



BRANCH OF KASIKORNBANK PUBLIC COMPANY LIMITED (PHNOM PENH)

ANNUAL REPORT



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开泰银行 KASIKORNBANK



January - December 2017



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Business Opportunities in AEC+3

Robust economic growth in a number of ASEAN markets over the past few decades has caught the attention of investors and business worldwide. Despite recent macroeconomic instability, the outlook for developing Asia remains positive, with GDP set to grow by 5.1 percent in 2017 and ASEAN is believed to be the only remaining economic bloc globally with respectable economic growth.

This enviable economic position was further strengthened by the official formation of the ASEAN Economic Community (AEC) in 2015, through which the region can enhance its competitive advantages through the free flow of goods, services, skilled labors and capital between member states. Moreover, with the linkages of China, Japan and Korea, the AEC+3 has led to greater connectivity and positive steps towards creating an open and fair regional trade and investment which will bring numerous opportunities to businesses in this region.

To help our customers take advantage of this exceptional opportunity, international business has been prioritized to the top of KASIKORNBANK's strategic agenda through the creation of AEC+3 strategy. We have continuously developed both financial solutions and non-financial services as well as expanded our international facilities to ensure that KASIKORNBANK will be the uniquely qualified partner for all financial service needs in AEC+3.

KASIKORNBANK Public Company Limited: Vision, Mission and Core Values



Vision

KASIKORNBANK aims to be a most innovative, dynamic, and proactive customer-centric financial institution that creates sustainability for all stakeholders.

Mission

KASIKORNBANK aims to harmoniously combine technology and human resources to sustainably create world-class-quality financial services, so as to achieve optimal benefits for all stakeholders.

Core Values

- Customer Centricity
- Organization-Wide Teamwork
- Professionalism
- Innovation

General Manager's Message



As one of the fast growing nations in the world, Cambodia is expected to reach GDP growth of 7% in the next few years. Driven by foreign direct investment, Cambodia offers competitive advantages and supportive business environment, which will continue to attract investment from overseas in various sectors such as garment and construction, and hospitality business.

Adhering to our “Bank of AEC+3” strategy, KASIKORNBANK aims to facilitate and connect business beyond the borders within this highly complex and diverse region. So far, we have expanded our presence in six ASEAN locations including Cambodia, Indonesia, Lao PDR, Myanmar, Vietnam, and Thailand; additionally, in the “+3” regions which are China, Japan, and South Korea through the combination of our branch network and partnership model.

Since our establishment in the late 2016, the Branch of KASIKORNBANK Public Company Limited (Phnom Penh) primarily focuses on supporting Thai corporate clients who invest and expand business into Cambodia by leveraging our experience of over 70 years in Thailand in order to facilitate Thai direct investment in the country.

Furthermore, we also recognize the importance of local business as one of the country’s engines of growth and aim to expand our reach to provide comprehensive financial products and services to Cambodian corporate clients as well.

On behalf of the Branch of KASIKORNBANK Public Company Limited (Phnom Penh), I would like to take this opportunity to extend our gratitude toward the National Bank of Cambodia, regulators from relevant departments, partner banks, business alliances, and customers for their continuous support, as well as, all staffs for their contribution and dedication throughout 2017.

As the first phase of our operations concluded, I would like to reaffirm that the Branch of KASIKORNBANK Public Company Limited (Phnom Penh) will continue to expand our portfolios and exploring other opportunities, while striving for service excellence and seamless operations to support all customers.

Mr. Ritthiwut Watthanachai
General Manager

Part I: Corporate Background

1.1 Corporate Information

Registered Name	Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Registration No.	00008267
Established Date	25 October 2016
Registered Capital	USD 50 Million
Registered Office	No. 45, Preah Sihanouk Boulevard, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia
Head Office	KASIKORNBANK Public Company Limited
Management Team	Mr. Ritthiwut Watthanachai, General Manager (appointed on 1 March 2018) Mr. Pakapong Poomarporm, General Manager (resigned on 28 February 2018) Ms. Monthicha Saetiew, Deputy General Manager - Finance and Accounting Department Mr. Vandore Dan, Deputy General Manager - Operation Department
Telephone No.	(+855) 23 214 998, 999
Website	www.kasikornbank.com.kh
E-mail	KH_PhnomPenh@kasikornbank.com

1.2 Overview of KASIKORNBANK PUBLIC COMPANY LIMITED

The KASIKORNBANK Public Company Limited (KBank) was established on June 8, 1945 and listed on the Stock Exchange of Thailand since 1976. For over 70 years of operation, our main focus is to deliver impressive service and innovative products that best respond to customer needs. KBank places equal importance on both domestic and regional economic direction, consumer behavior, government policies and market competition. These factors are assessed to define new strategies for KBank to enhance business operations and adapt to coming changes while sustainably upholding the superiority and relevance to customers’ lives.

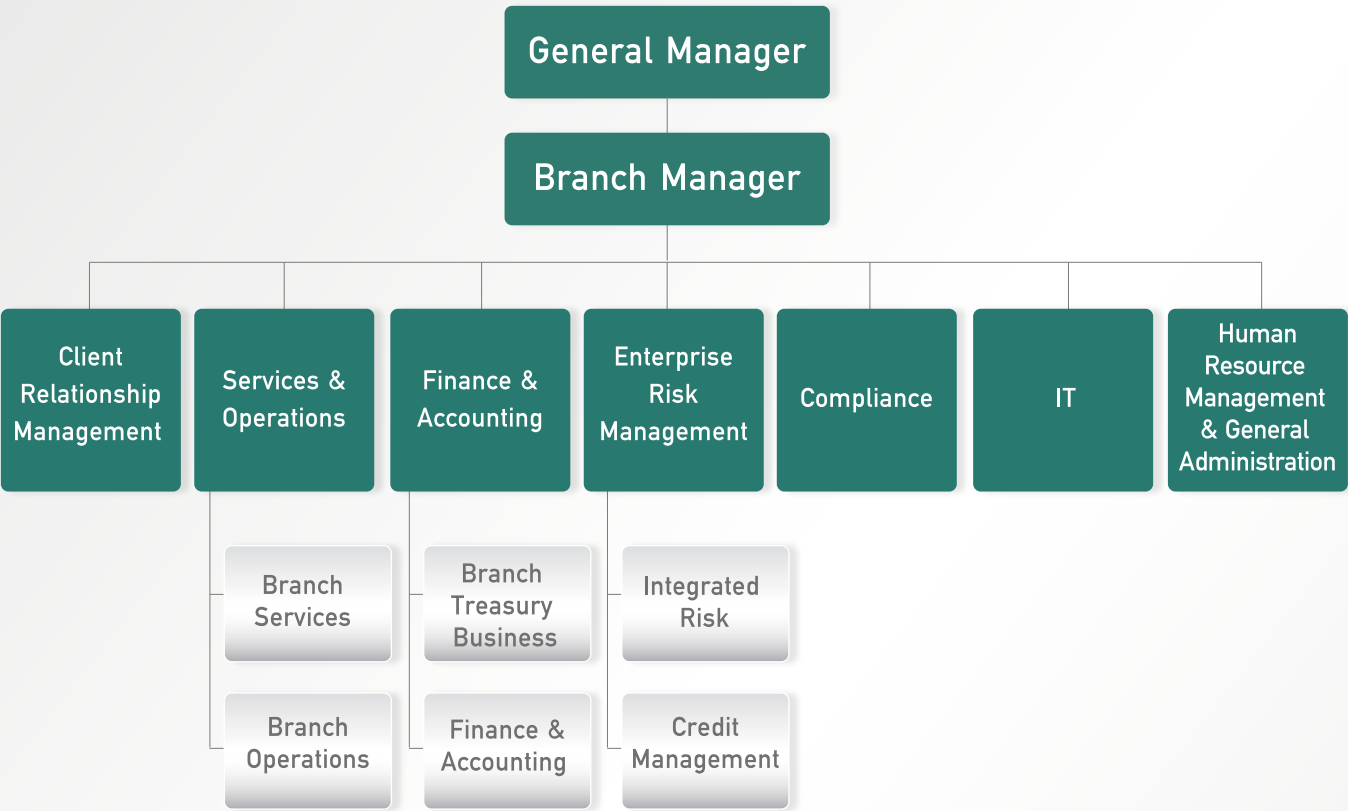
Furthermore, to better serve customer in all dimensions, KBank has established 6 wholly-owned subsidiaries (K Companies) which specialize in different fields; KASIKORN ASSET MANAGEMENT CO., LTD. (KAsset), KASIKORN RESEARCH CENTER CO., LTD. (KResearch), KASIKORN SECURITIES PCL (KSecurities), KASIKORN LEASING CO., LTD. (KLeasing), KASIKORN FACTORY & EQUIPMENT CO., LTD. (KF&E) and KASIKORN BUSINESS-TECHNOLOGY GROUP (KBTG). KBank is also a major shareholder of our locally incorporated commercial bank in Lao PDR and China named as KASIKORNTHAI BANK Limited and KASIKORNBANK (CHINA) CO., LTD. respectively, which work closely together to provide the most effective services by expertise local and international staff.

With the core strategy to be “The bank of AEC+3”, KBank continues to gear up for “Dual Track Regional Digital Expansion”, a two-pronged strategy. The first track is **Conventional Expansion** by extending the bank’s business network into the region and improving service in each country. And the second track is **Digital Expansion** by developing an issuing and acquiring business system for electronic payments. KBank will use the knowledge and experience from the operations in Thailand to promote banking businesses in the region.

We established our presence in Cambodia as Foreign Bank Branch (FBB) since 25 October 2016, under registration No. 00008267. Branch of KASIKORNBANK Public Company Limited (Phnom Penh) has registered capital at USD 50 million. Under 1st full year of operation in 2017, Branch of KASIKORNBANK Public Company Limited (Phnom Penh) has come up with a wide variety of financial products and services for corporate clientele in Cambodia such as international transfers, foreign exchange, local and foreign currency deposit accounts, long- and short-term loans in Cambodia Riel, US Dollar and Thai Baht.

As we are stepping into our 8th decade, KBank will keep moving to develop its products and services to give the best satisfaction to our customers. And we will continue to deliver great customer experience to match our slogan, “Towards Service Excellence”

1.3 Branch of KASIKORNBANK Public Company Limited (Phnom Penh): Organization Structure

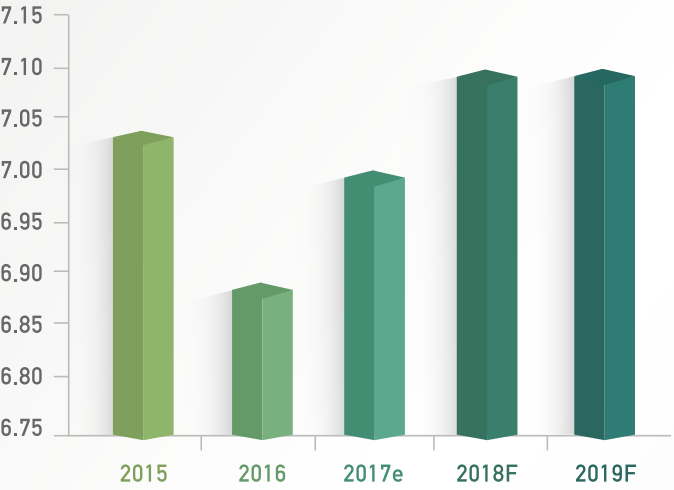


Part II: Management Discussion and Analysis

2.1 Cambodia Economic Overview

Economic growth of Cambodia has maintained an average of 7% p.a. in recent years, and is expected to sustain this pace through 2020, thanks to buoyant tourism, strong export growth, and rising trend of foreign direct investment. The structure of Cambodian economy has gradually changed since its WTO accession in late 2004. Cambodia has undergone rapid economic transformation mainly through the inflow of foreign direct investment to industrialize Cambodia’s manufacturing sector in pursuit of favorable low-cost labor condition, and trade preference received from several developed nations. Consequently, Cambodia’s industry sector in 2016 accounts for 36 percent of GDP, versus the 29 percent share reported for 2010.

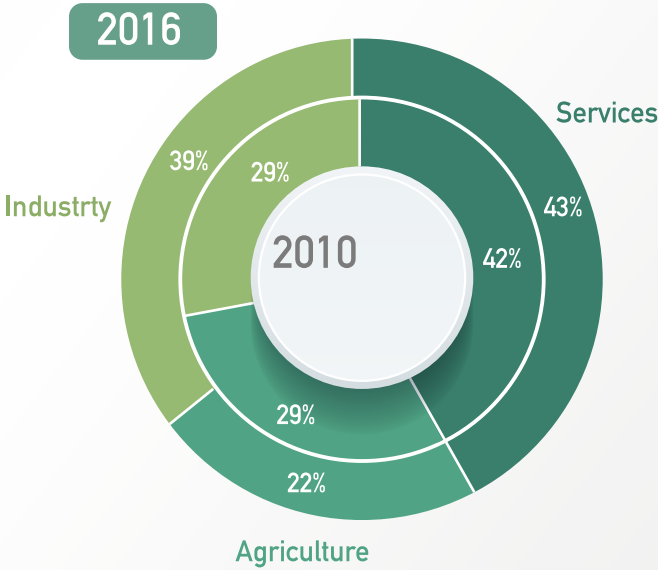
Cambodia has maintained its economic growth at around 7% p.a. (Unit: %)



Source: CEIC compiled and forecasted by KResearch

Foreign direct investment (FDI) has become a significant source of industrial development in Cambodia as seen from the rising value of approved fixed asset investment from an average of USD 900 million p.a. during 2014-2015 to around USD 1,800 million p.a. during 2016-2017. Majority of FDI is still in light and low-skilled garment and footwear sectors. At present, most foreign-owned factories are located in Special Economic Zones (SEZs) around Phnom Penh and provinces nearby as SEZs provide better investment environment, i.e. improved infrastructure, legal certainty, and investment guarantee. Hence, SEZs are preferred choice for foreign investors. These products are mainly for export purpose. Among notable foreign investors, China investors have played a major role making up around 50% of total approved fixed asset investment by foreign investors during 2014-2017.

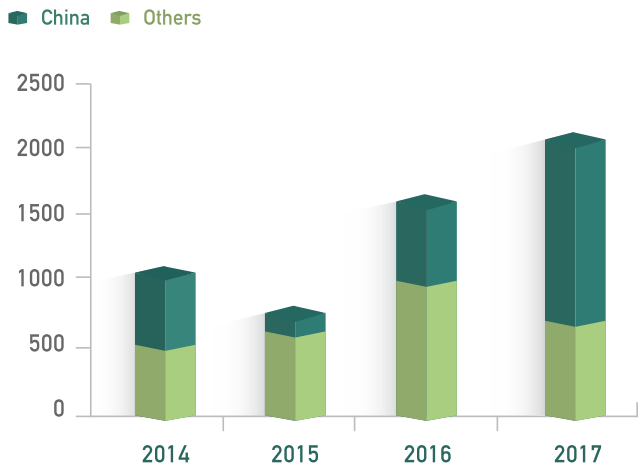
Industry sector has become economic growth driver recently



As a result of higher export-oriented investment mainly made by foreign investors, Cambodia experienced an astonishing export growth of averagely 12% annually since 2010. Interestingly, approximately 70% of total export value is concentrated in garment and textile products. Nevertheless, due to a limited production base of domestic support industries, Cambodia still depends on imports of raw materials and intermediate goods to produce finished products.

Although industrial transformation brought about rising investment and solid export value, Cambodia economy is still tied up in light and low-skilled garment and footwear sectors. This matter is a concern of Cambodian authorities over the quality and sustainability of economic growth in the long term.

Chinese investors made up significant portion of inward FDI (USD million)



Garment and textile are major export products of Cambodia (USD million)



To overcome the challenge of sole reliance on garment and footwear sectors as propeller for economic growth, industrial diversification through climbing up the regional value chain into more advanced industries and promoting higher investment in support industries are the major initiations that Cambodian authorities are struggling to pursue. Through liberalizing their FDI regulations and adopted an investment-friendly policy towards least foreign investment restriction, Cambodian authorities have attempted to attract inward FDI into higher value-added industries in order to upgrade their industrial sector. Hence, there has been an uptrend in packaging, vehicle assembly and part manufacturing, electrical parts, as well as food processing sectors recently. Apart from industrial diversification through higher value-added industries, diverse economic activities resulting from growing wealth of the nation have been observed recently, i.e., higher demand of buildings from rising middle class and higher investment that triggers a boom of construction sector.

The real challenge in the long term would be diminishing labour productivity. Labour cost in Cambodia has skyrocketed at the annual growth rate of 18 percent from USD75 per month in 2013 to USD170 per month in 2018, which is almost similar to the high end of wages in Vietnam (USD120- USD175 per month) and significantly beyond Bangladesh’s (USD64 per month). Hence, this eroding investment climate through diminishing labour productivity concerns Cambodian government that low-cost country sourcing is an unsustainable strategy for the country in the long term.

As a result, future economic growth must be balanced through attracting emerging and more diverse economic activities apart from highly concentrated, low value-added clothing and footwear sectors by addressing infrastructure bottleneck, nurturing high-quality human capital, and improving business environment. This would make Cambodian economy more sustainable and improve its competitiveness amid the rapidly changing global economy.

2.2 KASIKORNBANK Public Company Limited: Business Directions

The 72 year history of KASIKORNBANK is introduced though traditional and new initiative financial products and services with continuous improvement as a result of receiving numerous international rewards and recognitions in Asia.

Being a ‘Regional Bank in Asia’ is the great mission of KASIKORNBANK focused on the strategic direction of ASEAN+3 markets currently operated in Cambodia, China, Laos, Myanmar, Vietnam, Indonesia, and Japan. The integrated operating model professional supports market growth by facilitating and connecting the entire banking and financial business across the region. KASIKORNBANK shall become a strong financial institution providing world-class quality products and services with more responsive to customers’ needs by harmoniously combining technology and human resources. With the mission, KASIKORNBANK would not only achieve optimal benefits for customers, shareholders, employees and societies, but also improve risk-adjusted performances and sustainable returns.

In 2017, KASIKORNBANK is granted the license of Locally Incorporated Institution (LII) in China and expanded strategic partnership with local player in Indonesia, Bank Maspion. In addition, there is a plan to acquire banking license, either Locally Incorporated Institution (LII) or Foreign Bank Branch (FBB), in Myanmar and Vietnam based on regulatory requirements.



Branch of KASIKORNBANK Public Company Limited (Phnom Penh) has operated a year in Cambodia aiming to support and facilitate target customers, both Cambodian and Thai corporates. Moreover, KASIKORNBANK shall also provide professional knowledge and expertise to overseas branches, in terms of supply chain financing and micro finance businesses, to enhance local operational efficiency through credit products for optimizing working capital and increasing business liquidity.

In the end of 2017, Branch of KASIKORNBANK Public Company Limited (Phnom Penh) has participated in Fast and Secure Transfer (FAST), the initiative project from National Bank of Cambodia (NBC), for enhancing payment infrastructure with real-time fund transfer and payment transaction in Khmer Riel.

Part III: Report of Independent Auditors

Corporate Information

Branch	Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Registration No.	00008267
Registered office	No. 45, Preah Sihanouk Boulevard Khan Daun Penh, Phnom Penh Kingdom of Cambodia
Head Office	KASIKORNBANK PLC.
Management team	Mr. Ritthiwut Watthanachai, General Manager (appointed on 1 March 2018) Mr. Pakapong Poomarporm, General Manager (resigned on 28 Feb 2018) Ms. Monthicha Saetiew, Deputy General Manager - Finance and Accounting Department Mr. Vandore Dan, Deputy General Manager - Operation Department
Auditors	KPMG Cambodia Ltd

Report of the Management

The Management has pleasure in submitting their report together with the audited financial statements of Branch of KASIKORNBANK Public Company Limited (Phnom Penh) (“the Branch”) for the years ended 31 December 2017 and 2016.

Principal activities

The Branch is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia.

Financial results

The financial results of the Branch for the years ended 31 December 2017 and 2016 were as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loss before tax	(167,856)	(677,636)	(128,142)	(517,309)
Minimum tax expenses	(8,650)	(34,920)	(116)	(468)
Net loss for the year	(176,506)	(712,556)	(128,258)	(517,777)

Dividends

No dividend was declared or paid and the Managements do not recommend any dividend to be paid for the years under review.

Branch capital

As at 31 December 2017 and 2016, the Branch’s paid up share capital is US\$50,000,000.

Bad and doubtful loans

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

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

Current assets

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

At the date of this report, the Management are 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 are 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 years 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 years 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 years 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 are 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 years 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 years 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 years in which this report is made.

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

Management

The Management who served during the year and at the date of this report are:

Mr. Ritthiwut	Watthanachai	General Manager (appointed on 1 March 2018)
Mr. Pakapong	Poomarporm	General Manager (resigned on 28 Feb 2018)
Ms. Monthicha	Saetiew	Deputy General Manager - Finance and Accounting Department
Mr. Vandore	Dan	Deputy General Manager - Operation Department

Management’s interests

None of the Management held or dealt directly in the shares of the Branch during the financial years.

Management’s benefits

During and at the end of the financial years, no arrangements subsisted to which the Branch is a party with the object of enabling Management of the Branch to acquire benefits by means of the acquisition of shares in or debentures of the Branch or any other body corporate.

During the financial years, no Management of the Branch has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Management as disclosed in the financial statements) by reason of a contract made by the Branch or a related corporation with a firm of which the Management is a member, or with a company in which the Management has a substantial financial interest other than as disclosed in the financial statements.

Management’s 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 2017 and 2016, and its financial performance and its cash flows for the years 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) oversee the Branch’s financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- iv) assess the Branch’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so; 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.

Branch of KASIKORNBANK Public Company Limited
(Phnom Penh)

Approval of the financial statements

I hereby approve the accompanying financial statements as set out on pages 9 to 51 which present fairly, in all material respects, the financial position of the Branch of KASIKORNBANK Public Company Limited (Phnom Penh) as at 31 December 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed on behalf of the Branch,



Mr. Rithirut Watthanachai
General Manager

Phnom Penh, Kingdom of Cambodia

Date: 30 MAR 2018



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REPORT OF THE INDEPENDENT AUDITORS

To the Head Office of Branch of KASIKORNBANK Public Company Limited (Phnom Penh)

Opinion

We have audited the financial statements of Branch of KASIKORNBANK Public Company Limited (Phnom Penh) ("the Branch") which comprise the balance sheets as at 31 December 2017 and 2016, the income statements, the statements of changes in Head Office's accounts and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information as set out.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Cambodian Accounting Standards and guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Cambodia Ltd, a Cambodian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Document classification: KPMG Confidential.



Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Management on pages 15 to 19, and the annual report, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

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

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

For KPMG Cambodia Ltd


Taing YoukFong
Partner



Phnom Penh, Kingdom of Cambodia

30 March 2018

Branch of KASIKORNBANK Public Company Limited (Phnom Penh)

Balance sheets as at 31 December 2017 and 2016

	Note	2017 US\$	KHR'000 (Note 4)	2016 US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	1,208,536	4,878,860	83,357	336,512
Deposits with the National Bank of Cambodia	6	12,291,687	49,621,540	28,813,449	116,319,894
Deposits and placements with banks	7	27,485,702	110,959,779	18,991,413	76,668,334
Loans and advances - net	8	9,384,859	37,886,676	1,979,993	7,993,232
Other assets	9	331,562	1,338,516	251,246	1,014,280
Property and equipment	10	1,140,911	4,605,858	1,147,979	4,634,391
Intangible assets	11	469,334	1,894,701	525,265	2,120,495
TOTAL ASSETS		52,312,591	211,185,930	51,792,702	209,087,138
LIABILITIES AND HEAD OFFICE'S ACCOUNT					
Liabilities					
Deposits from customers	12	2,572,833	10,386,527	18,916	76,364
Provision for income tax	13	934	3,771	116	468
Other liabilities	14	43,588	175,965	1,901,928	7,678,083
Total liabilities		2,617,355	10,566,263	1,920,960	7,754,915
Head Office's accounts					
Head Office's capital contribution	15	50,000,000	201,850,000	50,000,000	201,850,000
Accumulated losses		(304,764)	(1,230,333)	(128,258)	(517,777)
Total Head Office account		49,695,236	200,619,667	49,871,742	201,332,223
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		52,312,591	211,185,930	51,792,702	209,087,138

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

Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Income statements for the years ended 31 December 2017 and 2016

		2017		2016	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	16	785,664	3,171,726	11,396	46,006
Interest expense		(1,433)	(5,785)	(1)	(4)
Net interest income		784,231	3,165,941	11,395	46,002
Allowances for bad and doubtful loans and advances	8	(74,830)	(302,089)	(20,007)	(80,768)
Net interest income after provision for loan losses		709,401	2,863,852	(8,612)	(34,766)
Non-interest income	17	73,684	297,462	184	742
Operating expenses	18	(950,941)	(3,838,950)	(119,714)	(483,285)
Loss before income tax		(167,856)	(677,636)	(128,142)	(517,309)
Minimum tax expense	13	(8,650)	(34,920)	(116)	(468)
Net loss for the year		(176,506)	(712,556)	(128,258)	(517,777)

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

Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Statements of changes in Head Office's accounts for the years ended 31 December 2017 and 2016

	Head Office's Accounts		Accumulated losses		Total	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January 2016	-	-	-	-	-	-
Head Office's capital contribution	50,000,000	201,850,000	-	-	50,000,000	201,850,000
Net loss for the year	-	-	(128,258)	(517,777)	(128,258)	(517,777)
At 31 December 2016	50,000,000	201,850,000	(128,258)	(517,777)	49,871,742	201,332,223
At 1 January 2017	50,000,000	201,850,000	(128,258)	(517,777)	49,871,742	201,332,223
Net loss for the year	-	-	(176,506)	(712,556)	(176,506)	(712,556)
At 31 December 2017	50,000,000	201,850,000	(304,764)	(1,230,333)	49,695,236	200,619,667

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

Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Statements of cash flows for the years ended 31 December 2017 and 2016

		2017		2016	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities					
Net cash used in operating activities	19	(12,281,242)	(49,579,374)	(12,447,894)	(50,252,148)
Cash flows from investing activities					
Purchase of property and equipment		(111,052)	(448,317)	(1,148,587)	(4,636,846)
Purchase of intangible assets		-	-	(525,300)	(2,120,636)
Statutory Capital guarantee deposits		-	-	(5,000,000)	(20,185,000)
Net cash used in investing activities		(111,052)	(448,317)	(6,673,887)	(26,942,482)
Cash flows from financing activities					
Head Office’s capital contribution		-	-	50,000,000	201,850,000
Net cash generated from financing activities		-	-	50,000,000	201,850,000
Net (decrease)/increase in cash and cash equivalents		(12,392,294)	(50,027,691)	30,878,219	124,655,370
Cash and cash equivalents at beginning of the year		30,878,219	124,655,370	-	-
Cash and cash equivalents at end of the year	20	18,485,925	74,627,679	30,878,219	124,655,370

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

Branch of KASIKORNBANK Public Company Limited (Phnom Penh)
Notes to the financial statements
For the years ended 31 December 2017 and 2016

1. Reporting entity

Branch of KASIKORNBANK Public Company Limited (Phnom Penh) (“the Branch”) was incorporated in Cambodia on 12 November 2015 under Registration No. Co. 0074/2015. On 6 June 2016, the Branch re-registered with the Ministry of Commerce and new registration number was changed to No. 00008267. On 25 October 2016, the National Bank of Cambodia (“NBC”) issued a license to conduct the banking business for an indefinite period.

Although the incorporation date of the Branch was on 12 November 2015, the Branch has neither started business operations nor transaction incurred until it received the license to conduct banking business on 25 October 2016.

The Branch is wholly owned by KASIKORNBANK PCL., which was incorporated in Thailand.

The Branch is principally engaged in general banking business and the provision of related financial services.

The registered office of the Branch is currently located at No.45, Preah Sihanouk Boulevard, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The Branch had 16 employees as at 31 December 2017 and 31 December 2016.

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 30 March 2018.

(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 and maintains its accounting records primarily in United States Dollars (“US\$”), management has determined the US\$ to be the Branch’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

The financial statements are presented in US\$, which is the Branch’s functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

(d) Use of estimates and judgements

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

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

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

3. Significant accounting policies

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

(a) Foreign transactions

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.

(b) Financial instruments

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

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, 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.

(d) Deposits and placements with National of Bank of Cambodia and banks

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

(e) 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 NBC.

(f) 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.

(g) Allowance for bad and doubtful loans and advances

In compliance with NBC Guidelines, all loans and advances to customers are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers’ ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, the number of days past due is taken into account as follows:

Prior to 1 December 2017:

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	More than 359 days	100%

From 1 December 2017:

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions (“Institution”) to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

The change in the credit risk grading and provisioning is applied prospectively and there was no effect to the allowance for bad and doubtful loans for the year ended 31 December 2017.

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

The adequacy of the allowance for bad and doubtful loans and advances is evaluated monthly by the management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans and advances in relation to contract terms.

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

Recoveries on loans previously written off and reversal of previous allowances are disclosed separately together with the net movement in the allowance for losses on loans and advance in the income statement.

(h) Other assets

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

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

Leasehold improvements	10 years
Furniture and fittings	10 years
Office equipment	10 years
Computer equipment	5 years

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

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying 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) Intangible assets

Intangible assets comprise computer software are acquired by the Branch are 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 10 years.

(k) 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. This does not apply to loans and advances to customers which has a separate accounting policy stated in Note 3(g).

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

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

All impairment losses are recognised in the income statement.

An impairment loss is reversed 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.

(l) Deposits from customers

Deposits from customers are stated at cost.

(m) Provisions

Provisions are recognised in the balance sheet when the Branch has a present 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.

(n) Other liabilities

Other liabilities are stated at their cost.

(o) Income recognition

Interest income on performing loans to customers are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

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

- (i) Loan processing fees and commissions are recognised as when the related service is rendered.
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- (iii) Service charges are recognised when the service is provided.

(p) Interest expense

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

(q) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease commitments are not recognised as liabilities until the obligation to pay become due.

(r) Income tax

Income tax on the profit or loss for the years 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.

(s) Related parties

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

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

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the 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 KHR4,037 published by the NBC on 31 December 2017 and 2016. 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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	<u>1,208,536</u>	<u>4,878,860</u>	<u>83,357</u>	<u>336,512</u>

6. Deposits with the National Bank of Cambodia

		2017		2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits:					
Capital guarantee	(i)	5,000,000	20,185,000	5,000,000	20,185,000
Reserve requirement	(ii)	<u>500,000</u>	<u>2,018,500</u>	<u>10,000</u>	<u>40,370</u>
		<u>5,500,000</u>	<u>22,203,500</u>	<u>5,010,000</u>	<u>20,225,370</u>
Current account		96,555	389,793	13,803,449	55,724,524
Clearing house		1,695,132	6,843,247	-	-
Short-term deposit (*)		<u>5,000,000</u>	<u>20,185,000</u>	<u>10,000,000</u>	<u>40,370,000</u>
		<u>12,291,687</u>	<u>49,621,540</u>	<u>28,813,449</u>	<u>116,319,894</u>

(*) Short-term deposits are matured within 6 months and bear interest rate ranging from 0.24% to 1.08% per annum in 2017, and 0.56% to 0.74% per annum in 2016.

(i) Capital guarantee deposit

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

The capital guarantee deposit earns annual interest at a rate of 0.36% and 0.22% per annum during 2017 and 2016 respectively.

(ii) Reserve requirement

Under NBC Prakas No. B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of customer deposits in KHR and in foreign currencies, respectively. The 4.50% reserve requirement in currencies other than KHR earns interest at 1/2 LIBOR (one month) while the remaining 8% and the reserve requirement in KHR bears no interest.

7. Deposits and placements with banks

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
In Cambodia:				
Current accounts	113,005	456,201	200	807
Savings account	-	-	100	404
Short-term deposits	<u>19,000,000</u>	<u>76,703,000</u>	<u>8,000,000</u>	<u>32,296,000</u>
Sub-total	19,113,005	77,159,201	8,000,300	32,297,211
Outside Cambodia:				
Current account	1,372,697	5,541,578	10,991,113	44,371,123
Short-term deposits	<u>7,000,000</u>	<u>28,259,000</u>	<u>-</u>	<u>-</u>
Sub-total	<u>8,372,697</u>	<u>33,800,578</u>	<u>10,991,113</u>	<u>44,371,123</u>
	<u>27,485,702</u>	<u>110,959,779</u>	<u>18,991,413</u>	<u>76,668,334</u>

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	2,485,702	10,034,779	10,991,413	44,372,334
1 to 3 months	13,000,000	52,481,000	6,000,000	24,222,000
3 to 6 months	6,000,000	24,222,000	2,000,000	8,074,000
6 to 12 months	6,000,000	24,222,000	-	-
	<u>27,485,702</u>	<u>110,959,779</u>	<u>18,991,413</u>	<u>76,668,334</u>
(b) By currency:				
US Dollars	27,483,734	110,951,834	18,991,413	76,668,334
Khmer Riel	1,022	4,126	-	-
Thai Baht	946	3,819	-	-
	<u>27,485,702</u>	<u>110,959,779</u>	<u>18,991,413</u>	<u>76,668,334</u>
(c) By relationship:				
Related party	8,372,697	33,800,578	10,991,113	44,371,123
Non-related party	19,113,005	77,159,201	8,000,300	32,297,211
	<u>27,485,702</u>	<u>110,959,779</u>	<u>18,991,413</u>	<u>76,668,334</u>
(d) By interest rate (per annum):				
Savings		0.40%		0.40%
Short-term deposits		<u>0.24%-2.00%</u>		<u>0.56% - 1.50%</u>

8. Loans and advances – net

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Short-term loans	6,079,696	24,543,733	2,000,000	8,074,000
Long-term loans	3,400,000	13,725,800	-	-
Gross loans and advances	9,479,696	38,269,533	2,000,000	8,074,000
Allowance for bad and doubtful loans and advances – general	(94,837)	(382,857)	(20,007)	(80,768)
Loans and advances – net	<u>9,384,859</u>	<u>37,886,676</u>	<u>1,979,993</u>	<u>7,993,232</u>

Movements of allowance for bad and doubtful loans and advances are were follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At the beginning of the year	20,007	80,768	-	-
Allowance for the year	<u>74,830</u>	<u>302,089</u>	<u>20,007</u>	<u>80,768</u>
At the end of the year	<u>94,837</u>	<u>382,857</u>	<u>20,007</u>	<u>80,768</u>

Loans and advances are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	3,000,000	12,111,000	-	-
2 to 3 months	1,079,696	4,358,733	-	-
4 to 6 months	2,000,000	8,074,000	2,000,000	8,074,000
More than 1 year	3,400,000	13,725,800	-	-
	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(b) By industry:				
Commercial	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(c) By currency:				
US Dollars	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(d) By residency status:				
Residents	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(e) By relationship:				
External customers	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(f) By performance:				
Standard loans				
Secured	6,479,696	26,158,533	2,000,000	8,074,000
Unsecured	3,000,000	12,111,000	-	-
	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>
(g) By exposure:				
Non large exposures	<u>9,479,696</u>	<u>38,269,533</u>	<u>2,000,000</u>	<u>8,074,000</u>

(h) By interest rate (per annum):

	2017	2016
Short-term loans	4.40% – 6.25%	6.00%
Long-term loans	4.80%	-

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable	82,587	333,404	9,336	37,689
Deposit	211,003	851,819	210,350	849,183
Prepayments	37,730	152,316	31,560	127,408
Amount due from Head Office				
(Note 21)	<u>242</u>	<u>977</u>	<u>-</u>	<u>-</u>
	331,562	1,338,516	251,246	1,014,280

10. Property and equipment

	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Assets in progress	US\$	Total
	US\$	US\$	US\$	US\$	US\$		
2017							KHR'000
Cost							(Note 4)
At 1 January 2017	-	-	15,587	20,933	1,112,067	1,148,587	4,636,846
Additions	4,845	-	-	-	106,207	111,052	448,317
Transfer	1,032,797	97,893	87,584	-	(1,218,274)	-	-
At 31 December 2017	1,037,642	97,893	103,171	20,933	-	1,259,639	5,085,163
Less: Accumulated depreciation							
At 1 January 2017	-	-	167	441	-	608	2,455
Depreciation for the year	94,215	8,899	10,803	4,203	-	118,120	476,850
At 31 December 2017	94,215	8,899	10,970	4,644	-	118,728	479,305
Carrying amounts							
At 31 December 2017	943,427	88,994	92,201	16,289	-	1,140,911	4,605,858

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January 2016	-	-	-	-
Additions	1,148,587	4,636,846	1,148,587	4,636,846
At 31 December 2016	1,148,587	4,636,846	1,148,587	4,636,846
Less: Accumulated depreciation				
At 1 January 2016	-	-	-	-
Depreciation for the year	608	2,455	608	2,455
At 31 December 2016	608	2,455	608	2,455
Carrying amounts				
At 31 December 2016	1,147,979	4,634,391	1,147,979	4,634,391
Total	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Office equipment	US\$		US\$	
At 1 January 2016	-		-	
Additions	15,587		15,587	
At 31 December 2016	15,587		15,587	
Computer equipment	US\$		US\$	
At 1 January 2016	-		-	
Additions	20,933		20,933	
At 31 December 2016	20,933		20,933	
Assets in progress	US\$		US\$	
At 1 January 2016	-		-	
Additions	1,112,067		1,112,067	
At 31 December 2016	1,112,067		1,112,067	

11. Intangible assets

Computer software

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	525,300	2,120,636	-	-
Additions	-	-	525,300	2,120,636
At 31 December	525,300	2,120,636	525,300	2,120,636
Accumulated amortisation				
At 1 January	35	141	-	-
Amortisation for the year	55,931	225,794	35	141
At 31 December	55,966	225,935	35	141
Carrying amounts				
At 31 December	469,334	1,894,701	525,265	2,120,495

12. Deposits from customers

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	1,862,407	7,518,537	11,293	45,590
Savings accounts	179,317	723,903	7,123	28,755
Fixed deposits	531,109	2,144,087	500	2,019
	2,572,833	10,386,527	18,916	76,364

The above amounts are analysed as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	2,072,328	8,365,988	18,416	74,345
> 1 to 3 months	505	2,039	500	2,019
> 3 to 12months	500,000	2,018,500	-	-
	2,572,833	10,386,527	18,916	76,364

(b) By types of customers:

Business enterprises	1,604,398	6,476,955	10,293	41,553
Individuals	968,435	3,909,572	8,623	34,811
	2,572,833	10,386,527	18,916	76,364

(c) By relationship:

External customers	2,572,833	10,386,527	18,916	76,364
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(d) By residency status:

Residents	2,568,325	10,368,328	16,296	65,787
Non-residents	4,508	18,199	2,620	10,577
	2,572,833	10,386,527	18,916	76,364

(e) By currency:

US Dollars	2,572,188	10,383,923	18,916	76,364
Thai Baht	645	2,604	-	-
	2,572,833	10,386,527	18,916	76,364

(f) By interest rate (per annum):

	2017	2016
Savings accounts	0.10%	0.10%
Fixed deposits	1.00% – 1.40%	1.00%

13. Income tax

(a) Provision for income tax

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	116	468	-	-
Minimum tax expense	8,650	34,920	116	468
Income tax paid	(7,832)	(31,617)	-	-
At 31 December	934	3,771	116	468

(b) Minimum tax expenses

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Minimum tax expenses	8,650	34,920	116	468

In accordance with Cambodian Law on Taxation, the Branch has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

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

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loss before income tax	(167,856)	(677,636)	(128,142)	(517,309)
Income tax using statutory rate	(33,571)	(135,527)	(25,628)	(103,462)
Non-deductible expenses	1,243	5,018	200	807
Deferred tax not recognised	32,328	130,509	25,428	102,655
Income tax expense	-	-	-	-
Minimum tax expenses	8,650	34,920	116	468

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

(c) Unrecognised deferred tax assets

Tax losses can be carried forward and offset against the taxable profits of subsequent years for up to five years from the year in which they were incurred. The actual amount of accumulated losses that can be carried forward is subject to the review and approval of the tax authorities.

Deferred tax assets have not been recognised in respect of unutilised tax losses because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits therefrom.

14. Other liabilities

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accrued interest payable	1,169	4,719	1	4
Accrued expense	6,532	26,370	1,200	4,844
Withholding tax payable	5,287	21,344	5,726	23,116
Amount due to Head Office (Note 21)	-	-	1,895,001	7,650,119
Other payables	30,600	123,532	-	-
	<u>43,588</u>	<u>175,965</u>	<u>1,901,928</u>	<u>7,678,083</u>

15. Head Office’s capital contribution

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Contributed capital	<u>50,000,000</u>	<u>201,850,000</u>	<u>50,000,000</u>	<u>201,850,000</u>

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions that commercial banks incorporated as foreign branches, whose parent bank is rated “investment grade” shall have a minimum registered capital of at least KHR200 billion (equivalent to US\$50 million).

On 16 June 2016, the NBC issued Circular No B7-016-003 on Implementation of Prakas on minimum registered capital of banking and financial institution, “Investment grade” of the parent bank shall be rated by at least one of the international independent rating agencies: Moody’s Investors Service, Standard and Poor’s, Fitch or other international independent rating agencies acknowledged by the NBC. “Investment grade” refers to any rating equal to or above and rating shall not be longer than one year at the date of its reporting to the NBC:

- Baa3 by Moody’s Investors service
- BBB- by Standard and Poor’s and
- BBB- by Fitch

The Branch’s capital contribution is wholly held in form of Head Office’s capital contribution from KASIKORNBANK PCL. incorporated in Thailand (“Head Office”). On 5 January 2018, the Branch notified to the NBC on the investment grade rated BBB+ of its Head Office rating by Fitch’s on 5 July 2017.

16. Interest income

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loan and advances	393,209	1,587,385	2,000	8,074
Deposits and placements with NBC and banks	<u>392,455</u>	<u>1,584,341</u>	<u>9,396</u>	<u>37,932</u>
	<u>785,664</u>	<u>3,171,726</u>	<u>11,396</u>	<u>46,006</u>

17. Non-interest income

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans processing fees	44,500	179,647	-	-
Remittance charges	13,004	52,497	50	202
Others	<u>16,180</u>	<u>65,318</u>	<u>134</u>	<u>540</u>
	<u>73,684</u>	<u>297,462</u>	<u>184</u>	<u>742</u>

18. Operating expenses

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	326,120	1,316,546	40,977	165,424
Other personnel costs	75,855	306,227	6,826	27,557
Depreciation and amortisation	174,051	702,644	643	2,596
Rental expenses	204,000	823,548	17,000	68,629
Utility expenses	13,380	54,015	2,163	8,732
Other tax expenses	14,617	59,009	1,000	4,037
License membership and other professional expenses	60,160	242,866	32,611	131,651
Repairs and maintenance expenses	11,366	45,885	1,310	5,288
Office supplies	2,488	10,044	-	-
Communication expenses	4,676	18,877	392	1,583
Travelling expenses	16,591	66,978	-	-
Insurance expenses	34,141	137,827	2,580	10,415
Other expenses	<u>13,496</u>	<u>54,484</u>	<u>14,212</u>	<u>57,373</u>
	<u>950,941</u>	<u>3,838,950</u>	<u>119,714</u>	<u>483,285</u>

19. Net cash used in from operating activities

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loss before income tax	(167,856)	(677,636)	(128,142)	(517,309)
Adjustments for:				
Allowances for bad and doubtful loans and advances	74,830	302,089	20,007	80,768
Depreciation and amortisation	174,051	702,644	643	2,596
	81,025	327,097	(107,492)	(433,945)
Changes in:				
Deposits and placements with banks	(10,000,000)	(40,370,000)	(2,000,000)	(8,074,000)
Deposits with NBC	5,000,000	20,185,000	(10,000,000)	(40,370,000)
Reserve requirement deposit	(490,000)	(1,978,130)	(10,000)	(40,370)
Loans and advances	(7,479,696)	(30,195,533)	(2,000,000)	(8,074,000)
Other assets	(80,316)	(324,236)	(251,246)	(1,014,280)
Deposits from customers	2,553,917	10,310,163	18,916	76,364
Other liabilities	(1,858,340)	(7,502,118)	1,901,928	7,678,083
Net cash used in operations	(12,273,410)	(49,547,757)	(12,447,894)	(50,252,148)
Income tax paid	(7,832)	(31,617)	-	-
Net cash used in operating activities	(12,281,242)	(49,579,374)	(12,447,894)	(50,252,148)

20. Cash and cash equivalents

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand (Note 5)	1,208,536	4,878,860	83,357	336,512
Deposit with the NBC (*)	1,791,687	7,233,040	13,803,449	55,724,524
Deposits and placements with banks	15,485,702	62,515,779	16,991,413	68,594,334
	18,485,925	74,627,679	30,878,219	124,655,370

(*) Deposits with the NBC does not include the statutory and short-term deposit.

21. Related party transactions and balances

(a) Transactions with related parties

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Head Office, KASIKORNBANK PCL.				
Payments on behalf	16,353	66,017	1,895,001	7,650,119
Key management compensation				
Salary and other benefits	202,033	815,607	21,006	84,801

(b) Balances with related parties

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Amount due from Head Office (Note 9)	242	977	-	-
Amount due to Head Office (Note 14)	-	-	1,895,001	7,650,119

22. Commitments and contingencies

(a) Lease commitments

The Branch has operating lease commitments in respect of leasehold land and buildings as follows:

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	204,000	823,548	204,000	823,548
Between 2 to 5 years	816,000	3,294,192	816,000	3,294,192
More than 5 years	374,000	1,509,838	578,000	2,333,386
	1,394,000	5,627,578	1,598,000	6,451,126

(b) Lending commitments

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Unused portion of loans	2,520,304	10,174,467	-	-
Letter of credit	155,532	627,883	-	-
	2,675,836	10,802,350	-	-

(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 commencement of operation of the Branch could be significant.

23. 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.

(i) Credit risk measurement

The Branch assesses the probability of default of individual counterparties by focusing on borrowers’ forecast profit and cash flows.

(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 provisioning policies

Prior to 1 December 2017, the Brach was required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-09-074 dated 25 February 2009 on loan classification and provisioning. From 1 December 2017, the Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-017-344 dated 1 December 2017 on credit risk grading and provisioning and the circular No. B7-018-001 dated 16 February 2018 on the implementation on the credit risk grading and provision on impairment. Refer to Note 3(g) for details.

(iv) Exposure to credit risk

	2017		2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances				
Neither past due nor impaired	9,479,696	38,269,533	2,000,000	8,074,000
Allowance for doubtful loans and advances	(94,837)	(382,857)	(20,007)	(80,768)
	<u>9,384,859</u>	<u>37,886,676</u>	<u>1,979,993</u>	<u>7,993,232</u>

Neither past due nor impaired

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

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 provision 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(g).

Past due but not impaired loans and advances

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 31 days for short term loans; and less than or equal 90 days for long term loan, unless other information is available to indicate otherwise.

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.

(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.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Branch’s functional currency. The table below summarises the Branch’s exposure to foreign currency exchange rate risk at 31 December 2017 and 31 December 2016. Included in the table are the financial instruments at carrying amount by currency in US\$ equivalent.

2017	US\$ equivalent			Total US\$
	US\$	KHR	Others	
Financial assets				
Cash on hand	1,208,536	-	-	1,208,536
Deposits with the NBC (*)	6,786,667	5,020	-	6,791,687
Deposits with banks	27,483,734	1,022	946	27,485,702
Loans and advances	9,384,859	-	-	9,384,859
Other assets (**)	82,829	-	-	82,829
Total financial assets	44,946,625	6,042	946	44,953,613
Financial liabilities				
Deposits from customers	2,572,188	-	645	2,572,833
Other liabilities (**)	37,269	1,032	-	38,301
Total financial liabilities	2,609,457	1,032	645	2,611,134
Net financial asset position	42,337,168	5,010	301	42,342,479
(KHR'000 equivalents – Note 4)	170,915,148	20,225	1,215	170,936,588

2016	US\$ equivalent			Total
	US\$	KHR	Others	US\$
Financial assets				
Cash on hand	83,357	-	-	83,357
Deposits with the NBC (*)	23,803,449	-	-	23,803,449
Deposits with banks	18,991,413	-	-	18,991,413
Loans and advances	1,979,993	-	-	1,979,993
Other assets (**)	9,336	-	-	9,336
Total financial assets	44,867,548	-	-	44,867,548
Financial liabilities				
Deposits from customers	18,916	-	-	18,916
Other liabilities (**)	1,896,202	-	-	1,896,202
Total financial liabilities	1,915,118	-	-	1,915,118
Net financial asset position	42,952,430	-	-	42,952,430
(KHR'000 equivalents – Note 4)	173,398,960	-	-	173,398,960

(*) Excluded statutory deposits.

(**) Excluded non-financial assets/liabilities.

(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.

2017	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	> 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Financial assets									
Cash on hand	-	-	-	-	-	-	1,208,536	1,208,536	
Deposits with NBC (*)	3,000,000	2,000,000	-	-	-	-	1,791,687	6,791,687	0.24% – 1.08%
Deposits with banks	1,000,000	13,000,000	6,000,000	6,000,000	-	-	1,485,702	27,485,702	1.30% – 2%
Loans and advances -net	2,969,989	1,068,894	1,979,990	-	-	3,365,986	-	9,384,859	4.40% – 6.25%
Other assets (**)	-	-	-	-	-	-	82,829	82,829	
Total financial assets	6,969,989	16,068,894	7,979,990	6,000,000	-	3,365,986	4,568,754	44,953,613	
Financial liabilities									
Deposits from customers	178,673	31,109	500,000	-	-	-	1,863,051	2,572,833	0.10% – 1.40%
Other liabilities (**)	1,164	-	-	-	-	-	37,137	38,301	
Total financial liabilities	179,837	31,109	500,000	-	-	-	1,900,188	2,611,134	
Interest sensitivity gap	6,790,152	16,037,785	7,479,990	6,000,000	-	3,365,986	2,668,566	42,342,479	

2016	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	> 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Financial assets									
Cash on hand	-	-	-	-	-	-	83,357	83,357	
Deposits with NBC (*)	3,000,000	7,000,000	-	-	-	-	13,803,449	23,803,449	0.56% – 0.74%
Deposits and placements with banks	-	-	-	-	-	-	18,991,413	18,991,413	0.32% – 2.00%
Loans and advances - net	-	-	1,979,993	-	-	-	-	1,979,993	6.00%
Other assets (**)	-	-	9,336	-	-	-	-	9,336	
Total financial assets	3,000,000	7,000,000	1,989,329	-	-	-	32,878,219	44,867,548	
Financial liabilities									
Deposits from customers	7,123	500	-	-	-	-	11,293	18,916	0.10% – 1.00%
Other liabilities (**)	-	-	-	-	-	-	1,896,202	1,896,202	
Total financial liabilities	7,123	500	-	-	-	-	1,907,495	1,915,118	
Interest sensitivity gap	2,992,877	6,999,500	1,989,329	-	-	-	30,970,724	42,952,430	

(*) Excluded statutory deposits.

(**) Excluded non-financial assets/liabilities.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

The Branch does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(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.

	Up to 1 month US\$	>1 – 3 months US\$	>3 – 12 months US\$	>1 – 5 years US\$	Term on demand US\$	Total US\$
2017						
Financial liabilities						
Deposits from customers	2,072,328	505	500,000	-	-	2,572,833
Other liabilities	38,301	-	-	-	-	38,301
	2,110,629	505	500,000	-	-	2,611,134
2016						
Financial liabilities						
Deposits from customers	18,416	500	-	-	-	18,916
Other liabilitie	1,201	-	-	-	1,895,001	1,896,202
	19,617	500	-	-	1,895,001	1,915,118

(f) Capital management

(i) Regulatory capital

The Branch’s objectives when managing capital, which is a broader concept than the ‘equity’ on the face of the balance sheet, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Branch’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all the Branch to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(ii) Capital allocation

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

24. 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.

Part V: Events

The Grand Opening Ceremony of Branch of KASIKORNBANK Public Company Limited (Phnom Penh)

8th February 2017- Phnom Penh, Cambodia

