301</b>	<b>1,523,007,909</b>	<b>319,402,546</b>	<b>1,293,580,311</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 6. LOANS AND ADVANCES (continued)

Movements in the allowance for loan losses during the year are as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<b>Specific allowance</b>				
Balance at beginning of year	555,641	2,250,346	829,043	3,378,350
Reversal of provision during the year	(313,522)	(1,265,689)	(273,402)	(1,107,278)
Foreign exchange difference	-	(7,223)	-	(20,726)
Balance at end of year	<b>242,119</b>	<b>977,434</b>	<b>555,641</b>	<b>2,250,346</b>
<b>General allowance</b>				
Balance at beginning of year	3,305,886	13,388,838	2,481,267	10,111,163
Provision during the year	511,748	2,065,927	824,619	3,339,707
Foreign exchange difference	-	(42,976)	-	(62,032)
Balance at end of year	<b>3,817,634</b>	<b>15,411,789</b>	<b>3,305,886</b>	<b>13,388,838</b>
<b>Total allowance at end of year</b>	<b>4,059,753</b>	<b>16,389,223</b>	<b>3,861,527</b>	<b>15,639,184</b>

Further analyses of loans and advances follow:

### (a) Industry sector

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Manufacturing	125,723,443	507,545,540	108,671,516	440,119,640
Wholesale/retail	104,870,040	423,360,350	80,958,741	327,882,900
Financial services	8,409,765	33,950,220	39,018,165	158,023,570
Services	6,674,659	26,945,600	7,439,867	30,131,460
Others	136,327,611	550,354,566	88,005,351	356,421,672
	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>

### (b) Classification/performance of loans and advances

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<i>Normal loans</i>				
Secured	315,014,674	1,271,714,239	218,947,830	886,738,712
Unsecured	66,748,725	269,464,603	104,396,474	422,805,720
<i>Substandard loans</i>				
Secured	-	-	242,119	980,582
<i>Loss loans</i>				
Secured	242,119	977,434	507,217	2,054,228
	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 6. LOANS AND ADVANCES (continued)

(c) Currency, residency, relationship and exposure

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
US\$	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>
Residents	362,234,064	1,462,338,916	298,508,327	1,208,958,724
Non-residents	19,771,454	79,817,360	25,585,313	103,620,518
	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>
External customers	381,016,198	1,538,162,391	323,158,136	1,308,790,451
Staff	989,320	3,993,885	935,504	3,788,791
	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>
Large exposures	219,651,390	886,732,661	189,341,904	766,834,711
Non-large exposures	162,354,128	655,423,615	134,751,736	545,744,531
	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>

Large exposures of off-balance sheet items aggregated to US\$23.27 million as at 31 December 2016 (2015: US\$0.10 million).

(d) Maturity

Refer to Note 25.4 on liquidity risk.

(e) Annual interest rates

Overdraft	3.68% - 9.00%	4.50% - 9.00%
Trade financing	6.50%	6.50%
Short-term loans	2.50% - 8.00%	0.45% - 9.00%
Long-term loans	3.00 - 9.00%	3.50% - 9.00%

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 7. PROPERTY AND EQUIPMENT

	2016					Total US\$
	Construction in-progress US\$	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	
<b>Cost</b>						
As at 1 January	-	2,030,843	312,167	633,067	536,601	3,512,678
Additions	912,842	86,857	312,485	120,369	-	1,432,553
Disposals	-	-	-	(5,132)	-	(5,132)
Transfers	-	-	105,584	(105,584)	-	-
<b>As at 31 December</b>	<b>912,842</b>	<b>2,117,700</b>	<b>730,236</b>	<b>642,720</b>	<b>536,601</b>	<b>4,940,099</b>
<b>Less accumulated depreciation</b>						
As at 1 January	-	1,286,521	119,240	444,733	319,950	2,170,444
Charge for the year	-	252,264	103,201	101,457	89,433	546,355
Disposals	-	-	-	(4,860)	-	(4,860)
Transfers	-	-	90,651	(90,651)	-	-
<b>As at 31 December</b>	<b>-</b>	<b>1,538,785</b>	<b>313,092</b>	<b>450,679</b>	<b>409,383</b>	<b>2,711,939</b>
<b>Net book value</b>						
<b>As at 31 December</b>	<b>912,842</b>	<b>578,915</b>	<b>417,144</b>	<b>192,041</b>	<b>127,218</b>	<b>2,228,160</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>3,685,143</b>	<b>2,337,080</b>	<b>1,684,010</b>	<b>775,270</b>	<b>513,579</b>	<b>8,995,082</b>

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 7. PROPERTY AND EQUIPMENT (continued)

	2015				
	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Total US\$
<b>Cost</b>					
As at 1 January	1,934,755	184,544	562,532	466,550	3,148,381
Additions	96,088	127,623	70,535	70,051	364,297
<b>As at 31 December</b>	<b>2,030,843</b>	<b>312,167</b>	<b>633,067</b>	<b>536,601</b>	<b>3,512,678</b>
<b>Less accumulated depreciation</b>					
As at 1 January	899,852	71,918	298,436	242,192	1,512,398
Charge for the year	386,669	47,322	146,297	77,758	658,046
<b>As at 31 December</b>	<b>1,286,521</b>	<b>119,240</b>	<b>444,733</b>	<b>319,950</b>	<b>2,170,444</b>
<b>Net book value</b>					
<b>As at 31 December</b>	<b>744,322</b>	<b>192,927</b>	<b>188,334</b>	<b>216,651</b>	<b>1,342,234</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>3,014,504</b>	<b>781,354</b>	<b>762,753</b>	<b>877,437</b>	<b>5,436,048</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 8. OTHER ASSETS

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Interest receivable	3,200,373	12,919,906	1,909,313	7,732,718
Prepayments and others	432,418	1,745,671	334,078	1,353,016
Deposits	69,377	280,075	30,242	122,479
	<b>3,702,168</b>	<b>14,945,652</b>	<b>2,273,633</b>	<b>9,208,213</b>

## 9. DEPOSITS FROM OTHER BANKS

Deposits from other banks consist of:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Current deposits	7,230,057	29,187,740	7,353,551	29,781,882
Term deposits	10,000,000	40,370,000	20,000,000	81,000,000
	<b>17,230,057</b>	<b>69,557,740</b>	<b>27,353,551</b>	<b>110,781,882</b>

Further analyses of deposits from other banks are as follows:

### (a) Currency

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
USD	17,202,654	69,447,115	27,314,373	110,623,211
KHR	18,066	72,932	20,154	81,624
Chinese Yuan	9,337	37,693	19,024	77,047
	<b>17,230,057</b>	<b>69,557,740</b>	<b>27,353,551</b>	<b>110,781,882</b>

### (b) Relationship and residency

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Non-related parties	<b>17,230,057</b>	<b>69,557,740</b>	<b>27,353,551</b>	<b>110,781,882</b>
Residents	<b>17,230,057</b>	<b>69,557,740</b>	<b>27,353,551</b>	<b>110,781,882</b>

### (c) Maturity analysis

Refer to Note 25.4 on Liquidity risk.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 9. DEPOSITS FROM OTHER BANKS (continued)

### (d) Annual interest rates

	2016	2015
Current deposits	0.00% - 0.25%	0.00% - 0.25%
Term deposits	1.00% - 3.65%	2.25%

## 10. DEPOSITS FROM CUSTOMERS

Deposits from customers consist of:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Current deposits	421,107,412	1,700,010,621	277,448,821	1,123,667,725
Savings deposits	128,746,666	519,750,291	102,572,407	415,418,248
Term deposits	116,171,858	468,985,791	163,251,632	661,169,110
Margin deposits	1,053,153	4,251,579	2,787,208	11,288,192
	<b>667,079,089</b>	<b>2,692,998,282</b>	<b>546,060,068</b>	<b>2,211,543,275</b>

Further analyses of deposits from customers are as follows:

### (a) Customer

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Legal entities	470,984,018	1,901,362,480	403,075,134	1,632,454,292
Individuals	196,095,071	791,635,802	142,984,934	579,088,983
	<b>667,079,089</b>	<b>2,692,998,282</b>	<b>546,060,068</b>	<b>2,211,543,275</b>

### (b) Currency

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
USD	634,797,985	2,562,679,465	522,715,218	2,116,996,633
KHR	28,450,216	114,853,522	20,187,248	81,758,354
Chinese Yuan	3,780,975	15,263,796	3,156,692	12,784,603
Others	49,913	201,499	910	3,685
	<b>667,079,089</b>	<b>2,692,998,282</b>	<b>546,060,068</b>	<b>2,211,543,275</b>

### (c) Residency

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Residents	587,084,371	2,370,059,605	479,967,589	1,943,868,735
Nonresidents	79,994,718	322,938,677	66,092,479	267,674,540
	<b>667,079,089</b>	<b>2,692,998,282</b>	<b>546,060,068</b>	<b>2,211,543,275</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 10. DEPOSITS FROM CUSTOMERS (continued)

(d) Maturity analysis

Refer to Note 25.4 on Liquidity risk.

(e) Annual interest rates

	2016	2015
Current deposits	0.00% - 1.75%	0.00% - 1.75%
Savings deposits	0.00% - 0.50%	0.00% - 0.50%
Term deposits	1.00% - 3.65%	1.00% - 3.50%
Margin deposits	Nil	Nil

## 11. INCOME TAX

Components of income tax expense are as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Current	3,740,129	15,098,901	3,089,187	12,511,207
Deferred	(564,987)	(2,280,853)	(224,858)	(910,675)
<b>Income tax expense</b>	<b>3,175,142</b>	<b>12,818,048</b>	<b>2,864,329</b>	<b>11,600,532</b>

### 11.1 Current corporate income tax ("CIT")

In accordance with Cambodian tax law, the Branch has an obligation to pay current CIT of either the profit tax at the rate of 20% of taxable income or a minimum tax at 1% of gross revenue, whichever is higher.

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

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<b>Profit before tax</b>	<b>17,413,072</b>	<b>70,296,573</b>	<b>13,065,528</b>	<b>52,915,389</b>
Income tax using statutory rate	3,482,614	14,059,315	2,613,106	10,583,079
Non-deductible expenses	363,071	1,465,716	595,995	2,413,780
Movement of deferred tax asset	(564,987)	(2,280,853)	(224,858)	(910,675)
Over provision in prior year	(105,556)	(426,130)	(119,914)	(485,652)
	<b>3,175,142</b>	<b>12,818,048</b>	<b>2,864,329</b>	<b>11,600,532</b>



# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 11. INCOME TAX (continued)

### 11.1 Current corporate income tax (continued)

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

The movements of provision for income tax during the year are as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Balance as at 1 January	2,980,843	12,072,414	2,037,837	8,304,186
Current income tax charge	3,740,129	15,098,901	3,089,187	12,511,207
Income tax paid	(3,284,486)	(13,259,470)	(2,146,181)	(8,692,033)
Foreign exchange difference	-	(38,751)	-	(50,946)
<b>Balance as at 31 December</b>	<b>3,436,486</b>	<b>13,873,094</b>	<b>2,980,843</b>	<b>12,072,414</b>

### 11.2 Deferred income tax

Details of deferred tax assets - net are as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Allowance for loan losses	763,527	3,082,358	457,668	1,853,555
Deferred income	136,693	551,830	(18,800)	(76,140)
Property and equipment	41,136	166,066	(48,649)	(197,028)
Provisions	11,657	47,059	-	-
Unrealized foreign exchange gain	(306)	(1,235)	(2,499)	(10,121)
	<b>952,707</b>	<b>3,846,078</b>	<b>387,720</b>	<b>1,570,266</b>

## 12. INTERBANK BORROWINGS

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Bank of China - Hong Kong	180,000,000	726,660,000	-	-
Bank of China - Beijing (Head Office)	23,500,000	94,869,500	23,500,000	95,175,000
	<b>203,500,000</b>	<b>821,529,500</b>	<b>23,500,000</b>	<b>95,175,000</b>

The unsecured borrowings from Bank of China - Hong Kong comprise US\$150 million with interest at 1.50% per annum and a term of three months and US\$30 million with interest at 2.06% per annum and a term of three years.

The unsecured borrowing from the Head Office bears interest at 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)  
as at 31 December 2016 and for the year then ended

### 13. SUBORDINATED DEBT

This represents an unsecured term loan from BOC – Beijing with interest at 12-month LIBOR plus 150 basis points per annum that is repriced every year. The subordinated debt is repayable on five equal annual installments starting September 2017 and matures on September 2021. On 7 September 2011, the NBC approved the subordinated debt for net worth calculation purposes.

### 14. OTHER LIABILITIES

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Remittances	13,190,639	53,250,610	815,605	3,303,200
Interest	1,982,681	8,004,083	925,404	3,747,886
Accrued bonus	840,738	3,394,059	1,120,000	4,536,000
Accruals and others	243,904	984,640	830,313	3,362,768
Other taxes	145,320	586,657	75,122	304,244
Payable to suppliers	3,262	13,169	422,441	1,710,886
	<b>16,406,544</b>	<b>66,233,218</b>	<b>4,188,885</b>	<b>16,964,984</b>

Outstanding remittances were cleared in January 2017.

### 15. BRANCH CAPITAL

Branch capital represents the equity invested by the Head Office.

On 22 March 2016, the NBC issued Prakas No. B7-016-117 on *Minimum Registered Capital of Banking and Financial Institutions* requiring branches whose head office is rated “investment grade” by a reputable and international rating agency to have a minimum registered capital of KHR200.00 billion (approximately US\$50.00 million).

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

As at 31 December 2016, the Branch’s capital met with the minimum requirement of the Prakas.

### 16. INTEREST INCOME

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Loans and advances	20,435,129	82,496,616	15,072,591	61,043,994
Balances with NBC and other banks	2,326,354	9,391,491	1,536,068	6,221,075
	<b>22,761,483</b>	<b>91,888,107</b>	<b>16,608,659</b>	<b>67,265,069</b>

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 17. INTEREST EXPENSE

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Deposits from customers	4,979,109	20,100,663	3,883,319	15,727,442
Interbank borrowings and subordinated debt	1,645,661	6,643,533	931,600	3,772,980
	<b>6,624,770</b>	<b>26,744,196</b>	<b>4,814,919</b>	<b>19,500,422</b>

### 18. FEE AND COMMISSION INCOME

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Fee and commission income				
Remittance	3,384,537	13,663,376	2,768,422	11,212,109
Loans and trade finance	3,317,588	13,393,103	2,377,695	9,629,665
Card products	145,418	587,052	69,991	283,464
Others	131,016	528,912	220,576	893,332
	6,978,559	28,172,443	5,436,684	22,018,570
Fee and commission expense	(88,801)	(358,490)	(264,439)	(1,070,978)
	<b>6,889,758</b>	<b>27,813,953</b>	<b>5,172,245</b>	<b>20,947,592</b>

### 19. FOREIGN EXCHANGE INCOME

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

### 20. PERSONNEL EXPENSES

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Salaries and wages	2,095,011	8,457,559	2,692,020	10,902,683
Allowances	896,055	3,617,374	809,648	3,279,075
Other benefits	138,688	559,884	104,343	422,587
	<b>3,129,754</b>	<b>12,634,817</b>	<b>3,606,011</b>	<b>14,604,345</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 21. GENERAL AND ADMINISTRATION EXPENSES

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Rental, repairs and maintenance	903,425	3,647,127	785,140	3,179,817
Social activities	162,280	655,124	193,555	783,898
Legal and professional fees	161,785	653,126	160,018	648,073
Utilities	113,481	458,123	178,786	724,083
Travelling	112,923	455,870	123,994	502,176
Office supplies	112,661	454,812	160,496	650,009
Advertising and marketing	80,063	323,214	63,130	255,676
Other taxes	50,490	203,828	73,764	298,744
Installation	30,031	121,235	18,526	75,030
Telephone and internet	21,282	85,915	22,619	91,607
Others	932,832	3,765,844	414,199	1,677,506
	<b>2,681,253</b>	<b>10,824,218</b>	<b>2,194,227</b>	<b>8,886,619</b>

Others include mainly withholding taxes borne by the Branch, promotions, insurance and donation.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 22. NET CASH USED IN OPERATING ACTIVITIES

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
<b>Cash flows from operating activities</b>				
Profit before income tax	17,413,072	70,296,573	13,065,528	52,915,389
<i>Adjustments for:</i>				
Depreciation	546,355	2,205,635	658,046	2,665,086
Write-off of property and equipment	272	1,098	-	-
	<b>17,959,699</b>	<b>72,503,306</b>	<b>13,723,574</b>	<b>55,580,475</b>
Income tax paid	(3,284,486)	(13,259,470)	(2,146,181)	(8,692,033)
<b>Cash provided by operating activities before changes in net operating assets and liabilities</b>	<b>14,675,213</b>	<b>59,243,836</b>	<b>11,577,393</b>	<b>46,888,442</b>
<b>Increase in operating assets</b>				
Balances with NBC	(20,468,450)	(82,631,133)	(15,910,245)	(64,436,492)
Balances with other banks	(61,507,993)	(248,307,768)	(29,055,559)	(117,675,014)
Loans and advances	(57,859,755)	(233,579,831)	(64,236,851)	(260,159,246)
Other assets	(1,428,535)	(5,766,996)	(319,471)	(1,293,858)
<b>Increase (decrease) in operating liabilities</b>				
Deposits from other banks	(10,123,494)	(40,868,545)	(34,878,036)	(141,256,046)
Deposits from customers	121,019,021	488,553,788	74,572,919	302,020,322
Other liabilities	12,217,659	49,322,689	1,313,182	5,318,387
<b>Net cash used in operating activities</b>	<b>(3,476,334)</b>	<b>(14,033,960)</b>	<b>(56,936,668)</b>	<b>(230,593,505)</b>

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 23. RELATED PARTY TRANSACTIONS AND BALANCES

Significant related party transactions of the Branch during the year and the outstanding balances at balance sheet date are as follows:

<i>Related party</i>	<i>Nature of transaction</i>	2016		2015	
		US\$	KHR'000 <i>equivalent</i> (Note 2.1.5)	US\$	KHR'000 <i>equivalent</i> (Note 2.1.5)
BOC - New York (affiliate) BOC - Hong Kong (affiliate)	Balances with other banks	9,776,827	39,469,051	43,418,549	175,845,123
	Balances with other banks	203,880,462	823,065,425	22,489,458	91,082,305
	Interbank borrowings	180,000,000	726,660,000	-	-
	Accrued interest receivable	436,406	1,761,771	6,898	27,937
BOC - Beijing (Head Office)	Accrued interest payable	525,167	2,120,099	-	-
	Interest expense	836,945	3,378,747	294,829	1,194,057
	Balances with other banks	766,512	3,094,409	2,262,847	9,164,530
	Interbank borrowings	23,500,000	94,869,500	23,500,000	95,175,000
	Subordinated debt	10,000,000	40,370,000	10,000,000	40,500,000
	Accrued interest payable	191,190	771,834	138,811	562,185
BOC – Cayman (affiliate)	Interest expense	808,716	3,264,786	636,771	2,578,923
	Balances with other banks	30,000,000	121,110,000	-	-
	Interest income	301,667	1,217,830	161,694	654,861
BOC - Shanghai (affiliate) BOC - Frankfurt (affiliate)	Balances with other banks	61,336	247,613	13,153	53,270
	Balances with other banks	55,157	222,669	9,709	39,321
BOC - Guangdong (affiliate) Key management personnel	Balances with other banks	-	-	2,088	8,456
	Interest income	-	-	684,009	2,770,236
Compensation		1,590,580	6,421,171	1,605,079	6,500,570

Key management personnel includes the executive management.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 24. COMMITMENTS AND CONTINGENCIES

### 24.1 Lending commitments

To meet the financial needs of customers, the Branch enters into various commitments. No material losses are anticipated from these transactions, as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Unutilized portion of overdraft	13,825,526	55,813,648	8,844,195	35,818,990
Letters of credit	11,617,438	46,899,597	4,758,187	19,270,657
Loan commitments	6,896,781	27,842,305	81,676,000	330,787,800
Guarantees and others	41,171,691	166,210,117	30,621,418	124,016,743
	<b>73,511,436</b>	<b>296,765,667</b>	<b>125,899,800</b>	<b>509,894,190</b>

### 24.2 Operating lease commitments

The Branch, as lessee, has entered into commercial leases on premises. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments in respect of the lease of the five office buildings as at 31 December are as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Within one year	589,461	2,379,654	419,868	1,700,465
Between one to five years	1,329,096	5,365,561	856,375	3,468,319
More than five years	940,187	3,795,535	-	-
	<b>2,858,744</b>	<b>11,540,750</b>	<b>1,276,243</b>	<b>5,168,784</b>

### 24.3 Taxation contingency

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

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

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 25. FINANCIAL RISK MANAGEMENT

The Branch's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

The Branch does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

The Branch aims to comply with NBC's regulations for financial risk management purposes. In addition to minimum requirements of NBC, the Branch also adopts relevant financial risk management procedures of the head office.

### 25.1 *Operational risk*

The operational risk which would result from inadequate or failed internal processes, people and systems 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 management.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameter controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its banking business.

### 25.2 *Credit risk*

The Branch takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

#### (a) 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.

#### (b) 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. One approach the Branch considers is to endorse the loan to its affiliates.

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:



# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.2 Credit risk (continued)

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

- 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.

#### (c) Impairment and allowance policy

The Branch is required to follow the mandatory credit classification and allowance in accordance with NBC Prakas No. B7-09-074 dated 25 February 2009 on loan classification and allowance, as disclosed in Note 2.3.5.

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

Maximum exposure to credit risk before collateral held or other credit enhancements of the Branch follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Balances with the NBC	159,784,052	645,048,218	154,716,691	626,602,599
Balances with other banks	362,891,381	1,464,992,505	137,543,189	557,049,915
Loans and advances	377,262,301	1,523,007,909	319,402,546	1,293,580,311
Other assets	3,200,373	12,919,906	1,909,313	7,732,718
	<b>903,138,107</b>	<b>3,645,968,538</b>	<b>613,571,739</b>	<b>2,484,965,543</b>

For off-balance sheet accounts, see Note 24.1.

#### (e) Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location. An analysis of such concentration of risk by industry is set out on the following table.

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.2 Credit risk (continued)

(e) Concentration of risks of financial assets with credit risk exposure (continued)

	Financial services	Service	Retail & wholesale	Manufacturing	Others	Total
<b>2016</b>						
Balances with the NBC	159,784,052	-	-	-	-	159,784,052
Balances with other banks	362,891,381	-	-	-	-	362,891,381
Loans and advances	8,409,765	6,674,659	104,870,040	125,723,443	136,327,611	382,005,518
Other assets	827,908	20,245	387,330	515,583	1,449,307	3,200,373
<b>Total in US\$</b>	<b>531,913,106</b>	<b>6,694,904</b>	<b>105,257,370</b>	<b>126,239,026</b>	<b>137,776,918</b>	<b>907,881,324</b>
<b>KHR'000 equivalent</b> (Note 2.1.5)	<b>2,147,333,209</b>	<b>27,027,327</b>	<b>424,924,003</b>	<b>509,626,948</b>	<b>556,205,418</b>	<b>3,665,116,905</b>

	Financial services	Service	Retail & wholesale	Manufacturing	Others	Total
<b>2015</b>						
Balances with the NBC	154,716,691	-	-	-	-	154,716,691
Balances with other banks	137,543,189	-	-	-	-	137,543,189
Loans and advances	39,018,165	7,439,867	80,958,741	108,671,516	88,005,351	324,093,640
Other assets	109,705	22,600	278,911	248,291	1,249,806	1,909,313
<b>Total in US\$</b>	<b>331,387,750</b>	<b>7,462,467</b>	<b>81,237,652</b>	<b>108,919,807</b>	<b>89,255,157</b>	<b>618,262,833</b>
<b>KHR'000 equivalent</b> (Note 2.1.5)	<b>1,342,120,388</b>	<b>30,222,991</b>	<b>329,012,491</b>	<b>441,125,218</b>	<b>361,483,386</b>	<b>2,503,964,474</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.2 Credit risk (continued)

#### (f) Loans and advances

Loans and advances of the Branch are summarized as follows:

	2016		2015	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Loans and advances neither past due nor impaired (i)	381,763,399	1,541,178,842	323,344,304	1,309,544,432
Loans and advances past due but not impaired (ii)	-	-	242,119	980,582
Loans and advances individually impaired (iii)	242,119	977,434	507,217	2,054,228
<b>Loans and advances – gross</b>	<b>382,005,518</b>	<b>1,542,156,276</b>	<b>324,093,640</b>	<b>1,312,579,242</b>
Allowance for loan losses	(4,059,753)	(16,389,223)	(3,861,527)	(15,639,184)
Unamortized loan processing fees	(683,464)	(2,759,144)	(829,567)	(3,359,747)
<b>Loans and advances – net</b>	<b>377,262,301</b>	<b>1,523,007,909</b>	<b>319,402,546</b>	<b>1,293,580,311</b>

#### (i) Loans and advances neither past due nor impaired

Loans and advances that are not past due are not considered impaired, unless other information is available to indicate the contrary.

#### (ii) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

#### (iii) Loans and advances individually impaired

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 accordance with NBC Prakas No. B7-09-074 dated 25 February 2009 on the classification and provisioning for bad and doubtful debts, loans and advances more than 90 days past due are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

#### (iv) 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.

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.2 *Credit risk* (continued)

#### (f) Loans and advances (continued)

##### (iv) Loans with renegotiated terms/restructured loans (continued)

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.

##### (v) Write-off policy

In compliance with the relevant NBC guideline, 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.

##### (vi) Collateral repossessed

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. The repossessed properties have to be sold within one year based on the relevant NBC guideline and are classified in the balance sheet as foreclosed property.

During the year, the Branch did not obtain assets by taking possession of collateral held as security.

### 25.3 *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.

#### 25.3.1 *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 at balance sheet date, 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.

#### 25.3.2 *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 unfavorable interest rate movement is monitored against the risk tolerance limits set.

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

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

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.3 Market risk (continued)

##### 25.3.2 Interest rate risk (continued)

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

Certain borrowings of the Branch are variable-rate instruments. The Branch follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Branch's net interest income (amount in US\$).

	2016						2015					
	(100)	(50)	+50	+100	(100)	(50)	(50)	+50	+100	(50)	+50	+100
Increase (decrease) in basis points												
Loans and advances	(3,820,055)	(1,910,028)	1,910,028	3,820,055	(3,194,025)	(1,597,013)	1,597,013	3,194,025				
Interbank borrowings	235,000	117,500	(117,500)	(235,000)	235,000	117,500	(117,500)	(235,000)				
Subordinated debt	100,000	50,000	(50,000)	(100,000)	100,000	50,000	(50,000)	100,000				

#### 25.4. 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.

Management believes that the Branch fully complies with all liquidity requirements of NBC as it closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Additionally, movements in loans and advances 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.

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.4. Liquidity risk (continued)

Analysis of the financial assets and liabilities of the Branch into relevant maturity groupings based on the remaining periods to repayment follows:

	2016					Total US\$
	Up to 1 month US\$	>1 - 3 months US\$	>3 - 12 months US\$	>1 to 5 years US\$	Over 5 years US\$	
<b>Financial assets</b>						
Cash and other cheque items	29,767,687	-	-	-	-	29,767,687
Balances with the NBC	159,784,052	-	-	-	-	159,784,052
Balances with other banks	279,280,630	52,176,730	31,434,021	-	-	362,891,381
Loans and advances - gross	39,247,075	1,123,299	37,624,118	160,604,000	138,663,809	377,262,301
Other assets	3,200,373	-	-	-	-	3,200,373
<b>Total financial assets</b>	<b>511,279,817</b>	<b>53,300,029</b>	<b>69,058,139</b>	<b>160,604,000</b>	<b>138,663,809</b>	<b>932,905,794</b>
<b>Financial liabilities</b>						
Deposits from other banks	17,230,057	-	-	-	-	17,230,057
Deposits from customers	594,938,973	39,351,413	32,788,703	-	-	667,079,089
Interbank borrowings	150,000,000	-	-	30,000,000	23,500,000	203,500,000
Subordinated debt	-	-	10,000,000	-	-	10,000,000
Other liabilities	15,176,582	-	-	-	-	15,176,582
<b>Total financial liabilities</b>	<b>777,345,612</b>	<b>39,351,413</b>	<b>42,788,703</b>	<b>30,000,000</b>	<b>23,500,000</b>	<b>912,985,728</b>
<b>Net liquidity surplus (gap)</b>	<b>(266,065,795)</b>	<b>13,948,616</b>	<b>26,269,436</b>	<b>130,604,000</b>	<b>115,163,809</b>	<b>19,920,066</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>(1,074,107,615)</b>	<b>56,310,563</b>	<b>106,049,713</b>	<b>527,248,348</b>	<b>464,916,297</b>	<b>80,417,306</b>

## Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.4. Liquidity risk (continued)

	2015					Total US\$
	Up to 1 month US\$	>1 - 3 months US\$	>3 - 12 months US\$	>1 to 5 years US\$	Over 5 years US\$	
<b>Financial assets</b>						
Cash and other cheque items	23,584,134	-	-	-	-	23,584,134
Balances with the NBC	154,716,691	-	-	-	-	154,716,691
Balances with other banks	68,287,124	29,256,065	40,000,000	-	-	137,543,189
Loans and advances - gross	25,401,185	977,031	32,724,981	139,691,324	120,608,025	319,402,546
Other assets	1,909,313	-	-	-	-	1,909,313
<b>Total financial assets</b>	<b>273,898,447</b>	<b>30,233,096</b>	<b>72,724,981</b>	<b>139,691,324</b>	<b>120,608,025</b>	<b>637,155,873</b>
<b>Financial liabilities</b>						
Deposits from other banks	27,353,551	-	-	-	-	27,353,551
Deposits from customers	437,011,866	63,600,989	45,447,213	-	-	546,060,068
Interbank borrowings	-	-	-	-	23,500,000	23,500,000
Subordinated debt	-	-	10,000,000	-	-	10,000,000
Other liabilities	2,163,450	-	-	-	-	2,163,450
<b>Total financial liabilities</b>	<b>466,528,867</b>	<b>63,600,989</b>	<b>55,447,213</b>	<b>-</b>	<b>23,500,000</b>	<b>609,077,069</b>
<b>Net liquidity surplus (gap)</b>	<b>(192,630,420)</b>	<b>(33,367,893)</b>	<b>17,277,768</b>	<b>139,691,324</b>	<b>97,108,025</b>	<b>28,078,804</b>
<b>KHR'000 equivalent (Note 2.1.5)</b>	<b>(780,153,199)</b>	<b>(135,139,967)</b>	<b>69,974,960</b>	<b>565,749,862</b>	<b>393,287,501</b>	<b>113,719,157</b>

# Bank of China Limited - Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.5 Capital management

#### 25.5.1 Regulatory capital

The Branch's lead regulator, NBC, sets and monitors capital requirements for the Branch 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 shareholders' return is also recognized. As such, the Branch tries to maintain a balance between the higher returns that may be possible with greater gearing and advantages and security afforded by a sound capital position.

As at balance sheet date, the Branch complies with the solvency ratio prescribed by the NBC at 15%, as shown in the table below:

	2016 (Unaudited)		2015 (Unaudited)	
	US\$	KHR'000 equivalent (Note 2.1.5)	US\$	KHR'000 equivalent (Note 2.1.5)
Tier I capital	116,174,737	468,997,413	101,936,807	412,844,068
Tier II capital	13,817,634	55,781,789	13,305,886	53,888,838
<b>Net worth</b>	<b>129,992,371</b>	<b>524,779,202</b>	<b>115,242,693</b>	<b>466,732,906</b>
Total risk-weighted assets	627,139,447	2,531,761,947	396,264,022	1,604,869,289
<b>Solvency ratio</b>	<b>20.73%</b>	<b>20.73%</b>	<b>29.08%</b>	<b>29.08%</b>

## 26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at balance sheet date.

## 27. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2016 that had significant impact on the financial position and performance of the Branch as at 31 December 2016.

On 28 February 2017, the head office announced that the net assets of the Branch will be transferred to BOC Hong Kong for a consideration of US\$171.0 million subject to regulatory approvals.



# Our Activity



