

# Annual Report 2016

TBBMFI Help Your Life Convenient!

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#### **Our Background, Vision and Mission**

#### **Our Background**

TBB (CAMBODIA) MICROFINANCE INSTITUTION PLC. (Hereinafter referred to as TBBMFI) is a public limited company, also a subsidiary of TAIWAN BUSINESS BANK that is a specialized bank charged with the provision of financial assistance and guidance to SMEs. In Taiwan, it has been cultivating the SME financial services field until now for more than 30 years. TBBMFI is licensed by the National Bank of Cambodia as a MFI in June 2015, to provide funding to commercial or individual purposes of Cambodian people as well as customers from Taiwan, thus to support the monetary and economy environment of Cambodia.

#### **Vision**

To be the Cambodia's most people-centric company to build up a place where customers can discover and facilitate the products easily.

#### Mission

TBBMFI seeks to be one of the providers of ethical credit products to the poorer segment of the community in Cambodia and will develop new products as appropriate to support them to grow up the economic scale. In doing so, TBBMFI will observe the highest principles of morality and best international banking practice and will conduct its business in full conformity with the laws and regulations of the Kingdom of Cambodia.

# **Message from the Chief Executive Officer (CEO)**



As Chief Executive Officer (CEO) of TBB (Cambodia) Microfinance Plc, I am grateful of TBBMFI that operated microfinance services successfully for 2 years history. The operation of TBBMFI has participated actively in the family economic development because TBBMFI is an institution that serves as real micro finance operation in providing loan with low interest, high ethic and profession to achieve its vision and mission statement.

We are trying our best to improve our loan products with good conditions to encourage customers who are not able access to micro loan services from MFIs, they can get micro loan services from TBBMFI to improve their living standard.

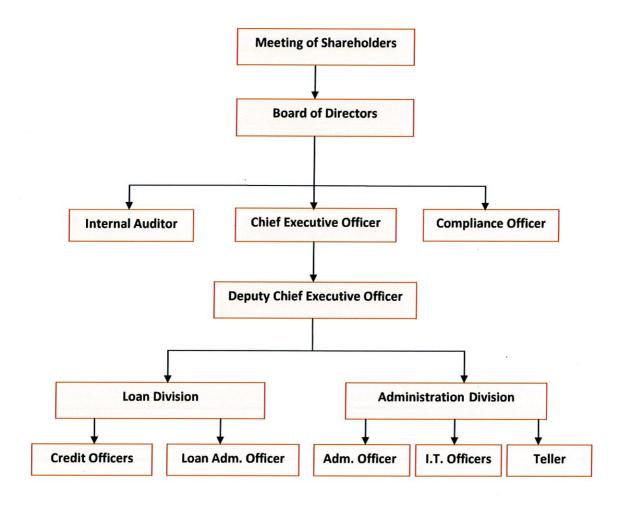
Once again being the CEO of the institution, I would like to convey my gratitude to customers, board of directors, managers and staffs who support TBBMFI to make best historical performance in this starting point of the operation.

Phnom Penh, 20 June, 2017

າຄວາ Ghief Executive Officer (CEO)

Mr. Chun Hui CHEN

# **Organizational Chart of TBBMFI**



# **Shareholders and Board of Director**

**TAIWAN BUSINESS BANK Ltd.** has solely assumed the total capital contribution of USD 10,000,000 (United States Dollars Ten Million, equivalent to Riel with a par value of USD 1,000 (United States Dollars One Thousand, **equivalent to** Riel **40,000,000,000** only), in cash, for 10,000 (United States Dollars One Thousand, equivalent to Riel **4,000,000** only).

The board of directors (BOD) comprises of 4 members as namely:

Chang-Yi CHEN Chairman of the Board

Yi-Yun WANG
 Board Member

Kun-Shan CHEN Board Member

Deng-Ruey Tsai
 Board Member (Independent Director)

#### **Our Products and Services**



#### Commercial Loan (CL)

TBBMFI provides a Commercial Loan product to meet the demand and the interest of clients who wish to increase their income.

#### Personal Loan (PL)

TBBMFI provides a Personal Loan product to satisfy customers' personal needs such as home improvement, consumption goods, housework facilities; transport means (Motorbike, automobile...)

#### Mortgage Loan (ML)

TBBMFI provides a Mortgage Loan product to satisfy customers' needs to buy real estate property such as land, house.

#### **Loan Performance**

To achieve the mission and vision, TBBMFI tries to provide loan to all kinds of customers and sectors to use for their own business. TBBMFI sets its own target customers by focusing on customers with low and medium standards of living as well as small and medium business customers who wish to extend their business activities. At the end of 2016, loan disbursement increase constantly and lead to loan portfolio increase remarkably. In 2015, the loan disbursement was USD 1,440,000 and up to USD 8,241,600 at the end of 2016. Regarding loan outstanding in 2015, it was USD 1,431,082 and up to USD 7,204,589 in 2016.

# **Company Activities**

#### Management and staffs during Grand Opening TBBMFI in June 2015





Management and Staffs' Dinner





**Training Course** 



**Annual Trip** 



Financial Report and Report of the Independent Auditor

#### REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby submit their report together with the audited financial statements of TBB (Cambodia) Microfinance Institution Plc. ("the Company") for the year ended 31 December 2016.

#### **Principal activities**

The principal activities of the Company are to provide loans and other financial services to local customers through its head office in Phnom Penh.

#### **Results of Operation and Dividends**

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit.

#### Share capital

There was no movement in share capital during the financial year.

#### Bad and doubtful loans

Before the financial statements of the Company 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 are 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 Company, inadequate to any material extent.

#### **Current assets**

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, other than loans, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

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

#### Valuation methods

At the date of this report, the Board of Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company as misleading or inappropriate.

#### Contingent and other payables

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

- (a) any charge on the assets of the Company 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 Company 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 Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may materially affect the ability of the Company to meet its obligations as and when they fall due.

#### Change of circumstances

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

#### Items of unusual nature

The results of the operations of the Company for the financial period were not, in the opinion of the Board of Directors, materially affected by any item, transaction or event of a material and unusual nature.

## Items of unusual nature (continued)

There has not arisen in the interval between the end of the financial period 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 materially the results of the operations of the Company for the current financial period in which this report is made.

#### The Board of Directors

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

Mr. Chang-Yi Chen
 Mr. Yi-Yun Wang
 Mr. Kun-Shan Chen
 Mr. Deng-Ruey Tsai
 Chairman Director
 Director

## Events since the reporting date

On 13 March 2017, the NBC issued Prakas No. B7-017-109 to cap the interest rate to a maximum of 18% per annum for any maturity of loan. This Prakas is effective for new loan contract including restructured loan and/or refinancing loans with signature and/or finger-printed from 1 April 2017.

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

The Board of Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year ended in preparing these financial statements, the Board of Directors are required to:

- 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 ("NBC") relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the 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 but to do so;
- control and direct effectively the Company 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 confirm that they have complied with the above requirements in preparing the financial statements.

#### Approval of the financial statements

We hereby approve the accompanying financial statements as to present fairly, in all material respects, the financial position of TBB (Cambodia) Microfinance Institution 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

Mr. Chun Hui CHEN

Chun-pui

Chief Executive Officer (CEO)

Phnom Penh, Kingdom of Cambodia

Date: 28 April 2017

# **Report of the Independent Auditors**

# To the shareholders of TBB (Cambodia) Microfinance Institution Plc

#### **Opinion**

We have audited the financial statements of TBB (Cambodia) Microfinance Institution Plc ("the Company"), which comprise the balance sheet as at 31 December 2016, the income statement, the statement changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set are on pages 8 to 39.

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

#### **Basis for Opinion**

We conducted our audit in accordance with Cambodia 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 Company 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 information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors as set out on pages 1 to 4, which we obtained prior to the date of this auditors's report, and the annual report, which is expected to be made available to us after the 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 Cambodia Accounting Standards and the guidelines of National Bank of Cambodia relating to the preparation and presentation of financial statement, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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

Lim Chew Tend

Partner

Phriom Penh, Kingdom of Cambodia

28 April 2017

# **Balance sheet as at 31 December 2016**

#### As at

		31 December 2016		31 Decer	nber 2015
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS Cash on hand Deposits and placements		1,357	5,478	3,851	15,597
with the NBC Deposits and placements	5	501,374	2,024,047	500,323	2,026,308
with other banks Loans to customers - net Other assets	6 7 8	2,079,984 7,132,543 59,595	8,396,896 28,794,076 240,585	7,651,061 1,431,082 196,608	30,986,797 5,795,882 796,262
Property and equipment Intangible assets	9 10	107,544 5,787	434,155 23,362	158,279 5,220	641,030 21,141
TOTAL ASSETS		9,888,184	39,918,599	9,946,424	40,283,017
LIABILITIES AND EQUITY					
LIABILITIES					
Other payables Current income tax liability	11 17	19,343 441	78,088 1,780	11,621 1,272	47,065 5,152
;		19,784	79,868	12,893	52,217
EQUITY					
Share capital Accumulated losses	12	10,000,000 (131,600)	40,370,000 (531,269)	10,000,000 (66,469)	40,500,000 (269,200)
		9,868,400	39,838,731	9,933,531	40,230,800
TOTAL LIABILITIES AND EQUITY		9,888,184	39,918,599	9,946,424	40,283,017
	-				

# Income statement for the year ended 31 December 2016

				Period from 2	28 April 2015
		Year er	Year ended		orporation)
		31 Decemb	per 2016	to 31 Dece	mber 2015
1	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	13	507,236	2,047,712	194,974	789,645
Allowance for bad and doubtful loans	7	(72,046)	(290,850)		
Net interest income after allowance for bad and doubtful loans		435,190	1,756,862	194,974	789,645
Other income		69,224	279,457	12,194	49,386
Personnel expenses	14	(293,622)	(1,185,352)	(108,020)	(437,481)
Depreciation and amortisation	15	(57,469)	(232,002)	(26,738)	(108,289)
General and administrative expenses	16	(212,707)	(858,698)	(136,807)	(554,069)
Loss before income tax		(59,384)	(239,733)	(64,397)	(260,808)
Income tax expense	17	(5,747)	(23,201)	(2,072)	(8,392)
Net loss for the year/period		(65,131)	(262,934)	(66,469)	(269,200)

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

	Share	Accumulated	
	Capital	Losses	Total
	US\$	US\$	US\$
Issuance of share capital	10,000,000	-	10,000,000
Net loss for the period		(66,469)	(66,469)
At 31 December 2015	10,000,000	(66,469)	9,933,531
(KHR'000 equivalents – Note 4)	40,500,000	(269,200)	40,230,800
At 1 January 2016	10,000,000	(66,469)	9,933,531
Net loss for the year	-	(65,131)	(65,131)
At 31 December 2016	10,000,000	(131,600)	9,868,400
(KHR'000 equivalents – Note 4)	40,370,000	(531,269)	39,838,731

# Statement of cash flows for the year ended 31 December 2016

			Period from	28 April 2015
	Year e	nded	(date of inc	corporation)
	31 Decem	ber 2016	to 31 Dec	ember 2015
Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net cash generated from/ (used in) operating activities 18	1,934,781	7,810,711	(9,154,528)	(37,075,838)
Cash flows from investing activities Statutory deposits with the NBC Acquisition of property and equipment Acquisition of intangible assets  Net cash used in investing activities	(2,726) (4,575) (7,301)	(11,005) (18,469) (29,474)	(500,000) (183,277) (6,960) (690,237)	(2,025,000) (742,272) (28,188) (2,795,460)
Cash flows from financing activities Proceeds from issuance of share capital	_		10,000,000	40,500,000
Net cash generated from financing activities			10,000,000	40,500,000
Net increase in cash and cash equivalents	1,927,480	7,781,237	155,235	628,702
Cash and cash equivalents at beginning of the year/period	155,235	626,683	-	
Cash and cash equivalents at end of the year/period 19	2,082,715	8,407,920	155,235 ———	628,702

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

#### 1. Reporting entity

TBB (Cambodia) Microfinance Institution Plc. ("the Company") is a public limited company incorporated in the Kingdom of Cambodia under the Registration No. Co.1506E/2015 dated 28 April 2015 issued by the Ministry of Commerce. The Company obtained its licence from the National Bank of Cambodia to operate as a micro finance institution on 12 June 2015.

The Company is a wholly owned subsidiary of Taiwan Business Bank Ltd., a public company listed in Taiwan Stock Exchange.

The principal activities of the Company are to provide loans and other financial services to local customers through its head office in Phnom Penh.

As at 31 December 2016, the Company had 13 employees (31 December 2015: 11 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 of the Company were authorised for issue by the Board of Directors on 28 April 2017.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However as the Company transacts primarily in United States Dollars ("US\$"), management has determined the US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

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

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

Estimates and underlying assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## 3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements.

#### (a) Foreign currency transactions

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.

#### (b) Financial instruments

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

#### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with banks with original maturities of three months or less and other highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## (d) Deposits and placements with the NBC

Deposits and placements with the NBC, including capital guarantee deposit, are carried at cost. Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC.

# (e) Deposits and placements with other banks

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

#### (f) Loans to customers

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

#### (g) Allowance for bad and doubtful loans

In compliance with the NBC Guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing, as follows:

Classification Number of days past due		Allowance				
Short term loans (one year o						
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%				

The general allowance for bad and doubtful loans is 1% of total outstanding loans.

The allowance is calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The allowance is recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

Loans are written off to the income statement when the loans are provisioned in full and remain unpaid after maturity date or when the proven certainty of being uncollectable loans is proven. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries on loans previously written off are disclosed as other operating income in the income statement. Reversal of previous allowance is presented in allowance expense in the income statement.

#### (h) Other assets

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

#### (i) Property and equipment

- (i) Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
- (ii) Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property and equipment is charged to profit or loss on a straight line method over their estimated useful life as follow:

. IIIanda	20%
Leasehold improvements	25%
Office equipment	50%
Information technology (IT) equipment	25%
Furniture and fittings	25%
Motor vehicles	2570

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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

## (i) Property and equipment (continued)

- (iv) Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other income" in the income statement.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

#### (j) Intangible assets

Intangible assets consist of computer software and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Acquired computer software is capitalized on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortized on the straight-line method over 2 years.

#### (k) 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 estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(f).

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 recognized in the income statement.

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

#### (ii) Non-financial assets

The carrying amounts of the Company's 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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the income statement.

#### (I) Other liabilities

Other liabilities are stated at their cost.

#### (m) Provisions

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

#### (n) Income and expense recognition

Interest income on loans, balance with the NBC and balances with other banks are recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated on daily accrual basis.

Loan fee income is calculated using the principal and the applicable fee rate and is recognised as income when the loan is disbursed to customers.

Expenses are recognised on an accrual basis.

#### (o) Operating leases

Payments made under operating leases are recognised in the income statement on a straightline basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of lease.

#### (p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or materially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax assets are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### (q) Related parties

Parties are considered to be related to the Company 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 Company 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 Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

#### 4. Translation of US\$ into KHR

The financial statements are stated in United States Dollars ("US\$"). The translations of United States Dollars amounts into Khmer Riel ("KHR") are included solely for meeting the presentation requirements pursuant to Law on Corporate Accounts, their Audit and the Accounting Profession of Cambodia and have been made using the prescribed official exchange rate of US\$1 to KHR4,037 published by the General Department of Taxation on 31 December 2016 (2015: US\$1 to KHR4,050). These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rates of exchange.

#### 5. Deposits and placements with the NBC

		As at		As at	
	- 14	31 Decer	31 December 2016		nber 2015
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Capital guarantee deposit Current account	(i) (ii)	500,000 1,374	2,018,500 5,547	500,000 323	2,025,000 1,308
		501,374	2,024,047	500,323	2,026,308

(i) The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 5% of the Company's registered share capital.

The capital guarantee deposit earns interest at the rate of 0.11% (2015: 0.11%) per annum.

(ii) Current account earns no interest.

#### 6. Deposits and placements with other banks

•	As	at	As at 31 December 2015		
	31 Decer	nber 2016			
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Fixed deposits Current accounts Savings deposits	1,500,000 282,045 297,939	6,055,500 1,138,616 1,202,780	7,509,121 137,541 4,399	30,411,940 557,041 17,816	
	2,079,984	8,396,896	7,651,061	30,986,797	

Deposits and placements with other banks are analyzed as follows:

		As at		As	at
		31 Decem	ber 2016	31 Decen	nber 2015
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a)	By maturity:				
	Within 1 month 4 to 12 months	2,079,984	8,396,896	2,651,061 5,000,000	10,736,797 20,250,000
		2,079,984	8,396,896	7,651,061	30,986,797
(b)	By interest rate (per annum):		2016		2015
	Fixed deposits Current accounts Savings accounts	0.40%-2.00% - 0.02% - 1.00%		3.58% - 4.98% - 0.02% - 1.00%	

### 7. Loans to customers - net

		As at		As	at	
		31 December 2016		31 Decei	mber 2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
	Commercial loans Mortgage loans Personal loans	5,498,835 1,694,004 11,750	22,198,797 6,838,694 47,435	1,296,997 119,335 14,750	5,252,837 483,307 59,738	
		7,204,589	29,084,926	1,431,082	5,795,882	
	Allowance for bad and doubtful loans: General	(72,046)	(290,850)			
	Loans to customers – net	7,132,543	28,794,076	1,431,082	5,795,882	
	Movements of allowance for b	nce for bad and doubtful loans to customers were as follow:				
		20	016	2015		
		US\$	KHR'000 (Note 4)	US\$ .	KHR'000 (Note 4)	
	At beginning of the year/period Allowance for the year	72,046	290,850	-	-	
	At end of the year/period	72,046	290,850	-	-	
	Gross loans to customers are a	nalyzed as foll	ows:			
		As	at	As a	at	
		31 Decen	nber 2016	31 Decem	ber 2015	
(a)	By maturity:	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
(a)	By maturity:					
	Within 1 month 2 to 3 months	150,000	- 605,550	7,042 16,524	28,520 66,922	
	4 to 12 months	1,006,000	4,061,222	454,358	1,840,150	
	Over 12 months	6,048,589	24,418,154	953,158	3,860,290	
	-	7,204,589	29,084,926	1,431,082	5,795,882	

		As at		As at	
		31 Decem	nber 2016	31 December 2015	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b)	By currency:				
	US Dollars	7,204,589	29,084,926	1,431,082	5,795,882
(c)	By economic sector: Trade and commerce Services Construction Other categories	231,470 - - 6,973,119 7,204,589	934,444 - - 28,150,482 29,084,926	1,156,332 190,000 84,750 - 1,431,082	4,683,144 769,500 343,238 - 5,795,882
(d)	By residency status: Residents	7,204,589	29,084,926	1,431,082	5,795,882
(e)	By performance Standard loans Secured	7,204,589	29,084,926	1,431,082	5,795,882
	Secured loans are those loan g	uaranteed by la	and ownership.		
(f)	By interest rate (per annum	n):	2016		2015
	Commercial loans Mortgage loans Personal loans		20% - 10.08% .56% - 8.04% 8.52%		0% - 10.08% 56% - 8.04% 8.52%

#### 8. Other assets

	As	at	As at		
	31 Decen	nber 2016	31 December 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Accrued interest receivables Rental deposit Others	31,587 28,000 8	127,517 113,036 32	168,600 28,000 8	682,830 113,400 32	
	59,595	240,585	196,608	796,262	

Furniture Motor	and fittings vehicles	\$SN \$SN		28,613 2,300	230 1,182	28,843 3,482		3,574 192	7,211 649	10,785 841	18.058 2.641	
Ŀ	equipment	\$SN		46,232	1,314	47,546		11,428	23,445	34,873	12.673	
Office	equipment	\$SN		18,587	1	18,587		1,565	4,647	6,212	12.375	
Leasehold	improvements	\$SN		87,545	1	87,545	ciation	8,239	17,509	25,748	61 797	
				At 1 January 2016	Addition	At 31 December 2016	Less: Accumulated depreciation	At 1 January 2016	Depreciation	At 31 December 2016	Carrying amounts	

Carrying amounts At 31 December 2015	At 31 December 2015	Less: Accumulated depreciation Depreciation for the period/	Additions/At 31 December 2015	S.	2015		
	115	epreciatio riod/	ber 2015			_	
79,306	8,239	5	87,545		\$SU	improvements equipment	Leasehold
17,022	1,565		18,587		US\$	equipment	Office
34,804	11,428		46,232	a :	US\$	equipment	7
25,039	3,574		28,613		\$SU	and fittings	Furniture
2,108	192		2,300		US\$	vehicles	Motor
158,279	24,998		183,277		US\$	Total	
641,030	101,242		742,272	(Note 4)	KHR'000	ta e	

# 10. Intangible assets

	201	16	2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Computer Software					
Cost					
At beginning of the year/period Addition	6,960 4,575	28,098 18,469	6,960	28,188	
At end of the year/period	11,535	46,567	6,960	28,188	
Less: Accumulated amortisa	tion				
At beginning of the year/period Amortisation	1,740 4,008	7,025 16,180	1,740	7,047	
At end of the year/period	5,748	23,205	1,740	7,047	
Carrying amounts At 31 December	5,787	23,362	5,220	21,141	

# 11. Other payables

	As	at	As at		
	31 Decem	ber 2016	31 December 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Accrued expenses	9,702	39,167	4,615	18,691	
Salary and withholding taxes payable Salary payables Other payables	6,501 3,000 140	26,245 12,111 565	4,560 2,000 446	18,468 8,100 1,806	
	19,343	78,088	11,621	47,065	

#### 12. Share capital

	As	s at	As at		
	31 Decer	mber 2016	31 December 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Registered, issued and fully 10,000 ordinary shares of	paid				
US\$1,000 each	10,000,000	40,370,000	10,000,000	40,500,000	

The Company is 100% owned by Taiwan Business Bank Ltd, which is also the Company's ultimate parent company.

According to a Circular No. B7-016-003 issued by the NBC on 16 June 2016 on the "Implementation of Prakas on minimum registered capital of banking and financial institution", Microfinance institution shall have a minimum registered capital of at least KHR6 billion (equivalent to US\$1.5 million). As at 31 December 2016, the Company has complied with the Circular issued by the NBC.

#### 13. Interest income

			Period from 28 April 2015		
	Year	ended	(date of incorporation)		
	31 December 2016		to 31 December 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Loans to customers  Deposits with other banks and NBC	383,951 123,285	1,550,010 497,702	17,211 177,763	69,705 719,940	
	507,236	2,047,712	194,974	789,645	

#### 14. Personnel expenses

			Period from 28 April 2			
	Year	ended	(date of incorporation)			
	31 Decen	nber 2016	to 31 December 2015			
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)		
Salaries and bonuses Other benefits	139,108 154,514	561,579 623,773	73,055 34,965	295,873 141,608		
	293,622	1,185,352	108,020	437,481		

# 15. Depreciation and amortization

			Period from 2	28 April 2015	
	Year	ended	(date of inc	orporation)	
	31 Decem	nber 2016	to 31 Dece	to 31 December 2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Depreciation (Note 9) Amortisation (Note 10)	53,461 4,008	215,822 16,180	24,998 1,740	101,242 7,047	
	57,469	232,002	26,738	108,289	

# 16. General and administrative expenses

			Period from 2	28 April 2015
	Year e	ended	(date of inco	orporation)
	31 Decem	ber 2016	to 31 Dece	mber 2015
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Dentel expenses	91,940	371,162	59,631	241,506
Rental expenses Professional fees	25,361	102,382	16,024	64,897
Party and entertainment expenses	5,987	24,170	15,580	63,099
	6,505	26,261	12,411	50,265
Travel expenses Stationery and utility expenses	9,313	37,597	7,444	30,148
Membership expenses	1,688	6,814	4,912	19,894
Marketing and advertising	263	1,062	1,906	7,719
Foreign exchange loss	16	65	14	57
Others	71,634	289,185	18,885	76,484
_	212,707	858,698	136,807	554,069

### 17. Income tax

### (a) Current income tax liability

	20	16	201	5
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of the year/period Current income tax expense Income tax paid	1,272 5,747 (6,578)	5,134 23,201 (26,555)	2,072 (800)	8,392 (3,240)
At end of the year/period	441	1,780	1,272	5,152

In accordance with Cambodian Law on Taxation, the Company 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.

### (b) Income tax expense

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

			Period from 2	28 April 2015		
	Year e	Year ended		(date of incorporation)		
	31 Decem	nber 2016	to 31 Dece	mber 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)		
Loss before income tax	(59,384)	(239,733)	(64,397)	(260,808)		
Income tax using statutory						
tax rate at 20%	(11,877)	(47,947)	(12,879)	(52,160)		
Non-deductible expenses Utilisation of unabsorbed	11,534	46,563	5,055	20,473		
tax losses	(12,325)	(49,756)	-	_		
Deferred tax assets not recognised	12,668	51,140	7,824	31,687		
Minimum tax	5,747	23,201	2,072	8,392		
	5,747	23,201	2,072	8,392		

### (c) Unrecognized deferred tax

Tax losses incurred in any tax year can be carried forward to offset against profit realized in the following five tax years subject to the following conditions:

- The loss must be recorded in the Tax on Profit return and submitted to the General Department of Taxation on time;
- · The business objective of the Company must not have changed;
- · The ownership of the Company must not have changed; or
- The Company must not have received a unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses are not recognised in the financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

## 18. Net cash generated from / (used in) operating activities

			Period from	28 April 2015	
	Year	ended	(date of incorporation)		
	31 Decen	nber 2016	to 31 December 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Loss before income tax Adjustments for:	(59,384)	(239,733)	(64,397)	(260,808)	
Provision for bad and doubtful loa Depreciation and amortisation Interest income		290,850 232,002 (2,047,712)	26,738 (194,974)	108,289 (789,645)	
	(437,105)	(1,764,593)	(232,633)	(942,164)	
Changes in:					
Deposit and placements with other banks Loans to customers Other assets Other payables	7,500,000 (5,773,507) - 7,722	30,277,500 (23,307,648) - 31,174	(7,500,000) (1,431,082) (28,008) 11,621	(30,375,000) (5,795,882) (113,432) 47,065	
Cash generated from/(used in)	)				
operations Interest received Income tax paid	1,297,110 644,249 (6,578)	5,236,433 2,600,833 (26,555)	(9,180,102) 26,374 (800)	(37,179,413) 106,815 (3,240)	
Net cash generated from/ (used in) operating activities	1,934,781	7,810,711	(9,154,528)	(37,075,838)	

# 19. Cash and cash equivalents

	As	at	As	at
	31 Decen	nber 2016	31 Decem	ber 2015
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand Deposits and placements	1,357	5,478	3,851	15,597
with the NBC (Note 5) Deposits and placements with other banks, with original	1,374	5,547	323	1,308
maturity of less than 3 months	2,079,984	8,396,895	151,061	611,797
	2,082,715	8,407,920	155,235	628,702

# 20. Related party transactions

			Period from	1 28 April 2015	
	Year	ended	(date of incorporation)		
	31 Decer	nber 2016	to 31 Dec	ember 2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Taiwan Business Bank Ltd.					
Capital contribution	-	-	10,000,000	40,500,000	
=	======================================			-	
Key management remuneration	1				
Salary and related expenses	194,287	784,337	26,699	108,131	
=					

### 21. Commitments and contingencies

### (a) Operations

As at 31 December 2016, commitment in respect of lease agreement for office and motor vehicles are as follows:

	As	at	As	As at		
	31 Decen	31 December 2016		nber 2015		
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)		
Within 1 year From 1 to 5 years	34,500	139,277	90,500 28,000	366,525 113,400		
∞	34,500	139,277	118,500	479,925		

### (b) Taxation contingencies

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

These facts may create tax risks in Cambodia materially 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 could be significant.

### 22. Financial risk management

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

### (a) Credit risk

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

### (a) Credit risk (continued)

### (i) Management of credit risk

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with the NBC Guidelines.

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

The Company operates and provides loans to group, individuals or enterprises within the Kingdom of Cambodia. The Company 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 2% for individual loans and 3% for group loans of the Company's net worth under the conditions of Prakas No. B7-07-163 of the NBC.

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

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

### (iii) Exposure to credit risk

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

	As	s at	As at		
	31 Decer	mber 2016	31 Decen	nber 2015	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	
Loans to customers neither past due nor impaired	7,204,589	29,084,926	1,431,082	5,795,882	

### Impaired loans to customers

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers. In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loan to customers with payment overdue more than 29 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(g).

### 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.

### Neither past due nor impaired

Neither past due nor impaired loans to customers are good quality loans to customers for which there is no experience of default and management views that likelihood of default is relatively low.

### (b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

### (c) Market risk

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

### (i) Foreign currency exchange risk

The Company's revenue is principally earned in US\$. The Company's expenditure is principally paid in US\$. Monetary assets and liability are significantly dominated in US\$. The Company does not therefore have significant exposure to foreign currency risk.

### (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. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

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

# (c) Market risk (continued)

(ii) Interest rate risk (continued)	Up to	1 3	3-12	1 5	Over 5	Non-interest	
31 December 2016	1 month US\$	months US\$	months US\$	years US\$	years US\$	sensitive US\$	Total US\$
Financial assets							
Cash on hand	ï	•	1	•	A STATE OF THE STA	1,357	1,357
Deposits and placements with the NBC (*)	1	1	I		•	1,374	1,374
Deposits and placements with other banks	1,797,939	•	·	•	Ī	282,045	2,079,984
Loans to customers	•	150,000	1,006,000	206,333	5,842,256	•	7,204,589
Other assets (***)	T	ï	<b>I</b>	1	1	31,587	31,587
	1,797,939	150,000	1,006,000	206,333	5,842,256	316,363	9,318,891
Financial liabilities							
Other payables (**)	•			•	1	12,842	12,842
Re-pricing gap	1,797,939	150,000	1,006,000	206,333	5,842,256	303,521	9,306,049
Re-pricing gap (KHR'000 – Note 4)	7,258,280	605,550	4,061,222	832,966	23,585,187	1,225,314	37,568,519

<sup>(\*)</sup> Exclude statutory deposits. (\*\*) exclude non-financial assets and liabilities.

# (c) Market risk (continued)

(ii) Interest rate risk (continued)

¥										
Exclude statutory deposits (**) exclude non-financial assets and link-liking	Re-pricing gap (KHR'000 – Note 4)	Re-pricing gap	Other payables (**)	Financial liabilities		Other assets (**)	Deposits and placements with banks  Loans to customers	Cash on hand  Deposits and placements with the NRC (*)	Financial assets	31 December 2015
in bac atops leione	10,208,276	2,520,562			2,520,562	7,04,	2,513,520 7,042		US\$	Up to 1 month
	66,922	16,524			16,524	16,524		ı	US\$	1-3 months
	22,090,150	5,454,358	1		5,454,358	454,358	5,000,000		US\$	3 – 12 months
	1,587,527	391,982	į		391,982	391,982	1 1	ı	US\$	1 – 5 Vears
	2,272,763	561,176			561,176	561,176 -			\$SU	Over 5
	1,228,171	303,252	7,063		310,315	168,600	323 137,541	3,851	US\$	Non-interest
	37,453,809	9,247,854	7,063		9,254,917	1,431,082 168,600	323 7,651,061	3,851	US\$	H 2 2 2

3 ery acpusits. ( ) exclude nor hinancial assets and liabilities.

### (c) Market risk (continued)

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

Fair value sensitivity analysis for fixed-rate instruments

The Company 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 Company does not have variable-rate instruments. Therefore, cash flow sensitivity analysis is not prepared.

### (d) Liquidity risk

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

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

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

	As at		As at		
	31 Decembe	r 2016	31 December 2015		
	Less than 1 month US\$	Total US\$	Less than 1 month US\$	Total US\$	
Other payable	12,842	12,842	7,063	7,063	

### (e) Capital management

### (i) Regulatory capital

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

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

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

### (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.

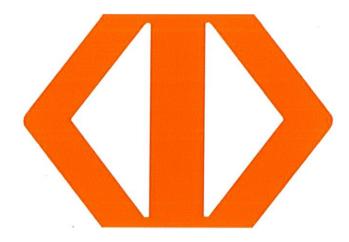
### 23. Fair values of assets and liabilities

The Company has not disclosed the fair value information for the financial assets and financial liabilities because their carrying amounts are a reasonable approximation of the fair value.

### 24. Events since the reporting date

On 13 March 2017, the NBC issued Prakas No. B7-017-109 to cap the interest rate to a maximum of 18% per annum for any maturity of loan. This Prakas is effective for new loan contract including restructured loan +and/or refinancing loans with signature and/or finger-printed from 1 April 2017.

# **TBBMFI's Address**



### **Head Office**

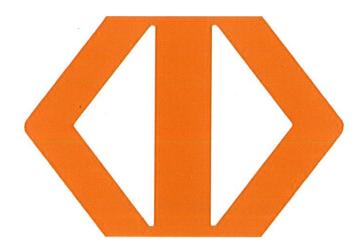
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