



Introduction

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



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

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

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



Development Strategy

Core Values

Pursuing excellence

Integrity Performance Responsibility Innovation Harmony

Strategic Goal

Serving Society, Delivering Excellence

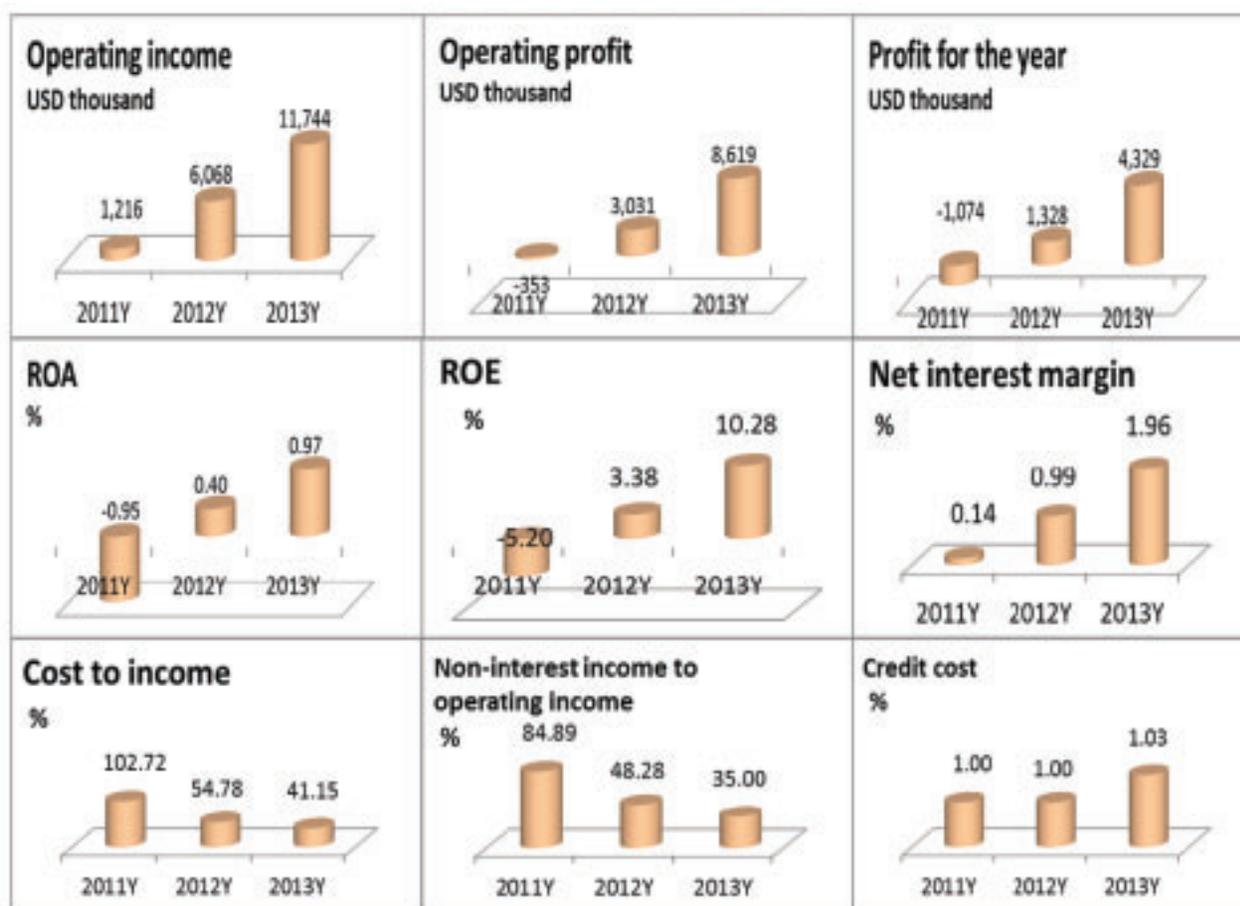
Overall Requirements of the Development Strategy

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

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Financial Highlights



Notes

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

Corporate information

Bank	Bank of China Limited Phnom Penh Branch
Registration	No Co. 0034Br/2010
Registered office	Canadia Tower, 1st & 2nd Floor, 315 Ang Doung St. (Corner of Monivong Blvd.) 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 - Baking Department
Auditors	KPMG Cambodia Ltd



Mr. CHEN CHANGJIANG, CEO (CAMBODIA)

Message from the Country Manager

2014年是中国银行金边分行“抓机遇、谋发展”的一年。过去一年，我行紧紧围绕“担当社会责任，做最好的银行”战略目标，牢牢抓住业务发展这个核心，取得良好经营业绩。在此，我高兴地向广大顾客和各界朋友报告过去一年本行的经营业绩：

The year of 2014 for Bank of China Phnom Penh Branch is a year of ‘Take the Opportunity, Seek for Development’. In the past year, the Bank adhere to the strategic goal of “Serving Society, Delivering Excellence”, focus on business expanding, achieve admirable operating results. It is a great honor to present our annual performance in 2014 to the customers of the Bank and the public.

根据柬埔寨会计准则，2014年末本行资产总额6.37亿美元，负债总额5.86亿美元，所有者权益合计0.52亿美元。全年实现净利润745.61万元，比上年增长72.24%。平均总资产回报率(ROA) 1.4%，比上年提高0.43个百分点，净资产收益率(ROE) 15.53%，比上年提高5.25个百分点。贷款质量优异，不良发生率0.21%。风险资产偿付比率19.19%，符合监管要求。

At the end of 2014, according to Cambodia Accounting Standards, the Bank’s total assets stood at USD637 million, total liabilities amounted to USD586 million, and equity attributable to shareholders of the Bank was USD52 million. During the year, the Bank achieved a profit for the year of USD7.4561 million, a year-on-year increase of 72.24%. The return on average total assets stood at 1.4%, a year-on-year increase of 0.43 percentage points, and the return on average equity was 15.53%, a year-on-year increase of 5.25percentage points. The non-performing loan ratio was 0.21%. The solvency ratio was 19.19% which was in line with regulatory requirements.

2014年我行利润持续增长的主要驱动因素是：

In 2014, the Bank’s profit continued to rise, mainly driven by the following factors.

第一，利息净收入和非利息收入较快增长。全年实现利息净收入9.81百万美元，比上年增长28.27%；实现非利息收入5.72百万美元，比上年增长39.73%；净息差2.26%，比上年提高30个基点。

First, net interest income and non-interest income achieved rapid growth. The Bank realized a net interest income of USD9.81 million, a year-on-year increase of 28.27%. Non-interest income stood at USD5.72 million, a year-on-year increase of 39.73%. Net interest margin climbed by 30 basis point to 2.26%.

第二，风险成本控制很好。信贷成本为0.21%，保持较低水平。其他市场风险指标控制在限额内。

Second, the cost of risk was effectively controlled. The Bank's credit cost was 0.21%, remaining at a relatively low level. Its various market risk limit indicators were under control.

第三，运营效率进一步提高。成本收入比控制在32.47%，比上年下降8.98个百分点。

Third, operation efficiency was further improved. The Bank's cost to income ratio was at 32.47%, a year-on-year decrease of 8.98 percentage points.

第四，人民币业务继续领先市场。完成跨境人民币结算量百亿元，增长90%，在柬埔寨履行了人民币清算行责任。

Fourth, RMB businesses continued to lead in the market. The Bank completed cross-border RMB settlement volumes of RMB10 billion, an increase of 90% compared to the prior year. The Bank fulfilled our obligation as the RMB clearing bank in Cambodia.

过去一年，我行加强风险管理。密切关注信用风险隐患，妥善处理风险突发事件。加强内控合规管理，建立客户洗钱风险识别、评估、管理新机制。加强流动性管理，全年流动性比率等指标符合管理要求。

In 2014, the Bank strengthened credit risk management. We paid close attention to risk hazards. Various emerging risk events were properly handled to avoid any losses. Internal control and compliance management were enhanced, and a new mechanism was established to identify, evaluate and manage money laundering risks and improve compliance and risk control. Liquidity management was improved and key indicators such as the liquidity coverage ratio met regulatory requirement.

过去一年，我行坚持长远发展，多措并举夯实基础。成功实施资本补充计划，提高偿债能力10个百分点。大力推进渠道建设，提升综合效能。电子渠道客户活跃度提升，ATM和网银客户迁移率达到35%，比上年提升6个百分点。

The Bank took several measures in the past year to consolidate its capital foundation with an eye on its future development. We successfully implement its capital replenishment plan, solvency ratio was raised by 10 percentage points. Efforts were made to boost channel building and encourage outlets to improve overall comprehensive efficiency. The E-banking customers became more active. The migration ratio of financial transactions through electronic channels reached 35%, up 6 percentage points from the previous year.

2015年是我行发展过程中的关键一年。我行将继续坚持“本地化”发展道路，关注客户需求，强化风险控制，不断提高发展质量和效益。同时，借此机会，我谨代表分行管理层，衷心感谢全行员工的辛勤工作，衷心感谢柬埔寨中央银行、广大客户及各界朋友的大力支持。我们将再接再厉，锐意进取，努力创造优异的成绩，为实现“担当社会责任，做最好的银行”的战略目标而不懈努力！

Year 2015 will be an important year to the Bank's developing. The Bank will continually insist development path of 'Localism', focus on customer requirements, strengthen our risk control, and constantly improve the quality of growth and the profitability so as to realize intensified development. On behalf of the management of branch, I would like to avail myself of this opportunity to express heartfelt gratitude to the Bank's employees for your hard work, to all directors and supervisors for your guidance, and to the Bank's customers and friends for your support. We will make steadfast efforts to forge ahead and generate outstanding performance, unremittingly marching towards our strategic goal of "Serving Society, Delivering Excellence"!

Chen Chang Jiang



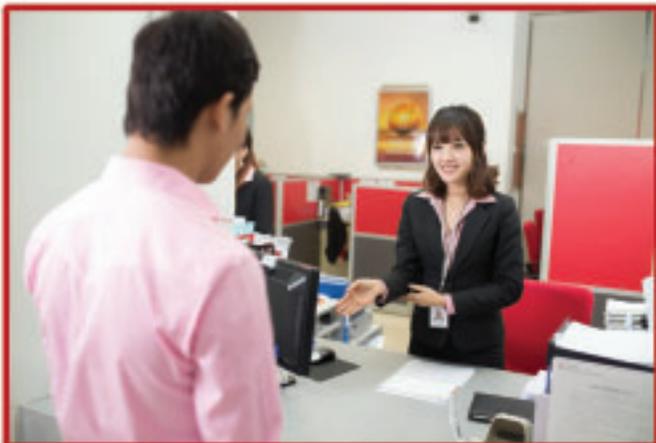
Chief Executive Officer

Bank of China Limited Phnom Penh Branch



Our Service

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



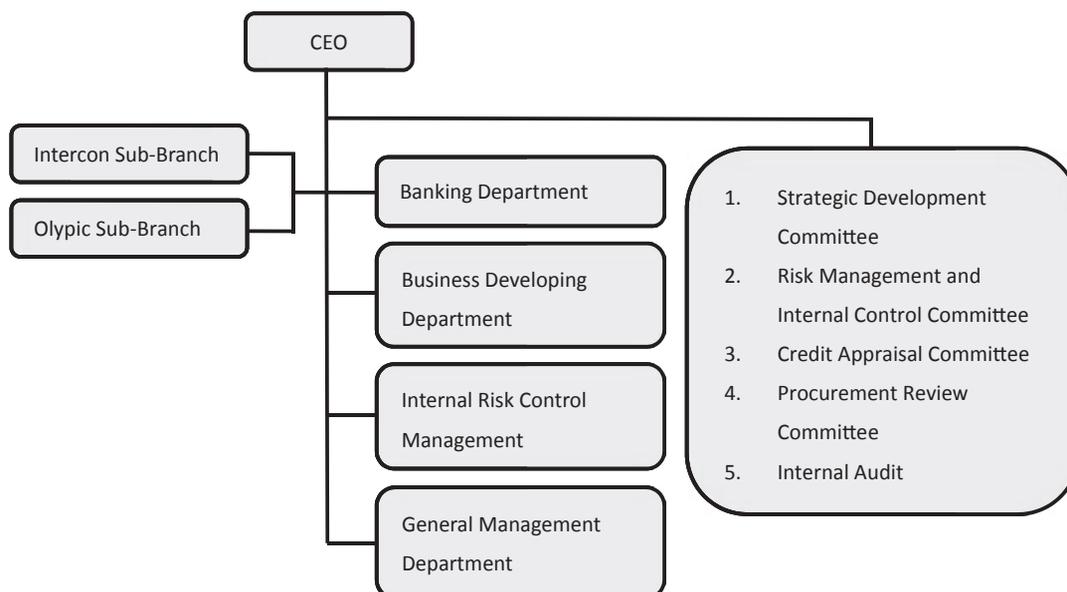
Corpration Governance



During 2014 the Bank strictly complied with the state laws and regulations in Cambodia, continuously improved its bank governance.

Corpration Governance Framework

The Bank's governance framework is shown below:



The Strategic Development Committee

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

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

The Strategic Development Committee held on the every month in 2014. At these meetings, it mainly approved and adjusted the business plan.

The Risk Management and Internal Control Committee

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

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

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

The Risk Management and Internal Control Committee held quarterly in 2014, discussing and approving above issues at every meeting. [Optional]: Internal purpose only.

Credit Appraisal Committee

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

Procurement Review Committee

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

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

Internal Audit

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

Report of the Executive Management

The Executive Management (“the Management”) has pleasure in submitting their report together with the audited financial statements of Bank of China Limited Phnom Penh Branch (“the Branch”) for the year ended 31 December 2014.

Principal activity

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

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

Financial results

The financial results of the Branch for the year ended 31 December 2014 were as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	9,561,078	38,961,391	5,465,176
Income tax expense	(2,105,001)	(8,577,879)	(1,136,176)
Net profit for the year	<u>7,456,077</u>	<u>30,383,512</u>	<u>4,329,000</u>

Head Office account

There were no changes in the registered and issued share capital of the Branch during the year.

Reserves and provisions

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

Bad and doubtful loans and advances

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

Bad and doubtful loans and advances (continued)

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

Change of circumstances

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

Items of unusual nature

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

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

The Executive Management

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

Mr. Chen Chang Jiang	Chief Executive Officer (CEO)
Mr. Liu Dao Zhi	Assistant CEO
Mr. Huang Wei	Senior Vice President
Mr. Ouyang Chang	First Vice President
Ms. Yang Yun Xia	First Vice President
Mr. Liu Xia Feng	Senior Manager - Trade Finance Department
Ms. Lin Jia	Manager- Internal Risk Control Department
Mr. Huang Li Mao	Manager - Cooperate Banking Department
Ms. Yu Lei	Manager - Banking Department

Managements' responsibility in respect of the financial statements

The Management is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2014, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Management is required to:

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

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

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

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

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 7 to 50, which present fairly, in all material respects, the financial position of the Branch as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed on behalf of the Branch,

A blue circular stamp with Khmer text around the perimeter and 'Bank of China Limited' and 'Yesh Branch' in the center. A handwritten signature in blue ink is written over the stamp.

Mr. Chen Chan Jiang

Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

REPORT OF THE INDEPENDENT AUDITORS

To the Head Office

Bank of China Limited

We have audited the accompanying financial statements of Bank of China Limited Phnom Penh Branch (“the Branch”), which comprise the balance sheet as at 31 December 2014, and the income statement, statements of changes in Head Office account and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 50.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of China Limited - Phnom Penh Branch as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For **KPMG Cambodia Ltd**



Nge Huy

Audit Partner

Phnom Penh, Kingdom of Cambodia

25 June 2015

Bank of China Limited Phnom Penh Branch

Balance sheet

As at 31 December 2014

	Note	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
Assets				
Cash on hand	5	39,490,600	160,924,195	14,887,055
Balances with the National Bank of Cambodia	6	195,681,587	797,402,467	107,837,724
Balances with banks	7	143,294,957	583,926,950	66,835,421
Loans and advances - net	8	255,165,695	1,039,800,207	232,116,060
Other assets	9	1,835,171	7,478,322	1,961,071
Property and equipment	10	1,635,983	6,666,631	1,890,553
Deferred tax	21	162,862	663,662	139,483
Total assets		<u>637,266,855</u>	<u>2,596,862,434</u>	<u>425,667,367</u>
Liabilities and Head Office account				
Deposits from banks	11	62,231,587	253,593,717	19,931,446
Deposits from customers	12	471,487,149	1,921,310,132	326,858,004
Subordinated debt	13	10,000,000	40,750,000	10,000,000
Interbank borrowings	14	37,017,962	150,848,195	18,239,268
Current income tax liability	21	2,037,837	8,304,186	1,101,176
Other liabilities	15	2,756,712	11,233,602	5,257,942
Total liabilities		<u>585,531,247</u>	<u>2,386,039,832</u>	<u>381,387,836</u>
Head Office account				
Branch capital		40,000,000	163,000,000	40,000,000
Retained earnings		11,735,608	47,822,602	4,279,531
Total Head Office account		<u>51,735,608</u>	<u>210,822,602</u>	<u>44,279,531</u>
Total liabilities and Head Office account		<u>637,266,855</u>	<u>2,596,862,434</u>	<u>425,667,367</u>

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

Bank of China Limited Phnom Penh Branch

Income statement for the year ended 31 December 2014

	Note	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
Interest income	16	13,110,697	53,426,090	10,721,648
Interest expense	17	(3,300,849)	(13,450,960)	(3,074,002)
Net interest income		9,809,848	39,975,130	7,647,646
Fee and commission income	18	5,723,351	23,322,655	4,096,050
Personnel expenses	19	(2,805,929)	(11,434,161)	(2,675,879)
Depreciation expenses		(485,775)	(1,979,533)	(448,540)
General and administrative expenses	20	(1,751,276)	(7,136,450)	(1,744,340)
Operating income		10,490,219	42,747,641	6,874,937
Allowance for bad and doubtful loans and advances	8	(929,141)	(3,786,250)	(1,409,761)
Profit before income tax		9,561,078	38,961,391	5,465,176
Income tax expense	21	(2,105,001)	(8,577,879)	(1,136,176)
Net profit for the year		7,456,077	30,383,512	4,329,000

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

Bank of China Limited Phnom Penh Branch

Statement of changes in Head Office account for the year ended 31 December 2014

	Branch Capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2013	40,000,000	(49,469)	39,950,531
Net profit for the year	-	4,329,000	4,329,000
Balance as at 31 December 2013	<u>40,000,000</u>	<u>4,279,531</u>	<u>44,279,531</u>
Balance as at 1 January 2014	40,000,000	4,279,531	44,279,531
Net profit for the year	-	7,456,077	7,456,077
Balance as at 31 December 2014	<u>40,000,000</u>	<u>11,735,608</u>	<u>51,735,608</u>
Balance as at 31 December 2014 (KHR'000 equivalents – Note 4)	<u>163,000,000</u>	<u>47,822,602</u>	<u>210,822,602</u>

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

Bank of China Limited Phnom Penh Branch

Statement of cash flows for the year ended 31 December 2014

	Note	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
Cash flows from operating activities				
Net cash generated from operating activities	23	139,104,709	566,851,689	10,947,514
Cash flows from investing activities				
Purchase of property and equipment		(231,205)	(942,160)	(265,250)
Net cash used in investing activities		(231,205)	(942,160)	(265,250)
Cash flows from financing activities				
Repayments of borrowings		(18,239,268)	(74,325,017)	(61,661,252)
Proceeds from borrowings		37,017,962	150,848,195	-
Net cash generated from/(used in) financing activities		18,778,694	76,523,178	(61,661,252)
Net increase/(decrease) in cash and cash equivalents		157,652,198	642,432,707	(50,978,988)
Cash and cash equivalents at beginning of year		149,010,743	607,218,778	199,989,731
Cash and cash equivalents at end of year	22	306,662,941	1,249,651,485	149,010,743

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements for the year ended 31 December 2014

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

1. Background and principal activities

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

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

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

The Branch had 105 employees as at 31 December 2014 (31 December 2013: 77).

2. Basis of preparation

(a) Statement of compliance

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

The financial statements of the Branch were authorised for issue by the Management on 25 June 2015.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

2. Basis of preparation (continued)

(c) Functional and presentation currency (continued)

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

The financial statements are presented in US\$, which is the Branch's functional currency.

(d) Use of estimates and judgements

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

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

3. Significant accounting policies

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

(a) Financial instruments

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

(b) Cash and cash equivalents

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

(c) Deposit and placements with banks

Deposits and placements with banks are carried at cost.

(d) Loans and advances

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

(e) Allowance for bad and doubtful loans and advances

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

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

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

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

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

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

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

Included in the special mentioned loans (Note 8(b)), there was a loan provided to a customer with an outstanding balance as at 31 December 2014 of US\$9,950,000 of which the last three instalments of US\$500,000, US\$121,875, and US\$500,000 were overdue for 244 days, 134 days and 60 days respectively as at 31 December 2014. On 17 June 2015, the customer repaid US\$2,300,000 to cover the overdue amounts and for subsequent instalment repayments. The NBC through a letter dated 17 June 2015 approved to the Bank's request to maintain the classification of the aforementioned loan as a special mentioned loan. The NBC's approval is valid up to end of September 2015, after which the Bank shall classify the loans in accordance with the provisioning requirement under the NBC's Prakas No. B7-09-074. As of the date of this report, the Bank's management believe that the above loan is collectible and no additional allowance is required.

(f) Statutory deposits

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

(g) Other assets

Other assets are carried at estimated realisable value.

(h) Intangible assets

Computer software license is stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of three years.

(i) Property and equipment

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

(i) Property and equipment (continued)

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

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

Work-in-progress is not depreciated.

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

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

(j) Impairment of assets

(i) *Financial assets*

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) *Financial assets (continued)*

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

All impairment losses are recognised in the income statement.

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

(ii) *Non-financial assets*

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

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

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

(k) Deposits from customers and banks

Deposits from customers and banks are stated at cost.

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

(l) Provisions

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

(m) Income recognition

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

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

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

(n) Interest expense

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

(o) Operating leases

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

3. Significant accounting policies (continued)

(p) Income tax

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

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

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

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

(q) Related parties

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,075 published by the NBC on 31 December 2014. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash on hand

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
US Dollars	38,239,494	155,825,938	13,293,911
Chinese Yuan	1,072,729	4,371,371	1,539,596
Khmer Riel	178,377	726,886	53,548
	<u>39,490,600</u>	<u>160,924,195</u>	<u>14,887,055</u>

6. Balances with the National Bank of Cambodia

	Note	2014		2013
		US\$	KHR'000 (Note 4)	US\$
Current accounts		129,621,825	528,208,937	67,288,267
Reserve deposits	(a)	56,859,762	231,703,530	36,549,457
Statutory capital deposit	(b)	4,000,000	16,300,000	4,000,000
Term deposits		5,200,000	21,190,000	-
		<u>195,681,587</u>	<u>797,402,467</u>	<u>107,837,724</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

6. Balances with the National Bank of Cambodia (continued)

(a) Reserve deposits

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

(b) Statutory capital deposit

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

Interest rates

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

	2014	2013
Term deposits	0.17%	0.1% - 0.26%
Reserve requirement	0.10% - 0.12%	0.10% - 0.12%
Statutory deposit	0.08%	0.18% - 0.20%

7. Balances with banks

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Local banks:			
Current accounts	22,859,626	93,152,976	2,001,702
Term deposits	35,192,653	143,410,061	5,042,621
Overseas banks:			
Current accounts	34,801,681	141,816,850	38,091,337
Term deposits	50,440,997	205,547,063	21,699,761
	143,294,957	583,926,950	66,835,421

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

7. Balances with banks (continued)

The balances with banks are analysed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	88,819,095	361,937,812	55,187,567
2 to 3 months	43,531,421	177,390,541	11,647,854
4 to 6 months	10,944,441	44,598,597	-
	<u>143,294,957</u>	<u>583,926,950</u>	<u>66,835,421</u>
(b) By currency:			
US Dollars	76,485,388	311,677,956	51,298,380
Chinese Yuan	66,798,910	272,205,558	15,523,981
Euro Dollars	8,193	33,387	12,610
Hong Kong Dollars	2,466	10,049	450
	<u>143,294,957</u>	<u>583,926,950</u>	<u>66,835,421</u>
(c) By interest rate (per annum):			
	2014		2013
Term deposits (Local)	0.8% to 1.28%		0.5% to 1.75%
Term deposits (Overseas)	4.10% to 6.15%		1.00% to 4.00%
Current accounts (Overseas)	0.10% to 0.13%		0.10% to 0.13%

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

8. Loans and advances - net

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Long term loans	196,491,363	800,702,304	183,127,683
Short term loans	42,669,208	173,877,024	32,108,449
Overdrafts	12,884,756	52,505,381	10,769,011
Trade finance facilities	7,316,125	29,813,209	9,182,563
	<hr/>	<hr/>	<hr/>
Gross loan and advances	259,361,452	1,056,897,918	235,187,706
Allowance for bad and doubtful loans and advances	(3,310,310)	(13,489,513)	(2,381,169)
Unamortised loan processing fees	(885,447)	(3,608,198)	(690,477)
	<hr/>	<hr/>	<hr/>
Loans and advances - net	<u>255,165,695</u>	<u>1,039,800,207</u>	<u>232,116,060</u>

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
At beginning of the year	2,381,169	9,703,263	971,408
Addition during the year			
Specific allowance	785,105	3,199,303	43,938
General allowance	144,036	586,947	1,365,823
	<hr/>	<hr/>	<hr/>
At end of year	<u>3,310,310</u>	<u>13,489,513</u>	<u>2,381,169</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

8. Loans and advances – net (continued)

The gross loans and advances are further analyzed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	21,323,758	86,894,314	12,182,686
2 to 3 months	9,681,775	39,453,233	9,577,336
3 to 12 months	36,226,215	147,621,826	40,286,333
1 to 5 years	109,608,461	446,654,479	66,945,712
More than 5 years	82,521,243	336,274,066	106,195,639
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>
(b) By performance:			
Standard loans			
Secured loans	98,088,317	399,709,892	165,077,236
Unsecured loans	150,038,357	611,406,305	68,645,874
Special mention loans			
Secured loans	10,727,561	43,714,811	1,464,596
Loss			
Secured loans	507,217	2,066,910	-
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

8. Loans and advances – net (continued)

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(c) By industry:			
Manufacturing	90,787,566	369,959,332	135,381,307
Wholesale and retails	47,054,757	191,748,135	20,717,761
Services	39,244,032	159,919,431	3,881,740
Energy industry	54,500,000	222,087,500	54,500,000
Other industries	27,775,097	113,183,520	20,706,898
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>
(d) By currency:			
US Dollars	258,948,713	1,055,216,006	235,004,651
Chinese Yuan	412,739	1,681,912	183,055
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>
(e) By residency status:			
Residents	258,674,788	1,054,099,762	234,290,337
Non-residents	686,664	2,798,156	897,369
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>
(f) By relationship:			
External customers	258,725,112	1,054,304,832	234,676,624
Staff loans	636,340	2,593,086	511,082
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

8. Loans and advances – net (continued)

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(g) By exposure:			
Large exposures	208,802,946	850,872,006	193,773,540
Non-large exposures	50,558,506	206,025,912	41,414,166
	<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>

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

(h) By interest rate (per annum):

	2014	2013
Overdrafts	6%-10%	7% - 9%
Trade finance facilities	4%-8%	4.4% - 8.5%
Short term loans	1.5%-8.5%	1.5% - 7.5%
Long term loans	3.5%-8.5%	3.5% - 9%

9. Other assets

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Accrued interest receivable	1,681,028	6,850,189	1,846,933
Prepayments and others	122,719	500,080	94,132
Security and rental deposits	31,424	128,053	20,006
	<u>1,835,171</u>	<u>7,478,322</u>	<u>1,961,071</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

10. Property and equipment

2014	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor Vehicles US\$	Work in progress US\$	Total US\$	Total KHR'000
Cost							
At 1 January 2014	1,369,712	141,224	384,208	466,550	555,482	2,917,176	11,887,492
Additions	9,561	43,320	178,324	-	-	231,205	942,160
Transferred	555,482	-	-	-	(555,482)	-	-
At 31 December 2014	1,934,755	184,544	562,532	466,550	-	3,148,381	12,829,652
Less: Accumulated depreciation							
At 1 January 2014	610,712	42,469	208,294	165,148	-	1,026,623	4,183,488
Depreciation for the year	289,140	29,449	90,142	77,044	-	485,775	1,979,533
At 31 December 2014	899,852	71,918	298,436	242,192	-	1,512,398	6,163,021
Carrying amounts							
At 31 December 2014	1,034,903	112,626	264,096	224,358	-	1,635,983	6,666,631

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

10. Property and equipment (continued)

2013	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor Vehicles US\$	Work in progress US\$	Total US\$
Cost						
At 1 January 2013	1,274,879	121,967	296,228	414,200	544,652	2,651,926
Additions	94,833	19,257	87,980	52,350	10,830	265,250
At 31 December 2013	1,369,712	141,224	384,208	466,550	555,482	2,917,176
Less: Accumulated depreciation						
At 1 January 2013	341,250	22,224	71,722	142,887	-	578,083
Depreciation for the year	269,462	20,245	136,572	22,261	-	448,540
At 31 December 2013	610,712	42,469	208,294	165,148	-	1,026,623
Carrying amounts						
At 31 December 2013	759,000	98,755	175,914	301,402	555,482	1,890,553

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

11. Deposits from banks

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Current accounts	7,212,595	29,391,325	4,931,446
Term deposits	55,018,992	224,202,392	15,000,000
	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>

The deposits from banks are analysed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	27,212,595	110,891,325	4,931,446
2 to 3 months	5,000,000	20,375,000	15,000,000
4 to 6 months	10,000,000	40,750,000	-
7 to 12 months	20,018,992	81,577,392	-
	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>
(b) By type of customer:			
Business enterprises	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>
(c) By relationship:			
Related parties	-	-	-
Non - related parties	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>
	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>
(d) By currency:			
US Dollars	52,132,698	212,440,744	19,916,600
Chinese Yuan	10,097,832	41,148,666	14,846
Khmer Riel	1,057	4,307	-
	<u>62,231,587</u>	<u>253,593,717</u>	<u>19,931,446</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

11. Deposits from banks (continued)

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

	2014	2013
	US\$	US\$
	KHR'000 (Note 4)	
(e) By residency status:		
Residents	62,231,587	19,931,446
Non-residents	-	-
	62,231,587	19,931,446
	62,231,587	19,931,446
(f) By interest rate (per annum):		
	2014	2013
Savings deposits	0.00%-0.25%	0.40%
Fixed deposits	0.80%-2.00%	1.10%-2.5%

12. Deposits from customers

	2014	2013
	US\$	US\$
	KHR'000 (Note 4)	
Current accounts	305,086,640	252,451,066
Saving deposits	81,669,377	47,371,806
Term deposits	80,077,904	24,765,161
Margin deposits	4,653,228	2,269,971
	471,487,149	326,858,004
	471,487,149	326,858,004

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

12. Deposits from customers (continued)

The above amounts are analysed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	432,550,952	1,762,645,129	308,823,424
2 to 3 months	16,349,280	66,623,316	10,925,985
4 to 6 months	14,572,169	59,381,589	3,940,507
7 to 12 months	7,862,655	32,040,319	3,168,088
1 to 3 years	152,093	619,779	-
	<u>471,487,149</u>	<u>1,921,310,132</u>	<u>326,858,004</u>
(b) By type of customer:			
Business enterprises	361,068,334	1,471,353,461	254,995,039
Individuals	110,418,815	449,956,671	71,862,965
	<u>471,487,149</u>	<u>1,921,310,132</u>	<u>326,858,004</u>
(c) By residency status:			
Residents	448,222,434	1,826,506,418	289,873,207
Non-residents	23,264,715	94,803,714	36,984,797
	<u>471,487,149</u>	<u>1,921,310,132</u>	<u>326,858,004</u>
(d) By currency:			
US Dollars	449,070,966	1,829,964,186	315,953,016
Chinese Yuan	20,548,029	83,733,218	7,144,748
Khmer Riel	1,859,703	7,578,290	3,760,240
Other	8,451	34,438	-
	<u>471,487,149</u>	<u>1,921,310,132</u>	<u>326,858,004</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

12. Deposits from customers (continued)

The above amounts are analysed as follows (continued):

(e) By interest rate (per annum):

	2014	2013
Current accounts	0.00% - 0.10%	0.00% - 0.50%
Saving accounts	0.00% - 0.50%	0.13% - 0.50%
Term deposits	0.25% - 3.25%	0.25% - 4.75%

13. Subordinated debt

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

14. Interbank borrowings

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Interbank borrowings from Bank of China – Hong Kong	37,017,962	150,848,195	18,239,268

The interbank borrowings amounting to CNY100,000,000 (equivalent to US\$16,094,766) and CNY130,000,000 (equivalent to US\$20,923,196) bear interest at the rate of 4.60% per annum and 3.03% per annum, unsecured and matured on 19 January 2015 and 14 May 2015 respectively.

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

15. Other liabilities

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Remittance payables	235,155	958,257	3,675,987
Accrued bonuses	770,000	3,137,750	747,800
Interest payable	1,100,830	4,485,882	481,789
Payable to suppliers	5,250	21,394	86,241
Withholding tax payable	36,724	149,650	32,364
Accruals and others	608,753	2,480,669	233,761
	<u>2,756,712</u>	<u>11,233,602</u>	<u>5,257,942</u>

16. Interest income

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Loans and advances	871,235	3,550,282	8,270,611
Balances with banks	12,239,462	49,875,808	2,451,037
	<u>13,110,697</u>	<u>53,426,090</u>	<u>10,721,648</u>

17. Interest expense

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Deposits from customers	1,963,712	8,002,127	1,094,809
Deposits and interbank borrowings	1,337,137	5,448,833	1,979,193
	<u>3,300,849</u>	<u>13,450,960</u>	<u>3,074,002</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

18. Fee and commission income

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Income on remittance	2,587,807	10,545,314	1,871,914
Processing fee and others	2,330,204	9,495,581	1,927,491
Gain from exchange rate – net	805,340	3,281,760	296,645
	<u>5,723,351</u>	<u>23,322,655</u>	<u>4,096,050</u>

19. Personnel expenses

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Salaries and wages	2,104,760	8,576,897	2,116,689
Allowances	619,107	2,522,861	515,539
Other benefits	82,062	334,403	43,651
	<u>2,805,929</u>	<u>11,434,161</u>	<u>2,675,879</u>

20. General and administrative expenses

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Rental, repairs and maintenance	702,398	2,862,272	393,919
Legal and professional fees	114,794	467,786	79,939
Electricity and utilities	106,516	434,053	68,410
Social expenses	102,804	418,926	131,690
Fee and commission expenses	92,387	376,477	49,493
Tax expenses	83,402	339,863	100,744
Office supplies	83,172	338,926	128,400
Travelling expenses	79,553	324,179	167,482
Marketing expenses	79,511	324,007	128,469
Telephone and internet expenses	21,979	89,564	109,242
Installation services	12,911	52,612	94,291
Other operating expenses	271,849	1,107,785	292,261
	<u>1,751,276</u>	<u>7,136,450</u>	<u>1,744,340</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

21. Income tax

(a) Deferred tax

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Deferred tax assets	189,398	771,796	167,135
Deferred tax liabilities	(26,536)	(108,134)	(27,652)
Deferred tax - net	<u>162,862</u>	<u>663,662</u>	<u>139,483</u>

The movements of deferred tax are as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	139,483	568,393	41,386
Charged to income statement	23,379	95,269	98,097
	<u>162,862</u>	<u>663,662</u>	<u>139,483</u>

Deferred tax assets and liabilities are attributable to the following:

Deferred tax assets/(liabilities)	Accrued bonus US\$	Accrued interest US\$	Depreciation and amortisation US\$	Total US\$	KHR'000 (Note 4)
As at 1 January 2014	149,560	17,575	(27,652)	139,483	568,393
Credited to income statement	4,440	17,823	1,116	23,379	95,269
As at 31 December 2014	<u>154,000</u>	<u>35,398</u>	<u>(26,536)</u>	<u>162,862</u>	<u>663,662</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

21. Income tax (continued)

(b) Provision for income tax

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	1,101,176	4,487,293	72,943
Income tax expense	2,128,380	8,673,148	1,234,273
Income tax paid	(1,191,719)	(4,856,255)	(206,040)
	<u>2,037,837</u>	<u>8,304,186</u>	<u>1,101,176</u>

(c) Income tax expenses

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Current income tax expense	2,128,380	8,673,148	1,234,273
Deferred tax	(23,379)	(95,269)	(98,097)
	<u>2,105,001</u>	<u>8,577,879</u>	<u>1,136,176</u>

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	9,561,078	38,961,391	5,465,176
Income tax rate of 20%	1,912,216	7,792,279	1,093,035
Effect of non-deductible expenses	270,150	1,100,862	126,710
Effect of temporary differences	520	2,119	(83,569)
Over provision in prior year	(77,885)	(317,381)	-
Income tax expense	<u>2,105,001</u>	<u>8,577,879</u>	<u>1,136,176</u>

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

22. Cash and cash equivalents

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Cash on hand	39,490,600	160,924,195	14,887,055
Balances with banks			
Current and saving accounts	57,661,307	234,969,826	40,093,039
Term deposits	74,689,209	304,358,527	26,742,382
Balances with the National Bank of Cambodia			
Current accounts	129,621,825	528,208,937	67,288,267
Term deposits	5,200,000	21,190,000	-
	<u>306,662,941</u>	<u>1,249,651,485</u>	<u>149,010,743</u>

23. Net cash generated from operating activities

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	9,561,078	38,961,391	5,465,176
Adjustments for:			
Depreciation	485,775	1,979,533	448,540
Allowance for bad and doubtful loans and advances	929,141	3,786,250	1,409,761
	<u>10,975,994</u>	<u>44,727,174</u>	<u>7,323,477</u>
Changes in:			
Loans and advances	(24,173,746)	(98,508,015)	(138,046,890)
Statutory deposits	(20,310,305)	(82,764,493)	7,559,524
Other assets	125,900	513,043	(793,746)
Balances with banks	(10,944,441)	(44,598,597)	115,696,517
Deposit from banks	42,300,141	172,373,075	(15,199,276)
Deposit from customers	144,629,145	589,363,766	29,990,492
Unamortised loan processing fees	194,970	794,503	360,181
Other liabilities	(2,501,230)	(10,192,512)	4,263,275
	<u>140,296,428</u>	<u>571,707,944</u>	<u>11,153,554</u>
Income tax paid	(1,191,719)	(4,856,255)	(206,040)
	<u>139,104,709</u>	<u>566,851,689</u>	<u>10,947,514</u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

24. Commitment and contingent liabilities

(a) Operations

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Loan commitments	15,077,342	61,440,169	77,704,983
Unused portion of overdrafts	2,772,189	11,296,670	1,996,923
Letters of credit	3,722,779	15,170,324	7,294,344
Bank guarantees and others	12,709,403	51,790,817	2,909,733
	<u>34,281,713</u>	<u>139,697,980</u>	<u>89,905,983</u>

(b) Lease commitments

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

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Within one year	269,536	1,098,359	462,660
Two to five years	323,118	1,316,706	553,636
	<u>592,654</u>	<u>2,415,065</u>	<u>1,016,296</u>

(c) Taxation contingencies

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

25. Significant related party transactions and balances

(a) Related party transactions:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Interest income			
Bank of China – Guangdong	318,041	1,296,017	1,799,554
Bank of China – Macau	11,725	47,779	143,848
Bank of China – Cayman	111,940	456,156	-
	<u> </u>	<u> </u>	<u> </u>
Interest expenses			
Subordinated debt from Bank of China Limited – Beijing (Head Office)	181,170	738,268	243,665
Interbank borrowing from Bank of China – Hong Kong	339,577	1,383,776	1,075,275
Interbank borrowing from Bank of Taipei	10,490	42,747	-
Interbank borrowing from Bank of China – Guangdong	88,538	360,792	88,538
Interbank borrowing from Bank of China – Macau	-	-	456,936
	<u> </u>	<u> </u>	<u> </u>
Management compensation			
Salaries and short-term benefits	2,009,669	8,189,401	1,639,908
	<u> </u>	<u> </u>	<u> </u>

(b) Related party balances:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Deposits with banks			
Bank of China – Guangdong	50,452,783	205,595,091	11,709,526
Bank of China – Macau	-	-	10,000,000
Bank of China – New York	14,075,861	57,359,134	32,370,656
Bank of China – Hong Kong	17,283,982	70,432,227	5,488,006
Bank of China – Beijing (Head Office)	3,291,930	13,414,615	186,946
Bank of China – Frankfurt	8,193	33,386	12,610
Bank of China – Shanghai	129,928	529,457	23,353
	<u> </u>	<u> </u>	<u> </u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

25. Significant related party transactions and balances (continued)

(b) Related party balances (continued):

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Borrowings			
Interbank borrowing from Bank of China – Hong Kong	37,017,962	150,848,195	18,239,268
Interbank borrowing from Bank of China – Macau	-	-	-
Subordinated debt from Bank of China Limited – Beijing (Head Office)	10,000,000	40,750,000	10,000,000
Deposits and placements from Key Management personnel	-	-	122,520
	<u> </u>	<u> </u>	<u> </u>
Loan to related party:			
Bank of China – Shenzhen	-	-	641,810
	<u> </u>	<u> </u>	<u> </u>
Accrual interest payable with:			
Bank of China Limited – Beijing (Head Office)	61,888	252,194	65,554
Bank of China – Hong Kong	407,414	1,660,212	156,561
	<u> </u>	<u> </u>	<u> </u>
	<u>469,302</u>	<u>1,912,406</u>	<u>222,115</u>
Accrual interest receivable from:			
Bank of China – Guangdong	161,118	656,556	184,386
Bank of China – Macau	-	-	92,369
	<u> </u>	<u> </u>	<u> </u>

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management

(a) Introduction and overview

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

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

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

(b) Operational risk

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

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

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

(c) Credit risk

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(c) Credit risk (continued)

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

(i) Credit risk measurement

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

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

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

(ii) Risk limit control and mitigation policies

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

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

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

(iii) Impairment and allowance policies

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk

	2014	2013
	US\$	US\$
	KHR'000	
	(Note 4)	
Loans and advances		
Individually impaired	507,217	2,066,910
Past due but not impaired	10,727,561	43,714,811
Neither past due nor impaired	248,126,674	1,011,116,197
	<u>259,361,452</u>	<u>1,056,897,918</u>
Allowance for bad and doubtful loans and advances	(3,310,310)	(13,489,513)
	<u>256,051,142</u>	<u>232,806,537</u>

Impaired loans and advances

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

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

Past due but not impaired loans and advances

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(c) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Loans with renegotiated terms/restructured loans

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

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

Write-off policy

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

Collateral

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

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

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

Concentration of credit risk

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(d) Market risk

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

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

(i) Foreign currency exchange risk

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

As of 31 December 2014, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Interest rate risk

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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

31 December 2013	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets								
Cash on hand	-	-	-	-	-	14,887,055	14,887,055	-
Balances with the National Bank of Cambodia	-	-	40,549,457	-	-	67,288,267	107,837,724	0.10% - 0.26%
Balances with banks	-	26,742,382	-	-	-	40,093,089	66,835,421	0.10% - 1.75%
Loans and advances								
- Performing	12,182,686	9,577,336	40,286,333	66,945,712	106,195,639	-	235,187,706	1.50% - 9.00%
- Non-performing	-	-	-	-	-	-	-	-
- Allowance for doubtful debts	-	-	-	-	-	(2,381,169)	(2,381,169)	-
Other assets	-	-	-	-	-	1,961,071	1,961,071	-
Total financial assets	12,182,686	36,319,718	80,835,790	66,945,712	106,195,639	121,848,313	424,327,858	
Liabilities								
Deposits from banks	4,931,446	15,000,000	-	-	-	-	19,931,446	1.25%
Deposits from customers	308,823,424	10,925,985	7,108,595	-	-	-	326,858,004	0.13% - 4.75%
Subordinated debt	-	-	-	10,000,000	-	-	10,000,000	1.50%
Interbank borrowings	8,239,268	10,000,000	-	-	-	-	18,239,268	1.40% - 3.80%
Other liabilities	-	-	-	-	-	5,257,942	5,257,942	-
Total financial liabilities	321,994,138	35,925,985	7,108,595	10,000,000	-	5,257,942	380,286,660	
Maturity gap	(309,811,452)	393,733	73,727,195	56,945,712	106,195,639	116,590,371	44,041,198	

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(e) Liquidity risk

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

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

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued)
for the year ended 31 December 2014

26. Financial risk management (continued)

(e) Liquidity risk (continued)

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

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued)
for the year ended 31 December 2014

26. Financial risk management (continued)

(e) Liquidity risk (continued)

31 December 2013	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Total US\$
Liabilities							
Deposits from banks	4,931,446	15,000,000	-	-	-	-	19,931,446
Deposits from customers	308,823,424	10,925,985	7,108,595	-	-	-	326,858,004
Subordinated debt	-	-	-	-	10,000,000	-	10,000,000
Interbank borrowings	8,239,268	10,000,000	-	-	-	-	18,239,268
Other liabilities	4,276,381	747,800	233,761	-	-	-	5,257,942
Total financial liabilities	326,270,519	36,673,785	7,342,356	-	10,000,000	-	380,286,660
Total financial assets	69,009,763	36,413,850	80,835,790	-	66,965,718	171,102,737	424,327,858
Net liquidity gap	(257,260,756)	(259,935)	73,493,434	-	56,965,718	171,102,737	44,041,198

Bank of China Limited Phnom Penh Branch

Notes to the financial statements (continued) for the year ended 31 December 2014

26. Financial risk management (continued)

(f) Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

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

27. Fair values of financial assets and liabilities

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

Our Activity



**BANK OF CHINA LIMITED
PHNOM PENH BRANCH**

**Supplementary Financial Information
For the year ended 31 December 2014**

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

Statement by the management on the Supplementary Financial Information

I, being the Chief Executive Officer of Bank of China Limited Phnom Penh Branch (“the Branch”), do hereby state that in my opinion, the accompanying Supplementary Financial Information of the Branch as set out on pages 2 to 19, the preparation of which is the sole responsibility of the management, is properly drawn up so as to reflect fairly the Financial Information of the Branch for the year ended 31 December 2014 as required by the National Bank of Cambodia in their Prakas and applicable notices.

Signed on behalf of the Branch:



Mr. Chen Chan Jiang
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date:

Bank of China Limited Phnom Penh Branch

Supplementary financial information for the year ended 31 December 2014

1. Limitation

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

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

2. Significant financial information

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

Schedule Reference	Financial Information	2014		2013
		US\$ (if not in %)	KHR'000 (if applicable)	US\$ (if not in %)
I	Liquidity ratio	100.55%		69.54%
II	Minimum capital	40,000,000	163,000,000	40,000,000
III	Solvency ratio	18.63%		19.23%
IV	Net worth	64,216,875	261,683,765	56,616,762
V	Foreign currency net open position			
	US\$	-0.58%		-0.96%
	KHR	0.00%		-0.06%
	EUR	0.00%		0.02%
	HKD	0.01%		0.00%
	CNY	0.57%		1.00%

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

2. Significant financial information (continued)

Schedule Reference	Financial Information	2014		2013
		US\$ (if not in %)	KHR'000 (if applicable)	US\$ (if not in %)
VI	Loan classification			
	Normal/Standard	248,126,674	1,011,116,197	233,723,110
	Special mention	10,727,561	43,714,811	1,464,596
	Sub-standard	-	-	-
	Doubtful	-	-	-
	Loss	507,217	2,066,910	-
		<u>259,361,452</u>	<u>1,056,897,918</u>	<u>235,187,706</u>
	Allowance for bad and doubtful debts			
	NBC's benchmark	3,310,310	13,489,513	2,381,169
	Bank's provision	<u>3,310,310</u>	<u>13,489,513</u>	<u>2,381,169</u>
		-	-	-
VII	Large exposures (total)	206.54%		250.83%
VIII	Loans to related parties	0.00%		0.00%
IX	Property and equipment	2.55%		3.34%

3. Translation

For the purpose of this Supplementary Financial Information, unless otherwise stated, United States Dollars ("US\$") is the reporting currency. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines of the NBC relating the preparation and presentation of financial statements and have been made using the prescribed official average exchange rate of US\$1 to KHR4,075 published by the NBC on 31 December 2014. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

4. Other ratios

The ratios set out below are based on the audited financial statements of the Branch as at 31 December 2014 and are presented as required by NBC's Prakas No. B7-04-204 dated 29 December 2004.

	2014	2013
Capital		
(1) Equity to total assets	8.12%	10.40%
(2) Capital tier I to total assets	8.12%	10.40%
(3) Capital tier I to risk weighted assets	15.01%	15.04%
(4) Capital tier 1 + tier 2 to risk weighted assets	18.63%	19.23%
(5) Net worth to assets	10.08%	13.30%
(6) Solvency ratio	18.63%	19.23%
(7) Debts to total assets	91.88%	89.60%
(8) Debts to equity	1131.78%	861.32%
(9) Dividend to net profit	0.00%	0.00%
Asset Quality		
(10) Banking reserve to total loans	0.00%	0.00%
(11) Banking reserves to total assets	0.00%	0.00%
(12) Non-performing loans to total loans	0.20%	0.62%
(13) Non-performing loans to total assets	0.08%	0.34%
(14) Classified assets to total loans	0.20%	0.00%
(15) Classified assets to total assets	0.08%	0.00%
(16) Classified assets to equity	0.98%	0.00%
(17) Loans to related parties to total loans	0.00%	0.00%
(18) Large exposures to total loans	80.51%	82.39%
(19) Loans to related parties to net worth	0.00%	0.00%
(20) Large exposures to net worth	325.15%	342.25%
(21) General provision to total loans	0.96%	0.99%
(22) Specific provision to total loans	0.32%	0.02%
(23) Specific provision to non-performing loans	163.45%	3.00%
(24) All allowances to total assets	0.52%	0.56%
(25) Loans to deposits	50.77%	71.95%

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

4. Other ratios (continued)

	2014	2013
Earnings		
(26) Return on assets	1.17%	1.02%
(27) Return on equity	14.41%	9.78%
(28) Gross yield	2.06%	2.52%
(29) Net interest margin to total assets	1.54%	1.80%
(30) Other income to total assets	0.90%	0.96%
(31) Provisions to total assets	0.52%	0.56%
(32) Overhead to total assets	0.79%	1.47%
(33) Net income before tax to total assets	1.50%	1.28%
(34) Taxes to total assets	0.33%	0.27%
(35) Interest margin to gross income	52.09%	51.61%
(36) Non-interest income to gross income	30.39%	27.64%
(37) Non-interest expenses to gross income	26.78%	42.37%
(38) Times interest earned	3.90 times	2.78 times
Liquidity		
(39) Liquid assets	52.98%	35.01%
(40) Short-term liabilities	91.88%	89.60%
(41) Net liquid assets	-42.34%	-60.93%
(42) Quick ratio	57.66%	39.07%
(43) Deposits to total loans	196.98%	138.98%

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

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule I - Liquidity ratio

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

	2014		2013
	US\$	KHR'000	US\$
Debit items			
Cash and gold	39,490,600	160,924,195	14,887,055
Deposits with NBC (excluding statutory deposits)	134,821,825	549,398,937	67,288,267
Deposits with banks	143,294,957	583,926,950	66,835,421
Loans to banks and financial institutions less than one month	20,000,000	81,500,000	-
	<u>337,607,382</u>	<u>1,375,750,082</u>	<u>149,010,743</u>
Credit items			
Sight accounts with NBC, banks and financial institutions	7,212,595	29,391,325	-
Borrowings from NBC and banks less than one month	16,094,766	65,586,171	-
	<u>23,307,361</u>	<u>94,977,496</u>	<u>-</u>
Lender/(borrower) position	<u>314,300,021</u>	<u>1,280,772,586</u>	<u>149,010,743</u>
Numerator			
Treasury balance - lender position	314,300,021	1,280,772,586	149,010,743
Loans less than one month excluding those without maturity date	-	-	-
Treasury bills less than one month	-	-	-
	<u>314,300,021</u>	<u>1,280,772,586</u>	<u>149,010,743</u>
Denominator			
Treasury balance - borrower position	-	-	-
Fixed deposits less than one month at 80%	48,913,366	199,321,966	26,427,663
Fixed deposits more than one month at 50%	36,977,595	150,683,700	3,365,291
Saving deposits at 50%	40,834,689	166,401,358	28,685,903
Demand deposits at 60%	185,843,921	757,313,978	155,791,490
	<u>312,569,571</u>	<u>1,273,721,002</u>	<u>214,270,347</u>
Liquidity ratio - Numerator/Denominator	<u>100.55%</u>		<u>69.54%</u>

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule II - Minimum capital

The paid-up share capital of the Branch as at 31 December 2014 was US\$40,000,000 equivalents KHR163,000 million (31 December 2013: US\$40,000,000).

Schedule III - Solvency ratio

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

	Weighting	2014		2013
		US\$	KHR'000	US\$
Numerator				
Bank's net worth - (Schedule IV)		64,216,875	261,683,765	56,616,762
Denominator				
Total aggregate assets				
Cash, gold and claims on NBC	0%	-	-	-
Assets collateralized by deposits	0%	-	-	-
Claims on sovereign rated AAA to AA	0%	-	-	-
Claims on sovereign rated A+ to A-	20%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claims on sovereign rated BBB+ to BBB-	50%	-	-	-
Claims on banks rated A+ to A-	50%	51,955,939	211,720,451	16,438,207
Other assets	100%	278,182,790	1,133,594,869	270,066,173
Off-balance sheet items				
Full risk	100%	12,709,403	51,790,817	2,909,733
Medium risk	50%	1,861,390	7,585,164	4,930,441
Moderate risk	20%	-	-	-
Total denominator		344,709,522	1,404,691,301	294,344,554
Solvency ratio – Numerator/Denominator		18.63%		19.23%

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule IV - Net worth

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

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

	2014		2013
	US\$	KHR'000	US\$
<u>Tier 1 (Core Capital)</u>			
Sub-total A:			
Capital	40,000,000	163,000,000	40,000,000
Reserves other than revaluation	-	-	-
Premiums related to capital	-	-	-
Audited net profit for the last financial year	7,456,077	30,383,512	4,329,000
Retained earnings	4,279,531	17,439,090	-
Other items approved by NBC	-	-	-
Sub-total A	<u>51,735,608</u>	<u>210,822,602</u>	<u>44,329,000</u>
Limit check on retained earning (maximum 20% of Sub-total A)	8.27%		0.00%
Sub-total B:			
Own shares held (at book value)	-	-	-
Accumulated losses	-	-	(49,469)
Intangible assets	-	-	-
Shareholders, Directors, and Related parties:			
Unpaid portion(s) of capital	-	-	-
Loans, overdrafts and other advances	-	-	-
Debt instruments held bearing signature of shareholders, directors and related parties	-	-	-
Other loss(es)	-	-	-
Sub-total B	<u>-</u>	<u>-</u>	<u>(49,469)</u>
Total Tier 1 Capital (A - B)	<u>51,735,608</u>	<u>210,822,602</u>	<u>44,279,531</u>

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule IV - Net worth (continued)

	2014		2013
	US\$	KHR'000	US\$
<u>Tier 2 (Complementary Capital)</u>			
Sub-total C:			
Revaluation reserves approved by NBC	-	-	-
Provisions for general banking risks approved by NBC	-	-	-
General provision of 1% foreseen in Prakas on asset classification and provisioning in banking and financial institution	2,481,267	10,111,163	2,337,231
Subordinated debts approved by NBC	10,000,000	40,750,000	10,000,000
Other items approved by NBC	-	-	-
Sub-total C	12,481,267	50,861,163	12,337,231
Limit check on subordinated debts (maximum 50% of Tier 1 Capital)	19.33%		22.58%
Sub-total D:			
Equity participation in banking or financial Institutions	-	-	-
Other items	-	-	-
Sub-total D	-	-	-
Total Tier 2 Capital (C - D)	12,481,267	50,861,163	12,337,231
Limit check on Tier 2 Capital (maximum 100% of Tier 1 Capital)	24.13%		27.86%
Bank's net worth (Capital Tier 1 + Tier 2)	64,216,875	261,683,765	56,616,762

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule V - Foreign currency net open position

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

Currency	Element after deduction of affected provision				Net open position		Net open position/Net worth	Limit	Excess
	1	2	3	4	5				
	Assets	Liabilities and capital	Currency receivables Off-balance sheet	Currencies payables Off-balance sheet	+(long) or -(short) (1+2+3+4)				
	+	-	+	-					
	US\$	US\$	US\$	US\$		US\$	%	%	
US\$	566,450,240	(566,823,177)	34,281,713	(34,281,713)	(372,937)		-0.58%	20.00%	No
KHR	1,859,406	(1,860,764)	-	-	(1,358)		0.00%	20.00%	No
EUR	10,341	(8,451)	-	-	1,890		0.00%	20.00%	No
HKD	8,592	-	-	-	8,592		0.01%	20.00%	No
CNY	68,938,276	(68,574,463)	-	-	363,813		0.57%	20.00%	No
Grand total	637,266,855	(637,266,855)	34,281,713	(34,281,713)	-				

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

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

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

	Total US\$	%	NBC's Benchmark US\$	Client's Provision US\$	Variance US\$
As at 31 December 2014					
Normal/Standard	248,126,674	1%	2,481,267	2,481,267	-
Special mention	10,727,561	3%	321,826	321,826	-
Substandard	-	20%	-	-	-
Doubtful	-	50%	-	-	-
Loss	507,217	100%	507,217	507,217	-
	<u>259,361,452</u>		<u>3,310,310</u>	<u>3,310,310</u>	<u>-</u>
Allowance for bad and doubtful loans	<u>(3,310,310)</u>				
	<u>256,051,142</u>				
<i>Equivalent in</i>					
	KHR'000	%	KHR'000	KHR'000	KHR'000
Normal/Standard	1,011,116,197	1%	10,111,163	10,111,163	-
Special mention	43,714,811	3%	1,311,441	1,311,441	-
Substandard	-	20%	-	-	-
Doubtful	-	50%	-	-	-
Loss	2,066,910	100%	2,066,909	2,066,909	-
	<u>1,056,897,918</u>		<u>13,489,513</u>	<u>13,489,513</u>	<u>-</u>
Allowance for bad and doubtful loans	<u>(13,489,513)</u>				
	<u>1,043,408,405</u>				

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

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

	Total US\$	%	NBC's Benchmark US\$	Client's Provision US\$	Variance US\$
As at 31 December 2013					
Normal/Standard	233,723,110	1%	2,337,231	2,337,231	-
Special mention	1,464,596	3%	43,938	43,938	-
Substandard	-	20%	-	-	-
Doubtful	-	50%	-	-	-
Loss	-	100%	-	-	-
	<u>235,187,706</u>		<u>2,381,169</u>	<u>2,381,169</u>	<u>-</u>
Allowance for bad and doubtful loans	<u>(2,381,169)</u>				
	<u><u>232,806,537</u></u>				

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule VII - Large Exposures

The Bank has large exposure individually exceeding 10% of the Bank's net worth as at 31 December 2013. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

No	Name of borrower	Date of NBC's approval	Approved limit US\$	Outstanding balance US\$	Overdraft (OD) US\$	Term Loans (TL) US\$	Letter of Credit (LC) US\$	Off-Balance sheet Commitments (OBS) US\$	Total gross exposure US\$	Weighting (%)	Total weighted Exposure US\$	Total weighted exposure/net worth (%)	Maximum (%)	Excess	Remark
1	Inner Mongolia Erdos Hongjun Investment Co.,Ltd and C.I.I.D.G Erdos Hongjun Electric Power Co.,Ltd	08-May-12	TL: 54,500,000 54,500,000	54,500,000 54,500,000	- -	54,500,000 54,500,000	- -	- -	TL: 54,500,000 54,500,000	50%	27,250,000 27,250,000	42.43%	20.00%	Yes	
2	Cambodia Cement Chakrey Factory Co.,Ltd	13-Sep-13	TL: 67,000,000 67,000,000	55,500,000 55,500,000	- -	55,500,000 55,500,000	- -	- -	TL: 55,500,000 55,500,000	50%	27,750,000 27,750,000	43.21%	20.00%	Yes	
3	Cambodia Fiber Optic Communication Network Co., Ltd	N/A	TL: 14,500,000 14,500,000	10,736,547 10,736,547	- -	10,736,547 10,736,547	- -	- -	TL: 10,736,547 10,736,547	100%	10,736,547 10,736,547	16.72%	20.00%	No	
4	Asia Flour Mill Corporation Co., Ltd	N/A	TL: 9,000,000 9,000,000	8,117,173 8,117,173	- -	8,117,173 8,117,173	- -	- -	TL: 8,117,173 8,117,173	100%	8,117,173 8,117,173	12.65%	20.00%	No	
5	Sokimex Co., Ltd	12-Jun-13	TL: 8,000,000 TR: 17,000,000 25,000,000	8,000,000 5,242,412 13,242,412	- - -	8,000,000 8,000,000	5,242,412 5,242,412	- -	TL: 8,000,000 TR: 5,242,412 13,242,412	100% 100%	8,000,000 5,242,412 13,242,412	20.62%	20.00%	Yes	
6	Swift Rubber Limited	N/A	TL: 15,000,000 15,000,000	9,950,000 9,950,000	- -	9,950,000 9,950,000	- -	- -	TL: 9,950,000 9,950,000	100%	9,950,000 9,950,000	15.49%	20.00%	No	

Bank of China Limited Phnom Penh Branch

**Supplementary financial information (continued)
for the year ended 31 December 2014**

Schedule VII - Large Exposures (continued)

No	Name of borrower	Date of NBC's approval	Approved limit US\$	Outstanding balance US\$	Overdraft (OD) US\$	Term Loans (TL) US\$	Letter of Credit (LC) US\$	Off-Balance sheet commitments (OBS) US\$	Total gross exposure US\$	Weighting (%)	Total weighted exposure/net worth (%)	Maximum (%)	Excess	Remark
7	Vinton Group Co., Ltd	N/A	TL : 9,900,000	9,900,000	-	9,900,000	-	-	TL : 9,900,000	100%	15.42%	20.00%	No	
			9,900,000	9,900,000	-	9,900,000	-	-	9,900,000					
8	Borei Peng Houth	N/A	TL : 10,000,000	8,743,076	-	8,743,076	-	-	TL : 8,743,076	100%	13.61%	20.00%	No	
			10,000,000	8,743,076	-	8,743,076	-	-	8,743,076					
9	Borei Angkor Co., Ltd	N/A	TL : 8,300,000	8,113,738	-	8,113,738	-	-	TL : 8,113,738	100%	12.63%	20.00%	No	
			8,300,000	8,113,738	-	8,113,738	-	-	8,113,738					
10	Canadia Bank Plc.	N/A	TL : 20,000,000	20,000,000	-	20,000,000	-	-	TL : 20,000,000	0%	0.00%	20.00%	No	
			20,000,000	20,000,000	-	20,000,000	-	-	20,000,000					
11	CDH GIANT HEALTH HK LIMITED	N/A	TL : 10,000,000	10,000,000	-	10,000,000	-	-	TL : 10,000,000	50%	7.79%	20.00%	No	
			10,000,000	10,000,000	-	10,000,000	-	-	10,000,000					
12	Sinohydro corporation limited	N/A	LG : 7,667,123	-	-	-	-	7,667,123	LG : 7,667,123	50%	5.97%	20.00%	No	
			7,667,123	-	-	-	-	7,667,123	7,667,123					
	Total large exposure		250,867,123	208,802,946	-	203,560,534	5,242,412	7,667,123	217,438,069		206.54%			

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Schedule VIII- Loans to related parties

The Bank has loans to related parties as follows:

		2014		2013
		US\$	KHR'000	US\$
Loans to directors and key management	A	-	-	-
Bank's net worth (Schedule IV)	B	64,216,875	261,683,765	56,616,762
Loan to related party ratio	A/B	0.00%		0.00%

Schedule IX - Property and equipment

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

		2014		2013
		US\$	KHR'000	US\$
As per audited financial statements:				
Property and equipment		1,635,983	6,666,631	1,890,553
Intangible assets		-	-	-
	A	1,635,983	6,666,631	1,890,553
Bank's net worth (Schedule IV)	B	64,216,875	261,683,765	56,616,762
Property and equipment ratio	A/B	2.55%		3.34%

Bank of China Limited Phnom Penh Branch
Supplementary financial information (continued)
for the year ended 31 December 2014

Annex A

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

No	Ratios	Formula by NBC		31 December 2014			31 December 2013			
				Calculation (in figure)		Ratio	Calculation (in figure)		Ratio	
				Numerator (A)	Denominator (B)		Numerator (A)	Denominator (B)		
		A	B	US\$	US\$	A/B	US\$	US\$	A/B	%
	CAPITAL									
1	Equity to total assets	Equity	Total assets	51,735,608	637,266,855	8.12%	44,279,531	425,667,367	10.40%	
2	Capital tier 1 to total assets	Capital tier 1	Total assets	51,735,608	637,266,855	8.12%	44,279,531	425,667,367	10.40%	
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	51,735,608	344,709,522	15.01%	44,279,531	294,344,554	15.04%	
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	64,216,875	344,709,522	18.63%	56,616,762	294,344,554	19.23%	
5	Net worth to total assets	Net worth	Total assets	64,216,875	637,266,855	10.08%	56,616,762	425,667,367	13.30%	
6	Solvency ratio	Net worth	Risk weighted assets	64,216,875	344,709,522	18.63%	56,616,762	294,344,554	19.23%	
7	Debts to total assets	Total liabilities	Total assets	585,531,247	637,266,855	91.88%	381,387,836	425,667,367	89.60%	
8	Debts to equity	Total liabilities	Equity	585,531,247	51,735,608	1131.78%	381,387,836	44,279,531	861.32%	
9	Dividend to net profit	Dividend	Net profit	-	7,456,077	0.00%	-	4,329,000	0.00%	

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Annex A

No	Ratios	Formula by NBC		31 December 2014				31 December 2013			
				Calculation (in figure)		Ratio		Calculation (in figure)		Ratio	
				Numerator (A)	Denominator (B)	A/B	%	Numerator (A)	Denominator (B)	A/B	%
	ASSET QUALITY	A	B	US\$	US\$	%		US\$	US\$	%	
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	-	259,361,452	0.00%		-	235,187,706	0.00%	
11	Banking reserve to total assets	Banking reserves	Total assets	-	637,266,855	0.00%		-	425,667,367	0.00%	
12	NPL to total loans	NPL	Total loan (gross)	507,217	259,361,452	0.20%		1,464,596	235,187,706	0.62%	
13	NPL to total assets	NPL	Total assets	507,217	637,266,855	0.08%		1,464,596	425,667,367	0.34%	
14	Classified assets to total loan	Classified assets	Total loans (gross)	507,217	259,361,452	0.20%		-	235,187,706	0.00%	
15	Classified assets to total asset	Classified assets	Total assets	507,217	637,266,855	0.08%		-	425,667,367	0.00%	
16	Classified assets to equity	Classified assets	Equity	507,217	51,735,608	0.98%		-	44,279,531	0.00%	
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	259,361,452	0.00%		-	235,187,706	0.00%	
18	Large exposure to total loans	Large exposure	Total loans (gross)	208,802,946	259,361,452	80.51%		193,773,540	235,187,706	82.39%	
19	Loan to related parties to net worth	Loan to related parties	Net worth	-	64,216,875	0.00%		-	56,616,762	0.00%	
20	Large exposure to net worth	Large exposure	Net worth	208,802,946	64,216,875	325.15%		193,773,540	56,616,762	342.25%	
21	General provision to total loans	General provision	Total loans (gross)	2,481,267	259,361,452	0.96%		2,337,231	235,187,706	0.99%	
22	Specific provision to total loans	Specific provision	Total loans (gross)	829,043	259,361,452	0.32%		43,938	235,187,706	0.02%	
23	Specific provision to NPL	Specific provision	NPL	829,043	507,217	163.45%		43,938	1,464,596	3.00%	

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Annex A

No	Ratios	Formula by NBC		31 December 2014			31 December 2013		
				Calculation (in figure)		Ratio	Calculation (in figure)		Ratio
				Numerator (A)	Denominator (B)		Numerator (A)	Denominator (B)	
		Numerator	Denominator	US\$	US\$	A/B	US\$	US\$	A/B
24	All allowances to total assets	A	B			%			%
		Total all allowances	Total assets	3,310,310	637,266,855	0.52%	2,381,169	425,667,367	0.56%
25	Loans to deposits	Total loans to non-Bank customers (gross)	Customer's deposits	239,361,452	471,487,149	50.77%	235,187,706	326,858,004	71.95%
	EARNINGS								
26	Return on assets	Net profit	Total assets	7,456,077	637,266,855	1.17%	4,329,000	425,667,367	1.02%
27	Return on equity	Net profit	Equity	7,456,077	51,735,608	14.41%	4,329,000	44,279,531	9.78%
28	Gross yield	Interest income	Total assets	13,110,697	637,266,855	2.06%	10,721,648	425,667,367	2.52%
29	Net interest margin (NIM) to total assets	Interest income - Interest expense	Total assets	9,809,848	637,266,855	1.54%	7,647,646	425,667,367	1.80%
30	Other income to total assets	Other income	Total assets	5,723,351	637,266,855	0.90%	4,096,050	425,667,367	0.96%
31	Provision to total assets	Provision	Total assets	3,310,310	637,266,855	0.52%	2,381,169	425,667,367	0.56%
32	Overhead to total assets	Non-interest expense	Total assets	5,042,980	637,266,855	0.79%	6,278,520	425,667,367	1.47%
33	Net income before tax to total assets	Net income before tax	Total assets	9,561,078	637,266,855	1.50%	5,465,176	425,667,367	1.28%
34	Tax to total assets	Tax expense	Total assets	2,105,001	637,266,855	0.33%	1,136,176	425,667,367	0.27%

Bank of China Limited Phnom Penh Branch

Supplementary financial information (continued) for the year ended 31 December 2014

Annex A

No	Ratios	Formula by NBC		31 December 2014		31 December 2013		Ratio	
				Calculation (in figure)		Calculation (in figure)			
				Numerator (A)	Denominator (B)	Numerator (A)	Denominator (B)		
		A	B	US\$	US\$	US\$	US\$	A/B	%
35	Interest margin to gross income	Interest income - Interest expense	Gross income	9,809,848	18,834,048	7,647,646	14,817,698	52.09%	51.61%
36	Non-interest income to gross income	Non-interest income	Gross income	5,723,351	18,834,048	4,096,050	14,817,698	30.39%	27.64%
37	Non-interest expense to gross income	Non-interest expense	Gross income	5,042,980	18,834,048	6,278,520	14,817,698	26.78%	42.37%
38	Times interest earned	Income before tax + Interest expense	Interest expense	12,861,927	3,300,849	8,539,178	3,074,002	3.90 times	2.77 times
	LIQUIDITY								
39	Liquid assets	Liquid assets	Total assets	337,607,382	637,266,855	149,010,743	425,667,367	52.98%	35.01%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	585,531,247	637,266,855	381,387,836	425,667,367	91.88%	89.60%
41	Net liquid assets	Liquid assets - Short-term liabilities	Total liabilities	(247,923,865)	585,531,247	(232,377,093)	381,387,836	-42.34%	-60.93%
42	Quick ratio	Quick assets	Current liabilities	337,607,382	585,531,247	149,010,743	381,387,836	57.66%	39.07%

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Supplementary financial information (continued) for the year ended 31 December 2014

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No	Ratios	Formula by NBC		31 December 2014		31 December 2013		Ratio	
				Calculation (in figure)		Calculation (in figure)			
				Numerator (A)	Denominator (B)	Numerator (A)	Denominator (B)		
43	Deposits to total loans	A Total customers' deposit	B Total loans to non-bank customers (gross)	US\$ 471,487,149	US\$ 239,361,452	US\$ 326,858,004	US\$ 235,187,706	A/B 196.98%	A/B 138.98%



ធនាគារ ចិន សាខាភ្នំពេញ
中國銀行 金边分行

BANK OF CHINA PHNOM PENH BRANCH





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