

**SATHAPANA BANK PLC.
(FORMERLY KNOWN AS
SATHAPANA LIMITED)**

**Financial Statements
for the year ended 31 December 2016
and
Report of the Independent Auditors**

Corporate Information

Bank	SATHAPANA Bank Plc. (formerly known as SATHAPANA Limited)	
Registration No.	00017121	
Registered office	No. 83, Preah Norodom Blvd. Sangkat Phsar Thmey 3, Khan Daun Penh Phnom Penh, Kingdom of Cambodia	
Shareholder	MARUHAN Investment Asia Pte. Ltd.	
Board of Directors	Dr. Han Chang-Woo Mr. Ishimura Mitsuhiru Mr. Hun Monivann Mr. Han Yu Mr. Han Ken H.E. Shinohara Katsuhiko Mr. Yabe Yoshikazu Mr. Norihiko Kato Dr. Bun Mony	Chairman (Non-executive), Independent and Non-executive Director Independent and Non-executive Director Non-executive Director Non-executive Director Independent and Non-executive Director Director and Vice Chairman (resigned on 10 March 2017) Executive Director (appointed on 8 December 2016) Executive Director (appointed on 13 July 2016 and resigned on 30 November 2016)
Management team	Mr. Norihiko Kato Dr. Bun Mony Mr. Lim Aun Mr. Tsuchiya Kazuhiko Mr. Fujii Takashi Mr. Seang Serey Mr. Vong Sokhal Mr. Eap Bunthan	Chief Executive Officer (appointed on 8 December 2016) Chief Executive Officer (resigned on 30 November 2016) Deputy Chief Executive Officer and Chief Operating Officer Deputy Chief Executive Officer Deputy Chief Executive Officer (resigned on 31 October 2016) Chief Administration Officer Chief Planning Officer Chief Financial Officer (resigned on 31 January 2017)
Auditors	KPMG Cambodia Ltd	

Sathapana Bank Plc.

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Report of the Board of Directors

The Board of Directors have pleasure in submitting their report together with the audited financial statements of SATHAPANA Bank Plc. ("the Bank") (formerly known as SATHAPANA Limited) for the year ended 31 December 2016.

Principal activities

SATHAPANA Limited changed its name to SATHAPANA Bank Plc. after the formal approval of the merger between MARUHAN Japan Bank Plc ("MJB") and Sathapana Limited by the National Bank of Cambodia ("NBC") on 28 March 2016. On 29 March 2016, the NBC also granted the banking license to SATHAPANA Bank Plc.

All assets and liabilities of MJB were transferred to the Bank on 1 April 2016.

The Bank's registered office address is located at No. 83, Preah Norodom Blvd., Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The principal activities of the Bank are as follows:

- Provide micro, small, and medium loans;
- Offer deposit-taking services;
- Provide local and international money transfer services;
- Offer ATM and eBanking Services; and
- Other related banking and financial services in the Kingdom of Cambodia.

Financial results

The financial results of the Bank for the year ended 31 December 2016 were as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	11,281,887	45,544,977	23,663,795	95,838,370
Income tax expense	(2,450,183)	(9,891,389)	(4,723,134)	(19,128,693)
Net profit for the year	8,831,704	35,653,588	18,940,661	76,709,677

SATHAPANA Bank Plc.

Dividend

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit. On 6 May 2015, the shareholders approved the declaration and payment of cash dividends amounting to US\$2,642,449 in respect of net profit after tax for the year ended 31 December 2014.

Reserves and provisions

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

Share capital

Share capital of the Bank was increased from US\$18,201,060 to US\$120,000,000 in 2016. The increase resulted from the transfers of the retained earnings amounting to US\$35,682,196, share premium amounting to US\$174,964, and the reserve from business combination amounting to US\$65,941,780. The Bank obtained the approval from the NBC and the Ministry of Commerce on 29 March 2016 and 13 July 2016, respectively.

Bad and doubtful loans

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

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

Assets

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ensure that any 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 Bank had been written down to an amount which they might be expected to realise.

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

Valuation methods

At the date of this report, the Board of Directors 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 Bank as misleading or inappropriate.

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Contingent and other liabilities

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Bank 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 Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Board of Directors, 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 Board of Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

Events since the balance sheet date

As per the notifications issued by the NBC No. T7.017.181 සඳහා on 21 February 2017 and No. 0705 ආ.බා.අසැප issued by the MoC on 22 February 2017, the Bank is required to change its existing logo to avoid confusion with the logo of Government's authorities.

The rapid rebranding at the Bank's offices and branches and on customers' ATM cards and passbooks, communications materials, social media and website would cost approximately US\$2 million.

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The Board of Directors

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

Dr. Han Chang-Woo	Chairman (Non-executive)
Mr. Han Yu	Non-executive Director
Mr. Han Ken	Non-executive Director
H.E. Shinohara Katsuhiro	Independent and Non-executive Director
Mr. Yabe Yoshikazu	Director and Vice Chairman (resigned on 10 March 2017)
Mr. Ishimura Mitsuru	Independent and Non-executive Director
Mr. Hun Monivann	Independent and Non-executive Director
Mr. Norihiko Kato	Executive Director and Chief Executive Officer (appointed on 8 December 2016)
Dr. Bun Mony	Executive Director and Chief Executive Officer (appointed on 13 July 2016 and resigned on 30 November 2016)

Directors' interests

No members of the Board of Directors hold a controlling interest in the equity of the Bank.

Directors' benefits

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a Bank in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors 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;

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Responsibilities of the Board of Directors in respect of the financial statements (continued)

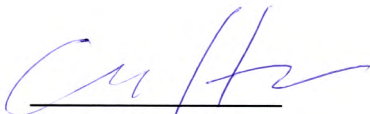
- (iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative; and
- (v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

I, the undersigned, on behalf of the Board of Directors, hereby approve the accompanying financial statements as set out on pages 9 to 62 which present fairly in all material respects, the financial position of SATHAPANA Bank Plc. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors



Dr. Han Chang-Woo
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 30 MAR 2017



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholder

SATHAPANA Bank Plc.

Opinion

We have audited the financial statements of SATHAPANA Bank Plc. (“the Bank”) (formerly known as SATHAPANA Limited), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 62.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and 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 Bank 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.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion with an emphasis of matter over the merger of Maruhan Japan Bank Plc. on those statements on 5 February 2016.



Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 1 to 5, 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

30 March 2017

SATHAPANA Bank Plc.

Balance sheet As at 31 December 2016

	Notes	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand		32,876,496	132,722,414	14,050,134	56,903,043
Balances with the National Bank of Cambodia	5	212,512,999	857,914,977	28,781,703	116,565,897
Balances with other banks	6	46,743,874	188,705,020	7,767,064	31,456,609
Loans to customers	7	599,550,758	2,420,386,410	470,335,542	1,904,858,945
Other assets	12	8,219,292	33,181,282	11,157,335	45,187,207
Goodwill	8	17,380,030	70,163,181	-	-
Property and equipment	9	7,208,738	29,101,675	5,358,748	21,702,929
Intangible assets	10	1,466,861	5,921,718	198,904	805,561
Other investment	11	50,000	201,850	25,000	101,250
Deferred tax assets	17	2,697,590	10,890,171	1,413,581	5,725,003
TOTAL ASSETS		928,706,638	3,749,188,698	539,088,011	2,183,306,444
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers and other financial institutions	13	583,220,998	2,354,463,169	259,870,588	1,052,475,881
Borrowings	14	170,721,348	689,202,082	160,867,551	651,513,582
Subordinated debts	15	16,313,217	65,856,457	40,313,217	163,268,529
Provident fund	16	7,645,507	30,864,912	5,371,180	21,753,279
Current income tax liabilities	17	2,783,651	11,237,599	4,411,045	17,864,732
Other liabilities	18	12,428,549	50,174,052	7,434,546	30,109,911
Total liabilities		793,113,270	3,201,798,271	478,268,127	1,936,985,914
SHAREHOLDERS' EQUITY					
Share capital	19	120,000,000	484,440,000	18,201,060	73,714,293
Share premium		-	-	174,964	708,604
Retained earnings		15,593,368	62,950,427	42,443,860	171,897,633
Total shareholders' equity		135,593,368	547,390,427	60,819,884	246,320,530
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		928,706,638	3,749,188,698	539,088,011	2,183,306,444

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

SATHAPANA Bank Plc.

Income statement for the year ended 31 December 2016

	Notes	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating income					
Interest income	20	102,114,824	412,237,544	82,153,480	332,721,594
Interest expense	21	(44,225,679)	(178,539,066)	(30,196,976)	(122,297,753)
Net interest income		57,889,145	233,698,478	51,956,504	210,423,841
Net fees and commissions	22	940,707	3,797,634	1,043,806	4,227,414
Other income		360,304	1,454,547	178,032	721,030
Total operating profit		59,190,156	238,950,659	53,178,342	215,372,285
Allowance for bad and doubtful loans	7	(7,150,298)	(28,865,753)	(743,299)	(3,010,361)
Other operating expenses	23	(40,757,971)	(164,539,929)	(28,771,248)	(116,523,554)
Profit before income tax		11,281,887	45,544,977	23,663,795	95,838,370
Income tax expense	16	(2,450,183)	(9,891,389)	(4,723,134)	(19,128,693)
Net profit for the year		8,831,704	35,653,588	18,940,661	76,709,677

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

SATHAPANA Bank Plc.

Statement of changes in equity for the year ended 31 December 2016

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
At 1 January 2015	18,201,064	174,964	26,145,648	44,521,672
Net profit for the year	-	-	18,940,661	18,940,661
Dividends paid	-	-	(2,642,449)	(2,642,449)
At 31 December 2015	<u>18,201,060</u>	<u>174,964</u>	<u>42,443,860</u>	<u>60,819,884</u>
(KHR'000 equivalents - Note 4)	<u>73,714,293</u>	<u>708,604</u>	<u>171,897,633</u>	<u>246,320,530</u>
At 1 January 2016	18,201,060	174,964	42,443,860	60,819,884
Transfers	35,857,160	(174,964)	(35,682,196)	-
Increase in share capital under legal merger	65,941,780	-	-	65,941,780
Net profit for the year	-	-	8,831,704	8,831,704
As at 31 December 2016	<u>120,000,000</u>	<u>-</u>	<u>15,593,368</u>	<u>135,593,368</u>
(KHR'000 equivalents - Note 4)	<u>484,440,000</u>	<u>-</u>	<u>62,950,427</u>	<u>547,390,427</u>

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

SATHAPANA Bank Plc.

Statement of cash flows for the year ended 31 December 2016

	2016		2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Net cash generate from/(used in) operating activities	24	152,620,326	616,128,255	(50,151,985)	(203,115,539)
Cash flow from investing activities					
Acquisition of property and equipment		(5,030,855)	(20,309,561)	(3,942,483)	(15,967,056)
Acquisition of intangible assets		(2,649,673)	(10,696,730)	-	-
Proceeds from disposal of property and equipment		15,855	64,007	72,629	294,147
Investment		(25,000)	(100,925)	-	-
Net cash used in investing activities		(7,689,673)	(31,043,209)	(3,869,854)	(15,672,909)
Cash flow from financing activities					
Proceeds from borrowings		85,500,000	345,163,500	87,249,506	353,360,499
Proceeds from subordinated debt		-	-	15,000,000	60,750,000
Repayment of borrowings		(75,646,203)	(305,383,722)	(42,546,490)	(172,313,285)
Repayment of subordinated debt		(24,000,000)	(96,888,000)	-	-
Dividends paid		-	-	(2,642,449)	(10,701,918)
Net cash (used in)/generated from financing activities		(14,146,203)	(57,108,222)	57,060,567	231,095,296
Net increase in cash and cash equivalents		130,784,450	527,976,824	3,038,728	12,306,848
Cash and cash equivalents at 1 January		27,602,888	111,791,696	24,564,160	100,098,953
Cash and cash equivalents transferred from MJB under legal merger		35,462,211	143,160,946	-	-
Foreign exchange difference		-	-	-	(614,104)
Cash and cash equivalents at 31 December	25	193,849,549	782,570,629	27,602,888	111,791,697

SATHAPANA Bank Plc.

Statement of cash flows (continued) for the year ended 31 December 2016

Significant non-cash transactions

During the year there were the significant non-cash transactions related to the assets and liabilities and retained earnings from the business combination under common control as the follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Recognised assets, liabilities and retained earnings				
Balances with the National Bank of Cambodia	23,924,962	96,585,072	-	-
Balances with other banks	9,332,056	37,673,510	-	-
Loans to customers	76,126,475	307,322,580	-	-
Property and equipment, net	458,482	1,850,892	-	-
Intangible assets, net	85,171	343,835	-	-
Goodwill	17,380,030	70,163,181	-	-
Other assets	4,407,899	17,794,688	-	-
Deposits from customers and other financial institutions	(95,519,194)	(385,610,986)	-	-
Provident fund	(245,169)	(989,747)	-	-
Income tax payable	(5,500)	(22,204)	-	-
Other liabilities	5,465,643	22,064,801	-	-

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

SATHAPANA Bank Plc.

Notes to the financial statements for the year ended 31 December 2016

1. Reporting entity

Establishment and operations

SATHAPANA Limited (“the Company”) was incorporated in the Kingdom of Cambodia with the Ministry of Commerce (“MoC”) on 19 February 2003, as a result of the Memorandum and Articles of Association signed on 27 December 2002 between Cambodia Community Building (“CCB”), a local Non-governmental Organisation established in 1996 and the Company’s staff. The Company obtained its license to operate as a micro-finance institution from the National Bank of Cambodia (“NBC”) on 23 April 2003. Under the micro-finance license, the Company is authorised to grant credit and offer saving services to poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

The NBC granted the micro-finance license with an indefinite life from 19 April 2006. On 22 January 2009, the Company received a license from the NBC to conduct a deposit-taking business. On 11 February 2014, the Bank received another 3-year license to conduct money exchange business.

On 19 October 2012, MARUHAN Japan Bank (“MJB”) entered into a sale and purchase agreement with Stichting Triodos-Doen (“ST”), Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (“NFVO”), DWM Funds S.C.A.-SICAV SIF (“DWM”), Cambodia Community Building (“CCB”), and Sathapana Employee Investment Limited (“SEI”) to acquire 95.1% equity of Sathapana Limited (“the Subsidiary”). This was subsequently approved by the NBC on 5 December 2012. In addition, the subject shares were approved for the change in ownership by the MoC on 17 December 2012.

On 8 February 2016, the Board of Directors of the Bank, pursuant to the option agreement with Cambodia Community Building (“CCB”), the non-controlling interest of the Company, passed a resolution to purchase the remaining 4.9% of the Company, representing all the non-controlling interest of the Company for a total price of US\$6.02 million. The transaction was completed in 17 March 2016.

In early 2015, MARUHAN Japan Bank (“MJB”) and SATHAPANA Limited agreed to merge the two institutions into one entity, with the new name SATHAPANA Bank Plc. (“the Bank”).

SATHAPANA Limited changed its name to SATHAPANA Bank Plc. after the formal approval of the merger between MARUHAN Japan Bank (“MJB”) and Sathapana Limited by the National Bank of Cambodia (“NBC”) on 28 March 2016. On 29 March 2016, the NBC also granted the banking license to SATHAPANA Bank Plc. All assets and liabilities of MJB were transferred to the Bank on 1 April 2016.

The new Bank commences its operation from 1 April 2016.

The principal activities of the Bank are as follows:

- Provide micro, small, and medium loans
- Offer deposit-taking services
- Provide local and international money transfer services
- Offer ATM and eBanking Services; and
- Other related banking and financial services in the Kingdom of Cambodia.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

1. Reporting entity (continued)

Location

The registered office of the Bank is located at No. 83, Preah Norodom Blvd., Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank operates its businesses in 25 provinces with a network of 161 branches.

Employees

As at 31 December 2016, the Bank had 3,989 employees (31 December 2015: 3,123 employees).

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

The Bank transacts its business and maintains its accounting records in four currencies, Khmer Riel (“KHR”), Japanese Yen (“JPY”), Thai Baht (“THB”), and United States Dollars (“US\$”). Management have determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

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

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

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of these 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 on-going 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 estimates of recoverable amounts for loans to customers which have a separate accounting policy stated in Note 3(h).

3. Significant accounting policies

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

(a) Legal merger

Legal merger is a transaction that involves the combination of two or more entities in which one of the legal entity survives and other cease to exist, or in which both existing entities cease to exist and a new legal entity come into existence.

The Bank has adopted the book value accounting method on such transactions.

Assets and liabilities are recognised upon legal merger at their carrying amounts. Any difference between the cost of acquisition and the amounts at which the assets and liabilities of the acquiree is recognised directly in equity.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(b) Basis of aggregation

The Bank's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

(c) Financial instruments

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

(d) Cash and cash equivalents

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

(e) Balances with the National Bank of Cambodia

Balances with the National Bank of Cambodia including statutory deposits are stated at cost.

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.

(f) Balances with other banks

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

(g) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowances.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(g) Loans to customers (continued)

The adequacy of the allowance for bad and doubtful loans 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 in relation to contract terms.

(h) Allowance for bad and doubtful loans

In compliance with NBC Guidelines, all loans 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, number of days past due is taken into account as follows:

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%

As at 31 December 2015, the Bank calculate their allowance for bad and doubtful loans as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Sub-standard	30 days or more	10%
Doubtful	60 days or more	30%
Loss	90 days or more	100%
Long-term loans (more than one year):		
Sub-standard	30 days or more	10%
Doubtful	180 days or more	30%
Loss	360 days or more	100%

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(h) Allowance for bad and doubtful loans (continued)

In addition to the specific allowance mandated by the NBC, prior to 1 January 2016, the Bank also provides an additional general allowance for bad and doubtful loans, as follows:

- 0.2% on outstanding performing loans;
- 90% on sub-standard loans; and
- 70% on doubtful loans.

The minimum percentage of allowance for doubtful loans to customers are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

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.

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 as other income in the income statement.

(i) Interest in suspense

Interest in suspense represents interest on non-performing loans to customers, that is recorded as an allowance rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

(j) Other assets

Other assets are stated at cost less allowance for losses.

(k) 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, the components are accounted for as separate items of property and equipment.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(k) Property and equipment (continued)

(ii) Depreciation of property and equipment which is charged to the income statement is as follows:

Office furniture and equipment	Declining method at 25%
Computers	Declining method at 50%
Motor vehicles	Declining method at 25%
Leasehold improvements	Straight-line method, shorter of the expected useful life and duration of the lease term

Construction in progress 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 amounts 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 Bank. 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 amounts of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(l) Intangible assets

Intangible assets consist of computer software and Core Banking Licence and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised over their estimated useful lives of 10 years using the declining method.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(m) Impairment

(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 to customers which has a separate accounting policy stated in Note 3(h).

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 through the income statement 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.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(n) Deposits from customers and other financial institutions

Deposits from customers and other financial institutions are stated at cost.

(o) Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the period of the borrowings using the straight-line method.

Borrowing costs (interest expense) shall be recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

(p) Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. The subordinated debts which are approved by the NBC are included as a Tier 2 line item in the calculation of the Bank's net worth in accordance with the guidelines of the NBC.

Subordinated debts are stated at cost.

(q) Provision

A provision is recognised in the balance sheet when the Bank 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.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(r) Provident fund

The Bank provides its employees with benefits under the provident fund policy. Employees who complete the probationary year have an option to participate in the provident fund scheme. The fund is sourced from the following:

- Employees may contribute up to 5.0% of their monthly salary, and the Bank contributes twice that amount. This contribution is charged to the income statement.
- The Bank contributes interest on the cumulative balance of the provident fund computed at 6.5% per annum. This contribution is charged to the income statement.

The provident fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment.

The employee's contribution and interest are paid in full accordingly, while the Bank's contribution is paid in accordance with the following conditions:

Years of service (*)	Percentage of contribution by the Bank
Equal to or less than 1 year	-
More than 1 year	20%
More than 2 years	40%
More than 3 years	60%
More than 4 years	80%
More than 5 years	100%

(*) Years of service are exclusive of the probationary year.

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Bank.

Provident fund is stated at cost.

(s) 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.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(s) Income recognition (continued)

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

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- Service charges and processing fees are recognised when the service is provided.

(t) Interest expense

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

(u) Operating leases

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

(v) 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 as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' 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 adjustment 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 amounts 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 to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

3. Significant accounting policies (continued)

(w) Related parties

Parties are considered to be related to the Bank if one party 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 where the Bank and the other 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 Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank.

4. Translation of United States Dollars into Khmer Riels

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into the Khmer Riels are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,037 (2015: US\$1 to KHR4,050) published by the NBC on 31 December 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 Riels at this or any other rate of exchange.

5. Balances with the National Bank of Cambodia

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	65,940,846	266,203,196	5,785,690	23,432,045
Short-term deposits	51,388,333	207,454,700	-	-
Capital guarantee (i)	12,000,000	48,444,000	1,820,106	7,371,429
Reserve requirement (ii)	83,183,820	335,813,081	21,175,907	85,762,423
	<u>212,512,999</u>	<u>857,914,977</u>	<u>28,781,703</u>	<u>116,565,897</u>

Short-term deposits are matured within 2 to 12 months and bear interest rates from 0.74% to 3% per annum.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

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

(i) Capital guarantee deposits

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 Bank'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 0.22% (2015: 0.11%).

(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 is interest bearing at 1/2 LIBOR (one month) while the remaining 8% and the reserve requirement in KHR bears no interest.

6. Balances with other banks

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Savings accounts	1,213,063	4,897,136	4,587,422	18,579,059
Current accounts	32,730,811	132,134,284	3,179,642	12,877,550
Short-term deposits	12,800,000	51,673,600	-	-
	<u>46,743,874</u>	<u>188,705,020</u>	<u>7,767,064</u>	<u>31,456,609</u>

The savings accounts earn annual interest at 0.05% to 0.10% in 2016 (2015: 0.05% - 0.10%) whereas the current accounts bear no annual interest in 2016 (2015: 0.5%). The short-term deposits earn interest from 1.5% to 4.5% in 2016.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Group loans	35,991	145,296	136,986	554,793
Individual loans	610,749,497	2,465,595,719	471,881,745	1,911,121,067
Gross loans to customers	610,785,488	2,465,741,015	472,018,731	1,911,675,860
Allowance for losses on loans to customers				
Specific	(5,236,851)	(21,141,167)	(199,389)	(807,525)
General	(5,997,879)	(24,213,438)	(1,483,800)	(6,009,390)
	(11,234,730)	(45,354,605)	(1,683,189)	(6,816,915)
Loans to customers - net	599,550,758	2,420,386,410	470,335,542	1,904,858,945

Movement of allowance for losses on loans is as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	1,683,189	6,795,034	1,104,005	4,471,220
Allowance for the year	7,150,298	28,865,753	743,299	3,010,361
Written off	(325,299)	(1,313,232)	(165,827)	(671,599)
Transferred from MJB under legal merger	2,722,906	10,992,372	-	-
Foreign exchange difference	3,636	14,678	1,712	6,933
At 31 December	11,234,730	45,354,605	1,683,189	6,816,915

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers (continued)

Further analyses of loans to customers are set out below:

(a) By types of loans to customers:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Commercial loans:				
Short-term loans	18,269,313	73,753,217	16,646,485	67,418,264
Overdraft	1,085,214	4,381,009	-	-
Long-term loans	573,916,655	2,316,901,536	444,064,806	1,798,462,464
Consumer loans:				
Staff loans	17,514,306	70,705,253	11,307,440	45,795,132
Total gross loans	<u>610,785,488</u>	<u>2,465,741,015</u>	<u>472,018,731</u>	<u>1,911,675,860</u>

(b) Grading of loans to customers:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Standard loans – Secured	594,110,528	2,398,424,202	469,947,178	1,903,286,071
Standard loans – Unsecured	5,677,333	22,919,393	1,330,920	5,390,226
Special mention – Secured	1,392,808	5,622,766	-	-
Substandard loans – Secured	1,667,781	6,732,832	423,049	1,713,348
Doubtful loans – Secured	6,151,054	24,831,805	229,286	928,608
Loss loans – Secured	1,785,984	7,210,017	88,298	357,607
Total gross loans	<u>610,785,488</u>	<u>2,465,741,015</u>	<u>472,018,731</u>	<u>1,911,675,860</u>

(c) For an analysis of loan portfolio by maturity, refer to Note 28(d) on Liquidity analysis.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers (continued)

Further analyses of loans to customers are set out below: (continued)

(d) By residency status:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Residents:	610,785,488	2,465,741,015	472,018,731	1,911,675,860

(e) By relationship

Staff loans	282,560	1,140,695	1,193,934	4,835,433
Non-related parties	610,502,928	2,464,600,320	470,824,797	1,906,840,427
	610,785,488	2,465,741,015	472,018,731	1,911,675,860

(f) By currency:

US\$	569,954,904	2,300,907,947	438,853,622	1,777,357,169
KHR	34,874,132	140,786,871	28,775,652	116,541,391
Thai Baht (THB)	5,956,452	24,046,197	4,389,457	17,777,300
	610,785,488	2,465,741,015	472,018,731	1,911,675,860

(g) By economic sector:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Agriculture	158,685,904	640,614,994	139,827,704	566,302,201
Trade and commerce	183,013,789	738,826,666	171,880,901	696,117,649
Services	42,323,588	170,860,325	80,798,388	327,233,471
Household	166,102,254	670,554,800	78,851,999	319,350,596
Construction	16,846,053	68,007,516	491,423	1,990,263
Others	43,813,900	176,876,714	168,316	681,680
	610,785,488	2,465,741,015	472,018,731	1,911,675,860

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

7. Loans to customers (continued)

Further analyses of loans to customers are set out below: (continued)

(h) Annual interest rates are as follows:

	2016	2015
External customers	6.8% to 36.0%	14.4% to 36.0%
Staff loans	<u>6.5%</u>	<u>8.0%</u>

8. Goodwill

The goodwill resulted from the merger between MJB and SATHAPANA Limited on 1 April 2016. Such goodwill is originally resulted from MJB, on 17 December 2012, MJB acquired SATHAPANA Limited.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

9. Property and equipment

2016	Office furniture and equipment US\$	Computers US\$	Motor vehicles US\$	Leasehold improvements US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 4)
Cost							
As at 1 January 2016	3,360,534	4,350,309	4,696,013	738,828	298,150	13,443,834	54,272,758
Transfer from MJB under legal merger	70,477	1,282,829	414,870	369,948	-	2,138,124	8,631,606
Additions	975,057	2,157,818	1,566,714	152,879	178,387	5,030,855	20,309,561
Transfers	-	266,475	-	16,000	(282,475)	-	-
Disposals	(5,208)	(1,380)	(30,440)	-	-	(37,028)	(149,482)
Written off	(327,711)	(1,402,180)	(1,113)	(120,547)	-	(1,851,551)	(7,474,711)
As at 31 December 2016	4,073,149	6,653,871	6,646,044	1,157,108	194,062	18,724,234	75,589,732
Accumulated depreciation							
As at 1 January 2016	1,987,503	3,282,890	2,438,407	376,286	-	8,085,086	32,639,492
Transfer from MJB under Legal merger	34,431	1,215,700	265,036	164,475	-	1,679,642	6,780,715
Depreciation for the year	583,023	1,773,610	992,794	184,059	-	3,533,486	14,264,683
Disposals	(3,826)	(1,267)	(27,029)	-	-	(32,122)	(129,677)
Written off	(240,418)	(1,388,564)	(1,102)	(120,512)	-	(1,750,596)	(7,067,156)
As at 31 December 2016	2,360,713	4,882,369	3,668,106	604,308	-	11,515,496	46,488,057
Carrying amounts							
As at 31 December 2016	1,712,436	1,771,502	2,977,938	552,800	194,062	7,208,738	29,101,675

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

9. Property and equipment (continued)

2015

	Office furniture and equipment US\$	Computers US\$	Motor vehicles US\$	Leasehold improvements US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 4)
Cost							
As at 1 January 2015	2,753,953	2,843,099	3,169,869	584,138	424,242	9,775,301	39,589,969
Additions	646,917	1,129,303	1,713,424	154,690	298,149	3,942,483	15,967,056
Disposals	(4,451)	(20,281)	(185,760)	-	-	(210,492)	(852,493)
Written off	(35,885)	(26,053)	(1,520)	-	-	(63,458)	(257,005)
Transfer	-	424,241	-	-	(424,241)	-	-
As at 31 December 2015	<u>3,360,534</u>	<u>4,350,309</u>	<u>4,696,013</u>	<u>738,828</u>	<u>298,150</u>	<u>13,443,834</u>	<u>54,447,527</u>
Accumulated depreciation							
As at 1 January 2015	1,558,556	2,260,814	1,832,186	279,899	-	5,931,455	24,022,393
Depreciation for the year	459,405	1,067,670	755,552	96,387	-	2,379,014	9,635,007
Disposals	(3,411)	(20,120)	(148,070)	-	-	(171,601)	(694,984)
Written off	(27,047)	(25,474)	(1,261)	-	-	(53,782)	(217,818)
As at 31 December 2015	<u>1,987,503</u>	<u>3,282,890</u>	<u>2,438,407</u>	<u>376,286</u>	<u>-</u>	<u>8,085,086</u>	<u>32,744,598</u>
Carrying amounts							
As at 31 December 2015	<u>1,373,031</u>	<u>1,067,419</u>	<u>2,257,606</u>	<u>362,542</u>	<u>298,150</u>	<u>5,358,748</u>	<u>21,702,929</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

10. Intangible assets

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
As at 1 January	1,797,328	7,255,813	1,797,328	7,279,178
Transfer from MJB	1,458,690	5,888,732	-	-
Additions	2,649,673	10,696,730	-	-
Written off	(1,220,122)	(4,925,633)	-	-
As at 31 December 2016	<u>4,685,569</u>	<u>18,915,642</u>	<u>1,797,328</u>	<u>7,279,178</u>
Accumulated amortisation				
As at 1 January 2016	1,598,424	6,452,838	1,399,519	5,668,052
Transfer from MJB	1,373,519	5,544,896	-	-
Amortisation for the year	1,466,862	5,921,722	198,905	805,565
Written off	(1,220,097)	(4,925,532)	-	-
As at 31 December	<u>3,218,708</u>	<u>12,993,924</u>	<u>1,598,424</u>	<u>6,473,617</u>
Carrying amounts				
As at 31 December	<u>1,466,861</u>	<u>5,921,718</u>	<u>198,904</u>	<u>805,561</u>

11. Other investment

This is an equity interest in Credit Bureau Holding (Cambodia) ("CBH") Ltd through the Association of Bank in Cambodia ("ABC") and Cambodian Microfinance Association amounting to US\$50,000 (2015: US\$25,000). Fair value could not be reliably determined due to the unpredictable nature of future cash flow and the lack of suitable methods of arriving at a reliable fair value. This investment is carried at original cost.

12. Other assets

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Prepayments	1,798,393	7,260,113	5,704,254	23,102,229
Interest receivables	6,420,899	25,921,169	5,453,081	22,084,978
	<u>8,219,292</u>	<u>33,181,282</u>	<u>11,157,335</u>	<u>45,187,207</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Deposits from customers and other financial institutions

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Demand deposits	4,764,890	19,235,862	-	-
Savings deposits	93,777,737	378,580,724	33,438,845	135,427,322
Term deposits	484,678,371	1,956,646,583	226,431,743	917,048,559
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

Further analyses on deposits from customers and other financial institutions are as follows:

(a) By type of customers:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>Current accounts</i>				
Individuals	839,562	3,389,312	-	-
Corporate	2,733,582	11,035,471	-	-
Other financial institutions	1,191,746	4,811,079	-	-
<i>Savings deposits</i>				
Individuals	60,703,551	245,060,235	31,939,577	129,355,287
Corporate	33,048,347	133,416,177	543,537	2,201,325
Other financial institutions	25,839	104,312	955,731	3,870,711
<i>Term deposits</i>				
Individuals	411,393,896	1,660,797,158	201,292,232	815,233,540
Corporate	39,519,301	159,539,418	9,651,455	39,088,392
Other financial institutions	33,765,174	136,310,007	15,488,056	62,726,626
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Deposits from customers and other financial institutions (continued)

Further analyses on deposits from customers and other financial institutions are as follows:
(continued)

(b) By residency status:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Resident	544,687,461	2,198,903,280	256,503,418	1,038,838,843
Non-resident	38,533,537	155,559,889	3,367,170	13,637,038
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

(c) By currency:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	469,818,628	1,896,657,801	213,898,592	866,289,298
Khmer Riels	85,706,542	345,997,310	44,998,662	182,244,581
Thai Baht	3,476,415	14,034,287	973,334	3,942,002
Japanese Yen	24,219,413	97,773,771	-	-
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

(d) By relationship:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Related	144,440	583,104	3,298,433	13,358,654
Non-related	583,076,558	2,353,880,065	256,572,155	1,039,117,227
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

13. Deposits from customers and other financial institutions (continued)

Further analyses on deposits from customers and other financial institutions are as follows:
(continued)

(e) By maturity:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 month	98,542,627	397,816,585	37,503,135	151,887,697
Between 1 month to 3 months	37,239,071	150,334,130	17,724,268	71,783,285
More than 3 months	447,439,300	1,806,312,454	204,643,185	828,804,899
	<u>583,220,998</u>	<u>2,354,463,169</u>	<u>259,870,588</u>	<u>1,052,475,881</u>

(f) By interest rates per annum:

	2016	2015
<i>Bank & MFIs</i>		
Saving deposits	-	-
Current deposits	-	-
Term deposits	2.25% - 8.00%	3.50% - 4.50%
<i>Individuals</i>		
Current deposits	-	-
Savings deposits	3%	4%
Term deposits	4.50% - 10.00%	4.50% - 9.50%
<i>Corporate</i>		
Current deposits	-	-
Saving deposits	3.00%	4.00%
Term deposits	<u>4.50%-10.00%</u>	<u>4.50% - 7.50%</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

14. Borrowings

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Related party:				
MARUHAN Japan Bank Plc	-	-	442,155	1,790,728
Maruhan Investment Asia ("MIA")	10,000,000	40,370,000	10,000,000	40,500,000
	<u>10,000,000</u>	<u>40,370,000</u>	<u>10,442,155</u>	<u>42,290,728</u>
Non-related parties:				
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V (“FMO”)	33,750,000	136,248,750	45,000,000	182,250,000
Symbiotics	18,510,775	74,728,000	17,996,049	72,883,998
DEG	10,000,000	40,370,000	12,500,000	50,625,000
Micro-Finance Enhancement	13,500,000	54,499,500	15,000,000	60,750,000
ResponsAbility SICAV	9,000,000	36,333,000	11,000,000	44,550,000
ICBC	17,500,000	70,647,500	15,000,000	60,750,000
Norfund	1,400,000	5,651,800	4,200,000	17,010,000
Triodos - Doen	5,250,000	21,194,250	5,250,000	21,262,500
Blue Orchard	500,000	2,018,500	3,333,334	13,500,003
Cathay United Bank (Cambodia) Corporation Limited	5,560,573	22,448,032	2,896,013	11,728,853
NMI Global Fund KS	4,000,000	16,148,000	4,000,000	16,200,000
Hatton National Bank Plc	3,750,000	15,138,750	4,750,000	19,237,500
ABA Bank	-	-	2,500,000	10,125,000
Union Commercial Bank	-	-	5,000,000	20,250,000
ACLEDA Bank	-	-	2,000,000	8,100,000
First Commercial Bank	35,000,000	141,295,000	-	-
DWM Funds S.C.A	3,000,000	12,111,000	-	-
	<u>160,721,348</u>	<u>648,832,082</u>	<u>150,425,396</u>	<u>609,222,854</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

14. Borrowings (continued)

The borrowings are unsecured.

(a) By currency:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	167,210,573	675,029,083	156,371,502	633,304,584
Khmer Riels	3,510,775	14,172,999	4,496,049	18,208,998
	<u>170,721,348</u>	<u>689,202,082</u>	<u>160,867,551</u>	<u>651,513,582</u>

(b) By annual interest rates:

	2016	2015
US Dollars	4.72% - 8.00%	4.72% - 11.00%
Khmer Riels	<u>10.00% - 10.50%</u>	<u>9.17% - 10.50%</u>

(c) By maturity:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one month	2,397,213	9,677,549	2,080,353	8,425,430
Between 1 month to 3 months	19,290,153	77,874,348	9,491,014	38,438,607
Between 3 months to 12 months	32,075,649	129,489,395	43,127,772	174,667,477
More than 1 year to 5 years	116,958,333	472,160,790	106,168,412	429,982,068
	<u>170,721,348</u>	<u>689,202,082</u>	<u>160,867,551</u>	<u>651,513,582</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

15. Subordinated debts

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
DEG - Deutsche Investitions	10,000,000	40,370,000	10,000,000	40,500,000
Maruhan Investment Asia	5,000,000	20,185,000	5,000,000	20,250,000
Triodos - Doen	1,313,217	5,301,457	1,313,217	5,318,529
Maruhan (Cambodia) Corporation ("MCC")	-	-	15,000,000	60,750,000
Maruhan Japan Bank Plc.	-	-	8,000,000	32,400,000
DWM Funds S.C.A	-	-	1,000,000	4,050,000
	<u>16,313,217</u>	<u>65,856,457</u>	<u>40,313,217</u>	<u>163,268,529</u>

DEG

On 31 December 2015, the NBC approved the Bank's subordinated debt from DEG amounting to US\$10,000,000. This subordinated has a seven-year term maturing on 15 December 2021 and bears a fixed interest at 10.65% per annum.

Maruhan Investment Asia

On 10 October 2013, the NBC approved the Bank's subordinated debt from Maruhan Investment Asia ("MIA") amounting to US\$5,000,000. The Bank drew down US\$5,000,000 on 12 August 2013. This subordinated debt has a seven-year term maturing on 12 August 2020 and bears gross interest at 10.4651% per annum.

Triodos - Doen

On 19 December 2007, the NBC approved the Bank's subordinated debt from Triodos – Doen amounting to US\$1,000,000 and Triodos Fair Share Fund, amounting to US\$1,000,000. This subordinated debt has a 10-year term maturing on 1 January 2018 and bears interest at 11.6279% per annum for the first five years, and gross interest at 12-month LIBOR plus 6% (subject to a minimum gross interest rate charge at 12.2093%) for the remaining period from 1 January 2013.

On 6 January 2011, the NBC approved the Bank's another subordinated debt from Triodos – Doen amounting to US\$500,000. This subordinated debt bears gross interest at 11.0466% per annum and matures on 1 January 2018. The subordinated debts from Triodos – Doen amounting to US\$900,000 and US\$286,783 were converted into the Bank's share capital on 12 October 2011 and 1 December 2011, respectively, which were approved by the NBC on 11 August 2011. These shares of Triodos – Doen were subsequently sold and transferred to MJB in 2012.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

16. Provident fund

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	5,371,180	21,683,454	3,749,258	15,184,495
Additions during the year				
Employer contribution	1,477,233	5,963,590	1,003,670	4,064,864
Employee contribution	835,891	3,374,492	531,141	2,151,121
Interest	376,634	1,520,471	258,601	1,047,334
Paid during the year	(415,431)	(1,677,095)	(171,490)	(694,535)
At 31 December	<u>7,645,507</u>	<u>30,864,912</u>	<u>5,371,180</u>	<u>21,753,279</u>

17. Income tax

(a) Deferred tax, net

Deferred tax assets attributable from:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Employee benefit contribution	1,318,688	5,323,543	957,329	3,877,182
Allowance for loan losses (*)	1,207,933	4,876,426	296,760	1,201,878
Property and equipment	78,067	315,156	48,133	194,939
Unearned income	20,747	83,756	31,536	127,721
Unrealised loss on foreign exchange	72,155	291,290	79,823	323,283
	<u>2,697,590</u>	<u>10,890,171</u>	<u>1,413,581</u>	<u>5,725,003</u>

- (*) This represents deferred tax assets arising from the general allowance for doubtful loans to customers which is not deductible for computation of corporate income tax expense under the new Prakas No.1535 MEF issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

17. Income tax (continued)

(a) Deferred tax, net (continued)

Movements of deferred tax assets during the year are as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	1,413,581	5,706,627	966,085	3,912,644
Addition during the year	1,284,009	5,183,544	447,496	1,812,359
At 31 December	<u>2,697,590</u>	<u>10,890,171</u>	<u>1,413,581</u>	<u>5,725,003</u>

(b) Current income tax liabilities

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	4,411,045	17,807,389	2,482,746	10,055,121
Income tax expense	3,734,192	15,074,933	5,170,630	20,941,052
Income tax paid	(5,361,586)	(21,644,723)	(3,242,331)	(13,131,441)
At 31 December	<u>2,783,651</u>	<u>11,237,599</u>	<u>4,411,045</u>	<u>17,864,732</u>

(c) Income tax expense

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	3,734,192	15,074,933	5,170,630	20,941,052
Deferred tax	(1,284,009)	(5,183,544)	(447,496)	(1,812,359)
	<u>2,450,183</u>	<u>9,891,389</u>	<u>4,723,134</u>	<u>19,128,693</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

17. Income tax (continued)

(c) Income tax expense (continued)

In accordance with Cambodian Law on Taxation, the Bank 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 revenues, whichever is higher.

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

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	<u>11,281,887</u>	<u>45,544,977</u>	<u>23,663,795</u>	<u>95,838,370</u>
Income tax expense at applicable tax rate of 20%	2,256,377	9,108,994	4,732,759	19,167,674
Non-deductible expenses	<u>193,806</u>	<u>782,395</u>	<u>(9,625)</u>	<u>(38,981)</u>
Effective income tax	<u>2,450,183</u>	<u>9,891,389</u>	<u>4,723,134</u>	<u>19,128,693</u>

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

18. Other liabilities

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest payable	9,492,098	38,319,600	5,492,172	22,243,297
Personnel and other related costs	2,173,364	8,773,870	1,050,503	4,254,537
Taxes payable	268,216	1,082,788	405,642	1,642,850
Unearned income	107,626	434,486	157,682	638,612
Accounts payable	269,613	1,088,428	128,715	521,296
Accrued expenses	<u>117,632</u>	<u>474,880</u>	<u>199,832</u>	<u>809,319</u>
	<u>12,428,549</u>	<u>50,174,052</u>	<u>7,434,546</u>	<u>30,109,911</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

19. Share capital

Details of shareholding are as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
MARUNHAN Investment Asia Pte. Ltd.	120,000,000	484,440,000	-	-
Maruhan Japan Bank Plc. Cambodia Community Buildings	-	-	17,309,200	70,102,260
	-	-	891,860	3,612,033
	<u>120,000,000</u>	<u>484,440,000</u>	<u>18,201,060</u>	<u>73,714,293</u>

The total authorised number of shares is 1,200,000 (2015: 1,820,106) shares with par value of US\$100 per share. All shares are issued and fully paid.

Share capital of the Bank was increased from US\$18,201,060 to US\$120,000,000 in 2016. The increase resulted from the transfers of the retained earnings amounting to US\$35,682,196, share premium amounting to US\$174,964, and the reserve from business combination amounting to US\$65,941,780. The Bank obtained the approval from the NBC and the Ministry of Commerce on 29 March 2016 and 13 July 2016, respectively.

20. Interest income

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers	101,691,201	410,527,378	82,146,090	332,691,665
Balances with other banks	199,101	803,771	5,659	22,919
Balances with the NBC	224,522	906,395	1,731	7,010
	<u>102,114,824</u>	<u>412,237,544</u>	<u>82,153,480</u>	<u>332,721,594</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

21. Interest expenses

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deposits from customers and other financial institutions	28,919,340	116,747,376	15,103,504	61,169,191
Borrowings	12,336,419	49,802,124	11,156,457	45,183,651
Subordinated debts	2,562,265	10,343,864	3,657,076	14,811,158
Provident fund	407,655	1,645,702	279,939	1,133,753
	<u>44,225,679</u>	<u>178,539,066</u>	<u>30,196,976</u>	<u>122,297,753</u>

22. Net fees and commissions

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fees and commissions on loans	1,985,671	8,016,154	1,569,025	6,354,551
Remittance fees	47,561	192,004	95,020	384,831
Other fees and commissions	76,348	308,216	9,508	38,507
	<u>2,109,580</u>	<u>8,516,374</u>	<u>1,673,553</u>	<u>6,777,889</u>
Fees and commissions on borrowings	<u>(1,168,873)</u>	<u>(4,718,740)</u>	<u>(629,747)</u>	<u>(2,550,475)</u>
	<u>940,707</u>	<u>3,797,634</u>	<u>1,043,806</u>	<u>4,227,414</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

23. Other operating expenses

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Personnel and other related costs	21,716,431	87,669,232	16,750,474	67,839,420
Depreciation and amortisation	5,000,348	20,186,405	2,577,919	10,440,572
Office rental	3,212,624	12,969,363	2,389,370	9,676,949
Marketing and advertising	1,545,966	6,241,065	1,399,987	5,669,947
Stationeries and printing	1,818,650	7,341,890	1,062,968	4,305,020
Motor vehicle expenses	559,206	2,257,515	526,314	2,131,572
Utilities	832,000	3,358,784	577,075	2,337,154
Communication	630,157	2,543,944	468,881	1,898,968
Repairs and maintenance	823,598	3,324,865	403,997	1,636,188
Security	385,808	1,557,507	346,546	1,403,511
Transportation	459,026	1,853,088	278,109	1,126,341
Bank charges	178,985	722,562	124,582	504,557
Professional fees	488,192	1,970,831	197,204	798,676
License fees	918,049	3,706,164	337,762	1,367,936
Staff training and conference	786,857	3,176,542	674,114	2,730,162
Penalties expenses	465,683	1,879,962	228,632	925,960
Charitable donation expenses	99,152	400,277	38,134	154,443
Other expenses	837,239	3,379,933	389,180	1,576,178
	<u>40,757,971</u>	<u>164,539,929</u>	<u>28,771,248</u>	<u>116,523,554</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

24. Net cash generate from/(used in) operating activities

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities				
Profit before income tax	11,281,887	45,544,977	23,663,795	95,838,370
<i>Adjustments for:</i>				
Depreciation and amortisation	5,000,348	20,186,405	2,577,919	10,440,572
Property and equipment and intangible assets written off	100,980	407,656	9,676	39,188
Gain on disposals of property and equipment	(10,949)	(44,202)	(33,738)	(136,639)
Provident fund expense	1,477,233	5,963,590	1,003,670	4,064,864
Allowance for bad and doubtful loans	7,150,298	28,865,753	743,299	3,010,361
	24,999,797	100,924,179	27,964,621	113,256,716
<i>Changes in:</i>				
Balances with the National Bank of Cambodia	(50,362,845)	(203,314,805)	(7,968,200)	(32,271,210)
Balances with other banks	8,332,056	33,636,510	-	-
Loans to customers	(60,239,039)	(243,185,000)	(160,789,305)	(651,196,685)
Other assets	7,345,942	29,655,568	(3,735,627)	(15,129,289)
Deposits from customers and other financial institutions	227,831,216	919,754,619	93,774,320	379,785,996
Provident fund	967,356	3,905,216	789,742	3,198,455
Other liabilities	(477,140)	(1,926,214)	3,226,285	13,066,454
Net cash generate from/ (used in) operation	158,397,343	639,450,073	(46,738,164)	(189,289,563)
Income tax paid	(5,361,586)	(21,644,723)	(3,242,331)	(13,131,441)
Provident fund paid	(415,431)	(1,677,095)	(171,490)	(694,535)
Net cash generate from/(used in) operating activities	152,620,326	616,128,255	(50,151,985)	(203,115,539)

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

25. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	32,876,496	132,722,414	14,050,134	56,903,043
Balances with the NBC	115,229,179	465,180,196	5,785,690	23,432,045
Balances with other banks	45,743,874	184,668,019	7,767,064	31,456,609
	<u>193,849,549</u>	<u>782,570,629</u>	<u>27,602,888</u>	<u>111,791,697</u>

26. Related party transactions and balances

(a) Transaction with related parties

Significant transactions with related parties during the year were as follows:

<i>Related party</i>	<i>Transactions</i>	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
MC	Deposit	20,071,728	81,029,566	-	-
MCC	Subordinated debt	-	-	15,000,000	60,750,000
	Repayments	15,000,000	60,555,000	-	-
	Interest expense	676,667	2,731,705	796,250	3,224,813
	Deposit	19,267,444	77,782,671	-	-
MIA	Borrowing	-	-	10,000,000	40,500,000
	Interest expense	933,654	3,769,161	456,249	1,847,810
	Deposit	1,042,662	4,209,226	-	-
MJB	Dividends declared	-	-	2,512,969	10,177,524
	Repayments of borrowing	442,155	1,784,980	192,160	778,248
	Interest expense	201,718	814,336	817,799	3,312,086
	Elimination	8,066,778	32,565,583	-	-
	Deposit	3,061,851	12,360,692	1,414,381	5,728,243
MJBL	Deposit	11,227	45,323	-	-
Han Family	Deposit	23,934,931	96,625,316	-	-
Senior management	Deposit	144,440	583,104	562,772	2,279,227
	Loan	282,560	1,140,695	1,193,934	4,835,433

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

26. Related party transactions and balances (continued)

(b) Balance with related parties

Balances with related parties at the reporting year were as follows:

<i>Related party</i>	<i>Transaction</i>	2016		2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
MC	Deposit	20,071,728	81,029,566	-	-
MCC	Subordinated debt	-	-	15,000,000	60,750,000
	Deposit	21,667,450	87,471,496	2,400,005	9,720,021
MIA	Subordinated debt	5,000,000	20,185,000	5,000,000	20,250,000
	Borrowing	10,000,000	40,370,000	10,000,000	40,500,000
	Deposit	1,042,662	4,209,226	-	-
MJB	Borrowing	-	-	442,155	1,790,728
	Subordinated debt	-	-	8,000,000	32,400,000
	Deposit	-	-	2,735,661	11,079,427
MJBL	Deposit	11,227	45,323	-	-
Han Family	Deposit	23,934,931	96,625,316	-	-
Senior management	Deposit	144,440	583,104	562,772	2,279,227
	Loan	282,560	1,140,695	1,193,934	4,835,433

27. Commitments and contingencies

(a) Lease commitments

The Bank leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	3,338,024	13,475,603	2,370,291	9,599,679
More than 1 year to 5 years	10,789,569	43,557,492	7,492,299	30,343,811
More than 5 years	3,862,671	15,593,602	3,920,686	15,878,778
	<u>17,990,264</u>	<u>72,626,697</u>	<u>13,783,276</u>	<u>55,822,268</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

27. Commitments and contingencies (continued)

(b) Lending commitment

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Foreign exchange contracts	29,476,301	118,995,827	-	-
Unused portion of overdrafts	12,088,303	48,800,479	-	-
Loan commitments received				
from banks	1,000,000	4,037,000	-	-
Bond	627,112	2,531,651	-	-
Letter of credits	175,059	706,713	-	-
Bank guarantees	149,875	605,045	-	-
	<u>43,516,650</u>	<u>175,676,715</u>	<u>-</u>	<u>-</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 different interpretations and the effects since the incorporation of the Bank could be significant.

28. Financial risk management

The Bank has exposure to the following risks:

- operational risk;
- credit risk;
- market risk; and
- liquidity risk

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

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(a) 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 Bank.

The Bank'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.

(b) Credit risk

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans to customers.

Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Bank's credit committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed by obtaining collateral and personal guarantees. Management performs credit assessment on a yearly basis after loans to customers have been disbursed to analyse the financial conditions and performance of the borrowers.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit risk measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programmes that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

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

(ii) Risk limit control and mitigation policies

The Bank operates and provides loans to customers to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of NBC Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

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

The principal collateral types to secure for loans to customers 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.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Impairment and provisioning policies

The Bank is 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. Refer to Note 3(h) for details.

(iv) Exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements.

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balances with the NBC	117,329,179	473,657,896	5,785,690	23,432,045
Balances with other banks	46,743,874	188,705,019	7,767,064	31,456,609
Loans to customers	610,785,488	2,465,741,015	472,018,731	1,911,675,860
Other assets	6,420,899	25,921,169	5,453,081	22,084,978
	<u>781,279,440</u>	<u>3,154,025,099</u>	<u>491,024,566</u>	<u>1,988,649,492</u>
Allowance for losses on loans to customers	(11,234,730)	(45,354,605)	(1,683,189)	(6,816,915)
	<u>770,044,710</u>	<u>3,108,670,494</u>	<u>489,341,377</u>	<u>1,981,832,577</u>

The above table represents a worst case scenario for credit risk exposure to the Bank at 31 December 2016 and 31 December 2015, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on net carrying amounts.

As shown above, 78% of total maximum exposure is derived from loans to customers (31 December 2015: 97%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Bank relating to its loans to customers on the following basis:

- 97.70% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2015: 99.76%).
- The Bank has a stringent selection and collection process for granting loans to customers.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Loans to customers

	2016		2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers neither past due nor impaired	599,787,861	2,421,343,595	470,905,999	1,907,169,296
Loans to customers past due but not impaired	3,060,589	12,355,598	376,048	1,522,994
Loans to customers individually impaired	7,937,038	32,041,822	736,684	2,983,570
	<u>610,785,488</u>	<u>2,465,741,015</u>	<u>472,018,731</u>	<u>1,911,675,860</u>

For the purpose of loan allowance, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirements. The total allowance for bad and doubtful loans is US\$11,234,730 (31 December 2015: US\$1,683,189) which represents the specific allowance required by the NBC and additional general allowance for the loan losses.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 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. Refer to separate accounting policy stated in Note 3(h).

Loans to customers neither past due nor impaired

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

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise. 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%.

Individually impaired loans to customers

Individually impaired loans to customers are loans to customers for which the Bank determines that there is objective evidence of impairment and contractual principal or interest payments are past due or history of past due of more than 90 days, unless other information is available to indicate or otherwise.

Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Bank generally issues loans to low income entrepreneurs in the provinces. The Bank does not perform, during the period of loan, a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the NBC's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

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.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Exposure to credit risk (continued)

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank 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 Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

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

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

(v) Balance with other banks

The Bank deposits short-term excess liquidity with banks leading to counter party risk exposure. The Bank manages counter party risk exposure by performing due diligence on individual counter parties, having counterparty limits and diversifying the deposits to different banks.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(c) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Foreign currency exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR, US\$, JPY, THB etc.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the NBC.

As at 31 December 2016, 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 Bank's assets and liabilities is disclosed below:

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2016	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\$
Cash on hand	-	-	-	-	-	32,876,496	32,876,496
Balances with the NBC	-	49,288,333	2,100,000	-	-	65,940,846	117,329,179
Balances with other banks	7,651,298	10,045,786	1,000,000	-	-	28,046,790	46,743,874
Loans to customers	1,812,787	6,416,443	43,509,230	506,983,618	52,063,410	-	610,785,488
Other investment	-	-	-	-	-	50,000	50,000
Other assets	-	-	-	-	-	6,420,899	6,420,899
	<u>9,464,085</u>	<u>65,750,562</u>	<u>46,609,230</u>	<u>506,983,618</u>	<u>52,063,410</u>	<u>133,335,031</u>	<u>814,205,936</u>
Financial liabilities							
Deposits from customers and other financial institutions	93,777,737	37,239,071	406,506,396	40,932,904	-	4,764,890	583,220,998
Borrowings	2,397,213	19,290,153	32,075,649	53,145,116	63,813,217	-	170,721,348
Subordinated debts	-	-	3,313,217	13,000,000	-	-	16,313,217
Provident fund	11,664	23,329	104,980	559,891	6,945,643	-	7,645,507
Other liabilities	-	-	-	-	-	12,052,707	12,052,707
	<u>96,186,614</u>	<u>56,552,553</u>	<u>442,000,242</u>	<u>107,637,911</u>	<u>70,758,860</u>	<u>16,817,597</u>	<u>789,953,777</u>
Maturity gap – US\$	<u>(86,722,529)</u>	<u>9,198,009</u>	<u>(395,391,012)</u>	<u>399,345,707</u>	<u>(18,695,450)</u>	<u>116,517,434</u>	<u>24,252,159</u>
Maturity gap – KHR'000 (Note 4)	<u>(350,098,850)</u>	<u>37,132,362</u>	<u>(1,596,193,515)</u>	<u>1,612,158,619</u>	<u>(75,473,532)</u>	<u>470,380,881</u>	<u>97,905,965</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2015	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets							
Cash on hand	-	-	-	-	-	14,050,134	14,050,134
Deposits and placements with NBC	-	-	-	-	-	5,785,690	5,785,690
Balances with other banks	4,587,422	-	-	-	-	3,179,642	7,767,064
Loans to customers	15,938,425	42,852,828	151,033,710	262,193,768	-	-	472,018,731
Other assets	-	-	-	-	-	5,453,081	5,453,081
	<u>20,525,847</u>	<u>42,852,828</u>	<u>151,033,710</u>	<u>262,193,768</u>	<u>-</u>	<u>28,468,547</u>	<u>505,074,700</u>
Financial liabilities							
Deposits from customers and other financial institutions	37,503,135	17,724,268	203,083,185	1,560,000	-	-	259,870,588
Borrowings	2,080,353	9,491,014	43,127,772	106,168,412	-	-	160,867,551
Subordinated debts	-	-	1,000,000	32,813,217	6,500,000	-	40,313,217
Provident fund	427,685	855,373	3,849,179	238,943	-	-	5,371,180
Other liabilities	-	-	-	-	-	6,871,222	6,871,222
	<u>40,011,173</u>	<u>28,070,655</u>	<u>251,060,136</u>	<u>140,780,572</u>	<u>6,500,000</u>	<u>6,871,222</u>	<u>473,293,758</u>
Maturity gap – US\$	<u>(19,485,326)</u>	<u>14,782,173</u>	<u>(100,026,426)</u>	<u>121,413,196</u>	<u>(6,500,000)</u>	<u>21,597,325</u>	<u>31,780,942</u>
Maturity gap – KHR'000 (Note 4)	<u>(78,915,570)</u>	<u>59,867,801</u>	<u>(405,107,025)</u>	<u>491,723,444</u>	<u>(26,325,000)</u>	<u>87,469,166</u>	<u>128,712,816</u>

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed-rate instruments

The Bank does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. 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 Bank does not have variable-rate instruments. Therefore, cash flow sensitivity analysis is not presented.

(d) Liquidity risk

Liquidity risk is the risk of the Bank being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(i) Liquidity risk management process

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(ii) Funding approach

The Bank's main sources of liquidity arise from the shareholders' paid-up capital, borrowings and customers' deposits. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits, key depositors, borrowings and subordinated debts.

(iii) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on the expected undiscounted cash flows.

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(d) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

As at 31 December 2016	Up to 1 month US\$	1–3 months US\$	3–12 months US\$	1–5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Financial assets							
Cash on hand	-	-	-	-	-	32,876,496	32,876,496
Balances with the NBC	-	49,288,333	2,100,000	-	-	65,940,846	117,329,179
Balances with other banks	7,651,298	10,045,786	1,000,000	-	-	28,046,790	46,743,874
Loans to customers	1,812,787	6,416,443	43,509,230	506,983,618	52,063,410	-	610,785,488
Other Investment	-	-	-	-	50,000	-	50,000
Other assets	-	-	-	-	-	6,420,899	6,420,899
Total financial assets	9,464,085	65,750,562	46,609,230	506,983,618	52,113,410	133,285,031	814,205,936
Financial liabilities							
Deposits from customers and other financial institutions	93,777,737	37,239,071	406,506,396	40,932,904	-	4,764,890	583,220,998
Borrowings	2,397,212	19,290,253	32,075,649	116,958,334	-	-	170,721,348
Subordinated debts	-	-	3,313,217	13,000,000	-	-	16,313,217
Provident Fund	11,664	23,329	104,980	559,891	6,945,643	-	7,645,507
Other liabilities	6,839,369	4,614,678	598,660	-	-	-	12,052,707
Total financial liabilities	103,025,982	61,167,231	442,598,902	171,451,129	6,945,643	4,764,890	789,953,777
Maturity gap – US\$	(93,561,897)	4,583,331	(395,989,672)	335,532,489	45,167,767	128,520,141	24,252,159
Maturity gap – KHR'000 (Note 4)	(377,709,378)	18,502,907	(1,598,610,306)	1,354,544,658	182,342,275	518,835,809	97,905,966

SATHAPANA Bank Plc.

Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(d) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

As at 31 December 2015	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Financial assets							
Cash on hand	-	-	-	-	-	14,050,134	14,050,134
Balances with the NBC	-	-	-	-	-	5,785,690	5,785,690
Balances with other banks	4,587,422	-	-	-	-	3,179,642	7,767,064
Loans to customers	15,938,425	42,852,828	151,033,710	262,193,768	-	-	472,018,731
Other Investments	-	-	-	-	25,000	-	25,000
Other assets	-	-	-	-	-	5,453,081	5,453,081
Total financial assets	<u>20,525,847</u>	<u>42,852,828</u>	<u>151,033,710</u>	<u>262,193,768</u>	<u>25,000</u>	<u>28,468,547</u>	<u>505,099,700</u>
Financial liabilities							
Deposits from customers and other financial institutions	37,503,135	17,724,268	203,083,185	1,560,000	-	-	259,870,588
Borrowings	2,397,212	19,290,153	32,075,649	116,958,333	-	-	170,721,347
Subordinated debts	-	-	1,000,000	32,813,217	6,500,000	-	40,313,217
Provident fund	427,685	855,373	3,849,179	238,943	-	-	5,371,180
Other liabilities	6,839,369	4,614,678	598,660	-	-	-	12,052,707
Total financial liabilities	<u>47,167,401</u>	<u>42,484,472</u>	<u>240,606,673</u>	<u>151,570,493</u>	<u>6,500,000</u>	<u>-</u>	<u>488,329,039</u>
Maturity gap – US\$	<u>(26,641,554)</u>	<u>368,356</u>	<u>(89,572,963)</u>	<u>110,623,275</u>	<u>(6,475,000)</u>	<u>28,468,547</u>	<u>16,770,661</u>
Maturity gap – KHR'000 (Note 4)	<u>(107,898,294)</u>	<u>1,491,053</u>	<u>(362,606,052)</u>	<u>448,024,264</u>	<u>(26,223,750)</u>	<u>115,297,615</u>	<u>67,921,177</u>

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Notes to the financial statements (continued) for the year ended 31 December 2016

28. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

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

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank'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 licensed commercial banks 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.

(f) Fair values

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 and market prices are not available for a significant proportion of the Bank's financial assets and liabilities fair values, therefore, were not presented.

29. Subsequent events

Change of the Bank's logo

As per the notifications issued by the NBC No. B7.017.181 සයිබල on 21 February 2017 and No. 0705 ආ.බ.බ ජිසප් issued by the MoC on 22 February 2017, the Bank is required to change its existing logo to avoid confusion with the logo of Government's authorities.

The rapid rebranding at the Bank's offices and branches and on customers' ATM cards and passbooks, communications materials, social media and website would cost approximately US\$2 million.